

RESPONSIBLE INVESTMENTS

153 FOOD AND FISHING

153 Premier Fishing SA (Pty) Ltd

163 TECHNOLOGY

163 Sekunjalo Technology
Solutions Ltd

**174 HEALTH AND
BIOTHERAPEUTICS**

174 Wynberg Pharmaceuticals
(Pty) Ltd

184 Genius Biotherapeutics

194 EVENTS AND TOURISM

194 espAfrika (Pty) Ltd

202 Tripos Travel (Pty) Ltd

209 Magic 828 (Pty) Ltd



FOOD AND FISHING

CONTRIBUTION TO
REVENUE

R402m

CONTRIBUTION TO
OPERATING PROFIT

R75m

PREMIER FISHING SA (PTY) LTD (PREMIER FISHING)

KEY FACTS

CHIEF EXECUTIVE OFFICER | MS Saban

BOARD OF DIRECTORS | K Abdulla, MS Saban, CF Hendricks, AB Amod, TT Hove, C Ah Sing and S Young

EMPLOYEES | 382

HEAD OFFICE | V&A Waterfront, Cape Town

FOOTPRINT | Port Nolloth, Northern Cape, Western Cape, Overberg Region, Humansdorp, Saldanha Bay, Hout Bay, the USA, Asia and Europe

PROFILE

Premier Fishing is the largest black-owned and -controlled fishing Company in the South African fishing industry and has been in existence since 1952. Premier Fishing has four operating divisions, two subsidiary companies and a number of joint venture operations. Premier Fishing is a vertically integrated Group which specialises in the harvesting, processing and marketing of fish and fish-related products.

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

FOOD AND FISHING - continued

2016 OPERATIONAL PERFORMANCE

During the current year, Premier Fishing's four main operating divisions delivered excellent growth in revenue and operating earnings.

Despite low economic growth, the Premier Fishing Group's performance was ahead of budgeted expectations by 40%. Excellent results for the period was achieved through an efficient cost-base structure, improved performance across the divisions, cost containment initiatives and good catch rates. This resulted in good pricing achieved for products, positive revenue growth from the prior year as well as increased net profit compared to the prior year.

The Abalone division has once again returned strong sustainable revenues as well as improved net earnings year on year. Good growth rates were experienced on the farm in line with Premier Fishing's management's expectations. The market demand for the product remains strong and good pricing was achieved due to the current sales mix.

VISION 2020 VISION – PREMIER FISHING'S CONTRIBUTION

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

Premier Fishing is on target to achieve its Vision 2020 Vision goals. Their financial target is to exceed R700m in revenue and R100m in EBITDA by 2020.

2016 Achievements to date include:

- Completion of the live packing facility;
- Growth of outside quota holders in both lobster and wild abalone;
- Installation of phase 1 of renewable energy;
- Enhanced planning to increase catch rates;
- Efficient cost base;
- Increased enterprise initiatives; by assisting small businesses to grow and add value to their communities; and
- Delivered sustainable returns to shareholders.

PROSPECTS AND FUTURE OUTLOOK

Premier Fishing is well positioned for growth over the next three years to unlock shareholder value and to raise capital to invest into the future of the business. Premier Fishing is committed to further improving operating efficiencies and profitability.

Premier Fishing's trusted brands and high-quality products and services have been developed over many years and remain sought after by their customers.

Going forward, Premier Fishing will focus on the following prospects through either organic or acquisitive growth in reaching their Vision 2020 Vision goals:

- Expansion of the abalone farm through a phased approach once the Environmental Impact Assessment has been completed, commencing with phase 1 in 2017;
- Further installation of renewable energy through a phased approach;
- Acquisition of small- to medium-sized fishing companies;
- Farming their own mussels and oysters;
- Construct/acquire a processing facility;
- Construct/acquire a canning factory;
- Continuous growth of outside quota holders;
- Explore other growth opportunities present in the market;
- Product diversification to further penetrate foreign markets; and
- Procurement of fish species for local and international markets and enhance marketing capacity.

Premier Fishing's existing fishing quotas are a key component of its business and securing and growing their fishing quotas is the main focus in the short to long term. Premier Fishing's west coast rock lobster fishing rights were up for renewal in November/December 2015 and they await the outcome of these applications. The south coast rock lobster, small pelagic and hake fishing rights are up for renewal in the year 2020.

There has been a focus on aquaculture in the fishing industry in order to increase output of fish stocks and ensure sustainability of the resource. Premier Fishing has recognised this opportunity and invested in abalone farming

and is currently planning on increasing its production capacity at its abalone farm. Phase 1 of the new abalone farm development will commence in the 2017 financial year. Premier Fishing has also identified an opportunity to invest in Mussel and Oyster farming. This will ensure further sustainability in terms of earnings and profits.

Premier Fishing has aligned its business model to ensure that its business structure, processes and objectives are aligned to the requirements of performance targets for the fishing quotas as set out by the Department of Agriculture, Forestry and Fisheries.

OPERATIONAL FOOTPRINT

Premier Fishing has operations in Port Nolloth, Northern Cape, Humansdorp, Saldanha Bay, Hout Bay and Gansbaai, the USA, Asia, Europe and the United Arab Emirates.



PRODUCTS/BRANDS

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

BRAND IDENTIFICATION:



SEA DIAMOND



Detailed information about Premier Fishing's business model, stakeholders, risks and governance is available on the website at www.aeei.co.za.

FOOD AND FISHING - continued

PREMIER FISHING PRODUCT PORTFOLIO

- **Lobster** – They catch, process and market two types of lobster species, viz. west coast and south coast rock lobster. Their lobster is marketed through its widely recognised South Atlantic Lobster brand across many countries and is sold to the USA and Europe and their west coast rock lobster is sold into Asia, Europe, USA and South Africa. They have contracts with independent rights holders to market their west coast rock lobster. They operate four south coast vessels and two west coast vessels. All their facilities are HACCP and FDA approved.
- **Abalone** – They have an abalone farm situated in Gansbaai. Live, dried, wild and canned abalone is marketed to the Asian market through their widely recognised Atlantic Abalone brand.
- **Small pelagic** – Their small pelagic fish (anchovy and pilchards) is sold to canning and fishmeal factories situated in local communities. They operate a fleet of three vessels in this sector.
- **Squid** – Their squid is marketed through their widely recognised Sea Diamond brand. They are suppliers of frozen squid to the European markets. They operate three squid vessels and also have a joint operation in this sector with an independent rights holder.
- **Hake** – They have a joint venture operation with an independent rights holder in this sector and their hake is sold to the European markets.
- **Organic fertiliser** – They produce and market organic liquid fertiliser, which is made from fish oil. The organic fertiliser is marketed under the Seagro brand and is sold in retail outlets throughout South Africa and the United Arab Emirates.

BUSINESS MODEL

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

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

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

The Premier Fishing Group continues to:

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

GOVERNANCE

Through the application of policies and structures implemented within the AEEI Group, Premier Fishing complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles in the current period. Key employees are also provided with regular training on the ever-changing regulatory environment to ensure that all staff are fully informed and that the Premier Fishing Group adheres to all the regulations and laws pertaining to their business operations.

STRATEGIC PLANNING AND MONITORING

Premier Fishing 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, Premier Fishing also empowers communities in which it operates. This is achieved through the transfer of skills and technical knowledge in terms of

devising catch and marketing plans to smaller, black-owned fishing companies and small-scale fishers. They promote preferential procurement from small, black-owned companies.

The Board of each business unit in Premier Fishing 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 Fishing 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 Fishing Group's strategy, is lawful, contributes to the Company's sustainability and will not be harmful to any stakeholders and/or the environment.

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

ECONOMIC SUSTAINABILITY

Premier Fishing aims to deliver good and sustainable returns to all of its stakeholders. They have defined a number of targets to measure their performance. They continually monitor their progress against these targets and, when necessary, revise them to take into account changes in the business environment.

MEASURE	2016 ACTUAL	2016 TARGET	2015 ACTUAL	2015 TARGET
Operating profit %	16%	12%	17%	10%
Current ratio	2.30 : 1	1.50 : 1	1.74 : 1	1.50 : 1
Solvency ratio	41%	25%	46%	25%

CATCH RATES

SPECIES	2015/2016 QUOTA ALLOCATED	2015/2016 % LANDED	2014/2015 QUOTA ALLOCATED	2014/2015 % LANDED
SCRL (kg)	136 803	116 803	141 025	80%
WCRL (kg)	90 012	70 500	85 664	100%
WCRL - OSQH (kg)	131 704	102 016	101 822	86%
Sardine (tons)	4 821	3 078	6 184	50%
Anchovy (tons)	22 507	14 865	28 584	47%
Hake trawl (tons)	702	702	720	-
Hake longline (tons)	56	56	54	-
Squid (kg) - effort basis				

* Note: The seasonal nature of the fishing industry does not tie in with the financial year.

FOOD AND FISHING - continued

ENVIRONMENTAL SUSTAINABILITY

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

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

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

SOCIAL SUSTAINABILITY

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

For Premier Fishing, 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 Fishing to implement a social contract between business, government and civil society.

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

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

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

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

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

KEY CHALLENGES AND RISK MANAGEMENT

Premier Fishing 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.

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

KEY CHALLENGES

REGULATIONS AND LEGISLATION	COMPETITION FROM OTHER COMPANIES	STAFF SKILLS AND RETENTION	TOTAL ALLOWABLE CATCHES (available fish stocks)	PRODUCTS
<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. 	<ul style="list-style-type: none"> The Group exports the majority of its products and therefore the Group is faced with competition from both local and international companies who have critical mass and funding. This also has an effect on the market prices obtained for the Group's products. 	<ul style="list-style-type: none"> The industry in which the Group operates requires skilled and experienced staff thus staff retention is a key challenge. Limited resources of high-quality personnel make staff mobility one of the highest risk factors. 	<ul style="list-style-type: none"> The Group's quota allocations are dependent on the total allowable catches as determined by scientists and the Department of Forestry, Fishing and Agriculture. The Group is faced with a challenge of declining fish stocks and ultimately declining quota allocations. 	<ul style="list-style-type: none"> Ensure products are safe and consistent with quality and brand of Premier Fishing.

FOOD AND FISHING – continued

RISKS

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
<ul style="list-style-type: none"> 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"> Premier Fishing are members of all the associations in the fishing sectors that they operate in. They are committed to assisting government by complying with the strict compliance of fishing methods in terms of their allowable catch allocated to them to ensure that the fishing resources can rebuild and maintain its sustainability for the future. The Group acquires fish from small right holders thereby reducing the impact of reductions in total quota allocations for the Group.
<ul style="list-style-type: none"> Employees 	<ul style="list-style-type: none"> Expectation of a significant wage increase. Health and safety 	<ul style="list-style-type: none"> The Group is involved in constant negotiations with trade unions to ensure that the Group and its employees enter into sustainable wage agreements. Constant health and safety training is provided to all employees.
<ul style="list-style-type: none"> The risk that the Group's abalone stock might be infected by diseases. 	<ul style="list-style-type: none"> This might result in loss of business as the Group would not be able to supply its customers. 	<ul style="list-style-type: none"> The 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.

STAKEHOLDER MANAGEMENT

Premier Fishing recognises the importance of constant engagement with stakeholders. The principal stakeholders for the Premier Fishing Group are shareholders, employees, customers, suppliers, regulatory authorities, trade unions, government and local communities.

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

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> Shareholders 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Customers 	<ul style="list-style-type: none"> Consumers of Premier Fishing'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 the legal paperwork from the relevant authorities in place Ensure that products are safe and consistent with the quality and brand of Premier Fishing Ensure that they 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
<ul style="list-style-type: none"> Suppliers 	<ul style="list-style-type: none"> 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 BBBEE 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 BBBEE Negotiate, manage and conclude contracts Timeous payment
<ul style="list-style-type: none"> Regulatory authorities such as SARB, SAMSA, MCM and NCRS Accreditation: HACCP, FDA, SABS, NCRS 	<ul style="list-style-type: none"> 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 staff responsible for compliance with various regulations by the respective authorities Internal control procedure checklist to ensure compliance with respective laws and regulations Immediate corrective action noted in the event of findings raised by authorities Participation in industry working groups Meeting with industry regulators

FOOD AND FISHING – continued

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> Trade unions 	<ul style="list-style-type: none"> Employee representation 	<ul style="list-style-type: none"> Engagement of the parties Addressing of grievances negotiation 	<ul style="list-style-type: none"> Communicating to employees via employee forums Engaging with unions via recognised industry bodies
<ul style="list-style-type: none"> Health and safety 	<ul style="list-style-type: none"> 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 staff 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
<ul style="list-style-type: none"> Government and regulatory authorities 	<ul style="list-style-type: none"> Promulgate and monitor regulations and legislation 	<ul style="list-style-type: none"> Compliance with laws and regulations of authorities 	<ul style="list-style-type: none"> 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

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

Premier Fishing has various incentive schemes in place in order to retain talented and experienced staff. Premier Fishing's policy requires all staff to belong to their pension or provident fund in order to plan for their retirement and medical insurance is compulsory.

ACRONYMS

EU	European Union
FAWU	Food and Allied Workers Union
FDA	Food and Drug Administration
HACCP	Hazard Analysis and Critical Points Control
MCM	Marine Coastal Management
NCFWU	National Certified Fishing and Allied Workers Union
NCRS	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



TECHNOLOGY

CONTRIBUTION
TO REVENUE

R217m

CONTRIBUTION TO
OPERATING PROFIT

R38m

SEKUNJALO TECHNOLOGY SOLUTIONS LTD (SEKUNJALO TSL)

KEY FACTS

CHAIRMAN | K Abdulla

BOARD OF DIRECTORS | K Abdulla, C Ah Sing, CF Hendricks, N Gamielien, AB Amod and TT Hove

EMPLOYEES | 203

HEAD OFFICE | V&A Waterfront, Cape Town

FOOTPRINT | South Africa, the UK, the USA, Dubai, Nigeria, Tanzania, Ghana, Zambia, Uganda, Cameroon, Australia, Zimbabwe, Namibia

PROFILE

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

Sekunjalo TSL offers a range of ICT solutions well suited to the health care industry, hospital information and laboratory systems, pharmacy information systems. This is backed by the necessary professional services such as consulting, technical expertise, professional

services, system integration, engineering of bespoke solutions, business intelligence, software development and engineering. Included in this sector is mobile inspection management, mobile field service, property inspections, franchise evaluations, cloud solution architecture, mobile banking and commissioning. Digital marketing, digital content redistribution for the publishing and media industry as well as commercial, industrial and agricultural solar PV solutions are included in this sector.

Sekunjalo TSL companies have international partnerships with leading technology suppliers, including InterSystems Corporation, JAC (UK), Microsoft and Fujitsu Computers.

TECHNOLOGY - continued

2016 OPERATIONAL PERFORMANCE

The Sekunjalo TSL Group is in the Top 3 ICT integrator in Africa and holds 25% of the market share in the public hospital sector. They have developed their in-house hospital information system as well as long-term Value-Added Reseller Agreements with international partners. They have an exceptional track record with successful implementation in hospitals and laboratories across the country as well as servicing blue-chip clients.

Despite low economic growth, the Sekunjalo TSL Group's performance was ahead of budgeted expectations yielding a 15% increase in operating profit. With the completion of the laboratory implementation in one of the business units during the financial year, they switched to maintenance income for the remainder of the year. This will continue into the next financial year with sustainable annuity revenue being generated from their Service Level Agreements.

VISION 2020 VISION – SEKUNJALO TSL DIVISIONAL CONTRIBUTION

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

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

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

2016 Achievements to date include:

- Penetrated the African market outside of South Africa, with the implementation of Laboratory Information Systems in Tanzania and a procuring a consulting engagement on telemedicine in Ghana;
- Extended business outside of South Africa by signing a support agreement on health care solutions in Dubai;
- Raised the profile in the South African Public Sector by working with the Council for Scientific and Industrial Research on integrating patient data at national level in preparation for the National Health Insurance;
- Embarked upon a modernisation drive for existing systems in the Western Cape to ensure longevity and sustainability of systems;
- Formed a joint venture company to market state-of-the-art telemedicine solutions as part of the strategy to expand on its product range and services;

- Developed and sold new products which include rail tracking solutions and mobile applications;
- Constantly achieved more than 95% compliance on Service Level Agreements with customers;
- Improved processes and procedures improved resulting in increased sales;
- Controlled costs on project and supply chain management;
- Further expand into Africa – entrenched as supplier to African subsidiary of a major mobile operator – achieved in Cameroon, Ghana, Zambia and Uganda;
- Renewal of key contracts at major customers and expansion of footprint to increase customer base across the IT Group;
- Closed Rail Tracking Project for customer in the petrochemical vertical;
- Reinvested in new and existing product development associated with digital publishing; and
- Ongoing roll-out of digital transformation of print sales team at major publishing Group.

PROSPECTS AND FUTURE OUTLOOK

The Sekunjalo TSL 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, will ensure better margins with resulting profitability. Increasing revenue is generated through the launch of their own products and services into local and international markets. By extending their footprint into the South African Public Health and Private Sectors and replicating their successes in other parts of Africa, this will ensure the sustainability of the Sekunjalo TSL Group's businesses. As a medium-term opportunity provide implementation services to first-world countries such as Australia and the UK. Opportunities are actively pursued to increase their market reach through partnerships and are culturally aligned with complementary businesses.

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

- Reducing dependence on the South African economy by investing in structures to expand activities into Africa. This strategy is aligned with the concept of South Africa being a gateway into Africa with the intention of using the most appropriate South African and imported products to meet the needs of their customers in Africa.
- Increasing the amount of business in the private sector and other African customers in order to spread the risks arising from slow and erratic payments by government customers as well as the long intervals between issuing of tenders for large new ICT projects.
- Continued organic growth coupled with acquisitive growth of complementary businesses and the acquisition and/or development of additional products.
- Rewrite of InspectionOne Mobile in Android.
- Ongoing roll-out of digital transformation of print sales team at major publishing Group.

In the medium term:

- Providing products and services into selected African countries;
- Acquiring and developing their own IP;
- Increasing annuity revenue through the launch of their own products and services;
- Creating search engine marketing;
- Creating new product opportunities to existing clients;
- Tailoring their software to be globally competitive;
- Launch initiatives to feed their renewable energy solutions provider; and
- Increasing market reach through partnerships and acquisitions.

In the long term, Sekunjalo TSL needs to ensure that it remains relevant in its various sectors by investing in research and development. Providing niche products and services into selected African countries is seen as a major opportunity. They intend to grow their renewable energy solutions provider business and to position the Company as one of the leaders of renewable energy solutions providers in the country.

OPERATIONAL FOOTPRINT

The Sekunjalo TSL Group has a service delivery footprint in all the cities of South Africa and has expanded into the UK, the USA, Dubai, Tanzania, Ghana, Nigeria, Zambia, Uganda and Cameroon.



TECHNOLOGY - continued

PRODUCTS/BRANDS

Through their various business units, they work closely with the following brands:

- InterSystems Corporation who is an internationally renowned manufacturer of Database Technology and Health IT solutions;
- JAC Medicines Management is a world leader in the space of Medicines Management Software with large implementations across the UK;
- British Telecoms South Africa – project completed in Ghana; and
- SYSPRO ERP Software – implemented in the Western Cape.

BRAND IDENTIFICATION:



Detailed information about Sekunjalo TSL Group's business model, stakeholders, risks and governance is available on the website at www.aeei.co.za.

BUSINESS MODEL

Sekunjalo TSL's business model continually seeks innovative ways to sustain its existing businesses by adapting to changing environments through their acquisitions and new business development approach where at its core; there is a social contract for responsible business between it and society.

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

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

GOVERNANCE

Through the application of policies and structures within the AEEI Group, the Sekunjalo TSL 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 current period. The continued training and exposure of employees to the ever-changing regulatory environment and regulations of the Companies Act ensure that all employees are fully informed of their responsibilities.

STRATEGIC PLANNING AND MONITORING

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

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

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

The Board of each business unit in Sekunjalo TSL 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 Sekunjalo TSL Group ensures that there is a senior manager or the Board itself reviewing each key business transaction/initiative to ensure that key business activity is aligned with the Sekunjalo TSL Group strategy, is lawful, will contribute to the Company's sustainability and will not be harmful to any stakeholders and/or the environment.

ECONOMIC SUSTAINABILITY

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

TECHNOLOGY - continued

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

ENVIRONMENTAL SUSTAINABILITY

The various business units in which Sekunjalo TSL operates is not considered to make particularly heavy demands on the natural environment in which their community stakeholders live. Management is consistently mindful of reducing CO₂ emissions, reducing paper usage and appropriate electronic waste disposal in operating decision-making.

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

SOCIAL SUSTAINABILITY

Sekunjalo TSL subscribes to a sustainable approach in conducting its business.

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

The Sekunjalo TSL Group is well aware of the critical role that a business has to play in the upliftment and development of the previously disadvantaged majority. It is for this reason that they give back to the communities in which they operate by contributing to the following initiatives:

- Implementation of recruitment policies that encourage the recruitment of appropriately skilled, previously disadvantaged individuals;
- Development of staff within the various business units and to grow human capital;
- Implementation of learnerships to assist with elevating the skill levels of previously disadvantaged individuals;
- Financial and in-kind contributions to the development of various early childhood development, youth centres and adult teacher training;

- Organisational involvement and sponsorship of start-up workshops held annually;
- Partnership with the University of Cape Town's Commerce Faculty to provide relevant, updated course content for their second-year students;
- Participation on the University of the Witwatersrand Information Systems industry advisory board to contribute to the industry relevance of university course content;
- Investment in a number of emerging, black-owned technology enterprises at an enterprise development level through business incubation programmes;
- Learning programmes within the digital space;
- Partnership with the Cape Peninsula University of Technology to provide mentorship and collaborate with previously disadvantaged individuals.

The Sekunjalo TSL Group is an active member of SETA and strongly believes in internal training and development. During the year under review, staff attended seminars and training programmes in their relevant areas to further grow and develop.

With the changes in the new BBBEE codes, each business unit continually strives to meet and exceed the benchmarks set by the BBBEE codes of good practice.

TECHNOLOGY - continued

KEY CHALLENGES AND RISK MANAGEMENT

KEY CHALLENGES

At present, their strategic focus is aimed at overcoming the following potential challenges:

EMPLOYEE SKILLS
AND RETENTION

- This remains the key challenge, as experience and reputation are critical factors in influencing the market.
- High levels of demand and international portability of skills, together with inadequate maths and science education at school level all contribute to a high degree of scarcity of key technical skills.
- Limited resources of high-quality personnel make employee mobility one of the highest risk factors.

TECHNOLOGY

- ICT products are evolving and investment is required to develop and acquire new innovative products to remain relevant when compared against competitors' and meeting the ever-increasing client expectations.
- 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.
- Ensuring that technology remains relevant for end-users, addressing areas such as cloud computing, mobility and, at the same time, keeping abreast of integration into increasingly sophisticated medical equipment modules.

EXTERNAL
ENVIRONMENT

- The increasing price of energy both for travel and electrification is an external environment trend that drives demand for more energy efficient ICT hardware and the use of collaboration tools. These factors are a consideration in all of their ICT hardware supplied and the operations of their businesses.
- The current decline on health ICT spending by government is a challenge, which is mitigated by developing opportunities in other sectors.
- The general economic slowdown has created pressure on rates for services, putting margins under increasing pressure.
- Many large companies are insourcing their digital marketing function.
- The industry being open to both local and international companies is highly competitive and the biggest challenge is competing with companies who have critical mass and funding.

EMPLOYEES AND
COMMUNITY

- The business units focus on the development of individuals.
- Creates opportunities for scarce skill areas for the broader community.

ECONOMIC
CONDITIONS

- The general economic slowdown has created pressure on rates for the services, hence putting margins under increasing pressure.
- Some clients operate in the Petrochemical sector and the depressed oil price has impacted capital expenditure on new projects.
- Renewable energy systems require a large investment upfront with most of the solutions being imported – the volatility of the rand also impacts operations.
- The price of electricity has a direct influence on savings which the renewable energy systems are able to deliver.
- Legal requirements regarding power generation is constantly evolving and could be a threat on the industry.

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

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
<ul style="list-style-type: none"> Acquire products and intellectual property 	<ul style="list-style-type: none"> Continuous dependence on third-party suppliers for software products 	<ul style="list-style-type: none"> Their strategy is to complement the software offering by: <ul style="list-style-type: none"> acquiring controlling equity in other companies with appropriate software; and internally developing their own IP Negotiate rand-based pricing with international suppliers
<ul style="list-style-type: none"> Slow-down of public sector expenditure on IT 	<ul style="list-style-type: none"> No new growth opportunities in the public sector in the short term 	<ul style="list-style-type: none"> Pursue expansion on the range of products and customers
<ul style="list-style-type: none"> Dependence on major customers Loss of major project at a key client 	<ul style="list-style-type: none"> Potential reduction in revenue Employee loss 	<ul style="list-style-type: none"> Pursue extension of client base by: <ul style="list-style-type: none"> expansion into Africa; and acquiring other companies with an existing client base Diversified project mix and customer base resulting in risks being mitigated through long-term support and maintenance agreements
<ul style="list-style-type: none"> Impact on market positioning through lower BBBEE rating as new codes are implemented 	<ul style="list-style-type: none"> Potential loss of new business Limited access to new opportunities 	<ul style="list-style-type: none"> Tactical items implemented during the financial year and strategic planning for further improvement in 2017 taking into account the impact of the new BBBEE codes Focus on charter requirements to retain or improve current rating
<ul style="list-style-type: none"> Key technical resources 	<ul style="list-style-type: none"> Product modules, implementation support and product growth and stability 	<ul style="list-style-type: none"> Recruit senior staff to learners and drive delivery in parallel
<ul style="list-style-type: none"> Employees retention 	<ul style="list-style-type: none"> Relationships may be affected together with delivery and associated contractual obligations may be compromised 	<ul style="list-style-type: none"> Investigate share option scheme

TECHNOLOGY - continued

STAKEHOLDER MANAGEMENT

The Sekunjalo TSL Group recognises the importance of constant engagement with stakeholders. The principal stakeholders for the Sekunjalo TSL Group are shareholders, employees, customers and suppliers.

A key element of their strategic planning process is the documenting of the values and the culture of their business units.

Stakeholder-oriented values include:

- honesty and integrity;
- passion for customers;

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

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

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> • Shareholders 	<ul style="list-style-type: none"> • Owners of the business 	<ul style="list-style-type: none"> • Integrity • Shareholder wealth creation • Ethical business practices • Regular communication 	<ul style="list-style-type: none"> • Sound corporate governance rules are implemented in the business
<ul style="list-style-type: none"> • Customers 	<ul style="list-style-type: none"> • Recipients of services rendered by the Group 	<ul style="list-style-type: none"> • Timely and high-quality professional delivery of quality goods and services • Competitive pricing • Innovation and strategic advice 	<ul style="list-style-type: none"> • Employ formal project management methodology • Best practice processes to ensure professional, timeous delivery of the contracts, in budget and to the anticipated quality standards • Direct contact with major customers locally and internationally • Innovative solutions and strategic advice • Active management of key accounts • Compliance with laws, regulations and legislation
<ul style="list-style-type: none"> • Suppliers 	<ul style="list-style-type: none"> • Procurement of goods and services 	<ul style="list-style-type: none"> • Ethical business relationships • Commitment to BBBEE policies • Prompt payment 	<ul style="list-style-type: none"> • Ensure that business is conducted with other reputable businesses as per the Code of Ethics • Ensure that they support the policy on BBBEE • Negotiate, manage and conclude contracts • Timeous payment • Ensure compliance with agreed contractual terms relating to intellectual property ownership

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Communities	<ul style="list-style-type: none"> Assistance is provided by the Company to the communities 	<ul style="list-style-type: none"> Provide assistance to black businesses to help them grow and succeed Provide assistance to the community 	<ul style="list-style-type: none"> Assist enterprise development beneficiaries with regard to strategy, training, marketing and skills transfer Involvement in community projects
Employees	<ul style="list-style-type: none"> Employees of the Company 	<ul style="list-style-type: none"> Develop human capital Foster growth, productivity and well-being of the employees Sustainable employment Competitive salary Stimulating, cutting-edge project work 	<ul style="list-style-type: none"> Provident Fund ICT Group Risk Insurance (linked to the provident fund) Employment equity policies and procedures Skills development policies and procedures A disciplinary code Employee retention programmes Clear KPIs for performance review and development planning Regular open forums for discussion Open-door policy for communication at all levels
Regulatory authorities	<ul style="list-style-type: none"> Comply with regulations, best practices, laws and legislation 	<ul style="list-style-type: none"> Compliance with laws and regulations of authorities 	<ul style="list-style-type: none"> Training of employees responsible for compliance with regard to various regulations by authorities Internal control procedure to ensure compliance Immediate corrective action noted in the event of findings raised by authorities Participation in industry working groups Meeting with industry regulators
Government	<ul style="list-style-type: none"> Comply with laws, regulations and legislation 	<ul style="list-style-type: none"> Compliance with laws and regulations of authorities 	<ul style="list-style-type: none"> Comply with all the laws of South Africa with particular emphasis on the labour and tax laws

REMUNERATION

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

The Sekunjalo TSL Group has various incentive schemes in place in order to retain talented and experienced staff.



HEALTH AND BIOTHERAPEUTICS

CONTRIBUTION TO
REVENUE

R4m

OPERATING LOSS

R8m

WYNBERG PHARMACEUTICALS (PTY) LTD (WYNBERG)

KEY FACTS

EXECUTIVE MANAGER | Dr A Sidar

BOARD OF DIRECTORS | K Abdulla, C Ah Sing, CF Hendricks and AB Amod

EMPLOYEES | 8

HEAD OFFICE | V&A Waterfront, Cape Town

FOOTPRINT | Western Cape

PROFILE

Wynberg supplies an extensive range of natural, chemical-based products that are human, animal and plant safe, as well as internationally recognised and certified in terms of the British Standards, European Standards (BS ES), UK, and the National Regulatory Compulsory Specifications (NRCS) in terms of the National Regulator for Compulsory Specifications Act, 2008 (No. 5 of 2008), South Africa, as well as the Department of Agriculture, Forestry and Fishing (DAFF) certification and registrations.

The products are registered and manufactured locally and are used in the agricultural, food, and general health and hygiene sectors. Wynberg signed a licensing and joint venture agreement with a UK-based company to manufacture and market an extensive and totally natural range of hygiene and sanitation products into the food and agricultural pre-harvest spray programs and post-harvest packhouse processing sectors. These strategic initiatives enhance the local manufacturing industry to build resources and skills.

As a result of these signed agreements, Wynberg now has the capability to operate in southern Africa and as a global player, established a significant export network.

2016 OPERATIONAL PERFORMANCE

Wynberg increased its market share in the southern region to 5% after three years of research and development and the registration of various products. Their overall financial performance is below budget largely due to the drought in the Western Cape region which reduced the demand for their products.

Diversification into the food sector is critical to reduce the impact of the drought and the cyclical nature of the agricultural market. Wynberg successfully concluded a joint venture and registered a company in South Africa to supply equipment required as an efficient delivery mechanism for their products.

Key to sustainability is the ownership of IP registered product and the right to manufacture locally by agreement. South Africa will be the centre of excellence for future development of the product portfolio and act as the global agricultural centre of field research.

Wynberg, together with Citrus Research Institutes are in their 3rd year of trials to eliminate "Citrus Black Spot" which for the prior two years yielded excellent results.

VISION 2020 VISION – WYNBERG'S CONTRIBUTION

A detailed analysis of the business was done in 2015 with the primary objective of having focused and aligned efforts across the business to deliver on its long-term goals.

A five point strategic plan in line with Vision 2020 Vision was implemented in 2015 with clear deliverables, strategic actions for each strategic level as well as detailing clear time frames.

The following was achieved during the 2016 year:

- Wynberg moved from research to commercialisation of products into the agricultural sector.
- New regulatory submissions to the NRCS are currently in progress. A test trial, after overseas Good Laboratory Practice (GLP) Laboratory "Micro-Challenge" on two ViBacSan products was successful and Wynberg was granted the NRCS Registration Number, by the NRCS for these two products. The timeline for completion of registration by the NRCS is estimated to be the end of 2016.
- The introduction of pre-harvest products to the local market has been extremely successful providing farmers with opportunities to meet international standards on food safety in the export of fruit and vegetables. All registrations with the Department of Agriculture, Forestry and Fisheries 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 the second bullet point above and is used in the processing following harvest and picking. Packhouses are the primary customer and a national agreement has been signed with a distribution company to promote to the farms and packhouses.
- Growth in the food and beverage sector is still in the research and development phase having done projects with bread manufacturers and other fresh product producers to extend the shelf life of products. It is anticipated that this will become commercial in 2017.

HEALTH AND BIOTHERAPEUTICS - continued

PROSPECTS AND FUTURE OUTLOOK

Wynberg developed a platform for growth which is estimated at 25% per annum based on the uptake of the product offering over the next three years. There are no planned acquisitions in the short to medium term and organic growth is expected by increasing market share and penetration into both the pre- and post-harvest markets.

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

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

- Growth of product portfolio for food and beverage – the opportunities to capitalise on their empowered status and successfully attract international and local partners to expand their product portfolio;
- One joint venture is currently under negotiation which will bring new technology and innovative products into the South African economy with cost-effective improvements in food shelf life and quality;
- The food and beverage manufacturing and processing market sector has been delayed for active entry until the 2017 – 2018 fiscal year, due to the intense focus and demand from the agricultural market sector;
- Concluding a joint venture local manufacturing agreement with a UK-based company – this initiative will provide local jobs and require the transfer of new skills to staff;
- Diversity of product portfolio – the diversity of their portfolio and their strategy to manufacture using local companies;
- 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, the food processing and hospitality sectors;
- Retention of business won – in a business environment that is based on a high level of relationship building, the successful retention of business won on this basis is a key measure of their performance; and
- Expand into new markets outside of South Africa.

OPERATIONAL FOOTPRINT

Wynberg's administrative functions which include management, marketing and finance operate under AEEI at the V&A Waterfront offices. Manufacturing is done under agreement with a contract manufacturer in Blackheath, Cape Town. The distribution of product is done under distribution agreements with vendors in the respective sectors.



BRANDS/ PRODUCTS



Detailed information about Wynberg's business model, stakeholders, risks and governance is available on the website at www.aeei.co.za.

HEALTH AND BIOTHERAPEUTICS - continued

BUSINESS MODEL

Wynberg'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 of establishing own manufacturing facilities throughout the country where critical mass has being attained;
 - Appoint local distributors who are active in the markets relevant to the products; and
- 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, Wynberg complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles in the current period. The continued training and exposure of employees to the ever-changing regulatory environment and regulations of the Companies Act ensure that all employees are fully informed of their responsibilities.

The Board of Wynberg approved a formal delegated authority schedule, which informs executive management of the necessary levels of approval for all key business transactions. In this way, the Board of Wynberg 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 their strategy, is lawful, will contribute to their sustainability and will not be harmful to any stakeholders and/or the environment.

STRATEGIC PLANNING AND MONITORING

In applying its business model, Wynberg is focused on becoming the leading black empowered Company in its sector which is completely void of BBBEE Companies in

this market sector. In addition, while providing returns to its investors and making a positive contribution to the provision of bio-agricultural solutions, food manufacturing 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 Wynberg strives to support similar strategies in the rest of Africa.

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

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

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

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

The initiatives taken in Wynberg within the agricultural sector, offers local farmers alternative products to the synthetic chemicals, which are being eliminated through the REACH Accord to which, South Africa is a signatory. In addition, it is now known that Government Gazette regulations for "clean labelling" and the ongoing collaboration with the research and production of food manufacturing and processing will have a positive impact on the sustainable production of food through the use of ViBacSan products which will positively enhance the health of consumers as well as the environmental impact by reducing the use of harmful chemicals in the production

of food. Recent trials have been successful and resulted in the shelf life extension of bread which is one of the staple foods of the lower income groups, as well as at abattoir level, the prevention of fruit decomposition prior to packaging in controlled atmospheric cold storage facilities. This innovative and natural solution will ensure less wastage and longer storage in the supply chain. In following these exhaustive trials Wynberg has ensured that human and environmental standards of safety have met the stringent regulatory standards set.

ECONOMIC SUSTAINABILITY

Wynberg 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.

The involvement of communities in this process will increase the sustainability and increase their profile especially in the agricultural sector where an increase in emerging farmers as reform initiatives start to impact on this sector. Wynberg will continue to diversify their business to compete in key sectors of the total health and agricultural produce delivery system in South Africa and southern Africa and increase their product offering by acquiring innovative new products in the medical, general health care and food safety and agricultural sectors.

ENVIRONMENTAL SUSTAINABILITY

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

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

SOCIAL SUSTAINABILITY

Wynberg subscribes to AEEI's code in this regard and recognises that without the upliftment and involvement of the total population they will not have a viable business environment and they will not achieve their social contract to improve the health service delivery to all their people. The assistance to and support of government initiative for "Emerging Farmers" is an area to which their products are specifically applicable as is the ability to technically support this level of framing practices.

Wynberg has highly motivated employees with the required skills to grow their business in each chosen sector and will continue to develop internal skills and acquire external expertise to bring knowledge and skills to South Africa creating opportunities for the transfer of intellectual property to South Africans.

Their key aims are to:

- Transfer knowledge and skills beyond their own workforce;
- Give the community access to resources that encourages innovation; and
- Support entrepreneurs as they extend their product offering.

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

HEALTH AND BIOTHERAPEUTICS - continued

KEY CHALLENGES AND RISK MANAGEMENT

KEY CHALLENGES

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

REGULATIONS AND
LEGISLATION

- The compliance and demands placed on companies in this highly regulated industry require continuous review of the business capacity and strategy as well as compliance with several regulatory bodies governing agricultural products, public health, safety and Wynberg is fully compliant with all regulatory requirements.

ACQUISITION OF NEW
AND INNOVATIVE
PRODUCTS

- The industry, being open to both local and international companies is highly competitive and the biggest challenge is competing with companies who have critical mass and funding.

EMPLOYEE SKILLS
AND RETENTION

- 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

- 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 innovative products.

EMPLOYEES AND
COMMUNITY

- In meeting these values, Wynberg has at its core the development of both the individual employee and the creation of opportunity for the broader community to participate in the growing economy through SMMEs.

RISKS

Risk management is integrated into Wynberg's business management process. They maintain a risk register, which is compiled and maintained by the executive management, with the risk status and execution of planned actions being reviewed monthly. Wynberg's 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 their business. However, the responsibility for directing the actions necessary to

manage these risks is the responsibility of the Board of Wynberg. 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 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 their overall financial performance.

The following risks have been identified:

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
<ul style="list-style-type: none"> Regulatory constrains 	<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"> Wynberg has employed additional internal resources to manage this risk and develop sound business relationships within the regulatory sector.
<ul style="list-style-type: none"> 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 agrochemical 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"> Wynberg increased its sales and marketing capacity by entering into an alliance with another agrochemical Company. Successful trials and education have increased market acceptance and the recognition of regulatory bodies.
<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> Distribution 	<ul style="list-style-type: none"> Dependence on single distributor 	<ul style="list-style-type: none"> Wynberg reduced its risk exposure by signing additional distribution agreements with distributors who have a national footprint in South African and in Namibia.

HEALTH AND BIOTHERAPEUTICS - continued

STAKEHOLDER MANAGEMENT

The main ministerial or departmental stakeholders are listed below and their business model is based on strong relationships and the dissemination of highly technical information.

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> Employees 	<ul style="list-style-type: none"> 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 Wynberg's success is the skill set of their employees and their ability to operate effectively in this highly competitive environment.
<ul style="list-style-type: none"> Government 	<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> The Department of Health 	<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> Treasury and distribution depots 	<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> The South African Bureau of Standards 	<ul style="list-style-type: none"> 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 have informed all Natural Chemical Manufacturers that they are unable to "Micro-Challenge" the Disinfecting/ Sanitising Products submitted, hence Wynberg now uses a GLP-approved laboratory based in the UK ALS Laboratories.

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> Organised agriculture and the Department of Agriculture, Forestry and Fishing 	<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> Financial institutions 	<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> Distributors 	<ul style="list-style-type: none"> Service providers 	<ul style="list-style-type: none"> They distribute their products into the market effectively 	<ul style="list-style-type: none"> Wynberg relies on distributors to ensure the storage and delivery of their products into the markets.
<ul style="list-style-type: none"> Third-party manufacturers 	<ul style="list-style-type: none"> Contractual manufacture of their products under licence 	<ul style="list-style-type: none"> To produce products that meet specifications and quality standards set contractually 	<ul style="list-style-type: none"> Wynberg uses third-party manufacturers for certain products locally as opposed to buying fully imported products.
<ul style="list-style-type: none"> International and local research bodies and certification authorities 	<ul style="list-style-type: none"> 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"> Wynberg collaborates with international and local research bodies in developing products to have them certified in South Africa.
<ul style="list-style-type: none"> Shareholders 	<ul style="list-style-type: none"> 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

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

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

HEALTH AND BIOTHERAPEUTICS - continued

GENIUS BIOTHERAPEUTICS (GENIUS) (FORMERLY BIOCLONES)**KEY FACTS**

CHIEF EXECUTIVE OFFICER | I Amod

BOARD OF DIRECTORS | K Abdulla, I Amod, C Ah Sing, CF Hendricks and R Latchman

EMPLOYEES | 10

HEAD OFFICE | V&A Waterfront, Cape Town

FOOTPRINT | Cape Town and Centurion, Pretoria

PROFILE

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

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

- Immunotherapy dendritic cell vaccine technology (DCV)
- Erythropoietin production registered as Repotin
- Granulocyte-colony stimulating factor (G-CSF) product development
- Integrated Bioworks (IBW)
 - Producing laboratory reagents
 - MMLV Reverse Transcriptase (RT)
 - Additional lab consumables
- Other niche products
 - Peptide cream

2016 OPERATIONAL PERFORMANCE

Progress has been made across all the projects in the research and development phase. The operational performance depends on their respective timelines and milestones.

A key milestone for the DCV project was the successful submission of the clinical trial protocol to the Medicines Control Council (MCC) in 2016. The evaluation of cell culture technology is in progress with the objective of improving the current production process for the production of erythropoietin which will result in a significant efficient and optimised manufacturing process. A review of contract manufacturing activities is under investigation with the objective of generating short-term income to improve the GMP standards at the Cape Town production facility. Genius recently concluded a partnership agreement for the production of niche products like peptide cream.

Integrated Bioworks (IBW) is the latest start-up business unit in this division which manufactures laboratory enzymes and sells MMLV-RT Reverse Transcriptase (RT) product to research laboratories. Management increased their product offerings to meet the demands for their products.

VISION 2020 VISION – GENIUS' CONTRIBUTION

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

The following was achieved to date:

- Immunotherapy
 - Pre-clinical work on breast cancer was completed with a positive outcome;
 - Submission of a Clinical Trial Protocol to the MCC. Once approval is received from the MCC, phase 1 of human clinical trials can commence.

- Erythropoietin production
 - Infrastructure and facility improvement to meet the MCC audit was completed;
 - The evaluation of cell culture technology is in progress with the objective of improving the current process to increase efficiencies and reduce production risks;
 - Appointment of key personnel: pharmacists, scientists and technicians;
 - Implementation of Quality Management System in progress including Standard Operating Procedures (SOPS);
 - Validation of equipment completed.

PROSPECTS AND FUTURE OUTLOOK

The following prospects have been identified:

SHORT-TERM PROSPECTS:

- For Repotin to re-enter the market by early 2018 and optimising the production process into a pre-filled syringe;
- Secure funds to continue with the G-CSF project at the Ribotech facility;
- Complete the phase 1 human clinical trial in breast cancer patients and pre-clinical work on other diseases;
- Integrated Bioworks to generate revenue from the sale of laboratory reagents and increase its product offering; and
- Based on the phase 1 trial results – accelerate the listing of Genius to obtain the necessary capital to complete phase 2 and 3 trials.

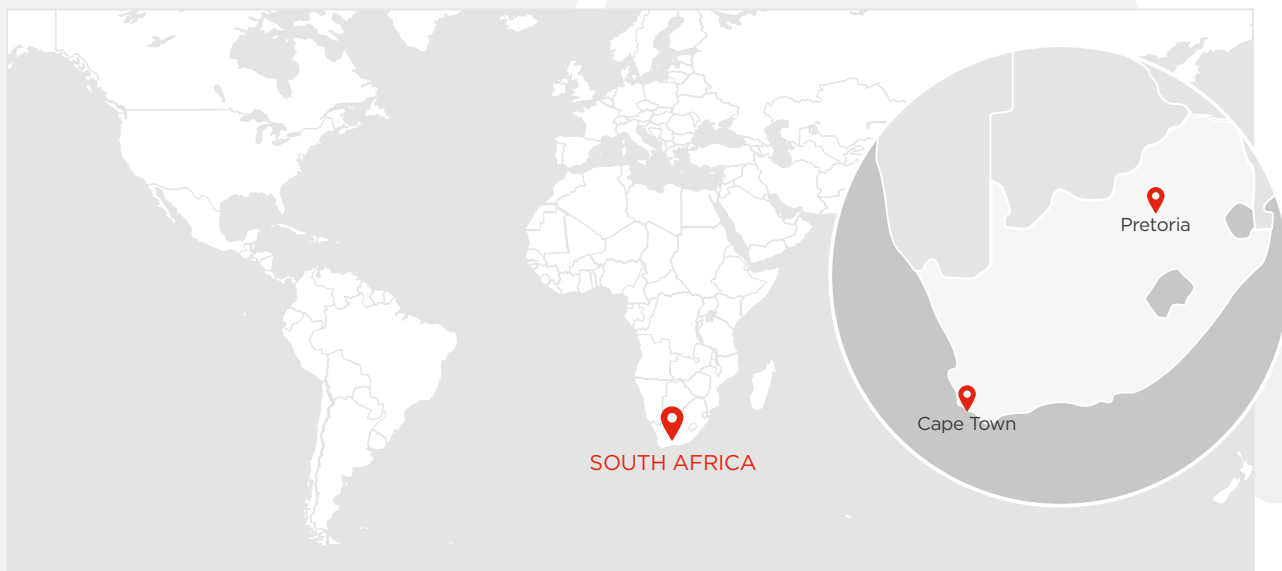
MEDIUM- TO LONG-TERM:

- Optimise and increase the output of Repotin so that it is able to meet market demand and introduce additional formulation strengths to enter the oncology market.
- Introduce an additional range of cosmeceutical products;
- Re-capitalise the reagent business to increase its product pipeline and establish local production;
- Grow a portfolio of new products by increasing research and development; and
- Plan and prepare to list Genius on a foreign stock exchange.

HEALTH AND BIOTHERAPEUTICS - continued

OPERATIONAL FOOTPRINT

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



PRODUCTS/BRANDS

Dendrovac is registered as the commercial brand for the cancer DCV immunotherapy treatment.

Bioclones has two erythropoietin therapeutics registered – Repotin 2000 and Repotin 4000.

Recogen is the registered commercial brand for G-CSF therapeutic.

BRAND IDENTIFICATION:



Detailed information about Genius' business model, stakeholders, risks and governance is available on the website at www.aeei.co.za.

BUSINESS MODEL

Genius operates a production facility based in Centurion, Pretoria for the production of Repotin. The product is used for treating anaemia in patients caused mainly as a result of kidney disease. Repotin acts by increasing the production of red blood cells that help improve the oxygen carrying capacity of the blood in the body. Patients suffering from anaemia due to kidney failure are affected due to lack of EPO released by the kidney. This leads to poor oxygen supply to the body and also affects their normal daily physical activities. Using Repotin as the treatment helps to improve the quality of life of such patients.

Ribotech is a subsidiary of Genius and is based in Goodwood, Cape Town. The drug to be produced at the facility is the second most important biosimilar used in the treatment of cancer patients suffering from neutropenia, a low white blood cell count as a result of chemotherapy treatment.

Genius has a strong pipeline of 22 patent-protected technologies that is focused on the enhancement of cellular immune response in humans. This immunotherapy from the dendritic cell vaccine (DCV) is an example of personalised medicine, where the patient's intrinsic cellular immune response is used for the treatment of cancer. Significant progress has been made in the areas of immunotherapy, which stimulates the body's own immune cells to fight a range of cancers.

GOVERNANCE

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

STRATEGIC PLANNING AND MONITORING

Genius manages its businesses strategically, following a process which includes an annual review of past performance, products/services, markets as well as a review of the internal and external environments. This review is followed by the setting of strategies and action plans.

The Board of each business unit 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 respective Boards ensure 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 Genius' strategy, is lawful, will contribute to their sustainability and will not be harmful to any stakeholders and/or the environment. In this manner, Genius can monitor its performance against strategies set for the year and evaluate this against the key performance areas of management and key employees.

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

ECONOMIC SUSTAINABILITY

Genius has re-prioritised the different projects in order to take advantage of other low-hanging opportunities so that they are able to generate some revenue while attending to their core products such as Repotin and Recogen. The use of Repotin as an active ingredient in cosmeceutical products was vigorously pursued by scientists on the basis that it has skin healing and rejuvenating properties. A product was launched into the market in June 2016 and is now generating sales.

A research grant was awarded for three years by the National Research Foundation (NRF) and with matching funding from the major shareholder for the pre-clinical work done on cancer immunotherapy using dendritic cell vaccine. This is one of the global patented technologies that Genius owns and they are working in collaboration with the University of Cape Town's Department of Medicine. The pre-clinical phase on the dendritic cell vaccine is completed. They expect the phase 1 trial to commence during 2017.

An additional grant was awarded by the NRF to investigate the use of DCV immunotherapy on extreme drug resistant tuberculosis (XDR TB) patients. The DCV immunotherapy may offer XDR TB patients a solution. The research and development work will be conducted by the Department of Medicine, Immunology Department and the Lung Institute at the University of Cape Town. According to UCT's researchers this will be pioneering work in the field of XDR TB and will be the first of its kind in the world. It will present the researchers with an opportunity to publish and present papers on their research and holds the promise of new IP.

HEALTH AND BIOTHERAPEUTICS - continued

Integrated Bioworks (IBW) is a new business in the Genius Group and was set up in 2014 to take advantage of opportunities in the laboratory reagents and the enzyme market. These products are very lucrative and unlike human therapeutic products or biosimilars such as Repotin and G-CSF, they do not require lengthy regulatory approval processes or any complex manufacturing processes. IBW makes use of contract manufactures to make its products which are essentially protein-based reagents used in research laboratories. Their first product was an enzyme, Reverse Transcriptase (RT MMLV) and was launched in June 2016. Export opportunities are also being pursued and IBW is in the process of appointing a distribution agent in the USA. Reciprocal arrangements with the American Company for their products are also being sought for the South African market. IBW will be focusing on sales and marketing to grow before developing more reagents of which it has a strong pipeline of products.

INNOVATION

Genius' two production facilities are designed and constructed as a single product facility for the production of two different recombinant therapeutic drugs. To accelerate the return on investment of these facilities requires a change in the operating model from a single product facility to a multiple production facility by introducing additional products, bearing in mind that each site uses two very different production technologies. Genius is currently investigating other biosimilar products that use similar processing technologies. This could offer the opportunity to produce multiple products using these methods in both facilities.

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

ENVIRONMENTAL SUSTAINABILITY

Regulatory requirements dictate the disposal of biological waste generated during production including radio-active waste. Using new equipment and improved testing methods has reduced waste and eliminated the use of radio-active material from the mouse-assay which was previously used.

The heating, ventilation and air conditioning (HVAC) system acts as the "lung" of the any biopharmaceutical manufacturing facility by providing a constant supply of fresh, clean and sterile and temperature regulated air to the plant. The HVAC system is responsible for the consumption of approximately 70% of the energy demand of the facility. The facility was upgraded using the latest technologies on the HVAC system at the Centurion facility and employs a Quality Management System. This provides better control and reduces energy costs. The Ribotech facility will be following suite with a similar control system.

SOCIAL SUSTAINABILITY

Genius has collaborated with research institutions to develop human capital and take advantage of skills transfer. They also afford scientists the opportunity to upskill themselves by creating opportunities within the businesses based on new business opportunities.

The research work also presents academics with the opportunity to publish work in peer review journals. This could generate global interest from other medical institutions and investors alike.

KEY CHALLENGES AND RISK MANAGEMENT

KEY CHALLENGES

The Genius Group face the following key challenges:

GENIUS

FUNDING

- Raising funds still remain a major challenge in South Africa.
- Listing offshore will make funding available for the completion of the clinical trial phase, which requires significant funding.
- The industry is often viewed as high risk by potential investors as returns on investment are longer than in other commercial/industrial sectors.

REGULATIONS AND LEGISLATION

- The compliance demand placed on companies in this highly regulated industry requires continuous review of business capacity and strategy.
- Successful outcome of the phase 1 clinical trials using the DCV immunotherapy.

ACQUISITION OF NEW AND INNOVATIVE PRODUCTS

- The industry is dominated by international companies, is highly competitive and the biggest challenge is competing with companies with critical mass and access to funds.

PRODUCTS

- Package product from glass ampoules to glass vials. This innovation will ensure increased marketability of the product and help compete against multinational companies.

CENTURION FACILITY

- Regulatory requirements have evolved over the years, with the South African MCC drawing closer to its European counterparts; has resulted in more stringent requirements.
- With the facility having been in existence for more than 15 years, the MCC recommended that the facility be upgraded to comply with the latest Good Manufacturing Practice (GMP) code.

RIBOTECH

FUNDING

- To commercialise G-CSF will require further funding for phases 2, 3 and the commercial phase 4.

CLINICAL TRIALS

- Commencement of clinical tests on patients or a bioequivalent study is necessary.

REGULATORY COMPLIANCE

- A critical milestone will be the successful outcome of the clinical stage leading to product registration with the MCC.
- Revenue generation can start with the commencement of sales and marketing of the product.

HEALTH AND BIOTHERAPEUTICS - continued

RISKS

Risk management is integrated into Genius' business 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 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 Genius board of directors of each business unit. Strategic and going-concern risks are reviewed at the quarterly business units Board meetings and the executive directors are charged with the execution of approved risk management actions.

Funding challenges that Genius faces is not atypical to what most small biotech companies globally experience. In most cases research and development work requires sustainable funding support for lengthy periods of time due to various regulatory processes, including early stage clinical trials. The other challenge lies in achieving commercial scale production, coupled to this is the effective sales and marketing plan for their products.

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 business units overall financial performance.

The following risks have been identified and are being managed. Means of mitigating these risks have been identified.

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
<ul style="list-style-type: none"> Regulatory bodies 	<ul style="list-style-type: none"> Medicines Control Council – the regulatory compliance and demands in this industry requires continuous review. 	<ul style="list-style-type: none"> The Centurion facility has undergone a major change to ensure it is more compliant and a revised quality management system (QMS) will be adopted to ensure compliance. The Ribotech facility will follow a similar approval process for its product regarding its GMP licence. A clean room facility is to be erected at Groote Schuur Hospital for the DCV work to be done under sterile conditions. This will also be done to meet MCC compliance.
<ul style="list-style-type: none"> Employees 	<ul style="list-style-type: none"> Employing suitable candidates usually presents a challenge due to lack of experience in this field of expertise. 	<ul style="list-style-type: none"> Management has identified suitable candidates for the vacant positions. An extensive training and skills development programme will be adopted for the newly recruited candidates.
<ul style="list-style-type: none"> Manufacturing capacity 	<ul style="list-style-type: none"> The manufacturing capacity will need to be scaled up to meet market demands. There is a risk that manufacturing capacity and production delays may be faced. 	<ul style="list-style-type: none"> A strong regulator and scientific team are required to increase efficiency of the production process.
<ul style="list-style-type: none"> Competitors 	<ul style="list-style-type: none"> The Group operates in a highly competitive market that attracts both global biotechnology leaders and new biotechnology companies in developing countries. 	<ul style="list-style-type: none"> Lobbying the Department of Health and Treasury highlighting the economic advantages for supporting local manufacturing and export.
<ul style="list-style-type: none"> Intellectual property 	<ul style="list-style-type: none"> The Group currently holds 22 patents in the manufacturing techniques and technologies as well as trademarks. Patent laws will protect its proprietary manufacturing techniques and brands. The Group will take legal action to protect any infringements. 	<ul style="list-style-type: none"> Maintaining patents to ensure that they are enforceable.

HEALTH AND BIOTHERAPEUTICS - continued

STAKEHOLDER MANAGEMENT

The Genius Group's businesses are based on strong relationships with external stakeholders, ensuring the understanding of their business units and its requirements. The industry is highly regulated and subject to several legislative acts.

The main stakeholders are:

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> Employees 	<ul style="list-style-type: none"> Employees of the Company 	<ul style="list-style-type: none"> Develop human capital Market-related remuneration 	<ul style="list-style-type: none"> The responsible pharmacist and quality assurance persons have very important roles to play in the production process and they also carry a legal responsibility for the release of the final product to the market. The senior scientist is responsible for the production process. This scientist ensures that the production process is efficient and robust to meet GMP codes.
<ul style="list-style-type: none"> Suppliers 	<ul style="list-style-type: none"> Procurement of goods and services 	<ul style="list-style-type: none"> Commitment to BBBEE policies Ethical business behaviour 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 BBBEE. Negotiate, manage and conclude contracts. Ensure long-term availability of the raw materials for the products is essential.
<ul style="list-style-type: none"> Shareholders 	<ul style="list-style-type: none"> Owners of the business 	<ul style="list-style-type: none"> Shareholder wealth creation Integrity Ethical business practices 	<ul style="list-style-type: none"> Financial support is provided by their majority shareholder to ensure the current sustainability of the business.

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> Regulatory 	<ul style="list-style-type: none"> Monitor regulatory compliance framework Comply with regulations, laws and legislation Meeting with industry regulators 	<ul style="list-style-type: none"> Compliance with laws and regulatory authorities 	<ul style="list-style-type: none"> The MCC is responsible for the registration of all medicines, dossiers and licences. 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 in the event of findings raised by authorities. Participation in industry working groups.
<ul style="list-style-type: none"> Government 	<ul style="list-style-type: none"> Monitor regulations and legislation 	<ul style="list-style-type: none"> Compliance with laws and regulations of authorities 	<ul style="list-style-type: none"> A key stakeholder and one that has to be interacted with on a regular basis. Lobby with government to address the issues they face as a local manufacturer as they are subject to restrictive policies that counter the development and growth of their business.

REMUNERATION

Genius focuses its remuneration policy on the balance between fixed and risk remuneration practices. Structuring pay packages evaluated on job-specific market trends to ensure that they remain competitive. Affordability and sustainability are also factors that influence the remuneration model with performance and incentive-driven targets to stimulate growth.

ACRONYMS

EPO	Erythropoietin
G-CSF	Granulocyte-colony stimulating factor
GMP	Good Manufacturing Practice
MCC	Medicines Control Council
CSIR	Council for Scientific and Industrial Research
DCV	Dendritic Cell Vaccine
IBW	Integrated Bioworks
NRF	National Research Foundation
UCT	University of Cape Town
HVAC	Heating, ventilation and air-conditioning



EVENTS AND TOURISM

CONTRIBUTION TO
REVENUE

R127m

CONTRIBUTION TO
OPERATING PROFIT

R5m

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 | 37

HEAD OFFICE | Claremont, Cape Town

FOOTPRINT | Western Cape and North West Province

PROFILE

espAfrika is a cutting-edge global competitor in events management. Over the past decade, they have staged international music festivals throughout Africa. In 2016 The Cape Town International Jazz Festival was voted one of the World's Best Festivals by FEST 300 and voted the Best Festival in Cape Town in the OFLOCAL 2015 poll. The festival contributes over R0,5 billion to the economy of the Western Cape and R0,9 billion to the gross domestic product (GDP) of the South African economy.

espAfrika is able to produce and host a range of events, from festivals to corporate functions and gala dinners. 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.

2016 OPERATIONAL PERFORMANCE

espAfrika has been able to fund its operations and events without having recourse to external funding. The Company is profitable and contributes positively to all its stakeholders. All the objectives set by the Board of espAfrika have been met and the Company is on track to building a long lasting and sustainable business.

VISION 2020 VISION – ESPAFRIKA'S CONTRIBUTION

Following a strategic review of the business, management's main task was to develop two new Company-owned events and to secure two third-party events in order to reduce the Company's dependency on the Cape Town International Jazz Festival.

Strategic objectives and progress to date:

- **Return the Company to solvency and profitability** – espAfrika is now solvent and profitable as well as being able to fund their operations without having to seek external funding.
- **Improve staff morale and bring stability to the Company** – Staff morale improved significantly and the Company is now stable.
- **Reduce dependency on Cape Town International Jazz Festival and introduce two new Company-owned events** – A new annual event “The Royal Escape Experience” was launched at the end of July 2016 at Sun City in the North West Province and an additional annual event will be launched during the 2019 financial year.

- **Seek new sponsorship for the Company events** – This is an ongoing process and new sponsors have been brought on board for the Cape Town International Jazz Festival and “The Royal Escape Experience”. Negotiations with new potential sponsors are ongoing.

PROSPECTS AND FUTURE OUTLOOK

- Establish the Company as the leader in events production and management in the country.
- Additional new Company-owned events are planned over the next few years outside of the Western Cape as well as securing new third-party events on a long-term contract. It is envisaged that these new events will contribute significantly to the success of espAfrika while at the same time reducing the dependability on the Cape Town International Jazz Festival.
- Through espAfrika's existing business initiatives, social development programmes and innovative leadership, narrow the gap between the rich and the poor and promote music to a wider audience. The development programmes offered by espAfrika in the events industry is providing opportunities to the previously disadvantaged communities to have access to this industry.

OPERATIONAL FOOTPRINT

espAfrika currently operates in the Western Cape and the North West Province. Plans are afoot to produce and manage new events in other provinces in the near future thus expanding their footprint as a truly national Company.



EVENTS AND TOURISM - continued

PRODUCTS/BRANDS

BRAND IDENTIFICATION:

espAfrika is represented through its main logo:



The two established brands of the Company are as follows:



The Cape Town
International Jazz Festival



The Royal Escape
Experience



Detailed information about espAfrika's business model, stakeholders, risks and governance is available on the website at www.aeei.co.za.

BUSINESS MODEL

espAfrika's business model is a mix of organising and producing its owned events and managing events on behalf of clients (third-party events). A new annual event under the brand name "The Royal Escape Experience" was launched in Sun City during the month of July 2016. Additional new owned annual events are scheduled to be launched outside of the Western Cape during the next few years. In line with the strategy of developing these new owned events as well as securing third-party events on long-term contracts, espAfrika will 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 including platforms which in turn will enhance the sponsorship offerings and value proposition.

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

GOVERNANCE

espAfrika through the application of policies and structures as defined by 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 current period. The continued training and exposure of employees to the ever changing regulatory environment and regulations of the Companies Act ensure that all employees are fully informed of their responsibilities.

STRATEGIC PLANNING AND MONITORING

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

In addition to the annual strategic planning exercise and quarterly reviews of strategy achievement, espAfrika's management and employees have an Imbizo annually to discuss the long- and short-term targets that need to be reached and diversify in order to maintain their existing economic, operational and environmental sustainability and advantage. Monthly targets are agreed upon and managed through the chief financial officer and various heads of departments. espAfrika believes that in order to achieve the utmost sustainability financially and holistically, it is essential to formulate these objectives collectively with full buy-in from all their staff. 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 business.

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

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

ECONOMIC SUSTAINABILITY

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

espAfrika continuously reviews its entire cost base using a zero base approach to ensure that this is in line with its revenue and business growth expectations as well as ensuring that the return on investment is in line with the industry standard. Overheads are continuously monitored

EVENTS AND TOURISM - continued

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

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

ENVIRONMENTAL SUSTAINABILITY

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

This is implemented through:

- Waste management; and
- Recycling.

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

SOCIAL SUSTAINABILITY

espAfrika's integrated sustainability plan is two-pronged:

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

espAfrika is an active member of SETA and strongly believes in internal training and development. During the year, a number of employees attended training seminars to further enhance their skills. The events industry strongly relies on skilled contractors. However, espAfrika always matches a skilled contractor with a permanent employee so that a transfer of skills can occur.

espAfrika believes that each and every resource should be utilised creatively to support and develop music, arts, culture and job creation. espAfrika, through the Cape Town International Jazz Festival and "The Royal Escape Experience", created in excess of 3 250 jobs, in addition to the numerous skills transfer and development projects held during the events. With the development of new events the impact on job creation, support for small companies and poverty alleviation will further improve.

KEY CHALLENGES AND RISK MANAGEMENT

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 espAfrika and to further develop its strategic objectives.
ESTABLISHING NEW ESPAFRIKA-OWNED EVENTS	<ul style="list-style-type: none"> In order 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 in order 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.

RISKS

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

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

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 and avoiding the severity of the impact on the Company.

EVENTS AND TOURISM - continued

The following risks have been identified:

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
<ul style="list-style-type: none"> 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 the dependency on sponsorship income. A special task team to review the sponsorship proposition and approach to sponsors was established. This resulted in new sponsors being signed 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.
<ul style="list-style-type: none"> 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's delivery on its strategic objectives 	<ul style="list-style-type: none"> The Board of espAfrika established a working committee to ensure continuity of the business in case any of its key management or employees leaving. Provide training and development programmes as well as offering market-related remuneration and progression within the Company to retain skilled staff.

STAKEHOLDER MANAGEMENT

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 with regard to stakeholder management. These are summarised as follows:

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> Shareholders 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Customers 	<ul style="list-style-type: none"> Continued support and feedback 	<ul style="list-style-type: none"> Good event artist line-up Safety and security Good value Good facilities 	<ul style="list-style-type: none"> Continuity of event/s Quality of event/s Effective event stewardship

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> Suppliers 	<ul style="list-style-type: none"> 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 BBBEE 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 BBBEE Negotiate, manage and conclude contracts Timeous payment
<ul style="list-style-type: none"> Regulatory authorities 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Employees 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Employees 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Local communities 	<ul style="list-style-type: none"> 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

REMUNERATION

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

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

EVENTS AND TOURISM - continued

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

EXECUTIVE MANAGER | R Romaney

BOARD OF DIRECTORS | K Abdulla, CF Hendricks, AM Salie and L Burt

EMPLOYEES | 11

HEAD OFFICE | Woodstock, Cape Town

FOOTPRINT | Western Cape

PROFILE

Tripes has been in existence since 1970 and has two distinct operating divisions: Travel Management Services and Inbound Tours and Events. While Tripes is 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 through an Omni channel, both 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; and
- ultimately deliver sustainable returns to their stakeholders

2016 OPERATIONAL PERFORMANCE

The economic downturn had a negative impact on corporate travel and outbound leisure travel. Despite this, Tripes managed to increase their revenue by pricing more aggressively. Although a lower profit margin was achieved, the current sales mix is being addressed in order to provide an all-round service offering to their customers. Tripes reviewed its sales processes and the back office procedures as well as performed a complete overhaul in office administration to improve their business.

The weak rand assisted their inbound travel department but this was offset by the government visa regulations and the slow implementation of its reversal, which discouraged many people from travelling to South Africa. Since this regulation was revisited and reversed, the tourism market is rising again and the Company is actively pursuing innovative solutions to capture this section of the market.

VISION 2020 VISION – TRIPOS' CONTRIBUTION

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

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

Tripos continues to grow by focusing on:

- Growing their share of the corporate market by concentrating their efforts to grow the number of corporate clients, NGOs and government business. They also have a number of government and corporate tenders pending.
- Concentrating more of their resources on the outbound leisure market and they have employed a dedicated senior consultant to focus on growing the sales revenue in this area.
- Investing resources in promoting southern Africa and Niche Tours to grow their share of the inbound market.
- Tripos' relationship with the SURE Consortium has strengthened in that they have negotiated a new and improved agreement with their global distribution system supplier, Amadeus. In addition, SURE also provides formal training, the use of their in-house consultants for design and sales advice without charge. A partnership was agreed between espAfrika and Tripos for the 17th Cape Town International Jazz Festival and Tripos was elected as the official Travel Partner of the festival.
- Tripos implemented an incentive scheme based on key performance indicators, to drive sales and assess the efficiency and productivity of employees. Customer satisfaction was measured via a survey conducted and administered externally. A key value of Tripos is to put the customer first and this is entrenched in their values, staff coaching and training, incentives and allocation of resources.

PROSPECTS AND FUTURE OUTLOOK

South Africa's status as a tourist destination has become more attractive due to the weak rand, its reversal of unpopular visa regulations and its infrastructure. Tripos is planning to grow this part of their business to exploit the increase in tourism revenue.

The outbound leisure market has also been neglected in the past and a concerted drive is underway to increase their share of this market is in progress. The overall objective is to grow the leisure part of the travel business as well as the Inbound Tours division, to alleviate the dependency on corporate travel and to attain better margins.

The actions in progress to achieve this are listed below:

- Tripos will develop, promote and sell inbound packages for southern Africa;
- Sell niche packages for the Cape Town International Jazz Festival and negotiate a partnership as the official Travel Partner to the festival on a long-term basis;
- Sell niche packages for The Harley Davidson Tours;
- Tripos will develop, promote and sell outbound leisure packages;
- Work closely with suppliers to provide the best deal to its customers;
- Arrange meetings, incentive travel, conferences and corporate events for corporate clients;
- A learnership programme is under way to contribute toward the development of South Africans in the travel Industry;
- Customer service and sales training has been arranged for all staff;
- A plan is in place to improve the systems used by their consultants to improve efficiency and to improve the customer experience; and
- A complete review of all processes to identify opportunities to improve service and gain efficiencies.

EVENTS AND TOURISM - continued

OPERATIONAL FOOTPRINT

Triplos has a single office in Cape Town with their corporate client list being predominantly Cape Town-based with less than 5%) based in Gauteng.

Inbound clients have originated from a number of countries including Argentina, Dubai, France and the UK.



PRODUCTS/BRANDS

BRAND IDENTIFICATION:



Detailed information about Triplos' business model, stakeholders, risks and governance is available on the website at www.aeei.co.za.

PRODUCTS/BRANDS

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 they are retained as a preferred supplier.
- Wholesale Travel
 - Tripos structures packages (air, accommodation, tours and transfers) for resale by other Travel Agencies
- Inbound Travel
 - Inbound Tours of southern Africa
 - Niche Tours
- List of services offered:
 - IATA air tickets and non-IATA air tickets (e.g. air charters)
 - Accommodation and car-hire
 - Transfer and chauffeur services
 - Packaged travel arrangements
 - Travel insurance, passport and visas
 - After-hours service line
 - Manage corporate events including meeting and conferencing arrangements
 - Incentive Travel

BUSINESS MODEL

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

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

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

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 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 current period. Employees are also provided with regular training or presentations on the ever-changing regulatory environment to ensure that all their staff are fully informed and that Tripos adheres to all the regulations and laws.

STRATEGIC PLANNING AND MONITORING

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

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

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

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

EVENTS AND TOURISM - continued

ECONOMIC SUSTAINABILITY

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

ENVIRONMENTAL SUSTAINABILITY

The growth of tourism has led to a strain on the world's natural environment. Tripes promotes responsible travel and encourages the conservation of the environment and the improvement of indigenous people. They also reflect the CO₂ emissions from air travel on their invoices to create awareness around the traveller's carbon footprint. They are also committed to reducing their environmental footprint.

SOCIAL SUSTAINABILITY

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

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

To achieve this Tripes has:

- Started a learnership programme;
- Assists with the growth of small business by giving it preferred supplier status; and
- Is planning corporate social initiatives in the Western Cape.

KEY CHALLENGES AND RISK MANAGEMENT

KEY CHALLENGES

The following key challenges have been identified:

GOVERNMENT
POLICY

- Government policy to cut all commissions and overrides will put upward pressure on their service fee pricing, making it more difficult to justify their service charges.

COMPETITION

- Travel management companies are under pressure from:
 - Online Travel Agencies,
 - A large number of competitors in the market
 - Suppliers selling directly to the consumer
 - Consortiums selling directly to the consumer
 - The growth of collaborative sales (the sharing economy)
 - Corporates insourcing their travel management in the belief that it will save them money
- All of the above puts a downward pressure on pricing and leads to thinner margins.

STAFF SKILLS AND
RETENTION

- 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.
- The level of a consultant's knowledge, experience, interpersonal skills and reputation are critical in acquiring and retaining business.
- Skilled consultants are in short supply and staff retention is a key challenge.
- Incentive and retention schemes are becoming increasingly important to retain the best talent.

EMPLOYEE SKILLS
AND RETENTION

- In meeting these values, Tripes has at its core the development of both the individual employee and the creation of opportunities for the broader community.

RISKS

Tripes maintains a risk register, which is compiled and maintained by their 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.

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

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
<ul style="list-style-type: none"> The discontinuation of commissions and overrides 	<ul style="list-style-type: none"> Negative impact on revenue and profits 	<p>Tripes is prepared to re-negotiate its service fees in the event of this eventuality and will compensate for this possibility and impact in all future contracts. In addition, they have refocused their business to grow the inbound/ tours department which is not dependent on the same model as travel.</p>
<ul style="list-style-type: none"> The processing of credit cards is not compliant to POPI 	<ul style="list-style-type: none"> Financial liability 	<p>This process is to be instituted during the next financial year.</p>
<ul style="list-style-type: none"> Staff Retention 	<ul style="list-style-type: none"> Negatively impacts the sustainability of the business 	<p>A retention plan, including incentives, training and development and team engagement has been introduced.</p>

REMUNERATION

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

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

EVENTS AND TOURISM - continued

STAKEHOLDER MANAGEMENT

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

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

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> Shareholders 	<ul style="list-style-type: none"> 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 their growth strategy
<ul style="list-style-type: none"> 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 staff training and development Suppliers are vetted and managed to provide quality products Staff 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 is measured
<ul style="list-style-type: none"> Suppliers 	<ul style="list-style-type: none"> Procurement of travel, accommodation, land transport and travel-related products, either on behalf of the client, or for Tripes to sell on. 	<ul style="list-style-type: none"> Ethical business relationships. Commitment to BBBEE 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 BBBEE. Negotiate, manage and conclude contracts. Timeous payment.
<ul style="list-style-type: none"> Accreditation and Associations: BBBEE, IATA, ASATA and SATSA 	<ul style="list-style-type: none"> Interact with industry leaders, regulatory bodies and government and provides accreditation of good standing. 	<ul style="list-style-type: none"> Compliance with strict code of conduct, laws and applies the highest ethical standards. 	<ul style="list-style-type: none"> Continuous training of management and staff responsible for compliance with various regulations by the respective authorities. Participation in industry meetings and conferences.
<ul style="list-style-type: none"> Employees 	<ul style="list-style-type: none"> Employed at Tripes. 	<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 staff. An incentive scheme was introduced, in addition to fixed salary. Fixed salaries were benchmarked to industry standard. Long-term business plan for growth.

MAGIC 828 (PTY) LTD (MAGIC 828)

KEY FACTS

CHIEF EXECUTIVE OFFICER | A Sanderson-Kasner

BOARD OF DIRECTORS | K Abdulla, C Ah Sing, CF Hendricks, AB Amod, A Brading, A Fehrsen and A van der Sandt

EMPLOYEES | 20

HEAD OFFICE | Mowbray, Cape Town

FOOTPRINT | Cape Town, Western Cape

PROFILE

Magic 828 is a medium-wave commercial music radio station and was officially launched on 1 October 2015, broadcasting to Cape Town and the greater Western Cape region. Their studios are situated in Pinelands, Cape Town with a transmitter sited at the centre of a geographic triangle with Paarl, Durbanville and Malmesbury as the three corner points. Magic 828 radiates a 25 000 watt (25 kW) signal to major suburban areas of the Cape, unrestricted by mountainous terrain and operates on the AM wavelength.

The essential broadcast format of the radio station is one of golden oldies music, mixed with less talk, sport, news and community information.

2016 OPERATIONAL PERFORMANCE

Since the launch in October 2015, the radio station is operating smoothly with all of its equipment fully operational. The radio station is built on an advertising revenue model driven primarily by listenership. Advertising revenue continues to increase as a result of the steadily increase in listenership. With the base costs now established and stabilised, Magic 828's focus will turn to marketing and exploring various product offerings.

EVENTS AND TOURISM - continued

VISION 2020 VISION –
MAGIC 828'S CONTRIBUTION

A five-year strategic plan was implemented in 2015 with clear deliverables, strategic actions for each strategic lever as well as detailing clear time frames. Magic 828 is on target to achieve its Vision 2020 Vision objectives.

2016 Achievements to date include:

- Mast and studio built to broadcast by live date;
- Created brand awareness of Magic 828;
- The radio station was staffed since September 2015;
- Local sales team in place;
- Station went live on 1 October 2015;
- Production streamlined by increasing the quality of music and training of staff;
- Lending expertise to community radio broadcasters – ongoing;
- Involvement with outside broadcasts and training programmes – ongoing;
- Setting up and running a weekend training school – ongoing;
- Promoting local talent in terms of the ICASA requirements with a HDI target of 70% with 60% achieved to date – ongoing; and
- External broadcasts into shopping malls and other events to market their brand.

PROSPECTS AND
FUTURE OUTLOOK

Magic 828 have identified the following prospects and opportunities in reaching their Vision 2020 Vision:

- Further increasing brand awareness and increasing listenership;
- Explore an opportunity of obtaining government business with the assistance of their partners;
- Construct a road show to visit agencies in three centres Gauteng, Cape, and KwaZulu-Natal. This has proven (by other stations) to be exceedingly successful;
- Explore opportunities to bring small to medium business into their advertising fold;
- Perform at various community events encouraging the underprivileged to participate;
- Extending their broadcasting via programming from Magic 828 AM on FM community stations;
- Protecting their industry to create more employment;
- Further advertising opportunities rising due to the exposure of their station;
- Further growth in listenership;
- Fine tuning programming on a daily basis;
- Creating affordable advertising packages to entities that were previously excluded;
- 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; and
- Increasing their broadcast area.

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

OPERATIONAL FOOTPRINT

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



PRODUCTS/BRANDS

BRAND IDENTIFICATION:



Detailed information about Magic 828's business model, stakeholders, risks and governance is available on the website at www.aeei.co.za.

EVENTS AND TOURISM - continued

BUSINESS MODEL

The nature of Magic 828's programming is intended to appeal to the tastes and interests of most age, gender and race groups within the geographic broadcast reception area. Research conducted by Luisa Belter, an independent media and research consultant, together with Freshly Ground Insights (FGI), a research and data collection company, has indicated that this will be achieved in their targeted region.

GOVERNANCE

Through the application of policies and structures within their Company, Magic 828 complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles during the current period. The continued training and exposure of employees to the ever-changing regulatory environment and regulations of the Companies Act and ICASA ensures that all employees are fully informed of their responsibilities.

Magic 828's current control and governance structure have been evaluated and is continually being improved. The Board of Magic 828 approved a formal delegated schedule of authority, which informs executive management of the necessary levels of approval for all key business transactions. It is aligned with their strategy, is lawful and will contribute to their sustainability and will not be harmful to any stakeholders and/or the environment.

STRATEGIC PLANNING AND MONITORING

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

ECONOMIC SUSTAINABILITY

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

- providing a sustainable music station on a sound financial basis;
- providing a service to their audience and advertisers;

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

ENVIRONMENTAL SUSTAINABILITY

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

SOCIAL SUSTAINABILITY

Magic 828's aim is:

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

KEY CHALLENGES AND RISK MANAGEMENT

KEY CHALLENGES

The following key challenges have been identified:

ADVERTISING PLACEMENT AND REVENUE	<ul style="list-style-type: none"> The raising of advertising income is critical to the success of Magic 828 as this will increase revenue and further develop its strategic objectives
LISTENERSHIP	<ul style="list-style-type: none"> Increasing listenership dictates advertising income from agencies
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
ECONOMIC CONDITIONS	<ul style="list-style-type: none"> Prevailing economic conditions reflect on advertising expenditure by customers

RISKS

Risk management is integrated into their business management process. Magic 828 maintains a risk register, which is compiled and maintained by executive management, with the risk status and execution of planned actions being reviewed monthly. Executive management is responsible for the identification, classification and management of all operational risks.

Significant strategic and going-concern risks 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 Magic 828. Strategic and going-concern risks are reviewed at the quarterly Board meetings of Magic 828 and the executive directors are charged with the execution of approved risk management actions.

During the year under review, although a number of identified risks could not be avoided, the pre-planned management strategies for these risks were successful in mitigating and avoiding the severity of the impact on Magic 828.

EVENTS AND TOURISM - continued

The following risks have been identified:

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
<ul style="list-style-type: none"> ICASA requirements 	<ul style="list-style-type: none"> Addressing ICASA requirements of 70% BEE level – currently at 60%. 	<ul style="list-style-type: none"> A letter has been written requesting a six-month extension to enable training. A reply has been received indicating that the matter will be considered.
<ul style="list-style-type: none"> Advertising revenue 	<ul style="list-style-type: none"> Advertising revenue is an integral part of the business and the failure of the Company to attract potential advertisers will have a detrimental effect on both the liquidity and profitability of the Company A declining market that reacts to political events creates an unwillingness to advertise 	<ul style="list-style-type: none"> New revenue streams have and continue to be developed to reduce the dependency on advertisement income.
<ul style="list-style-type: none"> Listenership 	<ul style="list-style-type: none"> Delay by RAMS in supplying industry accepted listenership figures. Such figures dictate as to advertising income from agencies. 	<ul style="list-style-type: none"> An independent listenership survey has been approved but there is a delay in RAMS.
<ul style="list-style-type: none"> Skills retention 	<ul style="list-style-type: none"> Loss of employees will impact the Company's delivery on its strategic objectives 	<ul style="list-style-type: none"> Provide training and development programmes as well as offering market-related remuneration.
<ul style="list-style-type: none"> Training 	<ul style="list-style-type: none"> Addressing ICASA licence requirements 	<ul style="list-style-type: none"> Additional time is required to source and train disadvantaged individuals to broadcast such as presenters, engineers, news readers and copy writers.

STAKEHOLDER MANAGEMENT

Magic 828 recognises the importance of constant engagement with stakeholders. The principal stakeholders for the Magic 828 are shareholders, employees, customers, suppliers, regulatory authorities, government and local communities.

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

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> Shareholders 	<ul style="list-style-type: none"> 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 their business
<ul style="list-style-type: none"> Customers 	<ul style="list-style-type: none"> Continued support and feedback 	<ul style="list-style-type: none"> Good line-up of music 	<ul style="list-style-type: none"> Target audience reach Effective radio stewardship
<ul style="list-style-type: none"> Advertisers 	<ul style="list-style-type: none"> Procurement of safe and quality advertisement with reliable and trustworthy deliverables. 	<ul style="list-style-type: none"> Ethical business relationships Commitment to BBBEE 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 BBBEE Negotiate, manage and conclude contracts Timeous payment
<ul style="list-style-type: none"> Regulatory authorities 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Employees 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Local communities 	<ul style="list-style-type: none"> 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

REMUNERATION

Magic 828 aims to be a competitive and attractive employer in the marketplace. Remuneration and benefits are important drivers, as are career opportunities, personal development, culture, values and leadership. As stated in the Code of Conduct, they comply with applicable laws, agreements and industry standards on working hours and compensation.

ACRONYMS

RAMS	Radio Audience Measurement Survey
ICASA	The Independent Communications Authority of South Africa