Integrated Report
2018/19

SENTECH
connecting You

SENTECH (SOC) LTD
Annual Integrated Report

For the year ended 31 March 2019

Table of Contents

ABBREVIATIONS

AGSA	Auditor-General of South Africa
AGM	Annual General Meeting
AI	Artificial Intelligence
ARC	Audit and Risk Committee
ASB	Accounting Standards Board
ASO	Analogue Switch Off
ATV	Analogue Television
B-BBEE	Broad-Based Black Economic Empowerment
BBI	Broadband Infraco
CAPEX	Capital Expenditure
CCMA	The Commission for Conciliation, Mediation and Arbitration
Companies Act	Companies Act, Act No. 71 of 2008, as amended
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHF	Swiss Franc
COO	Chief Operations Officer
CPI	Consumer Price Index
C&MS	Content and Multimedia Services
CS	Connectivity Services
CSI	Corporate Social Investment
DAB	Digital Audio Broadcast
DCDT	Department of Communications and Digital Technologies
DoC	Department of Communications
DPSA	Department of Public Service and Administration
DTT	Digital Terrestrial Television
DTH-S	Direct to Home Satellite
DR	Disaster Recover
DSB	Digital Sound Broadcasting
DTPS	Department of Telecommunications and Postal Services
EBIT	Earnings Before Interest and Tax
ECA	Electronic Communications Act, Act No. 36 of 2005
EE	Employment Equity
ECL	Expected Credit Losses
EIA	Environmental Impact Assessment
E&M	Entertainment and Media
ERMCO	Enterprise Risk Management Committee
ESD	Enterprise and Supplier Development
EUR	Euro
EXCO	Executive Committee
FM	Frequency Modulation
FVTOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit and Loss
FY	Financial Year
GRAP	Generally Recognised Accounting Practice
HBBTV	Hybrid Broadcasting Television
HR	Human Resources
HRRNC	Human Resources, Remuneration and Nominations Committee
IAF	Internal Audit Function
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IC	Investment Committee

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
IIA	Institute of Internal Auditors
IIR	Institute of Integrated Reporting
IMS	Infrastructure Management Services
ISO	International Standards Organisation
IOT	Internet of Things
KPI	Key Performance Indicator
LAN	Local Area Network
MHz	Megahertz
MIS	Maneged Infrustructure Services
MOI	Memorandum of Incorporation
MTEF	Medium Term Expenditure Framework
MW	Medium Wave
NA	Not Applicable
NED	Non-Executive Director
NPAT	Net Profit After Tax
OAG	Office of the Accountant-General
OC	Operational Centre
OTT	Over-The-Top
PAA	Public Audit Act
PFMA	Public Finance Management Act, Act No. 1 of 1999
PMO	Project Management Office
PwC	Pricewaterhouse Coopers
QSE	Qualifying Small Enterprises
R&I	Research and Innovation
SENTECH Act	SENTECH Act, Act No. 63 of 1996 as amended
TM	Talent Management
TPRC	Technology, Policy and Regulatory Co-ordination
TRIR	Total Recordable Incident Rate
SABC	South African Broadcasting Corporation
SAPO	South African Post Office
SEC	Social and Ethics Committee
SEED	Socio-Economic Development
SEK	Swedish Krona
SITA	State Information Technology Agency
SOC	State Owned Company
SOE	State Owned Entity
SLA	Service Level Agreement
SMME	Small Medium Micro Enterprises
SW	Short Wave
USD	United States Dollar
USAASA	Universal Service and Access Agency of South Africa
VAT	Value Added Tax
VSAT	Very Small Aperture Terminal
WANA	Weighted Average Network Availability
YTD	Year to Date
ZAR	South African Rand

About SENTECH

ABOUT THIS REPORT

The aim of this report is to provide all stakeholders with a concise, material, transparent and understandable assessment of SENTECH's business performance in 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 of this report.

Basis of preparation

This report has been prepared in terms of:

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

Report Scope and Boundaries

This report covers SENTECH's business activities for the financial year (FY) ended 31 March 2019. 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 report is selected by the Board of Directors (the Board) and Executive Committee (EXCO) such that, in its view, offers the most value or "materiality" to those who will read the 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 Audit and Risk Committee (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 integrated 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 pertaining to the integrity and reliability of the annual integrated report.

The Board confirms that, after applying its collective mind to the preparation and presentation of the annual integrated report and reviewing the content herein, it considers this report to be accurate, reliable and complete in presenting information and material matters. In our opinion, the annual integrated report fairly reflects the operations of SENTECH for the financial year ended 31 March 2019.

M.A. Mello

Mr Mlamli Booi
Chief Executive Officer

Mr Magatho Mello
Chairperson

PERFORMANCE RESULTS AT A GLANCE

PERFORMANCE RESULTS AT A GLANCE

Revenue R 1,4 Billion
- Revenue Grew by 4%

EBIT R 142 million
- Focus on cost containment contributed R25 million to this achievement

Audit Outcome
- Clean Audit for 7 consecutive years

Customer Satisfaction
- Customer Satisfaction Index 65%

KPIs
- 78% of all KPIs achieved

CSI and ESD
- CSI and ESD Spend 11.4% of NPAT

1 ABOUT SENTECH

1.1 Evolution of SENTECH

SENTECH was established as a technical division of the South African Broadcasting Corporation (SABC), responsible for the Corporation's signal distribution services. In 1992, the division was corporatised as SENTECH, a wholly-owned subsidiary of the corporation. In 1996, 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. Through the promulgation of the Electronic Communications Act 35 of 2005, SENTECH was then licensed by the Regulator the Independent Communications Authority of South Africa (ICASA) to operate as an Electronic Communications services and Electronic Communications and Network services company. These licences enabled SENTECH to provide all electronic communications services and networks. As a result, the business model of the Company changed from being a provider of broadcasting signal distribution services only to be a fully-fledged Information and Communications Technology (ICT) services and network provider.

1.2 Ownership

The Company is wholly owned by the Government of the Republic of South Africa as represented by the Minister of Communications.

1.3 Legislative Framework

SENTECH's legislative foundation is the SENTECH Act, the Public Finance Management Act, Act No. 1 of 1999 (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 Service (I-ECNS) and an Individual Electronic Communications Service (I-ECS), licensed in terms of the Electronic Communications Act (ECA).

1.4 Mandate

SENTECH derives its mandate from legislation, particularly the SENTECH Act and the Electronic Communications' Act. SENTECH's licences enables the Company not only broadcasting signal distribution but a range of electronic communications services.

1.5 Vision, Mission and Corporate Values

SENTECH's vision, mission, values and corporate strategy tells a story of a company that is focused on its legal mandate and deliberately pursuing long-term sustainability. The Company remains committed to its values and a culture of putting customers at the centre of its business activities.

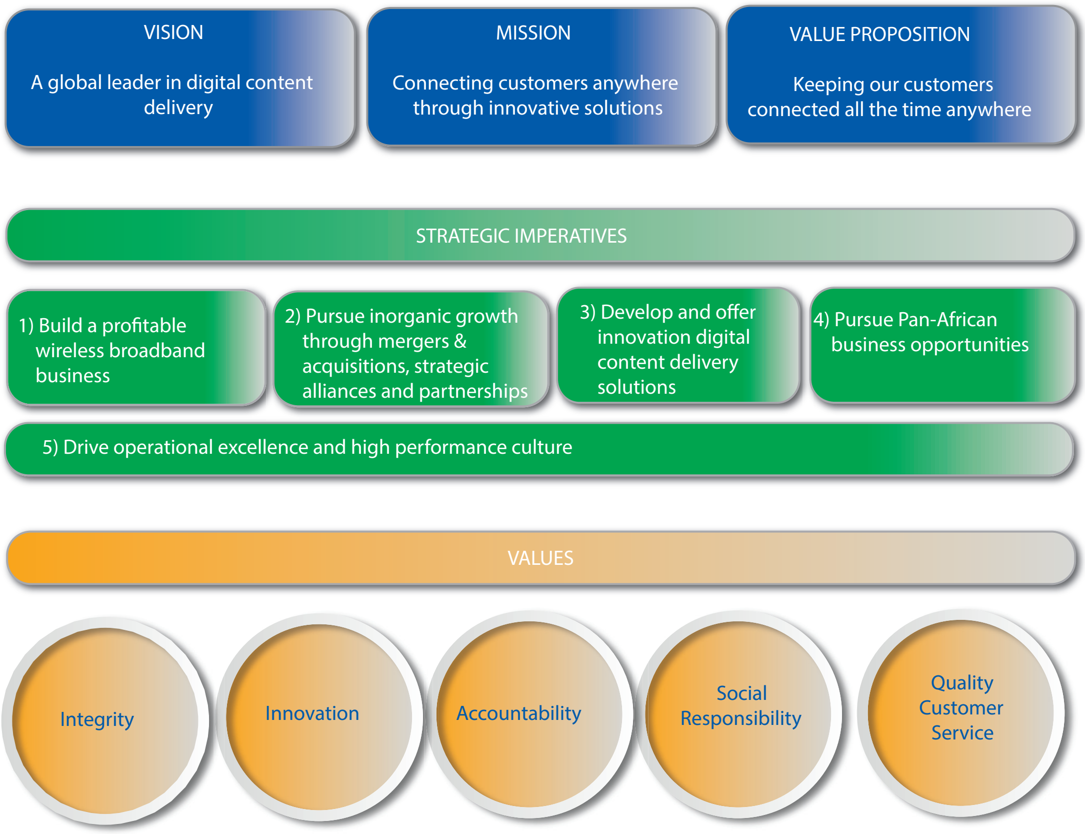


Figure 1 SENTECH Strategy

1.6 Legal and Operating Structure

SENTECH SOC Ltd has four subsidiaries set out in figure 2a. 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.

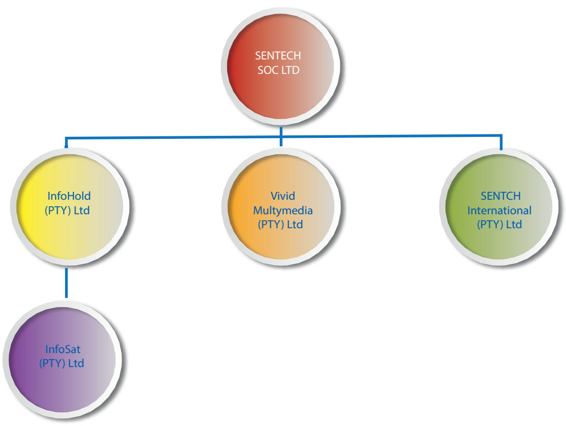


Figure 2a Legal Operating Structure and Dormant subsidiaries

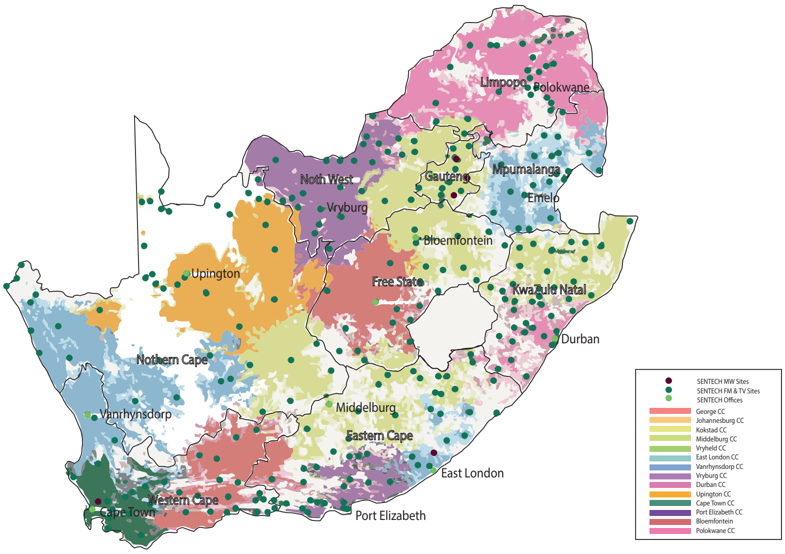


Figure 2b Network Geographical spread and National presence

1.7 Products and Services

SENTECH's core business focus is on media content distribution and connectivity services. The primary product portfolio consists of Content and Multimedia Services (C&MS), Infrastructure Management Services (IMS) and Connectivity Services (CS) as set out in figure 3. As will be noted in section 2.4, SENTECH will attempt to expand the breadth and depth of its Connectivity Services and increase the scope of its activities in support of the general communications industry over the next Medium Term Expenditure Framework (MTEF) 2019-2022. It is therefore anticipated that there will be additional revenue categories generated in future, in addition to the ones currently contributing to the business value of this organisation.

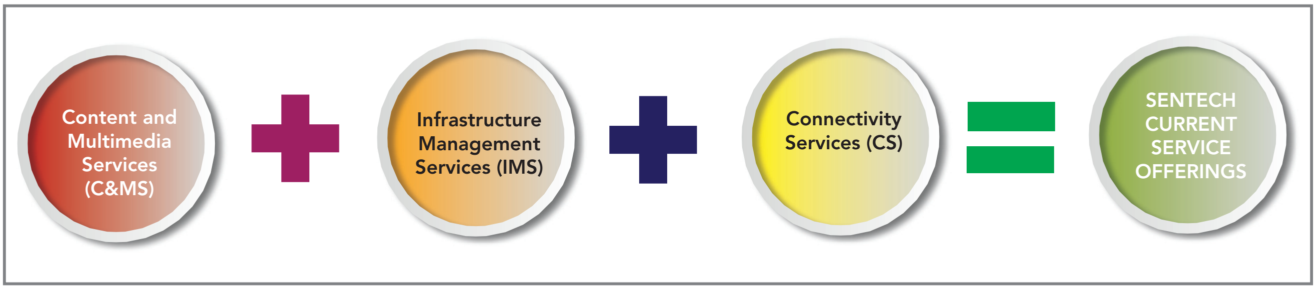


Figure 3 SENTECH Services

1.8 Organisational Structure

During the 2018/19 financial year, SENTECH amended its organisational structure to accommodate the Business Strategy being pursued. As at the date of this report, there were 2 vacancies at Non-Executive Director (NED) level (Chairman and 1 non executive director) and at Executive level, there is one vacancy for the new broadband business.

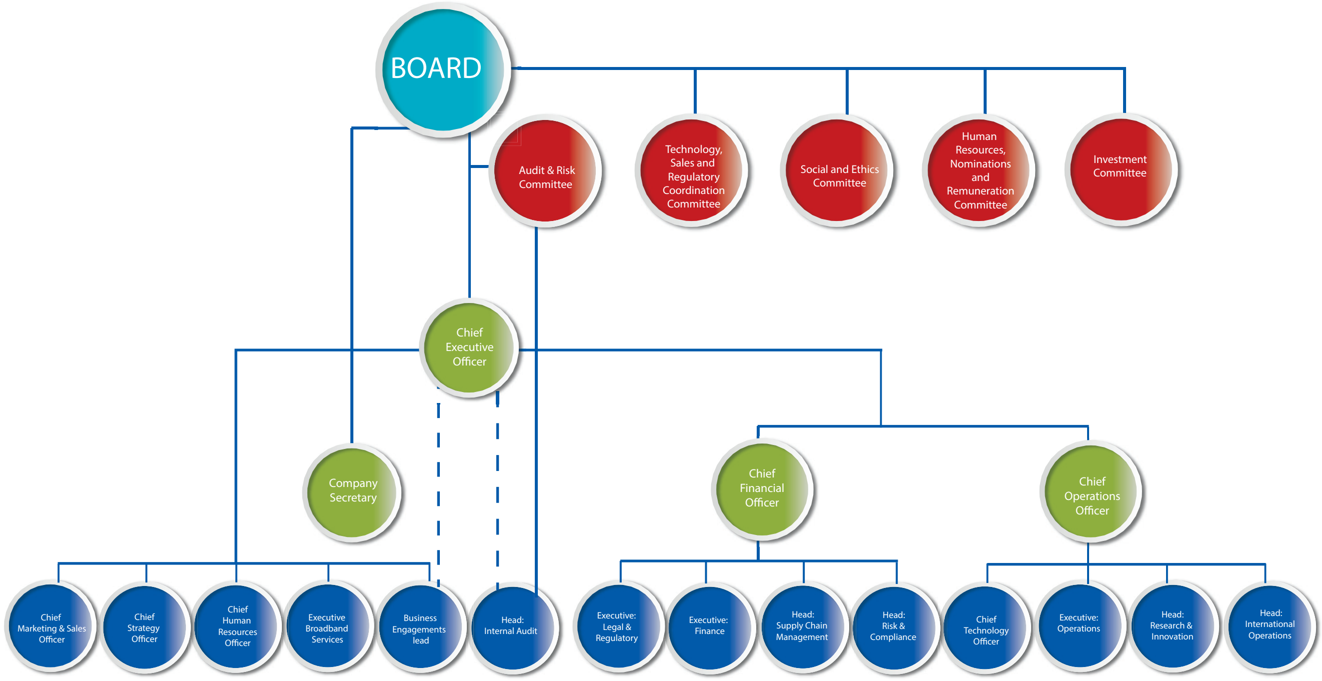


Figure 4 Organisational Structure

1.8.1 Board Composition

As at 31 March 2019, the Board comprised of 10 Directors, comprising three Executive Directors and seven Non-Executive Directors. Details of all changes at the Board level are set out in the Board's Report. The demographics and profiles of all persons who served as Board members during the reporting year are set out figure 5 and table 1 respectively.

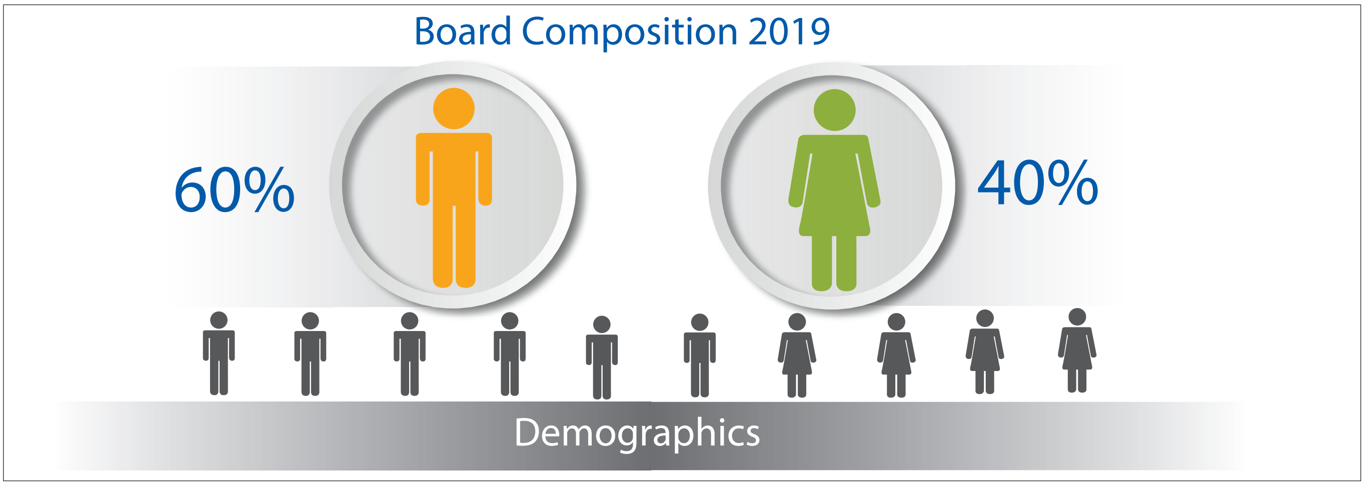


Figure 5 Board Composition

Mr Magatho Mello

Appointed

1 March 2015–28 February 2018

Reappointment from 1 April 2018

Position

Chairperson & Non-Executive Director

Qualifications

BSc (Electrical Engineering)

NHD (Electrical Engineering)

MSc (Electrical Engineering)

* As resigned on the 28 June 2019

Ms Jacqueline Huntley

Appointed

15 November 2013-14 November 2016

Reappointed from 12 December 2016

Position

Non-Executive Director

Qualifications

B Proc

LLB

* As resigned on the 30 June 2019

Ms Maureen Manyama

Appointed

1 November 2018

Position

Non-Executive Director

Qualifications

Chartered Accountant (SA)

MBA

Dr Sandile Malinga

Appointed

1 April 2018

Position

Non-Executive Director

Qualifications

MBA

PhD (Physics)

Ms Ntombizodwa Mbele

Appointed

15 November 2013–14 November 2016

Reappointed from 12 December 2016

until resignation on 1 November 2018

Position

Non-Executive Director

Qualifications

Chartered Accountant (SA)

Ms Lungile Ndlovu ##

Appointed

12 December 2016

Position

Non-Executive Director

Qualifications

BA

HDip (Personnel Management)

MA

The Director passed away in August 2018 whilst still being a Non-Executive Director of SENTECH.

Ms Precious Sibiya

Appointed

1 November 2018

Position

Non-Executive Director

Qualifications

Chartered Accountant (SA)

Mr Lumko Mtimde

Appointed

1 March 2015–28 February 2018

Reappointment from 1 April 2018

Position

Non-Executive Director

Qualifications

BSc (Biochemistry and Physiology)

PG Dip (Telecommunications and Information Policy)

Ms Tebogo Malaka

Appointed

1 April 2018

Position

Non-Executive Director

Qualifications

BA (SocSc)

MBA

Mr Mlamli Booi

Appointed

15 October 2015

Position

Chief Executive Officer and Executive Director

Qualifications

MSc (Electrical Engineering)

PG Dip (Project Management)

Mr Tebogo Leshope

Appointed

1 March 2018

Position

Chief Operations Officer and Executive Director

Qualifications

N Dip (Electrical Engineering)

BTech (Electrical Engineering)

Mr Siphamandla Mthethwa

Appointed

1 December 2016

Position

Chief Financial Officer and Executive Director

Qualifications

Chartered Accountant (SA)

1.8.2 Executive Team

Table 2 below, sets out the profiles and qualifications of all Executive Managers whilst figure 6 sets out their demographic profile. There was one vacancy as at the date of this report. This vacancy is expected to be filled by 30 September 2019.

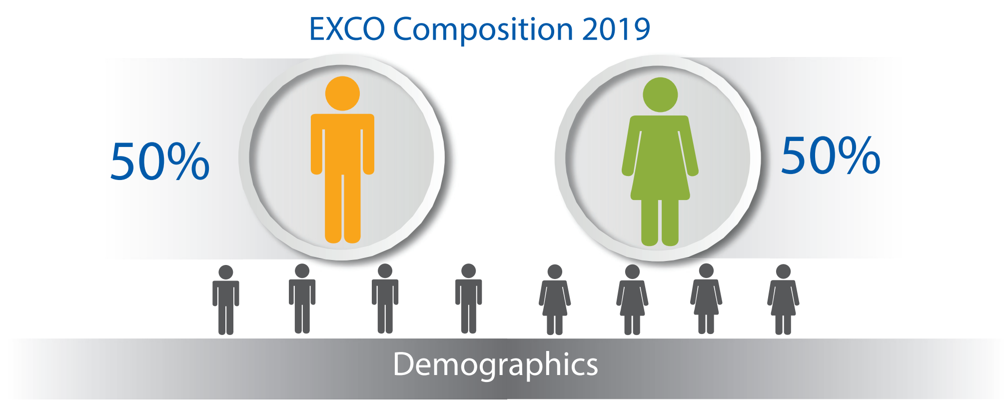


Figure 6 - Executive Manager Demographics

The composition of SENTECH's Executive Management team is as follows:

Ms Rashika Ramlal

Appointed

5 July 2018

Position

Chief Technology and Information Officer

Qualifications

MBA (Strategy & Finance)

BSc IT

International Dip Business Admin

Mr Marlon Finnis

Appointed

1 July 2018

Position

Executive: Operations

Qualifications

MBL

BTech (Electrical Eng)

Mr Itumeleng Segaloe

Appointed

1 May 2016

Position

Chief Strategy Officer

Qualifications

MBA (Strategy & Finance)

Mr N. Obrey Nekhavhambe

Appointed

3 February 2014

Position

Executive: Finance

Qualifications

Chartered Accountant (SA)

Ms Mmapula Kgari

Appointed

12 June 2017

Position

Chief Marketing and Sales Officer

Qualifications

MBL

Mr Zunaid Adams*

Appointed

7 August 1995

Position

Executive: Legal and Regulatory

Qualifications

BProc

Ms Kereng Motlhabi

Appointed

15 August 2016

Position

Chief Human Resources Officer

Qualifications

BCom (Hons) Industrial Psychology

Ms Fefekazi Sefara

Appointed

1 August 2014 and resigned on 30 June 2018

Position

Company Secretary

Qualifications

LLM

Adv. Selaelo Matsane

Appointed

1 November 2018

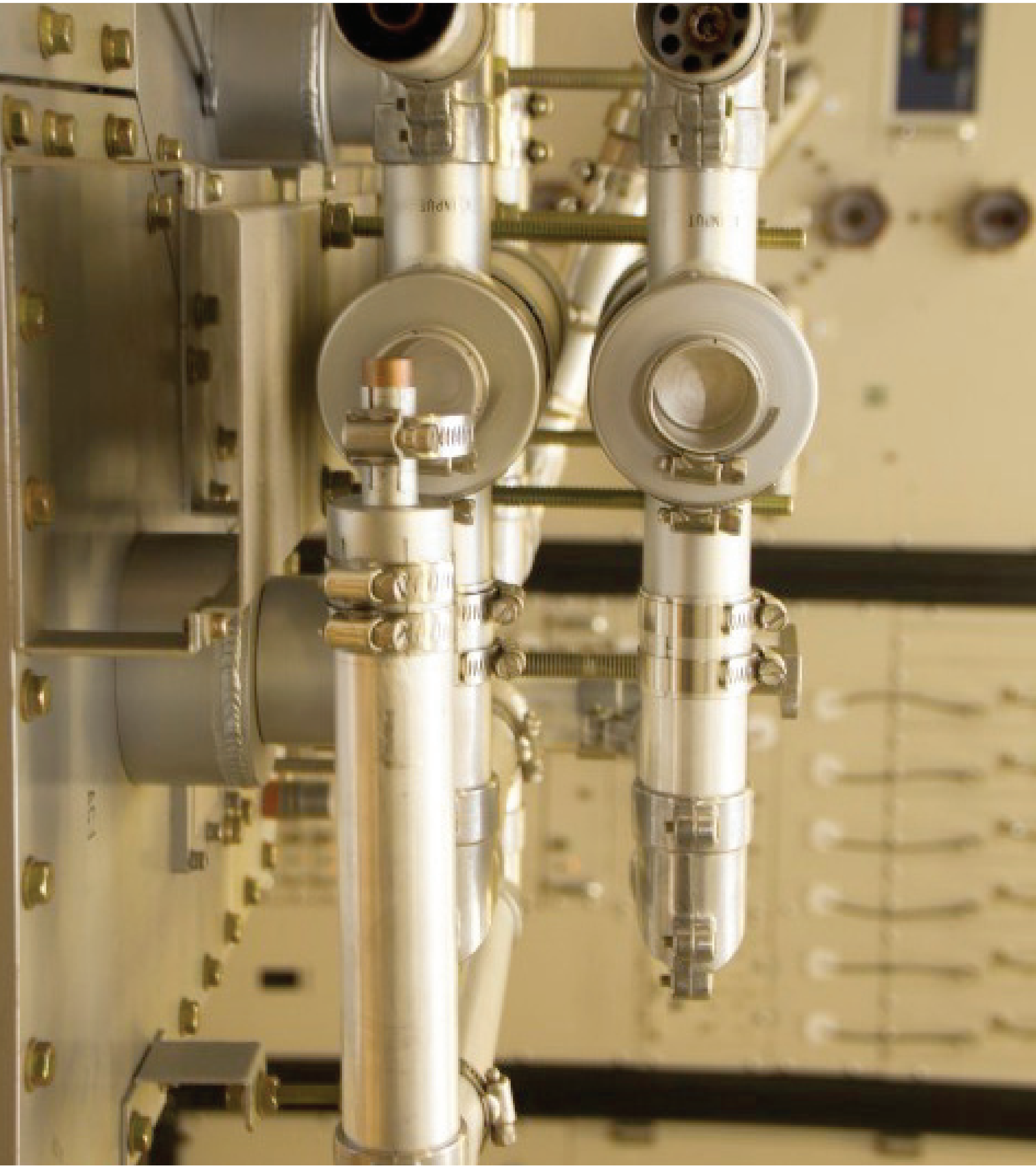
Position

Company Secretary

Qualifications

LLB

Melanie Naidoo was appointed temporary Company Secretary from 6 August 2018 until 12 November 2018.
*Acting Company Secretary from 5 July 2018 until 31 July 2018.



Strategic Overview

2 STRATEGIC REVIEW

2.1 Chairperson's Report

Introduction

I am pleased to submit the Integrated Annual Report of SENTECH for the 2018/19 financial year on behalf of the Board of SENTECH. The strategy map approved by the Board led the executive team to develop a strategy execution plan that guided management and staff towards achieving 78% of the set corporate objectives. This was driven with much commitment, hard work, foresight and an enduring spirit to ensure that SENTECH continues to discharge its public mandate. The objectives could not be achieved without the support of the honourable Minister of Communications and the staff of the Department of Telecommunications and Postal Services. The performance against annual strategic goals and objectives and performance plans were adopted with our stakeholders and customers in mind. This was done in the context of careful consideration of inherent and emerging business risks, which are duly presented in this report.

Mr Magatho Mello
Chairperson

Sustainable Financial Growth

The country's overall growth rate was 0.8% for the whole of 2018 and SENTECH was aware of the effect such growth was likely to have on some of its strategic plans, business plans of its customers and the overall trajectory and agility of business in South Africa. SENTECH made concerted efforts of achieving its goal of a total annual revenue of R1,449 million, however, this target was not met due to the tough economic environment experienced by our customers during the year. The Company did exceed the Earnings Before Interest and Taxes (EBIT) target by R17 million with R142 million EBIT achieved for the year, this was as a result of focused cost containment and favourable ZAR/US$ exchange rate.

There was progress in the implementation of the Mergers and Acquisitions Strategy in that the key policy, with clear policy and commercial imperatives to enable sustainable financial growth, was adopted and approved by the Board. Whilst we remained cognisant of the business competitiveness that remained the hallmark of expansion into Africa, we continue to invest in resources that will help drive the business to the next level. We are confident that the 2019/20 financial year will begin to show progression in respect of implementation of the broadband strategy and mergers and acquisitions.

Our footprint in Africa was cemented towards the end of this reporting year through other business initiatives being undertaken in the neighbouring countries.

Transformation

The advent of robust strategic training initiatives to deal with the Fourth Industrial Revolution (4IR) age remained unapologetically one of our training plans to drive transformation within this new age and to ensure empowered staff. SENTECH embraced the National Skills Development Strategy by embedding the Pillars of Inclusion, Relevance, Sustainability, Creativity, Quality and Quantity into our Skills Development Plans. Our Skills Development Strategy and Plans remained robust and intentional to ensure that we have a workforce that has skills that are relevant and transformational.

We are satisfied with our performance in respect of supporting the Broad-Based Black Economic Empowerment (B-BBEE) national programme We are also proud to state that 82% of our Capital Expenditure (CAPEX) budget was spent on Suppliers with a minimum of 51% black ownership. We endeavoured and successfully supported the vision of the National Development Plan: 2030 that envisions that the transformation of the economy should involve the active participation and empowerment of women. 62% percent of the awarded projects worth R81 million were awarded to companies with 25% female ownership.

An Ethical Stance

The 2018/19 financial year for South Africa was one that was negatively beguiled by reports of allegations of corruption within the public sector. Within SENTECH, we continued to adopt an ethical leadership stance that has a zero tolerance to corruption and fraud. We were decisive in ensuring that SENTECH duly investigated the few allegations of corruption that were reported. We encouraged the Declarations of Conflict of Interests by all Directors and Officials in an effort to inculcate a culture of accountability, responsibility and transparency. Our staff continued to strive to live the "SENTECH-WAY" through living the values of the entity. SENTECH achieved a clean audit opinion for seven consecutive years.

Looking Ahead: 2019/20 FY

We look forward with anticipation towards the implementation of the Department of Telecommunications and Postal Services' (DTPS) (the DTPS portfolio was incorporated into the Department of Communications and Digital Technologies DCDT) State-Owned Entities (SOEs) Rationalisation Framework that was approved by Cabinet on 6 December 2017 which envisages the merger of SENTECH and Broadband Infraco (BBI).

We intend to aggressively pursue diversified revenue and profitability growth by offering wireless broadband solution and innovative digital content delivery to new markets. This will include increasing our Africa footprint through operating broadcasting infrastructure in Pan-African markets.

Conclusion

Let me express my sincere gratitude for the support and guidance of the honourable Minister and the staff of DTPS in ensuring that SENTECH continues to deliver on its strategic objectives and Annual Performance Plan. I thank my fellow Board members for the robust deliberations and decisions taken in the furtherance of the mandate of SENTECH. This could not have been achieved without the dedication, support and continuous hard work of the dedicated Executive Team and the staff of SENTECH.

It would be amiss of me not to thank our valued customers and clients who continue to work with us. We look forward to working with you in the next financial year.

M.A. Mello

Mr Magatho Mello
Chairperson of the Board

2.2 Chief Executive Officer's Report

Mr Mlamli Booi
Chief Executive Officer

As SENTECH, we are pursuing a culture of excellence in serving the needs of our customers and honouring the mandate of our Shareholder. The business climate has been extremely tough due to the unrelenting devaluation of the Rand against the USD. The Company has shown resilience in the midst of the tough economic climate and competitive media and broadcasting environment.

Some of the challenges the organisation faces include the changing traditional media market; audiences are migrating to online services with a projected shift away from traditional television (TV) and Radio broadcasting services and the increase in competition brought about by these substitute online services in response to price sensitive consumers. In addition, the poorly performing market environment such as the decline in the advertising spend is affecting key broadcasting customers.

SENTECH has established a Digital Terrestrial Television (DTT) network that delivers digital television to all citizens of our beautiful country. However, the challenge faced by the digital migration project driven by the Department of Communications (DoC) remains difficult due to the unavailability of digital receiving equipment such as integrated digital televisions (IDTVs) and the set-top-boxes (STBs) without which, digital television cannot be accessible. The national strategic vision of migration from Analogue to Digital television for South Africa remained one of our major strategic focuses. Strategic engagements continued to be held with broadcasters to ensure an increase in the usage of Digital Television Transmission for the purpose of averting further delays in the Analogue Switch Offs.

During the year under review, our business performance was sub-optimal as a result of the economic challenges that led to churn by our customers on some of our services. Regrettably, we missed our targeted growth of 6,5% and achieved a 4% increase in revenue from R1,349 million to R1,399 million, a reflection of the tough trading conditions. Earnings Before Tax and Interest (EBIT) declined marginally from R141million to R140 million. However, the net income saw better performance from R152 million to R181 million. This was as a result of improved cost containment.

We have also managed a clean administration as demonstrated by the seventh consecutive clean audits achieved.

Operational Review

In response to the customer feedback received, we have been focusing on innovation and research. This led to us developing Over-the-Top (OTT) services which are ready to be taken to market. We have also responded to the demand for readiness for 4IR by providing digital training and will continue to develop our staff for the work of the future where Artificial Intelligence (AI), robotics and drones will be part of the normal course of business.

In terms of annual Performance Plan targets, we have achieved 78% of key performance indicators agreed to with the Shareholder. The key highlights for the year under review are as follows:

- We have managed a reliable network availability by exceeding the annual target of 99.80% by reaching 99.85%. This due to our robust infrastructure with a national footprint, operational excellence and investment in proper maintenance of our network.
- We have ensured employee development by exceeding our training interventions target of 85% training interventions by implementing 163% of our training plan.
- We have connected six broadband sites in remote areas against the set target of four. This was in support of government's SA Connect through the delivery of the Internet for All project.
- To enhance innovation, we developed two digital products, such as fixed wireless and OTT platforms in line with our broadband connectivity strategy.
- We exceeded 6.5% actual Net Profit After Tax (NPAT) spend target on Supplier, Enterprise and Socio-Economic development by spending 11.4% as a strategy to contribute to socio-economic transformation and black economic empowerment.

We have noted and acknowledged challenges in areas of customer satisfaction. The Company achieved 65% as opposed to 80% of the set target in the customer satisfaction survey. Some of the contributing factors were load shedding that caused severe disruption to our operations and thus negatively impacted on transmission network availability at critical times of the day. We remain committed to putting customer centricity pillars at the centre stage going forward.

Service Delivery

To remain relevant and be at the cutting edge of technologies, we support the Minister's strategy of "building a capable 4IR army". We do this through development of appropriate skills for jobs of the future. We are cognisant that our service delivery offerings must be responsive to technological and digital changes that are relevant to our customers. Customer centricity is core to everything that we do and the ability to offer and deliver relevant products to our customers was central to the delivery of products and network performance. Therefore, two digital products, /services, i.e. Over-The-Top (OTT) and Fixed Wireless products were developed this year.

Whilst the country experienced electricity load shedding during the reporting period, all reasonable measures were taken to mitigate failure of service delivery to our customers. We continued to liaise closely with electricity grid service providers to minimise disruption of our service delivering offerings to our customers.

Looking Ahead

We remain optimistic that we will achieve our set strategic objectives through rigorous strategy execution, performance monitoring and commitment to systems thinking approach to business and driving a culture of innovation at all levels within the organisation. Our overall strategy is to defend traditional broadcasting revenue streams whilst pursuing diversified revenue and profitability growth by offering wireless broadband solutions and innovative digital content delivery to new markets, through operational excellence, strategic partnerships and acquisitions enabled by high performance culture.

Our consistence leadership in broadcasting signal distribution will be maintained through innovative solutions that we are bringing in the market in line with technological developments. However, SENTECH of the future will see a convergence of broadcasting and broadband services. In line with our diversification strategy, we are investing in building broadband business with specific focus on wireless broadband. We will also be opportunistic in pursuing business in the Pan-African markets.

The Company's Seven Strategic Pillars continue to be a compass guiding us towards the achievement of strategic objectives. These strategic pillars are growth, innovation, customer centricity, culture change, reputation management and socio-economic transformation.

The sixth government administration under president Ramaphosa has decided to rationalise government departments and portfolio entities. As part of this rationalisation process, The DoC and DTPS have been merged to form a new department called Department of Communications and Digital Technologies . We thank the Ministery of Communications and Digital Technologies for their support and guidance on policy matters.

In conclusion, let me express my gratitude to the SENTECH Board for their continuous support, oversight and effective strategic towards ethical leadership and sustainable growth direction. I would also like to express a special gratitude to our customers, as well as all our stakeholders. Lastly, I would like to sincerely thank the Executive Management and staff of SENTECH for their dedication to customer service and their commitment to the success of the Company . This has been an inspiration.

Mr Mlamli Booi
Chief Executive Officer

2.3 Operating Environment

The market outlook provides the context in which the Corporate Strategy and Plan was developed. It includes an analysis on 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. This section also includes an outlook on the entertainment and media industry trends. It is the context within which our business existed.

2.3.1 Policy and Regulatory Framework

The scope of services regulated under the ECA legislative framework has greatly expanded due to digital transformation of all industries. The transformation process has created regulatory and legislative challenges as a consequence of the digitalisation of services and/or products. Legislative amendments currently considered by Parliament seeks to create an inclusive telecommunications industry by striving to remove infrastructure as a barrier to entry. The interpretation is that the legislative framework seeks to move beyond traditional trajectory of technology convergence and competition. There is a concerted need to start elevating spectrum licensing and usage with respect to socio-economic concerns of social growth, social inclusion, economic growth and social development.

2.3.1.1 Electronic Communications Amendment Bill

The DTPS published the ECA Amendment Bill ("Bill") in August 2018 to consider and legislate the proposals set out in the ICT Integrated Policy White Paper. However, in February 2019, the Bill was withdrawn by the Minister.

The Bill, in combination with the State Owned Company (SOC) 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. This Bill was later withdrawn for further policy considerations. This has caused concern in the industry as it created policy uncertainty in areas that the Bill sought to clarify.

2.3.2 700MHz and 800MHz Band

The President's and the Minister of Communications commitment and support for the imminent licensing of high demand spectrum, 700/800/2600 Megahertz (MHz), exerts pressure on the terrestrial broadcasting industry. The anticipated analogue switch off (ASO) of July 2020 will not immediately yield digital dividend I and II for exclusive usage by International Mobile Telecommunication (IMT) services. It is imperative that the Regulator considers co-sharing of spectrum on a secondary and non-interference basis between terrestrial broadcasting and mobile services, until digital-to-digital migration has been successfully completed. It is therefore crucial that there is an understanding and expectations are managed regarding exclusive availability of digital dividend I and II.

It is important to note that activities leading to the World Radiocommunication Conference 2019, have seen increased pressure for Regulators to not only release 700/800 MHz bands, but to also introduce mobile services, particularly IMT, in the band 3600– 3800 MHz within the borders of South Africa. The Regulator is also considering the introduction of broadband fixed wireless access (BFWA) in the 3600–4200 MHz band. The SENTECH distribution network is primarily dependent on the C-band (3600–4200 MHz) for the delivery of content to national transmitter sites. Therefore , any IMT services within this band may create interference on the satellite services delivered.

2.3.3 Broadcasting Framework

Based on the industry discussions on the issues affecting all spheres of broadcasters, SENTECH expects the Authority to initiate Section 67 (ECA) process. This is in line with a number of issues raised during the ICASA's Discussion Document on Regulatory Framework for Community Broadcasting Services, Discussion Document on Digital Sound Broadcasting and Colloquium on Public Broadcasting Policy Review. Therefore, it is expected that the Broadcasting Act maybe considered for review and the Draft Audio and Video Policy finally gazetted for public comments in the next financial year. Additionally, the Digital Sound Broadcasting Policy Direction will be finalised and gazetted before or in the financial year 2020.

As at 15 December 2018, the Regulations on the protection of the Karoo Central Astronomy Advantage Areas in terms of the Astronomy Geographic Advantage Act 2007, will come into effect. The coming into effect of the regulations in the Karoo Central Astronomy Advantage Areas will impact the operations of the DTT network.

2.3.4 Outlook into the next financial year 2019/20

The 2019/20 financial year will likely prove to be an active period for SENTECH. A number of external activities will impact on the Company's resources and strategic plans, inter alia:

- Ensuring compliance with the Regulations on the protection of the Karoo Central Astronomy Advantage Areas in terms of the Astronomy Geographic Advantage Act 2007 ;
- Invitation to apply (ITA) for the licensing of high demand spectrum ;
- Regulatory process for licensing of Digital Sound Broadcasting (DSB) services ;
- Gazetting of the Draft Audio and Visual Policy for public comments ;
- Gazetting of the Amended ECA ;
- Initiating the Studio Transmitter Link (STL) migration process ;
- Phased ASO.

2.3.5 Global Broadcasting Context

The following section outlines developments in the global broadcasting environment that were taken into consideration as part of a market analysis. The trends were adapted from the Pricewaterhouse Coopers (PwC) Entertainment and Media Outlook 2018 to 2022.

Many sectors of the Entertainment and Media (E&M) ecosystem are showing stagnant or even declining growth. Similarly, telecommunications companies face stagnant core businesses and are looking at E&M as a growth driver of new products, services and enhanced customer experiences. As a result, data analytics and technology that can support better decision-making with respect to content, distribution, user-experience and monetisation have become increasingly critical to the success in the E&M industry.

Technology is enabling cheaper and more personalised content delivery, thus, driving cost efficiency is an important element of future viability. PwC's 'essential eight' is a set of technologies that every organisation, within E&M and beyond, must consider in formulating its technology strategy. This presents various considerations for SENTECH, such as, creating cloud computing capability connected to Internet of Things (IoT) infrastructure and Artificial Intelligence (AI) micro services to deliver Augmented Reality (AR)/Virtual Reality (VR) and blockchain technologies.

2.3.6 Fourth Industrial Revolution (4IR)

The Fourth Industrial Revolution will continue to have an impact on organisations and society at large. It brings with it opportunities and some challenges of regulation that the industry must deal with. The PwC's essential eight reflects the Fourth Industrial Revolution (4IR) and implies that SENTECH needs to ensure that it forms part of its strategy, in particular, through innovation by creating new products and services traversing into existing and new markets too.

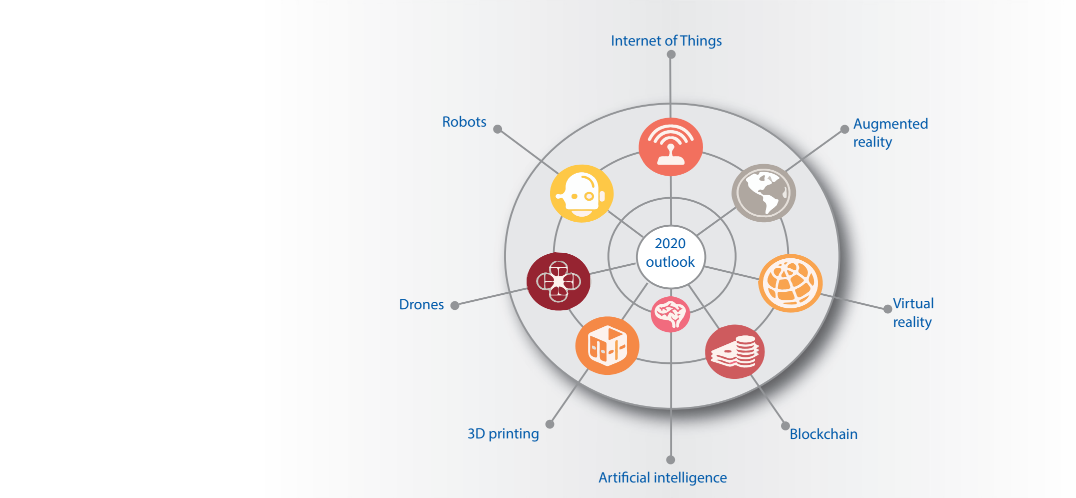


Figure 7: PwC's essential eight

Source: PwC's Essential Eight Entertainment and Media outlook: 2018–2022, An African Perspective, PwC, Ovum, www.pwc.co.za/outlook'

The Fourth Industrial Revolution will have an impact on the following:

- **Efficiency:**

  Personal and societal growth with greater interactions and impacts through the use of technology (such as freeing up time by automating menial tasks and self-driving vehicles). At an industrial scale, robotics will increase replacing human jobs.
- **Security threats:**

  As the world becomes more digital, our security vulnerabilities increase.
- **Changes in equality:**

  4IR will bring both quality of life but also promote gender equality with automation of tasks at home, freeing up time for woman at work. In the South African context, the divide may increase.
- **Skills gap:**

  The skills to survive in 4IR by 2020 are changing with Complex Problem Solving topping the leader board. Other skills include Critical Thinking, Creativity, People Management, Coordinating with Others, Emotional Intelligence, Judgement and Decision-Making, Service Orientation, Negotiation and Cognitive Flexibility.

2.3.7 Broadband Market Outlook

The mobile internet sector which dominates the South African broadband market, enjoying 90.9% of the total internet access revenue, is forecasted to grow by 11.5% CAGR to R70,3 billion by 2022. Fixed broadband access, especially in the 10-30Mbps brackets, is to increase to 22% of households in 2022 with forecasted revenue close to R10 billion. SENTECH is positioning itself to play in the fixed wireless broadband market by leveraging on its network deployment capabilities and high sites.

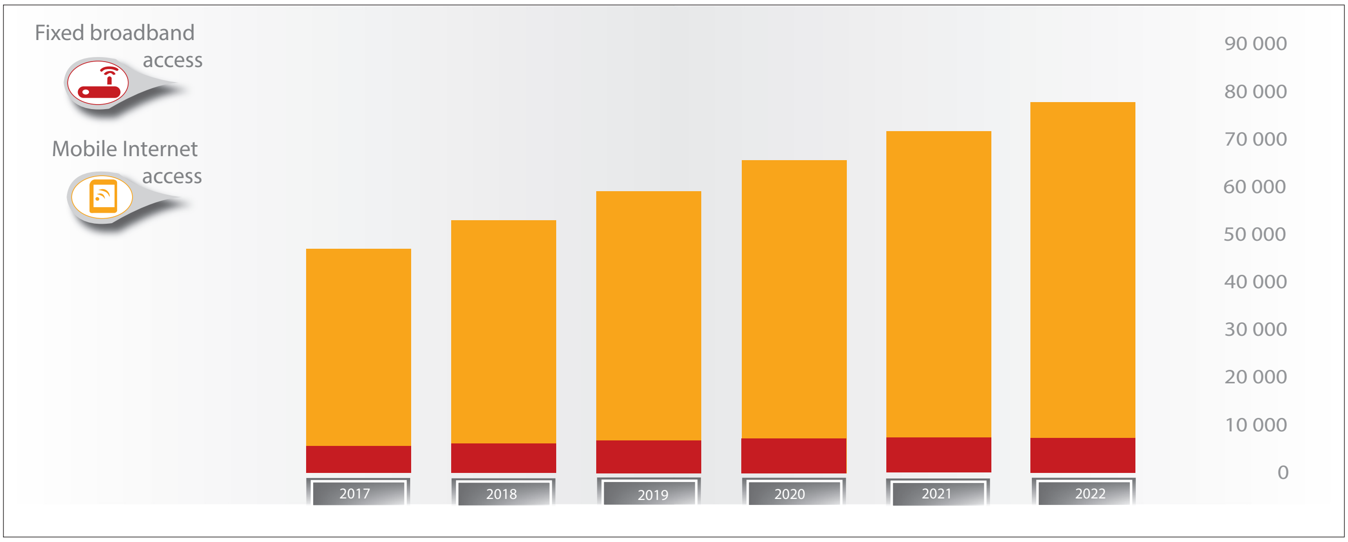


Figure 8: South Africa: Fixed and Mobile Internet Access Revenue 2017-2022 (R millions)

The South African fixed broadband penetration was at 14% in 2017 and projected to increase to 22% by 2022. This indicates opportunity growth in this market.

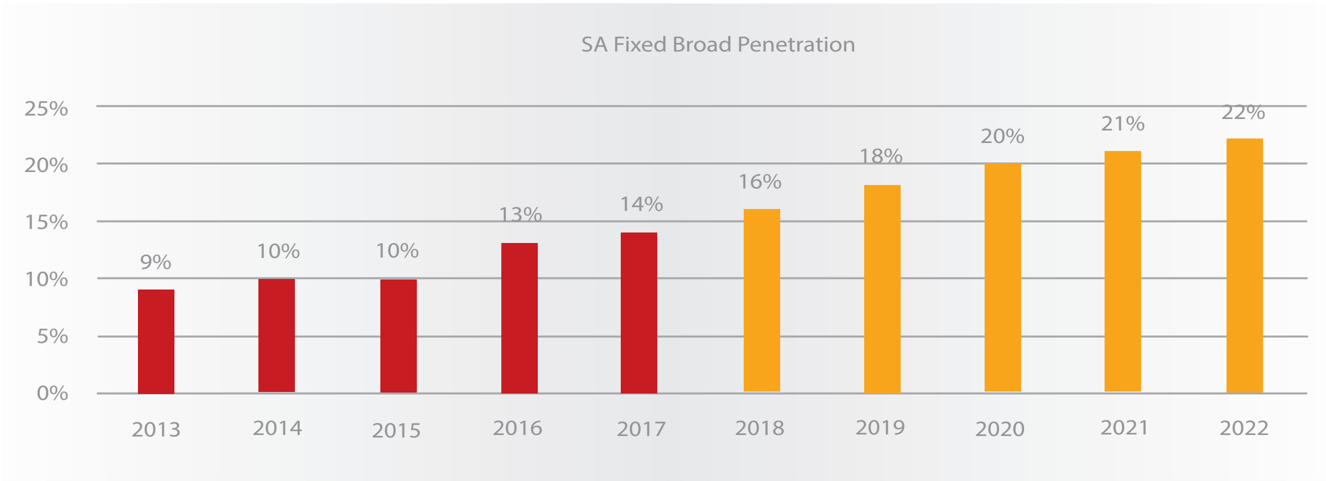


Figure 9: South Africa Fixed Broad Penetration

2.3.8 Opportunities and challenges for SENTECH

- Revenue diversification in the digital media market;
- Upskilling of employees on digital skills and new technologies to address the rapidly changing consumer needs and align to the demands of the Fourth Industrial Revolution; and
- The development of innovative products and services relevant to both existing and new customers.

2.4 Business Strategy

2.4.1 Background

SENTECH has developed a Corporate Strategy that responds to challenges and the changing market conditions.

SENTECH's strategy is to defend traditional broadcasting media revenue streams, whilst pursuing diversified revenue and profitability growth. This will be achieved by offering wireless broadband solutions and innovative digital content delivery to new markets; through operational excellence, strategic partnerships and acquisitions enabled by a high-performance culture. We are developing this high performance culture as our competitive advantage.

To address the current challenges the organisation faces, SENTECH has adopted an '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.

SENTECH's traditional core business has been broadcasting signal distribution in South Africa which contributes 94% of gross revenue through TV and Radio. The 5% comes from Facilities Leasing whilst the remaining 1% from connectivity services through Very Small Aperture Terminal (VSAT).

In line with its Growth Strategy, the organisation will focus on revenue diversification where content and media will make up 40% of revenues, infrastructure and connectivity will generate 60% of revenues, underpinned by building broadband capability and innovation.

2.4.2 Seven Strategic Pillars

The Corporate Strategy is aimed at ensuring sustainable business growth. 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 Corporate Strategy hinges on the Seven Strategic Pillars as shown below, namely, growth, innovation, customer centricity, culture change, operational excellence, transformation and reputation.

STRATEGIC PILLERS

	OBJECTIVES	STRATEGIC INITIATIVES
GROWTH	- Maximum company value - Diversified income - Increase profitability	- Pursue merges & acquisitions - Form strategic alliances and partnerships - Establish wireless broadband business - Pursue opportunities in Pan-African markets
INNOVATION	- Product & platform innovation	- Learn Startup programme - 5G Trials - Establish Sentech Innovative Centre
CUSTOMER CENTRICITY	- Best customer experience - New customer attraction and retention	- Customer engagements - Innovative initiatives - e-commerce channel initiative -Tariff review - Market & customer intelligence - Network availability
CULTURE CHANGE	- High Performance culture - Engaged employees	- Leadeship Excellence training - Develop digital skills - Living the SENTECH WAY initiative - Creativity time initiatives
TRANSFORMATION	- Contribute to industry transformation goals	- Enterprise Supplier Development - CSI initiatives - Socio-Economic Development - Skills Development - Employment Equity Plan
OPERATIONAL EXCELLENCE	- Improve service delivery and efficiency - Available network - Improved cybersecurity	- Workplace digitisation initiatives - DTT network stabilisation - Cybersecurity initiative - Develop project management capabilities
SENTECH REPUTATION	- Increase brand equity	- Stakeholder management initiatives - Performance information management - External & internal communications - Brand management - Ethics training

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 3, 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	Manufactured Capital	Intellectual Capital	Human Capital	Social & Relationship Capital	Nature Capital
Growth	X	X	X		X	
Innovation			X			X
Customer Focus					X	
Culture Change				X	X	X
Transformation			X	X	X	
Efficiency	X	X				X
Reputation					X	

Table 3 Alignment with Six Capitals

SENTECH is confronted by business 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 above. The business operational model set out in figure 11, 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.

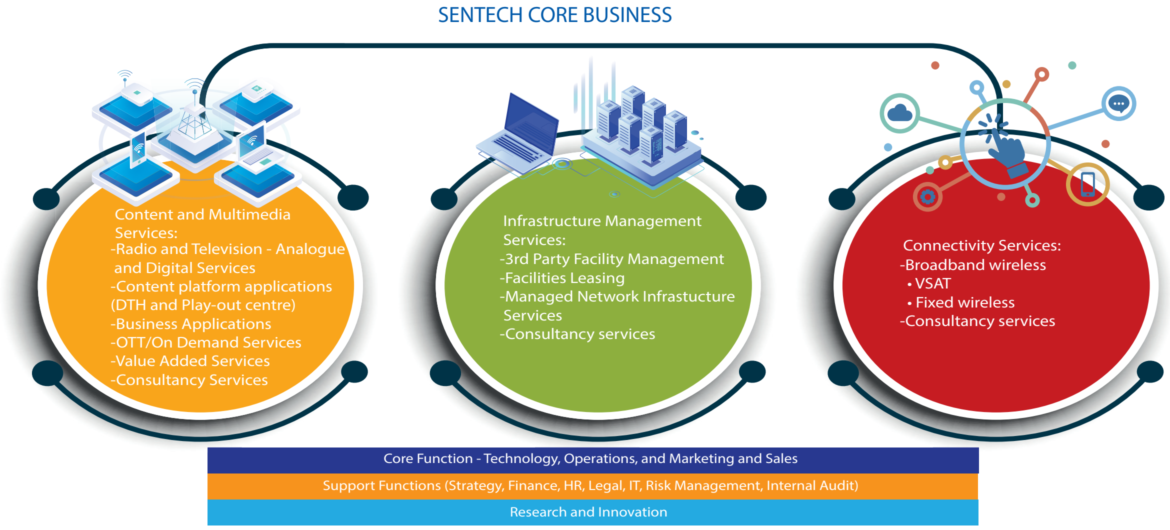


Figure 11 – Operating Model

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. 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 this performance period, risks were managed on an enterprise-wide basis. Effective risk management is fundamental to the business activities. SENTECH has a comprehensive Risk Management Programme, which has been implemented across all of its operations. By identifying and proactively addressing risks and opportunities, the entity 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 entities' business and/or operations.

1. Current and new products

Risk description	Entrance of disruptive technologies and new competing players in the market.
Mitigations	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.

Risk description	The impact of the SOC rationalisation process and the absence of policy direction on digital broadcasting.
Mitigations	SENTECH participates in the SOC rationalisation Steercom and processes. Regular engagements with the Department of Communications, DTPS and ICASA on the regulatory policies that impacts on SENTECH, in particular, the Broadcasting Policy.

3. Ageing infrastructure

Risk description	Delayed Analogue Television network switch-off and technology obsolescence.
Mitigations	SENTECH has deployed a national DTT network to replace analogue infrastructure. An ASO plan to spearhead the migration process has also been developed. Solution replacement plans and programmes are in place for ATV, FM, MW and VSAT. Continuous engagement of the DoC, DTPS and other key stakeholders through DTT Project Management Office to expedite commercialisation of DTT services and ASO.

4. Physical and Cyber security

Risk description	Inadequate physical security measures in remote sites, Cybercrime and deterioration of socio-economic status (crime- effect on operations).
Mitigations	Approved Physical Security Strategy that is linked with the Cyber Security Strategy is in place. Engagement with some communities. Sourcing of partners for implementation of the plans for National Key Points and IT security.

5. Financial sustainability

Risk description	Exposure to foreign exchange rates fluctuations; Increased costs of operations and delayed ASO which has an impact in dual illumination and technology obsolescence as well as credit downgrades of South Africa during the year by the rating agencies.
Mitigations	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 of the Shareholder and other stakeholders to expedite ASO.

Table 4 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 the entities commitment on zero-tolerance to fraud and corruption. During the year (2019), there were three fraud incidents that were reported and investigated. It was found that two of the incidents have been closed and appropriate steps taken to address the issues. 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 predetermined objectives and the seven consecutive clean audit attests to the rigour and robustness of management of risk by the Entity. Significant strides have been made in embedding risk management within the Entity and plans are in place to improve the process further, going forward.

Operational Performance

3 OPERATIONAL PERFORMANCE

3.1 Chief Financial Officer's Report

3.1.1 Overview

Mr Siphamandla Mthethwa
Chief Financial Officer

During the 2018/19 financial year, we delivered on the key business targets that were set out in the Corporate Plan (Annual Performance Plan) despite challenging economic conditions within the broadcasting sector and the entire ICT industry. SENTECH experienced these headwinds first-hand with revenue growth being below the average Consumer Price Index (CPI) for the year. We are responding to these developments by working on new innovative solutions collaboratively with customers and key strategic partners. SENTECH's core operations generated positive cash flows and reported a 17% growth in the net profit margin when compared to the comparative year.

We are pleased to report that the balance sheet has improved with cash resources reported exceeding R1 billion and zero interest-bearing debt. Investment in the existing network continued to ensure reliable and efficient network performance, whilst DTT dual illumination period is beginning the end of its life when some analogue transmitters were switched off.

The Company has reviewed the impact of the financial performance on the ability to continue operating as a going concern within the current economically challenging environment and resolved to enhance the Capital Allocation Strategy to prioritise organic growth, actively pursuing mergers and acquisitions whilst prudently introducing leverage to the balance sheet.

3.1.2 Financial Results

The key highlights on financial performance are set out in table 5:

Description	Year ended 31-Mar-19 R'000	Year ended 31-Mar-18 R'000	Year ended 31-Mar-17 R'000	Current
Turnover	1 399 127	1 349 590	1 232 619	Revenue growth 4%
EBIT	141 738	141 990	33 955	
EBIT margin %	10%	11%	3%	
Net Profit After Tax	182 726	152 792	104 153	Investment in analogue network whilst DTT network remains on air but generating no revenue until ASO
Cash generated from operations	74 974	(123 047)	92 486	
Acquisition of property, plant and equipment and intangible assets	(78 837)	(110 216)	(274 615)	

Government grants received	**177 305**	215 789	87 719	Cash resources preserved for growth increased by 21%
Cash balances	**1 112 407**	916 149	907 357	
Total equity	**2 209 875**	1 920 014	1 767 472	
Return on Equity	**8%**	8%	6%	

Table 5 Salient Features-31 March 2019

Revenue increased by 4% (R49,5 million) in a challenging economic environment. The increase was a result of the inflationary increase in the content and multimedia services. Despite the marginal growth in revenues, we have managed to report a net profit after tax of R182 million as a result of cost containment measures, negotiated satellite costs and an increased investment income. SENTECH managed to improve its cash flow position closing the year at a cash balance of R1,1 billion, an increase of R196,3 million from prior year. This was through rigorous collection measures implemented and grant funding received from the Shareholder. The overall outcome of these initiatives is the maintenance of a return on equity ratio of 8% when compared to the previous financial year.

The Company has actively monitored the investment that has been made in the DTT migration project and we are pleased that the infrastructure has commenced its commercial phase. When dual illumination ceases, the existing technologically impaired analogue network is switched-off and our strategy is to proactively manage the further investment in the old network through innovative solutions. The large proportion of the R66 million investment made was for enhancing the current network performance in line with customers' service level agreements.

The Company has also managed to maintain a balance sheet free of interest-bearing debt despite the challenging economic conditions. The debt level realised is within the Company's target of 40 (debt): 60 (equity) and gearing limits of other industry peers. To achieve our strategic objectives, we have continued to focus on effective risk management and compliance to applicable laws and regulations. Our risk philosophy and tolerance levels were considered, when investment decisions and business opportunities were pursued.

3.1.3 Outlook

The continuing operations revenue is expected to grow by a single digit in the medium-term whilst initiatives to enhance the service offerings through diversification and mergers and acquisitions would shift the performance to double-digit growth. Investments will be pursued that drive this strategy with the primary focus for the 2019/20 financial year being on Connectivity, Mergers and Acquisitions and expansion into the Pan–African markets.

Mr S. Mthethwa
Chief Financial Officer

3.2 Chief Operations Officer's Report

3.2.1 Overview

Mr Tebogo Leshope
Chief Operations Officer

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 organisation's 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 (both Analogue and Digital) and Data services across South Africa and beyond SA borders.

The following tables provided the SENTECH value chain, revenue and network performance information.

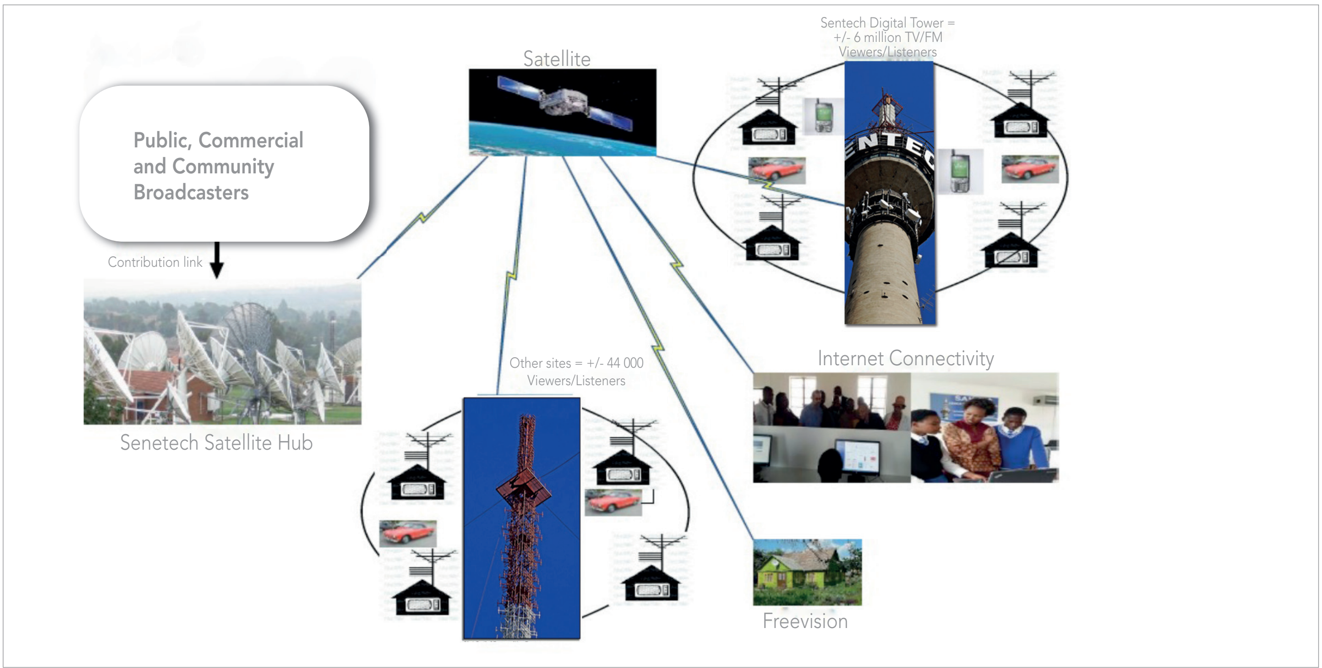


Figure 12 Signal Distribution Value Chain

Driven by the organisation's growth and sustainability objectives, SENTECH focused on the creation of new core capabilities, continuity of services, business growth, enhancing operational efficiency, improving the work conditions and sustainability of the environment within which we operate. These focus areas are critical to elicit creation of value for customers, the Shareholder and employees and ensure long-term sustainability. During the year under review, SENTECH set a revenue target of R1,290 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, MW and Connectivity services, SENTECH exceeded its network availability target by achieving 99.85%

WANA against its set target of 99.8%. The main drivers for over-achieving on this critical objective during the past year are efficient platforms management (corrective and preventative maintenance) coupled with technology refreshes.

Product Performance
The CAMS currently account for 93% of the SENTECH revenue base, while MIS accounts for 6% of revenue, with the smallest contributor being C&MS at 1%. Overall revenue increased by 4% from the previous year mainly due to network expansions on the signal distribution part of the business, however, this is expected to flatten in the following financial year as growth will be constrained by the availability of frequencies for FM and the migration from analogue to digital for the other two terrestrial television broadcasters and the termination of SW.
Network Performance
SENTECH exceeded the Corporate Plan network availability target of 99.80% and delivered an overall weighted network availability of 99.85% across its Terrestrial Television, Terrestrial Radio, Satellite and Connectivity platforms. This year, the Digital Terrestrial Television availability figures were also added to the over WANA. This referred only to the commercial services on this platform. Figure 13 sets out SENTECH's network performance for the past year across all platforms,

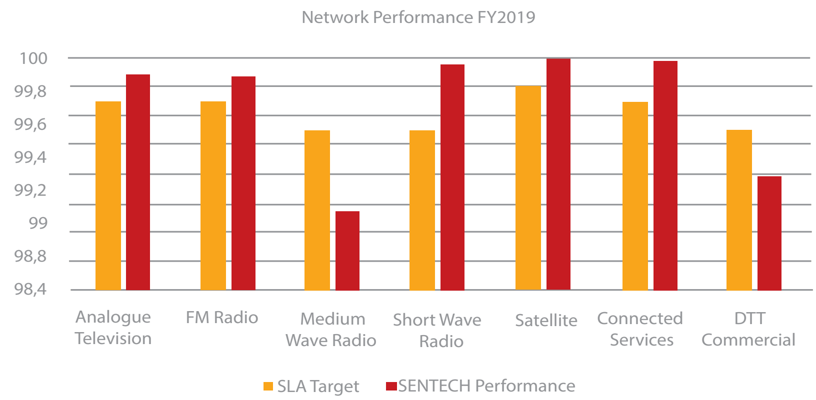


Figure 13 – Network Performance Per Service

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

Service Interruption Analysis

While SENTECH has been able to exceed the network availability target for the past years, the organisation remains challenged with cable theft, power supply continuity and the reliability of third party contribution linking services. A process of enhancing security at prone SENTECH sites has commenced, a total of 12 theft prone sites security levels were improved during the year. In addition, the SENTECH Head Office and SENTECH Tower Closed-Circuit Television (CCTV) systems were upgraded. It remains notable that power supply instability, which accounts for 79% of all network failures, remains the main contributor. This is mainly attributed to power supply instability which is further exacerbated by the national load shedding strategy implemented by Eskom.

3.2.2 Product and Network Performance

The media and connectivity core services platforms were successfully managed over the period, leading to achievement of the 99.85% against the corporate network availability of 99.8%. SENTECH improved the information technology governance and control environment during the year to break a six-year high, with 85% overall improvement on the IT control environment.

3.2.2.1 Content and Multimedia Services

3.2.2.1.1 Analogue Television (ATV)

Product Performance
The TV product achieved a 6% year-on-year growth and yielded revenue of R651 million (2017/18: R615 million). ATV increased above inflation primarily due to DTT commercialisation for the 2017/18 financial year. The highlight for the year for television was the ongoing DTT migration programme in the Free State province with Senekal being fully digital and various provinces are in the process of registration for DTT subsidised decoders. With the country in transition from analogue to digital television, the continued focus within television was the commercialisation of the platform and formalisation of Service Level Agreement (SLA) negotiations with broadcasters. SENTECH demonstrated its OTT capabilities at the AfricaCom event, and product development is currently underway.
Network Performance
During the 2018/19 financial year, the ATV platform exceeded the set service level target of 99.70% by achieving the network availability of 99.88%.

3.2.2.1.2 Terrestrial FM

Product Performance
The FM product achieved a 5% year-on-year growth and yielded revenue of R328 million (2017/18: R313 m). Growth for FM during this financial year was the addition of 6 new community radio services which were activated during this financial year.
Network Performance
During the 2018/19 financial year, the FM Radio platform exceeded the set service level target of 99.70% by achieving the network availability of 99.87%.

3.2.2.1.3 Medium Wave

Product Performance
SENTECH operates a network of 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 2018/19 financial year, SENTECH provided MW services to two SABC radio stations, two commercial radio stations and five community radio stations. The MW product achieved a -9% year-on-year growth and yielded revenue of R10 million (2017/18: R11 million). MW's decreased revenue was primarily due to the commercial dispute between SENTECH and a radio broadcaster.
Network Performance
During the 2018/19 financial year, the MW Radio platform did not achieve the set service level target of 99.50% by achieving the network availability of 98.95%.

3.2.2.1.4 Short Wave

Product Performance
During the 2018/19 financial year SENTECH provided SW services to 2 SABC stations and three commercial broadcasters. The SW product achieved an 8% year-on-year growth, the increase is primarily due to annual increases and exchange rate variance. This yielded revenue of R28 million (2017/18: R26 million). The organisation retired the unsustainable Short Wave operations and notified all SW customer of the switch off that commenced on 1 April 2019. The evolution from analogue SW to digital SW is still in the planning phase, with most broadcasters showing their reluctance to migrate due to availability of digital radios in the African market.
Network Performance
During the 2018/19 financial year, the SW Radio platform exceeded the set service level target of 99.50% by achieving the network availability of 99.96%.

3.2.2.2 Connectivity Services

Against the backdrop of pedestrian media services growth, the organisation created new broadband capabilities focusing on the South Africa Connect (SA-Connect), public sector and other markets. The broadband capabilities were successfully launched during the year, with operations in the OR Tambo and Pixley-ka-Seme districts, targeting expansion to other market areas in the following years.

Product Performance
SENTECH operates a Fixed Wireless and VSAT Broadband platform on Ku-band and Ka-band to provide connectivity to government institutions, enterprises and individual users to internet and VPN solutions. This broadband network is supported and maintained to ensure continuous service availability, particularly to government departments. The connectivity product has achieved a 13% year-on-year growth and yielded revenue of R9 million (2017/18: R8 million). The revenue performance was largely due to the new Eastern Cape VSAT contract, tariff increase and the few new connections for transactional service customers. SENTECH connected 40 sites via VSAT in Eastern Cape rolling out wireless LAN and firewalls to the sites. SENTECH has positioned itself to play a significant role in the SA Connect project. SENTECH rolled out 33 sites for phase 1A SA Connect project and has been awarded 59 sites for SA Connect phase 1B and will be rolling the sites through the appointment of the Small Medium Micro Enterprises (SMMEs) as required by the contract. The Company will focus on providing wireless broadband services in support of the SOC-nominated beneficiaries that will lead the broadband rollout and is currently busy with the Gauteng Broadband Network project. The Company managed to demonstrate e-Learning and Telemedicine solutions through a partner and is currently developing A-Go-To Market Strategy for the wireless solution. The Company is also involved in the Internet for All project in partnership with Satellite providers. Already 12 sites were connected this year.
Network Performance
During the 2018/19 financial year, the Connectivity Platform exceeded the set service level target of 99.70% by achieving the network availability of 99.98%. The replacement of the HUB resulted in a significant improvement in performance over the previous two years of the MTEF.

3.2.2.3 Satellite Network

To ensure the long-term sustainability of the Company, we are working toward achieving an efficient operating model in delivering our mandate and services. The organisation optimised use of its satellite capacity resources to achieve 6% efficiency gain on satellite.

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 -4% year-on-year growth and yielded revenue of R157 million (2017/18: R163 million). The decrease in DTH-S revenue is due to contracts renegotiations that took longer than anticipated and lost billing. One of the empty transponders were returned to the supplier, which will see an operational cost saving for the organisation.
Network Performance
During the 2018/19 financial year, the Satellite Platform exceeded the set service level target of 99.80% by achieving the network availability of 99.99%.

3.2.2.4 Infrastructure Management Services

SENTECH rents out over 220 sites to more than 90 service providers (public and private) who use the infrastructure for various communication services. The connectivity product has achieved a 9% year-on-year growth and yielded revenue of R85 million (2017/18: R78 million). 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. MIS approved ramp-up plan is in implementation stage, with progress made in signing eight traditional councils and one municipality for 3rd party leasing.

3.2.2.5 Environmental impact

We made good progress on a number of environmental compliances and improvement of our working conditions on projects across the organisation. SENTECH improved its offices in the Western Cape and the Honeydew head offices, with its safety performance also improved from 0.0642% in the 2018FY to 0.0252% in the 2019FY, well below the 1% limit, largely because of safety awareness campaigns and a zero-tolerance approach to safety incidents.

Our Smart energy solutions combined with introduction of energy efficient technologies has enabled the organisation to achieve value retention with a 12.46% efficiency gain on energy for the year. Although the year was challenged by load shedding, resulting in use of increased diesel power, we made significant progress on our carbon footprint reduction process, achieving 117 498 tons of carbon dioxide emission (tCO2e) compared to 124 110 tCO2e for the previous financial year. We are deploying an energy mix strategy with introduction of green energy, targeting to positively impact our carbon foot print.

3.2.3 Looking ahead

The 21st century quantum technology shift requires proficiency and agility to secure market share within the window of opportunity to remain future fit. The SENTECH Technology Strategy considered the technology and consumer evolution realities and challenges in context below:

Future of Television and Radio

Traditional media services will evolve through digitisation and introduction of alternative platforms, to drive operational efficiency and enhance consumer experience. The 5th generation technology will drive media services evolution going into the next MTEF period, and SENTECH will deploy 5G technologies in collaboration with the market and key customers to explore use cases and enhance value to consumers.

Changing customer needs

Customers and modern-day consumers of content want to be connected on any-devise, any-where and any-time. To meet these consumer needs, SENTECH will expedite introduction of mobile and broadband services. Consumers are also demanding technological efficiencies, putting pressure on traditional media and older platforms, our focus is to conclude the television migration, introduce digital radio, expand offerings through OTT services, development of the SA-based satellite and expansion of the broadband coverage across the country.

Increasing technological innovation

Introduction of online, cloud and 5G services will allow SENTECH flexibility to expand to new market outlets. Although this reality may destruct the current SENTECH core, we are embracing the vitality of change for long-term sustainability of the organisation. Leveraging the 4th industrial revolution technologies, Cyber security, Energy efficiency, and Satellite capacity efficiency are key focus areas for the organisation in the following MTEF term.

Mr T. Leshope
Chief Operations Officer

3.3 Performance against Shareholder's 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 obligations, remain aligned to Shareholder priorities and ensure financial sustainability. There was a total of 9 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 6:

Strategic Goals	Strategic Objectives	KPIs	Annual Target	Actual Performance	Achieved/ Not Achieved	Variance Explanation
SG 1: Sustainable business growth	Increase sales revenue	Revenue growth by 8–10% annually	R1,290 million	Revenue R1,268 million	Not Achieved	Revenue of R1,268 million below set target due DTH which was 23% below budget as three long-term channels terminated their services and Connectivity performed 41% below budget due to the delay in billing for SA Connect
	Increase Earnings Before Interest and Tax (EBIT)	Increase Earnings Before Interest and Tax (EBIT) R125 million	R125 million	Achieved R142 million	Achieved	This was mainly due to less operational costs than planned
	Contribution to socio-economic transformation	5% spend of allocated budget on Enterprise and Supplier Development (ESD), NPAT spend 1.5% on Socio-Economic Development, and Skills Development wage expenditure (3%)	5% spend of allocated budget on Enterprise and Supplier Development (ESD), NPAT spend 1.5% on Socio-Economic Development and Skills Development wage expenditure (3%)	For the period under review, ESD spend was 6.07%; SED at 2.45% and 3.54% on Skills Development wage expenditure	Achieved	Improved planning and execution have resulted in the attainment of this Key Performance Indicator (KPI)

Strategic Goals	Strategic Objectives	KPIs	Annual Target	Actual Performance	Achieved/ Not Achieved	Variance Explanation
SG 2: Achieve high levels of customer satisfaction	Achieve Clean Audit	Clean Audit Achieved	Clean Audit Achieved	Clean Audit Achieved	Achieved	Focus on execution has resulted in the attainment of this KPI.
	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%	Achieved 99.85% of Weighted average network availability	Achieved	Better network management resulted in attainment of this KPI
	Enhanced customer orientation	Customer satisfaction level of 80%	Achieve 80% customer satisfaction level	Customer satisfaction level of 65%	Not Achieved	The customer satisfaction survey revealed several areas of improvement including the perceived lack of innovation and the need to digitise and streamline processes to deliver better customer experience
SG 3: Build a high-performance culture	Enhance human capital development	85% of planned training interventions on digital skills implemented	85% of planned training interventions on digital skills implemented	163% of training interventions on digital skills implemented	Achieved	Training activities and requests have been proactively driven in line with the annual training plan, resulting in the achievement of the set target
	Enhance innovation	Two digital products developed (Fixed Wireless and OTT platforms)	2 digital products developed	2 digital products (OTT and Fixed Wireless) developed	Achieved	Improved planning and focus on delivery yielded the desired results
	Support SA Connect through delivery of Internet for All Project	4 Broadband sites connected in support of Internet for All	4 Broadband sites connected	6 Broadband sites connected	Achieved	Improved stakeholder engagement and planning contributed to achieving this KPI

Table 6 Annual Performance Report

3.4 Strategic Priorities

3.4.1 Revenue and profitability growth

As part of our growth strategy, the organisation will pursue both organic and inorganic growth strategies through building a broadband business, strategic partnerships and acquisitions to realise revenue diversification. The organisation will build a wireless broadband business in fulfilling its mandate and has invested in several refresh technologies to enhance the performance levels of its connectivity services to service its existing and future clients.

3.4.2 Innovation and digitisation

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.

3.4.3 Pan-African Satellite Project

The organisation has developed a business plan for a communication Pan-African Satellite as a means to address the cost of communication and to achieve the country's broadband objectives. SENTECH participates in the Project Management Office that the Department has established to ensure delivery of the project.

Value Creation

4 VALUE CREATION

4.1 Financial Capital

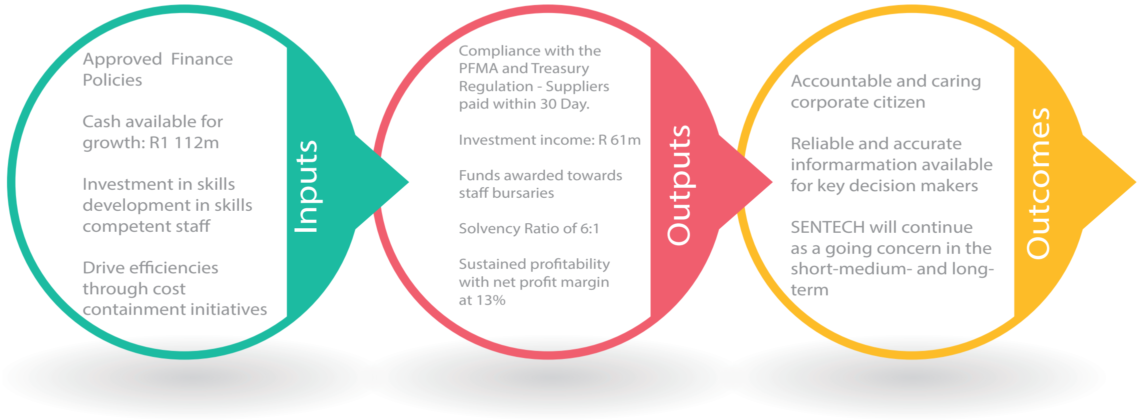


Figure 14 Financial Capital

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

4.1.1 Financial Capital Creation

The 2018/19 financial year was characterised by weak economic growth which contributed to the sustained financial difficulties for the Company's major customers and their ability to consistently meet their payment terms. The overall cash resources were maintained at R1 112m despite the sharp increase in debtors' book due to renegotiated payment arrangements agreed with customers. Additional interventions that enabled the strong financial position, included the following: robust investment strategies yielding investment income of R61 million, continued investments in employee development through funds towards bursaries, solvency ratio of 6:1 achieved and sustained profitability with net profit margin of 13%. 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. We also committed to pay SMMEs within 15 days. This supports SENTECH's suppliers so that they may continue as a going concern without the need for short-term financing.
- Generating sufficient cash to pay employees market related salaries, implementing its Corporate Social Investment (CSI) related plans and contributing to the fiscus by way of paying tax on profits made.

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 sizeable amount invested towards CSI and ESD related projects.

	2019	2018
Revenue	1 399 127	1 349 590
Expenditure	(789 136)	(781 942)
Value added by Operations	**609 991**	**567 648**
Other income	515	294
Interest income	81 752	67 415
Total wealth created	**692 258**	**635 357**
Distributed as follows	509 532	482 565
Salaries & Wages	453 069	415 918
ESD, SED & CSI	19 703	14 213
Government - Taxation	36 760	52 434
Re-Invested	**182 726**	**152 792**

Table 7 Value Added Statement

Figure 15 Value added activities 2019 vs 2018

4.2 Manufactured Capital

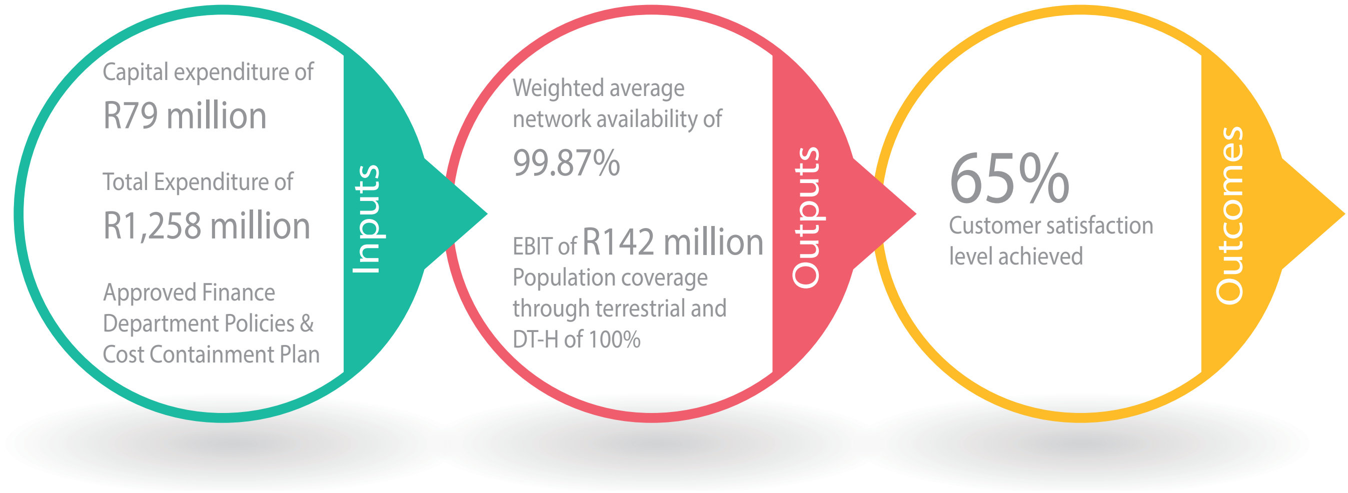


Figure 16 Manufactured Capital

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 2018/19 financial year, SENTECH invested capital expenditure amounting to R79 million and operational expenditure amounting to R1,258 million, primarily for innovation, technology enhancements and continuity of business operations.the 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 Weighted average network availability of 99.87%, against a target of 99.80%.
- SENTECH has strong Statement of Comprehensive Income and Position as evidenced by its EBIT of R142 million.

4.3 Social and Relationship Capital

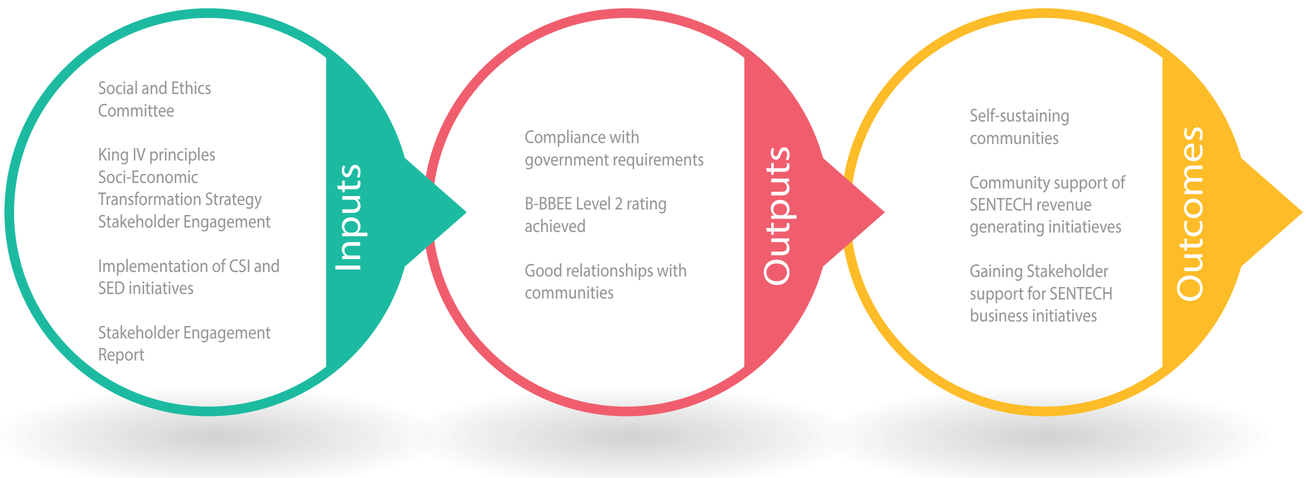


Figure 17 Social and Relationship Capital

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

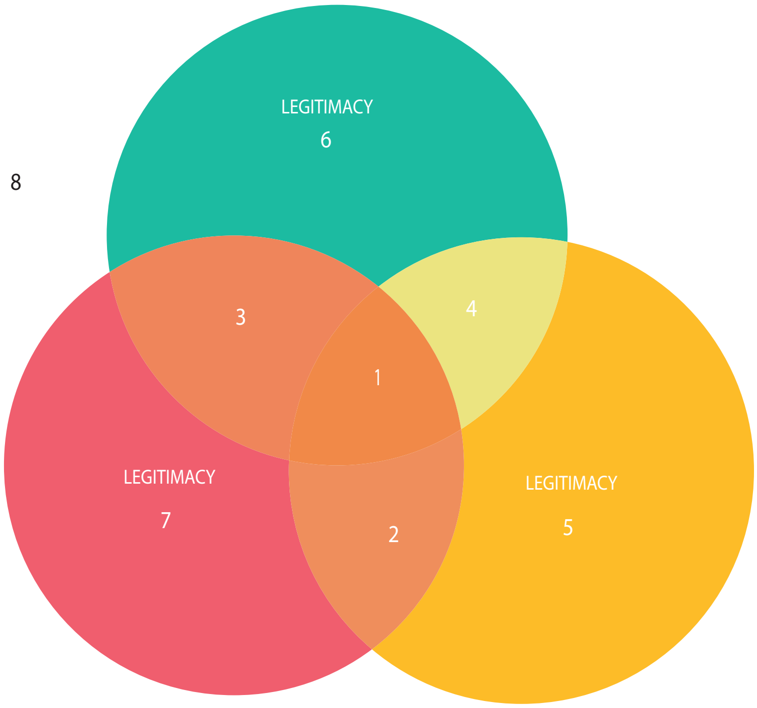
4.3.1 Stakeholder Relationships

Stakeholder relationships impact on the environmental responsiveness to the business, its sustainability and reputation. Due to the importance of stakeholder engagement and management of its processes, it remains an integral part of the Risk Management Framework. Every aspect of the Company interacts with stakeholders who are relevant to that particular part of the business.

Stakeholder relationships are strengthened through rigorous engagement monitoring and evaluation, utilising outcomes-based reporting. Stakeholder Relationship oversight is provided by the Social and Ethics Committee, ensuring that relationship management is yielding the desired results.

SENTECH prioritises stakeholders based on three elements, namely, Legitimacy (alignment to SENTECH's position and views), Power (the ability to influence environment or decisions) and Urgency (the urgency of issues being dealt with and the impact of time on the subject matter).

The image below illustrates SENTECH's mapping process.



Types of stakeholders

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: Decretionary - Low engagement
7: Dormant - Low to none engagement
8: Non-stakeholder - No engagement

Table 8 sets out each Stakeholder's expectations and the engagements held in response thereof.

Stakeholder	Profile	Stakeholder Expectations	Issues Raised	How have we Responded	Frequency and Mode of Interaction
Shareholder	Government (DTPS)	ICT development and contribution to economic growth Achievement of strategic goals	Rationalisation of SoC within the DTPS	Submission of reports and presentations SENTECH made recommendations to DTPS working group on SoC rationalisation	Quarterly interactions and ad-hoc meetings where necessary
Government	DoC	Broadcast industry development and contribution to economic growth DTT rollout	Delays in ASO and the cost of dual illumination threatened the sustainability of SENTECH	Support of DTT awareness campaigns with other broadcasting stakeholders Process of stabilising the network for DTT commercialisation	Standing weekly Project Management Office (PMO) meetings Ad-hoc DTT awareness campaigns with other broadcasting stakeholders
Employees	People employed by SENTECH	Conducive, empowering and fair working environment	Establish an Employee Equity and Skills Development Forum	An Employment Equity and Skills Development Committee was established and is functional	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

Stakeholder	Profile	Stakeholder Expectations	Issues Raised	How have we Responded	Frequency and Mode of Interaction
Suppliers	Various suppliers of goods and services	Collaboration and payment on time Sustainability of their business enterprises	Lack of ICT SMME development and growth	Collaboration and payment on time Sustainability of their business enterprises Support of SMME development	This initiative is driven through SEED Programme, where SMMEs are given an early payment benefit of 10 days over the normal Company payment terms 109 SMMEs benefit from SENTECH's favourable payment terms
Regulator	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 audit and perception 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 Hay grading system	Ongoing consultation and engagement between management and labour on issues that impact on employees	Meetings between labour and its constituencies and management

Table 8 - Stakeholder Interactions

4.3.1.1 Social and Community

SENTECH believes in the concept of shared value as a corporate citizen, building relationships and contributing to communities adjacent to its operations as well as programmes that focus on STEMI. During the financial year, SENTECH's programmes focussed on education, sports and connectivity.

SED initiatives together with its outcomes during the 2018/19 financial year.

Initiative	Outcome
Maths and Science Centre	The Kutlwanong Centre for Maths Science and Technology, in partnership with SENTECH, offers extra Mathematics and Physical Sciences education in previously disadvantaged communities. The programme supports 10 schools in the Mabopane-Winterveld area. The Centre enrolled 150 learners during the year under review. There was clear improvement in the learners' performance since the intervention. A total of 29 distinctions were obtained in the Maths and Science matric results. Two of our learners were recognised at the Gauteng Provincial Awards.
Provisioning of Broadband	SENTECH provided Mindset Network with free Bandwidth for the broadcaster of its Health Channel to selected government clinics around the country. The commercial value of the Bandwidth is R2 637 026. SENTECH's contribution has assisted in equipping under-resourced communities through health education. More than 75% of the beneficiaries are black.
School Connectivity	The Company provided connectivity to 52 schools around the country. This provided learners' access to online material that they would otherwise not have.
Donations	Donation of Smart Boards.

Table 9 - SED Initiatives

4.3.2 Broad-Based Black Economic Empowerment (B-BBEE)

SENTECH is acutely aware of the need for transformation in the 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, 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.

SENTECH remains supportive of the constructive measures in place to facilitate effective transformation in South Africa. SENTECH has embraced the ICT Sector B-BBEE codes and has remained compliant as such.

During the year under review, SENTECH achieved a Level 2 B-BBEE.

4.3.2.1 Management control

Whilst SENTECH has continued to maintain good performance at senior management level in terms 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 employment equity approach, refer to section 4.4.

4.3.2.2 Enterprise and Supplier Development (ESD)

The limited availability of SMMEs to be able to supply services to SENTECH prompted the change in approach by the organisation in 2018/19. SENTECH provided both financial and non-financial support in order to develop new start-ups and SMMEs to remain competitive and sustainable.

The non-financial support was in the form of early payments, which benefitted SMMEs providing the advantage of healthy cash flow. SENTECH also provided advice and mentorship to the SMMEs appointed 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. SENTECH entered contractual agreements with the selected SMMEs, providing capital that was only to be directed to resourcing as per agreement. The funds were used to procure equipment required to provide services, training and certification as well as job creation.

Five entrepreneurs were supported in this regard and all are sustainable and have increased their supply base and are not solely dependent of SENTECH support. Some have managed to contribute to job creation both full-time job opportunities and part-time, including Internship opportunities

4.3.2.3 Preferential Procurement

SENTECH complies with the Broad-Based Black Economic Empowerment Act and shall advance its objectives through the supply chain management. For 2018/19, SENTECH targeted 75% of the CAPEX budget for suppliers with a minimum of 51% black ownership and 30% for companies who are at least 25% owned by black women.

As at March 2019, SENTECH awarded projects worth R81 million in total of which R67 million was awarded to enterprises with a 51% black ownership or more. This represents 82% of the total projects awarded. A total of R51 million was awarded to companies with a 25% or more black female ownership. This represents 62% of the total awarded projects. The awards to SMEs is a total of R25 million (31%) exceeding the 30% target set for the 2018/19.

In order to drive the Transformation agenda more aggressively, the Target for 2019/20 have been set as follows:

- 80% spent on black owned enterprise with a 51% black ownership
- 40% spent on black owned enterprise with a 30% black ownership
- 30% spent on companies who are EMEs (of which 2% must be apportioned to military veterans, 1% to people living with disabilities and 5% to youth)
- 30% spent on companies who are QSEs (of which 2% must be apportioned to military veterans, 1% to people living with disabilities and 5% to youth)

4.3.2.4 Socio-Economic Development (SED)

SENTECH provided Mindset Network with free Bandwidth for the broadcaster of its Health Channel to government clinics in the country. The commercial value of the Bandwidth is R2 million, 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.

4.4 Human Capital

Figure 18 Human Capital

In this regard, SENTECH has adopted various interventions to support its Human Capital, set out in section 4.4.1 to 4.4.10.

4.4.1 Background

The world of work is changing at a rapid pace which requires Human Resources (HR) to deliver cutting edge programmes that will enable the business to grow by building critical skills, attracting and retaining best talent, strengthening the leadership capability and improving the employee experience. This will be achieved by creating an enabling organisational culture that encourages innovation and excellence.

In last year's Annual Report, several specific areas were outlined that were focused on during the current financial year.

4.4.2 Talent Management

SENTECH is committed to being an employer of choice. Research has shown that employees stay with an organisation because they are engaged, enjoy their work and the benefits offered. In order to increase employee satisfaction, retain knowledge and expertise and allow employees to pursue individual career goals, an integrated TM framework to enhance the effort of being an employer of choice was implemented. 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.

Career mobility continues to play a vital role for SENTECH in retaining talent and providing growth opportunities. Career pathways have been created to help employees understand what skills and experience are necessary to move through a career ladder. In addition, succession management plans for critical leadership roles and accelerated development for employees who will be ready to step into critical roles, at the appropriate time, with seamless transition, have been implemented.

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 focused on developing digital transformation and leadership effectiveness capabilities to enhance performance and employee engagement levels.

We achieved our business target of 85%. The business training target for the 2018/19 financial year of 1 507 (85%) training interventions was overachieved. In total, 1 590 training interventions were delivered and an amount of R17 million was spent on training, with R16 million spent on historically disadvantaged groups.

To enable employees to maximise their potential and get the most of their careers, 93 bursaries were awarded to internal staff for the 2018/19 financial year. The total Skills Development (SD) expenditure constituted 3.27% of the payroll expenditure. The payroll expenditure for training human resources is set out in table 10.

Skills Development (SD)	Spend	EE Spend	Average Individual Investment
University Collaboration	R4 500 000	R4 500 000	R300 000 (including Res fees)
Internships	R2 454 397	R2 454 397	R94 399 (including stipends)
Staff Training	R8 222 020	R7 882 670	R19 764
Staff Bursaries	R2 073 357	R2 073 357	R22 294
Total	**R 17 249 774**	**R 16 910 424**	**R 436 457**

Table 10 – 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 fostering 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. The programme is seen as crucial in growing the talent pipeline to meet the future core capabilities and drive the organisation forward. SENTECH awarded bursaries to 15 students to the value of R4,5 million for tuition, project work and research.

Further to enhancing this pipeline and strengthening its bench strength, SENTECH had the pleasure of working with 26 interns. Each intern is matched to a Division within SENTECH, based on their academic qualifications. The programme provides students with a broad view through structured workplace exposure and specialised training. The total spend for the Internship programme was R2 454 397.33.

4.4.5 Performance Management

Performance Management is a best practice approach that ties and cascades strategic goals with the employees' personal work goals performance. SENTECH places increasing importance on managing and developing employee performance holistically and regularly giving feedback and taking appropriate actions.

A key principle underpinning SENTECH's approach to managing performance is ensuring all employees sign performance agreements at the beginning of the financial year and receive regular performance feedback, both informal and formal. In total, 100% of employees signed performance agreements in both management and bargaining levels.

4.4.6 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.

4.4.4 Rewards and recognition

Our Remuneration Policy supports our performance driven culture and our total remuneration is competitive in the relevant markets within which we operate. Reward and recognition plays an integral role in the successful delivery of SENTECH's strategic objectives.

SENTECH has a short-term incentive scheme that is linked to the individual's performance contribution and organisational performance. During the 2018/19 financial year, performance linked bonuses were paid for the management and bargaining levels.

4.4.5 Culture Change

To achieve this transformation and establish a common shared culture, the systems thinking, lean start-up and design thinking programmes were rolled out to support the implementation of the SENTECH WAY and our strategic objectives.

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

4.4.6 Occupational Health & Safety

The occupational health and safety of our employees, clients and contractors is a top priority as health and safety is embedded in our culture. Health and Safety Committees are set up regionally with trained health and safety representatives. Health and safety initiatives, such as first aid kits at all locations, emergency evacuation drills and site inspections to promote health and safety are in place.

We continue to strive for zero fatalities and injuries in the workplace. Our goal is to eliminate incidents, minimise risk, responsibly manage environmental impacts and enable excellence in operations and business performance. The Total Recordable Injury Rate (TRIR) levels are closely monitored and measured by using a safety performance measuring tool which is measured by a number of recordable injuries, multiply by 200 000 as a constant number and divide by the number of man-hours accumulated per month. SENTECH has managed to keep the TRIR levels below the TRIR limit of 1% through awareness programmes and training. The total recordable injury rate for the 2018/19 fiscal year was 0.0252% which is below the TRIR limit of 1%.

4.4.7 Employment Equity

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

The advancement of women and people with disabilities remains a key focus. Our objective is to achieve equal representation across all levels within SENTECH 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 31 March 2019, SENTECH had 531 permanent employees as set out in table 14. The current employment equity statistics reflect that 87% of staff in the organisation is black and 34% female. At top management levels, 100% are black and 36% female; 95% of senior management is black and 45% are female, whilst 79% of specialists and middle management levels are black and 26% female. The Company's people with disability rate is 1.11% of the total staff complement. Due to the low employee turnover, the targets for some of the designated groups at certain levels were not met.

Occupational Levels	Employment Equity Report 2018/19										Total
	Male					Female					
	African	Coloured	Indian	White	Employee with disability	African	Coloured	Indian	White	Employee with disability	
Top management											
Current	5	1	1	0		3	0	1	0		11
Senior management											
Current	9	0	1	1		9	0	0	0		20
Professionally qualified and experienced specialists and mid-management											
Current	46	5	2	17	1	23	2	1	4	1	100
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents											
Current	123	12	9	39	2	105	4	3	6		301
Semi-skilled and discretionary decision-making											
Current	21	1	0	0		20	5	2	4	2	53
Unskilled and defined decision-making											
Current	37	6	0	0		3	0	0	0		46
Total Permanent	241	25	13	57	3	163	11	7	14	3	531

Table 11 - Employment Equity Profile

4.4.8 Personnel Remuneration by Salary Band

SENTECH had 531 permanent employees as at 31 March 2019. The average personnel remuneration total cost per employee is R702 326 with top management accounting for 6%, as set out on table 12:

Level	Personnel Remuneration	% of Total Personnel Cost	No. of Employees	Average Personnel Remuneration per Employee
Top management	R23 145 994	6%	11	R2 104 181
Snr management	R26 237 949	7%	20	R1 311 897
Professional qualified	R104 899 331	28%	100	R1 048 993
Skilled	R184 054 248	49%	301	R611 475
Semi-skilled	R20 636,984	6%	53	R389 377
Unskilled	R13 960 631	4%	46	R303 491
Total	R372 935 137	100%	531	R702 326

Table 12 - Personnel Remuneration

4.4.9 Employment and Vacancies

Table 13 sets out SENTECH's employee turnover and the recruitment profile:

Programme	2018/19 No. of Employees	Approved Posts	Planned to be Filled	2018/19 No. of Employees	Vacancies	2018/19 Vacancies planned to be Filled	Vacancy Rate on planned Posts
Top management	10	11	11	11	0	0	0%
Senior management	19	23	21	20	3	1	5%
Professionals	101	121	121	100	21	21	21%
Qualified	306	338	326	301	36	24	7.9%
Semi-skilled	53	57	57	53	4	4	7.5%
Unskilled	49	52	50	46	6	6	13%
Total	538	602	586	531	70	56	10.5%

Table 13 - Employee Turnover and Recruitment Profile

4.4.10 Employment Change

Table 14 sets out SENTECH's employment profile as at 31 March 2019. The Company had 56 planned vacancies for the 2018/19 financial year. A total of 9 appointments were made which included the replacement of voluntary and involuntary exits during the year.

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top management	10	2	1	11
Snr management	19	1	1	20
Professional qualified	101	1	2	100
Skilled	306	5	9	301
Semi-skilled	53	1	0	53
Unskilled	49	0	3	46
Total	538	10	16	531

Table 14 - Employment Statistics

4.4.10.1 Reason for Employees' Leaving

SENTECH's turnover rate for 2018/19 was 3%, comprising 56% voluntary (resignations) and 44% involuntary terminations (retirement, dismissals and death), as set out in table 15.

Category	Number	% of Total no. of Staff Leaving
Death	1	6%
Resignation	9	56%
Dismissal	0	0%
Contract expired	0	0%
Retirement	6	38%
Total	16	100%

Table 15 - Reasons for Employees' Leaving

4.4.10.2 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. Employee Relations continuously engages organised labour and management to have consistent application of legislation, policies, rules and regulations within the workplace.

4.5 Intellectual Capital

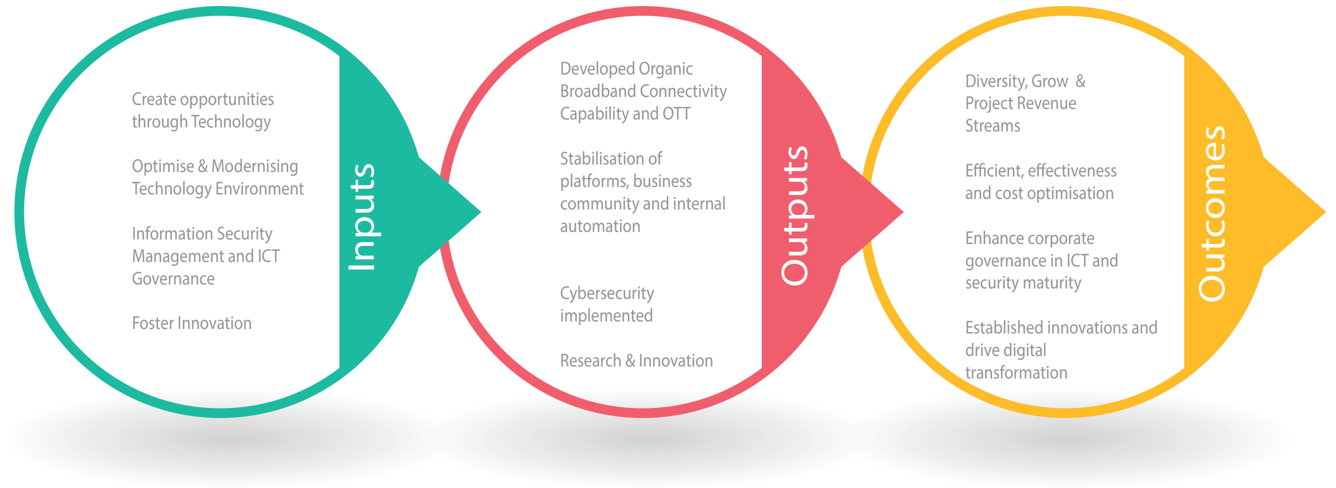


Figure 19 Intellectual Capital

4.5.1 Background

SENTECH's Technology Strategy was focused on forecasting technology, designing and deploying engineering and technology platforms and solutions in a way that supports the organisation to achieve its strategic objectives. In this regard, SENTECH has implemented various initiatives which include:

- Leveraging technology to drive opportunity, diversify and protect revenue streams as set out in section 4.5.2;

- Optimising and modernising technology environments for further efficiencies, effectiveness and cost optimisation as set out in section 4.5.3;
- Improved SENTECH security and ICT governance posture as set out in section 4.5.4; and
- Research and innovation as set out in section 4.5.5.

4.5.2 Leveraging Technology to Drive Opportunities, Diversify and Protect Revenue

4.5.2.1 Digital Terrestrial Television (DTT)

DTT is the main platform for SENTECH's broadcast signal distribution business and sustainability. In the financial year under consideration, SENTECH continued to stabilise the DTT platform and served in advisory capacity in the then Department of Communications (most recently integrated into the Department of Postal Services and Communications) PMO to expedite South Africa's transition to the already established DTT infrastructure network.

4.5.2.2 Digital Radio (DAB+)

SENTECH identified Digital Radio as a future growth path for radio content distribution and has developed a comprehensive strategy for next-generation radio services. This evolutionary technology will not only position SENTECH as a leader in digital content delivery but will also position South Africa as a country on cutting edge transitioning the radio sector. 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 and enable South Africa to experience next generation radio services and superior quality through Digital Radio. The Digital Radio pilot has commenced in Gauteng and was showcased at AfricaCom 2018.

4.5.2.3 Over-The-Top (OTT)

SENTECH also implemented a pilot of OTT platform at AfricaCom 2018, which is a state of the art development in the streaming space. SENTECH's OTT enables content over satellite and over DTT without the need for data.

4.5.2.4 Organic Broadband Connectivity Solutions

In order to ensure that its services are available to all (including remote and rural areas), to diversify revenue streams, and in synch with the convergence of Media, Telecommunications and IT industries, SENTECH established and launched its very own Fixed Wireless Broadband solution to complement its VSAT Connectivity Portfolio. The strength of SENTECH's transition into the Connectivity arena is further exemplified by SENTECH's footprint developed for SA Connect during the fiscal. SENTECH's Connectivity footprint has been established in six of the nine provinces which includes provisioning of services for the Internet4All initiative in South Africa.

4.5.2.5 South African Pan-African Satellite Project

SENTECH developed a Business Plan leading towards the development of a South African based Pan-Africa satellite, with the following objectives:

1. To design, develop, launch and manage a Pan-African communications satellite;
2. To own and manage South Africa's sovereign resources (data, public communications);
3. To provide inclusive ICT services for all South Africans to bridge the digital divide;
4. To provide services to SOEs and Public Entities; and
5. To provide media and data connectivity services for Africa at a fraction of the price, reducing the cost to communicate.

A project office has been established to pursue this goal. The South African 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.

4.5.3 Optimising and Modernising Technology Environments

SENTECH has made significant inroads into automation of the environment within the year with developments spanning integration of the Central Supplier Database for optimised supply chain processes; the development and launch of collaboration tools, and automated processes to foster collaboration, improve productivity, ensure business continuity and optimise costs.

4.5.4 Information Security Management and Corporate Governance in ICT

SENTECH has embarked on implementing information security management within the organisation to ensure that SENTECH operates at world-class standards from a security maturity perspective. SENTECH also established its Corporate Governance in ICT framework that ensures compliance in terms of good management practice i.e.: Policies, Enterprise Architecture Controls, Disaster Recovery and Business Continuity Management and Assurance Controls.

4.5.5 Fostering Innovation

SENTECH has defined Research and Innovation (R&I) as one of the critical success factors for the Company's long-term sustainability within the new digital convergence economy. To facilitate its R&I Programme, SENTECH has established a research laboratory and developed an R&I roadmap, together with driving a culture of innovation and entrepreneurship amongst the workforce.

Digital Disruption Technology Strategy Developed

SENTECH has developed and approved a Digital Disruption Technology Strategy for the MTEF that is set to transition SENTECH to be the leader in digital content delivery and being a force to transform South Africa through Media and Connectivity solutions.

4.6 Natural Capital

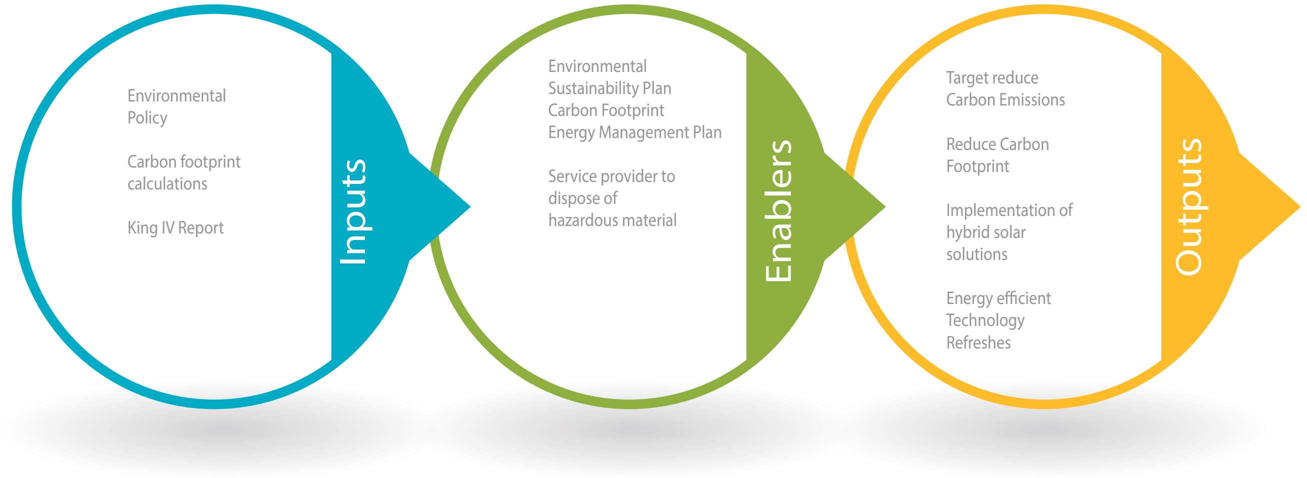


Figure 20 Natural Capital

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

- Stakeholder engagements set out in section 4.3;
- Environmental preservation initiatives set out in section 4.6.1; and
- Lowering carbon emission 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. Some of SENTECH's communication infrastructure is situated in National Parks, farms, reserves, fresh water supplies, etc., therefore requiring SENTECH to 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 its operations to ensure preservation of the environment. The SENTECH internal processes includes:

- Waste Management;
- Technology Disposal Management;
- Hazardous Chemical Management; and
- Environmental Impact Assessment (EIA) compliance.

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

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

The SENTECH position towards environmental management continues to improve and has enabled the organisation not to encounter any significant environmental incidents during the year.

4.6.2 Lowering carbon emission

To ensure continuous improvement, SENTECH established key research projects to further improve on its environmental preservation objective, namely:

- Use of green energy at infrastructure sites; and
- Determination of the Company's carbon footprint.

During the year under review, SENTECH appointed a contractor to install the hybrid solar energy solutions at its head offices and its Carletonville distribution infrastructure site. The task will be concluded in the following financial year.

In the 2017/18 financial year, SENTECH concluded the organisation's national carbon footprint. This was to be used as a baseline and reference to drive the reduction of the carbon footprint going forward. The new results showed an increase in the direct (scope1) emissions. This source of carbon emissions is the combustion of diesel in diesel standby generators used to generate electricity during grid failure, refrigeration gases utilised in air conditioning systems, and lastly, fuel used in Company-owned vehicles. The increase is mainly attributed to the high number of "run-hours" of the standby generators due to various stages of load shedding and general power supply instability.

The indirect emissions are associated with the consumption of grid electricity, and this is also the highest source of emissions in the SENTECH greenhouse gas inventory. There has been a reduction in the carbon emissions due the implementation of energy efficient technology refreshes. Below is SENTECH's carbon footprint trends.

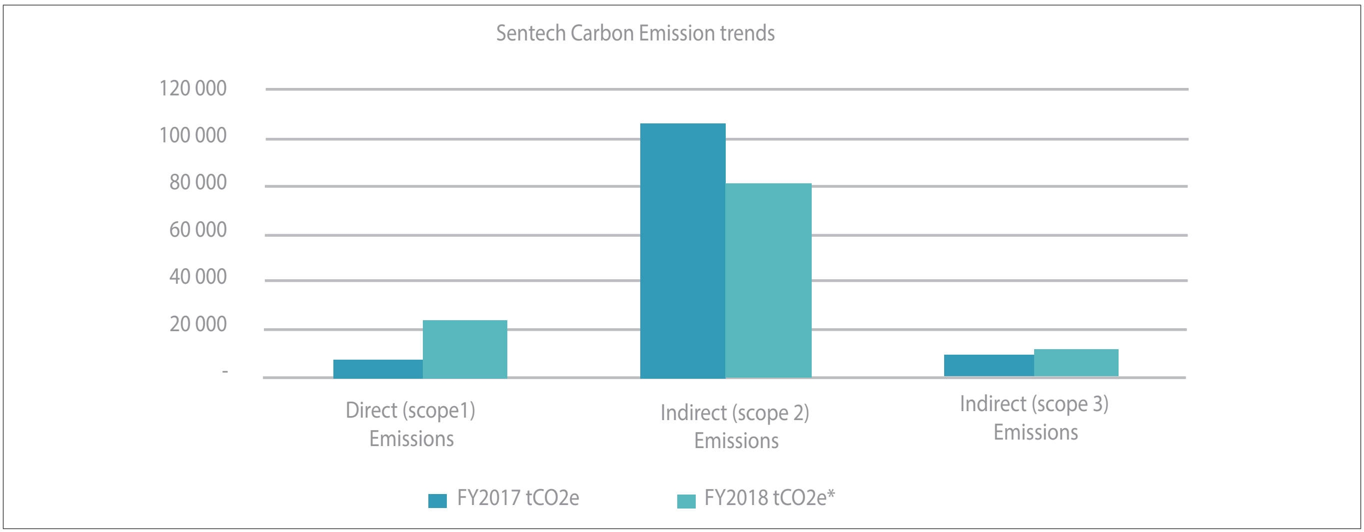


Figure 21 Carbon Footprint

SENTECH developed the Environmental Sustainability Plan to drive down SENTECH's carbon footprint and identify the various initiatives that will enable the organisation to reduce these emissions. The main contributors are the establishment of solar energy solutions at the head office and the Carltonville site, installation of air conditioning systems with ozone friendly refrigeration gases, motion sensing lighting systems at the SENTECH offices across the country and energy efficient technology replacements.

Corporate Governance

5 CORPORATE GOVERNANCE

5.1 Commitment to Good Governance

SENTECH is committed to the highest standards of governance, ethics and integrity regarding its 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 contributions to SENTECH's business.

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 Non-Executive Directors (NEDs), who are all appointed by the Minister. NEDs and Executive Directors are appointed for three-year and five-year terms, respectively. The Board is led by an independent NED and is comprised of a majority of independent NEDs. The Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Operating Officer (COO) are the Executive Directors. The key governance roles and responsibilities of the Board are outlined as follows:

Chairperson
a. Responsible for setting the Board Agenda, ensuring there is sufficient time available for discussion of all items.
b. Encourages open and honest debate among all Board members.
c. Leads and manages the dynamics of the Board, providing direction and focus.
d. Ensures that the Board sets the strategy of the Company and assists in monitoring progress towards achieving the strategy.
e. Serves as the primary interface with stakeholders on behalf of the Board.
f. Leads the Board and ensures its effectiveness.
NEDs
a. Have diverse experience, background and skills, and they bring unique perspectives to the Boardroom to facilitate constructive debate on proposals.
b. They contribute business acumen, independent judgment and experience on various issues which include strategy, ethical leadership, governance, transformation and performance management, against agreed goals.
c. Ensure the effectiveness of internal controls and the integrity of financial reporting.
d. Monitor executive performance.
e. Have unrestricted access to the Company's information, documents, records and property in the interest of fulfilling their responsibilities as independent NEDs.

Executive Directors		
CEO	**CFO**	**COO**
a. Bears ultimate responsibility for all management functions. b. Responsible for managing and leading the Company within the authorities delegated by the Board. c. Ensures that the Board receives information that is accurate, timely and clear to enable the Directors to perform their duties effectively.	a. Leads and manages the Company's finance function. b. Provides the Board with updates on the Company's financial performance.	a. Leads and manages the Company's Technology and Operations. b. Provides the Board with updates on Technology Strategy implementation and Operational Performance

Company Secretary
a. Responsible for the flow of information to the Board and its Committees and for ensuring compliance with Board procedures.
b. Responsible for minutes of all Board and Committee meetings to record the deliberations and decisions taken therein.
c. Ensures that the Board complies with all relevant legal prescripts.
d. Provides guidance to the Board in discharging its fiduciary duties.

The responsibilities, attendance of meetings and matters considered during the financial year are set out in the Board's Report.

Biographical details of the Directors are set out in section 1.8.1 whilst the responsibilities, attendance of meetings and matters considered during the financial year are set out in the Board's Report.

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 reports to the Board through their respective Chairpersons. Committee Chairpersons submits written reports to the Board. To this end, the Board has established five Board Committees as set out in figure 22 below.

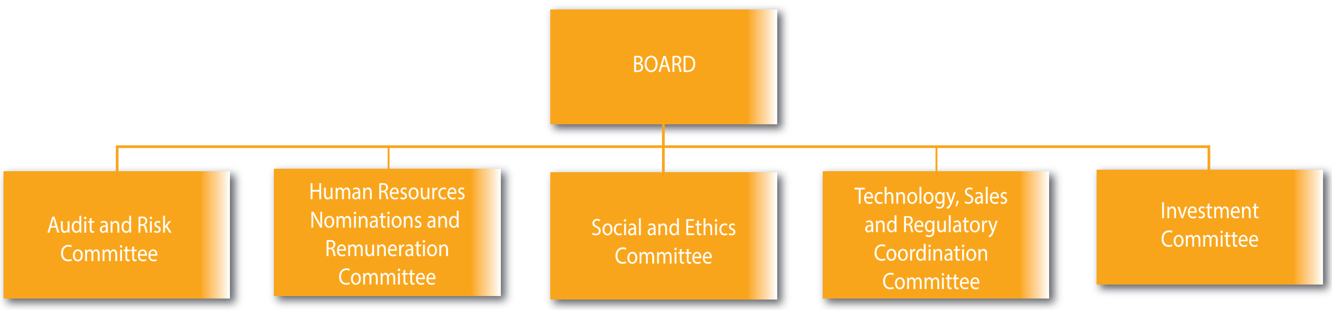


Figure 22 Board and its Committees

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 to enhance the Board's awareness on latest technology developments.

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.

All Company Directors and managers 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 prima 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 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 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. To this end, whenever this balance was affected, the Board made recommendations to the honourable Minister for the appointment of Non-Executive Directors which would restore the balance of the skills and experience within the Board. Some of these instances related to the resignation of Ms N Mbele as Non-Executive Director with effect from 31 October 2018 and the passing away of Non-Executive Director, Ms Lungile Ndlovu during August 2018, which created vacancies within the Board. The honourable Minister appointed four Non-Executive Directors during 2018/19, namely, Ms T Malaka, Dr S Malinga, Ms Maureen Manyama and Ms Precious Sibiya. The Board is satisfied that there is the 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 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 determined that, based on the Memorandum of Incorporation (MOI), the Shareholder's Compact and applicable legislation, its main functions and responsibilities were as follows:

a) 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;

b) Preparing and approving Corporate Plans, annual budgets, Integrated Reports and financial statements;

c) Ensuring that SENTECH complies with the obligations imposed by various laws and regulations that are applicable to SENTECH;

d) Monitoring and evaluating implementation of the Board's strategies and performance objectives by the Executive Management, as set out in the Corporate Plan and Shareholder's Compact;

e) Ensuring that the Company is managed effectively and in accordance with corporate governance best practice and the highest ethical standards;

f) 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; and

g) 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 1.8.1. During the 2018/19 financial year, and subsequent to the 2017/18 financial year-end, the following changes occurred:

- Mr Magatho Mello and Mr Lumko Mtimde's terms of office expired on 28 February 2018 and they were reappointed for a second term commencing on 1 April 2018.
- Ms Lungile Ndlovu passed away in August 2018.
- Ms Ntombizodwa Mbele resigned, with effect from 31 October 2018.
- Dr Sandile Malinga and Ms Tebogo Malaka were appointed as Non-Executive Directors with effect form 1 April 2018.
- Ms Maureen Manyama and Ms Precious Sibiya were appointed as Non-Executive Directors with effect from 1 November 2018.

During the 2018/19 financial year, the Board held one strategic planning session, six scheduled and two special meetings as set out in table 16 below:

Name of Member	**5 Apr 18	26 Apr 18	31 May 18	30 Jul 18	**3 Oct 18	30 Oct 18	30 Jan 19	27 Feb 19
Mr M. Mello (Chairperson)	√	√	√	√	√	√	√	√
Mr M. Booi	√	√	√	√	√	√	√	√
Ms J. Huntley	√	x	√	√	x	√	x	x
Ms N. Mbele	√	√	√	√	√	√	N/A	N/A
Mr L. Mtimde	√	√	√	√	√	x	√	√
Mr S. Mthethwa	√	√	√	√	x	√	√	√
Ms L. Ndlovu	√	√	x	x	N/A	N/A	N/A	N/A
Mr T Leshope	√	√	√	√	√	√	√	√
Dr S Malinga	√	√	√	x	√	√	√	√
Ms T Malaka	√	√	√	√	√	√	√	x
Ms M Manyama	N/A	N/A	N/A	N/A	N/A	N/A	√	x
Ms P Sibiya	N/A	N/A	N/A	N/A	N/A	N/A	√	√

Table 16 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	2015/16		2016/17		2017/18		2018/19	
	No	%	No	%	No	%	No	%
Mr M. Booi	5	100	8 out of 8	100	13 out of 14	93	8 out of 8	100
Ms J. Huntley	9	100	7 out of 8	87	10 out of14	71	4 out of 8	50
Ms N. Mbele	9	100	7 out of 8	87	14 out of 14	100	6 out of 6	100
Mr M. Mello	9	100	8 out of 8	100	13 out of 13	100	8 out of 8	100
Mr L. Mtimde	7	78	4 out of 8	50	12 out of 13	92	7 out of 8	88
Ms L Ndlovu					11 out of 14	78	2 out of 4	50
Ms T Malaka							7 out of 8	88
Dr S Malinga							7 out of 8	88
Ms M Manyama							1 out of 2	50
Ms S Sibiya							2 out of 2	100
Mr S. Mthethwa	N/A		2 out of 2	100	11 out of 13	85	7 out of 8	88
Mr T Leshope	N/A		N/A		7 out of 8	86	8 out of 8	100

Table 17 Board Attendance Year-on-Year

Key Focus Areas

The Board spent a 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 continue to receive special focus in the 2019/20 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 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.

Key Matters Discussed

Month	Matter
April 2018	a. Community Radio Broadcasters' Funding b. SOC Rationalisation c. Business Development
May 2018	d. Reviewed Policies e. Annual Financial Statements
July 2018	f. Integrated Report g. SENTECH and Broadband Infraco Merger
October 2018	h. Broadband Business Plan i. SENTECH's Sustainability Analysis Plan j. Mergers and Acquisitions k. Board Appraisal Report
January 2019	l. Formation of the Investment Committee m. SENTECH's Sustainability n. Corporate Plan o. Corporate Governance of Information and Communications Technology Charter p. Mergers and Acquisitions q. Ministry Circular 01 of 2019: State Owned Entities
February 2019	r. Corporate Plan s. Shareholder's Compact t. Review of the Organisational Structure u. Broadband Business

5.8.1 Board Committees

5.8.1.1 Audit and Risk Committee

Refer to section 6.3.

5.8.1.2 Technology, Sales and Regulatory Co-ordination (TSRC) Committee

The Charter was reviewed in April 2018 and the amendments pertained to the purpose of the Charter, membership of the Committee, strategy alignment with regard to marketing and sales, and innovation. As the Committee considered, amongst others, activities pertaining to sales and business development, a change of name of the Committee to include the sales and business development aspects was done.

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 TSRC comprised the following members and held five meetings as set out in table 18.

Name of Member	1 April 2017 to 31 March 2018			
	19 July 2017	26 Sep 2017	6 Dec 17	22 Feb 18**
Mr L. Mtimde (Chairperson)	√	√	√	√
Mr S. Radebe	N/A	N/A	N/A	N/A
Ms R. J. Huntley	√	√	√	√
Mr M. Mello	√	x	√	√

Table 18 TSRC Meetings

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

The CEO, CFO, COO, Chief Strategy Officer, Chief M&S 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, Nominations and Remuneration Committee (HRNRC)

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
a. Ensuring development and annual review of the strategy and plan for the Company's human resources. b. Ensuring development and review of policies for the Company's human resources. c. 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. d. 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. e. Assisting the Board with the recruitment of Executive Directors. f. Reviewing and recommending to the Board the relevant criteria necessary to measure the performance of Executive Directors in discharging their functions and responsibilities. g. Establishing procedures for the Committee to oversee the evaluation of the performance of the Board and each individual Director. h. Ensuring that Directors receive ongoing development and training (education) on their duties, responsibilities and nature of SENTECH's business i. Reviewing the implementation of risk management plans on human capital matters, human resources policies, and labour legislation compliance with the Code of Business Conduct and Ethics.	a. Received reports on the implementation of the Human Resources Strategy and Plan. b. Reviewed various policies pertaining to human resources. c. Approved the NEDs' Development Programme and Board Evaluation Engagement letter. d. Monitored the Succession Planning Framework for Executive Directors. e. Noted reports on management of significant risks pertaining to the mandate of the Committee. f. Considered and recommended the 2018/19 Corporate Scorecard.

Composition and Number of Meetings

During the 2018/19 financial year, the HRRNC comprised of the following members and held four scheduled and six special meetings as set out in table 19. The special meetings were necessitated by the Company Secretary recruitment process and year-end matters.

Name of Member	25 April 2018	6 June 2018 **	20 June 2018**	3 July 2018**	20 July 2019	27 July 2018**	24 Aug 2018 **	23 Oct 2018	6 Dec 2018	20 Feb 2019 **	28 Mar 2019
Ms L Ndlovu	√	X	X	X	X	X	X	N/A	N/A	N/A	N/A
Ms J Huntley	√	√	√	√	√	√	X	X	X	√	X
Mr M. Mello	X	X	√	X	√	√	√	X	X	X	√
Ms T Malaka	N/A	√	√	√	√	√	√	√	√	√	√
Dr S Malinga	√	√	X	N/A	√	X	√	√	√	√	√

Table 19 HRNRC Meetings during the Year

X Apology

√ Present (in person/via teleconference)

**Special Meeting

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

5.8.1.4 Social and Ethics Committee (SEC)

Refer to section 6.4.

5.8.1.5 Board and Committee's Evaluation

The HRRNC 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 20 - 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. 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 2018/19, financial year, the IAF was able to discharge its responsibilities in line with the Charter and as outlined in the Internal Audit Plan, further performed ad-hoc assignments as and when it was required.

Details	2018/19 Plan	Reports Issued 2018/19	Performance	2017/18 Plan	Reports Issued 2017/18	Performance
Planned Audits	22	22	100%	21	21	100%
Ad-hoc Audits	N/A	0	N/A	N/A	1	N/A
Consulting Services	N/A	2	N/A	N/A	2	N/A

Table 21 Planned Vs Actual Audits

Details	2018/19 Number of Audits Performed	2017/18 Number of Audits Performed
Operational Centres	7	10

Table 22 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. In the current financial year, the recommendations of the external quality assurance provider were implemented.

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 2018/19 financial year as discussed below:

5.10.1 Continuity

SENTECH successfully executed IT disaster recovery simulating failure of financial and email business applications in the primary data centre. The simulation tested infrastructure was 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.

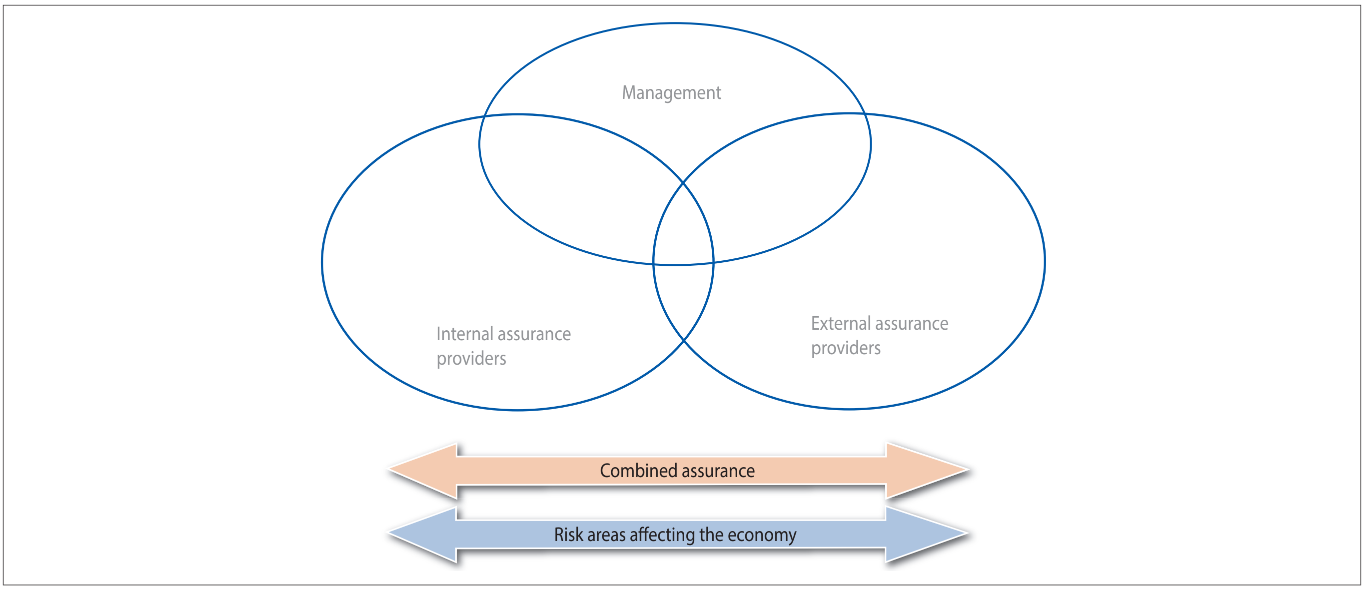


Figure 23 SENTECH Combined Assurance Model

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; and
- 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.

Group Annual Financial Statements

6 Group Annual Financial Statements

6.1 Board's Responsibilities and Approval

The Group's Board is responsible for the preparation and fair presentation of the Group's Annual Financial Statements and the Annual Financial Statements of SENTECH SOC Limited, comprising the statements of financial position at 31 March 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act and the PFMA of South Africa. In addition, the Group's Board is responsible for preparing the Board's Report.

The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The Board has made an assessment of the Company and Group's ability to continue as a going concern and there is no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the Group financial statements and Company financial statements are fairly presented in accordance with the applicable reporting framework.

Approval of the Group Annual Financial Statements and Company Annual Financial Statements.

The Group Annual Financial Statements and Annual Financial Statements of SENTECH SOC Limited, as identified in the first paragraph, were approved by the Board on 30 July 2019 and are signed on its behalf by:

M.A. Mello

Mr Magatho Mello
Director

Manyama

Ms Maureen Manyama
Director

6.2 Statement by the Company Secretary

I certify that SENTECH SOC Limited has filed all its returns and notices for the year ended 31 March 2019, 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.

Adv. S Matsane
Company Secretary
30 July 2019

6.3 Report of the Audit and Risk Committee

As required by the PFMA, the ARC Report 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. The ARC was constituted as a Committee of the Board to 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 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, while playing an essential role in ensuring the integrity and transparency of corporate reporting.

6.3.1 Charter

The ARC adopted a Charter that had been approved by the Board and the Committee confirms that it has complied with its statutory obligations and Charter during the financial year under review. 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.

6.3.2 Composition and Number of Meetings

At the Annual General Meeting (AGM) held on 24 August 2018, the Shareholder requested that the following Directors remain members of the Committee in accordance with Section 94 (2) of the Companies Act, until such time additional Directors were appointed to the Board where the membership of the Committee would be reviewed.

- Ms N. Mbele (Chairperson and NED);
- Ms T. Malaka (NED);
- Dr S. Malinga (NED); and
- Mr L. Mtimde (NED).

On 25 October 2018, the Shareholder appointed Ms M. Manyama to the SENTECH Board and as ARC Chairperson effective 1 November 2018. Ms N. Mbele resigned from the Board effective 1 November 2018. The Board passed a resolution in November 2018 to reconstitute the Committee in accordance with Section 94 (2) of the Companies Act, as below:

- Ms M. Manyama (Chairperson and NED);
- Ms T. Malaka (NED);
- Ms P. Sibiya (NED); and
- Mr L. Mtimde (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 2018- 31 March 2019							
	18-Apr	25-Apr	30-May	20-Jul	02-Oct	23-Oct	22-Jan	26-Mar
Ms N. Mbele (Chairperson)*	√	√	√	√	√	√	N/A	N/A
Ms T. Malaka	√	√	√	√	√	√	√	√
Dr S. Malinga#	√	X	√	√	√	X	N/A	N/A
Ms L. Mtimde	√	√	√	√	√	X	√	√
Ms M. Manyama^	N/A	N/A	N/A	N/A	N/A	N/A	√	√
Ms P. Sibiya``	N/A	N/A	N/A	N/A	N/A	N/A	√	√

* Resigned as NED effective 1 November 2018
# Resigned from the Committee effective November 2018
^ Appointed Committee member and Chairperson effective 1 November 2018
`` Appointed Committee member effective 1 November 2018
X Apology
√ Present in person and or via teleconference
N/A Meeting held following resignation as a NED or reconstitution of Committee

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

6.3.3 External Audit

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

During the 2018/19 financial year, the ARC:

- debated the 2017/18 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 2017/18 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 AGM;
- reviewed, deliberated and approved the External Audit Annual Plan and related scope of work for the year ending 31 March 2019, 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 2018/19 Procurement Plan;
- recommended the appointment of external auditors to the Shareholder; and
- noted progress reports on the 2017/18 Management Letter Points.

6.3.4 Internal Audit

The IAF performs an independent assurance function and forms part of the third 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 EIA. The ARC assesses the effectiveness of the IAF and approves the Annual Audit Plan.

During the 2018/19 financial year, the ARC:

- approved the 2018/19 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; and
- 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.

6.3.5 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.

6.3.6 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 Compliance and Risk functions. 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; and
- IT risks as related to financial reporting.

Recommending the following for approval by the Board:

- Risk Management Reporting Framework;
- Risk Management Plan;
- Combined Assurance Plan; and
- 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.

Provided an oversight to the Board in discharging its duties relating to the Company's system of risk management and compliance.

The ARC received internal audit reports regarding the adequacy and effectiveness of the Company's information system controls.

The ARC is satisfied that the mitigation actions for the identified risks have been effective. The Strategic Risks flowing from our 2017-2020 Corporate Plan influenced the pertinent matters addressed by the Board. The ARC will focus on risk management outcomes as articulated in King IV.

6.3.7 Internal Financial Control

During the 2018/19 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; and
- 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.

6.3.8 Other Matters

During the 2018/19 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; and
- received reports on the fraud prevention.

6.3.9 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 winning regulatory environment.

6.3.10 Finance Function

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

6.3.11 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 Committee.

Manyama

Ms Maureen Manyama
Chairperson
31 July 2019

6.4 Report of the Social and Ethics Committee

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. 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
a. Responsible for oversight over SENTECH's reputation management and stakeholder relationships. b. 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. c. 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. d. Reviewing the implementation of risk management on human resources, ethics, compliance, governance and stakeholder relations.	a. Considered SENTECH's Sustainability Strategy and Plan. b. Monitored progress on the Implementation of People Transformation Strategy. c. Considered the 2018/19 Procurement Plan and monitored progress made on B-BBEE. d. Monitored progress on the implementation of the Marketing and Sales Strategy. e. Reviewed the Stakeholder Engagement Strategy and received reports on the implementation of the strategy. f. Reviewed the Health and Safety Framework and received reports on the implementation of the framework. g. Monitored activities related to socio-economic development including enterprise and supplier development, supply chain management, and socio-economic development programmes implemented by the Company. h. Monitored employees' skills development. i. Considered a Carbon Footprint Report to determine the Company's impact on the environment. j. Considered implementation of the King IV principles. k. Considered the 2018/19 Compliance Plan and Compliance Reports. l. Received reports on the implementation of the Fraud Prevention Plan. m. 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 meetings as set out in table 23.

Name of Member	1 April 2018-31 March 2019					
	23 Apr 2018	4 July 2018	13 July 2018	2 Oct 2018**	10 Jan 2019	28 March 2019
Ms J. Huntley (Chairperson)	√	√	√	X	N/A	N/A
Ms T. Malaka	√	√	X	√	X	√
Ms L. Mtimde	√	√	√	√	√	√
Ms M. Manyama	N/A	N/A	N/A	N/A	√	X
Dr S. Malinga	N/A	N/A	N/A	N/A	X	√

Table 23 Social and Ethics Committee Meetings during the Year

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

6.5 Board's Report

6.5.1 Introduction

The Directors have the pleasure in presenting their report, which forms part of the audited Annual Financial Statements of SENTECH SOC Ltd for the year ended 31 March 2019. 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.

6.5.2 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.

6.5.3 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

6.5.4 Ownership

The Company is wholly owned by the Government of the Republic of South Africa as represented by the Minister of Communications.

6.5.5 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.

6.5.6 Shareholder's Compact

The Shareholder Compact includes KPIs which are revised annually by agreement between the Shareholder Representative and the Board of Directors, and serves as the performance monitoring framework for the Company. Performance against the 2018/19 Shareholder Compact is outlined in section 3.3 of this report as required by Section 55 (2) (a) of the PFMA.

6.5.7 External Auditors

Ngubane and Co is the External Auditor of the Company.

6.5.8 Directors' Interests

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

6.5.9 Public-Private Partnerships

The Company did not enter into any public-private partnerships during the 2018/19 financial year.

6.5.10 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.

6.5.10.1 Basis of Presentation

The Groups Financial Statements and Company Financial Statements were prepared in accordance with IFRS, the Companies Act and PFMA.

6.5.10.2 IFRS

The application of IFRS is contrary to Treasury Regulation 28 which requires that Generally Recognised Accounting Practice (GRAP) be used. The National Treasury approved a departure from Treasury Regulation 28.1.6, pending a review of 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.

6.5.10.3 Financial Performance

The Group financial performance is summarised in the CFO's report in section 3.1.

6.5.10.4 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 (2017/18: Nil).

6.5.10.5 Dividends

There were no dividends declared in respect of the year ended 31 March 2019 (2017/18: Nil).

6.5.10.6 Solvency Ratios

The Liquidity ratio of 5:1 and Solvency Ratio of 6:1 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.

6.5.11 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.

6.5.12 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 as confirmed in the Statement of Responsibility by the Board.

M.A. Mello

Mr M. Mello
Chairman of the Board
30 July 2019

NGUBANE & CO.
CHARTERED ACCOUNTANTS | AUDITORS

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

Report on the audit of the consolidated financial statements

Opinion

1. We have audited the consolidated financial statements of the Sentech SOC Limited and its subsidiaries set out on pages 93 to 156, which comprise the consolidated statement of financial position as at 31 March 2019, the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity, and cash flow statement for the year then ended, as well as the consolidated and separate notes to the financial statements, including a summary of significant accounting policies.

2. In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Sentech SOC Limited as at 31 March 2019, and their financial performance and cash flows for the year then ended in accordance with 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).

Context for the 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 financial statements section of this auditor's report.

4. We are independent of the public entity in accordance with section 290 and 291 of the Independent Regulatory Board for Auditors' *Code of professional conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' International *Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

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

Material uncertainty relating to financial sustainability

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

Sustainability risk due to lack of diversification

6. We draw attention to note 34 in the financial statements, which indicates that the public entity's 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.

Other matter

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

Previous period audited by a predecessor auditor

8. The consolidated financial statements of the previous year were audited by a predecessor auditor in terms of section 4(3) of the Public Audit Act on 31 July 2018.

Responsibilities of the accounting authority for the consolidated financial statements

9. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Framework 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), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

10. In preparing the financial statements, the accounting authority is responsible for assessing the Sentech SOC Limited'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 appropriate governance structure 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 financial statements

11. Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

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 strategic goals 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 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 2019:

Strategic Goals	Pages in the annual performance report
Sustainable business growth	41
Achieve high level of customer satisfaction	42
Build a high-performance culture	42

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 these strategic goals:
    - Sustainable business growth
    - Achieve high level of customer satisfaction
    - Build a high-performance culture

Report on the audit of compliance with legislation

Introduction and scope

18. 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.

19. We did not raise material finding on compliance with the specific matter in key legislation set out in the general notice issued in terms of the PAA.

Other information

20. 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 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.

21. 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.

22. 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 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. There is nothing noted to report in this regard.

Internal control deficiencies

23. We considered internal control relevant to our audit of the 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

24. 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.

Agreed upon procedure engagement

25. Agreed-upon procedure engagements Agreed-upon procedure engagements were performed on the following:

26. National Treasury consolidation template that covered the period from 1 April 2018 to 31 March 2019, the report was issued on 31 July 2019.

Auditor tenure

27. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ngubane and Company (Johannesburg) Incorporated has been the auditor of Sentech SOC Limited for 1 year.

Ngubane & Co.

Ngubane & Co. (Jhb) Inc
Thomas Nkomozephi: Director
Registered Auditor
31 July 2019

Annexure – Auditor's responsibility for the audit

28. As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the 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

29. In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:
    - identify and assess the risks of material misstatement of the 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 the Sentech SOC Limited 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 entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion

Communication with those charged with governance

30. 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.

31. 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	2019	2018
ASSETS			
Non-Current Assets			
PPE	6A	1 017 836	925 338
Intangible assets	6B	25 513	29 099
		1 043 349	954 437
Current Assets			
Inventories	8	66 435	82 305
Tax	14	16 220	12 687
Trade and other receivables	9	400 757	297 931
Cash and cash equivalents	10	1 112 407	916 149
		1 595 819	1 309 072
Total Assets		**2 639 168**	**2 263 509**
EQUITY			
Share capital	11	(75 892)	(75 892)
Reserves		(776 015)	(667 868)
Accumulated profit		(1 357 968)	(1 176 254)
		(2 209 875)	**(1 920 014)**
LIABILITIES			
Non Current Liabilities			
Employee Benefits	12	(25 984)	(19 588)
Deferred Tax	13	(76 477)	(53 073)
		(102 461)	**(72 661)**
Current Liabilities			
Trade and other payables	15	(150 236)	(146 548)
Deferred income	16	(130 368)	(94 286)
Provisions	17	(46 228)	(30 000)
		(326 832)	**(270 834)**
Total Liabilities		**(429 293)**	**(343 495)**
Total Equity and Liabilities		**(2 639 168)**	**(2 263 509)**

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March

Figures in Rand thousand	Note	2019	2018
Revenue	18	1 399 127	1 349 590
Depreciation and amortisation	19	(85 603)	(99 060)
Lease expenses	19	(271 217)	(272 027)
Direct expenses	19	(213 538)	(202 242)
Operating expenses	19	(234 477)	(218 646)
Employee costs	20	(453 069)	(415 918)
Other income		515	294
Operating Profit		**141 738**	**141 990**
Finance income	21	81 752	67 415
Finance costs	22	(4 004)	(4 179)
Profit Before Taxation		**219 486**	**205 226**
Taxation	23	(36 760)	(52 434)
Net Profit		**182 726**	**152 792**
Remeasurement of defined benefit		(1 405)	(348)
Income tax		393	97
Remeasurement of PPE		139 364	-
Income tax		(31 218)	-
Total Comprehensive Income		**289 860**	**152 541**

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 2017		**2**	**75 890**	**75 892**	**667 868**	**1 023 713**	**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**	**667 868**	**1 176 254**	**1 920 014**
Profit for the year		-	-	-	-	182 726	182 726
Other comprehensive income		-	-	-	-	-1 012	-1 012
Total comprehensive income for the year		-	-	-		181 715	181 715
Revaluation surplus (NDR)		-	-	-	108 147	-	108 147
Balance at 31 March 2019		**2**	**75 890**	**75 892**	**776 015**	**1 357 969**	**2 209 875**
Note:				11			

Cash Flow Statement

For the year ended 31 March

Figures in Rand thousand	Note	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	24	74 974	(123 047)
Interest received		39 370	35 206
Dividends received		21 175	19 360
Interest paid	25	(21)	(123)
Tax Paid	26	(47 714)	(34 389)
Net cash (used in)/from operating activities		**87 784**	**(102 993)**
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in capital assets		(78 537)	(110 216)
Net cash (used in) / from investing activities		**(78 537)**	**(110 216)**
CASH FLOW FROM FINANCING ACTIVITIES			
Grant received	16	177 305	215 789
Interest on government grant		9 705	6 211
Net cash from financing activities		**187 010**	**222 001**
Total cash movement for the year		**196 258**	**8 792**
Cash at the beginning of the year		916 149	907 357
Cash at the end of the year		**1 112 407**	**916 149**

1 GENERAL INFORMATION

SENTECH SOC limited (the holding 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 2019 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these separate and consolidated financial statements are set out below.

2.1 Basis of preparation and measurement

Statement of Compliance

The consolidated 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).
The Group continues to apply IFRS as its reporting framework based on its assessment against the criteria set out in Directive 12. The Selection of an Appropriate Reporting Framework by Public Entities (effective 1 April 2018) issued by the Accounting Standards Board (ASB). The directive prescribes the criteria to be applied by a public entity in selecting and applying an appropriate reporting framework. The conclusion of the assessment is based on the fact that SENTECH's operations are commercial in nature and only an insignificant portion of its funding is acquired through government grants or other forms of financial assistance from government. The conclusion will be re-assessed in 2020 to ensure that IFRS can still be appropriately applied.

Approval of financial statements

The consolidated financial statements have been prepared on a going concern basis and were approved by the Board of Directors and authorised for issue on 31 July 2019.

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; and

- Land and buildings are measured at the fair value, being the market value at the date of revaluation.

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.

Changes in accounting policies and comparability

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements except for new or revised statements and interpretations implemented during the year. The nature and effect of new standards and interpretations are discussed in note 3.

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 2.5 and 6 – valuation of property, plant and equipment;
- Notes 2.10 and 12 – measurement of employee benefits;
- Notes 2.15 and 13 – utilisation of tax losses;
- Notes 2.11 and 31 – provisions and contingencies; and
- Notes 2.1 and 9 – expected credit losses on financial assets.

2 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.

2.3 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; and
- 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.

2.4 Financial Instruments

Financial assets

Classification and measurement

The appropriate classification of a financial asset is determined on acquisition of the financial asset and is based on:

- whether or not the contractual terms of the financial asset gives rise to contractual cash flows that are solely payments of principal and interest; and
- the objective of the business model in which the financial asset is held at a portfolio level that best reflects the way the business is managed.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets are classified into the following category:

Amortised cost:

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- it is held within a business model whose objective is to hold assets to collect contractual cash flows.

The accounting classification of financial assets in terms of IAS 39 and IFRS 9 changes in classification is provided in the table below. Refer to note 3 for more information regarding SENTECH's initial adoption of IFRS 9.

Instrument	IAS 39 classification and measurement	IFRS 9 classification	Reason for classification
Trade and other receivables Cash and cash equivalents	Amortised cost Amortised cost	Amortised cost Amortised cost	It was assessed that these balances are managed in terms of the IFRS 9 held-to-collect business model and have met the strictly solely payments of principal and interest (SPPI) criterion

Initial recognition

Financial assets are initially recognised at fair value on the date of commitment to purchase (trade date). The transaction price is generally the best indicator of fair value. If a contract with a customer has a significant financing component, the related financial asset is initially measured at the transaction price excluding the time value of money.

Any directly attributable transaction costs are included in the initial recognition of financial assets except for financial assets at fair value through profit or loss where directly attributable transaction costs are recognised in profit or loss on initial recognition.

Subsequent recognition

Amortised cost

Financial assets at amortised cost are measured at amortised cost subsequent to initial recognition using the effective interest rate method, less any expected credit losses. Interest income, foreign exchange gains and losses and expected credit losses are recognised in profit or loss.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Expected credit losses

Loss allowances are recognised for expected credit losses on financial assets measured at amortised cost and fair value through other comprehensive income.

Expected credit losses are calculated using either the general or a simplified approach. Expected credit losses are measured as either 12-month expected credit losses or lifetime expected credit losses in terms of the general approach. When there is a significant increase in credit risk or the financial asset becomes credit-impaired since initial recognition, expected credit losses are measured at lifetime expected credit losses. Expected credit losses are measured at an amount equal to the lifetime expected credit losses in terms of the simplified approach. The simplified approach is applied to trade and other receivables.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

The 12-month expected credit loss is the portion of the expected credit losses that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of financial instrument.

A financial asset is considered to have a low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade.

All financial assets that are subject to impairment are monitored to assess whether there has been a significant increase in credit risk since initial recognition. There will be a significant increase in credit risk when:

- payments are more than 30 days past due, or
- a significant qualitative event has occurred.

A financial asset is in default when the counterparty is unlikely to pay its obligations to the Group or the financial asset is more than 90 days past due.

An assessment is performed at each reporting date to determine whether financial assets carried at amortised cost and fair value through other comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. A financial asset is credit-impaired if there is observable evidence of the following:

- Significant financial difficulty of the borrower, issuer or customer,
- A breach of contract such as a default or being more than 90 days past due,
- Prolonged periods of default,
- Debt restructuring ,
- Inability of Shareholder to provide financial relief,
- Concerns on the future viability of the business.

Customers are classified into three classes being under-performing, non-performing and performing. These classes are weighted using a probability index which assesses chances of default.

Expected credit loss models and methods			
Instrument	Criteria used for assessment of expected credit loss measurement		
	Stage 1	Stage 2	Stage 3
	Low credit risk	Significant increase in credit risk	
Trade and other receivables	Not applicable (simplified approach applied i.e. lifetime expected credit loss)	Elected to measure loss allowances at an amount equal to the lifetime expected credit losses	

Expected credit losses are a probability-weighted estimate of credit losses.

Financial liabilities
Classification, recognition, measurement and derecognition

Financial liabilities are classified at amortised cost.

Non-derivative financial liabilities are initially recognised at fair value. Any directly attributable transaction costs are included in the initial recognition of non-derivative financial liabilities except for financial liabilities at fair value through profit or loss. Directly attributable transaction costs related to liabilities recognised at fair value through profit or loss are recognised in profit or loss on initial recognition when incurred.

Financial liabilities are measured subsequent to initial recognition at amortised cost or fair value as per the relevant liability category.

Financial liabilities are recognised on the date of commitment and are derecognised when the obligation expires, is discharged or cancelled, or there is a substantial modification to the terms of the liability.

The accounting classification of financial liabilities in terms of IAS 39 and IFRS 9 changes in classification is provided in the table below. Refer to note 3 for more information regarding SENTECH's initial adoption of IFRS 9.

Instrument	IAS 39 classification and measurement	IFRS 9 classification	Reason for classification
Trade and other payables	Amortised cost	Amortised cost	It was assessed that these balances are managed in terms of the IFRS 9 held-to-collect business model and have met the strictly solely payments of principal and interest (SPPI) criterion

Subsequent measurement

Amortised cost.

Financial liabilities at amortised cost are measured at amortised cost using the effective interest method.

Share capital

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

2.5 Property, Plant and Equipment

Recognition and measurement

Land and buildings comprise mainly transmitter stations and offices. Buildings are revalued to fair value on a 3-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.

When significant 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

The depreciation method, residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date. The estimation of the useful lives of property, plant and equipment is based on historic performance as well as expectations about future use and therefore requires a degree of judgement.

2.6 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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Computer software licences acquired have a finite useful life and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, SENTECH has an intention and ability to complete and use the software and the costs can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the project. Research costs are recognised as an expense when incurred.

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

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	
Computer Software	5 to 15 years
Licences	5 to 15 years

2.7 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.

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.

2.8 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.

2.9 Impairment of Assets

Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss to the extent that it cannot be recouped from the revaluation reserve for revalued assets.

2.10 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.

2.11 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. The valuation of long term provisions requires a degree of judgement regarding the future cash flows and the timing thereof. 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.

2.12 Revenue

The entity recognises revenue when it has met the 5 step recognition criteria set out in the standard.

The 5-step approach is:

- Identify the contract(s) with the customer(s) – SENTECH has valid contracts with customers.
- Identify the performance obligations in the contract - SENTECH satisfies it performance obligations when it renders the service of signal transmission.
- Determine the transaction price – The transaction price of services rendered is determined taking into account the tariff as agreed in the contract and variability of the consideration and any existence of a financing component in the contract. Variability of consideration received is mainly affected by the USD/ZAR exchange rate. Considerations between SENTECH and its customers do not include a significant financial component.
- Allocate the transaction price to the performance obligations in the contract – SENTECH uses standalone pricing in that similar prices can be charged to multiple customers who are similar and operate in similar circumstances.
- Recognise the revenue when the entity satisfies a performance obligation – Revenue is recognised when transmission services are rendered.

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.

2.13 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.

2.14 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.

2.15 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.

2.16 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 NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations adopted in the current year

The following new standards, interpretation and amendments have been published that are appropriate for the first time for the financial year ended 31 March 2019. The notes and effects of the changes are as follows:

Topic	Summary of requirements	Impact
IFRS 15 Revenue from contracts with customers	SENTECH has applied IFRS 15 (replacing IAS 18 Revenue, IAS 11 Construction contracts and related interpretations) from 1 April 2018. It establishes a comprehensive framework for determining whether, how much and when revenue is recognised. IFRS 15 requires revenue to be recognised when a customer obtains control of the goods or services being supplied. The amount of revenue recognised is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.	The initial application of IFRS 15 has not had a material impact on the financials of SENTECH.
IFRS 9 Financial Instruments	SENTECH has applied IFRS 9 which replaces IAS 39 Financial instruments: recognition and measurement from 1 April 2018. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.	The initial application of IFRS 9 has not had a material impact on the financials of SENTECH.
	Classification and measurement of financial assets IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 includes three principal classification categories for financial assets namely measured at amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.	Financial assets and are still measured at amortised costs under IFRS 9.

Topic	Summary of requirements	Impact
	Impairment of contract and financial assets IAS 39's incurred loss model is replaced in IFRS 9 with an ECL model. The ECL model applies to financial assets measured at amortised cost and is a probability-weighted estimate of credit losses. Credit losses in terms of IFRS 9 are likely to be recognised earlier than previously in terms of IAS 39. ECL are calculated using the general or simplified approach. Impact is measured using either 12 month or lifetime expected losses.	ECL model was applied in the estimation of credit losses.
	Classification of financial liabilities: IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.	Financial liabilities are still measured at amortised costs under IFRS 9.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 clarifies that the transaction date for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity can apply this interpretation either retrospectively or prospectively on initial application.	Impact of application of this IFRIC has not been material to SENTECH.

Impact of IFRS 9 for the 2018/2019 year:

The application of IFRS 9 had no material impact on the financial position and/or financial performance of the entity. This is illustrated below:

Financial assets at amortised costs (IFRS 9)	IAS 39 Carrying amount	Reclassification	Remeasurement	IFRS 9 Carrying amount	Impact on Retained earnings
Trade and other receivables	391 415	-	-	391 415	-
Cash and cash equivalents	1 112 407	-	-	1 112 407	-
Total Impact	**1 503 823**	**-**	**-**	**1 503 823**	**-**

Financial liabilities at amortised costs (IFRS 9)	IAS 39 Carrying amount	Reclassification	Remeasurement	IFRS 9 Carrying amount	Impact on Retained earnings
Trade and Other payables	150 468	-	-	150 468	-
Total Impact	**150 468**	**-**	**-**	**150 468**	**-**

Impact of IFRS 15 on profit or loss for the 2018/19 year:

Figures in Rand thousand	2019	2018
(Decrease)/Increase in Revenue due to changes in timing and recognition of revenue	-	-
(Decrease)/Increase in Income Tax	-	-
(Decrease)/Increase in Net Profit	-	-
Total Impact	**-**	**-**

Impact of IFRS 15 on Assets, Liabilities and Equity for the 2018/19 year:

Figures in Rand thousand	2019	2018
(Decrease)/Increase in Current and Non-Current Assets	-	-
(Decrease)/Increase in Equity	-	-
(Decrease)/Increase in Current and Non-Current Liabilities	-	-
Total Impact	**-**	**-**

4 Standards and interpretations not yet effective as at 01 January 2019

The following new standards, interpretations and amendments to existing standards have been published that are applicable for future accounting periods that have not been adopted early by the Group. These standards and interpretations will be applied in the first year that they are applicable to SENTECH.

Topic	Summary of requirements	Impact
IFRIC 23 Uncertainty over income tax treatment (1 January 2019)	IFRIC 23 clarifies that where it is unclear how tax law applies to a particular transaction or circumstance, an entity will have to assess whether it is probable that the tax authority will accept the entity's chosen tax treatment. Where it is probable that the tax authority may not accept the chosen tax treatment, disclosure about judgements made, assumptions and other estimates used; and the potential impact of uncertainties that are not reflected may be required. The interpretation also requires the entity to reassess the judgements and estimates applied if the facts and circumstances change.	The Group is already accounting for uncertainty over income tax treatment in accordance with the guidance.
IFRS 16 Financial Leases	IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases - incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease.	SENTECH is in the process of preparing for the transition to IFRS 16, and an analysis is being done to determine the impact of the new lease definition under IFRS 16.

Topic	Summary of requirements	Impact
	Lessee accounting 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, a lessee 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 **Impairment of contract and financial assets** Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. Lessees will need to apply judgement in deciding on 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 can be applied using either a retrospective approach or a modified retrospective approach with optional practical expedients for lessees. The lessee will have to apply any elections consistently to all of its leases. When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition Lessor accounting. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating or finance leases, and to account for those two types of leases differently IFRS 16 also requires enhanced disclosures to be provided about a lessor's risk exposure, particularly to residual value risk	The new standard may potentially result in additional assets and liabilities to be recognised. The quantification of the impact will be performed as part of the implementation project.

Topic	Summary of requirements	Impact
Annual Improvements (1 January 2019)	The annual improvements deal with additional guidance for applying the acquisition method to particular types of business combinations (IFRS 3 Business combinations), accounting for acquisitions of interests in joint operations (IFRS 11 Joint arrangements), income tax consequences of payments on financial instruments classified as equity (IAS 12 Income taxes), and borrowing costs eligible for capitalisation (IAS 23 Borrowing costs).	Impact not material. There are currently no business combinations, joint operations or dividends payable.
Plan amendments, curtailment or settlement amendments to IAS 19 (1 January 2019)	Amendment to IAS 19 clarifies current service and net interest accounting in the accounting for defined benefit plans.	Impact not material. There are currently no amendment, curtailment or settlement of defined benefit plan.
Prepayment features with negative compensation - amendments to IFRS 9 (1 January 2019)	The amendment allows that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the relevant requirements of IFRS 9.	Impact not material. There are currently no financial assets with prepayment features.

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 buildings 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 the 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 3.7. 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; and
- 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; and
- 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 fund

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

Figures in Rand thousand

6A PROPERTY, PLANT AND EQUIPMENT

Group and Company	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Buildings	798 486	(279 676)	518 810	681 204	(247 532)	433 672
Land	154 511	-	154 511	86 189	-	86 189
Motor vehicles	43 732	(28 611)	15 122	39 648	(23 513)	16 135
Computer, technical and office equipment	935 614	(720 233)	215 381	869 464	(696 185)	173 279
Capital Work in Progress	114 012	-	114 012	216 063	-	216 063
Total	**2 046 356**	**(1 028 520)**	**1 017 836**	**1 892 568**	**(967 230)**	**925 338**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Revaluation	Disposals	Other	Transfers	Depreciation	Total
Buildings	433 672	-	71 042	(332)	-	48 171	(33 744)	518 810
Land	86 189	-	68 322	-	-	-	-	154 511
Motor vehicles	16 135	-	-	(82)	-	5 734	(6 666)	15 122
Computer, technical and office equipment	195 061	6	-	(369)	-	62 308	(41 624)	215 381
Capital work in progress*	194 281	58 183	-		(22 239)	(116 212)	-	114 012
	925 338	**58 189**	**139 364**	**(783)**	**(22 239)**	**-**	**(82 033)**	**1 017 836**

* Capital Work in Progress other movements include R14m projects that were expensed through the income statement because their values were below the capitalisation threshold and proof of concept that were not successful. The remaining balance relates to reversals of assets that were defective or incorrectly delivered and had to be returned.

Figures in Rand thousand

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Revaluation	Disposals	Other	Transfers	Depreciation	Total
Buildings	447 540	35	-	(2)	-	33 643	(47 543)	433 672
Land	86 189	-	-	-	-	-	-	86 189
Motor vehicles	8 155	851	-	-	-	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
	920 036	**103 413**	**-**	**(367)**	**-**	**(0)**	**(97 743)**	**925 338**

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 Shareholder's' equity.

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

GROUP AND COMPANY

	2019	2018	2017
Cost	450 644	384 587	365 039
Accumulated depreciation and impairment losses	(257 413)	(237 615)	(195 440)
Carrying value	**193 231**	**146 972**	**169 600**

Figures in Rand thousand

6B Intangible Assets

Group and Company	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Computer software and licences	35 484	(9 970)	25 513	34 104	(5 005)	29 099
Total	**35 484**	**(9 970)**	**25 513**	**34 104**	**(5 005)**	**29 099**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Revaluation	Disposals	Transfers	Amortisation	Total
Computer software and licences	29 099	-	-	(45)	28	(3 569)	25 513
	29 099	**-**	**-**	**(45)**	**28**	**(3 569)**	**25 513**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Revaluation	Disposals	Transfers	Amortisation	Total
Computer software and licences	26 473	3 943	-	-	-	(1 317)	29 099
	26 473	**3 943**	**-**				**29 099**

7 INVESTMENTS IN SUBSIDIARIES

Name of company	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
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 Limited and SENTECH International Pty Limited. InfoHold Pty Limited holds 100% of the shares of its subsidiary InfoSat Pty Limited. InfoSat Pty Limited's business operations were discontinued in 2010.

All the subsidiaries in question are dormant and thus there are no transactions.

The Company is in the process of winding up two subsidiaries; Infohold 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

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Consumables	-	-
Inventories	74 335	94 238
	74 335	94 238
Inventories (write-downs)	(7 900)	(11 933)
	66 435	82 305

The inventory held is not encumbered.

In line with the SENTECH's policies, inventory write-down is made with respect to the inventory aging or obsolescence, therefore the list of material not used for a period of 5 years will be used as a base for inventory write-down after taking into consideration spares that are still in use.

9 TRADE AND OTHER RECEIVABLES

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Trade receivables	417 512	312 575
Less: Expected Credit Losses	(44 844)	(40 406)
Net trade receivables	372 668	272 169
Other receivables	6 722	4 597
Deposits	11 467	10 695
Loans and receivables	390 857	287 461
Prepayments	9 900	10 470
Total trade and other receivables	**400 757**	**297 930**

Receivables from related parties for both Group and Company included in trade and other receivables amounts to R1 452m (2018 – R0).

Expected Credit Losses

The reconciliation of the movements in the expected credit losses in respect of trade receivables during the year was as follows:

Balance at the beginning of the year	(40 406)	(30 578)
Expected Credit Losses (recognised)/reversed	(8 917)	(11 494)
	(49 323)	(42 073)
Bad Debt Written Off	4 478	1 667
	(44 845)	**(40 406)**

The ageing of trade receivables at the reporting date was:

	Group and Company	
	2019	2018
Not past due date	11 741	10 306
Past due 30 days	87 070	74 382
Past due 60 days	25 142	82 314
Past due 90 days and more	293 559	145 573
Net loans and receivables	**417 512**	**312 575**

Figures in Rand thousand

The breakdown of the aging and expected credit losses of trade receivables:

2019

	Total	> 90 Days	60 Days	30 Days	Current
Trade receivables	417 512	293 559	25 142	87 070	11 741
Less: expected credit losses	(44 845)	(39 689)	(1 785)	(2 156)	(1 215)
Net trade receivables	**372 667**	**253 870**	**23 357**	**84 914**	**10 526**

2018

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

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 expected credit 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

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Unrestricted cash		
- Own cash	982 039	821 863
Restricted cash	130 368	94 286
- Government grants cash	130 368	94 286
- Interest earned on Government grant cash	-	-
	1 112 407	**916 149**

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 the Department of Telecommunications and Postal Services (DTPS) when the grants were received. Project and capital cash balances, net of VAT excluding the interest earned, which is currently managed on behalf of the DTPS is as follows:

Projects

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Digital Terrestrial Transmission and Dual Illumination	130 368	94 286
Community broadcasters	-	-
	130 368	**94 286**

Bank Guarantees

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
At year-end, the Group and Company had issued the following active guarantees:		
Eskom Holdings SOC Limited	-	270
Properties and related rates and taxes	-	151
	-	**421**

11 SHARE CAPITAL AND PREMIUM

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
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

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Present value of the defined benefit		
Obligation - partially or wholly funded	(38 248)	(39 132)
Fair value of plan assets	12 264	19 544
	(25 984)	**(19 588)**
	-	-

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	1 190	1 896
Equity Securities	6 757	10 769
Bonds	1 349	2 150
Foreign Investments	1 938	3 088
Annuity	1 030	1 641
	12 264	**19 544**

Reconciliation	Accrued Liability		Plan Assets	
Figures in Rand thousand	2019	2018	2019	2018
Opening Balance as at 31 March	39 132	37 231	(19 544)	(23 171)
Interest Cost on Defined Benefit Obligation	3 983	4 056	-	-
Current Service Cost (includes Interest to Year-End)	1 008	1 124	-	-
Expected Return on Plan Assets	-	-	(1 984)	(2 522)
Expected Employer Benefit Payments	(181)	(64)	-	-
Expected Benefit Payments from Plan Assets	-	-	181	64
Actuarial Loss due to changes in Withdrawal Assumptions	-	-	-	-
Expected Closing Balance as at 31 March	43 942	42 347	(21 347)	(25 629)
Risk Transfer Arrangement (Annuity Purchase)	-	-	-	-
Adjusted Expected Closing Balance as at 31 March	43 942	42 347	(21 347)	(25 629)
Past Service Cost	-	-	-	-
Actuarial (Gain)/Loss	(5 694)	(3 215)	9 083	6 085
Actual Closing Balance as at 31 March	**38 248**	**39 132**	**(12 264)**	**(19 544)**

Principal actuarial assumptions used

Discount rate	10,9%	10,2%
Annual increase in health care costs	9,1%	8,9%
Expected retirement age	63 years	63 years

Sensitivity analysis

2019

Change in liability	**Base**	**-1% (1 year younger)**	**1% (1 year older)**
CPI & Medical Health Inflation	7,10% & 9,10%	31 784	46 497
Discount rate	10,90%	46 682	31 746
Expected retirement age	63 years	39 947	36 669
Change in current service and interest cost	6% & 9%	4 063	6 199

2018

Change in liability	**Base**	**-1% (1 year younger)**	**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	37 613
Change in current service and interest cost	7% & 9%	4 063	6 199

Historical information

Figures in Rand thousand	2019	2018	2017	2016
Retirement medical aid benefits				
Present value of the obligation	25 984	19 588	14 060	10 170
Actuarial losses (gains) recognised	**25 984**	**19 588**	**14 060**	**10 170**

Analysis of unexpected gains and losses

The accrued liability calculated in this valuation is R38.248 million, reflecting an unexpected gain of R5.694 million.

13 DEFERRED TAX

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Deferred tax liability	(76 477)	(53 073)
Movement in temporary differences		
At beginning of year	(53 073)	(40 577)
Recognised in profit and loss	7 814	(12 496)
Recognised in other comprehensive income	(31 218)	-
	(76 477)	**(53 073)**

Deferred tax liabilities are attributed to the following:

	PPE	Prepayments	Total
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)
Recognised in profit and loss	(1 988)	159	(1 828)
Recognised in other comprehensive income	(31 218)	-	(31 218)
Balance at 31 March 2019	(135 025)	(10 958)	(145 983)

Deferred tax assets are attributed to the following:

	Provisions	Unearned income and deposits	Total
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
Change in Accounting Policy	-	-	-
Balance at 31 March 2018	53 730	6 133	59 863
Recognised in profit and loss	8 564	685	9 249
Recognised in other comprehensive income	393	-	393
Balance at 31 March 2019	62 687	6 817	69 505

14 CURRENT TAX RECEIVABLE

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
South African Revenue Services	16 220	12 687

15 TRADE AND OTHER PAYABLES

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Trade payables	34 499	21 317
Accrued expenses	48 526	72 817
Financial liabilities	83 025	94 134
Customer deposits	2 517	2 963
Lease accrual	20 894	12 307
Unearned income	5 331	2 886
VAT	7 983	5 206
Leave pay accrual	30 486	29 052
	150 236	**146 548**

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

16 DEFERRED INCOME

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Analysis of movements in deferred income		
Opening balance	94 286	10 216
Net funding received (see below)	177 304	215 789
Acquisition of property, plant and equipment	(20 365)	(2 997)
Net interest capitalised	**9 705**	**6 211**
Interest received from government grant funds	13 008	8 288
Taxation paid on interest	(3 303)	(2 077)
Utilisation	**(130 563)**	**(134 933)**
– Community broadcasters (Receivables)	-	-
– Dual illumination cost/revenue	(130 563)	(134 933)
Closing balance	**130 368**	**94 286**
Net funding received		
Government grants received	203 900	245 999
Deemed VAT (15%)	(26 596)	(30 210)
	177 304	**215 789**

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	2019	2018
Reconciliation of provisions		
Opening balance	30 000	30 000
Additions	46 228	30 000
Utilised during the year	(30 000)	(30 000)
Legal and other provisions	**46 228**	**30 000**

The Accounting Authority has raised provisions that are likely to be incurred. The analysis of the provisions is as above.

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Analysis of provisions		
Legal claim	-	-
Overtime	-	-
Performance bonus	46 228	30 000
Ex-employee claim	-	-
Other provisions	-	-
	46 228	**30 000**

18 REVENUE

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Terrestrial television services	650 994	614 454
Terrestrial FM radio services	328 441	313 123
Terrestrial MW radio services	9 984	11 054
Terrestrial short wave radio services	28 419	26 196
Terrestrial and satellite linking	-	-
Satellite direct-to-home	149 307	157 084
Business television	6 005	6 047
Connectivity	9 088	8 203
Dual illumination grant income	130 563	134 933

Other	22	12
	1 312 823	**1 271 106**

Revenue from Rental Income comprises of the following:

Facility rentals	85 115	78 386

Revenue from Sale of Goods comprises of the following:

Vivid	1 189	98
	1 399 127	**1 349 590**

Other Income comprises of the following:

Credit balances written off	-	294

19 EXPENSES

The following is disclosed for profit and loss from continuing operations:

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Employee costs (note 20)	453 069	415 918
Depreciation, amortisation and impairments	85 603	99 060
Operating lease expense - satellite rental	271 217	272 027
Direct expenses	213 538	202 242
Operating expenses	234 477	218 646
	1 257 903	**1 207 894**

Direct Expenses

Maintenance costs	45 040	50 263
Energy costs	131 404	129 330
Transmitter tubes	5 989	4 013
Support equipment	3 754	2 204
Other direct expenses	27 351	16 432
	213 538	**202 242**

Operating expenses includes the following:

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Operating lease expenses		
Premises	18 273	19 330
Other	3 860	4 743
Auditors remuneration		
- Current year audit fees	2 754	2 894
Legal and consulting fees	11 648	19 449
Transport costs	20 865	17 915
Loss on impairment or disposal of property, plant and equipment	10 548	2 634
Other operating expenses	51 298	56 022
Total operating expenses	**119 246**	**122 986**

Administration expenses includes the following:

	GROUP & COMPANY	
	2019	2018
Licences	7 584	8 466
- Spectrum	1 804	2 284
- ECNS/ECS	4 942	3 852
- Other	838	2 330
Other administration expenses	87 417	68 007
Total administration expenses	**95 001**	**76 473**

Selling expenses includes the following:

CSI, advertising and other selling expenses	**20 230**	19 187

20 EMPLOYEE COST

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Salaries and Wages	370 118	334 956
Medical aid contributions - current employees	42 700	41 417
Medical aid contributions - pensioners	-	-
Medical aid contributions - post-retirement obligations, excluding interest	4 799	4 796
Statutory charges	1 003	1 008
Pension costs - defined contribution plan	34 449	33 741
	453 069	**415 918**
	-	-
Number of persons employed		
Total number of employees at year-end (excluding temporary staff)	**531**	538

21 FINANCE INCOME

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Dividend revenue		
Sanlam Collective Investments Dividends	21 175	19 360
Interest revenue		
Bank	39 370	35 192
Overdue accounts	21 207	12 863
	81 752	**67 415**

22 FINANCE COSTS

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Recognised in profit and loss		
Borrowings	-	-
Other financial interest		
Other	21	123
	3 983	4 056
Post-retirement medical interest	**4 004**	**4 179**

23 TAXATION

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Major components of the tax expense		
Current		
Local income tax - current period	47 877	42 015
Tax recovered from grant funds	(3 303)	(2 077)
	44 574	**39 938**
Deferred		
Deferred tax debit/(credit)	(7 814)	12 496
	(7 814)	**12 496**
	36 760	**52 434**
Deferred tax - profit and loss		
Actuarial gains/(losses)	393	97

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	GROUP & COMPANY	
	2019	2018
Applicable tax rate	28,00%	28,00%
Expenses not deductible	-12,49%	-0,53%
Previous year over provision	0,00%	-1,92%
Dividend income exempt	-2,70%	-2,64%
Capitalised interest income	0,42%	0,28%
Amortisation of government grant	-12,41%	-2,33%
Depreciation of buildings	1,19%	1,39%
	15,51%	**25,55%**

24 CASH GENERATED FROM OPERATIONS

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Operating profit	141 739	141 990
Adjustments for:		
Depreciation and amortisation	85 603	99 060
Loss on disposals of property, plant and equipment	23 022	230
DTT Dual illumination	(130 563)	(134 933)
Post-retirement medical aid benefit obligation	1 008	1 124
(Decrease)/increase in provisions	16 228	-
Cash generated from operations before working capital changes	137 037	107 471
	(60 336)	**(230 519)**
Inventories	15 870	(2 004)
Trade and other receivables	(81 620)	(241 951)
Trade and other payables	3 687	13 436
Cash generated from operations	**74 974**	**(123 048)**

25 INTEREST PAID

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Amount recognised in profit or loss	(4 004)	(4 179)
Interest on post-retirement medical aid	3 983	4 056
	(21)	**(123)**

26 TAX PAID

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Balance at beginning of the year	12 687	18 138
Current tax for the year recognised in profit or loss	(47 516)	(41 917)
Tax recovered from grant funds	3 303	2 077
Less balance at end of the year	(16 188)	(12 687)
	(47 714)	**(34 389)**

27 FINANCIAL INSTRUMENTS

Financial instruments categories

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
	Amortised cost	Fair value through profit and loss
Cash and cash equivalents	1 112 407	-
Trade and other receivables	390 857	-
Trade and other payables	83 025	-

	GROUP & COMPANY	
Figures in Rand thousand	2018	2018
	Amortised cost	Fair value through profit and loss
Cash and cash equivalents	916 149	-
Trade and other receivables	287 461	-
Trade and other payables	94 134	-

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:

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Cash and cash equivalents	1 112 407	916 149
Trade and other receivables	390 857	287 461
	1 503 264	**1 203 610**

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

Domestic	388 570	284 259
Foreign	2 287	3 202
	390 857	**287 461**

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.

Figures in Rand thousand

Exposure to liquidity risk

Financial liabilities at year-end were as follows:

Trade and other payables	83 025	94 134
Other financial liabilities	-	-
Carrying amount	**83 025**	**94 134**

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	**83 025**	94 134
Other financial liabilities	-	-
2 – 5 years	-	-
Total contractual cash flows	83 025	94 134

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

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:

Figures in Rand thousand

	Loans and Receivables	Trade and other payables	Cash and cash equivalents	Net exposure at year-end
2019				
GBP	25	-	593	618
EUR	-	103	73	176
CHF	-	1 222	-	-
USD	120	2 596	890	3 607
2018				
GBP	(3)	-	282	279
EUR	-	815	11	826
USD	274	607	879	1 760

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
GBP / ZAR	18,23	17,43	19,12	16,44
EUR / ZAR	16,11	15,40	16,46	14,55
USD / ZAR	13,92	13,04	14,61	11,88
CHF / ZAR	14,60	13,94	15,27	13,00
SEK / ZAR	1,59	1,63	1,58	1,48
JPY / ZAR	0,13	0,12	0,14	0,11

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	1 127	486
EUR / ZAR	283	1 272
USD / ZAR	5 022	2 296

Figures in Rand thousand

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:

	GROUP & COMPANY	
	2019	2018
Variable rate instruments		
Government grants cash and cash equivalents	130 368	94 286
Own cash and cash equivalents	982 039	821 863
	1 112 407	**916 149**

Sensitivity analysis

A change of 100 basis points in interest rates would have increased or decreased profit or loss by R9.8m (2018– R8.2m) 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.

Trade and other 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 2019 and 2018, 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, as more than 50% of the Group's revenue comes from this customer. The customer is supported by government to ensure that it meets its obligations when they fall due. Therefore, SENTECH believes that the credit risk exposure is mitigated by the fact that that the customer has been settling its account on a timely basis in the past. 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 creditworthiness 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	2019	2018
Borrowings	-	-
Post-retirement medical benefits obligation	25 984	19 588
	25 984	**19 588**

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.

Figures in Rand thousand

Key capital structure data:	2019	2018
Shareholder Funds – Equity	2 209 959	1 922 289
Earnings before interest, tax and depreciation (EBITDA)	227 341	244 211
Interest expense	4 004	4 179
- Long-term borrowings	21	123
- Post-retirement medical	3 983	4 056
	-	-

The Group benchmarks the following capital ratios:

Debt to Equity ratio

	2019	2018
Target	Less than 40%	Less than 40%
Actual	4,64%	3,78%
EBITDA to Debt		
Target	Greater than 3	Greater than 3
Actual	2,22	3,36
EBITDA to interest cover		
Target	Greater than 10	Greater than 10
Actual	56,80	58,44

29 RELATED PARTIES

Relationships

Related party transactions occurred between SENTECH and the South African Broadcasting Corporation (SABC).

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 2019 and 31 March 2018.

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 2019

Figures in Rand thousand	Period of Service	Basic Salary	Retainer Fees	Performance Bonus & Allowances	Provident Fund	Meeting Fees	Medical Aid & Allowances	Total
	(months)	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Executive								
M Booi	12	2 853	-	-	393	-	192	3 438
SK Mthethwa	12	1 956	-	-	270	-	118	2 344
TJ leshope	12	1 803	-	-	249	-	117	2 169
Non-executive								
AM Mello	12	-	347	-	-	242	-	589
L Mtimde	12	-	139	-	-	229	-	368
NP Mbhele	7	-	81	-	-	110	-	191
RJ Huntley	12	-	139	-	-	131	-	270
LM Ndlovu	5	-	58	-	-	22	-	80
SB Malinga	12	-	139	-	-	225	-	364
MET Malaka	12	-	139	-	-	275	-	414
MM Manyama	5	-	58	-	-	48	-	106
PN Sibiya	5	-	58	-	-	78	-	136
		6 612	1 158	-	912	1 360	427	10 469

Directors' emoluments 2018

Figures in Rand thousand	Period of Service (months)	Basic Salary	Retainer Fees	Performance Bonus	Provident Fund	Fees	Medical Aid & Allowances	Total
	(months)	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Executive								
M Booi	12	2 714	-	1 253	364	-	140	4 471
KS Matabane	3	501	-	-	67	-	1	569
SK Mthethwa	12	1 860	-	542	250	-	109	2 761
TJ leshope	1	145	-	398	19	-	38	600
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**	**2 193**	700	**1 044**	**288**	**10 342**

Other key management personnel

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

2019

Figures in Rand thousand	Position	Period of Service (months)	Basic Salary	Performance Bonus and other Allowances	Provident Fund	Medical Aid & Allowances	Total
Z Adams	Executive : Legal & Regulatory	12	1 659	0	229	118	2 006
KK Motlhabi	Chief Human Resources Officer	12	1 647	0	227	49	1 923
NO Nekhavhambe	Executive: Finance	12	1 725	0	238	147	2 110
IG Segaloe	Chief Strategy Officer	12	1 649	0	227	109	1 985
MM Kgari	Chief Marketing & Sales Officer	12	1 555	0	215	100	1 870
R Ramlal	Chief Technology and Information Officer	9	1 125	0	155	57	1 337
MT Finnis	Executive: Operations	7	1 402	0	195	125	1 722
			10 762	**-**	**1 486**	**705**	**12 953**

2018

Figures in Rand thousand	Position	Period of Service (months)	Basic Salary	Performance Bonus and other Allowances	Provident Fund	Medical Aid & Allowances	Total
Z Adams	Executive : Legal & Regulatory	12	1 571	300	211	109	2 191
TJ Leshope	Executive: Operations	11	1 538	0	206	298	2 042
KK Motlhabi	Chief Human Resources Officer	12	1 564	376	210	45	2 195
PM Phukubje	Executive: Internal Audit	11	1 537	274	206	85	2 102
NO Nekhavhambe	Executive: Finance	12	1 637	399	220	109	2 365
IG Segaloe	Chief Strategy Officer	12	1 565	377	210	101	2 253
DW Ngwenya	Chief Technology and Information Officer	12	1 666	359	224	101	2 350
MM Kgari	Chief Marketing & Sales Officer	10	1 210	279	163	70	1 722
MT Finnis	Executive: Operations	0	-	169	0	0	169
			12 288	**2 533**	**1 650**		**17 389**

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.

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

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
SITA	-	-
BBI	1 452	
USAASA	-	-
	1 452	**-**

Services are rendered at market related rates.

Purchases of goods and services

	2019	2018
SAPO	-	-
SITA	-	-
ICASA	7 584	8 466
	7 584	**8 466**

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

Related party receivables

	2019	2018
SAPO	-	-
SITA	-	-
USAASA	-	-
BBI	1 452	-
DTPS	-	-
	1 452	**-**

Other receivables		
ICASA	-	-
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.

30 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.

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Requested per Corporate Plan		
- SENTECH funded assets	150 000	150 000
- Government grant funded assets	50 817	28 070
Approved but not contracted	**149 101**	109 173
Contracted	51 716	68 897

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

- within one year	236 934	247 400
- in second to fifth year inclusive	1 070 776	806 761
- later than five years	932 133	1 424 935
	2 239 843	**2 479 096**

31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At the date of this report, there was a matter relating to a previous employee who is claiming unfair labour practice by SENTECH. The matter is now awaiting a date for arbitration at The Commission for Conciliation, Mediation and Arbitration (CCMA). The potential exposure to SENTECH is limited to the provisions applicable in terms of the CCMA processes.

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:

	GROUP & COMPANY	
Figures in Rand thousand	2019	2018
Opening balance	15 557	20 512
Less: Expenditure condoned	-	(4 971)
Add: Expenditure identified in the current year.	4 028	16
Less: Expenditure removed by the Board (Para. 58).	(11 824)	-
Closing balance	**7 761**	**15 557**

The expenditure identified in the current year relates to non-compliance with internal policies and processes confirmed by the reporting period ending 31 May 2019. The opening balance includes legacy expenditures of R11,8 million that has been investigated and removed from disclosure notes by the Accounting Authority per the Irregular Expenditure Framework issued by the National Treasury.

Figures in Rand thousand

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	123	5 556
Less: Expenditure condoned	-	(5 556)
Add: Losses identified during the year	41	123
Balance at 31 March	164	123

The nature of these losses are primarily a result of interest charges on services rendered rates accounts, where invoices are received late. Such interest charges have decreased significantly from prior year and this was due to increased engagements with municipalities and automation of invoices and statements.

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 therein. 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 the 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.

The common carrier status of SENTECH and the current structural arrangements has created an environment in which the broadcasting market is dominated by few players. Majority of SENTECH's revenue is earned from one customer which has experienced a challenging year in terms of cash flow and has been unable to settle old invoices and settled partially the March 2019 invoice. The cash position of this customer has had an unfavourable impact on the cash of SENTECH even though SENTECH is liquid as at 31 March 2019. The entity believes that the customer will be able to settle the debt as due once engagement for a Treasury bailout have been concluded. Management take cognisance of the risk posed by continued over reliance on one customer and as such has embarked on a diversification strategy to reduce over reliance on one customer. SENTECH has continued to provide services to the SABC in line with its mandate from the government and provisions found in regulations.

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.

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