



RESPONSIBLE INVESTMENTS 2017

---

<b>1</b>	<b>FOOTPRINT</b>
<b>2</b>	<b>FISHING AND BRANDS</b>
2	Premier Fishing and Brands Ltd
<b>13</b>	<b>TECHNOLOGY</b>
13	AYO Technology Solutions Ltd
<b>28</b>	<b>HEALTH AND BEAUTY</b>
28	Wynberg Pharmaceuticals (Pty) Ltd
40	Orleans Cosmetics (Pty) Ltd
<b>48</b>	<b>BIO-THERAPEUTICS</b>
48	Genius Biotherapeutics
<b>57</b>	<b>EVENTS AND TOURISM</b>
57	espAfrika (Pty) Ltd
69	Tripos Travel (Pty) Ltd
78	Magic 828 (Pty) Ltd
<b>87</b>	<b>STRATEGIC INVESTMENTS</b>
87	BT Communication Services South Africa (Pty) Ltd
88	Saab Grintek Defence (Pty) Ltd
89	Pioneer Foods Group Ltd
90	Sygnia Ltd

---

# FOOTPRINT

## SOUTH AFRICA

- *Western Cape:* Overberg Region, Gansbaai, Saldanha Bay, Hout Bay, Cape Town, Hex Valley, Citrusdal, Ceres, Riebeeek Kasteel and Tulbagh
- *Eastern Cape:* Patensie, Gamtoos, Sundays River Valley and Port Alfred and Humansdorp
- *Limpopo:* Polokwane, Groblersdal, Marble Hall, Hoedspruit, Letsitele, Tzaneen and Alldays
- *Mpumalanga:* Nelspruit, Komatipoort, Hazyview, Malalane and Ogies Stad
- *Northern Cape:* Keimoes, Augrabies, Kakamas and Upington, Vaalharts and Port Nolloth
- *Free State:* Bethlehem and Ficksburg
- *Other:* Gauteng, North West and KwaZulu-Natal

## OUTSIDE OF SOUTH AFRICA

Asia, Europe, the United States of America (USA), Ghana, Uganda, Zambia, Cameroon, Tanzania, Nigeria, Namibia, Kenya, Zimbabwe, Botswana, Spain, Saudi Arabia, Ethiopia, Lesotho, Swaziland, Mauritius, Madagascar and Malawi





# FISHING AND BRANDS

CONTRIBUTION TO  
REVENUE

**R408m**

CONTRIBUTION TO  
OPERATING PROFIT

**R77m**

## PREMIER FISHING AND BRANDS LTD (PREMIER OR PREMIER GROUP)

*(Formerly Premier Food and Fishing Ltd)*

### KEY FACTS

CHIEF EXECUTIVE OFFICER	MS Saban
BOARD OF DIRECTORS	MS Saban, VC Mehana, S Young, K Abdulla, IT Bundo, CF Hendricks, R Isaacs, AB Amod, TT Hove, RP Mosia, AW Johnson, LS Naidoo, FE Brand and CL van der Venter
EMPLOYEES	389
HEAD OFFICE	V&A Waterfront, Cape Town
FOOTPRINT	Port Nolloth, Northern Cape, Western Cape, Overberg Region, Gansbaai, Humansdorp, Saldanha Bay, Hout Bay, the USA, Asia and Europe

## PROFILE

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

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

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

- to implement innovative procedures within the value chain to increase efficiency in line with environmental best practices, thereby reducing their carbon footprint;
- to invest in reliable technology which allows the Company to reduce mortalities of live lobster kept for the export market, therefore assisting in obtaining the best market price;
- to develop all its employees;
- to assist small businesses to grow and achieve their full potential;
- to ultimately deliver sustainable returns to all stakeholders; and
- to deliver high quality products to all its clients.

## 2017 OPERATIONAL PERFORMANCE

During the year under review, the Premier Group delivered excellent growth in operating earnings. Despite the strengthening of the rand against the US dollar, Premier managed to increase its profit before tax by 29% as compared to the prior year.

The increase was as a result of tight cost controls in all of their operations as well as improved operational efficiencies through more efficient catch planning and improved pricing across all their divisions.

The abalone division increased its operating profits for the year under review and significantly increased its stock holding, which positions it well for the expansion of the farm going forward.

The Premier Group listed on the main board of the JSE on 2 March 2017 and was able to raise capital of R526m on the listing date through the issue of 117m new shares. The listing only had an effect on their financial performance for six months of the financial year. The capital raising strengthened their balance sheet with additional cash reserves that will be utilised on their main capital projects – abalone farm expansion and acquisitions.

*\* 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](http://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 detailed clear time frames.

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

- Expansion of 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 while exploring green alternatives

## FISHING AND BRANDS – continued

Achievements for 2017 to date include:

- Revenue increased to R411m from R402m in 2016
- Profit increased to R94 from R74m in 2016
- Commenced with the expansion of the abalone farm through a phased approach
- Implemented a new fish trading business
- Implemented a centralised procurement for the entire Group
- Installed a fully operational in-house clinic at the abalone farm

## 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:

- Abalone farm – 150 tonne production capacity is expected to be installed by the end of the 2018 financial year
- Approximately 50 new jobs will be created at the abalone farm by the end of 2018 financial year

## FOOTPRINT

Premier has operations in Port Nolloth, Northern Cape, Western Cape, Overberg Region, Humansdorp, Saldanha Bay, Hout Bay, the USA, Asia and Europe.

## PRODUCTS/BRANDS

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

### COMPANY BRAND



### PRODUCT BRANDS



**SEA DIAMOND**



## BUSINESS MODEL

Premier is a vertically integrated fishing and predominately a commercial fishing, fish processing and marketing company. The revenue of the Premier Group is generated from the sales of west coast rock lobster, south coast rock lobster, small pelagics, hake, squid and abalone and also from the Group's cold storage facilities.

The Premier Group's aim is to catch all its fish in an environmentally friendly manner as well as a 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, the Premier Group has developed good 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, which it assists by giving business advice to run their businesses sustainably as well as profitably. This is in line with the Premier Group's principle of developing smaller marginalised-owned companies as well as in investing back into the communities from which it operates within.

The Premier Group continues to:

- implement innovative procedures within the value chain to increase efficiency in line with environmental best practices, thereby reducing their carbon footprint;
- invest in reliable technology which allows the Company to reduce mortalities for live lobster kept for the export market, therefore assisting in obtaining the best market price;
- develop all of their employees;
- assist small businesses to grow and achieve their full potential; and
- ultimately deliver good sustainable returns to all of their stakeholders.

## GOVERNANCE

Sound corporate governance is the foundation of the Premier Group and is pivotal in delivering long-term value to its stakeholders. The Premier Group has a positive association with all its stakeholders and is committed to the highest standards of ethics and business integrity in all its activities.

The Board of directors of Premier is supported by various subcommittees which review the Premier Group's governance structures and processes to ensure that the Premier Group is governed in accordance with sound corporate governance practices, codes and standards, internal controls and that there is an effective risk and regulatory compliance management system in place. The Board of directors of Premier ensures that the Premier Group is led ethically and that the Premier Group is seen to be a good corporate citizen.

As a newly listed company on the Johannesburg Stock Exchange (JSE), the Premier Group implemented controls to provide reasonable assurance of compliance with all the relevant JSE Listings Requirements.

The Board of directors of Premier is committed to the highest standards of business integrity and has adopted an integrated approach to managing the Premier Group to ensure that the governance structure actively identifies, communicates on and responds to material matters that impact on the Premier Group's capacity to create value. The Board of directors of Premier believes that it has addressed all material matters appropriately and that it fairly represents the integrated performance of the Premier Group.

The Board of directors of Premier continuously reviews the Premier Group's governance structures and processes to incorporate and accommodate new corporate developments, to facilitate effective leadership, sustainable corporate citizenship in support of the Premier Group's strategy and to reflect national and international corporate governance standards, developments and best practices.

The Board of Premier meets on a quarterly basis to review the action plans of the executives and the progress of the Premier Group towards its set objectives. Additionally, a risk register is maintained and reviewed by the Board of Premier.

The Board of directors of Premier is satisfied that effective controls have been implemented and complied with throughout the Premier Group and that they fully comply with the spirit and form of the continuing obligations of the JSE Listings Requirements, King IV Report on Corporate Governance™ for South Africa 2016 (King IV™) as well as the Companies Act, 2008 (No. 71 of 2008), as amended (Companies Act). The Board of directors of Premier and their committees are evaluated annually to ensure effective functioning.

## FISHING AND BRANDS – continued

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

<b>OBJECTIVE</b>	<b>Stakeholders</b>	<ul style="list-style-type: none"> <li>• Value creation for all stakeholders and sustainable development</li> <li>• Ensuring an ethical culture and effective leadership is maintained with positive outcomes</li> <li>• Ensures a stakeholder inclusive approach to balance the needs and interests of material stakeholders in the best interest of the Company</li> </ul>
<b>SCOPE</b>	<b>Company</b>	<ul style="list-style-type: none"> <li>• 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</li> </ul>
<b>CHARACTER</b>	<b>Internal system</b>	<ul style="list-style-type: none"> <li>• Ensures that proper internal controls are in place and approves policies and planning and oversees and monitors and ensures accountability</li> <li>• Ensures that the assurance services and functions enable an effective control environment to support the integrity of information for internal and external decision-making</li> <li>• 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</li> </ul>
<b>MECHANISM</b>	<b>Conformance</b>	<ul style="list-style-type: none"> <li>• Continues to govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen</li> </ul>
<b>DIRECTION</b>	<b>Management</b>	<ul style="list-style-type: none"> <li>• 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</li> </ul>
<b>DISCLOSURE</b>	<b>Financial statements</b>	<ul style="list-style-type: none"> <li>• Audited financial statements in terms of the International Financial Reporting Standards (IFRS)</li> <li>• Integrated report</li> </ul>



## 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 also empowers 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. The Premier Group 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 to ensure that key business activities are aligned with the Premier Group's strategy, is lawful, contributes to the Company's sustainability and will not be harmful to any stakeholders and/or the environment.

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

## ECONOMIC SUSTAINABILITY

The Premier Group aims to deliver good and sustainable returns to all its stakeholders. They have defined a number of targets to measure their performance. They continually monitor their 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 in the industry within which they operate within, as they deal with natural resources.

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

- is committed to the best local and international fishing practices;
- is supportive of various stakeholders involved in the proper management of marine resources;
- is supportive of regulatory policies to manage the marine resources;
- implemented plans and strategies to ensure that it maintains its fishing rights;
- is committed to improving energy efficiency through renewable solar technology and reducing consumption of non-renewable energy and carbon reduction; and
- is committed to improving water and electricity usage and consumption.

## SOCIAL SUSTAINABILITY

The Premier Group subscribes to a sustainable approach in conducting its business.

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

Premier is well aware of the critical role that business has to play in the upliftment and development of the previously disadvantaged majority. A task of this magnitude will, for a substantial period of time, be beyond the scope of state resources alone.

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 in 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 finance for start-up of businesses;
- ensuring the availability of services by assisting with the development and growth of previously disadvantaged partners; and
- imparting skills and resources with small business partners to improve business management capacity.

## FISHING AND BRANDS – continued

The Premier Group continues to create a working environment that develops and empowers its employees as well as 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 recognises the importance of the communities in which it operates and aims to develop the communities through their continued employment, procurement and enterprise and technical development.

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

## 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:

<b>Regulation and legislation</b>	<ul style="list-style-type: none"> <li>The compliance and demands placed on companies in this highly regulated industry require continuous review of business processes and strategy.</li> </ul>
<b>Competition from other companies</b>	<ul style="list-style-type: none"> <li>The Premier Group exports the majority of its products and is therefore faced with competition from both local and international companies who have critical mass and funding. This also has an effect on the market prices obtained for the Group's products.</li> </ul>
<b>Employee skills and retention</b>	<ul style="list-style-type: none"> <li>The industry in which the Premier Group operates requires skilled and experienced employees, thus employee retention is a key challenge.</li> <li>Limited resources of high-quality personnel make employee mobility one of the highest risk factors.</li> </ul>
<b>Total allowable catches (available fish stocks)</b>	<ul style="list-style-type: none"> <li>The Premier Group's quota allocations are dependent on the total allowable catches as determined by scientists and the Department of Forestry, Fishing and Agriculture. The Premier Group is faced with the challenge of declining fish stocks and ultimately declining quota allocations.</li> </ul>
<b>Information technology systems</b>	<ul style="list-style-type: none"> <li>The Premier Group is dependent on the efficient operation of its information technology 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.</li> </ul>

## RISKS

The Premier Group 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 also compiles and maintains a strategy dashboard, as several risks are being mitigated by the Company's strategy. The risks and strategy are directly mapped where applicable.

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

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

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
The risk that a reduction in the fish biomass could result in a reduction in the total allowable catch for west coast rock lobster, south coast rock lobster, hake and pelagics or a reduction in the total effort catch for squid	<ul style="list-style-type: none"> <li>A reduction in total allowable catches or total allowable effort can result in a reduction in turnover, profits and cash flow from operations.</li> </ul>	<ul style="list-style-type: none"> <li>The Premier Group acquires fish from small right holders thereby reducing the impact of reductions in total quota allocations for the Group.</li> </ul>
The risk that the Premier Group's employees might request a significant wage increase	<ul style="list-style-type: none"> <li>A significant increase in wages could result in a significant reduction in profits.</li> </ul>	<ul style="list-style-type: none"> <li>The Premier Group is involved in constant negotiations with trade unions to ensure that the Group and its employees enter into sustainable wage agreements.</li> </ul>
The risk that the Premier Group's abalone stock might be infected by diseases	<ul style="list-style-type: none"> <li>This might result in loss of business as the Premier Group would not be able to supply its customers.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
The risk that the Premier Group's information technology systems might be infected by viruses	<ul style="list-style-type: none"> <li>A virus attack on the Group's information system might result in business interruption and the Group not being able to transact with its customers.</li> </ul>	<ul style="list-style-type: none"> <li>The Premier Group has installed anti-virus software on all its information systems as well as implemented processes for each user which limits the susceptibility of the Group's systems to virus attacks.</li> </ul>

## FISHING AND BRANDS – continued

## OPPORTUNITIES

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

## STAKEHOLDER MANAGEMENT

## CREATING STAKEHOLDER VALUE

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

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

## STAKEHOLDER EXPECTATIONS

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

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Shareholders	Owners of the business	<ul style="list-style-type: none"> <li>Integrity</li> <li>Shareholder wealth creation</li> <li>Ethical business practices</li> </ul>	<ul style="list-style-type: none"> <li>Sound corporate governance rules are implemented in the business</li> </ul>
Customers	Consumers of Premier's products	<ul style="list-style-type: none"> <li>Products are sold legally and are traceable</li> <li>Quality products that meet recognised industry standards</li> <li>Reliable long-term supply of products</li> </ul>	<ul style="list-style-type: none"> <li>Ensure inventory availability</li> <li>Ensure that all products supplied have legal paperwork from relevant authorities in place</li> <li>Ensure that products adhere to all necessary standards such as HACCP, SABS, FDA and EU standard tests</li> <li>Direct contact with major customers - locally and internationally</li> <li>Compliance with international laws, regulations and legislation</li> </ul>
Suppliers	Procurement of goods and services, such as raw materials for their operations and other business units, etc.	<ul style="list-style-type: none"> <li>Ethical business relationships</li> <li>Commitment to B-BBEE policies</li> <li>Prompt payment</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that they conduct business with reputable businesses - Code of Ethics</li> <li>Ensure that they support the policy on B-BBEE</li> <li>Negotiate, manage and conclude contracts</li> <li>Timeous payment</li> </ul>
Regulatory authorities such as SARB, SAMSA, MCM and NRCS Accreditation: HACCP, FDA, SABS, NRCS	Promulgate and monitor regulatory framework and comply with current regulations, laws and legislation	<ul style="list-style-type: none"> <li>Compliance with laws and regulations of authorities</li> </ul>	<ul style="list-style-type: none"> <li>Continuous training of management and employees responsible for compliance with various regulations by the respective authorities</li> <li>Internal control procedure checklist to ensure compliance with respective laws and regulations</li> <li>Immediate corrective action noted in the event of findings raised by authorities</li> <li>Participation in industry working groups</li> <li>Meeting with industry regulators</li> </ul>
Trade unions	Employee representation	<ul style="list-style-type: none"> <li>Engagement of the parties</li> <li>Addressing grievances and negotiation</li> </ul>	<ul style="list-style-type: none"> <li>Communicating with employees via employee forums</li> <li>Engaging with unions via recognised industry bodies</li> </ul>

## FISHING AND BRANDS – continued

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

## 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 Group complies with applicable

laws, agreements and industry standards on working hours and compensation.

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

## ACRONYMS

<b>EU</b>	European Union
<b>FAWU</b>	Food and Allied Workers Union
<b>FDA</b>	Food and Drug Administration
<b>HACCP</b>	Hazard Analysis and Critical Control Points
<b>MCM</b>	Marine Coastal Management
<b>NCFAWU</b>	National Certified Fishing and Allied Workers Union
<b>NRCS</b>	National Regulator for Compulsory Specifications
<b>SABS</b>	South African Bureau of Standards
<b>SAMSA</b>	South African Maritime Safety Authority
<b>SARB</b>	South African Reserve Bank
<b>TALFU</b>	Trawler and Line Fishermen's Union

(King IV™ – Principles 1 to 16)



# TECHNOLOGY

CONTRIBUTION TO  
REVENUE

**R476m**

CONTRIBUTION TO  
OPERATING PROFIT

**R619m**

## **AYO TECHNOLOGY SOLUTIONS LTD (AYO TECHNOLOGY)**

*(Formerly Sekunjalo Technology Solutions Ltd)*

### KEY FACTS

CHAIRMAN	K Abdulla
BOARD OF DIRECTORS	C Ah Sing, CF Hendricks, N Gamielien, K Abdulla, AB Amod, TT Hove
EMPLOYEES	309
HEAD OFFICE	V&A Waterfront, Cape Town
FOOTPRINT	South Africa - Cape Town, Durban, Polokwane, Northern Cape, Gauteng, Eastern Cape, Limpopo. United Kingdom, USA, Ghana, Uganda, Zambia, Cameroon, Tanzania, Nigeria, Namibia, Kenya, Zimbabwe, Botswana, Spain, Saudi Arabia, Ethiopia, Lesotho, Swaziland, Mauritius, Madagascar and Malawi

## TECHNOLOGY – continued

### PROFILE

As a niche market enterprise, AYO Technology provides effective information and communication technology (ICT) business solutions and services that enhance business performance in government and to corporate customers. The AYO Group comprises businesses that are leaders in their respective niche markets, have solid client bases and achieved high levels of sustained organic growth.

Companies in the AYO Group offer the following wide range of solutions:

- **Health System Technologies** – ICT solutions to the health care industry, such as hospital, primary health care, laboratory and pharmacy information systems, electronic health records, continuity of care records and telemedicine, backed by the necessary professional services, such as: consulting, system architecture design, system integration, business intelligence and development of bespoke software solutions.
- **Saratoga Software** – offers an integrated range of services, including software engineering, business intelligence, professional services, usability and design.
- **Afrozaar** – is a software consulting and product development business focused on the development of innovative software products in the mobile, digital and cloud environments.
- **World Wide Creative** – is a full-service digital innovation agency and technology product innovation consulting company.
- **Digital Matter** – is an IT specialist focusing on mobile application development including mobile inspection management, fixed asset management and solutions for clients in mobile field service, technician management, franchise evolution, mobile banking and plant commissioning.
- **Emergent Energy** – is a leading commercial, industrial and agricultural solar photo-voltaic solutions provider in South Africa, with the largest number of commercial-sized solar systems installed in the country.
- **Puleng Technologies** – provides their customers with a client-centric security strategy that manages the two most valuable assets in an organisation, being its data and users, while facilitating IT and business with a platform to build an efficient, collaborative governance, risk and compliance (GRC) programme. They also provide service-orientated infrastructure architectures that focus on the simplification, automation and operational efficiencies within and beyond the data centre.

- **Kalula Communications trading as Headset Solutions** – imports and distributes notable brands within telecommunications and consumer electronic markets. Headset Solutions is the distributor for all Plantronics & Konftel products in Southern Africa. Plantronics designs headsets for a wide range of devices, including phones, laptops, handhelds, entertainment and music devices. Konftel is a worldwide leader in the manufacture of audio conferencing equipment and the inventor of audio conference technology.
- **BT** – is now disclosed under this division.

The AYO Group of companies has international partnerships with leading technology suppliers.

### 2017 OPERATIONAL PERFORMANCE

The AYO Group offers numerous end-to-end solutions to a host of industries locally, into Africa and abroad. They are specialists in their various business units and have an exceptional track record. The AYO Group acquired two businesses during the year under review with revenue taken into account for most of the year.

While the economic climate in South Africa remained exceptionally challenging during the 2017 financial year, as well as low economic growth, the various business units managed to meet and exceed their budget expectations through continued growth by developing their own software solutions for the health care sector and partnering with top international companies in long-term valued-added reseller agreements, growth at key clients supported by new customer accounts, strict control on operational and supplier costs as well as long-term professional services, projects and managed services. Annuity revenue continues to increase year-on-year, providing a platform for further future growth and expansion.

The AYO Group's performance was ahead of budgeted expectations yielding a 154% increase in profits and 158% in revenue including BT.

### VISION 2020 VISION – AYO TECHNOLOGY'S DIVISIONAL CONTRIBUTION

In 2015, the AYO Group aligned its strategy in terms of Vision 2020 Vision by setting strategic levers, goals, activities and milestones with clear deliverables for each business unit.

As part of AYO Technology's Vision 2020 Vision, they aim to unlock shareholder value through listing their IT assets.

The AYO Group is on track to achieve its strategic objectives and milestones. During the year under review, progress was made against its strategic objectives and target areas.



Achievements for 2017 to date include:

- Penetrated markets outside South Africa by implementing and embarking on a proof of concept and a support contract for hospitals in Dubai
- Contributed to the technology required for the National Health Insurance by working with the CSIR on integrating existing clients' data
- Developed and implemented an electronic continuity of care record
- Acquired telemedicine solutions by becoming a value-added re-seller and forming a joint venture to market the product
- Maintained service-level agreements at more than 95% of compliance
- Grew revenue by expanding customer base and maintained an efficient cost base
- Achieved new branding in terms of Publisher's Toolbox
- Developed new product by using new technology
- Implemented phase 1 of the transformation from digital marketing agency to a strategic innovation agency
- Drove efficiencies by shifting from an internal development team to outsourced development partners
- Increased revenue from current key accounts through greater strategic value-adds
- Penetrated the African market with expansion into four new countries
- Closed the first Tracksmart deal and secured the rights to certify and distribute a battery powered safe GPS tracking unit
- Improved partnerships with financial institutions to package solutions for clients
- Secured long-term managed services contract with leading financial services and telecommunications organisations
- Introduced subscription based cloud and managed services
- Penetrated the lower end of the market to cater for smaller contact centres and unified communications customers

## PROSPECTS AND FUTURE OUTLOOK

The AYO Group is successful at retaining its client base in the long-term and its established foundation has set the platform for future business growth. These strategies have paid dividends and are a cost-effective way of providing a short- to medium-term source of income and growth and remain an integral part of their core strategy to develop new opportunities.

Acquiring and developing their own intellectual property is a key strategic focus area and will ensure better margins with resulting profitability. Increasing revenue is generated through the launch of AYO Technology's own products and services into local and international markets. By extending their footprint into other parts of Africa and replicating their successes, it will ensure the sustainability of its businesses. As a medium-term opportunity, implementation services can be provided to first-world countries such as Australia and the United Kingdom. Opportunities are actively pursued to increase their market reach through partnerships and are culturally aligned with complementary businesses.

The future outlook for the various business units are as follows:

- Expand on proof of concept implementation and establish an electronic health record in African countries
- Expand clinical functionality at existing clients and explore data warehouse solutions
- Further develop opportunities to become a technology provider of choice
- Continue to explore the acquisition of companies with complementary technologies and services while growing organically through new developments
- Expand consulting service offerings into the international market and improve market positioning
- Grow product portfolio in the digital publishing and marketing sector
- Expand into new sectors with innovative products
- Retain business won
- Create and use a unique, consistent and persuasive consulting experience that attracts new clients and engages existing clients

## TECHNOLOGY – continued

- Expand client base into fuel and non-fuel tanker fleets
- Grow the footprint of certain projects into the rest of the clients' operations
- Expand into new commercial sectors with innovative security products
- Grow cloud and subscription-based services across a portfolio for data and user security

In the long-term AYO Technology needs to ensure that it remains relevant in its various sectors by investing in research and development and reducing its dependence on the South African economy by investing in structures to expand activities into Africa. This strategy is aligned with the concept of South Africa being a gateway into

Africa with the intention of using the most appropriate South African and imported products to meet the needs of their customers in Africa. The AYO Group will continue with its organic growth strategy, coupled with acquisitive growth of complementary businesses and the acquisition and/or development of additional products.

### OPERATIONAL FOOTPRINT

The AYO Group has a service delivery footprint in all the cities of South Africa and has expanded into the United Kingdom, USA, Ghana, Uganda, Zambia, Cameroon, Tanzania, Nigeria, Namibia, Kenya, Zimbabwe, Botswana, Spain, Saudi Arabia, Ethiopia, Lesotho, Swaziland, Mauritius, Madagascar, Zambia and Malawi.



### BUSINESS MODEL

AYO Technology's business model continually seeks innovative ways to sustain its existing businesses by adapting to changing environments while focusing on growth through diversification of products and services, acquisitions and new business development approach where at its core; there is a social contract for responsible business between it and society.

This enables AYO Technology to add value through their extensive expertise and networks, while promoting an entrepreneurial culture within its various business unit structures and employees. Their businesses become efficient on a sustainable basis with some businesses working on a retainer-based and consultancy services approach while generating revenue and cash flow. As part of their services to new investors they provide innovative technology solutions, real-world experience and ancillary services.

With AYO Technology's risk management approach and the impact of changing markets, competitors and the economic environment, management is constantly aware of how they can improve sustainability through constant change. In addition, they consistently broaden their market opportunities by diversifying services in order to spread the risk.

### GOVERNANCE

The AYO Group, 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 nor deviations in the application of these principles in the current period. 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 AYO Technology meets on a quarterly basis to review the action plan of the executives and the progress of the Company towards its set objectives. Additionally, a risk register is maintained and reviewed by the Board of AYO Technology. Regular peer review is carried out by the holding company in respect of the delegated authority level, as well as adherence to Group policies.

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

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

<p><b>OBJECTIVE</b></p>	<p><b>Stakeholders</b></p>	<ul style="list-style-type: none"> <li>• Value creation for all stakeholders and sustainable development</li> <li>• Ensures an ethical culture and effective leadership is maintained with positive outcomes</li> <li>• Ensures a stakeholder-inclusive approach to balance the needs and interests of material stakeholders in the best interest of the Company</li> </ul>
<p><b>SCOPE</b></p>	<p><b>Company</b></p>	<ul style="list-style-type: none"> <li>• 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 achieving its strategic objectives</li> </ul>
<p><b>CHARACTER</b></p>	<p><b>Internal system</b></p>	<ul style="list-style-type: none"> <li>• Ensures that proper internal controls are in place and approves policies and planning and oversees and monitors and ensures accountability</li> <li>• Ensures that the assurance services and functions enable an effective control environment to support the integrity of information for internal and external decision-making</li> <li>• Ensures that 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</li> </ul>
<p><b>MECHANISM</b></p>	<p><b>Conformance</b></p>	<ul style="list-style-type: none"> <li>• Continues to govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen</li> </ul>
<p><b>DIRECTION</b></p>	<p><b>Management</b></p>	<ul style="list-style-type: none"> <li>• 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</li> </ul>
<p><b>DISCLOSURE</b></p>	<p><b>Financial statements</b></p>	<ul style="list-style-type: none"> <li>• Audited financial statements in terms of IFRS</li> </ul>

## TECHNOLOGY – continued

### STRATEGIC PLANNING AND MONITORING

AYO Technology manages its businesses strategically following a process, which 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 setting strategies and action plans, aimed at both growth and sustainability in current markets.

In addition to the annual strategic planning exercise, quarterly reviews of strategy achievement and how changes in the internal and external environments may positively, or negatively, affect each business unit, are held. Strategies and actions are adjusted to ensure the growth and sustainability of each business unit.

In this manner, each business unit and the AYO Group can monitor its financial performance against strategies set for the year and evaluate this against the key performance areas of management and key employees. Through this process, the sustainability of operations is ensured.

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

### ECONOMIC SUSTAINABILITY

The AYO Group aims to deliver sustainable returns to all its stakeholders. Trusted relationships with their key clients and increasing the awareness of their brands as innovative and high-quality offerings, positions the AYO Group well for continued growth. By increasing the value of their range of activities will result in reducing the cost of products and materials purchased internationally and focus on internally developing and acquiring a set of core products.

A measure of the value created by the AYO Group is the amount of value added by its wide range of activities, products and services to the cost of products and materials purchased. Trusted relationships with key customers and increasing awareness of their brands as innovative and high-quality offerings positions the AYO Group well for new opportunities and continued growth.

### ENVIRONMENTAL SUSTAINABILITY

AYO Technology's businesses recognise that they have a responsibility to apply good environmental practices; to meet and where possible, exceed all current and future environmental legislative and regulatory requirements and to promote sustainability in all aspects of their businesses. The AYO Group is committed to continually improve on their environmental performance as an integral part of their business strategy and their commitment to sustainability.

The various business units in which AYO Technology operates are not considered to make particularly heavy demands on the natural environment in which their community stakeholders live. However, businesses in the AYO Group are committed to being industry leaders and adding value to the services they provide, by implementing sustainable business practices that minimise the impact that their operations have on the environment. Their environmental commitments are an integral part of their day-to-day activities which is clearly communicated internally and externally and supported by policies, procedures and concrete work plans. Some business units have environmental policies which reflect their intent and commitment to understanding any change to the environment, whether adverse or beneficial, wholly or partially resulting from their environmental aspects i.e. activities, products, or services.

Management is constantly mindful of reducing carbon dioxide (CO<sub>2</sub>) emissions, reducing paper usage and appropriately disposing electronic waste in their operating decision-making.

AYO Technology had an investment in a renewable energy solutions provider, Emergent Energy (Pty) Ltd, to contribute towards reducing South Africa's consumption of and reliance on fossil fuels and improving its footprint across its value chain. Beyond the inherent benefits of delivering a carbon-free energy production solution, AYO Technology continuously looks at improving their footprint across the whole value chain with specific care being given to internal procedures and practices.

### SOCIAL SUSTAINABILITY

The AYO Group recognises the critical role that a business has to play in the upliftment and development of the previously disadvantaged majority. Corporate citizenship goes beyond legislative compliance as it recognises the rights and responsibilities of businesses within a broader societal context and reinforces the mission of the AYO Group 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 IT industry. This situation is further amplified in South Africa by a severe lack of competent technical skills. South Africa has suffered an exodus of individuals with high-end skills (design and implementation) seeking higher earnings capability in foreign countries with insufficient focus on the generation of fundamental skills as a platform for the long-term development of high-end skills.

It is for this reason that AYO Technology gives back to the communities in which they operate by contributing to the following initiatives:

- Implementation of recruitment policies that encourage the recruitment of appropriately skilled, previously disadvantaged individuals
- Development of employees within the various business units to grow human capital
- Implementation of learnerships to assist with elevating the skill levels of previously disadvantaged individuals
- Implementation of charitable initiatives for the homeless, orphaned and less privileged
- Financial and in-kind contributions to the development of various early childhood development, youth centres and adult teacher training centres
- Partnership with the University of Cape Town's Commerce Faculty to provide relevant, updated course content for their second-year students

- Investment in a number of emerging, black-owned technology enterprises at an enterprise development level through business incubation programmes
- Assisting individuals and small businesses through employment, procurement, enterprise and technical development
- Learning programmes within the digital space
- Implemented a skills development programme which has been certified with competent skills entering the local employment market with nearly a 100% success rate in the retention of employment based on the skills set they have acquired

The AYO Group strongly believes in internal training and development with some businesses being South African Training Authority (SETA) accredited. During the year under review, employees attended seminars and training programmes in their relevant areas to further grow and develop.

With the changes in the new B-BBEE Codes, each business unit continually strives to meet and exceed the benchmarks set by the B-BBEE Codes of Good Practice.

## KEY CHALLENGES, RISKS, TECHNOLOGY AND COMPLIANCE

### KEY CHALLENGES

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

<p><b>New and innovative products</b></p>	<ul style="list-style-type: none"> <li>• ICT products are evolving continuously with investment required to re-develop and acquire new/innovative products and services to remain relevant when compared to competitors and meeting the ever-increasing client expectations.</li> </ul>
<p><b>Employees skills and retention</b></p>	<ul style="list-style-type: none"> <li>• This remains the key challenge as experience and reputation are critical factors in influencing the market.</li> <li>• Limited resources of high-quality personnel and specific scarce skills in the areas of development and systems architecture remain an ongoing challenge. Recruiting and employee retention remains a high risk factor due to their skill set.</li> <li>• High levels of demand and international portability of skills, together with inadequate maths and science education at school level all contribute to a high degree of scarcity of key technical skills.</li> </ul>

## TECHNOLOGY – continued

<b>Technology</b>	<ul style="list-style-type: none"> <li>• The technical nature of the industry requires that businesses 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 employees and the ability to deliver new products.</li> <li>• Ensuring that technology remains relevant for end-users, addressing areas such as cloud computing, mobility and at the same time, keeping abreast of integration into increasingly sophisticated medical equipment modules.</li> <li>• Compliance and standards of the App Store have required re-looking at the architecture of mobile applications to ensure approval by the App Store. The approval process is lengthy and has to be included in project development time-frames.</li> </ul>
<b>External environment</b>	<ul style="list-style-type: none"> <li>• The increasing price of energy for travel and electrification is an external environment trend that drives demand for more energy-efficient ICT hardware and the use of collaboration tools. These factors are a consideration in all ICT hardware supplied and the operations of their businesses.</li> <li>• The current decline in health ICT spending by government is a challenge, which is mitigated by developing opportunities in other sectors.</li> <li>• Solar PV systems require a large investment upfront which slows down the progress of the business unit.</li> </ul>
<b>Employees and community</b>	<ul style="list-style-type: none"> <li>• In meeting these challenges, the development of the individual employee and the creation of opportunities for the broader community are imperative.</li> </ul>
<b>Economic conditions</b>	<ul style="list-style-type: none"> <li>• The general global economic slowdown has created pressure on rates for the services business and putting margins under increasing pressure.</li> <li>• Legal framework with regard to embedded power generation is constantly evolving and could be a threat for the solar industry.</li> </ul>
<b>Competition</b>	<ul style="list-style-type: none"> <li>• This is a fast-moving industry and businesses need to ensure that they are branded and marketed to be industry leaders in their sectors.</li> <li>• The industry is open to both local and international companies and is highly competitive.</li> <li>• Customers choosing to adopt cloud services will have a negative effect on professional services and sales revenues.</li> </ul>

## 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 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 also compiles and maintains a strategy dashboard, as several risks are being mitigated by the Company's strategy; the risks and strategy are directly mapped where applicable.

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

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
Acquire products and intellectual property	<ul style="list-style-type: none"> <li>Continuous dependence on third-party suppliers for software products</li> <li>International prices are too high for Africa</li> </ul>	<ul style="list-style-type: none"> <li>AYO Technology's strategy is to complement the software offering by:               <ul style="list-style-type: none"> <li>acquiring controlling stakes in other companies with appropriate software;</li> <li>internally developing their own intellectual property; and</li> <li>Negotiate rand-based pricing with international suppliers</li> </ul> </li> </ul>
Slowdown of public sector expenditure on IT	<ul style="list-style-type: none"> <li>No new growth opportunities in the public sector in the short-term</li> </ul>	<ul style="list-style-type: none"> <li>Pursue expansion on range of products and customers</li> </ul>
Dependence on major customers	<ul style="list-style-type: none"> <li>Potential reduction in revenue</li> </ul>	<ul style="list-style-type: none"> <li>Pursue extension of client base by:               <ul style="list-style-type: none"> <li>expansion into Africa; and</li> <li>acquiring other companies with an existing client base</li> </ul> </li> </ul>
Loss of major project at a key client	<ul style="list-style-type: none"> <li>Employee loss</li> </ul>	<ul style="list-style-type: none"> <li>Diversified project mix and customer base, resulting in risks being mitigated through long-term support and maintenance agreements</li> </ul>

## TECHNOLOGY – continued

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
Impact on market positioning through lower B-BBEE rating due to new BEE Codes	<ul style="list-style-type: none"> <li>• Potential loss of new business</li> <li>• Limited access to new opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain B-BBEE ratings</li> <li>• Actively pursue areas in which scoring is low</li> <li>• Tactical items have been implemented and strategic planning is underway to further improve in the year ahead</li> </ul>
Employee retention	<ul style="list-style-type: none"> <li>• Relationships may be affected together with delivery and associated contractual obligations may be compromised</li> <li>• Loss of key employees will have a high impact on development of resilient software</li> </ul>	<ul style="list-style-type: none"> <li>• Investigate share option scheme</li> <li>• Further invest in employees through skills development, remuneration and value-added meetings</li> <li>• Greater focus to be placed on employee retention beyond monetary remuneration</li> </ul>
Evolution of technology platforms	<ul style="list-style-type: none"> <li>• Potential impact on new business</li> <li>• Cloud computing – change in customers' buying criteria and the ability to procure services directly from the cloud provider has a direct impact on revenues</li> </ul>	<ul style="list-style-type: none"> <li>• Mitigated by investing significantly in re-development of mobile applications onto Android platforms</li> <li>• Build a Cloud platform or provide Cloud Services to the market</li> </ul>
Foreign exchange	<ul style="list-style-type: none"> <li>• Volatile fluctuation in the rate of exchange of software and hardware products sourced and procured through international vendors</li> </ul>	<ul style="list-style-type: none"> <li>• Purchase forward cover</li> <li>• The US dollar risk is passed onto the client</li> </ul>



## TECHNOLOGY AND INFORMATION COMPLIANCE

The Board of AYO Technology assumes responsibility for the governance of technology and information in a way that supports the organisation setting and achieving its strategic objectives and has delegated this responsibility to management to implement and execute effective technology and information management.

The Board of AYO Technology is responsible for the governance of compliance with applicable laws and adopts non-binding rules and standards by setting the direction for how compliance should be approached and addressed in the organisation in a way that supports the organisation being ethical and a good corporate citizen.

Cybersecurity has been elevated to Board level with the responsibility delegated to management in overseeing security, with the primary interest in the understanding of security strategy, policy, budget; security leadership; incident and remediation response plan; ongoing performance metrics against risk; and a formal employee education programme.

New regulations such as the Protection of Personal Information Act, 2013 (No. 4 of 2013) (PoPI Act) will ensure all South African institutions conduct themselves in a responsible manner when collecting, processing, storing and sharing another entity's personal information by holding them accountable should they abuse or compromise personal information in any way.

In keeping with the AEEI Group policies, some businesses have a roadmap while others are embarking on a roadmap for using appropriate technology to deal with some of the traditional problems facing companies when addressing the ongoing exposure to compliance risk. These businesses are moving towards establishing a robust system of record that proves a state of compliance that documents any changes made, thus providing a complete audit trail.

The compliance architecture will establish the correct combination of technologies to address:

- compliance risk management;
- regulatory change management;
- learning and training management;
- policy and procedure management;
- issue reporting and hotlines;
- survey and assessment;
- benchmarking, metrics and dashboarding;
- due diligence management; and
- forms automation and processing.

One of the businesses in the AYO Group provides consultancy, solutions and professional services to manage their customer's information, provide architectures to automate where and what data is stored and provide entitlement rights to protect who has access to this data. Regaining control of their customers' digital landfill and enabling their transition to sound information governance through enabling the discovery and clean-up of content across its operational file shares. Successful execution will result in the removal of redundant, obsolete and trivial (ROT), duplicate data and content beyond its retention. Their backup and recovery team is one of the most comprehensive and technically skilled in South Africa and provides expertise and strategies to many organisations to ensure the protection and recovery of data. They also provide security solutions for pervasive infrastructure visibility, enabled actionable intelligence and immediate threat investigations and initiates automated security incident remediation. With their managed services to perform forensic analysis on massive archives for incident investigation and remediation they leverage specialised data-driven and malware-focused investigative functions.

## TECHNOLOGY – continued

## STAKEHOLDER MANAGEMENT

## CREATING STAKEHOLDER VALUE

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

CAPITAL	STAKEHOLDER	VALUE FOR THE ORGANISATION	VALUE FOR STAKEHOLDERS
Social	Customers	<ul style="list-style-type: none"> <li>Repeat business and revenue growth</li> <li>New and extended contracts with additional revenue</li> <li>New product sales to generate annuity business and revenue growth</li> </ul>	<ul style="list-style-type: none"> <li>Quality systems allowing for better outcomes</li> <li>Innovative technology</li> <li>Quality products and services</li> <li>Competitive prices</li> <li>Latest technology platforms</li> </ul>
Human	Employees	<ul style="list-style-type: none"> <li>Engaged and motivated employees</li> <li>Ability to attract and retain key skills</li> </ul>	<ul style="list-style-type: none"> <li>Market-related remuneration</li> <li>Interesting projects and new challenges</li> <li>Growth and development</li> <li>Equal treatment</li> <li>Health and safety</li> </ul>
Social	Communities	<ul style="list-style-type: none"> <li>Reputation</li> <li>Brand value</li> <li>Trust</li> <li>Access to business opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Employment/business opportunities</li> <li>Local resource hire</li> <li>Environmental care</li> </ul>
Social	Government	<ul style="list-style-type: none"> <li>Favourable legislation and less interference</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to taxes</li> <li>Support job creation</li> <li>Other strategic initiatives</li> </ul>
Social	Suppliers	<ul style="list-style-type: none"> <li>Good service</li> <li>Commitment</li> <li>Good pricing</li> <li>Good quality products</li> <li>Commitment and opportunity alignment through business integrity</li> </ul>	<ul style="list-style-type: none"> <li>Fair allocation of business</li> <li>Pay on time</li> <li>Zero corruption</li> </ul>
Financial	Owners/ shareholders	<ul style="list-style-type: none"> <li>Leveraging the AEEI brand and receiving preferential rates when using skills within other Group companies</li> <li>Strong leadership</li> <li>Governance and strategic differentiation</li> <li>Supply of capital at reasonable price</li> <li>Healthy balance sheet</li> <li>Supportive infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Capital growth</li> <li>Dividends</li> <li>Return on investment</li> <li>Reduced risk</li> </ul>

CAPITAL	STAKEHOLDER	VALUE FOR THE ORGANISATION	VALUE FOR STAKEHOLDERS
Intellectual	Customers	<ul style="list-style-type: none"> <li>Understanding trends and opportunities</li> <li>Improved ability to compete</li> <li>Reputable brands</li> <li>Collaborative research and development investments</li> </ul>	<ul style="list-style-type: none"> <li>Constant refresh and upgrades</li> <li>Strategic advise</li> <li>Maintaining and building on technological advances</li> <li>Better products and services</li> <li>Products and services that are measured and governed through project and customer success</li> </ul>

### 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.

Stakeholder-oriented values include:

- honesty and integrity;
- passion for customers;

- quality in all that we do;
- development and respect for employees;
- accountability and commitment; and
- protecting/conserving the environment.

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

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Shareholders	Owners of the business	<ul style="list-style-type: none"> <li>Integrity</li> <li>Shareholder wealth creation</li> <li>Ethical business practices</li> <li>Regular communication</li> </ul>	<ul style="list-style-type: none"> <li>Sound corporate governance rules are implemented in the business</li> </ul>
Customers	Recipients of services rendered by the AYO Group of companies	<ul style="list-style-type: none"> <li>Timely and high-quality professional delivery of quality products and services</li> <li>Competitive pricing</li> <li>Innovation and strategic advice</li> <li>Reliable long-term supply of products</li> <li>Software services that meet recognised industry standards</li> <li>Reliable long-term supply of services</li> <li>Products are sold legally and are traceable according to international licence regulations and law</li> </ul>	<ul style="list-style-type: none"> <li>Employ formal project management methodology</li> <li>Best practice processes to ensure professional, timeous delivery of the contracts, in budget and to the anticipated quality standards</li> <li>Direct contact with major customers locally and internationally</li> <li>Innovative solutions and strategic advice</li> <li>Active management of key accounts</li> <li>Ensured product availability</li> <li>Ensured that software services meet recognised industry standards</li> <li>Regular and direct contact with major customers locally and internationally</li> <li>Ensured that all products supplied have legal paperwork from the relevant authorities in place and are mostly governed by a vendor end-user licence agreement</li> </ul>

## TECHNOLOGY – continued

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Suppliers	Procurement of goods and services	<ul style="list-style-type: none"> <li>Ethical business relationships</li> <li>Commitment to B-BBEE policies</li> <li>Prompt payment</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that business is conducted with other reputable businesses as per the Code of Ethics</li> <li>Ensure that suppliers support the policy on B-BBEE</li> <li>Negotiate, manage and conclude contracts</li> <li>Timeous payment</li> <li>Ensure compliance with agreed contractual terms relating to intellectual property ownership</li> </ul>
Communities	Assistance is provided by the AYO Group of companies to the communities	<ul style="list-style-type: none"> <li>Provide assistance to black businesses to help them grow and succeed</li> <li>Provide assistance to the community</li> </ul>	<ul style="list-style-type: none"> <li>Assist enterprise development beneficiaries with regard to strategy, training, marketing and skills transfer</li> <li>Involvement in community projects</li> </ul>
Employees	Employees of the AYO Group of companies	<ul style="list-style-type: none"> <li>Develop human capital</li> <li>Foster growth, productivity and well-being of the employees</li> <li>Sustainable employment</li> <li>Competitive salary</li> <li>Stimulating, cutting-edge project work</li> <li>Compliance with health and safety regulations</li> </ul>	<ul style="list-style-type: none"> <li>Provident Fund ICT Group Risk Insurance (linked to the provident fund)</li> <li>Employment equity policies and procedures</li> <li>Skills development policies and procedures</li> <li>A disciplinary code</li> <li>Employee retention programmes</li> <li>Clear key performance indicators (KPIs) for performance review and development planning</li> <li>Regular open forums for discussion</li> <li>Open-door policy for communication at all levels</li> <li>Steady flow of new project work across various industries</li> <li>Internal control procedure list to ensure compliance and immediate corrective action noted in the event of finding raised by health and safety officers</li> </ul>

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Regulatory authorities	Promulgate and monitor regulatory framework and comply with regulations, best practices, laws and legislation	<ul style="list-style-type: none"> <li>Compliance with laws and regulations of authorities</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with laws, regulations and legislation</li> <li>Training of employees responsible for compliance with regard to various regulations by authorities</li> <li>Internal control procedure to ensure compliance</li> <li>Immediate corrective action noted in the event of findings raised by authorities</li> <li>Participation in industry working groups</li> <li>Meeting with industry regulators</li> </ul>
Government	Comply with laws, regulations and legislation	<ul style="list-style-type: none"> <li>Compliance with laws and regulations of authorities</li> </ul>	<ul style="list-style-type: none"> <li>Comply with all the laws of South Africa and where applicable international laws with particular emphasis on the South African labour and tax laws</li> </ul>

## REMUNERATION

The AYO Group aims to be a competitive and attractive employer in the marketplace. Remuneration and benefits are important drivers, as are career opportunities, personal development, culture and values, leadership, Company performance and reputation. The AYO Group complies with applicable laws, agreements and industry

standards on working hours and compensation. Pension or provident fund and medical insurance are compulsory in some business units. Business units in the AYO Group has various incentive schemes and clearly defined commission structures in place in order to retain talented and experienced employees.

*(King IV™ – Principles 1 to 16)*



## HEALTH AND BEAUTY

CONTRIBUTION TO  
REVENUE

**R14.9m**

CONTRIBUTION TO  
OPERATING PROFIT

**R11.2m**

### WYNBERG PHARMACEUTICALS (PTY) LTD (WYNBERG)

#### KEY FACTS

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

## PROFILE

Wynberg Pharmaceuticals supplies an extensive range of locally manufactured, natural products, that are human, animal and plant safe, internationally recognised and certified as such, using European standards (ENs) that are published by the British Standards Institute (BSI) as BS ENs, United Kingdom and National Regulatory Compulsory Specifications (NRCS) South Africa, as well as the Department of Agriculture, Forestry and Fishing (DAFF) certification and registrations throughout South Africa.

The products are registered and manufactured locally and are being used with success in the agricultural, food and general health and hygiene sectors. The Company signed a licensing and joint venture agreement with a UK-based company to manufacture and market an extensive and totally natural range of hygiene and sanitation products into the health care, food and agricultural pre-harvest spray programmes and post-harvest packhouse processing sectors. This range of products, known locally as Plant Nutrient Synergist (PNS), ViBacSan Hygiene and Sanitation, is manufactured and marketed through the Company.

## 2017 OPERATIONAL PERFORMANCE

The Company expanded its market share to other regions after three years of research and development as well as the registration of products. The overall performance is below budget largely due to the drought which has had a severe impact for the past two years. Increased marketing initiatives in the Eastern Cape and northern regions of South Africa resulted in a significant uptake.

Diversification into the food and beverage as well as non-agricultural sectors is critical to avoid the risks of the drought and the cyclical nature of the agricultural market. This is largely mitigated by the current research and development projects underway in the food sector.

## VISION 2020 VISION – WYNBERG'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 detailing clear time frames.

The following was achieved during 2017:

- The team has taken research initiatives to commercialisation products into the agricultural sector.
- The introduction and successful registration of additional products to the original 15 products in the ViBacSan range have been subject to independent evaluation and trials.
- The introduction of pre-harvest products to the local market has been extremely successful providing farmers with opportunities to meet international standards on food safety in the export of fruit and vegetables.
- The post-harvest products will add to the value chain in the agricultural sector. These are part of the products mentioned above and are used in the process following harvest and picking. Packhouses are the primary customer and a distribution agreement has been signed with a company to promote to the farms and packhouses nationally. It has been accepted in various regions and also tested and accepted by the Citrus Research Institute (CRI), which now gives it credibility to be marketed into new areas.
- Growth in the food and beverage sector is still in the research and development phase with pilot projects with bread manufacturers and other fresh product producers to extend shelf life. They have now strategised and budgeted for this in the new budget.

## PROSPECTS AND FUTURE OUTLOOK

The Company 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. There are no planned acquisitions in the short to medium-term and organic growth is expected by increasing market share and penetration into both the pre- and post-harvest markets.

The main opportunity that exists is the international focus of a green economy and protecting the environment as they have acquired the rights to internationally recognised natural products supporting key industries that impact on the health and well-being of the population as a whole, ranging from domestic hygiene to food security.

## HEALTH AND BEAUTY – continued

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

- Growth of product portfolio in the food and beverage industry – the opportunities to capitalise on their empowered status and successfully attract international and local partners to expand their product portfolio.
- A joint venture is currently under negotiation which will bring new technology and innovative products into the South African economy with cost-effective improvements in food shelf life and quality.
- The food and beverage manufacturing and processing market sector has been planned for 2018 while the previous years' focus was predominantly on the agricultural sector.
- Conclude a joint venture local manufacturing agreement with a UK based company – this initiative will provide local jobs and require the transfer of new skills to staff.
- Product and market diversity – the diversity of their portfolio and their strategy to manufacture using local companies support the changes to the tender process, which has an increased preference for local suppliers and manufacturers.
- 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; and the food processing and hospitality sectors with their internationally recognised, completely 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 their performance.
- Expand into new markets outside of South Africa.

## OPERATIONAL FOOTPRINT

Wynberg's administrative function operates from the V&A Waterfront, Cape Town.

## OPERATIONAL FOOTPRINT OF PRODUCTS

PROVINCE	CITIES/TOWNS
<b>Western Cape</b>	Hex Valley, Citrusdal, Ceres, Riebeek Kasteel and Tulbagh
<b>Eastern Cape</b>	Patensie, Gamtoos, Sundays River Valley and Port Alfred
<b>Limpopo</b>	Grobblersdal, Marble Hall, Hoedspruit, Polokwane, Letsitele, Tzaneen and Alldays
<b>Mpumalanga</b>	Nelspruit, Komatiepoort, Hazyview, Malalane and Ogies Stad
<b>Northern Cape</b>	Keimoes, Augrabies, Kakamas, Upington and Vaalharts
<b>Free State</b>	Bethlehem and Ficksburg



## PRODUCT BRANDS



## BUSINESS MODEL

The Company'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 intellectual property as well as international collaborative intellectual property that is relevant to the African markets
- The Company trials and micro-challenges all products and brings them to registration at which point the follow up is done upon receipt of registration and certification:
  - Appoint local manufacturers to produce the products to stringent quality standards; with the objective of establishing 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 Small, medium and micro enterprises (SMMEs) while providing employment opportunities.

## GOVERNANCE

The Company, 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 nor deviations in the application of these principles in the current period. 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 Wynberg meets on a quarterly basis to review the action plan of the executives and the progress of the Company towards its set objectives. Additionally, a risk register is maintained and reviewed by the Board of Wynberg. Regular peer reviews are carried out by the holding company in respect of the delegated authority level as well as adherence to Group policies.

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

## HEALTH AND BEAUTY – continued

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

<b>OBJECTIVE</b>	<b>Stakeholders</b>	<ul style="list-style-type: none"> <li>• Value creation for all stakeholders and sustainable development</li> <li>• Ensures an ethical culture and effective leadership is maintained with positive outcomes</li> <li>• Ensures a stakeholder inclusive approach to balance the needs and interests of material stakeholders in the best interest of the Company</li> </ul>
<b>SCOPE</b>	<b>Company</b>	<ul style="list-style-type: none"> <li>• 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 achieving its strategic objectives</li> </ul>
<b>CHARACTER</b>	<b>Internal system</b>	<ul style="list-style-type: none"> <li>• Ensures that proper internal controls are in place and approves policies and planning and oversees and monitors and ensures accountability</li> <li>• Ensures that the assurance services and functions enable an effective control environment to support the integrity of information for internal and external decision-making</li> <li>• Ensures that 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</li> </ul>
<b>MECHANISM</b>	<b>Conformance</b>	<ul style="list-style-type: none"> <li>• Continues to govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen</li> </ul>
<b>DIRECTION</b>	<b>Management</b>	<ul style="list-style-type: none"> <li>• 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</li> </ul>
<b>DISCLOSURE</b>	<b>Financial statements</b>	<ul style="list-style-type: none"> <li>• Audited financial statements in terms of IFRS</li> </ul>

## STRATEGIC PLANNING AND MONITORING

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

Wynberg manages its businesses strategically, following a process, which 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 setting strategies and action plans, aimed at both growth and sustainability in current markets.

In addition to the annual strategic planning exercise, quarterly reviews of strategy achievement and how changes in the internal and external environments may positively, or negatively, affect the Company are held. 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 Wynberg approves the annual operational budgets and monitors their financial performance against strategies set for the year and evaluates these against the key performance areas of management and key employees. Through this process the sustainability of operations are ensured.

Wynberg'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 agrochemical products. Over time their product range will be able to replace a high percentage of the blacklisted synthetic chemical products.

## ECONOMIC SUSTAINABILITY

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

With the expansion of the last 12 months, the Company now operates in both South and Southern Africa with the potential to establish a significant global export network in the future in accordance with the executed joint venture local manufacturing agreement signed in May 2016. All their initiatives have focused on and created work in the local manufacturing sector.

Key to sustainability for the Southern African "food production and security" this agreement ensures the ownership of intellectual property and patent protection and by agreement, South Africa will be the centre of excellence for future development of the product range as well as being recognised as the global Agricultural Centre of Field Research.

The involvement of communities in this process will increase the sustainability and increase their profile, especially in the agricultural sector where an increase in emerging farmers as reform initiatives starts to make an impact on this sector. Wynberg 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 health care, food safety and agricultural sectors.

## ENVIRONMENTAL SUSTAINABILITY

Wynberg specialises in this arena with a product range that is developed and derived from completely natural plant sustainable resource extracts. These extracts have the ability to 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.

Wynberg and Citrus Research Institute are in their third year of trials to eliminate "Citrus Black Spot" which for the prior two years has yielded excellent results. The significance of this trial is that the "Citrus Black Spot" is seen as 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 current 100 000 individuals employed in the citrus industry. This presents an opportunity for Wynberg's future growth plans.

The initiatives taken in Wynberg within the agricultural sector offer local farmers alternative products to the synthetic chemicals, which are being eliminated through the REACH ACCORD to which, South Africa is a signatory. In addition, it is now known that *Government Gazette* regulations for "clean labelling" and the ongoing

## HEALTH AND BEAUTY – continued

collaboration with the research and production of food manufacturing and processing will have a positive impact on the sustainable production of food through the use of ViBacSan products. These products will positively enhance the health of consumers as well as the environmental impact by reducing the use of harmful chemicals in the production of food. Recent trials have been successful and resulted in the shelf life extension of bread which is one of the staple foods of the lower-income groups, as well as at abattoir level, 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, Wynberg has ensured that human and environmental standards of safety have met the stringent regulatory standards.

Wynberg considers themselves to be among the cutting-edge companies in producing sustainable products without any negative effect on the environment.

## SOCIAL SUSTAINABILITY

Wynberg subscribes to AEEI'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 the health service delivery to all its people. The assistance to and support of the government initiative for emerging farmers is an area to which their products are specifically applicable as is the ability to technically support this level of farming practices.

Wynberg has highly motivated employees with the required skills to grow their business 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 intellectual property to South Africans.

Their key aims are to:

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

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

## KEY CHALLENGES, RISKS, TECHNOLOGY AND COMPLIANCE MANAGEMENT

### KEY CHALLENGES

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

<b>Regulation and legislation</b>	<ul style="list-style-type: none"> <li>• 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 governing agricultural products, public health and safety and the Company is fully compliant with all regulatory requirements.</li> </ul>
<b>New and innovative products</b>	<ul style="list-style-type: none"> <li>• The industry, being open to both local and international companies is highly competitive and the biggest challenge is competing with companies who have critical mass and funding.</li> </ul>
<b>Employee skills and retention</b>	<ul style="list-style-type: none"> <li>• This remains the key challenge as experience and reputation are critical factors in influencing the market.</li> <li>• Limited resources of high-quality personnel make employee mobility one of the highest risk factors.</li> </ul>

<b>Technology</b>	<ul style="list-style-type: none"> <li>• The highly technical nature of the industry requires that companies establish a presence in the market and present themselves as stable, professional and sustainable entities.</li> <li>• This is achieved through the quality of information, the professionalism of their employees and the ability to deliver new products to the markets.</li> <li>• The application of independent local trials although costly and time consuming are critical to the introduction of new innovative products.</li> </ul>
<b>Employees and community</b>	<ul style="list-style-type: none"> <li>• In meeting these values, Wynberg 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.</li> </ul>

## RISKS

Risk management is integrated into the Company's management process. The Company 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 identification, classification and management of all operational risks.

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

meetings and the executive directors are charged with the execution of approved risk management actions.

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

In the 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 Company's financial performance.

The following risks have been identified:

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
Regulatory constraints	<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• The Company employed additional internal resources to manage this risk and develop sound business relationships within the regulatory sector.</li> </ul>
Resistance to innovation in established markets	<ul style="list-style-type: none"> <li>• 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</li> <li>• The introduction of ViBacSan has required intensive local trials to validate the product despite having international certification</li> </ul>	<ul style="list-style-type: none"> <li>• The Company increased its sales and marketing capacity by entering into an alliance with another agrochemical company.</li> <li>• Successful trials and education have increased market acceptance and the recognition of regulatory bodies.</li> </ul>

## HEALTH AND BEAUTY – continued

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
Foreign exchange volatility	<ul style="list-style-type: none"> <li>Foreign exchange exposure may increase the cost of the product and will therefore may not be affordable to the local market</li> <li>Only raw materials are being imported</li> </ul>	<ul style="list-style-type: none"> <li>The foreign exchange risk element has been reduced by over 80% due to local manufacture.</li> <li>Joint venture agreement concluded in 2016.</li> </ul>
Single distribution channel	<ul style="list-style-type: none"> <li>Dependence on single distributor may result in lower income</li> </ul>	<ul style="list-style-type: none"> <li>The Company has reduced its risk exposure by signing additional distribution agreements with distributors who have a national footprint in South African and in Namibia.</li> </ul>

## STAKEHOLDER MANAGEMENT

## CREATING STAKEHOLDER VALUE

Wynberg 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.

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

CAPITAL	STAKEHOLDER	VALUE FOR THE ORGANISATION	VALUE FOR STAKEHOLDERS
Social	Customers	<ul style="list-style-type: none"> <li>Repeat business and revenue growth</li> </ul>	<ul style="list-style-type: none"> <li>Quality products and services</li> <li>Fair prices</li> <li>Correct labelling</li> </ul>
Human	Employees	<ul style="list-style-type: none"> <li>Engaged and motivated employees</li> <li>Ability to attract and retain key skills</li> </ul>	<ul style="list-style-type: none"> <li>Fair pay</li> <li>Interesting work</li> <li>Growth and development</li> <li>Equal treatment</li> <li>Health and safety</li> </ul>
Social	Communities	<ul style="list-style-type: none"> <li>Reputation</li> <li>Brand value</li> <li>Trust</li> <li>Access to business opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Employment/business opportunities</li> <li>Environment care</li> <li>Local hire</li> <li>Resource use</li> </ul>

CAPITAL	STAKEHOLDER	VALUE FOR THE ORGANISATION	VALUE FOR STAKEHOLDERS
Social	Government	<ul style="list-style-type: none"> <li>Favourable legislation and less interference</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to taxes</li> <li>Support job creation</li> <li>Other strategic initiatives</li> </ul>
Social	Suppliers	<ul style="list-style-type: none"> <li>Good service</li> <li>Commitment</li> <li>Good pricing</li> <li>Good quality products</li> </ul>	<ul style="list-style-type: none"> <li>Fair allocation of business</li> <li>Pay on time</li> <li>Zero corruption</li> </ul>
Financial	Owners	<ul style="list-style-type: none"> <li>Supply of capital at reasonable price</li> <li>Healthy balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>Capital growth</li> <li>Dividends</li> <li>Return on investment</li> <li>Reduced risk</li> </ul>
Intellectual	Customers	<ul style="list-style-type: none"> <li>Understanding trends and opportunities</li> <li>Improved ability to compete</li> <li>Reputable brands</li> </ul>	<ul style="list-style-type: none"> <li>Further improved products and services</li> </ul>

## STAKEHOLDER EXPECTATIONS

Wynberg 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.

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

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Employees	Employer-employee relationship	<ul style="list-style-type: none"> <li>Performance on contractual obligations from both parties</li> </ul>	<ul style="list-style-type: none"> <li>Strong relationships and the dissemination of highly technical information, which requires skilled employees in all areas of its operation.</li> <li>Key to Wynberg's success is the skills set of their employees and their ability to operate effectively in this highly competitive environment.</li> </ul>
Government	Regulatory and potential customers	<ul style="list-style-type: none"> <li>Comply with regulations and governance</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>

## HEALTH AND BEAUTY – continued

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
The Department of Health	Legal and policy-setting body	<ul style="list-style-type: none"> <li>Adherence to policy laws and governance</li> </ul>	<ul style="list-style-type: none"> <li>Both national and regional – which regulates the health industry as a whole and sets out policies regulating the delivery of health services.</li> <li>Registers all natural products used in the production and processing of food products.</li> <li>Key to working in this environment is professionalism and the provision of accurate information and cooperation in meeting compliance standards.</li> </ul>
Treasury and distribution depots	Customer and procurer of Company products	<ul style="list-style-type: none"> <li>To service customers in line with agreed tender and procurement procedures and provide service on product information</li> </ul>	<ul style="list-style-type: none"> <li>For state enterprises that regulate tenders, the procurement and distribution of medical supplies to all governmental and regional entities.</li> </ul>
The South African Bureau of Standards (SABS)	The relationship is one of product endorsement and compliance with specifications	<ul style="list-style-type: none"> <li>To achieve full certification and have this validated and where required to test results to maintain certification</li> </ul>	<ul style="list-style-type: none"> <li>The bodies regulating food safety have also become key stakeholders, as has the regulatory sector of the agricultural and food industry in which the Company has become active competitors.</li> <li>SABS have informed all natural chemical manufacturers that they are unable to “micro-challenge” the disinfecting/sanitising products submitted, hence Wynberg now uses a GLP approved Laboratory based in the United Kingdom – ALS Laboratories.</li> </ul>
Organised agriculture and the Department of Agriculture, Forestry and Fishing (DAFF)	Customers and purchasers of Company products and registrations of new products	<ul style="list-style-type: none"> <li>To provide quality products to the market that comply with DAFF regulations</li> </ul>	<ul style="list-style-type: none"> <li>The expansion of the ViBacSan range has brought this sector into the realm of significance as a stakeholder in their business.</li> </ul>
Financial institutions	Normal banking and factoring of invoices	<ul style="list-style-type: none"> <li>To secure funding and provide returns that are competitive</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders fund the acquisition of raw products and services.</li> </ul>
Distributors	Service providers	<ul style="list-style-type: none"> <li>They distribute their products into the market effectively</li> </ul>	<ul style="list-style-type: none"> <li>The Company relies on distributors to ensure the storage and delivery of their products into the markets.</li> </ul>



STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Third-party manufacturers	Contractual manufacture of their products under licence	<ul style="list-style-type: none"> <li>To produce products that meet specifications and quality standards set contractually</li> </ul>	<ul style="list-style-type: none"> <li>The Company uses third-party manufacturers for certain products locally as opposed to buying fully imported products.</li> </ul>
International and local research bodies and certification authorities	Collaboration on ensuring their products are acceptable internationally	<ul style="list-style-type: none"> <li>To receive research and scientific feedback on all developments related to product usage</li> </ul>	<ul style="list-style-type: none"> <li>The Company collaborates with international and local research bodies in developing products to have them certified in South Africa.</li> </ul>
Shareholders	Investors in their Company	<ul style="list-style-type: none"> <li>To provide competitive returns on their investment and to attract new investments</li> </ul>	<ul style="list-style-type: none"> <li>Both institutional and private investors are considered key to the future of any company.</li> </ul>

## REMUNERATION

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

Wynberg has various incentive schemes in place in order to retain talent and experienced employees. Their Company policy requires all employees to belong to the pension or provident fund in order to plan for their retirement and medical insurance is compulsory.

*(King IV™ - Principles 1 to 16)*

## HEALTH AND BEAUTY – continued

**ORLEANS COSMETICS (PTY) LTD (ORLEANS COSMETICS)****KEY FACTS**

CHIEF EXECUTIVE OFFICER	D Kourie
BOARD OF DIRECTORS	K Abdulla (chairman), AM Salie, CF Hendricks, AB Amod
EMPLOYEES	74
HEAD OFFICE	Tokai, Cape Town
FOOTPRINT	South Africa, Southern Africa including Namibia, Zimbabwe, Lesotho, Swaziland, Botswana, Mauritius and Madagascar

**PROFILE**

Orleans Cosmetics (Pty) Ltd was recently acquired and became a subsidiary of AEEI in May 2017. It was a business previously known as Orleans Distributors CC and RVB Cosmetics CC, which has 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.

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 82 years ago;
- NUXE - founded in France 25 years ago;
- RVB SKINLAB/diego dalla palma professional - founded in Italy 56 years ago; and
- Sothys - founded in France 71 years ago.

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

RVB SKINLAB/diego dalla palma professional and Sothys are exclusively found in beauty salons and spas across the country.

The Company's present focus is on skin care with a particular emphasis on anti-ageing. The business has a make-up range in RVB SKINLAB/diego dalla palma professional.

**2017 OPERATIONAL PERFORMANCE**

Orleans Cosmetics was acquired in May 2017; hence only three months can be accounted for in terms of operational performance. For the three-month period ended 31 August 2017, revenue is R9.6m with net profit after tax of R0.6m.

**VISION 2020 VISION - ORLEANS COSMETICS' CONTRIBUTION**

Orleans Cosmetics' vision is to be a leading player in the prestige and masstige cosmetics industry in both the retailing industry and in beauty salons. It intends to acquire fragrance lines and additional make-up brands in order to complement its current skincare ranges.

**PROSPECTS AND FUTURE OUTLOOK**

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

The key drivers in the business are the following:

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

### OUTLOOK FOR 2018

- Focus on strengthening the brand's presence in the market place
- Explore the possibility of obtaining additional agencies in fragrance and in make-up.

The Company intends doubling 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 intention is to retain the entrepreneurial spirit which already exists and to blend this with the business expertise which AEEI can provide. The Company has built a solid reputation 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 very well positioned to be the partner of choice for both local companies and to represent overseas brands due to AEEI's B-BBEE credentials.

Industry statistics indicate that the luxury and masstige segments of the cosmetics market are considered to be in excess of R6bn per annum at retail prices and there is enormous potential growth for Orleans Cosmetics.

## OPERATIONAL FOOTPRINT

The Company 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, Madagascar, Zimbabwe, Swaziland, Botswana and Lesotho.

## PRODUCTS/BRANDS

The Company is the exclusive South African and Southern Africa distributor of the Gatineau, NUXE, RVB SKINLAB/diego dalla palma professional and Sothys brands.



## HEALTH AND BEAUTY – continued

**BUSINESS MODEL**

The Company has a healthy balance of business spread between major retailers such as Truworths, Woolworths and Dis-Chem as well as a large number of beauty salons and spas.

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

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

**GOVERNANCE**

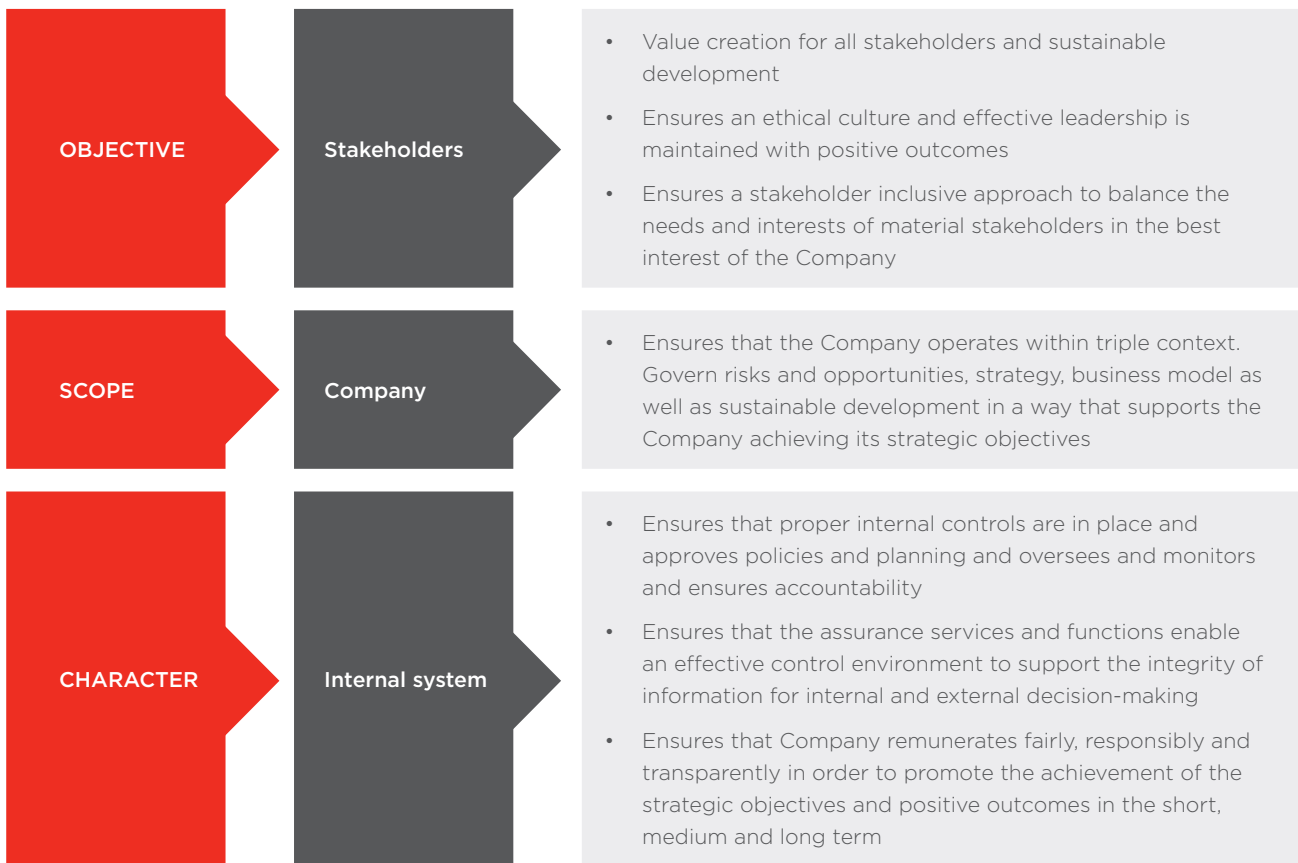
Orleans Cosmetics adopted the application of policies and structures as defined by the AEEI Group complies with all sound governance structures and regulatory functions and has had no reported fraud or deviation in the application of these principles in the current period. The continued training and exposure of employees

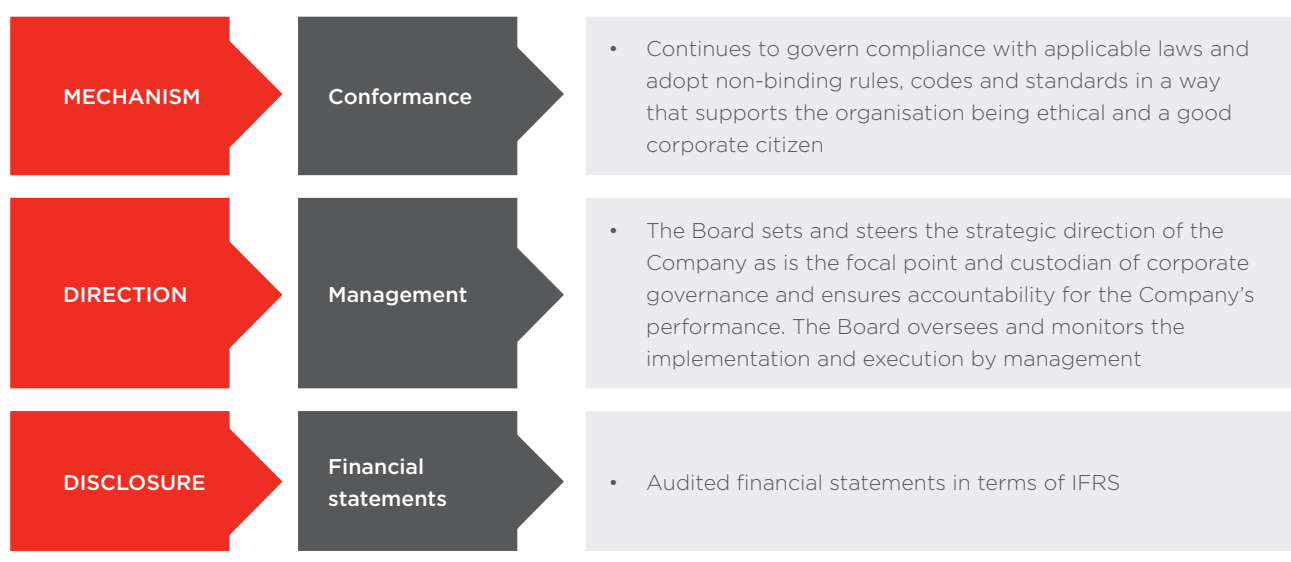
to the regulatory environment and regulations of the Companies Act ensure that employees are fully informed of their responsibilities.

The Board of directors meets on a quarterly basis to review the action plan of the executives and the progress of the Company towards its set objectives. Additionally, a risk register is maintained and reviewed by the Board of directors. Regular peer review is carried out by the holding company in respect of the delegated authority level as well as adherence to 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 judgment to assist with the balance of power and the effective discharge of its duties. The Board of Orleans Cosmetics will be evaluated annually to ensure effective functioning.

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





## STRATEGIC PLANNING AND MONITORING

Orleans Cosmetics manages its business strategically following a process which will include 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 all of its stakeholders. They are currently defining 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.

## ENVIRONMENTAL SUSTAINABILITY

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

## SOCIAL SUSTAINABILITY

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

The Company is well aware of the critical role that business has to play in the upliftment and development of the previously disadvantaged majority.

The Company 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.

## HEALTH AND BEAUTY – continued

## KEY CHALLENGES, RISKS, TECHNOLOGY AND COMPLIANCE

## KEY CHALLENGES

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

<b>Regulation and legislation</b>	<ul style="list-style-type: none"> <li>• 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 MCC claiming that the advertising claim amounts to being a medicine.</li> </ul>
<b>Competition</b>	<ul style="list-style-type: none"> <li>• The Company imports its products and they are faced with competition from both local and international companies who have critical mass and funding. This also has an effect on the market prices which can be obtained for the Company's products. The business is a "price-taker", not a "price-maker".</li> </ul>
<b>Employee skills and retention</b>	<ul style="list-style-type: none"> <li>• The industry in which the Company operates requires skilled and experienced employees, thus employees retention is a key challenge.</li> <li>• Limited resources of high-quality personnel make employees mobility one of the highest risk factors.</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>• Ensure that the Company has an online presence which needs to be developed further.</li> </ul>

## RISKS

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

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

meetings and the executive directors are charged with the execution of approved risk management actions.

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

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

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
The risk that exchange rates may weaken drastically	<ul style="list-style-type: none"> <li>This could directly affect the profitability of the business.</li> </ul>	<ul style="list-style-type: none"> <li>A policy of taking forward cover will be implemented to cover a certain proportion of the risk for the following 12 months.</li> </ul>
The risk that an overseas supplier may withhold the extension of the supply agreement for an additional three-year period	<ul style="list-style-type: none"> <li>A direct, marginal profit impact on the business would be the result.</li> </ul>	<ul style="list-style-type: none"> <li>It is imperative to maintain a close working relationship with the four overseas principals and to invest in each brand in order to avoid such a situation.</li> </ul>
The risk that a major customer may no longer wish to stock the company's products	<ul style="list-style-type: none"> <li>This would have a direct impact on the profitability of the Company through reduced sales.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
Technology – The risk of online retailing replacing purchasing in the store environment is low in South Africa.	<ul style="list-style-type: none"> <li>As sales move more toward the online platform, the impact can be negative in terms of profitability.</li> </ul>	<ul style="list-style-type: none"> <li>Measure the level of online sales on a regular basis to ensure that staffing levels in the stores are modified accordingly.</li> <li>Backing up of data is done on a daily basis and stored off-site.</li> </ul>

## HEALTH AND BEAUTY – continued

## STAKEHOLDER MANAGEMENT

## CREATING STAKEHOLDER VALUE

Orleans Cosmetics recognises the importance of creating value for its stakeholders in the short, medium and long-

term. The principal stakeholders for Orleans Cosmetics are its shareholders, employees, customers, suppliers, communities and government.

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

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



## STAKEHOLDER EXPECTATIONS

Orleans Cosmetics 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.

Orleans Cosmetics will continue to have various procedures in place with regard to stakeholder management. These are summarised as follows:

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Shareholders	Owners of the business	<ul style="list-style-type: none"> <li>Integrity</li> <li>Shareholder wealth creation</li> <li>Ethical business practices</li> </ul>	<ul style="list-style-type: none"> <li>Sound corporate governance rules are implemented and monitored in the business</li> </ul>
Customers	Consumers of Orleans Cosmetics products	<ul style="list-style-type: none"> <li>Quality products that meet recognised industry standards</li> <li>Reliable long-term supply of products</li> <li>Products which deliver on performance expected</li> </ul>	<ul style="list-style-type: none"> <li>Ensure inventory availability</li> <li>Direct contact with major customers on a regular basis</li> <li>Strategy meetings with key retailers twice per annum at a minimum</li> <li>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 highly qualified</li> </ul>
Suppliers	Procurement of goods for resale	<ul style="list-style-type: none"> <li>Ethical business relationships</li> <li>Prompt payment</li> </ul>	<ul style="list-style-type: none"> <li>Negotiate, manage and conclude contracts</li> <li>Timeous payment</li> <li>Ensure that South African-based suppliers support the policy on B-BBEE</li> </ul>
Employees	Members of staff	<ul style="list-style-type: none"> <li>Fairly remunerated and treated with respect</li> </ul>	<ul style="list-style-type: none"> <li>Annual performance and remuneration review</li> <li>Feedback given throughout the year</li> </ul>

## REMUNERATION

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

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

*(King IV™ – Principles 1 to 16)*



# BIOTHERAPEUTICS

## GENIUS BIOTHERAPEUTICS (GENIUS)

*(Bioclones (Pty) Ltd)*

### KEY FACTS

CHIEF EXECUTIVE OFFICER	I Amod
BOARD OF DIRECTORS	K Abdulla, I Amod, C Ah Sing, CF Hendricks & R Latchman
EMPLOYEES	10
HEAD OFFICE	V&A Waterfront, Cape Town
FOOTPRINT	Cape Town and Centurion, Pretoria

### PROFILE

Established in 1982, Genius is arguably the oldest health care biotechnology company in South Africa, if not the African continent, with a track record of investing in research and development work that led to successfully commercialising South Africa's first biosimilar product, Repotin, a recombinant human hormone known as erythropoietin (EPO).

Genius focuses on health care applications and more specifically on the production of biopharmaceutical products. Biopharmaceutical products include such therapeutics as hormones, protein-based drugs and antibodies.

Genius is a research and development biopharmaceutical group of companies which includes the following operational business units:

- Immunotherapy dendritic cell vaccine (DCV) technology
- EPO production, registered as Repotin
- Granulocyte-colony stimulating factor (G-CSF) product development
- Integrated Bioworks (IBW) reagents

### 2017 OPERATIONAL PERFORMANCE

The divisions are engaged in product development which is at different stages and the progress is as follows:

- Regulatory preparation and process validation phase for the production of EPO, a biosimilar drug used to treat anaemia caused by kidney disease
- Developmental work on DCV for cancer immunotherapy and non-communicable diseases such as drug-resistant tuberculosis
- Further developmental activities at the Ribotech facility for a second biosimilar drug called Recogen, a G-CSF used for the treatment of neutropenia
- Production of protein-based reagents used mainly in research laboratories and industrial applications.

### VISION 2020 VISION - GENIUS' CONTRIBUTION

The outlook for Genius and their value proposition is based on a long-term vision and value-add that is linked to defined milestones.

Unlike other typical investments in other sectors, Genius works to 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 detailed clear time frames.

- The cell culture division is currently manufacturing EPO and is undergoing regulatory preparation with “mock-runs”
- The DCV project is preparing for phase 1 human clinical trial in breast cancer patients and performing pre-clinical trials on extensively drug-resistant tuberculosis (XDR-TB)
- Further development work for the production of a second biotech drug for humans

## PROSPECTS AND FUTURE OUTLOOK

The following prospects have been identified:

### SHORT-TERM PROSPECTS

- For Repotin production, processes, updates and regulatory framework are to be completed by 2018
- Secure funds to complete final filling solutions for recombinant products for both Repotin and Recogen
- Further research and development work in order to continue to production phase
- Begin the phase 1 human clinical trial in breast cancer patients and pre-clinical work on other diseases

- Integrated Bioworks to generate revenue from the sale of laboratory reagents and increase its product offering
- Based on the phase 1 trial results – accelerate the listing of Genius to obtain the necessary capital to complete phase 2 and 3 trials

### MEDIUM- TO LONG-TERM

- Optimise and increase the production output of Repotin so that it is able to meet market demand by 2020 and introduce additional formulation strengths to enter the oncology market
- Introduce an additional range of recombinant and biologically derived products through a licensing agreement with an international partner
- Partner with a South African multinational pharmaceutical company to secure a sales and marketing channel for local and international biological markets
- Plan and prepare to list Genius on a foreign stock exchange

## FOOTPRINT

The Genius Group has two state-of-the-art medium-sized biopharmaceutical laboratory facilities, one in Cape Town and the other in Centurion, Pretoria.

## PRODUCTS/BRANDS

Dendrovac is registered as the commercial brand for the cancer DCV immunotherapy treatment. Bioclones has two EPO therapeutics registered – Repotin 2000 and Repotin 4000. Recogen is the registered commercial brand for G-CSF therapeutic.

### COMPANY BRAND



### PRODUCT BRANDS



## BIOTHERAPEUTICS – continued

### BUSINESS MODEL

Since inception Genius was set up as a fully integrated pharmaceutical Company focused on developing biopharmaceutical products. In this way the full spectrum of ownership, from discovery to development and marketing was 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.

In the case of the biosimilars Repotin and Recogen, the opportunity to engage a local and international sales and marketing partner is being established. This is a departure from the previous occasion when the Company previously marketed and sold Repotin. The research and development phase is reaching completion with the Company focusing its efforts on production only while outsourcing the sales and marketing function. Additional products through an international licence agreement will increase the basket of products on offer. IBW only has one of its products – reverse transcriptase outsourced for manufacturing.

DCV for cancer still has a few years ahead before it enters the market as a form of personalised treatment for cancer.

### GOVERNANCE

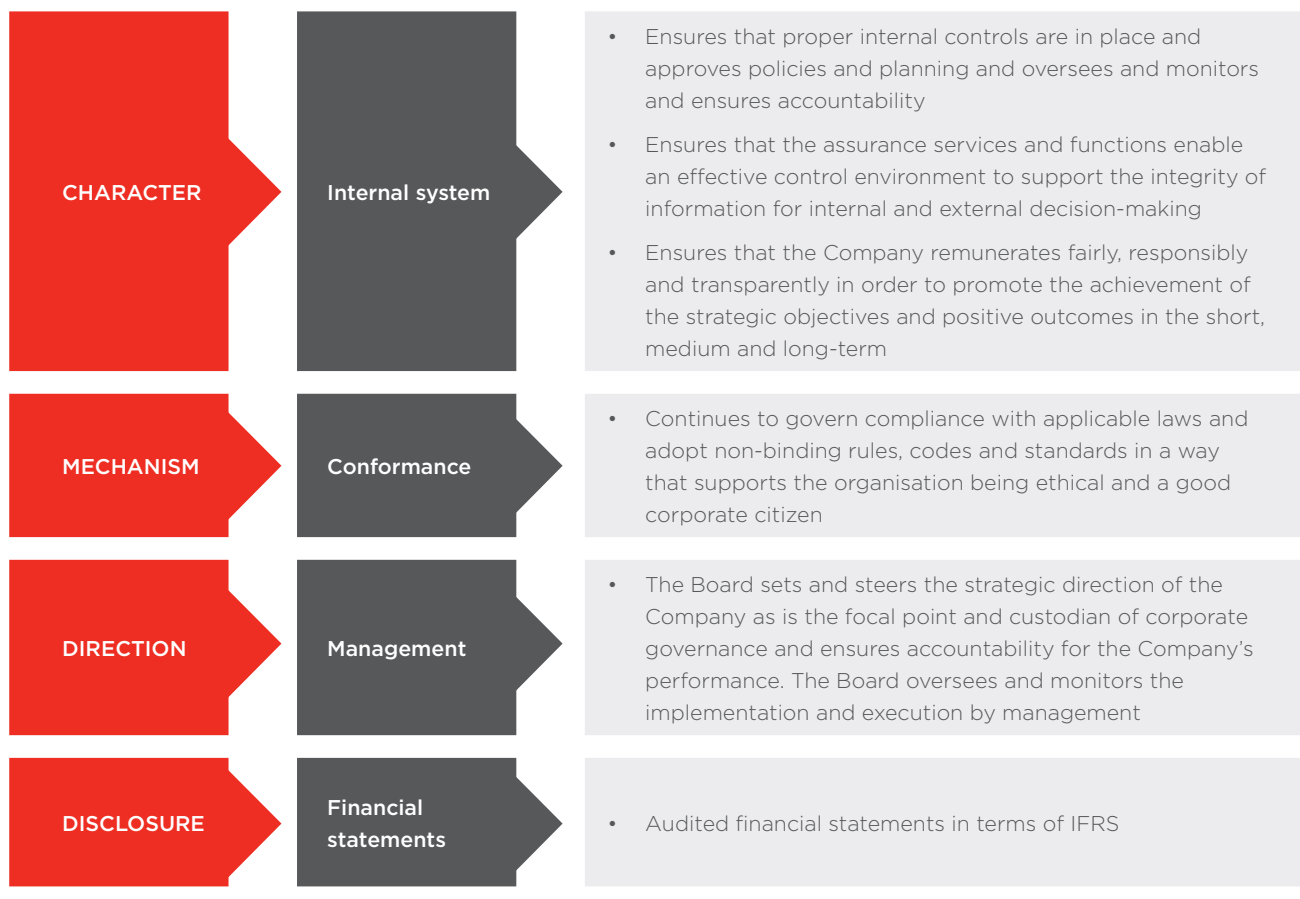
The Company, through the application of policies and structures as defined by the holding company AEEL, complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles in the current period. The continued training and exposure 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 Genius 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 of Genius. Regular peer review is carried out by the holding company in respect of the delegated authority level as well as adherence to Group policies.

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

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





## STRATEGIC PLANNING AND MONITORING

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

The Board of each business unit 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 respective Boards ensure that a senior manager, or the Board itself, reviews each key business transaction/initiative to ensure that key business activities are aligned with Genius' strategy, is lawful, will contribute to their sustainability and will not be harmful to any stakeholders and/or the environment.

In this manner, each business unit can monitor its 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 are ensured.

## ECONOMIC SUSTAINABILITY

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

Genius continues to:

- implement innovative procedures within the value chain to increase efficiency in line with environmental best practices, thereby reducing their carbon footprint;
- invest in reliable technology which allows the Company to develop all of their employees; and
- ultimately deliver good sustainable returns to all of their stakeholders.

## BIOTHERAPEUTICS – continued

Required going forward is the continued development of new financing models that not only address the current challenges, but are also flexible enough to address those that will be faced in the future.

Genius will continue with its plans to list the Company offshore since an approval was granted by the South African Reserve Bank. Success of its current production processes with new technology, sales generation and growth plans for the underlying businesses and expanding its current product portfolio will support and strengthen its business case to the market and to potential investors.

### ENVIRONMENTAL SUSTAINABILITY

Genius believes that with its current strategy of focusing on innovation and transforming current health care 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 what Genius is doing with the production of Repotin.

The latest cutting-edge technology is currently being explored for production to improve yield and drive growth into new markets. The DCV project is 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 well aware of the critical role that businesses play in the upliftment and development of the previously disadvantaged individuals and continues:

- to provide opportunities for critical skills development;
- to train and support employees;
- to assist with finance for start-up of businesses such as IBW;
- as a black economic empowered Company – ensuring the availability of services by assisting with the development and growth of previously disadvantaged partners; and
- to provide health care advice as well as product information to patients via the internet.

## KEY CHALLENGES, RISKS, TECHNOLOGY AND COMPLIANCE

### KEY CHALLENGES

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

<b>Regulation and legislation</b>	<ul style="list-style-type: none"> <li>• The compliance and demands placed on companies in this highly regulated industry requires continuous review of business processes and strategy.</li> </ul>
<b>Competition</b>	<ul style="list-style-type: none"> <li>• Genius is faced with competition from both local and international companies who have critical mass and reserve funds.</li> </ul>
<b>Employees skills and retention</b>	<ul style="list-style-type: none"> <li>• The industry in which Genius operates requires skilled and experienced employees, thus employee retention is a key challenge.</li> <li>• Limited resources of high-quality personnel make employee mobility one of the highest risk factors.</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>• In the biotechnology sector new efficient technologies are constantly developed and Genius ensures that they remain within the European Pharmacopoeia standards with all new adaptations.</li> </ul>

## 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 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 also compiles and maintains a strategy dashboard, as several risks are being mitigated by the Company's strategy; the risks and strategy are directly mapped where applicable.

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

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
Funding the research and development phase of the project	<ul style="list-style-type: none"> <li>There is a risk that there may be delays and/or the Group may not be successful in raising the required funds.</li> </ul>	<ul style="list-style-type: none"> <li>To counter this risk the Group is increasing the pressure to meet and engage with the government funding agency.</li> </ul>
Human resource requirements and skills	<ul style="list-style-type: none"> <li>Recruitment of additional technicians, scientists and pharmacists with the appropriate background and experience is challenging.</li> </ul>	<ul style="list-style-type: none"> <li>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. This will allow for skills transfer to local scientists.</li> </ul>
Pre-filled syringe capabilities	<ul style="list-style-type: none"> <li>The establishment of such a facility for the first time may present technical challenges and delays.</li> </ul>	<ul style="list-style-type: none"> <li>This could be mitigated in the supplier contract.</li> </ul>
Regulatory delays	<ul style="list-style-type: none"> <li>The submission of the three validation results to the Medicines Control Council (MCC) for review for the re-issuing of the manufacturing licence depends on the validation runs coupled with an audit.</li> </ul>	<ul style="list-style-type: none"> <li>The MCC has permitted the production to proceed on the condition that the finished product remains in 'quarantine' and can only be released on the re-issuing of the manufacturing licence.</li> </ul>
Technology	<ul style="list-style-type: none"> <li>International trends in biotechnology move to more efficient production through new technologies. These changes reduce the cost of production but initial investment costs are high in the early stages.</li> </ul>	<ul style="list-style-type: none"> <li>At Genius' level they are safe as late adopters due to the regulatory delay with the MCC accepting new technologies. Thus when adopting the new technologies later they are cheaper and the regulatory authorities have approved the product.</li> </ul>

## BIOTHERAPEUTICS – continued

## STAKEHOLDER MANAGEMENT

## CREATING SHAREHOLDER VALUE

The Genius Group recognises the importance of creating value for its stakeholders in the short, medium and long-

term. The principal stakeholders of the Genius Group are its shareholders, employees, customers, suppliers, communities and government.

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

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



## STAKEHOLDER EXPECTATIONS

Genius 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.

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

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Shareholders	Owners of the business	<ul style="list-style-type: none"> <li>Integrity</li> <li>Shareholder wealth creation</li> <li>Ethical business practices</li> </ul>	<ul style="list-style-type: none"> <li>Sound corporate governance rules are implemented in the business</li> </ul>
Customers	Affected patients	<ul style="list-style-type: none"> <li>Products are sold legally and are traceable</li> <li>Quality products that meet recognised industry standards</li> <li>Reliable long-term supply of products</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that all products supplied have met GMP and regulatory approval from the relevant authorities</li> <li>Ensure that they adhere to all necessary standards such as SA GMP</li> <li>Compliance with international laws, regulations and legislation</li> </ul>
Suppliers	Procurement of goods and services such as raw materials for their operations and other business units, etc.	<ul style="list-style-type: none"> <li>Ethical business relationships</li> <li>Commitment to B-BBEE policies</li> <li>Prompt payment</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that they conduct business with reputable businesses - Code of Ethics</li> <li>Ensure that they support the policy on B-BBEE</li> <li>Negotiate, manage and conclude contracts</li> <li>Timeous payment</li> </ul>
Regulatory authorities such as MCC, Department of Health	Promulgate and monitor regulatory framework and comply with current regulations, laws and legislation	<ul style="list-style-type: none"> <li>Compliance with laws and regulations of authorities</li> </ul>	<ul style="list-style-type: none"> <li>Continuous training of management and employees responsible for compliance with various regulations by the respective authorities</li> <li>Internal control procedure checklist to ensure compliance with respective laws and regulations</li> <li>Immediate corrective action noted in the event of findings raised by authorities</li> <li>Participation in industry working groups</li> <li>Meeting with industry regulators</li> </ul>

## BIOTHERAPEUTICS – continued

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

## REMUNERATION

Genius strives to keep remuneration in line with that of the pharmaceutical industry but often settles for the lack of experience of prospective candidates entering

the manufacturing sector for the first time with a view of providing training. They will still require training in the pharmaceutical industry and laboratory experience to be familiar with the GMP code.

## ACRONYMS

API	Active Pharmaceutical Ingredient
DCV	Dendritic cell vaccine
EPO	Erythropoietin
G-CSF	Granulocyte-colony stimulating factor
GMP	Good Manufacturing Practice
MCC	Medicines Control Council

(King IV™ – Principles 1 to 16)



## EVENTS AND TOURISM

CONTRIBUTION TO  
REVENUE

**R118.3m**

CONTRIBUTION TO  
OPERATING PROFIT

**(R1.5m)**

### ESPAFRIKA (PTY) LTD (espAfrika)

#### KEY FACTS

CHIEF EXECUTIVE OFFICER	K Abdulla (acting)
BOARD OF DIRECTORS	VC Mehana, K Abdulla, CF Hendricks, M Domingo and S Ramdenee
EMPLOYEES	19
HEAD OFFICE	Claremont, Cape Town
FOOTPRINT	Western Cape, North West, KwaZulu-Natal and Limpopo

#### PROFILE

espAfrika is a cutting-edge global competitor in events management. Over the past decade, they have staged international music festivals throughout Africa and under their leadership; the Cape Town International Jazz Festival has been named the fourth best jazz festival worldwide by Melodytrip Independent Survey in 2007, the Best Festival in Cape Town in the OFLOCAL 2015 poll and in 2016 was voted one of the World's Best Festivals by FEST 300. The festival contributes over R0.9bn to the gross domestic product (GDP) of the South African economy.

espAfrika's highly skilled team of professionals is able to produce and host a range of events, from festivals to corporate functions, gala dinners and conferences. This innovative events management Company thrives on challenges and their collective energy produces dynamic results. espAfrika's primary strategy is to use indigenous resources and 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. Having diligently established trustworthy relationships in the international music industry, espAfrika ensures a lucrative flow of artists and expertise between Africa, Europe, Asia and the USA.

## EVENTS AND TOURISM – continued

**2017 OPERATIONAL PERFORMANCE**

Despite the current challenging economic climate espAfrika managed to fund all its operations without having recourse to external funding and delivered a successful Cape Town International Jazz Festival as well as the Royal Escape Experience at Sun City. The Company contributes positively to all its stakeholders and with its future growth plan, it will further strengthen its sustainability and returns to all the stakeholders.

**VISION 2020 VISION – ESPAFRIKA'S CONTRIBUTION**

A detailed review of espAfrika was done in 2015 with the primary objective of returning the Company to solvency and building a sustainable business going forward with adequate return to all its shareholders. A five-year strategic plan to the year 2020 was developed and implemented with clear deliverables and strategic actions to meet its stated objectives.

espAfrika is on target to achieve its Vision 2020 Vision goals.

Achievements for 2017 to date include:

- Funded its events through its own cash resources without recourse to external funding
- Further developed the Royal Escape Experience as a sustainable and flagship event for the Company outside the Western Cape
- Secured two new annual events for the Company in KwaZulu-Natal and Limpopo respectively
- Hosted a successful Cape Town International Jazz Festival and Royal Escape Experience events during the year
- Maintained good employee morale and a rewarding working environment
- Delivered sustainable returns to stakeholders

**PROSPECTS AND FUTURE OUTLOOK**

With the establishment of two new annual events in Limpopo and KwaZulu-Natal, the Company will now have four annual Company-owned events. This will allow the Company to maximise the use of its existing resources throughout the year and as a result, further improve on its profitability and sustainability, as well as create more employment to further contribute to the socio-economic impact.

In addition to the new Company-owned events, espAfrika will seek opportunities to produce and manage additional events on behalf of clients and establish the Company as the leader in events production and management in the country.

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

The following has been identified in reaching their Vision 2020 Vision:

- Successfully launch the new music event in KwaZulu-Natal and Limpopo;
- Further develop the Royal Escape Experience brand
- Secure sponsorship for existing and new events
- Expand into new markets outside of South Africa

**FOOTPRINT**

espAfrika now operates in the Western Cape, North West, KwaZulu-Natal and Limpopo and is now truly a national Company.

## PRODUCT BRANDS

### COMPANY BRAND



### PRODUCT BRANDS



## BUSINESS MODEL

espAfrika's business model is a mix of organising and producing its own Company-owned events and managing events on behalf of clients (third-party events). Two new annual events under the brand name "USHAKA INTERNATIONAL MUSIC FESTIVAL" and "LIMPOPO INTERNATIONAL JAZZ FESTIVAL" will be launched during the coming year. This will bring the number of espAfrika-owned events to four thus reducing the dependency on third-party events. This will enable the Company to create a more sustainable business model going forward and lessen its dependency on its main event, The Cape Town International Jazz Festival.

As sponsorship is a critical component in delivering a successful and sustainable event, the multiple Company events scenario will enable sponsors to leverage their brands over a longer period including platforms which in turn will enhance the sponsorship offerings and value proposition

By devoting more time and effort on building its own Company owned events, the desired results of building a more controllable and sustainable business with projected growth will be achieved.

## GOVERNANCE

The Company, 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 current period. 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 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 of espAfrika. Regular peer review is carried out by the holding company in respect of the delegated authority level as well as adherence to 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 judgment 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.

## EVENTS AND TOURISM – continued

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

<b>OBJECTIVE</b>	<b>Stakeholders</b>	<ul style="list-style-type: none"> <li>• Value creation for all stakeholders and sustainable development</li> <li>• Ensures an ethical culture and effective leadership is maintained with positive outcomes</li> <li>• Ensures a stakeholder inclusive approach to balance the needs and interests of material stakeholders in the best interest of the Company</li> </ul>
<b>SCOPE</b>	<b>Company</b>	<ul style="list-style-type: none"> <li>• 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 achieving its strategic objectives</li> </ul>
<b>CHARACTER</b>	<b>Internal system</b>	<ul style="list-style-type: none"> <li>• Ensures that proper internal controls are in place and approves policies and planning and oversees and monitors and ensures accountability</li> <li>• Ensures that the assurance services and functions enable an effective control environment to support the integrity of information for internal and external decision-making</li> <li>• 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</li> </ul>
<b>MECHANISM</b>	<b>Conformance</b>	<ul style="list-style-type: none"> <li>• Continues to govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen</li> </ul>
<b>DIRECTION</b>	<b>Management</b>	<ul style="list-style-type: none"> <li>• 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</li> </ul>
<b>DISCLOSURE</b>	<b>Financial statements</b>	<ul style="list-style-type: none"> <li>• Audited financial statements in terms of IFRS</li> </ul>

## STRATEGIC PLANNING AND MONITORING

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

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 the long and short-term targets that need to be reached and diversify in order to maintain their existing economic, operational and environmental sustainability and advantage. Monthly targets are agreed upon and managed through the CFO and various heads of departments. espAfrika believes that in order to achieve the utmost sustainability financially and holistically, it is essential to formulate these objectives collectively with full buy-in from all their employees. The responsibility and understanding are shared among the employees and a sense of achievement is felt when targets are met. Strategies and actions are adjusted periodically to ensure the growth and sustainability of the business.

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

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

## ECONOMIC SUSTAINABILITY

espAfrika aims to deliver sustainable returns to all its stakeholders. A measure of the value created by espAfrika is the amount of value added by its wide range of activities to the cost of products and materials purchased from small and micro-enterprises as well as the economic impact it creates to the Western Cape and South Africa as a whole.

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 standards. Overheads are continuously monitored and a delegated schedule of authority is cascaded throughout espAfrika to ensure that each manager is responsible for the monitoring of costs as well as its impact on the Company's performance. Regular meetings are held to ensure that all managers and employees are aware of their contribution and the impact of their decision/s on the business.

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

## ENVIRONMENTAL SUSTAINABILITY

espAfrika adheres to a strict internal environmentally friendly policy when producing events.

This is implemented through:

- waste management; and
- recycling.

All espAfrika's events incorporate a recycling and waste management plan, utilising different coloured bins spread throughout events. The bins are transported to a waste management complex where the waste is then recycled. All used construction materials such as plaster board, plywood, beams and corrugated iron are donated to needy causes.

## SOCIAL SUSTAINABILITY

espAfrika's integrated sustainability plan is two-pronged:

- to develop from within the business and grow their human capital; and
- to develop small businesses within the industry and to grow community-based services to alleviate poverty as part of their supplier development initiative.

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

espAfrika is an active member of SETA and strongly believes in internal training and development.

## EVENTS AND TOURISM – continued

During the year, a number of employees attended training seminars to further enhance their skills. The events industry strongly relies on skilled contractors. However, espAfrika always matches a skilled contractor with a permanent employee so that a transfer of skills can occur.

espAfrika believes that each and every resource should be utilised creatively to support and develop music, arts, culture and job creation. espAfrika, through The Cape Town International Jazz Festival and The Royal Escape Experience, created in excess of 3 564 jobs in addition to the numerous skills transfer and development projects

held during the event. With the development of new events the impact on job creation, support for small companies and poverty alleviation will further improve.

## KEY CHALLENGES, RISKS, TECHNOLOGY AND COMPLIANCE

### KEY CHALLENGES

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

<b>Raising of sponsorship</b>	<ul style="list-style-type: none"> <li>Raising commercial sponsorship income is critical to the success of espAfrika and to further develop its strategic objectives</li> </ul>
<b>Establishing new espAfrika-owned events</b>	<ul style="list-style-type: none"> <li>In order to expand its offerings and footprint and lessen the impact of third-party events on its financial performance</li> </ul>
<b>Cash management</b>	<ul style="list-style-type: none"> <li>Managing the limited cash resources is critical in order to deliver on espAfrika's strategic objectives</li> </ul>
<b>Employee skills and retention</b>	<ul style="list-style-type: none"> <li>This remains a key challenge as experience and reputation are critical factors in influencing the market</li> <li>Limited resources of high-quality personnel make employee mobility one of the highest risk factors</li> </ul>
<b>Employees and community</b>	<ul style="list-style-type: none"> <li>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</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>With the continued advancement of technology, espAfrika needs to continually review its impact on its business and adapt its processes and methodology</li> </ul>



## RISKS

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

Significant strategic and going-concern risks are identified at all levels in the Company. However, the responsibility for directing the actions necessary to manage these risks is the responsibility of the Board of espAfrika. Strategic risks are reviewed at the quarterly Board meetings of

espAfrika and the executive directors are charged with the execution of approved risk management actions.

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

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

The following risks have been identified:

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
Sponsorship revenue	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>New revenue streams have and continue to be developed to reduce the dependency on sponsorship income. A specialist company dealing with the raising of sponsorship has been appointed to assist executives. This resulted in new sponsors being identified and approached as well as committing existing sponsors to new long-term sponsorship contracts.</li> <li>With new events coming on line, the value proposition to sponsors is enhanced by providing multi-level event sponsorship propositions.</li> </ul>
Dependency on the Cape Town International Jazz Festival	<ul style="list-style-type: none"> <li>Reliance on one main event restricts the growth and future prospects of espAfrika in being a strong and sustainable business.</li> </ul>	<ul style="list-style-type: none"> <li>Two new annual Company-owned events will be implemented in the next 12 months. Together with The Royal Escape Experience this will bring the number of Company-owned events to four, hence reducing espAfrika's dependency on the Cape Town International Jazz Festival.</li> </ul>

## EVENTS AND TOURISM – continued

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
Currency volatility	<ul style="list-style-type: none"> <li>As international artists are contracted to perform at the espAfrika's events, the value of the rand versus other foreign currencies has a direct impact on the cost base of espAfrika.</li> </ul>	<ul style="list-style-type: none"> <li>Budgeting processes 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.</li> </ul>
Technological advancements	<ul style="list-style-type: none"> <li>Ensuring that espAfrika keeps abreast of development in line with its business practices and ensuring it does not lag behind but at the same time adopt technological advancement relevant to its needs.</li> </ul>	<ul style="list-style-type: none"> <li>Constant review of applicable technological advancement is undertaken and if appropriate, plans and recommendation are put forward for evaluation and approval in line with the established approval authority processes within espAfrika.</li> </ul>
Succession planning	<ul style="list-style-type: none"> <li>Succession planning is a critical aspect of the long-term future of the business</li> <li>Loss of employees will impact the Company's delivery on its strategic objectives.</li> </ul>	<ul style="list-style-type: none"> <li>The Board of espAfrika established a working committee to ensure continuity of the business in case any of its key management or employees left the Company</li> <li>Provide training and development programmes as well as offering market-related remuneration and progression within the Company to retain skilled employees.</li> </ul>

## STAKEHOLDER MANAGEMENT

### CREATING STAKEHOLDER VALUE

espAfrika recognises the importance of creating value for its stakeholders in the short, medium and long-

term. The principal stakeholders for espAfrika are its shareholders, employees, customers, suppliers, communities and government.

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

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

## EVENTS AND TOURISM – continued

## STAKEHOLDER EXPECTATIONS

espAfrika 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.

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

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<b>Shareholders</b>	Owners of the business	<ul style="list-style-type: none"> <li>Integrity</li> <li>Shareholder wealth creation</li> <li>Ethical business practices</li> </ul>	<ul style="list-style-type: none"> <li>Sound corporate governance rules are implemented in the business</li> <li>Adequate return on investment</li> </ul>
<b>Customers</b>	Continued support and feedback	<ul style="list-style-type: none"> <li>Good event artist line-up</li> <li>Safety and security</li> <li>Good value</li> <li>Good facilities</li> <li>Fair pricing</li> </ul>	<ul style="list-style-type: none"> <li>Continuity of event/s</li> <li>Quality of event/s</li> <li>Effective event stewardship</li> </ul>
<b>Suppliers</b>	Procurement of safe and quality products with reliable and trustworthy deliverables that support their event planning	<ul style="list-style-type: none"> <li>Ethical business relationships</li> <li>Commitment to B-BBEE policies</li> <li>Prompt payment</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that the Company conducts business with reputable businesses – Code of Ethics</li> <li>Ensure that the Company supports the policy on B-BBEE</li> <li>Negotiate, manage and conclude contracts</li> <li>Timeous payment</li> </ul>
<b>Regulatory authorities</b>	Promulgate and monitor regulatory frameworks and comply with current regulations, laws and legislation	<ul style="list-style-type: none"> <li>Compliance with laws and regulations of authorities</li> </ul>	<ul style="list-style-type: none"> <li>Continuous training of management and employees responsible for compliance with various regulations by the respective authorities</li> <li>Internal control procedure checklist to ensure compliance with respective laws and regulations</li> <li>Immediate corrective action noted in the event of findings raised by authorities</li> <li>Participation in industry working groups</li> </ul>

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<b>Employees</b>	The foundation of their business is through innovation, integrity, productivity and accountability	<ul style="list-style-type: none"> <li>• Skills training</li> <li>• Employee benefits</li> <li>• Market-related remuneration</li> <li>• Ethical behaviour and mutual respect</li> <li>• Safe working environment</li> <li>• Empowerment</li> </ul>	<ul style="list-style-type: none"> <li>• Training and education</li> <li>• Open communication between managers and employees</li> <li>• Market-related remuneration</li> <li>• Transformation</li> <li>• Career progression and planning</li> </ul>
<b>Local communities</b>	Building trusted relationships with the community interest as the base	<ul style="list-style-type: none"> <li>• Contributing transparently and responsibly to community needs</li> </ul>	<ul style="list-style-type: none"> <li>• Sponsorships</li> <li>• Bursaries</li> <li>• Employment opportunities</li> </ul>

espAfrika has a diverse group of stakeholders ranging from the communities, service providers, employees, government and the shareholders of the business. These stakeholders have different expectations and needs from the business.

Through its core objective of meeting the various stakeholders' expectations, espAfrika identifies the expectation of the various stakeholders and plans its business to deliver on the identified expectations which are categorised as follows:

STAKEHOLDERS	STAKEHOLDER EXPECTATIONS	OUTCOME
<b>Communities</b>	Creation of jobs, skills transfer and training and development	<ul style="list-style-type: none"> <li>• 3 564 direct and indirect jobs created</li> <li>• 2 351 beneficiaries benefited from the training and development programmes</li> </ul>
<b>Service providers</b>	Fair terms and opportunity and timely payment	<ul style="list-style-type: none"> <li>• 90 service providers were contracted by the Company and remunerated fairly and paid on time</li> </ul>
<b>Employees</b>	Fair remuneration and stable and pleasant working environments	<ul style="list-style-type: none"> <li>• Employees are remunerated in line with industry standards</li> <li>• Sustainability and employment policies of the Company provides for a good and stable working environment</li> </ul>

## EVENTS AND TOURISM – continued

STAKEHOLDERS	STAKEHOLDER EXPECTATIONS	OUTCOME
Government	Contribution to the economic growth and payment of taxes	<ul style="list-style-type: none"> <li>Through the creation of direct and indirect jobs the Company contributed to the economy and paid all its taxes on time</li> </ul>
Shareholders	Sustainable Company as well as growth of the share value	<ul style="list-style-type: none"> <li>Stability and solvency of the Company is reflected in the increase value of the business</li> </ul>

**REMUNERATION**

espAfrika's employees are its most important asset and the Company 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. As stated in the Code of Conduct, espAfrika complies

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

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

*(King IV – Principles 1 to 16)*

## TRIPOS TRAVEL (PTY) LTD (TRIPOS)

### KEY FACTS

EXECUTIVE MANAGER	R Romaney
BOARD OF DIRECTORS	K Abdulla, CF Hendricks, AM Salie and L Burt
EMPLOYEES	11
HEAD OFFICE	Woodstock, Cape Town
FOOTPRINT	Western Cape

### PROFILE

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

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

Tripes aims to:

- deliver a superior service while actively contributing to the development of people in the travel industry;
- invest in leading-edge technology to service clients online and in person;
- develop their employees;
- build strong relationships and leverage its membership in the Sure group to provide clients with the best prices;
- grow the inbound tourism business; and
- ultimately deliver good sustainable returns to their stakeholders.

### OPERATIONAL PERFORMANCE

The challenging economic conditions had a negative impact on corporate travel margins with companies looking to cut costs, thereby creating a competitive

arena for travel companies. Tripes managed to increase their revenue by increasing the number of clientele. However, they were unable to improve on the margin from corporate travel due to the downward pressure on pricing resulting from the competitive markets and the continued growth of online booking tools and the sharing economy.

Tripes managed to increase its outbound leisure sales considerably, albeit from a lower base but was unable to gain traction in the inbound tourism market which declined. Since greater margins are achieved in the leisure and inbound tourism side of the business, the impact has been a lower profit margin than originally budgeted. To address this, Tripes is investing more resources into the growth of their leisure and inbound tourism departments.

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

### VISION 2020 VISION – TRIPES' CONTRIBUTION

A detailed analysis of Tripes was done in 2015 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 was implemented with clear deliverables and strategic actions for each strategic lever as well as detailed clear time frames.

## EVENTS AND TOURISM – continued

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

- Tripos continues to grow by focusing on:
  - growing their share of the corporate market by concentrating their efforts to grow the number of corporate clients, NGOs and government business;
  - concentrating more of its resources to the outbound leisure market and in addition to a senior travel consultant. Tripos employed an additional person, with targets and incentives to grow this part of their business; and
  - investing resources in promoting Southern Africa and niche tours to grow its share of the inbound market and remain open to partnering with established businesses in this sector.
- Tripos' relationship with the SURE Consortium has strengthened in that they continue to provide support in all aspects of their business, from client acquisition to supplier contract negotiation.
- Tripos was elected as the official Travel Partner by espAfrika, the owner and producer of the 18th Cape Town International Jazz Festival.
- A key value of Tripos is to put the customer first. This is entrenched in their values, staff coaching, training, incentives and allocation of resources.

## PROSPECTS AND FUTURE OUTLOOK

South Africa's tourism grew in volume by 2.8% compared to 2015 to a total of 34.3m tourists. Total tourism revenue of approximately R102bn was injected into the South African economy in 2016. This is an 11.1% increase compared to 2015. Almost 70% (R75.5bn) was generated from international tourists. Tripos is planning to grow this part of their business to exploit the increase in tourism revenue and better margins available from this income stream.

The outbound leisure business continues to grow and Tripos will continue to pursue growth in this market.

Tripos' overall objective is to grow the leisure and inbound tours part of their business more aggressively than the corporate side of the business, thereby changing the sales mix to attain better margins.

The actions in progress to achieve this are listed below:

- Develop, promote and sell inbound packages for Southern Africa
- Evaluate prospects for acquisitions in the inbound tourism sector
- Sell niche packages for The Cape Town International Jazz Festival as the official travel partner on a long-term basis
- Sell niche packages for The Harley Davidson Tours
- Promote and sell outbound leisure packages
- Work closely with their suppliers to provide the best deals to their clients
- Sell the service to arrange meetings, incentive travel, conferences and corporate events for corporate clients
- Arrange customer service and sales training for all staff
- Improve systems and efficiency

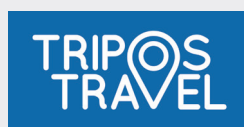
## OPERATIONAL FOOTPRINT

Tripos Travel has a single office in Cape Town with their corporate client list being predominantly Cape Town-based with a small percentage (less than 5%) based in Gauteng.

Its inbound tours department specialises in providing services in Southern Africa.

## PRODUCTS/BRANDS

### BRAND IDENTIFICATION





## TRAVEL MANAGEMENT PRODUCTS

- Retail Travel
  - Outbound leisure travel
  - Corporate travel
    - Tripos Travel has contracts with corporate clients, NGOs and government bodies to manage their travel arrangements
    - Tripos Travel also has a number of agreements with corporates where it is retained as a preferred supplier
- Wholesale Travel
  - Tripos Travel 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, passport and visas
  - After-hours service line
  - Managing corporate events including meeting and conferencing arrangements
  - Incentive travel
  - Tours

## BUSINESS MODEL

Tripos is a retail and wholesale travel business. They retail air, land and associated services directly to the consumer as well as wholesale travel packages to other travel companies. Tripos' retail business is split into corporate and leisure travel.

Tripos has contracts to manage the travel arrangements for a number of corporate clients based in South Africa. In leisure travel, their focus is on selling outbound travel packages to clients in the local market. The inbound tours department focuses on selling packages to inbound tourists from abroad. In addition, Tripos has agreements with independent travel consultants who use their infrastructure to issue tickets and to service their clients.

Tripos is growing 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 and improve the overall profit and profit margin.

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

## GOVERNANCE

The Company, 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 current period. 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 Tripos 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 of Tripos. Regular peer review is carried out by the holding company in respect of the delegated authority level as well as adherence to Group policies.

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

## EVENTS AND TOURISM – continued

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

<b>OBJECTIVE</b>	<b>Stakeholders</b>	<ul style="list-style-type: none"> <li>• Value creation for all stakeholders and sustainable development</li> <li>• Ensures an ethical culture and effective leadership is maintained with positive outcomes</li> <li>• Ensures a stakeholder inclusive approach to balance the needs and interests of material stakeholders in the best interest of the Company</li> </ul>
<b>SCOPE</b>	<b>Company</b>	<ul style="list-style-type: none"> <li>• 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 achieving its strategic objectives</li> </ul>
<b>CHARACTER</b>	<b>Internal system</b>	<ul style="list-style-type: none"> <li>• Ensures that proper internal controls are in place and approves policies and planning and monitors and ensures accountability</li> <li>• Ensures that the assurance services and functions enable an effective control environment to support the integrity of information for internal and external decision-making</li> <li>• 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</li> </ul>
<b>MECHANISM</b>	<b>Conformance</b>	<ul style="list-style-type: none"> <li>• Continues to govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen</li> </ul>
<b>DIRECTION</b>	<b>Management</b>	<ul style="list-style-type: none"> <li>• 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</li> </ul>
<b>DISCLOSURE</b>	<b>Financial statements</b>	<ul style="list-style-type: none"> <li>• Audited financial statements in terms of IFRS</li> </ul>

## STRATEGIC PLANNING AND MONITORING

Triplos 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 growth and sustainability in the short to long-term.

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

As part of its strategy, Triplos 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. Triplos promotes preferential procurement from small, black-owned companies.

Triplos 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 they ensure that there is a senior manager or the Board of Triplos itself reviewing each key business transaction/initiative to ensure that key business activities are aligned with their strategy, is lawful, contributes to their sustainability and will not be harmful to any stakeholders and/or the environment.

## ECONOMIC SUSTAINABILITY

Triplos aims to deliver good and sustainable returns to all of its stakeholders. To mitigate the low margins in corporate travel, they have embarked on a strategy to grow the tours and leisure part of their business which traditionally return higher margins. Revenue, costs and cash flow is monitored closely to ensure sustainability.

## ENVIRONMENTAL SUSTAINABILITY

The growth of tourism has led to a strain on the world's natural environment. Triplos continues to promote responsible travel and encourages the conservation of the environment and the improvement of indigenous people. They also reflect the CO<sub>2</sub> emissions from air travel on their invoices to create awareness around the traveller's carbon footprint. They are also committed to reducing their environmental footprint.

## SOCIAL SUSTAINABILITY

Triplos is aware of their responsibility to play a meaningful role in the communities in which they operate.

Triplos is committed to introduce and integrate people of previously disadvantaged backgrounds into the travel and tourism sector.

To achieve this Triplos:

- has started a learnership programme;
- assists with the growth of small business by giving it preferred supplier status; and
- is planning corporate social initiatives in the Western Cape.

## EVENTS AND TOURISM – continued

## KEY CHALLENGES, RISK, TECHNOLOGY AND COMPLIANCE

## KEY CHALLENGES

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

<b>Government policy</b>	<ul style="list-style-type: none"> <li>• Government policy to cut all commissions and overrides will negatively affect the revenue Tripos can generate from these accounts.</li> </ul>
<b>Competition</b>	<ul style="list-style-type: none"> <li>• Travel management companies are under pressure from:             <ul style="list-style-type: none"> <li>– online travel agencies;</li> <li>– a large number of competitors in the market;</li> <li>– suppliers selling directly to the consumer;</li> <li>– the growth of collaborative sales (the sharing economy); and</li> <li>– corporates insourcing their travel management in the belief that it will save them money.</li> </ul> </li> <li>• All of the above puts a downward pressure on pricing and leads to thinner margins.</li> </ul>
<b>Employee skills and retention</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The level of a consultant's knowledge, experience, interpersonal skills and reputation are critical in acquiring and retaining business.</li> <li>• Skilled consultants are in short supply and employee retention is a key challenge.</li> <li>• Incentive and retention schemes are becoming increasingly important to retain the best talent.</li> </ul>
<b>Employees and community</b>	<ul style="list-style-type: none"> <li>• In meeting these values, Tripos Travel has at its core the development of both the individual employee and the creation of opportunity for the broader community.</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>• The internet facilitated the growth of online travel agencies which continue to grow by taking market share from the traditional travel agencies. Furthermore, technology has enabled suppliers to access the consumer directly, giving them the ability to by-pass traditional travel agencies. This leads Tripos to a declining market for traditional travel agencies.</li> </ul>

## 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 the identification, classification and management of all operational risks.

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

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

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

During 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 Company and overall financial performance.

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
The discontinuation of commissions and overrides	<ul style="list-style-type: none"> <li>Negative impact on revenue and profits</li> </ul>	Tripos is prepared to re-negotiate its service fees in the event of this eventuality and will compensate for this possibility and impact in all future contracts. In addition, the Company has re-focused their business to grow the inbound/tours department which is not dependent on the same model as travel.
The processing of credit cards is not compliant with PCI DSS	<ul style="list-style-type: none"> <li>Financial liability</li> </ul>	Process to be instituted – Tripos is working with SURE to meet acceptable standards. IATA has set a deadline of May 2018.
The treatment of VAT for international transactions	<ul style="list-style-type: none"> <li>Financial liability</li> </ul>	SARS is currently reviewing the zero rating for VAT on international transactions. Tripos is taking the lead from ASATA on how to respond.
Technology	<ul style="list-style-type: none"> <li>Sustainability of the business</li> </ul>	Tripos is diversifying their business to mitigate the declining market for traditional travel agencies.
Employee retention	<ul style="list-style-type: none"> <li>Sustainability of the business</li> </ul>	A retention plan, including incentives, training and development and team engagement has been introduced.

## STAKEHOLDER MANAGEMENT

### CREATING STAKEHOLDER VALUE

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.

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

CAPITAL	STAKEHOLDER	VALUE FOR THE ORGANISATION	VALUE FOR STAKEHOLDERS
Social	Customers and communities	<ul style="list-style-type: none"> <li>Repeat business</li> <li>Revenue growth</li> <li>Reputation and brand value</li> <li>Access to skills development and training</li> <li>Employment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable business</li> <li>Employment and business opportunities</li> <li>Access to the industry</li> </ul>
Social	Government	<ul style="list-style-type: none"> <li>Stable geo political climate</li> <li>Growth opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to taxes</li> <li>Support job creation in the industry</li> <li>Create opportunities for the previously disadvantaged communities</li> </ul>

## EVENTS AND TOURISM – continued

CAPITAL	STAKEHOLDER	VALUE FOR THE ORGANISATION	VALUE FOR STAKEHOLDERS
Social	Suppliers	<ul style="list-style-type: none"> <li>• Good service</li> <li>• Commitment</li> <li>• Fair pricing</li> </ul>	<ul style="list-style-type: none"> <li>• Fair allocation of business</li> <li>• Pay on time</li> <li>• Growth of their business</li> </ul>
Human	Employees	<ul style="list-style-type: none"> <li>• Engaged and motivated employees</li> <li>• Ability to attract and retain key skills</li> </ul>	<ul style="list-style-type: none"> <li>• Fair pay</li> <li>• Interesting work</li> <li>• Growth and development</li> <li>• Equal treatment</li> <li>• Health and safety</li> </ul>
Financial	Shareholders	<ul style="list-style-type: none"> <li>• Supply of capital at reasonable price</li> </ul>	<ul style="list-style-type: none"> <li>• Growth of share value</li> <li>• Regular payment of dividends</li> <li>• Competitive return on investment</li> <li>• Reduced risk of investment</li> </ul>
Intellectual	Customers	<ul style="list-style-type: none"> <li>• Understanding of trends and opportunities</li> <li>• Improved ability to respond to market requirements</li> <li>• Keep ahead of the competitors</li> </ul>	<ul style="list-style-type: none"> <li>• Better products and services</li> <li>• Increase in customer base</li> </ul>

## STAKEHOLDER EXPECTATIONS

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

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

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Shareholders	Owners of the business	<ul style="list-style-type: none"> <li>• Shareholder wealth creation</li> <li>• Ethical business practices</li> </ul>	<ul style="list-style-type: none"> <li>• Sound corporate governance rules are implemented in the business</li> <li>• Their strategic plans are aligned to a growth strategy</li> </ul>
Clients	Corporate travel managers Travellers	<ul style="list-style-type: none"> <li>• Clients experience, excellence in products and services provided</li> <li>• Build good relationships with corporate clients</li> <li>• Reliable supply of appropriate advice and products</li> </ul>	<ul style="list-style-type: none"> <li>• Investment in employees training and development</li> <li>• Suppliers are vetted and managed to provide quality products</li> <li>• Employees adhere to all ethical and legal requirements in the delivery of the service</li> <li>• Regular meetings and contact with major clients</li> <li>• Customer service standards and performance is measured</li> </ul>

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<b>Suppliers</b>	Procurement of travel, accommodation, land transport and travel related products either on behalf of the client or for Tripos Travel to sell on	<ul style="list-style-type: none"> <li>Ethical business relationships</li> <li>Commitment to B-BBEE policies</li> <li>Prompt payment</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that they conduct business with reputable businesses - Code of Ethics</li> <li>Ensure that they support the policy on B-BBEE</li> <li>Negotiate, manage and conclude contracts</li> <li>Timeous payment</li> </ul>
<b>Accreditation and associations: B-BBEE, IATA, ASATA and SATSA</b>	Interact with industry leaders, regulatory bodies and government and provides accreditation of good standing	<ul style="list-style-type: none"> <li>Compliance with strict Code of Conduct, laws and apply the highest ethical standards</li> </ul>	<ul style="list-style-type: none"> <li>Continuous training of management and employees responsible for compliance with various regulations by the respective authorities</li> <li>Participation in industry meetings and conferences</li> </ul>
<b>Employees</b>	Employed at Tripos	<ul style="list-style-type: none"> <li>Safe working environment</li> <li>Fair treatment and fair remuneration</li> <li>Maintain a sustainable business for job security</li> </ul>	<ul style="list-style-type: none"> <li>Training and development of employees</li> <li>Incentive scheme introduced in addition to fixed salary</li> <li>Fixed salary benchmarked to industry standards</li> <li>Long-term business plan for growth</li> </ul>

## 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 and values, leadership, Company performance and reputation. As stated in the Code of Conduct, they comply with applicable laws, agreements

and industry standards on working hours and compensation.

Tripos has various incentive schemes in place in order to retain talented and experienced employees. All new contracts stipulate that it is compulsory for employees to belong to the provident fund in order to plan for their retirement and medical insurance is compulsory.

## ACRONYMS

<b>ASATA</b>	Association of Southern African Travel Agents
<b>IATA</b>	International Air Transport Association
<b>PCI DSS</b>	Payment Card Industry Data Security Standard
<b>SARS</b>	South African Revenue Service
<b>SATSA</b>	Southern African Tourism Services Association

(King IV™ - Principles 1 to 16)

## EVENTS AND TOURISM – continued

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

CHIEF EXECUTIVE OFFICER	A Sanderson-Kasner
BOARD OF DIRECTORS	K Abdulla, C Ah Sing, CF Hendricks and AB Amod
EMPLOYEES	20
HEAD OFFICE	Mowbray, Cape Town
FOOTPRINT	Cape Town, Western Cape

**PROFILE**

Magic 828 is a medium-wave (AM/MW) independent commercial music radio station, broadcasting to the Western Cape region. Their studios are situated in Mowbray, Cape Town with a transmitter sited at the centre of a geographic triangle with Paarl, Durbanville and Malmesbury as the three corner points.

Magic 828 radiates a 25 000 watt signal to all areas of the Western Cape, unrestricted by mountainous terrain. The transmitter is five generations up on existing medium-wave transmitters in South Africa. Magic 828 broadcasts in digital/stereo and streams via its website, or the Tuneln mobile application where listeners will receive Magic 828am in digital/stereo.

The essential format of the radio station is one of “old school” charted hits of past music, mixed with a little talk. They feature competitions, banter, music, history and headlines in sport, news, weather, financial indicators, as well as community information.

**2017 OPERATIONAL PERFORMANCE**

The radio station continues to function smoothly and efficiently. Daily training in different areas as well as fine tuning, continues as they keep a professional running sound and presentation. Magic 828 have had minor equipment malfunctions which is normal in this industry as well as having to replace small parts.

The radio station is built on an advertising revenue model driven primarily by listenership. Advertising revenue

continues to increase as a result of the listenership increasing from 43 000 to 130 000 in year one and to over 341 000 in their second year – an increase of 200% year-on-year. With their base costs now established and stabilised, Magic 828’s focus will turn to marketing and exploring various product offerings.

Although Magic 828 has a large audience, it is pertinent to all radio stations that the proof of their audience size enables advertising. To some extent they have overcome this and the obstacle of a change of RAMS company whose new entry into the market created chaos in the radio industry whereby two stations are no longer broadcasting but were given listenership while others received nothing.

Magic 828 is managed under the corporate office.

**VISION 2020 VISION – MAGIC’S CONTRIBUTION**

A detailed analysis of Magic 828 was done in 2015 with the primary objective of having focused and aligned efforts across their business to deliver on their long-term goals. A five-year strategic plan to the year 2020 was implemented with clear deliverables and strategic actions for each strategic lever as well as detailing clear time frames.

Magic 828 is on target to achieve its Vision 2020 Vision goals. Their financial target is to break even within three years from going live in October 2015 and being able to start repaying shareholders loans by 2020.



Achievements for 2017 to date include:

- Continuously creating brand awareness and increasing listenership
- Increasing local sales team
- Ongoing involvement with outside broadcasts and providing assistance to community radio stations
- Breakthrough in government business
- Creation of affordable packages to entities previously not advertising on radio
- Major breakthrough of agency business, which make up 60% of the total gross revenue
- Efficient cost base
- Delivered sustainable returns to shareholders
- Nominated for the “Best Breakfast Show” at the Liberty Radio Awards
- Their CEO was inducted into the wall of fame.

## PROSPECTS AND FUTURE OUTLOOK

Magic 828 has aligned its business model to ensure that their business structure, processes and objectives are aligned to the requirements of their ICASA radio licence.

The main opportunity that exists for Magic 828 is that agency business through their sales house “The Media Connection” will show major growth with 341 000 listenership being realised. Magic 828’s management have adopted a 50|50 business model whereby direct local sales will continue to increase steadily on a monthly basis throughout the years leading up to 2020.

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

- Further increasing brand awareness and increasing listenership
- Explore opportunities of obtaining government business with the assistance of their partners
- Construct a road show to visit agencies in three centres Gauteng, Cape Town and KwaZulu-Natal. This has been proven by other stations to be exceedingly successful
- Perform at various community events encouraging the underprivileged to participate
- Extending their broadcasting via programming from Magic 828 AM on FM community stations
- Protecting their industry to create more employment
- Further advertising opportunities arising due to the exposure of their station
- Further growth in listenership
- Continue to look at joint ventures in marketing and advertising
- In conjunction with another entity create an e-Entertainment magazine realising further advertising and income
- Employing more people on an equal employment basis, as well as obtaining the HDP levels of 70% as per the ICASA licence agreement
- Increasing their broadcast area.

## FOOTPRINT

Listenership is in the Cape Town and the greater Western Cape region with Paarl, Durbanville and Malmesbury as the three corner points.

## PRODUCTS/BRANDS

### BRAND IDENTIFICATION



## EVENTS AND TOURISM – continued

**BUSINESS MODEL**

The nature of Magic 828's programming is intended to appeal to the tastes and interests of most age, gender and race groups within the geographic broadcast reception area. Continuous research conducted by Luisa Belter, an independent media and research consultant, together with Freshly Ground Insights (FGI), a research and data collection company, has indicated that listenership is continuously increasing which will have an impact on their advertising revenue. Joint ventures have been discussed to expand Magic 828's local sales team as well as cross-selling with numerous advertising houses to create value to customers and all stakeholders.

**GOVERNANCE**

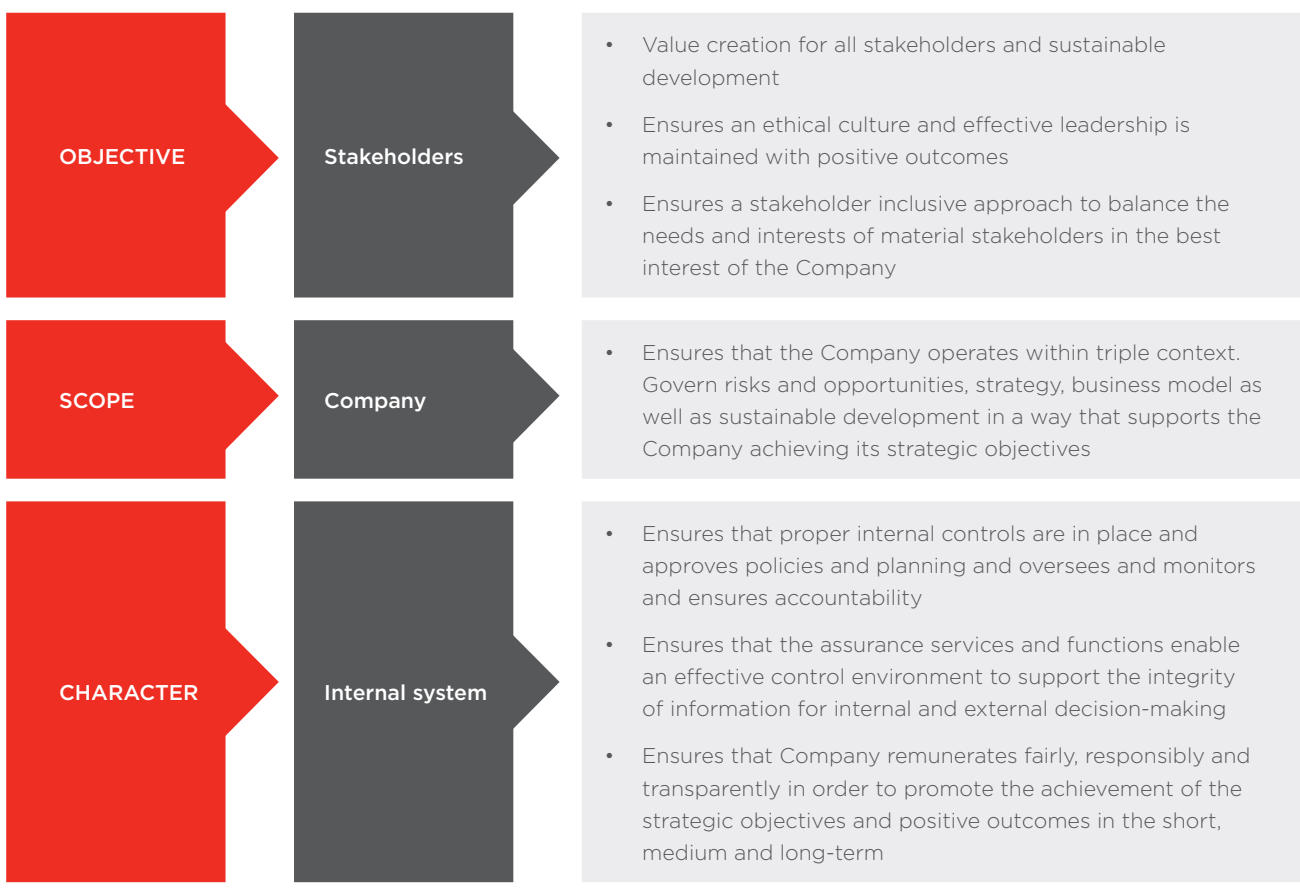
The Company, through the application of policies and structures as defined by the holding company AEEI, complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles in the current period. The continued training and exposure of employees to the

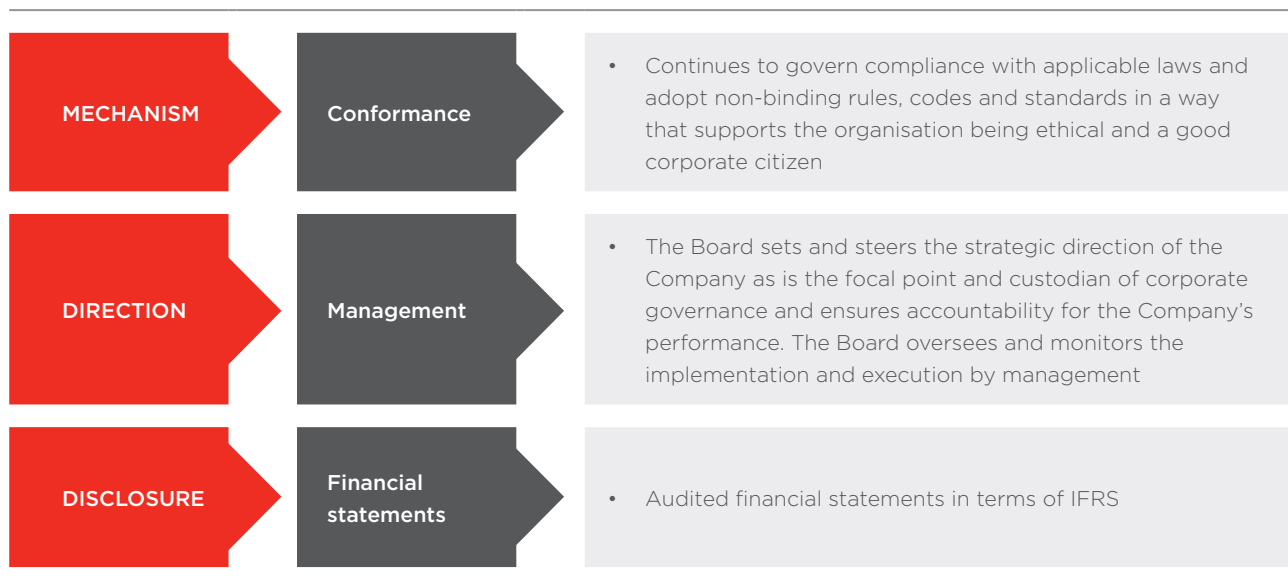
ever-changing regulatory environment and regulations of the Companies Act ensure that all employees are fully informed of their responsibilities.

The Board of Magic 828 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 of Magic 828. Regular peer review is carried out by the holding company in respect of the delegated authority level as well as adherence to Group policies.

The Board of Magic 828 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 Magic 828 promotes independent judgment to assist with the balance of power and the effective discharge of its duties. The Board of Magic 828 is evaluated annually to ensure effective functioning.

The Board of Magic 828 continues working towards the achievement of the following governance outcomes:





## STRATEGIC PLANNING AND MONITORING

Magic 828 follows a process that includes an annual review of their past performance, services, markets as well as reviews the internal and external environments.

## ECONOMIC SUSTAINABILITY

Magic 828 aims to deliver sustainable returns to all of its stakeholders by adding value to a range of activities through their development strategy which is based on:

- providing a sustainable music station on a sound financial basis;
- providing a service to their audience and advertisers;
- providing a means for the free and fair dissemination of news and information;
- displaying integrity in advertising;
- remaining an independent, law-abiding commercial entity, displaying responsible corporate governance;
- involvement of all aspects of radio including advisory boards and self-regulatory bodies;
- being skills reliant;
- promoting the transfer of skills;
- promoting the growth of South African talent in the radio industry;
- advancing the radio industry in technological areas; and
- continuing to re-invest in the business and the radio industry as a whole.

## ENVIRONMENTAL SUSTAINABILITY

As a radio station, Magic 828 has a very low direct impact on the environment.

## SOCIAL SUSTAINABILITY

Magic 828's aim is:

- to conduct proper and professional training in radio, engineering and production;
- to place interns within the radio station to learn about professional programming, sales, copywriting, advertising and station management;
- to assist and train community radio stations with advice and expertise;
- sharing programming to community radio stations on a pro bono basis;
- a further requirement of their licence condition is to assist a community radio station by imparting skills and resources. To date the following BEE community radio stations have been assisted: RKP FM on 99.0 and 102.7; and
- attaining a socially acceptable HDI employment balance to 70% of all employees - at present at 60% in terms of their licence requirements.

## EVENTS AND TOURISM – continued

## KEY CHALLENGES, RISKS, TECHNOLOGY AND COMPLIANCE

## KEY CHALLENGES

At present, Magic 828's strategic focus is aimed at overcoming the following potential key challenges:

<b>Advertising revenue</b>	<ul style="list-style-type: none"> <li>• Creativity of advertising content on show and presentations to agencies.</li> <li>• Reach and maintain targets from direct and sales houses in a depressed market place</li> </ul>
<b>Competition</b>	<ul style="list-style-type: none"> <li>• Competition from other radio stations</li> </ul>
<b>Employee skills and retention</b>	<ul style="list-style-type: none"> <li>• The industry in which the Magic 828 operates requires highly skilled and experienced employees thus employees retention is a high priority and a key challenge.</li> <li>• There are extremely limited resources of high quality personnel which makes enticement from other radio stations an ongoing risk factor</li> <li>• Due to the small employee compliment, Magic 828 are continually at risk at not being able to enter into new markets due to time constraints and shortage of employees</li> </ul>
<b>Training</b>	<ul style="list-style-type: none"> <li>• This is of great importance to Magic 828 and remains an ongoing project</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>• Technological advancements to be monitored on a regular basis</li> <li>• Backing up of integral information and music playlist is done on a monthly basis</li> <li>• Continual involvement with ICASA in relation to stereo broadcasting, which in turn would have a significant impact on listenership</li> </ul>

## RISKS

Risk management is integrated into their business management process. Magic 828 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 identification, classification and management of all operational risks.

Significant strategic and going-concern risks are identified at all levels in the Company. However, the responsibility for directing the actions necessary to manage these risks is the responsibility of the Board of Magic 828. Strategic and going-concern risks are

reviewed at the quarterly Board meetings of Magic 828 and the executive directors are charged with the execution of approved risk management actions.

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

During 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 and avoiding the severity of the impact on Magic 828.

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
Economic conditions	<ul style="list-style-type: none"> <li>A reduction in turnover, profits and cash flow from operations</li> </ul>	Continual increased presentations in both marketing and sales
Employees	<ul style="list-style-type: none"> <li>A significant increase in wages could result in a significant reduction in profits and attaining targets</li> </ul>	Magic 828 currently holds tight contractual obligations for contracted employees
Listenership research	<ul style="list-style-type: none"> <li>Lack of credibility with agencies and advertisers and a loss of income</li> </ul>	Magic 828 have engaged with credible research companies to provide such reliable data
Limited marketing presence	<ul style="list-style-type: none"> <li>This would result in a lack of growth in sales and listenership</li> </ul>	Magic 828 has addressed this issue by approaching suppliers and customers by entering into barter agreements to minimise the impact of lower marketing spend
Technology	<ul style="list-style-type: none"> <li>Partial or total shut down of the business if integral data is not backed up and checked upon</li> </ul>	Back-ups are done monthly and two copies are stored, one which is off-site to safeguard any business interruption

## STAKEHOLDER MANAGEMENT

### CREATING STAKEHOLDER VALUE

Magic 828 recognises the importance of creating value for its stakeholders in the short, medium and

long-term. The principal stakeholders for Magic 828 are its shareholders, employees, customers, suppliers, communities and government.

Magic 828 creates value for its stakeholders in the short, medium and long-term through:

CAPITAL	STAKEHOLDER	VALUE FOR THE ORGANISATION	VALUE FOR STAKEHOLDERS
<b>Social</b>	<b>Customers</b>	<ul style="list-style-type: none"> <li>Repeat business</li> <li>Revenue growth</li> <li>Reputation and brand value</li> <li>Access to skills development and training</li> </ul>	<ul style="list-style-type: none"> <li>Quality products and services</li> <li>Fair prices</li> <li>Prompt service</li> <li>Creative quality shows</li> </ul>
<b>Human</b>	<b>Employees</b>	<ul style="list-style-type: none"> <li>Engaged and motivated employees</li> <li>Ability to attract and retain key skills</li> </ul>	<ul style="list-style-type: none"> <li>Fair pay</li> <li>Creative work</li> <li>Growth and development</li> <li>Equal treatment</li> <li>Health and safety</li> </ul>
<b>Social</b>	<b>Communities</b>	<ul style="list-style-type: none"> <li>Reputation</li> <li>Brand value</li> <li>Trust</li> <li>Access to business opportunities</li> <li>Participation in community events</li> <li>Charities</li> </ul>	<ul style="list-style-type: none"> <li>Employment opportunities</li> <li>Business opportunities</li> <li>Environment care</li> <li>Support job creation in the industry</li> <li>Resource use</li> </ul>

## EVENTS AND TOURISM – continued

CAPITAL	STAKEHOLDER	VALUE FOR THE ORGANISATION	VALUE FOR STAKEHOLDERS
<b>Social</b>	<b>Government</b>	<ul style="list-style-type: none"> <li>Favourable legislation</li> <li>Less interference</li> <li>Change over to digital</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to taxes</li> <li>Support job creation in the industry</li> <li>Support strategic initiatives</li> </ul>
<b>Social</b>	<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Good service</li> <li>Commitment</li> <li>Loyal</li> </ul>	<ul style="list-style-type: none"> <li>Fair allocation of business</li> <li>Pay on time</li> <li>Growth of their business</li> </ul>
<b>Financial</b>	<b>Shareholders</b>	<ul style="list-style-type: none"> <li>Supply of capital at reasonable price</li> </ul>	<ul style="list-style-type: none"> <li>Growth of share value</li> <li>Regular payment of dividends</li> <li>Competitive return on investment</li> <li>Reduced risk of investment</li> </ul>
<b>Intellectual</b>	<b>Customers</b>	<ul style="list-style-type: none"> <li>Understanding of trends and opportunities</li> <li>Improved ability to compete</li> <li>Growth of listenership</li> </ul>	<ul style="list-style-type: none"> <li>Better products and services</li> </ul>

## STAKEHOLDER EXPECTATIONS

Magic 828 recognises the importance of constant engagement with stakeholders. A key element of their

strategic planning process the documenting the values and the culture of their business units.

Magic 828 has various procedures in place with regard to stakeholder management. These are summarised as follows:

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<b>Shareholders</b>	Owners of the business	<ul style="list-style-type: none"> <li>Integrity</li> <li>Shareholder wealth creation</li> <li>Ethical business practices</li> </ul>	<ul style="list-style-type: none"> <li>Sound corporate governance rules are implemented in the business</li> </ul>
<b>Clients</b>	Consumers of Magic 828	<ul style="list-style-type: none"> <li>Advertising sold at a very high standard within the industry</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that they adhere to all necessary standards such as ICASA</li> <li>Direct contact with major customers locally</li> </ul>
<b>Suppliers</b>	Procurement of goods and services such as goods and services for the radio station's operations	<ul style="list-style-type: none"> <li>Ethical business relationships</li> <li>Commitment to B-BBEE policies</li> <li>Prompt payment</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that they conduct business with reputable businesses – Code of Ethics</li> <li>Ensure that they support the policy on B-BBEE</li> <li>Negotiate, manage and conclude contracts</li> <li>Timeous payment</li> </ul>

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<b>Regulatory authority: ICASA</b>	Promulgate and monitor regulatory framework and comply with current regulations, laws and legislation	<ul style="list-style-type: none"> <li>Compliance with laws and regulations of authorities</li> </ul>	<ul style="list-style-type: none"> <li>Continuous training of management and employees responsible for compliance with various regulations by the respective authorities</li> <li>Internal control procedure checklist to ensure adherence to and compliance with respective laws and regulations</li> <li>Participation in industry working groups</li> <li>Meeting with industry regulators</li> </ul>
<b>Employees</b>	The foundation of their business is through innovation, integrity, productivity and accountability	<ul style="list-style-type: none"> <li>Skills training</li> <li>Employee benefits</li> <li>Market-related remuneration</li> <li>Ethical behaviour and mutual respect</li> <li>Safe working environment</li> <li>Empowerment</li> </ul>	<ul style="list-style-type: none"> <li>Training and education</li> <li>Open communication between managers and employees</li> <li>Market-related remuneration</li> <li>Transformation</li> <li>Career progression and planning</li> </ul>
<b>Health and safety</b>	Monitoring by health and safety officers	<ul style="list-style-type: none"> <li>Compliance with health and safety standards</li> </ul>	<ul style="list-style-type: none"> <li>Continuous training of employees on health and safety matters</li> <li>Internal control procedure checklist to ensure compliance with respective laws and regulations</li> <li>Immediate corrective action noted in the event of findings raised by health and safety officers</li> </ul>
<b>Local communities</b>	Building trusted relationships with the community interest as the base	<ul style="list-style-type: none"> <li>Contributing transparently and responsibly to community needs</li> </ul>	<ul style="list-style-type: none"> <li>Learnerships</li> <li>Training and development</li> <li>Employment opportunities</li> </ul>
<b>Government and regulatory authorities</b>	Promulgate and monitor regulations and legislation	<ul style="list-style-type: none"> <li>Compliance with laws and regulations of authorities</li> </ul>	<ul style="list-style-type: none"> <li>Internal control procedure checklist to ensure compliance with respective laws and regulations</li> <li>Meeting with government representatives</li> </ul>

## EVENTS AND TOURISM – continued

**REMUNERATION**

Magic 828 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, they comply with applicable laws, agreements and industry standards on working hours and compensation.

**ACRONYMS**

<b>ICASA</b>	Independent Communications Authority of South Africa
<b>RAMS</b>	Radio Audience Measurement Survey

*(King IV™ – Principles 1 to 16)*





# STRATEGIC INVESTMENTS

CONTRIBUTION TO  
REVENUE

**R35m**

CONTRIBUTION TO  
OPERATING PROFIT

**(R37m)**

**BT COMMUNICATION SERVICES  
SOUTH AFRICA (PTY) LTD (BT)**



BT has been present in South Africa for more than 17 years and is continuing to expand its operations in sub-Saharan Africa. BT Communications Services South Africa entered into an agreement with AEEI, under which AEEI holds a 30% share in BT's South African business. This partnership is a demonstration of BT's long-term commitment to South Africa and the B-BBEE agenda.

## MARKET/SERVICES

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

Customers include more than 300 blue chip clients in South Africa, including Anglo American, Unilever, Thomson Reuters, Barclays Bank Africa and VISA.

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

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

On top of these network services delivered by the BT 21st Century Network platform globally, BT also delivers unified communications and collaboration services, including Immersive TelePresence, Managed LAN and IPT services as well as the Security and Consulting services that form an essential part of these offerings. BT has been present in South Africa for more than 17 years and is continuing to expand its operations in Sub Sahara Africa.

Further information on this strategic investment can be found on: [www.bt.com/globalservices](http://www.bt.com/globalservices)

BT is part of BT Global Services based in the United Kingdom - further information can be found on: [www.globalservices.bt.com/uk/en/aboutus](http://www.globalservices.bt.com/uk/en/aboutus).

*Note: BT and its profits are now disclosed under the technology division.*



## STRATEGIC INVESTMENTS – continued

## SAAB GRINTEK DEFENCE (PTY) LTD (SAAB)



Through the years, the majority of Saab's business units have been active in South Africa and involved in developing solutions for the African Armed Forces in a number of different areas.

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.

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

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

As the exporting of products represents almost 75% of the South African Company's total turnover, Saab was awarded the Best Exporter Award by the SA Premier Business Awards in 2013, 2014 and 2016. Hosted by the Department of Trade and Industry in partnership with Proudly South Africa and Brand South Africa, the award recognises the spirit of success, innovation and good business ethics in the economy.

Important markets beyond the country's borders is where the Company intends to maintain and expand its successes include India, Asia Pacific and Europe. On the continent, markets of particular focus include Namibia, Botswana, Kenya, Ghana and Nigeria, while the Company's solutions and services are at home in many nations beyond these. Saab and Tata Power Strategic Engineering Division recently signed a Memorandum of Understanding as part of the "Make in India" programme that promotes defence trade manufacturing in India and creates new export opportunities for South Africa.

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

With 650 members of staff across two campuses in Pretoria and Cape Town, the Company represents the second largest of Saab's workforces worldwide out of the 70 countries in which it operates, with the local team researching, developing, producing, exporting, maintaining and upgrading world-standard technologies.

Further information on this strategic investment can be found on: [www.saab.com/region/saabafrika/](http://www.saab.com/region/saabafrika/).



## PIONEER FOODS GROUP LTD (PIONEER FOODS)



Pioneer Foods was established in 1997 and listed on the Johannesburg Stock Exchange (JSE) in 2008.

Pioneer Foods is one of the largest South African producers and distributors of a range of branded food and beverage products. The Group operates mainly across South Africa, providing wholesale, retail and informal trade customers with products of a consistently high standard. Pioneer Foods exports to more than 60 countries across the globe. The growing international business represents 21% of operating profit.

The Group operates a number of world-class production facilities producing a range of products that includes some of the most recognisable and best loved brand names in South Africa, including the following power brands: Weet-Bix, Liqui-Fruit, Ceres, Sasko, Safari, Spekko and White Star.

They have three main divisions:

- **Essential Foods** – manufactures wheat and maize products, pasta; it packs rice, beans and other dried vegetables and has large bakery operations;
- **Groceries** – produces breakfast cereals, rusks, cake mixes, baking aids, dried fruit products, nuts, sweet and savoury spreads, processed salads, long-life fruit juices, fruit concentrate mixtures and dairy fruit blends; and

- **International** – is primarily structured around an export business model which is managed across two channels, namely Africa and rest of the world. This division also incorporates the Group's fruit operations and the wholly owned Bokomo Foods UK business.

They have joint venture investments based in South Africa, Nigeria, Botswana and Namibia which include:

- Heinz Foods SA (49.9%)
- Bowman Ingredients South Africa (50%)
- Bokomo Namibia (50%)
- Bokomo Botswana (50%)
- Food Concepts Pioneer Ltd, Nigeria (50.1%)
- Alpen Food Company SA (50%)
- Amigear Ventures Botswana (49%)

Further information on this strategic investment can be found on: [www.pioneerfoods.co.za](http://www.pioneerfoods.co.za).



## STRATEGIC INVESTMENTS – continued

**SYGNIA LTD (SYGNIA)**

Sygnia is an innovative FinTech Company based in South Africa and listed on the main board of the JSE. The Company provides asset management, stockbroking and administration services, as well as a wide range of savings products, to institutional and retail clients. All that they do is supported by leading-edge technology platforms.

The main services provided by Sygnia include: asset management, transaction management, investment administration, liability administration, stockbroking and digital financial advice.

The primary institutional clients span both the private and public sector and include retirement funds, Umbrella Funds, life insurers, third-party multi-managers, endowments and other special purpose funds. The primary retail clients include individual members and beneficiaries of retirement funds, as well as the wider individual savings market.

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

**Sygnia at a glance**

- R174bn in assets under management and administration
- R14bn in unit trusts since launch in 2012
- Over 600 institutional clients (domestic and international)
- Over 6 000 individual clients
- Over 190 employees
- Market disruptor business strategy
- Focus on innovation through technology
- Most cost-effective savings products in South Africa, with fees starting at 0.40% per annum
- Level 2 contributor in terms of the Financial Sector Charter

Further information on this strategic investment can be found on: [www.sygnia.co.za](http://www.sygnia.co.za).

