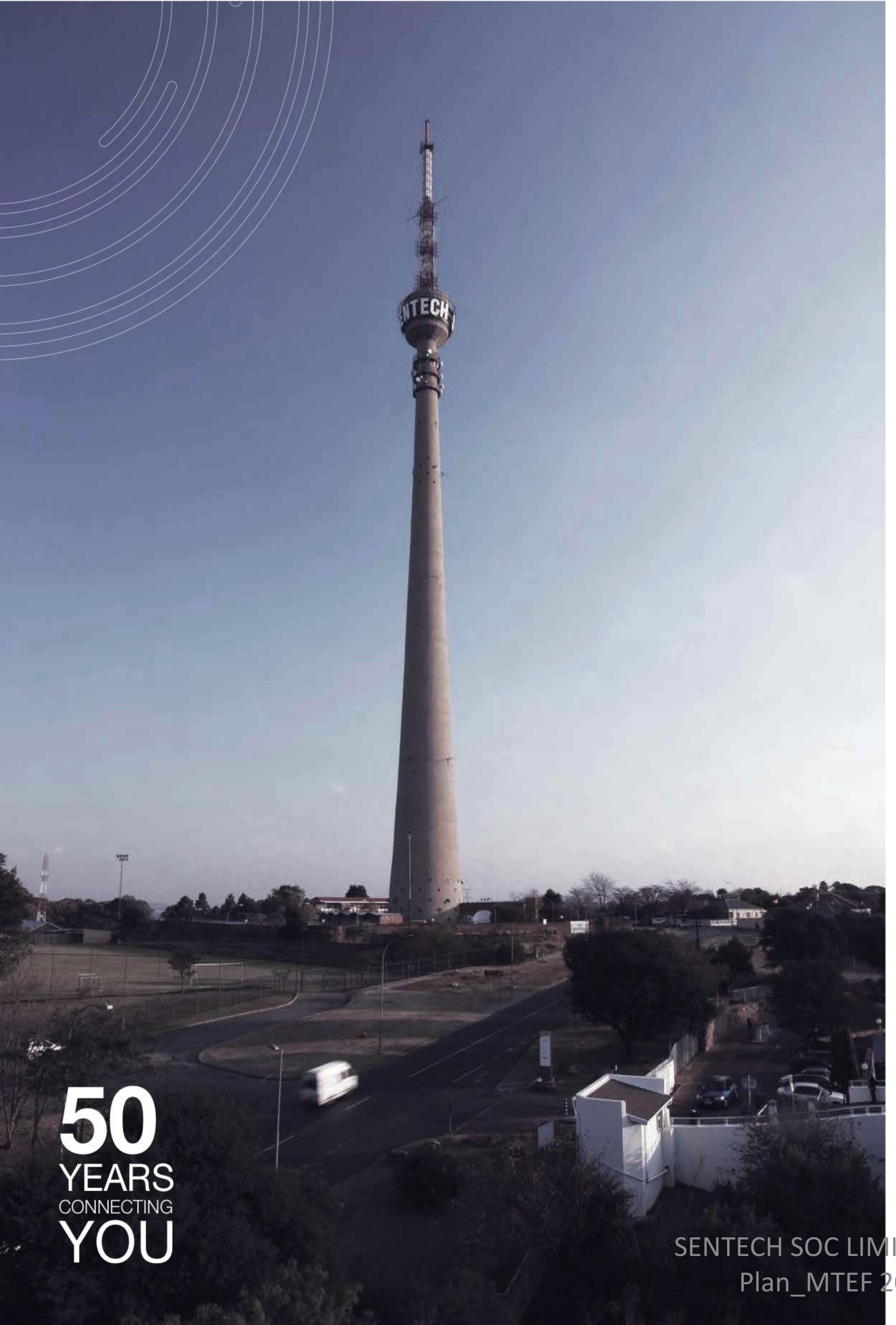

SENTECH SOC LIMITED

CORPORATE PLAN:
MTEF 2014 - 2017

PRESENTATION TO PPC:
4 July 2014

TABLE OF CONTENTS

- SENTECH hereby presents the Company's Corporate Plan for the Medium Term Expenditure Framework (MTEF) for 2014 – 2017 to the Parliamentary Portfolio Committee on Communications as provided for in terms of the Money Bills Amendment Procedure and Related Matters Act of 2009 as required in terms of Section 52 of the PFMA and Treasury Regulation 29.
- As one of the primary enablers of Government interventions in the Information Communication and Technology ("ICT") sector, SENTECH's business strategy is informed by and aligned to the Shareholder's Medium Term Strategy Focus ("MTSF") objectives, the Strategic Goals of the Department of Communications ("DoC) for the same period, as well as the Company's objectives adopted by the Board of Directors to achieve the objectives of the Shareholder's MTSF programme of action.

- For this MTEF period, the Board has committed SENTECH to a singular business strategy theme:

“To provide *open access interoperable communications platform services that enable universal access to digital content and communication services for all South Africans”*

- In adopting this theme, the Board acknowledges the importance of the Broadcasting Signal Distribution Business Model that has serviced the Company extremely well in the past, however, we recognise that SENTECH has to look further into the future, in which rapid technological changes are the only constant determinant of advancement; and in which consumer preferences are constantly evolving and as a result, Broadcasters, Content Aggregators and ICT Service providers seek to serve their customers and audiences on all available digital networks.

- In order to seize the opportunities presented by this digital environment, SENTECH has implemented some of the Shareholder’s key interventions within its Public Service remit, specifically:

- **Digital Terrestrial Television:** We have revised the DTT network coverage targets to be in line with ICASA's Final Terrestrial Broadcasting Frequency Plan ("FTBP") published in February 2013. In this regard, the migration target for the terrestrial network is 84% for population coverage and 57.95% for geographic coverage. The network rollout will be completed by 31 March 2015 when the Greenfield sites at Harrismith, Burgersfort, Holy Cross and Ngqeleni are switched-on. Completion of these sites will take the total terrestrial digital coverage to 84%.

- **Direct-To-Home Satellite Platform:** In September 2013, we unveiled the FREEVISION open access DTH-S platform service to support the Department of Communications ("DoC") Go Digital broadcasting digital migration programme. The FREEVISION platform service, together with the Go Digital 'gap-filler' service and other DTH-S platforms from private commercial operators will ensure that digital broadcasting services will reach 100% of the country's population;

- **Digital Terrestrial Mobile Broadcasting:** The DVB-T2 Lite Transmitter Network infrastructure has been installed at the Brixton and Helderkruin sites and negotiations with Broadcasters and handset manufactures have been initiated to enable the start of the DVB-T2 Lite Mobile Broadcasting Test Pilot in the 3rd quarter of the 2015 financial year; and

- **Soccer World Cup Legacy Project:** We've made significant progress in implementing the '2010 Soccer World Cup Legacy Programme' at the NASREC Facility – which is being converted into a world-class Content Management, Playout and Disaster Recovery Facility. From the 1st quarter of the 2016 financial year, SENTECH will begin piloting an Over-The-Top ("OTT") platform service delivering content directly into user devices (Television, PC/Laptop, Tablet and Smartphone) from a single source of content ingest by a broadcaster or content aggregator.

- We are confident that these interventions support the Shareholder initiatives to accelerate the pace and adoption of ICT's as a key socio-economic driver for South Africa's 21st century economy as evident in the 2013 Broadcasting Digital Migration and National Broadband ("South Africa Connect: Creating Opportunities, Ensuring Inclusion") Policy amendments.

TABLE OF CONTENTS

COMPANY PURPOSE:
Vision, Mission And Values Statements

VISION

To be a world-class provider of sustainable communications platform services in South Africa and the rest of the African Continent.

MISSION

To provide open access and interoperable communications platform services that enable affordable universal access to digital content services, in the context of South Africa's socio-political imperatives as a developmental state.

VALUES

- **Integrity:** *We act with honesty, fairness and openness;*
- **Quality Customer Service:** *We are committed to proactively ensuring high values of customer satisfaction and building a relationship based on trust;*
- **Innovation:** *We endeavour to develop and support creativity and responsible risk-taking;*
- **Accountability:** *We deliver on our promises and take responsibility for our actions; and*
- **Social Responsibility:** *We endeavour to fulfill our mandate in a manner that benefits our employees, customers, suppliers, communities and the environment in all the areas that the Company operates in.*

COMPANY PURPOSE:
Public Service Mandate Context

- To date, SENTECH's Public Service mandate is primarily provided for in:

  - **The SENTECH Act (No. 63 of 1996), as amended:** Communications Services

  "... to provide electronic communications services and electronic communications network services in accordance with the Electronic Communications Act."; and

  - **The Electronic Communications Act (No. 36 of 2005**): Broadcasting Signal Distribution Services

  "...to construct, maintain and operate an electronic communications network for the provision of electronic communications services, electronic communications network services and broadcasting signal distribution services as a common carrier … to broadcasting licensees upon their request on an equitable, reasonable, non-preferential and non-discriminatory basis".

- In addition, the Company's public service remit is also informed, guided and governed by a range of Legislations and Regulations, including, but not limited to the Constitution of the Republic, the Companies Act, the Public Finance Management Act and Treasury Regulations.

- In preparing this Corporate Plan, SENTECH is further guided by the Shareholder's MTSF Strategic Goals for this planning period, which are:
    - **Strategic Goal 1:** Enable the maximisation of investment in the ICT sector and create new competitive business opportunities for the growth of the ICT industry for socio-economic development;
    - **Strategic Goal 2:** Ensure that ICT infrastructure is accessible, robust, reliable, affordable and secure to meet the needs of the country and its people;
    - **Strategic Goal 3:** Accelerate the socio-economic development of South Africans and facilitate the building of an inclusive information Society through partnerships with business and civil society and three-spheres of Government;
    - **Strategic Goal 4:** Improve Departmental performance and enhance the role of ICT SOEs as the delivery arms of Government; and
    - **Strategic Goal 5:** Contribute to the global ICT Agenda prioritising Africa's development.

- The Corporate Plan is also informed by the current and future needs of our primary stakeholders – our Customers.
- The Board has committed the Company to work closely with its customers in exploiting new ICT technologies to find solutions that will ensure that South Africa’s broadcasting and content distribution industry stays at the cutting-edge improving connected experiences for our customer’s content consumers.

TABLE OF CONTENTS

ALIGNMENT TO SHAREHOLDER PRIORITIES:
Introduction

SHAREHOLDER PRIORITIES: MTSF 2014 - 2019		SENTECH STRATEGIC PLAN ALIGNMENT
STRATEGIC GOALS	**STRATEGIC OBJECTIVES**	
SG 1: Enable the maximisation of investment in the ICT sector and create new competitive business opportunities for the growth of the ICT industry for socio-economic development**.**	**SO 1.1:** Contribute to creating conditions for inclusive economic growth through the development and implementation of ICT policies, legislations and strategies.	• Provide input into the development of the Community Broadcasting Governance Strategy, the National Integrated ICT Policy and the Comprehensive Digital Content programme based on operational insight into various regulatory, technical and business interactions in the communications industry and strategic insights into the future of digital content systems.

SHAREHOLDER PRIORITIES: MTSF 2014 - 2019		SENTECH STRATEGIC PLAN ALIGNMENT
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ALIGNMENT TO SHAREHOLDER PRIORITIES:
Introduction

SHAREHOLDER PRIORITIES: MTSF 2014 - 2019		SENTECH STRATEGIC PLAN ALIGNMENT
STRATEGIC GOALS	**STRATEGIC OBJECTIVES**	
SG 2: Ensure that ICT infrastructure is accessible, robust, reliable, affordable and secure to meet the needs of the country and its people.	**SO 2.1:** Support and enable the provision of a multiplicity of ICT applications and services through facilitating the modernisation and deployment of the infrastructure.	• Establish Digital MultiMedia infrastructure that enables distribution of content and information services on Terrestrial, Satellite, Mobile and Online platforms, using the digital infrastructure currently being deployed for the Broadcasting digital migration project. • Ensure that SENTECH's entire communications infrastructure network is aligned to public policy objectives of universal access, open access and interoperability.
	SO 2.2: Contribute to rural development through increasing Universal Access and Services to ICTs.	• Prioritize the rollout of connectivity and broadcasting distribution infrastructure to underserviced and underserved areas as a contribution to the implementation of the ICT Rural Development Strategy.

ALIGNMENT TO SHAREHOLDER PRIORITIES: Introduction

SHAREHOLDER PRIORITIES: MTSF 2014 - 2019		SENTECH STRATEGIC PLAN ALIGNMENT
STRATEGIC GOALS	**STRATEGIC OBJECTIVES**	
SG 2: Ensure that ICT infrastructure is accessible, robust, reliable, affordable and secure to meet the needs of the country and its people.	**SO 2.3:** Contribute towards the efficient management and usage of the National Radio Frequency Spectrum.	• Provide inputs into the development of an updated Radio Frequency Plan based on operational insight into the use of such spectrum in analogue and digital broadcast signal distribution.
		• SENTECH will apply 'best-in-class' technology solutions to ensure efficient and effective utilization of spectrum, particular the Digital Dividend.
	SO 2.4: Improve cost, quality, availability and usage of ICTs.	• Apply the Tariff Model that recognises the different tiers of broadcasting licensees. • Participate robustly in regulatory process, including market studies and related regulatory activities, on wholesale and retail prices for broadcasting services based on operational insight into sustainability and productivity drivers for wholesale broadcast signal distribution services.

ALIGNMENT TO SHAREHOLDER PRIORITIES:
Introduction

SHAREHOLDER PRIORITIES: MTSF 2014 - 2019		SENTECH STRATEGIC PLAN ALIGNMENT
STRATEGIC GOALS	**STRATEGIC OBJECTIVES**	
SG 3: Accelerate the socio-economic development of South Africans and facilitate the building of an inclusive Information Society through partnerships with business and civil society and the three spheres of Government.	**SO 3.1:** Contribute to increasing the ICT skills base in South Africa and increase access to, and uptake and usage of ICTs.	• Contribute to an increase in the national technical and business skills base in content distribution through collaboration with tertiary institutions, including the single entity for e-Skills
	SO 3.2: Facilitate the growth and development of SMME's as well as improve their sustainability through the use of ICTs	• Implement an Enterprise Development strategy that supports Local ICT SMME Procurement
	SO 3.3: Improve evidence-based policy making through conducting ICT research and development for economic growth and global competitiveness.	• Ensure that SENTECH submissions on policy and regulatory development processes are informed by global benchmarks, with particular focus on Africa and developmental states.

ALIGNMENT TO SHAREHOLDER PRIORITIES:
Introduction

<table>
<tr><th colspan="2">SHAREHOLDER PRIORITIES: MTSF 2014 - 2019</th><th rowspan="2">SENTECH STRATEGIC PLAN ALIGNMENT</th></tr>
<tr><th>STRATEGIC GOALS</th><th>STRATEGIC OBJECTIVES</th></tr>
<tr><td rowspan="2">SG 4: Improve Departmental performance and enhance the role of ICT SOE's as the delivery arms of Government.</td><td>SO 4.1: Provide efficient and effective oversight to SOEs and other entities through effective monitoring and corporate governance mechanisms.</td><td rowspan="2">• Ensure that SENTECH has the appropriate corporate governance structures and policies to enable effective Shareholder oversight.</td></tr>
<tr><td>SO 4.2: Enhance departmental performance through improving institutional processes and mechanisms.</td></tr>
<tr><td rowspan="2">SG 5: Contribute to the global ICT Agenda prioritising Africa's development.</td><td>SO 5.1: Facilitate South Africa's active participation in Multilateral, Bilateral and other International Forums to advance the SA ICT agenda.</td><td rowspan="2">• Ensure that SENTECH's stakeholder engagement model support Shareholder's African and Global initiatives.</td></tr>
<tr><td>SO 5.2: Explore and exploit Trade and Investment opportunities for the ICT sector in South Africa.</td></tr>
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TABLE OF CONTENTS

- Over the past decade, numerous studies have highlighted the inherent potential for countries in developing economies to leapfrog some of the 1st world economy countries through the adoption and implementation of digital technologies focused on the specific needs of each country.

- We believe that the 2013 BDM and Broadband Policy amendments provides the strategic foundation for the South African ICT industry to begin its roadmap towards digital inclusiveness for all citizens.

- In the short-to-medium term, SENTECH has to contend with a challenging external market environment characterised as follows:
  - Policy Framework
  - Regulatory Environment, and
  - Entertainment & Media Market Outlook.

- SENTECH is confident that during FY2015, the process to review the ICT Policy framework being undertaken by the Ministry of Communications will culminate in the adoption of a future-proof ‘White Paper’ policy directive on Integrated ICT Policy Framework for South Africa.

- SENTECH believes that this Policy Framework is a necessary strategic imperative that will enable industry operators to invest in communications network infrastructure and services. SENTECH hopes that the ICT Policy review process will provide a framework for:
    - Long-Term Policy certainty;
    - A Regulatory regime that is pro-competitive and encourages diversification of ownership and service provisioning;
    - Consolidation and streamlining of SOC infrastructure assets and future investments; and
    - Alignment of Public and Private ICT network infrastructure that will lead to the achievement of Universal Access to broadcasting and communications services in line with the country’s National Development Plan and the DoC’s Vision 2020 strategies for the ICT sector.
- Accordingly, SENTECH will continue to participate and contribute in the ICT Policy Review Panel processes leading to the adoption of the White Paper on Integrated ICT Policy and related Regulations to be developed by ICASA.

MARKET OUTLOOK: Regulatory Environment

- The ICT Regulatory environment continues to be impacted upon by the pace of digital convergence and the end-user adoption of digital devices capable of seamlessly interacting with these networks. It is for this reason that a number of countries throughout the world are moving towards developing and enabling integrated ICT Regulations.

- **RADIO BROADCASTING MARKET:** In the 2014 financial year, the Regulator continued to make some progress in enabling diversity of voice and programming in the Radio market, largely through the licensing of new Private Commercial and Community Radio Services. However, despite these achievements, a number of Regulatory challenges for the Radio market remains:
  - Universal Access;
  - Services Licensing Process; and
  - Sustainability of Licensees.

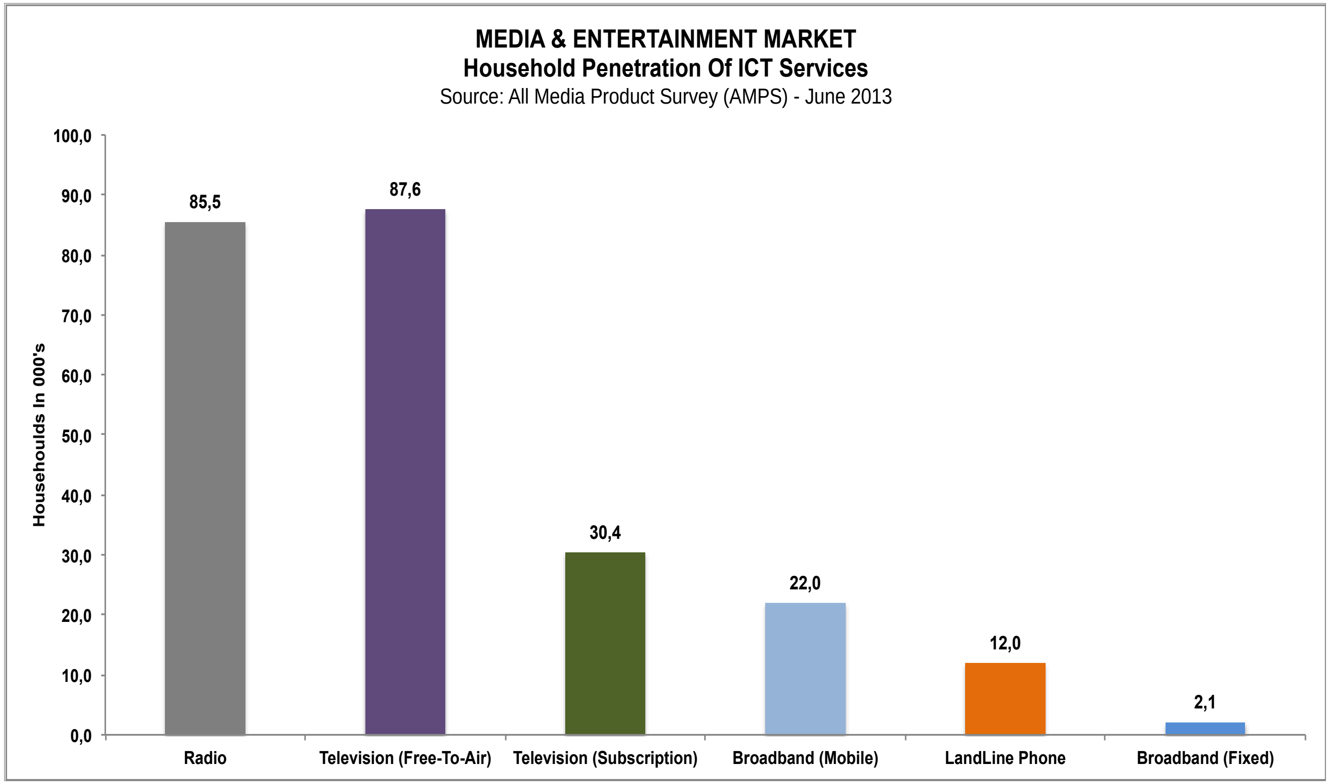
Despite some of the positive developments in the radio sector, financial sustainability remains a challenge for new operators, in particular for 'Secondary Market Private Sound and Community Radio Operators.' The future viability of the Radio market requires a comprehensive Market Study that will provide opportunities, challenges as well Policy and Regulatory interventions needed to sustain the industry – in particular for Community Broadcasters.

- **TELEVISION BROADCASTING MARKET:** The Regulatory Regime governing the Television market remains a challenge for all industry players; including SENTECH as uncertainty on the commercial launch of DTT services persist. Whilst awaiting the finalisation of the Amended BDM Policy, the Regulator is expected to provide clarity on a number of key drivers of the future digital television broadcasting market:
  - Digital Terrestrial Television;
  - Inquiry on Wholesale Transmission Services for Broadcasting Services; and
  - Broadcasting Signal Distribution Tariffs.
  - DTT Broadcasting Signal Distribution Tariffs.

SENTECH submits that some of the challenges faced by the Broadcasting industry are a result of the time is has taken to conclude some key regulatory programs. In this regard, we look forward to the initiation and conclusion of market studies on Free-To-Air Television broadcasting, Subscription Television and Wholesale Transmission Services.

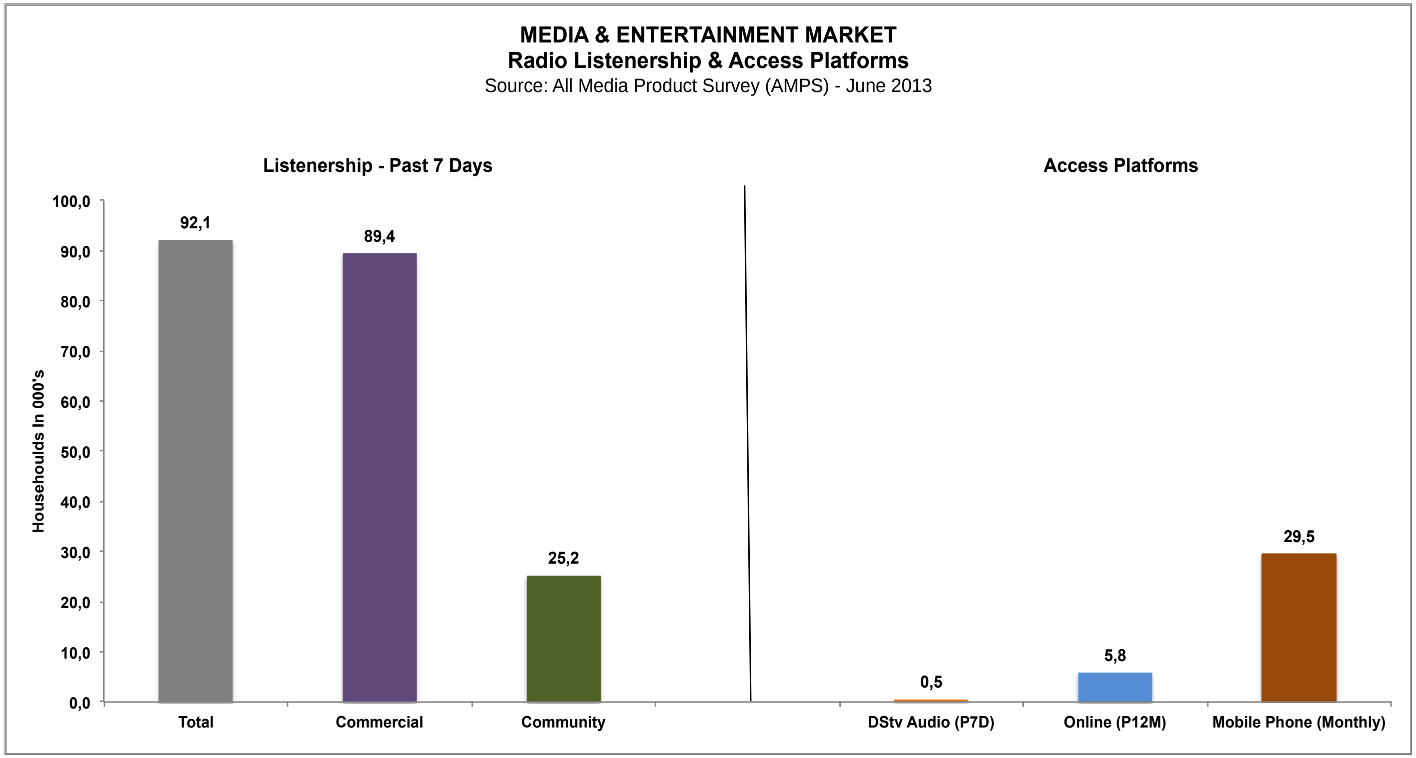
- The South African Entertainment and Media ("E&M") Market is buoyant, and continues to offer significant potential for ICT operators geared for this latent market opportunity despite the prevailing Policy and Regulatory challenges.

- In developing the strategy roadmap for the MTEF 2014 – 2017 period, SENTECH considered the E&M market outlook and its implications on the future sustainability of the Company.

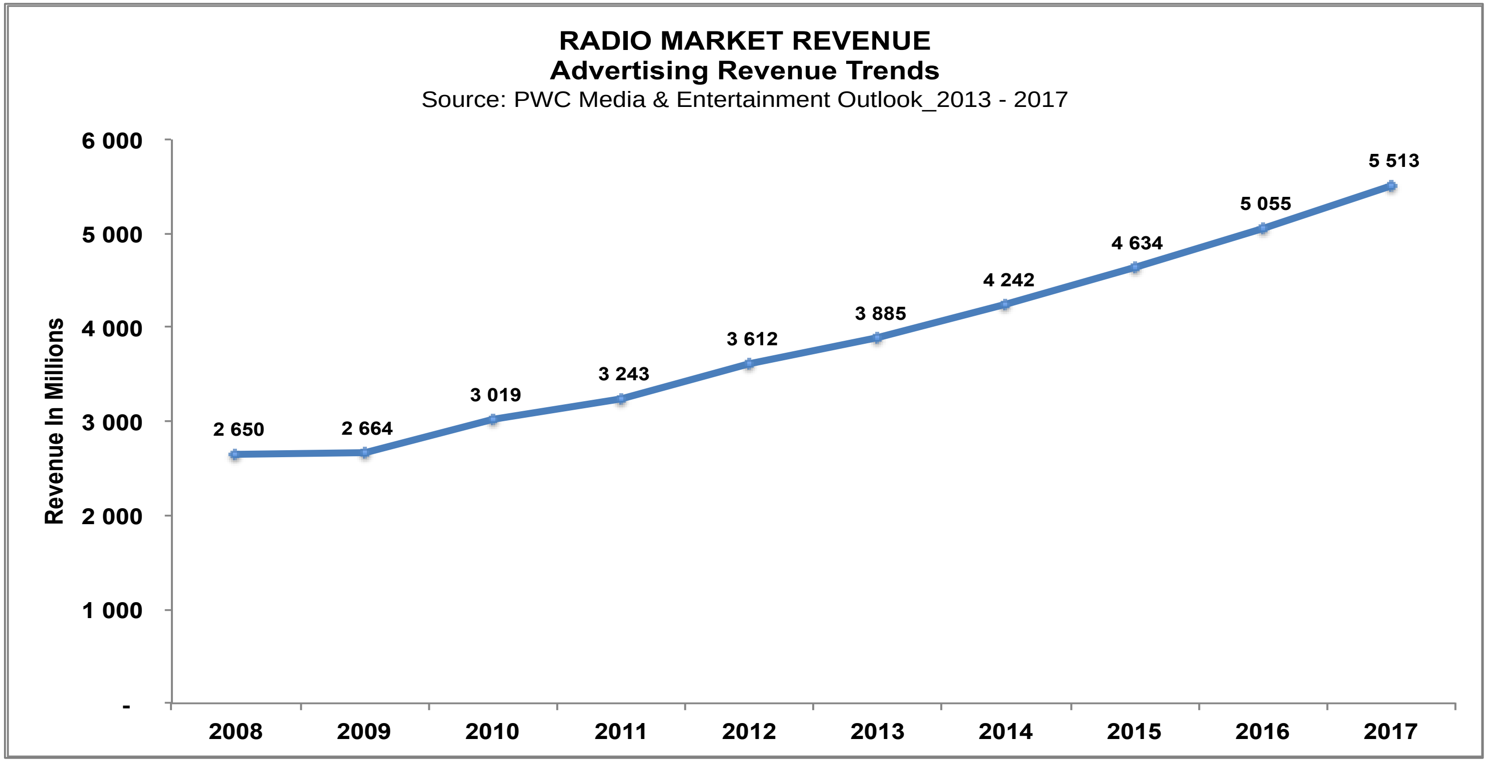


- According to the All Media Products Survey ("AMPS") for June 2013, South Africa is estimated to have 14,98m Households.

- Whilst Radio remains the medium with the highest population reach, penetration of Radio devices stands at 85.5% of all households compared to 87.6% of households with Television sets. The study also estimates that 30.4% of South African households have a Television subscription service (or 34.7% of Television Homes). On the other hand, just over 2.1% of households have fixed wireless broadband compared to 22.0% of households with Mobile enabled broadband/data services.



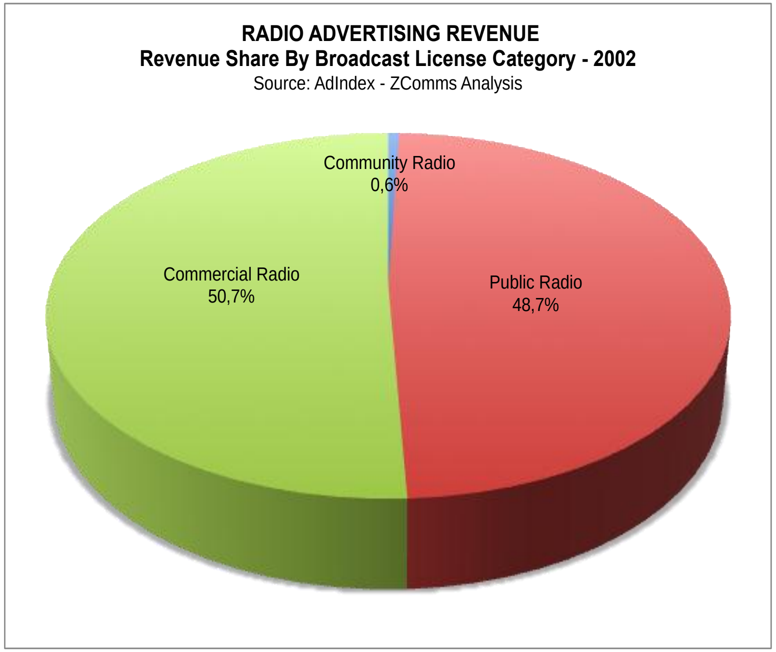
- On current trends, Radio and Television will remain the most ubiquitous media and entertainment mediums for the majority of South Africans for the foreseeable future. However, the concentration of fixed broadband penetration in the middle-to-upper income households means that the digital divide amongst citizens is likely to widen without a universal access plan for basic broadband services to all households

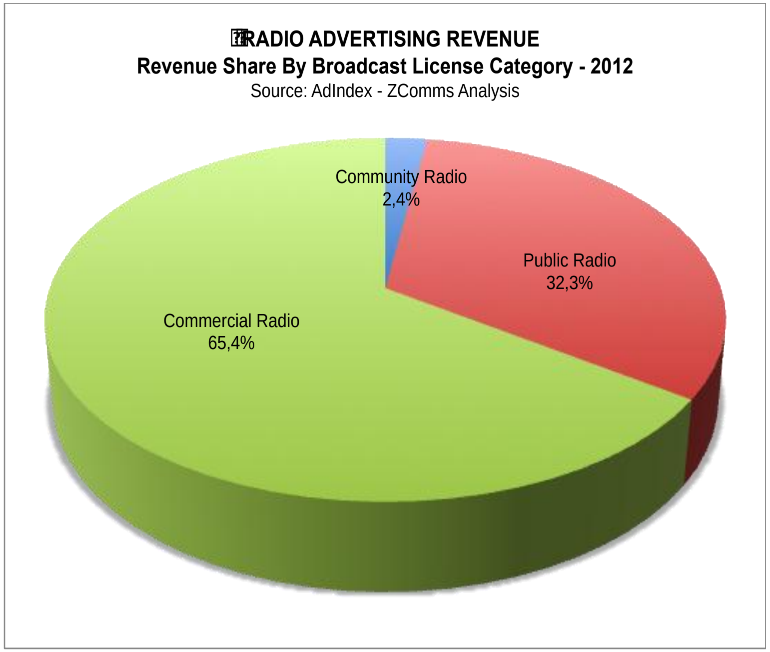


- At the end of 2012, Advertising spend on Radio topped R3.61 billion, an average increase of 11,4% from the 2011 spend of R2.65 billion, according to the Pricewaterhouse Coopers ("PwC") Media & Entertainment Outlook study for the 2013 – 2017 period.

- The PwC study also projects that the Radio Revenue market will grow by a Compound Annual Growth Rate ("CAGR") of 7.3% between 2013 and 2017 to a total of R5.5 billion.

MARKET OUTLOOK:
Entertainment & Media Industry Ecosystem

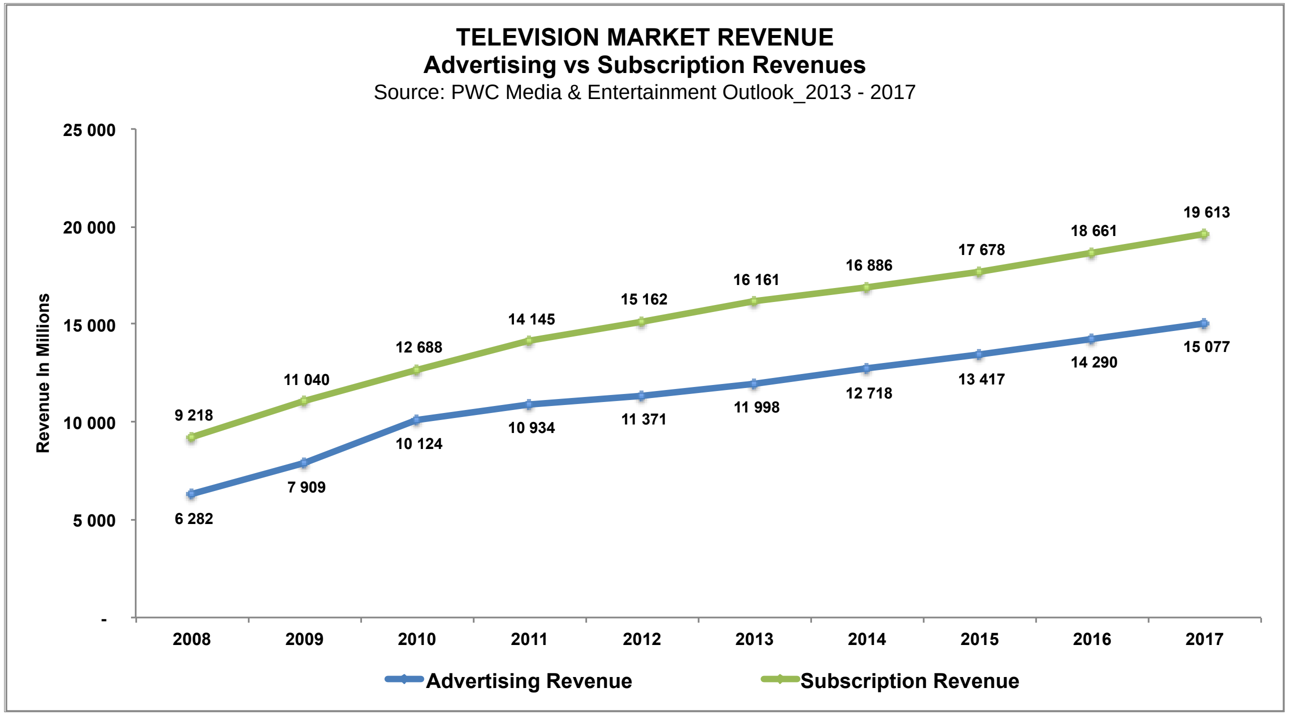




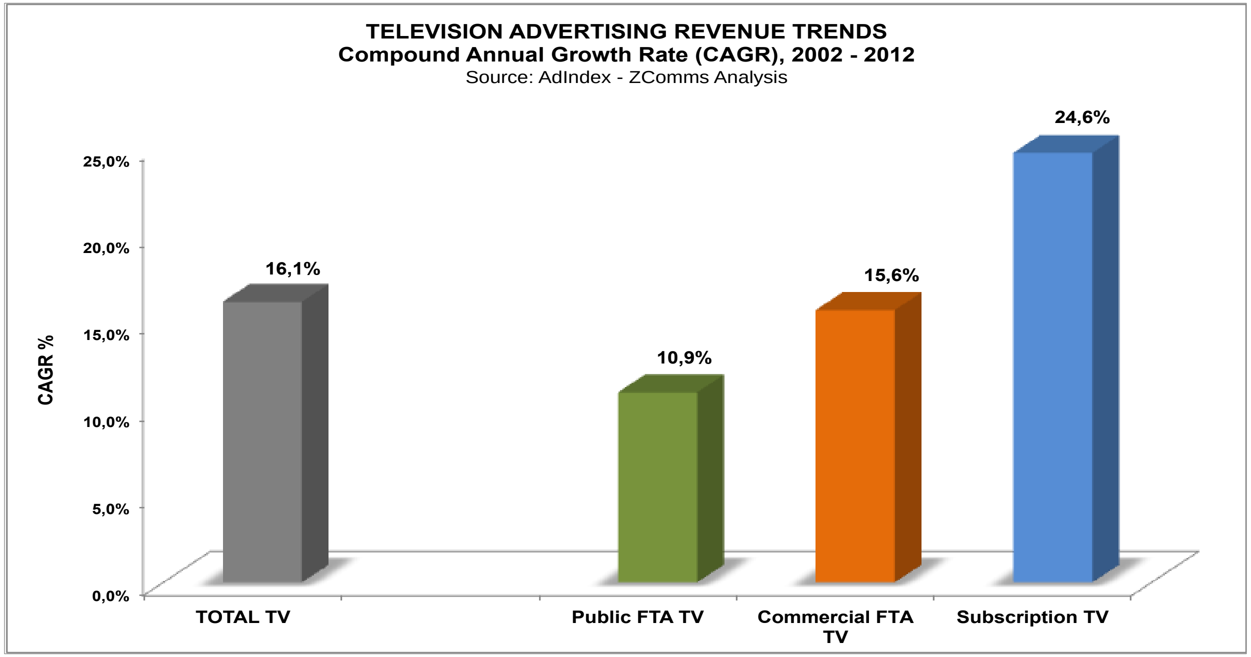
- Whilst general industry growth is impressive, Advertising Revenue share trends for the 10-year period between 2002 and 2012 indicate that Public Radio services have lost a considerable share of AdRevenue growth, despite the increased advertising revenue the sector has shown over the period.

- During this 10-year period, Community Radio share of advertising revenue showed the strongest CAGR at 14.9%, albeit from a small base. For the same period, Private Commercial Radio increased its share of advertising revenue by a CAGR of 2.6% whilst Public Radio advertising revenue share declined by a CAGR of -4.0%.

MARKET OUTLOOK:
Entertainment & Media Industry Ecosystem

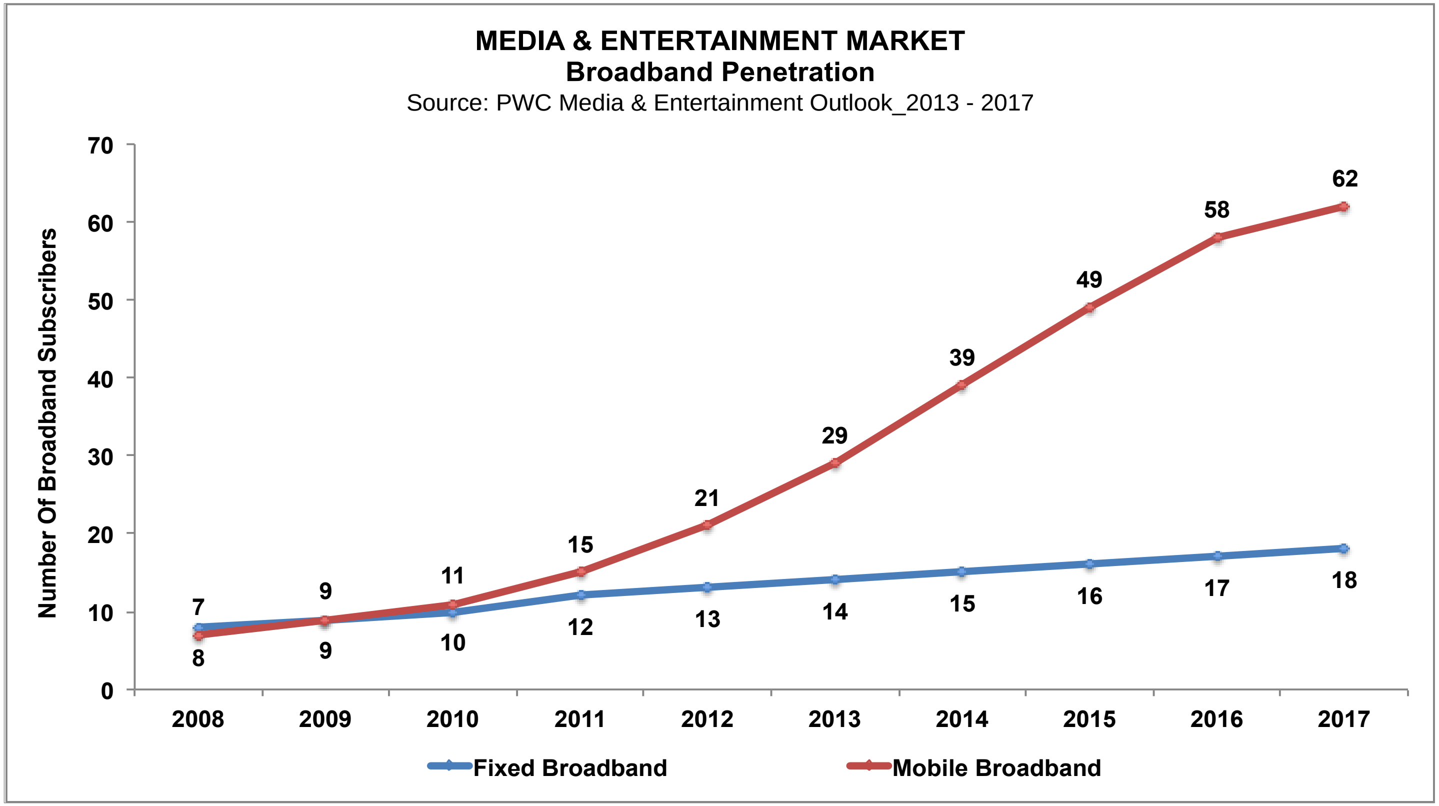


- In the Direct-To-Home Satellite (DTH-S) Subscription Television market segment, DStv is the dominant service with an average of 31.4% viewership compared to 1.3% for TopTV that launched in 2010. This trend reflects the competitive nature of the DTH-S Subscription Television market, and to a large extent indicates the challenges for new operators to make inroads into households without premium content – primarily, Sports programming.
- Subscription revenues continue to grow faster than Advertising revenue. By 2017, total Subscription revenues are estimated to be at R19.6 billion compared to Advertising revenue at R15.1 billion to a total of R35.8 billion – a CAGR of 5.3% and 5.8% respectively.



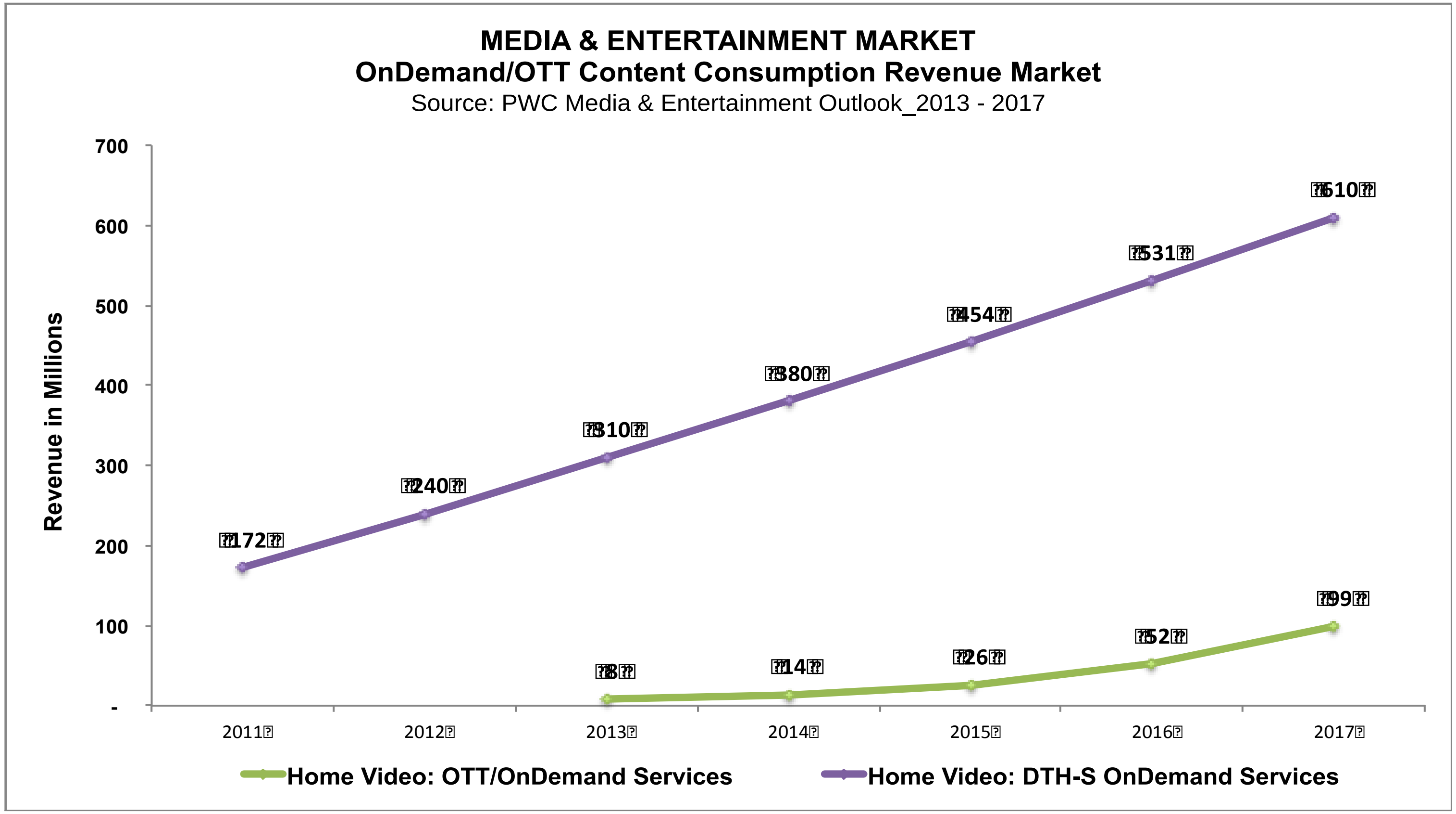
- With the current trend showing an increasing gap between Advertising and Subscription revenues, the South African Television services market growth is likely to skew towards Subscription as these services benefits from both revenue streams. This development is evident in the analysis of Advertising Revenue share trends over the 10-year period between 2002 and 2012.
- During this 10-year period, Television Advertising Revenue growth rate was at a CAGR of 16.1% and Subscription Television CAGR was 24.6% - 8.5 percentage points above the total market growth. In contrast, both Public and Commercial FTA Television Advertising Revenue growth was below the total market growth at CAGR of 10.9% and 15.6%, respectively.

MARKET OUTLOOK:
Entertainment & Media Industry Ecosystem



- According to the PwC 2013 – 2017 Media & Entertainment Outlook study, Internet Access is the primary driver for the current growth of consumption of entertainment and media content across all market segments of South Africa's population. The study estimates that the number of Fixed Internet subscribers will grow from 14 million (2013) to just over 16 million in 2017 – an average CAGR of 6.7%. For the same period, Mobile Internet subscribers are projected to grow from 29 million to 62 million, an average CAGR of 24%.

MARKET OUTLOOK:
Entertainment & Media Industry Ecosystem



- At the same time, the Filmed Entertainment OnDemand/ OTT revenue market is projected to double between 2013 and 2017, from R318 million to R709 million. More than 90% of the Filmed Entertainment consumption revenues are projected to go to the DStv BoxOffice OnDemand/OTT service offered through Television, Mobile & Online platforms.

MARKET OUTLOOK:
Entertainment & Media Industry Ecosystem

- On current trends, Radio and Television will remain the most ubiquitous media and entertainment mediums for the majority of South Africans for the foreseeable future. However, the concentration of fixed broadband penetration in the middle-to-upper income households means that the digital divide amongst citizens is likely to widen without a universal access plan for basic broadband services to all households.

- Within this context, SENTECH hopes that the ICT Policy Review will provide the framework for sustainable funding of Public and Community Radio services that is less dependent on Advertising Revenue.

- South Africa needs to develop a competitive policy framework to regulate the Advertising Revenue market and to encourage the entry of new Subscription Operators. Simultaneously, FTA broadcasters need to accelerate their digital multichannel television strategies in order to contain the increasing Advertising Revenue share growth of Subscription Television operators.

- South Africa, as most territories in the world, is experiencing an unprecedented surge in the OnDemand and Over-The-Top (“OTT”) Content distribution and consumption segments.

TABLE OF CONTENTS

- During the 2014 – 2017 MTEF period, SENTECH's business strategy will remain aligned to and guided by the objectives of the National Development Plan: 2030 and the Department of Communications Vision 2020 strategy for the ICT sector.

- The Board has resolved that during this MTEF period, SENTECH will review its business model to ensure that the Company is prepared for the converged digital communications ecosystem. The Board submits that this review is necessitated by the Shareholder investment in the Company, in the form of Digital Terrestrial Television infrastructure, the market disruption that will be caused by digital broadcasting and the converged content distribution ecosystem.

- **FREQUENCY MODULATION (FM):**
  - The FM signal distribution business has seen marginal growth in the last three years, mainly driven by the expansion of transmitter networks for existing broadcasters, licensing of new operators and to a lesser extent by annual inflationary increase in tariffs.
  - With primary and secondary market FM frequencies at near full capacity, we only expect the market to be driven by licensing of additional Community Broadcasters and the FM expansion programme for Public Broadcasting services in the second year of the MTEF period .
- **MEDIUM WAVE:**
  - The MW signal distribution technology experience a resurgence of interest from aspirant broadcasting operators during the 2012 – 2013 financial periods due to the lack of FM frequencies in primary and secondary markets. However, this interest did not result in any significant growth in the market as delays in the licensing of new MW services by ICASA persisted throughout the period.
  - The Regulator has licensed new MW services in the Primary Markets in Gauteng and Cape Town. Whilst we have factored these services in our strategic plan, we anticipate that these services will only go live in the last quarter of 2015 due to long lead times in building new transmitter sites upon signing a commercial agreement with the broadcaster.

- **SHORT WAVE (SW):**
  - Last year SENTECH submitted that the SW signal distribution technology is closer to its useful lifecycle, with primary users of the platform continued adoption of new transmission modes such as Internet and Satellite radio. We further highlighted that the cost of maintaining and operating the Company's Meyerton SW transmitter infrastructure is escalating at an annual inflation cost three-to-four times as much as projected revenues as a result of expensive spare parts and declining customer base.
  - During the 2014 financial year, the Company began a rationalisation process to manage the cost structure of the SW signal distribution business, and to prepare for its eventual termination.
  - Whilst SENTECH is confident that these measures will contain the escalating SW operational costs, we submit that these measures will not bring the SW business back into operational financial sustainability. In the short-to-medium term, taking into consideration the potentially eventual termination of the SW business, SENTECH will collaborate with the SABC in the development of a business case for submission to the Shareholder to ensure the future distribution of the SABC's Channel Africa Pan-Africa radio service, which exclusively relies on the SW signal distribution technology platform.

- **DIGITAL RADIO:**
  - The Radio industry has reached an agreement to begin a Digital Audio Broadcasting (“DAB”) Pilot in March 2014. SENTECH is funding the Capex and Opex for a 12 month DAB+ trial that will commence in April 2014. The trial will be conducted in conjunction with the National Association of Broadcasters (“NAB”) and the Southern African Digital Broadcasting Association (“SADIBA”).
  - SENTECH is part-funding the Capex and Opex for a 12 month DRM trial on MW in conjunction with a group of MW broadcasters led by RADIO PULPIT. Whilst SENTECH acknowledges that digital audio broadcasting is only a reality in the next 3-5 years, we believe that the Radio Industry should continuously explore and test all relevant technologies to ensure ease of Policy and Regulatory Framework; and Customer adoption once these technologies are considered to be commercially viable and sustainable.
  - During the 2015 financial year, SENTECH will also continue with the mobile television pilot using the DVB-T2 Lite, a subset of the DVB-T2 profile to further explore the efficiencies that this platform technology can offer South Africa in exploring the Public Funding invested on the country’s primary DTT network infrastructure.

- The Analogue Terrestrial Television (“ATT”) signal distribution solution remains the primary revenue driver for SENTECH. However, due to the unavailability of analogue terrestrial frequencies and the impending commercialisation of DTT, the ATT business growth for the MTEF period will mainly be driven by inflation-linked tariff increases.
- In light of the prevailing uncertainty on the commercial launch of DTT services, the Company has made provision for the replacement of some of its ageing ATT network infrastructure to ensure operations continuity and compliance with customer Service Level Agreements (“SLA’s”).
- This provision, if implemented, will have a negative impact on the ATT profitability. As reported in the MTEF 2013 - 2016 Corporate Plan, the future sustainability of SENTECH is intricately linked to the successful launch and mass household uptake of the FTA commercial DTT service. Without a FTA commercial DTT service, the Company’s financial performance will decline as more investment is made in refreshing the ATT transmitter network.
- Beyond this MTEF period, SENTECH will have to review its ATT operations to ensure that the business solution remains self-funding and sustainable.

BUSINESS STRATEGY:
Direct-To-Home Satellite Platform Service

- In previous Corporate Plan, SENTECH submitted that the Company's DTH-S product would be reviewed to ensure closer alignment with the provisions of the White Paper on Broadcasting Policy.

- In September 2013, the Company unveiled that Vivid satellite product will be re-launched as FREEVISION, an open access interoperable platform service that will provide DTH-S content distribution and management services to Broadcasters and Content Aggregators.

- In the 2015 financial year, the business strategy for the DTH-S product will focus on:
  - Growing the Free-To-View and Business Television customer base; and
  - Developing tailored solutions for the aspirant PayTV applicants that responded to ICASA's ITA for Subscription Broadcasting services due to be licensed before end of March 2014.

- SENTECH believes that the open access DTH-S platform service will stimulate the growth of the Television broadcasting industry by providing affordable end-to-end digital multichannel content distribution platform to aspirant single channel broadcasters as well as removing one of the key barriers-to-entry for Subscription Broadcasters in the form of an open access subscription television platform service.

- At the beginning of the 2013 financial year, SENTECH submitted that it was also exploring opportunities to extract maximum public service value from the 2010 Soccer World Cup (“SWC”) Legacy Infrastructure at the NASREC facility.
- Today, ‘NASREC Innovation Hub’ provides Content Distribution, Management and Broadcast Playout Services to more than ten SMME Free-To-View Television broadcasters and content aggregators.
- During the 2015 financial year, the Company will focus on developing digital multi-screen (Mobile Phone, Tablet and Personal Computer) content distribution and management network services primarily aimed at delivering Public and Community broadcasting services. In addition, the Company will accelerate its efforts and collaborate with private commercial enterprises in developing custom-built content distribution network services, including, but not limited to Over-The-Top (“OTT”) solutions

BUSINESS STRATEGY:
Very Small Aperture Terminal Wireless Service (VSAT)

- Despite making significant inroads in enabling broadband connectivity to the key Government and Public Entities such as the Department of Education (KwaZulu-Natal and Free State), Centlec, Ethniks and the Universal Service and Access Agency of South Africa ("USAASA") for the ICT Hubs; sustainability of the VSAT service remains precarious.

- Going into the 2014 – 2017 MTEF period, SENTECH will focus the VSAT service on supporting Government-led ICT initiatives, in particular the rollout of end-to-end communications network services to rural schools and Community Telecentres in partnership with USAASA. SENTECH will also look at alternative and more affordable satellite providers for this product to ensure that VSAT is affordable to customers and can compete in the tough market place.

BUSINESS STRATEGY: Facilities Leasing & Management

- The Facilities Management service in which SENTECH provides site-sharing facilities to public and private companies on more than 220 of its sites remains a key driver of revenues for the Company.
- As part of the Facilities Management network growth and diversification strategy, SENTECH will develop a Business Case for a Facilities Management and Maintenance Product for national strategic terrestrial infrastructure sites owned and operated by other tiers of Government, with specific focus on Municipality and Metro owned infrastructure.
- To date, SENTECH has made significant progress in reaching agreements with operators of Broadcasting Self-Help Sites with regards to providing end-to-end Site Management and Maintenance services. We believe that this model can now be expanded into other strategic Communications Network Infrastructure Sites, in particular those that are owned by the different tiers of Government – where these are strategically aligned to SENTECH's Public Service Mandate and Business Model.

BUSINESS STRATEGY:
Managed Network Solutions & Consulting

- During the 2015 financial year, SENTECH will undertake a benchmarking study to understand the different market environments that have led a number of SENTECH's global signal distribution provider peers transform their businesses into integrated communications network services providers for the Broadcasting, Content Distribution, Emergency and Safety services sector providers.

- This study will, amongst others, review the transformation roadmap that signal distribution providers, such as Arqiva (United Kingdom), Kordia (Australia & New Zealand) and Abertis (Spain) adopted with the emergence of digital convergence in their territories.

- In addition, SENTCH will explore opportunities to provide managed network solutions and consulting services within the Sub-Saharan Africa market primarily driven by the Company's expertise and experience in rolling-out the country's Digital Terrestrial Television infrastructure network.

TABLE OF CONTENTS

STRATEGIC INFRASTRUCTURE PROGRAMMES:
Digital Terrestrial Television (DTT)

- In the previous Corporate Plan, SENTECH submitted that the Company would complete the DTT Network Infrastructure rollout by 31 March 2014 with a population coverage reach of 88%.

- During the course of the year, SENTECH had to review the network rollout plan and timelines as a result of unforeseen challenges, amongst others, the following:
    - The Final Terrestrial Broadcasting Frequency Plan (“FTBFP”) of February 2013 allowed for maximum population coverage for DTT of 84% during digital migration. Subsequent to the publication of the FTBFT, SENTECH approached ICASA with a proposal for higher Effective Radiated Powers (“ERP’s”) at some of the sites to allow for the replication of the Analogue Television coverage as far as possible, resulting in the projected 88% DTT coverage. As a result, the final DTT population coverage has been revised down from 88% to 84%;
    - The construction of the four new-build sites in Harrismith (Free State), Burgersfort (Limpopo), Holy Cross and Ngqeleni (Eastern Cape) has been slower than planned due to the remoteness and geographically rocky and mountainous nature of some of the sites; and
    - The construction of some of the 61 sites planned for implementation in 2013 was held back due to long drawn negotiations with local Chiefs, Municipalities and Communities. These sites were also impacted upon by strike actions beyond the control of SENTECH.

- As a result of these challenges, the revised final DTT population coverage is now 84%, based on the FBFP and Direct-To-Home Satellite will cover the remaining 16% of the population. The projected date for completion of the extended DTT network is 31 March 2015 when the last of the new Greenfield sites in Holly Cross and Ngqeleni sites will be switched-on.

STRATEGIC INFRASTRUCTURE PROGRAMMES:
Digital Terrestrial Television (DTT)

- Whilst SENTECH acknowledges the delayed completion of the DTT infrastructure rollout and in particular, the implications of the revised final population coverage target, the Company remains committed to the DTT migration project and will work with all relevant Stakeholders to ensure that this portion of the project is not delayed further than the projected 31 October 2014 timeline. With the Greenfield sites being completed by 31 March 2015.

- At the end of the 2015 financial year, Public Funding investment on the DTT infrastructure is projected at R1.947 billion, with R1.540 billion spent on Capital projects and R407 million for Operational costs of the DTT Network during the ‘dual-illumination’ period.

- In conclusion, SENTECH’s DTT strategic objectives for the 2014 – 2017 MTEF period will focus on two key areas:
    - Completing the network rollout project by 31 October 2014 to ensure implementation of Analogue Switch-Off in June 2015; and
    - Develop and implement the DTT-To-DTT migration Project Plan to relocate DTT frequencies in the 700MHz – 800MHz spectrum bands.

TABLE OF CONTENTS

FINANCIAL PLAN:
Introduction

- The Financial Plan for the 2014 – 2017 MTEF period is aligned to the Company's mission statement:

"To provide open access and interoperable communications platform services that enables affordable universal access to digital content services, in the context of South Africa's socio-political imperatives as a developmental state."

- The major themes of the Financial Plan are:
    - The Company will see significant changes in its financial position due to the completion of the DTT migration project, which will be completed in October 2014. To date, all assets funded by government grants are accounted for on a net basis. Once DTT assets are ready for use, SENTECH is planning to adopt a policy to recognize the assets gross of the government grant. This will represent a realistic view of the assets owned by the Company regardless of funding source.
    - During the MTEF period, SENTECH will increase the capital expenditure funded by the Company's own funds; and
    - The Treasury guidelines for cost-cutting measures have also played a significant role in projecting the costs for this MTEF period and indicate SENTECH's continued commitment to the concept of "Sustainable Shareholder Value Creation."

- SENTECH is projecting an improved liquidity position for the 2015 financial year, with a current ratio of 1.87 compared to 1.63 in the previous financial year. The improvement is mainly a result of the significant reduction in current liabilities by -61% (2014: -38%) year-on-year which is attributable to government grant liabilities.

- The Company has significant borrowing capacity limited to approval from the Minister of Communications with a projection of 0% debt-to-equity ratio in the MTEF period. The projected financial position provides a good base for SENTECH to provide affordable services to its clients while at the same time meeting sustainability targets for the shareholder.

- The projected overall net cash outflow in FY2015 and FY2016 reflects an additional burden that is placed on the business due to additional costs associated with dual illumination. In addition, SENTECH is investing in expansionary infrastructure that will result in new business, and the refurbishment of existing infrastructure in order to retain current revenues as well as improved business efficiencies. SENTECH projects a total of R902.3 million to be spent towards capital expenditure over the MTEF period, of which less than a third will be from external funding, indicating a commitment by the Company towards strengthening the business through investment in revenue generating assets

FINANCIAL PLAN:
Performance Matrices

	2013	2014		2015	2016	2017
	Actual	Forecast	Budget	Budget	Budget	Budget
Return On Net Assets (RONA)	(2%)	7.8%	6.3%	6.0%	6.8%	6.7%
Gross Profit Margin	43.3%	37.7%	39.5%	37.4%	38.8%	38.8%
Personnel Costs on Revenue	29.2%	31.5%	34.8%	34.0%	32.8%	32.7%
Overhead Costs on Revenue	23.7%	20.0%	25.4%	26.6%	25.7%	25.6%
Asset Productivity	0.41	0.58	0.57	0.76	0.83	0.85
Cost of Sales Productivity	1.76	1.61	1.65	1.60	1.63	1.63
Overheads Productivity	4.23	5.01	3.94	3.76	3.89	3.91

- The projected financial performance is conditional on the elimination of a number of Risks which are beyond the Company’s ability to mitigate, such as:
  - Further delays in the launch of commercial FTA DTT platform service;
  - Uncertainty in the funding of DTT Signal Distribution costs during the dual-illumination period; and
  - The ability of the Regulator to license new operators within its own prescribed timelines after issuing an Invitation To Apply (“ITA”) for a Broadcasting Service Licence.
- Whilst these Risks have been provided for, SENTECH will continuously review its operations to assess the level of impact these will have on the financial sustainability of the Company.

FINANCIAL PLAN:
Comprehensive Income Statement

	FY2014		FY2015			FY2016	FY2017	2014 vs 2015			
	Forecast R '000	Budget R '000	Analogue R '000	DTT R '000	Budget R '000	Budget R '000	Budget R '000	Variance Excluding dual illumination	%	Variance Including dual illumination	%
REVENUE	**977,051**	**952,807**	**1,000,307**	**30,000**	**1,030,307**	**1,130,130**	**1,204,493**	**111,321**	**12.5%**	**53,256**	**5.5%**
Television	502,385	490,503	526,000	-	526,000	554,967	585,871	23,615	4.7%	23,615	4.7%
Radio	240,903	240,017	256,910	-	256,910	304,757	326,170	16,007	6.6%	16,007	6.6%
VSAT	10,218	16,816	12,663	-	12,663	21,811	26,897	2,445	23.9%	2,445	23.9%
DTH-S	58,463	56,025	127,942	-	127,942	165,776	174,767	69,479	118.8%	69,479	118.8%
Facility Rental & Other revenue	44,270	43,446	76,791	-	76,791	82,819	90,789	32,522	73.5%	32,522	73.5%
Discontinued & once off products	32,747	-	-	-	-	-	-				
Dual illumination	88,065	106,000	-	30,000	30,000	-	-	-	-	(58,065)	(65.9%)
COST OF SALES	**(608,309)**	**(576,893)**	**(552,575)**	**(92,523)**	**(645,098)**	**(691,282)**	**(737,707)**	**(21,239)**	**4.0%**	**(36,789)**	**6.0%**
Depreciation	(48,415)	(65,116)	(58,248)	-	(58,248)	(68,236)	(76,455)	(9,833)	20.3%	(9,833)	20.3%
Energy Costs	(87,041)	(86,591)	(79,458)	(19,865)	(99,323)	(109,255)	(120,180)	(6,221)	8.5%	(12,281)	14.1%
Satellite Rental	(161,913)	(130,796)	(145,090)	(60,285)	(205,375)	(214,710)	(224,045)	(37,377)	34.7%	(43,461)	26.8%
Licences	(9,507)	(3,062)	(4,685)	(151)	(4,836)	(5,126)	(5,434)	4,620	(49.6%)	4,671	(49.1%)
Line Rental	(11,662)	(10,991)	(8,463)	(85)	(8,549)	(9,062)	(9,606)	1,511	(15.1%)	3,113	(26.7%)
Corrective Maintainance	(46,516)	(51,980)	(29,043)	-	(29,043)	(30,785)	(32,633)	17,473	(37.6%)	17,473	(37.6%)
Preventative Maintainance	(2,367)	(3,158)	(10,760)	(9,951)	(20,710)	(21,953)	(23,270)	(13,377)	(511.1%)	(18,343)	774.9%
Personnel costs	(239,595)	(221,044)	(215,928)	(2,186)	(218,114)	(231,201)	(245,073)	21,573	(9.1%)	21,482	(9.0%)
Other cost of sales	(1,292)	(4,155)	(900)	-	(900)	(954)	(1,011)	392	(30.4%)	392	(30.4%)
GROSS MARGIN	**368,742**	**375,915**	**447,732**	**(62,523)**	**385,209**	**438,848**	**466,786**	**90,082**	**25.2%**	**16,467**	**4.5%**
Gross Margin % of sales	**38%**	**39%**	**45%**	**(208%)**	**37%**	**39%**	**39%**				
OPERATING & ADMINISTRATIVE COSTS	**(194,994)**	**(241,977)**	**(257,848)**	**(16,183)**	**(274,031)**	**(290,473)**	**(307,901)**	**(73,947)**	**40.2%**	**(79,037)**	**40.5%**
Legal fees	(4,058)	(3,500)	(3,458)	(342)	(3,800)	(4,028)	(4,270)	527	(13.2%)	258	(6.4%)
Leasing Charges	(13,627)	(18,251)	(14,585)	-	(14,585)	(15,461)	(16,388)	(958)	7.0%	(958)	7.0%
Professional & Consulting Charges	(13,134)	(20,313)	(21,544)	(666)	(22,211)	(23,543)	(24,956)	(9,107)	73.2%	(9,077)	69.1%
Transport Costs	(22,103)	(18,897)	(14,882)	(2,626)	(17,508)	(18,558)	(19,672)	4,444	(23.0%)	4,595	(20.8%)
Travel & Subsistence	(22,136)	(23,102)	(18,059)	(4,515)	(22,574)	(23,928)	(25,364)	2,259	(11.1%)	(438)	2.0%
Selling expenses	(24,459)	(13,123)	(19,162)	(2,129)	(21,291)	(22,568)	(23,922)	4,113	(17.7%)	3,169	(13.0%)
Communication Costs	(7,017)	(8,254)	(7,259)	(807)	(8,066)	(8,550)	(9,063)	(946)	15.0%	(1,049)	14.9%
Computer Services	(8,861)	(8,360)	(12,467)	(1,233)	(13,700)	(14,522)	(15,393)	(3,780)	43.5%	(4,839)	54.6%
Financial & Write-off Charges	(382)	(1,437)	(2,713)	-	(2,713)	(2,876)	(3,049)	(2,332)	610.9%	(2,332)	610.9%
Insurance & Security costs	(8,905)	(12,152)	(8,100)	(3,471)	(11,571)	(12,265)	(13,001)	(2,514)	45.0%	(2,666)	29.9%
Other Office costs	(462)	(741)	(874)	(97)	(972)	(1,030)	(1,092)	(443)	102.8%	(510)	110.5%
Personnel costs	(67,695)	(110,537)	(132,074)	-	(132,074)	(139,999)	(148,399)	(64,380)	95.1%	(64,380)	95.1%
Services and Levies	(1,158)	(1,978)	(1,722)	(191)	(1,914)	(2,029)	(2,150)	(760)	79.1%	(756)	65.3%
Stationery & Printing	(998)	(1,334)	(947)	(105)	(1,052)	(1,116)	(1,183)	(70)	7.9%	(55)	5.5%
EARNINGS BEFORE INTEREST & TAX (EBIT)	**173,749**	**133,937**	**189,884**	**(78,706)**	**111,178**	**148,375**	**158,885**	**16,135**	**9.3%**	**(62,571)**	**(36.0%)**
EBIT Margin	**18%**	**14%**	**19%**	**(262%)**	**11%**	**13%**	**13%**				
Finance Income	36,233	34,924	24,447	-	24,447	7,334	2,200	(11,786)	(32.5%)	(11,786)	(32.5%)
Finance Expenses	(9,652)	(2,038)	(100)	-	(100)	(75)	(75)	9,552	(99.0%)	9,552	(99.0%)
EARNINGS BEFORE TAX (EBT)	**200,330**	**166,824**	**214,231**	**(78,706)**	**135,525**	**155,634**	**161,010**	**13,901**	**6.9%**	**(64,805)**	**(32.3%)**
Income tax expense	(69,649)	(60,911)	(76,294)	22,038	(54,257)	(62,684)	(66,490)	(6,646)	9.5%	15,392	(22.1%)
EARNINGS AFTER TAX	**130,681**	**105,913**	**137,937**	**(56,668)**	**81,269**	**92,950**	**94,520**	**7,256**	**5.6%**	**(49,413)**	**(37.8%)**

- For the FY2015, the budget estimate is shown with a split between continuing operations and dual illumination for better presentation.
- SENTECH is projecting revenue of R1.025 billion and total operating expenditure of R824.492 million from continuing operations for the 2015 financial year. The movement equals to a consistent 15.2% year-on-year increase when compared to FY2014 forecast on both revenue and operating expenses.
- Overall, SENTECH is projecting an EBIT of R111.2 million and Earnings After Tax of R81.2 million for the 2015 financial year, an earnings decrease of 38% and 23.6% respectively, compared to the year-end forecast for 2014 financial year. The R78.7 million of unfunded dual illumination costs has a negative impact on both the EBIT and Earnings after tax.

FINANCIAL PLAN:
Comprehensive Income Statement

	FY2012/13	YTD Dec '13	FY2013/14		FY2014/15	FY2015/16	FY2016/17	2014 vs 2015	
	Actual	Actual	Forecast	Budget	Budget	Budget	Budget	Variance	%
	R '000	R '000	R '000	R '000	R '000	R '000	R '000		
Revenue	**899,244**	**715,817**	**977,051**	**952,807**	**1,048,709**	**1,130,130**	**1,204,493**	**144,373**	**15%**
	831,020	**654,594**	**856,239**	**846,807**	**1,018,709**	**1,130,130**	**1,204,493**	**142,683**	**17%**
Television	505,353	395,589	502,385	490,503	526,000	554,967	585,871	22,304	4%
Radio	216,765	169,857	240,903	240,017	256,904	304,757	326,170	11,933	5%
VSAT	24,343	10,659	10,218	16,816	12,663	21,811	26,897	959	9%
DTH-S	44,405	42,540	58,463	56,025	146,350	165,776	174,767	100,709	172%
Facility Rental & Other revenue	40,154	35,949	44,270	43,446	76,791	82,819	90,789	6,777	15%
Discontinued & once off products	-	-	32,747	-	-	-	-		
Dual illumination	**68,224**	**61,223**	**88,065**	**106,000**	**30,000**	**-**	**-**	**34,438**	**39%**
Cost Of sales	**(509,912)**	**(443,397)**	**(608,309)**	**(576,893)**	**(659,166)**	**(706,456)**	**(753,791)**	**(48,311)**	**8%**
Depreciation	(27,970)	(36,311)	(48,415)	(65,116)	(58,763)	(69,043)	(77,310)	(8)	0%
Energy Costs	(71,361)	(65,281)	(87,041)	(86,591)	(99,323)	(109,255)	(120,180)	(12,281)	14%
Satellite Rental	(111,501)	(114,732)	(161,913)	(130,796)	(205,375)	(214,710)	(224,045)	(43,461)	27%
Licences	(65,091)	(3,830)	(9,507)	(3,062)	(4,836)	(5,126)	(5,434)	4,671	(49%)
Line Rental	(9,164)	(7,677)	(11,662)	(10,991)	(8,549)	(9,062)	(9,606)	2,500	(21%)
Corrective Maintainance	(32,143)	(34,887)	(46,516)	(51,980)	(29,043)	(30,785)	(32,633)	17,473	(38%)
Preventative Maintainance	(6,035)	(1,775)	(2,367)	(3,158)	(20,710)	(21,953)	(23,270)	(39,077)	1651%
Personnel costs	(186,485)	(177,935)	(239,595)	(221,044)	(218,114)	(231,201)	(245,073)	21,482	(9%)
Other cost of sales	(162)	(969)	(1,292)	(4,155)	(14,453)	(15,320)	(16,240)	392	(30%)
Gross Margin	**389,331**	**272,419**	**368,742**	**375,915**	**389,543**	**423,674**	**450,702**	**96,062**	**26%**
Operating & Adminstrative costs	**(212,705)**	**(164,492)**	**(194,994)**	**(241,977)**	**(274,031)**	**(290,473)**	**(307,901)**	**(168,620)**	**86%**
Legal fees	(3,073)	(2,329)	(4,058)	(3,500)	(3,800)	(4,028)	(4,270)	258	(6%)
Leasing Charges	(13,521)	(10,220)	(13,627)	(18,251)	(14,585)	(15,461)	(16,388)	(1,758)	13%
Professional & Consulting Charg	(27,425)	(9,850)	(13,134)	(20,313)	(22,211)	(23,543)	(24,956)	(16,397)	125%
Transport Costs	(20,849)	(16,577)	(22,103)	(18,897)	(17,508)	(18,558)	(19,672)	(2,782)	13%
Travel & Subsistence	(18,579)	(16,602)	(22,136)	(23,102)	(22,574)	(23,928)	(25,364)	(6,082)	27%
Selling expenses	(12,829)	(8,535)	(24,459)	(13,123)	(21,291)	(22,568)	(23,922)	(31,985)	131%
Communication Costs	(6,172)	(5,263)	(7,017)	(8,254)	(8,066)	(8,550)	(9,063)	(1,945)	28%
Computer Services	(4,763)	(4,621)	(8,861)	(8,360)	(13,700)	(14,522)	(15,393)	(4,497)	51%
Financial & Write-off Charges	(18,398)	(286)	(382)	(1,437)	(2,713)	(2,876)	(3,049)	(2,332)	611%
Insurance & Security costs	(8,568)	(6,679)	(8,905)	(12,152)	(11,571)	(12,265)	(13,001)	(4,381)	49%
Other Office costs	(1,088)	(346)	(462)	(741)	(972)	(1,030)	(1,092)	(510)	111%
Personnel costs	(75,671)	(81,567)	(67,695)	(110,537)	(132,074)	(139,999)	(148,399)	(94,812)	140%
Services and Levies	(971)	(869)	(1,158)	(1,978)	(1,914)	(2,029)	(2,150)	(756)	65%
Stationery & Printing	(800)	(748)	(998)	(1,334)	(1,052)	(1,116)	(1,183)	(642)	64%
Earnings before interest & tax	**176,627**	**107,928**	**173,749**	**133,938**	**115,512**	**133,202**	**142,802**	**(72,558)**	**(42%)**
	(165,531)	**19,936**	**26,581**	**32,887**	**24,347**	**7,259**	**2,125**	**8,243**	**31%**
Finance Income	27,484	27,174	36,233	34,924	24,447	7,334	2,200	(1,308)	(4%)
Finance Expenses	(193,014)	(7,239)	(9,652)	(2,038)	(100)	(75)	(75)	9,552	(99%)
Earnings before & tax	**11,096**	**127,863**	**200,330**	**166,825**	**139,859**	**140,461**	**144,927**	**(64,314)**	**(32%)**
Income tax expense	(58,820)	(46,509)	(69,649)	(60,911)	(55,614)	(58,661)	(62,226)	18,006	(26%)

FINANCIAL PLAN:
Statement of Financial Position

	FY2012/13 R '000	FY2013/14 R '000	FY2014/15 R '000	FY2015/16 R '000	FY2016/17 R '000
Assets					
Non-current assets					
Property, Plant and Equipment	545 559	593 374	872 364	1 005 933	1 052 373
Intangibles/Deferred Tax	-	-	-	-	-
Employee benefits	-	-	-	-	-
	545 559	**593 374**	**872 364**	**1 005 933**	**1 052 373**
Current assets					
Inventories	13 127	14 440	7 220	3 610	1 805
Trade & Other Receivables	60 495	48 396	41 137	37 023	33 321
Cash and Cash Equivalents	1 560 260	1 019 218	434 058	321 301	328 856
- unrestricted cash	800 776	690 464	431 558	320 801	328 856
- restricted cash	759 484	328 755	2 500	500	-
	1 633 882	**1 082 054**	**482 414**	**361 934**	**363 981**
Total assets	**2 179 441**	**1 675 428**	**1 354 778**	**1 367 867**	**1 416 354**
Equity and Liabilities					
Capital and reserves					
Share Capital & Premium	75 892	75 892	75 892	75 892	75 892
Reserves	510 762	500 547	500 547	500 547	500 547
Retained Earnings	302 987	433 669	517 914	599 714	682 414
	889 641	**1 010 107**	**1 094 352**	**1 176 152**	**1 258 853**
Non-current liabilities					
Other financial liabilities	15 816	-	-	-	-
Employee benefits	198 625	-	-	-	-
Deferred tax liability	2 525	1 500	500	250	100
	216 966	**1 500**	**500**	**250**	**100**
Current liabilities					
Trade & Other Payables	239 374	332 066	254 426	189 215	156 251
Deferred income - government	160 074	328 755	2 500	500	-
Government grant payable	606 816	-	-	-	-
Short term Portion of LTL	25 101	-	-	-	-
Other financial liabilities STL	14 595	-	-	-	
Tax liability	13 996	500	500	250	150
Provisions	12 878	2 500	2 500	1 500	1 000
	1 072 834	**663 821**	**259 926**	**191 465**	**157 401**
Total liabilities	**1 289 800**	**665 321**	**260 426**	**191 715**	**157 501**
Total equity and liabilities	**2 179 441**	**1 675 428**	**1 354 778**	**1 367 867**	**1 416 354**

FINANCIAL PLAN:
Cash Flow Statement

	FY2013 R '000	FY2014 R '000	FY2015 R '000	FY2016 R '000	FY2017 R '000
Cash flow from operating activities (1)	263,475	(6,102)	46,358	100,567	151,423
Cash Generated from / (Utilised in) Operations	298,633	127,231	77,625	151,969	211,524
Finance Income	27,485	36,233	24,447	7,334	2,200
Finance Costs	(5,773)	(9,652)	(100)	(75)	(75)
Post retirement benefit	-	(90,265)		-	-
Tax paid	(56,870)	(69,649)	(55,614)	(58,661)	(62,226)
Cash flow from investing activities	(457,012)	(730,919)	(660,868)	(213,324)	(143,868)
Property, Plant and Equipment Acquired	(457,073)	(730,919)	(660,968)	(213,374)	(143,893)
Proceeds on Disposal of Fixed Assets	61	-	100	50	25
Cash flow from financing activities	147,860	195,979	29,350	-	-
Government Grant Received	152,486	288,304	79,850		-
Government Grant paid to NT	-	-			
Interest capitalised	58,410	29,374	-	-	-
Payment arrangement (ICASA)	30,411	-	-	-	-
Government Grant expensed	(73,119)	(97,765)	(32,500)	-	-
Repayment of interest bearing laibilities	(20,328)	(23,935)	(18,000)	-	-
Net Increase/(Decrease) in cash	(45,677)	(541,042)	(585,160)	(112,757)	7,555
Opening Cash Balance	1,605,937	1,560,260	1,019,218	434,058	321,301
Cash at end of Period	1,560,260	1,019,218	434,058	321,301	328,856

FINANCIAL PLAN:
Capital Expenditure (Capex)

- SENTECH is mandated by the Shareholder and various statues and regulations to ensure that its broadcasting signal distribution and related ICT infrastructure is accessible, robust, reliable, affordable and secure to meet the needs of the country and its people.
- Some of the signal distribution infrastructure components have reached end of life, are no longer unsupported and have become unreliable thereby affecting services availability, quality and the achievement of the mandate.
- For SENTECH to meet this strategic objective, it has to periodically refresh its network. Furthermore, SENTECH is required to retain sufficient financial resources to ensure that it can independently and without recourse to the national treasury, meet the demands of new and existing customers in respect of new services and expansion of existing services.

- In the past, the network has not been upgraded sufficiently and this has mainly been due to challenges with SENTECH's past going concern status. In the recent past, SENTECH however has managed to increase its Cash Reserves as indicated below and the company is now in a better position to finance its CAPEX requirements:

	2010 (Rands)	2011 (Rands)	2012 (Rands)	2013 (Rands)
Cash and Cash-Equivalents (Own)	178 586 000	363 311 000	565 516 000	800 776 000

- In addition, focus on the project to rollout the digital television network in time for the 2015 analogue switch off has resulted in a slower than desired pace of network upgrade. The digital television network will be virtually completed at the end of financial year 2013/2014 and as a result, over the next MTEF, the bulk of the human resources will be devoted to the implementation of the non-DTT capital projects.
  - SENTECH CAPEX was planned in order to:
  - Increase scope of operations and as a result, improve the base of profitable revenues;
  - Reduce operating costs whilst improving on the quality and reliability of services;
  - Improve internal efficiencies; and
  - Transform business capability.

FINANCIAL PLAN:
Capital Expenditure (Capex)

- The CAPEX budget for the 2014 – 2017 MTEF period is provided as follows:

SENTECH FUNDING

PRODUCT LINE	BUDGET	EXPANSION				MAINTENACE				PROVISION			
		2015	2016	2017	TOTAL	2015	2016	2017	TOTAL	2015	2016	2017	TOTAL
FM Radio	223 072	47 750	43 650	39 450	130 850	38 630	31 592	22 000	92 222	-	-	-	-
MW Radio	47 500	15 000	10 000	20 000	45 000	2 500	-	-	2 500	-	-	-	-
VSAT	6 683	3 283	-	-	3 283	3 400	-	-	3 400	-	-	-	-
ATV	41 340	-	-	-	-	20 590	10 750	10 000	41 340	-	-	-	-
Network Access	267 788	-	-	-	-	133 202	86 286	32 300	251 788	-	-	-	-
DTT	1 000	1 000	-	-	1 000	-	-	-	-	-	-	-	-
Freevision	57 560	-	-	-	-	-	-	-	-	45 060	12 500	-	57 560
TOTAL	**644 944**	**67 033**	**53 650**	**59 450**	**180 133**	**198 322**	**128 628**	**64 300**	**391 250**	**45 060**	**12 500**	**-**	**57 560**

EXTERNAL FUNDING

PRODUCT LINE	BUDGET	EXPANSION				MAINTENACE				PROVISION			
		2015	2016	2017	TOTAL	2015	2016	2017	TOTAL	2015	2016	2017	TOTAL
DTT	228 750	228 750	-	-	228 750	-	-	-	-	-	-	-	-
Network Access	37 000	-	-	-	-	37 000	-	-	37 000	-	-	-	-
TOTAL	**265 750**	**228 750**	**-**	**-**	**228 750**	**37 000**	**-**	**-**	**37 000**	**-**	**-**	**-**	**-**

TOTAL CAPITAL BUDGET

PRODUCT LINE	BUDGET	EXPANSION				MAINTENACE				PROVISION			
		2015	2016	2017	TOTAL	2015	2016	2017	TOTAL	2015	2016	2017	TOTAL
SENTECH FUNDS	644 944	67 033	53 650	59 450	180 133	198 322	128 628	64 300	391 250	45 060	12 500	-	57 560
EXTERNAL FUNDS	265 750	228 750	-	-	228 750	37 000	-	-	37 000	-	-	-	-
TOTAL	**910 694**	**295 783**	**53 650**	**59 450**	**408 883**	**235 322**	**128 628**	**64 300**	**428 250**	**45 060**	**12 500**	**-**	**57 560**

TABLE OF CONTENTS

KEY PERFORMANCE INDICATORS: MTEF 2014 - 2017

STRATEGIC GOAL (What We Want To Achieve)	STRATEGIC OBJECTIVES (How We Will Achieve It)	KEY PERFORMANCE INDICATOR (How We Will Measure Performance	PERFORMANCE TARGETS		
			FY14/15	FY15/16	FY16/17
SG 1: Ensure that ICT infrastructure is accessible, robust, reliable, affordable and secure to meet the needs of the country and its people.	• Ensure universal access connectivity to public institutions	• Number of VSAT Terminals Installed	135	225	270
		• Number of Public Sector ICT Infrastructure Services Installed/Enabled Through CSI Programme	14	14	14
SG 2: Ensure high levels of Customer and Stakeholder satisfaction by meeting their needs all the time.	• Ensure Network Availability meets SLA requirements across all platforms	• Weighted average availability based on product revenues	99.8%	99.8%	99.8%
	• Improve Customer and Stakeholder satisfaction	• Customer and Stakeholder service index	Baseline +5%	Baseline +5%	Baseline +5%

KEY PERFORMANCE INDICATORS: MTEF 2014 - 2017

STRATEGIC GOAL (What We Want To Achieve)	**STRATEGIC OBJECTIVES** (How We Will Achieve It)	**KEY PERFORMANCE INDICATOR** (How We Will Measure Performance	**PERFORMANCE TARGETS**		
			FY14/15	FY15/16	FY16/17
SG 3: Drive organisational performance in order to improve organisational effectiveness.	• Improve employee performance and productivity	• Organisational performance rating at a maximum of 5.	3	3.2	3.5
	• Effective Management of Talent	• Percentage of training implementation plan achieved (interventions to address identified critical skills gaps)	80%	80%	95%
	• Improve Employee Engagement and satisfaction	• Levels of employee engagement and satisfaction	65%	65%	70%

STRATEGIC GOAL (What We Want To Achieve)	**STRATEGIC OBJECTIVES** (How We Will Achieve It)	**KEY PERFORMANCE INDICATOR** (How We Will Measure Performance	**PERFORMANCE TARGETS**		
			FY14/15	FY15/16	FY16/17
SG 4: Ensure that the Company is financially sustainable.	• Maintain sustainable Return on Net Assets (RONA)	• Return on Net Assets from continuing operations	6.0%	6.0%	5.8%
	• Maintain a healthy Earnings Before Interest and Tax (EBIT)	• Earnings Before Interest and Tax	R111.2m	R133.2m	R142.8m
	• Implement effective internal control system and compliance with applicable legislation	• Clean audit	Clean Audit	Clean Audit	Clean Audit

KEY PERFORMANCE INDICATORS: FY2014/2015 Quarterly Measures

STRATEGIC GOAL (What We Want To Achieve)	STRATEGIC OBJECTIVES (How We Will Achieve It)	KEY PERFORMANCE INDICATOR (How We Will Measure Performance	PERFORMANCE TARGETS			
			QUARTER 1 (Apr – Jun)	QUARTER 2 (Jul – Sep)	QUARTER 3 (Oct – Dec)	QUARTER 4 (Jan – Mar)
SG 1: Ensure that ICT infrastructure is accessible, robust, reliable, affordable and secure to meet the needs of the country and its people.	• Ensure universal access connectivity to public institutions	• Number of VSAT Terminals Installed	30	30	30	45
		• Number of Public Sector ICT Infrastructure Services Installed/Enabled Through CSI Programme	2	4	3	5
SG 2: Ensure high levels of Customer and Stakeholder satisfaction by meeting their needs all the time.	• Ensure Network Availability meets SLA requirements across all platforms	• Weighted average availability based on product revenues	99.8%	99.8%	99.8%	99.8%
	• Improve Customer and Stakeholder satisfaction	• Customer and Stakeholder service index	-	-	Baseline +5%	-

KEY PERFORMANCE INDICATORS: FY2014/2015 Quarterly Measures

STRATEGIC GOAL (What We Want To Achieve)	STRATEGIC OBJECTIVES (How We Will Achieve It)	KEY PERFORMANCE INDICATOR (How We Will Measure Performance	PERFORMANCE TARGETS			
			QUARTER 1 (Apr – Jun)	QUARTER 2 (Jul – Sep)	QUARTER 3 (Oct – Dec)	QUARTER 4 (Jan – Mar)
SG 3: Drive organisational performance in order to improve organisational effectiveness.	• Improve employee performance and productivity	• Organisational performance rating at a maximum of 5.	100% performance contracting and PDP's	Ongoing performance Monitoring	100% mid-year reviews	Organisation Rating of 3
	• Effective Management of Talent	• Percentage of training implementation plan achieved (interventions to address identified critical skills gaps)	20%	40%	60%	80%
	• Improve Employee Engagement and satisfaction	• Levels of employee engagement and satisfaction	40% Implementati on of Improvement Plan	60% Implementati on of Improvement Plan	60% Implementati on of Improvement Plan	65% Engagement and Satisfaction Levels

KEY PERFORMANCE INDICATORS:
FY2014/2015 Quarterly Measures

STRATEGIC GOAL (What We Want To Achieve)	**STRATEGIC OBJECTIVES** (How We Will Achieve It)	**KEY PERFORMANCE INDICATOR** (How We Will Measure Performance	**PERFORMANCE TARGETS**			
			QUARTER 1 (Apr – Jun)	**QUARTER 2** (Jul – Sep)	**QUARTER 3** (Oct – Dec)	**QUARTER 4** (Jan – Mar)
SG 4: Ensure that the Company is financially sustainable.	• Maintain sustainable Return on Net Assets (RONA)	• Return on Net Assets from continuing operations	4.0%	4.5%	5%	6.0%
	• Maintain a healthy Earnings Before Interest and Tax (EBIT)	• Earnings Before Interest and Tax	R32m	R50m	R75m	R111.2m
	• Implement effective internal control system and compliance with applicable legislation	• Clean audit	NA	Audit action monitoring tool developed	Interim financial statements	Asset verification for selected areas

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