

# DIRECTOR'S REPORT

The Board have pleasure in submitting their report on the annual financial statements of African Equity Empowerment Investments Limited and the Group for the year ended 31 August 2021.

## 1. NATURE OF BUSINESS

African Equity Empowerment Investments Limited ("AEEI" or "the Group") is a majority black-owned and black managed investment holding company based in South Africa. The Group has investments in fishing, technology, events and tourism, health and beauty, biotherapeutics as well as strategic investments, all supporting Broad-based Black Economic Empowerment (B-BBEE) and small, medium and micro enterprises (SMMEs).

The Group also holds strategic investments with some international partners.

## 2. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA financial reporting guides issued by the Accounting Practices Committee and the JSE Listings Requirements. The accounting policies have been applied consistently compared to the prior period.

Full details of the financial position, results of operations and cash flows of the Group are set out in these consolidated annual financial statements.

## 3. CORPORATE GOVERNANCE

The Board subscribe to the principles incorporated in the King IV™ Report on Corporate Governance™ for South Africa 2016 (King IV™) and, save as disclosed in the corporate governance report, have complied as far as practical with principles contained therein throughout the reporting period. The directors recognise the need to manage the Company with integrity and in accordance with generally accepted corporate practices. The Board and its committees have reviewed the Group and Company's corporate governance policies and procedures in the current year and no issues were identified.

## 4. EVENTS AFTER THE REPORTING PERIOD

On 23 September 2021, AYO subscribed for 30% ordinary shares in Crealpha Proprietary Limited ("Crealpha") for a nominal amount. As part of the shareholders agreement AYO has also provided Crealpha with a R30 million working capital loan to enable the company's expansion. Crealpha is a cloud data services business that enables the Group to expand its service offering as part of the Group's go-to-market strategy.

On 1 October 2021, AYO subscribed for an additional 30 ordinary shares in 4Plus Technology Venture Fund Africa Proprietary Limited ("4Plus") for a subscription price of R24 million. AYO now holds a total of 28% of the ordinary shares in issue of 4Plus.

On 11 October 2021, AYO subscribed for 25% of ordinary shares in AOH Enterprises Proprietary Limited ("AOH") for a subscription price of R2 850 000. AOH Enterprises specialises in property technology and allows AYO to be a part of a rising disruptive technology.

On 1 November 2021, AYO concluded an asset for share agreement in which AYO disposed of its 100% shareholding in Puleng Technologies Proprietary Limited ("Puleng") for a consideration of R20 million in exchange for redeemable and cumulative preference shares of the purchaser of R20 million. Puleng is a cyber security company which focuses on the development of efficient Governance, Risk and Compliance (GRC) programmes and providing data centre infrastructure which effectively protects sensitive client data.

On 26 November 2021 the Group disposed of the licensing rights of the Naviga software systems to LML Shared Solutions (Pty) Ltd for a consideration of R22.3 million subject to certain conditions precedent being met. At the time of publication of these results these conditions precedent were not yet met.

From 1 November 2021, AEEI controls GCCT as AYO no longer has majority representation of directors.

A final dividend of 10 cents per share was approved by the Board in respect of the financial year ended 31 August 2021. The dividend is payable on 3 January 2022 to shareholders recorded in the register of the Company at close of business on 31 December 2021.

**5. AUTHORISED AND ISSUED SHARE CAPITAL**

Refer to note 17 of the consolidated annual financial statements for detail of the movement in authorised and issued share capital.

**6. DIVIDENDS**

The Company considers an interim and a final dividend in respect of each financial year. At its discretion, the Board may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the Board may pass on the payment of dividends.

A final dividend of 10 cents per share (2020:20cents) was approved by the Board on 1 December 2021 in respect of the year ended 31 August 2021. The dividend payment date is 3 January 2022 to shareholders recorded in the register of the company at close of business on 31 December 2021. The total dividend for the year is 40 cents (2020: 30 cents).

**7. DIRECTORATE**

The directors in office during the period up to the date of the report are as follows:

Directors	Office	Designation	Changes
V Dzvova	Chief executive officer	Executive	Appointed, 12 March 2020
JS Van Wyk	Chief financial officer	Executive	Appointed, 1 August 2020
I Amod	Other	Non-executive	Resigned, 31 March 2021
AB Amod	Other	Non-executive	Appointed, 12 November 2012
G Colbie	Other	Non-executive	Appointed, 30 August 2019
B Qama	Other	Non-executive Independent	Appointed, 2 July 2020
WJ Raubenheimer	Other	Non-executive Independent	Appointed, 9 July 2020
M Mdladlana	Other	Non-executive independent	Appointed, 27 August 2021
S Nthite	Other	Non-executive independent	Appointed, 26 August 2021

**8. AUDITORS**

Crowe JHB and Thawt Inc were re-appointed as joint auditors for the Company and its subsidiaries for 2021.

At the AGM, shareholders will be requested to appoint Crowe JHB and Thawt Inc. as the independent external auditors of the Group and to confirm Gary Kartsounis as the designated lead audit partner for the 2022 financial year.

**9. SECRETARY**

Damien Terblanche is the company secretary and is accountable to the Board.

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**10. LIQUIDITY AND SOLVENCY**

The Board have performed the liquidity and solvency tests required by the Companies Act, as amended, for the Group. The Board is satisfied that the Group is solvent and has no reason to believe that the business will not be a going concern in the year ahead.

**11. COMPANY SECRETARY**

During the year, the company secretary:

- Provided guidance to the directors in terms of their duties, responsibilities and powers as well as their responsibilities and liabilities under the Companies Act;
- Made the Board aware of changes to any relevant law affecting the Company;
- Prepared Board packs and recorded detailed minutes of meetings;
- Ensured that Board and committee meetings and the AGM of the Company were conducted in a proper and orderly manner;
- Disclosed the corporate actions, SENS announcements and directors' dealings in securities, and ensured compliance with the JSE Listings Requirements and the Companies Act.

The Board has considered the competence, qualifications and experience of the company secretary and is satisfied that they are appropriate. All directors have unlimited access to the services of the company secretary. The company secretary's appointment and removal is a matter for the whole Board.

The Board is satisfied that an arm's length relationship exists between the company secretary and the Company, as he is not a member of the Board, is not involved in the day-to-day operations of the Company and is not a prescribed officer.

**12. REPORT OF THE AUDIT AND RISK COMMITTEE**

The report of the audit and risk committee, as required in section 94(7)(f) of the Companies Act, is set out on page 2 and 3 of these financial statements.

The directors are aware of a reportable irregularity that was identified by the group's independent external auditors for the technology subsidiary and that it was reported to the independent regulatory board for auditors. At the date of publication of these consolidated annual financial statements, the reportable irregularity had been resolved and no longer exists at the technology subsidiary.

**13. BOARD EVALUATION OF THE AUDIT AND RISK COMMITTEE**

The Board confirms that the audit and risk committee has fulfilled its statutory duties in terms of section 94(7) of the Companies Act and King IV™ compliance. As at the reporting date, the committee is compliant.

The committee confirms that it has complied with its legal and regulatory responsibilities for the 2021 financial year.

**14. DIRECTORS' INTERESTS IN SHARES**

As at 31 August 2021, the directors of the Company held in aggregate, directly or indirectly, beneficially or non-beneficially, 617 250 (2020:822 250) shares in the Company, equivalent to 0,13% (2020: 0.17%) of the issued share capital. The individual interests of directors are as follows:

**INTEREST IN SHARE CAPITAL 'B' CLASS ORDINARY SHARES LISTED**

As at 31 August 2021, the directors of the Company held in aggregate, directly or indirectly, beneficially or nonbeneficially, 617 250 (2020:822 250) shares in the Company, equivalent to 0.13% (2020: 0.17%) of the issued share capital. The individual interests of directors are as follows:

INTEREST IN SHARE CAPITAL 'B' CLASS ORDINARY SHARES LISTED

	Direct	Indirect beneficial	Indirect non-beneficial	Total shares	Total percentage
<b>31 August 2021</b>					
WJ Raubenheimer	50 000	-	562 250	612 250	0.13
A Amod	5 000	-	-	5 000	0.00
	<b>55 000</b>	<b>-</b>	<b>562 250</b>	<b>617 250</b>	<b>0.13</b>
<b>31 August 2020</b>					
WJ Raubenheimer	50 000	-	562 250	612 250	0.13
I Amod	205 000	-	-	205 000	0.04
A Amod	5 000	-	-	5 000	0.00
<b>Subtotal</b>	<b>260 000</b>	<b>-</b>	<b>562 250</b>	<b>822 250</b>	<b>0.17</b>

There have been no changes in beneficial interests that occurred between the end of the reporting period and the date of this report.

**15. VOTING RIGHTS**

"B" ordinary shares each carry one vote per share and "A" ordinary shares each carry five hundred votes per share. No "A" ordinary shares have been issued.

**16. PROPERTY, PLANT AND EQUIPMENT**

There was no change in the nature of the property, plant and equipment of the Group or in the policy regarding their use.

**17. ACQUISITIONS DURING THE YEAR**

On 16 March 2021, the Group completed the acquisition of a 100% equity interest in Kathea Communication Solutions Proprietary Limited ("Kathea Communications") for a consideration of R59.8 million and undiscounted contingent consideration of R30 million with an effective date of 1 March 2021. Kathea Communications is a value-added distributor of voice, audio visual, video conferencing and workspace management products solutions and services and represents some of the top brands in the communication, collaboration, audio visual and workspace technology arenas. Kathea Communication was acquired in order to enhance the Group's unified communications segment.

**18. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS**

The joint ventures, associates and subsidiaries are reflected in notes 7,8 and 9

**19. BORROWING LIMITATIONS**

In terms of the Memorandum of Incorporation of the Company, the Board may exercise all the powers of the Company to borrow money, as they consider appropriate. The unutilised borrowings as at 31 August 2021 amounted to R53m (2020: R55m).

**20. SPECIAL RESOLUTIONS**

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the Company. The only special resolutions passed at the annual general meeting on 25 February 2021 were as follows:

- remuneration for executive and non-executive directors;
- inter-company financial assistance;
- financial assistance for the acquisition of shares in the Company or a related or inter-related company; and
- the Company or its subsidiaries to repurchase Company shares.

**21. GOING CONCERN**

The Board believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

**22. LITIGATION STATEMENT**

The Group becomes involved in litigation from time to time through various claims and lawsuits incidental during the ordinary course of business.

On 31 May 2019 AYO received a summons issued by the Public Investment Corporation ("PIC") and Government Employees Pension Fund ("GEPF"). The summons seeks a declaration that the subscription agreement entered into by the PIC with AYO be declared unlawful and set aside and that AYO be ordered to pay the PIC R4.3 billion together with interest of 10.25% per annum accrued from 22 December 2017 to date of final payment. AYO has instructed its attorneys to oppose the action. The Company has since been reconfigured into an investment holding company and will continue to trade as such through the portfolio of investments it holds should the PIC and GEPF be successful in their application. AYO has some subsidiaries that have been in existence for more than 20 years, delivering both satisfactory trading performance and dividend income for AYO. These subsidiaries are expected to continue trading at an optimal level independent of the PIC funding.

The State Information Technology Agency ("SITA") brought an application in the Eastern Cape high court for an order to interdict the Eastern Cape Department of Education ("ECDOE") from continuing with a contract that the ECDOE has with Sizwe Africa IT Group Proprietary Limited ("Sizwe") for the supply and lease of tablets to matric learners in the Eastern Cape. The Eastern Cape high court granted the order for the interdict. The ECDOE, supported by Sizwe are appealing the ruling.

There is a pending defamation claim by Magda Wierzycka against AYO and seven others in the Western Cape High Court. The claim is for the amount of R5 million, together with costs. AYO is contesting the claim. No provision has been made in respect of this matter as it has not yet been heard before the courts.

**23. DATE OF AUTHORISATION FOR ISSUE OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

The consolidated annual financial statements have been authorised for issue by the directors on 23 December 2021. No authority was given to anyone to amend the consolidated annual financial statements after the date of issue.

**24. PREPARER AND SUPERVISOR**

These consolidated annual financial statements were prepared by the Group Financial Controller, Basson Van Eyssen, AGA(SA), Makaita Chikwavira, CA(SA) and Group Financial Manager, Michelle Hunlun CA(SA) under the supervision of Group Chief Financial Officer, Jowayne Van Wyk CA(SA).