SENTECH INTEGRATED ANNUAL REPORT 2017/18

SENTECH
connecting You

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ABBREVIATIONS

AGSA – Auditor-General of South Africa
AGM – Annual General Meeting
ARC – Audit and Risk Committee
ASB – Accounting Standards Board
ASO – Analogue Switch Off
B-BBEE – Broad-Based Black Economic Empowerment
CAPEX – Capital Expenditure
Companies Act – Companies Act, Act No. 71 of 2008, as amended
CEO – Chief Executive Officer
CFO – Chief Financial Officer
COO – Chief Operations Officer
C&MS – Content and Multimedia Services
CS – Connectivity Services
CSI – Corporate Social Investment
DAB – Digital Audio Broadcast
DPSA – Department of Public Service and Administration
DTT – Digital Terrestrial Television
DTH-S – Direct to Home Satellite Platform
DR – Disaster Recovery
DTPS – Department of Telecommunications and Postal Services
EE – Employment Equity
ECA – Electronic Communications Act, Act No. 36 of 2005
EXCO – Executive Committee
ERMCO – Enterprise Risk Management Committee
FM – Frequency Modulation
GRAP – Generally Recognised Accounting Practice
HBBTV – Hybrid Broadcasting Television
HR – Human Resources
IAF – Internal Audit Function
IIA – Institute of Internal Auditors
IIR – Institute of Integrated Reporting
IASB – International Accounting Standards Board
IFRS – International Financial Reporting Standards
ICASA – Independent Communications Authority of South Africa
ICT – Information and Communications Technology
I-ECNS – Individual Electronic Communications Network Service
I-ECS – Individual Electronic Communications Service
IMS – Infrastructure Management Services
IOT – Internet of Things
ISO – International Standards Organisation
MOI – Memorandum of Incorporation
MTEF – Medium Term Expenditure Framework
MW – Medium Wave
N/A – Not Applicable
NED – Non-Executive Director
OAG – Office of the Accountant-General
OC – Operational Centre
OTT – Over The Top
PFMA – Public Finance Management Act, Act No. 1 of 1999
SENTECH Act – SENTECH Act, Act No. 63 of 1996 as amended
TM – Talent Management
TRIR – Total Recordable Incident Rate
SED – Socio-Economic Development
SOC – State Owned Company
SW – Short Wave
VSAT – Very Small Aperture Terminal
WANA – Weighted Average Network Availability
YTD – Year to Date

ABOUT THIS REPORT

ABOUT THIS REPORT

This report aims to provide all stakeholders with a concise, material, transparent and understandable assessment of SENTECH's governance, strategy and performance. SENTECH is committed to applying the corporate governance principles contained in King IV. Details of the Company's application of these principles appear in section 5.7.

Basis of preparation

This report has been prepared in terms of:

- SENTECH Act, Act No. 63 of 1996 as amended
- International Financial Reporting Standards
- International Integrated Reporting Framework
- Companies Act, No 71 of 2008 (Companies Act) as amended
- King Report on Corporate Governance (King IV)
- National Treasury Framework for Managing Programme Performance Information
- Public Finance Management Act, Act No. 1 of 1999
- Treasury Regulations 2005(Issued by National Treasury)
- Broad Based Black Economic Empowerment Code

Report Scope and Boundaries

This report covers SENTECH's activities for the financial year ended 31 March 2018. This report does not discuss social or environmental aspects of the Company's supply chain but does address legitimate issues relevant to stakeholders outside the Company.

Determination of Report Content

The information presented in this annual report is selected by the Board such that, in its view, offers the most value or "materiality" to those who will read this report. Both quantitative and qualitative aspects of a matter, together with an anticipated timeframe, were considered when determining their materiality. SENTECH's Board and management are confident that the information presented is that which is most material to its stakeholders and which will inform their assessment of the Company's ability to create value in the short, medium and long-term.

This report focuses on the organisation's corporate responsibility of accountability and SENTECH's commitment to applying the King IV principles and to providing an understanding of the significance of governance to the providers of financial capital means that the governance of the Company is reviewed at length. Material matters (representing events, risks, opportunities, issues and amounts) are discussed.

Combined Assurance

SENTECH's combined assurance model recognises three lines of defence, namely review by management, supplemented by internal and external assurance in order to optimise governance oversight, risk management and control. The ARC and the Board rely on combined assurance in forming their view of the adequacy of our SENTECH's management and internal controls. A combined assurance approach has been adopted in the preparation of this report.

Forward-looking Statements

The report may contain forward-looking statements. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. While these forward-looking statements represent our judgements and future expectations, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These include factors that could adversely affect SENTECH's businesses and financial performance. SENTECH is not under any obligation to (and expressly disclaim any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

Statement of Responsibility

The Board is responsible for the preparation of the company's annual report and for the judgements made in this information. The Board is responsible for establishing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual report. In our opinion, the annual report fairly reflects the operations of SENTECH for the financial year ended 31 March 2018 and was approved by the Board on 31 July 2018.

Mr M. Booi
Chief Executive Officer

Mr M. Mello
Chairperson

Statement by the Company Secretary

I certify that SENTECH State Owned Company (SOC) Limited has filed all its returns and notices for the year ended 31 March 2018, as are required of a public company in terms of section 88(2) (e) of the Companies Act, and that such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.

Mr Z. Adams
Acting Company Secretary
31 July 2018

Performance Results at a Glance

REVENUE
R1.35Bn
Revenue grew by 9,49%

EBIT
R142Mn
EBIT grew to R142 Mn from R 33,95 Mn

AUDIT OUTCOME
Clean Audit 6 years in a row

CUSTOMER SATISFACTION
Customer Satisfaction Index 72%

KPIs
80% of all KPIs achieved

B-BBEE
B-BBEE Level 2 rating achieved

ABOUT US

1.1 Evolution of SENTECH

In 1996, the SENTECH Act 63 of 1996 was amended, converting SENTECH into a separate public entity, responsible for providing broadcasting signal distribution services as a 'common carrier` to licensed television and radio broadcasters.

1.2 Ownership

The Company is wholly owned by the Government of the Republic of South Africa as represented by the Minister of Telecommunications and Postal Services.

1.3 Legislative Framework

SENTECH's legislative foundation is the SENTECH Act. The Public Finance Management Act (PFMA) and National Treasury Regulations published in terms thereof serve as the authority for the organisation's financial reporting requirements. Policies have been put in place to ensure that there is compliance with all relevant legislation. The organisation is further guided by the principles embodied in the King IV Report on Corporate Governance for South Africa and the Protocol on Corporate Governance in the Public Sector 2002.

In 2002, following the deregulation of the telecommunications sector, SENTECH was granted two additional licences, allowing the Company to provide international voice-based telecommunications and multimedia services. These licences were subsequently converted into an Individual Electronic Communications Network (I-ECNS) and an Individual Electronic Communications Service (I-ECS), licenced in terms of the Electronic Communications Act (ECA).

1.4 Vision, Mission and Corporate Values

Vision
A global enabler of broadcasting and digital content delivery

Mission
To enable our customers to reach their audiences anywhere through innovation

Corporate Values
In seeking to promote good governance and code of conduct, SENTECH has developed and promoted the following values:

Integrity
We act ethically with honesty, fairness and openness

Quality Customer Service
We are committed to proactively ensuring high levels of customer satisfaction and building a relationship based on trust

Accountability
We deliver on our promises and take responsibility for our actions

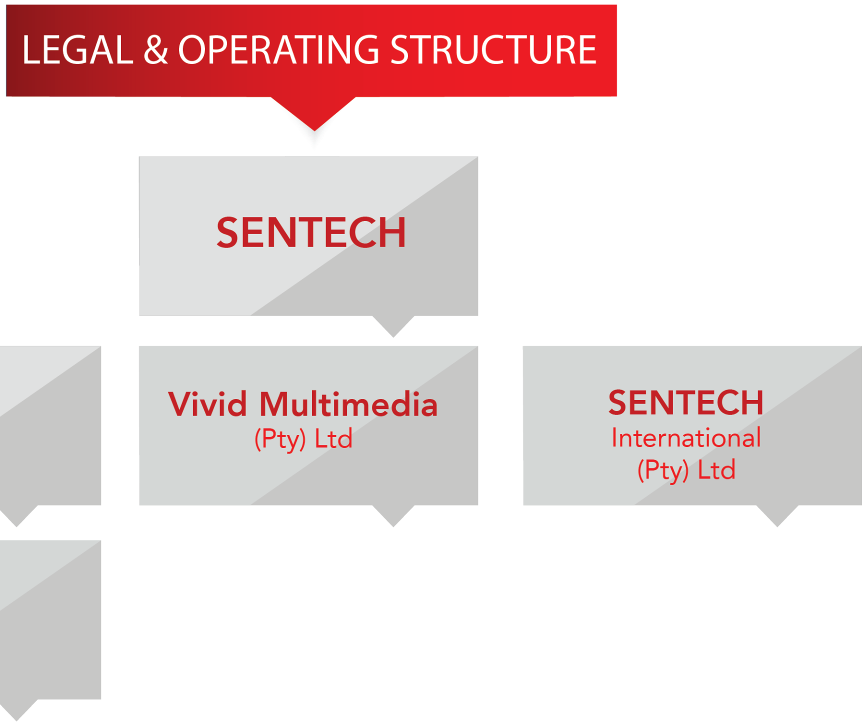
Innovation
We endeavor to develop and support creativity and responsible risk taking

Social Responsibility
We endeavour to fulfil our mandate in a manner that benefits our employees, customers, suppliers, communities and the environment in all the areas that the SENTECH operates in

Figure 1: SENTECH Values

1.5 Legal and Operating Structure

SENTECH SOC Ltd has four subsidiaries as set out in Figure 2. These entities are all 100% directly and indirectly (in the case of InfoSat (Pty) Ltd) owned by SENTECH SOC Ltd. There are currently no material account balances nor classes of transactions at these entities. SENTECH's head office is based in Honeydew, Johannesburg and has operational centres and terrestrial broadcasting sites in all nine provinces.



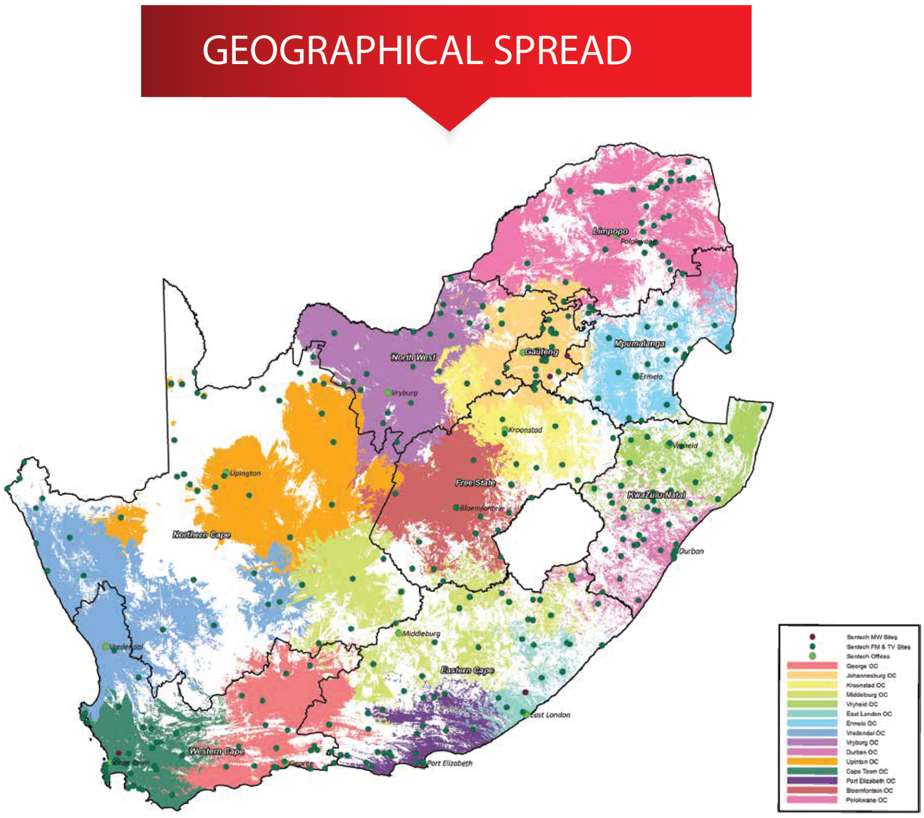


Figure 2: Legal & Operating Structure and Geographical Spread

1.6 Products and Services

SENTECH's primary product portfolio consists of Content and Multimedia Services (C&MS), Infrastructure Management Services (IMS) and Connectivity Services (CS). As will be noted in section 2.4, SENTECH, over the next Medium-Term Expenditure Framework (MTEF) 2018-2021, will attempt to expand the breadth and depth of its content distribution services and increase the scope of its activities in support of the general communications industry. It is therefore anticipated that there will be additional revenue categories generated in future.

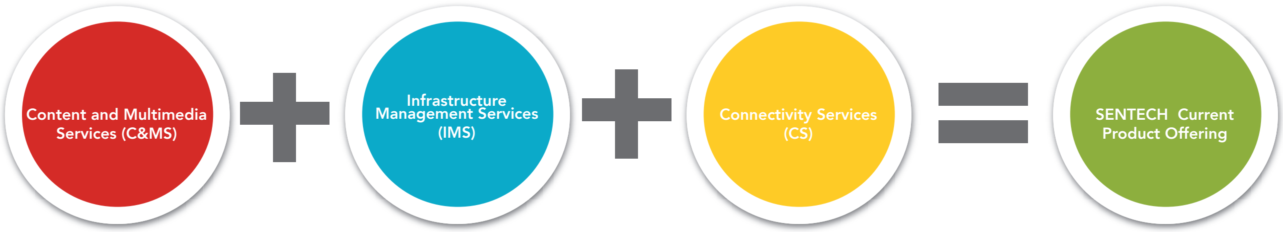


Figure 3: SENTECH Products

1.7 Organisational Structure

During the 2017/18 financial year, SENTECH amended its organisational structure to accommodate its business strategy. As at the date of this report, there were no vacancies at Executive and Non-Executive Director (NED) level.

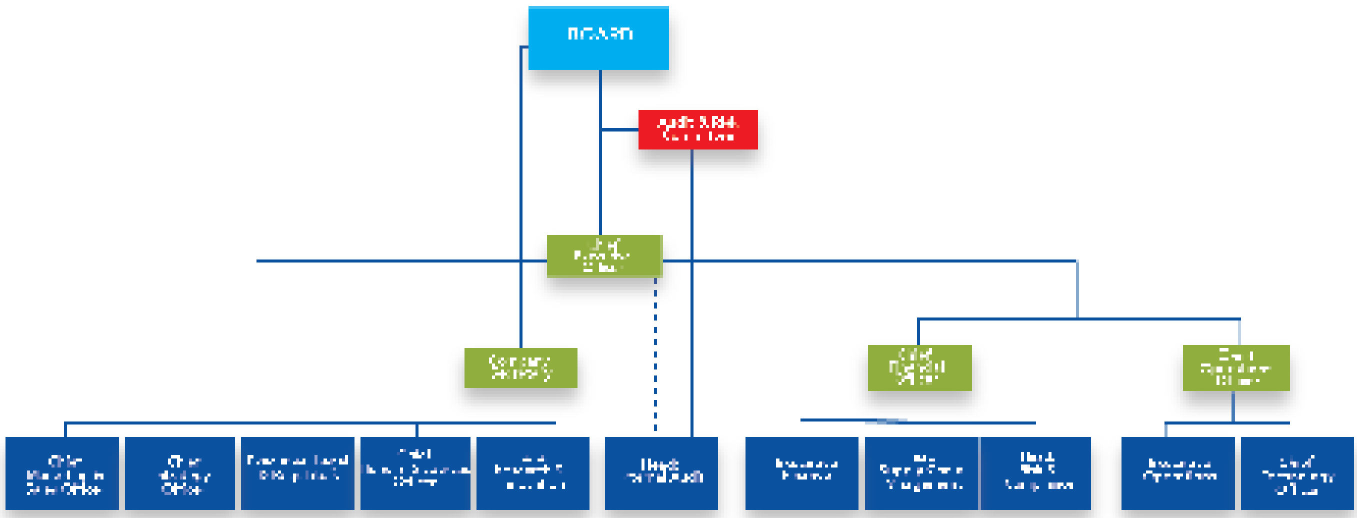


Figure 4: Organisational Structure

1.7.1 Board Composition

As at the date of this report, the Board comprised of ten directors, three Executive and 7 NED's. Details of all changes to the Board are set out in Section 5. The demographics and profiles of the current Board members are set out in Figure 5.

Non-Executive Directors

Mr M. Mello
Chairperson
Highest Qualification: MSc (Electrical Engineering)
1 March 2015 to 28 February 2018
Reappointed from 1 April 2018 – to date

Ms R.J. Huntley
NED
Highest Qualification: B Proc, LLB
15 November 2013 to 14 November 2016
Reappointed from 12 December 2016 – to date

Mr L. Mtimde
NED
Highest Qualification: BSc (Biochemistry and Physiology), PG Dip (Telecommunications and Information Policy)
1 March 2015 to 28 February 2018
Reappointed from 1 April 2018– to date

Ms T. Malaka
NED
Highest Qualification: BA (SocSc), MBA
1 April 2018 – to date

Dr S. Malinga
NED
Highest qualification: MBA, PhD (Physics)
1 April 2018 - to date

Ms N. Mbele
NED
Highest qualification: CA (SA)
15 November 2013 to 14 November 2016
Reappointed from 12 December 2016 - to date

Ms L. Ndlovu
NED
Highest qualification: BA, HDip (Personnel Management), MA
12 December 2016 - to date

Executive Directors

Mr M. Booi
Chief Executive Officer (CEO)
Highest qualification: MSc (Electrical Engineering)
15 October 2015 - to date

Mr T.J. Leshope
Chief Operations Officer (COO)
Highest qualification: BTech (Electrical Engineering)
1 March 2018 - to date

Mr S. Mthethwa
Chief Financial Officer (CFO)
Highest qualification: CA (SA)
1 December 2016 – to date

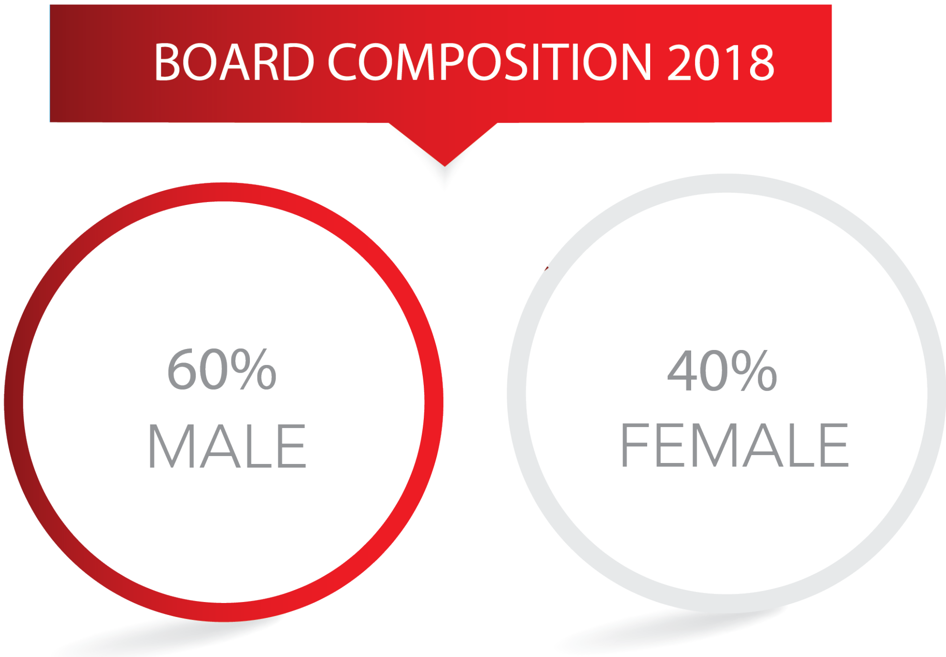


Figure 5: Board Composition

1.7.2 Executive Team

As at the date of this report, the Executive Management Team comprised seven members with one vacancy existing. This vacancy is expected to be filled by 31 October 2018. The demographics and profiles of all Executive Managers at SENTECH are set out in Figure 6.

Executive Team

Mr I. Segaloe
Chief Strategy Officer
Highest qualification: MBA (Corporate Strategy)
1 May 2016 – to date

Ms M. Kgari
Chief Marketing & Sales Officer
Highest qualification: MBL
12 June 2017 - to date

Mr O.N. Nekhavhambe
Executive – Finance
Highest qualification: CA (SA)
3 February 2014 – to date

Ms K. Motlhabi
Chief Human Resources Officer
Highest qualification: BCom (Hons) (Industrial Psychology)
15 August 2016 – to date

Mr Z. Adams

Executive - Legal & Regulatory and Acting Company Secretary (From 1 July 2018)

Highest qualification: BA, BProc, Admitted Attorney (RSA)

7 August 1995 – to date

Ms R. Ramlal

Chief Technology Officer

Highest qualification: BSc (IT and Networking), MBA

1 July 2018 - to date

Mr M. Finnis

Executive: Operations

Highest qualification: MBL

1 June 2018 - to date

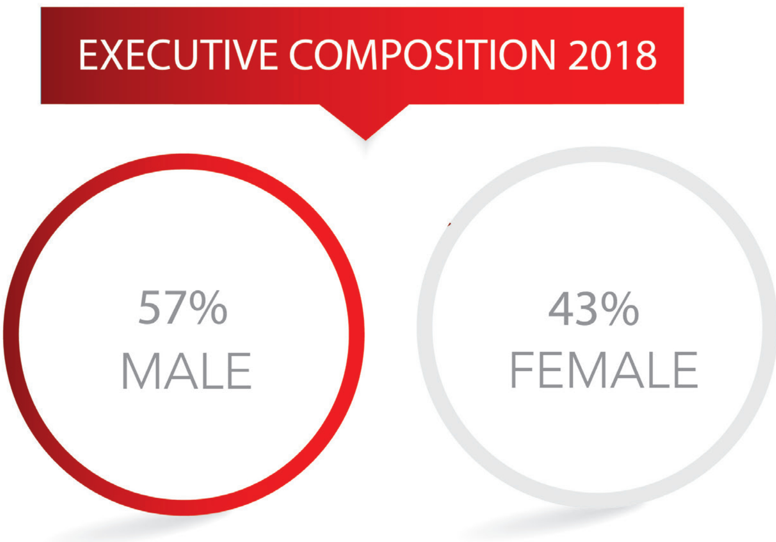
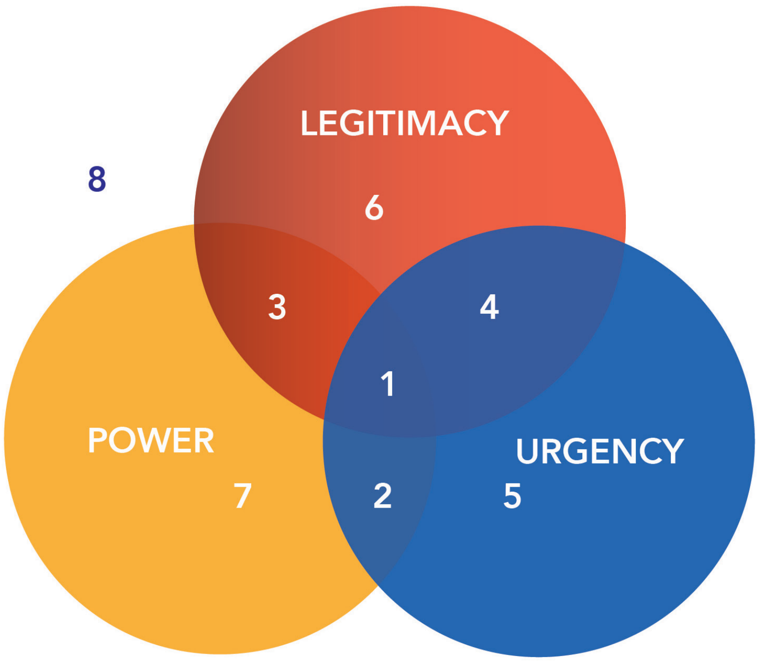


Figure 6: Executive Composition

1.8 Key Stakeholders

A table outlining key stakeholders for the organisation is set out in Table 1. SENTECH's approach to stakeholder engagement is informed by best practice and recommendations from the King IV report on Governing Stakeholder Relationships. The Company views engagement with stakeholders in line with its sustainability. SENTECH reviews its Stakeholder Engagement and Management Strategy annually to ensure that the Company remains aligned to stakeholder needs and puts systems in place to adequately manage engagements.

Figure 7 sets out SENTECH's stakeholder mapping process:



TYPES OF STAKEHOLDER

1: Definitive - Priority Engagement
2: Dangerous - High level of engagement
3: Dominant - Med-High level of engagement
4: Dependent - Moderate engagement
5: Demanding - Moderate-low engagement
6: Discretionary - Low engagement
7: Dominant - low to none engagement
8: Non-stakeholder - non engagement

Figure 7: Stakeholder Mapping

Table 1 sets out each stakeholder's expectations and the engagements held in response thereof:

Shareholder	Government (DTPS)	Information and Communications Technology (ICT) development and contribution to economic growth Achievement of strategic goals	Rationalisation of SoC's within the DTPS	Submission of reports and presentations. SENTECH made recommendations to DTPS on SOC rationalisation	Quarterly interactions and ad-hoc meetings where necessary
Government	Department of Communications (DoC)	Broadcast industry development and contribution to economic growth. DTT rollout	Delays in Analogue Switch Off (ASO) and the cost of dual illumination threatens the sustainability of SENTECH	Support of DTT awareness campaigns with other BDM stakeholders Process of stabilising the network for DTT commercialisation	Standing weekly PMO meetings. Ad-hoc DTT awareness campaigns with other BDM stakeholders
Employees	Staff complement of 538	Conducive, empowering and fair working environment	Establish an Employment Equity and Skills Development Forum	An Employment Equity and Skills Development Committee has been established	Continuous communication by the Executive to employees through internal communiques, the intranet and quarterly BTV sessions
Customers	Public, commercial and community broadcasters DoC Government departments SOC's Private sector	Excellent customer services and value for money	Response times to customer queries within agreed SLA	Improve turnaround times on operational processes	Ongoing engagement with customers either face-to-face, telephone or email contact to ensure and maintain positive relations with customers
Suppliers	Various suppliers of goods and services	Collaboration and payment on time Sustainability of their business enterprises	Lack of ICT Small, Medium, Micro Enterprises (SMME) development and growth	Collaboration and payment on time. Sustainability of their business enterprises. Support of SMME development	This initiative is driven through Socio-Economic Development (SED), where SMME's are given a short payment benefit of 10 days over the normal company payment terms 87 SMMEs benefit from SENTECHs favourable payment terms
Regulator	Independent Communications Authority of South Africa (ICASA)	Compliance, partnership and collaboration	Review of the National Radio Frequency Plan-radio frequency bands allocated only to analogue sound broadcasting	SENTECH lobbied ICASA to extend the allocation of both DTT and DSB services	SENTECH participates in standing and ad-hoc committees with its key stakeholders

Public & media	Communities, tribal leaders, media and interest groups Social partners	Informed and good corporate responsibility. Corporate responsibility.	Focused engagements with communities near operations Brand visibility	A brand and perception audit was commissioned to establish brand visibility and awareness baseline	Milestone based media statements and Company announcements distributed to media and posted on its corporate website Distribution of corporate plan and integrated report to key stakeholders annually
Trade Union	More than 60% of employees belong to the bargaining unit	Consultation and involvement in decision making that affects workers	Review of policies and migration of employees in the bargaining unit to the Hay Grading System	Ongoing consultation and engagement between management and labour on issues that impact on employees	Meetings between labour, its constituencies and management

Table 1: Stakeholder Interactions

STRATEGIC REVIEW

2 STRATEGIC REVIEW

2.1 Chairperson's Report

Introduction

It is my pleasure to present this message on behalf of the Board of Directors of SENTECH after a difficult but productive financial year. There are both positive and negative milestones on SENTECH's story of value creation to reflect upon. The 2017/18 financial year has been characterised by uncertainty and volatility, and companies around the world had to operate within this challenging macro-economic environment and SENTECH has not been spared from the global macro-economic challenges. I am therefore pleased that this report demonstrates the value we create by generating sustainable financial returns while playing a meaningful role in society through corporate citizenship. Sound strategy and execution, robust risk management and the work of both a skilled leadership team and the committed people who work for SENTECH create the value we are sharing with our stakeholders in this Integrated Report.

External Business Environment

SENTECH plays a crucial role in the ICT and economic ecosystem of our country and has to ensure that South African citizens receive superior quality ICT services through a reliable infrastructure providing wireless broadband, radio and television content. SENTECH has been able to achieve network availability in line with the service level agreements contracted with the customers. This confirms the company's value of quality customer orientation.

The ICT industry has undergone and continues to experience unprecedented levels of change. The competitive environment has shifted substantially and only organisations that are innovative and offer excellence in customer service will survive. The fast-changing pace of technology development, which is in part driving different customer needs, has revolutionised the face of content delivery. Whilst the levels of change are disruptive, they bring opportunities which SENTECH must seize. The Company finds itself in a position where it needs to diversify revenue from the traditional sources in order to achieve long-term sustainability.

The Board and management have sought to develop a strategy which is balanced in terms of business sustainability and managing risks presented in these uncertain times and positioning for future opportunities as they arise. The Board has continued to exercise leadership, integrity and judgement in pursuit of SENTECH's strategic goals and objectives. Without new products and services, SENTECH will not be able to deliver on new customer demands and will find it difficult to defend or create a market share. In terms of positioning for future opportunities, the area of particular focus has been revenue diversification through inorganic growth, new products and services and pursuing business opportunities beyond South Africa's borders with focus on Pan- African markets. These strategic initiatives were discussed and debated at the Board's annual strategy session, which was held in November 2017, and are ongoing areas of discussion at Board meetings.

Our customers' needs and expectations require us to adapt our business model accordingly. This requires us to align with our values and to change our behaviour to ensure that we are able to achieve the desired client outcomes. The SENTECH Way culture programme has been launched to ensure that desired behaviours are instilled throughout the organisation. The Board supports our executive team and the culture change initiatives that have been put in place.

The Business Plan for the South African owned Satellite was completed and has been submitted to the Executive Authority. SENTECH is positioned as a driver of the satellite project on behalf of the DTPS. It is envisaged that the Satellite Business Plan will be submitted to the Cabinet within the first quarter of the 2018/19 financial year. Ownership of a satellite by South Africa will address financial outflows due to leasing of satellite transponders from foreign entities and protect our information which is delivered via satellite.

Transformation

We continue with our commitment to transformation and supporting the government's National Development Plan (NDP). Much work remains to be done to address the challenges of unemployment, poverty, economic exclusion and education, which are at the centre of our socio-economic challenges. This requires us all, within the ICT sector, to accelerate economic and social transformation.

As a Board, we placed particular focus on Broad-Based Black Economic Empowerment through implementation of our Socio-Economic and Enterprise Development Strategy and the Enterprise and Supplier Development Strategy. Through our Enterprise and Supplier Development Strategy, suppliers were assisted to acquire equipment to enable them to adequately compete in the market, and financial support was provided to two suppliers with specific deliverables. By focusing on the economic empowerment of our staff, clients, business partners and suppliers from designated groups we have achieved a Level 2 B-BBEE rating. We recognise that more needs to be done in order to achieve our set target of a Level 1 B-BBEE rating.

DTT Migration

The dual illumination costs continue to pose a financial risk exposure to the Company due to the lack of full funding.

Governance

We strive to apply sound governance and remain accountable as corporate citizens. We apply the principles of the King Code on Corporate Governance for South Africa 2016 in our approach to ethical and accountable governance. In an uncertain and volatile world, SENTECH's culture and values continue to support the organisation in achieving its strategic objectives. We have continued building on solid foundations and this is evidenced by our positive results and clean audit results in a tougher-than-expected macro environment.

The focus of the Board this year has been on monitoring execution of the strategy that has been approved by the Board, revenue diversification and the White Paper on the Integrated ICT Policy.

Through implementation of our Environmental Management Strategy, we have been able to reduce our electricity costs and deploy hybrid energy solutions.

Ms T. Malaka and Dr S. Malinga have been appointed as NED's with effect from 1 April 2018. Mr L. Mtimde and my term of office expired on 28 February 2018 and we were re-appointed to the Board with effect from 1 April 2018. Mr T. Leshope has been appointed as the COO with effect from 1 March 2018 pursuant to the end of term of the employment contract of Mr K. Matabane. Ms N. Mbele resigned with effect 24 August 2018.

Priorities for the year ahead

We approach the year ahead with confidence in our leadership and strategy. With that said, revenue diversification and innovation will continue to be areas of focus for the Board in the year ahead.

Conclusion

In this report, you will find more detail of our governance framework, including who our Board and management are, how we make decisions and what we have done over the past year in terms of leadership, strategic direction and oversight of the organisation. We hope that this report, together with the strategic report and financial statements will provide you with an overview of how we are managing the Company and looking after the interests of our stakeholders.

I would like to express my gratitude to the CEO and his executive team, my fellow Board members and SENTECH's staff members for their commitment to building a SENTECH that is future-fit and a formidable force for good. Let me particularly thank the executive management and staff for achieving yet another clean audit, six years in a row. I also thank the Minister and Portfolio Committee on Telecommunications and Postal Services, and our stakeholders at large for their efforts in making SENTECH the success it is today.

Mr M. Mello
Chairperson of the Board

2.2 CEO's Report

Growth in media and ICT in general is tightly linked to the country's economic growth. Our business continues to show reasonable performance in 80% of our service offering areas despite challenging macroeconomic and regulatory environments. The challenges faced by growth in the broadcasting industry has a direct impact on SENTECH growth due to the fact that more than 80% of our business remain in the media and entertainment sector. The business has been resilient and continues to maintain its service offering, meeting its mandate and satisfying its customer needs.

We have also operated with a clean administration as demonstrated by the sixth consecutive clean audit achieved. Our revenue indicates good financial performance and in some instances, excellent performance.

Revenue increased by 9.49% from R 1.2b to R 1.3b in a challenging economic environment. The slight increase was a result of an increase in dual illumination grant funding and facility rentals. Net profit for the period increased significantly in the current year from R104m in the previous year to R153m in the current year, a 47% increase. The increase was mainly attributable to lower satellite costs from favourable foreign exchange rates, successful cost containment measures implemented and a robust investment strategy that yielded increased investment income.

SENTECH also managed to maintain its cash flow position closing the year at a cash balance of R916m, an increase of R9m from prior year. This was through rigorous collection measures implemented, a frugal spending strategy wherein expenditure was effected on critical projects only and grant funding received from the Shareholder.

Environmental Review

The company's external economic environment was characterised by low South African gross domestic product growth of 1.5% (2017:0.7%) Our currency was highly volatile due to domestic and international events. Our economy is projected to recover in the 2018 calendar year as the International Monetary Fund (IMF) predicts growth at 1.7%. Our business growth target has not remained unscathed by the slow Gross Domestic Product (GDP) growth and, consequently, our revenue has not met the projected target.

Operational Review

We achieved 80% of key performance indicators we had committed to, for the period under review. The key highlights for the year under review are as follows:

- We have ensured reliable network availability by exceeding the annual target of 99.80% by reaching 99.90%. This was made possible by our robust infrastructure with a national footprint and excellent management of our operations. We continue to invest in proper maintenance of our network
- Ensured employee development by exceeding our training interventions target of 85% by implementing 108.4% of our Training Plan

- Exceeded 6.5% actual Net Profit After Tax (NPAT) spend target on Supplier, Enterprise and Socio-Economic Development by spending 11.27% as a strategy to contribute to socio-economic transformation and black economic empowerment
- Have embraced the challenge to lead preparation for the launch of the South African-based Communication Satellite by developing and submitting a Business Plan and Funding Proposal to the Shareholder

We have noted and acknowledged challenges in areas of customer satisfaction and revenue growth and recognise that more efforts will be required to increase the levels of satisfaction which should translate to increased revenue.

Looking Ahead-Vision 2021

Our overall strategy is revenue growth by offering reliable broadcasting networks to broadcasters, managed infrastructure services to communication operators and high speed, capacity and quality fixed wireless broadband to the public sector anchored by our internal capabilities, strategic partnerships and acquisitions.

As a South African leader in broadcasting signal distribution, we will defend and increase revenue by offering reliable and innovative broadcasting networks, products and services to broadcasters globally to reach their audiences anywhere.

To diversify our revenues beyond broadcasting, we will invest in building and offering high speed, high capacity and high quality fixed wireless broadband solutions. We have also invested on broadening our business beyond our borders by implementing a Pan-African Business Strategy focusing on international markets.

Our Seven Strategic Pillars will continue to guide our path to the achievement of strategic objectives. The strategic pillars include growth through leveraging existing businesses, expansion to Pan-African markets, acquisition of synergistic businesses, strategic partnerships and deployment of wireless broadband. The other pillars include innovation of new products and services, customer focus, culture change towards an excellent organisation, managing our reputation, driving efficiencies and socio-economic transformation.

Our strategy is a roadmap to realise the SENTECH of the future – the SENTECH that is innovative and responsive to the disruptive technology environment, caring of its employees, sustainable, growing, agile, transforming, a global player and fulfilling of its Shareholder's expectations. The SENTECH Executive Committee and staff will pursue and deliver the defined annual performance plans with excellence.

In conclusion, I would like to express my gratitude to the Board for their continuous support and focus on good governance. I would also like to express my gratitude to our customers, our Shareholder, the DTPS, as well as to our stakeholders. Lastly, I would like to sincerely thank the staff of SENTECH for their dedication to customer service and their commitment to the Company has been an inspiration.

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Mr M. Booi

CEO

2.3 Operating Environment

The market outlook provides the context in which the corporate strategy and plan was developed. It includes an analysis on the policy and regulatory framework affecting the organisation. An analysis is also provided on the global broadcasting trends, online content and the Southern African market context.

2.3.1 Policy and Regulatory Framework

2.3.1.1 700MHz and 800MHz Band

The 700MHz and 800 MHz band (694-790 MHz & 790-862 MHz), also known as Digital Dividend II and I respectively, has been the most contested band since WRC-12. The band is currently used by broadcasters for terrestrial television broadcasting services.

The band has been identified for International Mobile Telecommunications (IMT) applications for both coverage and capacity purposes. Africa, as part of region 1 ITU countries, is striving to agree on harmonised channel plans for 700, 800, 850 and 900 MHz bands with the envisioned outcome of economies of scale, reduced network implementation costs and interoperability to enable ease of regional roaming. This framework will ease the introduction of IMT services in the bands 700 and 800 MHz, with minimum negative impact on existing services.

2.3.1.2 Community Broadcasters

Community broadcasters (both visual and audio) continue to face funding and governance challenges resulting in sustainability challenges. The issues of community broadcasters were addressed by the DoC and the Media Development Agency (MDDA), in separate but linked processes. These challenges impact on the ability for community broadcasters to pay for transmission costs to SENTECH. This effectively affects the ability of the organisation to continue providing the services without receiving payment.

2.3.1.3 Review of the Broadcasting Framework

The process of developing a broadcasting framework and the introduction of Terrestrial Digital Sound Broadcasting Policy are underway. It is expected that the Policy on the broadcasting framework will address the following subjects, inter alia:

- Redefining broadcasting;
- Spectrum licencing for broadcasting services
- Redefining licencing categories
- Digital sound broadcasting (DSB)
- Redefining community broadcasting

The need to introduce DAB+ and/or equivalent technologies by broadcasters also speaks to improving the quality of radio services and growth to ensure continued sustainability of the "traditional" yet evolving broadcasting industry. The introduction of the Digital Radio Policy will assist the radio industry growth that is currently challenged by spectrum congestion, particularly in high metros.

2.3.1.4 Electronic Communications Amendment Bill

The DTPS has published the ECA amendment Bill ("Bill") to consider and legislate the proposals set out in the ICT integrated Policy White Paper. Amongst principal proposed changes, are the following:

- Wireless Open Access Network (WOAN)

- Radio frequency spectrum trading and sharing
- Minister's oversight role in implementing the WOAN
- Establishment of a National Radio Frequency Spectrum Planning Committee within the DTPS
- The designation of licensees to whom universal service and access obligations are applicable
- The prescription of empowerment conditions in terms of the ICASA Act, etc. The Bill does not address the subject of formatting, except the reference to co-ordination of broadcasting spectrum issues between DoC and DTPS

The Bill, in combination with the rationalisation process, Community Broadcasting Funding Strategy and the proposals expected in the draft policy on broadcasting issues, will have a major impact on the current format of SENTECH.

With virtual reality (VR) expanding to more devices, SENTECH seeks the opportunity to participate in the convergence of network for ubiquitous coverage. The combination of VR and personalised content offering is one of the many next best viewer experience concepts that is going to revolutionise content consumption.

The significance of the synergy between telecommunications and broadcasting frameworks will determine SENTECH's relevance and subsequently the company's aptitude to survive. The journey to a purposeful digital transformation process is empowered by futuristic and certain telecommunications and broadcasting regulatory frameworks.

2.3.1.5 Universal Service

SENTECH is in discussions with ICASA on the proposed amendment of the company's universal service and access license obligations (draft obligations). The draft obligations propose that SENTECH should provide an e-Learning Solution Platform to all Technical and Vocational Education and Training colleges (TVETs) nationally. The discussions are premised on the scope of the project and the affordability of the draft obligations.

2.3.2 Global Broadcasting Context

The following outlines developments in the global broadcasting environment that were taken into consideration as part of a market analysis. Five media categories and channels were reviewed, three of which are directly relevant to SENTECH.

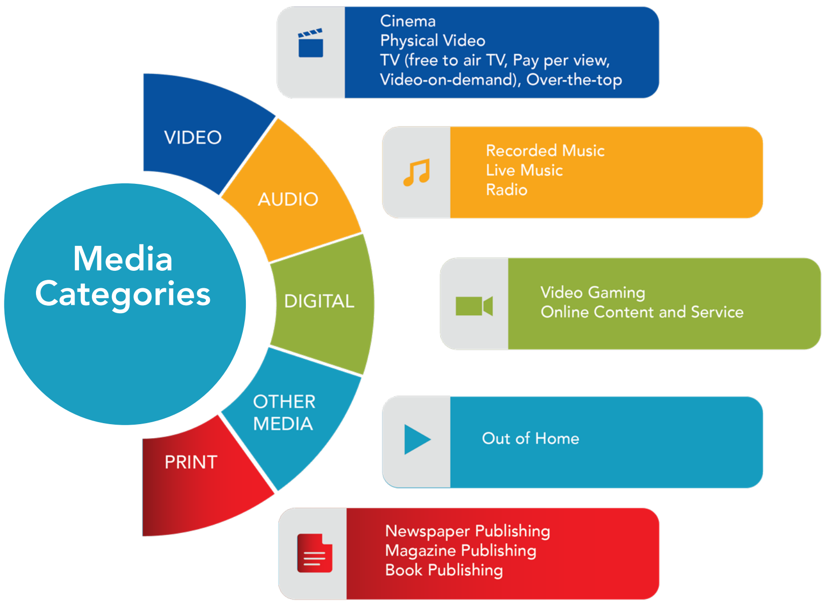


Figure 8: Media Categories and Channels

Source: PwC Global Entertainment and Media Outlook 2015-19

2.3.2.1 Global Media Industry – Market size

The global media industry is expected to grow but will experience decreasing growth rates due to large developed regions (Europe, USA, etc.) reaching saturation point. The corresponding growth in smaller developing markets is insufficient to cover the gap. Further pressure will originate from the decline in advertising expenditure as advertising customers increasingly seek to make efficient use of their advertising spend by focusing on fewer platforms that have a wide reach and lower price points.

Digital revenue growth will be driven by increased internet penetration from the proliferation of wireless internet services at increasingly reduced prices. Product innovation within the digital space will continue to fuel the demand for internet services e.g. Streaming services; e-Sports; Virtual reality; etc.

Video will maintain its market share mainly due to continued usage by the older generation and emergence of smart TVs that allow for both traditional and digital TV consumption. It is also the medium of choice in regions that do not have a strong internet connection, as is the case in many developing countries.

2.3.2.2 Market Context - Africa

Locally, Africa exceeds the average growth rates in all areas, even in traditional media where growth rates are stagnating. Africa holds considerable untapped potential in media across all categories, however, the potential differs by country. Traditional media continues stable growth but is under threat from digital. Over the top distribution is on the rise due to improved internet infrastructure, smartphone penetration and entrance of new players e.g. Netflix and ShowMax.

2.3.2.3 Market Context – Southern Africa

Despite different macroeconomic conditions compared to the rest of the world, the Southern African media market is expected to undergo the same trends as those seen globally. The largest markets in this grouping include South Africa, Nigeria and Kenya.

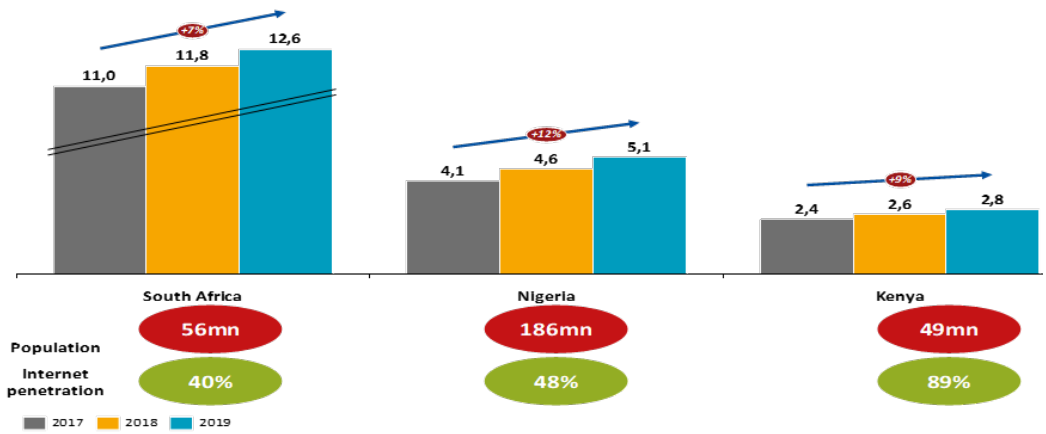


Figure 9: Media Industry by Country – Estimated Market Size (2011-2019, USD billion)

Source: PwC Global Entertainment and Media Outlook 2015-19

2.3.2.4 Opportunities and challenges for SENTECH

- Revenue diversification in the digital media market
- Upskilling of employees on digital skills and new technologies are required to address the rapidly changing consumer needs
- The development of innovative products and services relevant to both existing and new customer
- The increase in competition presents an opportunity for SENTECH to leverage its position as an established digital content distributor within Africa

2.4 Business Strategy

2.4.1 Background

SENTECH has developed a corporate strategy that responds to challenges and the changing market conditions as discussed in section 2.3. To address these challenges, SENTECH will adopt a 'enhance and fly' approach to create a 'SENTECH of the future'. 'Enhance' denotes all activities required to strengthen the core whilst 'fly' refers to all activities required to position the organisation for the future.

The strategy considers the need for revenue growth in the context of technology disruptions, the future of broadcasting, changing consumer behaviour and socio-economic transformation imperatives. SENTECH's strategy is centred on the Seven Strategic Pillars as shown in Figure 10, namely, growth, innovation, customer focus, culture change, efficiency, transformation and reputation.

Figure 10: Strategic Pillars

2.4.2 Interaction with the Six Capitals

The six capitals, as defined by the Institute of Integrated Reporting (IIR), are resources or "stocks of value" on which businesses depend as inputs to their business model. The capitals are increased, decreased or transformed through an organisation's business activities and outputs.

Table 2 sets out the link between the six capitals and SENTECH's strategic pillars. From this, it is evident that these strategic thrusts are integrated and incorporate all aspects of the business and value created over time.

Strategic Pillars	Financial Capital	Productive Capital	Intellectual Capital	Human Capital	Social & Relationship Capital	Nature Capital
Growth	√	√	√		√	
Innovation			√			√
Customer Focus					√	
Culture Change				√	√	
Transformation			√	√	√	
Efficiency	√	√				√
Reputation					√	

Table 2: Alignment with 6 Capitals

SENTECH is confronted by risks along all its strategic pillars. These are very closely integrated which means that any adverse shift in one inadvertently influences another. This requires a concerted effort to balance competing priorities in an appropriate manner – the need to do maintenance, manage financial constraints and ensure sustainability in the longer term. This cannot be achieved independently. In this regard, SENTECH will rely on partnerships with all stakeholders, as well as various demand side management interventions to help succeed.

2.5 Operating Model

The Board reviewed the SENTECH business model during the financial year to ensure that the Company implements its business strategy set out in section 2.4. The business model set out in Figure 11, which places more emphasis on across-the-board research and innovation, is product and services focused into three categories, namely, content and multimedia services, infrastructure management services and connectivity services.

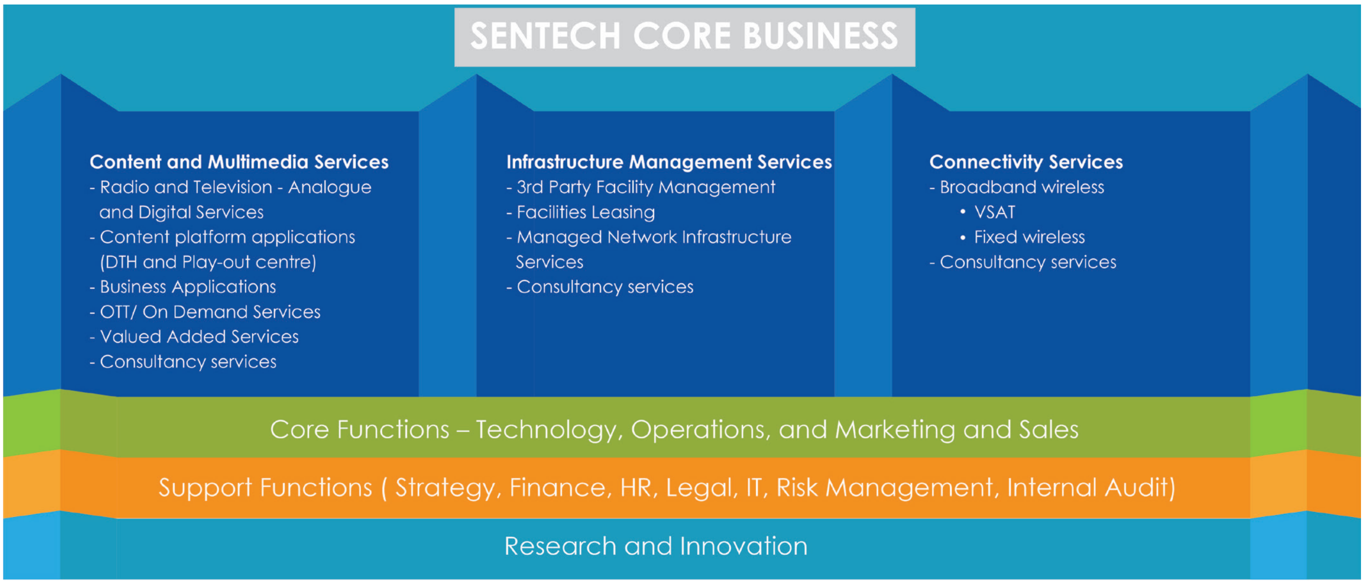


Figure 11: Operating Model

2.6 Strategic Risk Profile

The SENTECH Board is accountable for the significant risks that the Company faces in pursuit of value. The Board has delegated risk management oversight to its Audit and Risk Committee (ARC). The responsibility for implementation and monitoring of the Risk Management Plan is delegated to management. All risk management activities are monitored by the Board through its committees on a quarterly basis in line with the approved Risk Appetite and Tolerance levels as well as the Risk Management Strategy.

During the financial year, risks were managed on an enterprise-wide basis. Effective risk management is fundamental to the business activities of the Company. SENTECH has a comprehensive risk management programme, which has been implemented across all of its operations. By identifying and proactively addressing risks and opportunities, SENTECH was able to sustain value for its stakeholders while protecting its business operations, the wellbeing of its employees and its reputation. Since this is a continuous process, new emerging risks and opportunities are identified and monitored as and when they arise.

2.6.1 Management of Top Strategic Risks

The following key risks have been identified as being the most significant risks facing SENTECH. These do not comprise all the risks affecting the entity and are not presented in any particular order of priority. Additional risks and uncertainties not presently known to the entity (or currently deemed immaterial) may arise (or worsen in severity), which could affect the long-term sustainability of the entity's business and/or operations.

Risk	Risk Descriptions	Mitigations
1. Current and new products	• Entrance of disruptive technologies and new competing players in the market	• Regular assessment of products for market fit through benchmarking are conducted and new products are being developed
2. Regulatory environment changes and absence of policy direction	• The impact of the SOC rationalization process and the absence of policy direction on digital broadcasting	• SENTECH participates in the SOC Rationalisation Steercom and processes • Regular engagements with DTPS and ICASA on the regulatory policies that impact on SENTECH
3. Ageing infrastructure	• Delayed ATV network switch-off and technology obsolescence	• SENTECH has deployed a national DTT network to replace analogue infrastructure. An ASO plan to spearhead migration process has also been developed • Solution replacement plans and programmes are in place for ATV, FM, MW and VSAT • Continuous engagement with the DoC, DTPS and other key stakeholders through the DTT Project Management Office to expedite commercialisation of DTT services and ASO

No	Risk Descriptions	Mitigations
4. Physical and cybersecurity	• Inadequate physical security measures in remote sites, cybercrime and deterioration of socio-economic status (crime- effect on operations)	• Approved Physical Security Strategy that is linked with the Cybersecurity Strategy in place • Engagement with some communities • Sourcing of partners for implementation of the plans for National Key Points and IT security
5. Financial sustainability	• Exposure to foreign exchange rates fluctuations, increased costs of operations and delayed ASO which has an impact on dual illumination and technology obsolescence as well as credit downgrades during the year by the rating agencies	• Forward contracts as part of standard practice on foreign currency dominated supplies to control the risk of unfavourable exchange volatility and natural hedging is aggressively pursued to apply SENTECH's own foreign currency reserves to discharge foreign supplier commitments • Cost reduction strategies and diversification of products and services to decrease the risk of over reliance on one major customer and business expansion strategies in other areas • Engagement with the Shareholder and other stakeholders to expedite ASO

Table 3: Strategic Risks

2.6.2 Fraud Prevention Risks

A Fraud Prevention Plan was developed during the corporate planning process in alignment with the PFMA requirement for the entity to have a Risk Management Plan that includes a Fraud Prevention Plan.

A fraud risk assessment was also conducted in line with SENTECH's commitment towards zero-tolerance to fraud and corruption. During the financial year, there were three fraud incidents that were reported and investigated. Two of the incidents have been closed and appropriate steps taken to address the issues raised. The other incident is still under investigation. In addition, regular awareness initiatives were undertaken as part of efforts to prevent fraud and corruption.

2.6.3 Conclusion

The recorded performance on achievement of SENTECH's pre-determined objectives and the six consecutive clean audit attests to the rigour and robustness of the management of risk by the Company. Significant strides have been made in embedding Risk Management within SENTECH and plans are in place to improve the process further going forward.

OPERATIONAL PERFORMANCE

3.1 CFO's Report

Overview

The 2017/18 financial year was a challenging one for SENTECH, the broadcasting sector and the entire ICT industry. This was mainly caused by the weak South African and global economy. The impact on the broadcasting sector was lower than anticipated advertising revenue, which put pressure on existing and new broadcasters in both radio and television. For SENTECH, there were delays in expansion programmes for existing customers and servicing of new ones, including DTT migration. Thus, some of the capital expenditure was either postponed or reduced in line with changing business requirements and cost containment measures.

Efforts to build a financially sustainable Company within the overall financial strategy continued during the financial year. Significant progress was made in streamlining business processes, creating an agile organisation and implementing initiatives that positively drive Shareholder value, including diversification of revenue in the medium to long-term period. The outcome of this continuous work is an organisation that can withstand volatile trading conditions, grow and fulfil the mandate given to it by the Shareholder.

Financial Performance

The key highlights on financial performance are set out in Table 4 and Figure 12

Description	Year ended 31 March 2018 R'000	Year ended 31 March 2017 R'000	Year ended 31 March 2016 R'000
Turnover	1 349 590	1 232 619	1 179 253
Gross profit	360 342	234 169	326 885
Gross profit margin %	27%	19%	28%
EBIT	141 990	33 955	196 144
EBIT margin %	11%	3%	17%
Net profit	152 792	104 153	199 803
Cash generated from operations	(102 993)	133 482	161 540
Cash balances	916 149	907 357	957 242
Net asset value	1 920 014	1 767 472	1 662 603
Solvency ratio	7:1	9:1	5:1
Liquidity ratio	5:1	6:1	7:1

Table 4: Salient Features-31 March 2018

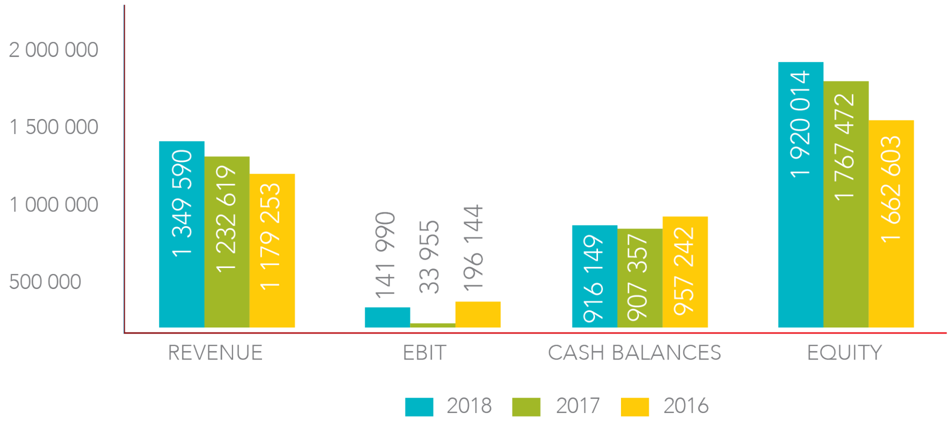


Figure 12: Financial highlights-3 Years

Gross profit and EBIT have improved from the prior year. The main reason for this was growth in revenue, the favourable ZAR/US$ exchange rate which had a positive impact on the satellite costs, marginal increases in preventative maintenance and reduction in the provision for doubtful debts i.e. from R27 m in the prior year to R9 m in 2017/18. SENTECH could fill some of the critical vacancies to position the Company for growth, and strengthen some of the areas which are important for the improvement of the overall efficiency of the organisation. There was a deliberate effort to preserve cash throughout the financial year. This was achieved by reprioritising capital expenditure, and executing only the most critical projects in line with cost containment measures implemented in the 2017/18 financial year.

The Company, despite the pressures of the main customer having challenges of servicing the account, closed the year with a cash balance of just above R900 million. The financial position of the Company improved from prior years, demonstrated by the net asset value of the Company which increased from R1.7 b in the prior year to R1.9 b in 2017/18 due to sustained profitability. The Company remains solvent and liquid with solvency and liquidity ratios of 7:1 and 5:1 respectively, in addition there is also no debt in the balance sheet.

Outlook

The coming financial year and the remainder of the MTEF period will be challenging for SENTECH and the broadcasting industry. The South African economy grew by approximately 1.3 % in 2017 and it is forecasted to marginally improve in the next two years which means that it is unlikely there will be much recovery in the advertising revenue throughout this period for SENTECH's key customers. The Company has worked tirelessly with its customers despite the challenging economic climate and anticipates that the initiatives put in place will yield stabilisation and much needed improvement in the operating cash flows.

SENTECH will continue to streamline processes, strengthen business development, execute capital projects aimed at growing revenue, contain costs and diversify revenue. The focus for the 2018/19 financial year will be:

- Growing the managed infrastructure services and connectivity services business
- Identify possible acquisition targets
- Execute the Pan-African Business Strategy
- Develop a funding plan for both acquisitions and the Pan-African Strategy

Mr S. Mthethwa

CFO

3.2 Performance against Shareholders Compact

The Board adopted a set of strategic objectives for the 2018-2020 MTEF planning period, which ensured that the Company would achieve its public service mandate objectives, fulfil customer service obligation, remain aligned to Shareholder priorities and ensure financial sustainability. There were a total of ten key performance indicators which were applicable to the Company for the year. SENTECH's performance against these key performance indicators are set out in Table 5.

Strategic Goals	Strategic Objectives	KPIs	Annual Target	Actual Performance	Achieved/ Not Achieved	Variance Explanation
SG1: Sustainable business growth	Increase revenue	Revenue growth by 8–10% annually (cumulative)	R1 275.8 million	R1 215 million	Not Achieved	The shortfall in revenue was due to a deficit in the DTH, FM, SW and connectivity services
	Increase Earnings Before Tax and Interest (EBIT)	Earnings before Interest and Tax (cumulative)	R138 million	R 142 million	Achieved	This can be attributed to reduced expenditure in respect of satellite rental (due to favourable exchange rates), maintenance costs, ancillary travel, subsistence and transport costs. In addition, there was a cost containment plan implemented
	Contribution to socio-economic transformation	Actual spend of NPAT on Supplier De-velopment (2%), Enter-prise Devel-opment (3%) and SED (1.5%)	6.5% of Actual NPAT for the 2017/18 Financial Year	Achieved actual spend of NPAT of 11,27%	Achieved	The target was exceeded due to commitment to socio-economic transformation and not just compliance to B-BBEE
	Clean Audit	Clean Audit Achieved	Clean Audit Achieved	Clean Audit Achieved	Achieved	Not Applicable
	Ensure reliable commercial DTT network	550 DTT national viewer sites installed and viewer experience measured	550 DTT national viewer sites installed and field trial experience tested	571 DTT national viewer sites installed and field trial experience tested with 538 user surveys recorded, indicating positive feedback	Achieved	Increased efforts to register and install STBs yielded positive results with 571 national viewer sites installed and 577 responses to the user survey. The additional 21 installations can be attributed to secondary STBs registrations

Strategic Goals	Strategic Objectives	KPIs	Annual Target	Actual Performance	Achieved/ Not Achieved	Variance Explanation
SG 2: Achieve high levels of customer	Ensure network availability meets SLA requirements across all platforms	Weighted average availability based on product revenues	Weighted average availability based on product revenues of 99.80%	Overall weighted average network performance of 99.90% achieved	Achieved	Achievement due to better network management
	Enhanced customer orientation	Customer satisfaction level of 80%	Customer satisfaction level of 80% achieved	72% customer satisfaction level achieved	Not Achieved	The survey results showed that the organisation is perceived to be working to improve its customer service but struggling with ageing products
SG 3: Build a High Performance Culture	Achieve high performance culture	(85% of Organisational objectives achieved) Average employee performance ratings of 3.6 achieved	Performance rating of 3.6 for the 2017/18 Financial Year	Performance rating of 3.84 achieved	Achieved	This was due to the proactive management of staff during the year
	Ensure employee development	85% Training Plan interventions implemented	85% of the 2017/18 approved Training Plan interventions implemented	1 925 (108.4%) of 1 775 of the annual training interventions have been delivered to date	Achieved	Annual training interventions have been proactively implemented to achieve this KPI
SG 4: Lead preparation for the launch of the South African-based Satellite Project	Develop a South African based Satellite business plan and funding proposal	South African based Satellite business plan and funding proposal submitted to Shareholder, subject to feasibility study results	South African based Satellite business plan and funding proposal submitted to Shareholder subject to feasibility study results	South African based Satellite business plan and funding proposal submitted to Shareholder	Achieved	Not Applicable

Table 5: Annual Performance Report

3.3 Product and Services Performance

3.3.1 Background

Operational excellence and success on mandate delivery and customer expectations remained a key focus for the organisation during the year. SENTECH adopts a structured approach to managing its operations to ensure coordinated and controlled delivery of services within an environment that is made increasingly complex by multiple technologies and unique customer requirements.

The SENTECH Technology and Service Management Strategy addresses both the customer and business requirements from process analysis, solution deployment, services assurance and customer support, aiming to fulfil service delivery obligations across the organisations Media and Connectivity service platforms while controlling associated risks.

The SENTECH media and connectivity service coverage is provided through a combination of multiple satellites and terrestrial networks to enable emission of Radio, Television and Data services across South Africa and beyond SA borders.

During the year under review, SENTECH set a revenue target of R1 275 million and Weighted Average Network Availability (WANA) of 99,80%. While the organisation was challenged to meet its revenue target due to a deficit in the DTH, FM, SW and connectivity services, SENTECH exceeded its network availability target by achieving 99,90% WANA and exceeding the previous financial year's achievement. The main drivers for over-achieving on this critical objective during the past year include efficient platforms management (corrective and preventative maintenance) coupled with technology refreshes.

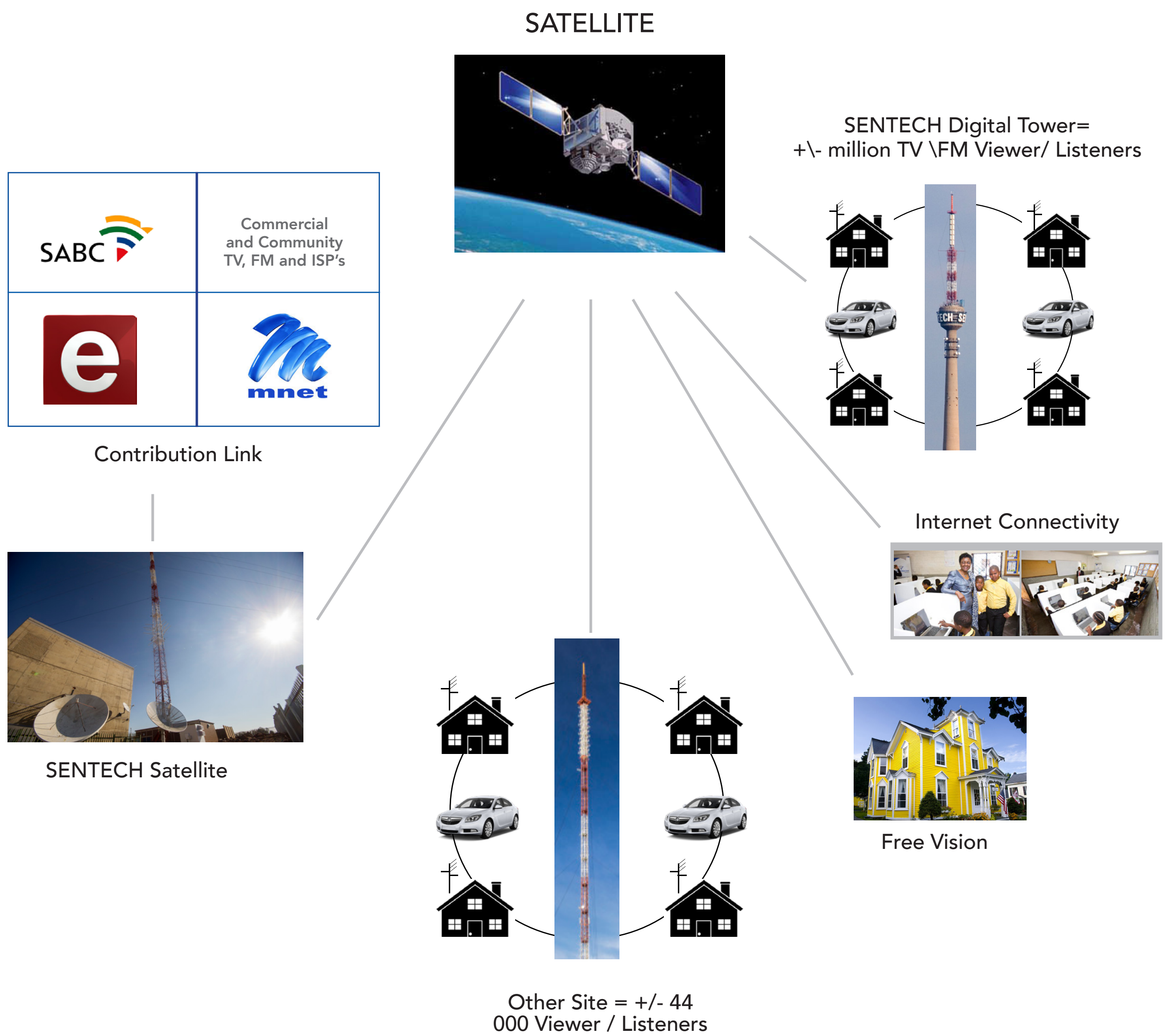


Figure 13: Signal Distribution Value Chain

3.3.2 Overall Product and Network Performance

Product Performance
Content and Multimedia Services (C&MS) currently accounts for 93% of SENTECH's revenue base, while Infrastructure Management Services (IMS) accounts for 6%, with the smallest contributor being Connectivity Services (CS) at 1%. Overall revenue increased by 6% from the previous year primarily because of growth in DTT Commercialisation and network expansions on the signal distribution side.
Network Performance
SENTECH exceeded the corporate plan network availability target of 99.80% and delivered an overall weighted network availability of 99.90% across its Terrestrial Television, Terrestrial Radio, Satellite and Connectivity platforms. Figure 14 sets out SENTECH's network performance for the past year across all platforms, whilst Figure 15 sets out SENTECH's year-on-year performance for the past MTEF period.

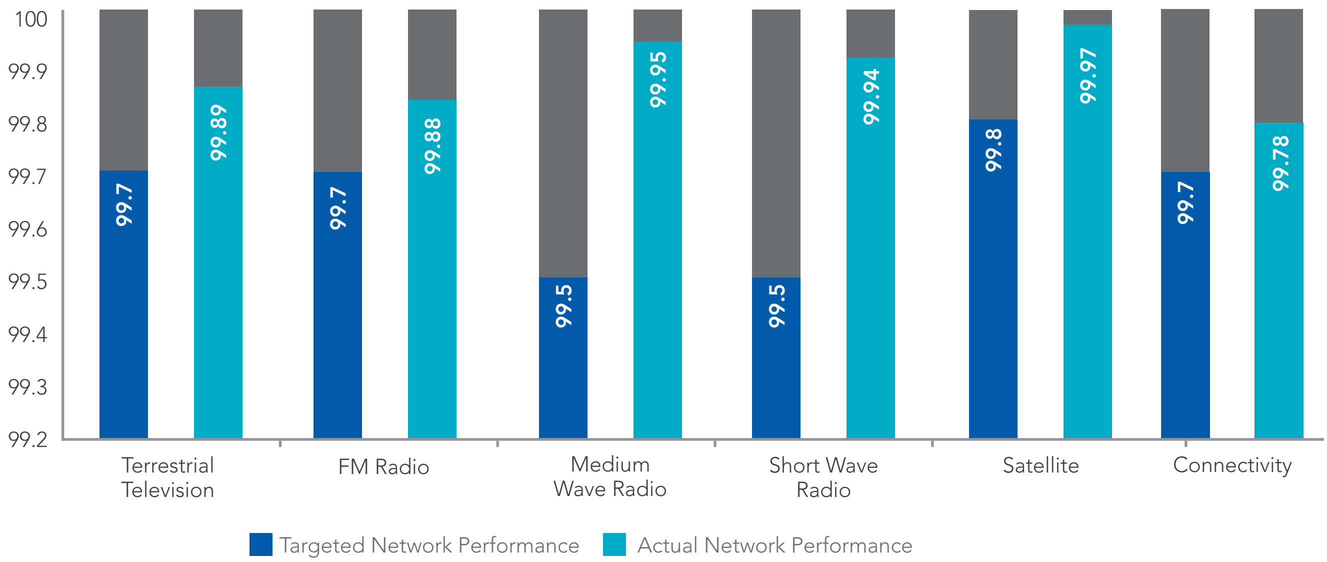


Figure 14: Network Performance Per Service

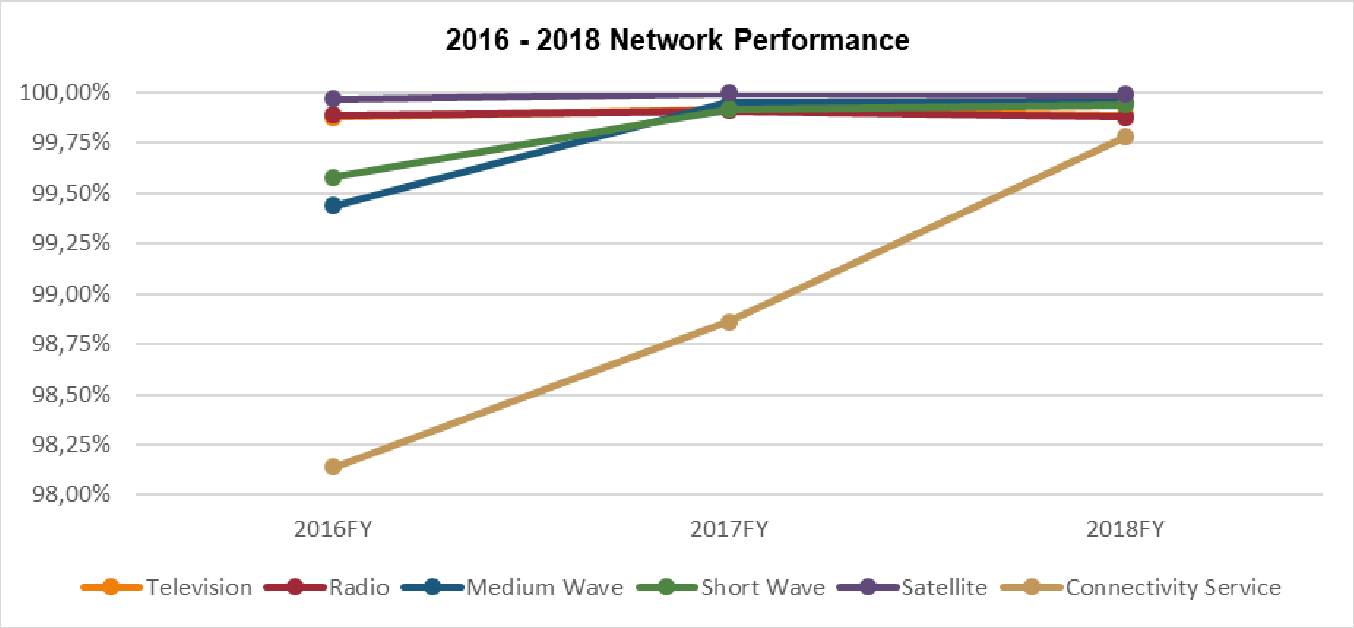


Figure 15: Network Performance Per Service for MTEF

SENTECH is starting to realise the investment benefit of improved service availability on connectivity services and will continue to place a concerted effort on service provisioning in the following years to ensure an enhanced consumer experience.

Service Interruption Analysis

While SENTECH has been able to exceed the network availability target in the past, the organisation remains challenged with cable theft and power supply continuity. A process of enhancing security at prone SENTECH sites has commenced.

In this regard,14 theft prone sites was improved during the year. Figure 16 sets out the major service interruption contributors for the 2017/18 Financial Year. It remains notable that power supply remains the main contributor followed by the distribution network. Plans are in place to incorporate legacy networks within the Network Management System (NMS) which will improve distribution network performance.

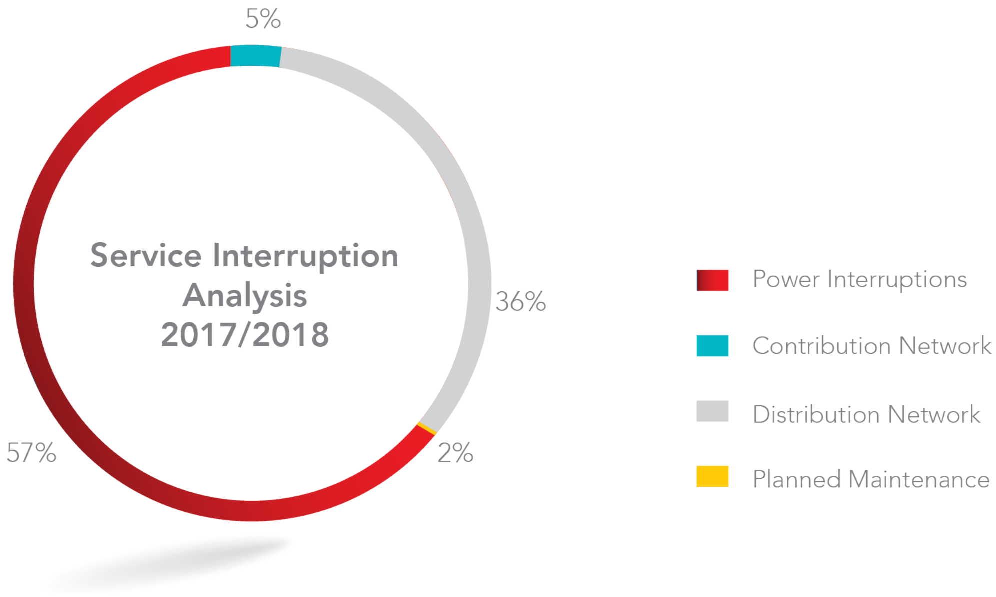


Figure 16: Service Interruption Analysis

3.3.2.1 C&MS - ATV

Product Performance
The Analogue Television (ATV) product achieved a 7% year-on-year growth and yielded revenue of R614 m (2016/17: R576 m). ATV increased above inflation primarily due to DTT commercialisation. The highlight for the year includes the ongoing DTT migration programme with the Square Kilometre Array (SKA) area being fully digital. With the country in transition from ATV to DTT, the continued focus within television was the completion of tariff negotiations and formalisation of Service Level Agreement (SLA) negotiations with broadcasters.
Network Performance
During the 2017/18 financial year, the ATV Platform exceeded the set service level target of 99.70% by achieving a network availability of 99.89%.

3.3.2.2 C&MS -Terrestrial FM

Product Performance
During the 2017/18 financial year, SENTECH provided Frequency Modulation (FM) Broadcast Signal Distribution (BSD) services to 18 SABC radio stations, 18 commercial radio stations and 124 community radio stations. The FM product achieved a 8% year-on-year growth and yielded revenue of R313 m (2017: R291 m). Public FM revenue growth came mainly from the FM Expansion of 14 additional transmitter sites. Two additional commercial services were expected in this financial year, in line with the licences issued by ICASA, however, the broadcasters are awaiting additional licences to be issued prior to launching the additional radio services. Commercial FM revenue contributors were a combination of transmitter power upgrades, network linking enhancements and network expansions for various customers.
Network Performance
During the 2017/18 financial year, the FM Radio platform exceeded the set service level target of 99.70% by achieving a network availability of 99.88%.

3.3.2.3 C&MS - MW

Product Performance
SENTECH operates a network of Medium Wave (MW) transmitters in Gauteng, Eastern Cape and Western Cape to provide its customers and citizens of South Africa with radio coverage services. This network is supported and maintained to ensure continuous services availability. During the 2017/18 financial year, SENTECH provided MW BSD services to two SABC radio stations, two commercial radio stations and five community radio stations. The MW product achieved a 22% year-on-year growth and yielded revenue of R11 m (2016/17: R9 m). MW increased primarily due to one commercial service which was put on air, in line with the licences issued by ICASA. One additional service is expected to be implemented in the 2018/19 financial year.
Network Performance
During the 2017/18 financial year, the MW Radio platform exceeded the set service level target of 99.50% by achieving a network availability of 99.95%.

3.3.2.4 C&MS - SW

Product Performance
During the 2017/18 financial year, SENTECH provided Short Wave (SW) BSD services to two SABC stations and three commercial broadcasters. The SW product achieved a 4% year-on-year growth, the increase is primarily due to the additional SW service onboarded in this financial year and yielded revenue of R26 m (2016/17: R25 m). SENTECH envisages a SW switch-off and digital evolution in the next financial year. A two-year switch-off and digital evolution plan was approved in 2017/18 and implementation is currently underway. The plan is to move away from loss-making SW analogue services and evolve the platform into digital services. Two customers have shown interest in broadcasting on SENTECH SW digital platform to date.
Network Performance
During the 2017/18 financial year, the SW Radio Platform exceeded the set service level target of 99.50% by achieving a network availability of 99.94%.

3.3.2.5 C&MS -Satellite Network

Product Performance
The Direct to Home Satellite (DTH-S) Service has four main customer categories, namely existing terrestrial broadcasters, as part of the DTT gap-filler platform, Free-To-View broadcasters, Super PA's and Business TV/Radio customers. The DTH-S product achieved a -2 % year-on-year decline and yielded revenue of R157 m (2016/17: R160 m). DTH-S revenue declined primarily because of two main content aggregators not materialising as well as market changes, which resulted in a price war between operators in a very limited target market.
Network Performance
During the 2017/18 financial year, the Satellite Platform exceeded the set service level target of 99.80% by achieving a network availability of 99.99%.

3.3.2.6 Infrastructure Management Services

Product Performance
SENTECH rents out over 220 sites to more than 90 service providers (public and private) who use the infrastructure for various communication services. The product has achieved an 20% year-on-year growth and yielded revenue of R78 m (2016/17: R65 m). The revenue performance was largely due to additional facility leasing from new and existing customers. Increasing competition, along with investments in ever-changing technology has resulted in telecom operators finding new ways of maintaining margins. Considering that the cost of building and operating infrastructure is significant for operators, market trends continue to prove that new operator business models are leaning towards managed services and leased facilities models. The MIS Ramp-up Plan was approved in the 2017/18 financial year and its implementation is planned during the 2018/19 financial year.

3.3.2.7 Connectivity Services (CS)

Product Performance
SENTECH operates a Very Small Aperture Terminal (VSAT) platform to provide government institutions, enterprises and individual users with internet connectivity services. This network is supported and maintained to ensure continuous services availability. CS has achieved an 14 % year-on-year growth and yielded revenue of R8 m (2016/17: R7 m). The revenue performance was largely due to the new Eastern Cape VSAT contract, tariff increases and the few new connections for transactional service customers. SENTECH has positioned itself to play a significant role in SAPO/SASSA contract and the implementation of South Africa Connect. South Africa Connect phase 1 tender for the first eight regions was issued in 2017 and was finalised in December 2017 with SENTECH awarded 35 sites of phase 1A. SASSA also reached an agreement with SAPO for the partial distribution of social grants. The Company will be involved in wireless broadband services in support of the SOC-nominated beneficiaries that will lead the broadband rollout.
Network Performance
During the 2017/18 financial year, the Connectivity Platform exceeded the set service level target of 99.70% by achieving a network availability of 99.78%. The replacement of the hub resulted in a significant improvement in performance over the previous two years of the MTEF.

3.4 Strategic Priorities

3.4.1 Sustainability

SENTECH will continue with the implementation of the 'Six Capitals' as defined in the Company's Sustainability Plan. Emphasis will be placed on business expansion through new product innovation to ensure financial sustainability. Transformation as a social capital, will also receive greater attention to advance social and economic transformation of society.

As part of our growth strategy, the organisation will continue implementing its Connectivity and Pan-African strategies to identify new markets. In addition, the organisation will pursue inorganic growth strategies through strategic partnerships and acquisitions to realise revenue diversification.

3.4.2 Build Digital Skills and Capabilities

The organisation will pursue innovative ways to meet its customers' expectations and this entails building digital skills and capabilities. For SENTECH to be part of the digital convergence and innovative solutions delivery, the organisation will invest in its human capital and capabilities to enable its workforce to drive innovation.

To achieve this, the organisation will conduct a skills audit for the identification of skills gaps which will be supported by planned training interventions with the focus on digital skills. An employee value proposition will be developed to foster a work environment conducive to attracting and retaining best talent.

3.4.3 Enhance Connectivity and Media Services

In the past MTEF, the organisation played a leading role in the development of the South African-based Pan-African Satellite Business Case in support of broadband initiatives. SENTECH is poised to play a significant role in the rollout of the SA Connect project and to deploy wireless broadband services in fulfilling its mandate. The organisation has invested in several refresh technologies and development of high traffic WIFI hotspot solution to enhance the performance levels of its connectivity services to service its existing and future clients. The following summarises the strategic focus area in which SENTECH will track progress in the implementation of its Corporate Strategy:

Strategic Focus Area	Outcome
Inorganic growth through acquisitions and strategic partnerships	• Business acquisitions • Strategic partnerships formed and contributing to revenue
Build Wireless Broadband business	• Internal broadband capabilities built • Market entry into fixed wireless broadband • Increase revenue and customers from connectivity services
Research and Innovation	• OTT service launched • Build STLs using TVWS • Technology exploration • Explore starting new innovative ventures

Table 6: Strategic Priorities

VALUE CREATION

4.1 Financial Capital

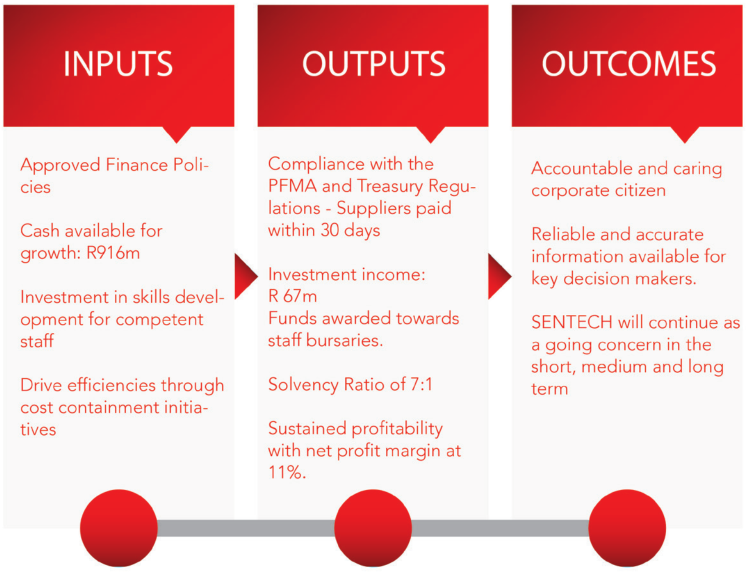


Figure 17: Financial Capital

Enhancing Financial Capital cuts across the organisations and all divisions within SENTECH have worked together to achieve the financial results for the current financial year.

4.1.1 Financial Capital Creation

During the 2017/18 financial year, SENTECH experienced a difficult financial situation from its operations with one of its major customers having to renegotiate its payment terms. The overall cash resources were maintained at R916m despite the sharp increase in the debtors' book due to new payment arrangements made with customers. Additional interventions that enabled the strong financial position included the following, robust investment strategies yielding investment income of R67m, continued investments in employee development through funds towards bursaries, solvency ratio of 7:1 achieved and sustained profitability with a net profit margin of 11%. These interventions have yielded positive benefits in both the internal and external environment.

These include:

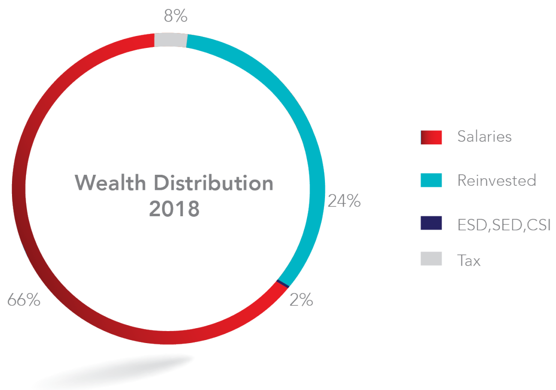
- SENTECH, having sufficient resources at any point in time to ensure suppliers are paid within 30 days on average. This supports SENTECH's suppliers so that they may also continue as a going concern without the need for short-term financing
- Generating sufficient wealth to pay employees market related salaries, implementing its CSI related plans and contributing to the fiscus by way of taxation
- These outcomes have resulted in SENTECH entrenching itself in the market as an accountable corporate citizen, having the appropriate systems to generate accurate and timely information for both internal and external decision makers and being able to continue into the foreseeable future

4.1.2 Wealth Creation by a South African Company for South Africans

The table below sets out the wealth created during the year, together with how it was distributed. It is worth noting that the majority of the wealth was distributed to employees with a sizeable amount invested towards Corporate Social Investment (CSI) and Enterprise Supplier Development (ESD) related projects.

	2018	2017
Revenue	1 349 590	1 232 619
Expenditure	(781 942)	(778 589)
Value added by operations	**567 648**	**454 030**
Other income	294	-
Interest income	67 415	64 415
Total wealth created	**635 357**	**518 445**
Distributed as follows:	482 565	414 292
Employees		
Salaries and wages	415 918	409 986
ESD, SED and CSI	14 213	14 296
Government		
Taxation	52 434	(9 990)
Re-invested	**152 792**	**104 153**

Table 7: Value Added Statement



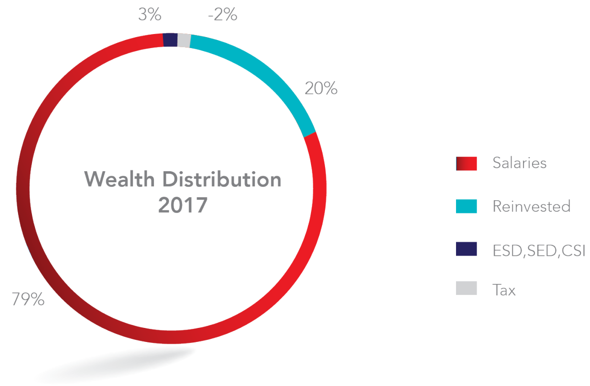


Figure 18: Value Added Activities 2018 vs 2017

4.2 Manufactured Capital

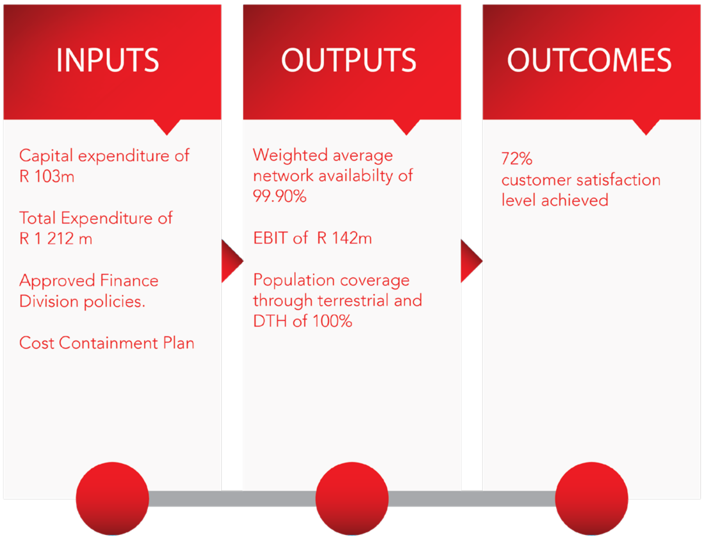


Figure 19: Manufactured Capital

Creating Manufactured Capital is not the function of a single division within the Company. All divisions within SENTECH have worked together to achieve the financial results for the current financial year.

4.2.1 Manufactured Capital Creation

Technology management is critical for the business to maintain high levels of service quality and retain infrastructure integrity to ensure long-term sustainability

During the 2017/18 financial year, SENTECH invested capital expenditure amounting to R103m (2017: R198m) and operational expenditure amounting to R1 212m (2017: R1 202m) primarily for innovation, technology enhancements and continuity of business operations. Additional interventions included the review of SENTECH's policies to ensure that it is optimised to support SENTECH's objectives, and this included appointment and training of competent staff to drive these policies. These interventions have yielded positive results in both the internal and external environment.

These include:

- Achieving a WANA of 99.90% against a target of 99.80%
- SENTECH having strong Statement of Comprehensive Income and Position as evidenced by its EBIT of R142m compared to R34m in the previous year

4.3 Social and Relationship Capital

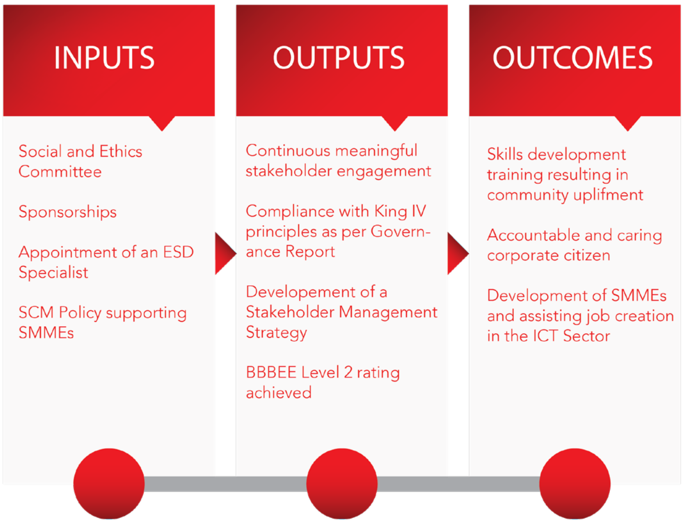


Figure 20: Social and Relationship Capital

In this regard, SENTECH has sought to increase its social and relationship capital by way of:

- Stakeholder engagement outcomes set out in section 1.8 and 4.3.1
- B-BBEE set out in section 4.3.2

4.3.1 Stakeholder Engagement Outcomes

All stakeholder relationships impact directly or indirectly on the business and its reputation. Because of the importance of stakeholder engagement and responsiveness to SENTECH, it is integrated into the Risk Management framework. Every aspect of the Company interacts with stakeholders who are relevant to that particular part of the business.

Stakeholder Management is discussed in section 1.8. SENTECH utilises a wide range of communication channels including: BTV meetings, face-to-face meetings, telephonic and electronic communication, websites, electronic and paper-based employee and customer newsletters, brochures, employee and customer forums and customer roadshows. The Company has dedicated the Strategy Division to monitor stakeholder engagement and report to the Social and Ethics Committee (SEC), Management Committee (MANCO) and Executive Committee (EXCO) on the status of the respective stakeholder engagements. It is also worthy note, that SENTECH, formalised its stakeholder engagement processes in the current year by way of a Stakeholder Management Strategy.

4.3.2 B-BBEE

SENTECH is acutely aware of the need for transformation in South African society in order to overcome the consequences of previous discrimination and to create an equitable society in which all individuals have equal opportunities and free from prejudice. By so doing, South Africa will benefit from the social reparation of past injustices and the added economic contribution of inclusive and unrestricted participation by all citizens.

To this end, SENTECH is fully supportive of constructive measures introduced by government to facilitate effective transformation in South Africa. SENTECH has embraced the Department of Trade and Industry's (DTI's) B-BBEE codes. B-BBEE for SENTECH is not just a matter of compliance to these codes but an integral part of its mandate for bridging the digital divide and ensuring universal access.

SENTECH achieved a Level 2 B-BBEE rating based on the financial performance and activities conducted during the 2017/18 financial year (2016/17 – B-BBEE Level 4). The ultimate aim is to achieve a B-BBEE Level 1 rating by the end of the 2018-2021 MTEF period. To this end, the following initiatives were implemented during the 2017/18 financial year.

4.3.2.1 Management Control and Skills Development

Whilst SENTECH has continued to maintain good performance at senior management level in term of race and gender representation, challenges remain in the middle, junior management levels as well as people with disabilities. SENTECH has historically developed an Employment Equity Policy which has and will continue to be implemented for all new appointments. For a further discussion of SENTECH's management control and skills development approach, refer to section 4.4.

4.3.2.2 Enterprise Supplier Development (ESD)

SENTECH's ESD Programme is aimed at empowering Small Businesses with development support necessary to remain competitive and sustainable. SENTECH's development programmes includes support in strategy, finance and capacity development within the ICT sector. The support is both financial and non-financial. The non-financial support for SMMEs is based on an early payment benefit that SENTECH aims to advantage QSEs and EMEs in order to have a sustainable or healthy cash flow. Our SENTECH team also takes time to advise and mentor the SMMEs that we appoint on short or long-term basis to render services. The financial support has also given the supported SMMEs a better competitive advantage to increase their participation in other opportunities such as finding opportunities in other companies. Table 8 provides more detail in relation to the programmes implemented by SENTECH together with its outcomes.

Intervention	Outcome
Grant Funding Programme	The Grant Funding Programme supported seven beneficiary suppliers who focus on SENTECH's core business and operations. The funding was used for equipment and training. All supported entrepreneurs are sustainable and have increased their supply base and are not dependent on SENTECH for support. Some have managed to contribute to job creation with both full-time job and internship opportunities. SMMEs were offered financial support and have benefited from SENTECHs Enterprise and Supplier Development Grant Funding Programme which contributed a total of R6.19m

Table 8: ESD Programmes

4.3.2.3 Socio-Economic Development (SED)

The objective is to measure initiatives that contribute towards community development. The programmes promote access to the economy for Black People. Table 9 sets out SENTECH's SED initiatives together with its outcomes during the 2017/18 financial year.

Partner	Outcome
Maths and Science Education	The Kutlwanong Centre for Maths, Science and Technology, in partnership with SENTECH, offers extra Mathematics and Physical Science education to Grade 11 and 12 learners in previously disadvantaged communities. The programme runs in the township and rural high schools in Mabopane-Winterveld. The Centre enrolled 122 learners who wrote the 2017 National Senior Certificate examinations. The learners who took Mathematics and Physical Sciences achieved 29 distinctions. Thirteen distinctions were achieved in Mathematics with three learners obtaining between 90 and 99% in Mathematics. Sixteen distinctions were achieved in Physical Science with five learners obtaining between 90 and 99% in Physical Science. It is with pride we note that a total of 116 candidates (equivalent to 95%) achieved Bachelor and Diploma Passes. Ninety-one learners (75%) achieved Bachelor passes, 25 learners (20%) passed with a Diploma and five learners (5%) passed with a Higher Certificate.
Provisioning of Broadband	SENTECH provided Mindset Network with free Bandwidth for the broadcast of its Health Channel to Government clinics in the country. The commercial value of the bandwidth is R2 516 253. SENTECH's contribution has assisted Mindset Network in pursuance of its mandate to uplift the under-developed and under-resourced communities through health education. More than 75% of the beneficiaries are black and benefit from SENTECH's contribution.
School Connectivity	The Company has a social responsibility contribution in the form of a Schools Connectivity Programme. The schools are chosen by the DTPS. Thus far we have a total of 52 schools that we are supporting. As a good corporate citizen, SENTECH takes pride in assisting and investing in educational facilities to help achieve excellent matriculation results and a good future performance for all learners in the respective communities. The initiative is aimed at uplifting under-serviced or rural communities through connecting institutions of learning to a world of information and technology.

Table 9: SED Initiatives

Socio-economic transformation is key in the development of ICT SMMEs and improving the lives of communities through implementation of the NDP objectives.

As a Key Performance Indicator (KPI), Socio-Economic Development (SED) programmes ensure achievement of the B-BBEE requirements. It forces us to participate in meaningful transformation, thereby remaining compliant with the regulations.

The impact of the Socio-Economic and Enterprise Development (SEED) programmes provide an indication of whether the set objectives are achieved or not. The current interventions are making meaningful differences to both SMMEs and communities. Entrepreneurs need access to business networks to grow and succeed. SENTECH provides this platform through procurement opportunities and marketing visibility via conferences and summits.

4.4 Human Capital

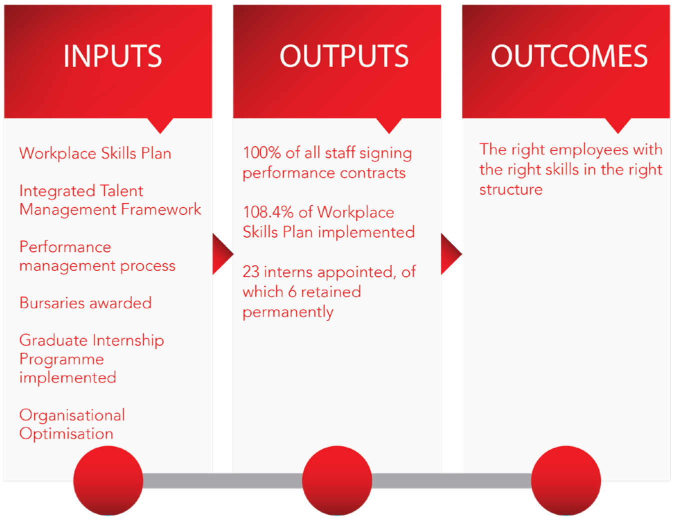


Figure 21: Human Capital

In this regard, SENTECH has adopted various interventions to support its Human Capital, set out in section 4.4.1 to 4.4.12.

4.4.1 Background

SENTECH's people is at the heart of its ambition to deliver an excellent customer experience and achieve sustainable business growth. The primary focus of the Human Resource (HR) Strategy is to position SENTECH as an employer of choice to attract, develop and retain the best talent, while ensuring that it has the right capabilities to achieve its strategic objectives. This will be achieved by creating an enabling organisational culture that encourages innovation, accountability, reliability, speed, customer focus, results driven and leadership excellence. During the previous financial year, several specific areas were outlined that were focussed on during the current financial year.

4.4.2 Talent Management

SENTECH is committed to being an employer of choice. An integrated Talent Management (TM) framework to enhance the effort of being an employer of choice was developed. This framework is based on the five pillars of Attracting, Engaging, Building, Leveraging and Retaining Talent. The primary role of the talent management strategy is to enable SENTECH to achieve its business objectives by ensuring we have the right people in the right positions.

Succession Management and Career Management were identified as the critical focus areas for the business to ensure that SENTECH is prepared and has robust bench strength for critical roles. Bench strength is an assessment of the organisation's preparedness to replace critical positions. It is about identifying employees who will be ready to step into key and critical roles at the appropriate time with seamless transition.

4.4.3 Learning and Development

SENTECH is committed to promoting a learning culture which enables its employees to develop and grow to reach their full potential. Staff benefited from a range of in-house and external learning and development opportunities, including programmes on technical and functional skills.

We achieved 108.4% of our Annual Training Plan against a business target of 85%. In total, 1 925 training interventions were delivered and an amount of R12 757 949 was spent on training of which R12 046 872 was spent on historically disadvantaged groups.

To enable employees to maximise their potential and get the most of their careers, 67 bursaries were awarded to internal staff during the 2017/18 financial year. The total Skills Development (SD) expenditure constituted 4.5% of total payroll expenditure as set out in Table 10 and 11.

Functional Level	Training Expenditure	Training Expenditure as a % of Payroll	Number of Training Interventions	Number of Employees Trained	Average Training Cost per Employee
Top management	R 188 056	0,05%	42	14	R13 433
Snr Management	R 175 375	0,05%	64	20	R 8 769
Professional qualified	R 1 266 869	0,36%	365	101	R12 543
Skilled	R 4 188 610	1,21%	1186	288	R14 544
Semi-skilled	R 223 768	0,06%	121	46	R4 865
Unskilled	R 492 609	0,15%	147	52	R9 473
Total	**R 6 535 287**	**1,88%**	**1925**	**521**	**R12 544**

Table 10: Direct Training Spend

Skills Development (SD)	Spend	EE Spend	Average Individual Investment
University Collaboration	R4 500 000	R4 500 000	R300 000(including Res fees)
Internships	R314 125	R314 125	R13 657 (including stipends)
Staff Training	R6 535 287	R5 908 912	R12 544
Staff Bursaries	R1 408 537	R1 323 838	R 21 022
Total	**R12 757 949**	**R12 046 875**	

Table 11: Overall Training Costs

4.4.4 Building SENTECH'S Skills Pipeline

Investment in skills and accelerating employee's personal development are essential components of the SENTECH Talent Management Strategy. This is reflected in the talent and development agenda which entails growing and strengthening the talent pipeline through strategic partnerships with the University of Witwatersrand, University of Pretoria and University of Cape Town to provide academic assistance to students from previously disadvantaged backgrounds with tertiary level bursaries and mentoring in the field of Electronic engineering and Information Technology engineering. SENTECH awarded bursaries to 15 students to the value of R4.5m for tuition, project work and research.

Further to enhancing this pipeline and strengthening its bench strength, SENTECH implemented a one-year Graduate Internship Programme. In total, 23 learners were provided with an opportunity to learn and gain skills to ensure employability by training at SENTECH. Six interns were appointed permanently at SENTECH. The total spend for the internship programme was R314 125.

4.4.5 Organisational Architecture

An organisation's competitive edge is largely driven by its organisational design and internal capabilities. As a result, SENTECH embarked on the periodic process of focusing on organisational redesign and optimisation, aimed at driving business growth, operational efficiencies and innovation

4.4.6 Rewards and recognition

Reward and recognition plays an integral role in the successful delivery of SENTECH's strategic objectives. In 2017, SENTECH embarked on a market analysis exercise. As part of the exercise, a comparison of the current pay practice at SENTECH against South Africa's general market and technology sector was conducted to ensure our remuneration is competitive and equitable.

SENTECH has a short-term incentive scheme that is linked to the individual's performance contribution and organisational performance. During the 2017/18 financial year, performance linked bonuses were paid to the management and bargaining levels.

4.4.7 Culture Change

As SENTECH grows, the company recognises the critical importance of having employees with the right behaviours to support the growth strategy. Further, as a Company, SENTECH realises the need to transform its culture to one of business leaders with greater focus on innovation, customer focus and revenue and profits. Moreover, building a sense of collective values and identity.

To achieve this transformation and establish a common shared culture, the SENTECH WAY, a culture programme and plan was rolled out to create awareness and support the implementation of our strategic objectives. Furthermore, The SENTECH Way competencies and behaviours have been defined and adopted. Alongside, the Leadership Competency Model has been developed to drive the culture change.

As part of creating a winning culture, the Employee Recognition Programme was launched to recognise our internal role models who embody the SENTECH Way in everything that they do. Celebrating successes served as a motivator and rewarding these individuals for their contribution to our business.

4.4.8 Occupational Health and Safety

SENTECH is committed to fostering an environment that maintains the Occupational Health Safety and Wellness of its employees. Our goal is to eliminate incidents, minimise risk, responsibly manage environmental impacts and enable excellence in operations and business performance, while providing a workplace that takes into account the safety and wellbeing of our people and service providers. SENTECH has managed to keep its Total Recordable Incident Rate (TRIR) levels below the TRIR limit of 1% through awareness programmes and training. The total recordable injury rate for the 2017/18 fiscal year was 0,0642% which is below the TRIR limit of 1%.

4.4.9 Employment Equity

Transformation is a strategic imperative and underpins the successful implementation of the SENTECH strategy.

Our objective is to drive transformation within SENTECH as well as the telecommunications industry through a robust strategy that promotes equity in the workplace, equal opportunities in employment, skills development and equitable representation in all occupational levels in the organisation.

As at the 31 March 2018, SENTECH had 538 permanent employees as set out in Table 12. The current employment equity statistics reflect that 85% of staff in the organisation is black and 33% female.

At top management levels, 100% are black and 30% female; 77% of senior management is black and 32% are female, whilst 84% of specialists and middle management levels are black and 44% female. The Company's disability rate is 0,93% of the total staff complement.

	MALE					FEMALE					
Occupation levels	African	Coloured	Indian	White	Employees with disabilities	African	Coloured	Indian	White	Employees with disabilities	Total
Top management											
Current	6	0	1	0	0	3	0	0	0		**10**
Senior management											
Current	7	1	1	2	0	8	0	0	0		**19**
Professionally qualified and experienced specialists and mid-management											
Current	46	5	2	19	0	22	2	1	4		**101**
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents											
Current	122	12	9	44	2	107	3	3	6	1	**306**
Semi-skilled and discretionary decision-making											
Current	21	1	0	0	0	20	5	2	4	2	**53**
Unskilled and defined decision-making											
Current	39	7	0	0	0	3	0	0	0	0	**49**
Total permanent	**241**	**26**	**13**	**65**	**2**	**163**	**10**	**6**	**14**	**3**	**538**

Table 12: Employment Equity Profile

4.4.10 Personnel Remuneration by Salary Band

SENTECH had 538 permanent employees as at 31 March 2018. The average personnel remuneration cost per employee is R658 447 as set out on Table 13:

Level	Personnel Remuneration	% of Total Personnel Cost	No. of Employees	Average Personnel Remuneration per Employee
Top management	R21 145 277	5,97%	10	R2 114 528
Snr Management	R24 137 117	6,81%	19	R1 270 375
Professional qualified	R101 957 192	28,78%	101	R1 009 477
Skilled	R174 106 668	49,15%	306	R568 976
Semi-skilled	R19 209 835	5,42%	53	R362 450
Unskilled	R13 688 512	3,87%	49	R279 357
Total	**R354 244 601**	**100,00%**	**538**	**R658 447**

Table 13: Personnel Remuneration

4.4.11 Employment and Vacancies

Table 14 sets out SENTECH's employee turnover and the recruitment profile:

Programme	2016/17 No. of Employees	Approved Posts	Planned to be filled	2017/18 No. of Employees	Vacancies	2017/18 Vacancies Planned to be Filled	Vacancy Rate on Planned Posts
Top Management	11	11	11	10	1	1	9%
Senior Management	15	20	20	19	1	1	5%
Professionals	106	121	121	101	20	20	17%
Skilled technical & Academically qualified	321	338	326	306	32	20	6%
Semi-skilled	56	57	57	53	4	4	7%
Unskilled	48	52	50	49	3	1	2%
Total	**557**	**599**	**585**	**538**	**61**	**47**	**8%**

Table 14: Employee Turnover and Recruitment Profile

4.4.12 Employment Change

Table 15 sets out SENTECH's employment profile as at 31 March 2018. The Company had 53 planned vacancies for the 2017/18 financial year. A total of 35 appointments were made which included the replacement of voluntary and involuntary exits during the year.

Salary band	Employment at Beginning of Period	Appointments	Terminations	Internal Appointments	Employment at End of Period
Top Management	11	1	2	1	10
Snr Management	15	7	4	3	19
Professional qualified	106	7	5	5	101
Skilled	321	17	21	10	306
Semi-skilled	56	1	1	1	53
Unskilled	48	2	1	0	49
Total	**557**	**35**	**34**	**20**	**538**

Table 15: Employment Statistics

4.4.12.1 Reason for Employee's Leaving

SENTECH's turnover rate for 2017/18 was 6,3%, comprising 41,18% voluntary (resignations) and 58.82% involuntary terminations (retirement, dismissals and death) as set out in Table 16.

Reason	Number	% of Total No. of Staff Leaving
Death	2	5,88%
Resignation	14	41,18%
Dismissal	1	2,94%
Contract expired	2	5,88%
Retirement	15	44,12%
Total	**34**	**100%**

Table 16: Reasons for Employees Leaving

4.4.12.2 Employee Relations

SENTECH is committed to building a sustainable relationship with labour. A healthy relationship and partnership between management, employees and labour is crucial for the achievement of SENTECH's strategic objectives. SENTECH will always endeavour to ensure effective and accessible communication between employees, management and labour. Management has a duty to act fairly and ensure that employees are empowered to be efficient and productive. Employee Relations continuously engages organised labour and management to have consistent application of legislation, policies, rules and regulations within the workplace. The relationship with employees, labour and management is based on mutual and interdependent interests of achieving organisational objectives and being a vehicle to meet individual needs of employees.

4.5 Intellectual Capital

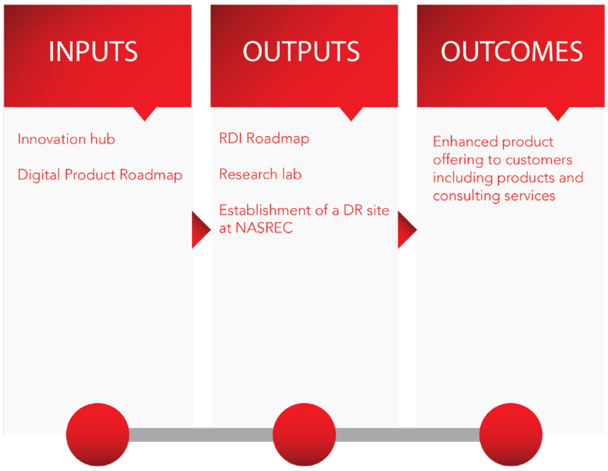


Figure 22: Human Capital

In this regard, SENTECH has implemented various initiatives in relation to enhancing innovation. These include:

- Leveraging on current and conventional platforms 4.5.1
- Digital Transformation program 4.5.2
- South African based Pan-African satellite 4.5.3
- Research, Development and Innovation in section 4.5.4
- New Technologies in section 4.5.5

SENTECH's view of its intellectual capital is considered in three aspects namely:

- Leveraging and creating value from current and conventional platforms
- Digital transformation towards cloud based and artificial intelligence platforms for new opportunities and for cost optimisation
- Research, Development and Innovation (RDI) and training

The aspects allow SENTECH to leverage on its existing infrastructure and conventional technologies, while being forward looking in consideration and implementation of initiatives for digital transformation in ICT. RDI and training programmes are aimed at enhancing SENTECH's products offering.

4.5.1 Leveraging on Current and Conventional Platforms

DTT is the main platform for SENTECH's future broadcast signal distribution business and sustainability. During the financial year, SENTECH continued to stabilise the DTT Platform, including the "one Beam" solution and installed over 550 STBs to enable stakeholders to experience DTT service and provide service enhancement feedback.

4.5.2 Digital Transformation

As part of the digital transformation programme SENTECH is developing a terrestrial linking and connectivity network to create readiness for the future of broadcasting. SENTECH is developing a business case that will determine the structure and form of possible private-public-partnership, aiming to reduce satellite costs.

4.5.3 South Africa based Pan-African Satellite

SENTECH developed a business plan leading towards the development of a South Africa based Pan-African satellite. The outcome of the plan indicates sufficient demand for utilisation of satellite capacity in South Africa and national capability to construct, launch and operate its own satellite profitably thereby significantly reducing the cost of satellite services. The market study and business plan was well received by stakeholders, including the DTPS.

The Pan-African satellite will provide global, ubiquitous and multipoint communications to enhance access to Data and Media services across the country and neighbouring countries at a lesser cost. The SA owned satellite will significantly contribute towards socio-economic development and creation of a self-sustainable industry through development of satellite expertise and creation of quality jobs.

4.5.4 Research, Development and Innovation

SENTECH has defined Research, Development and Innovation (RDI) as one of the critical success factors for the Company's long-term sustainability within the new digital convergence economy. To facilitate its RDI programme, SENTECH has established a research laboratory and developed an RDI roadmap.

It is in this context that SENTECH has formulated key strategic programmes that will enable the Company to leverage its existing and future digital infrastructure towards offering enhanced and value-added services to create new business products and develop new markets.

SENTECH's Satellite DTH platform is a digital transmission platform and was therefore ideal to leverage in developing new service offerings. This was especially vital for the Company considering the huge impact digital convergence is proving to be and with the delays in the commercial launch of DTT. SENTECH revised its DTH Business Model to focus on providing end-to-end wholesale platforms for new and existing broadcast operators and other content distributors.

In the year under review, SENTECH invested in a TV White Space (TVWS) platform with a view of designing and building a middle mile backhaul radio network. As part of its future strategy for enhanced and premium broadcasting services, SENTECH has embarked on the acquisition of a commercial Over The Top (OTT) platform.

4.5.5 New Technologies

SENTECH identified digital radio as a future growth path for radio content distribution. Digital radio not only maximises on the use of frequency spectrum but will also deliver value add capability that can be exploited for sustainability of broadcasters. In collaboration with the NAB and SADIBA, SENTECH tested the second generation of Digital Audio Broadcasting (DAB+) in Gauteng to advance Radio Broadcasting in South Africa.

From a distribution technology perspective, SENTECH is ready to move the country to experience better radio quality through digital radio, and the Regulator is being engaged to enable market and create opportunities for new entrants.

Aligned to its capability creation objectives, SENTECH has also expanded its partnerships with academia with the inclusion of the University of Cape Town, growing the collaboration portfolio to three local universities.

4.6 Nature Capital

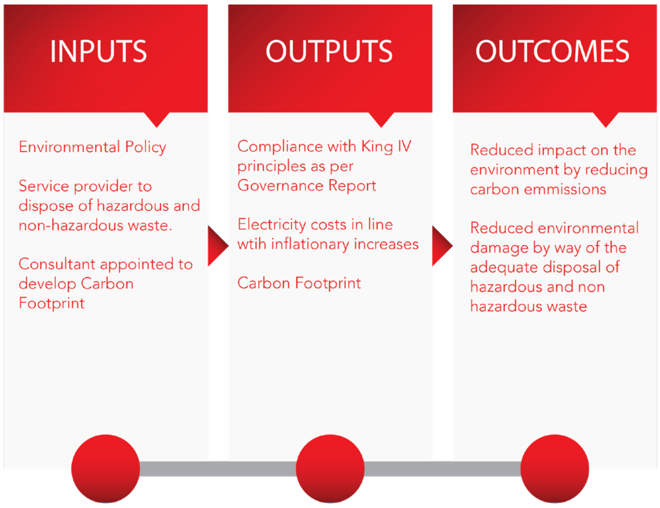


Figure 23: Nature Capital

In this regard, SENTECH has implemented various initiatives in relation to enhancing its Natural capital. These include:

- Stakeholder engagements set out in section 1.8 and 4.3
- Environmental preservation initiatives set out in section 4.6.1
- Green energy set out in section 4.6.2

4.6.1 Environmental Preservation

Communications infrastructure deployment and management thereof requires integration of technical, economic and environmental factors in planning, implementation and operations to ensure sustainability and preservation of the environment for future generations. SENTECH's communication infrastructure is situated in National Parks, farms, reserves, etc. SENTECH should therefore act responsibly to minimise the impact of its operations on the environment.

In accordance with Environmental Management Act and Regulations of South Africa, SENTECH has established an Environmental Impact Management Policy and processes and continued to implement these during the year and aligned it operations to ensure preservation of the environment. The SENTECH internal processes includes:

- Waste management
- Technology disposal management
- Hazardous chemical management
- Environmental Impact Assessment (EIA) compliance

The policy is aligned to International Standards Organisation (ISO) standards and seeks to position and align SENTECH operations to minimize impact to environment and comply with environmental conservation objective including compliance with the requirements of the Environmental management legislation. The policy ensures a controlled environment that entrust careful management of materials utilization to:

- Avoid human exposure to health hazards
- Minimise pollution during day to day operations
- Preserve the environment for the future

During the 2017/18 financial year, SENTECH procured three mobile diesel tankers that are compliant with diesel transportation regulations to effectively control diesel spillages and placed diesel and fire control mechanism at its infrastructure sites.

The SENTECH position towards environmental management, has enabled the organisation not to encounter any significant environmental incidents during the year. There were minor diesel leaks recorded during diesel theft and the damage was controlled using treatment chemicals placed at infrastructure sites.

4.6.2 Green Energy

To ensure continuous improvement, SENTECH established below key research projects to further improve on environmental preservation objective;

- Use of green energy at infrastructure sites
- Determine carbon footprint

Some of above projects has yielded positive results. During the financial year, a principal agent was appointed to design and oversea the installation of solar power solutions at Sender Technology Park (STP) and Wolverine high power site. SENTECH has made financial provision in the following MTEF to migrate these facilities to green energy to minimise pollution.

SENTECH also appointed the services of a carbon consultancy firm to determine its Carbon Footprint. The Carbon Footprint calculations were based on data gathered for this financial year from all the infrastructure sites and the 16 Operation Centres including STP. The highest source of direct carbon emissions is the combustion of diesel in diesel standby generators, followed by using refrigeration gases in air conditioning units and then by fuel used in company owned vehicles. Indirect energy emissions associated with the consumption of grid electricity are the highest source of emissions in the SENTECH greenhouse gas inventory. Figure 24 sets out SENTECH's carbon footprint that will be used as a baseline for future calculations and referencing.

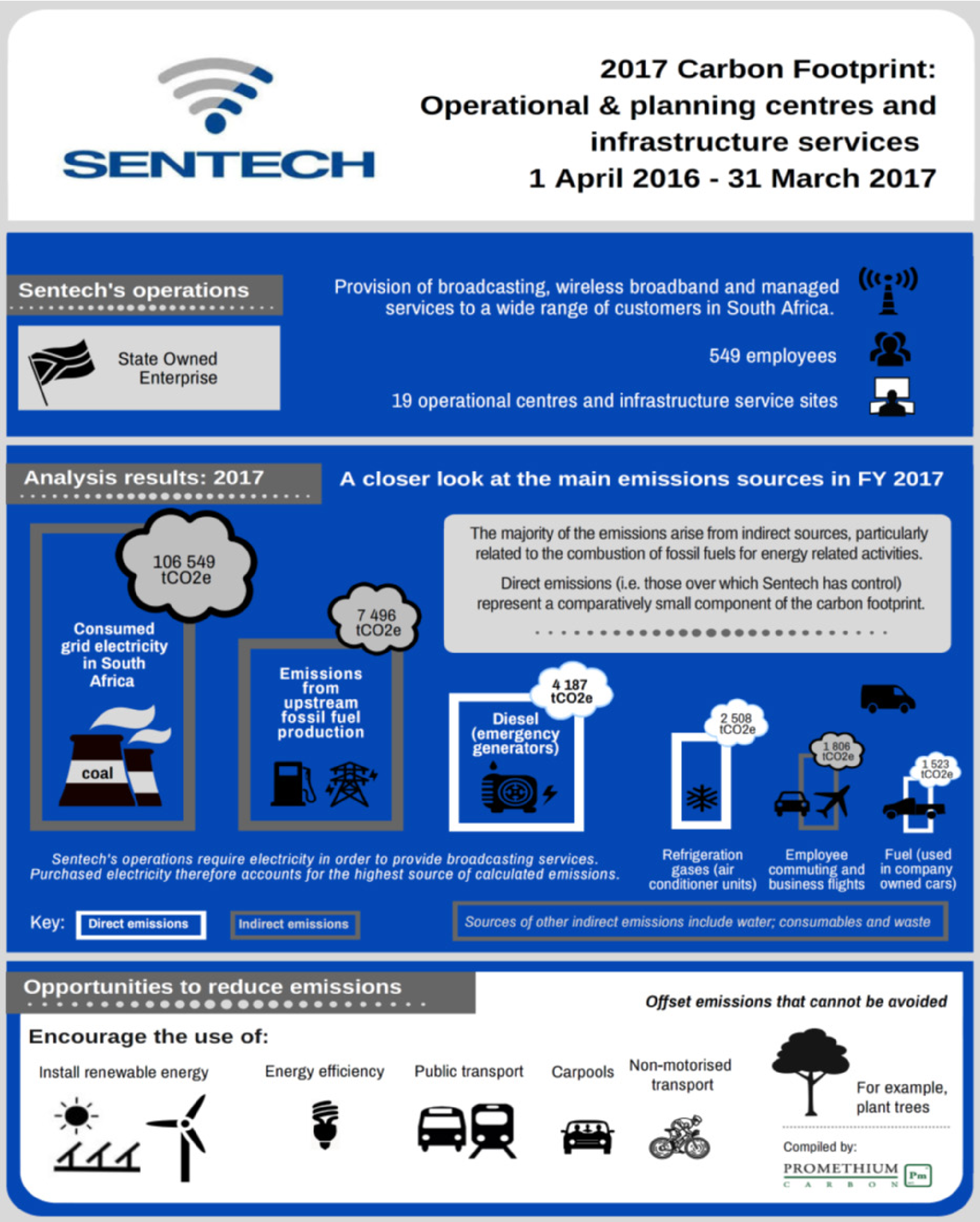


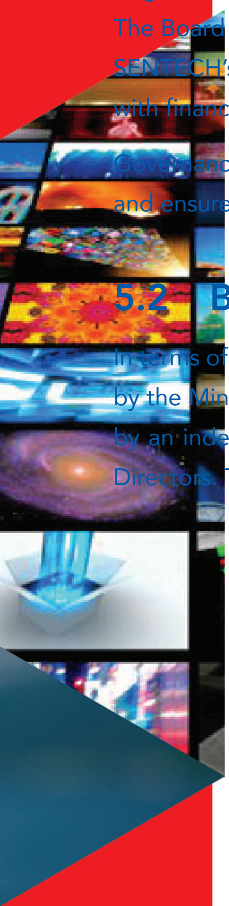
Figure 24 Carbon Footprint

CORPORATE GOVERNANCE

5.1 Commitment to Good Governance

SENTECH is committed to the highest standards of governance, ethics and integrity. SENTECH regards corporate governance as more than a set of policies, procedures, structures, rules and frameworks. It entails abiding by the principles and structures enabling SENTECH to facilitate and foster healthy relationships between the Board, the Shareholder Representative, stakeholders and employees. We believe that good governance contributes to living our values through enhanced accountability, strong risk and performance management, transparency and effective leadership. Good governance is the vehicle towards business integrity, sound business practices and the creation of value for the various stakeholders. We are constantly reviewing our governance practices and processes to ensure that we act in the best interests of our stakeholders. The Board has ultimate accountability and responsibility for the performance and affairs of SENTECH and ensures that SENTECH adheres to high standards of ethical behaviour.

The Board embraces the benefits of diversity as this enhances the range of perspectives of Directors. The Board subscribes to governance principles and practices to ensure creation of value in a manner that is sustainable for SENTECH's stakeholders. The Board is comfortable that there is a right balance of skills, experience and independence to make valuable contribution to SENTECH's business. The Board has, however, identified a need to strengthen the ARC, and the TPRC with co-opted members with finance and IT governance skills respectively.



Governance at SENTECH entails a culture committed to sound processes and procedures, which goes beyond legal compliance and ensures sustainability long after a law and its iterations have been implemented.

5.2 Board of Directors

In terms of the SENTECH Act, the Board shall consist of three Executive Directors and at least four NEDs, who are all appointed by the Minister. NEDs and Executive Directors are appointed for a three-year and five-year term respectively. The Board is led by an independent NED and is comprised of a majority of independent NEDs. The CEO, CFO and COO are the Executive Directors. The key governance roles and responsibilities of the Board are outlined as follows:

Chairperson
• Responsible for setting the Board Agenda, ensuring there is sufficient time available for discussion of all items • Encourages open and honest debate between all Board members • Leads and manages the dynamics of the Board, providing direction and focus • Ensures that the Board sets the strategy of the Company and assists in monitoring progress towards achieving the strategy • Serves as the primary interface with stakeholders on behalf of the Board • Leads the Board and ensures its effectiveness

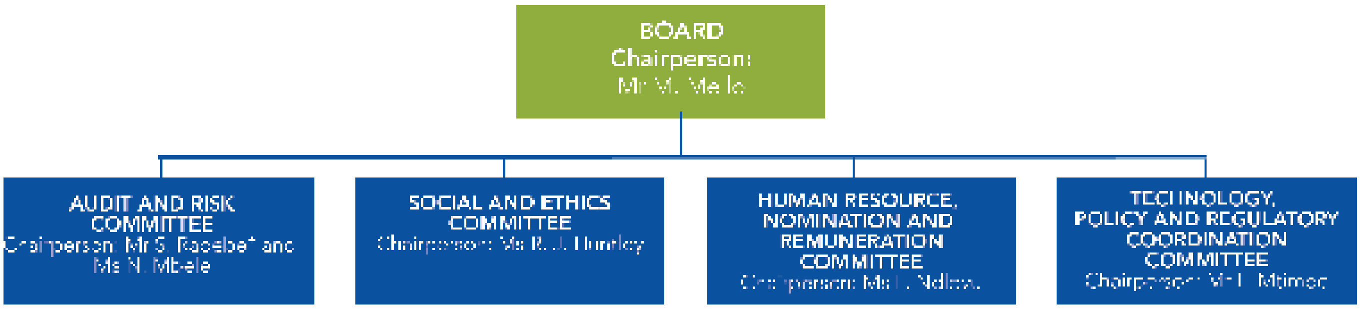
NEDs
• Have diverse experience, background and skills, and they bring unique perspectives to the Boardroom to facilitate constructive debate on proposals • They contribute business acumen, independent judgment and experience on various issues which include strategy, ethical leadership, governance, transformation and performance management against agreed goals • Ensure the effectiveness of internal controls and the integrity of financial reporting • Monitor executive performance • Have unrestricted access to the Company's information, documents, records and property in the interest of fulfilling their responsibilities as independent NEDs

Executive Director's		
CEO	CFO	COO
• Bears ultimate responsibility for all management functions • Responsible for managing and leading the Company within the authorities delegated by the Board • Ensures that the Board receives information that is accurate, timely and clear to enable the directors to perform their duties effectively	• Leads and manages the Company's Finance Function • Provides the Board with updates on the Company's financial performance	• Leads and manages the Company's Technology and Operations • Provides the Board with updates on Technology Strategy implementation and operational performance

Company Secretary
• Responsible for the flow of information to the Board and its committees and for ensuring compliance with Board procedures • Minutes all Board and Committee meetings to record the deliberations and decisions taken therein • Ensures that the Board complies with relevant legislation and regulation • Provides guidance to the Board in discharging its fiduciary responsibilities

5.3 Board Sub-Committees

The Board Committees facilitate the discharge of responsibilities and provide in-depth focus, oversight and guidance on specific areas, and report to the Board through their respective chairpersons. Committee chairpersons submit written reports to the Board. To this end, the Board has established four Board Committees, set out in Figure 25.



*Resigned on 5 June 2017

Figure 25: Board and Its Committees

5.4 Board Continuity Programme

The Board continuity programme addresses the skills, experience and other qualities required for the effective functioning of the Board. It sets out the induction and ongoing training of Directors, and evaluation of the Board performance. Some NEDs attended international conferences.

5.5 Approach to Compliance

Adherence and compliance to applicable laws and regulations is a responsibility of the Board. The Company has reviewed the Compliance Policy and Framework, and the legal universe. Compliance reports were submitted to the ARC and Social and Ethics Committees. Various compliance monitoring reviews were undertaken at selected divisions to ascertain if business activities were conducted in compliance with relevant regulatory requirements, internal policies and procedures. This process has assisted the Company in identifying relevant areas of improvement.

5.6 Ethics

King IV defines corporate governance as the exercise of ethical and effective leadership by the governing body towards the achievement of an ethical culture, good performance, effective control and legitimacy. The Board is responsible for setting the tone and ethics and has delegated oversight of the management of the Company's ethics to the Social and Ethics Committee. The Code of Business Conduct and Ethics Policy has been reviewed. The Code articulates standards expected from Directors, employees and service providers.

A training on ethics was conducted for all managers and NEDs have committed to upholding the Company's ethics by signing an ethics pledge. The Company's Whistleblowing Policy provides employees with the anonymous hotline to report unethical conduct. The anonymous hotline is administered independently by an independent company which submits reports which are investigated by Internal Audit. A preliminary investigation is conducted to establish whether there is a facie case.

5.7 Compliance with King IV

The Board has embraced the King Report on Governance for South Africa 2016 (King IV). Adopting King IV is a commitment to the philosophy of stakeholder inclusivity, corporate citizenship and protecting the value that we create. SENTECH's existing governance framework and culture provide a solid foundation for the implementation of King IV. By applying King IV, we ensure that principles are applied with a focus on the achievement of the four corporate outcomes, namely, ethical culture, good performance, effective control and legitimacy. The Board has provided effective leadership and this is demonstrated by SENTECH's achievement of its strategic objectives and positive outcomes. The Board is satisfied with the way the recommended principles in King IV have been applied and has put alternative measures in place where necessary.

The Board provides leadership and strategic guidance to safeguard shareholder value creation within a framework of prudent and effective controls. This enables risk to be assessed and managed to ensure long-term sustainable development and growth. The Board has ultimate accountability and responsibility for the performance and affairs of SENTECH and ensures that SENTECH adheres to high standards of ethical behaviour. Directors owe a fiduciary duty to the Company both under the common law and legislation, namely PFMA and Companies Act, and are accountable to the Shareholder, represented by the Minister of Telecommunications and Postal Services. Directors are also responsible, within the confines of corporate law and legislation, to other stakeholders of the Company. Directors are required to exercise due care, skill and the utmost good faith in the performance of their duties.

The Board reviews its governance structures and processes to ensure they support effective and ethical leadership, good corporate citizenship and sustainability. Policies are in place to ensure adherence to essential requirements and governance standards. The Board is responsible for the periodic review and approval of the delegated authority.

The Board is also governed by a Charter, which provides a concise overview of the role, powers, functions, duties and responsibilities of the Directors, both collectively and individually. The Board Charter was reviewed and approved by the Board during the reporting period.

The Board is mindful of its responsibility to ensure that there remains an appropriate balance of skills and experience on the Board, and was therefore mindful of the fact that the retention of certain members whose term was going to expire will be beneficial in ensuring this balance and that orderly succession can take place. It is for this reason that the Board recommended the retention of Mr M. Mello and Mr L. Mtimde. The Board is satisfied that there is right balance of skills, experience and independence to make a meaningful contribution to the business of the Company.

5.8 Independence of Directors

The Board follows a process of assessing the independence of NEDs on an annual basis for each Director using the criteria recommended in King IV. The Board has satisfied itself that the NEDs meet the criteria for independence espoused in the Independence of Directors Policy. The Board does not believe that Mr L. Mtimde's position as the CEO of USAASA interferes with his independence of judgement and his ability to act in SENTECH's best interest.

The Board determined that, based on the MOI, the Shareholder's Compact and applicable legislation, its main functions and responsibilities were as follows:

- Giving strategic direction to the Company, in line with government's objectives, and ensuring that SENTECH remains a sustainable and viable business. The strategic objectives are set out in the Annual Corporate Plan, submitted to DTPS and the National Treasury
- Preparing and approving corporate plans, annual budgets, Integrated Reports and financial statements

  Ensuring that SENTECH complies with the obligations imposed by various laws and regulations that are applicable to SENTECH
- Monitoring and evaluating implementation, by the Executive Management, of the Board's strategies and performance objectives, as set out in the Corporate Plan and Shareholder's Compact
- Ensuring that the Company is managed effectively and in accordance with corporate governance best practice and the highest ethical standards
- Regularly assessing the performance and effectiveness of the Board as a whole, as well as the individual Directors, including the Chairperson of the Board and the CEO, committees of the Board and the Chairpersons of the various committees
- Accounting to the Shareholder on implementation of the Corporate Plan, and ensuring that technologies and systems used in the company are adequate to run the business properly and for it to compete through the efficient use of its assets, processes and human resources

Composition and Number of Meetings

Biographical details of all Directors are set out in Section 1.7.1. During the 2017/18 financial year, and subsequent to year-end, the following changes occurred:

- Mr S. Radebe resigned on the 5 June 2017
- Mr M. Mello and Mr L. Mtimde's term of office expired on 28 February 2018 and they have been reappointed for a second term commencing on 1 April 2018

During the 2017/18 financial year, the Board held one strategy session, seven scheduled and seven special meetings as set out in Table 17.

Name of Member	1 April 2017 - 31 March 2018													
	26 Apr	15 May **	22 May **	30 May	28 Jul	28 Aug **	30 Oct	2 Nov **	16 Nov **	24 Nov **	30 Jan	5 Feb **	27 Feb	1 Mar
Mr M. Mello (Chairperson)	√	√	√	√	√	√	√	√	√	√	√	√	√	N/A
Mr M. Booi	√	√	√	√	√	√	√	√	√	√	√			
Ms R. J. Huntley	x	√	√	√	√	√	X	√	√	√	X	√	X	√
Mr K. Matabane	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms N. Mbele	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Mr L. Mtimde	√	√	√	√	X	√	√	√	√	√	√	√	√	N/A
Mr S. Radebe	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr S. Mthethwa	√	√	√	√	√	√	√	X	X	√	√	√	√	X
Ms L. Ndlovu	√	√	√	√	√	√	X	X	√	X	√	√	√	√
Mr T. Leshope	N/A	N/A	N/A	N/A	√	√	√	√	X	√	N/A	√	√	X

Table 17: Board Attendance

X Apology
√ Present (in person/via teleconference)
**Special Meeting

The comparison of meetings versus the previous financial years is as follows:

Number of meetings	2014/15		2015/16		2016/17		2017/18	
	No	%	No	%	No	%	No	%
Mr M. Booi	N/A	N/A	5	100	8 out of 8	100	13 out of 14	93%
Ms R.J. Huntley	10	90	9	100	7 out of 8	87	10 out of14	71%
Mr K. Matabane	10	90	8	100	6 out of 7	85	4 out of 4	100%
Ms N. Mbele	10	100	9	100	7 out of 8	87	14 out of 14	100%
Mr M. Mello	N/A	N/A	9	100	8 out of 8	100	13 out of 13	100%
Mr L. Mtimde	N/A	N/A	7	78	4 out of 8	50	12 out of 13	92%
Mr S.Radebe	N/A	N/A	9	100	7 out of 8	87	4 out of 4	100%
Mr S. Mthethwa	N/A	N/A	N/A	N/A	2 out of 2	100	11 out of 13	85%
Mr T Leshope	N/A		N/A		N/A		7 out of 8	86%

Table 18: Board Attendance Year-on-Year

Key Focus Areas

The Board has spent considerable time during the period considering matters pertaining to the sustainability of SENTECH and this has necessitated a review of the corporate strategy. We are confident that the strategic direction chosen by the Company is appropriate for taking the Company into the future. The sustainability of the Company is something that is on the radar of the Board and will receive special focus in the 2018/19 financial year. The Board has approved strategic initiatives aimed at growing SENTECH's business. The merger of SENTECH and BBI, business development and sustainability are standing items on the Board's Agenda.

The Board recognises that the management of any business is fundamentally about managing risks. SENTECH's risk management is underpinned by its Risk Management Framework and Policy which have been reviewed during the reporting period.

The Board and Board Committee Charters have been reviewed and aligned to the new strategies of the Company. The Board is confident that the Board Committees are adequately capacitated to discharge their responsibilities. The Board has approved various policies as part of overseeing the governance process.

Month	Matter
April 2017	• Satellite Viability Study • Human Resources Strategy • Stakeholder Engagement Strategy • South Africa's Credit Downgrade • SABC's Financial Position
May 2017	• SOC Rationalisation • South Africa Connect Project
July 2017	• Analysis of the Impact of the Policy Direction of the Integrated ICT Policy White Paper • Mergers and Acquisitions Strategy • Integrated Talent Management Framework and Executive Directors' Succession Plans • King IV Report Information Session • 2016/17 Integrated Report
October 2017	• Short Wave ("SW") Analogue Phased Switch-Off Approach
February 2018	• Reviewed Delegation of Authority • Feasibility Study for Pan-Africa Communication Satellite • Capital Investment Policy • Sales Incentive Scheme • Strategic Partnership with COMSOL Networks (Pty) Ltd • Mergers, Acquisitions and Partnerships Policy • 2018-2021 Corporate Plan

5.8.1 Board Committees

5.8.1.1 Audit and Risk Committee

Refer to Section 6.1.

5.8.1.2 Technology, Policy and Regulatory Co-ordination (TPRC) Committee

The Committee ensures co-ordination between policy, regulation and technology in the development and implementation of the Company's strategy.	
Mandate	Summarised Committee Feedback
• Reviewing reports on implementation of key projects • Ensuring that SENTECH's Technology and Information Strategy, its development and implementation are aligned with the business objectives • Overseeing that the Marketing and Sales Strategy support the Company's objective of achievement of increased sales revenue • Ensuring that the strategies emanating from innovative initiatives support the building of digital capabilities and enhance connectivity • Ensuring that the governance of technology and information supports the organisation in achieving its strategic objectives • Advising and guiding the Board with respect to the DTT the commercialisation and any other related matter that relates to the digitisation of television	• Considered matters pertaining to the sustainability of SENTECH • Considered reports on business development initiatives • Approved the Technology and Information, Regulatory and Policy strategies and monitored their implementation. • Considered implementation of the Operations Management Plan • Monitored various business cases and progress reports on these business cases • Focused on the implementation of the Pan-African Business Case and revenue diversification • Reflected on the impact of the policy direction of the Integrated ICT Policy White Paper and the Electronic Communications Amendment Bill, and their impact on SENTECH • Approved the 2017/18 ICT programmes • Received reports on the DTT Commercialisation Plan • Received risk management reports on matters within the Committee's mandate

Composition and Number of Meetings

During the period under review, the TPRC comprised the following members and held four meetings as set out in Table 19.

Name of Member	1 April 2017 to 31 March 2018			
	19 July	26 Sep	6 Dec	22 Feb **
Mr L. Mtimde (Chairperson)	√	√	√	√
Ms R. J. Huntley	√	√	√	√
Mr M. Mello	√	X	√	√

Table 19: TPRC Meetings

X Apology
√ Present (In person/via teleconference)
** Special meeting

The CEO, CFO, COO, Chief Strategy Officer, Chief Marketing & Sales Officer and Executive: Operations attended Committee meetings by invitation.

Key Matters Discussed

Key Matters	How the matter has been resolved
Aging infrastructure	The lack of dual illumination funding in the outer years will result in the shortfall for the business which will lead to a total operating loss being reported by the 2020/21 financial year. A request for funding has been submitted to National Treasury. SENTECH has collaborated with key industry stakeholders to create digital migration awareness
Impact of proposed changes to the regulatory environment	SENTECH participated in the public discussions of the ECA bill
Financial Sustainability	The Mergers, Acquisitions and Partnerships Policy has been approved

For the year ahead, the Committee will monitor revenue diversification, development of new products and services and the Company's inorganic growth efforts.

5.8.1.3 Human Resources and Nominations Committee (HRNC)

The Committee assists the Board on matters of appointment, talent management, succession planning and strategic remuneration by ensuring decisions are aligned to the Company's strategic objectives. The Committee has oversight over human resources strategies, aimed at creating and sustaining a high-performance culture.

Mandate	Summarised Committee Feedback
• Ensuring development and annual review of the strategy and plan for the Company's human resources • Ensuring development and review of policies for the Company's human resources • Ensuring that competitive remuneration and reward strategies and policies are in place to facilitate the recruitment, motivation and retention of high performance staff at all levels • Regularly reviewing the size and composition of the Board with regard to the appropriate mix of knowledge, skills and experience including the business, commercial and industry experience needed to govern the Company and making recommendations to the Board with regard to any appropriate changes • Assisting the Board with the recruitment of Executive Directors • Reviewing and recommending to the Board the relevant criteria necessary to measure the performance of Executive Directors in discharging their functions and responsibilities • Establishing procedures for the Committee to oversee the evaluation of the performance of the Board and each individual Director • Ensuring that directors receive ongoing development and training (education) on their duties, responsibilities and nature of SENTECH's business	• Received reports on the implementation of the Human Resources Strategy and Plan • Reviewed various policies pertaining to human resources • Reviewed Short-Term Incentive Scheme Framework • Led the appointment process for the COO • Approved the NEDs Development Programme and Board Evaluation Engagement letter • Monitored the Succession Planning Framework for Executive Directors • Noted reports on management of significant risks pertaining to the mandate of the Committee

Composition and Number of Meetings

During the 2017/18 financial year, the HRNC comprised the following members and held two scheduled and seven special meetings as set out in Table 20. The special meetings were necessitated by the COO recruitment process and year-end matters.

Name of Member	1 April 2017-31 March 2018								
	15 May **	30 May **	10 July **	20 July **	23 Oct	14 Nov **	15 Nov **	7 Dec	22 Feb **
Ms L. Ndlovu (Chairperson)	√	√	N/A	√	X	X	N/A	√	√
Ms N. Mbele	√	√	√	√	X	N/A	N/A	√	√
Mr M. Mello	√	√	√	√	X	N/A	N/A	√	√
Mr L. Mtimde	√	√	N/A	√	√	√	N/A	X	√
#Ms R. J. Huntley#	N/A	N/A	N/A	N/A	N/A	√	√	N/A	N/A

Table 20: HRNC Meetings during the Year

X Apology

√ Present (in person/via teleconference)

**Special Meeting

#Board member

The Chief Human Resources Officer and Executive Directors attend meetings by permanent invitation. The HRNC held three scheduled meetings and six special meetings during the period under review. The special meetings pertained to the appointment process of the COO.

Key Matters Discussed

Key Matters	How the matter has been resolved
Inability to sell current and new products and enter new markets	• A Sales Incentive Scheme has been approved
Inadequate skills and availability of skills in the market	• An integrated Talent Management Framework which includes succession planning and leadership development is being implemented • 4.5 m has been invested in the University Collaboration Programme to build the talent pipeline

5.8.1.4 Social and Ethics Committee

Refer to section 6.2.

5.8.1.5 Board and Committee's Evaluation

The HRNC is responsible for the Board appraisal. The 2017 evaluation was carried by the Institute of Directors (South Africa) during May 2018 and it measured the effectiveness of the Board and its Committees. The appraisal covered six dimensions, namely:

Board Composition	Board Responsibilities
Committees of the Board	Relationship with Management
Stakeholder Relationships	Board Meetings

Table 21: Board Evaluation

The evaluation report will be submitted to the Shareholder in line with the requirements of the Memorandum of Incorporation.

5.9 Internal Audit

5.9.1 Mandate

SENTECH's Internal Audit Function (IAF) is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the organisation. It assists SENTECH in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the organisation's governance, risk management and control processes.

5.9.2 Internal Audit Function Performance

The Head: Internal Audit is responsible for co-ordinating internal audit efforts to ensure appropriate coverage, while maximising efficiency. The IAF conducts a robust risk-based planning process that incorporates various criteria to prioritise and classify the Cost Centres and functions in the Company. Business Units classified as high risk were included in the audit universe. Depending on the risk classification, all other material business units will be included in the three-year rolling plan.

For the 2017/18, financial year, the IAF was able to discharge its responsibilities in line with it's Charter and as outlined in the Internal Audit Plan, further performed ad hoc assignment as and when it was required. Tables 22 and 23 highlights the summary of audits performed during the 2017/18 financial year:

Details	2017/18 Plan	Reports Issued 2017/18	Performance	2016/17 Plan	Reports Issued 2016/17	Performance
Planned Audits	21	21	100%	23	23	100%
Ad-hoc Audits	N/A	1	100%	N/A	4	100%
Consulting Services	N/A	2	100%	N/A	2	100%

Table 22: Planned Vs Actual Audits

Details	2017/18 Number of Audits performed	2016/2017 Number of Audits performed
Operational Centres	10	11

Table 23: Operational Centre Audits

Outsourced Internal Audit processes were included in the planning process and included in the audit universe. The nature of these outsourced services included IT General Controls and forensic related services. The IAF is currently working towards developing internal capacity to reduce the need for outsourced service providers in future.

5.9.3 Commitment to Quality

During the 2017/18 financial year, the IAF was declared to be "Generally Compliant" with the Internal Auditing Standards by an external quality assessor.

5.10 ICT Governance

ICT governance is a framework that supports effective and efficient management of ICT resources to facilitate the achievement of a company's strategic objectives. The Board is responsible for ICT governance. The ICT governance initiative is continuing and progress was made in implementing the CGICT priority processes during the 2017/18 financial year, as discussed below:

5.10.1 Continuity

SENTECH successfully executed a cyclic disaster recovery, simulating failure of financial and email business applications in the primary data centre. The simulation tested infrastructure deployed at the NASREC facility and documented key procedural outcomes.

5.10.2 Security

The ICT security policies have been consolidated and reviewed encompassing ICT broadly across the enterprise. SENTECH concluded a procurement process for the deployment of prioritised solutions that will improve proactive processes in terms of visibility, vulnerability and incident management.

5.10.3 Enterprise Architecture (EA)

SENTECH is in the process of updating its enterprise architecture domains into a consolidated application and technology portfolio.

5.11 Combined Assurance

The combined assurance model recommended by King IV is an essential and fundamental element relied on by the ARC and the Board in forming their view of the adequacy of risk management and internal control in the organisation. The combined assurance model adopted by SENTECH recognises three levels of assurance as set out below. Combined assurance assists management in identifying duplication in assurance work or potential assurance shortfalls, and developing improvement plans for those areas identified. The model guides assurance providers to reach consensus on the key risks faced by the Company and aids in reducing the likelihood that significant risks remain unidentified.

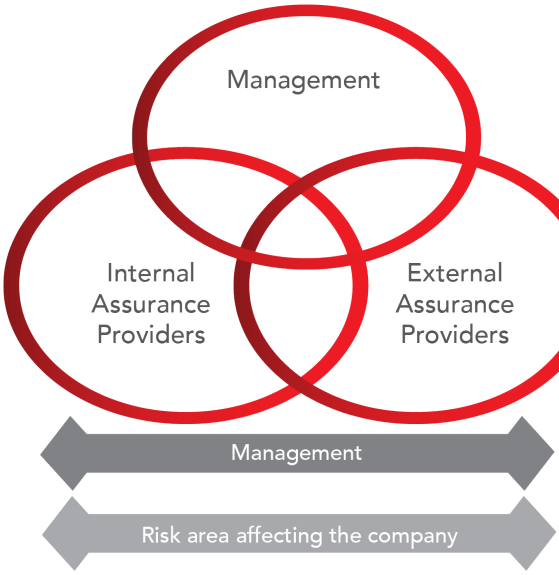


Figure 26: SENTECH Combined Assurance Model

The following key principles guide and inform SENTECH'S combined assurance approach:

- Identification of significant risks needing assurance
- Identification of assurance providers most suited to provide adequate assurance
- Delivering quality assurance results which the Board can rely on
- Reporting and escalating assurance results to the required level, thus ensuring the required attention and focus to address significant matters

The ARC is ultimately responsible for providing oversight over the combined assurance activities. The committee receives reports on the status of governance, risk management, compliance and the adequacy of preventative and corrective action.

GROU
FINA
STATE


3.32 Pages/Visit
Traffic Sources Overview
Direct Traffic
3,097.00 (40.49%)
Search Engines
2,910.00 (38.04%)
Referring Sites
1,642.00 (21.47%)
Visitors Overview
Apr 19
Apr 26
May 3
Visitors
2,958

6.1 Report of the Audit and Risk Committee (ARC)

The ARC Report required by the PFMA, is prepared as prescribed by Treasury Regulations 27 and in line with the recommendations of the King IV Report on Corporate Governance for South Africa and its Code of Governance Principles. As a Committee of the Board, the ARC fulfilled statutory duties in terms of section 51 (1) (a) (ii), section 76 and section 77 of the PFMA, read together with Treasury Regulation 27 and section 94 (7) of the Companies Act, as well as all other duties assigned to it by the Board.

The ARC plays an essential role in ensures the integrity and transparency of corporate reporting, pays attention to the key accounting issues and key audit matters, and ensured proactive risk management that appropriately caters for the environment that SENTECH operates in.

6.1.1 Charter

The ARC confirms that it has complied with its statutory obligations and Charter during the financial year under review. The ARC Charter has been approved by the Board and the Charter is continuously reviewed in line with changes in legislation, business circumstances, and corporate governance principles. The Charter has been reviewed during the period under review in accordance with King IV principles and current best practices.

The ARC assists the Board in fulfilling its oversight responsibilities, in particular, with regard to the evaluation of the adequacy and efficiency of accounting policies, internal controls and financial and corporate reporting processes, risk management and compliance. In addition, the ARC assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditors.

6.1.2 Composition and Number of Meetings

At the Annual General Meeting (AGM) held on 11 August 2017, the Shareholder appointed the following Directors to constitute the ARC in accordance with section 94 (2) of the Companies Act:

- Ms N. Mbele (Chairperson and independent NED)
- Ms R. J. Huntley (independent NED)
- Ms L. Ndlovu (independent NED)

The Executive Directors, Chief Strategy Officer and Heads in charge of Internal Audit, Risk and Compliance attend all meetings by permanent invitation. The external auditors attend ARC meetings and have unrestricted access to all Committees of the Board that deal with audit and/or risk issues pertaining to the Company. The external auditors and internal auditors are afforded an opportunity to meet with the ARC in the absence of Management quarterly or as and when the need arise.

The ARC held eight meetings during the year under review.

Name of Member	1 April 2017-31 March 2018							
	20-Apr	19-May	22-May	30-May	20-Jul	7-Dec	23-Jan	21-Feb
Ms N. Mbele (Chairperson)*	X	√	√	√	√	√	√	√
Ms R. J. Huntley	X	√	√	√	X	√	X	√
Ms L. Ndlovu	√	√	√	√	√	√	√	√
Mr S. Radebe #	√	√	√	X	N/A	N/A	N/A	N/A

Table 24: ARC Attendance

* Appointed Chairperson effective 9 June 2017 and reappointed at the AGM of 11 August 2017

\# Resigned as NED effective 5 June 2017

X Apology

√ Present (in person/via teleconference)

N/A Meeting held following resignation as a NED

The main activities undertaken by the ARC during the year under review are summarised below:

6.1.3 External Audit

The ARC is responsible for recommendation of appointment and oversight of the external auditors of the Company.

During the 2017/18 financial year, the ARC:

- Debated the 2016/17 Draft AFS with management and assurance providers, and recommended the Draft AFS to the Board
- Concurred that the adoption of the going concern premise in preparation of the financial statements was appropriate
- Recommended the 2016/17 Integrated Annual Report to the Board
- Recommended Quarterly Business Performance Reports to the Board
- Recommended appointment of the external auditor to the Board for approval by the Shareholder Representative at the Annual General Meeting
- Reviewed, deliberated and approved the External Audit annual plan and related scope of work for the year ending 31 March 2018, with specific reference to the proposed, methodology, execution period and fee
- Considered with Management the quality and effectiveness of the external audit process, areas of concern and the improvement plans being developed to mitigate identified risks
- Reviewed significant accounting practices, judgements and estimates adopted by the Company in the application of the International Financial Reporting Standards and found those to be appropriate
- Reviewed a report from the external auditor concerning the effectiveness of the Company's internal control environment and ICT Governance
- Considered the 2017/18 Procurement Plan
- Recommended the appointment of external auditors to the Shareholder
- Noted progress reports on the 2016/17 Management Letter Points

6.1.4 Internal Audit

The IAF performs an independent assurance function and forms part of the third line of defence as set out in the Combined Assurance Model of the Company. The Head Internal Audit reports functionally to the ARC and administratively to the CEO.

With respect to the ARC's evaluation of the adequacy and effectiveness of internal controls, the ARC receives reports from the Head: Internal Audit. The ARC assesses the effectiveness of the IAF and approves the Annual Audit Plan.

During the 2017/18 financial year, the ARC:

- Approved the 2017/18 Internal Audit Plan and Rolling Three-Year Plan
- Reviewed and approved the Internal Audit Charter
- Considered Internal Audit Quarterly Reports relating to the effectiveness of the Company's internal control environment, systems and processes together with the adequacy and appropriateness of the related Management's corrective action plans
- Considered the effectiveness of the internal audit function
- Reviewed the internal audit resources to ensure internal audit is able to discharge its functions
- Considered hotline reports and progress in addressing reported incidents
- Received no complaints relating to the accounting practices and internal audit of the Company, and the content or auditing of its financial statements, the internal financial controls of the Company or any other related matters.

Having considered, analysed, reviewed, and debated information provided by management and Internal Audit and the External auditors, the ARC concluded that the internal controls have been effective in all material aspects throughout the year under review.

6.1.5 Financial Reporting

The ARC received regular reports from management regarding the performance of the Company, the tracking and monitoring of key performance indicators, details of budgets, forecast, capital expenditure, and reliability of management information used during the financial reporting process. The ARC monitored consistency in the application of the accounting and financial policies of the Company, and compliance with accounting standards.

6.1.6 Risk Management

The Board owns the Risk Management Policy of the Company, and has delegated the responsibility to the ARC to oversee both risks and opportunities and to ensure that they are appropriately identified, monitored, managed and appropriately provisioned within the Company's defined risk appetite. The ARC Charter defines the minimum requirements for the Committee to give effect to its risk oversight responsibilities. The ARC receives regular reports on issues in the Company's Risk Register and regular reports on compliance matters from the Risk and Compliance Function. The ARC has been involved in various key risk areas and has satisfied itself that the following areas had been appropriately addressed which include:

- Financial reporting risks
- Internal financial controls
- Fraud risks as related to financial reporting
- IT risks as related to financial reporting

6.1.6.1 The ARC recommended the following for approval by the Board:

- Risk Management Reporting Framework
- Risk Management Plan
- Combined Assurance Plan
- Risk Appetite and Tolerance level

The ARC considered the material risks within the Company and changes to the risk profiles during the year. New and emerging risks, including stakeholder management risks, were addressed.

The ARC is satisfied that the mitigation actions for the identified risks have been effective. The Strategic Risks flowing from our 2016-2019 Corporate Plan influenced the pertinent matters addressed by the Board. The ARC will focus on risk management outcomes as articulated in King IV.

6.1.7 Internal Financial Control

During the 2017/18 financial year, the ARC:

- Reviewed the effectiveness of the Company's system of internal financial control, including receiving assurance from Management, internal audit and external audit
- Reviewed significant issues raised by the internal audit and audit processes
- Approved internal control and compliance activities
- Reviewed policies and procedures for preventing and detecting fraud

Based on the processes and assurances obtained, the ARC believes that the significant internal financial controls are effective.

6.1.8 Other Matters

During the 2017/18 financial year the ARC:

- Recommended to the Board the reviewed Delegation of Authority
- Reviewed proposed changes to the ARC Charter and Annual Work Plan for recommendation to the Board
- Received reports on the fraud prevention

6.1.9 Regulatory Compliance

The ARC complied with all applicable legal and regulatory responsibilities. It is crucial to deliver a sustainable and effective compliant regulatory operating model which is underpinned by a direct link to the strategic benefits of establishing a wining regulatory environment.

6.1.10 Finance Function

The ARC believes that the accounting practices adopted are effective, based upon the processes and assurance obtained.

6.1.11 Financial Statements

The ARC recommended the Group and Company Annual Financial Statements to the Board for approval, based on process and assurances obtained.

On behalf of the Audit and Risk Committee.

Ms N. Mbele
Chairperson
31 July 2018

6.2 Report of the Social and Ethics Committee (SEC)

As the Chairperson of this Committee, I am pleased to present the report of the SEC and the work done by this Committee during the last financial year. The SEC composition complies with the requirements of the Companies Act, 71 of 2008 (as amended). Core to the SEC objectives are the values of SENTECH and the desire to make a meaningful contribution to our country. We strive to be a relevant State Owned Company, demonstrating integrity, moral values and behaviour which promotes trust. Our core values include social responsibility which aligns to our culture and our approach to responsible business. Our approach is greater than simply complying with the functions of the SEC as set out in the Companies Act. We care about the environment we live in and we recognise that economic growth and transformation of our society are vital to creating a sustainable future for the communities we operate in.

Mandate	Committee Feedback
• Responsible for oversight over SENTECH's reputation management and stakeholder relationships • Ensuring that the Company's responsible corporate citizenship efforts include compliance with the constitution, the law, leading standards and adherence to the Company's codes of conduct and policies • Reviewing the code of conduct, ethics policies and procedures to manage ethics in SENTECH and ensuring that the code and policies address the key ethical risks in the Company • Reviewing the implementation of risk management on human resources, ethics, compliance, governance, and stakeholder relations • Delayed ATV network switch-off and technology obsolescence	• Considered SENTECH's Sustainability Strategy and Plan • Monitored progress on the Implementation of People Transformation Strategy • Considered the 2017/18 Procurement Plan and monitored progress made on B-BBEE • Reviewed the Stakeholder Engagement Strategy and received reports on the implementation of the Strategy • Reviewed the Health and Safety Framework and received reports on the implementation of the Framework • Monitored activities related to socio-economic development including enterprise and supplier development, supply chain management, and socio-economic development programmes implemented by the Company • Reviewed the Code of Business Conduct and Ethics Policy. • Reviewed the Independence of Directors Policy • Monitored employees' skills development • Reviewed reports on the implementation of the Environmental Policy • Considered implementation of the King IV principles. • Considered the 2017/18 Compliance Plan and Compliance Reports • Received reports on the implementation of the Fraud Prevention Plan • Received reports on risk mitigation pertaining to employment and labour relations, ethics and compliance

Composition and Number of Meetings

During the 2017/18 financial year, the SEC comprised the following members and held four meetings as set out in Table 25.

Name of Member	1 April 2017-31 March 2018			
	24-Apr	29-Jul	26-Sep	5-Dec
Ms R. J. Huntley (Chairperson)	√	√	√	√
Mr L. Mtimde	√	√	√	√
#Mr S. Radebe	√	√	N/A	N/A
Ms L. Ndlovu	N/A	N/A	X	√

Table 25 Social and Ethics Committee Meetings during the Year

X Apology

√ Present (in person/via teleconference)

Resigned as NED effective 5 June 2017

The Executive Directors, Chief Human Resources Officer, Executive: Operations, Chief Strategy Officer and Head: Internal Audit attended Committee meetings by invitation.

For the year ahead, the Committee will place emphasis on SENTECH's sustainability strategies and corporate citizenship responsibilities.

Key Matters	How the matter has been resolved
Lack of process to utilise the ESD beneficiaries in the supply chain	A process is underway to strengthen collaboration between the Socio-Economic and Enterprise Development Unit and Supply Chain Management (SCM) on absorbing and developing black suppliers. The SCM Policy is under review to include B-BBEE requirements.
Prior commitments on Socio-Economic Development not benefiting ICT beneficiaries	Monitoring Policy continues to ensure procurement from ICT beneficiaries

On behalf of the Social and Ethics Committee.

Ms R.J. Huntley
Chairperson
31 July 2018

6.3 Board's Report

6.3.1 Introduction

The Directors have pleasure in presenting their report, which forms part of the audited Annual Financial Statements of SENTECH SOC Ltd for the year ended 31 March 2018. This report and the Annual Financial Statements comply with the requirements of the PFMA, the SENTECH Act and the Companies Act. The Board is the Accounting Authority in terms of section 49(2) (a) of the PFMA.

6.3.2 Nature of Business

The Company is responsible for the provision of broadcasting signal distribution services as a "common carrier" to licensed television and radio broadcasters.

6.3.3 Registration Details

The Company's registration number is 1990/001791/30 and its business and postal addresses are set out below:

Business Address:
Sender Technology Park
Octave Street
Radiokop

Postal Address:
Private Bag X 06
Honeydew
2040

6.3.4 Ownership

The Company is wholly owned by the Government of the Republic of South Africa as represented by the Minister of Telecommunications and Postal Services.

6.3.5 Memorandum of Incorporation

The Company's MOI aligned with the provisions of the Companies Act, and was approved by the Shareholder Representative. The approved MOI was subsequently accepted and placed on file by the Companies and Intellectuals Property Commission (CIPC) on 14 May 2014. The MOI is undergoing review.

6.3.6 Shareholder's Compact

The Shareholder's Compact includes KPIs which are revised annually by agreement between the Shareholder Representative and the Board of Directors, serves as the performance monitoring framework for the Company. Performance against the 2017/18 Shareholder's Compact is outlined in Section 3.2 of this report as required by section 55 (2) (a) of the PFMA.

6.3.7 External Auditors

Rakoma and Associates Incorporated is the external auditor of the Company with the Auditor-General of South Africa's (AGSA's) concurrence.

6.3.8 Directors' Interests

The Directors had no interest in any third party or company responsible for managing any of the business activities of the Company.

6.3.9 Public-Private Partnerships

The Company did not enter into any public-private partnerships during the 2017/18 financial year.

6.3.10 Annual Financial Statements

The group financial statements comprise consolidated Annual Financial Statements of three subsidiaries (Infohold, Vivid Multimedia and SENTECH International (Pty) limited) that are wholly owned by SENTECH SOC Limited.

These subsidiaries are dormant and the Board is currently in the final stages of the process to wind up Infohold (Pty) limited and its wholly-owned subsidiary Infosat (Pty) limited.

6.3.10.1 Basis of Presentation

The Groups Financial Statements and Company Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act and PFMA

6.3.10.2 IFRS

The application of IFRS is contrary to Treasury Regulation 28 which requires that GRAP be used. The National Treasury approved a departure from Treasury Regulation 28.1.6, pending a review of Generally Recognised Accounting Practice (GRAP) by the Office of the Accountant-General (OAG) and Accounting Standards Board (ASB). This approval is issued in terms of section 79 of the PFMA and remains in effect until further notice. The financial statements for the current period were prepared on a basis consistent with the financial statements of the previous financial year.

6.3.10.3 Financial Performance

The group financial performance is summarised in the CFO's report in Section 3.1.

6.3.10.4 Borrowings

In terms of the Group's Memorandum of Incorporation, the Group may only borrow money provided such borrowing is in accordance with the requirements of section 66 of the PFMA. No borrowings were incurred during the year under review. (2017-Nil)

6.3.10.5 Dividends

There were no dividends declared in respect of the year ended 31 March 2018 (2017: Nil).

6.3.10.6 Solvency Ratios

The Liquidity and Solvency Rations set out in Table 4 are favourable. This would indicate that SENTECH will easily be able to settle its short and long-term liabilities. These ratios also support the Board's going concern assessments set out in Section 6.3.12

6.3.11 Events Subsequent to the Date of Financial Position

There were no adjusting or non-adjusting events identified subsequent to the date of financial positions identified.

6.3.12 Going Concern

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for the 12-month period from the date of this report. For this reason, they continue to adopt the going concern basis for preparing the financial statements.

M.A. Mello

Mr M. Mello
Chairperson of the Board
31 July 2018

6.4 Independent auditor's report to Parliament and the Shareholder on SENTECH SOC Limited

Report on the audit of the consolidated and separate financial statements

Opinion

1. We have audited the consolidated and separate financial statements of SENTECH SOC Limited and its subsidiaries set out on pages 93 to 144, which comprise the consolidated and separate statement of financial position as at 31 March 2018, the consolidated and separate statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of SENTECH SOC Limited as at 31 March 2018, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Basis for opinion

3. We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

4. We are independent of the public entity in accordance with the Independent Regulatory Board for Auditors' Code of professional conduct of registered auditors (IRBA code) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the International Ethics Standards Board for Accountant (IESBA) code and in accordance other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (parts A and B).

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

6. We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Sustainability risk due to lack of diversification

7. We draw attention to note 34 in the financial statements, which indicates that the public entity is concentrated on a few customers thus SENTECH is exposed to the financial challenges that these customers face which could pose a risk to the going concern. As stated in note 34, these events or conditions, along with other matters as set forth, indicate presence of a sustainability risk as reliance is placed on one major customer.

Material impairments – trade receivables

8. As disclosed in note 9 to the financial statements, material losses to the amount of R40,4 million was incurred as a result of impairment of trade receivables.

Responsibilities of the Accounting Authority for the financial statements

9. The Board of Directors, which constitutes the Accounting Authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act and the Companies Act, and for such internal control as the Accounting Authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

10. In preparing the consolidated and separate financial statements, the Accounting Authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Accounting Authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

11. Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

12. A further description of our responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

14. Our procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. We have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

15. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic goals presented in the annual performance report of the public entity for the year ended 31 March 2018:

Objectives	Pages in the Annual Performance Report
SG 1: Sustainable business growth	37
SG 2: Achieve high levels of customer satisfaction	38

16. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

17. We did not raise any material findings on the usefulness and reliability of the reported performance information for the following strategic goals:

- SG1: Sustainable business growth
- SG2: Achieve high levels of customer satisfaction

Other matter

18. We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Achievement of planned targets

19. Refer to the annual performance report on pages 37 to 38 for information on the achievement of planned targets for the year and explanations provided for the under over achievement of a number of targets.

Report on the audit of compliance with legislation

Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

21. We did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

22. The Accounting Authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the Directors' Report, the audit committee's report and the Company Secretary's Certificate as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the consolidated and separate financial statements, the auditor's report and those selected strategic goals presented in the annual performance report that have been specifically reported in this auditor's report.

23. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

24. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected strategic goals presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

25. If, based on the work we have performed, we conclude that there is a material misstatement in this other information; we are required to report that fact.

26. We have nothing to report in this regard.

Internal control deficiencies

27. We considered internal control relevant to our audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. We did not identify any significant deficiencies in internal control.

Other reports

28. We draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.

Audit related services

29. Agreed upon procedures engagements were performed to review the conversion adjustments from International Financial Reporting Standards (IFRS) to Generally Recognised Accounting Practice (GRAP) on the Treasury pack to ensure conversion adjustments are captured correctly for consolidation purposes. No material misstatements were identified. The report covered the period ending 31 March 2018.

Auditor tenure

30. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Rakoma and Associates Inc. has been the auditor of SENTECH SOC Limited for five years.

Rakoma and Associates Inc

Per: Collins Malunga
Partner

Registered Auditor

31 July 2018
Ground Floor Building B
Monte Circle Office Park
178 Montecasino Boulevard
Fourways
Johannesburg 2191

Annexure – Auditor's responsibility for the audit

1. As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected strategic goals and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to our responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, we also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
- conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SENTECH SOC Limited and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a Public entity to cease continuing as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Communication with those charged with governance

3. We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, related safeguards.

Statement of Financial Position

As at 31 March

Figures in Rand thousand	Note	2018	2017
Assets			
Non-Current Assets			
Property Plant Equivalents	6A	925 338	920 036
Intangible assets	6B	29 099	26 473
		954 437	**946 509**
Current Assets			
Inventories	8	82 305	80 301
Tax	14	12 687	18 138
Trade and other receivables	9	297 931	43 131
Cash and cash equivalents	10	916 149	907 357
		1 309 072	**1 048 927**
Total Assets		**2 263 509**	**1 995 436**
Equity			
Share capital	11	(75 892)	(75 892)
Reserves		(667 868)	(667 868)
Accumulated profit		(1 176 254)	(1 023 712)
		(1 920 014)	**(1 767 472)**
Liabilities			
Non-current liabilities			
Employee Benefits	12	(19 588)	(14 060)
Deferred Tax	13	(53 073)	(40 577)
		(72 661)	**(54 637)**
Current liabilities			
Loans and borrowings		-	-
Trade and other payables	15	(146 548)	(133 111)
Deferred income	16	(94 286)	(10 216)
Provisions	17	(30 000)	(30 000)
		(270 834)	**(173 327)**
Total liabilities		**(343 495)**	**(227 964)**
Total Equity and Liabilities		**(2 263 509)**	**1 995 436**

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March

Figures in Rand thousand	Note	2018	2017
Revenue	18	**1 349 590**	**1 232 619**
Cost of Sales	19	(989 248)	(998 450)
Gross Profit		**360 342**	**234 169**
Other Income		294	-
Operating Expenses	19	(122 986)	(118 020)
Selling Expenses	19	(19 187)	(17 672)
Administrative Expenses	19	(76 473)	(64 522)
Operating Profit		**141 990**	**33 955**
Finance income	21	67 415	64 415
Finance costs	22	(4 179)	(4 207)
Profit Before Taxation		**205 226**	**94 163**
Taxation	23	(52 434)	9 990
Profit or Loss for the Year		152 792	104 153
Remeasurement of defined benefit		(348)	994
Income tax		97	(278)
Total Comprehensive Income		**152 541**	**104 869**

Statement of Changes in Equity

For the year ended 31 March

Figures in Rand thousand	Note	Share capital	Share premium	Total share capital	Non-Distributable reserves	Retained income	Total equity
Group and Company							
Balance at 01 April 2016		2	75,890	75,892	667 867	918 845	1 662 604
Profit for the year		-	-	-	-	104 153	104 153
Other comprehensive income		-	-	-	-	716	716
Total comprehensive income for the year		-	-	-	-	104 869	104 869
Balance at 31 March 2017		2	75,890	75,892	667 867	1 023 714	1 767 473
Profit for the year		-	-	-	-	152 792	152 792
Other comprehensive income		-	-	-	-	(251)	(251)
Total comprehensive income for the year		-	-	-	-	152 541	152 541
Balance at 31 March 2018		2	75,890	75,892	667,867	1 176 255	1 920 014
Note				11			

Cash Flow Statement

For the year ended 31 March

Figures in Rand thousand	Note	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	**24**	**(123 047)**	**92 486**
Interest received		35 206	45 310
Dividends received		19 360	19 104
Interest paid	25	(123)	(250)
Tax paid	26	(34 389)	(23 168)
Net cash from operating activities		**(102 993)**	**133 482**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(110 216)	(274 615)
Net cash (used in)/from investing activities		**(110 216)**	**(274 615)**
CASH FLOW FROM FINANCING ACTIVITIES			
Grant received	16	215 789	87 719
Interest on government grant		6 211	3 529
Net cash from financing activities		**222 001**	**91 248**
Total cash movement for the year		**8 792**	**(49 885)**
Cash at the beginning of the year		907 357	957 242
Cash at the end of the year		**916 149**	**907 357**

Notes to the Financial Statements

Accounting Policies

For the year ended 31 March 2018

1 Presentation of Annual Financial Statements

SENTECH SOC limited (the Company) is a company incorporated and domiciled in South Africa. The Company's registered office is Sender Technology Park, Octave Road, Honeydew. The consolidated Annual Financial Statements of the Company as at and for the year ended 31 March 2018 comprise of the Company and its subsidiaries (together referred to as the "Group" and individually as the "Group entities").The group primarily is involved in signal distribution and has transmission stations across the country and provides broadcasting services.

2 Basis of Preparation

2.1 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB), the Companies Act, No. 71 of 2008, as amended, and the Public Finance Management Act, (No. 1 of 1999, as amended by Act 29 of 1999). Basis of Measurement

2.2 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 31 July 2018

2.3 Basis of Measurement

The financial statements have been prepared under the historical cost basis, except for the following material items in the Statement of Financial Position:

- The defined benefit asset/liability is recognised as the net total of the plan assets, plus unrecognised past service costs and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation
- Land and buildings are measured at the fair value, being the market value at the date of revaluation

2.4 Functional Currency

These financial statements are presented in South African Rands, which is the Group's functional currency. All financial information presented in Rands has been rounded to the nearest thousand.

2.5 Use of Estimates and Judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in note 5 and the following notes:

- Notes 3.4 and 6 – valuation of property, plant and equipment
- Notes 3.9 and 12 – measurement of employee benefits
- Notes 3.14 and 13 – utilisation of tax losses
- Notes 3.10,17 and 31 – provisions and contingencies

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group.

3.1 Basis of Consolidation

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Loss of Control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Translation of Foreign Currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount, the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period

- Foreign currency monetary items are translated using the closing rate
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

3.3 Financial Instruments

Classification

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Recognition

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Presentation

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position when the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.
Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Loans to/(from) group companies and related parties

These include loans to fellow subsidiaries, subsidiaries, joint ventures and related parties and are recognised initially at fair value plus direct transaction costs.

Subsequently, these loans are measured at amortised cost using the effective interest method, less any impairment loss on loans receivable recognised to reflect irrecoverable amounts.

On loans receivable, an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the loan's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the loan at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans to group companies are classified as loans and receivables. Loans from group companies are classified as other financial liabilities

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and are subject to an insignificant risk of changes in value. These are initially recognised at fair value and subsequently measured at amortised cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other receivables

Interest-bearing borrowings

Interest-bearing borrowings are initially measured at fair value less attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the initially recognised amount and the redemption amount of interest-bearing borrowings is recognised in profit or loss over the term of the interest-bearing borrowings on an effective interest basis.

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3.4 Property, Plant and Equipment

Recognition and measurement

Land and buildings comprise mainly transmitter stations and offices. Buildings are revalued to fair value on a three-year cycle by external independent valuators. Land and buildings are carried at revalued amounts less subsequent accumulated depreciation (see below) and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount and the net amount is restated to the revalued amount.

Increases in the carrying value arising on the revaluation of land and buildings (revaluation surpluses) are credited in other comprehensive income and presented in the revaluation reserve in equity net of taxation. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific land and buildings, with any remaining loss recognised immediately in profit or loss.

Other items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, directly attributable to borrowing costs and the costs of dismantling and removing the items and restoring the site on which they are located. For assets funded through Government Grants, the grant income is netted against these costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal to the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised and the replacement part is capitalised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land and buildings	
• Land	Indefinite
• Buildings	40 to 100 years
• Improvements to leasehold premises	20 years
Motor vehicles	
• Motor vehicles	5 years

Technical equipment:

•	Technical equipment	10 to 20 years
•	Computer, technical and office equipment	2 to 5 years
•	Monitoring equipment	5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

3.5 Intangible Assets

Recognition and measurement

Acquired computer software licences are initially capitalised at cost, which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.

When parts of an item of intangible assets have different useful lives, they are accounted for as separate items (major components) of intangible assets.

Gains and losses on disposal of intangible assets are determined by comparing the proceeds from disposal to the carrying amount of intangible assets and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs

The cost of replacing part of an item of the intangible asset is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised and the replacement part is capitalised. The costs of the day-to-day servicing of the intangible assets are recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of the intangible asset, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The useful lives of items of intangible assets have been assessed as follows:

Item	Average useful life
Computer Software and Licences	5 to 15 years

3.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

The Group as Lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as Lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Facility Rental

Facility rental income is not recognised on a straight-line basis, as the substance of the agreement with customers does not state the agreed fixed periods as defined or required for classification as an operating lease. The contracts with the customers have no escalation clauses for the rentals, only the annual tariff increase is applied at the agreed CPI rate.

Notes to the Financial Statements

For the year ended 31 March 2018

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This balance is not discounted.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Where necessary, a provision is made for obsolete, slow-moving and defective inventories.

3.8 Impairment of Assets

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

3.9 Employee Benefits

Short-term employee benefits

Short-term employee benefits are recognised in profit or loss during the period in which services are rendered. Employee entitlements to annual leave and long service leave are recognised in profit or loss when they accrue to employees in respect of past services rendered up to the reporting date. This obligation is measured on an undiscounted basis.

An accrual is recognised for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which the services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. The Group recognises past service cost in profit or loss at the earlier of the date when the plan amendment or curtailment occurs and when the entity recognises related restructuring costs or termination benefits.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, changes in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

3.10 Provisions and Contingencies Provisions

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are only disclosed and not recognised as liabilities in the Statement of Financial Position.
If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

3.11 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods

The Group sells a range of broadcasting and telecommunication products. Sales of goods are recognised when the Group has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Customers have a right to return faulty products. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Experience is used to estimate and provide for the discounts and returns.

Rendering of services

The Group renders broadcasting and transmission services. These services are provided on a time basis or as a fixed price contract for a specific period.

Revenue from time contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Rental income

Rental income from the rental of premises is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as revenue.

3.12 Government Grants

Grants that compensate the Group for the cost of an asset are recognised initially as deferred income which is classified under current liabilities. Grants relating to completed and incomplete asset projects are deducted from the cost of the relevant asset (net presentation method). The depreciation expense recognised in profit or loss over the useful life of the asset is calculated from the net cost of the asset which is after deduction of the corresponding deferred government grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Government Grants are only recognised when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Deferred income is classified as a current liability as uncertainty exists as to the timing of the release of the Government Grants.

3.13 Finance Income and Finance Costs

Finance income comprises dividend income, interest income on the Group's own cash and interest income on Government Grants invested, except where specified in the government grant terms and conditions relating to the funds invested that are recognised as deferred income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, interest costs on defined benefit plans, unwinding of the discount on provisions and impairment losses recognised on financial assets that are recognised in profit or loss.

Borrowing costs that are not directly attributed to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.Foreign currency gains and losses are reported on a net basis in operating costs.

3.14 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and goodwill on initial recognition.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.15 Related Parties

Related parties include the Shareholder, formerly the Department of Communications, now the Department of Telecommunications and Postal Services (100% shareholder) and its fellow subsidiaries. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Group are also considered to be related parties. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

3.16 Correction of Prior Period Misclassification Error

During 2017/18 year, the entity discovered that intangible assets were incorrectly classified as Property, Plant and Equipment in previous years. As a consequence of the misclassification, the Property, Plant and Equipment was overstated. The misclassification error has been corrected by restating each of the affected lines in the 2016/17 period. The impact of the correction is as follows:

Figures in Rand thousand	Note	2018	2017
Increase in Intangible Assets		29 099	26 473
Decrease in PPE		(29 099)	(26 473)
Impact on Statement of Financial Position		-	-
Deferred Tax impact		-	-
Impact on entity's profit		-	-

A note for intangible assets has also been formulated, refer to note 6B.

Notes to the Financial Statements

For the year ended 31 March 2018

4. New Standards and Interpretations

Standards and interpretations adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities

The amendments clarify when an entity can offset financial assets and financial liabilities. This amendment will result in the Group no longer offsetting two of its master netting arrangements. This amendment is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

Standards and interpretations not yet effective as at 01 January 2017

The Company has not applied the following new and revised IFRS's that have been issued but not yet effective:

IFRS 9 Financial Instruments

IFRS 15 Revenue from contracts with customers

IFRS 16 Leases

Notes to the Financial Statements

For the year ended 31 March 2018

IFRS 9 Financial Instruments 1 January 2018

A final version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition.
IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets.

IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

IFRS 15 Revenue from Contracts from Customers 1 January 2018

New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.
The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

The new standard supersedes:

- IAS 11 Construction Contracts
- IAS 18 Revenue
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 18 Transfers of Assets from Customers
- SIC-31

Revenue-Barter Transactions Involving Advertising Services

IFRS 16 Leases 1 January 2019

New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.

IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

IFRS16 supersedes the following Standards and Interpretations:

- IAS 17 Leases
- IFRIC 4 Determining whether an Arrangement contains a Lease
- SIC-15 Operating Leases—Incentives
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

5. Critical Accounting Estimates, Judgements and Key Assumptions

Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

The Group makes estimates, judgements and assumptions concerning the future. Those that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Property, plant and equipment

The valuation methods used for the revaluations of land and building are the income capitalisation amount and the depreciated replacement cost method, which are deemed most appropriate. The income capitalisation method takes into account any market based evidence regarding the value of the land or buildings as at the date of the valuation. Should market based evidence not exist the depreciated replacement cost method will be used.

The depreciated replacement cost method uses the replacement cost of the asset at the date of valuation and a depreciation factor is applied to arrive at the depreciated revalued cost. The comparable sales method of valuation is used, where relevant, to determine the market value of the property. This method entails the identification, analysis and application of recent comparable sales involving physical and legally similar properties in the general proximity of the subject property, to enable to valuator to arrive at a norm which will serve as a guide in estimating the market value of the property.

All valuations are performed by an experienced, qualified and objective valuator. The residual values of property, plant and equipment are considered to be insignificant as the estimation of useful lives is equal to their economic lives

Impairment of assets

The Group tests whether assets have suffered any impairment, in accordance with the accounting policy stated in note 3.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Estimates are based on management's interpretation of market forecasts and   assessment.

Inventories

Inventory is written down to net realisable value when it is considered that the amount realisable from such inventory's sale is considered to be less than its cost value. In determining whether a particular item of inventory could be considered to be overvalued, several factors are taken into consideration. These include, but are not limited to the following:

- Saleability
- Excessive quantity
- Age
- Sub-standard quality and damage
- Historical and forecast sales demand

Loans and receivables

Management identifies impairment of loans and receivables on an ongoing basis. Impairment adjustments are raised against loans and receivables when their collectability is considered to be doubtful. Management believes that the impairment write-off is conservative and there are no significant trade receivables that are doubtful and have not been impaired. In determining whether a particular debtor could be doubtful, several factors are taken into consideration. These include, but are not limited to the following:

- Age
- Credit terms
- Customer current and anticipated future financial status
- Disputes with the customer

Non-derivative financial liabilities

Judgement is required in determining the provision for income taxes due to the complexity of legislation. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Defined benefit funds

Experienced and qualified actuaries determine the value of defined benefit funds assets and liabilities at the end of each reporting period.

6. Non Current Assets
(a) Property, Plant and Equipment

Group and Company	2018			2017		
Figures in Rand thousand	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Buildings	681 204	(247 532)	433 672	647 621	(200 082)	447 539
Land	86 189	-	86 189	86 189	-	86 189
Motor vehicles	39 648	(23 513)	16 135	24 019	(15 865)	8 155
Computer, technical and office equipment	869 464	(696 185)	173 279	816 337	(666 553)	149 785
Capital Work-in-Progress	216 063	-	216 063	228 368	-	228 368
Total	**1 892 568**	**(967 230)**	**925 338**	**1 802 535**	**(882 499)**	**920 036**

Reconciliation of property, plant and equipment - 2018

Group and Company Figures in Rand thousand	Opening balance	Additions	Revaluation	Disposals	Transfers	Depreciation	Total
Buildings	447 539	35	-	(2)	33 643	(47 543)	433 671
Land	86 189	-	-	-	-	-	86 189
Motor vehicles	8 155	850	-	-	14 920	(7 790)	16 135
Computer, technical and office equipment	167 624	517	-	(365)	69 696	(42 411)	195 061
Capital Work-in-Progress	210 529	102 011	-	-	(118 259)	-	194 281
Total	**920 036**	**103 413**	**-**	**(367)**	**-0**	**(97 744)**	**925 337**

Reconciliation of property, plant and equipment - 2017

Group and Company Figures in Rand thousand	Opening balance	Additions	Revaluation	Disposals	Transfers	Depreciation	Total
Buildings	473 327	3 423	-	(96)	31 193	(60 308)	447 539
Land	85 177	1 012	-				86 189
Motor vehicles	9 279	-	-	(154)	4 823	(5 793)	8 155
Computer, technical and office equipment	143 490	235	-	(3 090)	63 037	(36 048)	167 624
Capital Work-in-Progress	115 677	193 905	-	-	(99 053)	-	210 529
Total	**826 950**	**198 575**	**-**	**(3 340)**	**-**	**(102 149)**	

Valuations were made on the basis of comparative land sales in each area and buildings based on the net replacement valuations or the capitalisation of income methods depending on the type and location of the property.
The revaluation surplus/deficit, net of the applicable deferred tax, was credited or debited to the revaluation reserve in the shareholders' equity.

If land and buildings were stated at the historical cost basis, the amounts would be as follows:

GROUP AND COMPANY

	2018	2017	2016
Cost	384 587	350 912	315 284
Accumulated depreciation and impairment losses	(237 615)	(199 581)	(151 334)
Carrying value	**146 972**	**151 331**	**163 950**

Notes to the Financial Statements

For the year ended 31 March 2018

6 Non-Current Assets

(B) Intangible Assets

Group and Company	2018			2017		
	Cost or revaluation	Accumulated amortisation	Carrying value	Cost or revaluation	Accumulated amortisation	Carrying value
Computer software and licences	34 104	(5 005)	29 099	30 161	(3 688)	26 473
Total	**34 104**	**(5 005)**	**29 099**	**30 161**	**(3 688)**	**26 473**

	Opening balance	Additions	Amortisation	Total
Computer software and licences	26 473	3 943	(1 317)	30 161
Total	**26 473**	**3 943**	**(1 317)**	**1 802 535**

	Opening balance	Additions	Amortisationn	Total
Computer software and licences	19 400	8 389	(1 317)	26 473
Total	**19 400**	**8 389**	**(1 317)**	**26 473**

Included in the carrying amount of computer software and licences are assets in the course of development, which are not amortised with a cost of R22 million (2017: 18 million)

7 Investments in Subsidiaries

Name of company	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Infohold (Pty) Limited	100,00 %	100,00 %	-	-
Vivid Multimedia Pty Limited	100,00 %	100,00 %	-	-
SENTECH International (Pty) Limited	100,00 %	100,00 %	-	-
Infosat Pty Limited	100,00 %	100,00 %	-	-
			-	-

The subsidiaries above are unlisted and registered in South Africa.

SENTECH SOC Limited holds 100% of Infohold Pty Limited, Vivid Multimedia Pty Limitedand SENTECH International Pty Limited. Info Hold Pty Limited holds 100% of the shares of its subsidiary InfoSat Pty Limited. InfoSat Pty Limited's business operations were discontinued in 2010.

The Company is in the process of winding up two subsidiaries; Info hold Pty Ltd and its subsidiary Infosat Pty Ltd.There are no significant restrictions in the ability of SENTECH SOC Limited to access assets and settle liabilities in the Group.

The Accounting Authority approved the winding up of Infohold Pty Limited and InfoSat Pty Limited .This process was still in progress at the reporting date.

8 Inventories

Figures in Rand thousand	GROUP AND COMPANY 2018	2017
Consumables	-	441
Inventories	94 238	88 078
	94 238	88 519
Inventories (write-downs)	(11 933)	(8 218)
	82 305	**80 301**

The inventory held is not encumbered.

9 Trade and Other Receivables

Figures in Rand thousand	GROUP AND COMPANY 2018	2017
Trade receivables	312 575	44 016
Less: Impairment	(40 406)	(30 578)
Net Trade receivables	**272 169**	**13 438**
Other receivables	4 597	5 658
Deposits	10 695	10 566
Loans and receivables	287 461	29 662
Prepayments	10 470	13 469
Total trade and other receivables	**297 930**	**43 131**

Receivables from related parties for both Group and Company included in trade and other receivables amounts to R0 (2017 – R884 990). The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor mentioned above. The Group does not hold any collateral as security.

Impairment losses

The reconciliation of the movements in the impairment in respect of trade receivables during the year was as follows:

Figures in Rand thousand	GROUP AND COMPANY 2018	2017
Balance at the beginning of the year	(30 578)	(3 512)
Impairment loss (recognised)/reversed	(11 494)	(28 403)
	(42 073)	(31 915)
Bad Debt Written-Off	1 667	1 337
	(40 406)	**(30 578)**

For the year ended 31 March 2018

The ageing of trade receivables at the reporting date was:

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Not past due date	10 306	6 263
Past due 30 days	74 382	3 708
Past due 60 days	82 314	1 273
Past due 90 days and more	145 573	2 194
Net loans and receivables	**312 575**	**13 438**

The breakdown of the aging and impairment of trade receivables:

2018

	Total	> 90 Days	60 Days	30 Days	Current
Trade Receivables	312 575	145 573	82 314	74 382	10 306
Less: Impairment	(40 406)	(32 524)	(5 066)	(1 784)	(1 032)
Net trade receivables	**272 169**	**113 049**	**77 248**	**72 598**	**9 274**

2017

	Total	> 90 Days	60 Days	30 Days	Current
Trade Receivables	44 016	28 296	2 827	5 221	7 673
Less: Impairment	(30 578)	(26 101)	(1 554)	(1 513)	(1 411)
Net trade receivables	**13 438**	**2 195**	**1 273**	**3 708**	**6 262**

The collectability of trade receivables is assessed at reporting date and specific allowances are made for any doubtful receivables based on a review of all outstanding amounts at year-end. Doubtful debts are written-off during the year in which they are identified. The impairment loss at year-end relates to trade receivables which have been outstanding for a long time and have not been settled subsequent to year-end.

The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor mentioned above. The Group does not hold any collateral as security.

10. Cash and Cash Equivalents

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Unrestricted cash		
- Own cash	821 863	897 142
Restricted cash		
- Government grants cash	94 286	10 216
	916 149	**907 357**

For the year ended 31 March 2018

Restricted Cash-Government Grants Cash

Restricted cash relates to government grant funds and the corresponding interest earned. This cash should be used only for the purposes specified by Department of Telecommunications and Postal Services (DTPS) when the grants were received. Project and capital cash balances, net of Value Added Tax (VAT) excluding the interest earned, which is currently managed on behalf of the DTPS is as follows:

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Digital Terrestrial Transmission and Dual Illumination	94 286	-
Disaster Recovery (2010 World Cup Soccer)	-	10 216
	94 286	**10 216**

Bank Guarantees

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
At year-end, the Group and Company had issued the following active guarantees:		
Eskom Holdings SOC Limited	270	994
Properties and related rates and taxes	151	151
	421	**1 145**

11. Share Capital and Premium

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Authorised		
100 000 ordinary shares of R1 each	100	100
Issued		
2 000 ordinary shares of R1 each	2	2
Share premium	75 890	75 890
	75 892	**75 892**

12. Employee Benefits

The employee benefits relate to post-employment medical benefit plan and are made up as follows:

Carrying value

Figures in Rand thousand	GROUP AND COMPANY 2018	2017
Present value of the defined benefit		
Obligation - partially or wholly funded	(39 132)	(37 231)
Fair value of plan assets	19 544	23 171
	(19 588)	**(14 060)**

This is a stable growth fund that consists of equities, bonds, cash and international investments with normal market risk exposure. The fund is managed by reputable asset managers.

Plan Assets Comprise:

Cash and Cash Equivalents	1 896	799
Equity Securities	10 769	3 280
Bonds	2 150	799
Foreign Investments	3 088	1 597
Annuity	1 641	16 697
	19 544	**23 171**

This is a stable growth fund that consists of equities, bonds, cash and international investments with normal market risk exposure. The fund is managed by reputable asset managers.

Reconciliation Figures in Rand thousand	Accrued Liability 2018	 2017	Plan Assets 2018	 2017
Opening Balance as at 31 March	37 231	39 188	(23 171)	(29 018)
Interest Cost on Defined Benefit Obligation	4 056	3 957	-	-
Current Service Cost (includes Interest to Year -End)	1 124	927	-	-
Expected Return on Plan Assets	-	-	(2 522)	(2 995)
Expected Employer Benefit Payments	(64)	(31)	-	-
Expected Benefit Payments from Plan Assets	-	-	64	31
Actuarial Loss due to changes in Withdrawal Assumptions	-	1 519	-	-
Expected Closing Balance as at 31 March	42 347	45 560	(25 629)	(31 982)
Adjusted Expected Closing Balance as at 31 March	42 347	45 560	(25 629)	(31 982)
Actuarial (Gain)/Loss	(3 215)	(8 329)	6 085	8 811
Actual Closing Balance as at 31 March	39 132	37 231	(19 544)	(23 171)

Principal actuarial assumptions used

Discount rate	10,2%	10,9%
Annual increase in health care costs	8,9%	10,0%
Expected retirement age	63 years	63 years

Sensitivity analysis

2018

	Base	-1% (1 year younger)	(23 171)	1% (1 year older)
CPI & Medical Health Inflation	7% & 9%	32 246	-	48 000
Discount rate	10,20%	48 242	-	32 182
Expected retirement age	63 years	40 742	(2 522)	37 613
Change in current service and interest cost	7% & 9%	4 063	64	6 199

2017	Base	-1% (1 year younger)	(23 171)	1% (1 year older)
CPI & Medical Health Inflation	8% & 10%	30 440	-	46 040
Discount rate	10,90%	46 315	(25 629)	30 355
Expected retirement age	63 years	39 047	35 593	
Change in current service and interest cost	8% & 10%	4 187	6 480	

Historical information

Figures in Rand thousand	GROUP AND COMPANY		
	2018	2017	2016
Retirement medical aid benefits			
Present value of the obligation	19 588	14 060	10 170
Actuarial losses (gains) recognised	**19 588**	**14 060**	**10 170**

Analysis of unexpected gains and losses

The accrued liability calculated in this valuation is **R39.132 million**, reflecting an unexpected gain of R3.215 million.

13. Deferred Tax

Reconciliation Figures in Rand thousand	Accrued Liability	
	2018	2017
Deferred tax liability	(53 073)	(40 577)
Movement in temporary differences		
At beginning of year	(40 577)	(68 602)
Recognised in profit and loss	(12 496)	28 025
	(53 073)	**(40 577)**

Deferred tax liabilities are attributed to the following:

	PPE	Prepayments	Total
Balance at 31 March 2016	Balance at 31 March 2016	(12 463)	(111 172)
Recognised in profit and loss	Recognised in profit and loss	506	14 640

Balance at 31 March 2017	**(84 575)**	**(11 957)**	**(96 532)**
Recognised in profit and loss	(17 245)	840	(16 405)
Balance at 31 March 2018	**(101 820)**	**(11 117)**	**(112 937)**

Deferred tax assets are attributed to the following:

	PPE	Prepayments	Total
Balance at 31 March 2016	**36 340**	**6 230**	**42 570**
Recognised in profit and loss	14 461	(799)	13 662
Recognised in other comprehensive income	(278)	-	(278)
Balance at 31 March 2017	**50 523**	**5 431**	**55 954**
Recognised in profit and loss	3 110	702	3 812
Recognised in other comprehensive income	97	-	97
Balance at 31 March 2018	**53 730**	**6 133**	**59 863**

14. Current Tax Receivable

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
South African Revenue Services	**12 687**	**18 138**

15. Trade and other Payables

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Trade payables	21 317	20 315
Accrued expenses	72 817	55 447
Financial liabilities	**94 134**	**75 762**
Customer deposits	2 963	3 375
Lease accrual	12 307	19 243
Unearned income	2 886	381
VAT	5 206	5 568
Overtime	-	1 523
Other accruals	-	1 100
Leave pay accrual	29 052	26 159
	146 548	**133 111**

The Accounting Authority considers the carrying amount of trade and other payables to approximate their fair value.

16. Deferred Income

Figures in Rand thousand	GROUP AND COMPANY 2018	2017
Analysis of movements in deferred income		
Opening balance	**10 216**	**76 423**
Net funding received (see below)	215 789	87 719
Acquisition of property, plant and equipment	(2 997)	(67 650)
Net interest capitalised	**6 211**	**3 530**
Interest received from government grant funds	8 288	4 901
Taxation paid on interest	(2 077)	(1 371)
Utilisation	**(134 933)**	**(89 806)**
– Dual illumination cost/revenue	(134 933)	(89 806)
Closing balance	**94 286**	**10 216**
Net funding received		
Government grants received	245 999	100 000
Deemed VAT (14%)	(30 210)	(12 281)
Closing balance	**215 789**	**87 719**

Government Grants are received for the purchase and construction of property, plant and equipment and to compensate for the Group's operational expenditure related to Government projects. The deferred income relating to completed assets has been netted-off against the cost of the respective assets under property, plant and equipment. Deferred income relating to capital work-in-progress is set-off against costs incurred to date, on the net presentation basis. The asset will then be depreciated over its useful life based on the net carrying amount after taking Government Grant funding into account as per the accounting policy.

17. Provisions

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Reconciliation of provisions		
Opening balance	**30 000**	**16 000**
Additions	30 000	30 000
Utilised during the year	(30 000)	(16 000)
Closing Balance	**30 000**	**30 000**

The Accounting Authority has raised provision for legal and other provisions that are likely to be incurred. The analysis of the provisions is as above.

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Analysis of provisions		
Performance bonus	30 000	30 000
	30 000	**30 000**

18. Revenue

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Terrestrial television services	614 454	576 145
Terrestrial FM radio services	313 123	291 178
Terrestrial MW radio services	11 054	9 062
Terrestrial short wave radio services	26 196	24 952
Satellite direct-to-home	157 084	160 174
Business television	6 047	5 648
VSAT	8 203	7 114
Dual illumination grant income	134 933	89 806
Other	12	221
	1 271 106	**1 164 300**

Revenue from Rental Income comprises of the following:		
Facility rentals	78 386	65 334
Revenue from Sale of Goods comprises of the following:		
Vivid	98	2 985
	1 349 590	1 232 619

19. Expenses by Nature

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Cost of sales	989 248	998 450
Operating expenses	122 986	118 020
Administration expenses	76 473	64 522
Selling expenses	19 187	17 672
	1 207 894	**1 198 664**
Cost of sales		
Employee costs (note 20)	415 918	409 986
Depreciation, amortisation and impairments	99 060	103 466
Operating lease expense - satellite rental	272 027	283 177
Transmitter tubes	4 013	3 624
Support equipment	2 204	3 008
Other cost of sales	196 025	195 189
	989 248	**998 450**
Operating expenses includes the following:		
Operating lease expenses		
Premises	19 330	12 573
Lease rentals on operating lease - Other	4 743	5 070
Auditors remuneration		
- Current year audit fees	2 894	2 463
Legal and consulting fees	19 449	13 647
Transport costs	17 915	19 281
Loss on impairment or disposal of property, plant and equipment	2 634	1 351
Other Operating Expenses	56 022	63 635
Total Operating Expenses	**122 986**	**118 020**

Administration expenses includes the following:

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Licences	**8 466**	**6 441**
- Spectrum	2 284	1 032
- ECNS/ECS	3 852	3 245
- Other	2 330	2 164
Other Administration Expenses	**68 007**	**58 081**
Total Administration Expenses	**76 473**	**64 522**
Selling expenses includes the following:		
CSI, Advertising and other selling expenses	**19 187**	**17 672**

20. Employee Cost

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Salaries and Wages	334 956	338 416
Medical aid contributions - current employees	41 417	35 738
Medical aid contributions - pensioners	-	402
Medical aid contributions - post-retirement obligations, excluding interest	4 796	4 098
Statutory charges	1 008	1 030
Pension costs - defined contribution plan	33 741	30 302
	415 918	**409 986**
Number of persons employed		
Total number of employees at year-end	**538**	**557**

21. Finance Income

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Dividend revenue		
Sanlam Collective Investments Dividends	19 360	19 104
Interest revenue		
Bank	48 055	45 310
	67 415	**64 415**

22. Finance Costs

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Recognised in profit and loss		
Other	123	250
Post-retirement medical interest	4 056	3 957
	4 179	**4 207**

23. Taxation

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Major components of the tax expense		
Current		
Local income tax - current period	42 015	19 407
Tax recovered from grant funds	(2 077)	(1 372)
	39 938	**18 035**
Deferred		
Deferred tax debit/(credit)	12 496	(28 025)
	52 434	**(9 990)**
Deferred tax - Profit and loss		
Restatement - Actuarial gains/(losses)	97	(278)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Applicable tax rate	28,00%	28,00%
Expenses not deductible	(0,53%)	4,37%
Previous year over provision	(1,92%)	(12,55%)
Dividend income exempt	(2,64%)	(5,68%)
Capitalised interest income	0,28%	1,46%
Amortisation of government grant	(2,33%)	(29,11%)
Depreciation of buildings	1,39%	3,19%
	25,55%	**(10,31%)**

24. Cash Generated From Operations

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Operating profit	141 990	33 955
Adjustments for:		
Depreciation and amortisation	99 060	103 466
Loss on disposals of property, plant and equipment	230	3 340
DTT Dual illumination	(134 933)	(89 806)
Post-retirement medical aid benefit obligation	1 124	927
(Decrease)/increase in provisions	-	13 206
Cash generated from operations before working capital changes	107 471	65 088
	(230 519)	**27 398**
Inventories	(2 004)	(6 956)
Trade and other receivables	(241 951)	20 681
Trade and other payables	13 436	13 673
Cash generated from operations	**(123 048)**	**92 486**

25. Interest Paid

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Amount recognised in profit or loss	**(4 179)**	**(4 207)**
Interest on post-retirement medical aid	4 056	3 957
Other	(123)	(250)

26. Tax Paid

Figures in Rand thousand	GROUP AND COMPANY 2018	2017
Balance at beginning of the year	**18 138**	**13 283**
Current tax for the year recognised in profit or loss	(41 917)	(19 685)
Tax recovered from grant funds	2 077	1 372
Less balance at end of the year	(12 687)	(18 138)
Tax Paid	**(34 389)**	**(23 168)**

27.Financial Instruments

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Figures in Rand thousand	GROUP AND COMPANY 2018	2017
Cash and cash equivalents	916 149	907 357
Loans and receivables	287 461	29 663
	1 203 610	**937 020**

The maximum exposure for loans and receivables at the reporting date by geographic region was:

Domestic	284 259	39 542
Foreign	3 202	4 448
	287 461	**43 990**

The collectability of loans and receivables is assessed at reporting date and specific allowances are made for any doubtful loans and receivables based on a review of all outstanding amounts at year-end. Doubtful debts are written-off during the year in which they are identified. The impairment loss at year-end relates to loans and receivables which have been outstanding for a long time and have not been settled subsequent to year-end. Financial assets that are neither past due nor impaired are considered good credit quality.

Exposure to liquidity risk

Financial liabilities at year-end were as follows:		
Trade and other payables	94 134	77 286
Carrying amount	**94 134**	**77 286**

The maturity of contractual financial liabilities, including interest payments and excluding the impact of netting agreements are as follows:

1 year or less		
Trade and other payables	94 134	77 286
2–5 years		
Total contractual cash flows	**94 134**	**77 286**

The Group and Company will be able to meet their contractual obligations as they become due.

Unutilised borrowing capacity

Approved and unutilised overdraft facilities	**3 000**	**3 000**

Exposure to currency risk

Loans from Group companies and loans and borrowings are denominated in South African Rand. Foreign currency receivables are from the customer accounts denominated in foreign currency. The exposure to currency risk was as follows based on carrying amounts for other financial instruments:

	Loans and Receivables	Trade and other payables	Cash and cash	Net exposure at year-end
2018				
GBP	(3)	-	282	279
EUR	-	815	11	826
USD	274	607	879	1 760
	271	**1 422**	**1 172**	**2 865**

	Loans and Receivables	Trade and other payables	Cash and cash	Net exposure at year-end
2017				
GBP	104	(8)	1 186	1 282
EUR	-	(6 450)	1 450	(5 000)
USD	212	-	7 556	7 768
	316	**(6 458)**	**10 192**	**4 050**

The following significant exchange rates were applied during the year:

	Loans and Receivables	Trade and other payables	Cash and cash	Net exposure at year-end
GBP / ZAR	17,43	18,49	16,44	16,88
EUR / ZAR	15,40	15,55	14,55	14,48
USD / ZAR	13,04	14,14	11,88	13,51
CHF / ZAR	13,94	14,86	13,00	13,99
SEK / ZAR	1,63	1,69	1,48	1,56
JPY / ZAR	0,12	0,14	0,11	0,12

Sensitivity analysis

A 10% weakening of the Rand against the following currencies at 31 March would have (decreased)/increased profit or loss for the Group by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

GBP / ZAR	486	128
EUR / ZAR	1 272	(500)
USD / ZAR	2 296	777

Exposure to interest rate risk

The Group generally adopts a policy of ensuring that its exposure to change in interest rates is on a floating rate basis.

Profile

The interest rate risk profile of the interest-bearing financial instruments was:

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Variable rate instruments		
Government grants cash and cash equivalents	94 286	6 427
Own cash and cash equivalents	821 863	900 930
	916 149	**907 357**

Sensitivity analysis

A change of 100 basis points in interest rates would have increased or decreased profit or loss by R0 (2017– R0) with all other variables held constant on the balances of financial instruments, whilst the actuarial valuations of the post-retirement obligation impact has been incorporated in the note on Employee Benefits.

Fair values versus carrying amounts

The Group and Company carrying amounts for financial assets and liabilities approximate the fair values of the respective financial instruments at year-end.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Interest bearing loans

Fair value calculated based on discounted expected future principal and interest cash flows.

Loans and receivables/payables including group balances

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Non-derivative financial assets and liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on prime rates at the reporting date plus an adequate credit spread.

Fair value hierarchy

At 31 March 2018 and 2017, the Group did not have financial instruments carried at fair value, by valuation method, requiring the following fair value hierarchy classification:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

28. Financial Risk Management

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents held on behalf of the Group by financial institutions.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. There is concentration of credit risk in a single customer, South African Broadcasting Corporation (SABC) as more than 50% of the Group's revenue comes from this customer. SABC is the national broadcaster and is supported by the Government to ensure that it meets its obligations when they fall due. Therefore, SABC does not pose a significant credit risk and has been settling its account on a timely basis. This situation will continue to be monitored to ensure that mitigating factors are in place to deal with any eventualities.

The Accounting Authority has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Customers that fail to meet the Group's benchmark credit-worthiness may transact with the Group only on a prepaid basis.

Cash and cash equivalents

Reputable financial institutions are used for investing and cash handling purposes.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.
Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains an overdraft facility with ABSA Bank for R3 000 000. The facility is unutilised.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income of the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective presentation currency of the Group. The currencies in which these transactions are primarily denominated are, Japanese Yen (JPY), Swedish Krona (SEK), British Pound (GBP), Swiss Franc (CHF), United States Dollar (USD) and Euro (EUR).

The Group does not hedge foreign purchases and sales but, where possible, matches foreign currency denominated cash inflows and outflows through the underlying operations of the Group. This provides an economic hedge and no derivatives are entered into. The Group's net exposure is kept at an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Interest rate risk

The Group addresses its interest rate risk by ensuring that all borrowings and investments are at market related rates. Within group entities, inter-group financing is also used as it is cheaper and subject to minimal interest rate risk. Certain long-term borrowings are entered into a fixed interest rates if the rates offered are favourable to the Group.

Capital management

One of the key focus areas of the Accounting Authority is the optimal and most efficient use of the Group's capital. The primary objective of the Group's capital management strategy is to ensure that it maintains healthy capital ratios in order to support its core business and social mandate, whilst maximising stakeholder value.

The Group's aim is to ensure that it funds the maintenance and growth of its core business using internally generated funds, whilst using government grant funding for expansion capital expenditure requirements and government initiated programmes. The Group is restricted in the use of debt funding and accordingly the optimising of the weighted average cost of capital is limited. The philosophy is therefore to actively apply excess capital to growing and maintaining the core business and using government funding for significant mandated projects.

The core debt components of the Group is as follows:

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Post-retirement medical benefits obligation	19 588	14 060

The post-retirement medical benefits obligation relates to employees that joined the Group before 2005. This liability relates to the past and certain current employees who are entitled to post-retirement medical aid contribution where they remain in employment with SENTECH until retirement. This is a commitment that applies for medical aid contributions which are adjusted by a factor that is above CPI.

Key capital structure data:

	2018	2017
Shareholder Funds – Equity	1 922 289	1 767 472
Earnings before interest, tax and depreciation (EBITDA)	244 211	137 421
Interest expense	4 179	4 207
- Long-term borrowings	123	250
- Post-retirement medical	4 056	3 957

The Group benchmarks the following capital ratios:

	2018	2017
Debt to Equity ratio		
Target	Less than 40%	Less than 40%
Actual	3,78%	3,09%
EBITDA to Debt		
Target	Greater than 3	Greater than 3
Actual	3,36	2,52
EBITDA to interest cover		
Target	Greater than 10	Greater than 10
Actual	58,44	32,67

29. Related Parties

Relationships

All transactions with government departments were on an arm's length and therefore these are considered to be normal dealings.

Key management personnel have also been identified as related parties and their remuneration has been disclosed below. There were no commitments to related parties for the year-ended 31 March 2018 and 31 March 2017.

Transactions with key management personnel

Loans to Directors

There were no loans issued to Directors during the year or balances outstanding at the end of the year.

Key management compensation

Directors emoluments 2018

Figures in Rand Thousand	Period of Service (months)	Basic Salary R'000	Retainer Fees R'000	Performance Bonus and Allowances R'000	Provident Fund R'000	Meeting Fees R'000	Total R'000
Executive							
M Booi	12	2 714	-	-	364	-	3 078
KS Matabane	3	501	-	-	67	-	568
SK Mthethwa	12	1 860	-	-	250	-	2 110
TJ Leshope	1	145	-	28	19	-	192
Non-executive							
AM Mello	11*	-	318	-	-	268	586
SM Radebe	3	-	35	-	-	63	98
L Mtimde	11*	-	127	-	-	188	315
NP Mbhele	12	-	139	-	-	163	302
RJ Huntley	11	-	139	-	-	186	325
LM Ndlovu	12	-	139	-	-	176	315
		5 220	**897**	**28**	**700**	**1 044**	**7 889**

* The period of service for AM Mello and L Mtimde were 11 month for the 2017/18 year as their contracts expired 28 February 2018 and was renewed in April 2018.

2017

Figures in Rand Thousand	Period of Service (months)	Basic Salary R'000	Retainer Fees R'000	Performance Bonus & Allowances R'000	Provident Fund R'000	Meeting Fees R'000	Total R'000
Executive							
M Booi	12	2 517	-	847	329	-	3 693
KS Matabane	12	1 975	-	451	259	-	2 685
SK Mthethwa	4	594	-	135	78	-	807
Non-executive							
AM Mello	12	-	327	-	-	284	611
SM Radebe	12	-	131	-	-	285	416
L Mtimde	12	-	131	-	-	149	280
NP Mbhele	12	-	131	-	-	158	289
RJ Huntley	12	-	131	-	-	217	348
X Daku	9	-	91	-	-	133	224
LM Ndlovu	4		41	-	-	38	79
		5 086	983	1 433	666	1 264	9 432

* See Accounting Authority's report for movements (resignations and appointment) in Directors during the year.

Other Key Management Personnel

Key personnel are defined as per their positions below. Remuneration to key management personnel excluding Directors' emoluments above is:

2018

Figures in Rand Thousand	Position	Period of Service (months)	Basic Salary	Performance Bonus and Other Allowances	Provident Fund	Total
Z Adams	Executive: Legal & Regulatory	12	1 571	-	211	1 782
TJ Leshope	Executive: Operations	11	1 538	199	206	1 943
KK Motlhabi	Chief Human Resource Officer	12	1 564	-	210	1 774
PM Phukubje	Executive: Internal Audit	11	1 537	-	206	1 743
NO Nekhavhambe	Executive: Finance	12	1 637	-	220	1 857
IG Segaloe	Chief Strategy Officer	12	1 565	-	210	1 775
DW Ngwenya	Chief Technology Officer	12	1 666	-	224	1 890
MM Kgari	Chief Marketing & Sales Officer	10	1 210	-	163	1 373
			12 288	**199**	**1 650**	**14 137**

Other Key Management Personnel

Key personnel are defined as per their positions below. Remuneration to key management personnel excluding Directors' emoluments above is:

2017

Figures in Rand Thousand	Position	Period of Service (months)	Basic Salary	Performance Bonus and Other Allowances	Provident Fund	Total
Z Adams	Executive: Legal	12	1 481	288	194	1 963
TJ Leshope	Executive: Operations	12	1 587	285	208	2 080
NB Motswasele	Executive: Sales and Marketing	10	1 209	205	159	1 573
MM Matobako	Executive: Risk Management	7	911	-	120	1 031
KK Motlhabi	Executive: Human Resource	8	992	308	130	1 430
PM Phukubje	Executive: Internal Audit	12	1 584	297	208	2 089
P Maine	Executive Head: Information Technology	3	372	-	49	421
NO Nekhavhambe	Executive: Finance	12	1 544	295	208	2 047
IG Segaloe	Executive: Strategy	11	1 375	280	180	1 835
DW Ngwenya	Chief Technology Officer	10	1 333	226	174	1 733
			12 388	**2 184**	**1 630**	**16 202**

Notes to the Financial Statements for the year ended 31 March 2018

Transactions and balances with related entities Government grants

Various transactions were entered into with the Department of Telecommunications and Postal Services and National Treasury with respect to Government Grants. Government Grants are accounted for in terms of IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance.

Government Grants received and other related movements have been disclosed in note 16. Entities controlled by The Department of Telecommunications and Postal Services.

The Group is controlled by The Government of South Africa which owns 100% of the Company's shares through The Department of Telecommunications and Postal Services. The following transactions occurred with entities controlled by the Department of Telecommunications and Postal Services during the year:

Sale of goods and services

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
SITA	-	439
USAASA	-	2 939
	-	**3 378**

Services are rendered at market related rates.

Purchases of goods and services

South African Post Office	-	2
SITA	-	607
ICASA	8 466	6 441
	8 466	**7 050**

Transactions with related parties are on an arm's length basis.

Related party receivables

South African Post Office	-	(260)
SITA	-	500
USAASA	-	1 418
Impairment of related parties	-	(1 244)
	-	**414**

Other receivables		
ICASA	-	**5 925**

Transactions with subsidiaries

Loans owing to subsidiary	-	-

The Accounting Authority passed a resolution to wind-up Infohold Pty limited and InfoSat Pty Limited. The Accounting Authority therefore authorised the settlement of the intercompany loans.

Commitments

Capital commitments

Capital expenditure will be financed in line with the Company's optimal capital structure, taking into account internal cash resources available, borrowings and Government Grants.

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Requested per corporate plan		
- Sentech funded assets	150 000	277 000
- Government Grant funded assets	28 070	53 000
Approved but not contracted	109 173	262 813
Contracted	68 897	67 187

The authorised capital expenditure for property, plant and equipment is planned to occur in the next financial year. It will be financed in line with the Company's optimal capital structure, taking into account available internal cash resources, borrowings and from Government Grants received.

Operating lease commitments

The Group leases various facilities, offices, equipment and satellite capacity under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure recognised in profit or loss during the year is disclosed in note 19.

Minimum lease cash payments due

Requested per corporate plan

- within one year	247 400	292 928
- in second to fifth year inclusive	806 761	981 382
- later than five years	1 424 935	1 836 860
	2 479 096	**3 111 171**

31 Contingent Liabilities and Contingent Assets

At the date of this report, there were no significant outstanding matters including litigations that would result in either contingent liabilities, contingent assets.

32 Losses through Criminal Conduct, Irregular, Fruitless and Wasteful Expenditures

All losses through criminal conduct and any irregular expenditure.

Section 1 of the Public Finance Management Act, No. 1 of 1999, as amended, defines irregular expenditure as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not incurred in accordance with a requirement of any applicable legislation.

The following amounts have been determined as being losses through irregular expenditure, in terms of section 55(2)(b)(i) of the Public Finance Management Act, No. 1 of 1999, as amended:

Figures in Rand thousand	GROUP AND COMPANY	
	2018	2017
Opening balance	**20 512**	**16 707**
Less: Expenditure condoned	(4 971)	-
Add: Expenditure where supply chain management process not followed	16	3 805
Closing balance	**15 557**	**20 512**

Approval for write-off R11,8m of the irregular expenditure incurred in the previous year is being sought from the minister of DTPS.

Material losses through fruitless and wasteful expenditures

Section 1 of the Public Finance Management Act, Act No. 1 of 1999, as amended, defines fruitless and wasteful expenditure which was made in vain and would have been avoided had reasonable care been exercised.

The following material losses, through fruitless and wasteful expenditure have been identified as being reportable in terms of the materiality framework approved by the Minister of Telecommunications and Postal Services for the year under review:

Balance at 1 April	5 556	5 412
Less: Expenditure condoned	(5 556)	-
Losses identified during the year	123	144
Balance at 31 March	**123**	**5 556**

The nature of these losses are primarily a result of contract terms that are not favourable to SENTECH, including interest charges on services rendered without reference to the payment due date. The Company is in the process of phasing out such contracts and will renegotiate some of these contracts that are still valid for a foreseeable future and SENTECH is currently considering the possible condonement of these losses within the context of each individual transaction.

33 Borrowing Limits

In terms of the Group's Memorandum of Incorporation, the Accounting Authority shall not have the power to borrow without the prior approval of the Executive Authority and the Minister of Finance. The Minister of Telecommunications and Postal Services has approved an overdraft facility of R3 million. The facility has not yet been utilised and will only be used when required by the Group.

34 Going Concern

The Accounting Authority has reviewed the corporate plan and prepared a cash flow forecast for the 18 months to 30 September 2019. The corporate plan concludes that the Company has through a number of austerity measures improved the profitability and cash generating ability to a satisfactory level. The corporate plan is premised on the Company's ability to generate cash and that additional funds that have been requested to complete the DTT rollout will be made available. On the basis of this review, and in light of the current financial position, approved grant funding, the Accounting Authority is satisfied that the Group has access to adequate cash resources to continue in its operational existence for the foreseeable future and is a going concern, and has continued to adopt the going concern basis in preparing the financial statements. Majority of SENTECH's revenue is concentrated on a few customers, thus SENTECH is exposed to financial challenges that these customers face, which has the potential to impact going concern assumption of the organisation. Management take cognisance of the risk posed by over reliance on a few customers and as such has embarked on a diversification strategy to manage the over concentration risk. This is further supported by the cash flow analysis as mentioned above that demonstrated that the organisation will still continue as a going concern.

35 Events after the Reporting Period

The Accounting Authority is not aware of any other matters or circumstances arising since the end of the financial year that would impact on the reported results, other than those matters already disclosed in these financial statements.

NOTES