



empowering
people

REVIEWED
CONDENSED
CONSOLIDATED
ANNUAL FINANCIAL RESULTS
FOR THE YEAR ENDED
31 AUGUST 2023



AFRICAN EQUITY
EMPOWERMENT
INVESTMENTS
LIMITED

REVIEWED CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2023

African Equity Empowerment Investments Limited
(Incorporated in the Republic of South Africa)
Registration number 1996/006093/06
Share code: AEEI ISIN: ZAE000195731
("AEEI" or "the Group" or "the Company")

Reviewed condensed consolidated annual financial statements for the year ended 31 August 2023.

FINANCIAL INDICATORS

	Reviewed Group to 31 August 2023 R'000	Restated Group to 31 August 2022 R'000	% Change
Revenue from continuing operations	734 250	578 556	27%
Revenue from discontinued operations	2 103 909	1 754 914	20%
Net cash generated/(utilised) in operating activities	73 610	(31 318)	335%
Loss before tax from continuing operations	(1 241 419)	(9 125)	(13 505%)
Loss before tax from discontinued operations	(534 352)	(321 704)	(66%)
Basic (loss)/earnings per share (cents) from continuing operations	(2.54)	2.93	(187%)
Basic loss per share (cents) from discontinued operations	(36.85)	(48.71)	24%
Headline earnings from continuing operations	103 510	14 404	619%
Headline loss from discontinued operations	(166 964)	(196 856)	15%
Headline earnings per share (cents) from continuing operations	0.21	2.93	(93%)
Headline loss per share (cents) from discontinued operations	(34.00)	(40.09)	15%
Normalised headline earnings from continuing operations	109 433	22 309	391%
Normalised headline loss from discontinued operations	1 965	(63 520)	103%
Normalised headline earnings per share (cents) from continuing operations	22.29	4.54	391%
Normalised headline loss per share (cents) from discontinued operations	0.40	(12.94)	103%
Net asset value per share (cents)	246.07	993.32	(75%)
Total assets	1 711 962	6 029 757	(72%)

The Board has not declared a dividend for the year ended 31 August 2023 (2022: R49 million)

GROUP PERFORMANCE

Group revenue increased by 27% mainly due to an increase in the fishing division's revenue from better squid catches and improved market's prices. The loss before tax was due to accounting adjustments for impairment of our investment in an associate held for sale and the unbundling loss from the disposal of Ayo Group from our technology division. These are once off adjustments of R702 million and R515 million, respectively.

Basic earnings per share for continued operations decreased from a profit of 2.93 cents in 2022 to a loss of 2.54 cents in 2023. Basic loss per share from discontinued operations decreased from a loss of 48.71 cents in 2022 to a loss of 36.85 cents in 2023. This is mainly because of impairments and the loss arising from the unbundling of the Ayo Group from our IT division.

Headline earnings per share from continued operations decreased from a profit of 2.93 cents per share to a profit of 0.21 cents per share in 2023. Headline loss per share from discontinued operations decreased from a loss of 40.09 cents per share to a loss of 34.00 cents per share in 2023. This is mainly due to the net impairments of investments and the unbundling loss from the disposal of the Ayo Group from our technology division.

The net asset value per share of the Group decreased by 75% from 993.32 cents to 246.07 cents. This is mainly due to the unbundling of the Ayo Group assets from the balance sheet.

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Notes	Reviewed Group to 31 August 2023 R'000	Audited Group to 31 August 2022 R'000
ASSETS			
Non-current assets		920 460	3 036 320
Property, plant and equipment		480 036	507 482
Goodwill		69 514	119 926
Intangible assets		61 105	384 469
Investments in associates	4	72 872	935 601
Investment in joint ventures		-	73 903
Other financial assets	1	49 029	260 996
Finance lease receivables		-	3 131
Right-of-use asset		24 991	149 599
Deferred tax		162 895	161 165
Loans receivable		18	176 259
Loans to related parties		-	263 789
Current assets		501 502	2 993 437
Inventory		63 395	258 136
Trade and other receivables		101 964	879 379
Other financial assets	1	5 934	235 109
Biological assets		85 915	83 073
Current tax receivable		8 557	4 389
Finance lease receivables		-	13 149
Cash and cash equivalents		235 737	1 349 896
Loans receivable		-	145 349
Loans to related parties		-	24 957
Total assets		1 421 962	6 029 757
Assets held for sale IFRS 5	3	290 000	-
Total assets		1 711 962	6 029 757
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of parent			
Share capital and share premium		402 240	402 240
Reserves		8 684	(21 257)
Retained earnings		63 285	2 188 533
Equity attributable to equity holders of parents			
		474 209	2 569 520
Non-controlling interest		734 068	2 307 902
		1 208 277	4 877 422

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Reviewed Group to 31 August 2023 R'000	Audited Group to 31 August 2022 R'000
LIABILITIES		
Non-current liabilities	322 484	445 389
Other financial liabilities	696	2 249
Deferred tax	218 576	301 208
Finance lease liabilities	18 872	136 850
Employee benefit obligation	1 450	5 082
Loans from related parties	82 890	-
Current liabilities	181 201	706 946
Trade and other payables	99 705	447 743
Other financial liabilities	958	1 060
Current tax payable	1 874	32 666
Deferred income	687	47 719
Provisions	12 057	78 645
Finance lease liability	8 596	49 778
Contract liabilities	1 189	-
Dividend payable	13 987	46 076
Bank overdraft	1 755	3 259
Loans from related parties	40 393	-
Total liabilities	503 685	1 152 335
Total equity and liabilities	1 711 962	6 029 757
Net asset value per share (cents)	246.07	993.32
Net tangible asset value (cents)	219.47	890.60
Number of ordinary shares in issue (000s)	491 022	491 022

CONDENSED GROUP STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Reviewed Group to 31 August 2023 12 months R'000	Audited Group to 31 August 2022 12 months R'000
Continuing operations			
Revenue		734 246	578 556
Cost of sales		(410 392)	(378 971)
Gross profit		323 854	199 585
Other income		50 252	28 840
Other operating expenses		(324 532)	(270 084)
Net impairments, impairment reversals and write-offs	3	(854 775)	(8 339)
Fair value adjustments		6 042	434
Income from equity accounted investments		64 972	42 582
Investment revenue		13 381	4 987
Loss on settlement of liability for dividend <i>in specie</i>	2	(514 798)	-
Finance cost		(5 815)	(7 130)
Loss before taxation		(1 241 419)	(9 125)
Taxation		22 359	15 465
(Loss)/profit from continuing operations		(1 219 060)	6 340
Discontinued operations			
Loss from discontinued operations		(509 782)	(368 526)
Loss for the year		(1 728 842)	(362 186)
Other comprehensive loss net of tax			
Continuing operations		-	-
Discontinued operations		(1 731)	(610)
Total comprehensive loss for the period		(1 730 573)	(362 796)
Total comprehensive profit/(loss) attributable to:			
Equity holders of the parent from continuing operations		(1 245 690)	14 404
Equity holders of the parent from discontinued operations		(180 941)	(239 181)
Non-controlling interest from continuing operations		26 630	(8 064)
Non-controlling interest from discontinued operations		(330 572)	(129 955)
		(1 730 573)	(362 796)
Basic and diluted (loss)/earnings per ordinary share to equity holders of parent entity of continuing operations		(2.54)	2.93
Basic and diluted (loss)/earnings per ordinary share to equity holders of parent entity of discontinued operations		(36.85)	(48.71)
Weighted (and fully diluted) average number of ordinary shares in issue (000s)		491 022	491 022

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Attributable to Parent R'000	Non- Controlling Interest R'000	Total Equity R'000
Balance at 1 September 2021	2 831 017	2 582 707	5 413 723
Loss for the year	(224 167)	(138 019)	(362 186)
Other comprehensive loss	(610)	-	(610)
Movement in non-controlling interest – change in ownership	12 733	(12 733)	-
Dividends paid	(49 452)	(124 053)	(173 505)
	2 569 520	2 307 902	4 877 422
Balance at 31 August 2022			
Loss for the year	(1 426 631)	(303 942)	(1 730 573)
Change in ownership reserve	-	(9 780)	(9 780)
Transfer of reserves	26 379	4 643	31 022
Change in ownership reserve	650	-	650
Minority interest of subsidiary adjustment upon unbundling	-	7 892	7 892
Disposal of subsidiaries	-	(1 214 906)	(1 214 906)
Derivative financial assets derecognised in subsidiary	(113 592)	-	(113 592)
Adjustment of 30% purchase in Talhado	(72 274)	(22 726)	(95 000)
Dividend <i>in specie</i>	(509 600)	-	(509 600)
Dividends paid	(243)	(35 015)	(35 258)
	474 209	734 068	1 208 277
Balance at 31 August 2023			

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Reviewed 31 August 2023 R'000	Audited 31 August 2022 R'000
Cash generated/(utilised) by operations	73 610	(31 318)
Investment revenue	12 613	5 327
Dividend income	3 253	5 167
Finance cost	(66)	(5 726)
Tax paid	(15 392)	(3 075)
Net cash flows from operating activities - continuing operations	74 018	(29 625)
Net cash flows from operating activities - discontinued operations	(985 180)	(177 920)
Cash flows from investing activities		
Purchase of property, plant and equipment	(37 846)	(30 928)
Sale of property, plant and equipment	903	659
Purchase of other intangible assets	(2 621)	(271)
Purchase of investments at fair value	-	(5 851)
Acquisition of subsidiary from non-controlling interest	(95 000)	-
Proceeds from sale of other financial assets	17 780	-
Loans advanced to shareholders of subsidiaries	-	(731)
Disposal of subsidiaries	(206 557)	(4 292)
Loans advanced to related parties	-	(3 697)
Loans receivable advanced	(3 108)	(16)
Loans receivable repaid	793	-
Advances to other financial assets	-	(150)
Amounts repaid from other financial assets	-	87
Net cash flows (to)/from investing activities - continuing operations	(325 656)	(45 190)
Net cash flows from investing activities discontinued operations	307 911	(506 658)
Cash flows from financing activities		
Repayment of other financial liabilities	-	(195)
Proceeds from DTI grant	-	30 000
Repayment of lease liabilities	(12 630)	(6 015)
Dividends paid	-	(48 284)
Dividends paid to minorities	(35 042)	(12 953)
Net cash flows (to) financing activities - continuing operations	(47 672)	(37 447)
Net cash flows (to) financing activities - discontinued operations	(136 076)	(200 131)
Total cash movement for the year	(1 112 655)	(996 971)
Cash and cash equivalent at the beginning of the year	1 346 637	2 343 879
Effect of foreign exchange	-	(271)
Cash and cash equivalents at the end of the year*	233 982	1 346 637

CONDENSED GROUP SEGMENTAL REPORT 2023

CONTINUING OPERATIONS

	Fishing and brands Reviewed R'000	*Technology Reviewed R'000	Health and beauty Reviewed R'000	Biotechnology Reviewed R'000	Events and tourism Reviewed R'000	Corporate Reviewed R'000	Group Reviewed R'000
31 August 2023							
Revenue	568 034	95 588	49 437	-	24 944	3 564	741 156
External revenue	565 537	95 588	49 134	-	20 423	3 564	734 246
Internal revenue	2 497	-	303	-	4 521	-	6 910
Segment results							
Profit/(loss) before tax	77 965	13 081	(167)	(140 849)	(15 712)	(1 175 737)	(1 241 419)
Included in segment results:							
Net impairments and write-offs	(2 141)	142	-	(139 503)	3	(713 276)	(854 775)
Fair value adjustments	-	148	-	-	163	5 731	6 042
Depreciation and amortisation	(12 620)	(3 803)	(642)	-	(26)	(131)	(17 222)
Non-current assets	626 735	17 845	46 795	23 910	6 521	198 654	920 460
Non-current assets held for sale	-	-	-	-	-	290 000	290 000
Current assets	290 870	57 638	26 145	311	6 512	120 026	501 502
Non-current liabilities	197 624	67 709	10 375	24 187	4 254	18 335	322 484
Current liabilities	83 417	51 803	11 370	804	6 775	27 032	181 201
Profit from associates	-	-	-	-	-	64 972	64 972
Capital expenditure	(44 107)	(521)	(1 864)	(813)	(36)	-	(47 341)

* The Technology Division is comprised of the continuing operation of Global Command and Control Technologies Proprietary Limited

CONDENSED GROUP SEGMENTAL REPORT 2023 (CONTINUED)

DISCONTINUED OPERATIONS

31 August 2023

Revenue

External revenue
Internal revenue

Segment results

Loss before tax

Included in segment results:

Net impairments and write-offs
Fair value adjustments
Depreciation and amortisation

Non-current assets

Current assets

Non-current liabilities

Current liabilities

Profit from associates

Capital expenditure

Technology -
Ayo Group
Reviewed
R'000

2 103 909

2 103 909

-

(534 352)

(212 136)

55 111

(53 727)

1 218 855

1 996 642

210 966

722 932

(13 669)

(10 043)

CONDENSED GROUP SEGMENTAL REPORT 2022

	Fishing and brands Reviewed R'000	Technology Reviewed R'000	Health and beauty Reviewed R'000	Biotechnology Reviewed R'000	Events and tourism Reviewed R'000	Corporate Reviewed R'000	Group Reviewed R'000
31 August 2022							
Revenue	475 086	1 800 029	45 703	-	18 161	22 719	86 583
External revenue	470 416	1 799 794	45 119	-	10 643	7 498	63 260
Internal revenue	4 670	235	584	-	7 518	15 221	23 323
Segment results							
Profit/(loss) before tax	18 407	(346 052)	(5 354)	(698)	(2 927)	5 795	(3 184)
Included in segment results:							
Net impairments and write-offs	-	(130 765)	(3)	11	1 011	(10 804)	(9 785)
Fair value adjustments	-	(37 886)	-	-	34	426	460
Depreciation and amortisation	(33 702)	(35 583)	(629)	(2)	939	(1 315)	(1 007)
Non-current assets	649 461	1 249 020	45 008	141 116	1 383	1 024 006	1 211 513
Current assets	361 489	2 573 833	21 970	215	35	36 766	58 986
Non-current liabilities	229 791	261 230	11 875	8 291	4 219	4 463	28 848
Current liabilities	68 722	593 370	8 316	745	6 900	28 962	44 923
Profit from associates	-	29 903	-	-	-	42 582	42 582
Capital expenditure	(30 702)	(12 936)	(103)	(473)	-	(35)	(611)

DETERMINATION OF HEADLINE EARNINGS

	Reviewed 31 August 2023 R'000	Audited 31 August 2022 Restated R'000
(Loss)/profit attributable to ordinary equity holders of the parent entity from continuing operations	(1 245 690)	14 404
Derecognition of lease	10 718	-
Impairment of intangible assets	139 503	-
Loss on settlement of liability for dividend <i>in specie</i>	514 798	-
Gain on disposal of subsidiary	(20 302)	-
Scrapping of property, plant and equipment	(129)	-
Impairment of associate	702 471	-
Impairment of property, plant and equipment	2 141	-
Headline earnings from continuing operations	103 510	14 404
Normalised headline earnings from continuing operations (See supplementary information)	109 433	22 309
Loss attributable to ordinary equity holders of the parent entity from discontinued operations	(180 941)	(239 181)
Adjusted for:		
Gain on disposal of subsidiary	14 125	9 848
Profit on disposals of property, plant and equipment	(148)	(391)
Profit on sale of intangibles	-	(4 601)
Impairment of property, plant and equipment	-	4 317
Impairment of goodwill	-	69 135
Non-controlling effects on adjustment	-	(35 983)
Headline loss from discontinued operations	(166 964)	(196 856)
Normalised headline loss from discontinued operations (See supplementary information)	1 965	(63 520)
Weighted average number of shares ('000)	491 022	491 022
Fully diluted weighted average number of shares ('000)	491 022	491 022
Headline earnings and diluted headline loss from continuing operations per ordinary share	0.21	2.93
Headline loss and diluted headline loss from discontinuing operations per ordinary share	(34.00)	(40.09)
Normalised headline loss per ordinary share from continuing operations (see supplementary information)	(22.29)	(4.54)
Normalised headline loss per ordinary share from discontinued operations (see supplementary information)	0.40	(12.94)

RECONCILIATION OF REPORTABLE SEGMENTS PROFIT OR LOSS

	Reviewed 31 August 2023 R'000	Audited 31 August 2022 R'000
Total loss before tax for reportable segments for continuing operations	(1 241 419)	(9 125)
Taxation	22 359	15 465
(Loss)/profit from continuing operations	(1 219 060)	6 340
Other comprehensive loss for the year net of taxation	-	-
(Loss)/profit for the year and total comprehensive income from continuing operations	(1 219 060)	6 340

DIVISIONAL PERFORMANCE

FISHING AND BRANDS

Given the tough economic conditions, locally and globally, this segment still delivered a solid performance for the year ended 31 August 2023. Revenue amounted to R566 million (2022: R475 million), representing an increase of revenue of R91 million (19%) primarily due to an increase in the squid catch rates and hence; volumes sold in the squid sector, compared to prior year. The export demand for the squid was very strong with selling prices per kilogram improving, and we were able to sell at better exchange rates than expected. Operating profit for this segment increased to R74 million (2022: R14 million) and profit before tax increased to R80 million (2022: R19 million), mainly for the reasons given above as well as executing some cost cutting measures across all sectors. Other sectors that have done very well include South Coast rock lobster, pelagic, hake and Seagro sectors. These sectors saw increases in volumes caught and good selling prices per kilogram, compared to expectations. For the West Coast Rock lobster and abalone; these sectors had tough years, but due to cost cutting measures, we were able to break even from an EBITDA perspective, which is very encouraging.

TECHNOLOGY

The investment in AYO, in which the Group had a 49.36% shareholding, was disposed of on 31 July 2023. A loss on sale of the subsidiary of R515 million has been recognised in profit or loss. AYO contributed R2,104 million revenue and losses of R512 million for the 11 months to 31 July 2023.

Post the unbundling of AYO, AEEI retains its 60% shareholding in Mainstreet Proprietary Limited (Mainstreet), however in terms of a shareholders agreement, AYO retains the rights to appoint the majority of the board of directors of Mainstreet and has retained control of the entity. Post the unbundling of AYO, AEEI will exercise significant influence over its investment in Mainstreet and will account for the investment in Mainstreet as an investment in associate under the equity method.

The 2023 financial year for Global Command and Control Technologies (Pty) Ltd (GC2T) has for the first time resulted in a positive operating profit and a positive net profit of R1.4 million compared to the prior year loss of R21.8 million. As the only Original Equipment Manufacturer on the African continent, providing Enabled Awareness solutions focussing on Command and Control, GC2T is now starting to bear fruit for the seeds that were planted in the last three years or so. The company was able to experience revenue growth whilst reducing and maintaining a low-cost base. The primary reason for this has been the realising of contracts in a timely manner. The key contracts are the African Union C3IS MNJTF Support and Maintenance contract and the conversion of the SAAF CMSP, now known as the SAAF UIS contract from Armscor. Additional contracts were achieved with ETION Create, which services the Middle East market, and Saudi Arabia. Several smaller SANDF/DoD/Armscor contracts, via Denel such as LEGEND (Fellowship) were also achieved.

HEALTH AND BEAUTY

Orleans Cosmetics (Pty) Ltd had a challenging year, but managed to increase revenue by 10% to R38 million. The Company continues to recover from the COVID-19 pandemic with customer sales improving. The delay in deliveries of products from overseas suppliers due to global supply chain issues, negatively affected sales. Nuxe continues to trade very well with sales up by 16.7% and it now represents 40% of the company's sales. Due to a weaker currency and overseas inflation pressure arising from the war in Ukraine, the company had to implement a second price increase during the year. However, the cosmetics industry remains resilient, with the majority of the sales being in skincare.

AfriNat (Pty) Ltd operates in three sectors: agriculture which includes pre- and post-harvest, hygiene and sanitation, and food preservation, which focused on providing sustainable solutions in food production and processing from seed to table. Overall revenue for 2023 is R12.1 million compared to R11.8 million in the prior year. The increase in revenue is based in a shift from the depressed citrus market from the previous year which was affected by multiple politico-economic factors. The European markets had deterred local citrus farmers from exporting, causing a ripple effect and leading to a minimal uptake of their products. Thus, the revenue was derived from a new base of clients which Afrinat is expanding to and entering new territories in the northern provinces. This was supported by new trial work conducted in the previous year, allowing these sales to materialise.

RESEARCH AND DEVELOPMENT

The research and development division is engaged in product development phases at different stages, including developmental work on the dendritic cell vaccine ("DCV") for cancer immunotherapy and communicable diseases such as extreme drug-resistant tuberculosis. There was minimal progress during 2023 owing to funding challenges. Management continues to seek alternative funding partners to derive value from these high potential innovative products.

EVENTS AND TOURISM DIVISION

Revenue from ESP Afrika in the events and tourism division has increased to R7 million from no revenue in the prior year. This shows a recovery from the COVID-19 pandemic restrictions, which also led to the cancellation of events and large public gatherings, including the division's flagship event, the annual Cape Town International Jazz Festival. The revenue received in 2023 is mainly from the annual Festival of Lights. The company anticipates a further increase in revenue in the next financial year due to the planned hosting of the Cape Town International Jazz Festival.

Tripos Travel Proprietary Limited has had improved revenue from R17 million in the past year to R20 million due to the increased travel recovery following the COVID-19 downturn. Corporate and leisure clients have begun travelling more frequently and this has resulted in increased revenue. Industry forecasts are positive for more growth in the next six to 12 months.

Overall revenue in this division was R24 million (2022: R18 million).

CORPORATE DIVISION

The Group's strategic investments consist of BT Communications Services South Africa (Pty) Ltd ("BT"), African Legend Investments (Pty) Ltd ("ALI") and Sygnia Ltd ("Sygnia"). Shareholders of AEEI were advised that on 26 September 2023, Kilomix Investments Proprietary Limited ("Kilomix"), a wholly-owned subsidiary of AEEI, entered into a share repurchase agreement with BT Communications Services South Africa Proprietary Limited ("BTSA"), in terms of which BTSA will acquire 30 000 ordinary shares, constituting 30% of the issued share capital of BTSA owned by Kilomix, for an aggregate amount of R290 million.

Sygnia's share price decreased year-on-year, resulting in the value of our investment decreasing by R2 million as at 31 August 2023. Our investment in ALI also decreased by R5.4 million as at our financial year end.

The corporate division incurred losses of R1.1 billion, from a profit of R5.7 million in the prior year. This is mainly due to the impairment of the BT investment of R702 million, which brings the investment value to its recoverable amount of R290 million.

Bowwood Proprietary Limited was disposed of during the year. The company did not generate revenue and contributed losses of R250 000 for 11 months to 31 July 2023 when it was sold.

Following the unbundling of AYO, African Equity Empowerment Investments (AEEI) has adopted an equity accounting approach for its investment in SGT Solutions via Mainstreet, wherein AEEI holds a 60% ownership interest. SGT Solutions is a prominent turnkey solutions integrator, specialising in the comprehensive spectrum of services encompassing the design, procurement, deployment, and maintenance of cutting-edge telecommunication systems catering to the needs of fixed, mobile, and converged network operators. Additionally, the company is engaged in the innovation, development, and marketing of DC power solutions tailored to the telecommunications sector.

In terms of financial performance, SGT Solutions reported a consistent revenue figure, maintaining it at R346 million year on year. However, there was a slight reduction in profit before tax, amounting to 4.3%, with the current year's performance registering at R22 million (2022: R23 million). AEEI has equity accounted profits of R9.4 million in the current year.

NOTE 1. OTHER FINANCIAL ASSETS

	Reviewed 31 August 2023 R'000	Audited 31 August 2022 R'000
Other financial assets from continuing operations		
Fair value through profit and loss:		
Investments in unlisted public companies	22 371	15 198
Investments in unlisted private companies	882	716
Investments in listed public companies	26 981	46 204
Total fair value through profit and loss from continuing operations	50 234	62 118
Loans and receivables at amortised cost from continuing operations		
Sekpharma Proprietary Limited	682	454
Treasury shares – Share buy-back	-	1 487
Premier Seacat Joint Venture	3 947	3 012
Other	100	1 918
Total loans and receivables at amortised cost from continuing operations	4 729	6 871
Total other financial assets from continuing operations	54 963	68 989

NOTE 2. DISPOSAL OF AYO TECHNOLOGY SOLUTIONS PROPRIETARY LIMITED

The investment in AYO, in which the Group had a 49.36% shareholding, was disposed of on 31 July 2023. A loss on sale of the subsidiary of R515 million has been recognised in profit or loss. AYO contributed R2,104 million revenue and losses of R512 million for the 11 months to 31 July 2023.

THE IDENTIFIABLE ASSETS AND LIABILITIES ARE DISPOSED OF AS FOLLOWS:

	Total R'000
Non-current assets	
Property, plant and equipment	35 446
Right-of-use assets	47 197
Goodwill	48 525
Intangible assets	175 185
Investments in joint venture	58 853
Investments at fair value	9 150
Other financial assets	206 471
Deferred tax	194 555
Loans receivable	117 224
Loans to related parties	326 249
Total non-current assets	1 218 855
Current assets	
Inventories	250 207
Current tax receivable	5 449
Trade and other receivables	1 176 035
Other financial assets	211 078
Finance lease receivables	4 509
Loans receivable	2 299
Cash and cash equivalents	209 693
Loans to related parties	137 372
Total current assets	1 996 642
Non-current liabilities	
Loans from related parties	907
Other financial liabilities	968
Lease liabilities	61 974
Employee benefit obligations	3 233
Deferred tax	143 884
Total non-current liabilities	210 966

DISPOSAL OF AYO TECHNOLOGY SOLUTIONS PROPRIETARY LIMITED (CONTINUED)

	Total R'000
Current liabilities	
Provisions	251 875
Trade and other payables	352 904
Other financial liabilities	40
Deferred income	14 776
Current tax payable	26 478
Loans from related parties	38 744
Dividend payable	34 930
Bank overdraft	3 185
Total current liabilities	722 932
Non-controlling interests	1 194 769
Net assets	1 086 830
Dividend <i>in specie</i>	(509 600)
Minority interest of subsidiary adjustment upon unbundling	7 891
Gain of control on associate	(70 323)
Loss on settlement of liability for dividend <i>in specie</i>	514 798

DISPOSAL OF AYO TECHNOLOGY SOLUTIONS PROPRIETARY LIMITED (CONTINUED)

	Unaudited 31 August 2023	Audited 31 August 2022
Statement of profit and loss		
Revenue	2 103 909	1 754 914
Cost of sales	(1 800 662)	(1 361 959)
Gross profit	303 247	392 955
Other operating income	70 565	72 802
Fair value adjustments	55 111	(37 860)
Other operating expenses	(847 979)	(769 542)
Net impairments, impairments reversals and write-offs	(212 136)	(132 211)
Finance income	130 515	137 516
Finance costs	(20 006)	(15 267)
Profit from equity-accounted investments	(13 669)	29 903
Loss before taxation	(534 352)	(321 704)
Taxation	24 570	(46 822)
Loss after taxation	(509 782)	(368 526)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(1 731)	(609)
Total comprehensive loss for the year	(511 513)	(369 135)
Cash flows from discontinued operations		
Net cash outflow from operating activities	(985 180)	(177 920)
Net cash inflow/(outflow) from investing activities	307 911	(506 658)
Net cash outflow from financing activities	(136 076)	(200 131)
	(813 345)	(884 709)

NOTE 3. NET IMPAIRMENTS, IMPAIRMENT REVERSALS AND WRITE-OFFS

Impairment expenses consists of impairment of the following investments and associates:

Credit loss allowance
 Impairment of intangible assets
 Impairment of Goodwill – Magic 828 Proprietary Limited
 Impairment of loans receivable
 Impairment of property plant and equipment
 Impairment of investment in associate - BT Communication Services South Africa Proprietary Limited

BT Communication Services South Africa Proprietary Limited

Carrying value of investment as at the beginning of the year
 Share of profit from associate

Carrying value of investment before impairment

Impairment of investment in associate

Recoverable amount on investment as at the end of year

	Unaudited Group to 31 August 2023	Unaudited Group to 31 August 2022
	R'000	R'000
	(145)	(1 877)
	139 503	55
	-	10 158
	10 805	3
	2 141	-
	702 471	-
	854 775	8 339
	Carrying amount	Carrying amount
	935 601	892 657
	62 422	42 944
	998 023	935 601
	(708 023)	-
	290 000	935 601

NOTE 4. INVESTMENT IN ASSOCIATE

Post the unbundling of AYO, AEEI retains its 60% shareholding in Mainstreet 1653 Proprietary Limited (Mainstreet), however in terms of a shareholders agreement, AYO retains the rights to appoint the majority of the board of directors of Mainstreet and has retained control of the entity. Post the unbundling of AYO, AEEI exercises significant influence over its investment in Mainstreet and accounts for it as an investment in associate under the equity method. The fair value of the investment has been calculated as follows:

	Unaudited Group to 31 August 2023 R'000	Unaudited Group to 31 August 2022 R'000
Fair value of Mainstreet at 31 August 2023	117 204	-
Fair value of portion retained which becomes the initial value of the investment in associate	70 322	-
Equity accounted profit for the period	2 550	-
Investment in associate as at 31 August 2023	72 872	-

NOTE 5. DISPOSAL OF BOWWOOD AND MAIN NO. 180 PROPRIETARY LIMITED

The investment in Bowwood and Main No. 180 Proprietary Limited ("Bowwood"), in which the Group had 60% shareholding, was disposed on 31 July 2023. A gain on sale of the subsidiary of R20 million has been recognised in profit or loss. Bowwood contributed losses of R250 000 for the 11 months to 31 July 2023.

The identifiable assets and liabilities were disposed of as follows:

	Total R'000
Loan to related party	4 086
Cash and cash equivalents	1 350
Provisions	(9)
Trade and other payables	(5 593)
Non-controlling interests	(20 136)
Net assets	(20 302)

NOTE 6. EVENTS AFTER REPORTING DATE

Shareholders of AEEI (“Shareholders”) are advised that on 26 September 2023, Kilomix Investments Proprietary Limited (“Kilomix”), a wholly-owned subsidiary of AEEI, entered into a share repurchase agreement (“Disposal Agreement”) with BT Communications Services South Africa Proprietary Limited (“BTSA”), a subsidiary of BT Limited (“BT”), in terms of which BTSA will acquire 30 000 ordinary shares, constituting 30% of the issued share capital of BTSA owned by Kilomix (“BTSA Shares”), for an aggregate amount of R290 million (“Repurchase Price”) (“the Disposal”).

The board of AEEI announced on SENS on 16 October 2023 of its firm intention to make an offer to shareholders to repurchase their shares and the subsequent proposed delisting of AEEI from the JSE.

On or about 15 November 2023, a subsidiary suffered an alleged cybercrime involving the unauthorised transfer of an amount of \$820,000 from the company’s bank account to the account of an unknown third party. A criminal case has been opened with the South African Police Services. There are various investigations taking place, including with the view to instituting disciplinary proceedings against one or more company employees, and efforts are being made to recover the funds.

NOTE 7. FAIR VALUE INFORMATION

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Other techniques for all inputs which have a significant effect on the recorded fair value and are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 August 2023, the Group held the following instruments measured at fair value:

		Reviewed 31 August 2023 R'000	Audited 31 August 2022 R'000
Recurring fair value measurements			
Abalone		85 915	83 073
Total intangible assets	Level 3	85 915	83 073
Financial assets designated at fair value through profit/(loss)			
Listed shares from continuing operations		26 981	46 204
Investments in unlisted private companies	Level 1	882	716
Investments in unlisted public companies	Level 3	22 371	15 198
Total financial assets designated at fair value through profit/(loss)	Level 3	50 234	62 118
Loans and receivables		4 729	6 871
Total financial assets		54 963	68 989
Financial liabilities at fair value through profit/(loss)			
Other financial liabilities		1 654	3 309
Total financial liabilities at fair value through profit/(loss)		1 654	3 309

Refer to fair value adjustments in the Group's Statement of Comprehensive Income.

REPORTING ENTITY

AEEI is a company domiciled in South Africa.

These condensed consolidated annual financial statements for the year ended 31 August 2023 comprise AEEI, its subsidiaries as well as its interest in associates and joint ventures.

USE OF JUDGEMENTS AND ESTIMATES

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended 31 August 2022.

RELATED PARTIES

The Group entered into various transactions with related parties in the ordinary course of business which included the following transactions in the current year.

	Reviewed Group to 31 August 2023 R'000	Audited Group to 31 August 2022 R'000
Loan and other receivables balances from discontinued operations		
Vunani Fintech Fund Proprietary Limited – Loan 1 The loan is unsecured, bears interest at prime and is repayable on 28 March 2024.	-	132 319
Vunani Fintech Fund Proprietary Limited – Loan 2 The loan is unsecured, bears interest at the prime plus 2%. R35 million of the loan is repayable on 14 October 2025, R15 million is repayable on 19 April 2026, R39.2 million is repayable on 1 June 2026 and R10.8 million is repayable on 4 April 2027.	-	114 191
Zaloserve Management Proprietary Limited (ZM) The loan bore interest at the prime rate and was repayable from distributions received by ZM from its shareholding in Zaloserve. The loan was secured by a pledge and cession of shares by ZM. The agreement which led to the transaction was reversed in the current reporting period.	-	16 825
Crealpha Proprietary Limited The loan is unsecured, has no fixed repayment terms and therefore is payable on demand. The loan bears no interest for the first three years from the date of draw-down and thereafter shall bear interest at the prime rate. The loan is subordinated to any claims of any third-party creditors of the AYO.	-	24 316
Communications Products Proprietary Limited The loan was unsecured, bore no interest and the loan was repaid in the current year.	-	610
	-	288 261

REPORTING ENTITY (CONTINUED)

BASIS OF PREPARATION

The reviewed condensed consolidated financial statements for the year ended 31 August 2023 are prepared in accordance with the JSE Limited (“JSE”) Listings Requirements and the requirements of the Companies Act of South Africa, 2008 (Act 71 of 2008), as amended. The JSE Listings Requirements require financial reports to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (“IFRS”), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and also that they, as a minimum, contain the information required by IAS 34 “Interim Financial Reporting”. The accounting policies applied in the preparation of the condensed consolidated financial statements for the year ended 31 August 2023 are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the adoption of accounting policies described below.

The reviewed condensed consolidated financial statements were prepared by Makaita Chikwavira CA(SA), Group Financial Manager, under the supervision of Jowayne Van Wyk CA(SA), Chief Financial Officer, and were reviewed by Crowe JHB and Thawt Inc., the Group’s external auditors.

The reviewed condensed consolidated financial results for the year ended 31 August 2023 have been reviewed by Crowe JHB and Thawt Inc., who expressed an unmodified review conclusion. A copy of the independent reviewer’s report is available for inspection at the Company’s registered office together with the reviewed financial statements identified in the independent reviewers’ report. The independent reviewers’ report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the independent reviewers’ engagement, they should obtain a copy of the independent reviewers’ report together with the accompanying financial information from the Company’s registered office. Any reference to future financial performance included in this announcement is the responsibility of the directors and has not been reviewed or reported by the Company’s auditors.

ACCOUNTING POLICIES

Standards issued but not yet effective

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) - 1 January 2024

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information - 1 January 2024

IFRS S2 Climate-related Disclosures - 1 January 2024

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - 1 January 2024

Non-current Liabilities with Covenants (Amendments to IAS 1) - 1 January 2024

Non-current liabilities with Covenants (IAS 1) 1 January 2024

PROSPECTS

Considering the ongoing litigation with various financial institutions, AEEI acknowledges the challenges that persist in its pursuit of its strategic objectives. Despite these impediments, there is an unwavering commitment to ensure the sustainability of AEEI while simultaneously working towards unlocking value for shareholders.

The strategic outlook encompasses:

- Addressing the banking challenges and rebuilding the relationship with banking institutions.
- Delisting AEEI addresses some of the challenges faced by the Group. Delisting would help mitigate high listing costs and allow AEEI to resolve some current issues with greater expediency.
- Group portfolio consolidation strategy, which involves divesting non-key assets and focusing on the growth of its profitable key assets. Despite economic and other challenges, the AEEI Group will continue to explore growth opportunities and partnerships within acceptable risk limits.

CHANGES IN THE DIRECTORATE

There were no changes to the Board of Directors during the year.

DIVIDENDS

The Board decided not to declare a dividend. Available cash resources will be utilised to settle shareholders who vote to sell their shares in the scheme of arrangement pursuant to delisting and maintain adequate working capital levels in the face of a tough trading environment.

SUPPLEMENTARY INFORMATION (UNREVIEWED)

Normalised earnings are defined as earnings from continuing operations excluding non-recurring items and once-off fair value adjustments.

	Reviewed Group to 31 August 2023 12 months R'000	Audited Group to 31 August 2022 12 months R'000
Normalised losses before tax reconciliation		
Loss before tax from continuing operations	(1 241 419)	(9 125)
Loss on settlement of liability for dividend <i>in specie</i>	514 798	-
Fair value adjustments	(6 042)	(434)
Net impairments, impairment reversals and write-offs	854 775	8 339
Normalised profit/(loss) before tax from continuing operations	122 112	(1 220)
Normalised headline earnings before tax reconciliation		
Headline earnings	103 510	14 404
Fair value adjustments	(6 042)	(434)
Net impairments, impairment reversals and write-offs	10 660	8 339
Tax effects on adjustments	1 305	94
Normalised headline earnings from continuing operations	109 433	22 309
Normalised headline earnings per share from continuing operations	22.29	4.54
Loss before tax from discontinued operations	(534 352)	(321 704)
Fair value adjustments	(55 111)	37 860
Net impairments, impairment reversals and write-offs	212 136	132 211
Normalised loss before tax from discontinued operations	(377 327)	(151 633)
Normalised headline loss before tax reconciliation		
Headline earnings	(166 964)	(196 856)
Fair value adjustments	(55 111)	37 860
Net impairments, impairment reversals and write-offs	212 136	132 211
Tax effects of adjustments	11 904	(36 735)
Normalised headline loss from discontinued operations	1 965	(63 520)
Normalised headline loss per share from discontinued operations	0.40	(12.94)

APPRECIATION

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

Mrs Aziza Amod

Non-executive chairman

Mrs Valentine Dzvova

Chief executive officer

Cape Town

13 December 2023

Directors

*Valentine Dzvova (chief executive officer); Aziza Amod (non-executive Chairman); *Jowayne Van Wyk (chief financial officer); Gaamiem Colbie; Willem Raubenheimer; Bongikhaya Qama; Stephen Nthite; Membathisi Mdladlana; Carin-Lee Geukin-Cohausz

* *Executive directors*

Company secretary: Cornell Kannemeyer

Registered address: 10th Floor Convention Tower, Corner Heerengracht and Walter Sisulu Avenue, Foreshore, Cape Town, 8001

Email: cornell@aeei.co.za

Transfer secretaries: JSE Investor Services Proprietary Limited
One Exchange Square, 2 Gwen Lane, Sandown, Sandton, 2196, South Africa

Joint auditors: Crowe JHB
9 Autumn Street, Rivonia, 2196

Thawt Inc.
8 Selby Road, Parkwood, 2193

Joint Sponsors: Vunani Capital Sponsor
Vunani House, Vunani Office Park, 151 Katherine Street, Sandown, Johannesburg, 2196

Merchantec Capital
13th Floor, Illovo Point, 68 Melville Road, Illovo, 2196

