



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.

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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

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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.

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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.

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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

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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

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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)