

AEP Energy Africa Limited

Incorporated in the Republic of South Africa

(Registration number: 2017/024904/06)

JSE share code: AEY ISIN: ZAE000241741

("AEP" or "the Company")



AUDITED CONDENSED PROVISIONAL ANNUAL RESULTS FOR THE FIVE MONTHS ENDED 30 JUNE 2017

INTRODUCTION

The board of directors ("the Board") of the Company is pleased to present the provisional results for the five months ended 30 June 2017.

AEP was incorporated on 24 January 2017 and successfully listed as a Special Purpose Acquisition Company ("SPAC") on the Alternative Exchange ("AltX") of the Johannesburg Stock Exchange ("JSE") on 30 June 2017, raising R52 555 000 through the issue of 5 255 680 ordinary shares at R10 a share.

The purpose of AEP whilst it is a SPAC is to pursue the acquisition of a viable asset.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIVE MONTHS ENDED 30 JUNE 2017

	2017
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Administrative and other operating expenditure	(6,162,222)
Finance income	35,176
Loss before taxation	(6,127,046)
Taxation	(9,849)
Loss for period	(6,136,895)
Other comprehensive income	-
Total comprehensive loss for the period	(6,136,895)
 Earnings per share (cents)	
Basic and diluted loss per share (cents)	(18 224)

. Note: There are no dilutive instruments in issue

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

2017

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ASSETS	
Property, plant and equipment	16,884
Non-current assets	<u>16,884</u>
Other receivables	1,093,600
Cash and cash equivalents	52,592,028
Current assets	<u>53,685,628</u>
Total assets	<u>53,702,512</u>
EQUITY AND LIABILITIES	
Stated capital	48,741,085
Retained loss	(6,136,895)
Total equity	<u>42,604,190</u>
Trade payables and accrued expenses	9,765,037
Taxation payable	9,850
Loans from related parties	1,323,435
Current liabilities	<u>11,098,322</u>
Total equity and liabilities	<u>53,702,512</u>

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FIVE MONTHS ENDED 30 JUNE 2017

	Share capital	Retained loss	Total equity
	R	R	R
Balance at 24 January 2017	-	-	-
Shares issued	52,555,000	-	52,555,000
Total comprehensive loss for the period	-	(6,136,895)	(6,136,895)
Transaction costs	(3,813,915)	-	(3,813,915)
Balance at 30 June 2017	48,741,085	(6,136,895)	42,604,190

CONDENSED STATEMENT CASH FLOWS FOR THE FIVE MONTHS ENDED 30 JUNE 2017

2017

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Cash generated from operating activities	2,510,751
Finance income	35,176
Net cash inflow from operating activities	2,545,927
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Cash flow from investing activities	
Additions to property, plant and equipment	(18,419)
Net cash outflow from investing activities	(18,419)
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Cash flow from financing activities	
Proceeds on share issue	52,555,000
Payment for share issue costs	(3,813,915)
Borrowings from related party loan	1,323,435
Net cash inflow from financing activities	50,064,520
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Net movement in cash and cash equivalents	52,592,028
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Cash and cash equivalents at beginning of the period	-
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Cash and cash equivalents at the end of the period	52,592,028
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SEGMENTAL REPORTING

The Board has considered the implications of IFRS 8: Operating segments and are of the opinion that the current operations of the Company constitute one operating segment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Loss per share

Basic loss per share

From continuing operations (cents per share)

Basic loss per share was based on losses after tax of R6 136 895 and weighted average number of ordinary shares of 33 676, calculated against 200 shares issued on 24 January 2017 and 5 255 480 shares issued on 30 June 2017.

At reporting date AEP had not concluded a viable asset acquisition, therefore the income earned in the current year is not indicative of the Company's future prospects.

Headline loss per share (cents)	(18 224)
Diluted headline loss per share	(18 224)
Reconciliation between earnings and headline earnings	
Earnings and headline earnings	(6 136 895)

Related party transactions

Relationships

Destiny Corporation Energy Proprietary Limited are the owners of Destiny Corporation Management Services Proprietary Limited, the appointed Management Company of AEP. Destiny Corporation Energy Proprietary Limited therefore has significant influence on the affairs and operations of AEP. Some of the directors of Destiny Corporation Energy Proprietary Limited and Destiny Corporation Management Services Proprietary Limited are also executive directors of AEP.

Related party balances

Loan accounts – Owing to related parties

Destiny Corporation Energy (Pty) Ltd	1 323 435
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The loan bears no interest and has no fixed payment terms.

The related party transactions are at arm's length basis

COMPARATIVE INFORMATION

The Company was incorporated on 28 January 2017. Accordingly, the Company does not have any comparative information for any prior financial year.

BASIS OF PREPARATION

These provisional annual results have been prepared in accordance with the framework concepts and the recognition and measurement principles of International Financial Reporting Standards (“IFRS”) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Committee presented in accordance with the minimum content, including disclosures, prescribed by IAS 34: Interim Financial Reporting applied to year-end reporting, the Companies Act of South Africa, and the JSE Limited’s Listings Requirements (“Listings Requirements”).

These condensed financial results have been extracted from the audited annual financial statements of AEP which have been prepared under the supervision of the Financial Director, Kevin Simons CA(SA). These condensed annual financial results are not themselves audited. The audited annual financial statements and the unmodified audit report provided by Deloitte and Touche on the audited annual financial statements are available for inspection at the Company’s registered office. The Board takes full responsibility for the preparation of this report and ensuring that the financial information has been correctly extracted from the underlying annual financial statements.

ACCOUNTING POLICIES

The accounting policies applied in the preparation of these provisional annual financial results for the five months ended 30 June 2017 are in terms of IFRS and are consistent with those applied in the preparation of the annual financial results of the Company for the five months ended 30 June 2017.

FINANCIAL OVERVIEW

Financial Performance

The key financial results reflected in these inaugural annual financial results are:

- AEP recorded an operating loss of R6 136 895 for its first year of operation, comprised almost entirely of costs associated with the listing of the Company on the JSE. In keeping with the JSE’s Listings Requirements governing SPAC’s, the Company was precluded from commercial trading until such time that its listing was approved and achieved.
- Basic loss per share and headline loss per share amounted to -18 224 cents. The loss per share should be viewed in the context of the following:
 - AEP listed on the JSE on 30 June 2017, the last day of its financial year end, and did not engage in any commercial trade prior to listing;
 - Apart from the 200 shares issued on the date of incorporation, no other shares were issued until the last day of the financial year;
 - The loss reported for this period is therefore comprised of permissible expenses incurred to advance and achieve AEP’s JSE listing; and
 - AEP has not as yet acquired a viable asset and therefore any income earned is not indicative of the Company’s future prospects.

Before listing, the Board made it known to the market that the Company was seeking the acquisition of a viable asset in the Clean Energy industry. Since the listing, management has been diligently reviewing various potential acquisition opportunities and is continuously engaging with potential vendors on propositions that could satisfy the Company’s vision and values. The Company has sufficient resources to make a significant investment, using cash, equity and debt, or any combination thereof as deemed appropriate by management and the Board.

The JSE Listings Requirements entitle the shareholders of AEP to approve the acquisition of a viable asset. Accordingly, shareholders of AEP will be informed of any acquisition proposed by AEP, and their approval will be duly sought as and when the Company is in the position to do so.

The funds raised through listing are held in escrow with Rand Merchant Bank (a division of First Rand bank) (“RMB”) and yielded an interest return for the period under review of R35 176. The current tax for the period under review amounts to R9 849.

CHANGES TO THE BOARD

The following non-executive directors were appointed to the Board of the Company with effect from 5 July 2017:

- Mr Thabo Leeuw;
- Mr Sello Moloko; and
- Mr Oliver Petersen.

SUBSEQUENT EVENTS

Changes to the Management Agreement

Subsequent to the financial period end, the Board agreed certain amendments proposed by the Public Investment Corporation (SOC) Limited ("PIC") to restructure certain provisions of the management agreement between AEP and Destiny Corporation Management Services Proprietary Limited ("Manco"). The proposed changes are outlined below:

Current Agreement	Proposed Change
The current agreement refers to a compulsory internalisation of the Manco into AEP at the end of 10 years.	The amended agreement would not have a compulsory internalisation mechanism nor timeframe. This would be at the agreement of the parties.
Manco charges a fee of R150,000 per month whilst AEP remains a SPAC. Once AEP has concluded a viable asset acquisition and is no longer a SPAC, the fee changes to ninety (90) basis points of Enterprise Value, declining to as low as thirty-five (35) basis points according to a reverse sliding scale of Enterprise Value growth.	The amended agreement terms are that Manco charges a fee of R150 000 per month to AEP prior to AEP making investments up to R250 000 000. Thereafter, the Manco fee will be charged at a flat annual rate of 1% of AEP's Net Asset Value ("NAV") (determined using a discounted cashflow methodology on a fair and reasonable basis independently verified by an external party). Further, Manco will own either of phantom or unlisted "B" class shares in the Company and will be paid a performance fee in the form of a phantom / B share dividend of 25% of the growth in AEP's NAV, above a hurdle rate of ten percent (10%), which is reviewable every three (3) years. This dividend may be subject to a claw-back, using an agreed formulaic determination.

The proposed changes to the management agreement require the approval of AEP shareholders, and will be able for consideration at the Company's next general meeting.

GOING CONCERN

The Board has undertaken a detailed review of the going concern capability of the Company with reference to certain assumptions and plans underlying various internal cash flow forecasts.

The Board has not identified any events or conditions that individually or collectively cast significant doubt on the ability of the Company to continue as a going concern.

DIVIDENDS

No dividend has been declared during the period under review.

DISTRIBUTION OF THE ANNUAL REPORT

The annual report of the Company, together with a notice of annual general meeting, will be distributed to shareholders in due course and by no later than 31 December 2017.

The Company has not prepared a full integrated annual report in accordance with the recommendations of the King Code on Corporate Governance. This is because no reportable operations can exist in the company until a viable acquisition approved by the shareholders of AEP has been concluded.

On behalf of the Board
E.C.M.B. Kikonyogo

Johannesburg
22 September 2017

Designated Advisor

Questco Corporate Advisory Proprietary Limited
1st Floor, Yellowwood House, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston, 2021

Registered office

2nd Floor, 28 Fricker Road, Illovo, Sandton, 2196

Company Secretary

IKB Company Secretaries Proprietary Limited
1st Floor, Yellowwood House, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston, 2021

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank

Auditors

Deloitte and Touche
Building 1 & 2, Deloitte Place, The Woodlands, 20 Woodlands Drive, Woodmead

Directors

Non-executive: D.W. Wright (Chairman)*, S.M. David, E.L. Johnson*, M.M. Kekana*, C.J. Cloete*, S.S. Sibiyi*, S.M. Moloko, T.P. Leeuw, O.N.W. Petersen
Executive: E.C.M.B. Kikonyogo (Chief Executive Officer), N. Gugushe (Chief Operations Officer), K.G. Simons (Chief Financial Officer)

* - Independent