



**CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD**

ANNEXURE 24

CAPE TOWN INTERNATIONAL CONVENTION CENTRE (MUNICIPAL ENTITY) – BUSINESS PLAN



BUSINESS PLAN 2019/20



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1. HIGHLIGHTS

For its 2019/20 financial year, the CTICC will focus its operations to achieve the following targets:

Financial

- EBITDA target: **R10.1 million**
- Revenue target: **R278.7 million**

Sales & Marketing

- Events: **545**
- International conferences: **34**

Event Delivery

- Client satisfaction: **80%**
- **5-star** grading

Youth Skills Development

- **12** student & graduate placements

Procurement

- **60%** of spend to BBBEE suppliers

2. EXECUTIVE SUMMARY

Introduction

The Cape Town International Convention Centre (CTICC) was established in 2003 with the very clear purpose of contributing to economic growth and job creation in the City and Province through the hosting of international and national conferences, meetings, exhibitions and events. Since then the Centre has not only met, but exceeded those expectations on every level.

Contribution to economy

As it approaches its 16th year of operations, the CTICC has sustained more than 115 000 direct and indirect jobs since inception and contributed a considerable R40.0-billion to South Africa's Gross Domestic Product (GDP), of which over R35.0-billion was injected directly into the Western Cape's Gross Geographic Product (GGP).

As it enters its second year of operations in 2018/19, the CTICC 2 will support our purpose and growth outlook, as well as the City's objective of establishing Cape Town as Africa's top business-events destination. The increased capacity and flexibility of physical space allows for a higher delegate number, and increased variety of events that can be held concurrently. This will provide a significant boost to Cape Town's global standing as a premier world-class meetings and events destination at a time when several new convention centres have opened and are being established in key international cities.

Centre for knowledge exchange and service excellence

In this highly competitive market, the CTICC has sought to differentiate its offering from those of its industry peers through a focus on high standards, service excellence and leadership in triple-bottom-line sustainability. There is a strong commitment to innovation, service excellence, and importantly financial sustainability. This, along with an active pursuit of events that support the 'knowledge economy', have bolstered the CTICC's importance as a significant contributor to the local and national economy.

There is no doubt that economic growth is increasingly dependent on intellectual capital and we believe that the CTICC has a significant role to play in providing a platform for knowledge exchange and rigorous debate, not only in South Africa but also the broader global economy.

To this end, many of the 525 events hosted by the CTICC in the 2017/18 financial year, especially the international conferences, supported the advancement of industries that have been identified as key catalytic sectors by the City of Cape Town and Western Cape Government for trade, investment and growth. By attracting global associations and experts to the City for these events, the CTICC makes a vital contribution towards growing essential expertise, knowledge and skills.

This document represents the CTICC's Business Plan for the 2019/20 financial year, based on the CTICC's stated purpose: to create jobs by attracting events in key economic sectors and exceeding our clients' expectations.

As a state-owned entity, this business plan is aligned with the City of Cape Town's Integrated Development Plan (IDP), as well as the Western Cape Government's Economic Growth Strategy, and is guided by their key principles.

For context, the 2019/20 plan includes an organisational overview of the CTICC and the core reasons for its formation. The CTICC operates in a challenging global context and the market analysis section of this plan provides insight into the broader market environment.

Financial management

The CTICC has, over the past number of years, managed to generate positive growth in revenue and operating profit before interest, taxation, depreciation and amortisation (EBITDA), despite various challenges facing the region and industry. The budget for the 2019/20 financial year has been compiled by management, taking into account known factors, risks and forecast micro- and macro-economic indicators.

Total revenue excluding interest is forecast at R278.7-million, an increase of 6% on the prior year. The growth is forecast despite the pressure from clients for lower rentals, year-on-year reduction in delegate numbers, competition from hotels and other venues for smaller events and the impact of the drought and load-shedding. EBITDA for the period is forecast at R10.1-million, an increase of 27.4% on the prior year. The growth in EBITDA will be achieved with the emphasis on cost reduction and containment, improved efficiency and productivity and excellent customer service.

The CTICC has always been in the enviable position of generating its own financial resources, which funds its growth through re-investing for the future, the only exception being the major expansion of CTICC 2. This trend is forecast to continue for the foreseeable future and is reflected in the 3-year budget.

The CTICC's overall impact is not judged solely on its own financial results but the overall benefit to the citizens of Cape Town, the Western Cape and South Africa, as best reflected in the GDP contribution, as mentioned previously.

Each business unit has an implementation framework and a detailed action plan for the next year, which supports overall business objectives. These unit strategies support the core business strategy and explain how key performance indicators will be achieved and how each unit will contribute to the sustainability of the organisation.

Given the Centre's economic mandate, the CTICC is focused on expanding its international footprint. Sales, client relations and marketing strategies are in place to, firstly, keep the CTICC top of mind with key role-players and decision makers and, secondly, position the CTICC as a venue that has the staff and skills, track-record and vision to deliver and exceed clients' expectations. We have several client engagements planned, nationally and particularly internationally, to support this strategy. The CTICC is committed to meeting and exceeding its event numbers, particularly for international events, and achieving all KPIs set.

Reinvestment in the business

From a facilities-management perspective, the CTICC is geared to maintain its 100% spend on capital expenditure and has refined its business process in this regard.

A high-quality, contemporary food-and-beverage offering plays an essential role in the success of the CTICC. It is through this major touch point that most of our clients and visitors experience our world-class service.

The CTICC focuses on producing an exceptional dining experience with quality food and personalised service, while maintaining strict food safety and hygiene standards. In 2017/18, the Centre achieved its ISO 22000 certification (food safety management). This certification will help our food and beverage offering meet exacting international standards. We are geared to remain competitively priced and aligned to the latest trends in order to ensure a competitive advantage.

From an IT perspective, the CTICC will continue to place significant focus on support services and infrastructure projects, which enhance service delivery. A number of upgrades will be done to enhance the initial system integration between the buildings (CTICC 1 and CTICC 2), with a focus on driving standardization and support of a common platform for the complex. Having successfully trialled the deployment of cloud technology for the implementation of a cashless system for the Cape Town International Jazz Festival in 2018, CTICC recognises the associated benefits of moving towards the cloud, and this method of computing will be further enhanced during the upcoming year for an expanded level of cashless payment systems. Cyber security remains top of our ICT agenda, supported by continual advancement of the disaster recovery programmes.

Staff engagement

The CTICC is committed to creating a culture of employee engagement by providing information, resources and services to staff which promote collaboration, connection and commitment to their work, colleagues and the objectives of the Centre. The focus will be on championing employee wellness, work-life balance and employee incentive options as cost-effective workforce strategies.

Audit outcome

The CTICC has achieved an unqualified audit report with no findings, i.e. clean audit, for the past six consecutive years and remains committed to managing and regulating processes throughout the organisation to maintain this record. Procurement from BBBEE companies is a priority and the CTICC has not only met but exceeded targets set and will continue to strive to increase our procurement from BBBEE and women owned enterprises.

Ethical business culture and governance

We are committed to upholding and building an ethical business culture. As a sign of this ongoing commitment, the CTICC subscribes to the United Nations Global Compact (UNGC) and adheres to the ten guiding principles in support of a principled approach to doing business.

The CTICC is privileged to have an experienced and stable Board of Directors that directs and governs the Centre based on its mandate to be self-sustaining and contribute to economic growth and job creation.

The CTICC and its Board of Directors are committed to upholding good ethical standards and the application of corporate governance principles in accordance with *The King IV Report on Corporate Governance for South Africa 2016*. As an adopter of 'King IV', the Board ensures that the governance structure in the Centre cultivates good governance outcomes in relation to ethical cultures, performance, effective control and legitimacy.

Cautionary Note:

The 2019/20 Business Plan and Budget has been drafted giving due consideration to all factors that could impact on the CTICC being able to achieve the objectives set out therein. These objectives include the financial and non-financial targets as detailed in Section 3.5 (Table 3 – CTICC Key Performance Indicators (KPI's)).

The 2019/20 Business Plan was based on the assumptions that :

1. Construction of the CTICC 2 (including interface area) would be completed by 30 June 2019 providing the CTICC with a fully functional venue.
2. The Remote Marshalling Yard would be complete and functional by 30 March 2019 allowing for loading and unloading of CTICC 2.

However, the following events have transpired which may impact on the above assumptions:

- **CTICC Interface:**

- The CTICC was on track to complete the CTICC 2 including the interface area by end of May 2019. However, the City of Cape Town ("CoCT") issued a Stop Works Order on 27 February 2019.
- This matter remains unresolved at the time of submission of the Business Plan for 2019/2020, and could significantly impact on the CTICC's ability to deliver on the 2019/20 Business Plan including budgets and other KPI's (see Section on Implications below).

- **Remote Marshalling Yard:**

- The CoCT has not provided the wayleave required to complete the exit from the Remote Marshalling Yard.
- In the absence of an exit, the CTICC is unable to make any use of the remote marshalling yard.
- The lack of a functioning remote marshalling yard is causing the CTICC 2 to be a far less attractive venue for clients due to increased build up and breakdown times and costs.
- If this is not resolved, it will negatively impact the revenues and other forecasts from CTICC 2 as well as significantly impact on the CTICC's ability to deliver on the 2019/20 Business Plan including budgets and other KPI's (see Section on Implications below).

Implications of above on achieving 2019/20 Business Plan, budget and KPIs.

The current impasse in resolving the above matters could result in the following material consequences:

- Loss of Revenue due to the inability of the CTICC to secure full functionality of the CTICC 2 as designed and intended;
- Loss of Revenue as a result of potential shutdown of CTICC 2 to allow for the proposed hospital interface development;
- Loss of Revenue due to clients not being willing to utilise the CTICC 2 without access to the remote marshalling yard;
- Lower profitability due to a further material impairment charge on the CTICC 2 assets due to the delay in a fully operational venue and the resultant reduction in expected future cash flows;
- Reputational damage should CTICC 2 not be able to function effectively and meet the client expectations and requirements; or
- Reputational damage should CTICC 2 have to be closed to facilitate the proposed hospital development ;
- Legal action by clients already contracted in the CTICC 2, where the full contract value as well as damages could be claimed from the CTICC;
- Excessive construction costs due to stop work notice and resultant penalties which are payable to the construction company at a rate of R30,000 per day;
- Potential irregular capital and operational expenditure, not included in the budget due to the proposed hospital interface development which may require the CTICC to demolish existing works and incur significant additional costs. Legal costs and construction penalties may also be classified as irregular expenditure.

This cautionary note is submitted with the 2019/2020 Business Plan as it is not possible to quantify the financial impact on the Business Plan at the time of submission.

3. ABOUT THE CTICC

When the CTICC opened its doors in 2003, it was widely anticipated that visitors from around the world would be welcomed to this attractive new venue in Cape Town. Those aspirations have been met on all levels. After 15 years, the CTICC has become an iconic attraction on the business-tourism map of Cape Town, South Africa and indeed Africa.

The Centre continues to operate in the following trade segments: international conferences, national conferences, exhibitions, trade fairs, banquets and special events, as well as film shoots and other events.

The value of any internationally competitive convention centre is measured by its economic contribution and financial stability. For a convention centre to contribute significantly and sustainably to an economy, it needs to be invested in that economy and its people.

Since inception, the CTICC has injected more than R40.0-billion into the national Gross Domestic Product (GDP), with over R35.0-billion contributed directly to the Western Cape economy. Over 115 000 jobs have been created, and sustained, since its inception.

The CTICC must remain internationally competitive. The Centre's expansion will raise the global competitiveness of Cape Town as a premier world-class meetings and events destination, in turn allowing the CTICC to meet the City's Integrated Development Plan objective of establishing Cape Town as Africa's business-events destination.

After more than a year of positive trading, CTICC 2 has already hosted 160 events, including conferences, consumer exhibitions, film and photo shoots, meetings and music concerts.

CTICC 2 has 31 148m² gross space which includes 10 000m² of multi-purpose conference and exhibition space, as well as almost 3 000m² of formal and informal meeting space, thus doubling the existing exhibition capacity, which is essential for the growing demand of events to be met.

The CTICC has a reputation for excellence, often leading the way in the quest for improved systems, functionality and sustainability. It maintains four internationally recognised management-system certifications (ISO 9001, 14001, 18001 and 22000). The Centre retains a Hazard Analysis Critical Control Process (HACCP), has maintained its Tourism Grading Council 5-star rating and achieved Gold AIPC (International Association of Convention Centres) quality standard certifications.

The CTICC has recently transitioned to the newly enhanced ISO 9001:2015 and ISO 14001:2015 standards that apply the Annex SL management structure. We anticipate that the newly enhanced ISO 45001 will replace the current OHSAS 18001 standard with the same Annex SL management structure, aligning our existing system with a higher structural level of management. The CTICC will transition to this new ISO 45001 in Occupational Health and Safety by 2021.

The CTICC's broader corporate sustainability is underpinned by ethical values and ethical business practices. Its adherence to United Nations Global Compact principles also means operating in ways that meet international responsibilities in the areas of human rights, labour, environment and anti-corruption.

Lastly, as a municipal entity, the CTICC is expected to deliver against a set of key performance indicators (KPIs) that are agreed between the Centre and the City of Cape Town on an annual basis. Year-on-year, the CTICC has to meet and exceed these targets.

3.1 SHAREHOLDING STRUCTURE

The Cape Town International Convention Centre Company (Convenco) is a state-owned company (ring-fenced). Convenco was formed in 1999 through collaboration between the City of Cape Town, the Western Cape Government and the private sector.

The primary objective behind the formation of the company was to deliver a world-class international convention centre in Cape Town that would provide meeting, convention and exhibition services and facilities for local and international organisations and their delegates.

In so doing, it was envisaged by the Convenco co-founders that the CTICC would have a sustainable positive impact on the economic and social development of Cape Town, the Western Cape and South Africa.

Financing of expansion phase has resulted in changes to the shareholding proportion as illustrated below.

Table 1: Shareholding Structure

Entity	Share portion as at 30 June 2018
City of Cape Town	71.4%
Western Cape Government	23.2%
SunWest International (Pty) Ltd	5.4%

3.2 CTICC'S PURPOSE AND MISSION



PURPOSE

We connect people to create jobs by attracting events in key economic sectors and exceeding our clients' expectations.



MISSION

We will bring our vision to reality by:

- Maximising economic spin-off and job creation;
- Focusing on innovation and exceeding expectations;
- Achieving service excellence by building capable and quality staff;
- Being a world leader in sustainability.

3.3 CTICC'S VALUES



VALUES

We will achieve our mission and vision by applying ourselves with:

- Passion – We live to go beyond
- Innovation – We create magic that gives us the edge
- Integrity – We are transparent in all our actions
- Excellence – We create superior experiences
- Gratitude – We are appreciative of the opportunities provided by the company, the City of Cape Town and the country we live in
- Caring – We care for one another, our clients, our business, our building and our equipment

The CTICC aims to achieve its purpose by being a truly inspirational business that sets the global standard for excellence in business practices, hospitality and event hosting both locally and internationally. Doing business ethically remains at the core of our corporate culture. Driving the knowledge economy and skills exchange are imperative in terms of focusing on key economic sectors of the City and the Western Cape Government.

Of the over 7 400 events hosted by the CTICC over the past 15 years, 589 were international association conferences across a broad spectrum of sectors, including the priority sectors for trade and investment growth as identified by the City of Cape Town and Western Cape Government:

- Productive sectors: oil and gas, tourism, agro-processing, business process outsourcing, renewables, and film
- Enabling sectors: electricity, water, ICT, logistics and financial services
- Social sectors: education and health

By attracting global associations to the City for these events, the CTICC is making a vital contribution towards growing expertise, knowledge and skills in all these areas in the City, Western Cape and South Africa, thereby strengthening local, regional and national competitiveness and potential.




3.4 STRATEGIC ALIGNMENT WITH CITY OF CAPE TOWN'S INTEGRATED DEVELOPMENT PLAN (IDP)

The CTICC is committed to ensuring its activities align and support the City of Cape Town's IDP. As a municipal entity, the CTICC is required to submit, along with the annual budget, a multi-year business plan that sets key financial and non-financial performance objectives and measurement criteria. The mandate of economic growth, job creation and driving the knowledge economy remains at the core of what the CTICC does.

Table 2 illustrates the alignment between the CTICC and the City of Cape Town. The CTICC's business strategy is geared towards driving the knowledge economy and contributing to growth in the key economic sectors identified by both the City of Cape Town and the Western Cape Government as strategic areas for job creation and economic growth. Strategic economic sectors include:

- Agro-processing
- Business process outsourcing
- ICT
- Oil and gas
- Electricity
- Film
- Renewables
- Tourism
- Water
- Logistics
- Financial services
- Education
- Health

Table 2: CTICC's Business Objectives aligned to the City of Cape Town's IDP Focus

CITY OF CAPE TOWN 2017-2022 IDP focus areas	CTICC Objectives
<p>1. The Opportunity City <i>Economic Growth and Job Creation</i></p> 	<p>The CTICC aims to maximise economic impact and job creation through:</p> <ul style="list-style-type: none"> • Driving the knowledge economy and skills exchange • Attracting more meetings and events to Cape Town • BBBEE procurement of no less than 60% • Partnering with business tourism role-players • Creating new strategic business opportunities.
<p><i>Infrastructure-led growth and development</i></p> 	<p>CTICC 2 has added 10 000m² to existing exhibition space and approximately 3 000m² of formal and informal multi-purpose meeting space. This will allow the CTICC to service high levels of demand by hosting more events concurrently. The expanded facility also supports our commitment to the knowledge economy and economic growth.</p>
<p><i>Promote a sustainable environment</i></p> 	<p>The CTICC places a priority on integrating economic, social and environmental sustainability into every aspect of its business. The triple bottom-line approach is informed by a comprehensive environmental policy and monitored by a dedicated sustainability committee.</p>

Leverage assets to drive economic growth



The CTICC's purpose is to contribute to and drive economic growth and job creation, and this mandate is achieved year-on-year.

Training and skills development



To create and maintain a highly capable and talented team requires a multi-faceted approach and we employ a system of continuous-training, rewards, recognition and mentorship, as well as a focus on our employees' financial and physical wellness. Service excellence is further enhanced through the continuous innovation of technology and processes.

2. **The Safe City**



We believe that for a safe experience, the safety of our visitors and staff members must be addressed in the wider environment. The CTICC is a member of the Cape Town Central City Improvement District (CCID) and pays a monthly fee for cleaning and security within the precinct and during large events. We also have measures in place to ensure a safe environment on the premises.

3. **The Caring City**



The CTICC is committed to uplifting and empowering the local community. We support five key Local Community Partners that are aligned with sectors related to CTICC operations. Our focus on volunteerism encourages our staff, suppliers and clients to assist our Local Community Partners through activations and direct skills exchange. The CTICC is also involved in a number of broader community initiatives.

4. **The Inclusive City**



The CTICC contributes to transformation and ensures inclusivity by consistently meeting and exceeding the target of no less than 60% expenditure with BBBEE suppliers, women-owned businesses and SMMEs.

5. **The Well-Run City**



We contribute to a well-run city through our compliance with MFMA and other legislation, our adherence to the principals of the King IV Code of governance, as well as our risk-identification and management processes. We are proud of our six clean, unqualified audits.

3.5 KEY PERFORMANCE INDICATORS 2019/20

As a results-driven organisation, much emphasis is placed on the attainment of targets, firstly at an organisational level, and then cascading down to departmental and finally to individual performance assessments. This system of performance management is integral to achieving financial and non-financial targets. The CTICC's performance is measured by the City of Cape Town against a set of KPIs which are reviewed annually by the stakeholders.

The table below illustrates the agreed KPIs for the financial year 2019/20:

Table 3: CTICC Key Performance Indicators (KPIs)

Category	Measurement	Annual Target 2017/18	Actual 2017/18	Annual Target 2018/19	Annual Target 2019/20	Annual Target 2020/21	Annual Target 2021/22	
1	Operating Profit ¹ / (Loss) before tax	Percentage achievement of annual operating profit	100%	235%	100%	100%	100%	100%
2	Capital Projects	Percentage of total number of capital projects for the year completed or committed	85%	89%	90%	90%	90%	90%
3	Capital Expenditure (CTICC 2 Expansion)	Percentage of total capital expenditure spend	95%	91%	100%	n/a	n/a	n/a
4	Quality Offering	Maintain 5-star tourism grading through effective management & maintenance of quality of service delivery	Achieve 5-star tourism grading	5-star tourism grading achieved	Achieve 5-star tourism grading	Achieve 5-star tourism grading	Achieve 5-star tourism grading	Achieve 5-star tourism grading
5	Events	Number events hosted	535	525	535	545	555	565

Table 3: CTICC Key Performance Indicators (KPIs) (continued)

Category	Measurement	Annual Target 2017/18	Actual 2017/18	Annual Target 2018/19	Annual Target 2019/20	Annual Target 2020/21	Annual Target 2021/22	
6	International Events	Number of international events hosted compared to annual budgeted target	32	32	32	34	36	36
7	External Audit Report	Clean Audit Report (2)	Clean Audit Report (2nd Quarter)	Clean Audit Report for 2016/2017 financial year achieved	Clean Audit Report (2nd Quarter)	Clean Audit Report (2nd Quarter)	Clean Audit Report (2nd Quarter)	Clean Audit Report (2nd Quarter)
8	Human Capital Development	Percentage of annual total salary cost-spend on training of permanent and temporary staff	5%	6%	5%	5%	5%	5%
9	Minimum Competency Level	Number of senior managers registered for MFMA Competency Course	7	7	7	7	7	7
10	Customer Centricity and Service Excellence	Minimum aggregate score for all CTICC internal departments and external suppliers	78%	85%	80%	80%	80%	80%
11	Procurement	Supply chain procurement BBBEE suppliers measured in terms of BBBEE Act	Percentage spend not lower than 60%	87%	60%	60%	60%	60%

Table 3: CTICC Key Performance Indicators (KPIs) (continued)

Category	Measurement	Annual Target 2017/18	Actual 2017/18	Annual Target 2018/19	Annual Target 2019/20	Annual Target 2020/21	Annual Target 2021/22	
12	Financial ratios	Total cash and investments,	RCC = 6.4 times	14.2 times	5 times	7 times	6 times	5 times
	• Ratio of cost coverage maintained (RCC)	less restricted cash for monthly operating expenditure						
	• Net debtors ³ to annual income (ND)	Net current debtors divided by total operating revenue	ND = 6.8%	3.8%	7.0%	5.8%	6.1%	6.1%
	• Debt coverage by own billed revenue (DC)	Total debt divided by total annual operating income	DC = 0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
13	Student programme contribution to youth employment and skills development	Number of student opportunities provided	6	12	6	6	6	6
14	Graduate programme contribution to youth employment and skills development	Number of graduate opportunities provided	6	13	6	6	6	6

Table 3: CTICC Key Performance Indicators (KPIs) (continued)

Category	Measurement	Annual Target 2017/18	Actual 2017/18	Annual Target 2018/19	Annual Target 2019/20	Annual Target 2020/21	Annual Target 2021/22
15	The number of people from the employment equity target groups employed in the three highest levels of management in compliance with a municipal entity's approved employment equity plan	80%	83%	80%	80%	80%	80%

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- 1 Operating profit is defined as earnings before interest, taxation, depreciation and amortisation.
 - 2 Clean audit is defined as an unqualified audit report with no material findings on compliance with laws and regulations and predetermined objectives.
 - 3 Net debtors are defined as gross debtors after impairment.

3.6 SITUATIONAL ANALYSIS 2019/20

Macro environment

An ever-changing macro environment presents a complex and dynamic context for the CTICC, consisting of six sub-environments or variables, namely political, economic, social, technological, legal and environmental (PESTLE). This PESTLE analysis highlights the CTICC's current environment and the implications for the business.

Table 4: PESTLE Analysis

<p>Political:</p> <ul style="list-style-type: none"> • International political instability • Negative perception from international clients • Governmental support – National Convention Bureau (Subvention Fund) • Synergy with shareholders • National and Provincial Elections • Lack of support from shareholders 	<p>Economic:</p> <ul style="list-style-type: none"> • Exchange rate fluctuations • Geopolitical influences • Shift in traditional markets • Electricity and fuel costs/Load shedding • Increasing food costs • Flight and accommodation costs • Subvention – required for bids • Staff retention • Lack of transport infrastructure • American trade restrictions • Brexit
<p>Social:</p> <ul style="list-style-type: none"> • Cultural aspects • Perception from society and local communities • Sustainability/job creation • High rate of poverty • Crime • Unemployment • Homelessness 	<p>Technological:</p> <ul style="list-style-type: none"> • Pace of technology change • Adaption to new technology trends • Lack of national infrastructure to support new technology • Emergence of mobile technology • Cyber threats • POPI readiness
<p>Legal:</p> <ul style="list-style-type: none"> • Existing legislation • Municipal entity legislation • Immigration and visa regulations • New labour law legislation • POPI & GDPR 	<p>Environmental:</p> <ul style="list-style-type: none"> • Climate-change risks • Shortage of energy • Water scarcity and associated restrictions • Food security

3.7 COMPANY ANALYSIS

3.7.1 Brand Essence and Brand Positioning

The CTICC views its brand as a connector and a platform for opportunity: a brand that brings people together through the hosting of events that exceed expectations through a culture of customer-centric teamwork.

The CTICC brand positioning is encapsulated in its purpose: to create jobs by attracting key economic business events and exceeding our clients' expectations. While the CTICC Strategy Pyramid and Value Proposition have been well documented in previous annual submissions, it is important to reinforce its core message. The illustration below has been included for this purpose.

Diagram 1: Strategy Pyramid and Value Proposition



3.8 MARKET ATTRACTIVENESS

The opening of CTICC 2 has allowed the Centre to attract a higher volume of large-scale exhibitions and international conferences of 10 000 or more delegates to Cape Town. It also provides the capacity to expand repeat events and international association meetings.

3.9 SWOT ANALYSIS

To remain competitive, it is necessary to constantly monitor the environment and the factors that affect the business, both positively and negatively.

This revision of the previous year's SWOT Analysis is useful in guiding the CTICC on how to grow its business, capitalise on opportunities and mitigate risk.

Table 5: SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Excellent/diverse culinary offering • High-quality building infrastructure • Good governance and service ethics • International standards driven • Committed and passionate staff • High-quality in-house service providers • Diverse and flexible product offering • Strong brand awareness • Strong industry commitment to brand and marketing initiatives • Well-established high-yielding repeat client base • Competitive pricing relative to long-haul competitors • Sustainability-conscious organisation • Good city location and access to high quality amenities • Lack of similar-sized venue supply in Cape Town for large international conferences, exhibitions/trade fairs • Diverse accommodation options including surrounding high-end hotels • Long-standing relationship with suppliers • Healthy cash reserves • Development of staff 	<ul style="list-style-type: none"> • IT policy and resources limiting innovation • Attracting and retaining skilled staff • Inconsistency of customer service delivery, which impacts on reputation and/or financial loss • CoCT preventing the CTICC from implementing the approved plans for safe ingress and egress to CTICC 2 off site Marshalling Yard • SCM constraints which impact on competitiveness • Difficulty in sustaining ever-changing technology standards

Table 5: SWOT Analysis (continued)

Opportunities	Threats
<ul style="list-style-type: none"> • Targeting the South African market for larger incentive groups and corporate business • There is a limited number of competitors who can host events of more than a 1 000 pax • Leveraging stakeholder relationships and Cape Town brand initiatives • Long-term commitment on current target markets • Growth of Cape Town as a prime destination • Growing niche and emerging economy markets • Communicating our product range to new markets • Enhanced digital strategy • Use of technology to reduce costs • Favourable exchange rate 	<ul style="list-style-type: none"> • The impact of the water scarcity on business sustainability • International demand for short-haul destinations (economic pressure) • Increased local competition from new venues within Cape Town, including conferencing facilities within hotels • Increase in crime in the areas surrounding the CTICC and the reduced presence of law enforcement • Long-term weakness of the rand, resulting in increasing operating costs (equipment, international trade shows, etc.) • Government regulations and policies (particularly related to labour legislation, land reform, visa regulations, etc) • Long-haul destination – associated costs and carbon footprint related to travel • Profit-margin erosion due to factors such as increased costs related to water, food, beverage and labour • Revenue erosion due to decreasing customer spend and delegate attendance • Varying business models allow other venues to be more competitive • Outbreaks of food diseases • Potential terrorist threats • Non-payment of City debts • Implementation of capital works given business demands • Political instability and the impact of service delivery • National and Provincial elections • Competitors not adhering to legislative requirements (i.e. SASRIA Act)

Whilst international meetings and conferences represent higher-yielding business opportunities and greater macroeconomic benefits than local events, the market-environment analysis indicates that there is a need to have a parallel focus on the CTICC's national market-segments footprint. The CTICC's strategic plan for the future needs to take a holistic approach that maximises opportunities across all market segments.

4. SALES & MARKETING

According to the findings of the 2018 International Association of Convention Centres (AIPC) Annual Member Survey, the global convention industry continues to grow and this means increased competition for most convention centres. This has also fuelled strong competition from hotels in major cities.

The Sales and the Marketing & Communication team, together with Revenue Management, play a central role in ensuring that the business meets and exceeds the following objectives:

- Maximising revenue
- Securing a range of events
- Exceeding event number targets for international conferences
- Exceeding client expectations through service excellence
- Positioning the CTICC (and the City of Cape Town) as a highly desirable destination for meetings and events

Stakeholders/Shareholders

- The City of Cape Town
- The Western Cape Government
- SunWest International (Pty) Ltd
- CTICC Board Members
- Relevant sector organisations and associations, both regional and global, including Cape Town Tourism, South African Association for the Conference Industry (SAACI), Cape Town and Western Cape Convention Bureau, National Convention Bureau, International Association of Convention Centres (AIPC), The Global Association of the Exhibition Industry (UFI) and International Congress and Convention Association (ICCA), amongst others

Clients

- International associations and corporate
- National associations
- Professional conference organisers
- Exhibition clients
- Visitors and delegates
- Corporate clients
- Government organisations and embassies
- Event organisers
- Production companies

CTICC Staff

- Permanent staff
- Contract staff

Media

- Industry and mainstream online media
- Regional and national newspapers
- Regional and national radio stations
- Online news portals

- Industry and association websites
- Social media

Public

- Local communities

4.1 SALES

The overarching objective of the Sales team is to increase the CTICC's competitiveness in the global long-haul market through successfully bidding for international association conferences, as well as targeting corporate and government events in the region.

As a venue, the CTICC specialises in delivering events in the following segments:

- International conferences
- National conferences
- Exhibitions
- Trade fairs
- Special events (sports, cultural and leisure events)
- Banquets
- Film and photo shoots
- Other events (workshops, training seminars, exams, product launches, breakfasts, AGMs and corporate roadshows)

In order to attract and host events, the CTICC targets clients and event planners in the following markets:

- International and local associations
- Businesses and corporate organisations
- Exhibition and trade-fair organisers
- Government departments
- International developmental organisations
- Film production companies
- Cultural event organisers
- Music and sports promoters

In the international market, the Centre's primary business will continue to be derived from European and British association markets but there are opportunities with international associations headquartered in Africa, as well as the American corporate and association market. Nationally, trade fair, exhibition and national conference segments remain key revenue generators for the business.

The business of securing international conferences involves a bidding process and differs from securing other event segments, where clients book directly with the CTICC.

Associations are a collective of constituted businesses, professions and organisations that have membership within a country and are often affiliated to an international association. These international associations stage larger international conferences (also known as congresses, symposiums, general assemblies) on a regular basis. Often a local representative or association has to bid for the event to take place in their country. Specialised research is required to determine upcoming opportunities for Cape Town (and the CTICC) to bid, the exact bidding process involved, venue requirements, and the national host who would most likely be in a position to extend the invitation. The CTICC works very closely with the Cape Town and the Western Cape Convention Bureau, as well as the National Convention Bureau to bid for international conferences.

Lead times can be very long – up to eight year gaps between bidding for a particular world congress is not unusual although shorter lead times are becoming more prevalent.

4.1.1. Sales Objectives

- Build and maintain strong client relationships
- Generate leads within the City's catalytic sectors
- Acquire and grow all market segments
- Retain and grow repeat business
- Match trends and tactics to maximise the above objectives

4.1.2. Sales Trends

The top trends internationally and locally in the meetings-and-events sector are as follows:

- Event format and requirement changes – Unique event spaces and dining experiences are in demand
- Increasing competition requires greater flexibility with lead times, packages and pricing – Challenging client demands and requirements
- Average number of participants per meeting decreases (ICCA)
- Local corporate meetings have the best growth outlook (AIPC)
- Regional rotation is a growing trend (ICCA)
- Universities are becoming a popular venue choice (ICCA)
- Duration of meetings is getting shorter (ICCA)
- Due to global economic growth, larger countries have the majority of the market share in trade shows outside of China
- Exhibition visitors have shifted their focus from attending exhibitions to online market places
- Shorter lead times between the bidding and hosting of events. In Middle East Africa there was less profit shown in 2018 than in 2017

Source: 2018 AIPC Member Survey & ICCA 55 year trend report (1963 – 2017)

July 2018 UFI Global Exhibitions Barometer 21st Edition

4.2 MARKETING & COMMUNICATIONS

The Marketing & Communications focus is to execute external and internal marketing and communication initiatives on behalf of the CTICC. Marketing & Communications supports Sales in maintaining relationships with internal and external stakeholders.

The CTICC's marketing and communications strategy will continue to integrate the CTICC 2 into its product offering and narrative, with the key message that the CTICC boasts a number of flexible options. We aim to ensure that in our communication, CTICC 1 and CTICC 2 are viewed as one complex.

4.2.1 Marketing & Communications Objectives

The CTICC wants to communicate the fact that it offers more than just flexible venue and catering offerings. It is, in fact, a platform for collaboration and knowledge sharing and wants to be known for creating unique and memorable experiences across all event segments. Marketing & Communications messaging will focus on these key messages via the 'Experience extraordinary' promise.

For the 2019/20 financial year, the key marketing and communication objectives are to:

- Ensure that the delivery of all marketing and communication action plans contributes measurably to the CTICC's overall business development objectives
- Establish viable, business-generating partnerships with selected stakeholders that can leverage our marketing programmes and add value to our business-development efforts
- Demonstrate the successes of the CTICC
- Engage effectively with internal and external audiences
- Raise the profile of CTICC amongst key decision makers in local and international markets

4.2.2. Marketing & Communication Trends

We plan and execute our campaigns and promotions with the following trends in mind:

- The convergence of marketing and corporate communication, using an agile marketing approach
- An increased focus on customer experience and understanding buying- behaviour patterns of clients
- Thought leadership and opinion pieces as a larger share of PR budgets
- The continued shift towards digital content, including increased and immediate video content and quality, such as live video streaming and vox pops
- More social media marketing, including curating user-generated content and customer reviews to create communication messages and build brand reputation; and influencer marketing via social review websites

Sources: forbes.com, bizcommunity.com, walkersands.com

4.3 REVENUE MANAGEMENT

Revenue Management supports the Sales and Marketing & Communications functions by ensuring that the CTICC maximises its revenue streams, occupancy levels and revenue yields, while adhering to agreed rate negotiation policies. The focus is on multiple-year deals to secure repeat business.

5. EVENTS DELIVERY

Events Delivery consists of three areas, all of which ensure the successful planning and management of events that come to the CTICC. They are:

- Events Management
- Operational Support
- Food & Beverage

These three areas combine to provide seamless, profitable and sustainable service delivery across all our event segments and activities, providing logistics, ICT, security, parking and food-and-beverage services.

5.1 EVENTS MANAGEMENT

Events management in the context of the CTICC forms part of the second of a three-phase process flow in which an event is planned, coordinated and executed.

Event Management is tasked with contributing to meeting and exceeding budgets, such as those for Food & Beverage and Operations. The CTICC strives to deliver service excellence within a 24-hour turnaround while building client relations in order to promote repeat business.

5.1.1. Events Management Objectives

- The successful and profitable management of events
- Up-selling Food & Beverage offerings, IT, facilities and branding sites
- Constant improvement of client-relationship management
- Departmental training and development, cross-departmental training
- Monitoring of systems and internal processes to improve efficiencies, turnaround times and client experience

These objectives are met through a range of tactical implementations as referenced above.

5.1.2. Events Management Trends

- Increased use of pre-function, atrium and outdoor spaces for a range of event activities
- A need for more networking areas and increased flexibility in set up and faster room turnarounds
- Accompanying seminar spaces built within exhibitions, i.e., reluctance to use purpose-built rooms outside the exhibition halls
- Sustainability – needs to be ingrained into event planning and execution

Source: <https://helloendless.com/2019-event-trends/> and AIPC Customer Survey Report

5.2 OPERATIONAL SUPPORT

5.2.1 Facilities Management

The CTICC seeks to ensure that the facility is maintained in a pristine 5-star condition at all times, by continually investing in upgrades and refurbishments which will ensure that the CTICC continues to position itself as one of the world's leading conference centres by creating memorable customer experiences.

Facilities management objectives

- Preventative maintenance to uphold the 5-star grading year on year
- Continual upgrading and refurbishing the facilities
- Managing utilities such as electrical load-scheduling and current drought situation in Western Cape region

Regarding the last point, the provision of back-up electricity has been catered for, through the installation of additional power generation capacity; SLAs for the supply of emergency diesel will be set in place to ensure the provision of diesel at all times; and a reverse osmosis plant able to cater for all CTICC water requirements has been installed and is operational.

Our world-class facility meets both national and international standards, allowing the business to continue to meet and exceed its objectives and drive a positive client-satisfaction rating.

Facilities management trends

The 2018 trend by the International Facility Management Association (IFMA) analysis shows a shifting to workplace strategy, but our focus will continue to follow the 2017 trend analysis for the facility, as being most relevant to our facility. These areas remain as follows:

- Sustainability remains important worldwide
- Complex building systems and controls offer opportunities and challenges
- Older buildings demand a growing focus on 'repair or replace' policies
- Disaster preparation is required to ensure business continuity after a disrupting event
- Complex information poses challenges but also offers opportunities to improve services
- Recruiting top talent is difficult and requires better marketing of the facilities management profession
- Facilities that do not compromise the health of building occupants are growing imperative
- Special needs and accessibility standards are increasingly covered by local codes and regulations

Further to this, the single pertinent trend identified in the 2018 analysis that is relevant to our facility and business and which will also form part of our area of focus, is the increase in internal mobility. This has more than doubled. With the rising use of technology and 'smart working', an increasing number of employees are not desk-bound and are able to access 'hot desks' situated in both CTICC buildings to make the most

of flexible environments and resources. Internal mobility has more than doubled in the past 10 years, while external mobility has remained the same.

5.2.2. Parking

The first and the last client experience of the CTICC is of the parking facilities. As a result, there is a strong focus on service excellence within this environment. Here the team assists clients in event build-up and breakdown logistics planning, as well as ensuring sufficient parking for event attendees, staff and contractors.

Parking objectives

- Provide easy access to and from the parking facilities for all event stakeholders
- Facilitate and maximise parking availability within the CTICC precinct for as many of its patrons as possible
- Improve signage

5.2.3. Marshalling Yard Logistics

Marshalling yard management is essential to the smooth build-up and breakdown processes required to meet client timelines. With approvals from the City for the access and egress routes from the off-site marshalling yard not yet acquired, logistics for the CTICC 2 marshalling yard will continue to be challenging. To this end, additional build-up and breakdown time will be allocated incurring unnecessary costs, which will potentially also continue to negatively impact the traffic flow coming into and surrounding the foreshore.

Marshalling Yard objectives

- Ensure compliance with the City Traffic Services' requirements to properly manage the Marshalling Yard and alleviate city congestion
- Implement event logistics plans and ensure that these are proactively communicated to include both CTICC 1 and CTICC 2
- Agree build-up and breakdown schedules with clients and stand builders
- Provide clear access regulations instructions seven days prior to build-up
- Post signage when and where required and as dictated by event needs

5.2.4 ICT

The Information Communication and Technology (ICT) function supports the business both through the provision of service, as well as by generating revenue.

ICT objectives

- Harnessing emerging technologies to improve service offering
- Supporting corporate governance and ensuring legislative requirements regarding ICT are adhered to

- Modernising the digital infrastructure of the complex
- Providing services that support the business and event hosting activities
- Maintaining and enhancing cyber security and disaster resilience

5.2.5 Health & Safety

The safety and security of people, property, patrons and assets at the CTICC is imperative, as is the safe and secure execution of events hosted within the complex. At the same time, the necessary quality, environmental and safety-management systems must be maintained at every level so as to retain our ISO Certification and ensure full legislative compliance, as required by the Safety at Sports and Recreational Events Act and Regulations (SASREA).

Health & Safety objectives

- To maintain and secure infrastructure that is safe for clients and stakeholders
- To obtain Venue Safety and Risk Grading certificate
- To work in collaboration with CBD stakeholders to improve security measures in the city
- To comply with safety and security requirements at events
- To provide reassurance and safety for international/national delegates visiting the CTICC and CBD

5.2.6 Occupational Health & Safety

There are three components to promoting a safety culture: a healthy environment, emotional well-being safety and protection. Trends in this area focus on training and supervision as part of the safety culture. In addition, draft legislation for Ergonomics Regulation was published in 2017. Once promulgated in 2018 these regulations will provide guidance on how work is conducted and how equipment should be used in the workplace, the impact on employee well-being and what measures are required to reduce muscular-skeletal injuries or disorders in the workplace.

Workplace safety is assured by our ISO standards and will continue to provide a support framework for management of safety at events for contractors and employees alike.

The CTICC is central to Cape Town and the Foreshore and attracts local and international clients, VIPs, celebrities and dignitaries to events that might pose security and/or cyber-security risks to the Centre. We aim to provide a safe venue and host events without incident. To this end, the CTICC has engaged and formed close relations with external and supporting law-enforcement agencies such as the SA Police Service (SAPS), Metro Police, City of Cape Town Fire Department, Central City Improvement District (CCID) and City of Cape Town Disaster Risk Management Centre. The CTICC venue complex has a disaster preparedness plan in place that covers eventualities such as fires, viral outbreaks, power-cuts, water shortages, bomb threats, terror attacks or incidents resulting in mass casualty. During this financial year, we plan to coordinate and conduct training exercises with the stakeholders mentioned.

Occupational health and safety objectives

- Ensure full compliance in accordance with legislation governing work and events
- Provide continuing education to staff and contractors
- Retain a low accident rate
- Offer a safe workplace to staff and contractors

5.3 FOOD & BEVERAGE

The Food & Beverage department generates about 40% of the CTICC's annual turnover while achieving targeted cost-of-sales figures. The team plays a vital role in ensuring we deliver world-class experiences to our clients and visitors. We create contemporary food-and-beverage offerings for a broad range of events, including banquets, cocktails and public catering in exhibition spaces.

The CTICC has two production kitchens and 23 satellite kitchens, making it one of the largest and most sophisticated F&B venues in the Western Cape. This allows for prompt and efficient delivery of meals for more than 3 000 delegates at a time. We use the latest cooking technologies and follow the most up to date culinary trends. Our trained culinary team is equipped to prepare and produce any type or style of food requested by our clients.

This Food & Beverage department consists of the following divisions: Kitchen (Culinary); Front of House (Banqueting and Beverage); Back of House and Coffee shops.

5.3.1 Food & Beverage Trends

- Experiential dining that is unique, authentic and relevant to the local culture
- Convenience: grab-and-go and self-service kiosks
- Food safety as the industry is vulnerable to food-borne diseases e.g. avian flu, foot and mouth disease
- Healthy and ethical lifestyle choices are influencing demand for, for example, low- or no-carbohydrates meals, use of plant-based/vegan-suitable ingredients, the use of natural, organic or gut-friendly (digestive wellness) food, and even low-sugar, low-alcohol or no-alcohol beverages
- Using locally sourced meat and seafood, food grown in-house and sustainable (e.g. Fairtrade) products
- Packaging that is more environmentally sustainable/no plastic use
- Botanical beverages, e.g. craft gins, flavoured coffees and teas
- Use of food technology e.g. using digitisation, use apps to order food and robotics
- Food-waste reduction
- Cannabis/hemp-infused food and beverage offerings

5.3.2 Objectives

- Producing exceptional quality food-and-beverage offerings in line with international trends and the highest standards

- Maintaining food safety and hygiene standards at a globally recognised level
- Regular competitor analysis to ensure we understand the strengths and weaknesses of our competitors. This will facilitate the formulation of strategies to provide CTICC with a distinct advantage over the competitors
- Introduce event-based costing
- Expand the cashless system for public-catering operation
- Continuous training of staff to ensure we provide the highest standard of service
- Enter competitions for chefs, bar staff and baristas
- Partnering with local celebrity chefs, baristas and mixologists for our coffee shops and roof top venue

6. SUSTAINABILITY

Sustainability is everyone's responsibility and to this end, the CTICC has a clear Corporate Social Responsibility (CSR) strategy. Our Commercial team is responsible for the CSR component while our Operations team takes care of the environmental component of our sustainability strategy. Our mission statement includes the goal of becoming a world leader in sustainability initiatives and sustainability is therefore central to every operation, every decision and every event. While each department has a responsibility to ensure that they 'think sustainability' at all times, it is the mandate of the Nurture Our World (NOW) team to ensure that practical objectives for a sustainable outcome are properly planned and achieved.

The CTICC NOW concept was launched in 2009 and remains the sustainability icon that drives the CTICC's triple bottom line. NOW is the collective initiative that supports other subsidiary initiatives such as Manco and SETT (Sustainable Events Task Team); ISO Certification (ISO 9001 Quality Management, ISO 14001 Environmental Management and OHSAS 18001 BS Occupational Health and Safety Management).

6.1 SUSTAINABILITY OBJECTIVES

- To track all sustainability activities and ensure they are having a significant impact (financial and non-financial) on the organisation and contributing to the achievement of its vision and objectives
- To promote sustainable events through early assessment of the construction and waste that will be derived and identify CRS donations and opportunities for LCP attendance to events which would benefit LCPs
- To measurably build the CTICC brand as a world leader in sustainability while leveraging sustainability as a key compelling selling point for the CTICC
- To refine the CSR strategy in order to maximise the impact of targeted investments in support of Local Community Partners and other non-profit organisations, including upcycling initiatives and education events

These objectives seek to meet the needs of two core strands of our sustainability strategy, namely social sustainability and environmental sustainability.

6.1.1 Social sustainability

Given that the City of Cape Town is the CTICC's majority shareholder, it is truly owned by the people for the people. As such it is vital that the CTICC focus on maximising its contribution to GDP, GGP and job creation. Its contribution to social capital is therefore an important CSR measure, one supported by a comprehensive CSR strategy, which lists various focus areas for the CTICC's community support. This extends beyond financial support and includes skills development, education and overall community upliftment.

Core to this is the CTICC's partnership with its five identified Local Community Partners. These selected partners benefit from support from the CTICC for a three-year cycle after which new nominations are called for. The current selected partners are:

- Abalimi Bhezekhaya
- Mothers Unite
- Journey of Enrichment
- FARR
- Ikhaya le Themba (Community of Hope)

In addition to the above, the CTICC's social commitment extends to organisations and outreach initiatives beyond the five Local Community Partners. Its commitment to the betterment of communities was served through several initiatives that took place in 2017/18. These included but were not limited to: a Youth Day programme; celebration of seniors with Neighbourhood Old Age Home elders on International Day of Older Persons; providing care packages to the homeless on World Homeless Day; celebrating the legacy of former South African President, Nelson Mandela, on Mandela Day, by donating food parcels; and highlighting water awareness with two local schools during National Water Week to name but a few.

Based on international trends in sustainability, as well as the CTICC's own experience, an approach to social sustainability that is narrower and deeper (as opposed to broad and shallow support) is most effective and delivers lasting impact. As such, the needs analysis of the community partners will pay close attention to the kinds of 'deep' support that may be required. These may include skills exchange, ongoing mentorship, monitoring and evaluation and other contributions.

6.1.2 Environmental Sustainability

The CTICC has made great strides in environmental sustainability in recent years and this success has become one of the CTICC's unique selling points. The CTICC continually improves its energy and water efficiency, as well as providing adequate services for safe disposal and, where possible, the recycling of its waste. It has also made a concerted effort to raise awareness amongst staff to reduce its carbon footprint.

Water

The CTICC has been reducing its water consumption through its environmental sustainability practices for several years. Over the last seven years we have reduced our consumption by an average of 8.5 million litres per year. Going forward, we intend to:

- Continue to focus on water resilience plans to reduce dependence on the municipal supply
- Source water for cooking and food preparation from non-municipal sources. A reverse osmosis plant has been installed, which will provide us with an additional 200kL of water per day, obtained from ground water, which is 50kL more than our average daily water need
- 600kL of additional storage capacity for the purified water has also been added

Electricity

The CTICC's electricity consumption demonstrated an increase of 11 684 111 kWh (against a reduction of 86 436 00 kWh in the previous year), which equated to an average increase of 35% in electricity consumption in the 2017/18 year. KVA peak average usage has also been further decreased by 6% from the previous year. Electricity consumption increased in direct correlation with the addition of CTICC 2, but it must be noted that building systems have been successfully managed resulting in a decrease of peak consumption.

Our commitment going forward is to reduce our electricity consumption by 1% year on year in terms of kWh.

Waste

The CTICC further reinforces its environmental commitment by remaining vigilant about waste reduction in general and minimising waste being sent to landfill in particular. There has been an impressive trajectory that started with just 25% diversion from landfill in the 2010/11 financial year. This past year we achieved an 84% diversion score. Our recycling begins with a rigorous policy of eco-procurement, working primarily with suppliers who offer reusable and recyclable products. Our commitment going forward is to continue diverting in excess of 80% of our waste from landfill year on year.

6.1.3 ISO Certification

In September 2018 the CTICC underwent an Integrated Management Systems Audit for ISO 9001: 2015, ISO 14001: 2015 and OHSAS 18001: 2007 (BS). The CTICC achieved full recertification from the South African Bureau of Standards (SABS) for all three standards, and certificates were issued to reflect this. Over and above this, we were also audited and achieved full certification for ISO 22000, which superseded our previous SANS 10330:2007 HACCP certification. All four of these certifications have been awarded for a period of three years and will need to be renewed in October 2021.

The CTICC constantly strives to improve its service delivery and product offering, and it is to this end that we will focus on the following:

- Drive ISO standards as part of the embedded CTICC work-life culture
- Maintain ISO certification
- Prepare to integrate ISO 9001, 14001 and OHSAS 18001 into ISO 45001 by 2021
- Maintain ISO 22000 (Food Safety) certification

7. GOVERNANCE

The company's Board of Directors ('the Board') subscribes to the principles set out in *The King Report on Corporate Governance for South Africa 2016* ('King IV'). The Board places a strong emphasis on maintaining high standards of financial management, accounting and reporting to ensure that the company's affairs are managed in an ethical, transparent and responsible manner, while also taking into consideration appropriate risk parameters.

The company has an experienced and stable Board of Directors, which directs, governs and is in effective control of its business. The Board is ultimately responsible for determining the strategic direction of the company through the establishment of strategic objectives and policies. Board meetings are held at least quarterly to review the company's performance against budgeted targets and more frequently if necessary.

The Company Secretariat

The core focus of the Company Secretariat is the effective administration of Board and Shareholder matters and to ensure that procedures and structures are in place to promote good corporate governance by the company.

The Company Secretariat strives to ensure that the Company has a balanced and representative Board of Directors, which is properly informed and equipped to make the right decisions in the best interests of the CTICC within the constraints of the legal framework within which it operates.

It is important that Board members are aware of their duties and responsibilities as directors in terms of the applicable legislation and Good Corporate Governance Principles in general. New Board members must therefore receive a thorough induction as soon as possible to enable them to add value to the Company.

It is also important that Board members and shareholders respectively receive comprehensive reports to enable them to make informed decisions regarding the company.

7.1 SUPPLY CHAIN MANAGEMENT

The core function of the Supply Chain Management (SCM) Unit is to ensure that the correct products and services are procured to meet client needs in a manner that is cost-effective and in line with prevailing legislation. SCM plays a pivotal role, working in tandem with the business units, to ensure proper planning, market analysis and development of the correct specifications for goods and services.

7.1.1 Supply Chain Management Objectives

- To ensure legislative compliance, including MFMA, PPPFA, SCM Regulations
- To implement detailed demand management and strategic sourcing
- To institute effective cost-saving mechanisms to improve profitability, without compromising service standards

- To maximise enterprise supplier development and empowerment, and align this to the CTICC's BBBEE strategy/target
- To ensure that SCM forms an integral part of the financial-management system and the CTICC's digital strategy
- To align ourselves with industry trends and ensure that CTICC adheres to international best practices
- To encourage sustainable procurement
- To have no material findings in SCM which impacts achieving an unqualified audit

7.2 UNGC PRINCIPLES

The CTICC continues to follow the United Nations Global Compact's (UNGC) principles as part of the CTICC's leadership strategy. It is divided into four groups: human rights, fair and equal labour principles, embedded environmental principles and anti-corruption.

- Principle 1 – Businesses should support and respect the protection of internationally proclaimed human rights
- Principle 2 – Businesses should make sure they are not complicit in human rights abuses
- Principle 3 – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- Principle 4 – Businesses should uphold the elimination of all forms of forced and compulsory labour
- Principle 5 – Businesses should uphold the effective abolition of child labour
- Principle 6 – Businesses should uphold the elimination of discrimination in respect of employment and occupation
- Principle 7 – Businesses should support a precautionary approach to environmental challenges
- Principle 8 – Businesses should undertake initiatives to promote greater environmental responsibility
- Principle 9 – Businesses should encourage the development and diffusion of environmentally friendly technologies
- Principle 10 – Businesses should work against corruption in all its forms, including extortion and bribery

In addition, this helps position the CTICC as a love brand based on its ability to show care for and commitment to the communities in which it operates.

8. HUMAN RESOURCES

Human Resources (HR) is transitioning from a service delivery model to a business partnering model. HR will partner with the business in the formation of strategy, the design of the organisation and implementing the business model. The goal of Human Resources is to drive and support the workforce through development, recruitment and retention. The CTICC believes that growing its people contributes to growing the organisation.

The CTICC's corporate value of Integrity clearly states our expectations of employee behaviour. We are transparent in all our actions, and expect ethical behaviour in every single area of our business. Adherence to the UN's Global Compact further demonstrates our commitment to fair labour practices as well as ethical conduct in terms of our contractual obligations with business partners and clients.

Human Capital Development and providing graduate training opportunities are the key HR KPIs for the CTICC. Graduates from the hospitality sector are placed throughout the business to gain valuable work experience. Over and above standard training courses, permanent staff are selected to participate in international knowledge-exchange programmes, summits and professional-development programmes. These provide a targeted, industry-specific form of training and development, as well as opportunities to establish the kind of industry networks that facilitate future professional growth.

8.1 HR OBJECTIVES

- To ensure that the CTICC remains an employer of choice
- To develop employees in order to create an environment that recognises hard work and talent
- To identify and improve the cost and efficiency of HR service delivery (e.g. cost of hiring) as well as the time taken to provide the services (e.g. time taken to fill vacancies)
- To recruit and retain a diverse workforce to meet the needs of the organisation

8.2 HR TRENDS

- Employee experience: creating a great employee experience similar to the emphasis on customer experience. An exceptional employee experience is required if employees are to provide the best possible customer experience
- Employee Health and Wellness: create a higher level of employee health and wellness, not only regarding physical health but also including emotional, mental and financial wellness
- Learning and development: the speed and complexity of change requires a competent workforce, thus more proactive and dynamic approaches to learning and development are imperative. Learning should be more focused and just-in-time to set employees up to deliver their best
- Engaging employees in order to build their commitment to the organisation
- Creating an environment and brand that attracts through its success

Working with the above trends will lead to the onboarding and retention of passionate employees.

9. FINANCIAL PROJECTIONS

The operational plans giving effect to the strategy and which are factored into the budgets have taken into account growth in primary and secondary revenue streams, as well as the continuous drive to save costs. The business needs in respect of capital expenditure, which is also funded from CTICC reserves, have been budgeted at R42.5 million for the year. The capital expenditure is for new and existing assets, which will contribute to the CTICC remaining a world-class facility.

The 2019/20 budget process followed a similar approach used in previous years. The budget takes into account the current market conditions, such as inflation, historical trend analysis, as well as the proposed City budget guidelines. Zero-based budgeting was used, where all expenses were justified and analysed for its needs and cost.

The budgeted 2019/20 operating profit before interest tax depreciation and amortisation (EBITDA) for the company is projected at R10.1 million for the year.

The 2019/20 budget includes a 50% (R66 million) 'blue sky' revenue, as the budget is prepared for the City well in advance of the Company's start date of its 2019/20 financial year, where there are few bookings in the system on which the budget can be based.

Due to the nature of our business and the increase in short-term bookings, we have always included a portion of 'unknown' revenue for the unknown or short-term business. As venue rental income is the primary source of revenue, the other revenue stream budgets are prepared with these same assumptions.

Gross Margins are budgeted to be maintained at 79%. Indirect costs have been budgeted to increase at 3.6% in total, mainly as a result of an increase in payroll, maintenance and marketing costs. The budget of 2019/20 reflects a R33.1 million net loss before tax for the year.

The following table shows the 2017/18 actual amounts as well as the current financial year's original and adjusted budgets, and the projected budget for the 2019/20 financial year.

Table 6: Revenue Projections

Description	Actual 2017/18	Budget 2018/19	Adjustment Budget 2018/19	Budget 2019/20
Revenues	246 323 657	286 614 110	263 109 500	278 700 157
Venue hire	116 485 611	138 802 416	124 545 088	131 820 411
Food & beverage	88 523 885	100 952 552	94 639 671	101 266 105
Parking & other income	41 314 161	46 859 142	43 924 741	45 613 641
Less: direct costs	50 726 296	54 214 572	52 766 823	58 930 179
Cost of sales	29 700 992	34 367 207	31 155 061	35 122 247
Other direct costs	21 025 304	19 847 365	21 611 762	23 807 932
Gross profit	195 597 361	232 399 538	210 342 677	219 769 978
Less: indirect costs	138 353 166	224 974 377	202 377 297	209 624 889
Personnel & management	58 983 869	99 060 631	89 116 902	94 513 559
Building costs	54 593 610	89 718 446	78 671 932	80 287 332
Marketing & other indirect costs	24 775 687	36 195 300	34 588 463	34 823 998
EBITDA	57 244 195	7 425 161	7 965 380	10 145 089
Interest received	17 829 123	4 515 185	12 261 535	6 900 000
Less: Depreciation	39 820 435	42 651 499	42 651 499	50 163 514
Impairment	462 599 006	-	-	-
Net profit/(loss) before taxation	(427 346 123)	(30 711 153)	(22 424 584)	(33 118 425)
Taxation	117 590 109	-	-	-
Net profit/(loss) after taxation	(309 756 014)	(30 711 153)	(22 424 584)	(33 118 425)

Table 7: Capital Expenditure Budget 2018/19-2021/22

Category and description	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
Building enhancements	18 680 000	20 450 000	25 400 000	25 700 000
IT & electronic infrastructure	14 577 500	17 051 055	18 021 302	19 429 075
Kitchen enhancements	1 348 100	1 348 100	2 666 506	2 165 289
Catering furniture & equipment	6 020 000	1 630 000	4 117 735	3 232 530
Operational capex budget	40 625 600	40 479 155	50 205 543	50 526 894
CTICC2	8 566 932	2 000 000	2 000 000	2 000 000
Total capex budget	49 192 532	42 479 155	52 205 543	52 526 894

ANNEXURES**FINANCIAL PERFORMANCE**

Three year budget 2018/19 – 2021/22

Category	Actual 2017/18	Budget 2018/19	Adjustments	Adjustment Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<u>Revenue by source</u>							
Rent of facilities and equipment	116 485 611	138 802 416	(14 257 328)	124 545 088	131 820 411	140 100 597	148 907 270
Interest earned – external investments	17 829 123	4 515 185	7 746 350	12 261 535	6 900 000	7 314 000	7 752 840
Other revenue	129 838 046	147 811 694	(9 247 282)	138 564 412	146 879 746	156 050 499	165 800 135
Total revenue	264 152 780	291 129 295	(15 758 260)	275 371 035	285 600 157	303 465 096	322 460 245
<u>Expenditure by type</u>							
Employee related costs	58 524 706	98 176 227	9 943 729	88 232 498	93 932 359	100 345 573	106 366 308
Remuneration of board members	459 163	884 404	-	884 404	581 200	616 072	653 036
Depreciation & asset impairment	502 419 441	42 651 499	-	42 651 499	50 163 514	43 786 926	41 186 083
Other expenditure	130 095 593	180 128 318	14 101 100	166 027 218	174 041 509	184 939 166	196 551 601
Total expenditure	691 498 903	321 840 448	24 044 829	297 795 619	318 718 582	329 687 737	344 746 028
Surplus/(deficit) before taxation	(427 346 123)	(30 711 153)	8 286 569	(22 424 584)	(33 118 425)	(26 222 641)	(22 285 783)
Taxation	117 590 109	-	-	-	-	-	-
Surplus/(deficit) after taxation	(309 756 014)	(30 711 153)	8 286 569	(22 424 584)	(33 118 425)	(26 222 641)	(22 285 783)

FINANCIAL POSITION

Three year budget 2018/19 – 2021/22

	Actual 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
ASSETS					
Non-current assets	704 703 082	720 329 157	712 644 798	721 063 415	732 404 225
Property, plant and equipment	575 138 991	590 765 066	583 080 707	591 499 324	602 840 134
Investment in subsidiary	100	100	100	100	100
Deferred taxation	129 563 991	129 563 991	129 563 991	129 563 991	129 563 991
Current assets	245 144 637	201 310 442	181 214 344	153 677 488	127 639 532
Inventories	1 591 437	1 671 008	1 754 558	1 824 740	1 897 730
Trade and other receivables	19 796 330	15 687 639	16 031 948	18 136 600	19 218 896
Cash and cash equivalents	223 756 870	183 951 795	163 427 838	133 716 148	106 522 906
Total assets	949 847 719	921 639 599	893 859 142	874 740 903	860 043 757
NET ASSETS AND LIABILITIES					
Net assets	843 147 667	820 722 970	787 604 544	761 381 902	739 096 120
Contribution from owners	1 277 427 701	1 277 427 701	1 277 427 701	1 277 427 701	1 277 427 701
Accumulated deficit	(434 280 034)	(456 704 731)	(489 823 157)	(516 045 799)	(538 331 581)
Current liabilities	106 700 052	100 916 629	106 254 598	113 359 001	120 947 637
Client deposits	28 162 844	30 415 871	32 849 141	35 477 072	38 315 238
Trade and other payables	71 820 350	68 969 911	68 595 842	72 711 593	77 074 289
Provisions	4 723 383	4 537 372	4 809 615	5 170 336	5 558 110
South African Revenue Services	1 993 475	(3 006 525)	-	-	-
Total net assets and liabilities	949 847 719	921 639 599	893 859 142	874 740 903	860 043 757

CASH FLOW STATEMENT

Three year budget 2018/19 – 2021/22

	Actual 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
Cash flow from operating activities	88 732 036	18 472 612	21 955 198	22 493 853	25 333 652
Cash receipts from customers	248 151 461	273 121 016	277 139 320	296 674 375	316 463 275
Cash paid to suppliers and employees	(173 847 032)	(261 906 939)	(265 090 647)	(281 494 522)	(298 882 463)
Suppliers	(118 882 616)	(172 790 037)	(170 577 088)	(180 532 877)	(191 863 119)
Employee costs	(54 964 416)	(89 116 902)	(94 513 559)	(100 961 645)	(107 019 344)
Cash generated from operations	74 304 429	11 214 077	12 048 673	15 179 853	17 580 812
Finance income	17 829 123	12 261 535	6 900 000	7 314 000	7 752 840
Taxation paid	(3 401 516)	(5 003 000)	3 006 525	-	-
Cash flow from investing activities	(115 960 048)	(58 277 687)	(42 479 155)	(52 205 543)	(52 526 894)
Acquisition of property, plant and equipment	(115 960 048)	(58 277 687)	(42 479 155)	(52 205 543)	(52 526 894)
Increase in cash and cash equivalents	(27 228 012)	(39 805 075)	(20 523 957)	(29 711 690)	(27 193 242)
Cash and cash equivalents at beginning of the year	250 984 882	223 756 870	183 951 795	163 427 838	133 716 148
Cash and cash equivalents at end of the year	223 756 870	183 951 795	163 427 838	133 716 148	106 522 906
Cash generated from operations	(427 346 001)	(22 424 584)	(33 118 425)	(26 222 641)	(22 285 783)
Profit before taxation	(427 346 001)	(22 424 584)	(33 118 425)	(26 222 641)	(22 285 783)
Adjustments for:					
Depreciation	39 820 439	42 651 499	50 163 514	43 786 926	41 186 083
Interest received	(17 829 123)	(12 261 535)	(6 900 000)	(7 314 000)	(7 752 840)
Impairment	462 599 006	-	-	-	-
Loss on disposal of property, plant and equipment	151 880	-	-	-	-
Increase in provision for bonuses	(236 426)	(183 010)	272 243	360 721	387 775
Increase in provision for impairment of trade receivables	887 958	-	-	-	-
	58 047 733	7 782 370	10 417 332	10 611 006	11 535 235
Movements in working capital	16 256 696	3 431 707	1 631 341	4 568 847	6 045 577
(Increase)/decrease in inventories	(393 272)	(79 572)	(83 550)	(70 183)	(72 989)
Decrease/ (increase) in receivables	(7 246 614)	4 108 691	(344 309)	(2 104 654)	(1 082 296)
Increase (decrease) in payables	23 896 582	(597 412)	2 059 200	6 743 684	7 200 862
	74 304 429	11 214 077	12 048 673	15 179 853	17 580 812

CTICC 1

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GPS co-ordinates: - 33.915141,18.425657

CTICC 2

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