INDEPENDENT AUDITOR'S REPORT

24 December 2020

Independent Auditor's Report

To the shareholders of African Equity Empowerment Investments Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of African Equity Empowerment Investments Limited and its subsidiaries ("the group") set out on pages 22 to 128, which comprise the consolidated statement of financial position as at 31 August 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of African Equity Empowerment Investments Limited as at 31 August 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).* We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 August 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 30 April 2020.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill and intangible assets with indefinite useful lives	
In accordance with International Financial Reporting Standards, the group is required to annually test goodwill and intangible assets with an indefinite useful life for impairment. The test compares the carrying amount of the asset with its recoverable amount, which is the higher of its fair value less costs to sell (if known) and its value in use. Forecasting future cash flows and applying an appropriate discount rate, inherently involves a high degree of estimation and judgement by management. Refer to note 1 (accounting policies) as well as note 5 (goodwill) and note 6 (intangible assets). We have determined this to be a key audit matter due to the judgement required by management in preparing a 'value-in-use' model to satisfy the impairment test.	Our audit procedures focused on evaluating and challenging the key assumptions applied by management's external valuation experts, who communicated directly with the auditor experts, in conducting the impairment review. These procedures included, amongst others, the following: • Reviewed the model for compliance with IAS 36 Impairment of Assets; • Verified the mathematical accuracy and methodology appropriateness of the underlying model calculations; and • Agreed the key financial inputs to the actual trial balance. We have made use of auditors' valuation experts to: • Assess the model for arithmetical accuracy; • Evaluate the cash flow projections and the process by which they were developed, comparing the cash flows to the latest budgets, and assessing the historical accuracy of the budgeting process; • Assess the reasonability and appropriateness of the key inputs; • Perform a sensitivity analysis of the key assumptions in the model; and • Assess the key growth rate assumptions by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the group. We have also: • Obtained an understanding on the field of expertise, as well as the nature timing and extent of procedures. • Evaluated the capabilities, competence, and objectivity of the expert. • Evaluated the adequacy of work performed by the expert. We assessed whether disclosures made relating to the goodwill and intangible assets impairment were appropriate and applicable in accordance with International Financial Reporting Standards.

Key audit matter	How our audit addressed the key audit matter
Occurrence of related party transactions and completeness of related party disclosures	
There are significant and complex transactions between the company and its subsidiaries and other related entities. Significant audit effort was required for testing the completeness of related party disclosures, as well as the occurrence of related party transactions, as disclosed in Note 40 to the financial statements, resulting in this being regarded as a key audit matter.	Our procedures in assessing the occurrence of related party transactions, and the completeness of related party disclosure included, amongst others, the following: • Obtained an understanding of the overall control environment regarding related parties, as well as the processes which have been implemented by management in this regard, and which have been overseen by the board of directors; • Tested the design and implementation of relevant controls in place over related party transactions; • Identified related parties through the review of shareholder records, minutes of meetings, director's registers, the Group structure and other records; • Reviewed the prior year working papers for names of known related parties and compared these to the current year list of related parties provided by management; • Obtained the list of known affiliations of those charged with governance to other entities and compared this to client schedules; • For related party transactions identified, we agreed the transactions to disclosure included in the related entities' financial statements or to the company's general ledger as applicable; • Obtained signed declarations of directors' interests in contracts; • Scanned the general ledger and bank statements for known related parties and: – Ensured that all material recorded entries were included in the related party disclosure in the financial statements; – Obtained an understanding of the transaction to determine whether it is within the scope of the entity's ordinary business; and – Agreed material transactions to supporting documents and board approvals where applicable. • For related party transactions recorded, we agreed the transactions on a judgemental sample basis to: – Supporting evidence – Resolutions passed – Minutes of meetings • Assessed a selection of related party transactions for compliance with the: – Memorandum of Incorporation – Companies Act – JSE Listing Requirements; and • Obtained management representations as to the occurrence and validity of related party transactions and completeness of related party disclosures. We assessed whether the related party disclosure was appropriate and applicable in terms of International Financial Reporting Standards.

Key audit matter	How our audit addressed the key audit matter
Application of IFRS 10 – Consolidated Financial Statements	
The financial statements of a parent and its subsidiaries must be presented as a single economic entity. IFRS 10 requires the parent entity to consolidate all entities over which it exercises control. The group has implemented a new consolidation process for the preparation of the consolidated financial statements in the current period. The number of subsidiaries as well as the significant contribution of these subsidiaries to financial position, financial performance and cash-flows of the group has led us to consider the consolidation process to be a key audit matter.	Our procedures in assessing consolidation process included, amongst others, the following: • Obtained an understanding of the new group consolidation process; • Reviewed the consolidation process to ensure that it is in compliance with IFRS 10; • Reviewed the consolidation model and compared the entities included in the model to the group structure; • Assessed the model for arithmetical accuracy; • For significant subsidiaries we: – confirmed control over subsidiaries; – confirmed group ownership percentage and thus confirmed non-controlling interest percentage; and – agreed subsidiary trial balances to the data entered into the model; • For the elimination and consolidation entries for the group (as captured in the consolidation model): – confirmed the entries to the subsidiary records; and – checked the arithmetical accuracy of the accumulation of entries; • For each component of the financial statements we performed procedures to ensure the appropriate disclosures were recorded and were in line with the results as prepared by the consolidation model; • Agreed the results of the consolidation model to the consolidated financial statements provided to us.

Key audit matter	How our audit addressed the key audit matter
Physical quantities of biological assets	
Biological assets comprise of live abalone and are held in various weight categories. It is impractical to count all the abalone on a given day, due to factors such as the delicate nature of the abalone and the quantity of abalone held at the farm. As such, the quantities are determined through a process known as grading, which involves the periodic process of categorising systematic batches of abalone across the farm. Through this continual process and the use of industry growth algorithms, the number and average weight of the abalone is determined. Physical quantities of biological assets is a key audit matter due to the significant contribution to the consolidated results of the group, as well as it requiring significant management judgement. The disclosures relating to biological assets are contained in note 1 (accounting policies) and note 13 (biological assets).	Our audit procedures performed included, among others: • We obtained an understanding of the information systems,as well as the processes which have been implemented by management, around determining the physical quantities of abalone. The control environment and processes have been overseen by those charged with governance. • We attended the periodic grading on site, in order to observe the appropriateness of controls implemented in applying sampling methodologies, as well as to confirm the adherence to appropriate biological inventory processes. • The procedures followed in the periodic grading were compared to that of the prior year in order to determine consistency; • We agreed a sample of baskets counted on the day of observation to the inventory sheets and system report, to ensure reliance on the system inputs; and • We agreed a sample of actual abalone graded on the day of observation to the system predicted weights. This was performed to ensure reliance on the predicted weight and the system's accuracy of abalone growth prediction. We assessed the disclosures made for compliance with International Financial Reporting Standards.
Residual values of vessels	
The residual values of the vessels are reviewed annually by management. A management expert (the expert) is used to assist in the determination of residual values. In determining the residual value, management applies judgement in determining the estimated amount that the entity would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. Accordingly, the residual values of vessels were considered to be a key audit matter, due to the significance of the estimates and the level of judgement applied by management. The disclosures relating to the vessels are contained in note 1 (accounting policies) and note 3 (property, plant and equipment).	Our audit procedures performed included, among others. We obtained a copy of the expert's assessment of the residual values and performed the following: • Assessed the independence, experience and expertise of the expert; • Performed reasonability testing on the inputs and assumptions used by the expert, by comparing these to our industry knowledge, external sources and information gathered throughout the audit; • Inspected that the residual values calculated by the expert were within the predetermined range of market values. The exchange rates used were compared to observable forex rates; • The method applied by the expert was compared to that of the prior year in order to determine consistency; and • Obtained management representation to confirm that they have reviewed the residual values. We assessed the disclosures made for compliance with International Financial Reporting Standards.

Key audit matter	How our audit addressed the key audit matter
Valuation of unlisted shares	
Investment in unlisted investments are carried at fair value through profit or loss. The valuation of these investments are based on an entity discounted cash flow valuation method and other relevant methods. The use of a discounted cash flow valuation requires the estimation of a number of significant inputs, including the future expected cash flows and the weighted average cost of capital used to perform the discounting. In determining the fair value of the unlisted companies, which are not traded in an active market, valuation methods which require significant judgement and estimates are applied by management. These are in accordance with Level 3 inputs as per International Financial Reporting Standard 13 Fair Value Measurement (IFRS 13). The judgements are based on existing market conditions, determined at the end of each reporting period to determine the fair value of these financial instruments. Accordingly, the valuation of unlisted investments at fair value through profit or loss was considered to be a key audit matter, due to the significant contribution to results of the separate financial statements as well as the significance of the assumptions, estimates and the level of judgement involved. The disclosures relating to investment in unlisted shares are contained in note 1 (accounting policies) and notes 10, 32 and 48 (financial disclosures).	In assessing the fair value of the unlisted investments, we obtained an understanding of the overall control environment as well as the processes which have been implemented by management, including management's external valuation experts, and which have been overseen by the board of directors. Our audit procedures included an assessment of the reasonability of the forecast which was done by performing the following: • Tested the mathematical accuracy of the valuation models, by performing a recalculation of each valuation; • Assessed the budgeting process, and confirming reasonability of the forecasts; and • Obtained management representations with regard to the valuations. We have made use of auditors' valuation experts to: • Assess the model for arithmetical accuracy; • Evaluate the cash flow projections and the process by which they were developed, comparing the cash flows to the latest budgets, and assessing the historical accuracy of the budgeting process; • Assess the reasonability and appropriateness of the key inputs; • Perform a sensitivity analysis of the key assumptions in the model; and • Assess the key growth rate assumptions by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the company; We have also: • Obtained an understanding on the field of expertise, as well as the nature timing and extent of procedures. • Evaluated the capabilities, competence, and objectivity of the expert. • Evaluated the adequacy of work performed by the expert. We have assessed management's external experts' qualifications, experience and expertise with respect to the valuation performed. We inspected the disclosures in the financial statements in relation to the valuation of unlisted investments for compliance with International Financial Reporting Standards.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the documents titled "African Equity Empowerment Investments Annual Financial Statements 2020", "African Equity Empowerment Investments Group Annual Financial Statements 2020" which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certification as required by the Companies Act of South Africa, and in the document titled "African Equity Empowerment Investments Limited Integrated Report 2020". The other information does not include the consolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Crowe JHB & Thawt Inc have been the joint auditors of African Equity Empowerment Investments Limited and its subsidiaries for the first time in the current year.

Crowe JHB

Crowe JHB
G Kartsounis
Partner
Registered Auditor

Sandown, Johannesburg, 2196
24 December 2020

Thawt inc

THAWT Incorporated
G C Gorgulho
Partner
Registered Auditor

Monte Vista, Cape Town, 7460
24 December 2020