



FISHING AND BRANDS

R575m

CONTRIBUTION TO
REVENUE

R101m

PROFIT BEFORE
TAX

PREMIER FISHING AND BRANDS LTD (PREMIER OR PREMIER GROUP)

KEY FACTS

CHIEF EXECUTIVE OFFICER	Mogamat Samir Saban
BOARD OF DIRECTORS	MS Saban, S Young, K Abdulla, IY Moosa, R Isaacs, AB Amod, RP Mosia, CL van der Venter, NA Ramatlhodi and SP Mngconkola
EMPLOYEES	776
HEAD OFFICE	V&A Waterfront, Cape Town
FOOTPRINT	Port Nolloth, Northern Cape Province, Cape Town, Overberg Region, Gansbaai, Humansdorp, Saldanha Bay, the USA, Asia and Europe

PROFILE

Premier Fishing and Brands Ltd (Premier or the Premier Group) has been in existence since 1952 and has four operating divisions, two subsidiary companies and a number of joint venture operations. Premier is a vertically integrated group which specialises in the harvesting, processing and marketing of fish and fish-related products.

Premier and its subsidiaries hold medium- to long-term fishing rights in west coast rock lobster, south coast rock lobster, small pelagics (anchovy and sardine), hake deep-sea trawl, longline and squid. In addition, Premier owns an abalone farm and invests in organic agriculture through the Seagro range of products.

The Premier Group is the largest black-owned and controlled fishing company in South Africa and aims to:

- implement innovative procedures within the value chain to increase efficiency in line with environmental best practices, thereby reducing their carbon footprint;

- invest in reliable technology which allows the Company to reduce mortalities of live lobster kept for the export market, therefore assisting in obtaining the best market price;
- develop all its employees;
- assist small businesses to grow and achieve their full potential; and
- ultimately deliver sustainable returns to all stakeholders.

2019 OPERATIONAL PERFORMANCE

The Premier Group delivered a satisfactory performance for the year, with revenue increasing by 17% from R491m to R575m.

The 2019 financial year incorporated twelve months of results, relating to the Talhado Fishing Enterprises (Pty) Ltd ("Talhado"), as compared to only a portion of the period in the prior year, (namely from 9 May 2018 to 31 August 2018), due to IFRS 3 reporting principles.

FISHING AND BRANDS - continued

Cash generated from operations increased by 36% to R124m, from R91m in the prior year. Property, plant and equipment increased by 31% from R310m to R408m. EBITDA increased by 3% to R112m from R109m.

A final dividend of 10 cents per share was declared to shareholders which equates to a total dividend of 22 cents for the 2019 financial year compared to 25 cents per share in 2018.

Note: The seasonal nature of the fishing industry does not tie in with the financial year. For more information on Premier visit www.premierfishing.co.za.

VISION 2020 VISION – PREMIER'S CONTRIBUTION

Following the strategic planning session held in 2015, which entailed an analysis of the business with the primary objective of having focused and aligned efforts across the business to deliver on its long-term goals, a five-year strategic plan to the year 2020 was implemented. The strategic plan has clear deliverables, strategic actions for each strategic lever, as well as specific time frames.

Below is the high-level outline of the Vision 2020 Vision strategic goals:

- Expand the abalone farm and capital expenditure in their underlying businesses to improve production and revenue
- Drive an efficient cost base
- Construct/acquire a processing facility
- Product diversification to further penetrate foreign markets – procurement of fish species for local and international markets and enhanced marketing capacity
- Continuous growth of outside quota holders
- Increase enterprise development initiatives
- Acquire a canning facility
- Acquire another fishing business
- Further explore green energy alternatives with the emphasis on the efficient use of water and electricity

2019 ACHIEVEMENTS

- Obtained a level 1 B-BBEE rating
- Obtained synergies from their acquisition of the Talhado Group in the prior year
- Increased their stock holding to 161 tons, compared to 144 tons in the prior year
- Continued to produce spat at an average monthly production of 200 000 animals per month

PROSPECTS AND FUTURE OUTLOOK

Premier is well positioned for growth over the next two years to further unlock shareholder value. The following prospects have been identified in reaching their Vision 2020 Vision:

- Continue to explore innovative fishing and production techniques
- Increase partnerships with outside quota holders
- Product diversification to further penetrate foreign markets
- Acquisition of additional fishing companies as part of the Vision 2020 Vision strategy
- Additional production capacity created as part of the abalone farm expansion project
- A fully functional canning facility to be constructed at the abalone farm
- New jobs to be created as part of the abalone farm expansion project.

MARKET PRESENCE

Premier has operations in Cape Town, Overberg region, Saldanha Bay, Hout Bay, Eastern Cape, Humansdorp, the USA, Asia and Europe.

PRODUCTS AND BRANDS

Through their various business activities Premier offers the following products and services: sales, marketing and production of west coast rock lobster, south coast rock lobster, abalone, small pelagics, canned fish products, longline hake, squid and Seagro (organic fertiliser).

FISHING AND BRANDS - continued



BUSINESS MODEL

Premier is a vertically integrated fishing group and predominately a commercial fishing, fish processing and marketing company. Revenue is generated from the sale of west coast rock lobster, south coast rock lobster, small pelagics, hake, squid and abalone, as well as from its cold storage facilities.

Premier's aim is to catch all its fish in an environmentally-friendly and cost-effective manner. In line with this, the Group has developed strong brands across all its products and built solid relationships with its customers in Asia (China, Japan, Vietnam and Taiwan), Spain and the USA. In doing so, Premier developed sustainable profits through efficient cost management and good marketing strategies.

The Premier Group continues to develop partnerships with small companies, particularly in the west coast rock lobster and wild abalone sectors, and assists these small companies by providing business advice on how to run their businesses sustainably and profitably. This is in line with the Premier Group's principle of developing smaller marginalised-owned companies as well as to invest into the communities from which it operates.

The Premier Group continues to:

- implement innovative procedures within the value chain to increase efficiency in line with environmental best practices, thereby reducing its carbon footprint;

- invest in reliable technology which allows it to reduce mortalities for live lobster reserved for the export market, therefore assisting in obtaining the best market price;
- develop its employees;
- assist small businesses to grow and achieve their full potential; and
- deliver good sustainable returns to all its stakeholders.

GOVERNANCE

Premier adopted the application of policies and structures as defined by the Group and complies with all sound governance structures and regulatory functions. It has had no fraud reported or deviation in the application of these principles during the current period. The continued training and exposure of employees to the regulatory environment and regulations of the Companies Act ensure that employees are fully informed of their responsibilities.

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 Group's governance principles in respect of King IV™ have been measured using the Governance Assessment Appraisal Instrument.

FISHING AND BRANDS - continued

The Board of Premier continues to work towards achieving the following governance outcomes:

OBJECTIVE	Stakeholders	<ul style="list-style-type: none"> Value creation for all stakeholders and sustainable development An ethical culture and effective leadership are maintained with positive outcomes A stakeholder-inclusive approach to balance the needs and interests of material stakeholders in the best interests of the Premier Group
SCOPE	Premier Group	<ul style="list-style-type: none"> The Premier Group operates within the triple context Governs risks and opportunities, strategy, its business model as well as sustainable development in a way that supports the Company in achieving its strategic objectives
CHARACTER	Internal system	<ul style="list-style-type: none"> Proper internal controls are in place to approve policies and planning, and to oversee, monitor and ensure accountability The assurance services and functions enable an effective control environment to support the integrity of information for internal and external decision-making The Premier Group remunerates fairly, responsibly and transparently to promote the achievement of the strategic objectives and positive outcomes in the short, medium and long-term
MECHANISM	Conformance	<ul style="list-style-type: none"> Govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation to be ethical and a good corporate citizen
DIRECTION	Management	<ul style="list-style-type: none"> The Board sets and steers the strategic direction of the Company and is the focal point and custodian of corporate governance and ensures accountability for the Company's performance. The Board oversees and monitors the implementation and execution by management
DISCLOSURE	Financial statements	<ul style="list-style-type: none"> Audited financial statements

FISHING AND BRANDS - continued

STRATEGIC PLANNING AND MONITORING

The Premier Group manages its businesses strategically, following a process that includes an annual review of past performance, product basket, capacity, markets, as well as a review of the internal and external environments. This review is followed by the setting of strategies, targets and action plans aimed at both growth and sustainability in the short to long-term.

As part of its strategy, the Premier Group empowers the communities in which it operates. This is achieved through the transfer of skills and technical knowledge in terms of devising catch and marketing plans to smaller, black-owned fishing companies and small-scale fishers. This promotes preferential procurement from small, black-owned companies.

The Board of each business unit in the Premier Group has an approved formal delegated authority schedule, which informs executive management of the necessary levels of approval for all key business transactions. In this way the Premier Group ensures that there is a senior manager or the Board itself reviewing each key business transaction/initiative and that key business activities are aligned with the Premier Group's strategy, is lawful, contributes to the Company's sustainability and will not be harmful to any stakeholders and/or the environment. In this manner, each business unit can monitor its financial performance against its strategies and evaluate this against the key performance areas of management and key employees. Through this process the sustainability of operations are ensured.

ECONOMIC SUSTAINABILITY

The Premier Group aims to deliver good and sustainable returns to all its stakeholders. The Group has defined several targets to measure its performance and continually monitors progress against these targets and, when necessary, revises them to consider changes in the Premier Group's business environment.

ENVIRONMENTAL SUSTAINABILITY

As a predominantly fishing business, their strategic plan for the short and long-term incorporates sustainable usage of its resources. This is an important aspect that is discussed internally as well as within the fishing industry, as it deals with natural resources.

To meet the objective of sustainable resources, the Premier Group is:

- committed to the best local and international fishing practices;
- supportive of various stakeholders involved in the proper management of marine resources;

- supportive of regulatory policies to manage the marine resources;
- implementing plans and strategies to ensure that it maintains its fishing rights;
- committed to improving energy efficiency through renewable solar technology, reducing consumption of non-renewable energy, and carbon reduction; and
- committed to conservatively using water and electricity.

SOCIAL SUSTAINABILITY

The Premier Group subscribes to a sustainable approach in conducting its business. For Premier, corporate citizenship goes beyond legislative compliance and profits. It recognises the rights and responsibilities of businesses within a broader societal context and reinforces the aim of Premier to implement a social contract between business, government and civil society.

Premier is well aware of the critical role that business has to play in the upliftment and development of the previously disadvantaged majority. A task of this magnitude will be beyond the scope of state resources alone for a substantial period of time. It is for this reason that the Premier Group needs to give back to the communities in which they operate.

To this end, they also believe in assisting small businesses to grow and achieve their full potential in the communities from which they operate by:

- providing small enterprises with opportunities to engage with Premier's factory, administration, finance and operational divisions for skills development, training and support;
- assisting with finances for start-up businesses;
- ensuring the availability of services by assisting with the development and growth of previously disadvantaged partners; and
- imparting skills and resources to small business partners to improve business management capacity.

The Premier Group continues to create a working environment that develops and empowers its employees, recognises the contributions of each team player in pursuit of excellent performance, and continues to maintain a safe working environment for all.

The Premier Group also recognises the importance of the communities in which it operates and therefore aims to develop the communities through their continued employment, procurement and enterprise and technical development.

The Premier Group is actively involved in various corporate social initiatives in the West Coast and Overberg regions.

FISHING AND BRANDS - continued

KEY CHALLENGES, RISKS AND OPPORTUNITIES

KEY CHALLENGES

At present, the Premier Group's strategic focus is aimed at overcoming the following potential key challenges:

REGULATION AND LEGISLATION	<ul style="list-style-type: none"> The compliance and demands placed on companies in this highly regulated industry require continuous review of business processes and strategy.
COMPETITION FROM OTHER COMPANIES	<ul style="list-style-type: none"> The Premier Group exports most of its products and is therefore faced with competition from both local and international companies that have critical mass and funding. This also influences the market prices obtained for the Premier Group's products.
EMPLOYEE SKILLS AND RETENTION	<ul style="list-style-type: none"> The industry in which the Premier Group operates requires skilled and experienced employees, thus employee retention is a key challenge. Limited resources of high-quality personnel make employee mobility one of the highest risk factors.
TOTAL ALLOWABLE CATCHES (AVAILABLE FISH STOCKS)	<ul style="list-style-type: none"> The Premier Group's quota allocations are dependent on the total allowable catches as determined by scientists and the Department of Agriculture, Forestry and Fisheries (DAFF). The Premier Group is faced with the challenge of declining fish stocks and ultimately declining quota allocations.
INFORMATION TECHNOLOGY (IT) SYSTEMS	<ul style="list-style-type: none"> The Premier Group is dependent on the efficient operation of its IT systems for its business operations and internal controls. There has been a recent increase in the amount of global virus attacks on companies' information systems and the Premier Group is faced with the same threat.

RISKS

The Premier Group maintains a risk register, which is compiled and maintained by the executive management team, with the risk status and execution of planned actions being reviewed monthly. Executive management is responsible for the identification, classification and management of all operational risks.

Significant strategic and going concern risks are identified at all levels in each business unit. However, the responsibility for directing the actions necessary to manage these risks is the responsibility of the Board of directors of each business unit. Strategic and going

concern risks are reviewed at the quarterly Board meetings and the executive directors are charged with the execution of approved risk management actions.

Along with the risk register, executive management also compiles and maintains a strategy dashboard, as several risks are being mitigated by the Company's strategy; the risks and strategy are directly mapped where applicable.

In the year under review, although a number of identified risks could not be avoided, the pre-planned management strategies for these risks were successful in mitigating or avoiding the severity of the impact on the respective companies and overall Group financial performance.

FISHING AND BRANDS - continued

The business risks facing the Premier Group's ability to sustain itself in the future as well as the mitigation against those risks, are noted below

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
The risk that a reduction in the fish biomass could result in a reduction in the total allowable catch (TAC) for west coast rock lobster (WCRL), south coast rock lobster (SCRL), hake and pelagic or a reduction in the total effort catch for squid	A reduction in TACs or total allowable effort can result in a reduction in turnover, profits and cash flow from operations	The Premier Group acquires fish from small rights holders thereby reducing the impact of reductions in total quota allocations for the Group
The WCRL resource remains a challenge for the industry at large. During the year, the DAFF announced a reduction in the TAC for the 2018/19 fishing season	The Group remains committed to assisting government by ensuring strict compliance with the TAC, thereby assisting the recovery of the resource and safeguarding the sustainability of the resource for the future	The Group continues to incubate and procure fish from third-party quota holders so that any reduction in the quota for the Group is reduced by third-party quota holders. In addition, we continue to enhance our operational efficiencies, thereby avoiding critical job losses
The risk that the Premier Group's employees might request a significant wage increase	A significant increase in wages could result in a significant reduction in profits	The Premier Group is involved in negotiations with trade unions* to ensure that the Group and its employees enter into sustainable wage agreements
The risk that the Premier Group's abalone stock might be infected by diseases	This might result in loss of business as the Premier Group would not be able to supply its customers	The Premier Group has implemented biosecurity measures at its abalone farm and constantly monitors these measures to ensure that there is no transmission of diseases to the animals
The risk that the Premier Group's IT systems might be infected by viruses	A virus attack on the Group's IT system might result in business interruption and the Group not being able to transact with its customers	The Premier Group has installed anti-virus software on all its information systems, and also implemented processes for each user which limits the susceptibility of the Group's systems to virus attacks

OPPORTUNITIES

There has been a focus on sustainable fishing practices and aquaculture in the fishing industry to increase the output of fish stocks and to ensure the sustainability of the resource. The Premier Group recognised this opportunity and invested in abalone farming and consequently increased its production capacity at its abalone farm. The Premier Group has also identified other opportunities to ensure sustainability in terms of earnings and profits.

STAKEHOLDER MANAGEMENT

CREATING STAKEHOLDER VALUE

Premier appreciates the role of their stakeholders and is committed to nurturing impactful relationships that deliver mutual benefits and encourage transparent,

objective and relevant communication. They recognise the importance of building and maintaining trust and respect with our various stakeholders. They strive to respond timeously and appropriately to issues raised in their interactions with stakeholders.

Their stakeholder management approach involves gaining a thorough understanding of stakeholder's needs and expectations, addressing those needs and expectations and also identifying and acting on opportunities that are of mutual benefit. Their stakeholder engagement involves identifying stakeholders who have the most significant impact on their business. Their engagement includes communicating our strategy, performance, decisions and activities that impact or are of significant interest to our stakeholders, as well as understanding their needs and perspectives.

FISHING AND BRANDS - continued

Premier addressed essential risks and opportunities and responded timeously and appropriately to issues raised in their interactions with their various stakeholders.
(📄 - Principle 16')

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

The following table provides an overview of their key stakeholders, their needs and expectations, how they engaged with them and their contribution to value creation in the business.

The Premier Group creates value for its stakeholders in the short, medium and long-term through:

CAPITAL	STAKEHOLDER	VALUE FOR THE GROUP	VALUE FOR STAKEHOLDERS
Financial	Shareholders	<ul style="list-style-type: none"> Supply of capital Low geared balance sheet 	<ul style="list-style-type: none"> Capital growth Dividends Return on investment
Social	Customers	<ul style="list-style-type: none"> Repeat business and revenue growth Understanding trends and opportunities Improved ability to compete Reputable brands 	<ul style="list-style-type: none"> Quality products and services Fair pricing Correct labelling
Human	Employees	<ul style="list-style-type: none"> Engaged and motivated employees Ability to attract and retain key skills 	<ul style="list-style-type: none"> Fair pay Interesting work Growth and development Equal treatment Health and safety
Social	Communities	<ul style="list-style-type: none"> Reputation Brand value Trust Access to business opportunities 	<ul style="list-style-type: none"> Employment/business opportunities Environment care Local hire Resource use
Social	Government	<ul style="list-style-type: none"> Favourable legislation and less interference 	<ul style="list-style-type: none"> Contribution to taxes Support job creation Other strategic initiatives
Social	Suppliers	<ul style="list-style-type: none"> Good service Committed and consistent supply Good pricing Good quality products 	<ul style="list-style-type: none"> Fair allocation of business Pay on time Zero corruption
Financial	Owners	<ul style="list-style-type: none"> Supply of capital at a reasonable price Healthy balance sheet 	<ul style="list-style-type: none"> Capital growth Dividends Return on investment Reduced risk
Intellectual	Customers	<ul style="list-style-type: none"> Understanding trends and opportunities Improved ability to compete Reputable brands 	<ul style="list-style-type: none"> Better products and services
Natural	Government	<ul style="list-style-type: none"> Repeated utilisation of fishing quotas 	<ul style="list-style-type: none"> Payment of landing levies and taxes

FISHING AND BRANDS - continued

STAKEHOLDER EXPECTATIONS

Premier recognises the importance of constant engagement with stakeholders. A key element of their strategic planning process is documenting the values and the culture of their business units.

Premier 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"> • Sustainability of the business • Return on capital invested • Optimal capital allocation and management • Execution of growth strategies • Appropriate risk identification and management processes • Good corporate governance 	<ul style="list-style-type: none"> • Sound corporate governance rules are implemented in the business • Currently implementing growth strategies • Dividends of 10 cents per share
Customers	Consumers of Premier's products	<ul style="list-style-type: none"> • Delivery of quality products and services • Price competitiveness • Leveraging off their B-BBEE credentials • Adherence to regulatory requirements, good corporate governance and ethics • Reliable long-term supply of products 	<ul style="list-style-type: none"> • Ensured inventory availability • Ensured that all products supplied have the legal paperwork from the relevant authorities in place • Ensured that products are safe and consistent with the quality and brand of Premier • Ensured adherence to all necessary standards such as HACCP*, SABS*, FDA* and EU* standard tests • Complied with international laws, regulations and legislation
Suppliers	Procurement of goods and services, such as raw materials for their operations and other business units	<ul style="list-style-type: none"> • Long-term security of supply • Fair treatment and fair payment terms • Entrepreneurship and supplier development programmes • Commitment to B-BBEE policies 	<ul style="list-style-type: none"> • Ensured that they sourced supply with reputable businesses – Code of Ethics • Fully committed to B-BBEE • Made fair and timeous payments • Implemented several entrepreneurship and supplier development programmes
Regulatory authorities such as SARB*, SAMSA*, MCM* and NRCS* Accreditation: HACCP*, FDA*, SABS*, NRCS*	Promulgate and monitor regulatory framework 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 • Meeting with industry regulators

FISHING AND BRANDS - continued

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Employees	Employment	<ul style="list-style-type: none"> • Career development opportunities including skills training • Job security • Market-related salaries and wages and equal pay • Health and safety • Transformation and diversity • Involvement in secondary and tertiary education programmes • Employee wellness programmes • Corporate social investment in communities • Employee engagement and communication – the importance of open and honest feedback 	<ul style="list-style-type: none"> • The Group embarked on updating role blueprints, benchmarking and evaluating measures, and identifying further skills development plans • They focused on health and safety standards and procedures and ensured that working conditions are acceptable • They made a substantial investment in skills development • The Group also has a bursary programme which facilitates higher education • They implemented a wellness clinic at their abalone farm
Trade unions	Employee representation	<ul style="list-style-type: none"> • Engagement of the parties • Addressing grievances and negotiation 	<ul style="list-style-type: none"> • Communicating with employees via employee forums • Engaging with trade unions via recognised industry bodies
Health and safety	Monitoring by health and safety officers	<ul style="list-style-type: none"> • Compliance with health and safety standards 	<ul style="list-style-type: none"> • Continuous training of employees on health and safety matters • Internal control procedure checklist to ensure compliance with respective laws and regulations • Immediate corrective action noted in the event of findings raised by health and safety officers
Government and regulatory authorities	<ul style="list-style-type: none"> • Promulgate and monitor regulations 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 staff 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 • Meeting with industry regulators

FISHING AND BRANDS - continued

REMUNERATION

The Premier Group aims to be a competitive and attractive employer in the marketplace. Remuneration and benefits are important drivers, as are career opportunities, personal development, culture and values, leadership, company performance and reputation. As stated in the Code of Conduct, the Premier Group complies with applicable laws, agreements and industry standards on working hours and compensation.

The Premier Group has various incentive schemes in place to retain talented and experienced employees. Company policy requires all employees to belong to the company pension or provident fund in order to plan for their retirement, and medical insurance is compulsory.

*ACRONYMS	
DAFF	Department of Agriculture, Forestry and Fisheries
EU	European Union
FDA	Food and Drug Administration
HACCP	Hazard Analysis and Critical Control Points
MCM	Marine Coastal Management
NRCS	National Regulator for Compulsory Specifications
SABS	South African Bureau of Standards
SAMSA	South African Maritime Safety Authority
SARB	South African Reserve Bank

( - Principles 1 to 16)



TECHNOLOGY

R1 663m

CONTRIBUTION TO
REVENUE

R124m

PROFIT BEFORE
TAX

AYO TECHNOLOGY SOLUTIONS LTD

KEY FACTS

CHIEF EXECUTIVE OFFICER	Howard Platjies
BOARD OF DIRECTORS	WA Mgoqi, H Platjies, IT Bundo, V Govender, AB Amod, DH George, RP Mosia, SM Rasethaba, NA Ramathodi and I Amod
EMPLOYEES	1 244
HEAD OFFICE	Observatory, Cape Town
MARKET PRESENCE	South Africa with some presence in other African countries

PROFILE

AYO Technology Solutions Ltd (AYO) is rooted in South Africa, with a purpose to help organisations reach new heights by empowering their people, enriching their processes and developing industry disruptor technology solutions that enable them to be market leaders in the digitally transformed economies they operate in.

The AYO Group leverage their group-wide capabilities and strategic partnerships to deliver end-to-end digital and technology solutions to multiple industries in South Africa's public and private sectors as well as across the African continent and beyond.

The AYO Group consists of a number of technology companies that offer Information Communication Technology (ICT) services and solutions to clients across a range of industries that are best served by technology that enables them to be efficient in their key capabilities. Key group companies include:

Puleng Technologies (Pty) Ltd is a 15-year-old, proudly South African ICT company with its roots firmly in building local expertise and providing customers with "Project Success" linked to the solutions Puleng designs and supports. The Puleng blueprint provides customers with a client-centric strategy to manage and secure the two most valuable assets an organisation has: its data and users, while facilitating IT and business with a platform to build an efficient, collaborative and integrated cybersecurity program. To further enhance its strategy, Puleng provides its customers with data centre infrastructure platforms, which allow Puleng to leverage its core strengths across its Compute, Storage, Virtualisation and Management teams.

Sizwe Africa IT Group (Pty) Ltd offers various ICT services to its customers, including a focused spectrum of physical infrastructure, metro and long-distance optic fibre, facility management, continuous energy supply, networking and security to hosting, storage server processing, mobility, data centre, end-user computing and associated consumables.

TECHNOLOGY - continued

Health Systems Technologies (Pty) Ltd offers ICT solutions to the healthcare industry, such as hospitals; primary healthcare, laboratory and pharmacy information systems; electronic health records; continuity of care records and telemedicine, backed by the necessary professional services, such as consulting, system architecture design, system integration, business intelligence and development of bespoke software solutions.

Kalula Communications (Pty) Ltd (trading as Headset Solutions) imports and distributes notable brands within the telecommunications and consumer electronic markets. Headset Solutions is the distributor for all Poly, Jabra and Konftel products in Southern Africa. Poly designs headsets for a wide range of devices, including phones, laptops, handhelds, entertainment and music devices. Konftel is a worldwide leader in the manufacture of audio-conferencing equipment and the inventor of audio conference technology.

SGT Solutions (Pty) Ltd is a turnkey solutions integrator, specialising in the design, supply, deployment and maintenance of multi-technology telecommunication systems for fixed, mobile and converged networks through partnerships with their customers and technology providers. They create value-added customer experiences by offering solutions that yield tangible benefits and differentiation for their customers, thereby leveraging the investment in their existing networks.

Global Control and Command Technologies (Pty) Ltd (GC²T) is the national sovereign command and control capability of the Department of Defence. The company has existed in various forms since 1982 when it was moved out of the then Andromeda (state-owned) into the Altech Group as the first phase of establishment of a national command and control strategy. Today the company is 100% South African and majority black-owned. GC²T operates in the defence and related technologies space and focuses on the provision of system level 4, 5 and 6 Command, Control, Communication and Information solutions.

Digital Matter (Pty) Ltd is an IT specialist focusing on mobile application development including mobile inspection management, fixed asset management, and solutions for clients in mobile field services, technician management, franchise evolution, mobile banking and plant commissioning.

Afrozaar (Pty) Ltd is a software consulting and product development business focused on the development of innovative software products in the mobile, digital and cloud environments. Afrozaar is fast becoming a leader in digital transformation of traditional media and brand groups around how they value their digital processes, assets and respective audiences

2019 OPERATIONAL PERFORMANCE

The Group delivered a strong performance for the period with revenue amounting to R1.6bn and profit before tax of R124m.

The Group achieved significant organic growth during the year as a result of a contract with a multinational company. Work on the contract is progressing very well, with positive feedback from the client. AYO expects to obtain new contracts with other multinational companies as it builds on its platforms driven by the "Go to Market" strategy.

VISION 2020 VISION - AYO'S CONTRIBUTION

AYO's vision is to be the leading empowered digital and technology solutions partner for organisations across the African continent.

The Company acquired a 55% equity interest in Zaloserve (Pty) Ltd (Zaloserve), 40% equity interest in Saab Grintek (Pty) Ltd - now known as SGT Solutions (Pty) Ltd (SGT Solutions) - via a special purpose vehicle, Main Street 1653 (Pty) Ltd, and a 32% equity interest in Bamblela Capital (Pty) Ltd (Bamblela) (previously Vunani Group (Pty) Ltd).

Zaloserve holds an indirect 100% shareholding in Sizwe Africa IT Group (Pty) Ltd (Sizwe).

On 1 March 2019, AYO acquired a 24% equity interest in Global Command and Control Technologies (Pty) Ltd (GC²T).

On 19 March 2019, AYO signed an agreement with Bamblela and Vunani Capital (Pty) Ltd (Vunani Capital) in which AYO is a 50% shareholder, Bamblela a 30% shareholder and Vunani Capital a 20% shareholder. This special purpose vehicle was formed to invest in disruptive financial services technology as part of its "Go to Market" strategy.

TECHNOLOGY - continued

PROSPECTS AND FUTURE OUTLOOK

AYO continues to focus on its acquisition strategy in order to complement and augment the current businesses and enhance its vertical industry “Go to Market” strategy.

On successful completion of certain acquisitions, AYO will be strongly positioned to win significant market share in its industry and to challenge and disrupt the ICT landscape that has been dominated by the same brands.

Through the above strategies, AYO’s product and service portfolio and digital ecosystem should be able to service a substantial customer base and capture 5% to 8% of the South African market by 2022.

The exciting growth prospects that these target businesses will enjoy within the AYO digital ecosystem will have a compounding effect on the Company’s organic growth.

MARKET PRESENCE

AYO and its subsidiaries operate across a variety of industries and have a market presence in South Africa, SADC region, Eswatini (previously Swaziland), Botswana, East Africa, Middle East, Mauritius and Nigeria.

AYO, through its subsidiaries and associate companies, offers solutions and services across the depicted technology offerings.



TECHNOLOGY - continued

BUSINESS MODEL

AYO offers its key stakeholders meaningful value propositions that ensure its sustainability. The value propositions can be identified in the following way:

- Employee value proposition
- Partner value proposition
- Customer/client value proposition
- Shareholder value proposition
- Societal value proposition

The overarching customer-focused AYO business model depicted below is central to the delivery of these value propositions.

KEY PARTNERS	<ul style="list-style-type: none"> • Business development channel partners • OEM product vendors • Innovation networks • Market-related intelligence • ICT industry conferences and events • Subsidiary and associate CEOs
KEY ACTIVITIES	<ul style="list-style-type: none"> • Customer acquisition • Business/product development • Corporate development • Business performance management and corporate governance • Customer and vendor relationship management • Strategic management • Programme and project management • Strategic account and contract management • Financial management • Service and product support • Investment portfolio management
VALUE PROPOSITION	<ul style="list-style-type: none"> • Managed services • Security services • Consulting services • Infrastructure development and provisioning • Software development and integration services
CUSTOMER RELATIONSHIPS	<ul style="list-style-type: none"> • Strategic account customer relationships • Customer/client forums • Industry publications • Industry forums and events • Marketing events and roadshows
CUSTOMER SEGMENTS	<ul style="list-style-type: none"> • Finance • Mining, oil and gas • Health • Retail • Public • ICT and other service providers • Security and defence

TECHNOLOGY - continued

<p>KEY RESOURCES</p>	<ul style="list-style-type: none"> • Financial resources • People • Skilled and qualified resources • Organisational capabilities • Sales and business development • Marketing • Architecture practice • SMO and EPMO practice • Innovation practice • Finance practice • Account management
<p>CHANNELS</p>	<ul style="list-style-type: none"> • Channel partners • Client account teams • Embedded service delivery teams • Direct sales force teams • Pre-sales development teams
<p>COST STRUCTURE</p>	<ul style="list-style-type: none"> • Salaries • Subscriptions • Marketing • Administration • Research and development • Training • Consulting • Travel • Conferences • Business development • Mergers and acquisitions
<p>REVENUE STREAMS</p>	<ul style="list-style-type: none"> • Revenue from operations • Revenue from investment income • Revenue from new business development • Mergers and acquisitions

TECHNOLOGY - continued

AYO holds a number of certifications across its group to be able to cover services of a very high standard to its clients. AYO currently has a range of certifications which include CISCO, HUAWEI, VMWARE, PMI, TOGAF, F5, Microsoft, etc. As a standard requirement, AYO is also certified as per ISO 45001 (Health and Safety) standards, with an excellent health and safety track record with its customers.

COMMITMENT TO DIGITAL TRANSFORMATION

As an empowered ICT company AYO is committed to providing solutions to clients that are innovative and add value and efficiencies to their organisation. AYO is fully committed to the principles of B-BBEE and endeavours to ensure broader black economic participation in the South African ICT market.

AYO'S TECHNOLOGY OFFERINGS

AYO, through its subsidiary and associate companies, offers solutions and services across the depicted technology offerings above and as detailed below.

AYO MANAGED SERVICES

AYO Managed Services is focused on attracting disruptive platform businesses and will provide services and solutions across the typical ICT spectrum. This includes connectivity, communications, data and security. These services can be sourced by customers through various commercial models, including on-demand cloud services, hybrid and on-premise offerings.

AYO's Managed Services helps with all aspects of operations within the technology environments. They provide clients with technical expertise, service consistency, and flexibility across multiple vendors, technologies, and geographies. At the same time, they help to reduce overheads and improve efficiency by leveraging their scale, methodologies, and high levels of standardisation.

AYO Managed Services' solutions span across:

- Infrastructure
- Networks
- End-user computing
- Managed print services
- Data centres
- Service desk

AYO SECURITY SERVICES

AYO Security Services offerings have been developed as a component-based roadmap, which allow the leveraging of existing technologies and the integration of new leading technologies in order to build an efficient, collaborative Governance, Risk and Compliance (GRC) program.

A strong user and data governance roadmap is at the very heart of this practice and ensures that the right users have access to the right services and data while providing business advantage through self-enrolment, user life cycle and a quality customer experience.

AYO protects its clients' digital privacy by deploying customised security systems within South Africa's banking, e-commerce and telecommunications sectors. Their data security solutions address their clients' unique security risks across complex environments. They also focus on identity and access management and governance, data auditing and protection, as well as security management for networks, servers and devices.

AYO Security Services' solutions span across:

- Data security
- Cybersecurity
- User security (identity and access management)
- Data management and compliance

AYO CONSULTING SERVICES

AYO Consulting Services leads the AYO thought leadership practice ensuring that AYO's clients are positioned to take advantage of the opportunities that digital technology solutions bring to organisations, delivering competitive advantage or parity as the need be. These services also enable organisations to create new world business models or enhance existing ones to be digitally ready.

To keep pace in the digital age and the dawn of the fourth industrial revolution (4IR), while controlling costs and mitigating business risks, one can no longer depend on the past as a guide for the future. Leveraging their consulting services and technology expertise allows one to accelerate business transformation and innovation strategies. AYO helps to create and execute strategies to unlock opportunities, optimise processes, and uncover cost savings.

AYO Consulting Services' solutions span across:

- Business model innovation
- Robotic process automation (process innovation)
- Architecture services
- Cloud services
- Master data management services
- Training services and AYO Academy
- Security consulting services
- Project management office

TECHNOLOGY - continued

AYO INFRASTRUCTURE

AYO Infrastructure offers market-leading infrastructure provisioning capabilities, available through a number of its subsidiaries. This ranges from fibre optic cabling infrastructure, broadband, storage area networks, network and communications equipment. AYO's infrastructure intends to be a direct player with a number of chosen empowerment partners in delivering 5G spectrum services countrywide.

AYO Infrastructure solutions include:

- Fibre installation
- 5G broadband (when available)
- Storage area networks
- Network and communication equipment
- Server provisioning and maintenance
- Server hosting

AYO SOFTWARE

AYO Software solutions integration will enhance AYO's platform and digital capability ensuring that it is uniquely positioned with the appropriate experience per vertical industry. This includes adding to AYO's already comprehensive intellectual property in the health, mining, oil and gas industries, with additional competencies in financial services, service provider, media and public sector verticals.

This is one of AYO's core strengths. They introduce agile software development into their clients' product life cycles to ensure continuous improvement, managed code releases and seamless integrations with every iteration. They offer bespoke, feature-rich digital software products, localisation of international products for the African market, as well as the deployment of new and agile software solutions that vary in scale and complexity.

AYO Software development and integration solutions span across:

- Healthcare/medical systems
- Mobile solutions
- Web solutions
- Digital marketing solutions
- Digital media solutions
- Business solutions

AYO DIGITAL

AYO Digital offers market-leading digital capability to customers who intend to transform their legacy

ICT landscapes and position them to support their organisation's journey into the digital economy. AYO Digital is building distinct expertise that includes Internet of Things (IoT), machine learning, social media analytics, voice and video analytics, big data analytics, artificial intelligence (AI), and business process innovation and robotics skills. This is done through targeted acquisitions and organic growth initiatives as well as aligning the AYO Academy to building digital skills for the fourth industrial revolution.

Becoming data driven is essential to an organisation's ability to deliver a customer-centric experience. They work to understand their client's business objectives and identify the best way to serve their customers, helping them to keep up with the digital evolution by focusing on advisory, consulting and transformation services. They help redefine leadership, culture and structures to support this change.

AYO Digital's solutions include:

- Internet of Things
- Artificial Intelligence and machine learning
- Robotics
- Big data and video analytics and social media

GOVERNANCE

An appropriate governance framework and the necessary policies and processes are in place to ensure AYO and all its subsidiaries adhere to essential governance requirements and standards.

The Board is the principal decision-maker and is supported by various committees and the executive management team. AYO's Board is responsible for the strategic direction of the Group and the Company's governance framework.

The governance framework supports the Company's growth strategy. AYO's Board plays a pivotal role in strategy planning and has established clear benchmarks to measure the strategic objectives of the Company. The Board ensures that its sound governance framework will enhance good corporate governance, improve internal controls and the Company's performance. In carrying out the Company's strategic objectives, the Board is assisted by the necessary committees, including the executive committee, with clear terms of reference to assist the Board in discharging its responsibilities. This flows down to the subsidiaries and divisional levels to ensure that the business is provided with a structure within which management can operate effectively.

TECHNOLOGY - continued

GOVERNANCE AND ETHICS

The Board is ultimately responsible for ethical and effective leadership and has delegated to management the responsibility of implementing and executing the Code of Ethics (the code) and the Code of Conduct. The code has clear guidelines that inform AYO’s interactions with stakeholders and outlines the key ethical risks facing the business as well as mitigating actions. These risks include but are not limited to fraud, corruption, theft, unethical disclosure of sensitive information, harassment and discrimination.

The code is published on AYO’s website and is incorporated as part of the induction programme for all new employees as well as in all employee and supplier contracts.

The Board, with the assistance of the social, ethics and transformation committee, exercises ongoing oversight of AYO’s activities and the management of ethics. A strong ethical foundation is supported by:

- an anonymous telephone line and email address for whistle-blowing; precautions and protection for the reporter are in place, and those found guilty or responsible for unethical conduct are reprimanded accordingly;
- an independent ethics reporting line to detect breaches of ethical standards;
- dedicated effort to create awareness, detect and resolve any ethical violations; and
- ongoing training on anti-corruption and anti-competitive behaviour.

The Board of AYO continues to work towards the achievement of the following outcomes:

OBJECTIVE	Stakeholders	<ul style="list-style-type: none"> • Value creation for all stakeholders and sustainable development • An ethical culture and effective leadership are maintained with positive outcomes • A stakeholder-inclusive approach to balance the needs and interests of material stakeholders in the best interests of the AYO Group
SCOPE	AYO Group	<ul style="list-style-type: none"> • The AYO Group operates within the triple context • Governs risks and opportunities, strategy, business model as well as sustainable development in a way that supports the Company in achieving its strategic objectives
CHARACTER	Internal system	<ul style="list-style-type: none"> • Proper internal controls are in place and to approve policies and planning and to oversee, monitor and ensure accountability • The assurance services and functions enable an effective control environment to support the integrity of information for internal and external decision-making • The AYO Group remunerates fairly, responsibly and transparently to promote the achievement of the strategic objectives and positive outcomes in the short, medium and long-term
MECHANISM	Conformance	<ul style="list-style-type: none"> • Govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation to be ethical and a good corporate citizen
DIRECTION	Management	<ul style="list-style-type: none"> • The Board sets and steers the strategic direction of the Company and is the focal point and custodian of corporate governance and ensures accountability for the Company’s performance. The Board oversees and monitors the implementation and execution by management
DISCLOSURE	Financial statements	<ul style="list-style-type: none"> • Audited financial statements

TECHNOLOGY - continued

APPLICATION OF AND COMMITMENT TO KING IV™

As outlined in King IV™, the Board recognises its responsibility to act as the custodian of corporate governance for AYO. The Board ensures that directors:

- lead ethically and effectively;
- support an ethical culture;
- set the strategic direction for AYO for the year ahead;
- approve policies and planning; and
- administer and monitor the risks and opportunities, strategy, business model, performance and sustainable development.

A stakeholder-inclusive approach is followed to ensure the needs, interests and the expectations of material stakeholders are addressed.

LEGAL COMPLIANCE

The Board ensures it governs compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports AYO in being an ethical and a good corporate citizen.

AYO's policy requires all group companies, their directors and employees to comply with all applicable laws. Legal compliance systems and processes are in place and are continuously improved to mitigate the risk of non-compliance with the laws in the various jurisdictions AYO does business in and to ensure appropriate responses to changes and developments in the regulatory environment.

The nomination and social, ethics and transformation committees receive regular reports on compliance matters. To the extent that legal and regulatory matters have an impact on the financial statements, reports are presented to the audit and risk committee. Specific areas of law have been identified as key legal compliance risk areas. This includes competition law, anti-bribery and anti-corruption laws, sanction laws and safety, health and environmental laws.

Risk mitigation and control steps have been identified for each of these areas.

STRATEGIC PLANNING AND MONITORING

In the 2018 integrated report, AYO defined its growth strategy which has at its core a strategic intent of growing its share of the local ICT Market by 5% to 8%. However, the execution of its strategic intent was severely slowed down by the negativity that AYO experienced as a result of media reports and the subsequent Commission of Inquiry into the Public Investment Corporation (PIC).

Significant time and effort was spent in attending to the ensuing negative sentiments resulting in holding back the strategic direction setting at group level to the broader AYO Group of companies for a while. Despite this, the AYO Group continued to outperform market expectations as evidenced in its interim financial and year-end results of 2019.

AYO's growth strategy was underpinned by six mission critical success factors. Over a three-year planning horizon in the context of longer-term vision, AYO identified these as success factors to achieve the growth intended:

- Capital optimisation
- Customer focus
- Operational excellence
- People and culture
- Leadership
- Partnerships

The above factors together with others identified through AYO's group-wide engagements will be executed at Group level with subsidiary participation. Each subsidiary develops and executes its own business strategies and operations within the AYO Group and individual Board oversight. This is primarily to ensure that there is strategic alignment in the Group as well as the leveraging of synergistic opportunities in their "Go to Market" strategy and operations.

Monitoring of the above initiatives is achieved with the AYO vision and strategy at its centre. While this covers all initiatives, the strategic time horizons determine which elements are prioritised at any given reporting period. From a subsidiary perspective, business performance monitoring is also negotiated and agreed with their respective subsidiary boards.

The AYO Group manages its businesses strategically, following a process that includes an annual review of past performance, product basket, capacity, markets as well as a review of the internal and external environments. This review is followed by the setting of strategies, targets and action plans, aimed at both growth and sustainability in the short to long-term.

As part of its strategy, the AYO Group empowers the communities in which it operates. This is achieved through the transfer of skills and technical knowledge. This also promotes preferential procurement from small, black-owned companies.

TECHNOLOGY - continued

The Board of each business unit in the AYO Group has an approved, formal delegated authority schedule, which informs executive management of the necessary levels of approval for all key business transactions. In this way the AYO Group ensures that there is a senior manager or the Board itself reviewing each key business transaction/initiative and that key business activities are aligned with the AYO Group's strategy, is lawful, contributes to the Company's sustainability and will not be harmful to any stakeholders and/or the environment. In this manner, each business unit can monitor its financial performance against its strategies and evaluate this against the key performance areas of management and key employees.

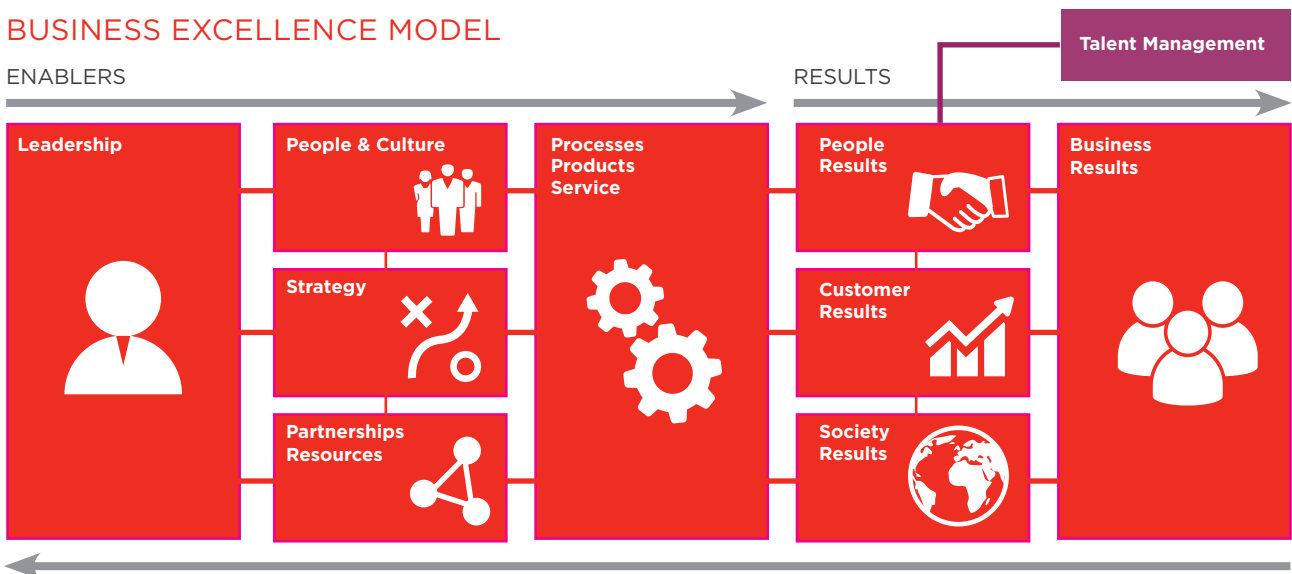
Through this process the sustainability of operations are ensured.

ECONOMIC SUSTAINABILITY

AYO aims to deliver sustainable returns to all of their stakeholders, founded on trusted relationships with key clients and innovative and high-quality brands. This positions us well for continued growth, underpinned by a focus on developing and acquiring a set of core products.

To achieve this, AYO adopted the business excellence model as a means to guide it in creating sustained shareholder value as depicted below

BUSINESS EXCELLENCE MODEL



ENVIRONMENTAL SUSTAINABILITY

AYO recognises its responsibility to:

- apply good environmental practices;
- meet and, where possible, exceed all current and future environmental legislative and regulatory requirements; and
- promote sustainability in all aspects of their businesses.

AYO is committed to continually improve their environmental impact as an integral part of their business strategy and commitment to sustainability. Their business does not place significant demands on the natural environment. Despite this, they are committed to implementing sustainable business practices that minimise their environmental impact, supported by policies, procedures and concrete work plans.

Management is constantly mindful of reducing CO₂ emissions, reducing paper usage and appropriately disposing of electronic waste. They invest in a renewable energy solutions provider to contribute towards reducing

South Africa's consumption of and reliance on fossil fuels and improving its footprint across its value chain.

SOCIAL SUSTAINABILITY

The AYO Group is aware of the critical role business has to play in the upliftment and development of the previously disadvantaged majority. This reinforces their mission to implement a social contract between business, government and civil society.

Competent technical skill is the single-largest contributing factor towards project success within the global ICT industry. This situation is further amplified in South Africa due to the severe lack of competent technical skills. AYO is committed to training and developing their employees internally and within the communities in which they operate to contribute toward social upliftment and sustainability.

In addition to their strong B-BBEE credentials and investment in diversity and transformation initiatives, they continuously seek ways to contribute to the communities in which they operate.

TECHNOLOGY - continued

KEY CHALLENGES AND RISKS

KEY CHALLENGES

CHALLENGE	DESCRIPTOR
Governance and integrity are perceived to be weak by regulators and shareholders	<ul style="list-style-type: none"> Appointed new executive team and Board Need to reconstitute subsidiary boards and strengthen committees
Reputation management for subsidiaries	<ul style="list-style-type: none"> Loss of contracts and challenge to retain upcoming renewal of contracts Reduction of credit guarantee facilities with suppliers Concern around owner warranties Staff turnover Need to reconstitute subsidiary boards Strengthen committees

RISKS

RISK	IMPACT ON BUSINESS	RESPONSE	PROBABILITY OF RISK (LOW, MEDIUM, HIGH)
PIC reputational damage	<p>The pipeline for acquisitions, investments and new contracts are limited pending the outcome of PIC Commission of Inquiry</p> <p>Jeopardising the renewal of existing contracts in subsidiary businesses</p>	The AYO Group is in constant communication around AYO, especially about the negative media reports and the facts. The AYO Group is committed to executing its vision while addressing issues raised by the different interested parties.	Medium to High
The JSE challenge in auditing unaudited interim results for previous years	<p>Negative impact on Company's reputation, brand value and perception</p> <p>Loss of key employees</p> <p>Slow progress to execute on the Company's strategy</p>	The Group is in the process of appointing an internal audit team and IFRS specialist to ensure compliance with the JSE Listings Requirements.	Low
The PIC legal processes	Finality in this matter will take years in court	The Company is engaging with its legal teams to address the PIC legal processes.	Low

TECHNOLOGY - continued

STAKEHOLDER MANAGEMENT

CREATING STAKEHOLDER VALUE

In executing its governance role and responsibilities, the Board adopts a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the business over time.

AYO strives to ensure a systematic and integrated approach to stakeholder engagement, facilitated by engagement programmes that provide increased assurance to the Board that all stakeholder issues have been identified, prioritised and appropriately addressed. The Board is equipped with the necessary information to enable it to take the legitimate interests and expectations of stakeholders into account in its decision-making.

AYO understands and is responsive to the needs and interests of key stakeholder groups. These include:

- Shareholders
- The investment community
- Employees
- Clients
- Suppliers
- Joint venture partners
- Regulators
- Business partners
- Communities

AYO constantly seeks to improve the way in which it engages with its stakeholders to effectively respond to their needs. Interaction with stakeholders occurs during the normal course of business at multiple levels across the business and AYO strives to resolve disputes with its stakeholders effectively and expeditiously. AYO's corporate affairs function is the custodian of the business' stakeholder engagement approach, associated processes and standards, and ensures a coordinated and consistent approach across the business. The function acts as an enabler to AYO with the goal of systematically embedding and continuously improving how stakeholders are managed.

To ensure AYO communicates with its smaller shareholders and those stakeholders who lack access to electronic media, the business publishes and reports on details of its corporate actions and performance (including its interim and final financial results) in South Africa's leading daily newspapers and online platforms.

AYO also publishes its most recent financial and operational performance and provides recent historical information, including its annual reports, on its website: www.ayo.com. AYO invites all shareholders to attend its AGM and facilitates participation by way of proxy solicitation and electronic means.

TECHNOLOGY - continued

The AYO Group aims to create sustainable value for its stakeholders in the short, medium and long-term through:

CAPITAL	STAKEHOLDER	VALUE FOR THE GROUP	VALUE FOR STAKEHOLDERS
Financial	Shareholders	<ul style="list-style-type: none"> • Supply of capital • Low geared balance sheet 	<ul style="list-style-type: none"> • Capital growth • Dividends • Return on investment
Social	Customers	<ul style="list-style-type: none"> • Repeat business and revenue growth • Understanding trends and opportunities • Improved ability to compete • Reputable brands 	<ul style="list-style-type: none"> • Quality products and services • Fair pricing
Human	Employees	<ul style="list-style-type: none"> • Engaged and motivated employees • Ability to attract and retain key skills 	<ul style="list-style-type: none"> • Fair pay • Interesting work • Growth and development • Equal treatment • Health and safety
Social	Communities	<ul style="list-style-type: none"> • Brand value • Trust • Access to business opportunities 	<ul style="list-style-type: none"> • Employment/business opportunities • Environmental care • Local hire • Resource use
Social	Government	<ul style="list-style-type: none"> • Favourable legislation and less interference 	<ul style="list-style-type: none"> • Contribution to taxes • Support job creation • Other strategic initiatives
Social	Suppliers	<ul style="list-style-type: none"> • Good service • Committed and consistent supply • Good pricing • Good quality products 	<ul style="list-style-type: none"> • Fair allocation of business • Pay on time • Zero corruption
Financial	Owners	<ul style="list-style-type: none"> • Supply of capital at a reasonable price • Healthy balance sheet 	<ul style="list-style-type: none"> • Capital growth • Dividends • Return on investment • Reduced risk
Intellectual	Customers	<ul style="list-style-type: none"> • Understanding trends and opportunities • Improved ability to compete • Building reputable brands 	<ul style="list-style-type: none"> • Better products and services
Natural	Government	<ul style="list-style-type: none"> • Repeat business 	<ul style="list-style-type: none"> • Payment of landing levies and taxes

TECHNOLOGY - continued

STAKEHOLDER EXPECTATIONS

The AYO Group recognises the importance of constant engagement with stakeholders. A key element of their strategic planning process is documenting the values and the culture of their business units.

The AYO Group 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"> • Sustainability of the business • Return on capital invested • Optimal capital allocation and management • Execution of growth strategies • Appropriate risk identification and management processes • Good corporate governance 	<ul style="list-style-type: none"> • Sound corporate governance rules are implemented in the business • Currently in progress with implementing growth strategies
Customers	Consumers of AYO's products	<ul style="list-style-type: none"> • Delivery of quality products and services • Price competitiveness • Leveraging their B-BBEE credentials • Adherence to regulatory requirements, good corporate governance and ethics • Reliable long-term supply of products 	<ul style="list-style-type: none"> • Ensured inventory availability • Ensured that products are safe and consistent with the quality and brand of the AYO Group • Ensured adherence to all necessary standards • Complied with international laws, regulations and legislation
Suppliers	Procurement of goods and services, for their operations and other business units	<ul style="list-style-type: none"> • Long-term security of supply • Fair treatment and fair payment terms • Entrepreneurship and supplier development programmes • Commitment to B-BBEE policies 	<ul style="list-style-type: none"> • Ensured that they sourced supply with reputable businesses – Code of Ethics • Fully committed to B-BBEE • Timeous payments • Implemented several entrepreneurship and supplier development programmes
Regulatory authorities	Promulgate and monitor regulatory framework 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 • Meeting with industry regulators

TECHNOLOGY - continued

Employees	Employment	<ul style="list-style-type: none"> • Career development opportunities including skills training • Job security • Market-related salaries and equal pay • Health and safety • Transformation and diversity • Employee wellness programmes • Corporate social investment in communities • Employee engagement and communication - the importance of open and honest feedback 	<ul style="list-style-type: none"> • The Group embarked on, benchmarking and evaluation measures and identifying further skills development plans • They focus on health and safety standards and procedures and ensure that working conditions are acceptable • Investment in skills development
Health and safety	Monitoring by health and safety officers	<ul style="list-style-type: none"> • Compliance with health and safety standards 	<ul style="list-style-type: none"> • Continuous training of employees on health and safety matters • Internal control procedure checklist to ensure compliance with respective laws and regulations • Immediate corrective action noted in the event of findings raised by health and safety officers
Government and regulatory authorities	Promulgate and monitor regulations 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 staff 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 • Meeting with industry regulators

REMUNERATION

The AYO Group aims to be a competitive and attractive employer in the marketplace. Remuneration and benefits are important drivers, as are career opportunities, personal development, culture and values, leadership, company performance and reputation. The AYO Group has a Code of Conduct, and complies with applicable laws, agreements and industry standards regarding hours of work and compensation.

The AYO Group offers its employees competitive remuneration packages where employees can contribute towards their retirement savings as well as medical insurance. The AYO Group has incentive schemes to retain talent and offers learning and growth opportunities to its employees.



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)

EVENTS AND TOURISM - continued

TRIPOS TRAVEL (PTY) LTD (TRIPOS)**KEY FACTS**

GENERAL MANAGER	R Romaney
BOARD OF DIRECTORS	K Abdulla, AM Salie, CF Hendricks and LO Burt
EMPLOYEES	9
HEAD OFFICE	Woodstock, Cape Town
FOOTPRINT	South Africa

PROFILE

Tripes Travel (Pty) Ltd (Tripes) has been in existence since 1970 and has two distinct operating divisions: Travel Management Services and Inbound Tours and Events. While they are specialists in corporate travel, they provide a service in both the corporate and leisure markets. In the Inbound Tours and Events department, they focus on inbound tours to Southern Africa for groups and independent travellers.

Tripes has long-term contracts with corporate clients and independent (on and off site) travel consultants.

Tripes aims to:

- deliver a superior service while actively contributing to the development of people in the travel industry;
- invest in leading-edge technology to service clients online and in person;
- develop their employees;

- build strong relationships and leverage its membership in the Sure Group to provide clients with the best prices;
- grow the inbound tourism business; and
- ultimately deliver good sustainable returns to their stakeholders.

2019 OPERATIONAL PERFORMANCE

The challenging economic conditions had an impact on revenue, with companies looking at cost-cutting measures while there is a continuing decline in the traditional travel agency industry. This created a very competitive arena for travel companies. Tripes plans to address this by focusing on acquiring small to medium-sized clients and investing more resources into the growth of their leisure and inbound tourism departments.

Cash flow management has improved with a complete overhaul of the back-office administration department. The efficiency in debt collection has improved and the Company can meet its day-to-day obligations through working capital.

EVENTS AND TOURISM - continued

VISION 2020 VISION – TRIPOS' CONTRIBUTION

A detailed analysis of the business was done in 2015 with the primary objective to have focused and aligned efforts across the business to deliver on its long-term goals. A five-year strategic plan was implemented with clear deliverable, strategic actions for each strategic lever and specific time frames.

Below is a high-level outline of their progress of the Vision 2020 Vision strategic goals:

- Tripos continues to:
 - concentrate its efforts to increase revenue and operating profits; and
 - invest in resources to promote niche tours and to grow its footprint.
- Tripos's relationship with the SURE Consortium Group continues to strengthen in that they continue to provide support in all aspects of their business, from client acquisition to supplier contract negotiation.
- Tripos was elected as the official travel partner by espAfrika, the owner and producer of the 20th Cape Town International Jazz Festival.
- A key value of Tripos is to put the customer first and this is entrenched in their values, staff coaching and training, incentives and allocation of resources.

PROSPECTS AND FUTURE OUTLOOK

Tripos plans to improve its revenue position by aggressively targeting small businesses for new business, outbound leisure business and exploit the growth in inbound travel to South Africa.

Tripos plans to restructure and consolidate resources to improve its profitability.

The actions in progress to achieve this are listed below:

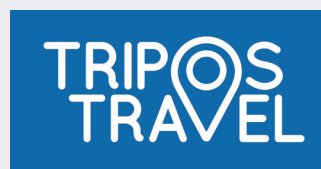
- Expand the responsibilities of an existing staff member to focus on the acquisition of new business targeting small to medium companies
- Continue to develop, promote and sell inbound packages for Southern Africa to the identified regions
- Evaluate prospects for acquisition in the inbound tourism sector
- Sell niche packages for the Cape Town International Jazz Festival as the official travel partner on a long-term basis
- Sell niche packages for The Harley Davidson Tours
- Promote and sell outbound leisure packages
- Work closely with suppliers to provide the best deals to customers
- Arrange customer service and sales training for all staff
- Build on and make optimal use of our improved systems and processes

OPERATIONAL FOOTPRINT

Tripos has a single office in Cape Town. Its corporate client list is predominantly Cape Town-based, with a small percentage (less than 5%) based in Gauteng. Tripos' inbound tours department specialises in providing tours to the Southern African region. This year, Tripos served clients from Dubai, France, Belgium and Canada.

COMPANY BRAND

BRAND



EVENTS AND TOURISM - continued

TRAVEL MANAGEMENT

RETAIL

- Travel
- Outbound leisure travel
- Corporate travel
 - Tripos has contracts with corporate clients, NGOs and government bodies to manage their travel arrangements
 - Tripos also has a number of agreements with corporates where it is retained as a preferred supplier

WHOLESALE TRAVEL

- Tripos structures packages (air, accommodation, tours and transfers) for resale by other travel agencies
- This is done for certain niche products like the Cape Town International Jazz Festival

INBOUND TRAVEL

- Inbound tours of Southern Africa
- Niche tours

LIST OF SERVICES OFFERED:

- IATA air tickets and non-IATA air tickets (e.g. air charters)
- Accommodation and car hire
- Transfer and chauffeur services
- Packaged travel arrangements
- Travel insurance, passports and visas
- After-hours service line
- Manage corporate events including meeting and conferencing arrangements
- Incentive travel
- Tours

BUSINESS MODEL

Tripos is a retail and wholesale travel business. It retails air, land and associated services directly to the consumer while it also wholesales travel packages to other travel companies. Tripos' retail business is split into corporate and leisure travel.

Tripos has contracts to manage the travel arrangements for several corporate clients based in South Africa. In leisure travel, the focus is on selling outbound travel packages to clients in the local market.

The inbound tours department focuses on selling packages to international inbound tourists. In addition, Tripos has agreements with independent travel consultants who use its infrastructure to issue tickets and to service their clients.

Revenues from travel management are generated from service fees and commissions (the latter is only from some service providers). A small portion of the income is in the form of rental from the independent travel consultants.

Tripos continues to aim to grow its retail travel business in line with its strategy while simultaneously planning to grow its inbound tours business. This strategy is designed to ensure regular income from corporate clients and through outbound and inbound sales, thereby improving the overall profit and profit margin.

GOVERNANCE

Tripos, through the application of policies and structures, as defined by the holding company AEEI, complies with all sound governance and regulatory functions and has had no reported fraud or 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 and that the Company adheres to all the regulations and laws.

The Board of Tripos (the Board) meets on a quarterly basis 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.

EVENTS AND TOURISM - continued

The Board continues to work towards the achievement of the following governance outcomes:

OBJECTIVE	Stakeholders	<ul style="list-style-type: none"> Value creation for all stakeholders and sustainable development An ethical culture and effective leadership are maintained with positive outcomes A stakeholder-inclusive approach balancing the needs and interests of material stakeholders in the best interests of the Company
SCOPE	Company	<ul style="list-style-type: none"> The Company operates within triple context Govern risks and opportunities, strategy, business model as well as sustainable development in a way that supports the Company to achieve its strategic objectives
CHARACTER	Internal system	<ul style="list-style-type: none"> Proper internal controls are in place to approve policies and planning and to monitor and ensure accountability Assurance services and functions enable an effective control environment to support the integrity of information for internal and external decision-making The Company remunerates fairly, responsibly and transparently in order to promote the achievement of the strategic objectives and positive outcomes in the short, medium and long term
MECHANISM	Conformance	<ul style="list-style-type: none"> Govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the Company to be ethical and a good corporate citizen
DIRECTION	Management	<ul style="list-style-type: none"> The Board sets and steers the strategic direction of the Company and is the focal point and custodian of corporate governance and ensures accountability for the Company's performance. The Board oversees and monitors the implementation and execution by management
DISCLOSURE	Financial statements	<ul style="list-style-type: none"> Audited financial statements in terms of IFRS

STRATEGIC PLANNING AND MONITORING

Tripos manages its business strategically by following a process that includes an annual review of past performance, source of income and a review of the internal and external environments, including the market. This review is followed by setting new strategies, targets and action plans aimed at short to long-term growth and sustainability.

Quarterly reviews of strategic achievements, progress on action plans and how changes in the internal and external environments may positively, or negatively, affect each action plan are conducted. Monitoring of the new strategic levers has been implemented, and strategies and actions are then adjusted to ensure that the Company achieves its targets and delivers on its action plans.

As part of its strategy, Tripos also empowers the communities in which it operates. This is achieved through the transfer of skills and technical knowledge by employing interns as consultants and in the back office. Tripos promotes preferential procurement from small black-owned companies.

Tripos has an approved formal delegated authority schedule, which informs executive management of the necessary levels of approval for all key business transactions. In this way, the Company 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 strategy, are lawful, contribute to the Company's sustainability and will not be harmful to any stakeholders and/or the environment.

EVENTS AND TOURISM - continued

ECONOMIC SUSTAINABILITY

Triplos aims to deliver good and sustainable returns to all its stakeholders. Triplos is planning to restructure the business to focus on new business acquisition and reduce fixed costs. To mitigate the low margins in corporate travel, it has embarked on a strategy to grow the tours and leisure part of the business which traditionally return higher margins. Revenue, costs and cash flow are monitored closely to ensure sustainability.

ENVIRONMENTAL SUSTAINABILITY

The growth of tourism has led to a strain on the world's natural environment. Triplos promotes responsible travel and encourages the conservation of the environment and the improvement of indigenous people. It also reflects the carbon emissions from air travel on their invoices to create awareness around the traveller's carbon footprint. It is also committed to reducing its environmental footprint.

SOCIAL SUSTAINABILITY

Triplos is aware of its responsibility to play a meaningful role in the communities in which it operates.

Triplos is committed to introducing and integrating people from previously disadvantaged backgrounds into the travel and tourism sector.

To achieve this, Triplos:

- introduced a learnership programme;
- assists with the growth of small business by giving these preferred supplier status; and
- embarked corporate social initiatives in the Western Cape.

KEY CHALLENGES, RISK, TECHNOLOGY AND COMPLIANCE**KEY CHALLENGES**

At present, Triplos' strategy focus is aimed at overcoming the following potential key challenges:

GOVERNMENT POLICY	<ul style="list-style-type: none"> • Government policy to cut all commissions and overrides will negatively affect the revenue that can be generated from these accounts
COMPETITION	<ul style="list-style-type: none"> • Travel management companies are under pressure from: <ul style="list-style-type: none"> - online travel agencies; - a large number of competitors in the market; - suppliers selling directly to the consumer; - the growth of collaborative sales (the sharing economy); and - corporates insourcing or cutting down on their travel management in the belief that it will save them money. • All the above puts a downward pressure on pricing and leads to thinner margins.
EMPLOYEE SKILLS AND RETENTION	<ul style="list-style-type: none"> • A consultant's reputation is the main selling point when clients consider using a travel management company and the relationship they build is the main factor why their business is retained • A consultant's knowledge, experience, interpersonal skills and reputation are critical in acquiring and retaining business • Skilled consultants are in short supply and employee retention is a key challenge • Incentive and retention schemes are becoming increasingly important to retain the best talent; as a small business in the sector, they are at a disadvantage compared to larger enterprises
EMPLOYEES AND COMMUNITY	<ul style="list-style-type: none"> • In meeting these values, Triplos has at its core the development of both the individual employee and the creation of opportunity for the broader community

EVENTS AND TOURISM - continued

RISKS

Risk management is integrated into Tripos' management process. Tripos maintains a risk register, which is compiled and maintained by the 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.

The business risks facing Tripos' ability to sustain itself in the future as well as the mitigation against those risks are noted below:

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
The discontinuation of commissions and overrides	Negative impact on revenue and profits	Tripos is prepared to renegotiate its service fees in the event of this and will compensate for this possibility and have an impact on all future contracts. In addition, they have refocused their business to grow the inbound/tours department which is not dependent on the same model as travel
IATA BSP payment date change, from one month to two weeks	Negative impact on cash flow management	Tripos Travel will have to renegotiate contracts to align its collections with the change from IATA
Technology	Sustainability of the business	The innovative use of technology has directly impacted the travel industry with online bookings
Employee retention	Sustainability of the business	A retention plan, including incentives, training and development and team engagement has been introduced

EVENTS AND TOURISM - continued

STAKEHOLDER MANAGEMENT

CREATING STAKEHOLDER VALUE

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

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

CAPITAL	STAKEHOLDER	VALUE FOR THE ORGANISATION	VALUE FOR STAKEHOLDERS
Human	Employees	<ul style="list-style-type: none"> Engaged and motivated employees Ability to attract and retain key skills 	<ul style="list-style-type: none"> Fair pay Interesting work Growth and development Equal treatment Health and safety
Social	Communities	<ul style="list-style-type: none"> Reputation Brand value Trust Access to business opportunities 	<ul style="list-style-type: none"> Employment/business opportunities Environment care Local hire Resource use
Social	Government	<ul style="list-style-type: none"> Favourable legislation Less interference 	<ul style="list-style-type: none"> Contribution to taxes Support job creation and other strategic initiatives
Social	Suppliers	<ul style="list-style-type: none"> Good service and commitment 	<ul style="list-style-type: none"> Fair allocation of business Pay on time Zero corruption
Financial	Owners	<ul style="list-style-type: none"> Supply of capital at reasonable price 	<ul style="list-style-type: none"> Growth Dividends Return on investment Reduced risk
Intellectual	Customers	<ul style="list-style-type: none"> Understanding of trends and opportunities, thereby having an improved ability to identify opportunities for growth and threats that may hinder it 	<ul style="list-style-type: none"> Better products and services Repeat business and greater market share

EVENTS AND TOURISM - continued

STAKEHOLDER EXPECTATIONS

Tripos recognises the importance of constant engagement with stakeholders. The principal stakeholders for Tripos are shareholders, employees, clients, suppliers and associates.

Tripos 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"> Shareholder wealth creation Ethical business practices 	<ul style="list-style-type: none"> Sound corporate governance rules are implemented in the business Their strategic plans are aligned to a growth strategy
Clients	Corporate travel managers Travellers	<ul style="list-style-type: none"> Clients experience excellence in products and services provided Build good relationships with corporate clients Reliable supply of appropriate advice and products 	<ul style="list-style-type: none"> Investment in employee training and development Suppliers are vetted and managed to provide quality products Employees adhere to all ethical and legal requirements in the delivery of the service Regular meetings and contact with major clients Customer service standards and performance are measured
Suppliers	Procurement of travel, accommodation, land transport and travel-related products either on behalf of the client or for Tripos to on-sell	<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 B-BBEE policy Negotiate, manage and conclude contracts Timeous payment
Accreditation and associations: B-BBEE*, IATA*, ASATA* and SATSA*	Interact with industry leaders, regulatory bodies and government, and provide accreditation of good standing	<ul style="list-style-type: none"> Compliance with strict Code of Conduct, laws and apply the highest ethical standards 	<ul style="list-style-type: none"> Continuous training of management and employees responsible for compliance with various regulations by the respective authorities Participation in industry meetings and conferences
Employees	Employed at Tripos	<ul style="list-style-type: none"> Safe working environment Fair treatment and fair remuneration Maintain a sustainable business for job security 	<ul style="list-style-type: none"> Training and development of employees Incentive scheme introduced in addition to fixed salary Fixed salary benchmarked to industry standard Long-term business plan for growth

REMUNERATION

Tripos 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, leadership, performance and reputation. As stated in the Code of Conduct, the Company complies with applicable laws, agreements and industry standards on working hours and compensation.

Tripos has various incentive schemes in place to retain talented and experienced employees. All new contracts stipulate that employees must belong to the Company's provident fund to plan for their retirement, and medical insurance is compulsory, as per Group policy.

*ACRONYMS

B-BBEE	Broad-based Black Economic Empowerment
IATA	International Air Transport Association
ASATA	Association of Southern African Travel Agents
SATSA	Southern African Tourism Services Association

(📖 - Principles 1 to 16)

EVENTS AND TOURISM - continued

MAGIC 828 (PTY) LTD (MAGIC)**KEY FACTS**

GENERAL MANAGER	Currently managed by directors
BOARD OF DIRECTORS	K Abdulla, CF Hendricks, AB Amod, JC van Niekerk
EMPLOYEES	19
HEAD OFFICE	Mowbray, Cape Town
FOOTPRINT	Western Cape

PROFILE

Magic 828 (Pty) Ltd (Magic) is a medium wave (AM/MW) independent commercial music radio station, broadcasting throughout the Western Cape and streaming worldwide. The studios are situated in Golf Park, Mowbray, Cape Town with a transmitter sited at the centre of a geographic triangle with Paarl, Durbanville and Malmesbury as the three corner points.

The station radiates a 25 000 watt (25kw) signal to all areas of the Western Cape, unrestricted by mountainous terrain. The transmitter is five generations up on existing MW transmitters in South Africa. Magic also broadcasts in digital/stereo streaming via its website, mobile applications on both IOS and Android platforms, and other radio applications.

Magic's music format is defined as adult contemporary hits with a touch of rock and a taste of Golden Oldies, broadcasting hits from the 1960s to 2000s. Magic believes that its music format has no colour lines as these hits are easily recognised by listeners, constantly entertaining them through more music, with less talk, thus invoking memories of past experiences. Magic's target audience comprises individuals between the ages of 35 to 65 of no specific race or gender, even though they receive feedback from listeners outside this age group.

Magic's listenership has grown by 42% to 187 000 listeners in 2018 (research privately done by Freshly Ground Insights) and increased its unique streaming listeners by more than 100% to over 20 000 via its digital platforms.

A detailed analysis of Magic was done during the 2018 financial year with the primary objective to focus and align

efforts across the business to deliver on its long-term goals. A short-term plan has been put in place in relation to programming, sales and marketing and establishing clear reporting channels to all employees whereby they understand their roles and responsibilities. A five-year strategic plan to the year 2020 was implemented in 2015 with clear deliverables, strategic actions for each strategic lever as well as specific time frames.

2019 OPERATIONAL PERFORMANCE

Magic's core focus was and currently is to create awareness to increase listenership, generate high-quality programming to retain existing listeners, ultimately to generate more revenue and create a sustainable business which is profitable.

The radio station is built on an advertising revenue model, split between agencies and direct advertising, which is driven primarily by listenership. This relationship of listenership vs advertising revenue is evident with both increasing by more than 40%. With the base costs now established and stabilised, its focus has moved to implementing an aggressive marketing strategy to create awareness, and exploring new opportunities and partnerships to achieve its overall objectives.

Magic understands that listenership figures from the Broadcasting Research Council are predominately used by customers to assess a potential return on investment. This has been a challenge, however, Magic is forging new relationships with all stakeholders, including the Broadcasting Research Council which is allowing the Company to appear on its research as having listenership figures.

EVENTS AND TOURISM - continued

An overall plan has been established by partnering with another radio station to benefit from its listenership and potentially sell advertising nationally. These plans are currently being actioned and will be monitored regularly in the 2020 financial year.

The Board of Magic relies on the executive team to work with management to implement the plans over the next 12 to 18 months.

VISION 2020 VISION - MAGIC'S CONTRIBUTION

The following prospects have been identified in reaching Magic's Vision 2020 Vision:

- Further increasing brand awareness and increasing listenership
- Performing at various community events and encouraging the underprivileged to participate
- Extending its broadcasting via programming from Magic AM on FM community stations
- Protecting its industry to create more employment
- Further advertising opportunities arising due to the exposure of the radio station
- Further growth in listenership
- Continue to look at joint ventures in marketing and advertising
- Creating an e-Entertainment magazine in conjunction with another entity to realise further advertising and income
- Employing more people on an equal employment basis, as well as obtaining the HDP level of 70% as per the Independent Communications Authority of South Africa (ICASA) licence agreement
- Increasing its broadcast area by going digital.

PROSPECTS AND FUTURE OUTLOOK

Magic has adjusted its business model to ensure that the business structure, processes and objectives are aligned to the requirements of the ICASA radio licence to ensure compliance. Magic embarked on a digital journey, allowing it to become the first Western Cape radio station broadcasting on Digital Audio Broadcasting, resulting in Magic becoming a competitor with other FM broadcasting stations. An application has been submitted to ICASA to allow the Company to start digital trials from December 2018, within the limits of trial licences allowed by ICASA.

The main opportunity that exists is the agency business through its sales house, The Media Connection, which has shown significant advertising revenue growth since inception. However, this has been impacted by the economic downturn in the economy. This opportunity is enhanced by the partnership with another radio station broadcasting in Gauteng, which allows Magic to sell national advertising and to benefit from the combined listenership of these two stations.

Management adopted a business model focused on local direct sales as agency sales have not met expectations in previous years. This will result in steadily increasing revenue throughout the year leading up to 2020.

The following prospects have been identified in reaching Vision 2020 Vision:

- Increasing its broadcast area
- Further increasing brand awareness and increasing listenership with aggressive marketing
- Exploring opportunities to obtain government business with the assistance of its partners
- Constructing a roadshow to visit agencies in three centres, namely Gauteng, Cape Town and KwaZulu-Natal; this has been proven by other stations to be exceedingly successful
- Performing at various community events and encouraging the underprivileged to participate
- Extending its broadcasting via programming from Magic AM online for digital presence
- Protecting the industry to create more employment
- Further advertising opportunities arising due to the exposure of its radio station
- Growing its listenership
- Continue to look at joint ventures in marketing and advertising
- In conjunction with another entity creating an e-Entertainment magazine realising further advertising and income
- Employing more people on an equal employment basis, as well as obtaining the HDP level of 70% as per the ICASA licence agreement.

EVENTS AND TOURISM - continued

MARKET PRESENCE

Magic's market presence includes the Cape Town region and Simonstown, extending to Vredendal, Clanwilliam, Sutherland, Prince Albert and Still Bay.

COMPANY BRAND

BRAND

**BUSINESS MODEL**

Magic has aligned its business model to ensure that the business structure, processes and objectives comply with the requirements of the Independent Communications Authority of South Africa (ICASA) radio licence. Magic has embarked on a digital journey to become the first Western Cape radio station broadcasting on Digital Audio Broadcasting, thus resulting in Magic becoming a competitor with other FM broadcasting stations. An application has been submitted to ICASA to allow the Company to start digital trials from December 2018 within the limits of trial licences allowed by ICASA.

GOVERNANCE

Magic applied the policies and structures as defined by the AEEI Group, and complies with all sound governance structures and regulatory functions; it has had no reported fraud or deviation in the application of these principles in the current period. The continued training and exposure of employees to the regulatory environment and regulations of the Companies Act ensure that employees are fully informed of their responsibilities.

The Board of Magic 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.

EVENTS AND TOURISM - continued

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

OBJECTIVE	Stakeholders	<ul style="list-style-type: none"> Value creation for all stakeholders and sustainable development An ethical culture and effective leadership are maintained with positive outcomes A stakeholder-inclusive approach balancing the needs and interests of material stakeholders in the best interests of the Company
SCOPE	Company	<ul style="list-style-type: none"> The Company operates within triple context Govern risks and opportunities, strategy, the business model as well as sustainable development in a way that supports the Company to achieve its strategic objectives.
CHARACTER	Internal system	<ul style="list-style-type: none"> Proper internal controls are in place to approve policies and planning, and to monitor and ensure accountability Assurance services and functions enable an effective control environment to support the integrity of information for internal and external decision-making The Company remunerates fairly, responsibly and transparently in order to promote the achievement of the strategic objectives and positive outcomes in the short, medium and long-term
MECHANISM	Conformance	<ul style="list-style-type: none"> Compliance with applicable laws and adoption of non-binding rules, codes and standards in a way that supports the Company to be ethical and a good corporate citizen
DIRECTION	Management	<ul style="list-style-type: none"> The Board sets and steers the strategic direction of the Company and is the focal point and custodian of corporate governance and ensures accountability for the Company's performance. The Board oversees and monitors the implementation and execution by management
DISCLOSURE	Financial statements	<ul style="list-style-type: none"> Audited financial statements in terms of IFRS

STRATEGIC PLANNING AND MONITORING

Strategic planning is assessed by the Board of Magic (the Board) and implemented by the executive team consisting of representatives of both management and the shareholders. Quarterly Board meetings are held whereby the Board can monitor the progress of the business, whereas monthly executive meetings are held to discuss implementation plans in more detail.

ECONOMIC SUSTAINABILITY

During the 2018 financial year, RAC Investment Holdings (Pty) Ltd acquired 35% equity interest in Magic. This resulted in funding from shareholders and discussions around marketing the station and establishing relationships with all stakeholders.

The Media Connection has not met its commitments for the 2019 financial year, therefore management decided to focus on the direct sales team which includes the sales teams based in Cape Town and Gauteng.

Revenue targets have been established in line with the marketing plan and Magic's overall objective is to break even in the 2020 financial year.

ENVIRONMENTAL SUSTAINABILITY

In terms of Magic's licence agreement with ICASA, it is required to spend on CSI initiatives. Magic has not selected a specific cause as the Company believes it is able to assist in various areas where required. Advertising and promotions have been provided to local hospitals, promoting awareness with regard to pollution and lack of resources, and single-use plastic initiatives among others.

Development and implementation of strategies in all departments – marketing, sales, programming and production – develop identities/products around all shows focused on both listeners and advertisers.

SOCIAL SUSTAINABILITY

Magic contributes to social sustainability by establishing a professional, yet entertaining corporate image and striving to achieve the objectives in their ICASA licence agreement. The Company has trained employees as well as interns in various areas of the industry and offered them opportunities to commence a career at Magic. Additionally, Magic has increased its quota of HDIs within the business by promoting gender and race diversity in terms of female employees and HDI individuals.

EVENTS AND TOURISM - continued

KEY CHALLENGES AND RISKS

KEY CHALLENGES

Magic's current strategic focus is aimed at overcoming the following potential key challenges:

ADVERTISING REVENUE	<ul style="list-style-type: none"> • Creativity of advertising content on shows and presentations to agencies • Reach and maintain targets from direct sales and sales houses in a depressed marketplace
COMPETITION	<ul style="list-style-type: none"> • Competition from other radio stations
EMPLOYEE SKILLS AND RETENTION	<ul style="list-style-type: none"> • The industry in which Magic operates requires highly-skilled and experienced employees, thus employee retention is a high priority and a key challenge • There are extremely limited resources of high-quality personnel which makes enticement from other radio stations an ongoing risk factor • Due to the small employee complement, Magic is continually at risk for not being able to enter into new markets due to time constraints and shortage of employees
TRAINING	<ul style="list-style-type: none"> • This is of great importance to Magic and remains an ongoing project
TECHNOLOGY	<ul style="list-style-type: none"> • Technological advancements to be monitored on a regular basis • Backing up of integral information and the music playlist is done on a monthly basis • Continual involvement with ICASA in relation to stereo broadcasting, which would have a significant impact on listenership

EVENTS AND TOURISM - continued

RISKS

Risk management is integrated into its business management process. Magic 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 and going concern risks are 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 Magic.

Strategic and going concern risks are reviewed at the quarterly Board meetings of Magic and the executive directors are charged with the execution of approved risk management actions.

Along with the risk register, executive management also compiles and maintains a strategy dashboard, as several risks are being mitigated by the Company's strategy; the risks and strategy are directly mapped where applicable.

Although a number of identified risks could not be avoided during the year under review, the pre-planned management strategies for these risks were successful in mitigating and avoiding the severity of the impact on Magic.

RISK IDENTIFIED	IMPACT ON BUSINESS	RESPONSE
Economic conditions	A reduction in turnover, profits and cash flow from operations	Increased presentations in both marketing and sales
Employees	A significant increase in wages could result in a significant reduction in profits and attaining targets.	Magic currently holds tight contractual obligations for contracted employees
Listenership research	Lack of credibility with agencies and advertisers and a loss of income	Magic has engaged with credible research companies to provide reliable data
Less marketing presence	This would result in a lack of growth in sales and listenership	Magic has addressed this issue by approaching suppliers and customers and entering into barter agreements to minimise the impact of lower marketing spend and allowing listeners to become influencers to enhance brand awareness
Technology	Partial or total shutdown of the business if integral data is not backed up and checked upon	Back-ups are done daily, weekly and monthly on a separate server and two copies are stored on external drives, one of which is off site to safeguard any business interruption

EVENTS AND TOURISM - continued

STAKEHOLDER MANAGEMENT

CREATING STAKEHOLDER VALUE

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

Magic 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	Customers	<ul style="list-style-type: none"> Repeat business Revenue growth Reputation and brand value Access to skills development and training 	<ul style="list-style-type: none"> Quality products and services Fair prices Prompt service Creative quality shows
Human	Employees	<ul style="list-style-type: none"> Engaged and motivated employees Ability to attract and retain key skills 	<ul style="list-style-type: none"> Fair pay Creative work Growth and development Equal treatment Health and safety
Social	Communities	<ul style="list-style-type: none"> Reputation Brand value Trust Access to business opportunities Participation in community events Charities 	<ul style="list-style-type: none"> Employment opportunities Business opportunities Environment care Support job creation in the industry Resource use
Social	Government	<ul style="list-style-type: none"> Favourable legislation Less interference Change over to digital 	<ul style="list-style-type: none"> Contribution to taxes Support job creation in the industry Support strategic initiatives
Social	Suppliers	<ul style="list-style-type: none"> Good service Commitment Loyalty 	<ul style="list-style-type: none"> Fair allocation of business Pay on time Growth of their business
Financial	Shareholders	<ul style="list-style-type: none"> Supply of capital at reasonable price 	<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 compete Growth of listenership 	<ul style="list-style-type: none"> Better products and services

EVENTS AND TOURISM - continued

STAKEHOLDER EXPECTATIONS

Magic recognises the importance of constant engagement with stakeholders. A key element of the Company's strategic planning process is to document the values and the culture of its business units.

Magic has various procedures in place with regard to 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
Customers	Consumers of Magic	<ul style="list-style-type: none"> Advertising sold at a very high standard within the industry 	<ul style="list-style-type: none"> Ensure that Magic adheres to all necessary standards, such as ICASA Direct contact with major customers locally
Suppliers	Procurement of goods and services such as goods and services for the radio station's operations	<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 B-BBEE Negotiate, manage and conclude contracts Timeous payment
Regulatory authority: ICASA	Promulgate and monitor regulatory framework and comply with current laws and regulations	<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 Participation in industry working groups Meeting with industry regulators
Employees	The foundation of the 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
Health and safety	Monitoring by health and safety officers	<ul style="list-style-type: none"> Compliance with health and safety standards 	<ul style="list-style-type: none"> Continuous training of employees on health and safety matters Internal control procedure checklist to ensure compliance with respective laws and regulations Immediate corrective action noted in the event of findings raised by health and safety officers
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"> Learnerships Training and development Employment opportunities
Government and regulatory authorities	Compliance with laws and regulations of authorities	<ul style="list-style-type: none"> Compliance with laws and regulations of authorities 	<ul style="list-style-type: none"> Internal control procedure checklist to ensure compliance with respective laws and regulations Meet with government representatives

REMUNERATION

Magic 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, Magic complies with applicable laws, agreements and industry standards on working hours and compensation.

(📄 - Principles 1 to 16)



HEALTH AND BEAUTY

R42m

CONTRIBUTION TO
REVENUE

R1m

PROFIT BEFORE
TAX

AFRINAT PTY (LTD) (AFRINAT)

(previously known as Wynberg Pharmaceuticals (Pty) Ltd)

KEY FACTS

CHIEF EXECUTIVE OFFICER	Dr Abdusamad Sidar
BOARD OF DIRECTORS	K Abdulla, CR Ah Sing, CF Hendricks, AB Amod and A Sidar
EMPLOYEES	8
HEAD OFFICE	Victoria & Alfred Waterfront, Cape Town
FOOTPRINT	<p><i>Western Cape:</i> Hex Valley, Citrusdal, Ceres, Riebeek Kasteel and Tulbagh</p> <p><i>Eastern Cape:</i> Patensie, Gamtoos, Sundays River Valley, Port Alfred and Humansdorp</p> <p><i>Limpopo:</i> Polokwane, Groblersdal, Marble Hall, Hoedspruit, Letsitele, Tzaneen and Alldays</p> <p><i>Mpumalanga:</i> Nelspruit, Komatipoort, Hazyview, Malelane and Ogies</p> <p><i>Northern Cape:</i> Keimoes, Augrabies, Kakamas, Upington and Vaalharts</p> <p><i>Free State:</i> Bethlehem and Ficksburg</p>

PROFILE

AfriNat Pty (Ltd) (AfriNat) supplies a range of natural biostimulants and agricultural pre-harvest products as well as a range of hygiene and sanitation products under the brand ViBacSan® to the post-harvest industry and hygiene and sanitation sector. These products are human, animal and plant safe. They are also internationally recognised and certified as such using British and European Standards (BS, ES), National Regulatory Compulsory Specifications (NRCS) and SABS. Agricultural products are registered with the Department of

Agriculture, Forestry and Fisheries (DAFF) and have the NSF international accreditation.

The products are registered and manufactured locally and are being used with success in the agricultural, food, and general health and hygiene sectors. AfriNat acquired the intellectual property (IP) from a UK-based company called Phyto and is currently in a joint venture with them providing access to their other products for select markets.

Over the past 18 months, the strategic objectives were changed to focus on South Africa and Southern Africa.

HEALTH AND BEAUTY - continued

2019 OPERATIONAL PERFORMANCE

AfriNat operates in three sectors: pre-harvest, post-harvest, and hygiene and sanitation with different ranges of products. The drop in sales was due to international tariff increases and local protests at ports, which forced distributors to return stock for the 2018 season. Overall numbers are below budget. However, all stock was sold and growth was evident.

Strategic objectives in post-harvest and hygiene and sanitation have been put in place to address the underperformance and are starting to show results. The biggest challenge still remains the change in thinking required to use their product ranges as pricing versus application and the effect is different to conventional products. This requires extensive marketing efforts which the Company has not engaged fully, but has its strategy for the new financial year. This involves food preparation companies and shopping mall property companies to offer a high-efficacy, cost-saving solution.

AfriNat delayed the introduction of food additives and preservatives and rather focused its efforts on the current divisions. However, diversification into the food sector is critical to avoid the risks of the drought and the cyclical nature of the agricultural market. This is largely mitigated by the current research and development projects underway in the food sector. The Company has engaged with manufacturers to establish its market presence and hopes to see the results in the new financial year.

VISION 2020 VISION – AFRINAT'S CONTRIBUTION

A detailed analysis of the business was done in 2015 and a five-point strategic plan was implemented in 2015 with clear deliverables, strategic actions for each strategic level as well as specific time frames.

2019 ACHIEVEMENTS

- They moved from research to commercialisation of products in the agricultural sector.
- The introduction and successful registration of additional products to the original 15 products in the ViBacSan® range have been subjected to independent evaluation and trials, establishing the credentials of the product in local markets. New regulatory submissions to the NRCS are currently in progress. A test trial, on two ViBacSan® products was successful at the GLP Laboratory overseas "Micro-Challenge" and AfriNat was granted the ACT 5 Registration Number by the NRCS. For these two products.
- The introduction of pre-harvest products to the local market has been extremely successful with farmers. The products, through delivery of a comprehensive spray programme, have shown benefits of increased health and thus crop yield increases. All DAFF registrations for pre-harvest products have been successfully accomplished.
- The post-harvest products will add to the value chain in the agricultural sector. These are part of the products mentioned in second bullet point above and used in the processing following harvest and picking. Packhouses are the primary customer and AfriNat is signing up agents and distributors in various regions to actively promote the range. This gives packhouses the opportunity to meet international standards on food safety in the export of fruit and vegetables.
- Growth in the hygiene and sanitation sector is being developed through cleaning contractors and large property companies. They offer a natural water-saving alternative to end-users which is in line with international trends. This is in addition to the food preparation business showing steady acceptance. Food ingredients and preservative aspects are still in the research and development phase, having conducted multiple tests in food and fishing.

PROSPECTS AND FUTURE OUTLOOK

AfriNat has developed a platform for growth which is estimated at 25% per annum based on the uptake of the product offering over the next three years. They have seen an almost 200% growth in the pre-harvest division this year through active marketing efforts and with additional distributors being signed on in different provinces. There are no planned acquisitions in the short to medium term and organic growth is expected by increasing market share and penetration into both the pre-harvest and post-harvest markets in the coming season.

The main opportunity that exists is the international focus on a green economy and protecting the environment. AfriNat has acquired the rights to internationally recognised natural products supporting key industries that impact on the health and well-being of the population. These products range from domestic hygiene to food security.

HEALTH AND BEAUTY - continued

The following prospects have been identified in reaching their Vision 2020 Vision:

- Growth of the product portfolio in the pre-harvest sector – there are opportunities to capitalise on their empowered status and successfully attract international and local partners to expand their product portfolio
- Discussions with multiple international companies to have trade relations supplying products and, in turn, having exclusivity on their products in South Africa in the pre-harvest sector
- The food and beverage manufacturing and processing sector has been delayed for active entry until the 2019/20 fiscal year due to the intense focus and demand from the agricultural sector
- Conclude a local manufacturing facility – this initiative will provide jobs locally and require the transfer of new skills to employees
- Diversity of products and market – AfriNat is adding products to its portfolio
- Expansion into new sectors with innovative products – a significant opportunity exists to capture a large portion of the infection control and hygiene and sanitation markets in the health delivery system, as well as the food processing and hospitality sectors, with their internationally recognised, totally natural range of sanitation and hygiene products
- Retention of business won – in a business environment that is based on a high level of relationship building, the successful retention of business is a key measure of AfriNat’s performance
- Expand into new markets outside of South Africa.

OPERATIONAL FOOTPRINT

AfriNat’s administrative function (including management, marketing and finance) operates from the V&A Waterfront, Cape Town. AfriNat’s products are manufactured under an agreement with a contract manufacturer in Blackheath, Cape Town. The distribution of products is done under distribution agreements with vendors in the respective sectors and provinces

COMPANY BRAND



PRODUCTS



Syn-G
NUTRIENT STRENGTHENING CONCENTRATE



Elicitor
PHYTOLOGICAL ACTIVATOR CONCENTRATE



Agri-Spray
BIO-PESTICIDE REPELLENT CONCENTRATE



Kleur+
COLOR ENHANCER CONCENTRATE

VIBACSSAN
Natural Disinfectants & Cleaners



ALL PURPOSE SANITIZER



APPARATUS DISINFECTANT



DEGREASER



HAND SOAP



HAND SANITIZER



HIGH FOAM DETERGENT



KRATE WASH



LOW FOAM DETERGENT

HEALTH AND BEAUTY - continued

BUSINESS MODEL

AfriNat’s model for the manufacture and distribution of its products are based on the following principles:

- The acquisition of innovative local and international product patents and internal IP as well as international collaborative IP that is relevant to the African markets
- The Company trials and micro challenges all products and brings them to registration, at which point they do the following upon receipt of registration and certification:
 - Appoint local manufacturers to produce the products to stringent quality standards with the objective being to establish their own manufacturing facilities throughout the country where critical mass has been attained
 - Appoint local distributors who are active in the markets relevant to the products
- Provide their partners with ongoing technical support

In applying this business model, the ultimate objective is to transfer knowledge and opportunities to local SMMEs while providing employment opportunities.

GOVERNANCE

Through the application of policies and structures within the AEEI Group, AfriNat complies with all sound governance and regulatory functions and has had no reported fraud or 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 AfriNat (the Board) 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 these 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.

The Board continues to work towards achieving the following governance outcomes:

OBJECTIVE	Stakeholders	<ul style="list-style-type: none"> • Value creation for all stakeholders and sustainable development • An ethical culture and effective leadership with positive outcomes • A stakeholder-inclusive approach that balances the needs and interests of material stakeholders in the best interests of the Company
SCOPE	Company	<ul style="list-style-type: none"> • The Company operates within triple context • Govern risks and opportunities, strategy, the business model as well as sustainable development in a way that supports the Company to achieve its strategic objectives
CHARACTER	Internal system	<ul style="list-style-type: none"> • Proper internal controls are in place to approve policies and planning, oversee and monitor and ensure accountability • The assurance services and functions enable an effective control environment to support the integrity of information for internal and external decision-making • The Company remunerates fairly, responsibly and transparently in order to promote the achievement of the strategic objectives and positive outcomes in the short, medium and long term
MECHANISM	Conformance	<ul style="list-style-type: none"> • Govern compliance with applicable laws and adopt non-binding rules, codes and standards to support the Company to be ethical and a good corporate citizen
DIRECTION	Management	<ul style="list-style-type: none"> • The Board sets and steers the strategic direction of the Company and is the focal point and custodian of corporate governance and ensures accountability for the Company’s performance. The Board oversees and monitors the execution of the strategy by management
DISCLOSURE	Financial statements	<ul style="list-style-type: none"> • Audited financial statements in terms of IFRS

HEALTH AND BEAUTY - continued

STRATEGIC PLANNING AND MONITORING

In applying its business model, AfriNat is focused on becoming the leading black empowerment company in its sector, which is completely void of B-BBEE companies. AfriNat is also focused on providing returns to its investors while making a positive contribution to the provision of bio-agricultural solutions, food manufacturing and processing entities and medical care. In this process, it aims to increase employment and knowledge transfer to the broadest possible population of South Africa. In achieving this objective, they strive to support similar strategies in the rest of Africa.

AfriNat manages its businesses strategically, following a process that includes an annual review of past performance, products/services and markets, as well as a review of the internal and external environments. This review is followed by setting of strategies and action plans aimed at both growth and sustainability in current markets.

In addition to the annual strategic planning exercise, they held quarterly reviews of their strategic achievements and monitored changes in the internal and external environments may positively or negatively affect the Company. Strategies and actions are adjusted to ensure the growth and sustainability of the business with due regard to the success of its partners.

The Board of AfriNat approves the annual operational budgets and monitors its financial performance against strategies set for the year, and also evaluates this against the key performance areas of management and key employees. Through this process, the sustainability of operations is ensured.

AfriNat's focus is on servicing the public and private sectors and strategically maximising opportunities that arise from legislative changes to introduce their natural range of products, which promote health and environmental safety. In June 2016, the Reach Accord blacklisted more than 50 agro-chemical products. Over time AfriNat's product range will be able to replace a high percentage of the blacklisted synthetic chemical products.

ECONOMIC SUSTAINABILITY

AfriNat believes that with its current strategy (i.e. focusing on innovation and conversion of current markets to future thinking and technology) will provide for the long-term sustainability of the Company in that existing business will be maintained while future business is developed in new markets.

Key to sustainability is the Southern African food production and security. This agreement ensures the ownership of IP and patents, and by agreement South Africa will be the centre of excellence for future development of the product range as well as being recognised as the global Agricultural Centre of Field Research.

As reform initiatives start to impact various sectors, the involvement of communities in this process will increase the sustainability and raise the profile of AfriNat, especially in the agricultural sector with emerging farmers. AfriNat will continue to diversify its business to compete in key sectors of the total health and agricultural produce delivery system in South Africa and Southern Africa. It will increase its product offering by acquiring innovative new products in the medical, general healthcare, food safety and agricultural sectors.

ENVIRONMENTAL SUSTAINABILITY

AfriNat specialises in this arena with a product range that is developed and derived from totally natural sustainable plant resource extracts. These extracts can be formulated into products that achieve the same level or better results than synthetic chemicals, which are currently being banned in terms of the Reach Accord.

AfriNat, together with Citrus Research Institutes, completed three years of trials to eliminate the "Citrus Black Spot" which has yielded excellent results for the past two years. The significance of this trial is that the Citrus Black Spot is one of the largest threats to the citrus export industry. Blacklisting citrus exports to Europe could jeopardise employment in the agricultural sector and could negatively impact on the 100 000 individuals employed in the citrus industry.

The initiatives taken by AfriNat within the agricultural sector offer local farmers alternative products to the synthetic chemicals, which are being eliminated through the Reach Accord to which South Africa is a signatory. In addition, it is now known that government gazetted regulations for "Clean Labelling" and the ongoing collaboration with the research and production of food manufacturing and processing will have a positive impact on the sustainable production of food using ViBacSan®. This will positively enhance the health of consumers as well as the environment by reducing the use of harmful chemicals in the production of food. Recent trials have been successful and resulted in the shelf life extension of bread (which is one of the staple foods of the lower income groups), as well as at abattoir level, and the prevention of fruit decomposition prior to packaging in controlled atmospheric cold storage facilities.

HEALTH AND BEAUTY - continued

This innovative and natural solution will ensure less wastage and longer storage in the supply chain. In following these exhaustive trials, AfriNat has ensured that human and environmental standards of safety have met stringent regulatory standards.

AfriNat considers itself to be among the cutting-edge companies that produce sustainable products without any negative effect on the environment.

SOCIAL SUSTAINABILITY

AfriNat subscribes to the holding Company's code in this regard and recognises that without the upliftment and involvement of the total population they will not have a viable business environment and they will not achieve their social contract to improve health service delivery to all our people. The assistance to and support of Government's initiative for emerging farmers is an area in which their products are specifically applicable as is the ability to technically support this sector.

AfriNat has highly motivated employees with the required skills to grow the Company in each chosen sector and will continue to develop internal skills and acquire external expertise to bring knowledge and skills to South Africa, creating opportunities for the transfer of IP to South Africans.

Their key aims are:

- to transfer knowledge and skills beyond their own workforce;
- to give the community access to resources that encourage innovation; and
- to support entrepreneurs as they extend their product offering.

AfriNat continues to form local and international alliances to introduce cost-effective services and innovative products relevant to the needs of South African citizens. The primary objective is to include the transfer of knowledge to the local economy through job opportunities.

KEY CHALLENGES AND RISKS

KEY CHALLENGES

Key challenges that must be overcome to achieve the strategic objectives within AfriNat's value set are as follows:

REGULATION AND LEGISLATION	<ul style="list-style-type: none"> • The compliance and demands placed on companies in this highly regulated industry require continuous review of the business capacity and strategy as well as compliance with several regulatory bodies that govern agricultural products, public health and safety. The Company must be fully compliant with all regulatory requirements.
ACQUISITION OF NEW AND INNOVATIVE PRODUCTS	<ul style="list-style-type: none"> • The industry, being open to both local and international companies, is highly competitive and the biggest challenge is competing against companies with critical mass and funding.
EMPLOYEE SKILLS AND RETENTION	<ul style="list-style-type: none"> • This remains the 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
TECHNOLOGY	<ul style="list-style-type: none"> • The high-tech nature of the industry requires that companies establish a presence in the market and present themselves as stable, professional and sustainable entities. • This is achieved through the quality of information, the professionalism of their employees and the ability to deliver new products to the markets. • The application of independent local trials, although costly and time consuming, are critical to the introduction of new and innovative products.
EMPLOYEES AND COMMUNITY	<ul style="list-style-type: none"> • In meeting these values, AfriNat has at its core the development of both the individual employee and the creation of opportunity for the broader community to participate in the growing economy through SMMEs.

HEALTH AND BEAUTY - continued

RISKS

Risk management is integrated into AfriNat's business management process. The Company maintains a risk register, which is compiled and maintained by the 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 and going concern risks can be identified at all levels in each business unit. However, the responsibility for directing the actions necessary

to manage these risks is the responsibility of the Board of directors of each business unit. Strategic and going concern 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, although a few identified risks could not be avoided, the pre-planned management strategies for these risks were successful in mitigating or avoiding the severity of the impact on the respective companies and overall Group financial performance.

The following risks have been identified:

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
Regulatory constraints	A key risk is the current disarray in the regulatory departments of government, which delay the registration of new products and the issuing of licences and other requirements.	The Company employed additional internal resources to manage this risk and develop sound business relationships within the regulatory sector.
Resistance to innovation in established markets	Entering the market with unique products will also have some degree of risk, as large agro-chemical companies will not stand back but increase their efforts to compete. The introduction of ViBacSan® has required intensive local trials to validate the product despite having international certification.	The Company increased its sales and marketing capacity by entering into an alliance with another agro-chemical company. Successful trials and education have increased market acceptance and the recognition of regulatory bodies..
Foreign exchange volatility	Foreign exchange exposure may increase the cost of the product and will therefore not be affordable to the local market. Only raw materials are being imported.	The foreign exchange risk element has been reduced by over 80% due to local manufacture. Joint venture agreement concluded in May 2016.
Distribution	Dependence on a single distributor.	The Company has reduced its risk exposure by signing additional distribution agreements with distributors who have a national footprint in South Africa and in Namibia.

HEALTH AND BEAUTY - continued

STAKEHOLDER MANAGEMENT

CREATING STAKEHOLDER VALUE

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

AfriNat 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	Customers	<ul style="list-style-type: none"> Repeat business and revenue growth 	<ul style="list-style-type: none"> Quality products and services Fair prices Correct labelling
Human	Employees	<ul style="list-style-type: none"> Engaged and motivated employees Ability to attract and retain key skills 	<ul style="list-style-type: none"> Fair pay Interesting work Growth and development Equal treatment Health and safety
Social	Communities	<ul style="list-style-type: none"> Reputation Brand value Trust Access to business opportunities 	<ul style="list-style-type: none"> Employment/business opportunities Environment care Local hire Resource use
Social	Government	<ul style="list-style-type: none"> Favourable legislation and less interference 	<ul style="list-style-type: none"> Contribution to taxes Support job creation Other strategic initiatives
Social	Suppliers	<ul style="list-style-type: none"> Good service Commitment Good pricing Good quality products 	<ul style="list-style-type: none"> Fair allocation of business Pay on time Zero corruption
Financial	Owners	<ul style="list-style-type: none"> Supply of capital at reasonable price Healthy balance sheet 	<ul style="list-style-type: none"> Capital growth Dividends Return on investment Reduced risk
Intellectual	Customers	<ul style="list-style-type: none"> Understanding trends and opportunities Improved ability to compete Reputable brands 	<ul style="list-style-type: none"> Better products and services

HEALTH AND BEAUTY - continued

STAKEHOLDER EXPECTATIONS

AfriNat recognises the importance of constant engagement with stakeholders. A key element of AfriNat's strategic planning process is documenting the values and culture of its business units.

AfriNat has various procedures in place with regard to stakeholder management. These are summarised as follows:

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Employees	Employer-employee relationship	<ul style="list-style-type: none"> Performance on contractual obligations from both parties 	<ul style="list-style-type: none"> Strong relationships and the dissemination of highly technical information, which requires skilled employees in all areas of its operation Key to AfriNat's success is the skills set of its employees and their ability to operate effectively in this highly competitive environment
Government	Regulatory and potential customers	<ul style="list-style-type: none"> Comply with regulations and governance 	<ul style="list-style-type: none"> The industry is highly regulated through several different Acts, making government a key stakeholder and one that has to be interacted with on a regular basis
The Department of Health	Legal and policy-setting body	<ul style="list-style-type: none"> Adherence to policy laws and governance 	<ul style="list-style-type: none"> Both national and regional - which regulates the health industry as a whole and sets out policies regulating the delivery of health services Registers all-natural products used in the production and processing of food products Key to working in this environment is professionalism and the provision of accurate information and cooperation in meeting compliance standards
Treasury and distribution depots	Customer and procurer of Company products	<ul style="list-style-type: none"> To service customers in line with agreed tender and procurement procedures and provide service on product information 	<ul style="list-style-type: none"> For state enterprises that regulate tenders, the procurement and distribution of medical supplies to all governmental and regional entities
The South African Bureau of Standards	The relationship is one of product endorsement and compliance with specifications	<ul style="list-style-type: none"> To achieve full certification and have this validated and where required to test results to maintain certification 	<ul style="list-style-type: none"> The bodies regulating food safety have also become key stakeholders, as has the regulatory sector of the agricultural and food industry in which they have become active competitors SABS has informed all-natural chemical manufacturers that they are unable to micro-challenge the disinfecting/sanitising products submitted, hence AfriNat now uses ALS Laboratories, a GLP-approved laboratory based in the UK

HEALTH AND BEAUTY - continued

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Organised agriculture and the DAFF	Customers and purchasers of Company products and registrations of new products	<ul style="list-style-type: none"> To provide quality products to the market that comply with DAFF regulations 	<ul style="list-style-type: none"> The expansion of the ViBacSan® range has brought this sector into the realm of significance as a stakeholder in their business
Financial institutions	Normal banking and factoring of invoices	<ul style="list-style-type: none"> To secure funding and provide returns that are competitive 	<ul style="list-style-type: none"> Shareholders fund the acquisition of raw products and services
Distributors	Service providers	<ul style="list-style-type: none"> They distribute their products into the market effectively 	<ul style="list-style-type: none"> The Company relies on distributors to ensure the storage and delivery of their products into the market
Third-party manufacturers	Contractual manufacture of their products under licence	<ul style="list-style-type: none"> To manufacture products that meet specifications and quality standards set contractually 	<ul style="list-style-type: none"> The Company uses third-party manufacturers for certain products locally as opposed to buying fully imported products
International and local research bodies and certification authorities	Collaboration on ensuring their products are acceptable internationally	<ul style="list-style-type: none"> To receive research and scientific feedback on all developments related to product usage 	<ul style="list-style-type: none"> The Company collaborates with international and local research bodies in developing products to have them certified in South Africa
Shareholders	Investors in their Company	<ul style="list-style-type: none"> To provide competitive returns on their investment and to attract new investments 	<ul style="list-style-type: none"> Both institutional and private investors are considered key to the future of any company

REMUNERATION

AfriNat aims to be a competitive and attractive employer. 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.

AfriNat 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. Medical insurance is compulsory.

(📖 - Principles 1 to 16)

HEALTH AND BEAUTY - continued

ORLEANS COSMETICS (PTY) LTD (ORLEANS COSMETICS)

KEY FACTS

CHIEF EXECUTIVE OFFICER	Donald Kourie
BOARD OF DIRECTORS	K Abdulla (chairman), AM Salie, CF Hendricks and AB Amod and DN Kourie
EMPLOYEES	78
HEAD OFFICE	Westlake Business Park, Cape Town
WORK PRESENCE	South Africa, Southern Africa (including Namibia, Zimbabwe, Lesotho, Eswatini [previously Swaziland] and Botswana) and Mauritius

PROFILE

Orleans Cosmetics (Pty) Ltd (Orleans Cosmetics) was acquired in May 2017 and became a subsidiary of AEEI. It was a business previously known as Orleans Distributors CC and RVB Cosmetics CC, which had been in business in South Africa for the past 23 years.

Orleans Cosmetics imports and distributes four cosmetic brands from Europe on an exclusive basis in South Africa and neighbouring territories, through retailers and beauty salons.

Orleans Cosmetics is the exclusive Southern Africa distributor of the following imported cosmetic brands, each one with a long international history:

- Gatineau - founded in France in 1932
- NUXE - founded in France in 1990
- RVB Skinlab/Diego Dalla Palma Professional - founded in Italy in 1961
- Sothys - founded in France in 1946

Gatineau and NUXE are sold in retailing groups such as Truworths, Woolworths and Edgars, while Gatineau is sold in Dis-Chem. Both brands are also sold in beauty salons.

RVB Skinlab/Diego Dalla Palma Professional and Sothys are exclusively found in beauty salons and spas across South Africa.

The Company's present focus is on skincare with an emphasis on anti-ageing. The business has a make-up range in RVB/Diego Dalla Palma.

2019 OPERATIONAL PERFORMANCE

The Company is expected to make a pretax and pre-interest profit of R3.2m for the year ending 31 August 2019.

VISION 2020 VISION - ORLEANS COSMETICS CONTRIBUTION

Orleans Cosmetics vision is to be a leading player in the prestige and masstige cosmetics industry in both the retail industry and in beauty salons. It intends to acquire another skincare range and fragrance lines to complement its current skincare ranges.

PROSPECTS AND FUTURE OUTLOOK

The chief executive officer of Orleans Cosmetics has a vast amount of experience in this industry having worked with major brands for many years. As a result, he understands the industry very well and is well placed to drive the future growth of the business.

The key drivers in the business are the following:

- Superb customer service at point of sale through their dedicated, highly-trained beauty consultants and their extremely well-qualified beauty therapists
- Training of store consultants and beauty therapists
- Close strategic relationships with key retailers
- Excellent management at head office and in the field, by the area managers
- Public relations

HEALTH AND BEAUTY - continued

OUTLOOK FOR 2020

- Focus on strengthening the brands' presence in the marketplace
- Introduce a skincare brand, Resultime, from the NUXE group
- Explore the opportunity of obtaining exclusive agencies in fragrance

They intend to double the size of the business within the next four to five years. Growth will occur through a balance of organic growth and acquisitions.

The business was previously owned and managed by the Neilson family for 21 years. The intention is to retain the entrepreneurial spirit which already exists, and to blend this with the business expertise which AEEI can provide. The Company has built a solid reputation as being professional, well managed and responsive to the needs of its end customers and to retailers and beauty salons.

As a subsidiary of AEEI, Orleans Cosmetics is very well positioned to be the partner of choice for both local companies and to represent overseas brands due to AEEI's B-BBEE credentials.

Industry statistics indicate that the luxury and masstige segments of the cosmetics market, are considered to be in excess of R9bn per annum at retail prices, indicating that there is enormous potential growth for Orleans Cosmetics.

OPERATIONAL FOOTPRINT

Orleans Cosmetics has the exclusive distribution rights for the four overseas-based principals for South Africa and Namibia, and in certain cases it also has the rights to Mauritius, Zimbabwe, Eswatini (previously Swaziland), Botswana and Lesotho.

COMPANY BRAND



BRANDS

Orleans Cosmetics is the exclusive South Africa and Southern Africa distributor of Gatineau, NUXE, RVB Skinlab/Diego Dalla Palma Professional and Sothys brands.



BUSINESS MODEL

Orleans Cosmetics has a healthy balance of business spread between major retailers such as Truworths, Woolworths, Edgars and Dis-Chem as well as a large number of beauty salons. It is about to enter the Foschini group with NUXE and the first fragrance to be launched: Collection Grands Crus.

The retailers need a certain profit margin to make it viable to retail their products, which are mainly sold by employees employed by Orleans Cosmetics and whose costs are partially reimbursed by the retailers.

The beauty salons use their products as a professional salon treatment. In addition, they retail products to their clients, with service provided by the beauty salon owners as well as their own employees.

HEALTH AND BEAUTY - continued

GOVERNANCE

Orleans Cosmetics adopted the application of policies and structures as defined by the AEEI Group and complies with all sound governance structures and regulatory functions and has had no reported fraud or deviation in the application of these principles in the current period. The continued training and exposure of employees to the regulatory environment and regulations of the Companies Act ensure that employees are fully informed of their responsibilities.

The Board of Orleans Cosmetics meets on a quarterly basis to review the action plan of the executives and

the progress of the Company towards its set objectives. Additionally, a risk register is maintained and reviewed by the Board of directors. 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 of Orleans Cosmetics 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 of Orleans Cosmetics continues to work towards achieving the following governance outcomes:

OBJECTIVE	Stakeholders	<ul style="list-style-type: none"> Value creation for all stakeholders and sustainable development An ethical culture and effective leadership are maintained with positive outcomes A stakeholder-inclusive approach to balance the needs and interests of material stakeholders in the best interests of the Company
SCOPE	Company	<ul style="list-style-type: none"> The Company operates within triple context Governs risks and opportunities, strategy, business model as well as sustainable development in a way that supports the Company in achieving its strategic objectives
CHARACTER	Internal system	<ul style="list-style-type: none"> Proper internal controls are in place to approve policies and planning and to monitor and ensure accountability Assurance services and functions enable an effective control environment to support the integrity of information for internal and external decision-making The Company remunerates fairly, responsibly and transparently in order to promote the achievement of its strategic objectives and positive outcomes in the short, medium and long-term
MECHANISM	Conformance	<ul style="list-style-type: none"> Compliance with applicable laws and adoption of non-binding rules, codes and standards in a way that supports the Company to be ethical and a good corporate citizen
DIRECTION	Management	<ul style="list-style-type: none"> The Board sets and steers the strategic direction of the Company and is the focal point and custodian of corporate governance and ensures accountability for the Company's performance. The Board oversees and monitors the implementation and execution by management
DISCLOSURE	Financial statements	<ul style="list-style-type: none"> Audited financial statements

HEALTH AND BEAUTY - continued

STRATEGIC PLANNING AND MONITORING

Orleans Cosmetics manages its business strategically following a process which includes an annual review of past performance, product ranges and markets, together with a review of the internal and external environments. This review is then followed by the development of strategies, targets and action plans, aimed at both growth and sustainability in the short to long term.

A formal delegated authority schedule is in place which informs executive management of the necessary levels of approval for all key business transactions.

ECONOMIC SUSTAINABILITY

Orleans Cosmetics aims to deliver sustainable returns to all its stakeholders. They are in the process of refining a number of targets to measure their performance. They will continue to monitor their progress against these targets and, when necessary, revise them to consider changes in the business environment.

ENVIRONMENTAL SUSTAINABILITY

Orleans Cosmetics imports its products from companies in Europe over which it has no control in terms of unnecessary packaging. However, each supplier is very mindful of the environment and reducing superfluous packaging, wherever possible.

SOCIAL SUSTAINABILITY

Orleans Cosmetics subscribes to a sustainable approach in conducting its business. The Company is aware of the critical role that business should play in the upliftment and development of the previously disadvantaged majority.

The Company creates a working environment that develops and empowers its employees and also recognises the contributions of each team player in the pursuit of excellent performance.

KEY CHALLENGES, RISKS, TECHNOLOGY AND COMPLIANCE

KEY CHALLENGES

At present, Orleans Cosmetics' strategic focus is aimed at overcoming the following potential key challenges:

REGULATION AND LEGISLATION	<ul style="list-style-type: none"> There is no regulatory requirement in South Africa to import and to sell cosmetics. The industry is self-regulated in terms of business practices and advertising. Only if outrageous claims are made regarding improvement to a customer's skin, would they run the risk of the Medicines Control Council claiming that the advertising claim amounts to being a medicine.
COMPETITION FROM OTHER COMPANIES	<ul style="list-style-type: none"> The Company imports its products and faces competition from both local and international companies with critical mass and funding. This also influences the market prices which can be obtained for the Company's products. The business is a price taker, not a price-maker.
EMPLOYEE SKILLS AND RETENTION	<ul style="list-style-type: none"> The industry in which the Company operates requires skilled and experienced employees, thus employee retention is a key challenge. Limited resources of high-quality personnel make employee mobility one of the highest risk factors.
TECHNOLOGY	<ul style="list-style-type: none"> The company has its own website: www.orleanscosmetics.co.za.

HEALTH AND BEAUTY - continued

RISKS

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

Significant strategic and going concern risks are 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.

Strategic and going concern risks are reviewed at the quarterly Board meetings and the executive directors are charged with the execution of approved risk management actions.

Along with the risk register, executive management also compiles and maintains a strategy dashboard, as several risks are being mitigated by the Company's strategy; the risks and strategy are directly mapped where applicable.

In the period under review, although a number of identified risks could not be avoided, the pre-planned management strategies for these risks were successful in mitigating or avoiding the severity of the impact on the Company's overall performance.

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
The risk that exchange rates may weaken drastically	This would directly affect the profitability of the business	A policy of taking forward cover has been implemented to cover up to 75% of the risk for the following three months
The risk that an overseas supplier may withhold the extension of the supply agreement for an additional three-year period	A direct, marginal profit impact on the business would be the result	It is imperative to maintain a close working relationship with the four overseas principals and to invest in each brand to avoid such a situation
The risk that a major customer may no longer wish to stock the Company's products	This would have a direct impact on the profitability of the Company through reduced sales	A close customer relationship is important to avoid this situation. An alternative distribution channel must always be under consideration to replace the potential loss of business
Technology – the risk of online retailing replacing purchasing in the store environment is low in South Africa; the Company does less than 2% of its sales online and this percentage is not expected to grow to more than 5% in the next few years, unlike in the UK where up to 15% of retailing is done online	As sales move online, the impact can be both positive and negative in terms of profitability	Measure the level of online sales on a regular basis to ensure that employee levels in the stores are modified accordingly

HEALTH AND BEAUTY - continued

STAKEHOLDER MANAGEMENT

CREATING STAKEHOLDER VALUE

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

Orleans Cosmetics 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	Customers	<ul style="list-style-type: none"> Repeat business Revenue growth 	<ul style="list-style-type: none"> Quality products and services Fair pricing Correct labelling
Human	Employees	<ul style="list-style-type: none"> Engaged, motivated employees Ability to attract and retain key skills 	<ul style="list-style-type: none"> Fair pay Interesting work Growth and development Equal treatment
Social	Communities	<ul style="list-style-type: none"> Reputation Brand value Trusted products 	<ul style="list-style-type: none"> Employment opportunities
Social	Government	<ul style="list-style-type: none"> Little interference 	<ul style="list-style-type: none"> Contribution to taxes Support job creation and strategic initiatives
Social	Suppliers	<ul style="list-style-type: none"> Good service Commitment 	<ul style="list-style-type: none"> Fair allocation of business Pay on time Zero corruption
Financial	Owners	<ul style="list-style-type: none"> Supply of capital at reasonable price 	<ul style="list-style-type: none"> Growth Return on investment Reduced risk
Intellectual	Customers	<ul style="list-style-type: none"> Understanding of trends and opportunities Improved ability to compete 	<ul style="list-style-type: none"> Better products and services

HEALTH AND BEAUTY - continued

STAKEHOLDER EXPECTATIONS

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
Customers - Retailers and beauty salons	Consumers of Orleans Cosmetics products	<ul style="list-style-type: none"> Quality products that meet recognised industry standards Reliable long-term supply of products Products which deliver on performance expected 	<ul style="list-style-type: none"> Ensure inventory availability Direct contact with major customers on a regular basis Strategic meetings with key retailers twice per annum at a minimum The Company's highly trained consultants provide excellent customer service in the retail stores as well as the therapists in the beauty salons, who are also highly qualified
Suppliers	Procurement of goods for resale	<ul style="list-style-type: none"> Ethical business relationships Prompt payment 	<ul style="list-style-type: none"> Negotiate, manage and conclude contracts Timeous payment Ensure that South African-based suppliers support the policy on B-BBEE
Employees	Members of staff	<ul style="list-style-type: none"> Fairly remunerated and treated with respect 	<ul style="list-style-type: none"> Annual performance and remuneration review Feedback given throughout the year

REMUNERATION

Orleans Cosmetics aims to be a competitive and attractive employer in the marketplace. Remuneration and benefits are important drivers as are career opportunities, personal development, culture and values, leadership, company performance and reputation. As stated in the Code of Conduct, Orleans Cosmetics complies with applicable laws, agreements and industry standards on working hours and compensation.

Orleans Cosmetics has various incentive schemes in place to retain talented and experienced employees. Their policy requires that all full-time head office employees and area managers belong to their provident fund to plan for their retirement. Medical insurance is in place for head office employees and area managers unless they opt for government medical cover.

(📄 - Principles 1 to 16)



BIO THERAPEUTICS

GENIUS BIOTHERAPEUTICS (GENIUS) (BIOCLONES (PTY) LTD)

KEY FACTS

CHIEF EXECUTIVE OFFICER	Dr Abdusamad Sidar
BOARD OF DIRECTORS	K Abdulla, I Amod, CR Ah Sing, CF Hendricks and A Sidar
EMPLOYEES	8
HEAD OFFICE	V&A Waterfront, Cape Town
FOOTPRINT	Cape Town and Centurion, Pretoria

PROFILE

Genius Biotherapeutics (Genius) focuses particularly on healthcare applications and more specifically on the production of biopharmaceutical products (those that are derived from living genetically modified cells and are of a protein or carbohydrate nature).

Biopharmaceutical products include therapeutics such as hormones, protein-based drugs and antibodies. Of critical importance in the healthcare industry is the movement away from traditional chemical-based pharmaceuticals to biotechnology-derived medicines due to the extremely inefficient success rates within the traditional pharmaceutical industry. The biopharmaceutical products are commonly thought of as the therapeutic products of the future.

The biotechnology industry is vast and covers a range of sectors in addition to the medical and healthcare applications, including genetically modified crops and foodstuffs, alcoholic beverage manufacture, mining, industrial waste treatment and water treatment. The market size opportunities for biotechnology applications is substantial.

2019 OPERATIONAL PERFORMANCE

There are multiple divisions engaged in product development phases at different stages:

- Regulatory preparation and process validation phase for the production of erythropoietin (Repotin), a biosimilar drug used to treat anaemia caused by kidney disease
- Developmental work on the dendritic cell vaccine (DCV) for cancer immunotherapy and communicable diseases such as extreme drug-resistant tuberculosis
- Further developmental activities at the Ribotech facility for a second biosimilar drug called Recogen, a granulocyte-colony stimulating factor (G-CSF) used for the treatment of neutropenia which is a condition of low white blood cell count in patients undergoing chemotherapy
- Production of protein-based reagents used mainly in research laboratories and industrial applications.

BIOTHERAPEUTICS - continued

VISION 2020 VISION – GENIUS' CONTRIBUTION

Genius' outlook for its business units and its value proposition are based on a long-term vision and value add that is linked to defined milestones.

Unlike other typical investments in other sectors, biopharmaceutical companies work towards achieving milestones in their developmental stage, hence a five-year strategic plan to the year 2020 was implemented with clear deliverables and strategic actions for each strategic lever as well as clear time frames.

The DCV project is preparing for the first phase of human clinical trials in breast cancer patients. Ribotech is immersed in research and development for the production of an additional biotech drug for humans.

PROSPECTS AND FUTURE OUTLOOK

The following prospects have been identified:

SHORT-TERM PROSPECTS

- Genius is finalising negotiations with an international partner to add four additional products to its portfolio of biosimilars.
- This partnership entails a technology transfer to facilitate more efficient production of all products and final formulation which negates the need for cold chain.
- Development support from government to develop skills in this sector and increase employment in order to provide a lower cost of health.
- All approvals have been met for phase 1 human clinical trials in breast cancer patients and trial work is scheduled.
- Pre-clinical work on other diseases has begun, such as incurable tuberculosis and lung cancer with three additional cancers to follow in 2020/21.

MEDIUM TO LONG-TERM PROSPECTS

- An international partnership will allow for scalable local production to supply Africa as well as Europe and is planned for post 2020.

- Two South African multinational pharmaceutical companies show support to market and distribute the Company's biosimilar products.
- Following the successful results of phase 1, further funding for the genomics component will strengthen the health platform offering.
- Based on the phase 1 trial results, if favourable, accelerate the listing of Genius to obtain the necessary capital to complete phase 2 and 3 trials.

PRODUCTS AND RESEARCH AND DEVELOPMENT PROJECTS

The Bioclones product and project portfolio can be divided into three key segments:

- Biosimilars which are biologically derived products having the same therapeutic effect as its competitor. It is similar to a generic, however, only the active protein effect compound is similar.
- New technologies are those which will deliver healthcare solutions through products and innovations.
- Healthcare data and genomics research which is the study of genetics and extracting information related to the functioning and optimisation of the human body while identifying markers for predispositions to diseases.

MARKET PRESENCE

Genius has two Good Manufacturing Practice (GMP) built production facilities: a cell culture division laboratory in Pretoria involved with erythropoietin production and a second facility, Ribotech located in the Western Cape.

The sales and marketing function will be outsourced to two South African pharmaceutical companies that have a footprint in South Africa and in countries in the SADC region. Based on the growth plan, Genius intends to expand its footprint to central and north African countries that are aligned to its plans to improve its production output.

COMPANY BRAND

genius
biotherapeutics
PRODUCTS



BIOTHERAPEUTICS - continued

BUSINESS MODEL

Since inception Genius was set up as a fully integrated pharmaceutical company which is a form of vertical business model focused on developing biopharmaceutical products. In this way, the full spectrum of ownership, from discovery to development and marketing is managed in-house. In the value of an invention as in the case of the DCV project, the goal is to pursue the project as far as possible instead of selling the idea off before its full value is realised.

This lends itself to Genius raising the necessary funds to complete the project by selling equity in the business but still maintaining majority control. In the case of the biosimilars, Repotin and Recogen, the opportunity to tie up with a local distributor for the sales and marketing of the product is being considered. This is a departure from when Genius previously marketed and sold Repotin. Currently with the research and development phase reaching completion, Genius will focus its efforts on acquiring additional products while outsourcing the sales and marketing function.

Going forward is the continued development of new financing models that address the current challenges and are also flexible enough to address those in the future.

The final therapy (DCV) for cancer still has a number of years ahead before it enters the market as a form of personalised treatment for cancer.

The Company continues to:

- implement innovative procedures within the value chain to increase efficiency in line with environmental best practices, thereby reducing its carbon footprint;
- invest in reliable scientific practices that allow the Company to improve its production methodology;
- develop its employees; and
- deliver good sustainable returns to all its stakeholders.

GOVERNANCE

Genius, through the application of policies and structures implemented within the AEEI Group, complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles in the year under review. Key employees are also provided with regular training on the ever-changing regulatory environment to ensure that all employees are fully informed, and that the Group adheres to all the laws and regulations.

The Board of Genius continues working towards the

BIOTHERAPEUTICS - continued

achievement of the following governance outcomes:

OBJECTIVE	Stakeholders	<ul style="list-style-type: none"> Value creation for all stakeholders and sustainable development An ethical culture and effective leadership are maintained with positive outcomes A stakeholder-inclusive approach to balance the needs and interests of material stakeholders in 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, strategy, business model as well as sustainable development in a way that supports the Company achieving its strategic objectives
CHARACTER	Internal system	<ul style="list-style-type: none"> Proper internal controls are in place to approve policies and planning and to monitor and ensure accountability The assurance services and functions enable an effective control environment to support the integrity of information for internal and external decision-making The Company remunerates fairly, responsibly and transparently to promote the achievement of the strategic objectives and positive outcomes in the short, medium and long-term
MECHANISM	Conformance	<ul style="list-style-type: none"> Govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the Company to be ethical and a good corporate citizen
DIRECTION	Management	<ul style="list-style-type: none"> The Board sets and steers the strategic direction of the Company and is the focal point and custodian of corporate governance and ensures accountability for the Company's performance. The Board oversees and monitors the implementation and execution by management
DISCLOSURE	Financial statements	<ul style="list-style-type: none"> Audited financial statements

STRATEGIC PLANNING AND MONITORING

Genius manages its businesses strategically, following a process that includes an annual review of past performance, product development, capacity, markets as well as a review of the internal and external environments. This review is followed by setting strategies, targets and action plans, aimed at both growth and sustainability in the short to long-term.

The Board of each business unit in Genius has an approved formal delegated authority schedule, which informs executive management of the necessary levels

of approval for all key business transactions. In this way Genius ensures that there is a senior manager or the Board itself reviewing each key business transaction/initiative to ensure that these are aligned with the Company's strategy, are lawful, contribute to the Company's sustainability and will not be harmful to any stakeholders and/or the environment.

In this manner, each business unit can monitor its financial performance against its strategies and evaluate this against the key performance areas of management and key employees. Through this process, the Company ensures the sustainability of its operations.

BIOTHERAPEUTICS - continued

ECONOMIC SUSTAINABILITY

Genius aims to deliver good and sustainable returns to all stakeholders. Genius have a defined number of targets to measure performance and continually monitors progress against its targets and, when necessary, revises them to consider changes in the business environment.

ENVIRONMENTAL SUSTAINABILITY

Genius believes that with its current strategy of focusing on innovation and transforming current healthcare needs to meet future demands to provide for the long-term sustainability of the Company, existing business will be maintained while future business is developed in new markets. This is currently being done with the production of Repotin.

Cutting-edge technology is currently being explored for production to improve yield and drive growth into new markets. The DCV project will be an innovation to personalised medical care for cancer patients when it is made available.

SOCIAL SUSTAINABILITY

Genius subscribes to a sustainable approach in conducting its business. For Genius, corporate citizenship goes beyond legislative compliance and profits. It recognises the rights and responsibilities of businesses within a broader societal context and reinforces the mission of Genius to implement a social contract between business, government and civil society.

Genius is aware of the critical role that businesses play in the upliftment and development of previously disadvantaged individuals and continues:

- to provide opportunities for skills development, training and support for employees;
- to assist with finance for start-ups of businesses;
- as a black economic empowered company, to ensure the availability of services by assisting with the development and growth of previously disadvantaged partners; and
- to provide healthcare advice and product information for patients.

KEY CHALLENGES AND RISKS

KEY CHALLENGES

At present, Genius' strategic focus is aimed at overcoming the following potential key challenges:

REGULATION AND LEGISLATION	<ul style="list-style-type: none"> • The compliance and demands placed on companies in this highly regulated industry require continuous review of business processes and strategy
COMPETITION	<ul style="list-style-type: none"> • Genius is faced with competition from both local and international companies that have critical mass and reserved funds
EMPLOYEES SKILLS AND RETENTION	<ul style="list-style-type: none"> • The industry in which Genius operates requires skilled and experienced employees thus employee retention is a key challenge • Limited resources of high-quality personnel make employee mobility one of the highest risk factors
TECHNOLOGY	<ul style="list-style-type: none"> • New and efficient technologies are constantly being developed in the biotechnology sector, and Genius ensures that they remain within the European Pharmacopoeia Standards with all new adaptations

BIOTHERAPEUTICS - continued

RISKS

Risk management is integrated into each business unit's management process. Each business unit maintains a risk register, which is compiled and maintained by the executive management, with the risk status and execution of planned actions being reviewed monthly. Executive management is responsible for the identification, classification and management of all operational risks.

Significant strategic and going concern risks are identified at all levels in each business unit. However, the responsibility for directing the actions necessary to manage these risks is the responsibility of the Board of directors of each business unit.

Strategic and going concern risks are reviewed at the quarterly Board meetings and the executive directors are charged with the execution of approved risk management actions.

Along with the risk register, executive management maintains their action plans through management meetings as several risks are being mitigated by the Company's strategy; the risks and strategy are directly mapped where applicable.

In the year under review, although a number of identified risks could not be avoided, the pre-planned management strategies for these risks were successful in mitigating or avoiding the severity of the impact on the respective companies and overall Group financial performance.

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
Funding the research and development phase of the project	There is a risk that there may be delays or they may not be successful in raising the required funds	To counter this risk, the Company is increasing the pressure to meet and engage with the government funding agency
Human resource requirements and skills	Recruitment of additional technicians, scientists and pharmacists with the appropriate background and experience is challenging	An intensive skills development and training programme will need to be implemented. The recruitment of foreign nationals with the required depth of experience is underway and this will allow for skills transfer to local scientists
Filling and formulation infrastructure	The establishment of such a facility for the first time may present technical challenges and delays	This could be mitigated in the supplier contract
Regulatory delays	The submission of the three validation results to the Medicines Control Council (MCC) for review for the re-issuing of the manufacturing licence depends on the validation runs coupled by an audit	The SAHPRA has permitted the production to proceed so long as the finished product remains in 'quarantine' and can only be released on the reissuing of the manufacturing licence
Technology	International trends in biotechnology move to more efficient production through new technologies and these changes reduce the cost of production, but investment costs are high in the early stages	Due to the regulatory delay with the SAHPRA accepting and adopting new technologies, Genius has been unable to adopt the new technologies. Once the regulatory authorities have accepted and approved the new technologies, it will be easier and cheaper for Genius to adopt the new technologies

BIOTHERAPEUTICS - continued

STAKEHOLDER MANAGEMENT

CREATING SHAREHOLDER VALUE

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

Genius 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	Customers	<ul style="list-style-type: none"> Maintain reputational integrity as a leading local producer in the biosimilar market 	<ul style="list-style-type: none"> Quality products and services Fair prices Correct labelling
Human	Employees	<ul style="list-style-type: none"> Engaged and motivated employees Ability to attract and retain key skills 	<ul style="list-style-type: none"> Fair pay Interesting work Growth and development, Equal treatment Health and safety
Social	Communities	<ul style="list-style-type: none"> Reputation Brand value Trust Access to business opportunities 	<ul style="list-style-type: none"> Employment/business opportunities Environment care Local hire Resource use
Social	Government	<ul style="list-style-type: none"> Favourable legislation and less interference 	<ul style="list-style-type: none"> Contribution to taxes Support job creation Other strategic initiatives
Social	Suppliers	<ul style="list-style-type: none"> Good service Commitment Good pricing Good quality products 	<ul style="list-style-type: none"> Fair allocation of business Pay on time Zero corruption
Financial	Owners	<ul style="list-style-type: none"> Supply of capital at reasonable price Healthy balance sheet 	<ul style="list-style-type: none"> Capital growth Dividends Return on investment Reduced risk
Intellectual	Customers	<ul style="list-style-type: none"> Understanding trends and opportunities Improved ability to compete Reputable brands 	<ul style="list-style-type: none"> Better products and services

BIOTHERAPEUTICS - continued

STAKEHOLDER EXPECTATIONS

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

Genius 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
Customers	Affected patients	<ul style="list-style-type: none"> Products are sold legally and are traceable Quality products that meet recognised industry standards Reliable long-term supply of products 	<ul style="list-style-type: none"> Ensure that all products supplied have met GMP and regulatory approval from the relevant authorities Ensure that they adhere to all necessary standards such as South Africa's GMP Compliance with international laws and regulations
Suppliers	Procurement of goods and services such as raw materials for their operations and other business units, etc.	<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 B-BBEE Negotiate, manage and conclude contracts Timeous payment
Regulatory authorities such as the South African Medicines Control Council and the Department of Health	Promulgate and monitor regulatory framework and comply with current laws and regulations	<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 Meeting with industry regulators

BIOTHERAPEUTICS - continued

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Health and Safety	Monitoring by health and safety officers	<ul style="list-style-type: none"> Compliance with health and safety standards 	<ul style="list-style-type: none"> Continuous training of employees on health and safety matters Internal control procedure checklist to ensure compliance with respective laws and regulations Immediate corrective action noted in the event of findings raised by health and safety officers
Government and regulatory authorities	Promulgate and monitor laws and regulations	<ul style="list-style-type: none"> Compliance with laws and regulations 	<ul style="list-style-type: none"> 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 Meeting with government representatives

REMUNERATION

Genius strives to keep remuneration in line with the pharmaceutical industry, but often settles for the lack of experience of prospective candidates entering the manufacturing sector for the first time as they still require training in the pharmaceutical industry and require laboratory experience to be familiar with the Good Manufacturing Practice Code.

( - Principles 1 to 16)



STRATEGIC INVESTMENTS

BT COMMUNICATIONS SERVICES SOUTH AFRICA (PTY) LTD



The AEEI Group holds a 30% equity interest in BT Communications Services South Africa (Pty) Ltd (BT). This investment is accounted for as an associate.

BT has been present in South Africa for more than 19 years and is continuing to expand its operations in sub-Saharan Africa. This partnership is a demonstration of BT's long-term commitment to South Africa and the B-BBEE agenda.

BT provides networked information technology services to clients in South Africa. BT operates as a subsidiary of BT Group plc

MARKET AND SERVICES

BT is focused on serving the increasing requirements of both South African-based multinationals expanding globally as well as global companies that are expanding their presence into South Africa and the rest of Africa. BT has experience across all industry sectors, and has unrivalled expertise in the financial services, mining, oil and gas, government, healthcare, media and broadcast, and transport and logistics sectors.

Customers include more than 300 blue chip clients in South Africa, including Anglo American plc, Barclays Bank Africa and Visa Inc.

BT has extended its next-generation global IP network into South Africa to three global points of presence within South Africa. BT's Global Media Network is also being extended to South Africa with the deployment of the media and broadcast node in Johannesburg enabling the delivery of high-quality, real-time video content between South Africa and popular media hubs worldwide.

BT has also extended its global managed voice network into South Africa, providing carrier-grade global voice services including global termination services for outbound voice requirements (both mobile and fixed line originated), global inbound voice services for South African call centre operations, as well as extending BT's conferencing services into the region.

On top of these network services delivered by the BT 21st Century Network platform globally, BT also delivers unified communications and collaboration services, including Immersive TelePresence, Managed LAN and IPT services as well as the security and consulting services that form an essential part of these offerings.

BT's investment in technology is mirrored in its commitment to corporate social responsibility. In 2007, BT announced its development partnership with Unicef, committing R20m to enhance the quality of education for children from some of South Africa's poorest socio-economic backgrounds.

BT's business strategy for sub-Saharan Africa is to provide best-of-breed managed network services for multinational companies operating in Africa. They provide expertise to the national operators to improve their retail and domestic market offerings to their respective citizens.

BT is one of the world's leading communications services companies. They serve the needs of customers in the UK and in 180 countries worldwide. Their main activities are the provision of fixed-line services, broadband, mobile and TV products and services as well as networked IT services.

Further information can be found on www.globalservices.bt.com/uk/en/aboutus

STRATEGIC INVESTMENTS - continued

SAAB GRINTEK DEFENCE (PTY) LTD



Saab Grintek Defence (Pty) Ltd (Saab) has reinforced its position as a leading South African defence and security company, bringing capabilities including electronic warfare systems, sensor technology, command and control, training systems, avionics, security and support solutions to the African and international markets.

Saab provides a broad range of world-leading products, services and solutions within military defence and civil security to the African market. An impressive range of defence forces across the globe are using South African electronic warfare and avionics technology, which is designed at their facilities in South Africa.

With new and improved technological systems and solutions, Saab increases a country's defence capabilities and provides innovative, effective products and services for those tasked to maintain security. Saab also works with various stakeholders in gathering data and providing insight into how security threats evolve, and what the best market-customised solutions are.

Saab is able to work with customers to create solutions that meet their needs and budgets and many of their solutions can be retrofitted to existing infrastructure, further enhancing their versatility and cost efficiency.

Important markets beyond the country's borders are where Saab intends to maintain and expand its successes including India, Asia Pacific and Europe. On the continent,

markets of focus include Botswana and Kenya, while the Company's solutions and services are at home in many nations beyond these.

Saab offers practical services to a wide range of sectors, including conservation, mining, health support services, peace-keeping, air traffic control, weather forecasting and other sectors that require sophisticated military-grade technology to deliver the best solutions for civilian safety and protection. Saab's local aeronautics business focuses on the marketing and sales of all aeronautics products and services, programme components and support for its Gripen Fighter System supplied to the South African Air Force.

With more than 800 employees across two campuses in Pretoria and Cape Town, the Company represents the second largest of Saab's workforces worldwide out of the 40 countries in which it operates, with the local team researching, developing, producing, exporting, maintaining and upgrading world-standard technologies.

Saab is the first South African defence company to embrace transformation in support of government's equity and empowerment goals by creating partnerships with locally owned companies.

Further information on this strategic investment can be found on www.saab.com/region/saabafrica.

STRATEGIC INVESTMENTS - continued

SYGNIA LTD

Sygnia Ltd (Sygnia) is an innovative fintech company based in South Africa and was listed on the main board of the JSE in October 2015. Sygnia provides asset management, stockbroking and administration services as well as a wide range of savings products to institutional and retail clients. All that Sygnia does is supported by leading-edge technology platforms.

Sygnia manages and administers assets on behalf of more than 600 domestic and international institutional clients, and more than 6 000 individual clients. The integrity of these relationships is at the core of its business. Sygnia's principal geographic focus is South Africa, where it has been operating in its current form since November 2006.

Sygnia's main services include asset management, transaction management, investment administration, liability administration, stockbroking and digital financial advice.

The primary institutional clients span both the private and public sectors and include retirement funds, umbrella funds, life insurers, third-party multi-managers, endowments and other special purpose funds. The

primary retail clients include individual members and beneficiaries of retirement funds, as well as the wider individual savings market

SYGNIA AT A GLANCE

- R228bn in assets under management and administration
- R27bn in unit trusts since launch in 2012
- Over 900 institutional clients (domestic and international)
- Over 14 000 individual clients
- Offices in Cape Town, Johannesburg and Durban
- Over 220 employees
- Market disruptor business strategy
- Focus on innovation through technology
- Most cost-effective savings products in South Africa, with fees starting at 0.35% (excluding VAT) per annum (global balanced funds range)
- Further information on this strategic investment can be found on www.sygnia.co.za.