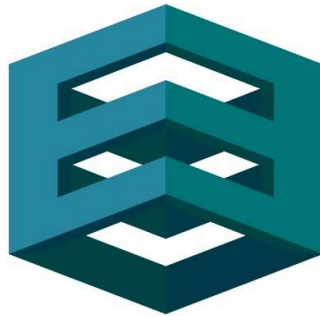


**EQUITY EXPRESS SECURITIES
EXCHANGE (PTY) LTD
ANNUAL REPORT
2022**



EQUITY EXPRESS
securities exchange

Introduction

This Annual report is prepared inline with Board Notice 101 of 2013 together with the Financial Markets Act, 2012. The report has been structured to comply with the information required in the board Notice and provide an overview of how Equity Express Securities Exchange (Pty) Ltd has functioned during the 2022 Financial Year, ended March 2022.

Equity Express Securities Exchange (Pty) Ltd, herein referred to as EESE has had a profitable FY 2022 and is looking to expand its service offering, in order to grow its business and to improve its sustainability, going forward.

Members of Controlling Body

EESE Board

March 2021 (Financial Year End)	March 2022(Financial Year End)
Zuko Kubukeli (Chairman)	Sarita Martin (Chairman)
Richard Andrews (Non-Executive)	Richard Andrews (Non-Executive)
Geetaben Bhagwandas (Non-Executive)	Madeleine Kotze (Non-Executive)
Mark Currie (Non-Executive)	Mark Currie (Non-Executive)
Andre Pieterse (Non-Executive)	Noah Greenhill (Non-Executive)
	Shaun Read (Non-Executive)
Anthony Wilmot (Executive)	Anthony Wilmot (Executive)
Flynn Robson (Executive)	Flynn Robson (Executive)

The controlling body of EESE has been changed during FY 2022, with the resignation of Andre Pieterse, Zuko Kubukeli and Geetaben Bhagwandas. The EESE Board appointed 4 new Independent Non-Executive Directors, namely Sarita Martin, Madeleine Kotze, Noah Greenhill and Shaun Read.

Members of EESE Executive and Management Team

The EESE Management had one change during the FY 2022, Akepne Abidiwa resigned and was replaced by Mr Colin Godleman. The EESE Executive and management team is represented as follows:

Anthony Wilmot – CEO / CFO

Flynn Robson – Compliance and Risk Officer (Executive Director)

Nikki Clackworthy – Head of Operations

Colin Godleman – Head of Surveillance

Authorised Users, Participants and Clearing Members

There has been no change to the EESE prefunded model or to the members who partake in the EESE model.

Currently the list consists of the following parties:

Singular Systems (Pty) Ltd – Authorised user

STRATE (Pty) Ltd – Central Securities Depository (CSD)

Nedbank Ltd – Central Securities Depository Participant (CSDP)

Operational Report

Please see appendix A.

Auditors Report

Please see the signed Annual Financial Statements including the signed Independent Auditors report.

Summary of Market Information (reflecting the salient features of trading and settlement)

Trading process

EESE's model continues to be pre-funded and with the cash flowing from the buying Investor to the selling Investor as a trade matches on the platform and settles through STRATE.

A full record of securities holders for each Issuers is maintained by EESE and is an integral part of the trade matching engine. The official dematerialised securities register continues to be maintained by EESE's CSD.

Trades can only be matched by the matching engine if all the Rules of EESE are complied with and where applicable the rules of the Issuer have been complied with

The pre-trade verification process and cash validation substantially reduces the risks associated with settlement and removes credit risk. Rules are enforced pre-trade, so no remedial action is required after a trade has taken place allowing EESE to be proactive with our risk management function.

FICA verification processes continue to be performed by the Authorised User and as an accountable institution, in terms of FICA, are responsible for complying with the FIC Act. All documentation evidencing such compliance is stored in Equity Express system.

EESE is not an accountable institution as defined by the FIC Act and as such are not involved in any FICA processes.

EESE continues to be responsible for receipting deposits from Investors and payments of proceeds of sale to Investors. The Authorised User is responsible for maintenance of accurate bank details of investors.

Currently the Buyer deposit funds directly into the trust accounts of EESE before they can place a buy order on the market. These trust accounts are administered by EESE.

A record of the trade will be provided by the AU to the CSDP so that the CSD can affect the transfer of the securities from the seller to the buyer in the official securities register.

Disclosure and reporting to the marketplace and Investors is done using Web, email and SMS functionality.

EESE doesn't allow derivative trading, short selling or algorithmic trading in line with our licence conditions.

Clearing and Settlement Arrangements

The following is a description of the procedures which outline the clearing processes required before settlement can occur and management of settlement risk.

Clearing processes required before settlement can occur

Only pre-verified Investors are allowed to trade. A pre-verified Investor is an investor that meets the investment criteria of the Issuer.

Before a trade can be executed the system ensures that the buyer has the requisite amount of cash in their Investor's trading account and the seller has the requisite number of shares as per the underlying record of securities in Equity Express.

The Investor is able to specify the number of shares they wish to buy, limited to the cash balance they have available, i.e., net of all costs.

A bid to buy result in a pending cash trade that reduces the Investor's available cash balance. If the bid expires or is cancelled, then the pending cash transaction will be removed and the cash will automatically be transferred back to the Investor's trading account i.e. the amount of the bid will no longer be pending in the Investor's trading account.

Equity Express always checks against the cash balance available in an Investor's trading account before allowing them to process a buy bid. There may be a period between the loading of a buy bid and the matching of this instruction in Equity Express. It is therefore vital that Equity Express examines the cash balance at the time of matching the trade to ensure there are sufficient funds to meet all costs before matching the trade and reserving the buyer's funds and the seller's matching shares amount.

At Equity Express's core is a trade matching engine that matches buy bids and sell offers using the principle of Price/Time Priority. When a buy bid or sell order is entered into the matching engine, it is assigned a timestamp. Equity Express uses this timestamp to prioritise trade requests at the same price in the matching engine. The trade request (could be a buy bid or a sell offer) entered earliest at the same price limit is executed first. When a subsequent trade request enters, the matching engine first checks the price limits of all trade requests contained in the matching engine. If the subsequent trade request is immediately executable, in other words it can be matched against an existing trade request(s), then one or more than one partial transaction is generated. To be immediately executable, the trade request must have the following two attributes:

1. a bid to buy at a price at or above the lowest sell offer in the matching engine; and
2. an offer to sell at a price at or below the highest bid in the matching engine.

Trade requests will not necessarily be executed at a single price but may generate several partial transactions at different prices. When a large trade request executes against the total available quantity at a given price level, the next best price level becomes 'best'. This process will continue as long as incoming trade requests remain executable. If not executed upon entry, a trade request is held in the matching engine until it can match with an opposite trade request with the above attributes.

An Investor may not change a bid to buy or an offer to sell. The Investor may cancel the trade request and make a new bid to buy or to sell either by contacting the call centre or through the website. If the trade request is cancelled outside of trading hours, it only comes into effect at the start of trading hours the next day.

EESE's Rules define a matched trade as irrevocable; both parties are required to settle the transaction.

When an order is matched, Equity Express reserves the amount of funds required in respect of the order by reducing the available funds in the Investor's trading account. Similarly, the shares required to be transferred to the buyer are reserved meaning that the Investor can no longer load a sell order against his reserved sold shares.

Once a trade has been matched, both the buyer and the seller are informed via an SMS and/or email. This communication will contain all the information relevant to the trade including details regarding admin costs, VAT and taxes.

As set out above, once a trade is matched, Equity Express sends a record of trade to the CSD. At the same time, the Authorised User will send details of the trade to the CSDP.

Management of Settlement Risk

STRATE holds the dematerialised securities register. The official register of the CSD will be reconciled daily to the record of securities register maintained by Equity Express via the BND weekly download.

EESE reports all trades to the licensed CSD. At the same time, the Authorised User(s) sends details of the trades to their CSDP(s). The CSD ensures that it holds a commit from the CSDP that the seller holds the securities. The CSD then affects the transfer of shares from the seller to the buyer in the official securities register and issues confirmation of transfer to the Exchange. This process takes place on an intraday basis.

The transfer of shares from the seller to the buyer is recorded in Equity Express' record of securities after confirmation of the settlement from the CSD.

EESE Trading Platform reflects the transfer of the shares from the seller to the buyer in the seller's trading account and pays the proceeds of the sale to the seller from the buyer's pre-funded trading account. Settlement is completely secure because transfer of funds and securities happens simultaneously; in a transaction that is considered to be both final and irrevocable.

Payment of proceeds to sellers

Payment of proceeds to the Investor's bank account or the withdrawal of cash from the Investor's trading account to their bank account is achieved in two ways:

Instruction on sale of shares

The Investor indicates whether or not they wish for the proceeds of a sale to remain in their trading account, or if they would prefer part of the proceeds to be transferred to their bank account, or if they would prefer all the proceeds to be transferred to their bank account (default).

Ad hoc Instructions to withdraw part of or all their cash balance.

These instructions are provided against the actual available cash balance in the trading account.

Payment instructions may be given by Clients to Authorised Users telephonically or via the EESE website.

Payments that need to be made to Clients will be batched every evening to effect payment to the various Clients' bank accounts.

From the date of sale, Client's should expect their proceeds to reflect in their bank account within five Business Days after the receipt of the Client's instruction. If clients wish to receive their funds immediately, they may click the real-time payment option and the funds will then be paid over to them within an hour of reflecting in their investor account.

Failed payments

Payments to Investors' may fail due to Investor bank accounts being closed or bank details being invalid, although the CDV routine and account holder verification will minimise this. Any failed payments will automatically be marked as invalid in Equity Express so that further payments to invalid bank accounts are not executed.

EESE returns the proceeds of the failed payments back to the EESE Nominees Trust bank account. This payment into the Exchange Trust bank account reflects on the following day's trading bank account statement. The funds are automatically allocated back to the Investor's trading account. The relevant authorised user is notified of the failed payment.

No subsequent payments to the Investor are attempted until their updated banking details have been received and verified. Once the Investor's bank details have been updated and verified the Investor is notified accordingly by SMS and or email. They are then permitted to withdraw the cash from their trading account.

Payment Reconciliations

Payment reconciliations are done by EESE.

Surveillance

The FMA requires procedures in place to detect any offences in respect of insider trading, other prohibited trading practices, and false, misleading or deceptive statements, promises and forecasts.

The approach EESE has adopted to survey the market is based on a statistical analysis of both price and volume irregularities. In addition to this statistical approach EESE also follows a robust approach in dealing with insider trading where market participants may have knowledge that others do not.

The Surveillance Officer of EESE reviews media statements or any statement made by a director or senior management of an Issuer to determine whether it is false or misleading.

The following explains the procedures used to detect and prevent price and volume abuses, insider information and misleading statement activities for the purposes of surveillance.

To assist with transactions that need to be reviewed from a surveillance perspective Equity Express has a statistics dashboard to provide daily statistics on the market.

Price

EESE has set appropriate pricing limits to detect and prevent unusual price movements, all of which are subject to surveillance.

Volume

Market abuse may occur where the price does not move materially but volumes move materially as a result of possible insider trading. From a volume perspective shares do not trade in an even pattern. To account for this, a statistical approach has been adopted to identify abnormally large volume trades. The average daily volume over the preceding 10 days excluding Block Trades defines "a normal volume". If any single order exceeds twice the normal volume, then this order is flagged and subject to surveillance.

The detection of suspicious trades assists with the identification of prohibited trading practice and insider trading activities.

The Rules of EESE provide that the Authorised User must ensure that all of its employees who are involved in the receipt of orders from Clients and the execution of transactions in Securities on Equity Express are familiar with the market abuse provisions in sections 77 to 80 of the FM Act and that those employees receive adequate training and guidance to enable them to recognise and avoid entering into any transaction on behalf of the authorised user or its Clients which will result in, or is likely to result in, a breach of those provisions e.g. a caller claiming to have inside information. These will be flagged for surveillance.

The Authorised User will report those trades suspected of market abuse directly to EESE who will immediately report the matter to the Market Abuse department of the FSCA.

The following explains specifically the arrangements in place for the surveillance of all transactions in respect of prohibited trading practices as defined by the FMA.

Prohibited trading practices

False impression of demand or supply or an artificial price.

EESE produces trade statistical data and bid or offer statistical data. This data is reviewed to ensure that patterns of bid or offer prices being placed at successively higher or lower prices is examined and flagged for surveillance to the extent that this occurs.

Beneficial ownership does not change

EESE does not permit a shareholder to trade with themselves. The matching engine ensures that the buyer and seller in any deal are different parties. Owing to the fact that the record of securities is an integral part of the share trading platform, Equity Express at all times knows who the beneficial shareholders are behind each trade. No nominee companies can trade in this market.

Collusion between a buyer(s) and a seller(s)

EESE produces daily statistics of all trades completed and who the shareholder, and in the case of companies, who the authorised representative is behind each trade. To the extent that any patterns begin to emerge that may suggest that there is any collusion between any two buyers and sellers then this activity will be flagged for surveillance. EESE knows who the actual shareholders are behind each trade.

Placing bid or offer prices at successively higher or lower prices

Not only does EESE produce trade statistical data, it also produces bid or offer statistical data. This data is reviewed to ensure that patterns of bid or offer prices being placed at successively higher or lower prices is examined and flagged for surveillance to the extent that this occurs.

Placing bid or offer at or near to close of market

EESE has no closing auction and all bids or offers that are more than a significant percentage away from the last traded price are subject to surveillance.

Effecting a market corner

Where an Issuer restricts shareholding per Investor. These restrictions will be enforced by Equity Express at the time a bid or offer is placed. Transactions which show a consistent increase in shareholding by the same shareholder will be flagged for surveillance at various intervals and will prohibit Investors from acquiring shares beyond the stipulated shareholding limit where applicable.

Maintaining an artificial price

Only qualifying shareholders may be the beneficial owners of the shares. Funds or professional asset managers are often incentivised based on the closing price of equities at the closing reporting periods. Since these types of Investors do not exist there is little incentive to maintain an artificial price. All the indicators described above will flag transactions attempting to manipulate the price for surveillance.

Transactions flagged for surveillance, as part of the process described above, will be compared to Insider details received from the Issuer and the timing of these transactions will be checked against closed periods. These may result in the identification of insider trading and these will be reported to the FSCA.

EESE Trading Statistics for the Financial Year ended 2022

Issuer	Value	Volume
Ukhamba	14 432 921	639 880
Ukhamba2	9 552 744	434 550
PN	440 779 734	3 261 872
VCP	2 373 187	773 602

Application of King Code

Due to EESE's current size the company currently applies and complies with the Companies Act, but the Board and its committees recognise the principles and practices contained in King III and will apply certain of the principles and practices which are appropriate to EESE, in the governance practices of EESE.

A disciplined reporting structure ensures that the EESE Board, is fully apprised of activities, risks and opportunities. Business and governance structures have clear approval frameworks. Compliance, as well as progress, is monitored by the audit and risk committee and reported to the Board.

In line with the overriding principle in King IV of apply or explain, the Board will apply certain processes in support of the principles of King IV that are appropriate to EESE.

Operational Risk mitigation and operational Integrity report

Please see appendix B

List of EESE Securities

The following securities were listed on EESE and available for Trading as at 31/03/2022

Ukhamba 1 – UKH

Ukhamba 2 – UKH2

Phuthuma Nathi – PN

Vunani Capital Partners – VCP

Appendix A

CEO Operational Review Report

The financial year ended 31 March 2022 resulted in EESE generating a profit of R1.9million. EESE management has strictly controlled their costs to ensure that they have sufficient cash on hand to easily cover more than 6 months expenses as required by the FMA.

The EESE management team performed better than budgeted and the controlling body was satisfied with EESE's performance.

Operationally EESE maintained the functionality of its systems satisfactorily with no reported downtime. All system software upgrades were done after hours resulting in no impact to the live trading system. The EESE check queries that run hourly continue to do so, thus ensuring the integrity of the EESE data and the EESE system.

EESE maintains a complaints register and each individual complaint is reviewed as it is received. All complaints received this year had to do with matters provided by our Authorised User and these complaints were forwarded to them to be dealt with.

EESE performed its annual due diligence of both its Authorised Users and its Issuers and is satisfied with their compliance in terms of the Issuers listing requirements and regulations. We are also satisfied that our Authorised User following their review meet the requirements stipulated in the EESE rules. We believe the processes being followed are fair and transparent to both parties and that no issues or concerns were raised.

EESE continues to look for new listings and is working on a few potential equity listings at present.

The EESE team as it has since inception remains committed to the success of the Exchange for all its stakeholders. We are proud of the progress we have made in becoming financially sustainable and maintaining our cash to ensure we can meet all our ongoing obligations.

EESE and its staff are committed to working closely with both Regulators to ensure that EESE meets its regulatory obligations. EESE are hoping to be expand their licence to meet the needs of their Issuers outside of the Equity space which will help us grow our business and become more sustainable.

Appendix B

Operational Risk Mitigation, Operational Integrity and related Issues.

During the 2022 Financial year EESE's operational systems proved robust and stable. There was no down time of the technology and the platform was available to Investors at all times. The system patches were run at weekends to ensure that all updates were installed on all servers (production, backups as wells the DR servers).

EESE check queries in the system continue to run hourly to ensure the integrity of the data on the EESE platform. These are monitored by the EESE team. Should a check query fail, an email is sent to the EESE team and any failures are dealt with immediately.

All EESE risks are discussed in detail at the EESE Audit and Risk committee meeting and we make use of our strategic risk register to monitor the top 10 strategic risks that EESE is dealing with at present. The strategic risks are rated according to EESE's tolerance scale and these are reviewed and adjusted based on conditions in the market.

At present the EESE Executive as well as the Audit and Risk committee are comfortable with the risk approach adopted by EESE and feel that we are managing the operational risks that we are faced with, in accordance with our risk appetite.