



EVENTS AND TOURISM

R103m

CONTRIBUTION TO
REVENUE

(R42m)

LOSS BEFORE
TAX

ESPAFRIKA (PTY) LTD (ESPAFRIKA)

KEY FACTS

CHIEF EXECUTIVE OFFICER	K Abdulla (acting)
BOARD OF DIRECTORS	K Abdulla, CF Hendricks, M Domingo, E Domingo and S Ramdenee
EMPLOYEES	19
HEAD OFFICE	Claremont, Cape Town
FOOTPRINT	Western Cape, Limpopo and Ivory Coast

PROFILE

espAfrika (Pty) Ltd (espAfrika) is a cutting-edge global competitor in events management. Over the past decade, the Company has staged international music festivals throughout Africa. Under their leadership, the Cape Town International Jazz Festival (CTIJF) is positioned as “Africa’s Grandest Gathering” and continues to grow and maintain its rating in the top 10 Jazz Festivals in the world. The CTIJF has also been named the Best Festival in Cape Town in the OFLOCAL 2015 poll and in 2016 was voted one of the World’s Best Festivals by FEST 300. The CTIJF contributes more than R0.9bn to the gross domestic product (GDP) of the South African economy and creates more than 3 000 jobs.

espAfrika’s highly-skilled team of professionals produces and hosts a range of events, from festivals to corporate functions, gala dinners and conferences. This innovative events management company thrives on challenges and their collective energy produces dynamic results. espAfrika’s primary strategy is to use indigenous resources and collaborate with local businesses and the public to ensure that all stakeholders benefit from this collaboration.

espAfrika consistently aspires and inspires new business within the events and entertainment sector throughout Africa. Having diligently established trustworthy relationships in the international music industry, espAfrika ensures a lucrative flow of artists and expertise between Africa, Europe, Asia and the United States.

2019 OPERATIONAL PERFORMANCE

Despite the challenging economic climate, the Cape Town International Jazz Festival delivered a successful Jazz Festival and met all its objectives. The Company contributes positively to all its stakeholders and with its projected plan it will continue to strengthen its sustainability and returns to all the stakeholders.

VISION 2020 VISION – ESPAFRIKA’S CONTRIBUTION

In line with the Vision 2020 Vision, espAfrika is on track to meet its strategic objectives listed below.

EVENTS AND TOURISM - continued

2019 ACHIEVEMENTS:

During the financial year, the Company incurred a loss as a result of the current economic climate. Plans have been put in place to return the Company to profitability and ensure it is sustainable for the foreseeable future, thus ensuring adequate returns to all its stakeholders.

During the financial year, maintaining the 30% return on investment for the Jazz Festival was not attainable due to the current economic climate. Moving forward with the changes and plans they have implemented, they expect to return to normality. Additional events are being planned for the Jazz Festival to expand the festival footprint.

The Company plans to introduce new events during the new financial year to maximise its return on investment.

espAfrika continuously tenders for new events and recently won a tender from the City of Cape Town to produce and manage the "Switching of the Lights" celebration which was attended by over 100 000 people. The Company recently signed an agreement with a client in the Ivory Coast to produce and manage an international music event.

The objective of acquiring their own venue to further expand the business remains an ongoing process and is continually being assessed.

PROSPECTS AND FUTURE OUTLOOK

With the addition of the new events to the espAfrika calendar, the Company will be able to maximise the use of its resources throughout the year and as a result improve on its profitability and sustainability while creating more employment and a socio-economic impact.

In addition to the company-owned events, espAfrika is working on securing events both in South Africa and in Africa where espAfrika intends to produce and manage events on behalf of clients, and establish the Company as the leader in events production and management on the continent. As part of this drive espAfrika recently concluded an agreement to produce and manage an international music festival on behalf of a client in the Ivory Coast.

Through their existing and new business initiatives, social development programmes and innovative leadership, the previously disadvantaged communities will be able to have more access and opportunities to this industry.

MARKET PRESENCE

espAfrika now operates in the Western Cape, Limpopo and the Ivory Coast.

COMPANY BRAND



BRANDS



BUSINESS MODEL

espAfrika's business model is a mix of organising and producing its own company-owned events and managing events on behalf of clients (third-party events). The new annual event under the brand name "Limpopo International Jazz Festival" was launched in 2019. In addition, espAfrika will also be launching new events in the Western Cape and providing event management services to its network of corporate clients. It will enable the Company to create a more sustainable business model going forward and lessen the dependency on the Cape Town International Jazz Festival.

As sponsorship is a critical component in delivering a successful and sustainable event, the multiple company events scenario will enable sponsors to leverage their brand over a much more extended period and platforms which will enhance the sponsorship offerings and value proposition.

By devoting more time and effort to building company-owned events, the desired results of building a more controllable and sustainable business with projected growth will be achieved.

EVENTS AND TOURISM - continued

GOVERNANCE

Through the application of policies and structures as defined by the holding company AEEI, espAfrika complies with all sound governance and regulatory functions and has had no reported fraud nor deviations in the application of these principles in the year under review. The continued training and exposure of employees to the ever-changing regulatory environment and regulations of the Companies Act ensure that all employees are fully informed of their responsibilities.

The Board of espAfrika (the Board) meets quarterly to review the action plans of the executives and the progress

of the Company towards its set objectives. Additionally, a risk register is maintained and reviewed by the Board. Regular peer reviews are carried out by the holding company in respect of the delegated authority level as well as adherence to the AEEI Group policies.

The Board has the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. The Board promotes independent judgement to assist with the balance of power and the effective discharge of its duties. The Board is evaluated annually to ensure effective functioning.

The Board of espAfrika continues working towards the achievement of the following governance outcomes:

OBJECTIVE	Protection of shareholders	<ul style="list-style-type: none"> Value creation for all stakeholders through sustainable development An ethical culture and effective leadership are maintained with positive results A stakeholder-inclusive approach to balance the needs of stakeholders is in line with the best interests of the Company
SCOPE	Company	<ul style="list-style-type: none"> The Company operates within the triple context. Govern risks and opportunities, strategic outlook and sustainable business model that enables the Company to meet its strategic objectives
CHARACTER	Internal system	<ul style="list-style-type: none"> Internal controls are in place to ensure that policies and procedures are implemented and comply with proper accountability Processes are in place to protect the veracity of the system and ensure that information provided is of relevance and is reliable for decision-making purposes The Company remunerates fairly, responsibly and transparently to ensure it achieves its strategic objectives in the short, medium and long-term
MECHANISM	Conformance	<ul style="list-style-type: none"> Compliance with applicable laws and adoption of relevant non-binding rules, codes and industry standards that promote ethical business conduct and good corporate citizenship
DIRECTION	Management	<ul style="list-style-type: none"> The Board of espAfrika sets the strategic direction and objectives of the Company and provides oversight as to its implementation and deliverables. As the custodian of corporate governance, the Board ensures the executives are accountable for the Company's performance
DISCLOSURE	Financial statements	<ul style="list-style-type: none"> Audited financial statements in terms of relevant legislation

EVENTS AND TOURISM - continued

STRATEGIC PLANNING AND MONITORING

espAfrika manages its business strategically, following a process which includes an annual review of performance, products/services and, markets as well as a review of the internal and external environments. This review is followed by the setting of strategies and action plans aimed at both growth and sustainability based on current and forecasted market conditions.

In addition to the annual strategic planning exercise and quarterly reviews of strategy achievement, espAfrika's management and employees have an annual Imbizo to discuss its long and short-term targets and objectives to maintain espAfrika's current economic, operational and environmental sustainability and advantage.

Monthly targets are agreed upon and managed through the chief financial officer and various heads of departments. espAfrika believes that to achieve the best financial and sustainable business platform to meet the needs of its various stakeholders, it is essential to formulate these objectives collectively with the full participation of its employees. The responsibility and understanding are shared among the employees and a sense of achievement is felt when targets are met. Strategies and actions are adjusted periodically to ensure the growth and sustainability of the Company are in line with a changing business environment.

The Board of espAfrika has approved a formal delegated authority schedule, which informs executive management of the necessary levels of approval for all key business transactions. In this way, the Board ensures that there is a senior manager, or the Board itself, reviewing each key business transaction/initiative to ensure that key business activities are aligned with the Company's strategy, are lawful, will contribute to the Company's sustainability and will not be harmful to any stakeholders and/or the environment.

In this manner, espAfrika can monitor its financial performance against strategies set for the year and evaluate this against the key performance areas of management and key employees. Through this process, the sustainability of operations is ensured, and the objectives of the Company are achieved

ECONOMIC SUSTAINABILITY

espAfrika aims to deliver sustainable returns to all its stakeholders. A measure of the value created by espAfrika is the amount of value add it creates within the economy by supporting and developing small and micro enterprises within its procurement as well as the jobs it creates via its various projects.

The Company continuously reviews its entire cost base using a zero-base approach to ensure that this is in line with its revenue and business growth expectations as well as ensuring that the return on investment is in line with the industry standard. Overheads are continuously monitored, and delegated authority is cascaded throughout the Company to ensure that each manager is responsible for the monitoring of costs as well as their impact on the Company's performance. Regular meetings are held to ensure all managers and employees are aware of their contributions and the impact of their decisions on the business.

The strategy adopted has resulted in espAfrika improving on its sustainability, liquidity, employee morale and participation as well as ensuring sustainable growth and profitability for future financial years.

ENVIRONMENTAL SUSTAINABILITY

espAfrika adheres to a strict environmentally-friendly policy when producing events. This is implemented through:

- Waste management
- Recycling
- Responsible water usage

All their events incorporate a recycling and waste management plan, utilising different coloured bins spread throughout the event. The bins are transported to a waste management complex where the waste is then recycled. All used construction materials such as plaster board, plywood, beams and corrugated irons are donated to needy causes after the event. espAfrika limits its water usage and uses water-efficient methodology to ensure that its events are water efficient.

SOCIAL SUSTAINABILITY

The integrated sustainability plan is two-pronged:

- To develop from within the Company and grow their human capital
- To develop small businesses within the industry and to grow community-based services to alleviate poverty

During the year, espAfrika held many workshops to further promote this initiative. The initiative is fully supported by the National Department of Arts and Culture as part of the Mzansi Golden Economy. The Company also uses a number of small and micro enterprises as part of its procurement policy.

espAfrika is an active member of the SETA and strongly believes in internal training and development. During the year, a number of employees attended training programmes and seminars to enhance their skills further. The events industry strongly relies on skilled contractors.

EVENTS AND TOURISM - continued

However, espAfrika always matches a skilled contractor with a permanent employee so that a transfer of skills can occur.

espAfrika believes that every resource should be utilised creatively to support and develop music, arts, culture and job creation. espAfrika, through the Cape Town

International Jazz Festival, created more than 3 406 jobs in addition to the numerous skills transfer and development projects held during the event. With the development of new events, the impact on job creation, support for small companies and poverty alleviation will further improve.

KEY CHALLENGES AND RISKS

KEY CHALLENGES

The following key challenges have been identified:

RAISING OF SPONSORSHIP	<ul style="list-style-type: none"> The raising of commercial sponsorship income is critical to the success of the Company and to further develop its strategic objectives
ESTABLISHING NEW ESPAFRIKA-OWNED EVENTS	<ul style="list-style-type: none"> To expand its offerings and footprint and lessen the impact of third-party events on its financial performance
CASH MANAGEMENT	<ul style="list-style-type: none"> Efficient management of limited cash resources is critical to delivering on espAfrika's strategic objectives
EMPLOYEE SKILLS AND RETENTION	<ul style="list-style-type: none"> This remains a key challenge as experience and reputation are critical factors in influencing the market Limited resources of high-quality personnel make employee mobility one of the highest risk factors
EMPLOYEES AND COMMUNITY	<ul style="list-style-type: none"> In meeting these values, espAfrika has at its core the development of both the individual employee and the creation of opportunity for the broader community
TECHNOLOGY	<ul style="list-style-type: none"> With the continued advancement of technology, the Company needs to continually review its impact on the business and adapt its processes and methodology to take the maximum benefit

RISKS

Risk management is integrated into the business management process. espAfrika maintains a risk register, which is compiled and maintained by executive management, with the risk status and execution of planned actions being reviewed monthly. Executive management is responsible for identifying, classifying and managing all operational risks.

Significant strategic risks can be identified at all levels in the Company. However, the responsibility for directing

the actions necessary to manage these risks is the responsibility of the Board of directors of the Company. Strategic risks are reviewed at the quarterly Board meetings and the executive directors are charged with the execution of approved risk management actions.

In the year under review, key challenges and business risks were identified, and the pre-planned management strategies for these challenges and risks were successful in mitigating and avoiding the severity of their impact on the Company.

EVENTS AND TOURISM - continued

The following risks have been identified:

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
Sponsorship revenue	As sponsorship revenue is an integral part of the Cape Town International Jazz Festival and other espAfrika-owned events, the failure of the Company to attract potential sponsors will have a detrimental effect on both the liquidity and profitability of the Company	New revenue streams have and continue to be developed to reduce dependencies on sponsorship income. A specialist company has been appointed to assist the executives to raise sponsorships. This has resulted in new sponsors being identified and approached as well as committing existing sponsors to new long-term sponsorship contracts With new events coming on line, the value proposition to sponsors is enhanced by providing a multi-level event sponsorship proposition
Dependency on the Cape Town International Jazz Festival	Reliance on one main event restricts the growth and future prospects on espAfrika in being a strong and sustainable business	New company-owned events will be implemented in the next 12 months to complement the company-owned events. This will reduce espAfrika's dependency on the Cape Town International Jazz Festival
Currency risk	As international artists are contracted to perform at the Company's event, the value of the rand versus foreign currencies has a direct impact on the cost base of espAfrika	Budgeting process and forward cover purchase of the required foreign currency will ensure that any short-term fluctuation in the currency market will not affect the short-term cost base of espAfrika
Technology	Ensuring that espAfrika keeps abreast of developments in line with its business practices, legislation and best practices and at the same time adopting technological advancements relevant to its needs and means	Constant review of applicable technological advancements, changes in legislation and best practice is undertaken, and appropriate plans and recommendations are put forward for evaluation and approval in line with the established approval authority processes within espAfrika
Succession planning	Succession planning is a critical aspect of the long-term future of the business Loss of employees will impact the Company to deliver on its strategic objectives	The Board established a working committee to ensure continuity of the business in case any of its key management or employees leave the Company Provide training and development programmes and also offer market-related remuneration and progression within the Company to retain skilled employees

EVENTS AND TOURISM - continued

STAKEHOLDER MANAGEMENT

CREATING STAKEHOLDER VALUE

espAfrika recognises the importance of creating value for its stakeholders in the short, medium and long-term. The principal stakeholders for espAfrika are its shareholders, employees, customers, suppliers, communities and government.

espAfrika creates value for its stakeholders in the short, medium and long-term through the following:

CAPITAL	STAKEHOLDER	VALUE FOR THE ORGANISATION	VALUE FOR STAKEHOLDERS
Social	Government	<ul style="list-style-type: none"> Stable geopolitical climate Growth opportunities 	<ul style="list-style-type: none"> Contribution to taxes Support job creation in the industry Create opportunities for previously disadvantaged communities
Social	Suppliers	<ul style="list-style-type: none"> Good service Commitment Fair pricing 	<ul style="list-style-type: none"> Fair allocation of business Pay on time Growth of their business
Human	Employees	<ul style="list-style-type: none"> Engaged, motivated employees Ability to attract or retain key skills 	<ul style="list-style-type: none"> Fair pay Interesting work Growth and development Equal treatment Health and safety
Financial	Shareholders	<ul style="list-style-type: none"> Supply of capital at reasonable rate 	<ul style="list-style-type: none"> Growth of share value Regular payment of dividends Competitive return on investment Reduced risk of investment
Intellectual	Customers	<ul style="list-style-type: none"> Understanding trends and opportunities Improved ability to respond to market requirements Stay ahead of the competitors 	<ul style="list-style-type: none"> Better products and services Increase in customer base

EVENTS AND TOURISM - continued

STAKEHOLDER EXPECTATIONS

espAfrika recognises the importance of constant engagement with stakeholders. The principal stakeholders for the Company are shareholders, employees, customers, suppliers, regulatory authorities, trade unions, government and local communities.

espAfrika has various procedures in place regarding stakeholder management. These are summarised as follows:

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Shareholders	Owners of the business	<ul style="list-style-type: none"> Integrity Shareholder wealth creation Ethical business practices 	<ul style="list-style-type: none"> Sound corporate governance rules are implemented in the business Adequate return on investment
Customers	Continued support and feedback	<ul style="list-style-type: none"> Good event artist line-up Safety and security Good value Good facilities Fair pricing 	<ul style="list-style-type: none"> Continuity of events Quality of events Effective event stewardship
Suppliers	Procurement of safe and quality products with reliable and trustworthy deliverables that support their event planning	<ul style="list-style-type: none"> Ethical business relationships Commitment to B-BBEE policies Prompt payment 	<ul style="list-style-type: none"> Ensure that they conduct business with reputable businesses – Code of Ethics Ensure that they support the policy on B-BBEE Negotiate, manage and conclude contracts Timeous payment
Regulatory authorities	Promulgate and monitor regulatory frameworks and comply with current regulations, laws and legislation	<ul style="list-style-type: none"> Compliance with laws and regulations of authorities 	<ul style="list-style-type: none"> Continuous training of management and employees responsible for compliance with various regulations by the respective authorities Internal control procedure checklist to ensure compliance with respective laws and regulations Immediate corrective action noted in the event of findings raised by authorities Participation in industry working groups
Employees	The foundation of their business is through innovation, integrity, productivity and accountability	<ul style="list-style-type: none"> Skills training Employee benefits Market-related remuneration Ethical behaviour and mutual respect Safe working environment Empowerment 	<ul style="list-style-type: none"> Training and education Open communication between managers and employees Market-related remuneration Transformation Career progression and planning
Local communities	Building trusted relationships with the community interest as the base	<ul style="list-style-type: none"> Contributing transparently and responsibly to community needs 	<ul style="list-style-type: none"> Sponsorships Bursaries Employment opportunities

EVENTS AND TOURISM - continued

espAfrika has a diverse group of stakeholders ranging from communities, service providers, employees, government and the shareholders of the business. These stakeholders have different expectations and needs from the business. Through its core objective of meeting the various stakeholders' expectations, the Company identifies the expectation of the various stakeholders and plans its business to deliver on the identified expectations and these can be categorised as follows:

STAKEHOLDERS	STAKEHOLDERS' EXPECTATIONS	OUTCOME
Communities	Creation of jobs, skills transfer and training and development	<ul style="list-style-type: none"> • 3 406 direct and indirect jobs created • 2 300 beneficiaries benefited from the training and development programmes
Service providers	Fair terms and opportunity and timely payment	<ul style="list-style-type: none"> • 102 service providers were contracted by the Company • Remunerated fairly • Paid on time
Employees	Fair remuneration and stable and pleasant working environment	<ul style="list-style-type: none"> • Employees remunerated in line with industry standards • Sustainability and employment policies of the Company provide for a good and stable working environment
Government	Contribution to the economic growth and payment of taxes	<ul style="list-style-type: none"> • Through the creation of direct and indirect jobs the Company contributed to the economy • Paid all its taxes on time
Shareholders	Sustainable company as well as growth of the share value	<ul style="list-style-type: none"> • Stability and solvency of the Company is reflected in the increased value of the business

REMUNERATION

The Company's employees are its most important asset and espAfrika aims to be a competitive and attractive employer in the marketplace. Remuneration and benefits are important drivers, as are career opportunities, personal development, culture, values and leadership. As stated in the Code of Conduct, the Company complies with applicable laws, agreements and industry standards on working hours and compensation.

espAfrika has various incentive schemes in place to retain talent and experienced employees. Company policy requires all employees to belong to the Company pension or provident fund to plan for their retirement.

( - Principles 1 to 16)