



**AFRICAN EQUITY
EMPOWERMENT
INVESTMENTS
LIMITED**

2020 INVESTMENT PORTFOLIO REPORT



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INTRODUCTION

ABOUT OUR INVESTMENT PERFORMANCE PORTFOLIO

The aim of this report is to clearly and concisely inform our providers of financial capital, stakeholders and future shareholders of African Empowerment Investments Ltd's (AEEI) investment portfolio across our various divisions, including fishing and brands, technology, events and tourism, health and beauty, biotherapeutics, associate and strategic. This will allow them to make an informed assessment of our ability to create sustainable value in the short-, medium and long-term.

The content of the investment performance portfolio have been informed by the following:

- Basic regulatory and compliance guidelines
- King IV™ Report on Corporate Governance for South Africa 2016 (King IV™)
- The International Integrated Reporting <IR> Framework
- The Companies Act, (Act 71 of 2008), as amended (Companies Act)
- The JSE Listings Requirements
- The Global Platform for Intellectual Property's Governance Assessment Appraisal Instrument

Our investment performance portfolio covers all the divisions in the AEEI Group and forms part of the AEEI's integrated reporting suite for 2020. The report reflects the achievements, successes and journeys of our subsidiaries and associates as well as our strategic investments made towards realising our Vision 2020 Vision for the year ending 31 August 2020.

REPORTING BOUNDARY AND SCOPE

This report covers the performance of each subsidiary in the Group for the financial year ending 31 August 2020 as well as the following:


- Profile of what they do
- Operational performance
- Their contribution to AEEI's Vision 2020 Vision
- The impact of COVID-19
- Prospects and future outlook
- Market presence, brands and product portfolio
- Business model
- Governance
- Strategic planning and monitoring
- Economic, environmental and social sustainability
- Key challenges, risks and opportunities
- Stakeholder management
- Remuneration

This investment portfolio report is supplemented by our full suite of online publications, which caters for the diverse needs of our stakeholder base. A summary of this report is included in the integrated report. The full suite consists of the:

- Online integrated report
- Corporate governance report
- Sustainability report
- Investment portfolio report
- Full consolidated annual financial statements
- AEEI King IV™ Governance Register 2020 (King IV™)
- Notice to the annual general meeting
- Independent Third-Party Assurance Statement from Integrated Assurance & Reporting Services (IRAS)

These can be accessed on our website: www.aeei.co.za

NAVIGATIONAL TOOLS

The following icon has been applied throughout the report to direct the reader to additional information or cross-referenced section  King IV™.

To highlight evidence of our application of the King IV principles, we have indicated references to the relevant principles per section. For the definitions of the principles and detail of our application and practices, download the full governance report/ King IV™ register that is available online at www.aeei.co.za/king-iv-on-corporate-governance/.

DISCLAIMER

In this report, we make certain statements that relate to analyses and other information built on forecasts of future results based on historical data, which are based on estimations of new business and investment assumptions. These statements may also relate to our future prospects, developments, business strategy and estimates of amounts not yet determinable. Examples of these forward-looking statements include, but are not limited to the impact of the COVID-19 pandemic on the Group's businesses, results of operation, financial condition and liquidity and statements regarding the effectiveness of actions taken by the Company to address or limit the impact of COVID-19 on the business.

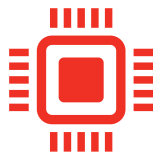
As defined, these are forward-looking statements. These statements may be identified by words such as "expect", "look forward to", "anticipate", "intend", "plan", "believe", "seek", "estimate", "will", "project", or words of similar meaning, which are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. These are subject to a number of risks, uncertainties and factors, including, but not limited to, those described in disclosures and in the risk management report.

Should one or more of these risks or uncertainties materialise or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of AEEI may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. AEEI neither intends nor assumes any obligation to update or revise these forward-looking statements in light of developments that differ from those anticipated.

GROUP STRUCTURE



FISHING AND
BRANDS



TECHNOLOGY



EVENTS AND
TOURISM



HEALTH AND
BEAUTY

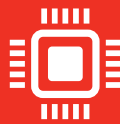


BIOTHERAPEUTICS



STRATEGIC
INVESTMENTS





TECHNOLOGY

AYO TECHNOLOGY
SOLUTIONS LTD
49.36%

HEADSETS
SOLUTIONS
AFRICA (PTY) LTD
51%

AYO
INTERNATIONAL
HOLDINGS
(PTY) LTD
100%

GLOBAL
COMMAND
& CONTROL
TECHNOLOGIES
(PTY) LTD
24%

KALULA
COMMUNICATIONS
(PTY) LTD
T/A HEADSET
SOLUTIONS
76%

MAINSTREET 1653
(PTY) LTD
40%

SGT SOLUTIONS
(PTY) LTD
100%

HEALTH
SYSTEMS
TECHNOLOGIES
(PTY) LTD
100%

SEKUNJALO
MEDICAL
SERVICES
(PTY) LTD
100%

TAMLALOR
(PTY) LTD
50%

DIGITAL MATTER
(PTY) LTD
75%

PULENG
TECHNOLOGIES
(PTY) LTD
100%

ZALOSERVE
(PTY) LTD
55%

OPIWIZE
(PTY) LTD
100%

SIZWE IT
GROUP LTD
100%

ACACIA
CLOUD
SOLUTIONS
(PTY) LTD
65%

SOFTWARE TECH
HOLDINGS
(PTY) LTD
42.5%

NSX SOLUTIONS
CONSULTING
(PTY) LTD
100%

KOBA IT
SOLUTIONS
(PTY) LTD
100%

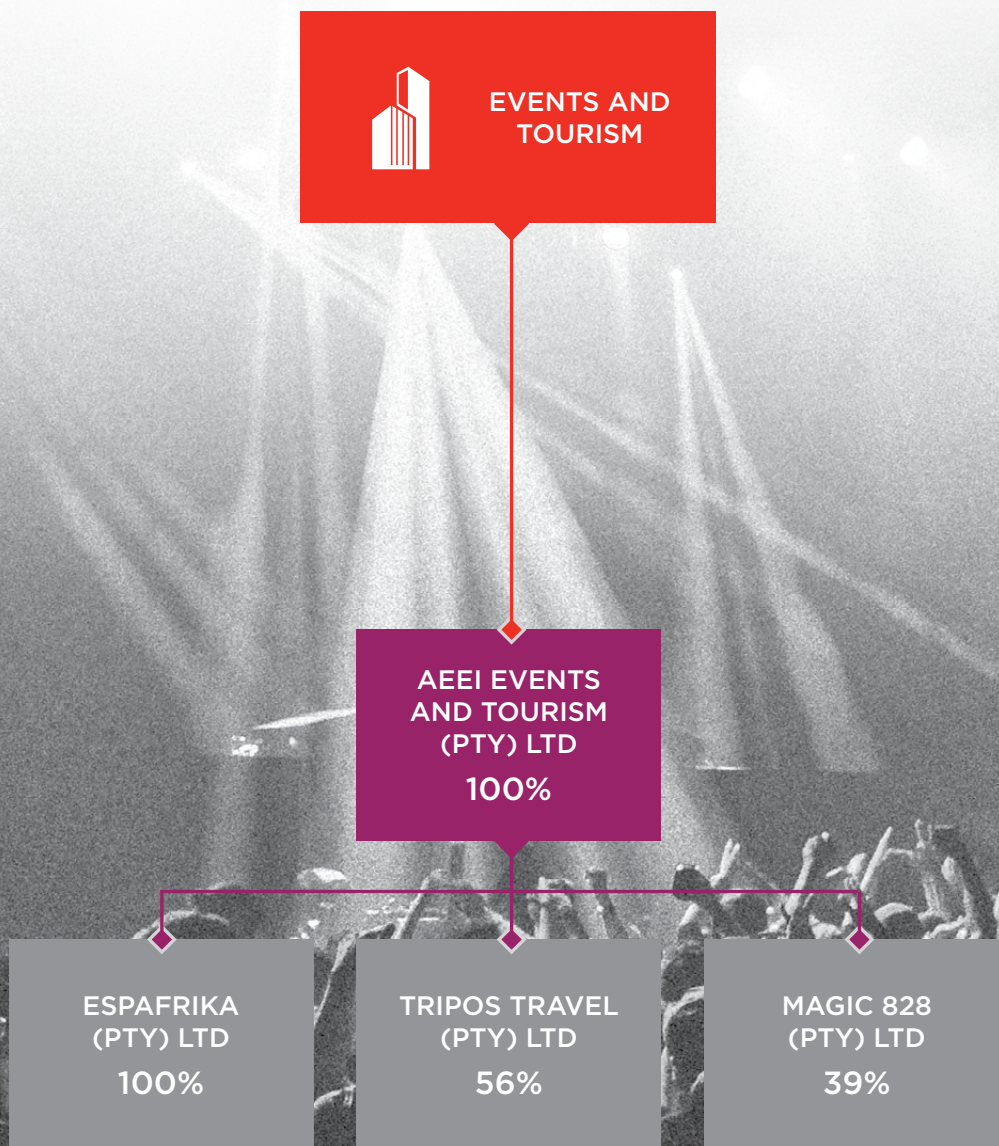
AFROZAAR
(PTY) LTD
75%

LEBOA IT
SOLUTIONS
(PTY) LTD
100%

PUBLISHERS
TOOLBOX
(UK) LTD
100%

SIZWE BUSINESS
NETWORKING
(PTY) LTD
100%

MANTELLA
TRADING 634
(PTY) LTD
40%

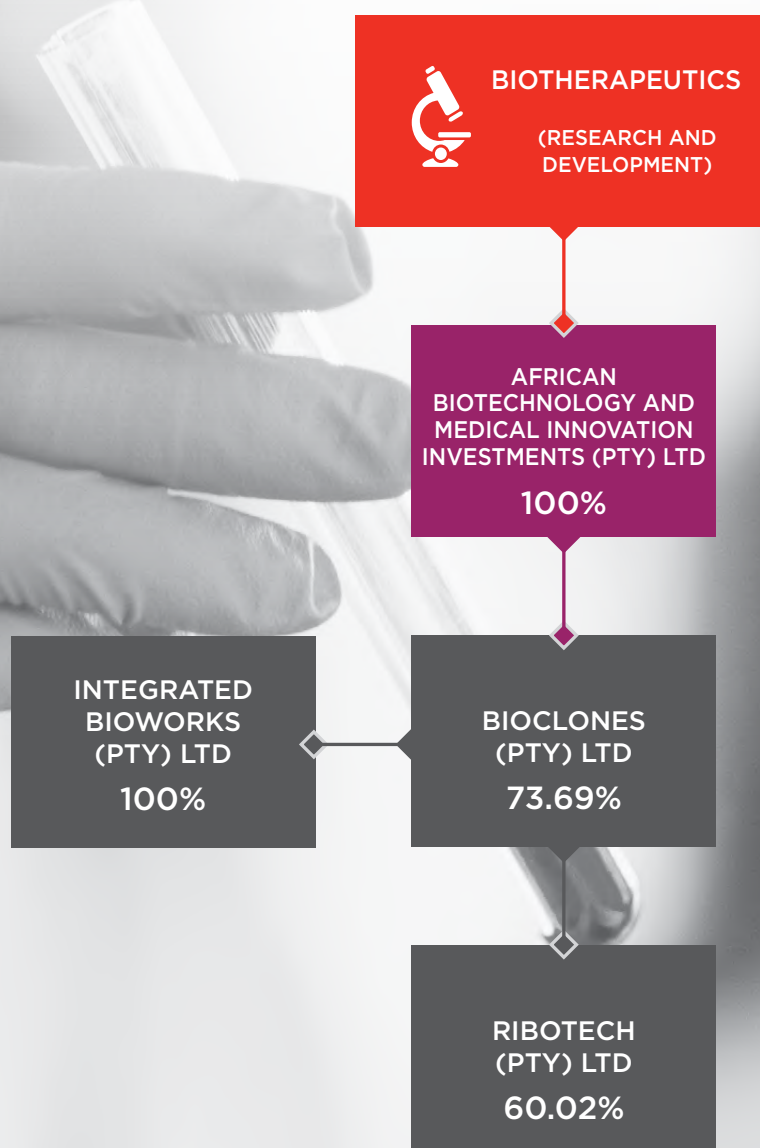




HEALTH AND BEAUTY

AFRINAT
(PTY) LTD
100%

ORLEANS
COSMETICS
(PTY) LTD
90%





STRATEGIC INVESTMENTS

SAAB GRINTEK
DEFENCE
(PTY) LTD
25% + 1 SHARE

SYGNIA LTD
1.735%



ASSOCIATE

BRITISH
TELECOMMUNICATIONS
SERVICES SOUTH
AFRICA(PTY) LTD

30%

FOOTPRINT

The Group has operational presence in the following South African regions:

<i>Western Cape:</i>	Overberg Region, Gansbaai, Saldanha Bay, Hout Bay, Cape Town, Hex River Valley, Citrusdal, Ceres, Riebeeck-Kasteel, Tulbagh, Vredendal, Clanwilliam, Sutherland, Prince Albert, Still Bay and Simons Town
<i>Eastern Cape:</i>	Patensie, Gamtoos, Sundays River Valley, Port Alfred and Humansdorp
<i>Limpopo:</i>	Polokwane, Groblersdal, Marble Hall, Hoedspruit, Letsitele, Tzaneen and Alldays
<i>Mpumalanga:</i>	Nelspruit, Komatipoort, Hazzyview, Malelane and Ogies
<i>Northern Cape:</i>	Keimoes, Augrabies, Kakamas, Upington, Vaalharts and Port Nolloth
<i>Free State:</i>	Bethlehem and Ficksburg
<i>Other:</i>	Gauteng, North West and KwaZulu-Natal

AEEL's primary market remains in South Africa while the Group continues to expand into the rest of Africa. Outside South Africa, we have a market presence in Asia, Dubai, Saudi Arabia, Spain, the UK, the USA, Ghana, Uganda, Zambia, Cameroon, Tanzania, Nigeria, Namibia, Kenya, Zimbabwe, Botswana, Ethiopia, Lesotho, Eswatini (previously Swaziland), Malawi, Mauritius, Côte d'Ivoire, France, Belgium and Canada.

As we expand our sphere of operations across Africa and the rest of the world, we embrace strategic partnerships to further diversify our portfolio of investments.





FISHING AND BRANDS

CONTRIBUTION TO REVENUE
R447m

PROFIT BEFORE TAX
R0.3m

PREMIER FISHING AND BRANDS LTD



Premier Fishing & Brands Limited
The First Choice

KEY FACTS

CHIEF EXECUTIVE OFFICER	R Isaacs
BOARD OF DIRECTORS	R Isaacs, S Young, K Abdulla, AB Amod, RP Mosia, CL van der Venter, NA Ramatlhodi, SP Mngconkola, I Amod and V Dzvova
EMPLOYEES	760
HEAD OFFICE	V&A Waterfront, Cape Town
MARKET PRESENCE	Port Nolloth, Northern Cape Province, Cape Town, Overberg Region, Gansbaai, Humansdorp, Saldanha Bay, Hout 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 is the only fishing Company in the industry to have a black female chief executive officer steering their ship.

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 Premier 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.

2020 OPERATIONAL PERFORMANCE

The Premier Group achieved revenue of R449m in the current period compared to R575m in the prior period. A gross profit of R152m was achieved compared to R208m in the prior period. EBITDA (Earnings before interest, taxation, depreciation, and amortization) of R55m was achieved from R99m in the prior period. The abalone farm's production increased from 161 tons to 229 tons during the period under review. Premier's current asset ratio of the Group stands at 4.5:1 as at 31 August 2020.

The south coast rock lobster continues to be a stable fishery with an expectant 5% increase in the total allowable catch for the next season. The squid division was set back compared to the prior year due to resource trends.

The Group's policy is to declare approximately 50%-60% of the earnings per share as a dividend to shareholders. The impact of COVID-19 is being felt in most of the markets that the Group operates in despite the Group being deemed an essential business service. There is no certainty as to when the pandemic will be brought under control and how long it will take for their markets to return to normal levels. Furthermore, the Group suffered the worst squid season in its history, due to the resource being scarce. As a consequence of this uncertainty and the challenging year it has been, the Board of Directors of Premier believes that preservation of cash is paramount to ensure the sustainability of the Group in this current environment, and has such, made the decision not to declare a dividend for the year ending 31 August 2020.

Note: The seasonal nature of the fishing industry does not tie in with the financial year. For more information on their listing 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

2020 Achievements

- Obtained a level 1 B-BBEE rating for both Premier Fishing SA (Pty) Ltd and Marine Growers (Pty) Ltd (Premier owns the abalone farm)
- Obtained synergies from our acquisition of the Talhado Group
- The expansion of the abalone farm continues to be a key focus
- The new hatchery has tripled the production of spat – their stock holding increased to 229 tons, compared to 161 tons in the prior year
- Continued to produce spat at an average monthly production of 250 000 animals per month
- Increase in third party contracted quotas year-on-year

IMPACT OF COVID-19 AND VALUE PROPOSITION POST-PANDEMIC ERA

Premier operated as an essential service provider during the COVID-19 pandemic lockdown period, and some of the employees and crew were not immune to contracting the virus and tested positive. The office was closed for two days during this period and employees continue to be tested daily. During their quarantine and self-isolation, Premier used the time to do maintenance work on their vessels, which will assist in down-time going forward.

During this period, Premier assisted employees by allowing them to work from home and ensured no job losses or retrenchments took place.

Salary cuts were applied to some employees and assisted with food parcels to their lower paid employees.

Going forward the COVID-19 pandemic will still have a lasting impact on revenue with the selling prices of abalone, west coast rock lobster and squid which will take some time to recover. Their marketing team performed admirably, pushing for more volumes despite the drop in selling prices under extremely tough conditions. Premier continues to monitor market prices and currency fluctuations.

With the lifting of certain restrictions to Level 1 and the opening of international borders, Premier will continue to monitor the various variables and uncertainties in the fishing industry and selling prices.

An additional 100 jobs have been created at the abalone farm since the expansion started, taking the overall employee count at the farm to 200.

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.
- More jobs to be created as part of the abalone farm expansion project.
- They aim to sell:
 - all landed quota of the new season;
 - more squid as this is effort-based; and
 - full hake quota for the 2021 season, plus the 2020 portion that has been rolled-over.
- The tonnage at the abalone farm is expected to increase with the expansion.
- The canning and drying factory scheduled to be constructed in 2021 is vital for the increase in sales volumes and margins.
- Once the FRAP 2021 applications have been completed, they aim to target strategic companies to diversify their product basket and markets, which will result in increased shareholder value.
- Explore solar, wind, hydro and battery energy.

MARKET PRESENCE

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

BRAND



PRODUCTS/BRANDS

Through their various business activities, Premier offers the following products and services: sales and, 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).



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 Premier 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 Premier Group's governance principles in respect of King IV™ have been measured using The Global Platform for Intellectual Property's Governance Assessment Appraisal Instrument. For more information refer to www.premier.fishing.co.za

GOVERNANCE STRUCTURE

BOARD OF DIRECTORS				
Nominations committee	Audit and risk committee	Social, ethics and transformation committee	Remuneration committee	Investment committee
Chairperson: A Amod	Chairperson: R Mosia	Chairman: C van der Venter	Chairman: S Young	Chairman: S Young
Members: S Young I Amod	Members: C van der Venter S Mngconkola S Young Adv Dr N Ramatlhodi	Members: R Mosia C van der Venter A Amod S Mngconkola	Members: A Amod C van der Venter	Members: A Amod R Mosia Adv Dr N Ramatlhodi

EXECUTIVE COMMITTEE

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 bottom line reporting frames. Governs risks and opportunities, strategy, business model as well as sustainable development in a way that supports Premier 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 Premier 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

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, are lawful, contribute to Premier'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 is ensured.

ECONOMIC SUSTAINABILITY

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

ENVIRONMENTAL SUSTAINABILITY

As a predominantly fishing business, the 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 its 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 on the West Coast and Overberg regions.

KEY CHALLENGES, RISK MANAGEMENT AND TECHNOLOGY

Key challenges

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

REGULATION AND LEGISLATION	The compliance and demands placed on companies in this highly regulated industry require continuous review of business processes and strategy.
COMPETITION FROM OTHER COMPANIES	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 Premier Group's products.
EMPLOYEE SKILLS AND RETENTION	The industry in which the Premier Group operates requires skilled and experienced employees, thus employee retention is a key challenge.
TOTAL ALLOWABLE CATCHES (AVAILABLE FISH STOCKS)	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	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 Premier'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.

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:

IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
Macro-economic conditions post COVID-19	Loss of revenue and drop in selling prices of products which affects all areas of their operations and will take a while to fully recover. Loss of major key clients.	The Premier Group continues to actively engage with its key clients. They continue to sell more volumes of product despite the drop in selling prices of their products
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, south coast rock lobster, 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 west coast rock lobster (WCRL) resource remains a challenge for the industry at large.	The Premier 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, they continue to enhance their 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 Premier 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 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 output of fish stocks and ensure the sustainability of the resource. The Premier Group recognised this opportunity, invested in abalone farming and consequently increased its production capacity at its abalone farm. The Premier Group has also identified other opportunities and value-add to ensure sustainability in terms of earnings and profits.

STAKEHOLDER MANAGEMENT

CREATING STAKEHOLDER VALUE IN THE SHORT-, MEDIUM- AND LONG-TERM

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 our interactions with stakeholders.

Their stakeholder management approach involves gaining a thorough understanding of stakeholders' needs and expectations, addressing those needs and expectations and 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.

They addressed essential risks and opportunities and responded timeously and appropriately to issues raised in their interactions with their various stakeholders.

(B – 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

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
Customers	Consumers of Premier's products	<ul style="list-style-type: none"> • Delivery of quality products and services • Price competitiveness • Leveraging of our 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 NCRS* Accreditation: HACCP*, FDA*, SABS* and NCRS*	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
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	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

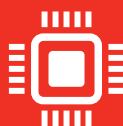
REMUNERATION

The 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 Premier's 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

CONTRIBUTION TO REVENUE
R2 885m

PROFIT BEFORE TAX
R115m

AYO TECHNOLOGY SOLUTIONS LTD



KEY FACTS

CHIEF EXECUTIVE OFFICER	H Plaatjes
BOARD OF DIRECTORS	W Mgoqi, H Plaatjes, I Bundo, V Govender, K Abdulla, A Amod, D George, R Mosia, S Rasethaba, N Ramatlhodi, I Amod, L Fourie
EMPLOYEES	211
HEAD OFFICE	1st Floor, Waterway House North, 3 Dock Road, Victoria & Alfred Waterfront
FOOTPRINT	South Africa, with some presence in other African countries

PROFILE

AYO Technology Solutions Ltd (AYO) including its subsidiaries is one of the largest Broad-Based Black Economic Empowerment (B-BBEE) information and communications technology (ICT) groups in the South African market. They operate across a variety of industry verticals and geographies to deliver the full spectrum of ICT-related products and services – from physical infrastructure to networking, data storage and security, connectivity and communications.

The AYO Group consists of the following operating companies:

- Puleng Technology Solutions (Pty) Ltd (Puleng)
- Sizwe Africa IT Group (Pty) Ltd (Sizwe)
- Health System Technologies (Pty) Ltd (HST)
- Kalula Communications (Pty) Ltd (Kalula)
- SGT Solutions (Pty) Ltd (SGT)
- Global Control and Command Technologies (Pty) Ltd (GC²T)
- Digital Matter (Pty) Ltd (Digital Matter)
- Afrozaar (Pty) Ltd (Afrozaar)
- NSX Solutions Consulting (Pty) Ltd (NSX)

Their collaborative business model combined with strong empowerment credentials and solid strategic partnerships sets them apart from their competitors. They use an open innovation process to cross-pollinate novel solutions across industries and thus transform their clients' organisations and their respective economic sectors.

Their highly specialised, skilled staff are critical to their success, enabling them to drive innovation in the marketplace. Attracting and nurturing talent underpins all their decisions and actions. Through the AYO Academy (their skills development initiative) they strive to develop tomorrow's ICT leaders who will take the AYO Group as well as the South African digital transformation movement to new heights. They believe that to truly propel our economy, we need to work together by establishing and fostering strategic partnerships, which includes suppliers, clients, staff, governing bodies and the broader community who remain paramount to everything they do.

As the age-old African proverb goes: *"If you want to go fast, go alone. If you want to go far, go together."*

At the end of the financial year, the AYO Group employed over 1 050 people and has over 500 clients in both the public and private sectors with operations located in South Africa, Mauritius, East Africa and the United Kingdom.

2020 OPERATIONAL PERFORMANCE

The AYO Group delivered a strong performance for the period, with revenue increasing by 47% from R1.96bn to R2.89bn and profit before tax decreasing by 62% from R272.99m to R103.63m.

AYO's net asset value decreased by 4% from R4.471bn to R4.296bn as a result of focused operations, strategically targeted acquisitions and organic market share growth.

Headline earnings per share (HEPS) decreased by 82% from 43.40c to 8.02c per share as a result of an increase in operational costs and the COVID-19 pandemic.

As a technology-based Group, AYO quickly adapted to the new ways of working as created by the COVID-19 pandemic and continued operations with minimal disruptions or impact on cash flow or operating income.

VISION 2020 VISION – AYO'S CONTRIBUTION

AYO's vision is to be the leading empowered digital and technology service provider for business partners across the African continent. They aim to deliver this vision through strategic acquisitions and organic development of current subsidiary businesses to gain further market share and revenues.

During the year, the AYO Group acquired a 100% stake in NSX Solutions Consulting (Pty) Ltd and increased its shareholding in Kalula Communications (Pty) Ltd (t/a Headset Solutions) from 51% to 76%. At the end of the reporting period, AYO announced their intent to purchase Kathea Communications Solutions (Pty) Ltd (Kathea Communications). Together, Kalula Communications (Pty) Ltd and Kathea Communications will catapult the AYO Group into the largest provider of such equipment on the African continent.

Kathea Energy (Pty) Ltd, will offer AYO a foot into the rapidly growing green power solutions, which they believe will be instrumental to the development of the African technology industry.

IMPACT OF COVID-19 AND VALUE PROPOSITION POST-PANDEMIC ERA

The effects of the COVID-19 pandemic is having a significant impact on the technology sector, affecting raw materials supply, disrupting the electronics value chain, and causing an inflationary risk on products. More positively, the disruption has caused an acceleration of remote working and a rapid focus on evaluating and de-risking the end-to-end value chain. Remote work, online education and social distancing will create demand for products and services delivered by the technology industry.

AYO is exceptionally well-positioned to take advantage of these opportunities with solutions that respond to major questions around safety, privacy, sustainability and trust:

- remote working – Kalula is experiencing a strong demand for communication and telecom equipment;
- cybersecurity – Puleng has a wide range of products and skills to deliver critical cybersecurity solutions;
- online learning – Sizwe has the nationwide infrastructure to roll out e-learning products and services to students;
- laboratory services – HST has the software and skills to manage complex data networks in healthcare facilities; and
- crisis management – GC²T has command and control specialist solutions for defence and monitoring social distancing.

Despite the above optimism, AYO will not be able to escape the ravages of the global and local economies with some clients postponing purchases. Cash flow challenges will test some of their business units and may require subsidising during the crisis to confirm readiness in its aftermath.

PROSPECTS AND FUTURE OUTLOOK

AYO continues to focus on its acquisition strategy to complement and enhance the businesses they currently have in their portfolio. They are also looking to establish a strong foothold in technology sectors in the next five years. This will enable them to service a substantial customer base in a number of industry verticals, including financial services, telecommunications, health care providers, public enterprises, media and many more. As an ICT investment holding Group, AYO is in a position with a strong balance sheet to make the right acquisitions. Company valuations are becoming more attractive for investments and AYO has certain targets in mind.

As companies seek business solutions to address remote work and social distancing, the demand for developer and engineering talent is likely to increase. Retaining top talent will be essential for AYO to remain relevant and competitive in this period.

FOOTPRINT

AYO has its main office in Cape Town with a satellite office in Johannesburg. Through their subsidiaries, they have a presence in all major South African centres as well as Botswana and Eswatini, the SADC region, Mauritius, Madagascar, East Africa and Nigeria.

BRANDS



BUSINESS MODEL

AYO is a thematic investment holding Company, with subsidiaries across various technology segments, including e-health, cyber security, managed services, hardware sales and services, e-commerce, software development, IoT and more. While their subsidiaries operate on a decentralised management model system, they add value to their subsidiaries in the form of industry expertise, strategic guidance, financial support for rapid scope of operations, access to new customer segments and markets, B-BBEE credentials and centralised Group services.

Their value proposition can be identified in the following ways:

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

GOVERNANCE

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

Their Board is the principal decision-maker and is supported by various committees and the executive management team.

The Group's governance principles in respect of King IV™ have been measured using The Global Platform for Intellectual Property's Governance Assessment Appraisal Instrument. For more information refer to www.ayotsl.com.

AYO's Board is responsible for the strategic direction of the AYO Group and the Company's governance framework as set out below.

Governance structure



The governance framework supports AYO'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 improve AYO's performance. In carrying out AYO'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.

STRATEGIC PLANNING AND MONITORING

AYO's growth strategy is defined as being underpinned by six mission critical success factors of capital optimisation, customer focus, operational excellence, people and culture, partnerships and leadership. Over a three-year planning horizon in the context of this long-term vision, AYO identified some key strategic driver initiatives that it will execute to achieve the growth intended.

The above initiatives together with others identified through some Group-wide engagements will be executed at Group level, with subsidiary participation where required. Each subsidiary develops and executes on its own business strategies and operations with Group and individual Board oversight, primarily for ensuring that there is strategic alignment in the Group, as well as the leveraging of synergistic opportunities in their go-to-market strategies and operations.

Group monitoring of the above initiatives is achieved through continuous interaction between the subsidiaries and the AYO executive office. Whilst this covers all initiatives, the strategic time horizons determine which elements are prioritised at any given reporting period, which is monthly and quarterly. From a subsidiary perspective business performance monitoring is also negotiated and agreed with their respective 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.

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 manner 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, 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 sustainability of operations is ensured.

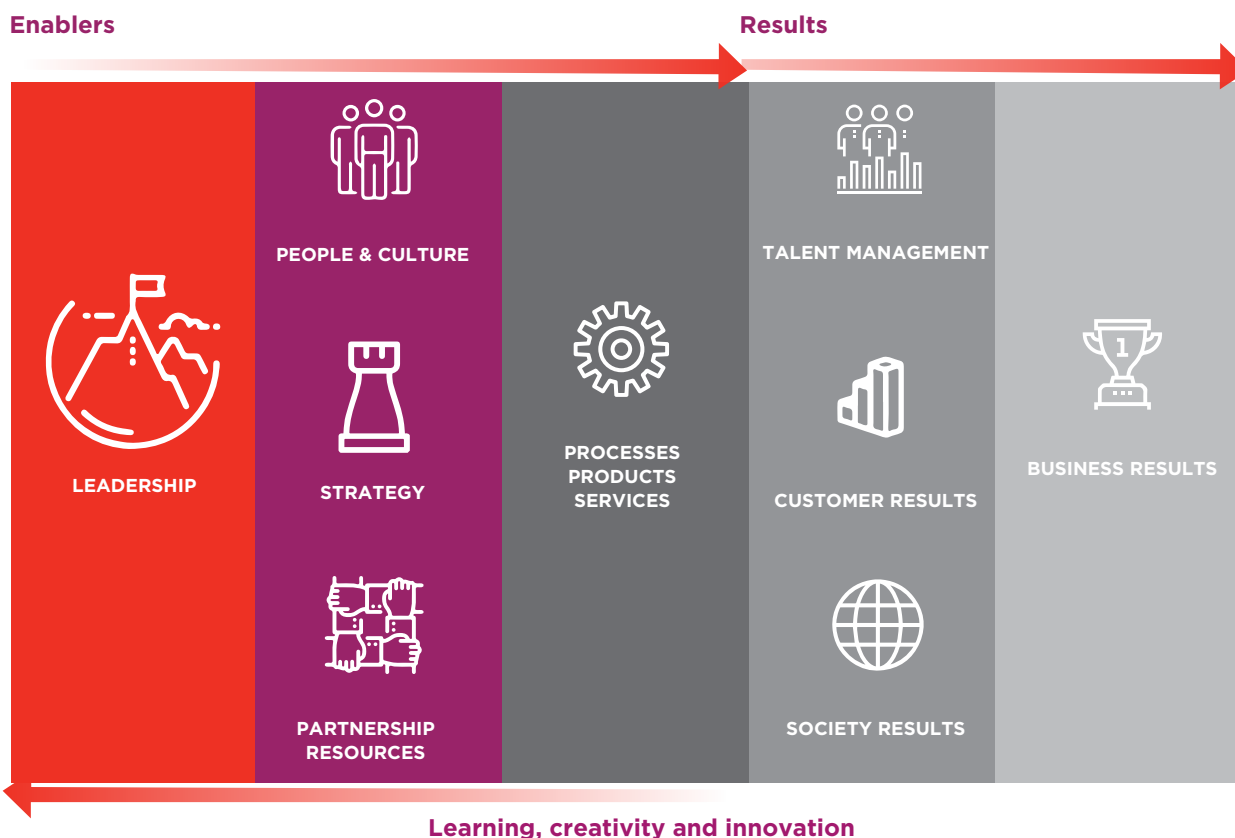


ECONOMIC SUSTAINABILITY

AYO aims to deliver sustainable returns to all 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 its environmental performance 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. Their recent investment in Kathea Energy – a renewable energy solutions provider – contributes 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. They are committed to internal training and development and within the communities in which they operate to contribute toward social upliftment and sustainability. They launched the AYO Academy through which they train interns and learners and prepare them for the world of work.

In addition, they invested over R1.5m in education initiatives for their immediate communities through approved impact-CSI partners, including the SAME Foundation, Quad-Para Association of SA and the Sakhikamva Foundation.

KEY CHALLENGES, RISKS, TECHNOLOGY AND COMPLIANCE

Key challenges

The key challenge for AYO in 2020 remains the reputation management for their brand as well as their subsidiaries post the Public Investment Corporation's (PIC) Commission of Inquiry. With the investigation now completed and AYO absolved of any wrongdoing, the media attention has subsided significantly. However, the reputational damage still lingers and will remain for them in the medium-term.

Subsequent to the Commission of Inquiry, AYO was subjected to an investigation by the JSE which necessitated the auditing of the AYO Group's interim financial results for the financial years 2018 and 2019. Having three simultaneous audits, besides being unprecedented, also challenged their team and resources to the extreme. The JSE investigation was completed at the end of the reporting period and they look forward to entering the 2021 financial year with significantly less regulatory challenges, which will enable them to focus on their core business.

A further setback for AYO was their B-BBEE accreditation dropping from level 3 to level 4 in 2020. While this lower status has not necessarily had a particularly noticeable impact on their market share or client relationships, they are committed to reclaiming their strong empowerment credentials in the new year.

Risks

RISK	IMPACT ON BUSINESS	RESPONSE	PROBABILITY
Subdued macro-economic conditions post-COVID-19	Loss of key customers and/or reduced demand for services to specific customers	The Group is actively engaging with subsidiaries to identify potential opportunities for symbiotic growth, as well as looking at international opportunities in the larger African region	High
Public Investment Corporation legal process	Further reputational damage as well as lengthy and expensive legal processes	AYO is engaging with their legal team to tackle the challenge when it surfaces. Due to an overburdened legal system, this is expected to go to court in 2022	Low
Further FICA Investigations	Further to the investigation of the Public Investment Corporation Commission of Inquiry and the JSE, AYO may be subjected to a FICA inquiry, which will further strain their cash reserves and team.	The financial team is well prepared to handle another investigation (having the experience of three simultaneous audits), although the probability of such an investigation is low, given that the JSE's investigation resulted in "erroneous" findings only	Low

STAKEHOLDER MANAGEMENT

CREATING VALUE IN THE SHORT-, MEDIUM- AND LONG-TERM

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. This includes:

- 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 happens 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 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 Company 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.

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

AYO aims to create sustainable value for their stakeholders.

CREATING STAKEHOLDER VALUE USING THE SIX CAPITALS

The AYO 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
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"> • Sophisticated 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

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 Dividends of 65c per share was declared
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

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. As stated in their Code of Conduct, the AYO Group complies with applicable laws, agreements and industry standards on working hours and compensation.

The AYO Group has an annual short-term incentive scheme in place to reward employee's performance which is measured against financial and non-financial company targets. This is set on an annual basis with due consideration of sustainability measures and to enhance the competitiveness of the overall reward offering/pay mix in recognition of performance as well as to enhance employee engagement, employee satisfaction and retention by recognising employee contribution and value add to the Company.



EVENTS AND TOURISM

CONTRIBUTION TO REVENUE R34m	LOSS BEFORE TAX (R5m)
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ESPAFRIKA (PTY) LTD



KEY FACTS	
CHIEF EXECUTIVE OFFICER	V Dzvova (acting)
BOARD OF DIRECTORS	V Dzvova, K Abdulla, C Hendricks, M Domingo, and S Ramdenee
EMPLOYEES	16
HEAD OFFICE	Waterfront, Cape Town
MARKET PRESENCE	South Africa and West Africa

PROFILE

espAfrika (Pty) Ltd (espAfrika) is a cutting-edge global competitor in events management throughout the African continent. The Cape Town International Jazz Festival is affectionately known as “Africa’s Grandest Gathering” and is espAfrika’s flagship event. The Festival is ranked amongst the top 10 Jazz Festivals in the world. In 2015, the OFLOCAL voted the Festival as the Best Festival in Cape Town, and in 2016 it 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 over 3 000 jobs.

espAfrika’s highly skilled team of professionals can produce and host a range of events, from music festivals to corporate functions, gala dinners, and conferences. This innovative events management Company thrives on challenges, and their collective energy produces effective results. espAfrika’s primary strategy is to use indigenous resources, and they 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. espAfrika is well respected in the international music industry and can leverage the flow of artists and expertise between Africa, Europe, Asia and the United States.

2020 OPERATIONAL PERFORMANCE

Due to the COVID-19 pandemic, the Cape Town International Jazz Festival was cancelled by local Government, and a new date for the Festival will be announced once clarity is obtained from the Government as to when mass gatherings and events can resume. The COVID-19 pandemic led espAfrika to streamline its business operations to ensure its future sustainability. espAfrika 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 was on track to meet its strategic objectives until the start of the COVID-19 pandemic.

2020 ACHIEVEMENTS

During the financial year, espAfrika will incur a loss as a result of the cancellation of the Cape Town International Jazz Festival. Plans have been put in place to return espAfrika to profitability and ensure it is sustainable for the foreseeable future, thus providing adequate returns to all its stakeholders.

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.

IMPACT OF COVID-19 AND VALUE PROPOSITION POST-PANDEMIC ERA

As the effects of COVID-19 continue to spread across the entire world, including the events industry in which espAfrika operates, their primary focus is for their business and the safety of their people. The COVID-19 pandemic had a huge and immediate impact on event sizes and venue-hire with events and conferences being cancelled and immediate loss of revenue.

Whilst this focus will continue, the implications for economic growth and corporate profits will be severely impacted. This impact is huge and unpredictable on both revenue and their supply chain. The team continues to work on its cash flow and working capital management and continuously engages with their stakeholders.

espAfrika will continue to streamline its operation and diversify to look for new growth opportunities.

Focus areas:

IMPACT	MANAGING KEY STAKEHOLDERS	PLANS
<ul style="list-style-type: none"> Investors Operators Service providers Contractors Loss of revenue 	<ul style="list-style-type: none"> Engaged with key stakeholders, funders and contractors to maintain their confidence Continued with open discussion Provided clarity to employees to keep up employee morale through this difficult time Managed payments to suppliers Minimised all expenditure Transparency with key stakeholders 	<ul style="list-style-type: none"> Continue to engage with key stakeholders to keep them abreast of developments Adjusted the budgets and forecast reviews Keeping abreast of the situation and the impact on the business and mitigate any further risks Prepared a plan to respond to changes outside the normal business processes Continued to look for new business opportunities Look at smaller events Remain relevant to our clients' needs Consider investing in technology for virtual events Position espAfrika for when the events industry fully opens with no restrictions

PROSPECTS AND FUTURE OUTLOOK

The Cape Town International Jazz Festival will remain the flagship event of espAfrika. espAfrika is working on securing tenders relating to its core business activity. espAfrika has tendered for a three-year contract to produce the "Switching of the Lights" for the Stellenbosch municipality. In addition, espAfrika is working with a leading TV broadcaster to create a series of short music programmes to be aired on television.

Through the 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.

FOOTPRINT

espAfrika operates in the Western Cape.

BRANDS



BUSINESS MODEL

espAfrika’s business model is a mix of organising and producing its Company-owned events and managing events on behalf of clients (third-party events). espAfrika also provides event management services to its network of corporate clients. It will enable espAfrika to create a more sustainable business model going forward and lessen the dependency on the Cape Town International Jazz Festival.

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 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 espAfrika 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 of espAfrika. The holding Company carries out regular peer reviews in respect of the delegated authority level as well as adherence to the AEEI Group policies.

The Board of espAfrika 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 of espAfrika promotes independent judgement to assist with the balance of power and the effective discharge of its duties. The Board of espAfrika is evaluated annually to ensure effective functioning.

espAfrika complies with the governance principles as outlined in King IV™.

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.Ensure an ethical culture of effective leadership is maintained with positive results.Ensure an inclusive stakeholder approach to balance the needs of stakeholders in line with the best interests of the Company.
SCOPE	Company	<ul style="list-style-type: none">Ensure that the Company operates within the triple context. Manage 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">Ensure that proper internal controls are in place to ensure that policies and procedures are implemented and comply with appropriate accountability.Ensure that processes are in place to protect the integrity of the system and information provided is of relevance and is reliable for decision-making purposes.Ensure that 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">Ensure compliance to applicable laws and adopt 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 accountability of the executives for the Company’s performance.
DISCLOSURE	Financial statements	<ul style="list-style-type: none">Audited financial statements in terms of IFRS.

STRATEGIC PLANNING AND MONITORING

espAfrika manages its business strategically, following a process which includes an annual review of performance, products/services, 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 Imbizo annually to discuss its long- and short-term targets and objectives to maintain espAfrika's current economic, operational and environmental sustainability and advantage.

Monthly goals are agreed upon and managed through the chief financial officer and various heads of departments. espAfrika believes in the collective and full participation of its employees to achieve the best commercial and sustainable business platform to meet the needs of its various stakeholders'. Responsibilities 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 espAfrika 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. This provides adequate measures for the Board to ensure that there is a senior manager, or the Board itself, reviewing each key business transaction/initiative. It further ensures that key business activities are aligned with the Company's strategy, are lawful, will contribute to the Company's sustainability, and will not be detrimental to any stakeholders and/or the environment.

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 appropriately managed and the objectives of the Company are met.

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.

espAfrika 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 achieved through:

- Waste management
- Recycling
- Responsible water usage

All the 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 plasterboard, plywood, beams, and corrugated iron are donated to needy causes. espAfrika limits its water usage and uses a 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 promote this initiative further. The initiative is fully supported by the National Department of Arts and Culture as part of the Mzansi Golden Economy. espAfrika also uses several 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, several employees attended training programs and seminars to enhance their skills further. The events industry strongly relies on skilled contractors. However, espAfrika always matches an experienced 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, normally creates more than 3 400 jobs in addition to the many 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, RISKS, TECHNOLOGY AND COMPLIANCE

Key challenges

The following key challenges have been identified:

COVID-19 pandemic	<ul style="list-style-type: none"> The impact of the COVID-19 pandemic on the economy and the events industry. Government regulations concerning mass gatherings and its resultant impact on big events.
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"> Managing 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 forms part of 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 reviewed monthly. Executive management is responsible for the identification, classification, and control of all operational risks.

The Board of directors is responsible for providing direction to manage and mitigate any identified significant strategic risks. 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, the pre-planned management strategies for these challenges and risks. These were successfully managed in mitigating and avoiding the severity of the impact on espAfrika.

The following risks have been identified:

IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
COVID-19 pandemic	<ul style="list-style-type: none"> Critical as it has led to Government regulation banning mass gatherings and closing of the borders as well as curtailing economic activities 	<ul style="list-style-type: none"> Streamlining business operations as well as looking for new opportunities using the skillsets available
Sponsorship revenue	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 in raising sponsorships. This has resulted in new sponsors being identified and approached as well as committing existing sponsors to new long-term sponsorship contracts
Currency risk	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 in raising sponsorships. This has resulted in new sponsors being identified and approached as well as committing existing sponsors to new long-term sponsorship contracts
Currency risk	<ul style="list-style-type: none"> As international artists are contracted to perform at the Company's events, the value of the rand versus other foreign currencies has a direct impact on the cost base of espAfrika 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Constant review of applicable technological advancements, changes in legislation and best practice is undertaken and if appropriate plans and recommendations are put forward for evaluation and approval in line with the established approval authority processes within espAfrika
Succession planning	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> The Board established a working committee to ensure continuity of the business in case any of its key management or employees left the Company Provide training and development programs as well as offering market related remuneration and progression within the Company to retain skilled employees

STAKEHOLDER MANAGEMENT

CREATING VALUE IN THE SHORT-, MEDIUM- AND LONG-TERM

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.

CREATING STAKEHOLDER VALUE USING THE SIX CAPITALS

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 a 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 of 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

STAKEHOLDER EXPECTATIONS

espAfrika recognises the importance of constant engagement with stakeholders. The principal stakeholders for espAfrika 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

espAfrika has a diverse group of stakeholders ranging from communities, service providers, employees, Government and shareholders of the business. These stakeholders have different expectations and needs from the business. Through its core objective of meeting the various stakeholders’ expectations, espAfrika identifies these 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"> Direct and indirect jobs created Beneficiaries benefited from the training and development programmes
Service providers	Fair terms and opportunity and timely payment	<ul style="list-style-type: none"> 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 are remunerated in line with industry standards Sustainability and employment policies of the Company provide for a fair 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

espAfrika’s employees are its most valuable assets, 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.

KEY FACTS

CHIEF EXECUTIVE OFFICER	V Dzvova (acting)
BOARD OF DIRECTORS	K Abdulla, C Hendricks, L Burt and V Dzvova
EMPLOYEES	7
HEAD OFFICE	Observatory, Cape Town
FOOTPRINT	South Africa

PROFILE

Tripos Travel (Pty) Ltd (Tripos) 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 division, they focus on inbound tours to Southern Africa for groups and independent travellers.

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

Tripos 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.

2020 OPERATIONAL PERFORMANCE

The challenging economic conditions pre-COVID-19 and the impact of COVID-19 affected the travel industry severely. Strict movement restrictions locally and closure of borders to international travellers resulted in a total decline of revenue. As a result, revenue declined by 62.69% and Tripos made an EBIT loss of R1.6m, a decline of 48.65% on the previous year.

The uncertainty of the travel industry remains and the objective for Tripos is to streamline operations through cost cutting to ensure survival during this difficult time.

VISION 2020 VISION – TRIPOS TRAVEL’S 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 Group continues to strengthen in that they continue to provide support in all aspects of our business, from client acquisition to supplier contract negotiation.
- Tripos was elected as the official travel partner by espAfrika, the owner and producer of the Cape Town International Jazz Festival.
- A key value of Tripos is to put the customer first and this is entrenched in our values, staff coaching and training, incentives and allocation of resources.

IMPACT OF COVID-19 AND VALUE PROPOSITION POST-PANDEMIC ERA

The impact of the COVID-19 pandemic has negatively affected the travel industry worldwide, with a ban on local and international travel resulting in a total lack of income from April 2020 to 31 August 2020

Although the government has allowed local travel to commence under strict conditions, the income is slow as clients are not travelling as they had done previously. The introduction of international travel with the opening of South Africa's borders will be a huge boost for Tripos, but is unlikely to have an impact before early 2021. Until then, promotion of domestic travel for business and leisure is a way to get clients to start travelling again. As international borders are opening, Tripos has started with marketing campaigns, advertising flights, packages and specials to those countries that have moved to open their borders. To date the uptake on bookings has been very sluggish as the tough trading conditions of the travel industry prevail.

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. During the year, Tripos served clients from Dubai, France, Belgium and Canada.

BRAND**BUSINESS MODEL**

Tripes 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. Tripes' retail business is split into corporate and leisure travel.

Tripes 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.

Their inbound tours business focuses on selling packages to international inbound tourists. In addition, Tripes 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 independent travel consultants.

Tripes 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 their overall profit and profit margins.

TRAVEL MANAGEMENT**Retail**

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

Wholesale travel

- Tripes 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 meetings and conferences
- Incentive travel
- Tours

GOVERNANCE

Tripes, 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 Tripes (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.

Tripes complies with the governance principles as outlined in King IV™.

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

Tripes 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 are conducted of strategic achievements as well as progress on action plans and how changes in the internal and external environments may positively, or negatively affect these. 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, Tripes 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. Tripes promotes preferential procurement from small black-owned companies.

Tripes 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.

ECONOMIC SUSTAINABILITY

Tripes aims to deliver good and sustainable returns to all its stakeholders. Tripes 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. Tripes 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

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

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

KEY CHALLENGES, RISK, TECHNOLOGY AND COMPLIANCE

Key challenges

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

COVID-19 pandemic	<ul style="list-style-type: none"> • Critical, as it led to Government closing its borders for local and international travel for an extensive period of time as well as curtailing events.
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, Tripos has at its core the development of both the individual employee and the creation of opportunity for the broader community.

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	IMPACT ON BUSINESS	RESPONSE
COVID-19 pandemic	<ul style="list-style-type: none"> Critical, as it has led to Government regulations banning local and international travel by closing its borders as well as mass gatherings, thereby curtailing economic activities which impacted revenue streams. Tripos as a result did not trade for 5 months and has lost most of its regular corporate travellers who make up 95% of its revenue base. 	<ul style="list-style-type: none"> Streamlining business operations to reduce costs and manage cashflow as well as looking for new opportunities using the skillset available.
The discontinuation of commissions and overrides	<ul style="list-style-type: none"> Negative impact on revenue and profits 	<ul style="list-style-type: none"> Tripos is prepared to renegotiate its service fees in the event of this eventuality, 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	<ul style="list-style-type: none"> Negative impact on cash flow management 	<ul style="list-style-type: none"> Tripos Travel will have to renegotiate contracts to align its collections with the change from IATA.
Technology	<ul style="list-style-type: none"> Sustainability of the business 	<ul style="list-style-type: none"> The innovative use of technology has directly impacted the travel industry with online bookings.
Employee retention	<ul style="list-style-type: none"> Sustainability of the business 	<ul style="list-style-type: none"> A retention plan, including incentives, training and development and team engagement has been introduced.

STAKEHOLDER MANAGEMENT

CREATING VALUE IN THE SHORT-, MEDIUM- AND LONG-TERM

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

CREATING STAKEHOLDER VALUE USING THE SIX CAPITALS

Tripes 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 a reasonable price 	<ul style="list-style-type: none"> Growth Dividends Return on investment Reduced risk
Intellectual	Customers	<ul style="list-style-type: none"> Understanding 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

STAKEHOLDER EXPECTATIONS

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

Tripes 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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*	<ul style="list-style-type: none"> 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 and 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	<ul style="list-style-type: none"> 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. (B - Principles 1-16)

*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

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

CHIEF EXECUTIVE OFFICER	D Allenbrook
BOARD OF DIRECTORS	K Abdulla, C Hendricks, A Amod, J van Niekerk and V Dzvova
EMPLOYEES	21
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 situated 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 and 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.

Magic's listenership has steadily grown since inception and stands at around 240 000 on 31 August 2020.

A long-term goal of the management team has been to grow the radio business into other geographies in South Africa. This dream was realised during the year with the strategic partnership with LM Radio in Gauteng. The increased reach, cost efficiencies and increased advertiser attractiveness have enabled Magic to grow towards 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.

2020 OPERATIONAL PERFORMANCE

The focus for the management team from the outset has been on increasing the revenue of the business, and finding new and alternate revenue streams to traditional radio advertising.

They managed to successfully implement their first offshore product in the form of a turnkey internet radio solution for a restaurant chain in the Middle East. They see this as a big driver of growth for their business going forward and are quietly optimistic.

The reality is that the lockdown due to COVID-19 had a major impact on the revenue the business could earn. The marketing spend is usually the first thing a business cuts in times of constrained cash, and their experience was no different. They cut costs where possible, and right-sized their operations to a point that they were able to survive the worst of the economic impact, and are now well-positioned to benefit from the return to normal trading conditions.

Magic has also focused on initiatives to increase listenership, generate high-quality programming to retain existing listeners, and ultimately to build a sustainable business which can be profitable for all shareholders and stakeholders alike.

Traditional radio advertising remains the biggest driver of revenue. This should be split between agencies and direct advertising, which is driven primarily by listenership.

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.

A strategic partnership has been entered into with LM Radio in Gauteng, whereby the stations will be sharing content and resources. There are many similarities between the two, in that both target the same audience, play the same music, and are focused on music over talk. From an advertising perspective, it gives them the ability to reach the two biggest metropolises in South Africa, and thus a nationwide reach. This will be a key pillar of their marketing and advertising strategy going forward.

VISION 2020 VISION – MAGIC'S CONTRIBUTION

The following is what they focused on in the pursuit of their Vision 2020 Vision:

- Further increasing brand awareness and increasing listenership.
- Performing at various community events and encouraging the underprivileged to participate.
- Extending broadcasting via programming from Magic AM on FM community stations, as well as other AM stations in South Africa.
- Protecting its industry to create more employment.
- Further advertising opportunities arising due to the exposure of the radio station.
- Further growth in listenership, particularly in the digital space.
- Continue to look at joint ventures in marketing and advertising.
- Employing more people on an equal employment basis, as well as striving towards the HDP level of 70% as per the Independent Communications Authority of South Africa (ICASA) licence agreement.
- Increasing its broadcast area by focusing on boosting the digital offering.

IMPACT OF COVID-19 AND VALUE PROPOSITION POST-PANDEMIC ERA

The COVID-19 lockdown has no doubt been a huge economic hurdle to overcome for all businesses around the globe. Magic is no different, as the economic constraints of the lockdown affected them adversely. The management team acted swiftly in cutting costs and reducing overheads to a large extent. It was due to this decisive movement that the business has survived and is now well placed to rebound as the economic activity of the country returns to normal.

With a reduced cost base, and slimmed down operations, the business is now able to take advantage of opportunities in the market. The focus on the digital side of the business over the past few years has stood them in good stead with the focus on digital marketing and advertising that is currently in favour with most clients.

They have also expanded their current product set to include turnkey internet radio solutions for the international market, where they hope to expand over the next year, bringing in a much-needed source of foreign-based revenue.

COVID-19 has been incredibly tough for all and although it is far from over, they are beginning to see the light at the end of the tunnel and are excited to negotiate the return to profitability.

PROSPECTS AND FUTURE OUTLOOK

Magic has aligned its business model to ensure that the business structure, processes and objectives comply with the requirements of the ICASA radio licence. They completed the implementation of the partnership with LM Radio in Gauteng. This has been a year-long process that gives them the ability to share content and resources across the two stations. This has the benefit of not only reducing costs, but also boosting revenue.

Over the past few years, they have bolstered their resources in the digital space and the radio products that they are able to offer. They have done this in order to be able to offer their clients a full suite of products, and cater for a wider fraction of their needs. They have had great success with the launch of their streaming app, as their listenership continues to grow.

They built their product offering to include a turnkey internet radio solution that they are able to offer to clients all over the world. They will be targeting offshore clients to get a steady stream of offshore-based revenue.

A major opportunity that exists is the agency business through its sales house, The Media Connection, which has in the past made large contributions to the station's revenue. However, this has been impacted by the economic downturn and continues to lag expectations. On a positive note, the station's standing has been bolstered by the partnership with LM Radio in Gauteng, thus providing advertisers an expanded footprint. It allows Magic to sell national advertising and to benefit from the combined listenership of these two stations. This also resulted in interest from other agency sales partners. These are avenues that they are currently pursuing.

The following prospects were identified in reaching their Vision 2020 Vision and will be further targeted in 2021:

- Increasing the 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 regions, 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 the listenership.
- Continue to look at joint ventures in marketing and advertising.
- Employing more people on an equal employment basis, as well as obtaining the HDP level of 70% as per the ICASA licence agreement.

FOOTPRINT

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

BRAND



BUSINESS MODEL

Magic has aligned its business model to ensure that the business structure, processes and objectives comply with the requirements of the ICASA radio licence. They completed the implementation of the partnership with LM Radio in Gauteng. This has been a year-long process, that gives them the ability to share content and resources across the two stations. This has the benefit of not only reducing costs, but also boosting revenue.

Over the past few years they bolstered their resources in the digital space, and the radio products that they can offer. They have done this to be able to offer their clients a full suite of products, and cater for a wider fraction of their needs. They have had great success with the launch of their streaming app, as the listenership continues to grow.

They built out their product offering to include a turnkey internet radio solution that they are able to offer to clients all over the world. They are targeting offshore clients in order to get a steady stream of offshore-based revenue.

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 ensures 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.

Magic complies with the governance principles as outlined in King IV™.

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 with 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 of directives 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

The COVID-19 pandemic had a major impact on profitability for the year, but after the cost cutting regime, rationalisation and pursuing of alternate revenue streams, the economic outlook for the business is far more stable. From a revenue point of view, they are not yet back to pre-lockdown levels, but the signs are encouraging.

Agency sales are starting to pick up and they are having some success in getting involved with new agencies. They are seeing interest coming back as businesses reopen their doors.

As momentum continues to pick up and their sales and marketing efforts continue to bear fruit, they believe that they will be at a breakeven level within the next few months.

ENVIRONMENTAL SUSTAINABILITY

In terms of Magic's licence agreement with ICASA, they are 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 regarding 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. Magic 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.

KEY CHALLENGES, RISKS, TECHNOLOGY AND COMPLIANCE

Key challenges

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

COVID-19 lockdown	<ul style="list-style-type: none">• Business to operate remotely where possible and follow stringent protocols for the workplace.
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 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 are 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.

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 the identifying, classifying and managing all operational risks.

Significant strategic and going concern risks are identified at all levels in Magic. 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 Magic'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.

IDENTIFIED RISK	IMPACT ON BUSINESS	RESPONSE
Prolonged COVID-19 effects	Decreased economic activity means decrease in marketing spend from advertisers and thus lower revenues.	Stringent cost cutting and cost efficiencies to be further implemented.
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 listenership and sales.	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.	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.

STAKEHOLDER MANAGEMENT

CREATING VALUE IN THE SHORT-, MEDIUM- AND LONG-TERM

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.

During 2020, Magic made great strides towards the goals set at the outset of the year. Many of the initiatives put in place around the expansion of the listener base, marketing of the brand and new revenue streams were beginning to be realised when the COVID-19 lockdown started.

Looking into next year, although the economic outlook remains cautious and the prospects for a quick return to previous levels of economic activity remain unlikely, they remain cautiously optimistic. They have weathered the storm and have come out the other side a leaner and more efficient business.

The cost efficiencies and increased revenue potential they gained from the partnership with LM Radio in Gauteng will stand them in good stead for the year ahead. These coupled with the potential for growth from the offshore radio clients and the building out of their digital offering, will give them optimism that they will be able to turn the corner and achieve profitability in the 2021 year.

CREATING STAKEHOLDER VALUE USING THE SIX CAPITALS

Magic creates value for its stakeholders 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

STAKEHOLDER EXPECTATIONS

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

Magic 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	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 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.

*ACRONYMS	
MW	Medium Wave
ICASA	Independent Communications Authority of South Africa



HEALTH AND BEAUTY

AFRINAT (PTY) LTD



CONTRIBUTION TO REVENUE
R45m

LOSS BEFORE TAX
R0.4m

KEY FACTS

CHIEF EXECUTIVE OFFICER	Dr A Sidar
BOARD OF DIRECTORS	A Amod, A Sidar, K Abdulla, C Hendricks, I Amod and V Dzvova
EMPLOYEES	7
HEAD OFFICE	Victoria & Alfred Waterfront, Cape Town
FOOTPRINT	<p><i>Western Cape:</i> Hex River Valley, Citrusdal, Ceres, Riebeeck-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 supplies a range of natural biostimulants and agricultural pre-harvest products as well as a range of cleaning solutions under the brand ViBacSan® to the post-harvest industry and hygiene and sanitation sector. These products are human, animal and plant safe, 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, Land Reform and Rural Development (DALRRD).

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.

2020 OPERATIONAL PERFORMANCE

AfriNat operates in three sectors: agriculture which includes pre- and post-harvest, hygiene and sanitation; and food preservation. Each has a different range of products. Overall performance has been good against the budget. The hygiene and sanitation division showed phenomenal growth because of the COVID-19 pandemic. This product group performed more than 100% over budget.

The biggest challenge remains the change in thinking by clients to use their product ranges as pricing versus application and the effect is different to conventional products. This requires extensive marketing efforts which AfriNat has not engaged in fully. The onset of COVID-19 has forced people to relook at the hygiene sector in more detail for the new year. AfriNat is looking at targeting food preparation and shopping mall property companies to offer high-efficacy, cost-saving solutions.

AfriNat introduced the food additives and preservatives, but was limited as COVID-19 prevented further engagement with clients. Existing clients continued to purchase products and they will be seeing this grow in the new year.

They will be utilising a laboratory to do solution development for food producing and processing clients in line with the food act and clean labelling.

VISION 2020 VISION – AFRINAT'S CONTRIBUTION

A new normal has evolved and their business is geared towards providing safety and economic opportunities to their clients and associates.

This is done through their products portfolio in the Agricultural sector which promotes increased productivity and high crop yields, which in turn produces more profits.

2020 Achievements:

- AfriNat survived the COVID-19 pandemic as an essential services provider.
- Successfully marketed three ranges of products nationally.
- They began introducing additional products into the Agricultural sector for growers.
- They will commence with Group 3 trial work migration, giving their products higher market value and acceptance.
- They updated all hygiene and sanitation products from the SABS mark to SANS 2020 standard, giving them an edge over currently available products.
- They increased their market share in hectares in multiple cultivars and gave growers an average 20% increase in yield.
- They introduced a range of natural food preservatives. This is in line with the Department of Health's (DoH's) initiative to impose the clean labelling act.

IMPACT OF COVID-19 AND VALUE PROPOSITION POST-PANDEMIC ERA

AfriNat worked as an essential service provider through the COVID-19 pandemic in the hygiene and sanitation sector. The hygiene and sanitation division showed phenomenal growth during this period with the product group performing exceptionally well and exceeding their budgeted expectations.

AfriNat will engage in an extensive marketing campaign post the COVID-19 pandemic and offer a high-efficacy cost-saving solution. This will include food preparation companies, shopping malls and property companies. This will be done in line with the food act and clean labelling act.

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 not seen the same growth in the pre-harvest division as last year due to seasonal delays and the original drought.

However, with the increasing coverage of hectares the growth can be supported through technical resource placements in new territories. Their products have been independently tested at a high cost. This will enable new farmers and territories to adopt their programme based on results. Further growth will come once these tests have been incorporated with the DAFF registrations.

There are no planned acquisitions in the short- to medium-term, except possibly for vertically integrating and introducing in-house manufacturing.

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 as 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.

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

- Growth of the product portfolio in pre-harvest – the 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 2020–2021 fiscal year due to the intense focus and demand from the agricultural sector and COVID-19.
- 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 additional 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. This can be achieved 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 won on this basis is a key measure of AfriNat's performance.
- Expand into new markets outside of South Africa to neighbouring countries and other developing nations where our solutions will have biggest impact.

FOOTPRINT

AfriNat's administrative function, which includes management, marketing and finance, operates from the V&A Waterfront, Cape Town. Manufacturing is done under 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.

BRAND



PRODUCTS



BUSINESS MODEL

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

- The acquisition of innovative local and international products patents and internal IP as well as international collaborative IP that is relevant to the African markets.
- AfriNat 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 able 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 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.

AfriNat complies with the governance principles as outlined in King IV™.

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. Ensures an ethical culture and effective leadership with positive outcomes. Ensure 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"> Ensure that 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"> Ensures proper internal controls are in place to approve policies and planning, oversee and monitor and ensure accountability. Ensures that the assurance services and functions enable an effective control environment to support the integrity of information for internal and external decision-making. Ensures that 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"> Continues to 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.

STRATEGIC PLANNING AND MONITORING

In applying its business model, AfriNat is focused on becoming one of the leading black empowerment companies in its sector. AfriNat believes its current strategy on focusing on innovation, technology and the conversion of current markets to future thinking will provide for long-term sustainability of the Company. Through this focus, existing business will be maintained while future business is developed in new markets. This will assist with 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, 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 in current markets.

In addition to the annual strategic planning exercise, they held quarterly reviews of their strategic achievements and how 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 their 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 their product range will be able to replace a high percentage of the blacklisted synthetic chemical products.

ECONOMIC SUSTAINABILITY

Key to sustainability is the Southern African food production and security. The ownership of IP, trademarks and patents allows AfriNat to be the center of excellence for future product development. This can then be scaled into Africa to provide solutions to various food security issues.

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 their business to compete in key sectors of the total health and agricultural produce delivery system in South Africa and Southern Africa and increase their 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 plant sustainable 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 the Citrus Research Institute, completed three years of trials to eliminate the “Citrus Black Spot”. The trials have yielded excellent results. The significance of this trial is that the Citrus Black Spot is one of the largest threats to the citrus export industry. Blacklisting of 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 in 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, Government regulations for “Clean Labelling” and the ongoing collaboration with food manufacturing and processing researchers 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 food production.. 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. 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 the stringent regulatory standards.

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 the stringent regulatory standards.

AfriNat consider themselves to be among the cutting-edge companies in producing 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 to which their products are specifically applicable, as is the ability to technically support this sector of farming practices.

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 through job opportunities to the local economy.

KEY CHALLENGES, RISKS, TECHNOLOGY AND COMPLIANCE

Key challenges

Key challenges that must be overcome to achieve their strategic objectives within their value set are:

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 with 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.

Risks

Risk management is integrated into AfriNat's business management process. AfriNat 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 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
AfriNat was recorded as an essential service provider under the COVID-19 pandemic	<ul style="list-style-type: none"> AfriNat provides Personal Protective Equipment (PPE) as well as sanitising material and products to the Agri markets and corporate clients. The supply of PPE and sanitisation products to various markets increased revenue. 	<ul style="list-style-type: none"> COVID019 impacted the Agri sector as there was slow uptake of products during the lockdown period but this rose when lockdown levels were relaxed. AfriNat's products are the product of choice for the export market.
Regulatory constraints	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> The foreign exchange risk element has been reduced by over 80% due to local manufacture. A joint venture agreement was concluded in May 2016.
Distribution	<ul style="list-style-type: none"> Dependence on a single distributor 	<ul style="list-style-type: none"> 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.

STAKEHOLDER MANAGEMENT

CREATING VALUE IN THE SHORT-, MEDIUM- AND LONG-TERM

AfriNat 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.

CREATING STAKEHOLDER VALUE USING THE SIX CAPITALS

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"> • Improved/superior products and services

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	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 skillset of its employees and their ability to operate effectively in this highly competitive environment.
Government	Regulatory and potential customers	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	Adherence to policy laws and governance	<ul style="list-style-type: none"> • Both national and regional- which regulates the health industry 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	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	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.
Organised agriculture and the DAFF	Customers and purchasers of Company products and registrations of new products	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	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	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	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	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	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. (B – Principles 1-16)

KEY FACTS	
CHIEF EXECUTIVE OFFICER	D Kourie
BOARD OF DIRECTORS	K Abdulla (Chairman), D Kourie, V Dzvova, C Hendricks and A Amod
EMPLOYEES	73
HEAD OFFICE	Westlake Business Park, Cape Town
FOOTPRINT	South Africa, Southern Africa including Namibia, Zimbabwe and Mauritius

PROFILE

Orleans Cosmetics (Pty) Ltd 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 21 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. Approximately 18 months ago it introduced fragrances.

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 1989;
- RVB Skinlab/Diego Dalla Palma professional – founded in Italy in 1963;
- Sothys – founded in France in 1946; and
- Berdoues – founded in France in 1902.

Gatineau and NUXE are sold in retailing groups such as Truworths and Woolworths, while Gatineau is sold in Dis-Chem, and NUXE is sold in Foschini, with both brands being sold in beauty salons.

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

Berdoues is sold in Foschini and Truworths.

Orleans Cosmetics’ present focus is on skincare with a particular emphasis on anti-aging. The business has a make-up range in RVB Skinlab/Diego Dalla Palma.

2020 OPERATIONAL PERFORMANCE

Orleans Cosmetics made an operating EBIT of R355k for the year ending 31 August 2020.

The reduced operating EBIT compared with the prior year is mainly due to the impact of the COVID-19 pandemic on the business as it made an operating loss in the first month of the national lockdown of R 1.1m in April 2020. Excluding that first month, Orleans Cosmetics achieved an EBIT profit of R1.4m for the year.

COVID-19 also had an impact in not achieving contractual purchases commitments with their overseas suppliers, resulting in an IFRS driven impairment of intangible assets amounting to R3.65m. Orleans Cosmetics is of the view that an improvement in this valuation is likely in the coming years. Mainly as a result of the COVID-19 impact and after interest on shareholders’ loans of R2.4m, Orleans Cosmetics incurred an after-tax loss of R 4.1m.

The cosmetics industry is very resilient and in the past few months, Orleans Cosmetics has clearly demonstrated this point, as it has traded far better than may have been expected under the circumstances. It has managed to achieve an EBIT profit of R250k in the past three months.

VISION 2020 VISION – ORLEANS’S 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 skin care range and fragrance lines to complement its current skincare ranges.

IMPACT OF COVID-19 AND VALUE PROPOSITION POST-PANDEMIC ERA

- The impact of the COVID-19 pandemic has not been at all as severe as was originally contemplated.
- A key reason is that the cosmetics industry is fundamentally very resilient and secondly, skincare sales as a category are doing well compared with make-up and fragrance.
- The vast majority of their sales are in skincare.
- Their trading results in the past three months have been much better than originally expected by achieving an EBIT profit of R1.4m for the year compared with originally expecting to make a loss.
- Online sales have increased dramatically:
 - Woolworths sales increased to 10% compared with less than 5% previously; and
 - Foschini sales increased to 34% compared to 9% previously.
- Online sales with Truworths and Dis-Chem are still at very modest levels.
- They measure the cost of sales in the department stores very closely where they have their own staff.
- Where appropriate, they will convert certain staffing from full time to part time.
- In addition, with replacement of staff, they are only offering short-term contracts of three months or six months, to give them flexibility.

- They are launching their own e-commerce platform soon, which has been developed with the assistance of Volt, a sister company.
- They will probably start by offering products from Sothys and RVB, which are both sold only in beauty salons where there is no dominant customer who could complain about them competing with them.
- Once the pandemic eases, sales of make-up and fragrance will recover; Orleans Cosmetics then plans to enter into a joint venture.
- They are pursuing acquiring the distribution rights of well-known fragrances, presently with another distributor.
- Costs are being very tightly controlled.
- Employees have fortunately been prepared to partner with the Company in accepting a significant salary reduction.
- Employees have had to accept a salary reduction of 20% since July; previously in April, May and June, the salary reduction was up to 50%.
- Consultants have had to accept a salary reduction of 10% since April.
- Employees have recently advised that the earliest date that the Company can review the reduction is end February 2021. However, the Board of directors knows that the Company cannot afford to return salaries back to original base in the short-term.
- Expenses and inventories are being tightly controlled to conserve cash.
- Payment holidays have been taken with overseas and local suppliers, which are presently being repaid.

PROSPECTS AND FUTURE OUTLOOK

The chief executive officer of Orleans Cosmetics has extensive 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 the extremely well qualified beauty therapists employed by the salons.
- Training of store consultants and beauty salon therapists.
- Close strategic relationships with the key retailers and overseas Principals.
- Excellent management at head office with brand managers, sales manager, sales administration manager, training manager, PR and social media manager, and in the field, being the area managers.

- The collective intellectual property of the team is significant in terms of industry knowledge.
- Financial efficiency is a major key to their success.
- No manufacturing is involved as the products are fully imported.
- The brand which has the greatest focus on natural products is NUXE, which includes the launch of NUXE Bio Organic, a fully certified organic skincare brand.

Outlook for 2021

- Ensure that the Company breaks even at the EBIT level.
- Focus on strengthening the brands' presence in the marketplace.
- Introduce a skin care brand - NUXE Bio Organic.
- Explore the opportunity of obtaining exclusive agencies in fragrance.
- Maintain effective and efficient financial controls.

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 through 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. Orleans Cosmetics has built a solid reputation over the years as being professional, well managed and responsive to the needs of its end customers and to the retailers and beauty salons. As a subsidiary of AEEI, Orleans Cosmetics is 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 and there is enormous potential growth for Orleans Cosmetics.

OPERATIONAL FOOTPRINT

Orleans Cosmetics has the exclusive distribution rights from the four overseas-based Principals for South Africa and Namibia, and in certain cases it also has the exclusive rights to Mauritius and Zimbabwe.

Orleans Cosmetics operates in South Africa from:

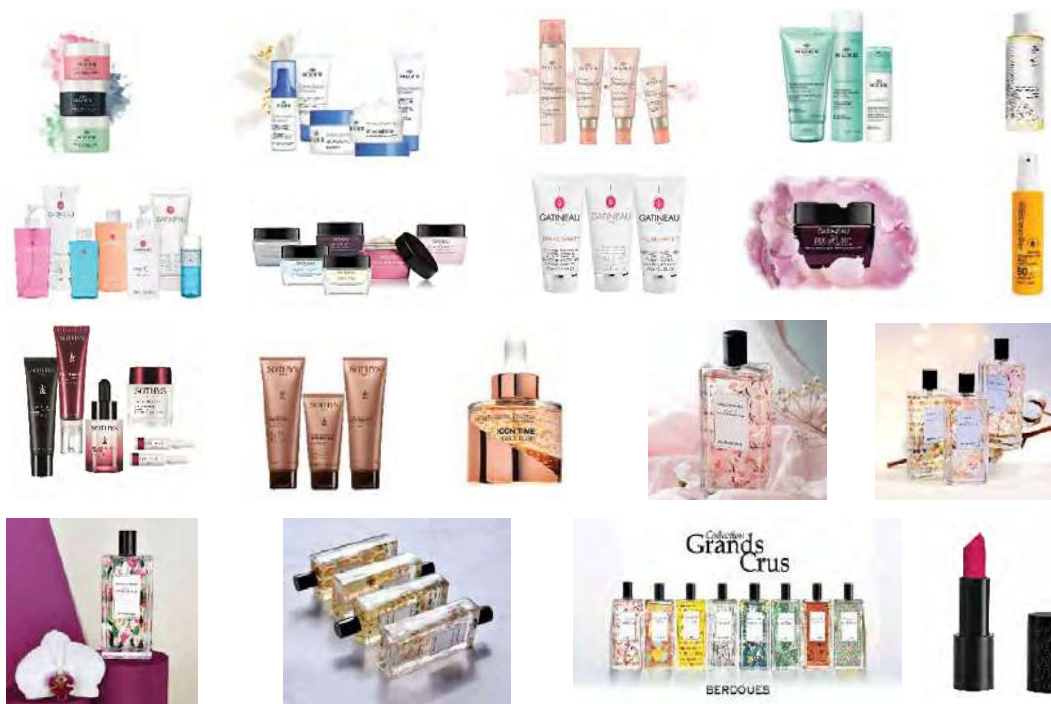
- Cape Town
- Johannesburg
- Pretoria
- Durban
- Port Elizabeth
- Bloemfontein

BRAND



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

PRODUCTS



BUSINESS MODEL

Orleans Cosmetics has a healthy balance of business spread between major retailers such as Truworths, Woolworths, Dis-Chem, Foschini, as well as a large number of beauty salons. Sales to department stores are 57% of total sales, while beauty salon sales are 41% and 2% are export sales.

The retailers need a certain profit margin in order to make it viable to retail their products, which are mainly sold by staff 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 staff. Fortunately, sales of skincare products in general are doing much better in the COVID-19 environment than make-up and fragrances.

Orleans Cosmetics has as its mission and vision to be a leading competitor in the South African cosmetics industry. Its strategy is to grow both organically and through acquisitions.

Financial resources are allocated to driving the core business while acquisitions would be funded by the AEEI Group.

The business activities can be summarised as follows:

- Inputs in the form of products from five overseas Principals are marketed exclusively by the Orleans Cosmetics.
- The other key input is the considerable intellectual property of the team in terms of their industry knowledge.
- The output and outcomes are the sales which result from these efforts, together with the close relationships with retailers and suppliers which develop as a result.

Risks include:

- A weak exchange rate:
 - Forward cover up to 70% of the next three months' overseas payments is taken.
 - Opportunity to offset cost increases through a local selling price increase.
 - In the current climate where affordability is key, a decision has been made to delay a price increase until 1 February, when we expect competitors will need to increase prices.
- Not renewing the exclusive distribution contracts of four brands prior to December 2020:
 - Orleans Cosmetics has long-standing relationships with their suppliers, especially with Gatineau and RVB.
 - The most recent relationships are with NUXE and Sothys, which have been doing very well since Orleans Cosmetics acquired the agencies.

- In summary, they expect to renew all four contracts for a further three-year period, which is normal in the industry.
- Failure of a key customer:
 - Orleans Cosmetics key customers are Truworths, Woolworths, Dis-Chem and Foschini, all of which have traded relatively well, including during the pandemic.
 - Edgars was a very small customer and the bad debt incurred is approximately R100k.
- Lack of funding:
 - The AEEI Group has committed to providing short term funding for a one-year period.
 - Alternative funding is currently being pursued.
- Loss of key staff:
 - This is a risk which needs to be managed constantly.
 - Fortunately, the core team has been consistent for many years.

Opportunities include:

- Online business
 - Sales online with Woolworths and Foschini have grown to 10% and 34% respectively in the past three months and are expected to grow further.
 - They are about to launch their own e-commerce platform, which has been developed with the assistance of Volt, a sister company.
 - They will start with offering products from the two brands which are found exclusively in beauty salons
 - Sothys and RVB. This will avoid direct conflict with their major retailers.
- Organic growth

- In particular, with the fast-growing brands of NUXE and Sothys.
- Acquisitions
 - Orleans Cosmetics is always in discussion with potential companies to be acquired.
- New agencies in skincare and fragrance
 - Orleans Cosmetics is in discussion with three companies in this regard.
- Launch of a joint venture

GOVERNANCE

Orleans Cosmetics adopted the application of policies and structures as defined by the AEEI Group and it 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 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.

Orleans Cosmetics complies with the governance principles as outlined in King IV™.

The Board of Orleans Cosmetics 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. • Ensures an ethical culture and effective leadership is maintained with positive outcomes. • Ensures a stakeholder-inclusive approach to balance the needs and interests of material stakeholders in the best interest of the Company.
SCOPE	Company	<ul style="list-style-type: none"> • Ensures that 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 in achieving its strategic objectives.
CHARACTER	Internal system	<ul style="list-style-type: none"> • Ensures that proper internal controls are in place and approves policies and planning and oversees, monitors and ensures accountability. • Ensures that the assurance services and functions enable an effective control environment to support the integrity of information for internal and external decision-making. • Ensures that 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"> • Continues to govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation in being 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 as 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

Orleans Cosmetics manages its business strategically following a process which includes an annual review of past performance, product ranges, 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 its stakeholders. They are busy refining a number of targets to measure their performance. They will continually monitor their progress against these targets and when necessary, revise them to take into account changes in the business environment.

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 is faced with competition from both local and international companies who have 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”.
Staff skills and retention	<ul style="list-style-type: none">The industry in which the Company operates requires skilled and experienced staff, thus staff retention is a key challenge.Limited resources of high-quality personnel make staff mobility one of the highest risk factors.
Technology	<ul style="list-style-type: none">The Company has its own website: www.orleanscosmetics.co.zaIn addition, the Company will launch its own e-commerce platform soon, which has been developed by Volt, a sister company.

Risks

Risk management is integrated into Orleans Cosmetics business management process. Orleans Cosmetics 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 can be identified at all levels in the business unit.

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 mindful of the environment and reducing superfluous packaging, wherever possible.

Orleans Cosmetics launched NUXE Bio Organic in August 2020, which is the first certified organic range to be introduced by the Company.

SOCIAL SUSTAINABILITY

Orleans Cosmetics subscribes to a sustainable approach in conducting its business.

Orleans Cosmetics is aware of the critical role that business has to play in the upliftment and development of the previously disadvantaged majority.

Orleans Cosmetics creates a working environment that develops and empowers its employees, as well as recognises the contributions of each team player in pursuit of excellent performance.

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 director is 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
Impact of COVID-19	<ul style="list-style-type: none"> As a result of the national lockdown Orleans Cosmetics only had sales during the month of April of R511k which increased slightly from the months of May onwards when they were able to supply retail stores, resulting in a loss of sales which affected their results. Customers were and are still hesitant to return to retail stores and beauty salons due to social distancing. Beauty consultants in retail stores were forced to work on rotational basis due to social distancing measures in place resulting in stores only being staffed for 50% of the time. By October 2020, 96% of the stores are back to 100% staffing. 	<ul style="list-style-type: none"> Orleans Cosmetics immediately implemented a substantial salary reduction for all employees in April of up to 50% reduction, which applied for 3 months to the end of June. From July onwards the salary reduction was at 20% for general employees and 10% for beauty consultants. This action, together with a very tight control on expenses, resulted in substantial savings. Purchases of stock for resale were reduced significantly. Due to the impact of COVID-19, Orleans Cosmetics arranged for extended credit terms with each overseas supplier and with all major local creditors. Orleans Cosmetics is fully up to date with all overseas creditors Their suppliers were supportive which assisted Orleans Cosmetics in trading through this very challenging period. Sales for the last two months of the financial year were better than expected and there is already a significant improvement in sales for the next financial year.
The risk that exchange rates may weaken drastically.	<ul style="list-style-type: none"> This would directly affect the profitability of the business. 	<ul style="list-style-type: none"> A policy of taking forward cover has been implemented to cover up to 70% 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. The contracts for all the brands except Berdoues are due for renewal by 31 December 2020.	<ul style="list-style-type: none"> A direct, marginal profit impact on the business would be the result. 	<ul style="list-style-type: none"> It is imperative to maintain a close working relationship with the overseas Principals and to invest in each brand in order to avoid such a situation. Despite the impact of COVID-19 on the business with the resultant decrease in sales and therefore purchases from the suppliers, they expect to renew each contract for a further three years, which is the typical period in the industry.
The risk that a major customer may no longer wish to stock the Company's products.	<ul style="list-style-type: none"> This would have a direct impact on the profitability of the Company through reduced sales. 	<ul style="list-style-type: none"> A close customer relationship is critically 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. With the impact of Covid-19, online sales have grown considerably. In the past, the business did less than 2% of its sales online. In the past few months, this has grown considerably for online sales to be 10% with Woolworths and to be 34% with Foschini. Online sales in Truworths and Dis-Chem are still at low levels. The percentage is expected to grow further in the next few years.	<ul style="list-style-type: none"> As sales move more online, the impact can be both positive and negative in terms of profitability. 	<ul style="list-style-type: none"> Measure the level of online sales on a regular basis to ensure that staffing levels in the stores are modified accordingly. Work closely with retailers to boost online sales. Launch the Company's own e-commerce platform soon; the Company has to be mindful of not competing directly with the key retailers; most likely that the Company will start with RVB and Sothys, which are sold exclusively to beauty salons where there is not any single dominant customer.
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STAKEHOLDER MANAGEMENT

CREATING STAKEHOLDER VALUE IN THE SHORT-, MEDIUM- AND LONG-TERM USING THE SIX CAPITALS

Orleans Cosmetics recognises the importance of creating wealth 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.

CREATING STAKEHOLDER VALUE USING THE SIX CAPITALS

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 However, in order to control costs, employees have had to accept a 20% salary reduction and consultants have had to accept a 10% salary reduction 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 A payment holiday has been taken recently due to COVID-19, which the Company is now busy paying 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

STAKEHOLDER EXPECTATIONS

Orleans Cosmetics recognises the importance of constant engagement with stakeholders. The principal stakeholders are shareholders, retailers, suppliers, customers and employees.

Orleans Cosmetics will continue to have 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 – 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. Strategy 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, except a payment holiday has been necessary for the past five months; repayments are busy being made The Company needs a short-term loan for a 12-month period in order to pay the arrears and to fund new inventory 	<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 Based on value of purchases, approximately 47% of local suppliers are B-BBEE suppliers, up from 41% in 2019
Employees	Members of staff	<ul style="list-style-type: none"> Fairly remunerated and treated with respect However, at present and for at least six months to end February 2020, staff have had to accept a 20% reduction and a 10% reduction in salaries for head office employees and consultants, respectively 	<ul style="list-style-type: none"> Annual performance and remuneration review. Feedback given throughout the year. No annual bonus is expected in view of breaking even at the EBIT level, following the impact of the COVID-19 pandemic

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.

In order to achieve a break-even situation at the EBIT level in the 2021 financial year, employees' remuneration has had to be reduced as stated above. The long-term intention is to reinstate salaries to the 100% level. However, in terms of affordability this is unlikely to happen in the 2021 financial year.

Orleans Cosmetics has various incentive schemes in place to retain talented and experienced employees. Their policy requires all full-time Head Office staff and Area Managers to belong to their provident fund in order to plan for their retirement. Medical insurance is in place for Head Office staff and Area Managers unless they opt for Government medical cover.



BIOOTHERAPEUTICS

GENIUS



KEY FACTS	
CHIEF EXECUTIVE OFFICER	Dr A Sidar
BOARD OF DIRECTORS	K Abdulla, I Amod, C Hendricks, A Sidar and V Dzvova
EMPLOYEES	8
HEAD OFFICE	Victoria & Alfred 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 for biotechnology applications is substantial.

2020 OPERATIONAL PERFORMANCE

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

- Regulatory preparation and process validation phase to produce 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.

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 timeframes.

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

IMPACT OF COVID-19 AND VALUE PROPOSITION IN THE POST-PANDEMIC ERA

With the advent of COVID-19 Genius' cancer project at the University of Cape Town was suspended owing to the risk at Groote Schuur Hospital. Now that the risk has reduced, the project has again been resumed.

Going forward, Genius is assessing and evaluating many technologies that may assist in the detection and management of COVID-19 from diagnostics tests to antibody solutions. These include rapid tests that are being developed locally, as well as monoclonal antibodies that can be used as prophylaxis and treatments. These projects are still being evaluated from a feasibility perspective at this point.

PROSPECTS AND FUTURE OUTLOOK

The following prospects have been identified:

SHORT-TERM PROSPECTS

- The team is streamlining operations and scaling down to one facility. The one facility has been disposed of to refocus resources.
- All approvals have been met for phase 1 human clinical trial in breast cancer patients and trial work is scheduled for 2020/2021.

- Pre-clinical work on other diseases has begun, such as incurable tuberculosis and lung cancer, with three additional cancers to follow in 2020/2021.

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-2021.
- 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 trials, the listing of Genius will be accelerated to obtain the necessary capital to complete phase 2 and 3 trials.

BRANDS



PRODUCTS



FOOTPRINT

Genius now has one Good Manufacturing Practice (GMP) built production facility.

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.

PRODUCTS, 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 such as the dendritic cell vaccine.
- Health 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.

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.

Genius 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 Genius 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.

Genius complies with the governance principles as outlined in King IV™.

The Board of Genius 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. • Ensures an ethical culture and effective leadership is maintained with positive outcomes. • Ensures a stakeholder-inclusive approach to balance the needs and interests of material stakeholders in the best interest of the Company.
SCOPE	Company	<ul style="list-style-type: none"> • Ensures that 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"> • Ensures that proper internal controls are in place and approves policies and planning and monitors and ensures accountability. • Ensures that the assurance services and functions enable an effective control environment to support the integrity of information for internal and external decision-making. • Ensures that 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"> • Continues to 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

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 the setting of 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.

ECONOMIC SUSTAINABILITY

Genius aims to deliver good and sustainable returns to all stakeholders. Genius have a defined number of targets to measure performance, 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, RISKS, TECHNOLOGY AND COMPLIANCE

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.

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 Genius' 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	<ul style="list-style-type: none"> There is a risk that there may be delays or they may not be successful in raising the required funds. 	<ul style="list-style-type: none"> To counter this risk, the Company is increasing the pressure to meet and engage with the government funding agency.
Human resource requirements and skills	<ul style="list-style-type: none"> Recruitment of additional technicians, scientists and pharmacists with the appropriate background and experience is challenging. 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> The establishment of such a facility for the first time may present technical challenges and delays. 	<ul style="list-style-type: none"> This could be mitigated in the supplier contract.
Regulatory delays	<ul style="list-style-type: none"> The submission of the three validation results to the South African Health Products Regulatory Authority (SAHPRA) for review for the re-issuing of the manufacturing licence depends on the validation runs coupled by an audit. 	<ul style="list-style-type: none"> The South African Health Products Regulatory Authority has permitted the production to proceed so long as the finished product remains in "quarantine" and can only be released on the re-issuing of the manufacturing licence.
Technology	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Due to the regulatory delay with the MCC 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.

STAKEHOLDER MANAGEMENT

CREATING VALUE IN THE SHORT-, MEDIUM- AND LONG-TERM

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.

CREATING STAKEHOLDER VALUE USING THE SIX CAPITALS

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

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 Health Products Regulatory Authority 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
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 GMP Code.

(📄 – Principles 1-16)



STRATEGIC INVESTMENTS

BT COMMUNICATIONS SERVICES SOUTH AFRICA (PTY) LTD

The AEEI Group also 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 20 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's well-established international presence and strong local partnerships enable them to compete on a global basis, which is important in combatting global attacks quickly – something smaller players are unable to do.

BT has been present with direct sales operations around the globe, including the Middle East and Africa region. They operate from three regional hubs in Istanbul, Dubai and Johannesburg.

BT's services, platforms and partners connect and protect the world's largest companies. They serve global multinational organisations with their security, cloud and networking services. Their unique breadth of scope, reach and capability helps their customers solve their business communications requirements on a global scale. They offer global networked IT services, supporting the local operations of global multinationals as well as locally-based multinationals.

Their security intelligence and managed services help address challenges around data loss prevention, encryption, access to cloud service and information risk management. They have the technology and the intelligence to spot and tackle cyber threats before they become headlines. They monitor and manage customer and BT devices around the clock from 16 accredited global security operations centres.

Through their global agreement with partners like Amazon Web Services and Microsoft Azure, they are able to assist their clients with the right combination of public cloud for their business, IT or application requirements. They can also guarantee data sovereignty by giving clients a private cloud, either in their own data centre or in BT's data centre.

They reliably connect sites, people, and customers to their secure, scalable cloud services, underpinning the right experience for everyone who relies on them.

They deliver everything from telehousing and co-location services from their 48 state-of-the-art data centres to the latest public, private and hybrid cloud offerings. They have the leading cloud infrastructure coverage with their 22 cloud-enabled data centres offering more choice than any other telco provider in the world.

In the past four years, they won 16 industry accolades for their innovation in cloud services.

They provide and support secure network solutions just about everywhere in the world. They connect to the largest cloud providers from their core network. They deliver reliable, secure high-performance connectivity. They continue to invest in the latest network technology, with their Dynamic Network Services offering a range of SD-WAN, flexible bandwidth, and NFV-based solutions. Their value-added services include application acceleration and IP management.

They assist global organisations to build a flexible, agile infrastructure so that their businesses can flourish in the digital age.

Their global network operates across 198 countries and territories, with 3 400 customers, using 5 200 PoPs+. They own 60 000+ km of terrestrial fibre used to deliver backbone and access across multiple regions and countries – enough to go around the earth 1.5 times. They support throughput that is equivalent to downloading 1 million HD videos every month.

They provide technology that works for their clients and customers, boosts productivity, cuts costs and helps their clients to react swiftly to market changes. They manage over 660 000 cloud IPT and UC users and have over 840 000 cloud UC seats, and provide Wi-Fi access from over 19.5 million global hotspots.

BT has been recognised as a Leader for the 16th time in Gartner's Magic Quadrant for Network Services, Global.

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

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 being designed and produced at Saab Grintek Defence facilities in South Africa.

Saab offers practical services to a wide range of sectors, including conservation, mining, health support services, peacekeeping, 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.

Saab has business units and local employees in Centurion and Cape Town, South Africa, and in Nairobi, Kenya. Saab is a global Company with operations and employees in about 40 countries around the world. Through innovative, collaborative and pragmatic thinking, Saab constantly develops, adopts and improves new technology to meet customers' changing needs.

Saab in the African region consolidates its own position as a leading defence and civil security company in the countries in which it operates. With capabilities ranging from electronic warfare, sensor technology, aviation and support solutions, Saab has committed to long-term co-operation with South Africa and the rest of the African market.

With more than 800 employees across two campuses in Pretoria and Cape Town, they represent 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.

SYGNIA LTD



Sygnia Ltd (Sygnia) is an innovative FinTech company. They provide asset management, stockbroking and administration services, as well as a wide range of savings products, to institutional and retail clients.

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. Sygnia Asset Management Sygnia Financial Services, Sygnia Life, Sygnia Consultants, Sygnia Benefit Administrators, Sygnia CIS, Sygnia Itrix and Sygnia Securities are all licensed financial services providers.

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

They have offices in Cape Town, Johannesburg, Durban and London.

Further information on this strategic investment can be found on www.sygnia.co.za.



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