THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 4 of this Circular apply *mutatis mutandis* to this cover.

ACTION REQUIRED BY SHAREHOLDERS:

1. This entire Circular is important and should be read with particular attention to the section entitled "*Action required by Shareholders*", which commences on page 2.
2. If you are in any doubt as to what action to take, you should consult your broker, CSDP, banker, accountant, attorney or other professional advisor immediately.
3. If you have disposed of all your AEEI Shares, please forward this Circular, the attached application for electronic participation at the General Meeting (*white*) and the attached form of proxy (*grey*) to the purchaser to whom, or the broker, CSDP or other agent through whom, the disposal was effected.

AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1996/006093/06)
Share code: AEE, ISIN: ZAE000195731
("**AEEI**" or "the **Company**")

CIRCULAR TO SHAREHOLDERS

relating to the proposed issuing by the Company's subsidiary, AYO Technology, of the Issue Shares to Invited Investors in conjunction with the anticipated Listing of AYO Technology on the JSE main board, such Share Issue constituting a category 1 disposal by the Company in terms of the JSE Listings Requirements;

and incorporating:

- the Notice of General Meeting of AEEI Shareholders;
- an application for electronic participation at the General Meeting (*white*); and
- a form of proxy in respect of the General Meeting (*grey*) for use by Certificated Shareholders and Dematerialised Shareholders with "own-name" registration only.

AEEI Corporate Finance	PSG CAPITAL	Grant Thornton	WEBBER WENTZEL in alliance with Linklaters
Corporate Advisory	**Sponsor and Transaction Advisor**	**Auditor and Independent Reporting Accountant**	**Attorneys**

Date of issue: Friday, 10 November 2017

Copies of this Circular are available in English only and may, from Friday, 10 November 2017 until the date of the General Meeting (both days inclusive), be obtained during normal business hours from the registered office of AEEI, the offices of PSG Capital and the Transfer Secretaries at their respective addresses set out in the Corporate Information section of this Circular. A copy of this Circular will also be available on the Company's website (www.aeei.co.za).

CORPORATE INFORMATION

Directors
Reverend Dr Vukile Charles Mehana (Chairman)*#
Khalid Abdulla (Chief executive officer)
Chantelle Ah Sing (Chief financial officer)
Cherie Felicity Hendricks (Corporate affairs and sustainability director)
Salim Young (Deputy chairman)*#
Johannes Mihe Gaomab*#
Aziza Begum Amod*#
Zenariah Barends*#
Takudzwa Tanyaradzwa Hove*#

* non-executive
\# independent

Company secretary
Nobulungisa Mbaliseli

Registered address of AEEI and AYO Technology
Quay 7, Breakwater Boulevard, East Pier
Victoria and Alfred Waterfront
Cape Town, 8001
(PO Box 181, Cape Town, 8000)

Place of incorporation: South Africa

Transfer secretaries
Link Market Services South Africa Proprietary Limited
(Registration number 2000/007239/07)
13th Floor
19 Ameshoff Street
Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000)

Auditor and Independent Reporting Accountant
Grant Thornton Cape Incorporated
(Registration number 2010/016246/07)
123 Hertzog Blvd
Cape Town, 8001
(PO Box 2275, Cape Town, 8000)

Sponsor and transaction advisor
PSG Capital Proprietary Limited
(Registration number 2006/015817/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

and at:

2nd Floor, Building 3, 11 Alice Lane
Sandhurst
Sandton 2196
(PO Box 650957, Benmore 2010)

and

Attorneys
Webber Wentzel
90 Rivonia Road
Sandton
2196
(PO Box 61771, Marshalltown Johannesburg 2107)

and

15th Floor, Convention Tower
Heerengracht, Foreshore
Cape Town, 8001
(PO Box 3667, Cape Town, 8000)

Corporate advisory
AEEI Corporate Finance Proprietary Limited
(Registration number 2015/402199/07)
Quay 7, East Pier
V&A Waterfront
Cape Town, 8000
(PO Box 181, Cape Town)

TABLE OF CONTENTS

The definitions and interpretations commencing on page 4 of this Circular apply to this table of contents.

ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 4 of this Circular apply to this section headed "*Action required by Shareholders*".

This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to what action to take, please consult your broker, CSDP, banker, attorney, accountant or other professional advisor immediately. If you have disposed of all of your AEEI Shares, this Circular should be handed to the purchaser to whom, or the CSDP, broker or other agent through whom, the disposal was effected.

A General Meeting of AEEI Shareholders will be held at AEEI's head office, at Premier Fishing, Quay 7, Breakwater Boulevard, East Pier, Victoria & Alfred Waterfront, Cape Town at 10:00 on Friday, 8 December 2017, at which General Meeting AEEI Shareholders will be requested to consider and, if deemed fit, to pass, with or without modification, the resolutions set out in the Notice of General Meeting attached to this Circular.

1. DEMATERIALISED SHAREHOLDERS WITHOUT "OWN-NAME" REGISTRATION

1.1 **Voting at the General Meeting**

1.1.1 If you do not wish to, or are unable to, attend the General Meeting and you have not been contacted by your CSDP or broker, it is advisable for you to contact your CSDP or broker immediately and furnish your CSDP or broker with your voting instructions in the manner and by the cut-off time stipulated by your CSDP or broker in terms of the custody agreement between you and your CSDP or broker.

1.1.2 If your CSDP or broker does not obtain voting instructions from you, your CSDP or broker will be obliged to act in accordance with the instructions contained in the custody agreement between you and your CSDP or broker.

1.1.3 You must <u>not</u> complete the attached form of proxy (*grey*).

1.2 **Attendance and representation at the General Meeting**

1.2.1 In accordance with the custody agreement between you and your CSDP or broker, you must advise your CSDP or broker if you wish to:

1.2.1.1 attend, speak and vote at the General Meeting; or

1.2.1.2 send a proxy to represent you at the General Meeting.

1.2.2 Your CSDP or broker should then issue the necessary letter of representation to you for you or your proxy to attend, speak and vote at the General Meeting.

2. CERTIFICATED SHAREHOLDERS OR DEMATERIALISED SHAREHOLDERS WITH "OWN-NAME" REGISTRATION

You may attend, speak and vote at the General Meeting in person (or, if you are a company or other body corporate, be represented by a duly authorised natural person). Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached form of proxy *(grey)* in accordance with its instructions and returning it to the Transfer Secretaries at 13th Floor, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000), to be received by them no later than 10:00 on Wednesday, 6 December 2017, provided that any form of proxy not delivered to the Transfer Secretaries by this time may be handed to the chairman of the general meeting prior to the commencement of the general meeting, at any time before the appointed proxy exercises any shareholder rights at the general meeting.

SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 4 *of this Circular apply to this section.*

	Date
Record date to determine which Shareholders are eligible to receive notice of the General Meeting	Friday, 3 November 2017
Circular incorporating Notice of General Meeting, application for electronic participation at the General Meeting and form of proxy, posted to AEEI Shareholders	Friday, 10 November 2017
Distribution of the Circular and notice convening the General Meeting announced on SENS on	Friday, 10 November 2017
Distribution of the Circular and notice convening the General Meeting announced in the press on	Monday, 13 November 2017
Last day to trade in order to be eligible to vote at the General Meeting	Tuesday, 28 November 2017
Record date to be eligible to vote at the General Meeting	Friday, 1 December 2017
Last day to lodge forms of proxy in respect of the General Meeting at 10:00 on	Wednesday, 6 December 2017
General Meeting of AEEI Shareholders held at 10:00 on	Friday, 8 December 2017
Results of the General Meeting released on SENS on	Friday, 8 December 2017
Publication of AYO Technology pre-listing statement anticipated to occur on or about	Dependent on market conditions but within 12 months of the date of issue of the Circular
Listing of AYO Technology on the main board of the JSE (**subject to JSE approval**)	Dependent on market conditions but within 12 months of the date of issue of the Circular
Share Issue by AYO Technology to occur on	Listing Date

Notes:

1. The above dates and times are subject to change. Any material changes will be released on SENS.
2. All times quoted in this Circular are local times in South Africa.
3. If the General Meeting is adjourned or postponed, forms of proxy submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting unless the contrary is stated on such forms of proxy.
4. The Listing Date will be announced on SENS when determined.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless the context indicates a contrary intention, a word or an expression which denotes any gender includes the other genders, a natural person includes a juristic person and vice versa, the singular includes the plural and *vice versa* and the following words and expressions bear the meanings assigned to them below:

"AEEI" or "the Company"	African Equity Empowerment Investments Limited (registration number 1996/006093/06), a public company incorporated under the laws of South Africa, the shares of which are listed on the JSE;
"AEEI Group" or "Group"	collectively, AEEI and its subsidiaries;
"AEEI Shareholders" or "Shareholders"	registered holders of AEEI Shares;
"AEEI Shares" or "Shares"	"B" class ordinary shares with no par value in AEEI;
"AYO Technology" or "AYO"	AYO Technology Solutions Limited (previously known as Sekunjalo Technology Solutions Limited) (registration number 1996/014461/06), a public company incorporated under the laws of South Africa, which is a Major Subsidiary of the Company;
"cents"	South African cents, in the official currency of South Africa;
"Certificated"	in relation to a Share of a company, such Share as evidenced by a Document of Title;
"Certificated Shareholder"	a Shareholder who holds Certificated Shares;
"Certificated Shares"	Shares that have been Certificated;
"Circular"	this circular to Shareholders, dated Friday, 10 November 2017, together with the annexures hereto, and including the Notice of General Meeting, the application for electronic participation at the General Meeting *(white)* and the form of proxy (*grey*) in relation to the General Meeting;
"Companies Act"	the Companies Act, No. 71 of 2008, as amended from time to time;
"Conditions Precedent"	the conditions precedent to the Share Issue, as set out in paragraph 5 of this Circular;
"CSDP"	a Central Securities Depository Participant, as defined in the Financial Markets Act;
"Dematerialise" or "Dematerialised" or "Dematerialisation"	the process by which Certificated shares are converted into an electronic format as Dematerialised shares and recorded in a company's uncertificated securities register administered by a CSDP;
"Dematerialised Shareholder"	a Shareholder who holds Dematerialised Shares;
"Dematerialised Shares"	Shares that have been Dematerialised;
"Directors" or "Board"	the directors of AEEI as at the Last Practicable Date, whose names are set out in the Corporate Information section of the Circular;
"Documents of Title"	share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the Shares in question acceptable to the Directors;
"Financial Markets Act"	the Financial Markets Act, No. 19 of 2012, as amended from time to time;
"General Meeting"	the general meeting of AEEI Shareholders to be held at 10:00 on Friday, 8 December 2017 at AEEI's head office, at Premier Fishing, Quay 7, Breakwater Boulevard, East Pier, Victoria & Alfred Waterfront, Cape Town, to consider and, if deemed fit, approve the resolutions set out in the Notice of General Meeting;
"Independent Reporting Accountant"	Grant Thornton Cape Incorporated (registration number 2010/016246/07), particulars of which appear in the Corporate Information section of the Circular;
"Issue Price"	the price per share at which the Issue Shares are to be issued in terms of the Share Issue, which shall be between the range of R28.00 per Issue Share and R43.00 per Issue Share;
"Issue Shares"	up to a maximum of 134 129 082 ordinary shares to be issued by AYO Technology at the Issue Price, in terms of the Share Issue and in conjunction with the Listing, such Issue Shares representing, following their issue, up to 51% of the issued ordinary shares of AYO Technology;

"Invited Investors"	those specifically identified investors, including financial institutions, selected retail investors and selected private clients, whom will be invited to subscribe for the Issue Shares in terms of a private placement to be undertaken prior to Listing, it being recorded that only persons who fall within any of the categories envisaged in section 96(1)(a) of the Companies Act or who subscribe for Issue Shares, the subscription cost of which exceeds R1 000 000 per single addressee acting as principal (as contemplated in section 96(1)(b) of the Companies Act), are entitled to participate in the Share Issue, and related parties will not be entitled to participate;
"JSE"	the exchange, licensed under the Financial Markets Act, operated by the JSE Limited (registration number 2005/022939/06), a public company incorporated under the laws of South Africa;
"JSE Listings Requirements"	the Listings Requirements of the JSE, as amended from time to time;
"Kilomax"	Kilomax Investments Proprietary Limited (registration number 2008/023018/07), a private company incorporated under the laws of South Africa, being a Major Subsidiary of AEEI;
"Last Practicable Date"	the last practicable date prior to the finalisation of this Circular, being Tuesday, 31 October 2017;
"Listing"	subject to the approval of the JSE, the listing of all the issued ordinary shares of AYO Technology on the JSE main board, with the Listing being subject to the approval by AEEI Shareholders of the Share Issue at the General Meeting;
"Listing Date"	the date on which the Listing occurs; which date is dependent on market conditions but will be within 12 months of the issue date of this Circular;
"Major Subsidiary"	a major subsidiary, as defined in the JSE Listings Requirements, meaning a subsidiary that represents 25% or more of total assets or revenue of the consolidated Group, comprising, as at the date of this Circular, Premier Fishing, Kilomax and AYO Technology;
"Notice of General Meeting"	the notice of the General Meeting of Shareholders forming part of this Circular;
"PFB"	Premier Fishing and Brands Limited (registration number 1998/018598/06), a public company incorporated under the laws of South Africa;
"Premier Fishing"	Premier Fishing SA Proprietary Limited (registration number 1952/002671/07), a private company incorporated under the laws of South Africa, having AEEI as its ultimate holding company;
"PSG Capital" or "Sponsor and Transaction Advisor"	PSG Capital Proprietary Limited (registration number 2006/015817/07), a private company incorporated under the laws of South Africa, particulars of which appear in the Corporate Information section of the Circular;
"Rand" or "R"	South African Rand, the official currency of South Africa;
"Register"	the register of Certificated Shareholders maintained by the Transfer Secretaries on behalf of the Company and the sub-register of Dematerialised Shareholders maintained by the relevant CSDPs in terms of the Companies Act;
"SENS"	the Stock Exchange News Service of the JSE;
"Share Issue"	the issue by AYO Technology of the Issue Shares at the Issue Price, as referred to in paragraph 4 of the Circular, such issue to occur on the Listing Date;
"South Africa"	the Republic of South Africa;
"Strate"	Strate Proprietary Limited (registration number 1998/022242/07), a private company incorporated under the laws of South Africa, a central securities depository licensed in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system provided to the JSE;
"Transfer Secretaries" or "Link Market Services"	Link Market Services South Africa Proprietary Limited (Registration number 2000/007239/07), a private company incorporated under the laws of South Africa, particulars of which appear in the Corporate Information section of the Circular; and
"Webber Wentzel"	Webber Wentzel attorneys, the particulars of which appear in the "Corporate Information" section of this Circular.

AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1996/006093/06)
Share code: AEE, ISIN: ZAE000195731
("**AEEI**" or "**the Company**")

Directors

Reverend Dr Vukile Charles Mehana (Chairman)*#
Khalid Abdulla (Chief executive officer)
Chantelle Ah Sing (Chief financial officer)
Cherie Felicity Hendricks (Corporate affairs and sustainability director)
Salim Young (Deputy chairman)*#
Johannes Mihe Gaomab*#
Aziza Begum Amod*#
Zenariah Barends*#
Takudzwa Tanyaradzwa Hove*#

* non-executive
\# independent

CIRCULAR TO SHAREHOLDERS

1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

1.1 AEEI is a majority black-owned and black-controlled investment holding company based in South Africa and is a subsidiary of Sekunjalo Investment Holdings Proprietary Limited. The Group holds strategic investments in BT Communication Services South Africa, Saab Grintek Defence, Pioneer Foods and Sygnia, some with international partners. AEEI also have investments in fishing and brands, technology, health and beauty, biotherapeutics, and events and tourism, all supporting Broad-based Black Economic Empowerment and small, medium and micro enterprises.

1.2 AEEI wishes to list its technology assets and holdings on the JSE main board, via its subsidiary AYO Technology.

1.3 As a condition to the Listing and in order to provide AYO Technology with additional capital to fund its further expansion, it is proposed that AYO Technology will, on the Listing Date, issue the Issue Shares to Invited Investors by way of a private placement, thereby raising between R3.7 billion and R5.7 billion. AEEI's shareholding in AYO Technology will, as a result of the Share Issue, reduce from 80.03% to approximately 49%. The Listing is subject to the approval of the JSE.

1.4 The Share Issue by AYO Technology will constitute a category 1 disposal by AEEI in terms of the JSE Listings Requirements and, accordingly, requires the approval of AEEI Shareholders.

1.5 The purpose of this Circular is to:

1.5.1 provide Shareholders with information regarding the Share Issue and the manner in which it will be implemented, so as to enable Shareholders to make an informed decision in respect of the resolutions set out in the Notice of General Meeting enclosed with this Circular; and

1.5.2 convene a General Meeting of Shareholders in order to consider and, if deemed fit, approve the Share Issue.

2. RATIONALE

The Share Issue and Listing will provide AYO Technology with access to capital in order to grow its business, both organically and by way of future acquisitions, to the benefit of AEEI and its other shareholders. In addition, the Listing will allow AYO Technology to use listed scrip to fund future acquisitions. Following the Listing, AYO Technology's employees and members of communities in which it operates, as well as the general public will be able to acquire an equity stake in AYO Technology, so as to share in its potential success in future. AYO Technology shareholders will, following the Listing, hold a liquid, tradeable asset within a regulated environment, with a market-determined share price.

3. BACKGROUND

3.1 A diagram setting out the current structure of AYO Technology appears in **Annexure 5** of the Circular.

3.2 AYO Technology is an empowered information, technology, and communications ("ICT") Group. It was established in 1996.

3.3 Through its divisions, subsidiaries and associates, AYO Technology provides solutions to both the public and private sector within South Africa and abroad, with its private sector customer base comprising mostly blue chip multinationals. AYO Technology maintains strong relationships and agreements with companies such as Nokia, Siemens, Intersystems, Cisco, Microsoft, IBM and Riverbed, and provides them with continuous access to up to date technologies.

3.4 AYO Technology has grown both organically and acquisitively and is now positioned as an empowered ICT Group of scale, offering end to end technology solutions across multiple industries.

4. SHARE ISSUE

4.1 As a condition to the Listing and in order to provide AYO Technology with additional capital to fund its future expansion, it is proposed that AYO Technology will, on the Listing Date, issue the Issue Shares to Invited Investors for the Issue Price. AEEI's shareholding in AYO Technology will, as a result of the Share Issue, reduce from 80.03% to approximately 49%.

4.2 The Share Issue will be subject to the fulfilment (or, where applicable, waiver) of the Conditions Precedent.

4.3 The Issue Shares are to be issued through a private placement.

4.4 In aggregate, Issue Shares constituting sufficient shares to satisfy the JSE will be issued to public shareholders (as such term is contemplated in the JSE Listings Requirements), to ensure that AYO Technology complies with the JSE's spread requirements for main board listed companies.

5. CONDITIONS PRECEDENT

5.1 The Share Issue is subject to the following Conditions Precedent:

5.1.1 that the Share Issue be approved by AEEI Shareholders in accordance with the requirements of the JSE Listings Requirements;

5.1.2 that all board and shareholder approvals required in respect of the Share Issue, be obtained from the Directors and shareholders of AYO Technology;

5.1.3 that any regulatory approvals (which may be required) have been obtained; and

5.1.4 that the JSE approves the Listing of AYO Technology on the JSE main board.

6. FINANCIAL INFORMATION

6.1 Historical financial information

The audited consolidated financial statements of AYO Technology for the last three financial years ended 31 August 2015, 31 August 2016 and 31 August 2017 appear in **Annexure 1**, while the Independent Reporting Accountant's report thereon appears in **Annexure 2**.

6.2 *Pro forma* financial effects

The purpose of the tables below is to illustrate the *pro forma* financial effects of the Share Issue, should it occur at an Issue Price of between R28.00 and R 43.00 per Issue Share, and such *pro forma* financial effects, as set out below, are the responsibility of the Directors. The *pro forma* financial effects are presented in a manner consistent with the basis on which the historical financial information of AEEI has been prepared and in terms of AEEI's accounting policies. The *pro forma* financial effects have been presented for illustrative purposes only and, because of their nature, may not fairly present AEEI's financial position, changes in equity, results of operations or cash flows post the implementation of the Share Issue.

These *pro forma* financial effects as set out below should be read in conjunction with the *pro forma* statement of financial position and statement of comprehensive income, as set out in **Annexure 3** together with the assumptions upon which the financial effects are based, as indicated in the notes thereto in **Annexure 3**.

The Independent Reporting Accountants' report on the *pro forma* financial information appears in **Annexure 4** to this Circular.

Pro forma A financial effects, should the Share Issue occur at an Issue Price of R28.00 per Issue Share

	Audited 31 August 2017 – Before Share Issue cents	*Pro forma* adjustment – Share Issue cents	*Pro forma* financial information after Share Issue cents	% Change
Earnings per share	97.10	(1.27)	95.83	(1.31)
Headline earnings per share	94.89	(1.27)	93.62	(1.34)
Net asset value per share	260.00	735.40	995.40	282.85
Tangible net asset value per share	164.96	735.40	900.36	445.81

Notes: Shareholders are referred to the notes and assumptions to the above *pro forma* information, as detailed in **Annexure 3** to this Circular.

Pro forma B financial effects, should the Share Issue occur at an Issue Price of R43.00 per Issue Share

	Audited 31 August 2017 – Before Share Issue cents	*Pro forma* adjustment – Share Issue cents	*Pro forma* financial information after Share Issue cents	% Change
Earnings per share	97.10	(1.27)	95.83	(1.31)
Headline earnings per share	94.89	(1.27)	93.62	(1.34)
Net asset value per share	260.00	1 144.88	1 404.88	440.34
Tangible net asset value per share	164.96	1 144.88	1 309.84	694.03

Notes: Shareholders are referred to the notes and assumptions to the above *pro forma* information, as detailed in **Annexure 3** to this Circular.

7. DIRECTORS

7.1 Directors' service contracts

Permanent employment agreements are in place for the executive Directors and include standard termination and other provisions for contracts of this nature. No restraint of trade payments have been paid or are payable to any Directors.

7.2 Directors' remuneration and benefits

There will be no variation in the remuneration or benefits receivable by any of the Directors (including proposed remuneration or benefits of any Director) as a consequence of the Share Issue. However, the introduction, in conjunction with the Listing, by AYO Technology of a JSE Listings Requirements compliant share incentive scheme for Directors and senior management is currently being considered.

7.3 Directors' interests

7.3.1 As at the Last Practicable Date, the following Directors (including persons who resigned as Directors within the last 18 months) and associates of such Directors held a beneficial or non-beneficial interest, whether directly or indirectly, in AEEI Shares:

Director	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total %
K Abdulla	1 575 316	–	5 500 000	7 534 390	2.65
CR Ah Sing	350 000	–	–	–	0.07
CF Hendricks	265 000	–	–	–	0.05
Reverend Dr VC Mehana	250 000	–	–	–	0.05
T Hove	31 794	–	–	–	0.00
Z Barends	1 000	–	–	–	0.00
Total	2 473 110	–	5 500 000	7 534 390	2.82

7.3.2 There has been no change in the interests held by Directors, as set out in the table at paragraph 7.3.1 above, between the end of the Company's previous financial year ended 31 August 2017 and the Last Practical Date.

7.3.3 Save for being a Shareholder of AEEI, no Director of AEEI and no director of any of its subsidiaries, (including a director who has resigned during the last 18 months) has or had any material beneficial interest, directly or indirectly, in any transactions that were effected by AEEI:

7.3.3.1 during the current or immediately preceding financial year; or

7.3.3.2 in any previous financial year which remains in any respect outstanding or unperformed.

8. OTHER RELATED MATTERS

8.1 Prospects

8.1.1 The AEEI Group continues to build a 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 the Group's Vision 2020 Vision strategic plan and the Group is well on track in achieving its strategic goals by the 2020 financial year, which include:

8.1.1.1 doubling revenue;

8.1.1.2 substantially increasing operating profit;

8.1.1.3 significantly increasing operational cash flow;

8.1.1.4 significantly increasing net asset value;

8.1.1.5 the successful listing of the fishing and brands businesses via its subsidiary, PFB; and

8.1.1.6 creating employment and opportunities for employee growth.

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

8.1.3 AYO Technology is well positioned for growth over the next three to five years and into the future. The growth will be driven both organically and through a combination of acquisitions of new businesses, partnerships and sourcing innovative technologies within its existing portfolio.

8.1.4 AYO Technology's vision is to combine leading industry solutions and services together in order to provide digital innovation that will help enable its customers to achieve their business objectives and gain a competitive advantage through successful digital transformation.

8.2 Material changes

There have been no material changes in the financial or trading position of the AEEI Group, including AYO Technology, since the publication of its annual financial results for the year ended 31 August 2017.

8.3 **Material contracts**

8.3.1 Neither AEEI, nor AYO Technology or any other Major Subsidiary has entered into any material contracts (being restrictive funding arrangements and/or contracts entered into otherwise than in the ordinary course of business) (i) within a period of two years prior to the date of the Circular; or (ii) at any time, where such agreements contain an obligation or settlement that is material to AEEI or its subsidiaries at the date of the Circular.

8.3.2 There have been no acquisitions of material assets by AYO Technology or any of its subsidiaries during the three years prior to the date of this Circular.

8.4 **Material borrowings**

Details of material borrowings of AYO Technology and its subsidiaries are disclosed in **Annexure 7** of this Circular. The Share Issue will not result in any change in the material borrowings of the AEEI Group.

8.5 **Major shareholders**

8.5.1 The table below lists those persons, other than Directors, who are, as far as the Company is aware, beneficially interested, as at the Last Practicable Date, directly or indirectly, in 5% or more of the AEEI Shares in issue.

Name of Shareholder	Number of Shares held	% of Shares in issue
Sekunjalo Investment Holdings Proprietary Limited ("SIHL")	300 552 582	61.17%
Miramare Investments Proprietary Limited ("Miramare")	46 439 801	9.45%
Total	346 992 383	70.62%

Note: – SIHL is an entity controlled by Dr. M I Survè;

– Miramare is an entity that is controlled by a private family that is not related to the Company or its directors.

8.5.2 There has been no change in controlling shareholder(s) or trading objects of AEEI and its Major Subsidiaries in the last five years prior to the Last Practicable Date.

9. GENERAL MEETING AND IRREVOCABLE UNDERTAKINGS

9.1 The General Meeting of AEEI Shareholders will be held at AEEI's head office, at Premier Fishing, Quay 7, Breakwater Boulevard, East Pier, Victoria & Alfred Waterfront, Cape Town at 10:00 Friday, 8 December 2017, at which General Meeting AEEI Shareholders will be requested to consider and, if deemed fit, to pass, with or without modification, the resolutions set out in the Notice of General Meeting attached to this Circular.

9.2 As at the Last Practicable Date, the AEEI Shareholders listed in the table at paragraph 8.5.1 above have provided irrevocable undertakings to vote all Shares held by them (as reflected in that table) in favour of the Share Issue at the General Meeting.

10. WORKING CAPITAL STATEMENT

The Directors are of the opinion that the working capital available to the AEEI Group is sufficient for the AEEI Group's present working capital requirements and will, post-implementation of the Share Issue, be adequate for at least 12 months from the date of issue of this Circular.

11. LITIGATION STATEMENT

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the Company is aware, which may have or have over the previous 12 months had a material effect on the financial position of the AEEI Group, including AYO Technology.

12. EXPENSES

The estimated costs of the Share Issue and the Listing, including preparing and distributing this Circular, holding the General Meeting and implementing the Share Issue, including the fees payable to professional advisors, are approximately R77.3 million, excluding VAT, and include the following:

Expenses	R'000
Sponsor and transaction advisor – PSG Capital	1 500
Placement fees – PSG Capital	14 500
Placement fees – AEEI Corporate Finance	57 700
Independent Reporting Accountant – Grant Thornton	600
Legal costs – Webber Wentzel	1 000
JSE documentation fees	148
JSE listing fees (listing of AYO)	1 226
Printing and postage costs	275
Transfer secretaries – Link Market Services	110
Announcements and publication – Greymatter & Finch	137
Contingency	137
Estimated total	**R77 333**

13. DIRECTORS' RECOMMENDATION

13.1 The Directors have considered the terms and conditions of the Share Issue and are of the opinion that the Share Issue is in the interest of Shareholders.

13.2 The Directors recommend that Shareholders vote in favour of the resolutions to be proposed at the General Meeting, as detailed in the Notice of General Meeting.

13.3 The Directors, in their personal capacities, intend to vote the Shares held by them in favour of the resolutions to be proposed at the General Meeting.

14. ADVISORS

The parties referred to in the Corporate Information section of this Circular have consented in writing to act in the capacities stated and to their names being stated in the Circular and, in the case of the Independent Reporting Accountants, have consented to the inclusion of their reports, and to the references to their reports, in the form and context in which they appear, and have not withdrawn their consents prior to the publication of the Circular.

15. CONFLICTS

As indicated in this Circular, PSG Capital fulfils the functions of sponsor and transaction advisor to the Company. It is PSG Capital's opinion that the performance of these functions does not represent a conflict of interest for PSG Capital, impair PSG Capital's independence from the Company or impair PSG Capital's objectivity in its professional dealings with the Company or in relation to the matters contemplated in this Circular.

16. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are given in the Corporate Information section of this Circular, collectively and individually accept full responsibility for the accuracy of the information furnished relating to this Circular and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made, and that this Circular contains all information required by law and the JSE Listings Requirements.

17. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection by Shareholders during normal business hours at the Company's registered office and at the offices of the Company's sponsor, PSG Capital, the details of which appear in the Corporate Information section of this Circular, from Friday, 10 November 2017 until the date on which the General Meeting is held (both days inclusive):

17.1 the memorandum of incorporation of AEEI and its Major Subsidiaries;

17.2 the audited annual financial statements of AEEI for the three financial years ended 31 August 2015, 31 August 2016 and 31 August 2017;

17.3 the audited consolidated financial statements of AYO Technology for the three financial years ended 31 August 2015, 31 August 2016 and 31 August 2017, as reproduced at **Annexure 1** to this Circular;

17.4 the following reports by the Independent Reporting Accountants:

17.4.1 Independent Reporting Accountants' report on the historical financial information of AYO Technology, as reproduced in **Annexure 2** of this Circular;

17.4.2 Independent Reporting Accountants' report on the *pro forma* financial information of AEEI, as reproduced in **Annexure 4** of this Circular;

17.5 all consent letters referred to in paragraph 14 of this Circular;

17.6 employment agreements with executive Directors;

17.7 copies of the irrevocable undertakings received from AEEI Shareholders, as listed in paragraph 9.2 of this Circular; and

17.8 a copy of this Circular, including all annexures hereto.

SIGNED AT CAPE TOWN ON FRIDAY, 10 NOVEMBER 2017 ON BEHALF OF ALL THE DIRECTORS OF AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED, AS LISTED BELOW, IN TERMS OF POWERS OF ATTORNEY SIGNED BY SUCH DIRECTORS

K ABDULLA
Chief Executive Officer

Reverend Dr Vukile Charles Mehana
Khalid Abdulla
Chantelle Ah Sing
Cherie Felicity Hendricks
Salim Young
Johannes Mihe Gaomab
Aziza Begum Amod
Zenariah Barends
Takudzwa Tanyaradzwa Hove

ANNEXURE 1 – HISTORICAL FINANCIAL INFORMATION OF AYO TECHNOLOGY

The definitions and interpretations commencing on page 4 of this Circular apply to this **Annexure 1**.

CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF AYO TECHNOLOGY SOLUTIONS LIMITED (PREVIOUSLY KNOWN AS SEKUNJALO TECHNOLOGY SOLUTIONS LIMITED) AND ITS SUBSIDIARIES FOR THE YEARS ENDED 31 AUGUST 2015, 31 AUGUST 2016 AND 31 AUGUST 2017

INTRODUCTION

The historical financial information of AYO Technology Solutions Limited (previously known as Sekunjalo Technology Solutions Limited) and its subsidiaries ("**AYO Group**") set out below has been extracted from the consolidated audited annual financial statements of AYO and its subsidiaries for the years ended 31 August 2015, 31 August 2016 and 31 August 2017. The annual financial statements were audited by Grant Thornton Cape Inc. and reported on without qualification.

The historical financial information of AYO and its subsidiaries is the responsibility of the Directors of AYO and its subsidiaries.

The historical financial information of AYO and its subsidiaries for the years ended 31 August 2015, 31 August 2016 and 31 August 2017 were authorised for issue on 10 October 2017 by the Board of Directors

COMMENTARY

1. NATURE OF BUSINESS

AYO is an investment entity incorporated in South Africa and owning subsidiaries involved in information technology and telecommunications. The AYO Group operates primarily in South Africa.

2. FINANCIAL RESULTS AND COMMENTARY

The operational results and the affairs of the AYO Group are fully set out in the consolidated statements of financial position, comprehensive income, changes in equity, cash flows and notes thereto.

AYO Technology is an empowered ICT Group offering numerous end-to-end solutions to a host of industries. The AYO Group was established in 1996 and has evolved over this time through continually adapting to the local and international ICT landscape. AYO Technology, through its divisions, subsidiaries and associates provide solutions to both the public and private sector within South Africa and abroad, with its private sector customer base comprising mostly of blue chip multinationals. The AYO Group holds key agreements with principles such as Nokia, Siemens, Inter systems, Cisco, Microsoft, IBM, Riverbed etc.

The AYO Group's asset base increased significantly over the last three years, largely due to the acquisition of Puleng Technologies and Kalula Communications. Revenue increased by 115% over the three-year financial period while maintaining gross profit margins at an average of 32% with operating profit improving by 64%.

3. DIVIDENDS

The dividends already declared and paid to shareholders during the year are as reflected in the attached consolidated statement of changes in equity.

4. EVENTS AFTER THE REPORTING PERIOD

On the first day of September 2017 the Investment in Emergent Energy was sold. The investment is classified as a non-current asset held for sale in the annual financial statements.

5. DIRECTORS

Khalid Abdulla (Chairman)
Chantelle Ah Sing
Naahied Gamieldien (Chief financial officer)
Cherie Felicity Hendricks (Corporate affairs and sustainability director)
Aziza Begum Amod
Abdul Malick Salie
Takudzwa Tanyaradzwa Hove

6. SECRETARY

The company secretary is CF Hendricks of:

Postal address	PO Box 181 V&A Waterfront Cape Town 8000
Business address	Quay 7 East Pier V&A Waterfront Cape Town 8001

7. HOLDING COMPANY

The Group's holding company is African Equity Empowerment Investments Limited which holds 80.03% (2016: 94%) of the Group's equity. African Equity Empowerment Investments Limited is listed on the JSE Limited.

HISTORICAL FINANCIAL INFORMATION

No material changes in the nature of the business of the AYO Group occurred, and no material fact or circumstance has occurred between the end of the latest financial year of the AYO Group and the date of this Circular, in so far as not already dealt with in the historical financial information outlined in this **Annexure 1**. The historical financial information was audited by Grant Thornton Cape Inc. and should be read in conjunction with their Independent Reporting Accountant's Report set out in **Annexure 1**.

Consolidated Statement of Financial Position as at 31 August 2017

	Notes	2017 R'000	2016 R'000	2015 R'000
Assets				
Non-Current Assets				
Property, plant and equipment	2	7 118	2 494	3 180
Goodwill	3	43 411	17 302	17 302
Intangible assets	4	12 506	2 181	2 068
Investment in joint venture	6	33	33	33
Investment in associates	7	–	319	9
Loans to Group companies	8	4 552	2 093	3 766
Other financial assets	9	747	1 129	3 520
Deferred tax	10	10 034	11 067	3 704
		78 401	**36 618**	**33 582**
Current Assets				
Inventories	11	9 702	–	3 085
Trade and other receivables	12	110 428	32 412	58 994
Other financial assets	9	19 266	3 578	2
Current tax receivable		384	969	180
Cash and cash equivalents	13	74 230	33 562	22 185
		214 010	**70 521**	**84 451**
Total Assets		**292 411**	**107 139**	**118 033**
Equity and Liabilities				
Equity				
Share capital	15	184 129	168 828	168 828
Reserves		(4)	–	–
Retained earnings		(151 787)	(169 577)	(198 887)
		32 338	(749)	(30 059)
Non-controlling interest		34 752	17 852	15 967
		67 090	**17 103**	**(14 092)**
Liabilities				
Non-Current Liabilities				
Loans from Group companies	8	80 597	67 729	77 055
Other financial liabilities	16	50	72	282
Finance lease liabilities	17	2 549	–	–
Operating lease liabilities		–	–	520
		83 196	**67 801**	**77 857**
Current Liabilities				
Trade and other payables	18	108 504	12 776	33 471
Loans from shareholders		69	–	7
Other financial liabilities	16	5 691	204	–
Finance lease liabilities	17	259	–	–
Operating lease Liability		305	528	–
Deferred income	18	2 980	1 186	10 474
Current tax payable		8 372	270	885
Provisions	20	12 473	7 268	9 431
Bank Overdraft	13	3 110	–	–
		141 763	**22 235**	**54 268**
Liabilities on disposal groups	14	360	–	–
Total Liabilities		**225 319**	**90 036**	**132 125**
Total Equity and Liabilities		**292 411**	**107 139**	**118 033**
Net asset value per share (cents)		15.23	(0.37)	(14.87)
Net tangible asset value per share (cents)		(11.10)	(10.01)	(24.45)

Consolidated Statement of Comprehensive Income for the year ended 31 August 2017

	Notes	2017 R'000	2016 R'000	2015 R'000
Revenue	21	478 663	169 217	222 620
Cost of sales		(319 921)	(113 086)	(153 337)
Gross profit		**158 742**	**56 131**	**69 283**
Other income	22	13 274	13 794	2 826
Operating expenses		(125 263)	(34 911)	(47 301)
Operating profit	**23**	**46 753**	**35 014**	**24 808**
Investment revenue	24	2 400	2 658	1 812
Fair value adjustments		–	–	28
Income from equity accounted investments		(679)	310	9
Finance costs	25	(8 804)	(8 374)	(8 033)
Profit before taxation		**39 670**	**29 608**	**18 624**
Taxation	26	(12 822)	2 042	(6 668)
Profit from continuing operations		**26 848**	**31 650**	**11 956**
Profit/(Loss) from discontinued operations	14	2 810	1 667	–
Profit for the year		**29 658**	**33 317**	**11 956**
Other comprehensive income		(4)	–	–
Total comprehensive income for the year		**29 654**	**33 317**	**11 956**
Total comprehensive income attributable to:				
Owners of the parent				
From continuing operations		13 862	27 643	7 539
From discontinued operations		2 810	1 667	–
		16 672	**29 310**	**7 539**
Total comprehensive income attributable to:				
Owners of the parent		16 672	29 310	7 539
Non-controlling interest		12 982	4 007	4 417
		29 654	**33 317**	**11 956**
Earnings per share information:	38			
Basic earnings per share (Cents)				
– Continued Operations		6.53	14.50	3.73
– Discontinued Operations		1.33	0.82	–
Headline earnings per share (Cents)				
– Continued Operations		4.33	10.25	3.70
– Discontinued Operations		1.33	0.82	–

Consolidated Statement of Changes in Equity for the year ended 31 August 2017

	Share capital R'000	Share premium R'000	Reserves R'000	Retained earnings R'000	Total equity attributable equity holders of the group R'000	Non-controlling interest	Total equity
Balance at 1 September 2014	**809**	**168 019**	**–**	**(206 426)**	**(37 598)**	**13 798**	**(23 800)**
Profit for the year	–	–	–	7 539	7 539	4 417	11 956
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**7 539**	**7 539**	**4 417**	**11 956**
Dividends	–	–	–	–	–	(2 248)	(2 248)
Total distributions to owners of company recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**(2 248)**	**(2 248)**
Balance at 1 September 2015	**809**	**168 019**	**–**	**(198 887)**	**(30 059)**	**15 967**	**(14 092)**
Profit for the year	–	–	–	29 310	29 310	4 007	33 317
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**29 310**	**29 310**	**4 007**	**33 317**
Dividends	–	–	–	–	–	(2 122)	(2 122)
Total distributions to owners of company recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**(2 122)**	**(2 122)**
Balance at 1 September 2016	**809**	**168 019**	**–**	**(169 577)**	**(749)**	**17 852**	**17 103**
Profit for the year	–	–	–	16 676	16 676	12 982	29 658
Other comprehensive income	–	–	(4)	–	(4)	–	(4)
Total comprehensive income for the year	**–**	**–**	**(4)**	**16 676**	**16 672**	**12 982**	**29 654**
Dividends	–	–	–	–	–	(5 985)	(5 985)
Business combinations	41	15 260		1 115	16 416	9 902	26 318
Balance at 31 August 2017	**850**	**183 279**	**(4)**	**(151 786)**	**32 339**	**34 751**	**67 090**

Consolidated Statement of Cashflows for the year ended 31 August 2017

	Notes	2017 R'000	2016 R'000	2015 R'000
Cash flows from operating activities				
Cash receipts from customers		459 785	253 991	215 433
Cash paid to suppliers and employees		(406 615)	(231 298)	(201 405)
Cash generated from operations	27	53 170	22 693	14 028
Interest income		2 579	(3 540)	1 813
Finance costs	25	(8 804)	(2 852)	(8 033)
Tax paid	28	(6 955)	(7 512)	(6 700)
Net cash from operating activities		**39 990**	**8 789**	**1 108**
Cash flows from investing activities				
Purchase of property, plant and equipment	2	(3 380)	(1 121)	(2 146)
Sale of property, plant and equipment		93	60	609
Increase in internally generated intangible assets	4	(1 205)	(1 488)	–
Expenditure on product development	4	–	(357)	(1 997)
Business combinations	29	(1 559)	–	–
Proceeds from disposal of subsidiary	30	17 140	207	–
Movement in loans to group companies repaid/(advanced)		–	–	(666)
Proceeds from group companies		10 483	6 466	2 399
Purchase of other financial assets		(13 612)	(1 208)	(3 424)
Net cash to investing activities		**7 960**	**2 559**	**(5 225)**
Cash flows from financing activities				
Repayment of other financial liabilities		265	(4)	(185)
Loans (to)/from shareholders		(530)	33	(40)
Finance lease payments		(886)	–	(622)
Net movement in other financial assets		(3 256)	–	–
Dividends paid		(5 985)	–	–
Acquisition of additional shares in joint venture		–	–	(33)
Net cash to financing activities		**(10 392)**	**29**	**(880)**
Total cash movement for the year		**37 558**	**11 377**	**(4 997)**
Cash at the beginning of the year		33 562	22 185	27 182
Total cash at the end of the year	13	**71 120**	**33 562**	**22 185**

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the Companies Act and the Listings Requirements of the JSE. The annual financial statements have been prepared on the historical cost basis, except where otherwise stated, and incorporate the principal accounting policies set out below. These accounting policies are consistent with the previous period

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Company and all entities which are controlled by the Company. Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. Goodwill is not amortised but is tested on an annual basis for impairment.

Interest in joint ventures

A joint venture is a contractual agreement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Jointly controlled operations

In respect of its interests in jointly controlled operations, the Group recognises in its annual financial statements:

- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint operation.

Investments in subsidiaries

Separate Financial Statements

In the Company's separate annual financial statements, investments in subsidiaries are carried at fair value through profit or loss. An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.2 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and loans and receivables

The AYO Group assesses its trade receivables and loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the AYO Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

Property, plant and equipment

The AYO Group assesses the useful lives, depreciation rates and residual values of these assets at each statement of financial position date. These estimates take cognisance of current market and trading conditions for the AYO Group's specific assets. In addition, the useful life estimates take into account the risk of obsolescence due to advances in technology.

Intangible assets

The AYO Group assesses the useful lives, amortisation rates and residual values at each reporting date. This judgement is used on the market and trading conditions for the AYO Group, management's expectations and strategy for the use of the intangible, as well as by performance indicators, sales growth rate and operating margins of cash generating units which use the intangible.

Impairment testing

Assets are subject to regular impairment reviews as required. Impairments are measured at the difference between the carrying value of an asset and the recoverable amount which is the greater of the fair value less cost to sell or value in use of the asset. Impairments are recorded in the statement of comprehensive income in the period in which they occur. The Group's policy in relation to impairment testing in respect of goodwill is detailed below.

The recoverable amount of the cash-generating units has been determined based on a value in use calculation. Key assumptions applied to determine the recoverable amount of the cash generating units, using the value in use calculation relating to sales growth rates, working capital requirements and capital expenditure. Cash flow projections were based on historical information and financial budgets approved by senior management covering a five year period.

Assumptions applied for impairment testing of goodwill:

Risk free rate	R186 Government Bonds
Beta	0.5 – 1.50
Discount rate	15% – 35%

Investments in subsidiaries

Valuation method

An entity discounted cash flow (DCF) valuation technique is used for all unlisted investments that are held at fair value and for which there is no active market. Price/earnings valuations are not as accurate and are thus only used as a secondary review.

Application of Methodology

Free cash flow (FCF) forecasts are prepared year-by-year for a minimum of a three-year period and for high-growth companies year-by-year forecasts for a period of five to ten years are prepared, where after a terminal value will be calculated.

Terminal value growth rates

When calculating the terminal value, growth rates in excess of the current inflation rate are not utilised. Real growth beyond ten years is not likely, and even if likely it is difficult to forecast with any certainty.

Terminal values

When calculating the terminal value, due care is taken regarding the level of net capital investment assumed. This is assumed to be lower than during the specific forecast period for high growth companies. For mature, stable companies net capital investment during the specific forecast period and beyond is assumed to be the same.

Discount Rate

Free cash flows are discounted at the Company's weighted average cost of capital (WACC), being the weighted cost of equity (as determined using the capital asset pricing model (CAPM)) and the weighted after-tax cost of debt and/or any other non-equity form of financing.

Risk free rate

The risk-free rate utilised is the yield on ten year government bonds. These yields were obtained from the financial press at the time of preparing the valuations. Where no ten-year South African bonds are in issue, the nearest long-term South African bond rate should be used.

Beta

The equally-weighted average of the relevant industry betas together with professional judgement is used.

The betas are calculated over a five-year period (where possible). This is assumed to provide a fair estimate of the AYO Group's recent market risk.

Market Risk Premium

A market risk premium was utilised in all valuations.

Value of Equity

The value of equity will be equal to the free cash flow value of the entity, less the statement of financial position values (at valuation date) of debt and any other form of financing, plus any cash on hand (per the statement of financial position) which is in excess of normal working capital requirements.

Fair value determination

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The AEEI Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting period. Discounted cash flows are used to determine fair value for the investments in subsidiary companies. The use of a discounted cash flow analysis requires the estimation of a number of significant components; including the future expected cash flows and the weighted average cost of capital used to perform the discounting. Many of these factors may have a material impact on the valuation.

Subsidiaries consolidated when less than 50% interest is held

The AYO Group consolidates subsidiaries with an effective interest of less than 50% when the Group has control and power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor's returns.

The Group has consolidated its subsidiaries in which it holds less than 50% because of additional voting powers granted to the parent company in the shareholders' agreement.

1.3 **Provisions**

Provisions were raised and management determined an estimate based on the information available.

1.4 **Property, plant and equipment**

Property, plant and equipment is initially measured at cost.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Leasehold improvements	5 – 8 years
Plant and machinery	1 – 6 years
Furniture and fixtures	2 – 8 years
Motor vehicles	1 – 6 years
Office equipment	3 – 5 years
IT equipment	1 – 3 years
Computer Software	2 – 4 years
Electronic equipment	2 – 3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

1.5 **Intangible assets**

Intangible assets which are separately acquired are initially recognised at cost, being their purchase price after adding any directly attributable costs of preparing the assets to be capable of operating in the manner intended by management. Intangible assets with a finite useful life are stated at cost less any accumulated amortisation and any impairment losses.

Software development costs, which are internally generated, are measured at cost after taking into account any accumulated amortisation and accumulated impairment losses, where applicable.

Item	Useful life
Billing System	1 year
eCCR	3 years

1.6 **Financial instruments**

Initial recognition and measurement

The AYO Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

The AYO Group's financial assets are investments, loans receivables, trade and other receivables and bank and cash balances. The AYO Group's principal financial liabilities are interest-bearing and non-interest bearing loans payable, trade and other payables and bank overdrafts.

Financial assets and financial liabilities are recognised on the AEEI Group's statement of financial position when the AYO Group becomes party to the contractual provisions of the instrument.

Trade and other payables

Trade payables are initially measured at fair value plus transactions costs and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Loans to/from Group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries and joint ventures are recognised initially at fair value plus direct transaction costs.

Subsequently these loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. On loans receivable, an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the loan at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans from group companies are classified as financial liabilities and measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables are classified as loans and receivables.

1.8 **Tax**

Current tax assets and liabilities

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in the profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

1.9 **Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Any contingent rents are expensed in the period they are incurred.

1.10 **Inventories**

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.11 Impairment of assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

Irrespective of whether there is an indication of impairment, the Group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period;
- tests goodwill acquired in a business combination for impairment annually.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets, other than goodwill, may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset, other than goodwill, attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.12 Provisions

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are not recognised for future operating losses. Contingent assets and liabilities are not recognised.

1.13 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 **Cost of Sales**

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which it occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.15 **Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 **Foreign currency transactions**

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing spot rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17 **Share capital and equity**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.18 **Interest and Dividend income**

Interest is recognised in profit or loss, using the effective interest rate method

Dividends are recognised in profit or loss, when the Group's right to receive payment has been established.

NOTES TO THE FINANCIAL STATEMENTS

1. NEW STANDARDS AND INTERPRETATIONS

Standards and interpretations not yet effective

Below is a list of the current standards and interpretations which have been issued but may not be effective:

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
IFRS 7 Financial Instruments: Disclosure	1 July 2016	Unlikely there will be a material impact
IFRS 9 Financial instruments	1 January 2018	Unlikely there will be a material impact
IFRS 15 Revenue from Contracts with Customers	1 January 2018	Unlikely there will be a material impact
IFRS 16 Leases	1 January 2019	Impact is currently being assessed
IAS 1 Presentation of financial statements	1 January 2016	Unlikely there will be a material impact
IAS 16 Property, plant and equipment	1 January 2016	Unlikely there will be a material impact
IAS 27 Consolidated financial statements	1 January 2016	Unlikely there will be a material impact
IAS 19 Employee benefits	1 July 2016	Unlikely there will be a material impact
IAS 38	1 July 2016	Unlikely there will be a material impact

2. PROPERTY, PLANT AND EQUIPMENT

	2017			2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Plant and machinery	1 575	(223)	1 352	–	–	–	–	–	–
Furniture and fixtures	1 250	(834)	416	927	(780)	147	921	(698)	223
Motor vehicles	5 074	(3 376)	1 698	–	–	–	–	–	–
Office equipment	1 209	(1 115)	94	485	(377)	108	409	(329)	80
IT equipment	5 354	(3 733)	1 621	3 938	(3 044)	894	5 862	(4 913)	949
Computer software	1 968	(1 731)	237	1 830	(1 054)	775	1 521	(365)	1 156
Leasehold improvements	1 811	(1 150)	661	1 722	(1 153)	570	1 673	(901)	772
Electronic equipment	1 565	(525)	1 040	–	–	–	–	–	–
Total	**19 806**	**(12 688)**	**7 118**	**8 902**	**(6 408)**	**2 494**	**10 386**	**(7 206)**	**3 180**

Reconciliation of property, plant and equipment – 2017

	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	Total
Plant and machinery	–	–	1 509	–	(157)	1 352
Furniture and fixtures	147	50	237	(10)	(8)	416
Motor vehicles	–	–	2 606	–	(908)	1 698
Office equipment	108	197	48	(33)	(226)	94
IT equipment	894	1 018	659	(321)	(629)	1 621
Computer software	775	229	–	(9)	(759)	237
Leasehold improvements	570	314	–	(23)	(200)	661
Electronic equipment	–	1 572	–	(5)	(527)	1 040
Total	**2 494**	**3 380**	**5 059**	**(401)**	**(3 414)**	**7 118**

Reconciliation of property, plant and equipment – 2016

	Opening balance	Additions	Disposals	Disposals through sale of subsidiary	Depreciation	Total
Plant and machinery	–	18	–	(15)	(3)	–
Furniture and fixtures	223	20	–	–	(96)	147
Office equipment	80	76	–	–	(48)	108
IT equipment	948	602	(26)	(23)	(607)	894
Computer software	1 156	356	(48)	–	(689)	775
Leasehold improvements	773	49	–	–	(252)	570
Total	**3 180**	**1 121**	**(74)**	**(38)**	**(1 695)**	**2 494**

Reconciliation of property, plant and equipment – 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	324	77	(4)	(174)	223
Office equipment	128	–	–	(48)	80
IT equipment	963	632	(54)	(593)	948
Computer software	163	1 136	–	(143)	1 156
Leasehold improvements	851	301	–	(379)	773
Total	**2 429**	**2 146**	**(58)**	**(1 337)**	**3 180**

Pledged as security

The following assets have been encumbered as security for long-term borrowings:

	2017	2016	2015
Motor vehicles	R1 672	–	–

A Register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

3. GOODWILL

	2017	2016	2015
Cost	43 791	17 683	17 683
Accumulated impairment	(380)	(381)	(381)
Balance at end of year	**43 411**	**17 302**	**17 302**

Goodwill relates to the Group's interest in Health System Technologies Proprietary Limited ("Health System Technologies"), the Saratoga Software Proprietary Limited Group ("Saratoga Software"), Puleng Technologies Proprietary Limited ("Puleng Technologies") and Kalula Communications Proprietary Limited ("Kalula Communications"). The value of the cash generating unit ("CGU") to which the goodwill was allocated has been determined based on the value in use calculations using management generated cash flow projections. The carrying value has been calculated to be more than the recoverable amount and therefore no impairment has been recognised.

The following significant assumptions were used:

Number of years	5 years
Terminal growth rate	4 – 6%
Beta	0.75 – 1.4
Specific risk premium (in %)	3 – 7%

Goodwill acquired through business combinations has been allocated to individual cash-generating units for impairment as follows:

	R'000
Health System Technologies	2 157
Saratoga Software Group	3 784
Saratoga subsidiaries	6 730
Puleng Technologies	22 275
Kalula Communications	8 465
Total	**43 411**

4. INTANGIBLE ASSETS

	2017	2016	2015
Cost	22 387	11 306	10 815
Billing system	8 819	8 819	8 818
Intangible assets under development	1 149	–	–
eCCR System	2 543	2 487	1 997
Supplier Distribution agreement	9 876	–	–
Accumulated amortization	(9 881)	(9 125)	(8 747)
Billing system	(8 748)	(8 748)	(8 747)
Intangible assets under development	–	–	–
eCCR System	(1 133)	(377)	–
Supplier Distribution agreement	–	–	–
Balance at end of year	**12 506**	**2 181**	**2 068**

Reconciliation of intangible assets – 2017

	Opening balance	Additions	Additions through business combinations	Amortisation	Total
Billing system	71	–	–	–	71
Intangible assets under development	–	1 149	–	–	1 149
eCCR System	2 110	56	–	(756)	1 410
Supplier Distribution agreement	–	–	9 876	–	9 876
Total	**2 181**	**1 205**	**9 876**	**(756)**	**12 506**

Reconciliation of intangible assets – 2016

	Opening balance	Additions	Internally generated	Disposal	Amortisation	Total
Patents and trade marks	–	1 354	–	(1 354)	–	–
Billing system	71	–	–	–	–	71
eCCR System	1 997	134	357	–	(378)	2 110
Total	**2 068**	**1 488**	**357**	**(1 354)**	**(378)**	**2 181**

Reconciliation of intangible assets – 2015

	Opening balance	Internally generated	Total
Billing system	71	–	71
eCCR System	–	1 997	1 997
Total	**71**	**1 997**	**2 068**

Other information

The useful life of the intangible assets was assessed by management at year end.

Billing System

Based on the terms of service contract to which the billing system relates, a notice period of 1 year useful life is required to terminate the contract. As the contract has not been terminated, the billing system is assumed to have a carrying value of at least one more year.

eCCR System

The eCCR System was internally developed and phase 1 completed in the 2016 financial year. The product went live on 1 March 2016. Phase 2 began in October 2016 which entails further development of the product. Management has assessed that the system has a useful life of 3 years.

Intangible assets under development

The software is a program for ambulances in order to assess the availability of beds at hospitals. It there are no available beds in the hospital the patient will be taken to a hospital with an available bed. Cost of R1 149 056 were capitalised to software development in relation to the ambulance software. Amortisation of the software will commence once the programme is available for sale.

Supplier Distribution agreement

The distribution rights arose during the year from the business combination for Kalula Communications Proprietary Limited. The distribution rights was concluded between Computer Aided Telephony Systems Ltd ("CATS") incorporated in Switzerland and Plantronics B.V. a private limited liability company incorporated in the Netherlands. This distribution rights regulates the purchase of Plantronics products by CATS for resale by the Group.

There is no limit on the number of time the above distribution right can be renewed and based on historical information no distribution rights have been revoked. Additionally the cost to renew the distribution rights are insignificant in relation to the economic benefits that are expected to arise from the assets and the distribution rights are expect to be renewed without any cost and therefore have an indefinite useful life. This intangile with an indefinite useful life was allocated to the Unified communications cash generating unit. Management assessed the recoverable amount of the intangible asset at year end. The recoverable amount was more than the carrying value.

5. INVESTMENTS IN SUBSIDIARIES

The following table lists the entities which are controlled by the Group either directly or indirectly through subsidiary companies.

Group

Name of company	% holding 2017	% holding 2016	% holding 2015	Carrying amount 2017	Carrying amount 2016	Carrying amount 2015
Puleng Technologies Proprietary Limited	57%	–	–	149 245	–	–
Sekunjalo Medical Services Proprietary Limited	100%	100%	100%	284 137	279 197	59 848
Saratoga Software Proprietary Limited	42.59%	42.59%	42.59%	7 337	22 586	10 240
Wynberg Pharmaceuticals Proprietary Limited	–	100%	100%	–	–	8 855
Kalula Communications Proprietary Limited	51%	–	–	36 927	–	–
				477 646	301 783	78 943

Subsidiaries with less than 50% share capital held

The Group holds less than 50% of the issued share capital in Saratoga Software (Pty) Ltd. The Group consolidated Saratoga Software (Pty) Ltd as it has additional voting powers granted to the parent company in the shareholders' agreement. These voting rights together with the other requirements of IFRS 10, gives the Group control.

Subsidiaries with material non-controlling interests

The following information is provided for subsidiaries with non-controlling interests which are material to the reporting company.

	2017	2016	2015
Puleng Technologies Proprietary Limited	43%	–	–
Saratoga Software Proprietary Limited	57.41%	57.41%	57.41%
Kalula Communications Proprietary Limited	49%	–	–

6. JOINT ARRANGEMENTS

Joint operations

The following table lists all of the joint ventures in the Group:

		% Ownership interest		
Company	**Held by**	**2017**	**2016**	**2015**
Exaro HST Proprietary Limited	Health System Technologies Proprietary Limited	50%	50%	50%

Exaro HST is a jointly controlled entity and is incorporated and operates principally in West Africa. The investment is measured using the equity method.

Summarised Statement of Comprehensive Income	2017	2016	2015
Depreciation and amortization	(17)	(63)	(63)
Other income and expenses	(207)	(3 410)	(922)
Profit before tax	(224)	(3 473)	(985)
Profit/(loss) from continuing operations	(224)	(3 473)	(985)
Total comprehensive loss	**(224)**	**(3 473)**	**(985)**

Summarised Statement of Financial Position	2017	2016	2015
Assets			
Non-current	**68**	**2 288**	**311**
Current			
Cash and cash equivalents	18	50	33
Total current assets	**18**	**50**	**33**
Liabilities			
Non-current			
Non-current financial liabilities	3 123	7 008	–
Current	–	–	924
Total non-current liabilities	**3 123**	**7 008**	**924**
Total net assets	**(3 037)**	**(4 670)**	**(580)**

Reconciliation of net assets to equity accounted investments in joint ventures	2017	2016	2015
Interest in joint venture at percentage ownership	33	33	33
Carrying value of investment in joint venture	**33**	**33**	**33**

Restrictions relating to joint ventures

There are currently no restrictions relating to the joint venture.

Unrecognised losses

The company has not recognised its share of the losses of Exaro HST Limited as the company has no obligation for any losses of the joint venture as the Group does not fund nor have any funding commitments for Exaro HST Limited.

The total unrecognised losses for the current year amount to R233 698 (2016: R4 472 535). The accumulated unrecognised losses for the current period amount to R3 037 133 (2016: R4 670 169).

7. INVESTMENTS IN ASSOCIATES

The following table lists all the associates in the Group:

Name of company	% holding 2017	% holding 2016	% holding 2015	Carrying amount 2017	Carrying amount 2016	Carrying amount 2015
Emergent Energy Proprietary Limited	33%	33%	33%	–	319	9

Summarised Statement of Comprehensive Income	2017	2016	2015
Revenue	–	25 011	18 960
Other income and expenses	–	(24 070)	(17 788)
Profit/(loss) from continuing operations	–	941	1 172
Total comprehensive loss	**–**	**941**	**1 172**

Summarised Statement of Financial Position	2017	2016	2015
Assets			
Non-current	–	257	1 329
Current	–	8 128	10 560
Total assets	**–**	**8 385**	**11 889**
Liabilities			
Non-current	–	–	971
Current	–	6 096	9 569
Total liabilities	**–**	**6 096**	**10 540**
Total net assets	**–**	**2 289**	**1 349**

Emergent Energy Proprietary Limited is a company incorporated in South Africa. The investment in associate is measured using the equity method. The summarised information presented above reflects the financial statements of the associate.

During the year, management committed to a plan to sell the Group's investment in Emergent Energy. Accordingly, the investment is presented as an asset held for sale in note 15.

8. LOANS TO (FROM) GROUP COMPANIES

Joint Ventures	2017	2016	2015
Digital Health Africa Proprietary Limited	168	8	–
The loan is interest free and unsecured and has no fixed terms of repayment.			
Holding company			
African Equity Empowerment Investments Limited – loan 1	(80 596)	(67 610)	(76 961)
Interest is charged at the prime bank overdraft rate plus 3%. The loan is unsecured and has fixed terms of repayment.			
African Equity Empowerment Investments Limited – loan 2 Interest is charged at the prime bank overdraft rate. The loan is unsecured and has no fixed terms of repayment.	4 383	2 085	3 665
	(76 045)	**(65 517)**	**(73 296)**

The above loans payable have been subordinated in favour of other creditors, until the assets of the company and Group, fairly valued, exceeds the liabilities. The company has been granted an unconditional right to defer payment of the outstanding amount for at least 12 months.

	2017	2016	2015
Fellow subsidiaries			
Sekpharma Proprietary Limited The loan is unsecured and has no fixed terms of repayment. Interest is charged at the prime bank overdraft rate plus 3%.	–	(118)	15 111
Saratoga Private Equity Proprietary Limited The loan is unsecured and bears no interest. The loan is repayable on demand.	(1)	(1)	–
Sekunjalo Health & Commodities Proprietary Limited The loan is unsecured and has no fixed terms of repayment. The loan bears no interest.	1	–	–
	–	(119)	15 111
Impairment of loans			(15 111)
	–	(119)	–
Non-current assets	4 552	2 093	3 766
Non-current liabilities	(80 597)	(67 729)	(77 055)
Net loans	**(76 045)**	**(65 636)**	**(73 289)**

Credit quality of loans to Group companies

The loans are advanced to Group companies for capital investment or working capital needs. The risk of default is based on the success of the Group company's trading. The risk of default on the loans is considered minimal and credit quality is considered high. No loans are past due and none are impaired.

For additional disclosure refer the Risk management note.

9. OTHER FINANCIAL ASSETS

	2017	2016	2015
At fair value through profit or loss – designated			
Cadiz Life Investment Enterprise Development Fund The fund is an innovative new investment whereby corporate clients can now earn the required Enterprise Development points in terms of the DTI scorecard, and at the same time earn real returns from a once-off investment.	747	1 129	985
	747	**1 129**	**985**
At fair value through profit or loss held for trading			
Forward exchange contract A forward exchange contract was entered into which expired on 17 February 2017 to purchase $75 324.83 at an exchange rate of 14.0825	–	30	–
Loans and receivables			
SA Components Close Corporation The receivable is for plant and equipment sold and is repayable in January 2018.	3 023	2 758	2 499
Staff loans The above loan is unsecured and bears no interest.	483	–	36
Alacrity Technologies Proprietary Limited The above loan is for the sale of the going concern of Saratoga Software Proprietary Limited. The loan is unsecured, bears no interest and is repayable on demand.	15 729	–	–
Afrozaar Limited (UK) The above loan is unsecured, bears no interest and has no fixed terms of repayment.	–	30	–
Ragna CC The above loan is unsecured, bears no interest and has no fixed terms of repayment.	30	761	–
SABEX Proprietary Limited The above loan is unsecured, bears no interest and has no fixed terms of repayment.	–	–	2
	19 266	**3 578**	**2 537**
Total other financial assets	**20 012**	**4 708**	**3 522**
Non-current assets At fair value through profit or loss – designated	747	1 129	985
Loans and receivables	–	–	2 535
	747	1 129	3 485
Current assets			
Loans and receivables	19 266	3 578	2
Net loans	**20 013**	**4 707**	**3 522**

The fair values of the financial assets were determined as follows:

– The fair values of listed or quoted investments are based on quoted market prices.

– The fair values of investments not listed or quoted are estimated using the discounted cash flow analysis.

Fair values are determined annually at balance sheet date. For debt securities classified as at fair value through profit or loss, the maximum exposure to credit risk at the reporting date is the carrying amount.

The Group has not reclassified any financial assets from cost or amortised cost to fair value, or vice versa, during the current or prior years. There were no gains or losses realised on the disposal of held to maturity financial assets in 2015, 2016 and 2017, as all financial assets were disposed of at their redemption date.

10. DEFERRED TAX

	2017	2016	2015
Deferred tax asset/(liability)			
Provision for doubtful debts	1 248	1 122	578
Provisions	3 037	2 287	2 296
Tax losses available for set off against future taxable income	9 238	8 110	–
Property, plant and equipment	18	(2)	–
Intangibles	(3 102)	(72)	81
Prepaid expenses	(732)	(589)	(834)
Income received in advance	327	211	1 583
Total deferred tax asset/(liability)	**10 034**	**11 067**	**3 704**
Deferred tax liability	(3 834)	(663)	(834)
Deferred tax asset	13 868	11 730	4 538
Total net deferred tax asset/(liability)	**10 034**	**11 067**	**3 704**
Reconciliation of deferred tax asset/(liability)			
Balance at beginning of the year	11 067	3 704	4 379
Increase due to change in capital gains tax rate			
Accelerated capital allowances on property, plant and equipment	20	–	–
Tax loss available for set off against future taxable income	1 128	8 111	(17)
Intangible assets	(2 497)	(154)	(559)
Provision for bad debt	126	544	578
Income received in advance	117	(1 372)	(404)
Provisions	216	(10)	(383)
Prepaid expenses	(143)	244	110
Balance at the end of the year	**10 034**	**11 067**	**3 704**

11. INVENTORIES

Finished goods	**9 702**	**–**	**3 085**

No inventory was written down to net realisable value in the current and prior year.

12. TRADE AND OTHER RECEIVABLES

Trade receivables	98 057	24 421	52 268
Prepayments	2 616	2 105	3 895
Deposits	1 627	725	505
Value added taxation	496	–	7
Sundry customers	6 307	5 068	–
Other receivables	1 325	93	2 323
Total	**110 428**	**32 412**	**58 998**

Sundry customers

This relates to maintenance jobs done at year end but not yet invoiced. These were subsequently invoiced after year end and recognised as trade receivables.

Credit quality of Trade and other receivables

Of the trade receivables at the end of the year R47 916 768 (2016: R12 740 540) is due from three of the Group's largest customers in the Information Technology sector

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The average credit period on sales of merchandise goods and services rendered is 30 days from the anniversary date and statement date. No interest has been charged on trade receivables for amounts outstanding longer than the credit period.

Sixty nine percent of the Group's trade receivables stem from the Group's Security segment. The credit risk for this segment has been assessed as low by the divisional management based on the ageing of the receivables (majority of the receivables are classified as current) and the recent payment history.

Twelve percent of the Group's trade receivables stem from sales within the Unified Communications segment. The credit risk for this segment has been assessed as low by the divisional management as the majority of the receivables are less than 60 days overdue and the segment currently has insurance on receivables. The trade receivables of Kalula Communications are currently insured for R 4 378 278.

Eight percent of the Group's trade receivables stem from sales within the Healthcare and Support segment. These sales are predominantly to state institutions, recoverability of these customers are extremely good. The credit risk has been assessed as low by the divisional management at year-end based on recent payment history. Credit concentration is high as sales are to few customers however these are blue chip customers and there have been low defaults in the past.

Six percent of the Group's trade receivables stem from sales within the Software and Consulting segment. The credit risk for this segment has been assessed as low by the divisional management based on the recent payment history of the debtors.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 August 2017, R14 327 109 (2016: R7 350 015), (2015: R19 782 055) were past due but not impaired. The Group has not provided for these debtors as there has not been significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The receivables past due is considered more than 60 days.

The ageing of amounts past due but not impaired is as follows:

	2017	2016	2015
1 month past due	2 723	5 083	9 908
2 months past due	8 798	1 854	7 973
3 months past due	2 806	413	1 901
	14 327	7 350	19 782

Fair value of trade and other receivables

The fair value of trade and other receivables approximates its carrying value due to the short-term nature and the fact that no interest is being charged.

Trade receivables impaired

As of 31 August 2017, trade and other receivables of R5 673 669 (2016: 5 071 448) were impaired and provided for.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The debtors of Kalula Communications Proprietary Limited are currently insured for R4 378 278.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	5 071	3 689	1 295
Provision for impairment	5 709	5 071	2 394
Unused amounts reversed	(5 106)	(3 689)	–
Total	**5 674**	**5 071**	**3 689**

13. CASH AND CASH EQUIVALENTS

	2017	2016	2015
Cash and cash equivalents consists of:			
Cash on hand	28	64	629
Bank balances	74 202	33 498	21 556
Bank overdraft	(3 110)	–	–
Total	**71 120**	**33 562**	**22 185**
Current assets	74 230	33 562	22 185
Current liabilities	(3 110)	–	–
Net amount	**71 120**	**33 562**	**22 185**

Facilities held with ABSA Bank Limited:

Primary Lending	R5 000 000
Term Loan	R5 800 000
Credit Card	R202 000
Forward Exchange Contract (Nominal Value)	R10 000 000
Foreign Exchange Settlement	R5 000 000

Facilities held with FirstRand Bank Limited:

Working Capital	R2 500 000
Forward Exchange Contracts	R5 000 000

Facilities held with Nedbank Limited:

General Banking Facility	R7 000 000
Medium Term Loan	R907 944
Vehicle and Asset Finance Facility	R2 448 877

The bank overdrafts in the Group are secured by:

- Unlimited cross suretyship between African Equity Empowerment Investments Limited, Health System Technologies Proprietary Limited and Premier Fishing SA Proprietary Limited;
- Cession of debtors by Puleng Technologies Proprietary Limited to FirstRand Bank Limited;
- Unlimited suretyship by the non-controlling shareholders of Puleng Technologies Proprietary Limited;
- Suretyship by African Equity Empowerment Investments Limited up to R5 100 000 to Nedbank Limited

Credit quality of cash at bank and short-term deposits, excluding cash on hand

Cash and cash equivalents are held with ABSA, FirstRand Bank and Nedbank. These are all reputable banking institutions and their credit quality is considered to be high.

14. DISCONTINUED OPERATIONS OR NON-CURRENT ASSETS HELD FOR SALE

During the year management committed to a plan to sell the Group's investment in Emergent Energy Proprietary Limited. Accordingly the investment is presented as an Asset Held for sale. The effective date of sale is 1 September 2017.

	2017	2016	2015
Profit and loss			
Revenue	44 215	50 617	–
Expenses	(40 312)	(47 696)	–
Net profit before tax	3 903	2 920	–
Tax	(1 093)	(1 253)	–
	2 810	**1 667**	**–**
Assets and liabilities			
Liabilities of disposal Group			
Other liabilities	(360)	–	–

Saratoga Software Proprietary Limited

During the current year, the Group disposed the going concern in Saratoga Software Proprietary Limited.

15. SHARE CAPITAL

	2017	2016	2015
Authorised			
2 000 000 000 Ordinary shares of no par value			
Issued			
212 382 539 (2016: 202 151 960) Ordinary shares of R 0.004	850	809	809
Share premium	183 279	168 019	168 019
	184 129	168 828	168 828

16. OTHER FINANCIAL LIABILITIES

	2017	2016	2015
Held for trading			
Foreign exchange contract			
– Two six month forward exchange contracts were entered into which expire on 05 December 2017 and 31 January to purchase $ 98 641.35 and $ 442 397.31 at exchange rate of R13.2769 and R13.6350 respectively.	265		
Held at amortised cost			
Shareholder loan			
– For the acquisition of Kalula Communications Proprietary Limited. This loan was incurred at acquisition of Kalula Communications and is payable to the previous owners. The loan is unsecured, interest-free and payable on demand.	4 724	–	–
Kimco Trust – This relates to a loan granted to Kalula Communications. This loan is interest free and has no fixed repayment terms.	700	–	–
Amrichprop 27 Properties Proprietary Limited – This loan was granted to World Wide Creative Proprietary Limited on 1 March 2015 by their landlord of R108 000 in order to effect improvements to the leased premises. The repayment terms are R2 000 per month for 54 months.	50	72	96
SAEBEX Proprietary Limited – The above loan is unsecured, bears no interest and has no fixed repayment terms.	2	(1)	
Loans from directors of subsidiary			
– The loan is unsecured, interest free and repayable on demand.	–	205	186
Total	**5 741**	**276**	**282**
Non-current liabilities At amortised cost	50	72	282
Current liabilities At amortised cost	5 426	204	–
Fair value through profit (Loss)	265	–	–
Total	**5 741**	**276**	**282**

17. FINANCE LEASE LIABILITIES

Minimum lease payments due	
– within one year	425
– in second to fifth year inclusive	2 714
	3 139
less: future finance charges	(331)
Present value of minimum lease payments	**2 808**
Present value of minimum lease payments due	
– within one year	259
– in second to fifth year inclusive	2 549
	2 808
Non-current liabilities	2 549
Current liabilities	259
	2 808

18. TRADE AND OTHER PAYABLES

Trade payables	88 013	4 455	17 242
Amounts received in advance	1 382	1 076	380
Value added taxation	5 717	1 699	3 191
Payroll accruals	1 046	1 929	2 134
Accrued expenses	8 644	3 089	10 336
Operating lease liabilities	–	8	–
Deposits received	–	22	–
Other payables	3 702	498	188
Total	**108 504**	**12 776**	**33 471**

Trade and other payables are interest free and have payment terms of between 30 to 45 days.

The carrying value of trade and other payables approximates fair value due to their short term nature.

19. DEFERRED INCOME

The deferred income relates to licence and maintenance contracts billed to customers which will only be delivered after financial year-end.

Current liabilities	2 980	1 186	10 474
	2 980	**1 186**	**10 474**

20. PROVISIONS

Reconciliation of provisions - 2017

	Opening balance	Additions	Utilised during the year	Reversed during the year	Additions through business combinations	Total
Commission provision	–	298	–	–	–	298
Other provision	–	139	(272)	–	580	447
Leave pay provision	3 635	1 819	(2 664)	(92)	–	2 698
Bonus provision	3 209	3 977	(3 107)	–	–	4 079
Warranty provision	424	4 924	–	(397)	–	4 951
Total	**7 268**	**11 157**	**(6 043)**	**(489)**	**580**	**12 473**

Reconciliation of provisions - 2016

	Opening balance	Additions	Utilised during the year	Disposal of subsidiary	Change in discount factor	Total
Leave pay provision	3 188	2 158	(1 578)	(133)	–	3 635
Provision for debtor claims	16	–	(16)	–	–	–
Bonus provision	2 905	3 375	(2 856)	–	(215)	3 209
Warranty provision	3 322	–	(782)	–	(2 116)	424
Total	**9 431**	**5 533**	**(5 232)**	**(133)**	**(2 331)**	**7 268**

Reconciliation of provisions - 2015

	Opening balance	Additions	Utilised during the year	Total
Leave pay provision	3 287	3 188	(3 287)	3 188
Provision for debtors claims	–	16	–	16
Bonus provision	4 847	2 905	(4 847)	2 905
Warranty provision	4 857	–	(1 535)	3 322
Total	**12 991**	**6 109**	**(9 669)**	**9 431**

Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with reference to services rendered up to the statement of financial position date. The above provision represents management's best estimate of the Group's liability based on prior experience.

The provision for bonuses is provided for when they accrue to employees with reference to services rendered up to the statement of financial position date. The above provision represents management's best estimate of the Group's best estimate based on prior experience.

The provision for warranty payments relates to the acquisition of World Wide Creative Proprietary Limited and Afrozaar Proprietary Limited during the prior years. The provisions were estimated based on the agreements entered into. In the current year, the provision was recognized for the acquisition of Puleng Technologies and relates to a warranty provided to the previous owners of Puleng Technologies subject to profit warranty adjustments.

The commission provision relates to commission expenses payable to sales agents and is estimated based on turnover.

The provision for commission is recognised for sales commission recognised in Kalula Communications and is estimated based on monthly turnover.

The other provision relate to provision for incentive recognised for Kalula Communication's partner reward programme and is based on revenue, provision for audit fees and provision for marketing.

21. REVENUE

Sale of goods	81 164	20 871	45 484
Rendering of services	397 499	147 814	177 136
Interest from loans	–	532	–
Total	**478 663**	**169 217**	**222 620**

22. OTHER OPERATING INCOME

Fees earned	738	–	–
Bad debts recovered	–	26	628
Other income	4 760	1 391	1 755
Loss/(profit) on sale of assets	4	3	551
Fair value adjustment	–	1 116	(118)
Gains (losses) on disposals, scrapping and settlements			
Profit on sale of business	6 019	11 169	–
Foreign exchange gains (losses)			
Net foreign exchange gains	1 748	74	10
Financial instruments at fair value through profit or loss:			
Designated as such at initial recognition	13	15	–
Total other operating gains (losses)	**13 274**	**13 794**	**2 826**

23. OPERATING PROFIT

Operating profit (loss) for the year is stated after accounting for the following:

Operating lease charges

Premises	7 215	4 709	4 117
Equipment	(2)	2	–
	7 213	**4 711**	**4 117**

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Employee costs	70 994	99 448	74 756
Amortisation of intangible assets	7 214	4 296	–
Depreciation and impairment of property, plant and equipment	3 997	1 956	1 216
Profit on sale of discontinued operation	(6 019)	(11 169)	–
Impairment of Group loans	–	86	33
Impairments	–	–	436
Loss/(Profit) on sale of assets	40	(14)	551
Loss on exchange difference	767	1 007	1 943
	76 993	**95 610**	**78 935**

24. INVESTMENT REVENUE

Interest income			
From investments in financial assets:			
Bank and other cash	258	181	654
Other financial assets	1 843	2 183	595
From loans to Group and other related parties:			
Other	299	294	563
Total	**2 400**	**2 658**	**1 812**

25. FINANCE COSTS

Ultimate shareholder	8 106	8 246	7 627
Bank	665	128	406
SARS interest	33	–	–
Total	**8 804**	**8 374**	**8 033**

26. TAXATION

Major components of the tax expense			
Current			
South African normal taxation	12 686	5 043	5 354
Local income tax – recognised in current tax for prior periods	655	632	540
Foreign income tax or withholding tax – current period	114	–	–
Total current tax expense	**13 455**	**5 675**	**5 894**
Deferred			
Originating and reversing temporary differences	(633)	(7 717)	774
Total deferred tax expense	**(633)**	**(7 717)**	**774**
Total tax expense	**12 822**	**(2 042)**	**6 668**
Reconciliation of the tax expense			
Reconciliation between accounting profit and tax expense:			
Accounting profit	39 670	29 608	18 624
Tax at the applicable tax rate of 28% (2016: 28%)	11 107	8 290	5 215
Tax effect of adjustments on taxable income			
Donations	26	302	–
Legal fees	245	–	–
Fines and penalties	162	–	–
Loss from associate	244	–	–
Tax on discontinued operations	1 093	–	–
Tax losses utilised	4	(10 484)	–
Prior period tax recognised in current year	164	(150)	–
Foreign income or withholdings tax	114	–	–
CGT rate change	(337)	–	–
Non-deductible Expenditure	–	–	1 453
	12 822	**(2 042)**	**6 668**

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognised.

27. CASH GENERATED FROM OPERATIONS

Profit before tax	39 670	29 608	18 624
Adjustments for:			
Depreciation	3 293	1 582	1 216
Amortisation	755	378	–
Profit on sale of non-current assets	–	–	(550)
Profit on discontinued operation	(6 019)	(11 168)	
Losses on foreign exchange	767	–	(9)
Income from equity accounted investments	679	(310)	(9)
Interest received	(2 579)	3 541	(1 811)
Finance costs	8 804	2 852	8 033
Fair value gains	(13)	(14)	(28)
Losses on foreign exchange	(59)	–	–
Impairment losses and reversals	–	85	469
Movements in operating lease liability	(519)	9	513
Movements in provisions	2 788	(2 013)	(3 559)
Depreciation included in cost of sales	123	114	–
Income from discontinued operations	3 903	5 852	–
Changes in working capital:			
Inventories	(5 244)	968	(731)
Trade and other receivables	(18 878)	15 013	(5 605)
Trade and other payables	25 680	(15 204)	3 520
Deferred income	20	(8 603)	(6 042)
Total	**53 171**	**22 690**	**14 030**

28. TAX PAID

Tax payable balance at the beginning of the year	699	(705)	(1 511)
Current tax for the year recognised in profit or loss	(14 548)	(5 676)	(5 894)
Disposal of subsidiaries	(1 093)	420	–
Current tax on discontinued operations	–	(852)	–
Tax payable balance at the end of the year	7 987	(699)	705
Tax paid	**(6 955)**	**(7 512)**	**(6 700)**

29. BUSINESS COMBINATIONS

2017	Kalula Communications Proprietary Limited	Puleng Technologies Proprietary Limited	Total
Property, plant and equipment	3 905	1 155	5 060
Cash and cash equivalents	(1 035)	14 001	12 966
Loans	(999)	1 153	154
Trade and other receivables	13 104	49 652	62 756
Trade and other payables	(9 241)	(56 528)	(65 769)
Tax payable	(981)	(111)	(1 092)
Provisions	(1 495)	–	(1 495)
Inventory	4 458	–	4 458
Other financial liabilities	(2 798)	–	(2 798)
Intangible asset	9 876	–	9 876
Deferred tax	(2 765)	–	(2 765)
Total identifiable net assets	12 029	9 322	21 351
Non-controlling interest	(5 894)	(4 008)	(9 902)
Goodwill	8 465	22 274	30 739
	14 600	**27 588**	**42 188**
Net cash outflow on acquisition			
Net consideration paid	–	(14 525)	(14 525)
Cash acquired	–	14 001	14 001
Overdraft acquired	(1 035)	–	(1 035)
	(1 035)	**(524)**	**(1 559)**
Purchase Consideration			
Cash	–	14 525	14 525
Loan	4 724	–	4 724
Ordinary shares issued	9 876	5 425	15 301
Contingent consideration	–	7 637	7 637
	14 600	**27 587**	**42 187**

Puleng Technologies Proprietary Limited

On 1 October 2016, the Group acquired 57% equity in Puleng Technologies Proprietary Limited. As a result, the Group obtained control over the company. Puleng is involved with data and user security which complements the Group's existing business.

Kalula Communications Proprietary Limited

On 1 September 2016, the Group acquired 51% equity in Kalula Communications Proprietary Limited. As a result, the Group obtained control over the company. The Company is involved in unified communications and technology devices which enhances the Group's strategy to diversify.

Goodwill of R 30 739 565 arising from the two acquisitions consists largely of the synergies and economies of scale expected from combining the operations of the entities, as well as from intangible assets which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

Equity issued as part of consideration paid

Acquisition of Kalula Communications Proprietary Limited

The fair value of 5 267 200 ordinary shares issued as part of the consideration for the business combination was determined based on the free cash flow of the Company, less the statement of balance values (at the acquisition date) of debt and other financing, plus cash on hand (per statement of financial position) which is in excess of normal working capital requirements

Contingent consideration arrangements

Acquisition of Puleng Technologies Proprietary Limited

The Group is required to pay the previous owners of Puleng Technologies Proprietary Limited a cash amount ranging from R3 160 000 to R4 460 000 for each year the target is met for 3 years subject to a profit warranty adjustments. The target is based on net profit after tax meeting certain thresholds. The payments are discounted at a rate of 13.48%.

The fair value of the contingent consideration arrangement was determined at acquisition date and included in the consideration.

30. SALE OF BUSINESS

During the current year, the Group disposed of the going concern of Saratoga Software Proprietary Limited.

Wynberg Pharmaceuticals Proprietary Limited and Sekunjalo Health and Medical Commodities Proprietary Limited were sold during the 2016 year.

Wynberg Pharmaceuticals Proprietary Limited	**2017**	**2016**	**2015**
Property, plant and equipment	–	38	–
Intangible assets	–	1 354	–
Other non-current assets	–	1	–
Inventories	–	2 117	–
Trade and other receivables	–	2 915	–
Trade and other payables	–	(1 830)	–
Tax assets/liabilities	–	(420)	–
Borrowings	–	(6 554)	–
Cash	–	207	–
Provisions	–	(133)	–
Total net assets sold	–	(2 305)	–
Consideration received	–	(8 853)	–
Profit/(loss(on sale of subsidiaries	**–**	**(11 158)**	**–**
Sekunjalo Health and Medical Commodities Proprietary Limited			
Trade and other receivables	–	1	–
Cash	–	1	–
Trade and other payables	–	(10)	–
Total net assets sold	–	(8)	–
Consideration received	–	(3)	–
Profit on sale of subsidiary	**–**	**(11)**	**–**
Saratoga Software Proprietary Limited sale of going concern			
Property, plant and equipment	342	–	–
Other financial assets	475	–	–
Goodwill	4 631	–	–
Trade and other receivables	8 466	–	–
Trade and other payables	(218)	–	–
Provisions	(2 641)	–	–
Operating lease liability	(8)	–	–
Cash and cash equivalents	2 300	–	–
Total net assets sold	13 347	–	–
Consideration received	(19 440)	–	–
(Profit)/loss on sale of subsidiaries	**(6 093)**	**–**	**–**
Consideration received			
Cash	(2 300)	–	–
Loan	(17 140)	–	–
	(19 440)	–	–

31. RELATED PARTIES

Ultimate holding company	Africa Equity Empowerment Investments Limited
Subsidiaries	Saratoga Software Proprietary Limited
	Sekunjalo Medical Services Proprietary Limited
	Health System Technologies Proprietary Limited
	Digital Matter Proprietary Limited
	World Wide Creative Proprietary Limited
	Afrozaar Proprietary Limited
	Puleng Technologies Proprietary Limited
	Kalula Communications Proprietary Limited
	Acacia Cloud Solutions Proprietary Limited
	Afrozaar Limited UK
Joint ventures	Exaro HST Limited
	Digital Health Africa Proprietary Limited
Fellow subsidiary companies	Premier Fishing and Brands Limited
	espAfrika Proprietary Limited
	Health Systems Technologies Proprietary Limited
	Magic 828 Proprietary Limited
	Wynberg Pharmaceuticals Proprietary Limited
	Sekunjalo Health and Medical Commodities Proprietary Limited
	Sekpharma Proprietary Limited
	Sekunjalo Technologies Solutions Group Proprietary Limited
	Wynberg Pharmaceutical Proprietary Limited
	Tripos Tourism Investments Proprietary Limited
Associate	Emergent Energy Proprietary Limited
Commonly controlled entities	African News Agency Proprietary Limited
	African Technology and Media Holdings Proprietary Limited

Related party balances

Loans receivable from/(payable to) related parties			
African Equity Empowerment Investments Limited	(76 213)	(67 793)	(76 961)
Sekpharma Proprietary Limited	–	(119)	15 017
Saratoga Private Equity Proprietary Limited	–	(762)	(762)
Digital Health Africa Proprietary Limited	168	8	–
Sekunjalo Health and Medical Commodities Proprietary Limited	(1)	–	–
KimCo Trust – common key management	(700)	–	–
Amounts included in Trade receivables/(Trade payables) from related parties			
African Equity Empowerment Investments Limited	1	–	–
Sekpharma Proprietary Limited	228	57	30
Exaro HST Limited	5 354	4 703	3 477
Premier Fishing SA Proprietary Limited	(8)	–	(730)
African Technology and Media Holdings	1 411	–	–

Related party transactions

Interest paid to/(received from) related parties			
African Equity Empowerment Investments Limited	8 089	–	1 929
African Equity Empowerment Investments Limited	(306)	(295)	–
Management fees paid to related parties			
African Equity Empowerment Investments Limited	2 969	–	(621)
African Equity Empowerment Investments Limited	–	(632)	–
Commission paid to/(received from) related parties			
African Equity Empowerment Investments Limited	–	5 615	4 722
Sales to related parties			
African Equity Empowerment Investments Limited	(2 436)	–	–
Sekpharma Proprietary Limited	(284)	(161)	–
Exaro HST Limited	(651)	(1 256)	–
Premier Fishing SA Proprietary Limited	(49)	(41)	(56)
Purchases from related parties			
Premier Fishing SA Proprietary Limited	211	28 764	10 067
African Equity Empowerment Investments Limited	516	3 861	71
Tripos Tourism Investments Proprietary Limited	134	–	–
Sundry income paid to/(received from) related parties			
African Equity Empowerment Investments Limited	(283)	–	–
Premier Fishing SA Proprietary Limited	(238)	–	–
Wynberg Pharmaceuticals Proprietary Limited	(3 374)	–	–
Advertising paid to related parties			
African Equity Empowerments Investments Limited	20	–	–
Conferences, Meetings & Seminars paid to related parties			
African Equity Empowerments Investments Limited	21	–	–
Consulting fees paid to related parties			
African Equity Empowerments Investments Limited	111	–	–
Sekunjalo Capital	50	–	–
Saratoga Private Equity Proprietary Limited	60	–	–
Thunder Capital	52	–	–
Legal fees paid to related parties			
African Equity Empowerments Investments Limited	714	–	–
Professional service fees paid to related parties			
Premier Fishing SA Proprietary Limited	27	–	–
Travel and accommodation paid to related parties			
African Equity Empowerments Investments Limited	9	–	–
Accounting fees received from related parties			
Emergent Energy Proprietary Limited	(192)	–	–
Compensation to directors and other key management			
Short-term employee benefits	34 321	23 889	–

32. RISK MANAGEMENT

Financial risk management

The Group is exposed to a number of financial instrument related risks. The Group has trade receivables, cash and cash equivalents and loans receivable which give rise to credit risk and interest rate risk. The Group has trade payables, loans payable and other financial liabilities which give rise to liquidity risk and interest rate risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The Group manages liquidity risk by effectively managing its cash flows and working capital. The Group meets its financing requirements through the use of cash generated from operations as well as short term and long term borrowings. The Group has sufficient undrawn borrowing facilities which could be utilised to settle obligations.

MATURITY PROFILES

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 August 2017

	Up to 1 year	Between 1 and 2 years
Other financial liabilities	5 691	50
Trade and other payables	108 460	–
Loans to group companies	80 597	–
Finance lease liabilities	259	2 549
Operating lease liabilities	305	–

At 31 August 2016

	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years
Other financial liabilities	204	72	–
Trade and other payables	12 779	–	–
Loans to group companies	13 545	13 545	40 638
Operating lease liability	528	–	–

At 31 August 2015

	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	282	–	–	–
Trade payables	33 471	–	–	–
Loans to Group companies	9 326	13 545	13 545	40 638
Operating lease liability	–	520	–	–

The Group has no significant concentration of liquidity risk.

Interest rate risk

At August 31 2017, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been R64 038 (2016: R57 171) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market rates.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

Credit risk

Credit risk is the risk that a counter-party to a financial instrument will fail to discharge an obligation, and cause the company to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The Group utilises the services of ABSA Bank Limited, First National Bank and Standard Bank, of which the credit ratings are as follows:

	Moody's Rating		Fitch Ratings
	ABSA Group	**ABSA Group**	**ABSA Bank Ltd**
Long-term	Baa3	BB+	BB+
Outlook	Negative	Negative	Stable
	Standard Bank	**Standard Bank**	**Standard Bank**
Long-term	Baa3	BB+	BB+
Outlook	Negative	Negative	Stable
	First National Bank	**First National Bank**	**First Rand Limited**
Long-term	Baa3	BB+	BB+
Outlook	Negative	BB+	Negative

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. On a continuous basis, management monitors the performance of each customer against their credit limit to ensure that no credit limits are exceeded. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The Group is potentially subject to concentrations of credit risk in the accounts receivable. Credit risk with respect to receivables is limited due to the number of debtors comprising the Group's customer base. Although the Group is directly affected by the financial condition of its customers, management does not believe significant credit risk exist at 31 August 2107. Generally, the Group does not require collateral or other securities to support its accounts receivable.

Loans and other receivables are comprised of advances to Group companies. The Group assesses the trading performance of other Group companies before making advances. Advances are made on the strength of the counter party's trading performance and forecast cash flows. Loans and other receivables are carefully monitored for impairment.

Financial assets exposed to credit risk at period end were as follows:

	2017	2016	2015
Loans to Group companies	4 553	2 093	3 766
Other financial assets	20 013	4 707	3 522
Trade and other receivables	110 428	32 412	58 998
Cash and cash equivalents	74 230	33 562	22 185

Foreign exchange risk

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group was exposed to both US Dollar and British Pound exposure during the year. At year-end only a US Dollar balance existed and was restated.

Foreign currency exposure at statement of financial position date

	2017	2016	2015
Current assets			
Trade debtors – USD 207 329 (2016: nil), (2015: nil)	2 692	–	–
Current liabilities			
Current payables – USD 629 524 (2016:USD 100 024), (2015: USD 786 644)	8 175	1 449	10 308
Exchange rates used for conversation of foreign items were:			
USD	12.9854	14.4880	13.1048

At 31 August 2017, if the currency had been 10% higher or lower against the US Dollar with all other variables held constant, the post-tax profit for the year would have been R246 326 higher or lower (2016: R100 660).

The Group reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure.

Price risk

Price risk is the risk that the fair value of future cash flows or financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether the changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instrument traded in the market.

No significant exposure to price risk.

33. FAIR VALUE INFORMATION

Fair value hierarchy

Financial assets, financial liabilities and non-financial assets measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The following table shows the carrying amounts and fair values of financial assets and non-financial assets measured at fair value, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Levels of fair value measurements

Level 3 - Recurring fair value measurements

	2017	2016	2015
Financial assets designated at fair value through profit/(loss)			
Cadiz Life Investment Enterprise Development Fund	747	1 129	985

There were no transfers of assets and liabilities between Levels 1, 2 or 3 of the fair value hierarchy.

Reconciliation of assets and liabilities measured at level 3

Group 2017	Opening Balance	Purchases	Settlements	Closing balance
Assets				
Financial assets designated at fair value through profit (loss)				
Cadiz Enterprise Development Investments	1 129	–	(381)	747
Total	**1 129**	**–**	**(381)**	**747**

Group 2016	Opening Balance	Purchases	Settlements	Closing balance
Assets				
Financial assets designated at fair value through profit (loss)				
Cadiz Enterprise Development Investments	985	144	–	1 129
Total	**985**	**144**	**–**	**1 129**

Group 2015	Opening Balance	Purchases	Settlements	Closing balance
Assets				
Financial assets designated at fair value through profit (loss)				
Cadiz Enterprise Development Investments	–	985	–	985
Total	**–**	**985**	**–**	**985**

Gains and losses recognised in profit or loss are included in fair value adjustments on the Statement of Comprehensive Income.

Financial instruments measured at cost for which a fair value is disclosed

Financial assets that are not measured at fair value, namely trade and other receivables, cash and cash equivalents, loans receivables and other financial assets are categorised as loans and receivables. It has been concluded that the carrying amount of these assets approximate their fair value.

Financial liabilities that are not measured at fair value, namely loans, trade and other payables and other financial liabilities are categorised as other financial liabilities. It has been concluded that the carrying amount of these liabilities approximate fair value.

36. FINANCIAL ASSETS BY CATEGORY

Categories of financial instruments - 2017 Assets	Loans and receivables	Fair value through profit or loss - designated	Non – financial assets	Total
Loans to group companies	4 552	–	–	4 552
Trade and other receivables	98 057	–	12 370	110 427
Cash and cash equivalents	74 229	–	–	74 229
Other financial assets	19 265	747	–	20 012

Categories of financial instruments - 2016 Assets	Loans and receivables	Fair value through profit or loss - designated	Non – financial assets	Total
Loans to group companies	2 093	–	–	2 093
Trade and other receivables	24 421	–	7 991	32 412
Cash and cash equivalents	33 561	–	–	33 561
Other financial assets	3 578	1 129	–	4 707

Categories of financial instruments - 2015 Assets	Loans and receivables	Fair value through profit or loss - designated	Total
Loans to group companies	3 765	–	3 765
Loans to shareholders	36	–	36
Other financial assets	–	3 522	3 522
Trade and other receivables	54 915	–	54 915
Cash and cash equivalents	22 185	–	22 185

37. FINANCIAL LIABILITY BY CATEGORY

Categories of financial instruments - 2017 Liabilities	Financial liabilities at amortised cost	Non Financial Liability	Total
Loans from group companies	80 597	–	80 597
Other financial liability	5 741	–	5 741
Finance lease liability	2 808	–	2 808
Loans from shareholders	69	–	69
Trade and other payables	88 013	20 447	108 460
Operating lease liability	305	–	305
Deferred income	–	2 980	2 980

Categories of financial instruments - 2016 Liabilities	Financial liabilities at amortised cost	Non Financial Liability	Total
Loans from group companies	67 729	–	67 729
Other financial liability	276	–	276
Trade and other payables	4 455	8 324	12 779
Deferred income	–	1 186	1 186

Categories of financial instruments - 2015 Liabilities	Financial liabilities at amortised cost	Non Financial Liability	Total
Loans from group companies	77 055	–	77 055
Other financial liabilities	281	–	281
Trade and other payables	27 766	–	27 766
Deferred income	–	10 474	10 474

38. EARNINGS PER SHARE

Earnings per share ("EPS") are derived by dividing the earnings attributable to equity holders of the parent by the weighted average number of ordinary shares.

	2017		2016		2015	
	Gross	Nett	Gross	Nett	Gross	Nett
Earnings attributable to ordinary equity holders from continuing operations	–	13 861		29 310	–	7 539
Discontinued operations	–	2 810	–	1 667	–	–
Earnings attributable to ordinary equity holders	–	–	–	–	–	–
Profit/(Loss) on sale of property plant and equipment	12	8	14	10	(551)	(397)
Profit/(Loss) on disposal of discontinued operations	(6 019)	(4 670)	(11 169)	(8 667)	469	338
Impairment loss	–	–	85	61	–	–
Headline earnings		**12 009**		**22 381**		**7 480**
Continued operation		9 199		20 714		7 480
Discontinued operation		2 810		1 667		–
Weighted average number of shares ('000)		212 078		202 151		202 151
Basic earnings per share (Cents)		**7.87**		**15.32**		**3.73**
Continued operations		6.54		14.50		3.73
Discontinued operations		1.33		0.82		–
Headline earnings per share (Cents)		**5.67**		**11.07**		**3.70**
Continued operations		4.34		10.25		3.70
Discontinued operations		1.33		0.82		–

39. SEGMENT INFORMATION

31 August 2017

	Software and consulting	Head office	Health care and support	Security	Unified communications	Total
Revenue	71 106	21 381	91 100	251 135	67 207	501 929
External sales	68 973	248	91 100	251 135	67 207	478 663
Intergroup sales	2 133	21 133	–	–	–	23 266
Operating profit / (loss)	12 061	(5 070)	19 782	17 561	2 419	46 753
Discontinued operation	2 810	–	–	–	–	2 810
Impairments	–	–	–	–	–	–
Depreciation and amortisation	(1 143)	(2)	(1 815)	(439)	(772)	(4 171)
Fair value adjustment	–	–	–	–	–	–
Non-current assets	9 460	21 051	10 745	23 252	5 992	70 500
Current assets	38 075	10 015	46 254	98 092	21 571	214 007
Non-current liabilities	(148)	(85 074)	–	–	(2 809)	(88 031)
Current liabilities	(14 184)	(6 108)	(19 955)	(79 473)	(17 208)	(136 928)
Profit from associate	–	(680)	–	–	–	(680)
Capital expenditure	2 098	12	845	262	163	3 380

31 August 2016

	Software and consulting	Head office	Health care and support	Security	Unified communications	Total
Revenue	117 325	942	97 100	–	–	215 367
External sales	117 325	942	97 100	–	–	215 367
Intergroup sales	–	–	–	–	–	–
Operating profit / (loss)	8 462	5 477	24 702	–	–	38 641
Discontinued operation	–	–	1 668	–	–	1 668
Impairments	–	–	–	–	–	–
Depreciation and amortisation	(578)	(2)	(1 115)	–	–	(1 695)
Fair value adjustment	–	–	14	–	–	14
	–	–	–	–	–	–
Non-current assets	8 556	14 493	8 244	–	–	31 293
Current assets	20 829	3 412	38 445	–	–	62 686
Non-current liabilities	(807)	(67 728)	–	–	–	(68 535)
Current liabilities	(9 721)	(834)	(8 059)	–	–	(18 614)
Profit from associate		(311)	–	–	–	311
Capital expenditure	553	–	568	–	–	1 121

40. COMPARATIVE FIGURES

During the current year the Group disposed of the going concern in Saratoga Software Proprietary Limited. In line with IFRS 5, certain comparative figures have been reclassified to non-current assets and liabilities held for sale. Refer to note 14.

The effects of the reclassification are as follows:

	2017	2016	2015
Profit or Loss			
Revenue	–	(46 149)	–
Cost of sales	–	35 368	–
Other income	–	(848)	–
Other operating gains	–	(72)	–
Other operating expenses	–	7 928	–
Investment revenue	–	(773)	–
Finance cost	–	(39)	–
Taxation	–	1 207	–

41. COMMITMENTS

Operating leases - as lessee (expense)

Minimum lease payments due:

Within one year	305	–	–

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 years. No contingent rent is payable.

42. EVENTS AFTER REPORTING PERIOD

On the first of September 2017 the investment in Emergent Energy which was classified as a non-current asset held for sale was sold.

43. DIRECTORS' EMOLUMENTS

No emoluments were paid from the AYO Company to the directors during the year.

ANNEXURE 2 – INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF AYO TECHNOLOGY FOR THE YEARS 31 AUGUST 2015, 31 AUGUST 2016 AND 31 AUGUST 2017

The definitions and interpretations commencing on page 4 of this Circular apply to this **Annexure 2**.

The Directors

African Equity Empowerment Investments Limited
Quay 7, Breakwater Boulevard, East Pier
Victoria and Alfred Waterfront
Cape Town
8001

7 November 2017
Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF AYO TECHNOLOGY SOLUTIONS LIMITED ("AYO Technology" or the "Company") INCLUDED IN THE CIRCULAR

Introduction

We have audited the financial information of AYO Technology for the three years ended 31 August 2015, 2016 and 2017, as set out in **Annexure 1** of the circular to be issued on or about Friday, 10 November 2017 ("**the Circular**") in compliance with the JSE Limited ("**JSE**") Listings Requirements.

The financial information comprises the statement of financial position as at 31 August 2015, 2016 and 2017, the statement of comprehensive income and statement of changes in equity for the 12 month periods ended 31 August 2015, 2016 and 2017, and the notes thereto, comprising a summary of significant accounting policies and other explanatory information.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors ("**IRBA Code**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Directors' responsibility for the historical financial information

The company's directors are responsible for the preparation, contents and presentation of the Circular and the fair presentation of the historical financial information in accordance with International Financial Reporting Standards. The responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair representation of financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

Our responsibility is to express an opinion or conclusion on the historical financial information of AYO Technology, included in the Circular, based on our audit of the financial information of AYO Technology for the years ended 31 August 2015, 2016 and 2017.

This report of historical financial information has been prepared in accordance with and by applying (i) IFRS; (ii) the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council; and (iii) the accounting policies of the Company.

We conducted our audit of the historical financial information of AYO Technology for the three years ended 31 August 2015, 2016 and 2017 in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and report the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial information of AYO Technology for the three years ended 31 August 2015, 2016 and 2017 presents fairly, in all material respects, the financial position of AYO Technology at those dates and its financial performance for the years then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements.

Consent

We consent to the inclusion of this report, which will form part of the Circular to the shareholders of AEEI in the form and context in which it appears.

Grant Thornton Cape Inc

Grant Thornton Cape Incorporated
Practice number 970879-0000
Chartered Accountants (SA)
Registered Auditors

Bernard van der Walt
Partner
Chartered Accountant (SA)
Registered Auditor
6th Floor
123 Hertzog Boulevard Foreshore
Cape Town
8001

ANNEXURE 3 – PRO FORMA FINANCIAL INFORMATION OF AEEI

The definitions and interpretations commencing on page 4 of this Circular apply to this **Annexure 3**.

In order to assist Shareholders in assessing the Share Issue, AEEI has detailed in Pro Forma A section below the pro forma financial effects of the Share Issue, should the Share Issue occur at an Issue Price of R28.00 per Share, while the subsequent section (Pro Forma B of Annexure 3) reflects the pro forma financial effects of the Share Issue, should it occur at the maximum Issue Price of R43.00 per Share.

PRO FORMA A – SHARE ISSUE AT AN ISSUE PRICE OF R28.00 PER ISSUE SHARE

The *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income of AEEI have been prepared for illustrative purposes only to show the financial effects of the Share Issue and because of its nature, may not give a fair reflection of AEEI's financial position, changes in equity and results of operations after the implementation of the Share Issue. The *pro forma* financial information is presented in accordance with the provisions of the JSE Listings Requirements and the Guide on *Pro Forma* Financial information issued by the South African Institute of Chartered Accountants. These *pro forma* financial effects are the responsibility of the Directors.

The *pro forma* financial information has been prepared using the accounting policies of AEEI which comply with IFRS and which are consistent with those applied in the annual financial statements of AEEI for the financial year ended 31 August 2017.

It has been assumed for purposes of *pro forma* financial effects that the Share Issue took place with effect from 1 September 2016 for the statement of comprehensive income purposes and on 31 August 2017 for the statement of financial position purposes and that the Share Issue was fully subscribed for in cash.

***Pro forma* statement of comprehensive income for the year ended 31 August 2017**

The *pro forma* statement of comprehensive income presented below was prepared on the assumption that the Share Issue was implemented on 1 September 2016 at an issue price of R28.00 per Share.

	Audited financial information before Share Issue[1]	*Pro forma* adjustment – Share Issue[2,3]	*Pro forma* financial information after Share Issue
Continuing operations	**R'000**	**R'000**	**R'000**
Revenue	1 052 196	–	1 052 196
Cost of sales	(654 210)	–	(654 210)
Gross profit	**397 986**	**–**	**397 986**
Other income	3 960	–	3 960
Operating expenses	(297 289)	(5 106)	(302 395)
Gain on sale of business	6 019	–	6 019
Gain on bargain purchase	11 898	–	11 898
Net impairments and write offs	(2 605)	–	(2 605)
Fair value adjustments	535 083	–	535 083
Investment revenue	23 903		23 903
Profit from equity accounted investments	30 203	–	30 203
Finance costs	(28 267)	–	(28 267)
Profit before tax	**680 891**	**(5 106)**	**675 785**
Taxation	(155 029)	–	(155 029)
Profit from continuing operations	**525 862**	**(5 106)**	**520 756**
Discontinued operations	2 810	–	2 810
Profit for the year	**528 672**	**(5 106)**	**523 566**
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations	(4)		(4)
Total comprehensive income for the year	**528 668**	**(5 106)**	**523 562**

	Audited financial information before Share Issue[1]	*Pro forma* adjustment – Share Issue[2,3]	*Pro forma* financial information after Share Issue
<u>**Attributable to:**</u>			
Owners of parent			
– Continuing operations	474 275	(6 224)	468 051
– Discontinued operations	2 810	–	2 810
Profit for the year attributable to owners of parent	**477 085**	**(6 224)**	**470 861**
Non-controlling interest:			
– Non-controlling interest – continuing operations	51 583	1 118	52 701
– Non-controlling interest – discontinued operations	–	–	–
	51 583	**1 118**	**52 701**
NOTES			
Weighted average number of shares in issue ('000)	491 339		491 339
Basic earnings per share (cents)	**97.10**	**(1.27)**	**95.83**
– Continuing operations	96.53	(1.27)	95.26
– Discontinued operations	0.57	–	0.57
Diluted earnings per share (cents)	**97.10**	**(1,27)**	**95,83**
– Continuing operations	96.53	(1.27)	95.26
– Discontinued operations	0.57	–	0.57
Adjustments to headline earnings:			
– Gain on disposal of subsidiary	(4 334)	–	(4 334)
– Gain on bargain purchase	(8 567)	–	(8 567)
– Loss on disposal of property, plant and equipment	2 048	–	2 048
Headline earnings	**466 231**	**(6 237)**	**460 007**
Headline earnings per share (cents)	**94.89**	**(1.27)**	**93.62**
– Continuing operations	94.32	(1.27)	93.05
– Discontinued operations	0.57	–	0.57

Notes

- AYO Technology will list on the JSE and issue 134 129 082 shares to the Invited Investors resulting in the dilution of AEEI's shareholding from 80,03% to approximately 49%.
- AEEI will retain control of AYO Technology in accordance with IFRS 10 – Consolidated Financial Statements.

1. The audited financial information before the Share Issue was extracted without adjustments from the audited financial statements of AEEI for the year ended 31 August 2017 was prepared in accordance with IFRS.
2. It is assumed that transaction costs for the Listing will amount to R77.3million.R72.2 million of the estimated transaction costs relates to fees for the placement of shares and has been assumed to be directly attributable to Share Issue expenses which are recognised in equity in accordance with IAS 32 – Financial Instruments: Presentation. These are offset against the share capital in AYO Technology. The remaining R5.1million is an estimate of advisory and professional fees and it has been assumed that these are not directly attributable to Share Issue expenses. These expenses have been recognised in the statement of comprehensive income. It has been assumed that the transaction costs are not tax deductible. The adjustment for transaction costs is not expected to have a continuing effect.
3. The dilution of AEEI's shareholding will result in an increase in non-controlling interest.
   a. Of AYO Technology's profits attributable to the parent for the year, after taking into account the share issue costs for the year ended 31 August 2017, 51% have been allocated to non-controlling interests. This amount has been calculated to be R5.6million.
   b. The before Share Issue column already includes an allocation of AYO Technology profits for the year ended 31 August 2017 to the existing non-controlling interest before the Share Issue amounting to R4.5million which has been taken into account.
   c. Thus the *pro forma* adjustment amounts to R1.1million. The shares issued will be held by AYO Technology, therefore no change in the issued shares of AEEI.
4. The *pro forma* financial information after the Share Issue column is based on the assumption that the Share Issue was implemented on 1 September 2016 for the purposes of the statement of comprehensive income.
5. The earnings per share and headline earnings per share figures are calculated based on the weighted average number of shares in issue as at 31 August 2017. The diluted earnings per share and diluted headline earnings per share are calculated based on the weighted average number of shares in issue at 31 August 2017.
6. There are no rights or options that exist and therefore there are no dilutionary instruments in issue.
7. It has been assumed that there is no other income on the proceeds of the Share Issue.
8. The tax rate is assumed to be 28%.

Pro forma statement of financial position as at 31 August 2017

The *pro forma* statement of financial position presented below was prepared on the assumption that the Share Issue was implemented on 31 August 2017.

	Audited financial information before Share Issue[1] R'000	*Pro forma* adjustment – Share Issue[2,3] R'000	*Pro forma* financial information after Share Issue R'000
ASSETS			
Non-current assets			
Property, plant and equipment	154 527	–	154 527
Goodwill	82 940	–	82 940
Intangible assets	384 027	–	384 027
Investments in subsidiaries	–	–	–
Investments in associate	780 559	–	780 559
Investment in joint ventures	33	–	33
Loans to group companies	–	–	–
Other loans receivable	8 366	–	8 366
Other financial assets	425 524	–	425 524
Deferred tax	17 578	–	17 502
Prepayments	1 659	–	1 659
	1 855 213	**–**	**1 855 213**
Current assets			
Inventories	64 181	–	64 181
Other loans receivable	26 771	–	26 771
Current Tax Receivable	1 591	–	1 591
Operating Lease Assets	–	–	–
Trade & Other Receivables	195 050	–	195 050
Biological Assets	54 323	–	54 323
Cash & Cash Equivalents	625 024	3 736 008	4 361 032
	966 940	**3 736 008**	**4 702 948**
Total assets	**2 822 153**	**3 736 008**	**6 558 161**
EQUITY			
Share capital	403 177	–	403 177
Reserves	8 030	–	8 030
Retained income	866 286	3 613 283	4 479 569
	1 277 493	**3 613 283**	**4 890 776**
Non-controlling interest	760 627	122 725	883 352
	2 038 120	**3 736 008**	**5 774 128**
LIABILITIES			
Non-current liabilities			
Loans from group companies	–	–	–
Other financial liabilities	245 622	–	245 622
Finance lease obligation	2 549	–	2 549
Operating lease liabilities	1 274	–	1 274
Deferred tax	211 046	–	211 046
Provisions	811	–	811
	461 302	**–**	**461 302**
Current liabilities			
Other Financial Liabilities	47 232	–	47 232
Current Tax payable	32 506	–	32 506
Finance lease obligation	259	–	259
Operating Lease Liability	226	–	226
Trade & other Payables	169 984	–	169 984
Provisions	27 642	–	27 642
Bank Overdraft	44 522	–	44 522
	322 371	**–**	**322 371**
Non current liabilities held for sale	360	–	360
Total liabilities	**784 033**	**–**	**784 033**
Total equity and liabilities	**2 822 153**	**3 736 008**	**6 558 161**
Net asset value per share (cents)	260.00	735.40	995.40
Tangible asset value			
Net tangible asset value per share (cents)	164.96	735.40	900.36
No of shares in issue ('000)	491 339		491 339
Weighted average number of shares ('000)	491 339		491 339

Notes

- It is anticipated that AYO Technology will list on the JSE and issue 134 129 082 shares to Invited Investors resulting in the dilution of AEEI's shareholding of 80,03%, to approximately 49%.
- AEEI will retain control of AYO Technology in accordance with IFRS 10 - Consolidated Financial Statements.

1. The audited financial information before the Share Issue was extracted without adjustments from the audited financial statements of AEEI for the year ended 31 August 2017 was prepared in accordance with IFRS.
2. It is assumed that 134 129 082 AYO Technology shares will be issued at R28.00 per share. It is assumed that the Share Issue by AYO Technology will be fully subscribed for, resulting in a cash inflow of R3.756million to the Group.
   a. The estimated transaction costs for the listing will amount to R77.3million. The intercompany fee due to AEEI Corporate Finance of R57.7million will be eliminated. Thus, the result is a net cash inflow of R3.736 million.
   b. R72.2million of the estimated transaction costs relates to fees for the placement of shares and has been assumed to be directly attributable the Share Issue expenses which are recognised in equity in accordance with IAS 32 - Financial Instruments: Presentation. These are offset against share capital in AYO Technology.
   c. The remaining R5.1million is an estimate of advisory and professional fees and it has been assumed that these are not directly attributable the Share Issue expenses. These expenses have been recognised in the statement of comprehensive income. It has been assumed that the transaction costs are not tax deductible. The adjustment for transaction costs is not expected to have a continuing effect.
3. The dilution of AEEI's shareholding will result in an increase in the non-controlling interest. 51% of the net asset value of AYO Technology as at 31 August 2017 amounting to R158.8million has been allocated to non-controlling interests. The shares issued will be by AYO Technology, therefore no change in the issued shares of AEEI.
   a. 51% of AYO Technology's profits for the year, after taking into account the Share Issue costs for the year ended 31 August 2017 and the allocation to non-controlling interest included in the statement of financial position as at 31 August 2017, have been allocated to non-controlling interests. This amount is calculated to be R1.1million.
   b. 51% of the total capitalised share placement costs of R72.2million, which amounts to R36.8 million have also been allocated to non-controlling interest.
4. The allocated amount on the net asset value of AYO Technology plus profits after the Share Issue costs less the existing allocation to non-controlling interest less the share placement costs amounts to a total of R123million for non-controlling interest.
5. The *pro forma* financial information after the Share Issue column is based on the assumption that the Share Issue was implemented on 31 August 2017.
6. The net asset value per share and tangible net asset value per share figures are calculated based on the weighted average number of shares in issue at 31 August 2017, being 491 million shares.
7. It has been assumed that there is no other income on the proceeds of the Share Issue.
8. The tax rate is assumed to be 28%.

PRO FORMA B – SHARE ISSUE AT AN ISSUE PRICE OF R43.00 PER ISSUE SHARE

The *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income of AEEI have been prepared for illustrative purposes only, to show the financial effects of the Share Issue and due to its nature, may not give a fair reflection of AEEI's financial position, changes in equity and results of operations after the implementation of the Share Issue. The *pro forma* financial information is presented in accordance with the provisions of the JSE Listings Requirements and the Guide on *Pro Forma* Financial information issued by the South African Institute of Chartered Accountants. These *pro forma* financial effects are the responsibility of the Directors.

The *pro forma* financial information has been prepared using the accounting policies of AEEI which comply with IFRS and which are consistent with those applied in the annual financial statements of AEEI for the financial year ended 31 August 2017.

It has been assumed for purposes of *pro forma* financial effects that the Share Issue took place with effect from 1 September 2016 for the statement of comprehensive income purposes and on 31 August 2017 for the statement of financial position purposes and that the Share Issue was fully subscribed for in cash.

***Pro forma* statement of comprehensive income for the year ended 31 August 2017**

The *pro forma* statement of comprehensive income presented below was prepared on the assumption that the Share Issue was implemented on 1 September 2016 at an issue price of R43.00 per Share.

	Audited financial information before Share Issue[1] R'000	*Pro forma* adjustment – Share Issue[2,3] R'000	*Pro forma* financial information after Share Issue[4] R'000
Continuing operations			
Revenue	1 052 196	–	1 052 196
Cost of sales	(654 210)	–	(654 210)
Gross profit	**397 986**	**–**	**397 986**
Other income	3 960	–	3 960
Operating expenses	(297 289)	(5 106)	(302 395)
Gain on sale of business	6 019		6 019
Gain on bargain purchase	11 898	–	11 898
Net impairments and write offs	(2 605)	–	(2 605)
Fair value adjustments	535 083	–	535 083
Investment revenue	23 903		23 903
Profit from equity accounted investments	30 203	–	30 203
Finance costs	(28 267)	–	(28 267)
Profit before tax	**680 891**	**(5 106)**	**675 785**
Taxation	(155 029)	–	(155 029)
Profit from continuing operations	**525 862**	**(5 106)**	**520 756**
Discontinued operations	2 810	–	2 810
Profit for the year	**528 672**	**(5 106)**	**523 566**
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations	(4)		(4)
Total comprehensive income for the year	**528 668**	**(5 106)**	**523 562**
Attributable to:			
Owners of parent			
– Continuing operations	474 275	(6 224)	468 055
– Discontinued operations	2 810	–	2 810
Profit for the year attributable to owners of parent	**477 085**	**(6 224)**	**470 865**
Non-controlling interest:			
– Non-controlling interest – continuing operations	51 583	1 118	52 701
– Non-controlling interest – discontinued operations	–	–	–
	51 583	**1 118**	**52 701**

	Audited financial information before Share Issue[1] R'000	*Pro forma* adjustment – Share Issue[2,3] R'000	*Pro forma* financial information after Share Issue[4] R'000
NOTES			
Weighted number of shares	491 339	491 339	491 339
Basic earnings per share (cents)	**97.10**	**(1.27)**	**95.83**
– Continuing operations	96.53	(1.27)	95.26
– Discontinued operations	0.57	–	0.57
Diluted earnings per share (cents)	**97.10**	**(1.27)**	**95.83**
– Continuing operations	96.53	(1.27)	95.26
– Discontinued operations	0.57	–	0.57
Adjustments to headline earnings:			
– Gain on disposal of subsidiary	(4 334)	–	(4 334)
– Gain on bargain purchase	(8 567)	–	(8 567)
– Loss on disposal of property, plant and equipment	2 048	–	2 048
Headline earnings	**466 232**	**(6 224)**	**460 012**
Headline earnings per share (cents)	**94.89**	**(1.27)**	**93.62**
– Continuing operations	94.32	(1.27)	93.05
– Discontinued operations	0.57	–	0.57

Notes

- AYO Technology will list on the JSE and issue 134 129 082 shares to Invited Investors resulting in the dilution of AEEI's shareholding from 80,03% to approximately 49%.
- AEEI will retain control of AYO Technology in accordance with IFRS 10 – Consolidated Financial Statements.

1. The audited financial information before the Share Issue was extracted without adjustments from the audited financial statements of AEEI for the year ended 31 August 2017 was prepared in accordance with IFRS.
2. It is assumed that transaction costs for the listing will amount to R77.3million.R72.2million of the estimated transaction costs relates to fees for the placement of shares and has been assumed to be directly attributable the Share Issue expenses which are recognised in equity in accordance with IAS 32 – Financial Instruments: Presentation. These are offset against share capital in AYO Technology. The remaining R5.1million is an estimate of advisory and professional fees and it has been assumed that these are not directly attributable the Share Issue expenses. These expenses have been recognised in the statement of comprehensive income. It has been assumed that the transaction costs are not tax deductible. The adjustment for transaction costs is not expected to have a continuing effect.
3. The dilution of AEEI's shareholding will result in an increase in non-controlling interest.
   a. Of AYO Technology's profits attributable to the parent for the year, after taking into account the share issue costs for the year ended 31 August 2017, 51% have been allocated to non-controlling interests. This amount has been calculated to be R5.6million.
   b. The before Share Issue column already includes an allocation of AYO Technology profits for the year ended 31 August 2017 to the existing non-controlling interest before the Share Issue amounting to R4.5million which has been taken into account.
   c. Thus, the *pro forma* adjustment amounts to R1.1million. The shares issued will be held by AYO Technology, therefore no change in the issued shares of AEEI.
4. The *pro forma* financial information after the Share Issue column is based on the assumption that the Share Issue was implemented on 1 September 2016.
5. The earnings per share and headline earnings per share figures are calculated based on the weighted average number of shares in issue as at 31 August 2017. The diluted earnings per share and diluted headline earnings per share are calculated based on the weighted average number of shares in issue as at 31 August 2017.
6. There are no rights or options that exist and therefore there are no dilutionary instruments in issue.
7. It has been assumed that there is no other income on the proceeds of the Share Issue.
8. The tax rate is assumed to be 28%.

AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2017

	Audited financial information before Share Issue[1] R'000	*Pro forma* adjustment – Share Issue[2,3] R'000	*Pro forma* financial information after Share Issue[4] R'000
ASSETS			
Non-current assets			
Property, plant and equipment	154 527	–	154 527
Goodwill	82 940	–	82 940
Intangible assets	384 027	–	384 027
Investments in subsidiaries	–	–	–
Investments in associate	780 559	–	780 559
Investment in joint ventures	33	–	33
Loans to group companies	–	–	–
Other loans receivable	8 366	–	8 366
Other financial assets	425 524	–	425 524
Deferred tax	17 578	–	17 502
Prepayments	1 659	–	1 659
	1 855 213	**–**	**1 855 213**
Current assets	–		
Inventories	64 181	–	64 181
Other loans receiveable	26 771	–	26 771
Current Tax Receivable	1 591	–	1 591
Operating Lease Assets	–	–	–
Trade & Other Receivables	195 050	–	195 050
Biological Assets	54 323	–	54 323
Cash & Cash Equivalents	625 024	5 747 945	6 372 969
	966 940	**5 747 945**	**6 714 885**
Total assets	**2 822 153**	**5 747 945**	**8 570 098**
EQUITY			
Equity attributable to equity holders of parent			
Share capital	403 177	–	403 177
Reserves	8 030	–	8 030
Retained income	866 286	5 625 219	6 491 505
	1 277 493	**5 625 219**	**6 902 712**
Non-controlling interest	760 627	122 725	883 352
	2 038 120	**5 747 945**	**7 786 065**
LIABILITIES			
Non-current liabilities			
Loans from group companies	–	–	–
Other financial liabilities	245 622	–	245 622
Finance lease obligation	2 549	–	2 549
Operating lease liabilities	1 274	–	1 274
Deferred tax	211 046	–	211 046
Provisions	811	–	811
	461 302	**–**	**461 302**
Current liabilities	–		
Other Financial Liabilities	47 232	–	47 232
Current Tax payable	32 506	–	32 506
Finance lease obligation	259		259
Operating Lease Liability	226	–	226
Trade & other Payables	169 984	–	169 984
Provisions	27 642	–	27 642
Bank Overdraft	44 522	–	44 522
	–	–	
	322 371	**–**	**322 371**
Non current liabilities held for sale	360		360
Total liabilities	**784 033**	**–**	**784 033**
Total equity and liabilities	**2 822 153**	**5 747 945**	**8 570 098**
Net asset value per share (cents)	260.00	1 144.88	1 404.88
Net tangible asset value per share (cents)	164.96	1 144.88	1 309.84
No of shares	491 339		491 339
Weighted average number of shares	491 339		491 339

Notes

- It is anticipated that AYO Technology will list on the JSE and issue 134 129 082 shares to Invited Investors resulting in the dilution of AEEI's shareholding of 80,03% to approximately 49%.
- AEEI will retain control of AYO Technology in accordance with IFRS 10 – Consolidated Financial Statements.

1. The audited financial information before the Share Issue was extracted without adjustments from the audited financial statements of AEEI for the year ended 31 August 2017 was prepared in accordance with IFRS.
2. It is assumed that 134 129 082 AYO Technology shares will be issued at R43.00 per share. It is assumed that the Share Issue by AYO Technology will be fully subscribed for resulting in a cash inflow of R5.768million to the Group.
   a. The estimated transaction costs for the listing will amount to R77.3million. The intercompany fee due to AEEI Corporate Finance of R57.7million will be eliminated. Thus, the result is a net cash inflow of R5.748million.
   b. R72.2million of the estimated transaction costs relates to fees for the placement of shares and has been assumed to be directly attributable the Share Issue expenses which are recognised in equity in accordance with IAS 32 – Financial Instruments: Presentation. These are offset against share capital in AYO Technology.
   c. The remaining R5.1million is an estimate of advisory and professional fees and it has been assumed that these are not directly attributable the Share Issue expenses. These expenses have been recognised in the statement of comprehensive income. It has been assumed that the transaction costs are not tax deductible. The adjustment for transaction costs is not expected to have a continuing effect.
3. The dilution of AEEI's shareholding will result in an increase in the non-controlling interest. 51% of the net asset value of AYO Technology as at 31 August 2017 amounting to R158.8million has been allocated to non-controlling interests. The shares issued will be held by AYO Technology, therefore no change in the issued shares of AEEI.
4. 51% of AYO Technology's profits for the year, after taking into account the Share Issue costs for the year ended 31 August 2017 and the allocation to non-controlling interest included in the statement of financial position as at 31 August 2017, have been allocated to non-controlling interests. This amount is calculated to be R1.1million.
5. 51% of the total capitalised share placement costs of R72.2million, which amounts to R36.8million has also been allocated to non-controlling interest.
6. The allocated amount on the net asset value of AYO Technology plus profits after the Share Issue costs less the existing allocation to non-controlling interest, less the share placement costs amounts to a total of R123million for non-controlling interest.
7. The *pro forma* financial information after the Share Issue column is based on the assumption that the Share Issue was implemented on 31 August 2017.
8. The net asset value per share and tangible net asset value per share figures are calculated based on the weighted average number of shares in issue as at 31 August 2017, being 49 million shares.
9. It has been assumed that there is no other income on the proceeds of the Share Issue.
10. The tax rate is assumed to be 28%.

ANNEXURE 4 – INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF AEEI

The definitions and interpretations commencing on page 4 of this Circular apply to this **Annexure 4**.

The Directors

African Equity Empowerment Investments Limited
Quay 7, Breakwater Boulevard, East Pier
Victoria and Alfred Waterfront
Cape Town
8001
7 November 2017

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION OF AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED ("AEEI" or the "Company")

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of AEEI by its Directors ("**Directors**"). The *pro forma* financial information as set out in **Annexure 3** of the circular ("**Circular**") comprises of two sets of *pro forma* financial information, Pro Forma A and Pro Forma B (the "pro forma financial information"). Pro Forma A and Pro Forma B, each consist of the *pro forma* statement of financial position, the *pro forma* statement of comprehensive income and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited ("**JSE**") Listings Requirements.

The *pro forma* financial information has been compiled by the Directors to illustrate the impact of the corporate actions, described in **Annexure 3**, on the AEEI Group's financial position as at 31 August 2017, and the Company's financial performance for the period then ended, as if the corporate actions had taken place at 31 August 2017 for purposes of the *pro forma* statement of financial position and at 01 September 2016 for the purposes of the *pro forma* statement of comprehensive income. As part of this process, information about the AEEI Group's financial position and financial performance has been extracted by the Directors from the Company's published financial statements for the 12 months ended 31 August 2017, on which an auditor's report was issued on 07 November 2017.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors ("**IRBA Code**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Directors' responsibility for the *pro forma* financial information

The Directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in **Annexure 3**.

Reporting accountants' responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the Directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements ("**ISAE**") 3420: *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus.* This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in **Annexure 3**.

Consent

This report on the *pro forma* financial information is included solely for the information of the AEEI shareholders. We consent to the inclusion of our report on the *pro forma* financial information and the references thereto, in the form and context in which they appear.

Grant Thornton Cape Inc

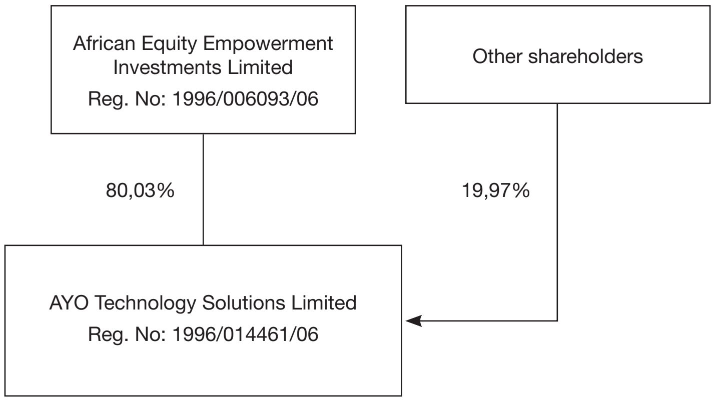
Grant Thornton Cape Incorporated
Practice number 970879-0000
Chartered Accountants (SA)
Registered Auditors

Bernard van der Walt
Partner
Chartered Accountant (SA)
Registered Auditor
6th Floor
123 Hertzog Boulevard Foreshore

Cape Town
8001

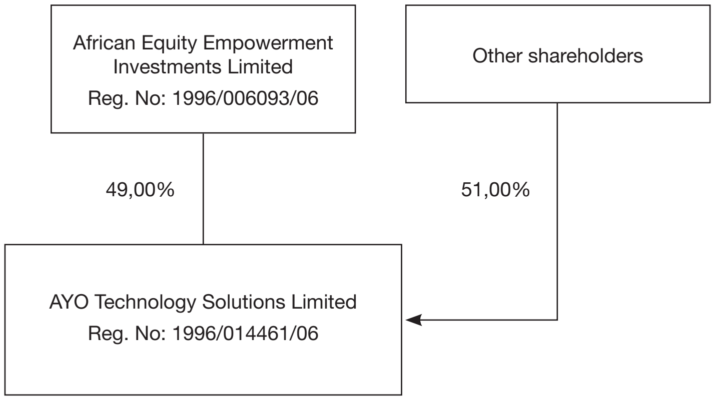
ANNEXURE 5 – CURRENT STRUCTURE OF AYO TECHNOLOGY

The definitions and interpretations commencing on page 4 of this Circular apply to this **Annexure 5**.



ANNEXURE 6 – STRUCTURE OF AYO TECHNOLOGY FOLLOWING THE SHARE ISSUE

Upon implementation of the Share Issue, AEEI's shareholding in AYO Technology will be held as follows:



ANNEXURE 7 – MATERIAL BORROWINGS

Material borrowings of AYO Technology are disclosed in the table below:

Finance Institution (Lender)	Group entity applicable (Borrower)	Date in which loan was advanced	Nature of loan and how it arose	Amount, terms and conditions of repayment	Rate of interest p.a.	Security provided	Conversion or redemption rights	Short-term capital repayments (within 12 months) and how same are to be financed
African Equity Empowerment Investments Limited	AYO Technology Solutions Limited	This loan was advanced and has been partially repaid at various times from 1996 to present	Funding of AYO Technology acquisitions and working capital	R80 596 102 The loan is unsecured and has no fixed terms of repayment.	Prime bank overdraft rate plus 3%	No security provided	None	No fixed repayment terms

AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1996/006093/06)
Share code: AEE, ISIN: ZAE000195731
("**AEEI**" or "the **Company**")

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of AEEI Shareholders will be held at 10:00 on Friday, 8 December 2017 at AEEI's head office, at Premier Fishing, Quay 7, Breakwater Boulevard, East Pier, Victoria & Alfred Waterfront, Cape Town.

Purpose

The purpose of the General Meeting is to consider and, if deemed fit, to approve, with or without modification, the resolutions set out in this Notice of General Meeting.

Notes:

- *The definitions and interpretations commencing on page 4 of the circular to which this Notice of General Meeting is attached ("**the Circular**"), apply mutatis mutandis to this notice and to the resolutions set out below.*
- *For an ordinary resolution to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution.*

1. ORDINARY RESOLUTION NUMBER 1 – AUTHORITY TO IMPLEMENT THE SHARE ISSUE

RESOLVED AS AN ORDINARY RESOLUTION, in terms of the JSE Listings Requirements, **THAT** the issue by the Company's subsidiary, AYO Technology Solutions Limited (AYO Technology), of the Issue Shares to new or existing investors at a price per share of not less than R28.00 per Issue Share to the persons contemplated in the Circular and on the terms detailed in the Circular, be and is hereby authorised, such Share Issue to occur in conjunction with the Listing of AYO Technology on the JSE.

The reason for Ordinary Resolution Number 1 is that, in terms of the JSE Listings Requirements, the Share Issue by AYO Technology constitutes a category 1 disposal by AEEI and, accordingly, requires the approval of Shareholders. The effect of Ordinary Resolution Number 1, if passed, will be to grant the necessary approval to the Share Issue in terms of the JSE Listing Requirements.

2. ORDINARY RESOLUTION NUMBER 2 – AUTHORITY OF DIRECTORS

IT IS RESOLVED THAT any Director of the Company be and is hereby authorised to do all such things and sign all such documentation as are necessary to give effect to Ordinary Resolution Number 1, hereby ratifying and confirming all such things already done and documentation already signed.

VOTING AND PROXIES

The date on which Shareholders must be recorded in the Register for the purposes of being entitled to receive this Notice of General Meeting is Friday, 3 November 2017.

The date on which Shareholders must be recorded in the Register for purposes of being entitled to attend and vote at the General Meeting, is Friday, 1 December 2017. The last day to trade in order to be entitled to attend and vote at the General Meeting, is Tuesday, 28 November 2017.

Section 63(1) of the Companies Act requires that meeting participants provide satisfactory identification. Accordingly, meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the General Meeting and must accordingly bring a copy of their identity document, passport or drivers' license to the General Meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the Transfer Secretaries for guidance.

A Shareholder entitled to attend, speak and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a Shareholder of the Company. For the convenience of Certificated Shareholders and Dematerialised Shareholders with "own-name" registration, a form of proxy (*grey*) is attached hereto. Completion of a form of proxy will not preclude such Shareholder from attending and voting (in preference to that Shareholder's proxy) at the General Meeting.

Duly completed forms of proxy and the authority (if any) under which they are signed must reach the Transfer Secretaries of the Company at the address given below by not later than 10:00 on Wednesday, 6 December 2017, provided that any form of proxy not delivered to the Transfer Secretaries by this time may be handed to the chairman of the general meeting prior to the commencement of the general meeting, at any time before the appointed proxy exercises any shareholder rights at the general meeting.

Dematerialised Shareholders without "own-name" registration who wish to attend the General Meeting in person should request their CSDP or broker to provide them with the necessary letter of representation in terms of their custody agreement with their CSDP or broker. Dematerialised Shareholders without "own-name" registration who do not wish to attend but wish to be represented at the General Meeting must advise their CSDP or broker of their voting instructions. Dematerialised Shareholders without "own-name" registration should contact their CSDP or broker with regard to the cut-off time for their voting instructions.

ELECTRONIC PARTICIPATION IN THE GENERAL MEETING

Shareholders or their proxies may participate in the General Meeting by way of telephone conference call. A total of 7 telecommunication lines will be available for such participation. Shareholders or their proxies who wish to participate in the General Meeting via the teleconference facility must follow the instructions contained in the form entitled "*Application for electronic participation at the General Meeting*" that is attached to the Circular. Shareholders who wish to participate in the General Meeting via the teleconference facility must note that they will not be able to vote during the General Meeting.

SIGNED AT CAPE TOWN ON 7 NOVEMBER 2017 ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY

By order of the Board

K ABDULLA
Chief executive officer

Registered Office
Quay 7, Breakwater Boulevard, East Pier
Victoria and Alfred Waterfront
Cape Town, 8001
(PO Box 181, Cape Town, 8000)

Transfer secretaries
Link Market Services South Africa Proprietary Limited
(Registration number 2000/007239/07)
13th Floor
19 Ameshoff Street
Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000)

AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1996/006093/06)
Share code: AEE, ISIN: ZAE000195731
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APPLICATION FOR ELECTRONIC PARTICIPATION AT THE GENERAL MEETING

– *The definitions and interpretations commencing on page 4 of the circular to which this Application for Electronic Participation at the General Meeting is attached ("**the Circular**"), apply mutatis mutandis to this notice and to the resolutions set out below.*

1. Shareholders or their proxies who wish to participate in the General Meeting via electronic communication ("**Participants**"), must apply to the Transfer Secretaries to do so by delivering the form below ("**the application**") to the offices of the Transfer Secretaries, Link Market Services 13th Floor, 19 Ameshoff Street, Braamfontein, 2001, by no later than 10:00 on Wednesday, 6 December 2017. The application may also be posted, at the risk of the Participant, to Link Market Services, PO Box 4844, Johannesburg, 2000, so as to be received by the Transfer Secretaries by no later than the time and date set out above.
2. Participants must note that they will not be able to vote during the General Meeting. Such Participants, should they wish to have their vote(s) counted at the General Meeting, must act in accordance with the voting instructions contained in the notice of the General Meeting attached to the Circular, i.e. to the extent applicable:
   (i) complete the form of proxy; or
   (ii) contact their CSDP or broker.
3. Important notice
   3.1. A total of 7 telecommunication lines will be available.
   3.2. Each Participant will be contacted between Tuesday, 5 December 2017 and Wednesday, 6 December 2017, via email and/or SMS with a code and the relevant telephone number to allow them to dial in.
   3.3. The cost of the Participant's phone call will be for his/her own expense and will be billed separately by his/her own telephone service provider.
   3.4. The cut-off time to participate in the meeting will be 10:00 on Friday, 8 December 2017. No late dial-in will be accommodated.

THE APPLICATION FORM

Full name of the Shareholder	
Identity number	
Email address	
Cell number	
Telephone number	
Name of CSDP or Broker (if Shares are held in Dematerialised format)	
Contact number of CSDP/Broker	
Contact person at CSDP/Broker	
Number of share certificate (if applicable)	

TERMS AND CONDITIONS FOR PARTICIPATION AT THE GENERAL MEETING VIA ELECTRONIC COMMUNICATION

1. The cost of dialing in using a telecommunication line to participate in the General Meeting is for the expense of the Participant and will be billed separately by the Participant's own telephone service provider.
2. The Participant acknowledges that the telecommunication lines are provided by a third party and hereby indemnifies the Company against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against the Company, whether for consequential damages or otherwise, arising from the use of the telecommunication lines or any defect in it or from total or partial failure of the telecommunication lines and connections linking the telecommunication lines to the General Meeting.
3. Participants must note that they will not be able to vote during the General Meeting. Such Participants, should they wish to have their vote(s) counted at the General Meeting, must act in accordance with the voting instructions contained in the notice of General Meeting, i.e. to the extent applicable: (i) complete the form of proxy; or (ii) contact their CSDP or broker.
4. The application will only be deemed successful if this application form has been completed, fully signed by the Participant and delivered to the offices of the Transfer Secretaries in the manner contemplated herein.

Shareholder name: ____

Signature: ____

Date: ____

AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1996/006093/06)
Share code: AEE, ISIN: ZAE000195731
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FORM OF PROXY

ONLY FOR USE BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH "OWN-NAME" REGISTRATION

For use by Shareholders at the General Meeting of AEEI Shareholders to be held at 10:00 on Friday, 8 December 2017 at AEEI's head office, at Premier Fishing, Quay 7, Breakwater Boulevard, East Pier, Victoria & Alfred Waterfront, Cape Town, or any adjourned or postponed meeting.

*The definitions and interpretations commencing on page 4 of the circular to which this form of proxy is attached (**"the Circular"**) apply mutatis mutandis to this form of proxy.*

If you are a Dematerialised Shareholder without "own-name" registration you must not complete this form of proxy but must instruct your CSDP or broker as to how you wish to vote. This must be done in terms of the custody agreement between you and your CSDP or broker.

I/We (Please PRINT names in full) ______________________________

of (address) ______________________________

telephone numbers: Landline ____________________ Mobile ____________________

E-mail address ______________________________

being the holder(s) of ____________________ Certificated Shares or Dematerialised Shares with "own-name" registration

do hereby appoint (see notes 1 and 2):

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

3. the Chairman of the General Meeting

as my/our proxy to attend, speak and vote for me/us at the General Meeting (or any adjournment thereof) for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the Shares registered in my/our name(s), in accordance with the following instruction (see notes):

	For*	Against*	Abstain*
Ordinary Resolution Number 1 Authority to implement the Share Issue			
Ordinary Resolution Number 2 Authority of Directors			

* *One vote per Share held by Shareholders. Shareholders must insert the relevant number of votes they wish to vote in the appropriate box provided or "X" should they wish to vote all Shares held by them. If the form of proxy is returned without an indication as to how the proxy should vote on any particular matter, the proxy will exercise his/her discretion as to whether, and if so, how he/she votes.*

Signed at: ______________________________ on ____________________ 2017

Signature ______________________________

Capacity of signatory (where applicable) ______________________________

Note: Authority of signatory to be attached – see notes 8 and 9. ______________________________

Telephone number____________________Cellphone number ____________________

Assisted by me (where applicable) ______________________________

Full name ______________________________

Capacity ______________________________

Signature ______________________________

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- *A Shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a Shareholder) as a proxy to participate in, and speak and vote at, a Shareholders' meeting on behalf of such Shareholder.*
- *A Shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the Shareholder.*
- *A proxy may delegate his authority to act on behalf of a Shareholder to another person, subject to any restriction set out in the instrument appointing such proxy.*
- *Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant Shareholder chooses to act directly and in person in the exercise of any of such Shareholder's rights as a Shareholder.*
- *Any appointment by a Shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise.*
- *If an appointment of a proxy is revocable, a Shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company.*
- *A proxy appointed by a Shareholder is entitled to exercise, or abstain from exercising, any voting right of such Shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise.*
- *If the instrument appointing a proxy or proxies has been delivered by a Shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a Shareholder must be delivered by such company to:*
- *the relevant Shareholder; or*
- *the proxy or proxies, if the relevant Shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.*

Notes:

1. Each Shareholder is entitled to appoint 1 (one) (or more) proxies (none of whom need be a Shareholder of the Company) to attend, speak and vote in place of that Shareholder at the General Meeting.
2. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space/s provided with or without deleting "the Chairman of the General Meeting" but the Shareholder must initial any such deletion. The person whose name stands first on the form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate box provided or "X" should the Shareholder wish to vote all Shares held by him. Failure to comply with the above will be deemed to authorise and direct the chairman of the General Meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions, or any other proxy to vote or abstain from voting at the General Meeting as he/she deems fit, in respect of all the Shareholder's votes exercisable at the meeting.
4. Completed forms of proxy and the authority (if any) under which they are signed must be lodged with or posted to the Transfer Secretaries, Link Market Services, at 13th Floor, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000), to be received by them by no later than 48 hours before the commencement of the General Meeting (or any adjournment of the General Meeting), excluding Saturdays, Sundays and official public holidays, provided that any form of proxy not delivered to the Transfer Secretaries by this time may be handed to the chairman of the general meeting prior to the commencement of the general meeting, at any time before the appointed proxy exercises any shareholder rights at the general meeting.
5. The completion and lodging of this form of proxy will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.
6. The chairman of the General Meeting may accept or reject any form of proxy not completed and/or received in accordance with these notes or with the Memorandum of Incorporation of the Company.
7. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by the Company or the Transfer Secretaries.
9. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has been registered by the Company or the Transfer Secretaries or waived by the chairman of the General Meeting.
10. Where Shares are held jointly, all joint holders are required to sign this form of proxy.
11. A minor Shareholder must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company or the Transfer Secretaries.
12. Dematerialised Shareholders who do not own Shares in "own-name" dematerialised form and who wish to attend the General Meeting, or to vote by way of proxy, must contact their CSDP or broker who will furnish them with the necessary letter of representation to attend the General Meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the Shareholder and his/her CSDP or broker.
13. This form of proxy shall be valid at any resumption of an adjourned meeting to which it relates although this form of proxy shall not be used at the resumption of an adjourned meeting if it could not have been used at the General Meeting from which it was adjourned for any reason other than it was not lodged timeously for the meeting from which the adjournment took place. This form of proxy shall in addition to the authority conferred by the Companies Act except insofar as it provides otherwise, be deemed to confer the power generally to act at the General Meeting in question, subject to any specific direction contained in this form of proxy as to the manner of voting.
14. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given, provided that no notification in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Transfer Secretaries before the commencement of the meeting or adjourned meeting at which the proxy is used.
15. Any proxy appointed pursuant to this form of proxy may not delegate her or his authority to act on behalf of the relevant Shareholder.
16. In terms of section 58 of the Companies Act, unless revoked, an appointment of a proxy pursuant to this form of proxy remains valid only until the end of the General Meeting or any adjournment of the General Meeting.