



**AEP**  
*Energy Africa*

## 2019 INTEGRATED ANNUAL REPORT



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## **1. ABOUT THIS REPORT**

This is the primary report of AEP Energy Africa (AEP, the Company) to its stakeholders. It outlines the issues, activities, relationships, interactions and performance of the Company within its operating and market context during the period between 1 July 2018 and 30 June 2019.

The material issues having a bearing on the performance of the Company have been identified and reported upon. The report was prepared with regard to the aspirations and ideals expressed in the principles, and their underlying disclosures, described in the King IV Code on Corporate Governance (King IV). The report provides an integrated view of strategy, governance and performance, and how they are linked.

### **Forward-looking statements**

Certain forward-looking statements are made in the report, particularly with regard to the potential of energy markets, as well as global and domestic economic conditions on the Company's strategy, performance and operations. These forward-looking statements thus involve both known and as yet unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements.

AEP undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. The forward-looking statements have not been reviewed or reported on by the auditors.

### **Integrated reporting**

In this report, we provide a picture of AEP's strategy, governance and performance.

### **Directors' Statement of Responsibility**

The Board of Directors (the Board), assisted by the Audit Committee, is responsible for overseeing the integrity of this integrated report, and acknowledges its responsibility for ensuring its integrity. The Board has applied its collective mind in the preparation and presentation of this report, and believes it is a fair representation of the performance of the Company and its material matters. The Board accordingly approved this integrated report on 29 November 2019.

## 2. WHO WE ARE

AEP's vision is to significantly improve the quality of African lives by increasing access to clean energy.

AEP's mission is to own and operate a high-quality portfolio of diverse energy facilities across the African continent, that generate, transport, store and sell energy. We aim to be:

- ***The preferred purchaser*** of near or newly-commissioned energy capacity, such as new power plants, typically developed and built by energy project developers.
- ***The preferred owner***, manager and operator of strategic energy facilities, such as gas terminals or independent power producers (IPP's), which transmit and distribute our own energy products, as well as those of our customers.
- ***The preferred investment*** asset for institutions and investors looking for exposure to the clean energy infrastructure, services and products sector in Africa.

We seek to play an increasing role in advancing clean energy usage across Africa, in a safe, reliable and cost-effective manner. We will achieve this by owning and operating clean energy assets including:

- **Specialist fuel storage terminals**, specifically for our fuel of choice, liquefied natural gas (LNG);
- **Pipelines**, both physical and virtual, that transport primary energy fuels such as LNG;
- **Cogeneration** plants generating electricity, heating and chilling energy, as well as megawatt-scale battery energy storage solutions located close to energy consumption points; and
- **Electricity-only** plants generating electricity for utilities and industry capable of using either renewable and/or globally accepted clean fuel technologies.

### **3. CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT**

AEP listed on 30 June 2017 on the Johannesburg Stock Exchange (JSE) as a Special Purpose Acquisition Company (SPAC). AEP was established to facilitate the raising of permanent capital to enable the acquisition of a viable asset. Once such a viable asset is acquired, AEP would qualify for a listing on the JSE as a company other than a SPAC, as envisaged in terms of the Listings Requirements.

AEP identified its target viable asset, and made the requisite announcements in this regard in June 2018. Thereafter, AEP attained all of the requisite regulatory approvals by November 2018, which had positioned the company to transition from a SPAC to a normally listed company on the JSE during the 2019 financial year.

Regrettably, AEP faced extended delays in raising the requisite capital to conclude the acquisition of the viable asset. These delays meant that AEP exceeded the two year lifespan normally granted to a SPAC by the JSE. The company sought and received three extensions from the JSE in which to conclude the acquisition of its viable asset. The third and final extension from the JSE formally expired on 29th October 2019, with the company unable to conclude the acquisition, despite having signed subscription and lending agreements to inject in excess of the US\$61.5 million in debt and equity into AEP, required for the acquisition consideration.

During AEP's life, the company sought, and received approval from shareholders, to increase its permissible expenses budget from R38,5 million in its listing prospectus to the final approved limit of R49,3 million. AEP requested this increase in this budget on the basis that the conclusion of the viable asset acquisition was imminent, based on the signed letter agreements with the seller of the asset, in June and August 2019, to re-instate the sale and purchase agreement, as well as the funding approvals received in June, followed by signed equity and debt investment agreements concluded in September 2019. The requests to increase the permissible expenses budget received approval from no less than 97% and higher of all AEP shares in issue, with no shares voted against.

The sole remaining obstacle to the conclusion of the viable asset, as at 29th October 2019, was an inability to achieve a reinstatement of the sale and purchase agreement between AEP and the seller of the asset, despite conditional undertakings to do so during April, June and August of 2019. A reinstatement was required, following the termination of this agreement in March 2019, owing to the delays faced by AEP in raising the requisite finance. As has been publicly reported, the seller has signed an agreement to sell the asset to another party, which explains why it did not re-instate the sale and purchase agreement with AEP at the time of our approach.

The consequences to AEP of not achieving the viable acquisition within the JSE stipulated timeframes, are terminal. AEP has been issued with a directive by the JSE, in terms of which, the company must within a period of 60 calendar days from 29th October 2019, declare a distribution of its remaining capital to shareholders. AEP has issued an announcement of the planned distribution and the planned timing of this payment is Monday 23 December 2019. Furthermore, AEP must propose a voluntary winding up of the Company to its shareholders,

through the issue of a circular calling for a general meeting of shareholders to consider this voluntary winding up.

We deeply regret these prevailing circumstances and the imminent delisting of AEP from the JSE. We however are convinced that AEP's strategy of acquiring cash flow generating energy infrastructures with long-term offtake contracts remains a sound one, and would have resulted in a highly value accretive and sustainable business. Economic headwinds in South Africa have made capital raising extremely challenging, especially for black-owned companies such as AEP. These challenges do not in and of themselves negate a sound strategy nor do they diminish the substantial investment opportunities available to South African companies in our region and on our continent. AEP's strategy and ability to source high quality assets is strongly affirmed by the fact that other very well capitalised market actors have pounced on the opportunity availed by AEP's financing delays.

Our experience in Kenya in pursuit of the viable asset is a silver lining to the otherwise disappointing outcome. AEP has found Kenya's business environment to be open to South African investment, and professionally structured. Regulatory agencies like the Competition Authority of Kenya and the Energy and Petroleum Regulatory Authority are accessible and function well. We have also interacted with a broad section of Kenya's Government, banks and professional services providers. In all instances the access and services we have received have been professional, prompt and free of any hint of corruption. Most pleasingly, we also found the management and staff at our target viable asset to be well qualified and highly skilled. At every opportunity that arises, we encourage other South African companies to seek growth opportunities amongst our neighbours and on the continent. South Africa can emulate China's belt and road strategy in Africa to successful mutual benefit resulting in accelerated domestic and regional job creation.



David Wright  
Chairman



Edwin Kikonyogo  
Chief Executive Officer

## 4. OUR BOARD OF DIRECTORS

### Our independent non-executive directors

#### **David Wright**

*Chairman*

BSc Chemical Engineering (University of Natal), Certificate Programme for Finance and Accounting (Wits Business School)

Appointed 7 April 2017

David began his career in 1974 as a Metallurgist for Anglo American before moving to, amongst others, Engen in 1991 where he spent 23 years. Towards the end of his tenure as a long-serving member of the senior management team, he acted as Special Advisor to the MD and CEO. Since August 2014, David has pursued industry consulting for clients, including the Central Energy Fund, Phembani and Sasol Mining.

David's professional affiliations include, *inter alia*, membership of the Ministerial Advisory Council for Energy from 2015 to 2017; the SA Institution of Chemical Engineers since 1974; the Institute of Directors since 2014, and Secretary General of the SA National Energy Association (SANEA – SA Member Committee of World Energy Council) from 2012 to 2018, and a Board member in 2019.

#### **Silvanus David**

*Deputy Chairman and lead independent director*

Postgraduate and Advanced Diplomas in Project Management, Masters (Commerce – Project Management) (Cranefield College of Management)

Appointed 7 April 2017

Silvanus began his career in 1989 in manufacturing with Pakco, later moving into a financial role at the Durban City Council. After subsequently serving as a project leader at Santam, Silvanus joined SITA in October 2000 where he is still currently employed as Programme Manager. Silvanus has over two decades of experience in financial risk management, procurement oversight and management, quality control and technology and systems risk management, and brings a wealth of expertise in the field of project management. Silvanus is also a sought-after and frequent speaker on project and risk management on the international professional speaking circuit.

#### **Carla Dooling (née Cloete)**

LLB, LLM (University of KwaZulu-Natal)

Appointed 7 April 2017

Carla completed her articles at Bowman Gilfillan and practised as an associate for four years in the M&A and Capital Markets teams, and was lead legal counsel on a number of matters for a variety of clients, including Tongaat Hulett, Barclays, Netcare, Steinhoff, GoldFields, Anglo American, UBS, Morgan Stanley, AngloGold Ashanti and Goldman Sachs.

Carla has spent the last eight years at RMB as legal advisor in the Global Market division, which covers all market-facing transactions. She advises, structures, negotiates and executes legal aspects including risk management, legal agreements, commodities trading and pricing and derivatives structuring and execution.

### **Sifiso Sibiya**

*Chairman of the audit committee*

BCom Hons (Accounting) (University of Natal), CA(SA), Certificates in Geology, Debt Restructuring and Mezzanine Finance

Appointed 7 April 2017

After completing his articles, Sifiso was appointed as an internal audit manager at KPMG, where he stayed until 2005. He then joined RMB Structured Finance as a credit analyst, where he managed a portfolio holding over R100 billion in facilities covering the mining and resources sectors, and was also involved in transactions of over R50 billion. By 2008, he was co-team leader of the Mining and Resources Credit team and was nominated as RMB's Analyst of the Year. He subsequently left RMB and founded risk, corporate advisory and investment firm Sotobe Chartered Accountants. He is also a member of Council at Durban University of Technology where he also chairs the Audit Committee.

### **Executive directors**

#### **Edwin Kikonyogo**

CEO and interim CFO

BA (University of London), MBA (Rutgers University), Lemberg Programme in Economics and Finance (Brandeis University)

Appointed 1 February 2017

Edwin is a co-founder and executive director of Destiny Group, which holds diverse investments in the property, services, industrial gases and pharmaceuticals industries. Since 2012 he has been involved in developing cogeneration projects and battery energy storage projects, LNG conversion to power and LNG supply projects, an acquisition of natural-gas producing fields, electricity agreements and in securing distributor and licensing partnerships with international leaders on the energy value chain, Edwin has been leading Destiny's energy project-development teams.

Between 1994 and 2005 he worked at Citibank CIB, Deutsche Bank and as Head of African Corporate Finance and Debt Capital Markets for Barclays Capital. He has extensive experience in structuring and financing corporate lending, investment banking and corporate, structured and project finance in the mining, oil and gas, telecoms and infrastructure sectors across Africa.

**Nkosi-Yawo Gugushe**

COO

BCom (University of KwaZulu-Natal)

Appointed 1 February 2017

As a co-founder and chief executive officer of Destiny Group since 2012, Nkosi has been leading the group's energy-project development teams, and is Currently involved in developing cogeneration projects and battery energy storage projects, LNG conversion to power and LNG supply projects, an acquisition of natural-gas producing fields, electricity agreements and in securing distributor and licensing partnerships with international leaders on the energy value chain.

Between 1996 and 2005, Nkosi worked at Accenture Consulting and as Head of African Corporate Finance and Debt Capital Markets for Vunani Capital (then African Harvest Capital). He has extensive experience and expertise in operations management across the energy, financial services and transport industries, investment banking and structured and project finance in the resources, telecoms and infrastructure sectors.

**Directors who resigned during the year****Meriam Kekana**

BCompt Hons (Accounting) (University of Johannesburg), CA (SA)

Appointed 7 April 2017; Resigned 30 April 2019

Meriam completed her articles with Ernst & Young in 2004 and continued as an auditor, becoming a senior manager servicing a number of large listed and private corporations. Her responsibilities also included IFRS, US SEC and US GAAP compliance, as well as internal audit mandates. In 2013 she joined international energy group BP, where she continues to serve as Assurance, Risk and Controls Manager with specific responsibilities for financial management and business controls, risk management, ethics and compliance, and governance and reporting. In these roles, she has designed and implemented self-assurance and interventionist processes for BP's Southern African businesses, reporting directly to the Group CFO. Meriam is currently the Financial Director of Medizone.

**Thabo Leeuw**

B.Com (Accounting) (University of Zululand) a B.Compt Honours (UNISA), Management Advanced Programme (its Business School)

Appointed 5 July 2017; Resigned 8 April 2019

Thabo is the Managing Director and co-founder of the Thesele Group and has more than 27 years' experience in the food and beverages, petrochemicals, ICT and financial services sectors. He is a former global director at Cazenove PLC and director of Corporate Finance in South Africa. Thabo serves on the boards of a number of JSE-listed companies.

**Sello Moloko**

B.Sc Honours (Mathematics), Postgraduate Certificate in Education (University of Leicester), Advanced Management Program (Wharton School – University of Pennsylvania)

Appointed 5 July 2017; Resigned 8 April 2019

Sello is the Executive Chairman and co-founder of Thesele Group. With a career spanning 24 years, he has extensive experience in financial services, and is a former CEO of Old Mutual Asset Managers and former deputy CEO of Capital Alliance Asset Managers. Sello serves on the boards of a number of JSE-listed companies.

**Oliver Petersen**

B.Com (Financial Accounting), B.Com Honours (Accounting Sciences), Certificate in the Theory of Accountancy (University of Pretoria), EVCA Certificate in Institutional Private Equity Investing (Said Business School, University of Oxford)

Appointed: 5 July 2017; Resigned 8 April 2019

A member of the South African Institute of Chartered Accountants, Oliver joined Thesele as a Senior Executive in November 2015. In his post-articles 13-year career at PwC, he has held various associate and executive roles in banking, corporate finance and private equity.

**Kevin Simons**

BCom (RAU), Hons. (Accounting) (University of South Africa), CA (SA)

Appointed 1 April 2017; Resigned 3 October 2018

After serving his articles, Kevin started his career as Senior Manager: Finance at Nambiti Consulting, later consulting independently for LPC Manhattan Moela (now Arcay Moela) and EOH. In March 2009 Kevin founded Simons and Maggs Consulting, which provided financial management and corporate finance services to *inter alia*, Government, Abacus, SAB&T and MTN, prior to joining Sasol in 2012.

After joining Sasol in 2012, he was appointed a Financial Manager for Sasol Group, which included Sasol Group Services, Sasol Energy, Sasol Oil, Sasol Chemicals, a number of international group holding and finance companies, as well as special projects such as Sasol's gas processing and pipeline facilities in Mozambique and SA, and the proposed Gas To Liquids facility in Louisiana, USA. His role included project pre-feasibility, budgeting, accounting, taxation, reporting, governance, stakeholder relations, compliance, financial management and team leadership.

## 5. OUR GOVERNANCE

**AEP's business practices are conducted in good faith, in the interests of the Company and all its stakeholders, with due observance of the principles of good corporate governance. The Board is the foundation of AEP's corporate governance system and is accountable and responsible for AEP's performance.**

As far as practically possible, the Board has prepared this integrated report in terms of the governance principles outlined in King IV, and which is intended for all our stakeholders, and at informing providers of financial capital about all key aspects of our business and the ways in which we create value.

### **Our approach to governance**

AEP subscribes to the principles of openness, integrity, responsibility and accountability in our dealings with stakeholders. We endorse the value of good corporate governance, standards and principles as recommended by King IV and we apply King IV to support and strengthen our governance processes and to provide stakeholders with the necessary assurances in this regard.

AEP's compliance with King IV principles is presented in a document which is available online at [www.aep.co.za](http://www.aep.co.za).

### **Our Board Charter**

The Board Charter was adopted by the Board in April 2017 to ensure compliance with King IV and the Companies Act. The Board Charter sets forth the Board's role and responsibilities as well as the requirements for its composition and meeting procedures, noting that the Company is subject to the corporate governance requirements of the Companies Act, and that, following its listing on the JSE, the Company is also subject to:

- The mandatory corporate governance requirements outlined in the JSE Listings Requirements, compliance with which are disclosed in the Company's prospectus and in this integrated report
- The recommended corporate governance practices outlined in King IV

The key roles and responsibilities of the Board as defined in Our Board Charter can be found as part of our reporting suite on our website at [www.aep.co.za](http://www.aep.co.za)

### **Our governance framework**

The Board retains effective control of the business of AEP through a clear governance structure and has established sub-committees to assist it in accordance with the provisions of AEP's Board Charter. The Board recognises that delegating authority does not reduce the responsibility of directors to discharge their statutory and common law fiduciary duties. The Board continues to review its governance structures to ensure that they support effective decision-making, provide robust controls and are aligned to evolving local and global best practice.

## GOVERNANCE FRAMEWORK



### Our Board composition

The AEP Board comprises the appropriate balance of knowledge, skills, experience, diversity and independence to discharge its governance role and responsibilities objectively and collectively. The Board is composed of 6 directors, 2 of which are executive directors and 4 are independent non-executive directors (which is 66% of the board).

The JSE Listings Requirements and King IV prescribe that listed companies must appoint a chief executive officer, a chief financial officer and a chairperson to their board of directors.

The requirements further prescribe that the offices of chief executive officer and chairperson cannot be held by the same person, and that it is recommended that the chairperson be an independent non-executive director.

While AEP, as a SPAC, is exempt from the foregoing principle until such time as it has been converted into an ordinary listed company on the main board or the Alternative Exchange (AltX) of the JSE, the Company has nevertheless elected to comply with the foregoing listing requirements from date of listing.

Following the resignation on 3 October 2018 of AEP's financial director, the position of chief financial officer was occupied by the chief executive officer on an interim basis. The JSE was approached for and provided a dispensation in this regard for the duration of AEP's term as a SPAC, or until it completed its viable acquisition.

### Independence

The independent non-executive directors are highly experienced and have the skills, background and knowledge to fulfil their responsibilities. The Board believes that the independent non-executive directors of the Company are of the appropriate calibre, diversity and number for their views to carry significant weight in the Board's deliberations and decisions.

The classification of independent non-executive directors is determined by the Board on the recommendation of the Remuneration and Nomination Committee in accordance with the guidelines set out in King IV. In accordance with the independence requirements of the JSE Listings Requirements, none of the independent non-executive directors participate in any share incentive scheme of the Company.

## **Board diversity**

Diversity is considered in the appointment of directors. AEP recognises and embraces the benefits of a diverse board and staff, particularly with regards to gender and racial diversity and inclusion. Targets to maximise the numbers of female and black board members and staff are set and reviewed regularly by the Nomination Committee and the Board. Non-executive directorships, executive directorships and all levels of staff are included in the targets. The board currently has:

1. One of six directors being female
2. One of six directors being white

## **King IV compliance**

We recognise and support the principles and practices set out in King IV, and continue to implement compliance to ensure that we apply its letter.

We are committed to conducting gap analyses on an ongoing basis to assess the Company's compliance level in respect of King IV, identifying areas that require improvement. Gaps, if any, are addressed through action plans and regular monitoring and reporting to the appropriate governance structures, and ongoing progress reports in this regard is presented to the Audit and Risk Committee.

Should the Company continue to operate, and in particular no longer as a SPAC, all enhancements identified will be made over time in line with the objective of continuously improving and entrenching corporate governance practices in respect of King IV, the progress made towards achieving them and, ultimately, the foreseen governance outcomes.

A detailed list of the King IV principles and the ways in which we comply with them can be found as part of our reporting suite on our website at [www.aep.co.za](http://www.aep.co.za)

The Board complies with all relevant legislation and is required to maintain strict confidentiality of all information relating to the business of the Company, except to the extent that disclosure is required by law or regulation.

## **Election and re-election of Directors**

AEP's Memorandum of Incorporation requires that one-third of elected non-executive directors, who have been in office longest since their last election, retire by rotation at each annual general meeting (AGM). Being eligible, these non-executive directors may seek re-election should they so wish.

The Nomination Committee evaluates nominees and, taking into account their past performance and their contribution made to the Company, recommends the nominees to the Board for recommendation to shareholders for election and re-election at AGMs of shareholders, as the case may be.

Directors appointed by the Board between AGMs, either to fill a casual vacancy or as an addition to the existing Board, hold office only until the next AGM and are eligible for election (but are not included in determining the number of directors who are to retire by rotation). When appointing directors upon the recommendation of the Nomination Committee, the Board

considers, *inter alia*, whether the candidates have the necessary skills and experience. (For directors' *curricula vitae* see pages 5 to 8.)

### **Induction and continuing education**

All newly-appointed directors receive a comprehensive information pack, including the Memorandum of Incorporation, the Board Charter, terms of reference of the committees of the Board, Board policies and other documents relating to the Company, key legislation and regulations, as well as corporate governance, financial and reporting documents, including minutes and documents of an administrative nature.

All directors have attended the compulsory induction programme conducted by the Institute of Directors SA for Alt-X listed companies. In addition, they are encouraged to attend courses providing information and training relating to their duties, responsibilities, powers and potential liabilities. Regulatory and legislative updates are provided regularly.

### **Succession**

The Board continually evaluates succession plans for executive directors and senior management.

### **Assessment**

The Board is committed to transparency in assessing its performance, its committees and individual directors as well as the governance processes that support its activities. Once AEP is no longer a SPAC, the effectiveness of the Board and its committees will be assessed annually. Independent external advisors will be engaged to assist the Nomination Committee with the evaluation of the Board as a whole and individually together with its committees. The Board is of the view that the involvement of independent external advisors assists in ensuring a rigorous and impartial evaluation process.

### **Advice and information**

No restriction is placed on a director's access to Company information, records, documents and property. Non-executive directors have access to management, and regular interaction is encouraged. All directors are entitled to seek independent professional advice concerning the affairs of the Company at its expense and have done so as required.

### **Board meetings**

The Board meets to consider the business and strategy of the Company, and reviews reports from the committees and independent advisors. Agendas for Board meetings are prepared by the Company Secretary in consultation with the independent non-executive chairman, the CEO and the CFO, and meeting materials are delivered to every director prior to each meeting.

During the year under review, 1 July 2018 to 30 June 2019, the following meetings of the Board and its committees took place:

Name of director	Board meeting	Remuneration Committee	Nomination Committee	Audit & Risk Committee	Investment Committee	Social & Ethics Committee
DW Wright	10/10	1/1	1/1		2/2	
SM David	10/10	1/1	1/1	3/3		
CJ Dooling ***^	10/10			3/3		
SS Sibiya **^	10/10			1/1	2/2	
MM Kekana ^	9/9			2/2		
ONW Petersen *	8/8		1/1			
SM Moloko *	8/8				2/2	
TP Leeuw *	8/8	1/1				
ECMB Kikonyogo	Invited	Invited	Invited	Invited	Invited	
KG Simons *^	Invited	Invited	Invited	Invited	Invited	
N Gugushe	Invited	Invited	Invited	Invited	Invited	

#### Committee Chair

^ Resigned on 30 April 2019

\* Waived directors' fees due to them & resigned on 08 April 2019

\*^ Resigned on 03 October 2018

\*\*^ Appointed to Audit and Risk Committee on 30 April 2019

\*\*\*^ Appointed to Remuneration & Nomination Committee on 30 April 2019

## Company Secretary

The Board utilizes the services of an experienced and independent Company Secretary who performs duties under a services contract. The Board is satisfied with the competence, qualifications, experience and performance of the Company Secretary.

## Our Board committees

The Board has established sub-committees to assist it with fulfilling its responsibilities in accordance with the provisions of the Company's Board Charter, and membership of the Board committees currently consists solely of non-executive directors. The Board acknowledges that the delegation of authority to its committees does not detract from the Board's responsibility to discharge its fiduciary duties to the Company.

The committees have terms of reference, which are reviewed annually. They set out the committees' roles and responsibilities, functions, scope of authority and composition. The annual reviews take into account amendments to applicable legislation and developments in international best practice.

Committees report to the Board at each Board meeting and make recommendations in accordance with their terms of reference. Each committee is chaired by an independent non-executive director. Attendance schedules for committee meetings held in FY2019 are included in the meeting attendance summary above. The committee chairpersons and members also attend AGMs.

The terms of reference and focus of the committees during FY2018, which carried forward to FY2019, can be found as part of our reporting suite on our website at [www.aep.co.za](http://www.aep.co.za)

**Audit and Risk Committee**

SS Sibiya (Chairperson - Appointed 30 April 2019)

SM David

CJ Cloete

MM Kekana (Resigned 30 April 2019 – formerly Chairperson)

The Audit and Risk Committee is constituted as a statutory committee of the Board in terms of Section 94 of the Companies Act, and its composition complies with the provisions of that section.

The Audit and Risk Committee comprises three independent non-executive directors, each of whom has extensive relevant experience. In accordance with the guidelines in King IV, the Audit and Risk Committee chairperson is an independent non-executive director, and the executive directors attend committee meetings as invitees.

**Investment Committee**

SS Sibiya (Chairperson)

DW Wright

SM Moloko (Resigned 8 April 2018)

The Investment Committee comprises two independent non-executive directors and one non-executive director until the resignation of Mr. Moloko. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management. The role of the committee is to assist the Board to:

- Review the Company's investment policy annually
- Consider all transactions for the acquisition or disposal of assets in accordance with the Company's investment policy, and make recommendations to the Board
- Assess all investment opportunities presented to the Company by its management company (Destiny Corporation Management Services) and other advisors, and make recommendations to the Board
- Review the performance of individual assets within AEP's portfolio of assets and make recommendations in respect of such assets

In carrying out its duties under these terms of reference the committee, for so long as the Company is a SPAC, remains mindful of the Company's acquisition criteria as set out in its prospectus.

The terms of reference of the Investment Committee were adopted in April 2017.

**Remuneration Committee**

SM David (Chairperson)

DW Wright

CJ Cloete (Joined 8 April 2019)

TP Leeuw (Resigned 8 April 2019)

**Nomination Committee**

DW Wright (Chairperson)

SM David

CJ Cloete (Joined 8 April 2019)

ONW Petersen (Resigned 8 April 2019)

The Board of the Company acknowledged the need for both a Remuneration and Nomination Committee as recommended in the King IV Report on Corporate Governance, and as required in terms of the JSE Listings Requirements. Given the size of AEP, a single Remuneration and Nomination Committee was formed, with each of the remuneration and nomination workstreams assigned three non-executive directors each. Each of the remuneration and nomination workstreams is chaired by an independent non-executive director – Messrs SM David and DW Wright respectively.

The Remuneration Report is available on pages 16 to 22, which includes information on the role of Remuneration Committee. Additional information is available in the directors' report on pages 34 to 38 of this Integrated Annual Report.

The role of the Nomination committee is to assist the Board by:

- Making recommendations regarding the appointment of a new executive, non-executive and independent non-executive directors, for its consideration and final approval
- Nominating successors to key positions in the group as part of ensuring that a formal management succession plan is in place
- Ensuring that the Board has the appropriate composition for it to execute its duties effectively and to comply with the Code, the Companies Act, the Listings Requirements and other applicable legislation
- Ensuring that directors are appointed through a formal and transparent process
- Determining whether the services of any director should be terminated
- Ensuring that induction and ongoing training and development of directors take place
- Carrying out such other functions as the Board may request from time to time

**Social and Ethics Committee**

CJ Cloete (Chairperson)

SS Sibiya

SM David (Joined 30 April 2019)

MM Kekana (Resigned 30 April 2019)

Through its business endeavours, the Company seeks to make a lasting and important social, economic and environmental contribution to the regions in which the Company operates. The purpose of the Social and Ethics Committee is to monitor the Company's sustainability philosophy which is underpinned by the realisation that there is a need to turn wealth into

sustainable economic growth and development. The Social and Ethics Committee's terms of reference were adopted by the Board in April 2017 in compliance with King IV.

There were no meetings of the committee during the year under review as the company was focused on raising the capital necessary to conclude its viable acquisition. Further details are discussed in the Social and Ethics Committee Report on pages 23 to 24 of this Integrated Annual Report.

#### ***Ad hoc* Board committees**

The Board has the right to appoint and authorise special *ad hoc* Board committees, comprising the appropriate Board members, to perform specific tasks as required.

#### **Executive Committee**

The Company's executive team is led by the CEO. Standard action items for this team include progressing the viable acquisition the company has been seeking to conclude, operational and financial reporting to the Board, JSE compliance, stakeholder management and general operations and governance matters.

#### **Risk management processes and assurance**

In compliance with King IV Principle 15, the Company has a Risk and Compliance Framework in place that aims to identify, assess, communicate and report AEP's risks. The framework ensures that AEP achieves the level of strategic and operational efficiency and compliance as required by the Board.

## **6. REMUNERATION REPORT**

### **About the remuneration report**

The Remuneration Committee report consists of two parts: Part I, which is set out in detail as part of our reporting suite on our website at [www.aep.co.za](http://www.aep.co.za), explains the Remuneration Policy; Part II of this report then explains the proposed implementation of the Remuneration Policy in FY2019.

The disclosure of the FY2019 directors' remuneration as pertains to the financial statements was reviewed by the auditors, and is included in the annual financial statements on pages 55 and 56. This approach has been adopted in line with emerging best remuneration disclosure practices.

The Remuneration Committee acknowledges its responsibility to apply remuneration strategy to ensure a balance in attracting and retaining human capital through competitive remuneration practices, while creating shareholder value.

The Remuneration Committee does so by formulating a remuneration policy designed to give effect to the remuneration strategy, support the business objectives within the larger operating environment and offer a balanced remuneration mix within the company's financial constraints. In so doing, the Remuneration Committee actively engages with best-practice corporate governance principles, with specific reference to the principles contained in King IV.

## **Objectives**

AEP's goal to attract and retain the most appropriate executives is only possible through a value proposition that gives attention to elements such as the company's values, culture, talent management, workforce planning and competitive benefits and remuneration. In addition, AEP is closely allied with Destiny Corporation Management Services (Pty) Ltd, who as the manager of AEP provides AEP's senior management corps, to ensure alignment on these objectives.

## **Stakeholder engagement**

The Remuneration Committee recognises the importance of stakeholder engagement with regard to the Remuneration Policy and its implementation. Therefore, the Remuneration Committee remains committed to proactively maintaining a regular, transparent and informative dialogue with AEP's stakeholders. The Remuneration Committee considers and ensures that feedback received from investors during the financial year informs AEP's remuneration policy for subsequent financial periods. As an example, at AEP's first AGM, shareholders requested additional transparency in reporting, which additional information is now provided in AEP's remuneration reports.

## **Other decisions**

Other decisions that demonstrate alignment of senior executives with the interests of shareholders included the Board approving that all directors and prescribed officers receive no annual salary or fee increases from the levels originally approved by shareholders in 2017, as long as AEP remains a SPAC.

## **Non-binding advisory vote**

Principle 14 of King IV, which deals with the remuneration governance, requires that a company tables at its annual general meetings its remuneration policy for discussion by shareholders of the company, who voice their confidence in it through a non-binding advisory vote. This vote enables shareholders to express their views on a company's remuneration policy and on its implementation.

Ordinary resolutions numbers 5.1 and 5.2, pertaining to the non-binding advisory vote to approve the Company's Remuneration Policy and Implementation Report, respectively, are included in the Notice of Annual General Meeting. As these resolutions are of an advisory nature only, failure to pass these resolutions will not have any consequences on AEP's existing arrangements.

In the event that the Company's Remuneration Policy and Implementation Report receives dissenting votes exceeding 25% of the votes exercised, the Remuneration Committee will seek to engage directly with those dissenting shareholders and major shareholders with a view to understanding the concerns raised and to address legitimate and reasonable objections.

## **Commitment**

The Remuneration Committee remains committed to monitoring the effectiveness and implementation of the Remuneration Policy, strategy and practices continuously, and is confident that the Remuneration policy will generate real long-term value for AEP's shareholders.

On behalf of the Remuneration Committee



**SM David**

Chairman of the Remuneration Committee

29 November 2019

## **Remuneration governance framework**

### **Composition of the Remuneration Committee**

#### **Members:**

SM David (*Chairperson*)

DW Wright

CJ Cloete (Joined 8 April 2019)

TP Leeuw (Resigned 8 April 2019)

In accordance with King IV, the Remuneration Committee consists entirely of independent non-executive directors. The Board considers the composition of the Remuneration Committee to be an appropriate blend of knowledge, skills and experience, and is confident that the Remuneration Committee's members have a strong combination of expertise and experience in the financial, business and human capital fields.

### **Functions of the Remuneration Committee and terms of reference**

#### **Purpose**

The purpose of the Remuneration Committee is to assist the board with its responsibility for setting the Company's remuneration policies to ensure that directors, executives and all employees are fairly and responsibly remunerated and that remuneration policies are set in the Company's long-term interests. The committee considers and recommends remuneration policies for all levels in the company, as well as the requirements for its composition and meeting procedures.

#### **Functions and responsibilities**

The Remuneration Committee performs the functions and responsibilities necessary to fulfil its purpose as stated above. Its terms of reference were reviewed and approved by the Board in June 2018. The Remuneration Committee's mandate includes:

- Overseeing the setting and administering of remuneration at all levels in the group;
- Overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance;
- Ensuring that the remuneration policy is put to a non-binding advisory vote at the general meeting of shareholders of the company once every year;
- Engaging with the Manager on execution of its responsibilities in terms of the Management Agreement, and fulfilment by AEP of its own obligations;
- Determining and developing the Company's general policy on group executive remuneration for approval by the Board;

- Reviewing the terms and conditions of group executives' employment, taking into account information from comparable groups where relevant;
- Reviewing the outcomes of the implementation of the remuneration policy for whether the set objectives are being achieved;
- Ensuring that the mix of fixed and variable pay, in cash, shares and other elements, meets the group's needs and strategic objectives;
- Determining any criteria necessary to measure the performance of the company's executive directors in discharging their functions and responsibilities;
- Satisfying itself as to the accuracy of recorded performance measures that govern the vesting of incentives;
- Ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- Considering the results of the evaluation of the performance of the CEO, other executive directors and members of senior management, both as directors and as executives in determining remuneration;
- Selecting an appropriate comparative group when comparing remuneration levels;
- Considering and recommending to the Board any change in the rules and allocation procedures governing the group's incentive schemes;
- Regularly reviewing incentive schemes to ensure continued contribution to shareholder value and that these are administered in terms of the rules;
- Considering the appropriateness of early vesting of share-based schemes at the end of employment or upon a corporate action or event;
- Reviewing and approving corporate goals and objectives relevant to the CEO's remuneration and evaluate the CEO's performance in light of those goals and objectives. The committee shall make recommendations to the Board which shall determine:
  - The CEO's level of remuneration based upon this recommendation;
  - Recommend the policy for authorising claims for expenses from CEO;
- Reviewing the performance of individual directors at the same time as reviewing non-executive director remuneration and make recommendations in respect of non-executive directors fees each year;
- Ensuring that where shares or share options are to be offered to non-executive directors, shareholders of the company approve this offer in a general meeting prior to the allocation being implemented;
- Establishing the selection criteria, including selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee, if applicable;
- Overseeing the preparation and recommending to the Board the Remuneration Report, to be included in the integrated report, as to whether it:
  - is accurate, complete and transparent;
  - provides full disclosure of each individual executive and non-executive directors, including the three highest-paid employees who are not directors', remuneration including details relating to base pay, bonuses, share-based payments, granting of options or rights, restraint payments and other benefits (including present values of future awards); and
  - provides a clear explanation of how the remuneration policy has been implemented including a clear explanation of the base pay including the use of appropriate benchmarks.

Due to conflict of interest management, the committee does not determine the remuneration or terms of any consultancy agreement of any non-executive director, although it may make recommendations to the board, if requested.

### **Employment contracts**

Employment agreements have been entered into between the Company and executive directors. These contracts are subject to a three-calendar-month termination notice period by either party. None of these employment contracts is a fixed-term contract. Executive agreements do not include restraint provisions applicable upon termination.

The remuneration paid in terms of the executive employment agreements with the executive directors and prescribed officers is set out in detail in on page 55 of the Annual Financial Statements.

Executive directors and prescribed officers only receive remuneration in terms of their employment relationship with the company and do not earn fees for services. As recommended in King IV, the Company has not concluded any agreements with its executive directors and prescribed officers to pay a fixed sum of money on termination of employment, or to make “balloon payments” in recognition of service to the company without any performance conditions attached. There is also no automatic entitlement to short-term or long-term incentives in the event of resignation or termination because of a disciplinary procedure.

There are no other service contracts between the company and its executive directors and prescribed officers.

## **Part I – Remuneration Policy**

The Company’s Remuneration Policy is available as part of our reporting suite on our website at [www.aep.co.za](http://www.aep.co.za).

## **Part II – Remuneration Implementation Report**

### **Non-executive directors’ remuneration**

#### **Non-executive directors’ fees**

The Board appoints high-calibre non-executive directors who contribute significantly to the company’s strategic direction.

In determining the level of fees, consideration is given, *inter alia*, to the importance of attracting and retaining experienced non-executive directors, market dynamics and the increasingly demanding responsibilities of directors throughout the year, as well as the contributions of each director and their participation in the activities of the board and its committees.

Board and committee meeting attendance fees are paid per meeting and in arrears. The remuneration for independent non-executive directors does not include remuneration from the short-term or long-term (share-based) incentive schemes.

## Board meeting attendance fees

On the advice of the Remuneration Committee and, in line with King IV, the Board recommends an annual meetings fee for attendance at board meetings payable to non-executive directors for approval by shareholders. The company reimburses reasonable travel, subsistence and accommodation expenses to attend meetings.

## Executive directors' remuneration

The Company's Remuneration Policy is available on its website at [www.aep.co.za](http://www.aep.co.za) and has been reviewed by the Board to ensure that the executive directors' remuneration is fair and responsible in the context of the overall employee remuneration. Details of executive and non-executive remuneration are set out on page 55 to 56 of the financial statements.

## Directors Meeting Attendance and Fees and Earnings Paid 1 July 2018 to 30 June 2019

Name of director	Board meeting	Remuneration Committee	Nomination Committee	Audit & Risk Committee	Investment Committee	Social & Ethics Committee
DW Wright	10/10	1/1	1/1		2/2	
SM David	10/10	1/1	1/1	3/3		
CJ Dooling ***^	10/10			3/3		
SS Sibiya **^	10/10			1/1	2/2	
MM Kekana ^	9/9			2/2		
ONW Petersen *	8/8		1/1			
SM Moloko *	8/8				2/2	
TP Leeuw *	8/8	1/1				
ECMB Kikonyogo	Invited	Invited	Invited	Invited	Invited	
KG Simons **^	Invited	Invited	Invited	Invited	Invited	
N Gugushe	Invited	Invited	Invited	Invited	Invited	

Name of director	Board meeting	Remuneration Committee	Nomination Committee	Audit & Risk Committee	Investment Committee	Total
DW Wright	300,000.00		9,000.00		18,000.00	327,000.00
SM David	180,000.00	9,000.00		27,000.00		216,000.00
CJ Dooling ***^	150,000.00			27,000.00		177,000.00
SS Sibiya **^	150,000.00			11,000.00	22,000.00	183,000.00
MM Kekana ^	135,000.00			22,000.00		157,000.00
ONW Petersen *						-
SM Moloko *						-
TP Leeuw *						-
ECMB Kikonyogo	Nil fees paid - Executive director					-
KG Simons **^	Nil fees paid - Executive director					-
N Gugushe	Nil fees paid - Executive director					-

### Committee Chair

^ Resigned on 30 April 2019

\* Waived directors' fees due to them and resigned on 08 April 2019

\*\*^ Resigned on 03 October 2018

\*\*\*^ Appointed to Audit and Risk Committee on 30 April 2019

\*\*\*\*^ Appointed to Remuneration and Nomination Committee on 30 April 2019

There are no other service contracts between the company and its non-executive directors. No agreements to pay a fixed sum of money on the termination of any contracts have been concluded between the Company and any of its non-executive directors.

## Executive Directors and Prescribed Officers Earnings 1 July 2018 to 30 June 2019

Below is an extract from Note 7 to the Consolidated Audited Annual Financial Statements on page 55 of this Integrated Annual Report

Name of director	Basic salary	Medical aid benefits	Travel allowance	Foreign travel subsistence allowance	Compensation for loss of office	Total
ECMB Kikonyogo (CEO)	1,489,748.64	87,636.00	-	108,979.28	-	1,686,363.92
KG Simons (CFO)	430,806.88	33,165.00	28,000.00	-	844,694.19	1,336,666.07
N Gugushe (COO)	1,577,384.64	-	-	79,639.28	-	1,657,023.92

### General and additional matters

In terms of the Management Agreement, the Company has paid the Manager, Destiny Corporation Management Services (Pty) Ltd, an amount of R150,000 per month, excluding VAT, for the twelve-month period ended 30 June 2019, totalling R1 800 000.

As set out earlier in this report with respect to the committee's other decisions, non-executive directors fees, and salaries for executive directors and prescribed officers, remain unchanged from those levels set in 2017. These have been applied throughout the 2018 as well as the 2019 financial years.



**SM David**

Chairman of the Remuneration Committee

29 November 2019

## **7. SOCIAL AND ETHICS COMMITTEE REPORT**

### **Chairperson's Statement**

The responsibility of the chairperson of AEP's Social and Ethics Committee (SEC) is to report on the matters that fall within the Committee's mandate in accordance with the requirements of the Companies Act, as amended, and also to report on the additional duties assigned to the committee by the Board.

This report covers the period from 1 July 2018 to 30 June 2019. As discussed in this report, during this twelve-month period the company was completely focussed on its endeavour to finalise the acquisition of a viable asset. This narrow focus impacted the SEC as set out below.

### **Establishment, composition and role**

The SEC was established in terms of Section 72(4)(a) of the Companies Act, 71 of 2008 (Companies Act), read together with Regulation 43 of the Companies Regulations, 2011 ("Companies Regulations"). The Board approved the membership of the SEC including appointing the Chairperson, effective 7 April 2017. The SEC comprises suitably skilled and experienced individuals.

The primary purpose and role of the SEC is to monitor AEP activities highlighted in Regulation 43(5) of the Companies Regulations with regard to matters relating to:

- Social and economic development;
- Good corporate citizenship;
- Broad-Based Black Economic Empowerment (B-BBEE);
- Health and safety;
- Labour relations, including employment equity;
- Management of AEP's environmental and public safety impacts;
- Bringing matters relating to the above activities to the attention of the Board as they arise or as required;
- Sustainable development as it relates to socio and economic development as well as corporate social investment (CSI);
- Discharging other duties mandated to the committee by the Board; and
- Reporting through the Chairperson to the shareholders at the AGM on the matters falling within its mandate.

The SEC operates within Terms of Reference (ToR) that comply with the Companies Act and King IV requirements and is approved by the Board. These ToR can be found as part of our reporting suite on our website at [www.aep.co.za](http://www.aep.co.za).

Taking into account that AEP remained a SPAC, the role of the SEC up to the time of writing this report, has been to lay the groundwork for the future activities of the Company in the fulfilment of its duties and responsibilities as an active and responsible participant in the energy sector as well within the corporate community. This has been done by implementing a framework for AEP's sustainable development practices, and which will directly assist the Board in achieving the values of doing business ethically.

In terms of the Committee's mandate, the SEC is required to meet at least twice a year. During the year under review, the Committee did not meet. The reason was that the framework

required to be put in place by the SEC had been completed during the prior year and AEP focussed on closing the viable acquisition. Therefore there was insufficient reason for the SEC to meet.

AEP complies with the Employment Equity Act, 1998, and Employment Equity Policies that are inclusive of race, gender and people living with disabilities, have been implemented. AEP is currently a company led by two executive directors and four independent non-executive directors, and the Committee believes the diversity within this group is acceptable.

AEP's values incorporate Environmental, Social and Governance (ESG) considerations into the Company's investment decisions. This approach to investment management is consistent with increasing global concern and awareness around sustainability issues. The Committee will in due course consider and recommend approval of a Safety, Health and Environmental Policy to the Audit and Risk Committee and the Board. AEP is also committed to B-BBEE as an integrated and coherent socio-economic process that will directly contribute to the economic transformation of South Africa and the Company remains cognisant of its role in contributing towards a significant increase in the numbers of black people that manage, own and control sustainable businesses not only in South Africa, but throughout the African continent.

### **Conclusion**

AEP has undergone a challenging year during which all activities have been focused on the Company's completion of the acquisition of viable asset, in the context of the company's permissible expense budget. During this time the SEC has not had to play an active role. No items were reported that would indicate non-compliance with legislation and regulations relevant to the areas within the SEC's ToR. The SEC has no reason to believe that any such non-compliance has occurred.



**CJ Dooling**

Chairman of the Social and Ethics Committee  
29 November 2019

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")

Consolidated Audited Annual Financial Statements  
for the year ended 30 June 2019

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Investment in companies operating in the energy sector
<b>Directors</b>	ECMB Kikonyogo (Chief Executive Officer and interim Finance Director) N Gugushe (Chief Operations Officer) DW Wright (Chairman)* SM David* CJ Dooling* SS Sibiya*
* Independent Non-executive	
<b>Registered office</b>	2nd Floor 28 Fricker Road Illovo Sandton 2196
<b>Postal address</b>	P.O Box 652101 Benmore Johannesburg 2010
<b>Bankers</b>	RMB Corporate Banking
<b>Auditors</b>	Deloitte & Touche Chartered Accountants (SA) Registered Auditor
<b>Company registration number</b>	2017/024904/06

# **AEP Energy Africa Limited**

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

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### **Preparer**

This set of financial statements have been prepared by the AEP finance staff member Mr Jabulani Nyoni, Professional Accountant (SA) under the supervision of Mr ECMB Kikonyogo (BA, MBA Finance) in his capacity as the acting Chief Financial Officer.

### **Published**

07 November 2019

# **AEP Energy Africa Limited**

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## **Audit and Risk Committee Report**

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This report is provided by the Audit and Risk Committee appointed in respect of the 2019 financial period of AEP Energy Africa Limited.

### **1. Introduction**

In 2019, the Audit and Risk Committee ("the Committee") continued to focus on the integrity of the financial reporting and disclosures through the review of judgements, estimates and accounting for significant transactions.

The Committee reviewed all significant financial risks and the adequacy of controls over these identified risks.

The Committee monitored the effectiveness of the control environment through the review of reports from management and the external auditor and ensured the quality of financial reporting through the review of the interim financial statements and the 2019 annual financial statements.

The Committee is responsible for overseeing the:

- Quality and integrity of the Group's integrated reporting, including its financial statements and public announcements in respect of the financial results;
- The appointment, remuneration, independence and performance of the external auditor and the integrity of the audit process as a whole, including the approval of non-audit services by the external auditor;
- Effectiveness of the Group's internal financial controls and systems of internal control and risk management; and
- Compliance with legal and regulatory requirements to the extent that it might have an impact on the financial statements.

### **2. Statutory and regulatory duties**

The Committee is constituted as a statutory committee of AEP Energy Africa Limited in line with the Companies Act 71 of 2008 ("Companies Act") and is accountable in this regard to both the Board and AEP's shareholders.

It is a Committee of the Board in respect of all other duties the Board assigns to it and has been delegated extensive powers to perform its functions in accordance with the Companies Act.

The Committee fulfilled all its statutory duties as required by section 94(7) of the Companies Act.

The Committee confirms that it has considered the findings contained in the JSE's 2018 Proactive Monitoring report when preparing the consolidated annual financial statements for the year ended 30 June 2019.

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Audit and Risk Committee Report

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### 3. Areas of focus in 2019

#### Financial reporting

- Financial results announcements
- Annual Financial Statements and Integrated Report
- Accounting judgements and estimates
- Developments in financial reporting and accounting
- Compliance with legal and regulatory requirements and disclosure
- Quality and integrity of integrated reporting and disclosure

#### External audit

- Confirmation of external auditor independence
- Non-audit services and audit fees approval and policies
- Audit plan and engagement
- Auditor performance, quality and effectiveness
- Key areas of judgement for the year-end audit
- Recommended the appointment of the external auditor at the Annual General Meeting

#### Governance

- Evaluate expertise, experience and performance of the Chief Financial Officer
- Review of the terms of reference of the Committee
- Assess the effectiveness of the Committee and its members
- Succession, transformation and people development

#### System of internal control and risk management

- Review effectiveness of AEP's system of internal control over financial reporting
- Evaluate risk, significant deficiencies and material weaknesses
- Assess significant investigations and allegations reported
- Assess ethics and compliance reports
- Going concern assumptions and solvency/liquidity
- Advancing of the acquisition of a viable asset and ensuring readiness for systems and business integration

### 4. Composition of the Committee

Members of the Committee are all independent non-executive directors of the Company and include:

Name	Qualifications	Appointment / resignation date to the Committee
SS Sibiya (Chairperson)	BCom Hons (Accounting), (University of Natal), CA (SA), Certificates in Geology, Debt Restructuring and Mezzanine Finance	30 April 2019
SM David	Post-graduate and Advanced Diplomas in Project Management, currently studying towards a Masters (Commerce – Project Management) (Cranefield College of Management)	07 April 2017
MM Kekana	BCompt Hons (Accounting), (University of Johannesburg), CA (SA)	30 April 2019*
CJ Dooling	LLB, LLM (University of Kwa-Zulu Natal)	06 September 2017

The Committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act 71 of 2008 and Regulation 42 of the Companies Regulation, 2011.

\* MM Kekana resigned from the Committee and the Board effective 30 April 2019.

# **AEP Energy Africa Limited**

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## **Audit and Risk Committee Report**

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### **5. Meetings held by the Committee**

The Committee had three meetings during the period under review.

The following items were dealt with by the Committee during the period under review:

#### **51. External auditor**

The Committee satisfied itself through enquiry that the external auditor is independent as defined by the Companies Act, and as per the standards stipulated by the auditing profession.

The Committee, in consultation with executive management, agreed to the terms of the engagement of the external auditor.

#### **52. Expertise and experience of the Chief Financial Officer**

The Committee evaluates the competency and effectiveness of the Chief Financial Officer ("CFO") as required in terms of the JSE Listings Requirements. The evaluation process includes an assessment of the CFO's eligibility, skills, knowledge and execution of duties. During the year the CFO, KG Simons, resigned from the Company and ECMB Kikonyogo took on the role on an acting basis, pending a new permanent appointment. The JSE has granted the Company dispensation in respect of its rules governing the appointment of an executive financial director and has allowed ECMB Kikonyogo to act in a dual role of Chief Executive Officer ("CEO") and CFO until a new permanent CFO is appointed after the successful completion of a viable acquisition.

ECMB Kikonyogo is an experienced financier, with two post-graduate finance qualifications, as well as over 23 years working in the South African financial services industry.

The Committee has satisfied itself that during the 2019 financial year, the acting CFO had the appropriate expertise and experience to carry out his duties. The Committee is satisfied that the acting CFO is competent and has the requisite qualifications and experience to effectively execute his duties.

#### **53. Reportable irregularity**

On 13 June 2019, the external auditor issued AEP Directors with a letter, informing them that there was reason for the auditor to believe that a reportable irregularity was or had taken place at AEP.

In accordance with the Listings Requirements, a Special Purpose Acquisition Company ("SPAC") may not exceed the Permissible Expenses unless a shareholders' resolution is passed by achieving a 75% majority of the votes cast to that effect. The Company exceeded the Permissible Expenses for the 2019 financial year and only obtained the 75% shareholder resolution after exceeding the approved amount.

On 06 June 2019, shareholders approved a resolution permitting an increase in AEP's Permissible Expenses. The resolution was adopted in terms of section 60 of the Companies Act. As at 06 June 2019, there were 97.52% of total possible votes in favour and none against. When voting closed on 24 June 2019, there were 99.48% votes in favour and none against.

The passing of the resolution resolved the reportable irregularity concern by the auditor. At the time of the publishing of this report there was no ongoing reportable irregularity in the Company.

# **AEP Energy Africa Limited**

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## **Audit and Risk Committee Report**

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### **54. Additional increase on Permissible Expenses**

On 26 August 2019, shareholders approved a resolution permitting an additional increase in AEP's Permissible Expenses so that the Company may successfully pursue the completion of a viable acquisition by 30 September 2019.

The resolution was adopted in terms of section 60 of the Companies Act. As at 26 August 2019, there were 96.57% of total possible votes in favour and none against.

### **55. Going concern**

The audit committee has considered the conclusion of the directors that it is not appropriate to use the going concern basis of preparation for the annual financial statements and endorses such conclusion.

The directors are of the opinion that given the material uncertainty, it is not appropriate to use the going concern basis of preparation for the annual financial statements.

### **6. Conclusion**

The Committee is satisfied that it has complied with all its terms of reference determined by the Board, incorporating statutory and other responsibilities.

Having had regard to all material risks and factors that may impact on the integrity of the Annual Financial Statements and following appropriate review, the Committee recommended the Company and Group Annual Financial Statements of AEP Energy Africa Limited for the year ended 30 June 2019 for approval to the Board.

On behalf of the Audit and Risk Committee



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**SS Sibiya**

**Chairperson of the Audit and Risk Committee**

**07 November 2019**

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Directors' Responsibilities and Approval

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The directors are required in terms of the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the consolidated audited annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated audited annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated audited annual financial statements.

There is material uncertainty as to the future of AEP owing to the fact that, as required by the JSE Listings Requirements and as announced on SENS on 30 October 2019, due to the lapse of the initial period within which to complete the acquisition of a viable asset, AEP will be proceeding to make a distribution to shareholders and will propose a voluntary winding-up for consideration by shareholders. In light of this uncertainty, the directors are of the opinion it is not appropriate to use the going concern basis of preparation for the annual financial statements.

Should the Group be wound-up, the directors are of the opinion that the Group will be in a position to use its remaining cash resources to discharge its residual liabilities and return the remaining cash to shareholders, as required by and in compliance with the JSE Listing Requirements. All liabilities are correctly reflected at their settlement amount and there are no onerous contracts that could arise. There are no assets that need to be considered for an impairment by a material amount.

Therefore, the effect of preparing the financial statements other than on the going concern basis is not material.

The consolidated audited annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Group sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise such risk by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently auditing and reporting on the Group's consolidated audited annual financial statements. The consolidated audited annual financial statements have been audited by the Company's external auditors and their report is presented on pages 14 to 17.

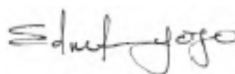
The audited financial statements of the Company and Group for the year ended 30 June 2019 set out on pages 9 to 37, were approved by the Board of Directors on 07 November 2019 and were signed on their behalf by:

### Approval of financial statements



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DW Wright  
Chairman



---

ECMB Kikonyogo  
Chief Executive Officer

## **AEP Energy Africa Limited**

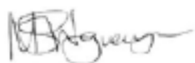
(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

### **Certificate of the Company Secretary**

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In my opinion as Company Secretary, I hereby confirm, in terms of the Companies Act, for the year ended 30 June 2019, that the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.



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**Siphwe Ngwenya**  
**Imbokodvo Bethany Governance and Statutory**  
**Compliance Proprietary Limited**  
**07 November 2019**

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Directors' Report

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The directors have pleasure in submitting their report for the year ended 30 June 2019.

### 1. Nature of business

AEP was incorporated on 24 January 2017 and successfully listed as a Special Purpose Acquisition Company (SPAC) on the Alternative Exchange Board (AltX) of the JSE Limited (JSE) on 30 June 2017. The primary purpose of a SPAC is to pursue the acquisition of viable assets, which for AEP comprises investments in commercial enterprises in the energy sector which have high growth potential. Unless and until such viable assets are acquired, the only material asset of a SPAC is the cash which it holds pursuant to a capital raise through the issue of shares. The cash is held in escrow and invested conservatively for the protection of the Company's shareholders. If the acquisition of a viable asset is not completed within a 24 month period from the date on which the SPAC was listed or such later date as the JSE may permit, the SPAC is required to return the subscription funds initially invested to shareholders, plus accrued interest, less permissible expenses and taxation.

AEP's vision is to contribute to advancing clean energy availability in Africa so that it becomes safe, cost effective and reliably accessible. AEP aims to own, operate and maintain a portfolio of clean energy assets including power plants generating electricity for utilities and industries; specialist fuel storage terminals; and cogeneration plants generating electricity located close to consumption points.

AEP's business model is to acquire energy infrastructure or businesses that are operating and cash generative, or assets under construction that are not more than 12 months from commercial operations.

Typically, these assets provide clear revenue visibility and a mix of annuity income e.g. long-term electricity supply and short-term contracts for the supply of fuel etc.

There have been no material changes to the nature of the Company's business from the prior year.

### 2 Review of financial results and activities

The contents of the annual financial statements adequately reflect the financial performance of the group for the financial year ended 30 June 2019.

The main focus of AEP's activities during the year was progressing towards the completion of the acquisition of a viable asset. On 25 October 2018 shareholders approved an agreement which provided that AEP acquire 100% of the issued share capital of, and all shareholders' claims against, IberAfrica Power (East Africa) Limited from First Independent Power (Kenya) Limited and Global Power Generation Sociedad Anónima ("the Viable Acquisition").

Ongoing implementation of the Viable Acquisition resulted in the Group incurring costs, as would ordinarily be the case for a company undertaking such a transaction. The cost of implementing the Viable Acquisition remained in line with expectations and although due to the time taken to implement the transactions, were higher than originally estimated.

On 27 March 2019 AEP announced the receipt of a termination notice from First Independent Power (Kenya) Limited and Global Power Generation Sociedad Anónima (collectively, the "Sellers") in respect of the Acquisition owing to delays in achieving completion ("the Notice").

The Board was of the view that, despite the Notice, the Group still had a reasonable prospect of concluding the acquisition of a viable asset. The Company subsequently continued to engage with relevant stakeholders for the possible conclusion of the Viable Acquisition. This included the entering into of a letter agreement between AEP and the Sellers on the potential re- instatement of the Sale and Purchase on 26 June 2019.

On 28 June 2019 the JSE granted the Company an initial extension to AEP's listing as a SPAC, which was due to end on 30 June 2019, until 31 July 2019, in order to allow for such engagement to take place.

As AEP remained a SPAC throughout the 2019 financial year, it did not have any operating income. The Company received total interest income of R1,231,810 for the financial year ended 30 June 2019 (30 June 2018: R2,263,978).

The Group recorded a net loss after tax for the year ended 30 June 2019 of R20,078,652. This represented an increase of 62.88% from the net loss after tax of the prior year of R12,326,798.

Accordingly, AEP had a loss per share ("LPS") and headline loss per share ("HLPS") of 382 cents per share. This represents an increased loss of 147 cents per share compared to LPS and HLPS of 235 cents per share reported for the year ended 30 June 2018.

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Directors' Report

### 3 Subsequent events

In the intervening period between the end of the financial year and the publication of the annual financial statements, the Group was engaged in efforts to conclude the Viable Acquisition, including entering into a second letter agreement with the Sellers on 16 August 2019, as well as securing the USD61,569,066 in capital required to pay for the Viable Acquisition. In particular, the JSE required that AEP raise some of this capital in equity from public shareholders, such that after the anticipated specific equity capital raise, at least 10% of AEP's shares would be publicly held.

The JSE granted further extensions to AEP's listing:

- On 31 July 2019, the listing was extended to 30 September 2019; and
- On 3 October 2019, the listing was extended to 25 October 2019.

On 3 October 2019 shareholders were also advised that AEP had entered into binding facility agreements with a leading domestic bank, as well as binding equity subscription agreements with domestic and international investors, which agreements, upon implementation, would provide financial resources in excess of those required to settle the Viable Acquisition consideration.

On 30 October 2019, the Company announced that:

- The period which the JSE had allowed for concluding the Viable Acquisition had elapsed with effect from 29 October 2019, since the Company had not succeeded in concluding this transaction within the allowed period.
- Under these circumstances, AEP being a SPAC, is required to comply with the JSE's Listing Requirement 4.37, which states that, following the end of the initial period, the SPAC must:
  - i. complete a distribution to shareholders equal to the aggregate amount held in escrow, net of applicable taxes and expenses related to the distribution and voluntary winding-up of the Company ("Distribution"); and
  - ii. propose a special resolution to shareholders for the voluntary winding-up of the Company.

The effect of the above events is to introduce significant uncertainty regarding the future of AEP, the impact of which is discussed in next section of this report (section 4 below).

### 4 Going concern

There is material uncertainty as to the future of AEP owing to the fact that, as required by the JSE Listings Requirements, AEP will be proceeding to make a distribution to shareholders and will propose a voluntary winding-up for consideration by shareholders.

However, the directors have options under consideration, taking account of the fact that:

- The cost base of the Group is highly flexible and capable of reduction to the extent that the available financial resources are matched to the costs of operation.
- AEP has no material financial commitments that impact future periods.
- There are commercial opportunities that the Group is best positioned to take advantage of.
- The Group has established potentially valuable name-recognition in the African energy sector.
- Under certain scenarios the Group would have adequate resources to continue in existence and have sufficient funds to meet its obligations as and when they fall due.

In the light of above, the directors are of the opinion that given the material uncertainty, it is not appropriate to use the going concern basis of preparation for the annual financial statements.

### 5 Share capital

Authorised			2019	2018
			Number of shares	
Ordinary shares			10,000,000,000	10,000,000,000
Issued	2019	2018	2019	2018
	R	R	Number of shares	
Ordinary shares	48,741,085	48,741,085	5,255,680	5,255,680

There have been no changes to the authorised or issued share capital during the year under review.

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Directors' Report

### Shareholding spread as at 30 June 2019 and 30 June 2018

	Number of shares	% shareholding
Public shareholders holding less than 5% *	177,480	3.38 %
Public Investment Corporation (SOC) Limited ("PIC")	2,575,000	48.99 %
Executive directors of AEP	2,500,200	47.57 %
Non-executive independent directors of AEP	3,000	0.06 %
	<b>5,255,680</b>	<b>100.00 %</b>

\* 12 public shareholders.

### 6. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Nationality	Changes
ECMB Kikonyogo+	Chief Executive Officer	Executive	Ugandan	
N Gugushe	Chief Operating Officer	Executive	South African	
KG Simons*	Finance Director	Executive	South African	Resigned 03 October 2018
DW Wright	Chairperson	Non-executive Independent	South African	
SM David		Non-executive Independent	South African	
CJ Dooling		Non-executive Independent	South African	
SS Sibiyi		Non-executive Independent	South African	
MM Kekana^		Non-executive Independent	South African	Resigned 30 April 2019
ONW Petersen**		Non-executive	South African	Resigned 08 April 2019
SM Moloko**		Non-executive	South African	Resigned 08 April 2019
TP Leeuw**		Non-executive	South African	Resigned 08 April 2019

+ The JSE granted AEP a dispensation to allow ECMB Kikonyogo to occupy the dual role of Chief Executive Officer and acting interim Financial Director until a permanent appointment of a new Financial Director after the successful acquisition of a viable asset.

\* KG Simons resigned from the Board effective 03 October 2018

^ MM Kekana resigned from the Board effective 30 April 2019

\*\* ONW Petersen, SM Moloko and TP Leeuw resigned from the Board effective 08 April 2019

The Board has considered the composition of the board of directors and its various sub-committees after the aforementioned resignations and is satisfied that these remain appropriately constituted in accordance with the principles of King IV.

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Directors' Report

### 7. Directors' interests in shares

In terms of the JSE Listings Requirements pertaining to a SPAC, the directors of AEP are required to hold at least 5% shareholding on a collective basis.

As at 30 June 2019, the directors held beneficial interests in 47.64% of AEP's issued ordinary shares, as set out below:

#### Interests in shares - 2019

Directors	Number of shares Direct	2019 & 2018 Direct	2019 & 2018 Indirect	2019 & 2018 % shareholding
ECMB Kikonyogo*	1,250,100	-	1,250,100	23.79 %
N Gugushe*	1,250,100	-	1,250,100	23.79 %
SM David	1,000	1,000	-	0.02 %
SS Sibiya	2,000	2,000	-	0.04 %
	<b>2,503,200</b>	<b>3,000</b>	<b>2,500,200</b>	<b>47.64 %</b>

\* Includes shares held in Trodera Proprietary Limited, of which the directors are shareholders.

The register of interests of directors and others in shares of the Company is available to the shareholders on request.

There have been no changes in beneficial interests that occurred between the end of the reporting period and the date of the consolidated audited annual financial statements.

### 8. Dividends

No dividend was declared or paid during the year under review.

### 9. Material resolutions

The following material resolutions were passed during the period under review:

- Board approval of the proposed conditional increases to non-executive directors' fees and executive directors' earnings on 30 October 2018; and
- Shareholders' approval of the increase to permissible expenses on 06 June 2019.

### 10. Directors' interests in contracts

Trodera Proprietary Limited ("Trodera") is an investment vehicle through which the founders of AEP, indirectly hold their shares in AEP. The entity's equal shareholders are AEP executive directors, ECMB Kikonyogo and N Gugushe ("Executive Directors").

The Executive Directors of AEP are also the executive directors of the management company, Destiny Corporation Management Services Proprietary Limited ("DCMS").

Thesele Group Proprietary Limited ("Thesele") is a significant shareholder of Kaemelon Proprietary Limited ("Kaemelon"), who in turn is a majority shareholder of DCMS. Three of the directors of Thesele, *inter alia*, Mr TP Leeuw, Mr ONW Petersen and Mr SM Moloko were non-executive directors of AEP up until 08 April 2019 when they resigned from the Board.

### 11. Auditors

Deloitte & Touche continued in office as auditors for the Company for 2019.

### 12. Comparative financials

Comparative audited financial information for the Company and Group for the 2018 financial year has been presented by way of Statements of Financial Position, Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows and Notes.

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Directors' Report

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### 13. Registered office

The registered address of the company is:

Second Floor  
Illovo Boulevard  
28 Fricker Road  
Illovo  
Sandton  
2196

### 14. Company secretary

The company secretary of AEP is Imbokodvo Bethany Governance and Statutory Compliance Proprietary Limited who is represented by Ms Sphiwe Ngwenya.

Business address:

Suite 19, Block 4  
Albury Office Park  
Cnr Jan Smuts Drive  
Hyde Park  
2191

### 15. Designated advisor

Questco Corporate Advisory Proprietary Limited is the designated advisor to AEP.

Business address:

First Floor, Yellowwood House  
Ballywoods Office Park  
33 Ballyclare Drive  
Bryanston  
2196

## **INDEPENDENT AUDITOR'S REPORT To the Shareholders of AEP Energy Africa Limited**

### **Report on the Audit of the Consolidated and Separate Financial Statements**

#### **Opinion**

We have audited the consolidated and separate financial statements of AEP Energy Africa Limited (the Group) set out on pages 18 to 37, which comprise the consolidated and separate statements of financial position as at 30 June 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 June 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards 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 and Separate Financial Statements* section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1.1 to the consolidated and separate financial statements regarding the basis of preparation of the consolidated and separate financial statements. The basis of preparation is consistent with the International Financial Reporting Standards and further describes that the going concern assumption is not appropriate for the Group and Company.

National Executive: \*LL Bam Chief Executive Officer \*TMM Jordan Deputy Chief Executive Officer; Clients & Industries \*MJ Jarvis Chief Operating Officer  
\*AF Mackie Audit & Assurance \*N Sing Risk Advisory DP Ndlovu Tax & Legal TP Pillay Consulting \*JK Mazzocco Talent & Transformation  
MG Dicks Risk Independence & Legal \*KL Hodson Corporate Finance \*TJ Brown Chairman of the Board

A full list of partners and directors is available on request

\* Partner and Registered Auditor

**B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice**

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholders of AEP Energy Africa Limited**

#### **Key Audit Matter**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period.

We have determined that there are no key audit matters to communicate in our report.

#### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the document titled "AEP Energy Africa Limited consolidated annual financial statements for the year ended 30 June 2019", which includes the Directors' Report, the Audit and Risk Committee's Report, the Directors Responsibilities and Approval and the Certificate of Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 and separate 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 and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 Consolidated and Separate Financial Statements**

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company'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 and / or the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate financial statements.

**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of AEP Energy Africa Limited**

**Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)**

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 and separate 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 Group's and 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 Group's and 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 and separate 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 Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 and separate 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 and separate 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.


**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of AEP Energy Africa Limited**

**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 Deloitte & Touche has been the auditor of AEP Energy Africa Limited for three years.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act.

On 11 June 2019 we reported a reportable irregularity to the Independent Regulatory Board for Auditors relating to AEP Energy Africa Limited exceeding the Permissible Expenses without obtaining 75% shareholder approval as required by the JSE Listing Regulations paragraph 4.34 (c). On 9 July 2019 we reported that based on our opinion the reportable irregularity was no longer continuing because the shareholder passed a resolution approving the exceeding of the Permissible Expenses.



**Deloitte & Touche**

Registered Auditor  
Per: Mandisi Mantyi  
Partner  
7 November 2019

Deloitte Place  
The Woodlands  
Woodlands Drive  
Woodmead  
Sandton  
2052

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Statements of Financial Position as at 30 June 2019

		Group		Company	
Figures in Rand	Note(s)	2019 Audited	2018 Audited	2019 Audited	2018 Audited
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	3	4,604	10,744	4,604	10,744
Investment in subsidiary	15	-	-	12,534	12,534
		<b>4,604</b>	<b>10,744</b>	<b>17,138</b>	<b>23,278</b>
<b>Current Assets</b>					
Other receivables	4	620,718	544,909	620,718	544,909
Current tax receivable		8,632	2,978	8,632	2,978
Cash and cash equivalents	5	11,862,458	31,481,472	11,862,458	31,468,938
		<b>12,491,808</b>	<b>32,029,359</b>	<b>12,491,808</b>	<b>32,016,825</b>
<b>Total Assets</b>		<b>12,496,412</b>	<b>32,040,103</b>	<b>12,508,946</b>	<b>32,040,103</b>
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Share capital	10	48,741,085	48,741,085	48,741,085	48,741,085
Retained loss		(38,542,345)	(18,463,693)	(38,542,345)	(18,463,693)
		<b>10,198,740</b>	<b>30,277,392</b>	<b>10,198,740</b>	<b>30,277,392</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Trade and other payables	6	2,297,672	1,762,711	2,310,206	1,762,711
<b>Total Liabilities</b>		<b>2,297,672</b>	<b>1,762,711</b>	<b>2,310,206</b>	<b>1,762,711</b>
<b>Total Equity and Liabilities</b>		<b>12,496,412</b>	<b>32,040,103</b>	<b>12,508,946</b>	<b>32,040,103</b>

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Statements of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note(s)	Group		Company	
		2019 Audited	2018 Audited	2019 Audited	2018 Audited
Foreign exchange (losses)/gains		(1,748)	22,736	(1,748)	22,736
Other operating expenses		(20,962,756)	(13,973,232)	(20,962,756)	(13,973,232)
<b>Operating loss</b>	14	<b>(20,964,504)</b>	<b>(13,950,496)</b>	<b>(20,964,504)</b>	<b>(13,950,496)</b>
Interest income	8	1,231,810	2,263,978	1,231,810	2,263,978
<b>Loss before taxation</b>		<b>(19,732,694)</b>	<b>(11,686,518)</b>	<b>(19,732,694)</b>	<b>(11,686,518)</b>
Taxation	9	(345,958)	(640,280)	(345,958)	(640,280)
<b>Loss for the year</b>		<b>(20,078,652)</b>	<b>(12,326,798)</b>	<b>(20,078,652)</b>	<b>(12,326,798)</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss for the year</b>		<b>(20,078,652)</b>	<b>(12,326,798)</b>	<b>(20,078,652)</b>	<b>(12,326,798)</b>
<b>Earnings per share</b>					
<b>Per share information</b>					
Basic loss per share (cents)	17	(382)	(235)	(382)	(235)
Diluted loss per share (cents)	17	(382)	(235)	(382)	(235)

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Equity

Figures in Rand	Share capital	Retained loss	Total equity
<b>Group</b>			
<b>Audited Balance at 01 July 2017</b>	<b>48,741,085</b>	<b>(6,136,895)</b>	<b>42,604,190</b>
Loss for the year	-	(12,326,798)	(12,326,798)
Other comprehensive income	-	-	-
<b>Total comprehensive Loss for the year</b>	<b>-</b>	<b>(12,326,798)</b>	<b>(12,326,798)</b>
<b>Audited Balance at 30 June 2018</b>	<b>48,741,085</b>	<b>(18,463,693)</b>	<b>30,277,392</b>
Loss for the year	-	(20,078,652)	(20,078,652)
Other comprehensive income	-	-	-
<b>Total comprehensive Loss for the year</b>	<b>-</b>	<b>(20,078,652)</b>	<b>(20,078,652)</b>
<b>Audited Balance at 30 June 2019</b>	<b>48,741,085</b>	<b>(38,542,345)</b>	<b>10,198,740</b>
Note(s)	10		
<b>Company</b>			
<b>Audited Balance at 01 July 2017</b>	<b>48,741,085</b>	<b>(6,136,895)</b>	<b>42,604,190</b>
Loss for the year	-	(12,326,798)	(12,326,798)
Other comprehensive income	-	-	-
<b>Total comprehensive Loss for the year</b>	<b>-</b>	<b>(12,326,798)</b>	<b>(12,326,798)</b>
<b>Audited Balance at 30 June 2018</b>	<b>48,741,085</b>	<b>(18,463,693)</b>	<b>30,277,392</b>
Loss for the year	-	(20,078,652)	(20,078,652)
Other comprehensive income	-	-	-
<b>Total comprehensive Loss for the year</b>	<b>-</b>	<b>(20,078,652)</b>	<b>(20,078,652)</b>
<b>Audited Balance at 30 June 2019</b>	<b>48,741,085</b>	<b>(38,542,345)</b>	<b>10,198,740</b>
Note(s)	10		

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Statements of Cash Flows

		Group		Company	
Figures in Rand	Note(s)	2019 Audited	2018 Audited	2019 Audited	2018 Audited
<b>Cash flows from operating activities</b>					
Cash used in operations	11	(20,499,212)	(21,397,992)	(20,486,678)	(21,397,992)
Interest received		1,231,810	2,263,978	1,231,810	2,263,978
Tax paid	18	(351,612)	(653,107)	(351,612)	(653,107)
<b>Net cash from operating activities</b>		<b>(19,619,014)</b>	<b>(19,787,121)</b>	<b>(19,606,480)</b>	<b>(19,787,121)</b>
<b>Cash flows from investing activities</b>					
Investment in subsidiary		-	-	-	(12,534)
<b>Cash flows from financing activities</b>					
Repayment of related party loan		-	(1,323,435)	-	(1,323,435)
<b>Net cash from financing activities</b>		<b>-</b>	<b>(1,323,435)</b>	<b>-</b>	<b>(1,323,435)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(19,619,014)</b>	<b>(21,110,556)</b>	<b>(19,606,480)</b>	<b>(21,123,090)</b>
Cash and cash equivalents at the beginning of the year		31,481,472	52,592,028	31,468,938	52,592,028
<b>Cash and cash equivalents at end of the year</b>	5	<b>11,862,458</b>	<b>31,481,472</b>	<b>11,862,458</b>	<b>31,468,938</b>

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these audited annual consolidated and separate financial statements are set out below and are represented in South African Rand which is also the functional currency.

#### 1.1 Basis of preparation

Information regarding the factors affecting the Group's status as a going concern and the appropriateness of the going concern basis of preparation is provided in the director's report under sections 3 and 4. The conclusion drawn from this information is the directors are of the opinion that it is not appropriate to use the going concern assumption for the preparation of the annual financial statements.

Should the Group be wound-up, the directors are of the opinion that the Group will be in a position to use its remaining cash resources to discharge its residual liabilities and return the remaining cash to shareholders, as required by and in compliance with the JSE Listings Requirements. All liabilities are correctly reflected at their settlement amount and there are no onerous contracts that could arise. There are no assets that need to be considered for an impairment by a material amount.

Therefore, the effect of preparing the financial statements other than on the going concern basis is not material.

The audited annual consolidated and separate financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 30 June 2019 and the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa using the historical convention.

These audited annual consolidated and separate financial statements comply with the JSE Listings Requirements.

These accounting policies are in terms of IFRS and are consistent with the previous period except where new or revised standards were adopted.

IFRS 9 'Financial Instruments' (Effective 1 January 2018) has been adopted in the 2019 financial reporting period. There was no material impact on the financial statements on the implementation of IFRS 9.

IFRS 15 'Revenue from contracts with customers' (Effective 1 January 2018) was adopted in the 2019 financial reporting period, but there is no material impact as the Group still does not have revenue generating activities.

#### 1.2 Segmental reporting

The group is reported as one operating segment.

#### 1.3 Consolidation

##### Basis of consolidation

The consolidated audited annual financial statements incorporate the consolidated audited annual financial statements of the Company and its subsidiary. A subsidiary is an entity (including a structured entity) which is controlled by the Group.

The Group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use of its power over the entity.

The results of the subsidiary are included in the consolidated audited annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated audited annual financial statements of the subsidiary to bring its accounting policies in line with those of the group.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

# **AEP Energy Africa Limited**

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.3 Consolidation (continued)**

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### **1.4 Significant judgements and sources of estimation uncertainty**

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

Estimates and underlying assumptions will be reviewed on an ongoing basis. Revisions to accounting estimates will be recognised in the period in which the estimate is revised and in future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment within the relevant financial period, as well as critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements will be separately disclosed in the notes of the financial statements.

Significant judgements and estimation uncertainty include:

#### **Going concern**

Judgement is required in assessing whether the going concern assumption is applicable given the high level of uncertainty affecting the group. Information regarding the factors affecting the Group's status as a going concern and the appropriateness of the going concern basis of preparation is provided in the director's report under sections 3 and 4. The conclusion drawn from this information is that the directors are of the opinion that it is not appropriate to use the going concern assumption for the preparation of the annual financial statements, as reflected in note 1.1 Basis of preparation above.

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.5 Property, plant and equipment

Property, plant and equipment are tangible assets which the Group holds for its own use.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition of the asset.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group.

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

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Item	Depreciation method	Average useful life
Computer equipment	Straight line	3 years

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

### 1.6 Investments in subsidiaries

Investments in subsidiaries are accounted for in the separate stand alone Company audited annual financial statements at cost less impairment.

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.7 Financial instruments

#### Other receivables

##### Classification

Other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 4).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal on the principal outstanding, and the group's business model is to collect the contractual cash flows on other receivables.

##### Recognition and measurement

Other receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

##### Impairment

The group recognises a loss allowance for expected credit losses on other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The group measures the loss allowance for other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

IFRS 9 establishes a three-stage impairment model, based on whether there has been a significant increase in the credit risk of a financial asset since its initial recognition. These three-stages then determine the amount of impairment to be recognised as expected credit losses (ECL) at each reporting date:

- **Stage 1:** Credit risk has not increased significantly since initial recognition – recognise 12 months ECL, and recognise interest on a gross basis;
- **Stage 2:** Credit risk has increased significantly since initial recognition – recognise lifetime ECL, and recognise interest on a gross basis;
- **Stage 3:** Financial asset is credit impaired (using the criteria currently included in IAS 39) – recognise lifetime ECL, and present interest on a net basis (i.e. on the gross carrying amount less credit allowance).

The group did not recognise any expected credit losses during the reporting period as the receivable from DCMS was considered to be recoverable. DCMS continues to be a going concern and services the receivable, therefore ECL is nil.

# **AEP Energy Africa Limited**

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.7 Financial instruments (continued)**

#### **Trade and other payables**

##### **Classification**

Trade and other payables, excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

##### **Recognition and measurement**

They are recognised when the group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk.

#### **Cash and cash equivalents**

Cash and cash equivalents are stated at amortised cost.

### **1.8 Tax**

#### **Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

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

#### **Tax expenses**

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

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

### **1.9 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### **Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

# **AEP Energy Africa Limited**

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.10 Loss per share**

#### **Basic loss per share**

Basic loss per share is determined by dividing loss attributable to the ordinary equity holders of the group by the weighted average number of ordinary shares outstanding during the period.

Headline loss and diluted loss per share

Headline loss per share and diluted headline loss per share are determined by dividing headline loss and diluted headline loss by the weighted average number of ordinary shares outstanding during the period.

Headline loss and diluted headline loss are determined by adjusting basic loss and diluted loss by excluding separately identifiable remeasurement items.

Headline loss and diluted headline loss are presented after tax and non-controlling interest.

### **1.11 Share capital and equity**

All shares are classified as equity. Incremental costs directly attributable to the issue of the all shares are recognised as a deduction from equity, net of any tax effects.

### **1.12 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### **1.13 Related parties**

Related parties are entities which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Key management is defined as individuals with the authority and responsibility of planning, directing and controlling the activities of the entity. All individuals from the level of executive management up to the Board of Directors are regarded as key management per the definition of IAS 24: Related party transactions.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management individuals in their dealings with the entity.

Other related party transactions are disclosed in terms of the requirements of IAS 24: Related party transactions and the Companies Act.

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.14 Translation of foreign currencies

#### Foreign currency transactions

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

At the end of the reporting period:

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

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

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

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

The conversion of foreign entities goes to the foreign currency translation reserve and other comprehensive income until realised.

# AEP Energy Africa Limited

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Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Audited Annual Financial Statements

### 2. New Standards and Interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>IFRS 9 Financial Instruments</li></ul>	01 January 2018	The impact of the standard is not material.

#### 2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>Uncertainty over Income Tax Treatments</li></ul>	01 January 2019	The impact of the standard is not material.

### 3. Property, plant and equipment

Group and Company	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer equipment	18,419	(13,815)	4,604	18,419	(7,675)	10,744

#### Reconciliation of property, plant and equipment - Group and Company - 2019

	Opening balance	Depreciation	Total
Computer equipment	10,744	(6,140)	4,604

#### Reconciliation of property, plant and equipment - Group and Company - 2018

	Opening balance	Depreciation	Total
Computer equipment	16,884	(6,140)	10,744

### 4. Other receivables

#### Financial assets:

DCMS receivable	209,851	419,131	209,851	419,131
VAT receivable	298,654	42,607	298,654	42,607
Prepayment	112,213	83,171	112,213	83,171
	<b>620,718</b>	<b>544,909</b>	<b>620,718</b>	<b>544,909</b>

An amount of R209,851 due from DCMS and repayable by 31 December 2019. The receivable is interest free and has not been pledged as security.

In applying IFRS 9, there was no material impact to the financial assets as there was no increase in credit risk and full recovery is expected.

# AEP Energy Africa Limited

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## Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2019 Audited	2018 Audited	2019 Audited	2018 Audited

### 5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	11,862,458	31,468,938	11,862,458	31,468,938
Other cash and cash equivalents	-	12,534	-	-
	<b>11,862,458</b>	<b>31,481,472</b>	<b>11,862,458</b>	<b>31,468,938</b>

A total of R11,682,061.21 was still held in escrow bank account facilities with Rand Merchant Bank ("RMB"). This cash is restricted and not available for general use by the Company. The escrow facilities expired on 30 June 2019 and were renewed until the successful completion of the viable asset.

### 6. Trade and other payables

#### Financial liabilities:

Trade payables	1,436,235	722,662	1,436,235	722,662
Leave pay provision	417,749	387,535	417,749	387,535
Accrued expenses	443,688	652,514	443,688	652,514
Payable to AEP Energy Africa Limited International	-	-	12,534	-
	<b>2,297,672</b>	<b>1,762,711</b>	<b>2,310,206</b>	<b>1,762,711</b>

### 7. Directors' emoluments

#### Executive directors

#### Services as directors - 2019

	Basic salary	Medical aid benefit	Travel allowance	Foreign travel subsistence allowance	Compensation received in respect of loss in office	Total
ECMB Kikonyogo	1,489,749	87,636	-	108,979	-	1,686,364
N Gugushe	1,577,385	-	-	79,639	-	1,657,024
KG Simons**	430,807	33,165	28,000	-	844,694	1,336,666
	<b>3,497,941</b>	<b>120,801</b>	<b>28,000</b>	<b>188,618</b>	<b>844,694</b>	<b>4,680,054</b>

#### Services as directors - 2018

	Basic salary	Medical aid benefit	Travel allowance	Foreign travel subsistence allowance	Total
ECMB Kikonyogo	1,533,567	43,818	-	67,583	1,644,968
N Gugushe	1,577,385	-	-	49,740	1,627,125
KG Simons**	1,332,219	39,798	84,000	4,640	1,460,657
	<b>4,443,171</b>	<b>83,616</b>	<b>84,000</b>	<b>121,963</b>	<b>4,732,750</b>

\*\* KG Simons resigned from the Board effective 03 October 2018.

Employment agreements have been entered into between the company and the executive directors. These contracts are subject to a three calendar month termination notice period by either party. None of these employment contracts are fixed term and they do not include restraint provisions applicable upon termination.

There were no pension contributions during the financial period.

# AEP Energy Africa Limited

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Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2019 Audited	2018 Audited	2019 Audited	2018 Audited

### 7. Directors' emoluments (continued)

#### Non-executive directors

##### Services as directors - 2019

	Board sitting fees	Committee sitting fees	Total
DW Wright	300,000	27,000	327,000
SM David	180,000	36,000	216,000
CJ Dooling	150,000	27,000	177,000
SS Sibiya	150,000	33,000	183,000
MM Kekana*^	135,000	22,000	157,000
ONW Petersen^	-	-	-
SM Moloko^	-	-	-
TP Leeuw^	-	-	-
	<b>915,000</b>	<b>145,000</b>	<b>1,060,000</b>

##### Services as directors - 2018

	Board sitting fees	Committee sitting fees	Total
DW Wright	150,000	45,000	195,000
SM David	90,000	36,000	126,000
EL Johnson*	15,000	20,000	35,000
CJ Dooling	75,000	27,000	102,000
SS Sibiya	75,000	51,500	126,500
MM Kekana*^	75,000	38,500	113,500
ONW Petersen^	-	-	-
SM Moloko^	-	-	-
TP Leeuw^	-	-	-
	<b>480,000</b>	<b>218,000</b>	<b>698,000</b>

\* EL Johnson resigned from the Board effective 04 September 2017.

\*^ MM Kekana resigned from the Board effective 30 April 2019.

^ ONW Petersen, SM Moloko and TP Leeuw waived their directors' fees and resigned from the Board effective 08 April 2019.

### 8. Interest income

Received from banks	1,231,810	2,263,978	1,231,810	2,263,978
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# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2019 Audited	2018 Audited	2019 Audited	2018 Audited

### 9. Taxation

#### South African normal taxation

##### Current

Local income tax	345,958	640,280	345,958	640,280
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#### Reconciliation of the tax expense

##### Reconciliation between applicable tax rate and average effective tax rate

Accounting loss	(19,732,694)	(11,686,518)	(19,732,694)	(11,686,518)
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Tax at the applicable tax rate of 28% (2018: 28%)	(5,525,154)	(3,272,225)	(5,525,154)	(3,272,225)
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##### Tax effect of adjustments on taxable income

* Non-deductible expenses in terms of S11(a)	5,861,071	3,847,403	5,861,071	3,847,403
Leave pay provision	8,460	65,102	8,460	65,102
Penalties and interest	1,581	-	1,581	-
	<b>345,958</b>	<b>640,280</b>	<b>345,958</b>	<b>640,280</b>

Tax is paid on the interest income earned.

\* The expenses are non-deductible as AEP is not yet carrying on trade as defined in the Income Tax Act.

### 10. Share capital

#### Authorised

Number of ordinary shares of no par value	10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000
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#### Issued

Number of shares issued	5,255,680	5,255,680	5,255,680	5,255,680
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Ordinary shares of no par value	48,741,085	48,741,085	48,741,085	48,741,085
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### 11. Cash used in operations

Loss before taxation	(19,732,694)	(11,686,518)	(19,732,694)	(11,686,518)
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#### Adjustments:

Depreciation	6,140	6,140	6,140	6,140
Interest income	(1,231,810)	(2,263,978)	(1,231,810)	(2,263,978)

#### Changes in working capital:

Other receivables	(75,809)	548,691	(75,809)	548,691
Trade and other payables	534,961	(8,002,327)	547,495	(8,002,327)
	<b>(20,499,212)</b>	<b>(21,397,992)</b>	<b>(20,486,678)</b>	<b>(21,397,992)</b>

# **AEP Energy Africa Limited**

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Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## **Notes to the Consolidated Audited Annual Financial Statements**

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### **12. Risk management**

#### **Capital risk management**

Although the Group is subject to material uncertainty and not considered a going concern. The Group's objective remains to safeguard its capital base and complete an orderly winding-down if necessary.

#### **Financial risk management**

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The Board of Directors provides guidelines for overall risk management including areas such as interest rate risk, credit risk and investment of excess liquidity.

#### **Interest rate risk**

Fluctuations in interest rates impact on the value of short term investments and financing activities, giving rise to interest rate risk. Exposure to interest rate risk is particularly with reference to changes in South African Reserve Bank interest rates adjustments. The directors have determined that a fluctuation in interest rates of 50 basis points is reasonably possible. An increase or decreases in interest rates at the reporting date would not have had a significant impact on the profit before and after tax for the period.

#### **Liquidity risk**

Liquidity risk is the risk that an entity will be unable to meet its obligations as they become due. Liquidity risk arises because of the possibility that the company may be required to pay its liabilities earlier than expected or because of any inability to realise assets in order to meet obligations as they fall due or is only able to realise assets by suffering financial loss.

The Group's liquidity risk derives from the need to have sufficient funds available to cover future commitments. The Company manages liquidity risks through ongoing review of future cash requirements. Cash flow forecasts are compared to cash available.

Cash flow forecasts are prepared and the availability of cash resources and access to borrowing facilities is monitored on a regular basis.

#### **Credit risk**

Credit risk relates to the secure and unfettered access to and recovery of cash deposits, cash equivalents and other receivables. Funds in escrow shall be held by the escrow agent on the basis that the escrow amount or part thereof may only be released by the escrow agent into the company's bank account during the initial period upon receipt by the escrow agent of a release instruction as provided for in the escrow agreement.

### **13. Related parties**

Subsidiaries

Refer to note 15

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2019 Audited	2018 Audited	2019 Audited	2018 Audited

### 13. Related parties (continued)

Relationships

#### Trodera

Trodera is an investment vehicle through which the founders of AEP, indirectly hold their shares in AEP. The entity's equal shareholders are AEP directors, ECMB Kikonyogo and N Gugushe.

#### DCMS

DCMS is the appointed management company of AEP and therefore has significant influence. The executive directors of DCMS are also the executive directors of AEP.

#### Kaemelon

Kaemelon has a 67% shareholding in DCMS.

#### Thesele

Thesele has a 49% shareholding in Kaemelon. Thesele had three non-executive directors on the AEP Board who all resigned from the Board on 08 April 2019.

#### AEP International

AEP International is a 100% subsidiary of AEP. It was incorporated in Mauritius on 08 May 2018.

### Related party balances and transactions

#### DCMS

Management fees	1,800,000	1,800,000	1,800,000	1,800,000
Recoveries	209,851	534,131	209,851	534,131
<ul style="list-style-type: none"> <li>The recovered costs are for office lease rentals for the financial period. The outstanding balance on the recoveries was R209,851 at 30 June 2019.</li> </ul>				

#### Trodera

Shareholder hosting fees	27,600	59,364	27,600	59,364
<ul style="list-style-type: none"> <li>These are bank charges incurred by Trodera for holding its shares in AEP in custody with Rand Merchant Bank ("RMB"), as part of the JSE Listings Requirements of a SPAC. These bank charges were on-charged to AEP during the 2019 financial year.</li> </ul>				

#### Thesele Group

Office lease rental expense	353,048	182,733	353,048	182,733
<ul style="list-style-type: none"> <li>The Company entered into a 12 month lease rental agreement with Thesele Group Proprietary Limited ("Thesele") on 01 August 2017. The lease agreement came to an end on 31 July 2018. The Company has been on a month-to-month lease arrangement thereafter.</li> </ul>				

#### Kaemelon

Recovered costs	-	262,848	-	262,848
<ul style="list-style-type: none"> <li>The recoveries relate to a Due Diligence done on a potential viable acquisition target. These costs were fully recovered from Kaemelon by 30 June 2018.</li> </ul>				

#### AEP International

Subscription of shares	-	-	12,534	-
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At year-end AEP had not yet fully paid for the subscription of shares in AEP International.

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

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## Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2019 Audited	2018 Audited	2019 Audited	2018 Audited

### 13. Related parties (continued)

#### Compensation to directors and other key management

Short-term employee benefits	5,770,268	5,663,256	5,770,268	5,663,256
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Key management disclosure and directors' remuneration (refer to note 9).

### 14. Operating loss

Operating loss includes the following:

Auditors remuneration	334,995	200,000	334,995	200,000
Consulting and professional fees	3,082,591	135,712	3,082,591	135,712
Costs associated with acquisitions	7,301,495	4,028,393	7,301,495	4,028,393
Non-executive directors fees	1,060,000	698,000	1,060,000	698,000
Depreciation	6,140	6,140	6,140	6,140
Employee costs	4,710,268	4,965,256	4,710,268	4,965,256
Lease rental expense - premises*	211,829	182,733	211,829	182,733
Management fees	1,800,000	1,800,000	1,800,000	1,800,000

\*This amount is net of recoveries from DCMS.

### 15. Investment in subsidiary

#### Company

Name of company	Held by	% voting power 2019	% voting power 2018	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
AEP Energy Africa International Limited (Mauritius)	AEP Energy Africa Limited	100.00 %	100.00 %	100.00 %	100.00 %	12,534	12,534

### 16. Leases

#### Operating leases

The Company entered into a 12 month lease rental agreement with Thesele on 01 August 2017. The lease agreement expired on 31 July 2018 and is now on a month-to-month basis.

### 17. Loss per share

#### Basic loss per share

Basic loss per share is determined by dividing loss attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

#### Basic loss per share

From continuing operations (cents per share)	(382)	(235)	(382)	(235)
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Basic loss per share was based on earnings (loss) of R20,078,652 (2018: R12,326,798) and a weighted average number of ordinary shares of 5,255,680 (2018: 5,255,680).

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2019 Audited	2018 Audited	2019 Audited	2018 Audited
<b>17. Loss per share (continued)</b>				
<b>Reconciliation of profit or loss for the year to basic loss</b>				
Loss for the year attributable to equity holders of the parent	(20,078,652)	(12,326,798)	(20,078,652)	(12,326,798)
<b>Diluted loss per share</b>				
From continuing operations (cents per share)	(382)	(235)	(382)	(235)
Diluted loss per share is equal to loss per share because there are no dilutive potential ordinary shares in issue.				
<b>Headline loss and diluted headline loss per share</b>				
Headline loss per share (cents)	(382)	(235)	(382)	(235)
<b>Reconciliation between loss and headline loss</b>				
Basic loss	(20,078,652)	(12,326,798)	(20,078,652)	(12,326,798)
<b>Reconciliation between diluted loss and diluted headline loss</b>				
Diluted loss	(20,078,652)	(12,326,798)	(20,078,652)	(12,326,798)
<b>18. Tax paid</b>				
Balance at beginning of the year	2,978	(9,849)	2,978	(9,849)
Current tax for the year recognised in profit or loss	(345,958)	(640,280)	(345,958)	(640,280)
Balance at end of the year	(8,632)	(2,978)	(8,632)	(2,978)
	<b>(351,612)</b>	<b>(653,107)</b>	<b>(351,612)</b>	<b>(653,107)</b>
<b>19. Subsequent events</b>				

In the intervening period between the end of the financial year and the publication of the annual financial statements, the Group was engaged in efforts to conclude the Viable Acquisition, including entering into a second letter agreement with the Sellers on 16 August 2019, as well as securing the \$61,569,066 in capital required to pay for the Viable Acquisition. In particular, the JSE required that AEP raise some of this capital in equity from public shareholders, such that after the anticipated specific equity capital raise, at least 10% of AEP's shares would be publicly held.

The JSE granted further extensions to AEP's listing:

On 30 October 2019, the Company announced that:

1. The period which the JSE had allowed for concluding the Viable Acquisition had elapsed with effect from 29 October 2019, since the Company had not succeeded in concluding this transaction within the allowed period

2. Under these circumstances, AEP being a SPAC, is required to comply with the JSE's Listing Requirement 4.37, which states that, following the end of the initial period, the SPAC must:

- On 31 July 2019, the listing was extended to 30 September 2019; and
- On 3 October 2019, the listing was extended to 25 October 2019.

# AEP Energy Africa Limited

(Registration number 2017/024904/06)

Consolidated Audited Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Audited Annual Financial Statements

	Group		Company	
Figures in Rand	2019 Audited	2018 Audited	2019 Audited	2018 Audited

### 19. Subsequent events (continued)

On 3 October 2019 shareholders were also advised that AEP had entered into binding facility agreements with a leading domestic bank, as well as binding equity subscription agreements with domestic and international investors, which agreements, upon implementation, would provide financial resources in excess of those required to settle the Viable Acquisition consideration.

On 30 October 2019, the Company announced that:

- The period which the JSE had allowed for concluding the Viable Acquisition had elapsed with effect from 29 October 2019, since the Company had not succeeded in concluding this transaction within the allowed period.
- Under these circumstances, AEP being a SPAC, is required to comply with the JSE's Listing Requirement 4.37, which states that, following the end of the initial period, the SPAC must:
- i. complete a distribution to shareholders equal to the aggregate amount held in escrow, net of applicable taxes and expenses related to the distribution and voluntary winding-up of the Company ("Distribution"); and
- ii. propose a special resolution to shareholders for the voluntary winding-up of the Company.

### 20. Going concern

There is material uncertainty as to the future of AEP owing to the fact that, as required by the JSE Listing Requirements, AEP will be proceeding to make a distribution to shareholders and will propose a voluntary winding-up for consideration by shareholders.

However, the directors have options under consideration, taking account of the fact that:

- The cost base of the Group is highly flexible and capable of reduction to the extent that the available financial resources are matched to the costs of operation.
- AEP has no material financial commitments that impact future periods.
- There are commercial opportunities that the Group is best positioned to take advantage of.
- The Group has established potentially valuable name-recognition in the African energy sector.
- Under certain scenarios the Group would have adequate resources to continue in existence and have sufficient funds to meet its obligations as and when they fall due.

In the light of above, the directors are of the opinion that given the material uncertainty, it is not appropriate to use the going concern basis of preparation for the annual financial statements.

# NOTICE OF ANNUAL GENERAL MEETING

**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")

Notice is hereby given, in terms of section 62(1) of the Companies Act No 71 of 2008, as amended ("Companies Act") that the third Annual General Meeting ("AGM") of the Company (this "notice") will be held at the offices of the Company's legal advisors, Bowman Gilfillan Inc, at 11 Alice Lane, Sandton, Johannesburg, on Tuesday, 03 March 2020 at 09:30 to consider, and if deemed fit, to pass, with or without modification, the resolutions detailed in this notice.

## RECORD DATE

This notice has been sent to shareholders of the Company ("shareholders") who were recorded as such in the Company's securities register on Friday 29 November 2019 being the notice record date set by the board of directors of the Company ("Board") in terms of section 59 of the Companies Act determining which shareholders are entitled to receive notice of the AGM.

The record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the AGM is Friday 21 February 2020. Accordingly, the last date to trade in order to be registered in the securities register of the Company and therefore be eligible to participate in and vote at the AGM is Tuesday 18 February 2020.

Shareholders are reminded that:

- a shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy (or more than one proxy) to attend, participate in and vote at the AGM in the place of the shareholder, and shareholders are referred to the proxy form attached to this notice in this regard;
- completion of a form of proxy will not preclude such shareholders from attending and voting (in preference to that shareholder's proxy) at the AGM. It is requested that the form of proxy reach the transfer secretaries of the Company at the address given below by 09h00 on Friday, 28 February 2020. Alternatively, it may be handed to the Chairman at the commencement of the AGM.
- a proxy need not also be a shareholder of the Company; and
- in terms of section 63(1) of the Companies Act, any person attending or participating in a general meeting of shareholders must present reasonably satisfactory identification and the person presiding at the general meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified.

## QUORUM

The quorum for a shareholders' meeting to begin or for a matter to be considered shall be at least three (3) shareholders entitled to attend and vote at the meeting, present in person or by proxy. In addition, the meeting may not begin unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised on a matter on the agenda.

## ELECTRONIC PARTICIPATION BY SHAREHOLDERS

In terms of section 61(10) of the Companies Act, every shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders. Shareholders wishing to participate electronically in the AGM are required to deliver written notice to the transfer secretaries, Computershare Investor Services (Pty) Ltd, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa or PO Box 61051, Marshalltown, 2107 by no later than 09:00 on Friday 28, February 2020 that they wish to participate via electronic communication at the AGM (the "electronic notice").

In order for the electronic notice to be valid it must contain:

- if the shareholder is an individual, a certified copy of his identity document and/or passport;
- if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution. The relevant resolution must set out from whom the relevant entity is authorised to represent the relevant entity at the AGM via electronic communication; and
- a valid e-mail address and/or facsimile number (the contact address/number).

The Company shall, by no later than 24 hours before the commencement of the AGM, notify a shareholder who has delivered a valid electronic notice, at its contact address/number of the relevant details through which the shareholder can participate via electronic communication.

Please take note that:

- shareholders will merely be able to participate, but not vote, via electronic communication;
- the costs of accessing the any means of electronic participation provided by the Company will be borne by the shareholder so accessing the electronic participation; and
- the Company reserves the right not to provide for electronic participation at the meeting in the event that it proves impractical to do so.

## PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The consolidated audited annual financial statements, including the reports of the Directors, Auditors and the Audit and Risk Committee for the year ended 30 June 2019 ("AFS"), have been distributed to shareholders and accompany this notice as required and are presented to shareholders in terms of section 30(3)(d) of the Companies Act. The AFS are set out on pages 25 to 62 of the Integrated Annual Report of which this notice forms part.

The 2019 Integrated Annual Report is also available on the Company's website: [www.aep.co.za](http://www.aep.co.za)

## SOCIAL AND ETHICS COMMITTEE REPORT

In accordance with Regulation 43(5)(c) of the Companies Act Regulations 2011 promulgated in terms of the Companies Act, the Report of the Social and Ethics Committee as set out on pages 23 to 24 of the 2019 Integrated Annual Report will be presented to shareholders at the AGM.

## ORDINARY RESOLUTIONS

For the purpose of approving the ordinary resolutions, other than ordinary resolution number 4, which requires a 75% approval threshold, the support of more than 50% of the voting rights exercised by shareholders present and in person, or represented by proxy, at the annual general meeting is required.

### 1. RE-ELECTION OF NON-EXECUTIVE DIRECTORS

Ordinary resolutions numbers 1.1 to 1.2 are proposed to re-elect directors who retire by rotation as Non-executive directors of the Company in accordance with the provisions of the Company's Memorandum of Incorporation ("MOI") and who, being eligible, offer themselves for re-election.

The curricula vitae of these Directors are set out on pages 5 to 6 of the 2019 Integrated Annual Report. The Board of Directors of the Company (the "Board") recommends the re-election of these Directors.

#### Ordinary Resolution No. 1.1

– Re-election of Mrs CJ Dooling

**"Resolved that** Mrs CJ Dooling, who retires by rotation in terms of the Company's MOI and who is eligible and available for re-election, be and is hereby re-elected as an independent non-executive Director of the Company."

### **Ordinary Resolution No. 1.2**

– Re-election of Mr SM David

**“Resolved that** Mr SM David, who retires by rotation in terms of the Company’s MOI and who is eligible and available for re-election, be and is hereby re-elected as an independent non-executive Director of the Company.”

## **2. RE-APPOINTMENT OF EXTERNAL AUDITOR**

### **Ordinary Resolution Number 2**

**“Resolved that** Deloitte & Touche (as nominated by the Company’s Audit and Risk Committee and the Board) be and are hereby re-appointed as the independent external auditor of the Company, to hold office for the ensuing financial period terminating on the conclusion of the next AGM of the Company. It is noted that Mr Mandisi Mantyi from Deloitte is the individual registered auditor who will undertake the audit for the financial year ending 30 June 2020.”

#### **EXPLANATORY NOTE:**

In compliance with section 90(1) of the Companies Act, a public company must each year, at its AGM, appoint or re-appoint an auditor. The Audit and Risk Committee has satisfied itself as to the independence of Deloitte and has recommended the re-appointment of Deloitte as auditors.

## **3. ELECTION OF AUDIT AND RISK COMMITTEE MEMBERS**

### **Ordinary resolutions Number 3.1, 3.2, and 3.3**

To elect Audit and Risk Committee members in terms of Section 94(2) of the Companies Act and the King IV Report on Corporate Governance of South Africa 2016.

The Board has recommended that Mr SS Sibiya, Mr. SM David and Mrs CJ Dooling be appointed, on an individual basis, as members of the Audit and Risk Committee.

### **Ordinary Resolution Number 3.1**

**“Resolved that** Mr SS Sibiya be and is hereby elected as a member and Chairperson of the Audit and Risk Committee of the Company.”

### **Ordinary Resolution Number 3.2**

**“Resolved that** Mr SM David be and is hereby elected as a member of the Audit and Risk Committee of the Company.”

### **Ordinary Resolution Number 3.3**

**“Resolved that** Mrs CJ Dooling be and is hereby elected as a member of the Audit and Risk Committee of the Company.”

#### **EXPLANATORY NOTE:**

Brief *curricula vitae* of each of the independent non-executive directors mentioned above is set out on pages 5 and 6 of the 2019 Integrated Annual Report of which this notice forms part. The committee members have the required qualifications and experience to fulfil their duties.

Section 94(2) of the Companies Act requires a public company, at each AGM, to elect an Audit Committee comprising at least three members unless (i) the company is a subsidiary of another company that has an Audit Committee and (ii) the Audit Committee of that other company will perform the functions required under section 94 on behalf of the subsidiary company.

Section 94(4) of the Companies Act requires, among other things, that each member of the Audit Committee must be a director of the Company.

#### 4. GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

##### Ordinary resolution number 4

**“Resolved that** the board of directors of the Company be and they are hereby authorised by way of a general authority, to issue all or any of the authorised but unissued equity securities in the capital of the Company for cash, as and when they, in their discretion, deem fit, subject to the Companies Act, the MOI and the JSE Limited Listings Requirements (“JSE Listings Requirements”), when applicable and which authority will be valid until the Company’s next annual general meeting or for 15 months from the date on which this resolution is passed, and subject to the following:

- the equity securities which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue;
- the allotment and issue of equity securities must be made to persons qualifying as public shareholders and not to related parties, as defined in the JSE Listings Requirements;
- the aggregate number of equity securities which may be issued for cash in terms of this authority may not exceed 525 568 ordinary equity securities, being 10% of the Company’s listed equity securities of 5 255 680 as at the date of notice of this AGM, provided that;
  - any equity securities issued under this authority during the period contemplated herein must be deducted from such number; and
  - in the event of a sub-division or consolidation of issued equity securities during the period contemplated prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
- the maximum discount at which the equity securities may be issued is 10% of the weighted average traded price on the JSE of such equity securities over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities;
- after the Company has issued equity securities for cash in terms of an approved general issue for cash representing, on a cumulative basis within the period contemplated, 5% or more of the number of securities in issue prior to that issue, the Company shall publish an announcement containing full details of the issue, including the number of securities issued, the average discount to the weighted average trade price of the securities over the 30 business days prior to the date that the issue is agreed in writing and an explanation, including supporting documentation (if any), of the intended use of the funds.”

##### EXPLANATORY NOTES

In terms of the Company’s Memorandum of Incorporation, read with the JSE Listings Requirements, the shareholders of the Company may authorise the directors to issue any unissued ordinary shares and/or grant options over them, as the directors in their discretion think fit.

The directors have decided to seek this authority in accordance with best practice. The directors have no current plans to make use of this authority, but wish to ensure, by having it in place, that the Company has some flexibility to take advantage of any business opportunities that may arise in the future.

#### 5. NON-BINDING APPROVAL OF THE COMPANY’S REMUNERATION POLICY AND IMPLEMENTATION REPORT

##### Ordinary Resolutions Number 5.1 and 5.2

The purpose of this resolution is to consider the non-binding advisory votes set out below, thereby providing the Company with the views of the shareholders regarding the:

- i. Remuneration policy contained in the Remuneration Committee’s report set out on pages 16 to 22 of the 2019 Integrated Annual Report; and
- ii. Implementation Report in regard to the remuneration policy.

Unless otherwise indicated, in order for each of the non-binding advisory votes to be adopted,

the support of more than 50% of the voting rights exercised on the resolutions by shareholders, present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution, is required.

#### **Ordinary Resolution Number 5.1**

**“Resolved that** the Company’s Remuneration Policy, as set out in the Remuneration Report set out on pages 16 to 22 of the 2019 Integrated Report of which this notice forms part, be and is hereby endorsed by way of a non-binding advisory vote.

#### **Ordinary Resolution Number 5.2**

**“Resolved that** the Company’s Implementation Report in regard to its remuneration policy, as set out in the Remuneration Report set out on pages 16 to 22 of the 2019 Integrated Report of which this notice forms part, be and is hereby endorsed by way of a non-binding advisory vote.”

#### **EXPLANATORY NOTE:**

King IV recommends that every year the Company’s remuneration be disclosed in three parts, namely:

- a background statement;
- an overview of the remuneration policy; and
- an Implementation Report,

and that shareholders be requested to pass separate non-binding advisory votes on the policy and the implementation report at the AGM.

Voting on the above two resolutions enables shareholders to express their views on the remuneration policy adopted and on its implementation.

The Remuneration Committee prepared, and the board considered and accepted the remuneration policy and implementation report thereon, as set out in the 2019 Integrated Annual Report.

The remuneration policy also records the measures the board will adopt in the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the voting rights exercised by shareholders. In such event, the Company will, in its announcement of the results of the AGM, provide dissenting shareholders with information as to how to engage with the Company in regard to this matter and the timing of such engagement.

#### **Voting and proxies:**

Shareholders who have not dematerialised their shares or who have dematerialised their shares with “own-name” registration, and who are entitled to attend and vote at the AGM, are entitled to appoint one or more proxies to attend, speak and vote in their stead. A proxy need not be a shareholder and shall be entitled to vote on a show of hands or poll. Shareholders will at any time prior to the commencement of the AGM be entitled to lodge the form of proxy in respect of the AGM. Forms of proxy must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with “own-name” registration.

On a poll, every shareholder present in person or represented by proxy and entitled to vote shall be entitled to one vote for every share held or represented by that shareholder. On a poll taken at any such meeting a shareholder entitled to more than one vote need not, if he votes, use all of his votes, or cast all the votes he uses in the same way.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with own-name registration, should contact their CSDP or Broker in the manner and by the time stipulated in the agreement entered into between them and their CSDP or Broker:

- to furnish them with their voting instructions; or
- in the event that they wish to attend the Annual General Meeting, to obtain the necessary Letter of Representation to do so.

#### **Summary of the rights established in terms of section 58 of the Companies Act**

For purposes of this summary, “shareholder” shall have the meaning ascribed thereto in the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint an individual, including an individual who is not a shareholder of that company, as a proxy, to participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder, or give or withhold written consent on behalf of such shareholder in relation to a decision contemplated in section 60 of the Companies Act.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder, and such proxy appointment remains valid for one year after the date upon which the proxy was signed, or any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in section 58(4)(c) of the Companies Act or expires earlier as contemplated in section 58(8)(d) of the Companies Act.
3. Except to the extent that the MOI of a company provides otherwise:
  - 3.1. a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;
  - 3.2. a proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
  - 3.3. a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders meeting.
4. Irrespective of the form of instrument used to appoint a proxy, the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company.
5. Unless the proxy appointment expressly states otherwise, the appointment of a proxy is revocable. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the company.
6. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy’s authority to act on behalf of the relevant shareholder as of the later of the date: (a) stated in the revocation instrument, if any; or (b) upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.
7. If the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company’s MOI to be delivered by such company to the shareholder, must be delivered by such company to the shareholder, or to the proxy or proxies, if the shareholder has directed the relevant company to do so in writing and paid any reasonable fee charged by the company for doing so.
8. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the MOI, or the instrument appointing the proxy provide otherwise.

9. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
- 9.1. such invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
  - 9.2. the invitation, or form of instrument supplied by the relevant company, must: (a) bear a reasonably prominent summary of the rights established in section 58 of the Companies Act; (b) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by such shareholder; and (c) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour or against the applicable resolution/s to be put at the relevant meeting, or is to abstain from voting;
  - 9.3. the company must not require that the proxy appointment be made irrevocable; and
  - 9.4. the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

By order of the Board

29 November 2019

**Imbokodvo Bethany Governance and Statutory Compliance (Pty) Ltd**  
*Company Secretary*  
Bryanston, 2191

## FORM OF PROXY

### 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")

**To be completed by registered certificated shareholders and dematerialised shareholders with own-name registration only**

**For use in respect of the Annual General Meeting to be held at 11 Alice Lane, Sandton, Johannesburg, on Tuesday, 03 March 2020 at 09:00.**

Shareholders who have dematerialised their shares with a CSDP or Broker, other than with own-name registration, must arrange with the CSDP or Broker concerned to provide them with the necessary Letter of Representation to attend the Annual General Meeting or the shareholders concerned must instruct their CSDP or Broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or Broker concerned.

I/We (please print name) \_\_\_\_\_

of \_\_\_\_\_

(Address in block letters)

Telephone: Work

Home:

Mobile:

Email address:

being a holder of \_\_\_\_\_ ordinary shares in the Company and entitled to vote, do hereby appoint (refer to note 1):

1. \_\_\_\_\_ or, failing him/her,

2. \_\_\_\_\_ or, failing him/her,

the chairman of the AGM ("Chairman"), as my/our proxy/ies to vote on a poll on my/our behalf at the Annual General Meeting of the Company for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolution and/or abstain from voting in respect of the ordinary shares registered in my/our name/s in accordance with the instructions/notes overleaf.

Please indicate with an "X" or number of shares which you wish to vote in the spaces below how you wish your proxy to vote in respect of the resolutions to be proposed, as contained in the notice of the abovementioned AGM.

	F o r	A g a i n s t	A b s t a i n
Ordinary Resolutions			
1. Ordinary resolution no 1: Re-election of Non-Executive Directors			
1.1 Re-election of Mrs CL Dooling as an independent non-executive Director			
1.2 Re-election of Mr SM David as an independent non-executive Director			
2. Ordinary resolution no 2: Re-appointment of external auditors			
3. Ordinary resolution no 3: Election of independent Audit and Risk Committee for the financial year commencing 1 July 2019, the members being:			

3.1	SS Sibiya			
3.2	SM David			
3.3	CJ Dooling			
4.	Ordinary resolution no 4: General authority to Issue shares for cash			
5.	Non-Binding Approval of the Company's Remuneration Policy and Implementation Report			
5.1	Approval of Remuneration Policy			
5.2	Approval of Implementation Policy			

Signed by me/us this \_\_\_\_\_ day of \_\_\_\_\_ 2020

Signature \_\_\_\_\_

Assisted by me (where applicable) (refer to instruction 3) \_\_\_\_\_

Full name/s of signatory if signing in a representative capacity (refer to instruction 5)

\* If this form of proxy is returned without any indication of how the proxy should vote, the proxy will exercise his/her discretion both as to how he/she votes and as to whether or not he/she abstains from voting.

**Notes:**

1. A member may insert the name of a proxy or the names of two alternate proxies of the member's choice in the space(s) provided, with or without deleting "the chairman of the general meeting". The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member should insert an "X" in the relevant space according to how he wishes his votes to be cast. However, if a member wishes to cast a vote in respect of a lesser number of ordinary shares than he owns in the Company, he should insert the number of ordinary shares held in respect of which he wishes to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he deems fit in respect of all of the member's votes exercisable at the Annual General Meeting. A member is not obliged to exercise all of his votes, but the total of the votes cast and abstentions recorded may not exceed the total number of the votes exercisable by the member.
3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such member wish to so do.
4. The chairman of the Annual General Meeting may reject or accept any form of proxy, which is completed and/or received, other than in compliance with these notes.
5. Members, who have dematerialised their shares with a CSDP or Broker, other than with own-name registration, must arrange with the CSDP or Broker concerned to provide them with the necessary Letter of Representation to attend the Annual General Meeting or the members concerned must instruct their CSDP or Broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the member and the CSDP or Broker concerned.
6. Any alteration to this form of proxy, other than the deletion of alternatives, must be signed, not initialed, by the signatory/ies.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. on behalf of a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by the company or waived by the chairman of the Annual General Meeting.
8. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her capacity are produced or have been recorded by the Company.
9. Where there are joint holders of shares:
  - i. any one holder may sign the form of proxy; and
  - ii. the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the Company's register of members, will be accepted.
10. To be valid, the completed forms of proxy must be lodged with the Transfer Secretaries or the Chairman of the meeting no later than the time of commencement of the Annual General Meeting.
11. The proxy appointment is revocable by the shareholders giving written notice of the cancellation to the Company prior to the Annual General Meeting or any adjournment thereof. The revocation of the proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholders as of the later of: (i) the date stated in the written notice, if any; or (ii) the date on which the written notice was delivered as aforesaid.
12. If the instrument appointing a proxy or proxies has been delivered to the Company, any notice that is required by the Companies Act or the MOI to be delivered by the Company to shareholders must (as long as the proxy appointment remains in effect) be delivered by the Company to: (i) the shareholder; or (ii) the proxy or proxies of the shareholder has directed the Company to do so, in writing and pay it any reasonable fee charged by the Company for doing so.

## **Corporate Information**

### **AEP Energy Africa Limited**

(Registration number 2017/024904/06)  
28 Fricker Road  
Illovo, Sandton, 2196  
(PO Box 652101, Benmore, 2010)  
JSE Share Code: AEY  
ISIN: ZAE000241741

### **Company secretary**

Imbokodvo Bethany Governance and Statutory Compliance (Pty) Ltd  
(Registration number 2016/117816/07) 1st Floor, Yellowwood House  
Ballywoods Office Park  
33 Ballyclare Drive, Bryanston, 2191

### **Independent Reporting Accountants and Auditors**

Deloitte & Touche  
Deloitte Place, The Woodlands  
20 Woodlands Drive, Woodmead Sandton, 2196  
(Private Bag X6, Gallo Manor, 2052)

### **Designated Advisor**

Questco Corporate Advisory Proprietary Limited (Registration number 2011/106751/07)  
1st Floor, Yellowwood House, Ballywoods Office Park 33 Ballyclare Drive, Bryanston, 2191

### **Transfer Secretaries**

Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07)  
Rosebank Towers, 15 Biermann Avenue,  
Rosebank, 2196  
(PO Box 61051, Marshalltown, 2107)