



RESPONSIBLE INVESTMENTS 2018

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RESPONSIBLE INVESTMENTS

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FOOTPRINT

SOUTH AFRICA

- *Western Cape:* Overberg Region, Gansbaai, Saldanha Bay, Hout Bay, Cape Town, Hex Valley, Citrusdal, Ceres, Riebeek Kasteel, Tulbagh, Vredendal, Clanwilliam, Sutherland, Prince Albert to Still Bay from Simonstown
- *Eastern Cape:* Patensie, Gamtoos, Sundays River Valley, Port Alfred and Humansdorp
- *Limpopo:* Polokwane, Groblersdal, Marble Hall, Hoedspruit, Letsitele, Tzaneen and Alldays
- *Mpumalanga:* Nelspruit, Komatipoort, Hazyview Malelane and Ogies Stad

- *Northern Cape:* Keimoes, Augrabies, Kakamas, Upington, Vaalharts and Port Nolloth
- *Free State:* Bethlehem and Ficksburg
- *Other:* Gauteng, North West and KwaZulu-Natal

OUTSIDE OF SOUTH AFRICA

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





FISHING AND BRANDS

R491m

CONTRIBUTION TO
REVENUE

R93m

PROFIT BEFORE
TAX

PREMIER FISHING AND BRANDS LTD (PREMIER OR PREMIER GROUP)

KEY FACTS

CHIEF EXECUTIVE OFFICER	Mogamat Samir Saban
BOARD OF DIRECTORS	MS Saban, VC Mehana, S Young, K Abdulla, IT Bundo, CF Hendricks, R Isaacs, AB Amod, RP Mosia, CL van der Venter, NA Ramatlhodi and SP Mngconkola
EMPLOYEES	422*
HEAD OFFICE	V&A Waterfront, Cape Town
FOOTPRINT	Western Cape, Overberg Region, Gansbaai, Humansdorp, Saldanha Bay, Hout Bay, the USA, Asia and Europe

* Excludes new acquisitions 434 employees

FISHING AND BRANDS - continued

PROFILE

Premier Fishing and Brands Ltd (Premier or Premier Group) listed on the JSE in March 2017. Premier has been in existence since 1952 and is the largest 100% black-owned and managed fishing company in South Africa. The Premier Group holds medium to long-term fishing rights in south coast rock lobster, west coast rock lobster, small pelagics, hake deep sea trawl, hake longline and squid. It also owns an abalone farm, invests in organic agriculture and processes wild abalone. In addition, Premier owns 50.31% in Talhado Fishing Enterprises (Pty) Ltd (Talhado), the largest squid company in the country, which is based in Port Elizabeth. The Premier Group also invests in organic agriculture through the Seagro range of products.

Premier aims to:

- implement innovative procedures within the value chain to increase efficiency in line with environmental best practices, thereby reducing its carbon footprint;
- invest in reliable technology which allows it to reduce mortalities of live lobster reserved for the export market, therefore contributing to achieving the best market price;
- develop all its employees by offering training and development and bursary programmes;
- assist small businesses to grow and achieve their full potential; and
- ultimately deliver sustainable returns to all stakeholders.

2018 OPERATIONAL PERFORMANCE

When Premier listed on the main board of the JSE on 2 March 2017, the Premier Group raised capital of R526m by issuing 117 million new shares. The capital raising strengthened Premier's balance sheet with additional cash reserves which are being utilised on major capital projects, being the abalone farm expansion and acquisitions of other fishing companies.

During the year under review, Premier delivered excellent growth in operating earnings. Despite the strengthening of the rand against the US dollar, Premier managed to increase its operating profits by 41% compared to the prior year. This increase was as a result of tighter cost controls in all of its operations as well as improved operational efficiencies through more efficient catch planning and improved pricing across all the Premier Group's divisions.

The abalone division maintained its operating profits for the year under review and significantly augmented

its stock holding, which positions it well for the further expansion of the farm going forward. The abalone farm increased its production capacity to 145 tons from 130 tons in the prior year.

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

VISION 2020 VISION - PREMIER'S CONTRIBUTION

Following the strategic planning session held in 2015, it was agreed that Premier's primary objective is to focus and align efforts across the business to deliver on its long-term goals and 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 the Vision 2020 Vision strategic goals:

- Expansion of the abalone farm and capital expenditure to improve production and revenue
- Drive an efficient cost base
- Construct/acquire a processing facility
- Acquire a canning facility
- Product diversification to further penetrate foreign markets which includes the procurement of fish species for local and international markets and enhanced marketing capacity
- Continuous growth of outside quota holders
- Increase enterprise development initiatives
- Acquire another fishing business
- Explore new green energy alternatives, with emphasis on the efficient use of water and electricity while exploring green alternatives

2018 Achievements:

- The acquisition of a 50.31% stake in Talhado Fishing Enterprises (Pty) Ltd
- The construction of Premier's new hatchery at the abalone farm was completed and it is anticipated to produce six million animals per year
- Premier doubled its spat production on the existing hatchery from an average monthly production of 100 000 animals per month to 200 000 animals per month

FISHING AND BRANDS - continued

- 40 tons of additional holding capacity was installed for the farmed abalone increasing the stock holding by 20 tons from the previous financial year
- Increased factory utilisation through the newly established trading operation
- Implemented a centralised procurement for the entire Group
- Revenue increased to R491m from R411m in 2017
- Profit after tax increased to R95m from R68m in 2017

PROSPECTS AND FUTURE OUTLOOK

The following prospects have been identified:

- Acquisition of additional fishing companies as part of the Vision 2020 Vision strategy
- The procurement of fish species for local and international markets
- The enhancement of the Premier Group's marketing capacity
- An exploration of other growth opportunities that exist in the market
- Product diversification to further penetrate foreign markets

- Employment for 200 additional employees to be created at the abalone farm
- Further expansion of the abalone farm through a phased approach
- Further increase the abalone spat production once the expansion of the abalone farm is completed
- Increase partnerships with outside quota holders
- Continue to explore innovative fishing and production techniques

Premier is well positioned for growth over the next two years to further unlock shareholder value.

FOOTPRINT

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

PRODUCTS AND BRANDS

Through its 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, longline hake, squid and Seagro (organic fertiliser).

COMPANY BRAND



PRODUCTS/BRANDS



Growing gardens organically

SEA DIAMOND

FISHING AND BRANDS - continued

BUSINESS MODEL

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

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

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

The Premier Group continues to:

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

GOVERNANCE

Sound corporate governance is the foundation of the Premier Group and is pivotal to delivering long-term value to its stakeholders. The 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 Premier is supported by various committees 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 JSE, the Premier Group implemented controls to provide reasonable assurance of compliance with all the relevant JSE Listings Requirements.

The Board 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 issues that impact on the Premier Group's capacity to create value. The Board of Premier believes that it has addressed all material issues appropriately and that it fairly represents the integrated performance of the Premier Group.

The Board 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 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 Code of Governance Principles for South Africa (King IV™) as well as the Companies Act. Premier's Board and its committees are evaluated annually to ensure effective functioning.

FISHING AND BRANDS - continued

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

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

FISHING AND BRANDS - continued

STRATEGIC PLANNING AND MONITORING

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

As part of its strategy, the Premier Group also empowers the communities in which it operates. This is achieved through the transfer of skills and technical knowledge in terms of devising catch and marketing plans to smaller, black-owned fishing companies and small-scale fishers. They promote 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, are lawful, contribute to the Company's sustainability and will not be harmful to any stakeholders and/or the environment.

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

ECONOMIC SUSTAINABILITY

The Premier Group aims to deliver good and sustainable returns to all its stakeholders. The Premier Group has defined several targets to measure its performance and continually monitors progress against these targets, when necessary, and revises them to consider 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 and also within the fishing industry as it deals with natural resources.

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

- is committed to the best local and international fishing practices;
- is supportive of various stakeholders involved in the proper management of marine resources;
- is supportive of regulatory policies to manage the marine resources;
- implements 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 conservatively using water and electricity.

SOCIAL SUSTAINABILITY

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

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

Premier is well aware of the critical role that business has to play in the upliftment and development of the previously disadvantaged majority. A task of this magnitude will, 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 it operates. To this end, they also believe in assisting small businesses to grow and achieve their full potential in the communities from which they operate by:

- providing small enterprises with the 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 to 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. The Premier Group also continues to maintain a safe working environment for its employees.

The Premier Group recognises the importance of the communities in which it operates and therefore aims to develop the communities through 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:

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

FISHING AND BRANDS - continued

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 pelagic or a reduction in the total effort catch for squid	<ul style="list-style-type: none"> A reduction in total allowable catches or total allowable effort can result in a reduction in turnover, profits and cash flow from operations 	<ul style="list-style-type: none"> The Premier Group acquires fish from small rights holders thereby reducing the impact of reductions in total quota allocations for the Group
The risk that the Premier Group's employees might request a significant wage increase	<ul style="list-style-type: none"> A significant increase in wages could result in a significant reduction in profits 	<ul style="list-style-type: none"> The Premier Group is involved in negotiations with trade unions* to ensure that the Group and its employees enter into sustainable wage agreements
The risk that the Premier Group's abalone stock might be infected by diseases	<ul style="list-style-type: none"> This might result in loss of business as the Premier Group would not be able to supply its customers 	<ul style="list-style-type: none"> The Premier Group has implemented biosecurity measures at its abalone farm and constantly monitors these measures to ensure that there is no transmission of diseases to the animals
The risk that the Premier Group's IT systems might be infected by viruses	<ul style="list-style-type: none"> A virus attack on the Group's IT system might result in business interruption and the Group not being able to transact with its customers 	<ul style="list-style-type: none"> The Premier Group has installed anti-virus software on all its information systems, and also implemented processes for each user which limits the susceptibility of the Group's systems to virus attacks

FISHING AND BRANDS - continued

OPPORTUNITIES

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

FISHING AND BRANDS - continued

STAKEHOLDER EXPECTATIONS

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 regarding stakeholder management. These are summarised as follows:

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

FISHING AND BRANDS - continued

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

REMUNERATION

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

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

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

*ACRONYMS

DAFF	Department of Agriculture, Forestry and Fisheries
EU	European Union
FAWU	Food and Allied Workers Union (trade union)
FDA	Food and Drug Administration
HACCP	Hazard Analysis and Critical Control Points
MCM	Marine Coastal Management
NCFAWU	National Certified Fishing and Allied Workers Union (trade union)
NRCS	National Regulator for Compulsory Specifications
SABS	South African Bureau of Standards
SAMSA	South African Maritime Safety Authority
SARB	South African Reserve Bank
TALFU	Trawler and Line Fishermen's Union (trade union)

(King IV™ - Principles 1 to 16)



EVENTS AND TOURISM

R122m

CONTRIBUTION TO
REVENUE

(R6m)

LOSS BEFORE
TAX

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	17
HEAD OFFICE	Claremont, Cape Town
FOOTPRINT	Western Cape, North West Province and Limpopo

PROFILE

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

espAfrika’s highly skilled team of professionals produces and hosts a range of events, from festivals to corporate functions, gala dinners and conferences. This innovative events management Company thrives on challenges and their collective energy produces dynamic results. espAfrika’s primary strategy is to use indigenous resources and 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 United States.

EVENTS AND TOURISM - continued

2018 OPERATIONAL PERFORMANCE

Despite the challenging economic climate, the impact of the “Day Zero” (the dreaded day when most of the water taps will be turned off) water restrictions announcement to visitors to Cape Town and its direct impact on the CTIJF, espAfrika managed to deliver a successful and profitable Jazz Festival and funded all its operations. The Company contributes positively to all its stakeholders, and with its projected growth plan it will continue to strengthen its sustainability and returns to all its stakeholders.

VISION 2020 VISION – ESPAFRIKA'S CONTRIBUTION

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

2018 Achievements:

- Built a sustainable, respected and profitable Company that provides adequate returns to all its stakeholders – *espAfrika has built a successful track record and has been profitable for the past three financial years, and is projected to continue to be profitable and sustainable for the foreseeable future thus achieving its strategic focus area and providing adequate return to all its stakeholders.*
- Maintained a minimum 30% ROI for the Cape Town International Jazz Festival and expanded the footprint of the festival – *During the current financial year maintaining the 30% ROI for the Jazz Festival was not attainable due to the impact of the Day Zero water announcement for Cape Town. This had an adverse effect on visitors to Cape Town and in turn affected the Jazz Festival. Moving forward, espAfrika expects the water crisis to be lifted. Additional events are being planned to expand the Jazz Festival's footprint. The “Royal Escape” was added to the compliment of events offered by espAfrika. The Limpopo International Jazz Festival is a new event scheduled for the latter part of 2019.*

- Third-party events – tendering for events, producing and managing events on behalf of clients and acquiring own venue to further expand the business – *espAfrika continuously tenders for new events and recently won a tender from the City of Cape Town to produce and manage the “Switching of the Lights” celebration which was attended by over 100 000 people. This is an ongoing process and is continually being assessed.*

PROSPECTS AND FUTURE OUTLOOK

With the establishment of the new annual event in Limpopo, espAfrika will now have three 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 while creating more employment and a socio-economic impact.

In addition to the company-owned events, espAfrika is working on securing events both in South Africa and the African continent where espAfrika intends to produce and manage events on behalf of clients, and establish the Company as the leader in events production and management in Africa.

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

FOOTPRINT

espAfrika now operates in the Western Cape, North West Province and Limpopo.

EVENTS AND TOURISM - continued



BUSINESS MODEL

espAfrika's business model is a mix of organising and producing its own company-owned events and managing events on behalf of clients (third-party events). The new annual event under the brand name "Limpopo International Jazz Festival" will be launched in 2019. This will bring the number of espAfrika-owned events to three 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 of 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 brand over a much longer period and platforms which will enhance the sponsorship offerings and value proposition.

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

GOVERNANCE

Through the application of policies and structures as defined by the holding company AEEI, espAfrika complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles in the year under review. The continued training and exposure of employees to the ever-changing regulatory environment and regulations of the Companies Act ensure that all employees are fully informed of their responsibilities.

The Board of espAfrika meets 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 reviews are carried out by the holding company in respect of the delegated authority level as well as adherence to the AEEI Group policies.

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

EVENTS AND TOURISM - continued

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

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

EVENTS AND TOURISM - continued

STRATEGIC PLANNING AND MONITORING

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

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

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

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

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

ECONOMIC SUSTAINABILITY

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

within its procurement as well as the jobs it creates via its various projects.

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

The strategy adopted has resulted in espAfrika improving on its 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
- Recycling
- Responsible water usage

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

SOCIAL SUSTAINABILITY

The integrated sustainability plan is two-pronged:

- To develop from within the Company and grow their human capital.
- To develop small businesses within the industry and to grow community-based services to alleviate poverty. During the year, espAfrika held many workshops to further promote this initiative. The initiative is fully supported by the National Department of Arts and Culture as part of the Mzansi Golden Economy. The Company also uses a number of small and micro enterprises as part of its procurement policy.

EVENTS AND TOURISM - continued

espAfrika is an active member of the SETA and strongly believes in internal training and development. During the year, a number of employees attended training programmes and seminars to 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 every resource should be utilised creatively to support and develop music, arts, culture and job creation. espAfrika, through the Cape Town

International Jazz Festival, created more than 3 276 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

The following key challenges have been identified:

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

EVENTS AND TOURISM - continued

RISK

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 risks can be identified at all levels in the Company. However, the responsibility for directing the actions necessary to manage these risks is the

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

In the year under review, key challenges and business risks were identified, 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"> As sponsorship revenue is an integral part of the Cape Town International Jazz Festival and other espAfrika-owned events, the failure of the Company to attract potential sponsors will have a detrimental effect on both the liquidity and profitability of the Company 	<ul style="list-style-type: none"> New revenue streams have and continue to be developed to reduce dependencies on sponsorship income. A specialist company has been appointed to assist the executives to raise sponsorships. This has resulted in new sponsors being identified and approached as well as committing existing sponsors to new long-term sponsorship contracts With new events coming on line, the value proposition to sponsors is enhanced by providing a multi-level event sponsorship proposition
Dependency on the Cape Town International Jazz Festival	<ul style="list-style-type: none"> Reliance on one main event restricts the growth and future prospects on espAfrika in being a strong and sustainable business 	<ul style="list-style-type: none"> Two new annual company-owned events will be implemented in the next 12 months, and the Royal Escape Experience will bring the number of company-owned events to four, hence reducing the moving towards reducing espAfrika's dependency on The Cape Town International Jazz Festival

EVENTS AND TOURISM - continued

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
Currency risk	<ul style="list-style-type: none"> As international artists are contracted to perform at the Company's event, the value of the rand versus other foreign currencies has a direct impact on the cost base of espAfrika 	<ul style="list-style-type: none"> Budgeting process and forward cover purchase of the required foreign currency will ensure that any short-term fluctuation in the currency market will not affect the short-term cost base of espAfrika
Technology	<ul style="list-style-type: none"> Ensuring that espAfrika keeps abreast of developments in line with its business practices, legislation and best practices and at the same time adopting technological advancements relevant to its needs and means 	<ul style="list-style-type: none"> Constant review of applicable technological advancements, changes in legislations and best practice is undertaken and if appropriate plans and recommendations are put forward for evaluation and approval in line with the established approval authority processes within espAfrika
Succession planning	<ul style="list-style-type: none"> Succession planning is a critical aspect of the long-term future of the business Loss of employees will impact the Company to deliver on its strategic objectives 	<ul style="list-style-type: none"> The Board established a working committee to ensure continuity of the business in case any of its key management or employees left the Company Provide training and development programmes as well as offering market-related remuneration and progression within the Company to retain skilled employees

EVENTS AND TOURISM - continued

STAKEHOLDER MANAGEMENT

CREATING STAKEHOLDER VALUE

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

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

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

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

EVENTS AND TOURISM - continued

STAKEHOLDER EXPECTATIONS

espAfrika recognises the importance of constant engagement with stakeholders. The principal stakeholders for the Company are shareholders, employees, customers,

suppliers, regulatory authorities, trade unions, government and local communities.

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

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

EVENTS AND TOURISM - continued

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

espAfrika has a diverse group of stakeholders ranging from 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, the Company identifies the expectation of the various stakeholders and plans its business to deliver on the identified expectations and these can be categorised as follows:

STAKEHOLDERS	STAKEHOLDERS' EXPECTATIONS	OUTCOME
Communities	Creation of jobs, skills transfer and training and development	<ul style="list-style-type: none"> • 3 276 direct and indirect jobs created • 2 300 beneficiaries benefited from the training and development programmes
Service providers	Fair terms and opportunity and timely payment	<ul style="list-style-type: none"> • 102 service providers were contracted by the Company • Remunerated fairly • Paid on time
Employees	Fair remuneration and stable and pleasant working environment	<ul style="list-style-type: none"> • Employees remunerated in line with industry standards • Sustainability and employment policies of the Company provide for a good and stable working environment

EVENTS AND TOURISM - continued

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

REMUNERATION

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

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

(King IV™ – Principles 1 to 16)

EVENTS AND TOURISM - continued

TRIPOS TRAVEL (PTY) LTD (TRIPOS)

KEY FACTS

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

PROFILE

Tripes has been in existence since 1970 and has two distinct operating divisions: Travel Management Services and Inbound Tours and Events. While they are specialists in corporate travel, they provide a service in both the corporate and leisure markets. In the 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
- 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 and creating a very competitive arena for travel companies. Tripes managed to increase their revenue by increasing the number of clientele, but was unable to improve the margin from corporate travel due to the downward pressure on pricing resulting from the competitive market and the continued growth of online booking tools and the sharing economy. Tripes managed to increase its outbound leisure sales considerably albeit from a low base, but was unable to get traction in the inbound tourism market which declined. Since greater margins were achieved in the leisure and inbound tourism side of the business, the ultimate effect has been a lower profit margin than originally planned. To address this, the Company is investing more resources into the growth of its leisure and inbound tourism departments.

The cash flow management has improved with a complete overhaul of the back-office administration department.

EVENTS AND TOURISM - continued

The efficiency in debt collection has improved and the Company can meet its day-to-day obligations through better working capital management.

VISION 2020 VISION – TRIPOS' CONTRIBUTION

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

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

- Tripos continues to grow by:
 - growing its share of the corporate market through concentrated efforts to increase the number of corporate clients, NGOs and government business;
 - concentrating more of its resources for the outbound leisure market to a senior consultant and has employed an additional person, with targets and incentives to grow this part of the business; and
 - investing resources to promote 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 Group 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 19th Cape Town International Jazz Festival.
- A key value of Tripos is to put the customer first and this is entrenched in its values, employee coaching and training, incentives and allocation of resources.

PROSPECTS AND FUTURE OUTLOOK

Tripos is planning to grow the corporate part of its business to exploit the increase in tourism revenue and better margins available from this income stream.

The outbound leisure business is growing and Tripos will continue to pursue growth in this market.

Tripos' overall objective is to grow the leisure and inbound tours part of the 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 acquisition in the inbound tourism sector
- Sell niche packages for the Cape Town International Jazz Festival as the official Travel Partner on a long-term basis
- Sell niche packages for The Harley Davidson Tours
- Promote and sell outbound leisure packages
- Work closely with its suppliers to provide the best deals to its customers
- Sell the service to arrange meetings, incentive travel, conferences and corporate events for corporate clients
- Arrange customer service and sales training for all employees
- Improve the systems and efficiency

OPERATIONAL FOOTPRINT

Tripos is located in Woodstock, Cape Town. Its corporate client list is predominantly Cape Town based with a small percentage (less than 5%) based in Gauteng.

Their inbound tours department specialises in providing tours in Southern Africa.

COMPANY BRAND

BRAND IDENTIFICATION



EVENTS AND TOURISM - continued

TRAVEL MANAGEMENT

- Retail Travel
 - Outbound leisure travel
 - Corporate travel
 - Tripos has contracts with corporate clients, NGOs and government bodies to manage their travel arrangements
 - Tripos also has a number of agreements with corporates where it is retained as a preferred supplier
- Wholesale travel
 - Tripos structures packages (air, accommodation, tours and transfers) for resale by other travel agencies. This is done for certain niche products like the Cape Town International Jazz Festival
- Inbound travel
 - Inbound tours of Southern Africa
 - Niche tours
- List of services offered:
 - IATA air tickets and non-IATA air tickets (e.g. air charters)
 - Accommodation and car hire
 - Transfer and chauffeur services
 - Packaged travel arrangements
 - Travel insurance, passports and visas
 - After-hours service line
 - Manage corporate events including meeting and conferencing arrangements
 - Incentive travel
 - Tours

BUSINESS MODEL

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

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

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

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

Tripos 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, improve the overall profit and profit margin.

GOVERNANCE

Tripos, 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 year under review. The continued training and exposure of employees to the ever-changing regulatory environment and regulations of the Companies Act ensure that all employees are fully informed of their responsibilities.

The Board of 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 reviews are carried out by the holding company in respect of the delegated authority level as well as adherence to the AEEL 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 judgement 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 Triplos continues working towards the achievement of the following governance outcomes:

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

EVENTS AND TOURISM - continued

STRATEGIC PLANNING AND MONITORING

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

Quarterly reviews of its 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 the Company achieves its targets and delivers on its action plans.

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

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

ECONOMIC SUSTAINABILITY

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

ENVIRONMENTAL SUSTAINABILITY

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

SOCIAL SUSTAINABILITY

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

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

To achieve this Tripes:

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

EVENTS AND TOURISM - continued

KEY CHALLENGES, RISK, TECHNOLOGY AND COMPLIANCE

KEY CHALLENGES

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

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

RISKS

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

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.

EVENTS AND TOURISM - continued

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

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
The discontinuation of commissions and overrides	<ul style="list-style-type: none"> Negative impact on revenue and profits 	Tripos is prepared to renegotiate its service fees in the event of this eventuality and will compensate for this possibility and have an impact on all future contracts. In addition, they have refocused their business to grow the inbound/tours department which is not dependent on the same model as travel
Technology	<ul style="list-style-type: none"> Sustainability of the business 	The innovative use of technology has directly impacted the travel industry with online bookings
Employee retention	<ul style="list-style-type: none"> Sustainability of the business 	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 the following:

CAPITAL	STAKEHOLDER	VALUE FOR THE ORGANISATION	VALUE FOR STAKEHOLDERS
Human	Employees	<ul style="list-style-type: none"> Engaged and motivated employees Ability to attract and retain key skills 	<ul style="list-style-type: none"> Fair pay Interesting work Growth and development Equal treatment Health and safety
Social	Communities	<ul style="list-style-type: none"> Reputation Brand value Trust Access to business opportunities 	<ul style="list-style-type: none"> Employment/business opportunities Environment care Local hire Resource use
Social	Government	<ul style="list-style-type: none"> Favourable legislation Less interference 	<ul style="list-style-type: none"> Contribution to taxes Support job creation and other strategic initiatives

EVENTS AND TOURISM - continued

CAPITAL	STAKEHOLDER	VALUE FOR THE ORGANISATION	VALUE FOR STAKEHOLDERS
Social	Suppliers	<ul style="list-style-type: none"> Good service and commitment 	<ul style="list-style-type: none"> Fair allocation of business Pay on time Zero corruption
Financial	Owners	<ul style="list-style-type: none"> Supply of capital at reasonable price 	<ul style="list-style-type: none"> Growth Dividends Return on investment Reduced risk
Intellectual	Customers	<ul style="list-style-type: none"> Understanding of trends and opportunities, thereby having an improved ability to identify opportunities for growth and threats that may hinder it 	<ul style="list-style-type: none"> Better products and services Repeat business and greater market share

STAKEHOLDER EXPECTATIONS

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

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

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

EVENTS AND TOURISM - continued

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

REMUNERATION

Tripos aims to be a competitive and attractive employer in the marketplace. Remuneration and benefits are important drivers as are career opportunities, personal development, culture, values, leadership, performance and reputation. As stated in the Code of Conduct, the

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

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

*ACRONYMS

B-BBEE	Broad-based black economic empowerment
IATA	International Air Transport Association
ASATA	Association of Southern African Travel Agents
SATSA	Southern African Tourism Services Association

(King IV™ – Principles 1 to 16)

EVENTS AND TOURISM - continued

MAGIC 828 (PTY) LTD (MAGIC828)**KEY FACTS**

GENERAL MANAGER	Currently managed by directors
BOARD OF DIRECTORS	K Abdulla, CF Hendricks, AB Amod, JC van Niekerk
EMPLOYEES	23
HEAD OFFICE	Mowbray, Cape Town
FOOTPRINT	Western Cape

PROFILE

Magic828 is a Medium Wave (AM/MW) independent commercial music radio station, broadcasting throughout the Western Cape and streaming worldwide. The studios are situated in Golf Park, Mowbray, Cape Town with a transmitter sited at the centre of a geographic triangle with Paarl, Durbanville and Malmesbury as the three corner points.

The station radiates a 25 000 watt (25kw) signal to all areas of the Western Cape, unrestricted by mountainous terrain. The transmitter is five generations up on existing MW transmitters in South Africa. Magic828 also broadcasts in digital/stereo streaming via their website, mobile applications on both IOS and Android platforms, and other radio applications.

Magic828's music format is defined as adult contemporary hits with a touch of rock and a taste of Golden Oldies, broadcasting hits from the 1960s to 2000s. Magic828

believes that their music format has no colour lines as these hits are easily recognised by listeners, constantly entertaining them through more music and less talk, thus invoking memories of past experiences.

Magic828's listenership has grown by 42% to 187 000 listeners in 2018 (research privately done by Freshly Ground Insights) and has over 10 000 unique streaming listeners via its digital platforms.

A detailed analysis of Magic828 was done during the 2018 financial year with the primary objective to focus and align efforts across the business to deliver on its long-term goals. A short-term plan has been put in place in relation to programming, sales and marketing and establishing clear reporting channels to all employees whereby they understand their role and responsibility. A five-year strategic plan to the year 2020 was implemented in 2015 with clear deliverables, strategic actions for each strategic lever as well as clear time frames.

EVENTS AND TOURISM - continued

2018 OPERATIONAL PERFORMANCE

Magic828's core focus was and currently is to create awareness to increase listenership, generate high-quality programming to retain existing listeners, ultimately to generate more revenue and create a sustainable business which is profitable.

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

Magic828 understands that listenership figures from the Broadcasting Research Council is predominately used by customers to assess a potential return on investment. However, as this has been a challenge and a new relationship is being established with all stakeholders, including the Broadcasting Research Council allowing the Company to appear on their research as having listenership figures.

A strategy session took place with all employees during the 2018 financial year; members of the Board of Magic828 and the executive team were present. Action items have been identified and all employees have committed to collectively create a plan for each action point, which was summarised and presented to the Board. These plans are currently being actioned and will be monitored regularly in the 2019 financial year.

The Board of Magic828 relies on the executive team to work with management to implement the plans during the next 12 to 18 months.

VISION 2020 VISION - MAGIC828'S CONTRIBUTION

The following prospects have been identified in reaching Magic828's Vision 2020 Vision:

- Further increasing brand awareness and increasing listenership
- Perform at various community events encouraging the underprivileged to participate
- Extending its broadcasting via programming from Magic828 AM on FM community stations
- Protecting its industry to create more employment
- Further advertising opportunities arising due to the exposure of the radio station
- Further growth in listenership
- Continue to look at joint ventures in marketing and advertising
- 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 Independent Communications Authority of South Africa (ICASA) licence agreement
- Increase its broadcast area by going digital

EVENTS AND TOURISM - continued

PROSPECTS AND FUTURE OUTLOOK

Magic828 has adjusted its business model to ensure that the business structure, processes and objectives are aligned to the requirements of the ICASA radio licence to ensure compliance. Magic828 have embarked on a digital journey, allowing it to become the first Western Cape radio station broadcasting on Digital Audio Broadcasting, resulting in Magic828 becoming a competitor with other FM broadcasting stations. An application has been submitted to ICASA to allow the Company to start digital trials from December 2018 within the limits of trial licences allowed by ICASA.

The main opportunity that exists is the agency business through its sales house, The Media Connection, which has shown significant advertising revenue growth since inception. This advertising revenue from its sales house is to significantly grow compared to previous years with an overall significant commitment received by The Media Connection in line with the Company's 2019 revenue target set out to be achieved. Management adopted a 50/50 business model whereby local direct sales will increase steadily throughout the years leading up to 2020.

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

- Increasing its broadcast area
- Further increasing brand awareness and increasing listenership with aggressive marketing

- Explore opportunities to obtain government business with the assistance of its partners
- Construct a road show to visit agencies in three centres, namely 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 its broadcasting via programming from Magic828 AM online for digital presence
- Protecting the industry to create more employment
- Further advertising opportunities arising due to the exposure of its 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

FOOTPRINT

Magic828's footprint includes the Cape Town region and Simonstown, extending to Vredendal, Clanwilliam, Sutherland, Prince Albert up to and including Still Bay.

COMPANY BRAND

BRAND IDENTIFICATION



EVENTS AND TOURISM - continued

BUSINESS MODEL

Magic828 has aligned its business model to ensure that the business structure, processes and objectives comply with the requirements of the Independent Communications Authority of South Africa (ICASA) radio licence. Magic828 has embarked on a digital journey to become the first Western Cape radio station broadcasting on Digital Audio Broadcasting, thus resulting in Magic828 becoming a competitor with other FM broadcasting stations. An application has been submitted to ICASA to allow the Company to start digital trials from December 2018 within the limits of trial licences allowed by ICASA.

GOVERNANCE

Magic828 adopted the application of policies and structures as defined by the AEEI Group and complies

with all sound governance structures and regulatory functions, and has had no reported fraud or deviation in the application of these principles in the current period. The continued training and exposure of employees to the regulatory environment and regulations of the Companies Act ensure that employees are fully informed of their responsibilities.

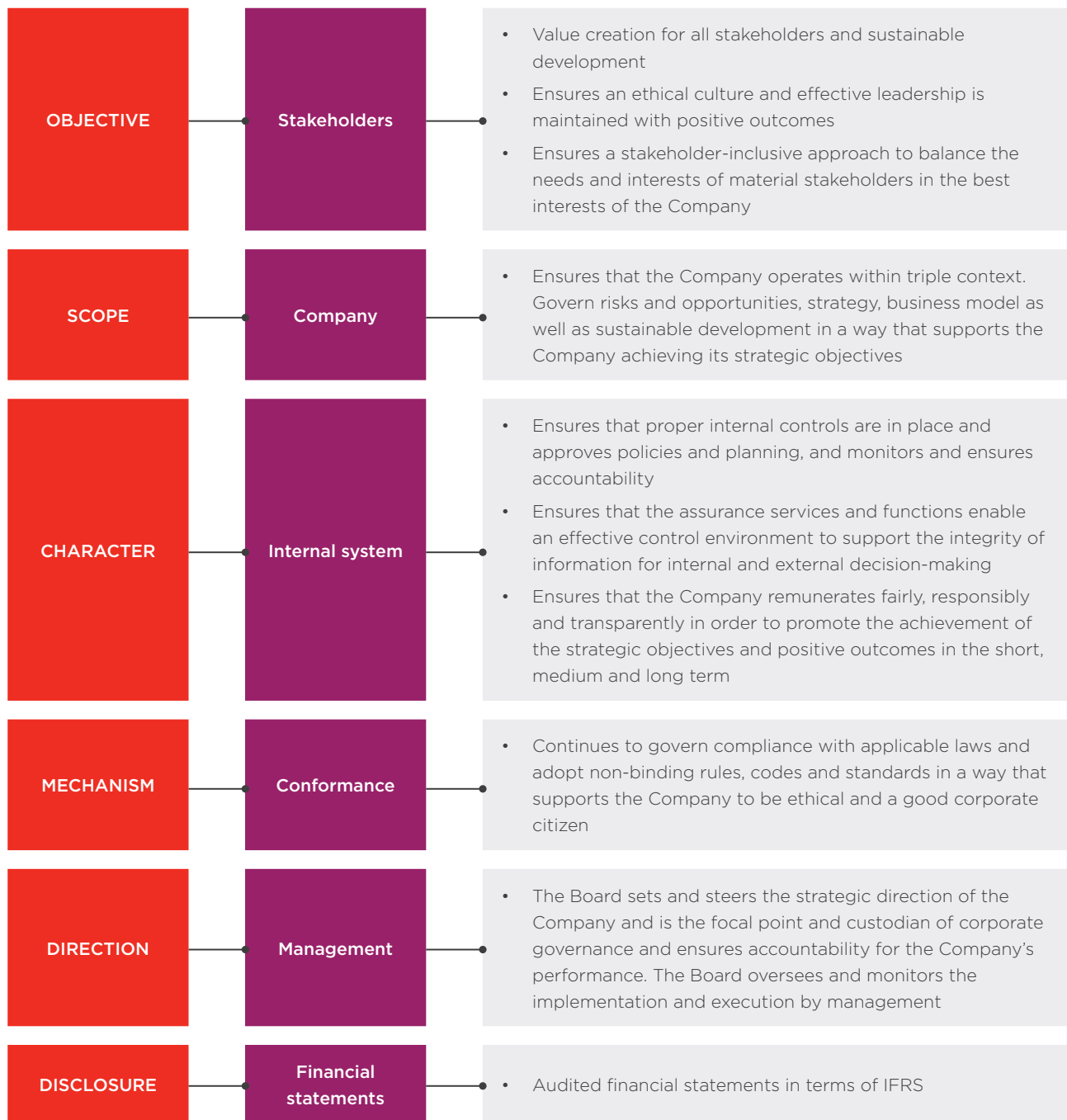
The Board of Magic828 has the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. The Board promotes independent judgement to assist with the balance of power and the effective discharge of its duties.

The Board of Magic828 continues working towards the achievement of the following governance outcomes:

THE EVOLUTION OF GOVERNANCE IN TERMS OF KING IV™:

OBJECTIVE	Protection of shareholders	Value creation for all stakeholders – sustainable development
SCOPE	Company	Company operating within triple context
TARGET	Listed companies	All organisations
CHARACTER	Internal system	Ethical and effective leadership – outcomes
MECHANISM	Conformance	Conformance and performance
DIRECTION	Management	Governing body
DISCLOSURE	Financial statements	Integrated reporting

EVENTS AND TOURISM - continued



EVENTS AND TOURISM - continued

STRATEGIC PLANNING AND MONITORING

Strategic planning is assessed by the Board of Magic828 and implemented by the executive team consisting of representatives of both management and the shareholders. Quarterly Board meetings are held whereby the Board of Magic828 can monitor the progress of the business, whereas monthly executive meetings are held to discuss implementation plans in more detail.

ECONOMIC SUSTAINABILITY

During the 2018 financial year, RAC Investment Holdings (Pty) Ltd acquired 35% equity interest in Magic828. This resulted in funding from both shareholders and discussions around marketing the station and establishing relationships with all stakeholders.

The Media Connection has committed to a significant amount of sales for the next 12 months, whereby Magic828 would assist with marketing and have a designated sales person based at their offices in Johannesburg.

Revenue targets have been established in line with the marketing plan and Magic828's overall objective is to break even in the 2019 financial year.

ENVIRONMENTAL SUSTAINABILITY

In terms of Magic828's licence agreement with ICASA, it is required to spend on CSI initiatives. Magic828 has not selected a specific cause as the Company believes it is able to assist in various areas where required. Advertising and promotions have been provided to hospitals, promoting awareness with regard to pollution and lack of resources, and single-use plastic initiatives among others.

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

SOCIAL SUSTAINABILITY

Magic828 contributes to social sustainability by establishing a professional, yet entertaining corporate image and striving to achieve the objectives in their ICASA licence agreement. The Company has trained employees internally as well as interns in various areas of the industry and offered them an opportunity to commence a career at Magic828. Additionally, Magic828 has increased its quota of HDIs within the business by promoting gender and race diversity in terms of female employees and HDI individuals.

EVENTS AND TOURISM - continued

KEY CHALLENGES, RISKS, TECHNOLOGY AND COMPLIANCE

KEY CHALLENGES

Magic828's current strategic focus is aimed at overcoming the following potential key challenges:

ADVERTISING REVENUE	<ul style="list-style-type: none"> • Creativity of advertising content on shows and presentations to agencies • Reach and maintain targets from direct sales and sales houses in a depressed marketplace
COMPETITION	<ul style="list-style-type: none"> • Competition from other radio stations
EMPLOYEE SKILLS AND RETENTION	<ul style="list-style-type: none"> • The industry in which Magic828 operates requires highly skilled and experienced employees, thus employee retention is a high priority and a key challenge • There are extremely limited resources of high-quality personnel which makes enticement from other radio stations an ongoing risk factor • Due to the small employee complement, Magic828 is continually at risk for not being able to enter into new markets due to time constraints and shortage of employees
TRAINING	<ul style="list-style-type: none"> • This is of great importance to Magic828 and remains an ongoing project
TECHNOLOGY	<ul style="list-style-type: none"> • Technological advancements to be monitored on a regular basis • Backing up of integral information and the music playlist is done on a monthly basis • Continual involvement with ICASA in relation to stereo broadcasting, which would have a significant impact on listenership

RISKS

Risk management is integrated into its business management process. Magic828 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 Magic828. Strategic and going-concern risks are reviewed at the quarterly Board

meetings of Magic828 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 Magic828.

EVENTS AND TOURISM - continued

RISK IDENTIFIED	IMPACT ON BUSINESS	RESPONSE
Economic conditions	<ul style="list-style-type: none"> A reduction in turnover, profits and cash flow from operations 	Increased presentations in both marketing and sales
Employees	<ul style="list-style-type: none"> A significant increase in wages could result in a significant reduction in profits and attaining targets. 	Magic828 currently holds tight contractual obligations for contracted employees
Listenership research	<ul style="list-style-type: none"> Lack of credibility with agencies and advertisers and a loss of income 	Magic828 has engaged with credible research companies to provide reliable data
Less marketing presence	<ul style="list-style-type: none"> This would result in a lack of growth in sales and listenership 	Magic828 has addressed this issue by approaching suppliers and customers and entering into barter agreements to minimise the impact of lower marketing spend and allowing listeners to become influencers to enhance brand awareness
Technology	<ul style="list-style-type: none"> Partial or total shutdown of the business if integral data is not backed up and checked upon 	Back-ups are done daily, weekly and monthly on a separate server and two copies are stored on external drives, one of which is off site to safeguard any business interruption

STAKEHOLDER MANAGEMENT

CREATING STAKEHOLDER VALUE

Magic828 recognises the importance of creating value for its stakeholders in the short, medium and long-term. The

principal stakeholders for Magic828 are its shareholders, employees, customers, suppliers, communities and government.

Magic828 creates value for its stakeholders in the short, medium and long term through the following:

CAPITAL	STAKEHOLDER	VALUE FOR THE ORGANISATION	VALUE FOR STAKEHOLDERS
Social	Customers	<ul style="list-style-type: none"> Repeat business Revenue growth Reputation and brand value Access to skills development and training 	<ul style="list-style-type: none"> Quality products and services Fair prices Prompt service Creative quality shows
Human	Employees	<ul style="list-style-type: none"> Engaged and motivated employees Ability to attract and retain key skills 	<ul style="list-style-type: none"> Fair pay Creative work Growth and development Equal treatment Health and safety

EVENTS AND TOURISM - continued

CAPITAL	STAKEHOLDER	VALUE FOR THE ORGANISATION	VALUE FOR STAKEHOLDERS
Social	Communities	<ul style="list-style-type: none"> • Reputation • Brand value • Trust • Access to business opportunities • Participation in community events • Charities 	<ul style="list-style-type: none"> • Employment opportunities • Business opportunities • Environment care • Support job creation in the industry • Resource use
Social	Government	<ul style="list-style-type: none"> • Favourable legislation • Less interference • Change over to digital 	<ul style="list-style-type: none"> • Contribution to taxes • Support job creation in the industry • Support strategic initiatives
Social	Suppliers	<ul style="list-style-type: none"> • Good service • Commitment • Loyalty 	<ul style="list-style-type: none"> • Fair allocation of business • Pay on time • Growth of their business
Financial	Shareholders	<ul style="list-style-type: none"> • Supply of capital at reasonable price 	<ul style="list-style-type: none"> • Growth of share value • Regular payment of dividends • Competitive return on investment • Reduced risk of investment
Intellectual	Customers	<ul style="list-style-type: none"> • Understanding trends and opportunities • Improved ability to compete • Growth of listenership 	<ul style="list-style-type: none"> • Better products and services

EVENTS AND TOURISM - continued

STAKEHOLDER EXPECTATIONS

Magic828 recognises the importance of constant engagement with stakeholders. A key element of the Company's strategic planning process is to document the values and the culture of its business units.

Magic828 has various procedures in place with regard to stakeholder management. These are summarised as follows:

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Shareholders	Owners of the business	<ul style="list-style-type: none"> Integrity Shareholder wealth creation Ethical business practices 	<ul style="list-style-type: none"> Sound corporate governance rules are implemented in the business
Customers	Consumers of Magic828	<ul style="list-style-type: none"> Advertising sold at a very high standard within the industry 	<ul style="list-style-type: none"> Ensure that Magic828 adheres to all necessary standards, such as ICASA Direct contact with major customers locally
Suppliers	Procurement of goods and services such as goods and services for the radio station's operations	<ul style="list-style-type: none"> Ethical business relationships Commitment to B-BBEE policies Prompt payment 	<ul style="list-style-type: none"> Ensure that they conduct business with reputable businesses – Code of Ethics Ensure that they support B-BBEE Negotiate, manage and conclude contracts Timeous payment
Regulatory authority: ICASA	Promulgate and monitor regulatory framework and comply with current laws and regulations	<ul style="list-style-type: none"> Compliance with laws and regulations of authorities 	<ul style="list-style-type: none"> Continuous training of management and employees responsible for compliance with various regulations by the respective authorities Internal control procedure checklist to ensure compliance with respective laws and regulations Participation in industry working groups Meeting with industry regulators
Employees	The foundation of the business is through innovation, integrity, productivity and accountability	<ul style="list-style-type: none"> Skills training Employee benefits Market-related remuneration Ethical behaviour and mutual respect Safe working environment Empowerment 	<ul style="list-style-type: none"> Training and education Open communication between managers and employees Market-related remuneration Transformation Career progression and planning

EVENTS AND TOURISM - continued

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Health and safety	Monitoring by health and safety officers	<ul style="list-style-type: none"> Compliance with health and safety standards 	<ul style="list-style-type: none"> Continuous training of employees on health and safety matters Internal control procedure checklist to ensure compliance with respective laws and regulations Immediate corrective action noted in the event of findings raised by health and safety officers
Local communities	Building trusted relationships with the community interest as the base	<ul style="list-style-type: none"> Contributing transparently and responsibly to community needs 	<ul style="list-style-type: none"> Learnerships Training and development Employment opportunities
Government and regulatory authorities	Compliance with laws and regulations of authorities	<ul style="list-style-type: none"> Compliance with laws and regulations of authorities 	<ul style="list-style-type: none"> Internal control procedure checklist to ensure compliance with respective laws and regulations Meet with government representatives

REMUNERATION

Magic828 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, Magic828 complies with applicable laws, agreements and industry standards on working hours and compensation.

(King IV™ - Principles 1 to 16)



HEALTH AND BEAUTY

R47m

CONTRIBUTION TO
REVENUE

R5m

PROFIT BEFORE
TAX

AFRINAT PTY (LTD) (AFRINAT)

(previously known as Wynberg Pharmaceuticals (Pty) Ltd)

KEY FACTS

CHIEF EXECUTIVE OFFICER	Dr A Sidar
BOARD OF DIRECTORS	CR Ah Sing, CF Hendricks, AB Amod and K Abdulla
EMPLOYEES	7
HEAD OFFICE	Victoria & Alfred Waterfront, Cape Town
FOOTPRINT	<p>Western Cape: Hex Valley, Citrusdal, Ceres, Riebeek Kasteel and Tulbagh</p> <p>Eastern Cape: Patensie, Gamtoos, Sundays River Valley, Port Alfred and Humansdorp</p> <p>Limpopo: Polokwane, Groblersdal, Marble Hall, Hoedspruit, Letsitele, Tzaneen and Alldays</p> <p>Mpumalanga: Nelspruit, Komatipoort, Hazyview, Malelane and Ogies Stad</p> <p>Northern Cape: Keimoes, Augrabies, Kakamas, Upington and Vaalharts</p> <p>Free State: Bethlehem and Ficksburg</p>

HEALTH AND BEAUTY - continued

PROFILE

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

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

Over the last 18 months the strategic objectives were changed to focus in South Africa and Southern Africa.

2018 OPERATIONAL PERFORMANCE

AfriNat operates in three sectors: pre-harvest, post-harvest, and hygiene and sanitation with different ranges of products. The biggest growth came from the pre-harvest sector due to increased market share from the Eastern Cape and Northern Cape. Pre-harvest exceeded budget, however, with the other two divisions not meeting their budgets the overall performance is marginally below budgeted expectations.

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

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

VISION 2020 VISION - AFRINAT'S CONTRIBUTION

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

2018 Achievements:

- They moved from research to commercialisation of products into the agricultural sector.
- The introduction and successful registration of additional products to the original 15 products in the ViBacSan® range have been subjected to independent evaluation and trials, establishing the credentials of the product in local markets. New regulatory submissions to the NRCS are currently in progress. A test trial, on two ViBacSan® products was successful at the GLP Laboratory "Micro-Challenge" overseas and AfriNat was granted the ACT 5 Registration Number by the NRCS for these two products.
- The introduction of pre-harvest products to the local market has been extremely successful with farmers. The products, through delivery of a spray programme, have shown benefits of increased health and thus crop yield increases. All DAFF registrations for pre-harvest products have been successfully accomplished.
- The post-harvest products will add to the value chain in the agricultural sector. These are part of the products mentioned in point 2 above and used in the processing following harvest and picking. Packhouses are the primary customer and AfriNat is actively signing agents and distributors in various regions to actively promote the range. This gives packhouses the opportunity to meet international standards on food safety in the export of fruit and vegetables.
- Growth in the hygiene and sanitation sector is being developed through cleaning contractors and large property companies. They offer a natural water-saving alternative to end-users which is in line with international trends. This is in addition to the food preparation business showing steady acceptance. Food ingredients and preservative aspects are still in the research and development phase, having conducted multiple tests in food and fish plants.

PROSPECTS AND FUTURE OUTLOOK

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

HEALTH AND BEAUTY - continued

and organic growth is expected by increasing market share and penetration into both the pre-harvest and post-harvest markets.

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

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

- Growth of the product portfolio in pre-harvest – the opportunities to capitalise on their empowered status and successfully attract international and local partners to expand their product portfolio
- Discussions with multiple international companies to have trade relations supplying products and, in turn, having exclusivity on their products in South Africa in the pre-harvest sector
- The food and beverage manufacturing and processing sector has been delayed for active entry until the 2018-2019 fiscal year due to the intense focus and demand from the agricultural sector
- Conclude a local manufacturing facility – this initiative will provide jobs locally and require the transfer of new skills to employees
- Diversity of products and market – AfriNat is embarking on a possible public private partnership with local municipalities and provincial governments to establish centres of excellence to provide support to emerging farmers
- Expansion into new sectors with innovative products – a significant opportunity exists to capture a large portion of the infection control and hygiene and sanitation markets in the health delivery system, as well as the food processing and hospitality sectors with their internationally recognised, totally natural range of sanitation and hygiene products
- Retention of business won – in a business environment that is based on a high level of relationship building, the successful retention of business won on this basis is a key measure of AfriNat's performance
- Expand into new markets outside of South Africa

OPERATIONAL FOOTPRINT

AfriNat's administrative function which includes management, marketing and finance operates from the V&A Waterfront, Cape Town. Manufacturing is done under agreement with a contract manufacturer in Blackheath, Cape Town. The distribution of products is done under distribution agreements with vendors in the respective sectors and provinces.

PRODUCTS/BRANDS

COMPANY BRAND



PRODUCTS BRANDS












HEALTH AND BEAUTY - continued

BUSINESS MODEL

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

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

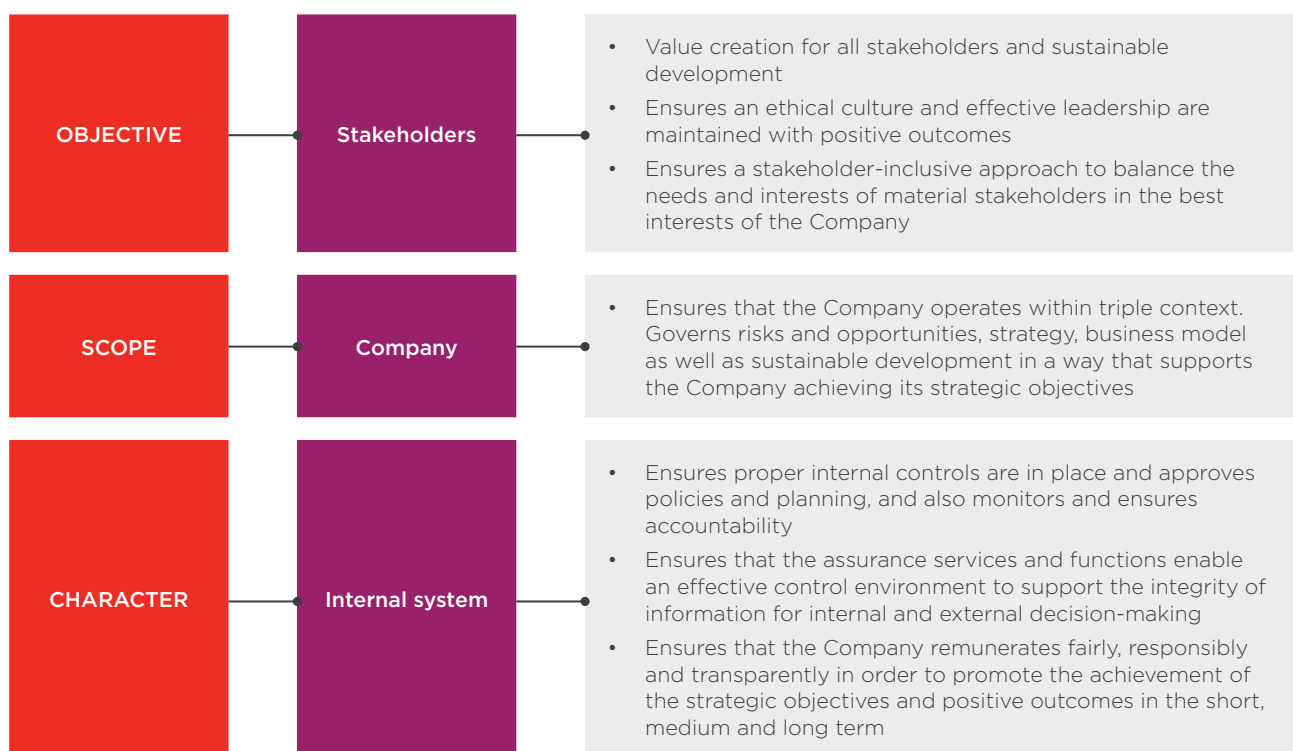
In applying this business model, the ultimate objective is to transfer knowledge and opportunities to local SMMEs while providing employment opportunities.

GOVERNANCE

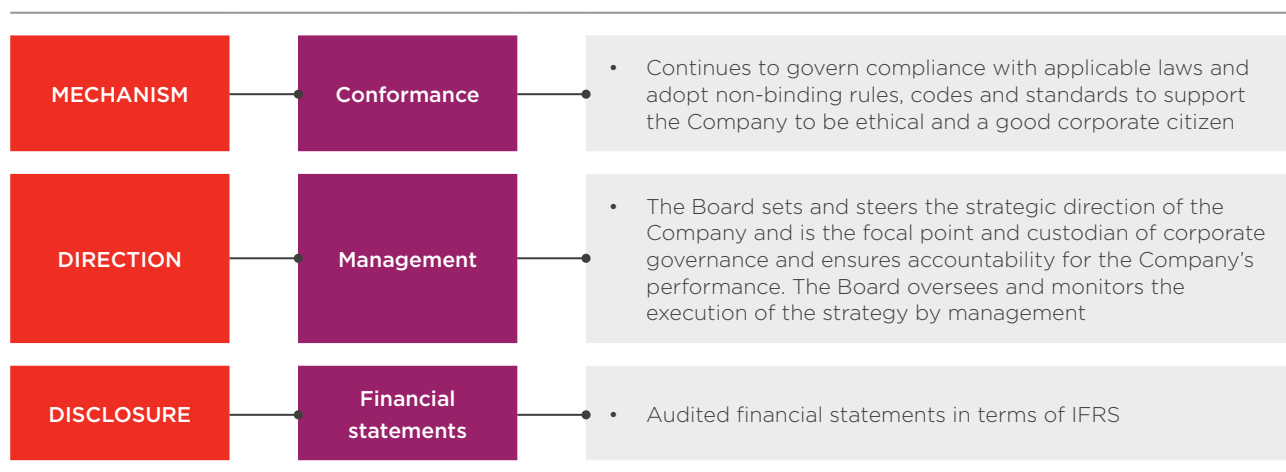
Through the application of policies and structures within the AEEI Group, AfriNat complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles in the year under review. The continued training and exposure of employees to the ever-changing regulatory environment and regulations of the Companies Act ensure that all employees are fully informed of their responsibilities.

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

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



HEALTH AND BEAUTY - continued



STRATEGIC PLANNING AND MONITORING

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

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

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

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

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

ECONOMIC SUSTAINABILITY

AfriNat 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.

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

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

HEALTH AND BEAUTY - continued

ENVIRONMENTAL SUSTAINABILITY

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

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

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

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

SOCIAL SUSTAINABILITY

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

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

Their key aims are to:

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

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

HEALTH AND BEAUTY - continued

KEY CHALLENGES, RISKS, TECHNOLOGY AND COMPLIANCE MANAGEMENT

KEY CHALLENGES

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

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

RISKS

Risk management is integrated into AfriNat's business management process. 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 can be identified at all levels in each business unit. However,

the responsibility for directing the actions necessary to manage these risks is the responsibility of the Board of directors of each business unit. Strategic and going-concern risks are reviewed at the quarterly Board meetings and the executive directors are charged with the execution of approved risk management actions.

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

HEALTH AND BEAUTY - continued

The following risks have been identified:

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
Regulatory constraints	<ul style="list-style-type: none"> A key risk is the current disarray in the regulatory departments of government, which delay the registration of new products and the issuing of licences and other requirements. 	<ul style="list-style-type: none"> The Company employed additional internal resources to manage this risk and develop sound business relationships within the regulatory sector.
Resistance to innovation in established markets	<ul style="list-style-type: none"> Entering the market with unique products will also have some degree of risk, as large agro-chemical companies will not stand back but increase their efforts to compete. The introduction of ViBacSan® has required intensive local trials to validate the product despite having international certification. 	<ul style="list-style-type: none"> The Company increased its sales and marketing capacity by entering into an alliance with another agro-chemical company. Successful trials and education have increased market acceptance and the recognition of regulatory bodies.
Foreign exchange volatility	<ul style="list-style-type: none"> Foreign exchange exposure may increase the cost of the product and will therefore not be affordable to the local market. Only raw materials are being imported. 	<ul style="list-style-type: none"> The foreign exchange risk element has been reduced by over 80% due to local manufacture. Joint venture agreement concluded in May 2016.
Distribution	<ul style="list-style-type: none"> Dependence on a single distributor 	<ul style="list-style-type: none"> The Company has reduced its risk exposure by signing additional distribution agreements with distributors who have a national footprint in South Africa and in Namibia.

HEALTH AND BEAUTY - continued

STAKEHOLDER MANAGEMENT

CREATING STAKEHOLDER VALUE

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

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

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

HEALTH AND BEAUTY - continued

STAKEHOLDER EXPECTATIONS

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

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

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

HEALTH AND BEAUTY - continued

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

REMUNERATION

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

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

(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 and DN Kourie
EMPLOYEES	78
HEAD OFFICE	Tokai, Cape Town
FOOTPRINT	South Africa and Southern Africa, including Namibia, Zimbabwe, Swaziland, Mozambique, Mauritius and Madagascar

PROFILE

Orleans Cosmetics (Pty) Ltd was acquired in May 2017 and became a subsidiary of AEEI. It was a business previously known as Orleans Distributors CC and RVB Cosmetics CC, which had been in business in South Africa for the past 22 years.

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

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

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

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

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

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

2018 OPERATIONAL PERFORMANCE

The acquisition of Orleans Cosmetics in the prior year led to revenue increasing by 258% from R9.7m to R34.5m, mainly as a result of the financial results being included for 12 months compared to only four months in the prior year.

VISION 2020 VISION – ORLEANS COSMETICS CONTRIBUTION

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

2018 Achievements:

- Focused on strengthening the brand's presence in the marketplace
- Explored the possibility of obtaining additional agencies in fragrance
- Explored the possibility of obtaining additional make-up brands

HEALTH AND BEAUTY - continued

PROSPECTS AND FUTURE OUTLOOK

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

The key drivers in the business are the following:

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

OUTLOOK FOR 2019

- Continue to focus on strengthening the brands' presence in the marketplace
- Launch exclusive agencies in fragrance – an experienced fragrance brand manager has been appointed with effect from 1 October 2018
- Launch make-up which is subject to retailer's approval

Orleans Cosmetics intends to double the size of its business within the next four to five years. Growth will occur through a balance of organic growth and acquisitions.

The business was previously owned and managed by the Neilson family for 21 years. The intention is to retain the entrepreneurial spirit which already exists and to blend this with the business expertise which AEEI can provide. The Company has built a solid reputation 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 in excess of R6bn per annum at retail prices and there is enormous potential growth for Orleans Cosmetics.

OPERATIONAL FOOTPRINT

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

COMPANY BRAND



PRODUCTS/BRANDS

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



HEALTH AND BEAUTY - continued

BUSINESS MODEL

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

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

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

GOVERNANCE

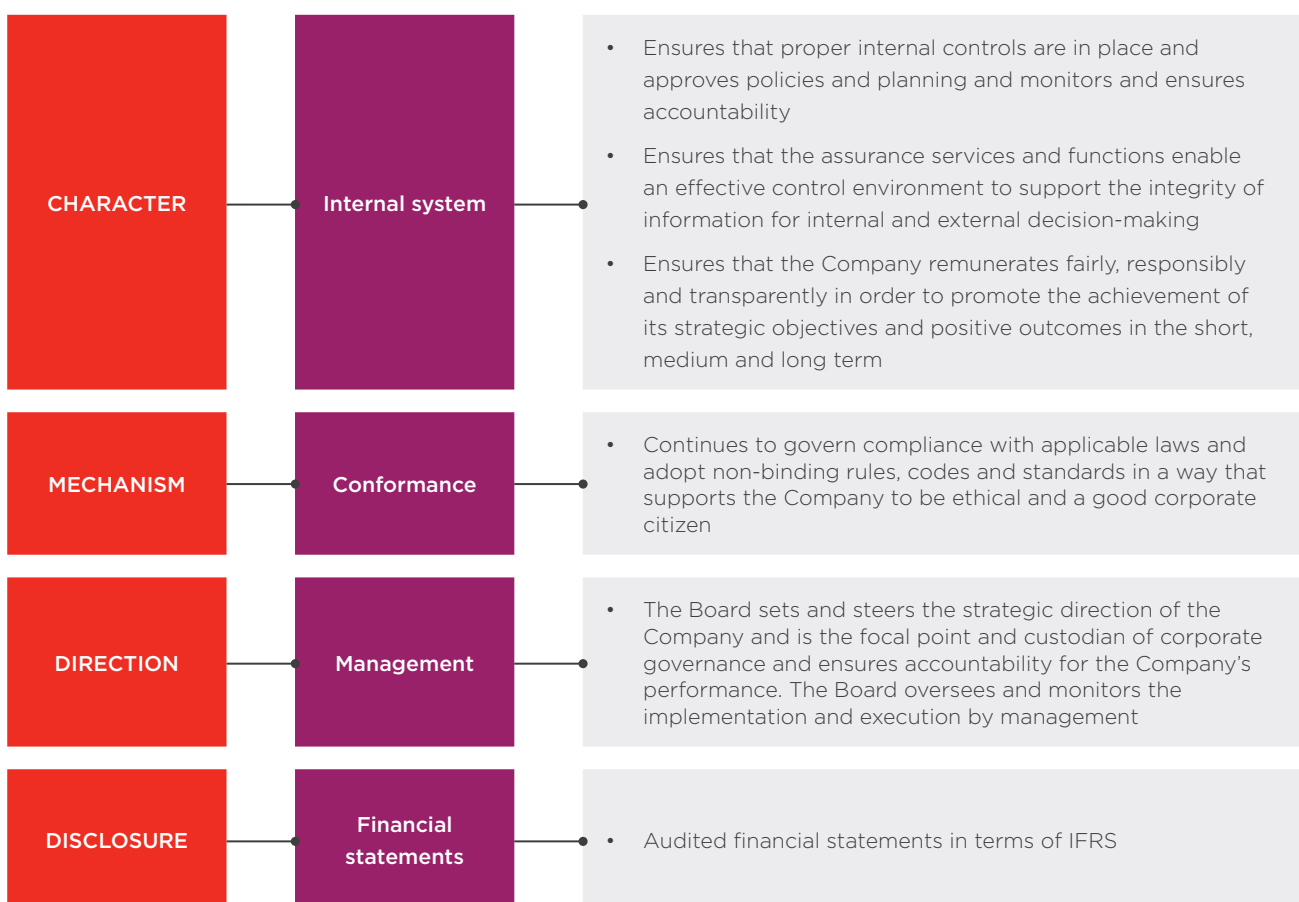
Orleans Cosmetics adopted the application of policies and structures as defined by the AEEI Group and complies with all sound governance structures and regulatory functions and has had no reported fraud or deviation in the application of these principles in the current period. The continued training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

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

The Board of Orleans Cosmetics meets on a quarterly basis to review the action plan of the executives and the progress of the Company towards its set objectives. Additionally, a risk register is maintained and reviewed by the Board of directors. Regular peer review is carried out by the holding company in respect of the delegated authority level as well as adherence to the AEEI Group policies.

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

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



HEALTH AND BEAUTY - continued

STRATEGIC PLANNING AND MONITORING

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

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

ECONOMIC SUSTAINABILITY

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

ENVIRONMENTAL SUSTAINABILITY

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

SOCIAL SUSTAINABILITY

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

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

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

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

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.

HEALTH AND BEAUTY - continued

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
The risk that exchange rates may weaken drastically	<ul style="list-style-type: none"> This would directly affect the profitability of the business 	<ul style="list-style-type: none"> A policy of taking forward cover has been implemented to cover up to 75% of the risk for the following three months
The risk that an overseas supplier may withhold the extension of the supply agreement for an additional three-year period	<ul style="list-style-type: none"> A direct, marginal profit impact on the business would be the result 	<ul style="list-style-type: none"> It is imperative to maintain a close working relationship with the four overseas principals and to invest in each brand to avoid such a situation
The risk that a major customer may no longer wish to stock the Company's products	<ul style="list-style-type: none"> This would have a direct impact on the profitability of the Company through reduced sales 	<ul style="list-style-type: none"> A close customer relationship is important to avoid this situation. An alternative distribution channel must always be under consideration to replace the potential loss of business
Technology – the risk of online retailing replacing purchasing in the store environment is low in South Africa; the Company does less than 2% of its sales online	<ul style="list-style-type: none"> As sales move online, the impact can be both positive and negative in terms of profitability 	<ul style="list-style-type: none"> Measure the level of online sales on a regular basis to ensure that employee levels in the stores are modified accordingly

HEALTH AND BEAUTY - continued

STAKEHOLDER MANAGEMENT

CREATING STAKEHOLDER VALUE

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

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

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

HEALTH AND BEAUTY - continued

STAKEHOLDER EXPECTATIONS

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

The Company will continue to have various procedures in place regarding stakeholder management. These are summarised as follows:

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

REMUNERATION

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

Orleans Cosmetics has various incentive schemes in place to retain talented and experienced employees. Their policy requires that all full-time head office employees and area managers belong to their provident fund to plan for their retirement. Medical insurance is in place for head office employee 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	Dr A Sidar
BOARD OF DIRECTORS	K Abdulla, I Amod, CR Ah Sing, CF Hendricks, R Lachman and A Sidar
EMPLOYEES	8
HEAD OFFICE	V&A Waterfront, Cape Town
FOOTPRINT	Cape Town and Centurion, Pretoria

PROFILE

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

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

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

2018 OPERATIONAL PERFORMANCE

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

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

BIOTHERAPEUTICS - continued

VISION 2020 VISION - GENIUS' CONTRIBUTION

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

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

The cell culture division based in Pretoria is currently manufacturing erythropoietin and is undergoing regulatory preparation with mock runs while the DCV project is preparing for the first phase of human clinical trials in breast cancer patients. Ribotech is immersed in research and development for the production of a second biotech drug for humans.

PROSPECTS AND FUTURE OUTLOOK

The following prospects have been identified:

SHORT-TERM PROSPECTS:

- Genius is finalising negotiations with an international partner to add four additional products to its portfolio of biosimilars
- This partnership entails a technology transfer to facilitate more efficient production of all products and final formulation which negates the need for cold chain
- Development support from government to develop skills in this sector and increase employment in order to provide a lower cost of health

- All approvals have been met for phase 1 human clinical trial in breast cancer patients and trial work is scheduled for 2019
- Pre-clinical work on other diseases has begun, such as incurable tuberculosis and lung cancer with three additional cancers to follow in 2019

MEDIUM TO LONG-TERM PROSPECTS:

- The international partnership will allow for scalable local production to supply Africa as well as Europe and is planned for post 2020
- Two South African multinational pharmaceutical companies show support to market and distribute the Company's biosimilar products
- Following the successful results of phase I, further funding for the genomics component which will further strengthen the health platform 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

FOOTPRINT

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

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

COMPANY BRAND



PRODUCTS/BRANDS



BIOTHERAPEUTICS - continued

Products and research and development projects

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

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

BUSINESS MODEL

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

This lends itself to Genius raising the necessary funds to complete the project by selling equity in the business but still maintaining majority control. In the case of the biosimilars, Repotin and Recogen, the opportunity to tie up with a local distributor for the sales and marketing of the product is being considered. This is a departure from when Genius previously marketed and sold Repotin.

Currently with the research and development phase reaching completion, Genius will focus its efforts on acquiring additional products while outsourcing the sales and marketing function.

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

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

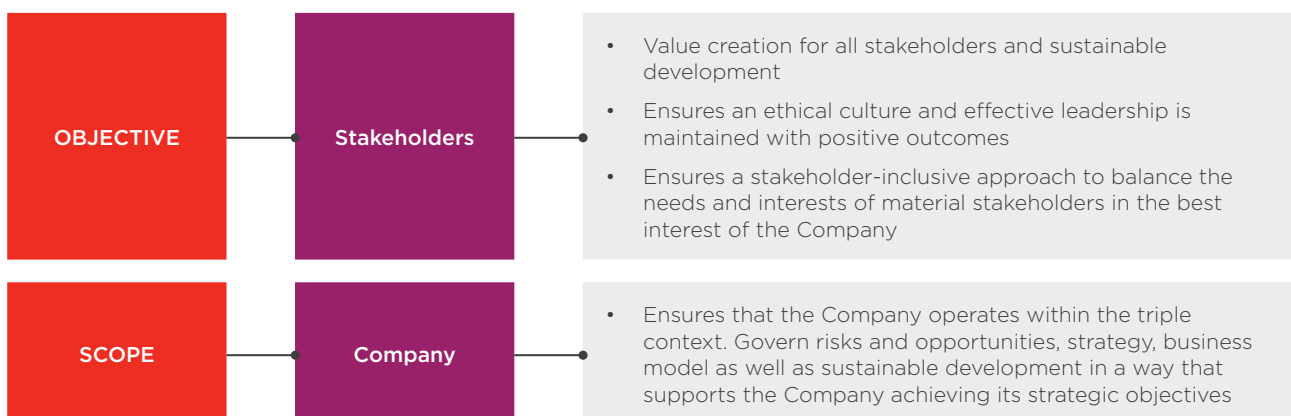
The Company continues to:

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

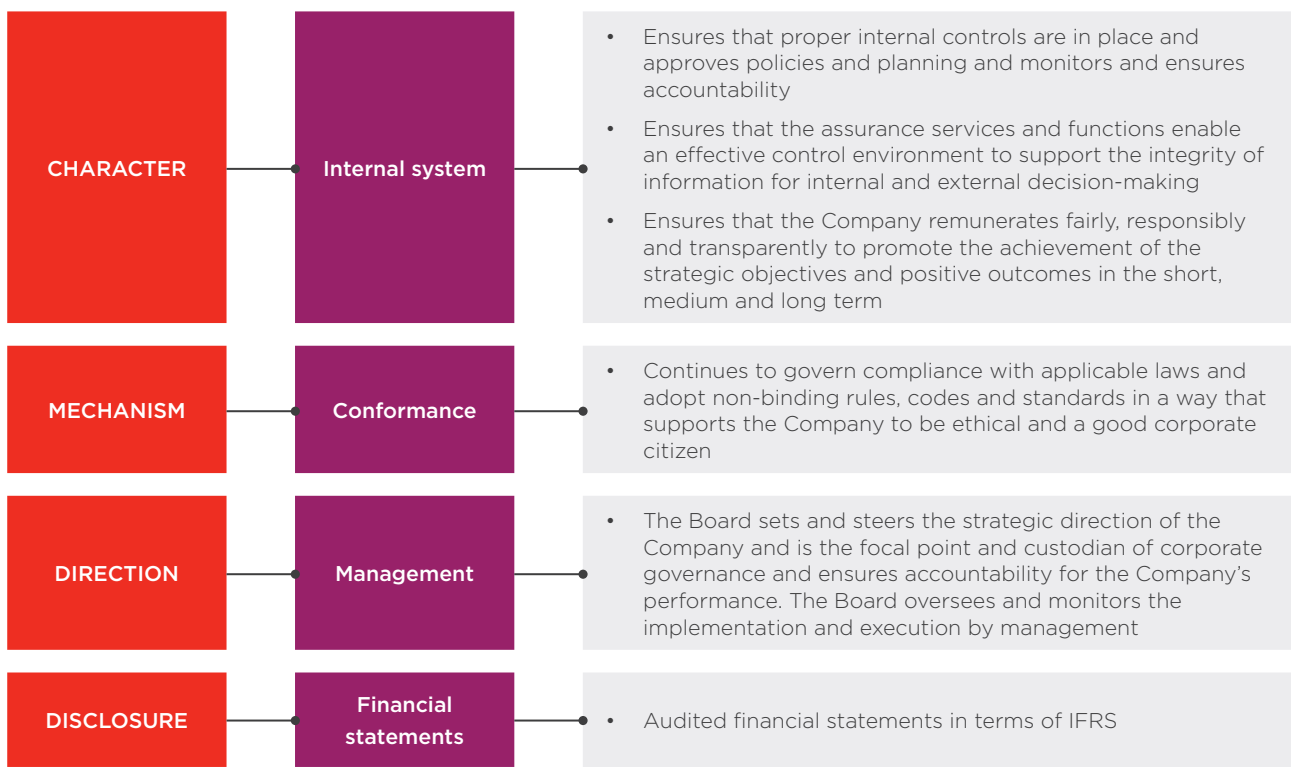
GOVERNANCE

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

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



BIOTHERAPEUTICS - continued



STRATEGIC PLANNING AND MONITORING

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

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

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

ECONOMIC SUSTAINABILITY

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

ENVIRONMENTAL SUSTAINABILITY

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

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

BIOTHERAPEUTICS - continued

SOCIAL SUSTAINABILITY

Genius subscribes to a sustainable approach in conducting its business.

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

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

- to provide opportunities for skills development, training and support for employees;

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

KEY CHALLENGES, RISKS, TECHNOLOGY AND COMPLIANCE

KEY CHALLENGES

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

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

RISKS

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

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

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

Along with the risk register, executive management maintains their action plans through management meetings as several risks are being mitigated by 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.

BIOTHERAPEUTICS - continued

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

BIOTHERAPEUTICS - continued

STAKEHOLDER MANAGEMENT

CREATING SHAREHOLDER VALUE

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

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

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

BIOTHERAPEUTICS - continued

STAKEHOLDER EXPECTATIONS

Genius recognises the importance of constant engagement with stakeholders. The principal stakeholders for Genius are its shareholders, employees, customers,

suppliers, regulatory authorities, government and local communities.

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

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

BIOTHERAPEUTICS - continued

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

REMUNERATION

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

manufacturing sector for the first time as they still require training in the pharmaceutical industry and require laboratory experience to be familiar with the GMP Code.

(King IV™ - Principles 1 to 16)



ASSOCIATES

AYO

R160m

PROFIT FROM DISCONTINUED
OPERATIONS

BT

R58m

PROFIT BEFORE
TAX

AYO TECHNOLOGY SOLUTIONS LTD (AYO)



KEY FACTS

AEEI's subsidiary, AYO Technology Solutions Ltd (AYO), was successfully listed on the main board of the JSE on 21 December 2017 as a leading B-BBEE information and communication technology (ICT) company in South Africa, with strong management expertise and a sound track record. The AEEI Group now holds 49.36% equity in comparison to 80.03% prior to AYO being listed. During the interim period under review, the AEEI Group relinquished control of AYO, resulting in the division becoming an associate in August 2018 without Board control. This investment has been accounted for as an associate as at 24 August 2018.

The current improving market conditions and the regulations pertaining to B-BBEE have set AYO in good stead to capture the growing ICT spend across the South African market. The ICT associate is currently servicing customers in southern and northern Africa, Europe and Mauritius. Its strategic alliance with BT Communications Services South Africa (Pty) Ltd (BT) provides it with access to global technology trends as well as access to the global market.

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

As a B-BBEE ICT Company, AYO offer numerous end-to-end solutions to a host of industries. AYO was established in 1996 and has evolved over time through continually adapting to the local and international ICT landscape. The process of adaptation was enabled by acquiring new businesses, partnerships and sourcing innovative technology within its existing portfolio.

AYO, through its divisions, subsidiaries and partners, provides business solutions to both the public and private sectors within South Africa and abroad, with its private sector client base comprising mostly blue-chip multinationals. AYO maintains strong relationships and holds key value-added reseller and/or supplier agreements with principles such as Nokia Siemens Networks South Africa (Pty) Ltd, InterSystems Corporation, Cisco Systems, Microsoft Corporation, IBM and Riverbed Technology Inc., which provides AYO with continuous access to the latest technology.

AYO has a strategic relationship with BT. Solutions include optimised and integrated healthcare ICT solutions; network services; collaboration services, including Immersive Telepresence, Managed local area network (LAN) and information processes and technology (IPT) Services, System Integration, Enterprise Security Management, Converged Infrastructure, Enterprise Storage Management, Efficiency and Waste Management, Audio Technology Provider and Unified Communications; mobile solutions; strategic digital services; and asset tracking.

ASSOCIATES - continued

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

- **Health System Technologies** – ICT solutions to the healthcare industry, such as hospitals; primary healthcare, laboratory and pharmacy information systems; electronic health records; continuity of care records and telemedicine, backed by the necessary professional services, such as consulting, system architecture design, system integration, business intelligence and development of bespoke software solutions.
- **Software Tech Holdings** – offers an integrated range of services, including software engineering, business intelligence, professional services, usability and design.
- **Afrozaar** – a software consulting and product development business focused on the development of innovative software products in the mobile, digital and cloud environments. Afrozaar is fast becoming a leader in digital transformation of traditional media and brand groups around how they value their digital processes, assets and respective audiences.
- **Digital Matter** – an IT specialist focusing on mobile application development including mobile inspection management, fixed asset management, and solutions for clients in mobile field services, technician management, franchise evolution, mobile banking and plant commissioning.
- **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. It also provides 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 the telecommunications and consumer electronic markets. Headset Solutions is the distributor for all Plantronics and 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.

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

The AYO Group is very 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's own products and services into local and international markets. By extending their footprint into other parts of Africa and replicating their successes, AYO 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.

Further information on this associate investment can be found on www.ayotsl.com.

ASSOCIATES - continued

BT COMMUNICATIONS SERVICES SOUTH AFRICA (PTY) LTD



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

BT has been present in South Africa for more than 18 years and is continuing to expand its operations in sub-Saharan Africa. BT entered into an agreement with AEEI, under which AEEI holds a 30% equity interest 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.

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

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, healthcare, media and broadcast, and transport and logistics sectors.

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

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

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

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

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

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

Further information on this strategic investment can be found on www.bt.com/globalservices.

BT is one of the world's leading communications services companies. They serve the needs of customers in the UK and in 180 countries worldwide. Their main activities are the provision of fixed-line services, broadband, mobile and TV products and services as well as networked IT services. Further information can be found on www.globalservices.bt.com/uk/en/aboutus.



STRATEGIC INVESTMENTS

SAAB GRINTEK DEFENCE (PTY) LTD



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

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

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

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 and 2014. 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 Saab intends to maintain and expand its successes including India, Asia Pacific and Europe. On the continent, markets of focus include Namibia, Botswana, Kenya, Ghana and Nigeria, while the Company's solutions and services are at home in many nations beyond these.

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

With more than 800 employees across two campuses in Pretoria and Cape Town, the Company represents the second largest of Saab's workforces worldwide out of the 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/saabafrica.

STRATEGIC INVESTMENTS - continued

PIONEER FOODS GROUP LTD



Pioneer Foods Group Ltd (Pioneer Foods) is one of the largest South African producers and distributors of a range of branded food and beverage products. The Pioneer 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.

Pioneer Foods was established in 1997 and listed on the JSE in 2008. It has three main divisions:

ESSENTIAL FOODS	GROCERIES	INTERNATIONAL
Essential Foods manufactures wheat and maize products and 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.	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.

The equity-accounted, joint venture investments based in South Africa, Nigeria, Botswana and Namibia 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.

STRATEGIC INVESTMENTS - continued

SYGNIA LTD



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

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

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

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

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

SYGNIA AT A GLANCE

- R181bn 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
- Offices in Cape Town, Johannesburg and Durban
- Over 200 employees
- Market disruptor business strategy
- Focus on innovation through technology
- Most cost-effective savings products in South Africa, with fees starting at 0.35% (excluding VAT) per annum (global balanced funds range)

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