Broadband Infraco

Connect. **Growth, UNLOCKED.**

2022

INTEGRATED REPORT

Broadband as a **catalyst** for inclusive economic **reconstruction** and **recovery**

SA Connect 1A and 1B

Broadband as a **catalyst** for inclusive economic **reconstruction** and **recovery**

DIRECTORS' APPROVAL: STATEMENT OF RESPONSIBILITY

In accordance with the King IV (TM) Reporting standards, the Broadband Infraco (BBI) Board of Directors (the Board), as the body charged with overall governance oversight, actively leads the Company's value creation process. As the integrated report is used to assess BBI's ability to create value over time, the Board oversees the overall quality and accuracy of the report as well as process-related disclosures as outlined in the BBI <IR> Terms of Reference. Accordingly, the Board has satisfied itself that the 2022 Integrated Report demonstrates the Company's ongoing journey towards integrating elements of strategy, risk, opportunities, and performance.

The Board has assessed the 2022 Integrated Report to ensure the:

- Integrity of the report and any supplementary information referenced in the report;
- Completeness of the material aspects addressed herein; and
- Reliability of reported performance information, based on the combined assurance process followed.

The Board is satisfied that the 2022 Integrated Report provides a fair representation of the integrated performance of the Company during the year and enables the reader of the report to make an informed assessment of the Company's performance and its ability to create value in a sustainable manner.

The Board has further concluded that the report is presented in accordance with the International <IR> Framework published by the International Integrated Report Council (IIRC) and aligns with the King IV guidelines on integrated reporting.

A summary of the key frameworks and standards adhered to in our reporting is contained in Table 1: Integrated Reporting Assurance Framework (see page 7).

The Board, considering the completeness of the material matters dealt with, and the reliability of information presented based on the integrated assurance process followed, approved the 2022 Integrated Report, Annual Financial Statements, and supplementary information on 15 August 2022, signed on its behalf by:

Ms Leah Khumalo
Chairperson: Board

Ms Bojane Segooa
Chairperson: ARC

Mr Andrew Matseke
Chief Executive Officer

Ms Boitumelo Mabusela
Chief Financial Officer

CONTENTS

ABOUT THIS REPORT

ABOUT THIS REPORT

The Broadband Infraco (BBI) Integrated Report provides a reasonable and accurate reflection of its organisational strategy, performance, opportunities, and outlook in relation to material matters as they pertain to financial, economic, social, and governance issues. The report primarily aims to address value creation considerations to long-term investors and provides information that is pertinent to key stakeholders of the organisation. The 17 King IV Principles are indicated as P1 to P17 hereafter.

Basis of Approach (King IV P5)

Our internal and external reporting processes comply with the South African Companies Act, No. 71 of 2008, as amended (Companies Act), and the King IV Report on Corporate Governance (King IV). As such, we document the Company's internal control and risk management procedures and policy. Similarly, details of our Audit and Risk Committee (ARC) are provided in our governance report (page 97) and financial statements (page 108). Details provided include the members of the committee and the actual frequency of meetings of the committee during the year. This Report was prepared in accordance with the International Integrated Reporting Council (IIRC), also referred to in this report as <IR> Framework. The report provides both financial and non-financial performance updates for the year 1 April 2021 to 31 March 2022 and includes future-focused information as it relates to the short-, medium-, and long-term strategic outlook of the organisation. Key relationships between stores of capital (that form the basis of the value-creation process) are highlighted in the report.

This Integrated Report should be read in conjunction with the Annual Financial Statements for a comprehensive view of our financial performance.

Reporting Boundary

Broadband Infraco SOC Ltd is a state-owned Company (SOC), with the Department of Communications and Digital Technologies (DCDT) and Industrial Development Corporation (IDC) being its two shareholders.

The reporting boundary encompasses Broadband Infraco's Strategic Intent, its business context, and its operating environment. Included are key factors that impact on the organisation's ability to create value, such as material risks and stakeholder interest. The information presented herein is comparable to prior reporting years, with no significant restatements, unless otherwise indicated.

The Broadband Infraco Integrated Report is published annually upon approval by the Board of Directors and Shareholders. The previous Integrated Report for the period 1 April 2020 to 31 March 2021, was approved by the Board on 30 July 2021.

Materiality in our Reporting (King IV PA and P16)

The 2022 Integrated Report provides information that we consider to be of material significance to value-creation in the short, medium, and long term. Five overarching material aspects for the 2022 reporting year are provided in more detail on page 51. We further align material aspects to performance, strategic objectives, as well as risks, and disclose material stakeholder impacts and concerns raised during the year (detailed on page 59).

We are confident that this Report provides information that is of material interest to all stakeholders desiring to make conscious appraisals of the Organisation's performance and ability to create sustainable long-term value.

An integrated approach to the assurance and reporting process (King IV P2, P5, P8, P11, P13 and P15)

We applied our Integrated Assurance Plan to the process of preparing the Integrated Report to provide an independent perspective on the transparency and accountability of our disclosures. The Integrated Assurance Plan encompasses our five levels of assurance provided by management, internal specialists, internal audit, external audit, external advisers, and service providers.

The Board serves as the last line of defence for the governance of the organisation. The Board, with the support of ARC, is ultimately responsible for BBI's system of internal control which is designed to identify, evaluate, manage, and provide reasonable assurance against material misstatement and performance information. BBI applies a combined assurance model, which seeks to optimise the assurance obtained from management, as well as internal and external assurance providers, whilst fostering a strong ethical perspective. Additionally, BBI implements various systems to ensure compliance.

More intricate risks, a more rigorous compliance landscape, as well as increased regulatory scrutiny have significantly increased the challenges for the Company's risk and assurance functions. Accordingly, our integrated assurance process and oversight will continue to respond to these challenges by integrating the key risk and assurance concepts in an innovative and practical manner.

Accountability for the implementation of integrated assurance within the organisation lies with our Internal Audit (IA). Among others, IA is responsible for implementing and embedding integrated assurance as defined in the BBI Integrated Assurance Framework. The integrated nature of our assurance framework is embedded in all activities of the organisation, including our reporting frameworks that include our annual integrated reporting process.

The Board and ARC assessed the effectiveness of controls for the year ended 31 March 2022 and found these to be moderate. This was achieved primarily through a process of management self-assessment, including formal confirmation from senior management and reports from Internal and External Audits, as well as other assurance providers. The Annual Financial Statements present fairly (in all material respects), our financial position, results of operations, and cash flows for the period.

Our assurance-related activities, performed by the various role players, are depicted in the Integrated Reporting Assurance Framework table 1 below:

	Assurance providers	Outcome	Framework/ Standard
Integrated Report (in full).	• Board of Directors. • ARC. • Social and Ethics Committee (SEC). • Nexia SAB&T. • DCDT oversight. • Parliament oversight.	• Review and commentary. • Approval.	• International <IR> Framework (IIRF). • ARC Terms of Reference. • SEC Terms of Reference. • King IV. • Public Finance Management Act, No 1 of 1999 (PFMA). • Companies Act.
Annual Financial Statements and Performance Information.	• Nexia SAB&T. • Audit and Risk Committee. • Board of Directors. • DCDT oversight. • Parliament oversight.	• Review and commentary. • Unqualified audit opinion with findings. • Approval.	• IFRS. • PFMA. • Companies Act.

Review of internal controls, governance, and risk management.	• BBI Internal Audit.
	• ARC.
	• Board of Directors.
		• Review and commentary.
		• Financial controls: require Improvement.
		• Operational controls: Moderate.
		• Assessment of controls:
		  • Financial controls require improvement.
		  • Operational controls: Moderate.
		  • IT controls: Moderate.
			• Committee of Sponsoring Organisations (COSO).
			• PFMA.
			• Institute of Internal Auditors.
			• Legislative requirements.
			• Enterprise Risk Management ISO 31000 standard.
			• National Treasury Risk Management Framework
			• ISO standards relating to safety and environment, including ISO 9001:2015 and ISO 14000.

Quality Standards auditing.	• South African Bureau of Standards (SABS). • TÜV Rheinland.	• Standardisation of processes and systems	• Quality Standards. • ISO standards relating to safety and environment.
B-BBEE Contributor Level.	• BEE Online Advisory (Pty) Ltd.	• B-BBEE Level 4 not maintained.	• Broad-Based Black Economic Empowerment (B-BBEE) Act, No. 53 of 2003 and Charters. • ICT scorecard.

Corporate Governance.	• Internal Audit.	• Review and commentary
		• Assessment of controls:
		  • Financial controls require improvement.
		  • Operational controls: Moderate.
		  • IT controls: Moderate.
			• King IV.
			• PFMA.
			• Companies Act.

Table 1: Integrated Reporting Assurance Framework

Going Concern Status (King IV P2)

In adopting the going concern assumption, the Board reviewed the Company's performance for the year and the factors considered included:

Figure 1: Performance Factors

The Board is satisfied that BBI will remain a going concern for the foreseeable future. Please see note 25 on pages 145 of the Annual Financial Statements.

Governance Context

BBI is a Schedule 2 entity in terms of the Public Finance Management Act No. 1 of 1999 (PFMA) (as amended) and is mandated through the Broadband Infraco Act, No. 33 of 2007 (the Act), amongst other key pieces of legislation. The main objectives of the Company as set out in the Act include:

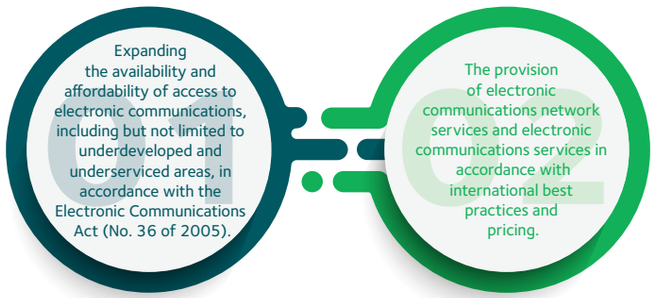


Figure 2: Main Objectives

The Company has two Shareholders - the Department of Communications and Digital Technologies (DCDT), representing the South African Government (owning 74% of the shares), and the Industrial Development Corporation (IDC) which owns 26% of the shares.

The Company's Memorandum of Incorporation (MoI) – approved by the Shareholders on 2 October 2017, aligns with the provisions of the PFMA, and the Companies Act. As an SOC, the PFMA is the primary legislation governing our business. The Company is a Schedule 2 public entity in terms of the PFMA.

BBI signs an annual Shareholder's Compact with the Executive Authority that details strategic objectives and key performance indicators and targets. The Board directs the Company's strategy in accordance with the mandate and strategic intent. The leadership of Broadband Infraco is guided by our values and code of conduct. There is a clear distinction of roles and responsibilities between the Board and the Executive Committee (EXCO). A detailed governance framework can be found on pages 90-93.

Regulatory context

BBI complies with the PFMA provisions for Schedule 2 companies, as well as more than 60 regulatory requirements. To ensure compliance with regulations and effect the law of the country, we developed systems, policies, and procedures. These governance instruments cover all aspects of the business to ensure that internal controls are efficient and adequate. These are recorded in an enterprise-wide policy register that

is updated on a quarterly basis to monitor the status of policies. In total, we have developed 63 policies.

Statement of stakeholder commitment (King IV P16, AA1000, AA1000SES)

We strive to communicate and engage with stakeholders regularly and robustly. BBI's core values, as encapsulated in our Corporate Plan, guide us in our interactions with stakeholders. The Board and management reviewed its 2030 Strategy, which includes more precise values. The details of our values will be found on pages 34-35 of this report. To meet and improve on our stakeholder commitments, we continue to strive for:

Figure 3: How we meet our stakeholder commitments

Board oversight of the elements of the 2022 Integrated Report (King IV P5, 8, 11,13,14,15 & 16)

The Board and EXCO have respectively established committees to ensure the effective management and monitoring of operations, and to efficiently respond to the fundamentals of the Company's mandate and strategy. Accordingly, the table below links the management activities and Board committee oversight to the required components for inclusion in the 2022 Integrated Report.

Integrated Reporting Element	Required Activities	EXCO Sub-Committee	Board Committee
Stakeholder engagement and relationship management.	Effective stakeholder engagement and responsiveness.	Senior Management Forum (SMF).	Social, Ethics Committee (SEC).
Risks and opportunities.	Effective identification and assessment of material issues.	• SMF.	Audit Risk Committee (ARC).
Strategy and resource allocations.	• Processes and controls. • Initiatives and activities. • Resource allocation.	• Capital Investment Steering Committee. • Bid Adjudication Committee.	• ARC. • Investment, Finance, Procurement, and Tender Committee (IFTPC). • Human Resource and Remuneration Committee (HRRC). • SEC.
Performance and outlook.	Appropriate performance measurement, includes key performance indicators, targets, and management.	• SMF.	• ARC. • IFTPC. • HRRC. • SEC.
Remuneration.	Appropriate remuneration structure to align performance against strategy.	• Not Applicable.	• HRRC.
Governance.	Governance and assurance processes to oversee the execution of strategy in accordance with policy and regulation.	• SMF. • Bid Adjudication Committee. • Capital Investment Steering Committee.	• ARC.

Table 2: Board oversight of integrated reporting elements

Futuristic Statements

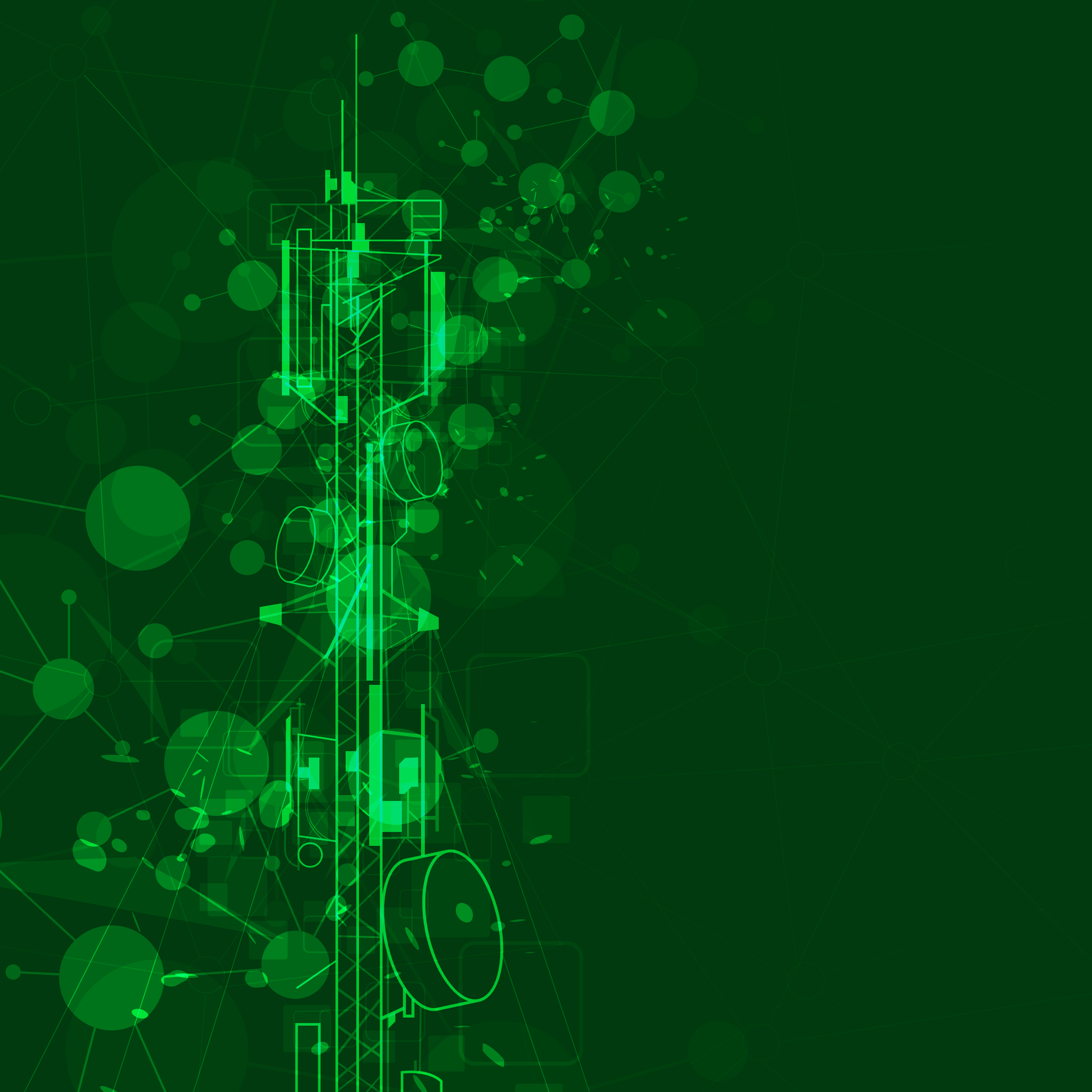
Certain statements in this Report, as they relate to BBI's operations, may be based on the future outlook. These include all statements (other than statements of historical fact) such as those related to the financial position, corporate strategy, management plans, and objectives for future operations.

Future-outlook statements constitute the present expectations of the organisation that hinge on reasonable assumptions based on market analysis and calculated risk. These statements inform the readers that assumptions have been validated. Actual results may differ materially from the projected future outlook statements due to a vast number of events, risks, uncertainties, and other factors.

BBI neither intends nor assumes any obligation to update or revise any future outlook statements, whether due to new information or future events.

Feedback

BBI endeavours to improve upon its integrated reporting process to ensure that it meets best-practice reporting standards, satisfies the expectations of its stakeholders, and increases the visibility of its efforts in creating sustainable value for all stakeholders. The organisation, therefore, welcomes any views on the content and design of the report. Comments and questions can be directed to contact-us@infraco.co.za.



THE JOURNEY OF **BROADBAND INFRACO**

THE JOURNEY OF BROADBAND INFRACO

01 HIGHLIGHTS

- Broadband Infraco participated in the Western Cape Infrastructure Framework (WCIF) Reboot Imagination Workshop. The objective of the workshop was to create a collective team from both inside and outside of the province, which will provide inputs to building an all-inclusive infrastructure strategy that will impact the entire province. The project is driven by the Department of Transport and Public Works. Broadband Infraco was the only telecommunication entity invited, which offers an opportunity to play a major role in the creation of the strategy and the implementation thereof.
- The spin-off from the WCIF engagement has produced an extension of business with the South African infrastructure, whereby the two entities will identify areas of common interest and collaborate on delivering broadband to the different parts of South Africa.
- Customer #88 signed a Proof of Concept (PoC) to test a 1Gbps service from ACE Submarine Cable System to Teraco Isando. The customer would like to test the IP Transit for the Internet breakout in Europe. A successful PoC will result in business growth and revenue generation.
- Customer #40. This is a Project with an international customer who wants to introduce new technology to connect end-users with wireless connectivity. The technology will be the first of its kind in the country, and its success will result in an expansion of nationwide connectivity with faster delivery timelines and a cost-effective solution.

2007
Broadband Infraco Act enacted and published and the company established.

2008
Rights to Eskom and Transnet Servitudes Operations set-up to service the Second Network Operator.

2009
Individual Electronic Communications Network Services (IECNS) license issued by ICASA.

2010-2011
Launched commercially.
Rights of use for the SNO terminated.
Insourced NOC.
Last trench of shareholder funding.

02 CHALLENGES

- Inadequate capitalisation of the organisation.
- Non-approval of the network investment plan.
- Limitations in network investment.
- Moratorium on filling vacancies and change in conditions of service.
- Low sales volumes and revenue.
- Long outstanding debts.
- Cash flow constraints.
- Delayed third-party fibre lease approvals and restoration of fibre breaks.
- Impact of COVID-19 on some businesses
- Non-renewal of contracts by customers.
- Vandalism and cable theft.

- The IP Core Router was installed and commissioned.
- 10Gbps Ladysmith-Standerton routes were handed over to operations and maintenance.
- USAASA has appointed BBI to provide broadband services in OR Tambo and Pixley ka Seme District municipalities.
- ISO 9001:2015 recertification.
- Ramatlabama Cross Border Fibre Cable Capacity Upgrade installations have been completed.
- Fixed standby generators at all six PoP sites, namely Oberholzer, Minerva, Soekmekaar, Pietermaritzburg, Aries, and, Kimberly were successfully commissioned.
- SA Connect Phase 2 proposal is approved by the Department of Communications and Digital Technologies and by the Cabinet.

2012 - 2022

- WACS cable.
- Karoo Array Telescope.
- SA Large Telescope.
- Kilometre Array.
- 14892km Fibre.
- 150 POPs.
- ISO 9001:2015 Accreditation.
- 713 SA Connect Sites.
- Five schools adopted for CSI programme

- Engage and build partnerships with stakeholders to expand our brand reach and impact.
- Network capacity upgrade to improve the network.
- Network reliability improvement by replacing obsolete equipment.
- Provide route redundancy by initiating projects to expand the network and link strategic routes to serve as a backup path to minimise downtime and ensure continuity of services in the event of unplanned network outages.

03 MITIGATIONS

- Drive the sales strategy to increase sales through new customer acquisitions locally, regionally, and internationally.
- Drive reseller partnerships for growth.
- Upgrading of IP Network to satisfy the increasing demand for IP services.
- Accelerate services in underserved areas by taking part in both national and local government initiatives and programmes. The acceleration of services aims to implement, for example, SA Connect that seeks to meet the technology goals of the National Development Plan, which seeks to create an inclusive information society and to position the government to play an enabling role in the provision of broadband to the number of underserved district municipalities – bridging the broadband connectivity gaps.
- Strategic customer acquisition.
- Strategic collaborations.
- New product development.
- Diversify revenue streams.
- Review of the organisational structure.
- Acquire capital projects funding.

OUR
LEADERSHIP OVERVIEW

OUR LEADERSHIP OVERVIEW

CHAIRPERSON STATEMENT

Steering the ship out of stormy waters

Dear Stakeholders

As a Company, during the 2021/22 financial year, we continued to deal with the impact of the COVID-19 pandemic and ensure business continuity. This proved to be an arduous task that necessitated a review of the business operations, to transition from functioning within a state of disaster and ready ourselves for the new normal.

From a financial sustainability perspective, we continue to work with our shareholders to engage on access to funding to enable us to expand our network following the strengthening of the balance sheet through the conversion of the Shareholders' loans into equity, a process that was completed with the finalisation of the audited Annual Financial Statements for the 2020/21 financial year. We continue to face liquidity risk and are not able to meet customer requirements timeously, with supplier payments delayed, creating strained relations in some sectors. This situation will improve once the fundraising process is completed, with the assistance of the Shareholders.

Governance structures

The governance structures have been optimised to ensure that, as the Accounting Authority, we remain alive and flexible to changes in the economy as impacted by the pandemic. We have availed ourselves to management and our stakeholders when required to do so and maintain our oversight role as mandated by our shareholders.

Our Board and its Committees have regularly met, and have held ad-hoc meetings as necessitated by the requirements of continued operations. We have also met with, and reported on our performance and governance to, the Portfolio Committee on a quarterly basis. This, at times, includes ad-hoc reporting when deemed necessary by the Portfolio Committee.

Despite the uncertain waters that we continue to navigate, the Company retains its unqualified audit outcome with findings that we remain committed to addressing – none of which relate to fraud or other serious breaches of governance.

It gives me great pleasure to report that over the past year, the Company has had an unqualified audit outcome with findings. None of the findings relate to fraud or other serious breaches of governance.

Strategy revolution

We continued to implement the 2030 Strategy during the year under review. As the new leadership we have reviewed this 2030 strategy in response to the changes in both the internal and external environment, which will be implemented from the new financial year.

The details of the unrevised 2030 strategy can be found on page 50 as the basis of this report.

Funding

I joined the Company on 24 May 2021 and found the Company striving to survive through cash generated from operations. The situation was due to the initial and only capitalisation that was last received in 2010/11. This has had an impact on the network capacity, as the network could not be expanded to keep up with market requirements, and this has weakened its position in the market and contributed negatively to its financial sustainability. Over the years, this has affected the capacity of the Company to provide effective and efficient services to its customers. Furthermore, this has had an impact on the BBI's ability to meet its revenue target for the past years.

As we picked the button from the previous Board, we continued supporting Management to ensure that the limited cash resources were (and continue to be) prudently managed. For the Company to grow its revenue and move towards financial sustainability, it needs to invest in its infrastructure and network. The Shareholders need to provide support to the Company in this regard. It gives me pride to report that the Minister has taken a keen interest in this matter during our interaction in her introductory meeting on 24 August 2021, and beyond.

The infrastructure investment timeline may also overlap with the period of the merger with Sentech, but this is unavoidable and should be part of the plan. The new Board of Directors and Management have worked together effectively and have positively contributed to the wellbeing of the Company.

Future outlook

In the State of the Nation Address, the President of the Republic touched on the following aspects relating to Telecommunications and Fibre:

Figure 4: Aspects relating to Telecommunucations Fibre

The President's address creates a sense of direction for the Board in its continuance of implementing the strategy of the Company and alignment to the trajectory of the country, in so far as connectivity is concerned.

Appreciation

On behalf of the Board of Directors, I would like to thank the Board members for their exceptional work in leading this Company during such turbulent times. My gratitude is extended to the Minister and the IDC, as the Shareholders' representatives, in taking the Company forward in recognising its potential to accelerate access to broadband connectivity by all citizens in rural and underserviced areas.

I further extend my thanks and deep appreciation for the intense contributions of every employee during a critical and unprecedented period in the Company's history. BBI employees stepped up by diligently providing excellent services, preserving the assets of the Company, and driving the cost-containment effort. This is evidence of the positive Team-BBI spirit.

I also acknowledge BBI's stakeholders for their continued support and engagement. Throughout this Integrated Report, we reflect on the work of BBI and its commitment to grow shared value for our stakeholders, ensure safe and sustainable operations, and its focus on securing the Company's resilience in a lower-carbon future. The stakeholders' challenges and inputs have been important in the Company's efforts to set a new strategic direction. Their outstanding and continuous support, as well as rigorous dialogue, contributes significantly to long-term value creation.

Ms Leah Khumalo
Chairperson: Board

OUR BOARD OF DIRECTORS

Leah Khumalo
Chair of the Board

Gender: Female

Qualifications:
Attorney of the High Court of South Africa
Baccalaureus of Iuris (B. Iuris) - University of Durban-Westville
Bachelor of Laws (LLB) - University of Durban-Westville
Project Management - University of Durban-Westville

Expertise:
- General Management
- Drafting and design of legal documents
- Execution of judicial acts (litigation)
- Stakeholder Management

Andrew Matseke
Chief Executive Officer

Gender: Male

Qualifications:
Bachelor of Science (BSc) Electrical & Electronic Engineering - University of Cape Town (UCT)
Master of Business Administration (MBA) - University of Pretoria
Post Graduate Diploma in Project Management - Cranefield College
Engineering Council of South Africa (ECSA) Registered Professional Engineer
Senior Member of South African Institute of Electrical Engineers(SAIEE)

Expertise:
- Engineering
- Telecommunications and Business Management
- Strategy Development and Execution

Ian Van Niekerk
Chief Financial Officer

Gender: Male

Qualifications:
Bachelor of Accounting Science Honours (Hons B. Compt.) - University of South Africa
Chartered Accountant South Africa (CASA)
Certificate in Short Term Reserving Techniques - University of Pretoria

Expertise:
- Telecommunications
- Financial Management
- Commercial Management
- Strategy Execution

Zandile Kabini
Human Resources and Remuneration Committee Chairperson

Gender: Female

Qualifications:
Bachelor of Commerce (B. Com) Informatics - University of Pretoria
B. Com (Hons) Informatics - University of Pretoria
Management Development Programme - Gordon Institute of Business Science (GIBS)
Diploma in Business Analysis - Faculty Training Institute

Expertise:
- Information and Communications Technology (ICT)
- Business Analysis and Management
- Strategy Development and Execution

Loyiso Tyira
Technology, Knowledge, and Information Management Committee Chairperson

Gender: Male

Qualifications:
Management Development Program (MDP) - University of South Africa
Programme for Management Excellence - Gordon Institute of Business Science South Africa (GIBS)

Expertise:
- Information Technology and Business Management

Lungile Mabece
Social and Ethics Committee Chairperson

Gender: Male

Qualifications:
Attorney of the High Court of South Africa
Baccalaureus Procurationis (B Proc) – University of the Western Cape
Bachelor of Laws (LLB) – University of the Western Cape
Higher Certificate: Project Management – Damelin

Expertise:
- Corporate and commercial lawyer who is an expert in Transport Law
- Information and Communication Law
- Policy and Legislation Development
- Governance (statutory and corporate)

Bojane Segooa

Audit and Risk Committee Chairperson

Gender: Female

Qualifications:
Chartered Accountant South Africa (CASA)
Bachelor of Accounting Science Honours (Hons B. Compt) - niversity of South Africa (UNISA)
Bachelor of Accounting Science: niversity of South Africa (UNISA)
Bachelor of Commerce (B. Com) – Accounting

Expertise:
- Academic Lecturing and Presenting Summative and Formative Assessment
- Research Corporate: Financial Management, Procurement, and Supply Chain,
- Corporate Tax, Risk Management, and Auditing
- Corporate Governance (King IV)
- Business Leadership
- Innovation and Information Technology

Patrick Makepe

Investment, Financing and Procurement Committee Chairperson

Gender: Male

Qualifications:
Bachelor of Science (BSc) Mechanical Engineering - University of Witwatersrand (Wits)
Post Graduate Diploma in Advanced Supply Chain Management – University of Witwatersrand (Wits)
Project Management (Principles and Practices) – University of Pretoria

Expertise:
- Mechanical Engineering

Den Dwane

Gender: Male

Qualifications:
Bachelor of Business Administration - University of Limpopo
Business Administration Honours (Hons HRM) - University of Limpopo
Master of Business Administration (MBA) - Nelson Mandela Metropolitan University
Global Remuneration Professional Certificate - South African Reward

Expertise:
- Strategy Development and Execution
- People and Organisational Effectiveness
- Financial and Investment Management
- Pension Funds Act
- Corporate Governance
- Project Management

Devesh Mothilall

Gender: Male

Qualifications:
Bachelor of Science (Hons. BSc) Engineering - University of Cape Town (UCT)
Masters in Engineering (Technology Management) – University of Pretoria
International Visitors Leadership Program on Urban Sustainability - Graduate School of the United States of America
Renewable Energy Program - Frauhenhof Institute Germany
Certificate in Performance Evaluation - Development Bank of South Africa Training Academy
Diploma in Project Management - Cape Town Executive Education

Expertise:
- ICT
- Electrical Engineering
- Telecommunication

Anastasia Machobane

Company Secretary

Gender: Female

Qualifications:
Attorney of the High Court of South Africa
Baccalaureus of Iuris (B. Iuris) - University of Pretoria
Bachelor of Laws (LLB) - University of Pretoria
Management Development Program (MDP) - Gordon Institute of Business Science South Africa (GIBS)
Aviation Law Diploma – IATA Canada
Certificate in Editing and Proofreading - University of Cape Town (UCT)

Expertise:
- Corporate Law
  - Governance
  - Risk Management
  - Compliance
- Commercial Law
- Aviation Law
- Cyberlaw
- Competition Law

CHIEF EXECUTIVE STATEMENT

Calming the storms towards the merger

Dear Stakeholders

The Company has remained steadfast in the face of adversity and uncertainty over the years. Though the challenges are extraordinary, they are not insurmountable. We believe the future is much brighter, as one hurdle of shareholders' loans was overcome at the end of the previous financial year – improving our balance sheet. Although we have not been able to secure the required network investment during the year, we believe the achievement in the last quarter of the year and the approval of SA Connect Phase 2, have kindled the light.

The onset of COVID-19 and the disaster management regulations as experienced over the past two financial years, including the year under review, have created an increased demand for bandwidth requirements, shifting the primary business offices from formal, office-based working to makeshift home-based offices, leaving meeting attendance at the business office to being held on an ad-hoc basis. The pandemic prompted enterprises to speed up their digital transformation plans and accelerate their move to the cloud in order to support remote working and accommodate social distancing requirements. This shift to a new normal has provided a great platform for BBI to increase its growth trajectory in terms of its products and services, providing prospects for acceleration in the digital transformation arena. While the ground for growth and acceleration was fertile, not all the opportunities presented were realised. This was attributed to a myriad of unforeseen constraints within the Company, exacerbated by continued financial constraints.

The stellar delivery of SA Connect Phase 1 has earned positive spin-offs, including newly gained strategic partnerships through SOC-to-SOC business that will lead to connecting unconnected communities in the OR Tambo and Pixley Ka Seme district municipality. The above also aligns with our strategic objectives that intend to replicate this model for most district municipalities throughout all provinces.

The new normal of companies having to enable employees to work from home, as well as the need for education to be delivered online, has magnified the requirement for high network capacity and expansion of access to broadband connectivity in rural and underserviced areas. This new normal has widened the digital divide and further highlighted inequalities within the South African market.

Factors driving our 2030 Strategy

Fibre connectivity is the foundational physical infrastructure required prior to the development of primary products and services, such as broadband connectivity and as well as supporting wireless products. This has driven large investment towards fixed broadband services and infrastructure within South Africa, which grew by 51% over the past four years. At present, Telkom holds the largest market share in the national long-distance fibre market, holding approximately 73% of the market and, covering approximately 75 500 km of national fibre, and 81 900 km of metropolitan fibre. BBI has the second largest market share with approximately 14% of the market, covering approximately 14 862km of national fibre. Other competitors that provide national fibre include Liquid Telecom (approximately 3 000km), MTN (approximately 3 000km), Vodacom (approximately 3 000km), FibreCo (2 539km), and Dark Fibre Africa (1 057km).

The growth in infrastructure is driven by market demand for internet connectivity. Over the same four-year period, fixed broadband subscriptions increased by 61.7%, Digital Subscriber Line (DSL) internet subscriptions by 41.9%, FTTH/Building internet by 278.8%, and other fixed (wired) broadband subscriptions by 3%.

Despite the increase in investment for the provision of national long-distance networks, the focus has been on the major routes (such as metros). Other routes have remained largely uncompetitive as the cost to connect to remote locations is high. BBI's mandate is therefore a necessity to facilitate connectivity throughout the country, especially as access is a critical issue within South Africa. In the past year, we have noted the emergence of players with an increasing focus on rural connectivity. This places BBI in an optimal position to support this emergence and growth.

Pertinent to note is that the ICT industry remains ever evolving, and this calls for BBI to remain agile and proactive to continue to be a valuable contributor in the sector. In support of this, BBI has considered important supplementary services and solutions during the process of crafting our revised strategy that includes the incorporation of cloud services and data centres.

There is potential to grow BBI's vertical product offerings and reselling of cloud services to Small-, Medium-, and Micro-sized Enterprises (SMMEs), Internet Service Provider (ISP) markets, and Government departments. To thrive in an environment such as the above, partnerships are essential to the growth and survival of BBI and to further the expansion of products and services horizontally.

The merger of BBI with Sentech will enable the large-scale investment in infrastructure and concerted efforts will minimise the impact on the environment through planned expansion that will reduce duplicated infrastructure. The market is likely to experience an increase in undersea cables landing in the country, which will in turn place additional pressure on lowering the prices of national long-distance backbone infrastructure. Lastly, technological trends heighten the need to consolidate horizontal expansion into additional services.

2022 Performance results against Shareholder Compact

It is a significant achievement to timeously submit both the Corporate and Annual Performance Plans (APP) each year, and a compliance letter was received from National Treasury. We have continued with 19 targets during the year under review, which spans various areas of our operations. Most of the targets are against financial sustainability and receive prioritised focus.

Our employees remained resilient, though we could not fill vacancies due to the moratorium, they strived to achieve the pleasing results that are reported herein. This achievement is despite the financial constraints and the impact of the pandemic on the supply chain, as well as the impact of the moratorium on our ability to execute all plans.

With the conversion of the shareholders' loans into equity now completed, a network investment plan has been developed by management (approved by the Board of Directors) and submitted to the Minister for approval. This will enable management to go to market, as required by the Board, for appropriate market-competitive funding. This long process significantly impacted the Company's ability to raise funding for the extension of the core network and provision of services. As a result, the Company failed to meet the sales target for the past two years, which in turn places revenue under pressure for the foreseeable future – a situation that has now become untenable.

The sales strategy could not be fully implemented due to funding and sales capacity constraints. An element of the strategy, which is focused on ISP acquisitions, has been instrumental in delivering a continued sales run rate. The full implementation of this strategy is also dependent on availing increased capacity of the latest technology, otherwise it remains under threat from both a price and a delivery perspective. While strides are being made in this segment, it is intensely competitive and demands the most extreme timelines.

Revenue decreased by 5% during the year, against a targeted improvement of 44%. The main reasons for the non-attainment of the target include the anticipated allocation of SA Connect 1C, which did not materialise as anticipated. As a result, the revenue from SA Connect is tracking well below budget by some 64%. Furthermore, the upgrades from a High Data SOC have not yet materialised. Revenue growth has been constrained by a lack of funding to provision the capacity requirements of customers.

Gross profit margins decreased by 7% year-on-year (excluding depreciation) as cost of sales increased by 12% year-on-year, off the back of a decrease in revenue by 5% year-to-date (YTD). Operating expenses are lower year-on-year by 3%, mainly due to lower employee expenses offset by the higher outsourced costs, maintenance costs, ICASA licences, and security costs.

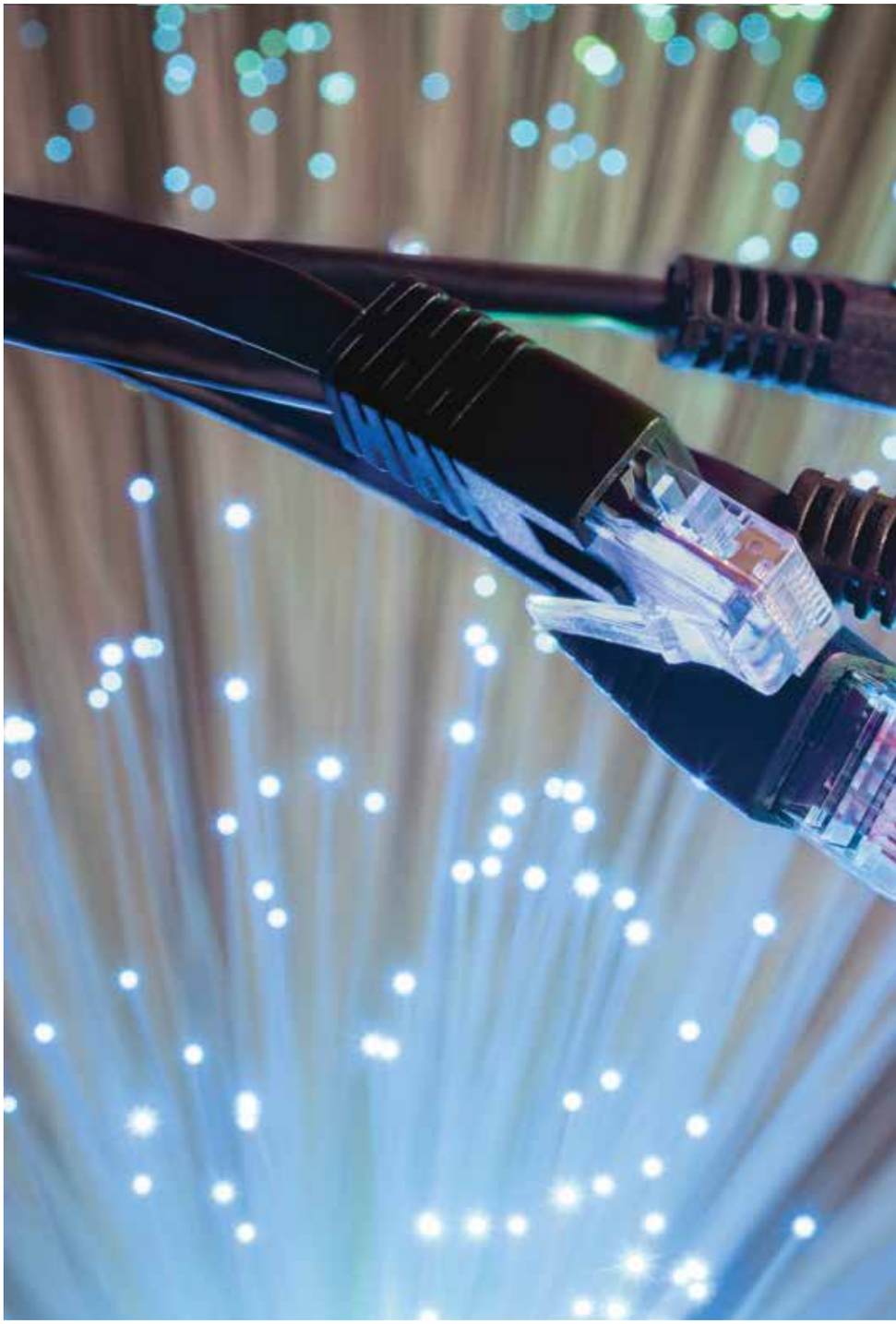
The Company was able to maintain a positive Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) of R37 million YTD. The Company, however, remains under severe cash constraints as no new cash-upfront deals or Indefeasible Right of Use (IRU) were signed or received over the past 24 months. As a result, all capital expenditure to provide services to customers is funded from own funds generated during the year. This, together with the low new sales resulting in declining revenue growth, places the Company under severe cashflow constraints.

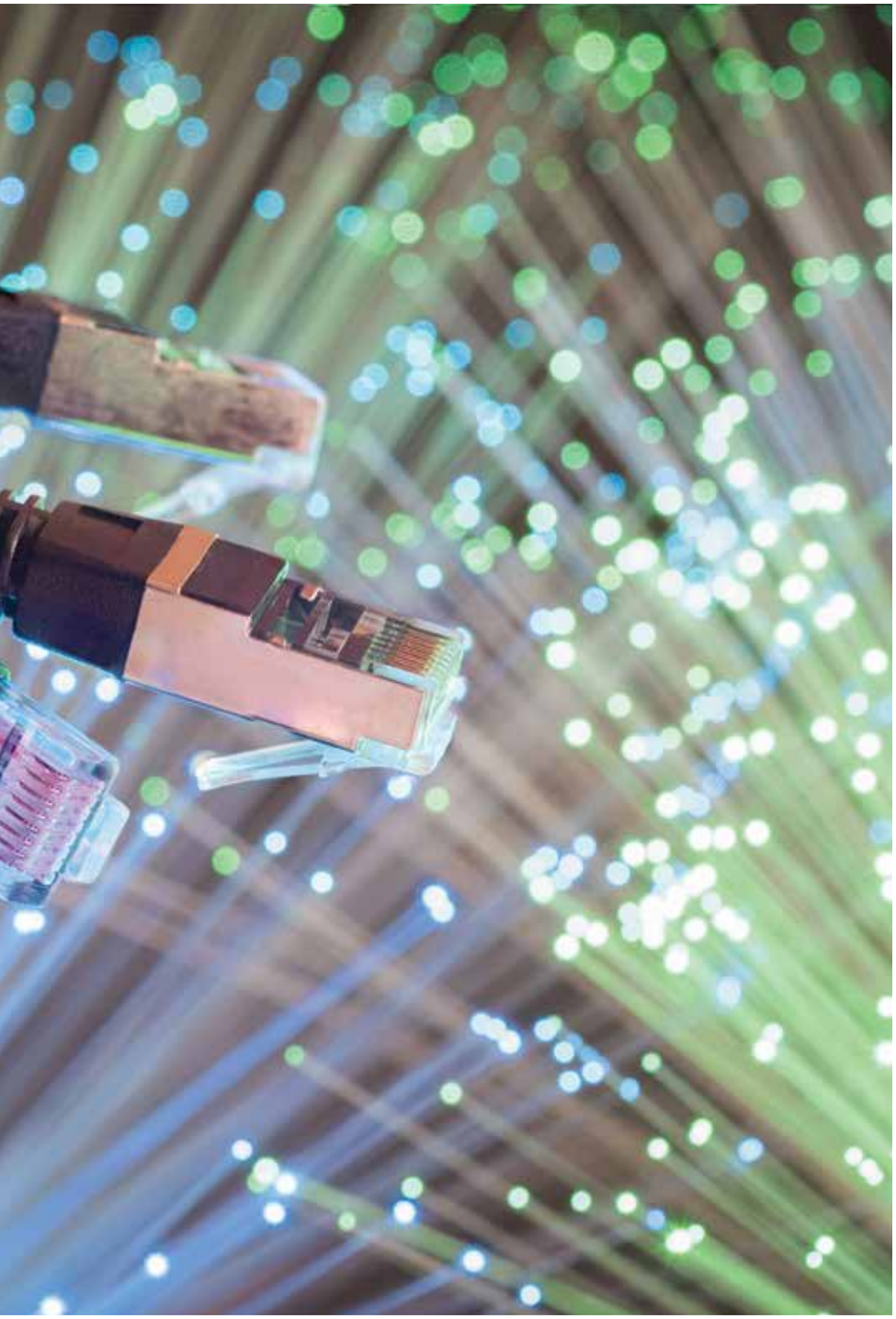
The Company suffered an operational loss of R43 million for the quarter, compared to a loss of R47 million for the same period in the previous financial year. This brings the total operating loss YTD to R119 million.

Network build and service availability

Although delays were experienced in the execution of some projects, which strained our relationships with customers, we pride ourselves on our ability to have executed all projects (except the SA Connect) at or below the planned cost. This indicates accurate planning and prudence in project execution.

In the first quarter of FY2021/2022, 38 Layer-2 services were delivered to the KZN Department of Education (DoE). In quarter three of FY2021/2022, 36 Layer-3 services were delivered to the KZN Department of Education. The change request process for the two outstanding facilities will be completed in the next financial year.





The latter was followed by KZN unrest in July 2021 which resulted in the looting of ISP equipment. An application for granting approval to recover the damages and to re-purchase the equipment was approved. Internet service connectivity was completed at 35 facilities on the 5th of December 2021, with 3 sites that still required replacement, i.e., 2 sites vandalised during the KZN unrest and 1 replacement site for Pholela Special School. Engagements are ongoing with the customer to commence with payments and to conclude the project. Planned work to repair the fibre defects between Nzasm and Rayton on Route 4 was successfully executed to further stabilise the Route 7 primary path via Witbank. Several PoP sites' standby batteries were replaced to provide more stability to critical routes in the BBI network during Eskom load shedding.

On the downside, vandalism continues to plague our service availability, as cables and batteries are either stolen or vandalised - increasing the number of faults. These increased considerably during the early stages of the COVID-19 lockdown, seriously impacting our customers.

Crime was also on the rise during the period of the lockdown, requiring our maintenance technicians to be accompanied by armed response security guards to attend to network faults in certain areas.

Despite the challenges faced, the network service performance exceeded the planned target of 98% at 99.01% network services availability. This performance was lower than the 99.46% realised in the previous financial year. It should be noted that this excellent network performance level has been maintained for more than five years. The swift response by the Polokwane and Nelspruit teams ensured that the Beitbridge PoP was put back in operation within 2 days after its destruction by vandals. Considering the damage to the site and equipment, this has been the worst PoP site break-in incident we have experienced to date.

International Standards

We have maintained the ISO9001:2015 certification since 2017. There were no repeat findings from external audits conducted. The ISO 9001:2015 re-certification audit by TUV was completed successfully in 2021, with one major non-conformance raised. A submission was made to TUV on 30 September 2021, which outlined corrective actions and an action plan to correct the non-conformances raised during the re-certification. The first TUV surveillance audit after ISO 9001 recertification in 2021 was conducted successfully in March 2022 and significant improvement was reported. We pride ourselves in operating within the norms of global standards that create value for all our stakeholders.

Safeguarding our employees

Since the onset of COVID-19 in March 2020, our priorities were to support our most treasured assets – our employees. Thus, we meticulously aligned our Occupational and Employee Wellness Policy with the Company's COVID-19 management interventions during the year. The policy prioritises chronic disease management, considering the high risks of exposure to COVID-19. Our employees have continued to work from home, except for essential services such as those responsible for network operations and maintenance for the rest of this financial year.

It was dismaying to observe a high rate of Coronavirus infections during the second quarter of the financial year. We have recorded 21 employees as having contracted the virus; 20 employees recovered, with one devastating loss of life after the employee succumbed to the virus.

The measure of health and safety is tracked monthly via the Lost Time Injury Frequency Rate (LTIFR), which is an international measure of incidents recorded during the year. The measure for the year is 0.0 which is below the threshold of 0.6. This shows that the organisation prioritises the health and safety of its employees.

SOC Rationalisation

The Draft Strategy, the Valuation and Post-Merger Integration reports, and the Business Model for the formation of the State Digital Infrastructure Company (SDIC) were submitted to DCDT to propel the SOC Rationalisation. With that achieved, the way for the merger is paved. The Minister is engaging the Boards of the two entities on the corporate structure of the SDIC, which is expected to be expedited during the ensuing 2022/23 financial year.

Preparing for post-pandemic economy recovery

South Africa's Economic Reconstruction and Recovery Plan sets out a bold vision and immediate actions to enable an economic rebound and to build the economy of the future. The recovery and reconstruction strategy places jobs at its centre. An employment focus bridges the traditional separation of growth and social policies. Just as pro-growth policies will help us to achieve our goal of socio-economic transformation, an employment focus will promote accelerated inclusive growth. For this approach to be successful, private sector economic activity needs to be unleashed, just as state capability needs to be improved.

The plan targets the primary constraints on growth and employment. These include energy supply, digital infrastructure, and regulatory and policy barriers that increase costs and create inefficiencies. In addition, through a major infrastructure programme and a large-scale employment stimulus, the plan aims to respond to the immediate economic impact of COVID-19, propelling job creation and expanding support for vulnerable households.

BBI's 2030 Strategy sets out the plan to accelerate broadband connectivity to rural and underserviced areas. This serves to support and enable government's economic reconstruction and recovery plans. It furthermore presents an opportunity for BBI to grow, as the demand for high data will result in an increase in the need for the services that the Company provides to the market.

There is a renewed focus on venturing into diverse revenue streams through third-party partnerships, by white labelling market-related products that the Company doesn't have in its current product suite, for example cloud services and IoT. This is evident in the signing of a new contract with EnchaCloud, a reputable IaaS technology service provider that will enable us to sell cloud storage to our existing and potential new customers.

Appreciation

BBI would not have continued to provide excellent service during these difficult times without its employees who continued to demonstrate their commitment to the Company and its customers. A special thanks to our employees for braving the harsh weather and the uncharted territories of the COVID-19 pandemic, your tenacity is appreciated. You have upheld the stature of BBI during the pandemic. Our employees have continued to work diligently, which has proved to be a major cost-saving phenomenon for the Company whilst improving productivity and strengthening their safety, what a win-win situation.

I thank the Shareholders for finally granting authorisation to convert the Shareholders' loans into equity to strengthen our balance sheet – unlocking the possibility of accessing capital funding. This has changed the outlook of our future, which now provides immense opportunities.

Also, special thanks to Shareholder representatives of the Department of Communications and Digital Technologies, and the Industrial Development Corporation (IDC) of South Africa, for their unwavering support.

I wish to thank the Board, my colleagues on the Executive Committee, and the Senior Managers who have provided valuable and industrious leadership. I would like to thank them for their commitment to assisting with re-positioning the Company to prepare it for the merger with Sentech and future ventures.

We thank all our valued stakeholders, especially customers, clients, and suppliers for their support during the year and look forward to their continued support in the forthcoming years.

AD Matseke
Chief Executive Officer

OUR EXECUTIVE MANAGEMENT

Andrew Matseke
CEO

Gender: Male

Qualifications:
Bachelor of Science (BSc) Electrical & Electronic Engineering - University of Cape Town (UCT)
Master of Business Administration (MBA)- University of Pretoria,
Post Graduate Diploma in Project Management - Cranefield College.
Engineering Council of South Africa (ECSA) Registered Professional Engineer
Senior Member of South African Institute of Electrical Engineers (SAIEE)

Expertise:
- Engineering
- Telecommunications and Business Management
- Strategy Development and Execution

Ian Van Niekerk
CFO

Gender: Male

Qualifications:
Bachelor of Accounting Science Honours (Hons B. Compt.) - University of South Africa
Chartered Accountant South Africa (CASA)
Certificate in Short Term Reserving Techniques - University of Pretoria

Expertise:
- Telecommunications
- Financial Management
- Commercial Management
- Strategy Execution

Gift Zowa
CTO

Gender: Male

Qualifications:
Bachelor of Accounting Science Honours (Hons. BSc) Electrical Engineers
Master of Business Administration (MBA) - University of Pretoria
Engineering Council of South Africa (ECSA) Registered Professional Engineer
Member of South African Institute of Electrical Engineers (SAIEE)
Member of Institute of Electrical Engineers (MIEE) (UK)

Expertise:
Telecommunications, (Switching, Transmission, Mobile (2G, 3G, LTE) IP, IT). Strategic Management, Business Management

Phumza Dyani
CMSO

Gender: Female

Qualifications:
Bachelor of Commerce (B. Com) Accounting – University of the Western Cape
Master of Business Administration (MBA) in E Commerce - Bond Australia
Vodacom accelerated Leadership Programme (VAEP) – Gordon Institute of Business Science South Africa (GIBS)

Expertise:
Commercial (Technical and Negotiations)
Telecommunications as Expertise
Pan Africa Expert
Sales
Financial Expertise
Product Expertise

Mike Mojapelo
Executive: CRA

Gender: Male

Qualifications:
Postgraduate Diploma in Management Practice (Henley)
Bachelor of Commerce (B. Com) - University of South Africa (UNISA)
General Internal Auditor (GIA) - Institute of Internal Auditors (IIA)
Professional Accountant (PA) - South African Institute of Professional Accountants (SAIPA)
Executive Development Programme (EDP) - University of Witwatersrand (Wits)
Leadership Programme for Senior Manager (LP) - University of Pretoria
International Leadership Development Program (ILDP) - Henley and Penn State Business School.

Expertise:
Internal Auditing; Compliance; Risk; Governance and Strategy

Irene Mokgohloa
Acting Executive: HR

Gender: Female

Qualifications:
B Tech Labour Relations - University of South Africa (UNISA)
National Diploma Human Resources - Tshwane University of Technology (TUT)

Expertise:
Remuneration and Total Rewards
Labour Relations
Transformation
Human Resource Information System

ORGANISATIONAL **OVERVIEW**

ORGANISATIONAL OVERVIEW

WHO WE ARE

Mandate

BBI's purpose is in line with the NDP for establishing national, regional, and municipal fibre-optic networks to provide the backbone for broadband access. BBI operates on the premise that national backhaul, provincial backhaul, and districts backhaul require State intervention, thus allowing private investment to lead the way in the access market.

BBI assumed a dual mandate as detailed in the figure below. The mandate is made up of a social mandate that seeks to connect people, businesses, and devices – in particular those individuals from underdeveloped and underserviced areas. This is supplemented by a commercial mandate that encourages investment and competition in the ICT market – having the additional benefit of contributing to the growth of the overall network and promoting financial self-sustainability.

Commercial Mandate

- To enable competition within the ICT industry.
- To increase investment in ICT infrastructure.

Social Mandate

To expand the availability and affordability of access to electronic communications, including, but not limited to, underdeveloped and underserviced areas.

Figure 5: Our Dual Mandate

Broadband Infraco

Mission
BBI's Mission is to provide affordable digital infrastructure and solutions to enable government, communities, and private enterprises tocommunicate, transact, and transform.

Vision
BBI's Vision is to intelligently connect government, people, devices, and communities to access the transformative opportunities presented by a digitally enabled world.

Our Values
BBI's values are the guiding principles that inform both decision making and behaviour. These are reflected in the description and explanation of BBI's core values set out below:

By **Customer-centricity** we mean that we will:
- Listen to the articulated and unarticulated needs and expectations of our customers
- Respond timeously, with empathy and consideration to customers' questions and concerns
- Go the extra mile to ensure customer satisfaction and delight.

By **Reliability** we mean that we will:
- Deliver consistently on our promises and commitments.
- Always under-promise and over-deliver.

By **Integrity** we mean that we will:
- Be truthful and trustworthy in all interactions with others, both internally and externally.
- Be honest, open, and transparent in all of our dealings.
- Provide all relevant information required for sound decisions and action to be taken.

By **Innovation** we mean that we will:
- Use our expertise and creativity to develop the best possible solutions to the challenges and opportunities facing our stakeholders
- Develop new and unique products, services and solutions to meet the current and future needs of our customers.

By **Agility** we mean that we will:
- Look to the future to develop the necessary foresight to inform our decision making and actions
- Respond rapidly to all market challenges and opportunities.

Figure 6: BBI's vision, values and mission

OUR VALUE PROPOSITION

BBI as a State-owned Company, has overarching value propositions that are founded on the Shareholders' mandate, attainable through our strategic outcomes as illustrated below for our various stakeholders:

Value for Government

- Reduction of the cost to communicate.
- Decreasing the digital divide.
- Expanding access to broadband connectivity to underserviced and rural areas.
- Increasing economic activity.
- Enabling 4IR.

Value for Shareholders

- Return on investment.
- Financial sustainability.
- Regulatory compliance.
- Ethical leadership.
- Responsible corporate citizenship.
- Operational excellence.

Value for Employees

- Employer of choice.
- Safe working environment, conducive to high productivity.
- Equal pay for equal work.
- Equality.
- Equal opportunity to career advancement and promotion.

Value for Funders

- Liquidity.
- Profitability.
- Sustainability.
- Creditability.

Value for Suppliers

- Fair, transparent, and equitable tender and procurement process.
- Strategic collaborations and partnerships.
- Participation of SMMEs.
- Proactive local enterprise development.

Figure 7: BBI's strategic outcomes

Value for National, Regional, and International Customers

The figure below encapsulates our value proposition for our national, regional, and international customers:

Figure 8: BBI's value proposition

OPERATING CONTEXT

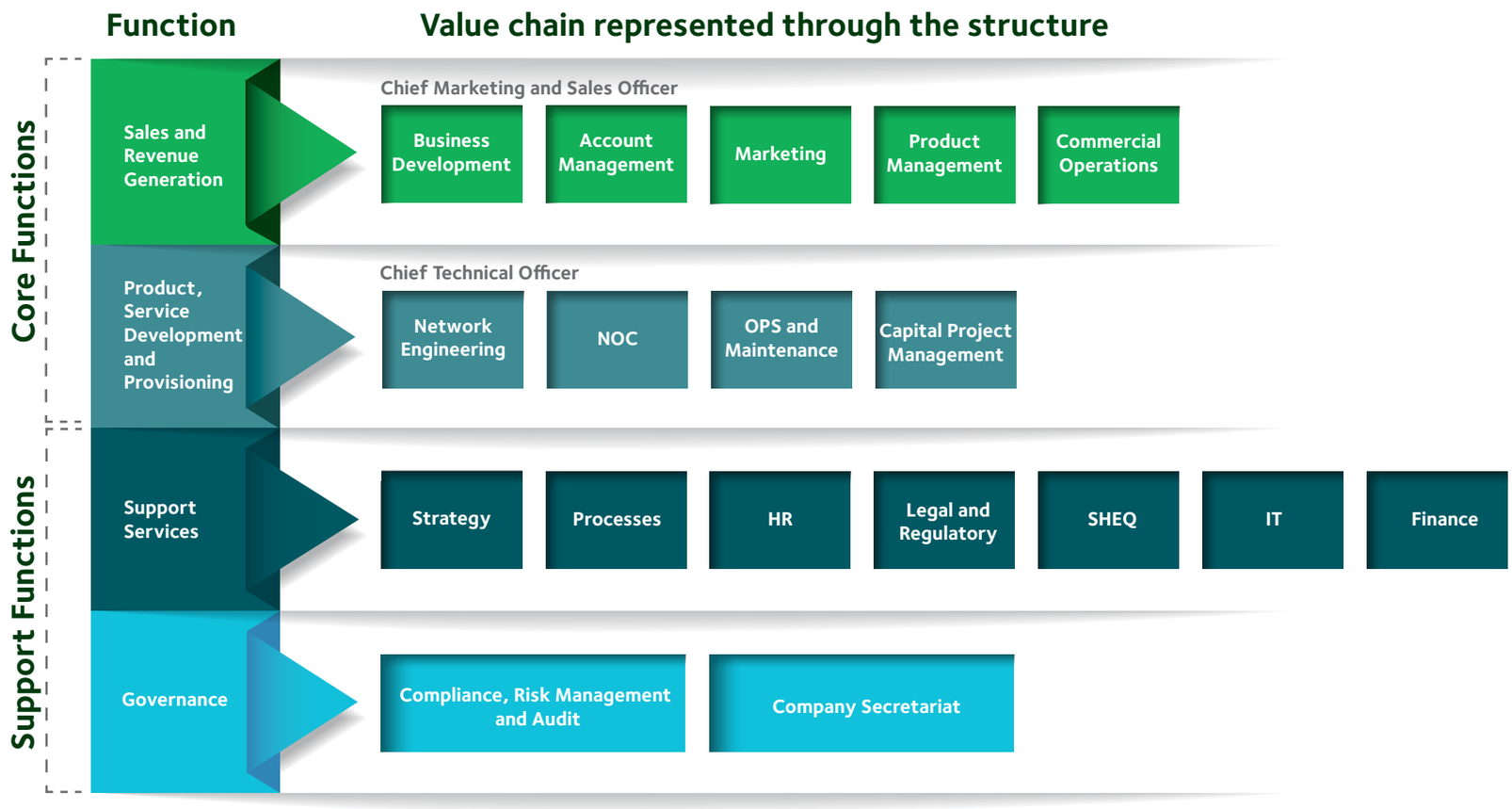


Figure 9: Description of operations

Sales and revenue generation efforts are informed through the analysis of the market space in which BBI operates and lie at the heart of its value chain. Business Development supports market insights with tangible prospects and opportunities. Examples include potential markets, new products, strategic partnerships, and investment opportunities. As this is a revenue-generating function, it allows for the commercial and social mandate to be delivered through revenues generated from operations. This division reports to the Chief Marketing and Sales Officer.

The second component, a core function that makes up the largest portion of the organisation, is the Technical and Engineering environment that reports to the Chief Technical Officer. This office is responsible for the development, customisation, and delivery of products and services. This core function also ensures the maintenance and upgrading of infrastructure and networks. The Company has regional offices that maintain and restore the network when faults occur as illustrated on page 37.

Core functions are enabled by support functions. This ensures that the provision of sufficient direction, resources, and management of funds are provided. The organisation is underpinned by adequate control mechanisms overseen by the compliance and audit functions, as well as the Company Secretary.

What We Do

BBI offers long-haul connectivity and various broadband communication services. Its mandate is in line with the National Development Plan (NDP) of establishing national, regional, and municipal fibre optic networks to provide the backbone for broadband access - particularly in underserviced areas of the country. The services are based on the provision of high-capacity bandwidth from point to point on the national network. Seven hundred and thirteen SA Connect Sites have been connected to BBI's network across eight districts of underserved areas.

Our Offerings

The Company's portfolio of products and services is based on the provision of high-capacity managed bandwidth from Point of Presence (PoP) to PoP, delivered on its resilient national long-distance network. The evolution of technology, coupled with the high consumption of IP-based services, has resulted in customers requesting high bandwidth services.

This was responded to by implementing next generation dense wavelength division multiplex (DWDM) technology that is able to carry 100Gbps within the Company's core network. An Open Systems Interconnection (OSI) model was adopted to define and name products, rather than using definitions based on the technology. BBI's services are in the first three layers of the OSI model, namely, the physical layer (Layer 1), the data link layer (Layer 2), and the network layer (Layer 3). The bandwidth services that use Synchronous Digital Hierarchy (SDH) and DWDM, are in Layer 1 and Layer 2. The Company also offers IP connectivity services including IP transit which is a Layer 3 service.

Our products include the following:

- **SDH, DWDM and Ethernet Services** – we provide basic network connectivity nationally, over long distances in various capacities, configurations, and interfaces. Among these are the SDH, Ethernet and DWDM services ranging from a few megabits per second to multiples of 100G with SLAs defined by the customer requirements.
- **WACS Connectivity and Monitoring** – BBI is a Tier-1 owner of the West African Cable System which connects the West Coast of Africa, all the way to Portugal and London. The connectivity services related to this asset allow us to provide backup services and onward connections for the landlocked countries in the region and beyond. This now comes with the additional new service of WACS monitoring, delivered in partnership with Tata.
- **Customer Tie Cable Maintenance Service** – a one-stop solution to repair and maintain handover links between the Company's PoPs and the Customer's PoPs. This service will enable customers to connect directly to BBI sites via fibre optic tie cables and create a new source of revenue with a low capital layout.
- **NOC as a Service** – remote monitoring of third-party networks on BBI's existing network monitoring centre to provide network reports and performance of the customer network elements.
- **Maintenance as a Service** – availing human resources and technical expertise to expeditiously repair and maintain third-party fibre networks and equipment systems.
- **Colocation** – colocation of masts in the external yard of the Company's own PoPs, including internal equipment and associated ancillary services.
- **Mtunzini Colocation** – this product was created solely for the purpose of the lease of space at the Mtunzini PoP, which is strategically located near the Seacom and EASSy Submarine cable landing stations.
- **IP Transit** – this product provides the full routing table to the service provider customers of BBI. BBI has enabled a connection with an upstream provider for IP Transit at Teraco Isando.
- **Professional Services** – this service has launched BBI as not only a provider of connectivity for the Wireless Area Network (WAN), but also connecting to the Local Area Network (LAN). This has positioned BBI as an end-to-end connectivity provider.

National Connectivity

BBI's national long-distance fibre optic network comprises 14 862km of optic fibre cable, utilising DWDM equipment, to provide combinations of base capacities ranging from 2.5 Gigabits (Gbit/s) to 100 Gbit/s lambdas along major network routes. The Company supports small Internet Service Providers (ISPs) by offering sub-gigabit capacity connections on an Internet Protocol (IP) platform. This allows smaller businesses to provide services to their clients.

Regional Connectivity

BBI's network covers all nine provinces, major cities, and towns of South Africa. It also extends to the borders of South Africa's neighbouring countries of Botswana, Lesotho, Mozambique, Namibia, eSwatini and Zimbabwe to provide required interconnectivity. In line with the Southern African Development Community (SADC) Protocol, BBI has connected all the SADC PoPs, offering services to all the neighbouring countries through interconnections at the following border posts:

International Connectivity

BBI is a Tier -1 Investor in the 5.1 Terabits per Second (Tbits/s), WACS. The cable connects South Africa to the United Kingdom, with landing stations in Portugal and along the West Coast of Africa. The interlink between international cables landing on the East Coast and international cables landing on the West Coast of South Africa is crucial to the Company's plans. This forms an important backup link for undersea cables on the East and West coasts. It also provides connectivity between the East and West coasts. In the next financial year, BBI will be a reseller of the newly launched ACE capacity with an initial design capacity of 5.12 Tbps using 40 Gbps DWDM technology. Diagram 7 below depicts our national and international connectivity.

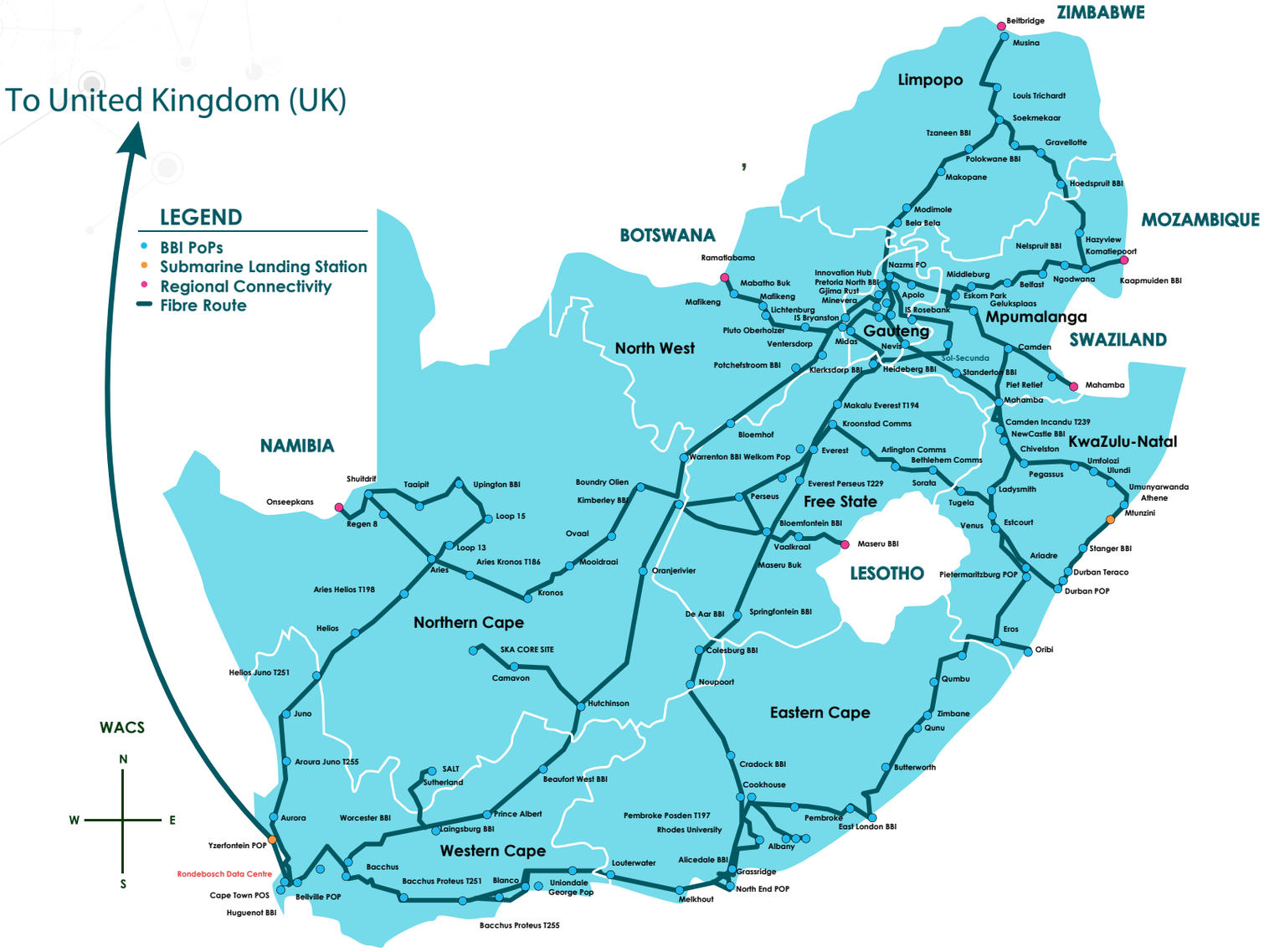


Figure 10: Broadband Infraco Fibre Footprint

Where We Operate

Our main offices are based in Gauteng, and we hold a presence in all nine of South Africa's provinces - spanning 14 regional offices as illustrated in the diagram 8 map below:

Figure 11: Regional Offices

SOCIO-ECONOMIC DEVELOPMENT

Employment

As at the end of March 2022, the Company had a total of 121 employees compared to 129 in the previous financial year. The table below depicts the approved headcount per division that has remained unchanged since it was approved in the 2016/17 financial year. Due to financial constraints and the moratorium that was imposed by the previous Minister in the 2018/19 financial year (which has been very costly for the Company and impacted significantly on the achievement of our strategic objectives), we have not been able to fill vacancies.

Division	Executive	Senior Managers	Middle Managers	Junior Managers	Operational	Support	Active	Vacant	Total approved headcount (permanent)
CEO's office	1	0	1	0	1	0	3	0	**3**
CFO	1	3	7	2	2	0	15	6	**21**
CMSO	1	5	3	0	0	1	10	3	**13**
CRA	1	0	4	0	1	0	6	1	**7**
CTO	1	4	29	15	36	4	89	10	**99**
HR	1	1	1	0	1	1	5	4	**9**
Secretariat	1	0	1	0	1	0	1	2	**3**
Total	**7**	**13**	**46**	**17**	**42**	**6**	**129**	**26**	**155**

Table 3: Approved Headcount.

The intake of Interns has increased tremendously, from 15 in the previous period to 45 during the year under review. The first group was appointed in a Candidacy program during the first quarter of the financial year in partnership with the Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA). The second group was appointed during October 2021.

Employment Equity

Our demographics are presented in the charts below with a race group representation of Africans at 87%, Whites at 8%, Coloureds at 3%, and Indians at 2% (excluding interns and temporary workers). This is a slight decline compared to the previous year. Our employee gender profile remained predominantly male with a 67% representation, and with females representing 33% due to vacancies not being filled, pending the merger with Sentech.

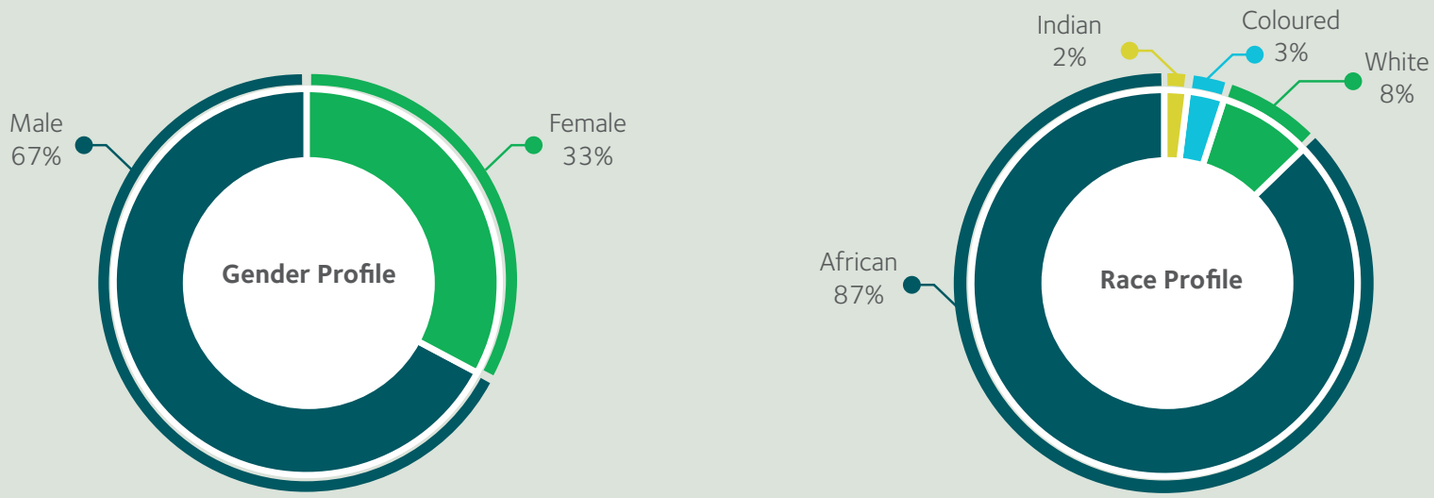


Figure 12: Employee Profile

Skills Development

Employee development is not only critical for individual and team upskilling, as well as enhancement of competencies for organisational effectiveness and sustainability; it is an imperative of national significance, the effectiveness of which is fundamental to the achievement of the country's national development strategies. This justifies skills development as accounting for 40% of the Company's B-BBEE rating to determine the level.

Even though the provision for training on an annual basis is only 1% of the salary bill due to financial constraints, we prioritise development interventions that are most crucial. This falls short of other significant imperatives and business continuity strategies, such as succession planning with specialist professional assessment techniques to determine the readiness of nominated candidates.

ENTERPRISE DEVELOPMENT

The Company has succeeded in deploying systems, policies, and procedures to comply with all current statutory supply chain management requirements which include, but are not limited to, National Treasury prescripts, Promoting Preferential Procurement Regulations (PPPFA), as well as B-BBEE functionality.

The procurement strategy is specifically designed to attract a meaningful contribution from previously disadvantaged groups, and to create an environment within the Company where these individuals enjoy preference in terms of the supply of goods and services in all spheres of the supply chain.

Broad-Based Black Economic Empowerment Level

We were unable to maintain our B-BBEE Level 4 status due to the lower rate of procurement because of financial constraints, which impacted significantly on the targeted procurement and training spent.

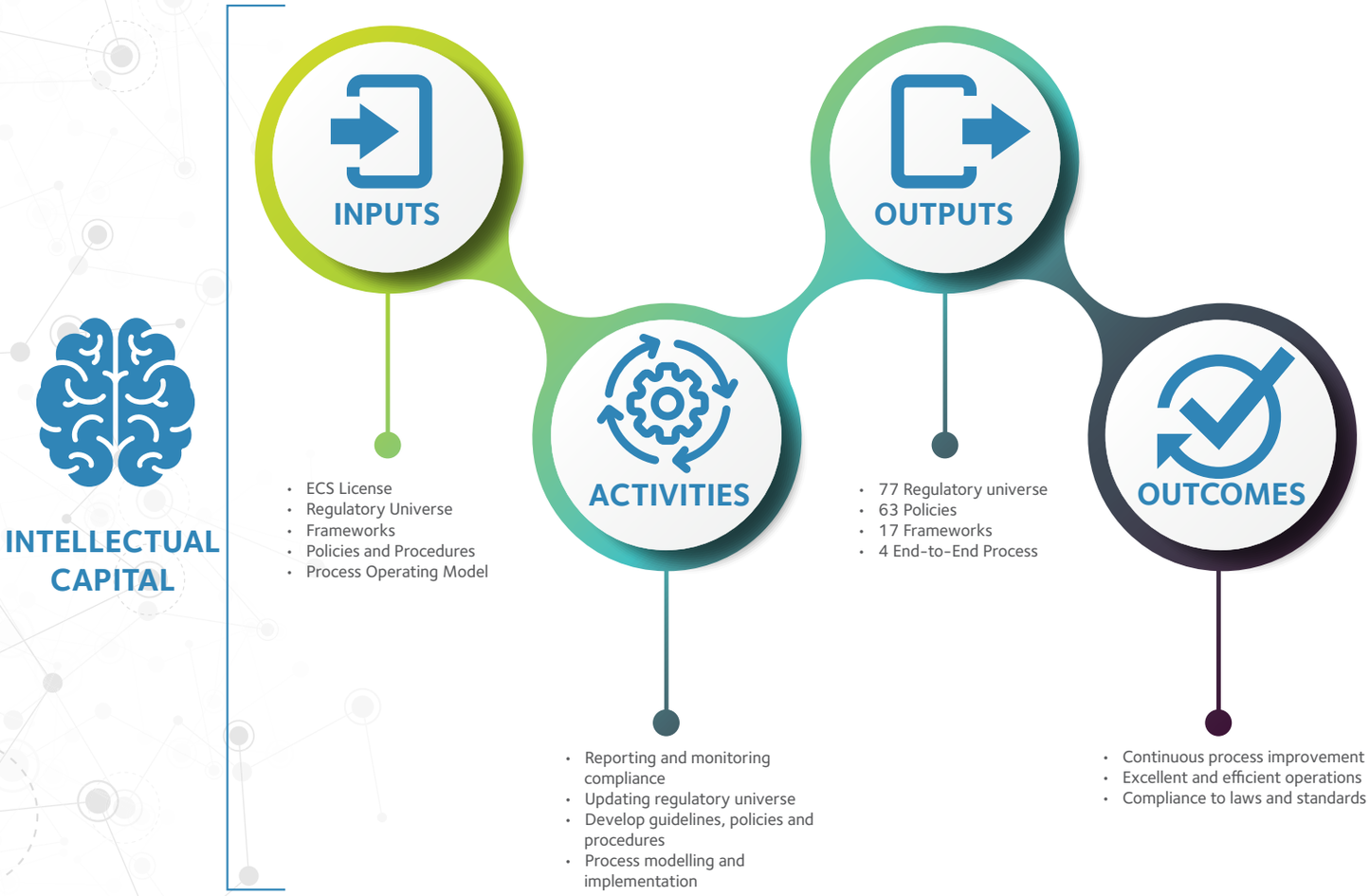
The B-BBEE multiplier achievement was 115%, while the percentage of the procurement spent on Black-Owned Entities was 57%, and Black Woman-Owned Entities were 57%, compared to 124%, 70% and 64% respectively in the previous financial year. These lower levels of targeted procurement contributed towards a regress in our B-BBEE status. The Company intends to appoint a transformation specialist in the new financial year.

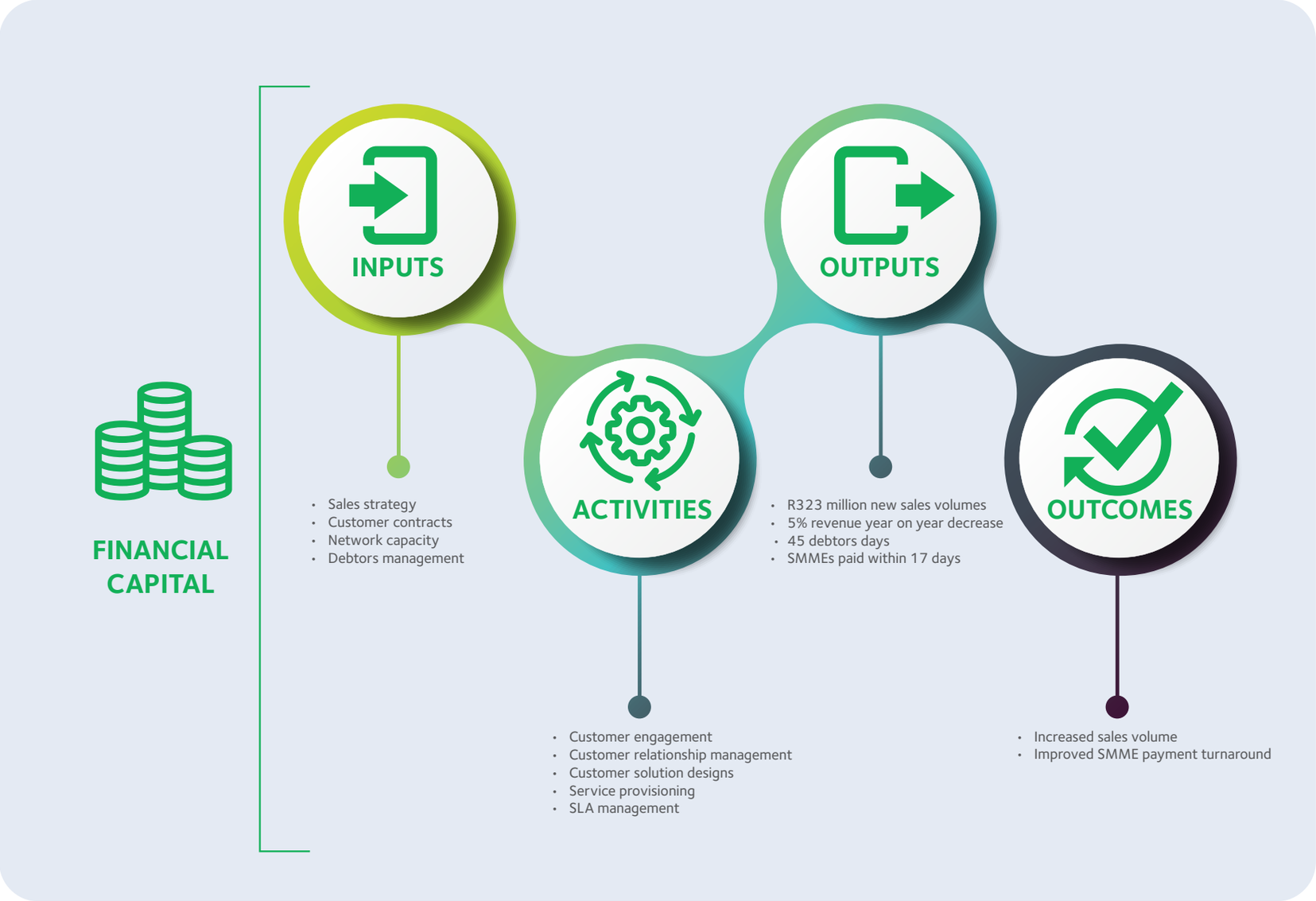
5

VALUE CREATION THROUGH THE CAPITALS

VALUE CREATION THROUGH THE CAPITALS

In this section, a demonstration is provided as to how our business model draws on the various capitals as inputs, through business activities that are converted to outputs. The Company deploys five of the six capitals as there is minimal impact on the natural capital. The activities and outputs lead to outcomes in terms of effects on the capitals as illustrated below:




FINANCIAL CAPITAL
INPUTS
• Sales strategy
• Customer contracts
• Network capacity
• Debtors management
ACTIVITIES
• Customer engagement
• Customer relationship management
• Customer solution designs
• Service provisioning
• SLA management
OUTPUTS
• R323 million new sales volumes
• 5% revenue year on year decrease
• 45 debtors days
• SMMEs paid within 17 days
OUTCOMES
• Increased sales volume
• Improved SMME payment turnaround

MANUFACTURED CAPITAL

INPUTS

- 14962km of fibre
- 150 POPs
- 713 SA Connect Sites
- 13 regional offices

ACTIVITIES

- Network monitoring and maintenance
- Customer solution designs
- Network master planning
- Site connections and testing

OUTPUTS

- 14862 km of fibre
- 150 POPs
- 713 SA Connect Sites monitored and maintained
- 14 regional offices

OUTCOMES

- Increased regional presence
- Increased connectivity in rural and under serviced areas
- Improved time to restore network faults

SOCIAL & RELATIONSHIP CAPITAL

INPUTS

- 101 Customers
- 9 ANP
- 1 IP Equipment supplier
- 1 Transmission Equipment supplier
- 1 Labour union
- 3 adopted schools for CSI
- 11 SMMEs

ACTIVITIES

- Meetings with customers
- Pricing and sales pipeline meetings
- Meetings with suppliers and schools
- Employee and union engagement

OUTPUTS

- 93 customers
- 2 schools provided with broadband connectivity
- Resolutions of HR issues
- 4 virtual workshops
- 4 SMMEs allocated installtion work

OUTCOMES

- Strengthened relationships with customers and other stakeholders
- Increased participation of SMMEs in the core business
- Increased targeted procurement.

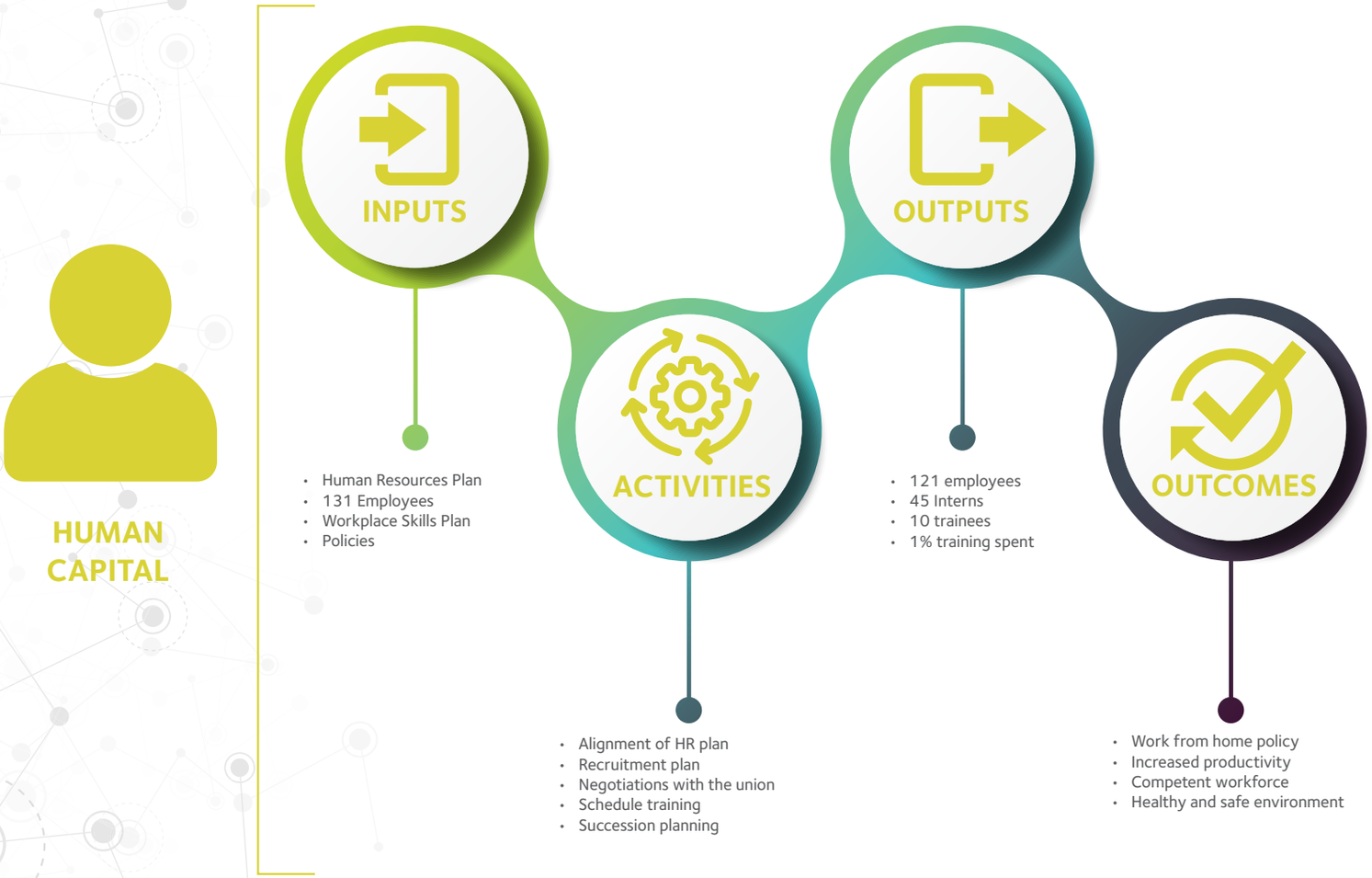


Figure 13: Value creation through our capitals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6

STRATEGY AND **RESOURCE ALLOCATION**

STRATEGY AND RESOURCE ALLOCATIONS

OUR STRATEGY AND OUTCOMES

Our 2030 strategy identified four focus areas as depicted in the figure 10 below:

Figure 14: 2030 Strategy

PHASE 1

Overall, BBI seeks to reach its desired vision to provide communication services, enabling a connected and transformed society. This impact will be enabled through three key phases: (1) Stabilise and Mobilise; (2) Build Infrastructure and Grow Customer Base; and (3) Grow Services to enable digital transformation. The phases, together with the strategic goals, are summarised in the figure below. Phases 1 and 2 commence in the short term, and Phase 3 is expected to commence in the medium- to long-term.

PHASE 2

Phase 1 Stability and mobilisation is a critical precursor to Phases 2 and 3. Within Phase 1, critical levers to enable financial stability are necessary, such as the securing of funds to expand on infrastructure. Similarly, key internal-focused activities are required to gear the organisation toward the delivery of the strategy, for example, review of the business and operating models, as well as a review of processes, together with the implementation of automation systems.

PHASE 3

Phase 2 Focuses on the tactical efforts in customer attraction and retention, through a customer-centric model to develop new business in both the private and public sectors. The commercial mandate will aid in the subsidisation of the social mandate, allowing BBI to expand faster into the underdeveloped and underserviced areas.

Phase 3 considers the expansion of products and services specifically to the State, enabling the State services through connected societies. This Phase is two-pronged with a focus on digital connectivity promoting accessibility while facilitating socio-economic transformation through SMME development and school adoption. Phase 3 further seeks to leverage the strategic positioning of BBI as a key enabler to the digital transformation of the State.

The key enablers for the successful execution of this 2030 strategy:

The Board and executive management reviewed this strategy in response to the external environment that has informed our 2022/2023 Annual Performance Plan.

MATERIAL MATTERS IMPACTING OUR STRATEGY

Our identified material matters are issues that could substantially affect the Company's ability to create value in the short-, medium-, or long-term as a result of not being able to execute on its strategy and impact its ability to stay competitive. The material matters are defined in the approach and table below, featuring risks and opportunities related to each. These are linked to the Company's related strategic objectives. The figure below reflects the approach to managing material matters:

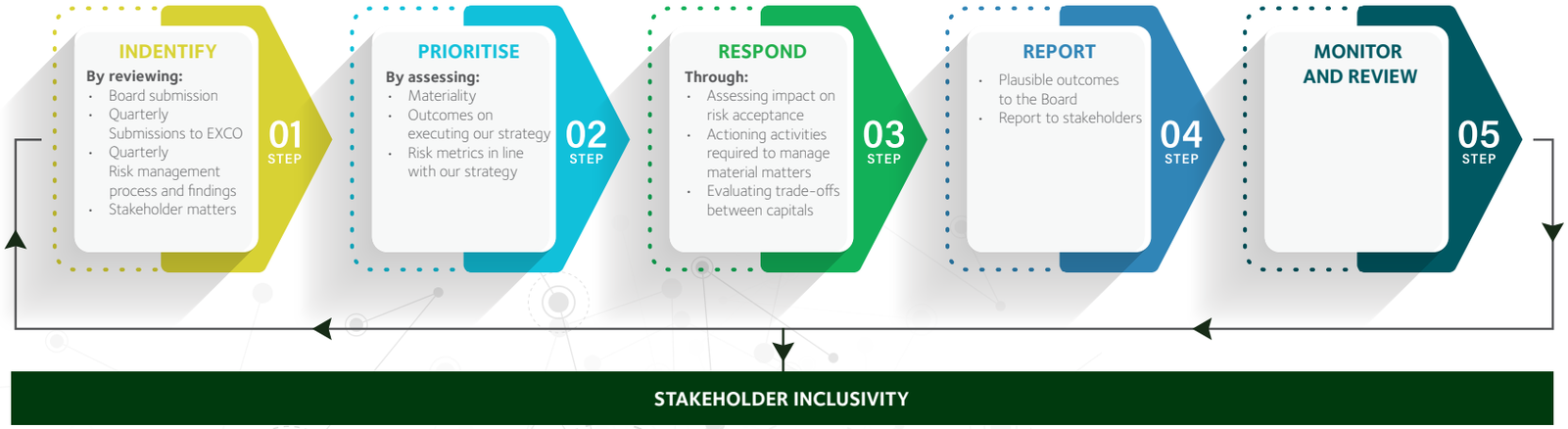


Figure 15: Material Matters Management Process

Sources for our material matters

- Statement of Strategic Intent and Shareholder's Compact
- Issues arising from BBI's business context and operating environment
- Issues arising from stakeholder concerns
- Top strategic risks
- Issues arising from the Board and Board committee meetings during the year
- Key issues arising from the external environment
- Material issues relating to our sustainability

The table 4 below depicts material matters and their impact:

Material matters	Contextualisation of risks and opportunities
Financial sustainability	Possible failure to continue as a going concern. The root causes are under-capitalisation, difficulty in securing short- to long-term funding from external parties; lack of credit record and continued poor financial performance. The opportunity presented by DCDT in appointing the Company as the broadband infrastructure lead agency for SA Connect, continued with the role monitoring. The cost containment was effectively implemented. Application for funding on the pipelines. The Company had difficulty in raising funds due to the lack of records of historical debt, and the risk adversity position of banks to fund infrastructure projects due to insufficient funds. The conversion of shareholders' loans into shareholders' equity is completed, however, the benefits will be realised over a period. There is a challenge insofar as lack of credit record for the Company. Margin pressure due to increased competition on high-demand routes impacting upon returns on capital investments. The delay in converting sales into revenue, and the lack of appropriate funding to provide spare capacity on the network, continue to result in BBI not meeting its revenue and profitability targets. There was growth opportunity for the Company to partner with Internet Service Providers (ISPs) enterprise solutions and the opportunity lies in the Company entering strategic partnerships and collaborations.
Government Regulations	Regulatory constraints impeding organisational agility resulting from legislative constraints due to lack of a relevant licence. During the year, the Company partnered with a service provider who owns the ECS License to enable the Company to expand its value-added service offering. The prospect of the merger will make it possible to access and secure the Sentech ECS licence. Commercialisation of fibre infrastructure. An opportunity exists for the Company to become a reseller of spare capacity for non-ICT SOCs, and the Company is entering into strategic partnerships and collaborations. The Ministry to intervene at the political level to engage non-ITC SOCs.
Information and data security	Cybersecurity is the unique risk that individuals and businesses face due to interconnected technological systems. The sector faces a shortage of talented Cyber Security Professionals, and a lack of IT Management Best Practices. The Company conducted a roll out of Cyber security awareness and questionnaire, Mimecast for back-up was implemented and related IT Risk policies were reviewed. Acquisition of services of an external Cybersecurity specialist is under consideration.
Attracting, developing, and retaining talent	There is a significant impact felt by the moratorium on filling of vacancies, and a failure to innovate, or to embrace innovation. It is generally agreed that the achievement of the organisation's strategic objectives is largely dependent on its ability to attract, retain, and engage high-calibre employees and scarce skills. This is particularly important for the defined critical positions, strategically critical skills, and ensuring an adequate succession pipeline – especially in the telecommunication industry. There is a need to enforce an employee value proposition that enables the Company to attract and retain core, as well as scarce, skills. Participating in MICT SETA internship programmes to appoint newly-qualified students. Temporary use of the contractors will provide resources at a higher premium.
Health and Safety	COVID-19 continued to have an impact on productivity, increased stress, anxiety levels, panic among employees, and the supply chain process. Employees are strongly encouraged to become vaccinated to reduce the impact of this risk. The IT capacity is constantly updated to ensure sufficient support to employees. Ensure compliance with the Disaster Management Guidelines provided by the shareholder and government. Continued working from home is in place and the policy for work from home is in progress.

Table 4: Material Matters

RISK MANAGEMENT (KING IV,P11 AND P12)

Adhering to the King IV corporate governance principles has resulted in an increased risk management focus on BBI's strategic objectives, as opposed to merely striving for inherent efficiencies and operational performance. As a result, enterprise risk management (ERM) has now emerged as a function that can shape the strategic direction of the organisation. The risk management approach is evolving from a process and compliance focus to an enabler for achieving strategic and operational objectives.

The Risk Management process was embraced by the Company, which has improved significantly during the year under review. Our risk management has two main processes, the first being the strategic role that drives risk management according to strategic objectives, stakeholders' needs, the desired risk culture, appropriate organisational structure, plans for advancing risk management, integrated control assurance aspirations, and the requirements of governance instruments and legislation.

The Company has institutionalised risk management as follows:

Figure 16: Risk management

The operational risk management process and framework are standard and tailored for the specific needs of risk assessments at the operational level, as well as for projects. The risk management process involves the systematic application of policies, procedures, and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording, and reporting risk.

Bias's risk management architecture is based on the ISO 31000:2018 standard. These are two distinct but integrated cycles, with the innermost cycle depicting the core of the risk management process and providing the framework for managing risk on a day-to-day basis as reflected in the figure 17 below:

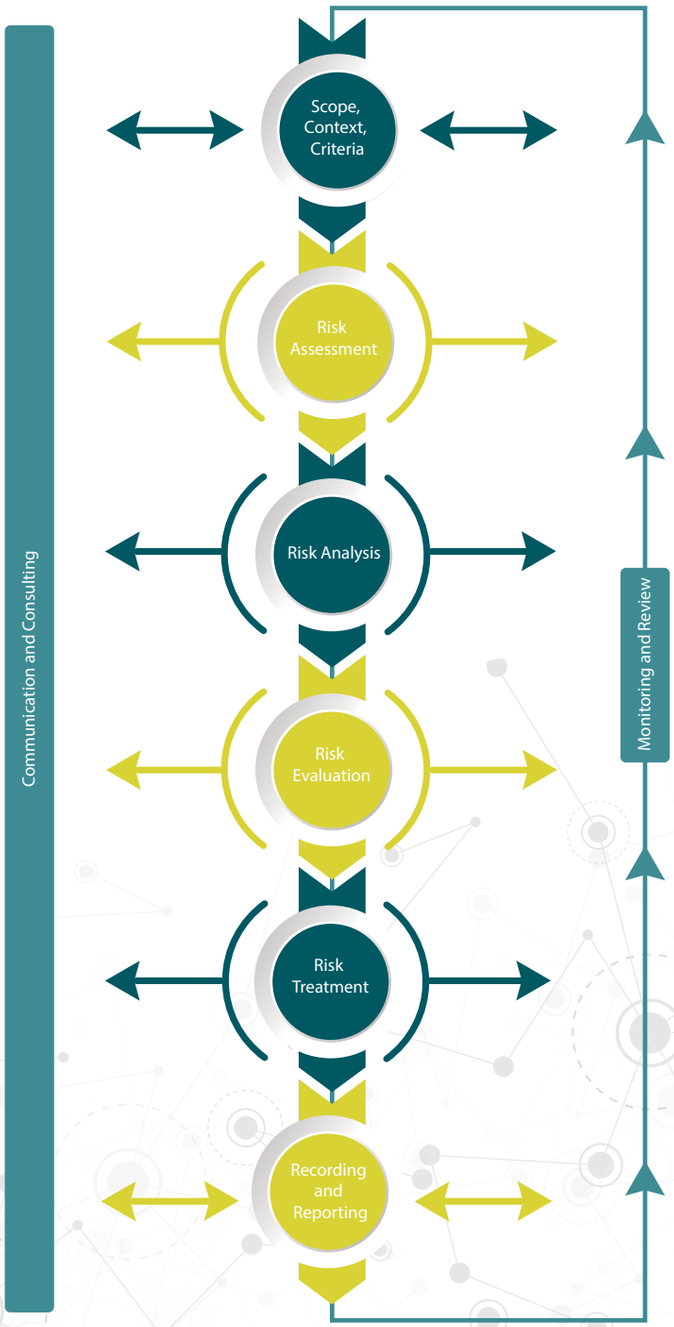


Figure 17: Risk Management Process

The annual assessment of strategic risks with the Board and Management was conducted during the fourth quarter of the year as an integral part of the strategic planning process. That resulted in the identification of new strategic risks and consolidation of others. Operational risk registers for all the divisions were completed and sent to ARC for noting.

Achieving Best Practice Levels (KING IV, P11)

To achieve best practice levels, the requirements of the guidelines of the King IV Report on Corporate Governance for South Africa, 2016 (King IV) and ISO 31000:2018 risk management standards are considered in our ERM approach. The strategic risk profile is based on our strategic objectives and outcomes.

Adding Value Through ERM (KING IV, P4 AND 11)

The risk and compliance function participates in the remedial plan relating to reported audit findings to facilitate improvements in BBI's processes, and aid with integration and mapping of current assurance activities and lines of assurance against each step of the procurement processes.

The project risk monitoring assists in providing contingency reserves for programme and project risks. The opportunities identified in projects serve as a basis for value managing risks within projects.

Our Key Strategic Risk Movements

Most of our strategic risks have remained relatively unchanged over the past five financial years, however, the risk rankings changed minimally. As a result of the identification of three new risks and the mitigation of two others that were relegated to an operational level, the risk landscape changed slightly during the year under review. There are risks with a high-level status that resulted from the current challenges associated with the moratorium on filling of vacancies, possible failure to continue as a going concern, lack of access to state-owned fibre infrastructure, and commercialisation of fibre infrastructure.

Negative movements in rankings (consequence ratings) are evident in respect of all the risks listed in our strategic risk register with the key risks such as the risk to continue as a going concern, margin pressure, and difficulty raising funds. BBI's margin pressure risk is attributed to the high cost of providing broadband connectivity services, rendering pricing uncompetitive in the telecommunications market. This risk is driven by the nature of the fee structure that is not regulated within the telecommunications operations.

BBI's financial sustainability risk is described in the context of the root causes. Such causes are identified as under capitalisation, difficulty in securing short- to long-term funding from external parties, difficulty in raising funds due to the lack of a track record of historical debt, as well as the risk adversity of banks to fund infrastructure projects due to low cash flow.

BBI has, over the past years, consistently faced the risk of the impact of non-ICT SOCs' advantage on fibre infrastructure ownership, easy access, and regulatory constraints impeding organisational agility. The Company has explored different options to mitigate this with no success. These risks negatively impact BBI in terms of delayed project delivery and revenue loss. This compromises the business sustainability of the organisation. The Minister is in discussion with the Minister of Public Enterprises, in this regard.

Risk Maturity

The risk assessment matrix is used to measure the level of risk, and to determine whether such risks have the appropriate controls or mitigations in place, to minimise the realisation of the risk. The risk assessment matrix is a living, breathing document that needs to be monitored, reviewed, and maintained on an ongoing basis. Risks are constantly evolving, and the matrix should reflect these changes to our environment. There are events that may trigger the need for a refresh, an established enterprise risk management (ERM), a merger or acquisition, or perhaps a significant deficiency or material weakness that arise within an internal control environment. However, with a continuous risk assessment process and matrix, the Company should be equipped to - at the very least - heed any warning signs. The top risks remained constant over the past three years, with minor changes from year to year.

The strategic risks remained constant with changes impacting mostly on management action plans and the risk status. The total number of risks have increased from 9 to 13 for the year under review. The three new risks identified are: possible loss of the market share; delays in the conversion of the Shareholder loan to equity; and the outbreak of COVID-19. The following table details the strategic risks and provides the associated risk rating on the Risk Matrix. The impact on value creation and the associated timeframe, as well as the treatment strategy have been provided.

Impact	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain
5 Catastrophic	MEDIUM 5	HIGH 10	VERY HIGH 15	VERY HIGH 20	VERY HIGH 25
4 Critical	MEDIUM 4	HIGH 8	VERY HIGH 12	VERY HIGH 16	VERY HIGH 20
3 Serious	MEDIUM 3	MEDIUM 6	HIGH 9	VERY HIGH 12	VERY HIGH 15
2 Significant	LOW 2	MEDIUM 4	MEDIUM 6	HIGH 8	HIGH 10
1 Minor	LOW	LOW	MEDIUM	MEDIUM	MEDIUM

Likelihood

Table 5 Risk Assessment Matrix

The table 6 below depicts the root causes and mitigation strategies for our top strategic risks:

Strategic Objective	Risk Description	Root Causes	Inherent Risk Rating	Residual Risk Rating	Management Action Plan
To strengthen BBI's financial position for growth and sustainability.	Delay in the conversion of the shareholder loan to equity.	1. Dependency on long governance processes. 2. Lack of buy-in from stakeholders.			The conversion process is complete and BBI's balance sheet (solvency) has improved significantly and reflects a net asset position.
To strengthen BBI's financial position for growth and sustainability. An increased base achieved through customer fulfilment and state-of-the-art infrastructure and services.	Possible failure to continue as a going concern.	1. Under capitalisation of the Company. 2. Difficulty in securing short- to medium-term funding from external parties. 3. Continued poor financial performance.			1. Prioritise network investment to enable increased capacity availability. 2. Revised network investment plan for approval by Ministry to enable capacity availability for sales and quality improvement. 3. SOC Fibre consolidation business motivation to Ministry for engagement with DPE. 4. Continue to apply for funding from third parties. 5. Renegotiation of key suppliers' contracts (single supplier sourcing). 6. Rigorous cash management. 7. Faster execution or implementation of projects which are billable or fundable. 8. Implementation of customer projects is prioritised and tracked weekly. 9. Continue implementing.
To strengthen BBI's financial position for growth and sustainability.	Difficulty to raise funds.	1. No track record of historical debt. 2. Risk adversity of banks to fund technically insolvent institutions. 3. Delay in the conversion of shareholders loan into equity. 4. Lack of shareholder support on issuing of required guarantees to access funding.			1. To raise funding for expansion and upgrade of the Company's network and infrastructure. 2. Management continues their interactions with suppliers to extend credit terms, but this is also starting to become more difficult as the Company struggles to always keep to agreed payment terms. 3. Management also continues to source funding. The funding activities were specifically for the funding of ring-fenced projects and technology upgrades. 4. Investment and funding proposals to implement the Network Investment Strategy were presented and approved by the Board of Directors. The submission is now with the executive authority for approval.
An increased base achieved through customer fulfilment and state of the infrastructure and services.	The inability of the organisation to respond to rapid changes in market and technology.	1. Inadequate spending on maintenance and network infrastructure and refurbishment. 3. Current infrastructure has reached its lifespan. 4. Lack of spares due to the equipment being discontinued. 5. Lack of appropriate project funding to fund investment in technology.			1. The writing of the IP business plan – the Discounted Cash Flow (DCF) has been completed and costs were provided. This will only move once funding is obtained. 2. Efforts have been increased to secure funding for the upgrade. 3. Shareholders have been approached for funding requirements.
To strengthen BBI's financial position for growth and sustainability. An increased base achieved through customer fulfilment and state-of-theart infrastructure and services.	Commercialisation of fibre infrastructure.	1. Diversification of revenue base by SOCs and SOEs. 2. BBI not being recognised as having the first right of refusal to roll out fibre infrastructure on behalf of the state's institutions. 3. The probability of Eskom being privatised will diminish BBI's ability to manage and control Eskom's fibre infrastructure.			1. BBI has commenced discussions with Transnet regarding the consolidation of fibres under the SDIC. Transnet has indicated that the option of transfer of assets is unlikely to be approved by their Board and has suggested that BBI table a proposal for access to all Transnet fibres. This proposal is under development. 2. Discussions with Eskom on fibre consolidation are on hold, as Eskom would like the issue of debt repayment to be addressed first.

Strategic Objective	Risk Description	Root causes	Inherent Risk Rating	Residual Risk Rating	Management Action Plan
To strengthen BBI's financial position for growth and sustainability. An increased base achieved through customer fulfilment and state-of-the-art infrastructure and services.	Margin pressure.	1. Market pressure on pricing on high-demand routes. 2. Low returns on capital investments due to potential high capital cost. 3. Too high infrastructure input costs are impeding BBI's ability to offer competitive prices in the market. 4. Customer and market pressure to upgrade capacity and reduce unit cost. 5. Dependency on single supplier sourcing (OEM). 6. Unreliable electricity supply. 7. The potential acquisition of Cell C by Telkom. 8. Lack of appropriate funding.			1. Prioritise network investment to enable cost effective building and reduce input costing to pricing. 2. Source alternative suppliers to enable effective competition for input and build costs. 3. Continue to source appropriate funding on bankable projects. 4. Continue ECNS licence sourcing to offer high value, low-cost base, and profitable services to the market.
To strengthen BBI's financial position for growth and sustainability. An increased base achieved through customer fulfilment and state-of-the-art infrastructure and services.	Possible loss of market share.	1. Market consolidation resulting in a changed market structure. 2. Commercialisation of fibre infrastructure from other SOCs.			1. Sign more long-term leases with clients. 2. Lobbying and improving on stakeholder management 3. Discussions with Eskom to address the AdLash are hampered by the outstanding debt and to date, there is no change. 4. Engage in strategic engagements to increase revenue share.
To enable the organisation to deliver upon the mandate.	Moratorium on filling of vacancies.	1. Intention to minimise job losses in preparation the merger between BBI and Sentech. 2. Cost containment strategy aiming at reducing employment cost within SOCs environment.			1. New development on the lifting of the Moratorium. The Company continues to engage the Ministry to get approval to fill critical vacancies. 2. In the meantime, some vacant positions have been filled in via the labour outsourcing option.
To enable the organisation to deliver upon the mandate.	The outbreak of COVID-19.	1. Transmissions by International travellers. 2. Exposure to Coronavirus-infected people. 3. Poor hygiene practices.			1. Ensure compliance with the Disaster Management Guidelines provided by the Shareholder and Government. 2. Employees are being strongly encouraged to vaccinate to reduce the impact of this risk 3. Continue working from home, the policy for work from home is approved.
To enable the organisation to deliver upon the mandate	Failure to innovate/ embrace innovation	1. Lack of human and financial resources to promote innovation. 2. Inability to accurately identify/measure the appropriate employee value proposition through reliable and scientific methods. 3. Lack of sharpening the skills to innovate at a requisite rate.			1. The two internship programmes are running smoothly and only a few months are left to completion. 2. The staff turnover has reduced significantly as compared to the previous financial year.
To enable the organisation to deliver upon the mandate.	Regulatory constraints impeding organisational agility.	1. Legislative constraints on borrowing and procurement. 2. Lack of ECS licence which results in limitation on product offering. 3. PFMA, Treasury instructions.			1. Continuously optimise pricing strategy within the context of the market. 2. Continue to apply for funding from third parties 3. Alternative technology from different suppliers is planned to be tested. 4. End-to-end project execution process has been streamlined and will depend on funding. 5. Awaiting approval of network investment strategy to embark on process sourcing funding.

Strategic Objective	Risk Description	Root causes	Inherent Risk Rating	Residual Risk Rating	Management Action Plan
To enable the organisation to deliver upon the mandate.	Cybersecurity.	1. Shortage of talented Cyber Security Professionals. 2. Lack of IT Management Best Practices.			1. A cyber security awareness mail and questionnaire were sent out. 2. Mimecast currently being used for back-up. 3. The project to migrate to a new SharePoint is being prioritised. This process is in the procurement stage. 4. Policies related to IT risks have been reviewed at EXCO and updates are in progress. 5. Further Cybersecurity specialist services are in the process of being acquired.
The preferred partner of government in enabling the digital transformation.	Inadequate stakeholder management.	1. Inadequate coherent stakeholder management strategy. 2. Inadequate communication with stakeholders. 3. Uncoordinated customer focus.			1. Stakeholder management strategy and plan developed and approved. 2. Communication strategy tabled at SEC. 3. National, Provincial and Local Government Stakeholder Engagement.

Table 6: Top Strategic Risks

Legend

Level 1 Very High	Level 2 High	Level 3 Medium

Emerging risks

Emerging risks are defined as new or unforeseen risks that we have not yet contemplated. These are risks that should be on our radar, but were not, and potential for harm or loss was not fully known. For the year under review, no emerging risks were identified, and the risk profile remained as for the previous year, the only changes were on the residual risk levels of various risks. For the new year, the emerging risk is Merger/integration of BBI and Sentech to form SDIC does not happen or is significantly delayed. The current process to merge / integrate BBI and Sentech to form the SDIC is well advanced.

Capital Project Risk Management

Capital Project Risk enables an organisation to get to the root cause of the problems and provides tailored solutions that assist in improving the delivery of capital projects, mitigating project risks, and ensuring project objectives are met. According to our Enterprise-wide Risk Management Framework, we have adopted both top-down and bottom-up risk assessment approach.

Risk assessments are conducted at:

- Strategic level;
- Operational level; and
- Project level.

These risks are tracked and monitored by the Risk Manager during the project meetings and from time to time a workshop, is held to review and document progress on mitigating the risks.

SHEQ risk management

The responsibility for managing the effectiveness and efficiency of the SHEQ process rests with the Board. We are proactive in risk assessment and are professional in remediation. The SHEQ rules are the most significant tool to measure the organisation's commitment to safe operations. During the year, employees were in three motor vehicle accidents with no major injuries, and no fatalities recorded. Twenty-one cases of COVID-19 infections were recorded during the period, with 20 recoveries and, sadly, one fatality.

To ensure relevance and proactive steps to the Company-wide policy and strategy, executive managers regularly review the SHEQ policy with a view to improving monitoring techniques, investigations, and controls. The policy states that BBI will develop its SHEQ capabilities to world-class standards by marketing and provisioning quality services and products that are safe, do not pose a risk to employees, customers, or the environment.

OUR STAKEHOLDER INTERESTS

In order to achieve the strategic objectives as described in the vision and mission, the Company relies on the effective execution of all value-creation processes in its business model, which are interdependent on its material stakeholders' contributions. We view stakeholders as those groups or individuals, that can be affected by BBI's actions and operations, or which processes can materially impact upon the business.

Stakeholders are actively engaged throughout the year, as to the Company's strategic aspirations, as well as to gain an understanding of stakeholder needs, interests, and perspectives. Material matters arising from stakeholder engagements are managed as part of the risk management process. The review of material risks and opportunities include stakeholders' perspectives, and ensures alignment of the business model with those of the respective stakeholders.

As a customer-centric organisation, we increased our customer engagements. This included the issuing of notifications and meetings arranged to discuss matters affecting compliance with new regulations, service delivery and various other issues. This was executed with the objective of influencing downstream collaboration and increase the trust relationship. Our Executive visibility intensified our customer retention strategy, thus forming stronger bonds with customers. This further aided in providing reassurance that excellent customer service is central to all we do. These efforts yielded positive results and were appreciated by the customers. More collaboration and positive alignment could be structured with other SOCs.

Our people are a critical pillar of strength for the Company. Executive management endeavours to hold meetings with staff, termed "town talks", to interact with and keep staff informed as to the Company's level of performance, and to seek staff input as to the plans of the Company. The Board and management also visited regional offices to evaluate, and to have firsthand experience where our employees continue to grind the machinery of fault restorations and maintenance of our network.

We pride ourselves in being a responsible corporate citizen, and in providing broadband connectivity to two schools in two provinces. We have formed partnerships with local SMMEs in some of the areas in which SA Connect was rolled out. The Company also gave back to the communities in which it operates. The engagements sought to discuss matters of development within these areas, and to deliberate on how BBI can foster sustainable relationships that deliver value.

Members of the Board and Executive Management also visited sites that were connected as part of the SA Connect Project in the respective provinces. This is to monitor the work that had been completed and gauge existing loopholes, with the view to determine sustainable mitigation factors.

Below, BBI's stakeholder universe and material interests are shown:

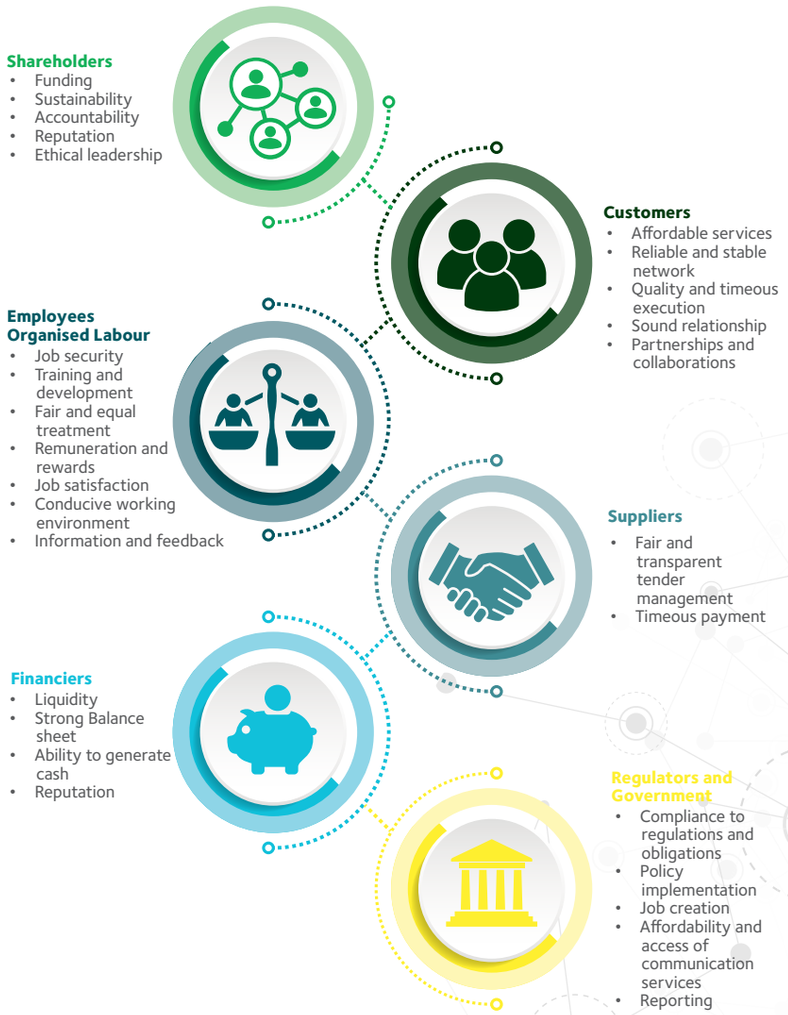


Figure 18: Key Stakeholders

OUR
PERFORMANCE OVERVIEW

OUR PERFORMANCE OVERVIEW

FINANCIAL CAPITAL

Sales

As the country, and businesses operating within its borders, has dealt with the impact of COVID-19, the ICT sector has been presented with growth opportunities. With most organisations having to implement remote working and conduct business meetings online, the need for data traffic has substantially increased. For BBI, the 2021/22 financial year has been a productive year, ending at a performance of 81% of sales target.

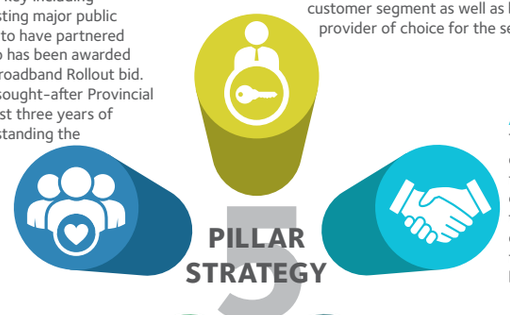
The turnaround in performance came about in the latter part of the year, with significant deals changing the landscape and providing the much-needed upturn. The Network improvement Plan is especially important to continuing the momentum. BBI was best positioned to take on more opportunities in the market, but capacity limitations stifled this gap.

The network investment will be crucial to regaining momentum in the ISP market. This has been a high-growth area for BBI which has opened opportunities in the FTTx space. The ISP market is crucial for fast sales to revenue conversion as it requires smaller capacities which are not dependent on network capacity upgrades, which normally requires equipment sourcing. Whilst this is an important part of our strategy, it does come with its challenges as both large and small ISP segments of the market are accompanied by aggressive competitive pricing as well as short timelines for service provisioning.

The implementation of the five-pillar strategy focused on the following:

Key Accounts: growth was stunted in this year due to capacity constraints in our network. Whilst the focus will continue key accounts, it is key to understand that the commercially lucrative routes experience stagnation as these customers have focused on self-provisioning. BBI remains committed to retaining this customer segment as well as being a redundancy provider of choice for the self-provided routes.

Public Sector: The acquisition of the public sector business is key including the retention of the existing major public customers. BBI is proud to have partnered with ABT Telecoms, who has been awarded the Limpopo Connect Broadband Rollout bid. This is one of the most sought-after Provincial Bids and has taken almost three years of engagement and understanding the customer's network.



Acquisition Accounts: This is the area that experienced growth in this financial year- albeit in small capacities. Unfortunately, this is a market that experiences cancellations faster as there is no loyalty but drive for price and speed.

SADC: SADC continues to be an area of opportunity, especially due to the long-established relationships through SATA, which have presented many opportunities for BBI. Funding remains a constraint to building high-demand routes and to provide redundancy to the SADC routes. The delayed implementation of the Botswana route hampered the business significantly and has affected growth projections.

Strategic Partnerships: Strategic partnerships have become even more critical as the challenge of capacity availability becomes an even greater contributor to the success of meeting sales targets.

The value of these relationships is the extension of the product range and enabling additional revenue streams. This year BBI has collaborated on a local cloud proposition which has had the initial success in market penetration.

Figure 19 : Five strategy pillars

The additional concern has been tender processes which take a long time to conclude, and at times no feedback is received on the outcomes.

The strategic partnership element of the business strategy is yielding results in terms of the number of partnerships that continue to be formed, and some of the business opportunities presented to BBI for consideration from multiple service providers in support of the revenue growth of the organisation. The sales team will support the right mix of IRU and lease to ensure that a positive impact on cash flow is yielded.

R323 million in sales volumes were secured for the year to date, and additional pipeline opportunities are forecasted for the coming financial year.

Revenue

Revenue was recorded at 5% lower when compared to the previous financial year, and 52% below budget. A main contributor to the below budget performance is that the allocation of SA Connect 1C did not materialise as anticipated, and the resultant revenue from SA Connect is tracking below budget. The other contributor to this decline is the lack of capacity and redundancy in the network, which was provided for in the Network Investment Plan that has not been approved.

Additional contributing factors include the cancellation of links, the ending of contracts, and the non-materialisation of the upgrade from a High Data SOC. The low sales volumes were as a result of cash flow challenges experienced over the past 24 months, which severely impacted on the achievement of the set revenue targets. The large revenue-generating portion of sales volumes was contracted during the last quarter of the financial year; thus, the revenue will be realised in the coming financial year. On the other hand, the number of customers decreased from 101 to 93 during the financial year.

The decrease was due to various reasons, mainly the impact of COVID-19 on some of the customers, and lack of funding to provide redundant links. Additionally, the market is going through a massive price overhaul as more and more customers request more than a 50% price reduction on contract renewals.

On a positive note, BBI was able to close IRU deals, which have been cumbersome to secure in the current market and have provided the much-needed positive cash flow benefit for the organisation.

The Revenue figures 20 below illustrate revenue per customer segmentation:

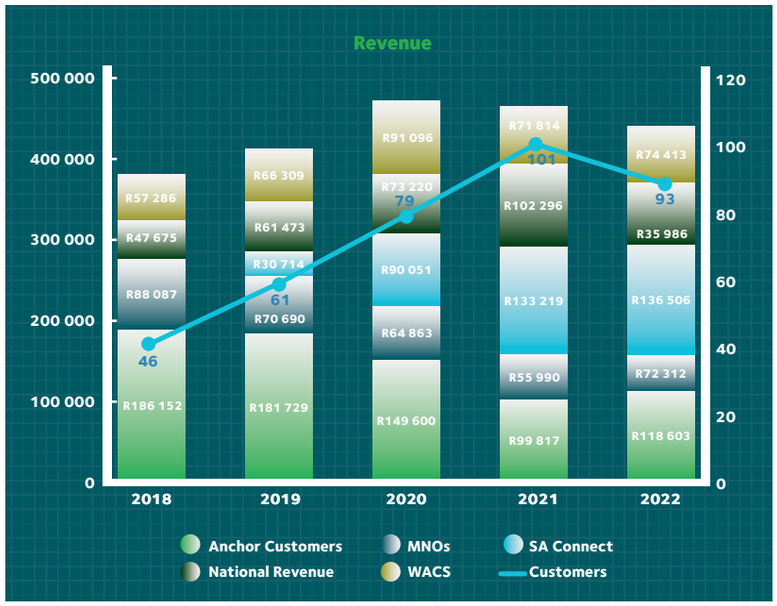


Figure 20: Revenue per customer segment

Cost of Sales

Cost of sales for the year is 9% higher than the previous financial year. This can be attributed mainly to the increased cost to provision SA Connect, resulting from the increased number of sites connected during the year, as well as an increase in WACS and fibre maintenance costs. With the cost base being largely fixed, the increase in cost of sales, together with the year-on-year decline in revenue, resulted in the gross profit margin decrease of 7% year-on-year.

Cost of sales year-on-year comparison is depicted in figure 21 below:

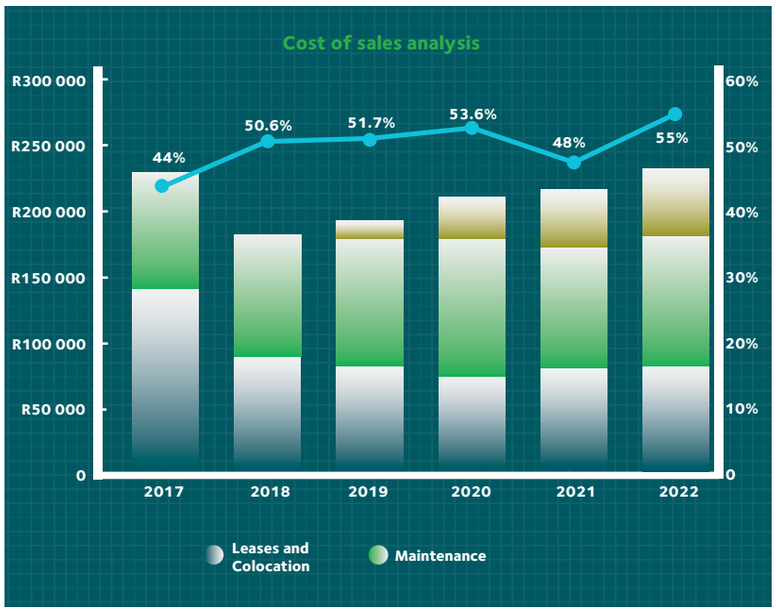


Figure 21: Cost of Sales

Operating Costs

Operating expenses for the YTD are 10% lower than the previous financial year, and 5% lower if employees' costs are excluded. This decrease is due to lower employee Expenses due to the moratorium.

The cost of sales is illustrated, in a year-on-year comparison in figure 22 alongside:

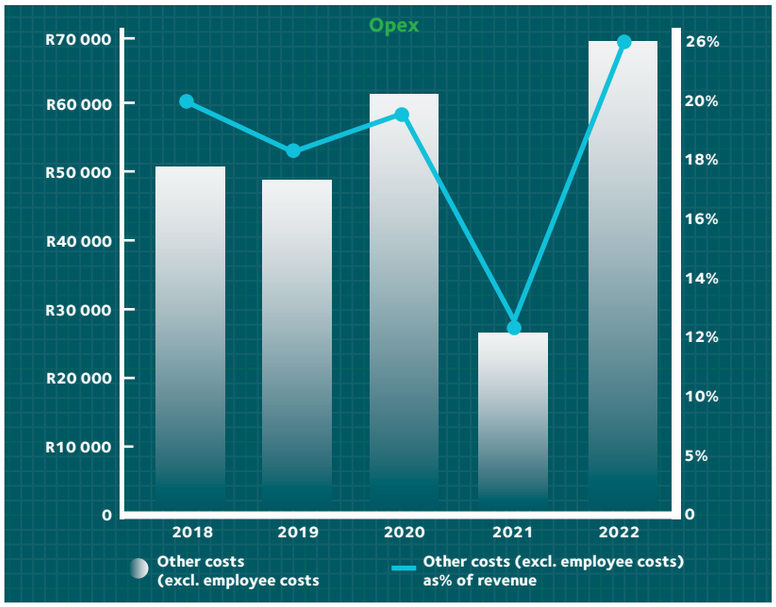


Figure 22: Operational Cost

EBITDA and Capex

The gross profit margins reduced by 7% year-on-year due to the low revenue numbers and the increase in cost of sales is due to the reduction in the gross profit margin. Although the Company had a positive EBITDA it reduced significantly, which is indicative of the cash constraints the Company is currently under.

The revenue margin analysis year-on-year comparison is illustrated in figure 23 below:

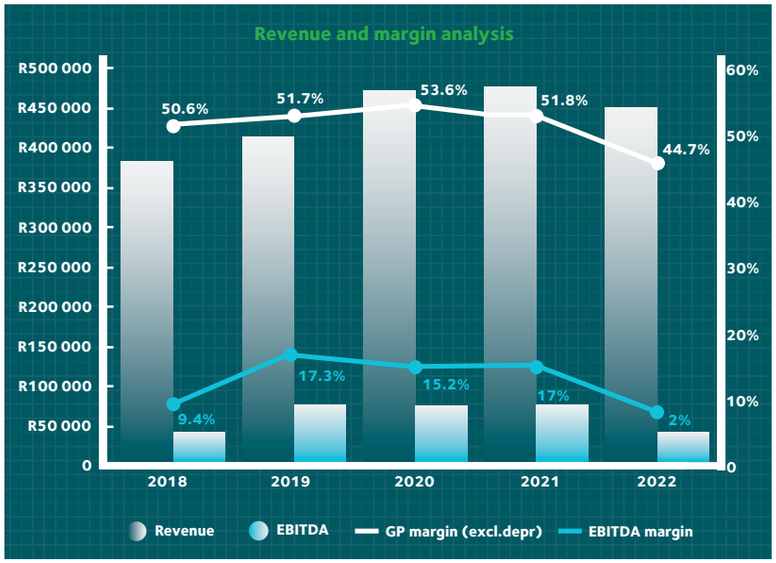


Figure 23: Cash Flow Analysis

Now that the conversion of the shareholders' loans into equity is complete, a network investment plan has been developed by management (approved by the Board of Directors) and submitted to the Executive Authority for approval. This will enable management to go to market, as required by the Board, for appropriate market competitive funding.

This long outstanding matter has significantly impacted the Company's ability to raise funding for the extension of the core network and provision of services since the beginning of the previous financial year. As a result, the Company failed to meet the sales target, which in turn will place revenue under pressure until such time that sales targets are met.

In the meantime, BBI continues to fund operations and capital expenditure using cash generated from operations.

Capital expenditure

The total CapEx spend for the YTD was R86 million, including R38 million for RoU assets addition during the year under review. This total CapEx spend for 2021/ 2022 is R5 million less compared to 2020/2021 financial year.

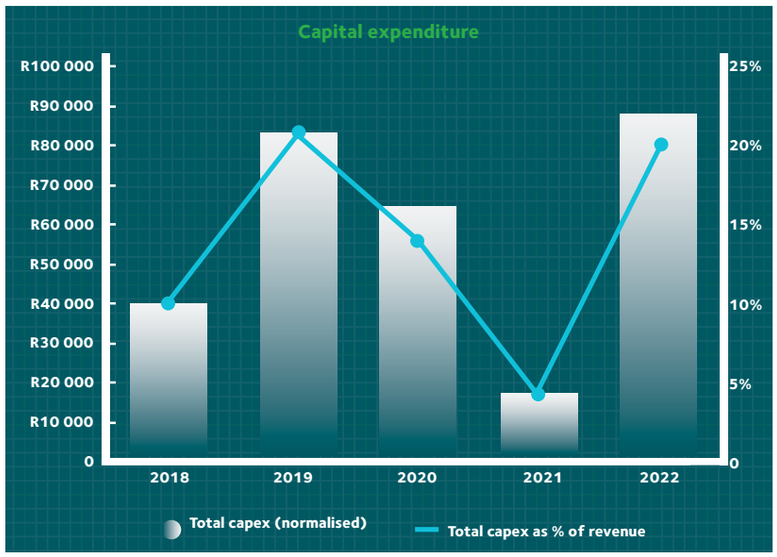


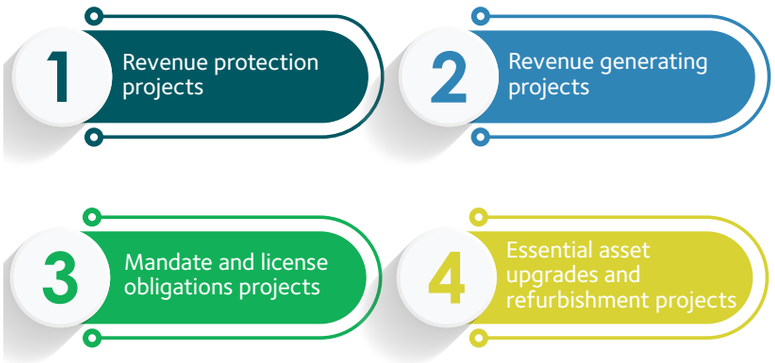
Figure 24: Capex

Cash Flow

The Company remained cash positive throughout the financial year, with cash resources increasing from the year-end position. The Company retained a position of a net inflow of cash resources from operations realised in the current financial year, together with a positive EBITDA.

Funding

The Company's planned capital investment program is supportive of long-term financial sustainability, with four key priorities:



A detailed network investment plan – which will translate to a funding plan – is currently being considered by the Accounting Authority. This will enable management to go to market, as required by the Board, for appropriate market-competitive funding. The financial institutions are targeted as a source of short-term cash and liquidity provisioning facilities, and to support the Company with long-term debt capital.

The medium-term funders will also be expected to support the Company with long-term debt capital, whereas vendors will be sought to support the medium- and long-term balancing of operational costs with revenue, through financing of technology enhancements.

Management continues to seek additional funding from Development Finance Institutions (DFIs) and commercial institutions for the expansion of the network to provide services for customers in line with its funding plan.

Management, however, remains optimistic that access to this much needed funding will be secured early in the next financial year, enabling the Company to improve upon its financial results, and ensure financial sustainability.

Product Performance Management

The table below indicates that there has been a shift in TDM-based services to IP-based services and product performance for five Financial Years.

The columns in table 8 below indicate quantities of services per product that were sold in each financial year and their percentage out of the total services sold for that year.

Service / Bandwidth	2017/18		2018/19		2019/20		2020/21		2021/22	
	Quantity	% of total	Quantity	% of total	Quantity	% of total	Quantity	% of total	Quantity	% of total
STM-1		0%		0%	2	0%	2	0%		0%
STM-4		0%	16	0%	48	1%				
STM-16	192	13%	32	1%	164	3%	16	2%	16	2%
STM-64	896	59%	1728	33%	1664	28%	64	6%	64	6%
10-100Mbps	19	1%	26	1%	41	1%	8	1%	6	1%
150Mbps							8	1%	8	1%
200Mbps	13	1%	16	0%	32	1%	12	1%	4	0%
300 - 450Mbps	6	0%	15	0%	37	1%	12	1%	17	2%
500-700Mbps	28	2%	24	0%	111	2%	34	3%	28	3%
1Gbps	147	10%	329	6%	154	3%	14	1%	56	6%
2-7Gbps	32	2%	105	2%	77	1%	182	18%	92	9%
40Gbps		0%			512	9%				
50Gbps		0%			320	5%				
60Gbps					384	7%				
100Gbps		0%	2560	50%	1280	22%	640	64%	1024	103%
International bandwidth	192	13%	320	6%	1024	18%	7	1%		
Total	**1525**	**100%**	**5171**	**100%**	**5850**	**100%**	**999**	**100%**	**1315**	**133%**

Table 8: Product performance

Key Highlights

- Wet Capacity/Undersea Cable – Broadband Infraco managed to sell 600GB to two entities, one a global OTT company and the other a local state-owned research company, the capacity sale was an uptake on the Upgrade 4 by the WACS consortium. BBI has also started testing services on the ACE Cable. We will backhaul the 1Gb capacity from the ACE Handover at Teraco Rondebosch to Teraco Isando and hand over the service to a local Service Provider. The success of this POC will create an additional revenue stream for BBI to offer to our customers.
- Universal Access Agency– BBI has been appointed to roll out the broadband infrastructure and services in OR Tambo district in Eastern Cape and Pixley Ka Seme in the Northern Cape district municipalities. The total contract value to deliver the services is R220m which is a significant contribution to the current financial year.
- A successful sales and technical workshop was conducted at the begging of the current financial year for internal strategic alignment. One of the outputs from the meeting was the need to upgrade the available capacity on the network to increase sales and revenue and to address any protection requirements to offer a more stable network service.
- BBI has been selected as one of the preferred Service Providers for IT Infrastructure at Dube Trade Port in KZN. Dube Trade Port have already sent requests for quotation on 1Gbps IP Transit and 10Gb Layer 2 connectivity from Teraco Durban to Dube Trade Port Offices.
- C4IR – BBI was selected by CSIR to partner with the Centre for the Fourth Industrial Revolution (C4IR) to accelerate the adoption of implementation of Internet of Things (IOT) by SMMEs Project. Our role will be to provide Backhaul on our NLD Network from the region to Teraco Isando.
- KZN DoE – BBI has successfully deployed 10Mbps Internet to 36 of the 38 Schools in the KZN Region. We are currently in discussions to setup support processes with the selected contractors to address post installation support services

Challenges

- Long process to raise capital funding – this has impacted business growth negatively.
- Lack of redundancy routes to the border posts is still a major challenge.
- Power failures.
- Major failures on the ESKOM fibres en-route to Namibia.
- Customers demanding lower prices and shorter contract periods.

Future plans

- Network expansion.
- Drive Reseller partnerships for growth.
- Drive thought leadership in the industry using various marketing and communication tactics.
- Engage and build private partnerships with stakeholders to expand brand reach.
- Implement the approved sales strategy.
- Build Key Account Managers' capacity to sell.
- Grow revenue.
- Review pricing annually.

Manufactured Capital

Our employees continued to work hard and provide good service under difficult circumstances during the year. This was despite the increased impact of human resource shortages on operations and the lack of capital investment in the network.

In the financial year under review, most of the projects were completed in good time, though there were some delays due to various factors that included the suspension of the Company's account due to outstanding payments for transmission equipment to the supplier, insufficient funding for network build, projects that were put on hold as a result of the looting and unrest experienced in KwaZulu-Natal (starting July 2021 and affecting Durban, Pietermaritzburg, and surrounding areas), as well as the delivery of the last batch of IP equipment being delayed until the end of 2022 due to global chip shortage.

During the year, the network service performance exceeded the planned goal. A network services availability rate of 99.01% exceeded the target availability of 98%. This performance was down slightly from the previous financial year, which achieved a rate of 99.46% - a level of performance that has been maintained over several years.

To mitigate the impact of power interruptions caused by Eskom load shedding, we persisted to replace standby batteries at most PoP sites as part of the national battery replacement program. We endeavour to minimise network downtime and sustain customer service availability. A national shortage of batteries since 2021 caused long delivery times by suppliers and have put sites at risk to be isolated during power supply outages, which impacted negatively on customer service availability. This national shortage was caused by large telecommunication companies purchasing all available stock from suppliers to counter the impact of Stages 3 and 4 load shedding, as well as to plan for any possible black-out periods.

Network Build

Various projects were implemented in the year under review with a focus on building or improving certain sections of the network to enable customer services. Network refurbishment requiring substantial capital injection was limited due to financial constraints. A brief description of completed projects follows below:

- The Customer #4 project NMU George Campus was completed in November 2021. Thereafter, the project encountered another challenge when a section of the road sunk due to excessive rains, washing away a portion of the sleeve and opening a 3m wedge. Repairs were executed and services migration was completed.
- The route build for the 10Gbps service activation for Customer #15, at Ladysmith and Standerton, was completed and handed over to operations and maintenance.
- The IP Core Router and Internet Peering Router were installed, commissioned, and cutover successfully. The one Customer Solution Router is installed and commissioned; however, service integration is outstanding. The delivery of the last batch of IP equipment (seven Customer Solution Routers) is delayed due to a global chip shortage.
- The Garden Route equipment upgrade project was successfully completed and handed over to the client.
- The DCN Migration project was successfully completed by utilising internal resources.
- The SA Connect Phase 2 proposal was approved by the Department of Communications and Digital Technologies and by the Cabinet.
- USAASA's has appointed Broadband Infraco for the provisioning of broadband services in the OR Tambo and Pixley ka Seme District municipalities.
- The Ramatlabama cross-border fibre cable capacity upgrade installations have been completed and just a few snags are being attended to in concluding the acceptance and handover of the project.
- 6 Fixed standby generators at Oberholzer, Minerva, Soekmekaar, Pietermaritzburg, Aries, and Kimberley were successfully commissioned and handed over to Operations and Maintenance.
- KZN 38 DoE Internet services have been completed at 36 facilities, 18 facilities have live internet. One facility is pending replacement sites from the customer. Joint troubleshooting of low throughput issues raised by the client is ongoing.

SA Connect

The government of South Africa in preparation for the Fourth Industrial Revolution (4IR), determined that all government facilities in rural and underserviced areas should have access to broadband connectivity.

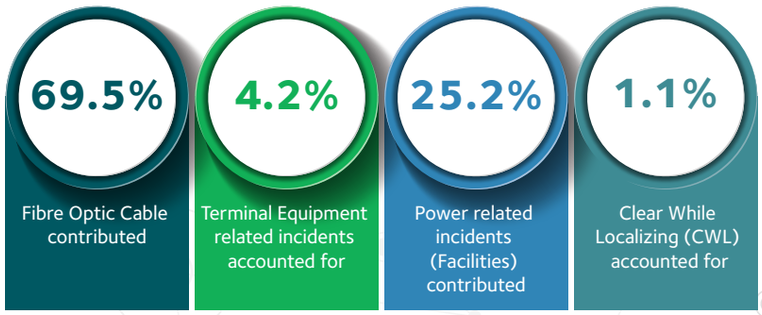
The connection of government facilities in remote areas is implemented as part of the National Development Plan (NDP), with the project being named South Africa Connect (SA Connect). This project ensures that government facilities such as schools, clinics, hospitals, post offices, Thusong Centres, and police stations, are connected to the internet in order that they may have access to government services and empower the general public.

The connectivity will result in the empowerment of citizens in remote areas, in preparation for the participation in the 4IR economy and the age of the Internet of Things (IoT). 713 SA Connect Phase 1 facilities were sucessfully completed and are monitored and maintained.

SA Connect Phase 2 was approved during the financial year, the roll out will commence in the next financial year.

Network Operating and Maintenance

An increase of 316 failure incidents resulted in 1081 network failure incidents reported for the year, compared to 765 reported in the previous financial year. The breakdown is indicated below:



The main contributing factors for the 41,3% increase was the implementation of Nation-wide loadshedding by Eskom, as well as network incidents caused by vandalism. The figure below provides five years trends:

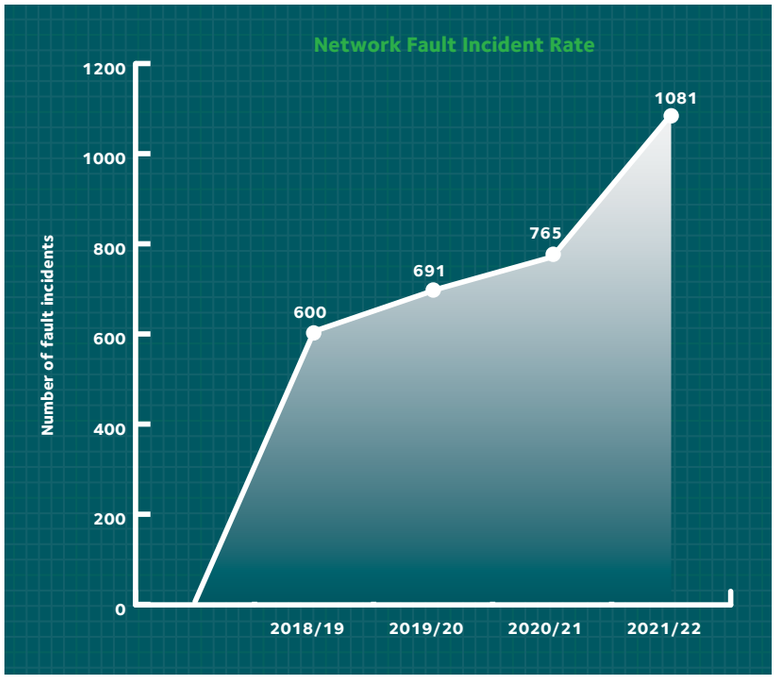


Figure 25: Number of faults

Mean Time to Restore (MTTR)

The Mean Time to Restore (MTTR) network failure incidents is the measure of the average total time it takes to restore network failure incidents, which includes administrative delays (fault logging, etc.), logistic delays and actual fault repair time. Service restoration time is recorded as the fault failure incident end time.

The MTTR remained within the target of 7.5 (07:30) hours at 6.45 (06:27) hours, compared to 6.9 (06:54) hours in the previous financial year. 50% of all network failure incidents were restored within the MTTR target of 7.5 hours, inclusive of deferred incidents.

Two hundred and fifty-nine (259) incidents were deferred compared to 209 in 2020/21. The continued high number of acts of vandalism to the network and areas being unsafe to work during the night, resulted in long restoration times that severely impacted customer services.

The figure 26 below summarises the YoY MTTR trends for the last five financial years:

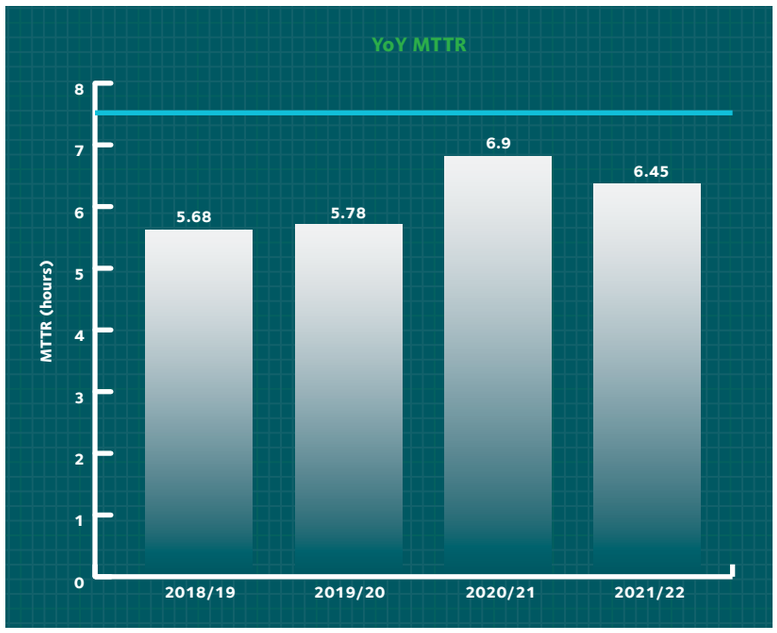


Figure 26: MTTR

International Routes Performance

The cross-border routes achieved a combined availability of 98,19% compared to 99,24% achievement in the previous financial year, and therefore not meeting the minimum combined availability of 99%. The Zimbabwe spur cross-border link between Soekmekaar and Beitbridge was the worst impacted by network failures caused by vandalism. The break-in incident at Beitbridge PoP on 5 February 2022 recorded the longest downtime of 24.34 hours.

During Q2, the Botswana cross-border link was affected by fault incidents linked to vandalism and veld fires. The incidents took long to repair due to extensive travel distances by service provider repair teams based in the Johannesburg area. The Oberholzer-Ventersdorp route was affected by vandalism, a system card failure, and a train accident. All incidents took a long time to repair, as repair teams were unable to immediately commence with repairs due to safety risks to staff that were identified.

During Q3, the Swaziland cross-border route was affected by power outages caused by Eskom load shedding and a truck accident that damaged municipal overhead infrastructure. Repairs had to be deferred to the next morning due to safety reasons.

The Lesotho cross-border route was impacted twice during October 2021, due to vandalism of the railway infrastructure between Bloemfontein and Vaalkraal, as well as a network failure during February 2022 on Eskom infrastructure that caused the longest downtime on this route.

The figure 27 below depicts the cross-border route performance:

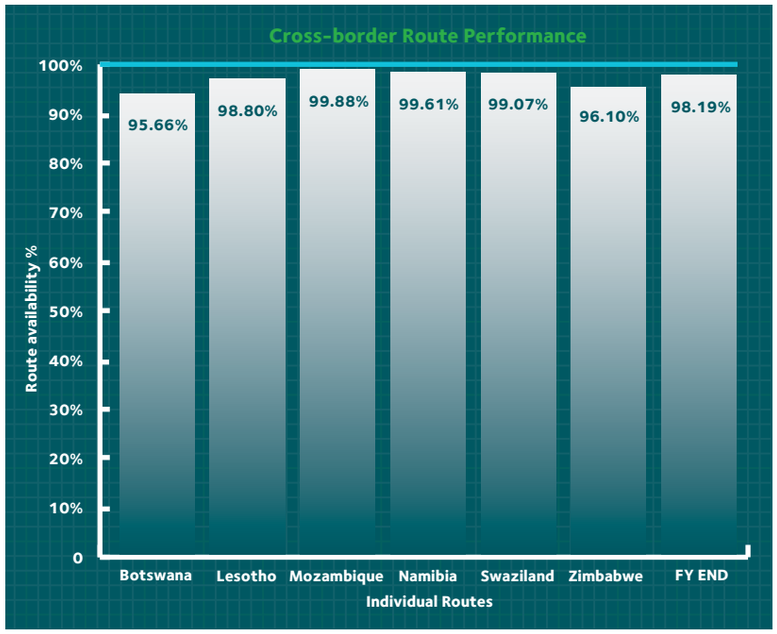


Figure 27: Cross-Border Route

Network Rebates

Some customers' services did not meet the SLA requirements and resulted in rebates, which amounted to a provisioned R4 558 570,10. The actual rebates invoiced totalled R691 789,07. The actual averaged rebates paid was 0.15% of the yearly revenue which is within the target of 0.30%. The full annual comparison of the percentage of rebates paid is shown in the trend graph 28 below:

Figure 28: Average Network Rebates

Network Asset Management

Points of Presence

The number of operational sites remained at 150 as depicted in table 8 below:

Site Description	Number	3rd Party Access	
		Yes	No
Infraco Owned LD Sites	58	57	1
SOC Colocation Sites	16	10	6
SOC Site Sharing Sites	48	43	5
SOC Microwave Sites	0	0	0
Liquid Telecom POPs	8	0	8
Open Access POPs	10	10	0
Private Lease	8	8	0
Private Colocation	2	0	2
Total Sites	150	128	22

Table 8: Points of Presence

Fibre Optic Network

The Fibre network snapshot reflects the distance (measured in kilometres) of optical fibre cable removed or added to the network over a period.

The optical fibre distance added could be in a form of new fibre build (owned) or leased from third parties. The optical fibre sheath kilometre distance was 0.976km less compared to the previous financial year as illustrated in figure 29 below:

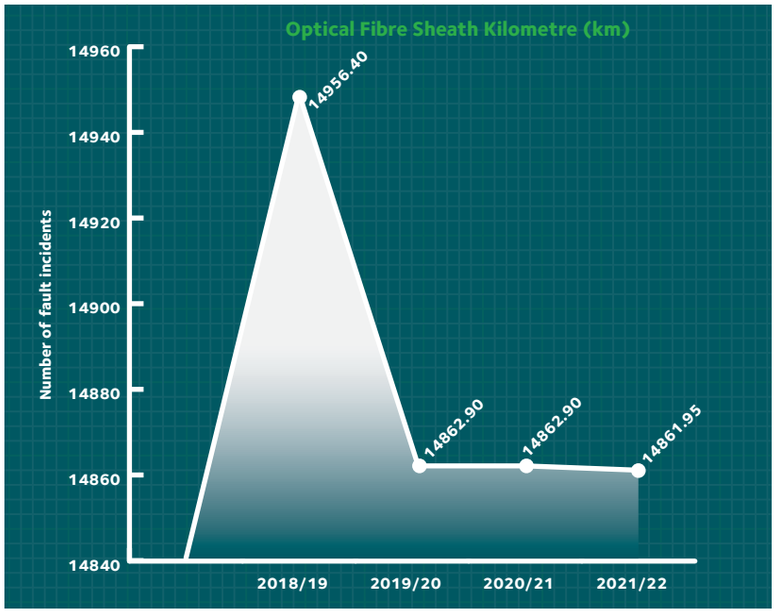


Figure 29: Fibre km

Total Site and Fibre Sheath Kilometre per Province

The Company operates and maintains 150 PoPs and 14 861.95km of fibre throughout the nine provinces. This is broken down per province as shown in the figure 30 below:

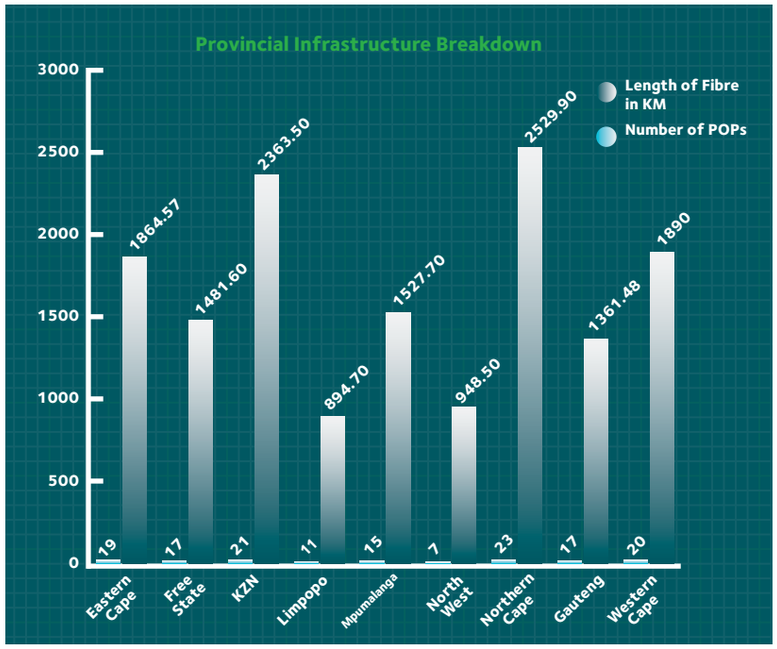


Figure 30: Provincial Infrastructure Breakdown

Key Highlights

- The Bhisho SITA primary link remained stable since the installation of the concrete poles.
- East London team has been invited to represent the organisation in a Career Expo as part of rural schools' empowerment initiative to be held in Whittlesea in the month of October 2021.
- We maintained the deployment of a security company to patrol the high-risk area on Route 9 between Randfontein and Oberholzer.
- The power upgrade at the Polokwane PoP was successfully completed by upgrading the power supply from TFR to a 3-Phase supply, as well as the installation of a new rectifier system.
- BBI finally managed to reach an agreement with Transnet Freight Rail (TFR) regional management in Port Elizabeth to install our own generator plug at North End PoP to allow for generator access during load shedding.
- Batteries and generators were installed in various PoP sites to stabilise routes during shedding on the cross-border link.
- Successful implementation of permanent repairs between Hutchinson and Carnarvon. This is a section that has been exposed to several acts of vandalisms after a few wooden poles were stolen and leaving the cable on the ground.
- BBI, with assistance from the East London team, successfully hosted World Radio Day in Qunu using SA Connect Sites to establish a Wi-Fi hotspot at the local Chief's Great Place, thereby exhibiting SA Connect capabilities and success.

Challenges

- The threats linked to the COVID-19 pandemic remain a challenge to the health and safety of the Operations and Maintenance staff whilst executing normal operations and interacting with customers and contractor staff, especially during the third wave that started in June 2021.
- The unavailability of ADLash cable to execute permanent repairs is becoming more and more critical for the maintenance of a reliable and stable network.
- Increased PoP site break-in incidents.
- Repeated fibre faults with long downtimes in Northern Region negatively impacted on the network reliability and customer service performance:
  - » Route 7 between Pretoria North and Bela-Bela impacted by vandalism.
  - » Route 4 between Nzasm and Rayton was impacted by vandalism.
  - » Route 7 between Tzaneen and Gravelotte, was affected by the TFR contractor grading the service road.
  - » Vandalism on Zimbabwe cross-border link between Louis Trichardt, Musina, and Beitbridge.
- The looting and unrest in KwaZulu-Natal in July 2021 affected Durban and Pietermaritzburg areas the most. The Pietermaritzburg PoP went down for 5 hours due to AC supply power failure. The unrest and riots also caused the municipal power to be down for two days in the same area. The network outage on Liquid Telecom cable infrastructure between Ariadne and Durban PoPs lasted for six days. Technicians and contractors could not access the area due to safety reasons.
- Seasonal veld fires in various areas.
- Eskom load shedding.
- Cable theft and vandalism.

Future plans

For the financial year 2022/23, there are more than 14 major projects for implementation. These projects range from customer provision, network expansion/upgrades, special projects, and network monitoring. The successful execution of some of these projects will dependent on funding availability.

Recommendations for improving network service availability and customer offerings include the following plans:

- Network capacity upgrades to improve network resilience by increasing capacity on strategic high-demand routes and where there are bottlenecks on the network to be able to meet more customer demands.
- Network Reliability Improvement by replacing obsolete equipment that still exists on some routes, and which has long reached its end of life and is no longer supported by the OEM. These routes pose a risk of long downtime if we were to experience equipment failures, since in some cases there are no spares available. Projects have been initiated to have obsolete equipment replaced.
- Provide route redundancy by initiating projects to expand the network and to link strategic routes to serve as a backup path to minimise downtime and ensure continuity of services in the event of unplanned network outages.
- Upgrading of IP Network to satisfy the increasing demand for IP services from customers and the continued drive to ensure an IP presence in at least one node in each of the provinces necessitates the further rollout of the IP/MPLS network.

- Accelerate services in underserved areas by taking part in national and local government initiatives and programmes to implement, for example, SA Connect that seeks to meet the technology goals of the National Development Plan (creating an inclusive information society and positioning the government to play an enabling role in the provision of broadband to underserved district municipalities) thereby bridging broadband connectivity gaps.

SOCIAL AND RELATIONSHIP CAPITAL

Shareholders Engagements

The Board and some of the Executive Management met with the new Minister on 24 August 2021 as a Meet and Know each other. The Minister took this opportunity to gain a full understanding of the strenuous challenges of the organisation. She tasked the organisation to expediate the SOC Rationalisation process through the acquisition of the other entity. The Executive Management meets with both shareholders' representatives quarterly to discuss the challenges and performance of the organisation.

Marketing

Brand and Events

The marketing landscape has changed drastically since the advent of COVID-19, with many brands coerced to adjust their marketing and sales tactics, swiftly moving from physical to digital marketing and sales platforms. Broadband Infraco's strategic marketing drive was also impacted by this requisite modification of platforms and tactics from reliance on physical platforms, (where face-to-face relationships were critical), to online platforms. While the latter ensured continuity of marketing initiatives, it lacked the personal touch that cements relations that comes with physical engagements.

The industry continued to witness the growth of virtual conferences and webinars as the key drivers of marketing within the sector. Broadband Infraco ensured that it participates in all relevant platforms and formed key partnerships with relevant niche companies to continue growth and thought leadership by its executive team members.

Below is an outline of how the Company continued to make a shift in marketing trends and strategies, in an effort to improve and continue its marketing and brand visibility, as well as to increase sales, product, and services uptake:

- **BBI and CISCO WOAN Masterclass** – The virtual masterclass was delivered in partnership with leaders in the technology space – CISCO and BMIT.

  The purpose of this was to unpack crucial elements of the BMIT WOAN Report and to have meaningful discussions about the impact to potential bidders. It also explored the contribution by the WOAN to South Africa's economy, competitive landscape, innovation, and job creation opportunities. Focus was also placed on exploring countries and economies where the WOAN has created lasting economic impact, as well as the steps to be taken by governments in order to succeed in this regard

- **Basadi in Telecommunications initiative** - The Company also successfully relaunched and hosted the Basadi in Telecommunications initiative, in an effort to support Women-Owned businesses and present business opportunities in the ICT sector.

  The objective of which was to ensure that women play a pivotal role in developing the telecommunications sector and to facilitate a comprehensive enterprise development and support programme aimed at facilitating a technical skills upliftment of female service providers and professionals. Broadband Infraco's Basadi in Telecoms initiative also attempts to increase the Company's spend on local products manufactured by women, increase competition within the sector and ensure that the sector is served by a broader representative market.

- **CONEXT Digital Council Africa Conference** – A virtual Conference that took place from 18 to 22 October 2021 with the purpose to keep participants abreast of the sector and explore the world of Towers and 5G, Cloud and Data, Fibre Optic Infrastructure, IoT and Edge, as well as the impact on the industry and the opportunities it holds for the continent

  The 2021 edition brought together like-minded individuals from all over the world over five days, with expert speakers sharing local and international expertise on topics relevant to the various streams. Broadband Infraco, represented by its CEO, Andrew Matseke participated in a panel discussion on the topic: "The Role of SOEs and SMMEs in Infrastructure Deployment".

- **BBI and CISCO Workspaces of the Future** - This roundtable discussion was aimed at galvanising policy-makers, legislators, academia, and captains of industry into sharing knowledge and best practice around the hybrid work experience. The webinar further explored how organisations and governments have kept safe online, how hybrid work practices are evolving, the impact on businesses and employees and the suggested roadmap for digital skills adoption being explored by governments, citizens, and organisations.

- **ITWeb Brainstorm CIO Banquet** – Participated to take advantage of the opportunity to market the brand to existing and potential customers in both the public and private sectors. This was a great opportunity and platform for Broadband Infraco as an IT enabler of government and service delivery through ICT, as there is a need to keep the brand top-of-mind among key government decision-makers.

  This banquet proved to be a great opportunity to network with South African CIOs who participated. It was also a good opportunity to build our brand presence, as it was an influential and powerful event. The event further ensured that BBI entrenches its position of backhaul provision to this discerning market of SA's business technology elite. BBI also benefitted from both physical and virtual contact with South African CIOs at an event that offers numerous networking opportunities.

We raised awareness about our products, services, and/or solutions, and established itself as a leading service provider in its specific area of expertise.

- **EnchaCloud Partnership** - A virtual workshop was held in partnership with EnchaCloud to introduce a new product called, Infrastructure as a service. The event was a collaborative effort between the two companies. This new and competitively priced product offers computing infrastructure as well as storage in a highly secure environment. The workshop was indicative of the positive attributes of collaboration in the sector and was attended by both local and regional players in the ICT sector.

CUSTOMER ENGAGEMENTS

Customer Satisfaction Survey

The Company conducted a Customer Satisfaction Survey during the previous financial year, which was finalised during the first quarter of the year. The survey, conducted by BMI TechKnowledge Group (BMIT), used a sample based on current and potential customers. The Net Promoter Score (NPS) survey achieved a 60% response rate, making it highly reliable.

The survey questions were based on topics including, product awareness, product usage, customer satisfaction, product/solution, satisfaction/preference, service satisfaction, image satisfaction, price satisfaction, loyalty, future intentions, and SLA requirements. The finding of the survey indicated that customer satisfaction levels are slightly lower than desired across the board, such as on product, service, price, and image.

The outcome of the survey will be used as part of the tools to be included in the Corporate and Marketing Strategies to ensure the mitigation of issues that were raised by current and potential customers.

Our engagements with customers identified new products required that include the following:

Data Centre facilities

The Company has also, through a partnership with EnchaCloud, launched a white labelled cloud service as a product. The product allows for colocation of rack space and servers with security, targeted mainly at small to medium enterprises. The data centre facility is connected to a fast and reliable network backbone to ensure reliable connectivity and employee engagement.

Organised labour

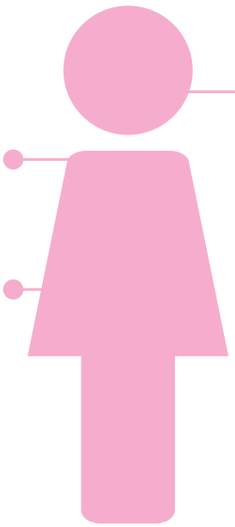
Throughout the financial year there were intense engagements with the majority organised labour representatives, Information Communication and Technology Union (ICTU) regarding challenges experienced by the Company including financial performance, the moratorium on filling vacancies, the moratorium on Conditions of Services, relocation of offices, and merger between BBI and Sentech.

Town talks

Virtual Town Talk Session – Four sessions were hosted by EXCO to update employees on the Company's operations during the pandemic. Attendance was at an all-time high and the meeting addressed robust issues between the leadership and employees. Some of the suggestions received were instrumental in assisting the Company to make financial and operational changes that were highly beneficial in positively pivoting the Company. Topics of discussion included the SOC rationalisation process, HR operational issues, as well as financial and internal functional matters. These sessions proved very informative and provided a two-way communication window that allowed for information sharing between management and employees.

Celebrating women warriors

Women's Day – We hosted an auspicious Women's Day event under the theme "Warrior Women". The event was celebrated virtually and was addressed by an array of high-calibre women from various walks of life. The all-women panel, made up of internal and external panellists, shared considerable nuggets that resonated with the women of BBI. The event purposed to reflect on the strides made thus far and pave the way forward. The event also sought to:



Discuss the practical actions being put in place to address the three priorities for women

- Tangible, quantifiable procurement for women;
- Consolidation and linking of women to the supply chain;
- Industry collaboration for effective support of women.

Answer how women will choose to be strategic in the advancement of their career

Talk about how the current generation can start preparing the next generation for impact and influence

Health and Safety

We value the safety and health of our employees, with emphasis on compliance and conformance to the Occupational Health and Safety Act 85 of 1993 and the OSHAS18001:2008 Management System (Health and Safety). Weeklong virtual wellness sessions were held during the year. The sessions provided professional advice and counselling services to facilitate the creation of a culture of mental, physical, and financial wellness as well as to improve productivity.

Different topics were shared with employees ranging from financial management, fatigue, mental health, and overall awareness. BBI uses the Lost Time Injury Frequency Rate (LTIFR) to track the safety and health of employees, which is an international standard. The LTIFR is the number of lost-time injuries within a given accounting period relative to the total number of hours worked in the same accounting period. The lower the number of incidents, the better the performance of the organisation with respect to health and safety issues. The LTIFR remained stagnant at 0.0 during the financial year. The figure 31 below captures the LTIFR trends for the past five years:

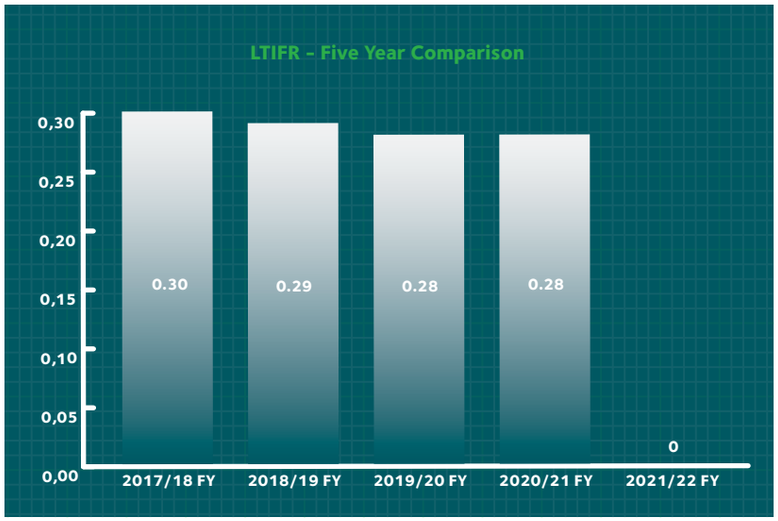


Figure 31: LTIFR

The main reason for the flat and stagnant rate is indicative of our zeal to prioritise the health and safety of the Company's most valuable asset is its employees. The Health and Safety committee gathers regularly with participation from business units' representatives across the board to focus on key objectives that advance the safety of employees.

COVID-19 Response

Despite the COVID-19 pandemic, operational activities continued as normal throughout the national lockdown period. A total of 21 employees tested positive for COVID-19 during the reporting period, with one fatality as illustrated in figure 32 below:

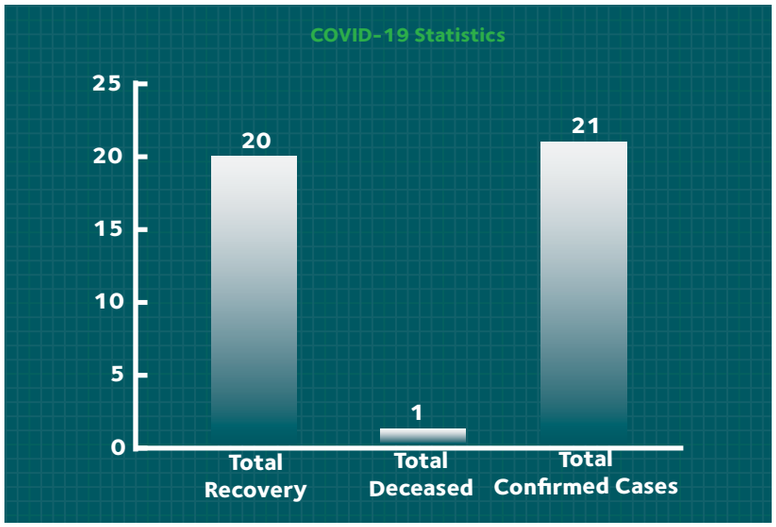


Figure 32: Number of COVID 19 Cases

The positivity rate remained low during the period because of a successful drive for employees to work from home, supported by a robust IT management system. Management was very effective in driving the key messages across the organisation in order to mitigate the worst instances of the pandemic.

Corporate Social Investment

Our Corporate Social Investment (CSI) programme is aligned with the shareholders' (DCDT's) strategy which supports the development of sustainable communities by contributing to the achievement of socio-economic development. To accomplish this responsibility, BBI adopts non-fee-paying schools in rural areas and provides the schools with e-learning platforms which are significant especially post the COVID-19 pandemic. Working together with the local department of basic education, BBI adopted Ohlange Secondary school in KZN, and Mhlanganisweni Comm and Tech Senior Secondary School in the Eastern Cape.

The following equipment and technology were donated to the adopted schools which are meant to prepare the learners for higher learning institutions and the 4IR:

Figure 33: Equipment that was donated to schools

The outlined contributions are to assist the school with basic needs and potentially improve overall school results, in the hopes of ultimately opening development opportunities. The project will be reviewed annually, with readjustments made where necessary. BBI remains committed to ensuring that this Project achieves the milestones of improving the quality of education - especially for the STEM subjects.

KEY HIGHLIGHTS, RISKS, AND MITIGATION STRATEGIES

Key highlights

- A total of five customers were acquired in the year under review.
- Strategic Partnerships – BBI recently signed a partnership agreement with a local Cloud and IT services company which has started to yield results with the one of BBI's customers who are interested in the hosted cloud service. This will enable us to extend our offerings to include Cloud Services to exiting backhaul services – adding additional revenue.
- Channel Partner Training – BBI provided training to one of the strategic partners on its products and services, additionally the process training was conducted to ensure a seamless introduction to BBI's internal processes.
- BBI concluded a letter of agreement with one of the provinces on the Intergovernmental Framework. This was for the continuation of services following the expiration of the existing contract. The opportunity is to replace a private contract with a government-to-government deal.
- BBI has been selected as one of the preferred Service Providers for IT Infrastructure at Dube Trade Port in KZN. Dube Trade Port has already sent requests for quotations on 1Gbps IP Transit and 10Gb Layer 2 connectivity from Teraco Durban to Dube Trade Port Offices.
- C4IR – BBI was selected by CSIR to partner with the Centre for the Fourth Industrial Revolution (C4IR) to accelerate the adoption of implementation of the Internet of Things (IoT) by the SMMEs Project. BBI's role will be to provide Backhaul on its NLD Network from the region to Teraco Isando.
- KZN DoE – BBI has successfully deployed 10Mbps Internet to 36 of the 38 Schools in the KZN Region. We are currently in discussions to set up support processes with the selected contractors to address post-installation support services

Challenges

- Network capacity.
- Customers demand lower prices and shorter contract duration.

Future plans

- Build Key Account Managers' capacity to sell.
- Grow revenue.
- Review pricing annually.
- Provision of interactive whiteboards and cyber security software at Byletts School.

HUMAN CAPITAL

The financial year under review was challenging for the organisation, due to various factors that include the ongoing review of the lockdown by the National Government. The new normal necessitated the Company to review some of its policies and to introduce the Work from Home Policy. The financial constraints of the organisation had a negative impact on human capital. The moratorium on filling of vacancies and conditions of services continues to be a challenge in ensuring that organisation is adequately capacitated and retention of resources.

The division continued to support the organisation in ensuring that the critical positions are filled despite the moratorium placed by the shareholder. The insourcing process has proven to be very costly for the organisation while ensuring that the resources are placed to fulfil the mandate of the organisation. Amongst other interventions, the division was also responsible for ensuring the adherence to the internal policies and acts as prescribed by law.

The dependency on interns and trainees, as well as insourced resources, was the only mechanism to enable the organisation to execute some of the objectives. The Media, Information, and Communication Technologies Sector Education and Training Authority (MICT SETA) approved further recruitment of 15 Work Integrated Learners and 30 graduates for the candidacy programme during the year. The two programmes will provide the learners with the required working experience and contribute positively to the reduction of the unemployment level in the country.

How the organisation has been able to execute its strategic objectives is a result of a culture of loyalty, a great sense of belonging, and shared ownership. Management works tirelessly on cultivating team spirit, leading by example, and bringing speedy resolutions to any stumbling blocks – enabling the flow of process by whatever means available. The employees at all levels operate outside of their actual scope of work to cover up for areas where there is a lack of capacity whenever required.

Staff Movement

The number of permanent employees is declining yearly due to the moratorium imposed by the Executive Authority in the wake of SOC rationalisation.

Table 9 below depicts staff movement for a period of 3 years.

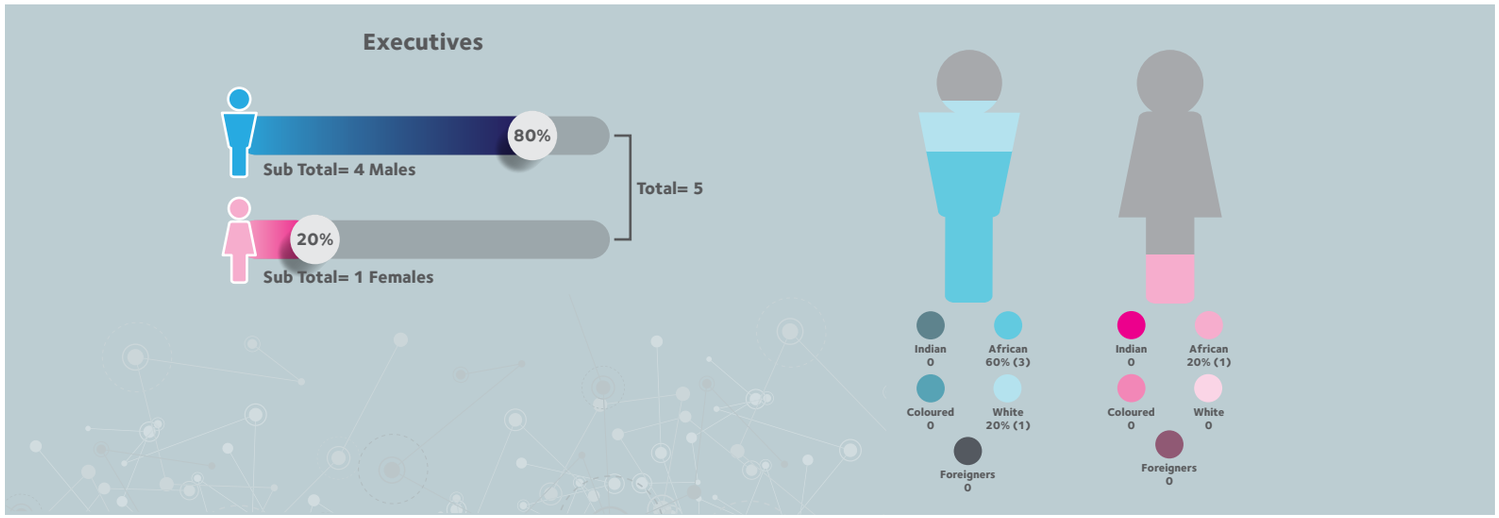
HEADCOUNT CALCULATION			
CATEGORIES	**FY 2019/20**	**FY 2020/21**	**FY 2021/22**
Opening Balance	**144**	**132**	**124**
Permanent Staff	140	129	121
Contract (s)	4	3	3
Appointments	**1**	**0**	
Permanent Staff	0	0	
Contract (s)	1	0	
Losses	**-13**	**-8**	**-3**
Resignations	-8	-4	-1
Termination of Contract	-2	0	-1
Involuntary Reductions	-3	-4	-1
Closing Headcount	**132**	**124**	**121**
Permanent Staff	**129**	**121**	**119**
Contracts	3	3	2

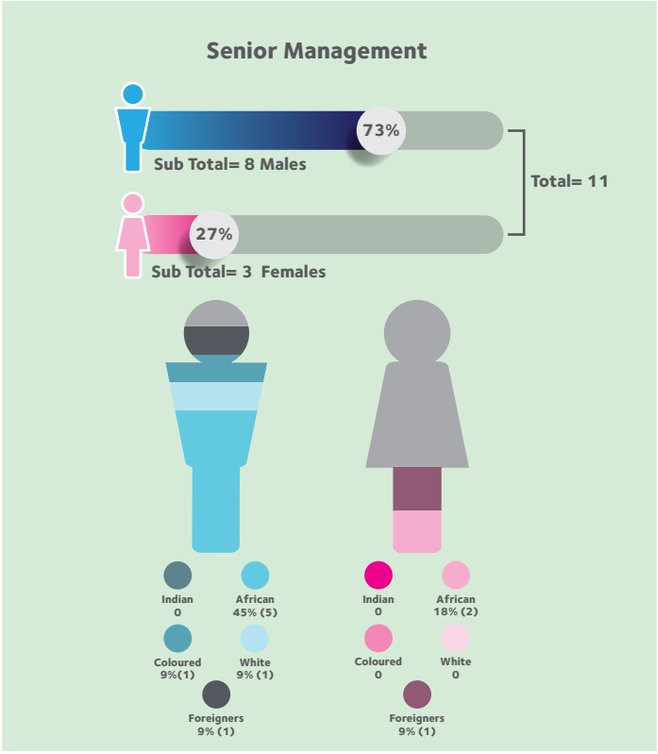
Table 9: Headcount

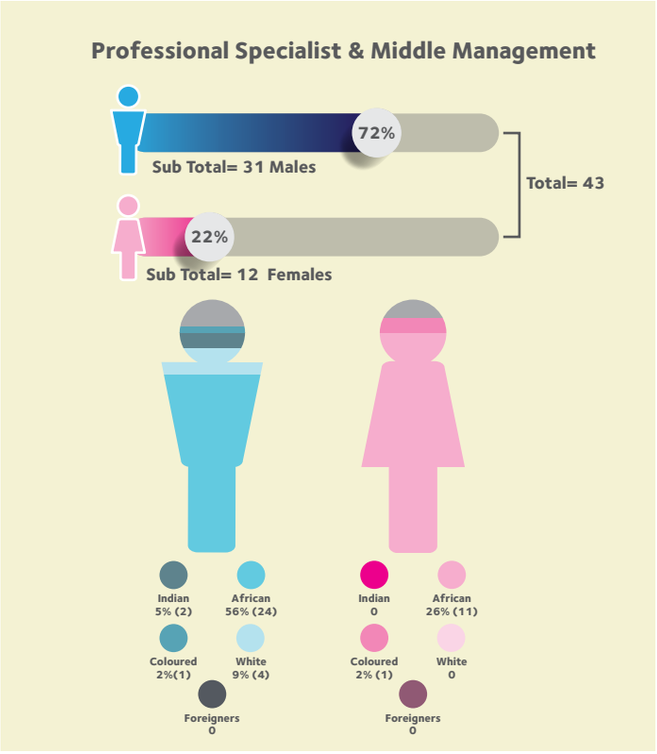
The financial year opened with a total headcount of 121 permanent staff and ended with 119. The approved total employee complement is 155. We have 36 vacancies in total as at the end of the financial year. The critical vacancies within the core environments were filled through the insourcing process.

Employment Equity

Due to the moratorium on filling any vacancies, there have not been opportunities to improve and meet the EE targets as per the approved plan. The figure 27 below depicts our employment equity statistics:







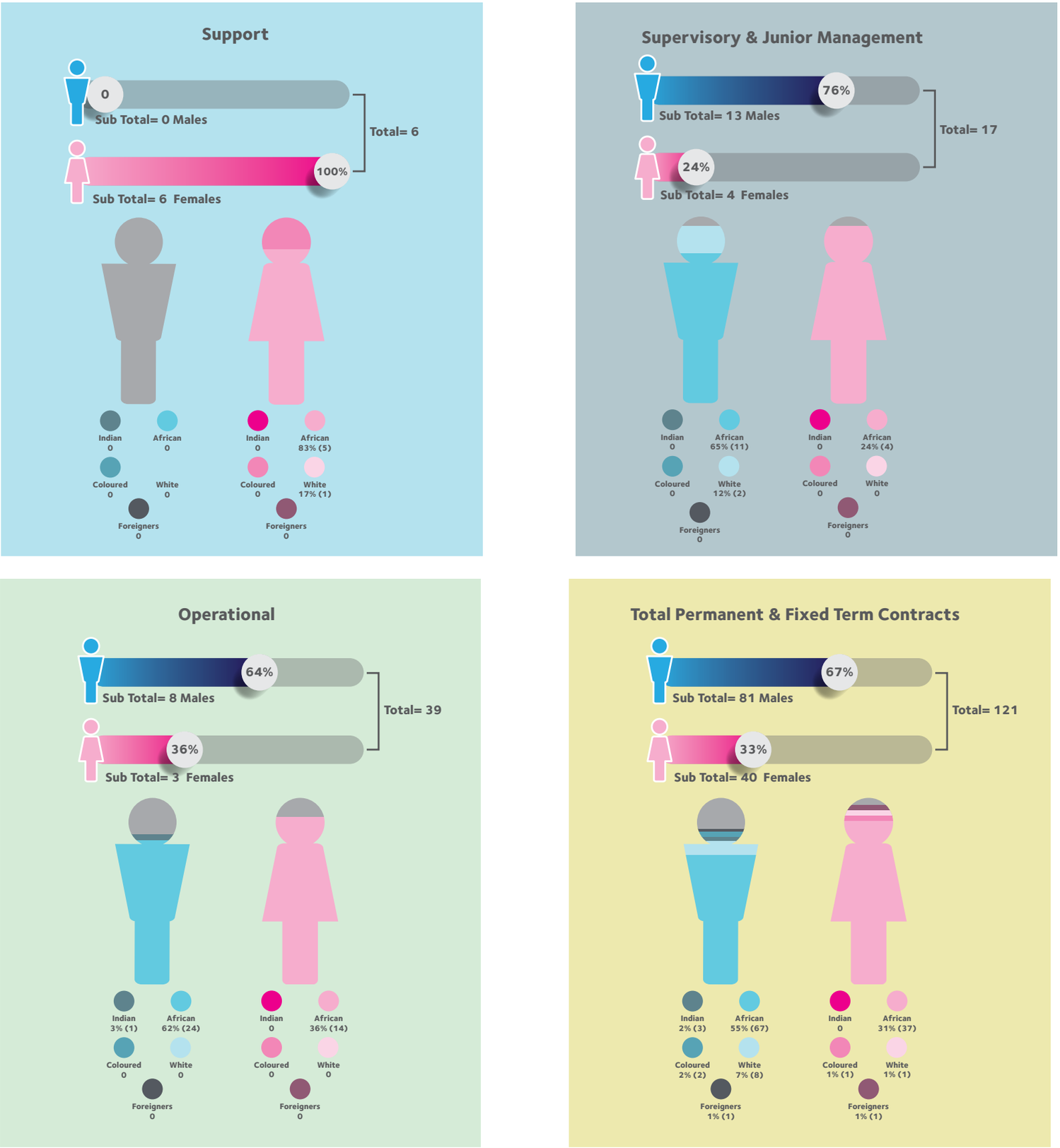


Figure 34: Employment Equity

Internship Programme

Youth development is an imperative of national significance, the effectiveness of which is fundamental to the achievement of the country's national development strategies.

Broadband Infraco supports, and has been partaking in, the development of Youth through the Internship and Trainee programmes. The internship programme has been implemented on two levels over the past four years. There are candidates for Work Integrated Learning who need work experience to complete their study curriculum for national diploma qualifications for a period of 12 months. There is also a programme for graduates who need to acquire work experience to improve their chances of employability.

After satisfactory completion of their practical workplace exposure and upon obtaining their qualifications, the undergraduates are retained for an extended period. This will assist when opportunities for absorption into permanent positions exist, and they are appointed based on a proper recruitment process. Interns are assessed and if found suitable are transitioned to trainee level in their areas of learning, if not absorbed for a period of 18 months.

The internship programme continues to be our flagship project based on which the Company aims to benefit not only the building of human resources capacity but also to maximise benefits from the MICT SETA programme and increase the participation in the national youth employment drive as well as the improvement of the Company's B-BBEE rating.

During the period under review, the Broadband Infraco partnered with MICT SETA in hosting learners for a period of twelve months. The Company provided the required experience through formal training and on-the-job training as part of the agreement.

Employee Development

Employee development is critical not only for individual and team upskilling, but also for the enhancement of competencies for organisational effectiveness and sustainability. The provision for training and development on an annual basis has only been 1% of the salary bill due to lack of funds.

However, management has always been encouraged to focus on crucial skills development needs taking into consideration employment equity targets. This falls short of other significant imperatives and business continuity strategies, such as succession planning with specialist professional assessment techniques to determine the readiness of nominated candidates.

Training execution is based on the Workplace Skills Plan (WSP) that is submitted and approved by the MICT SETA in April 2021. The WSP was implemented satisfactorily amidst budget constraints. Due to the pandemic, most of the training programmes were conducted virtually.

On average, 12 hours were spent on training per employee. This is equivalent to one day of training per employee per annum. The spend on soft skills was slightly higher than on technical skills. Further, our demographics are predominantly male and as such there were more males who attended training compared to females.

Employee Study Assistance

Employee Study Assistance is one of the most important programmes that motivate our employees to continuously improve their qualifications which adds to competence enhancement. An amount of R354 661 was spent on employee study assistance, 55%, of which was for post-graduate studies, at a masters' level.

The employees who are categorised as high-level investments are required to sign a retention undertaking over and above the normal working time equivalent to the study period paid for. Seven new beneficiaries were approved during the year. The low levels are influenced by the reluctance to sign a commitment for an extended stay.

Performance Management

A culture of optimum performance standards has been nurtured in the organisation. Performance management remains the pillar of organisational behaviour monitoring and appropriate culture cultivation. There is continuous compliance with the contracting on annual compact per employee, to ensure that everyone has a measurable contribution towards the achievement of the Company's objectives. The annual contracting was maintained at above 90%. Consistency with compliance to the application of the employee performance evaluation process and reduced association thereof with the monetary incentive that we have not afforded in the recent past financial year indicates appreciation for the value of the practice for the employees as well as the organisation.

Employment Terminations

Against all odds, we have successfully retained some of the scarce skills – testament to this is the low termination rate. Three employees were lost compared to eight in the previous financial year. The graph 35 below depicts the employment terminations for the past three years:

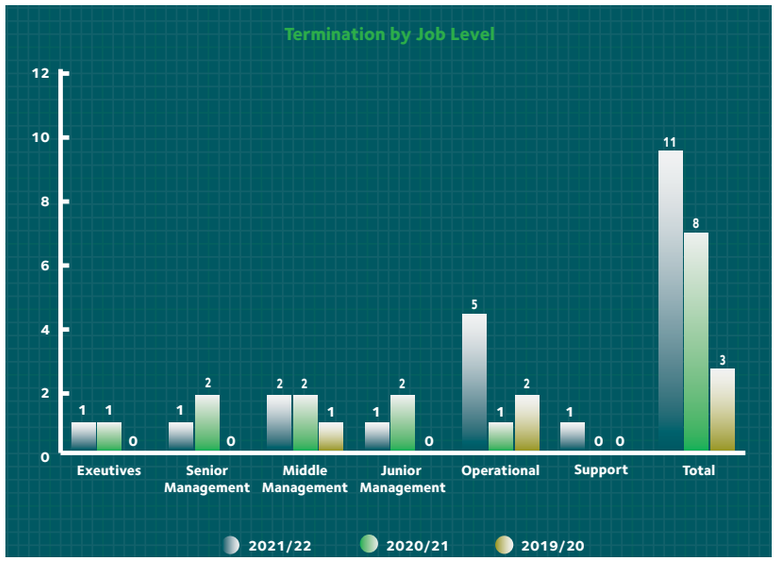


Figure 35: Employee Terminations

Key Highlights

- The submission of the annual Workplace Skills Plan, Annual Training Report, and execution at a spend of 1% of salary.
- Partnered with MICT SETA and appointed 45 new interns.
- Submission of the Employment Equity report to the Department of Employment and Labour.
- MICT SETA funding for interns and Candidacy Programme for trainees.
- Implementation of Techno-Girl Project.
- Reviewed and obtained approval of six HR Policies.
- Facilitated insourcing of critical positions.

Challenges

- The moratorium implemented in 23 November 2018, compromised the effectiveness of operations.
- Lack of financial resources and partial lifting of the moratorium on the population of vacancies presented challenges for the implementation of mission-critical aspects of the organisational effectiveness strategies. This was attributable to a lack of human resource capacity. Among these are the improvement of the employment equity demographics, the limitations to provide upskilling and recognition for excellent performance, and innovative ideas.
- Moratorium on conditions of service have a ripple effect on the retention of scares skills.
- Another year without the annual employee performance-based incentive is also taking its toll on staff morale. A phase of increased loss of skills is anticipated. The Company is already experiencing a need for ad-hoc salary adjustment requests for engineers and technicians.

Future Plans

The key focus areas in the short- to medium-term are mainly influenced by the repurposing of the mission of BBI to be well-equipped and enabled to compete for its rightful space in the industry, in order to remain sustainable and relevant. The following will be the focus areas:

- Organisational human resources capacity review and appropriate planning for operational requirements to mitigate the risk of gravitating towards inadequate capacity and capability.
- Completion of the skills audit process, and implementation and redressing of identified gaps. This will be for organisational competence enhancement, succession pipeline development, and the specific targets for 4IR readiness.
- Change Management Plan for integration with Sentech. This will go beyond the current role of providing support and information as well as participating in sessions for the consolidation, but will extend to managing apprehensions, allaying fears for the unknown, and embedding strategies for the transformation of perceptions and anticipations to prepare for the merging of cultures and achieving the desired end state.

2022 Performance Review

The table 10 below reflects our achievements against the key performance indicators (KPIs) as encapsulated in the Shareholder's Compact that informs our measurement and monitoring systems and provides information about our performance and direct future decision-making:

Strategic Objectives/ Outcomes	KPI	2021/22 Targets	2021/22 Audited Results	Status	Reasons for Non-Achievements	Corrective Action
1. A strengthened financial position for growth and sustainability	New sales contracts signed annually.	R400 million new sales contracts signed.	R323 million new sales contracts signed.	Not Achieved	Lack of funding to provision high-capacity and redundancy required by customers.	Network investment to expand network capacity and drive sales strategy
	Percentage Revenue year-on-year growth (including SA Connect).	36% revenue year-on-year growth.	5% revenue year-on-year decrease.	Not Achieved	Allocation of SA Connect 1C did not materialise, which resulted in revenue from SA Connect tracking below budget by 45%. Secondly, the upgrades from a High Data SoC have not yet materialised.	The focus for the quarter will be: 1. To review major upgrades. 2. To track major deals. 3. To secure funding for procurement of OEM equipment to provision services.
	Number of days per outstanding customer invoice per month.	Debtors' collection of 60-days per contract.	Debtors' collection of 56 days.	Achieved		
	Gearing Ratio.	107% Debt to Equity.	136% Debt to Equity.	Not Achieved	The increase in short term debt, and low business growth, increased the gearing ratio to 28% above the target of 107%.	The focus in the quarter will be to continue driving the business growth strategy through the network investment strategy.
	Maintain Positive Cash Balance monthly.	R15 million cash and cash equivalent available.	R27 million cash maintained.	Achieved		
	Improve operating profit before depreciation after interest.	Improve by R37 million.	Decline by R69 million.	Not Achieved	This is mainly due to the revenue target not being met.	Management to maintain focus on increasing revenue and continue with cost containment.
2. An organisation enabled to deliver upon the mandate	Number of days within which SMMEs invoices are paid.	SMME invoice paid within 30 days.	SMME invoices paid within 17days.	Achieved		
	Finalised Integration Plan for merger.	Integration Plan finalised and signed-off by key stakeholders.	Strategy for SDIC approved by team, submitted to DCDT.	Achieved		
	Percentage of payroll spend on training per annum.	1% of the salary bill spend on Targeted training and development by end of year.	Workplace Skills Plan and Annual Training Report submitted. 1% of salary bill spent on training.	Achieved		
3. An increased base achieved through customer fulfilment and state-of-the-art infrastructure and services	Unqualified external audit report maintained.	Maintain unqualified external audit report.	Unqualified external audit report maintained	Achieved		
	Improve Actual Time to Restore Core Network Faults.	7.5hrs to Restore Core Network Faults.	6.45 hrs to Restore Core Network Faults.	Achieved		
	Percentage of gross revenue paid as network performance rebates.	≤0.3% of gross revenue.	0.2% of quarterly gross revenue paid as rebates.	Achieved		
4. The preferred partner of Government in enabling the digital transformation	Number of SA Connect Sites connected to Broadband Infraco network.	Maintain 713 SA Connect Sites connected to Broadband Infraco Network.	713 SA Connect sites connected to BBI Network maintained.	Achieved		
5. Facilitated Socio-Economic Transformation	Number of SMMEs allocated installation work.	Three SMMEs allocated installation work.	Four SMMEs were allocated installation work identified from a panel established in the previous financial year.	Achieved		
	Percentage of total discretionary budget to be spent on B-BBEE.	70% of total discretionary budget to be spent on B-BBEE.	124% of total discretionary budget to be spent on B-BBEE.	Achieved		
	Percentage of total B-BBEE spend to be spent on BOEs.	40% of total B-BBEE spend to be spent on BOEs.	46% of total B-BBEE spent to be spent on BOEs.	Achieved		
	Percentage of total spend on BOEs to be spent on Black Women-Owned entities (BWOE).	10% spend of 40% spend on BWOE	57% spend of 40% spent on Black Women-Owned entities.	Achieved		
	Improve B-BBEE Level.	Maintain Level 4 status.	B-BBEE Level 4 not maintained	Not Achieved	Low levels of spend in the skills development and socio-economic pillars.	Procurement and training spent to be increased
	Number of schools provided with broadband connectivity.	Broadband connectivity provided to one school identified in alignment with DCDT priorities.	A province and School have been identified. Cyber Security Training at Ohlange Secondary School was conducted.	Achieved		

Table 10: Annual Performance Results

The Company has achieved 74% of its annual targets, compared to 74% achieved in the previous financial year. Fourteen of the nineteen targets were achieved. Four financial sustainability targets, and one socio-economic target was not achieved.

The Company was not able to commence the process of raising funds in the market due to the delay in the approval of the network investment plan. BBI also has low cash flow levels and lack of debt repayment history, and these factors contributed significantly to the non-achievement of the financial sustainability targets of the Company. The revenue is impacted in the main by dropping of contracted links, price pressure due to fierce competition in the market, long outstanding debts, and self-provisioning by major customers. The debtors' collection period has increased to 58 days compared to 28-days in the previous financial year due to some long outstanding debts. Low levels of procurement and low spend on training and development due to financial constraints contributed significantly to the regression of the B-BBEE Level.

Figure 36 below depicts the 5-year performance overview. The Company has survived by using cash generated from operations since 2012. This has resulted in very low levels of network investment and has had an impact on the ability to expand and upgrade the current infrastructure, including being unable to replace the obsolete ADLash fibre. This and loadshedding have increased the instability of the network, impacting on customer satisfaction during the year under review. The new normal that was caused by the outbreak of the COVID-19 pandemic altered working from the physical locations (offices) to home offices, with meetings held virtually and learning for school pupils conducted digitally. Many children in rural and underserviced areas were left out of the e-learning process due to the widening digital divide in our country. Broadband Infraco is poised to expand broadband connectivity to ensure inclusivity of all citizens in e-government, e-health, e-commerce, digital economy and e-learning.

Figure 36: Performance Overview


Broadband Infraco
Connecting the Nation...
Preparing for the Digital Economy
Connect. Growth. UNLOCKED.
WWW.INFRACO.CO.ZA

OUTLOOK

OUTLOOK

Our revised 2030 Strategy resonates with South Africa's Economic Reconstruction and Recovery Plan. It sets out the plan to accelerate broadband connectivity to rural and underserviced areas that it supports and is an enabler of government's economic reconstruction and recovery plans.

The future of work, focusing on hybrid work is an experiment most organisations are contending with as a new normal. The great migration topics are focused on how employees are finding it hard to go back to the former way of work. This has magnified the requirement for high network capacity and expansion of access to broadband connectivity in rural and underserviced areas. This new normal has widened the digital divide and further highlighted inequalities within the South African market. This presents an opportunity for BBI to grow as the demand for high data will result in an increase in the need for the services that BBI provides to the market.

The outlook for BBI remains positive despite past challenging years. Whilst the SA Connect implementation has provided positive spin-offs and has been positively perceived by various stakeholders, there are areas of increased market interest in BBI, and this continues to be noted. This is identified by the positive sentiments shared in the Customer Satisfaction Index performed by BMIT in 2021, as well as the growth of the Organisation's opportunities pipeline. Much needed to be done to regain the lost opportunities as a result of capacity shortages.

We remain committed to implementing our sales strategy, and to responding to an ever-evolving market environment. There is a renewed focus on venturing into diverse revenue streams through third-party partnerships, by white-labelling market-related products that the Company doesn't have in its current product suite, e.g., cloud services, and IoT. The strength of our network remains a key selling proposition and we will continue network improvements to enhance the BBI value proposition. The network investment plan has been submitted to the Minister.

We will continue to focus on reseller partnerships as part of our SMME development drive. It is expected that this segment will grow as Phase 2 of SA Connect is being implemented, providing BBI with more presence and the ability to engage in the regional opportunities. The regional resellers remain critical to our FTTX strategy and are a great resource for mitigating our resource constraint risk.

Further, we plan a more aggressive and targeted customer acquisition. The evolution of the industry demands more focus on customer value segmentation and spending more time on growing customers that are showing market share growth. The following then become critical for sustaining growth:

- New product development – a dedicated resource for both in-house product development as well as producing collaboration products. This, in addition to the IP Core network, are paramount to increasing the product bouquet and therefore revenue opportunities.
- Strategic customer acquisition – filling of vacancies to focus on must-win customers representing sustainable growth opportunities.
- Strategic collaborations – for collaborating and using the industry skill, competence, and resources for enriching the Go-to-Market value proposition and share of wallet.
- Creating capacity through filling of the Account Management roles as well as improved implementation execution is fundamental to turning the tide around, developing a steady increase in revenue and achievement of revenue targets.

The BMIT report, we commissioned in 2021, indicated that telecommunications is a dynamic market with dynamic prices and offerings that change to meet the market demands. We will continue to drive relevance in the market and ensure we timeously respond to market changes.

SA Connect Phase 2 continues to be a strategic project for BBI. When the next phases of the SA Connect Project are implemented, various models will be considered for the last mile of the network. This will create and maintain a balance that leverages the existing infrastructure (owned by both private and public entities), and the strategic need for the state to guarantee the availability of affordable services to underdeveloped and underserviced areas. Some of these models have been discussed with current SA Connect service providers, who agree with the notion that a workable model can be achieved.

To support the plan, and to minimise duplication of infrastructure on the back of a constrained fiscus, engagements with various provinces have begun. Engagements aim to align project goals and leverage the existing municipal infrastructure in the rollout of essential network services to underserviced areas.

BBI remains positioned as a crucial National Long-Distance Provider with a unique value proposition for rural connectivity. The organisation remains a significant player in SADC connectivity with relationships that span across the continent. We will continue to leverage this unique positioning and share the successes gained thus far in implementing the 1st Phase of SA Connect. BBI remains the major Connectivity Provider to have rolled out as many sites within a short timeframe and within the assigned budgets. The lessons and the impact derived from the 1st Phase will inform how we manage thought leadership positioning and expertise sharing with other industry players.

Infrastructure is a key driver for economic growth and the prosperity of industries. How we communicate this is essential and the value is magnified by the services that leverage this infrastructure to be efficiently deployed. Partnerships are invaluable to us, and we will continue to develop these.

BBI has undertaken several interventions to address the vandalism of its infrastructure. Some of the interventions are done jointly with Transnet Freight Rail (TFR), as a significant portion of the BBI fibre network is in the Transnet railway servitudes. The interventions include the upgrading of Point of Presence (PoP) security systems. We will replace all wooden and steel cable support infrastructure with concrete poles. This proved to be the most effective solution since the average Mean Time to Restore (MTTR) network failures on overhead support infrastructure is much less than on underground infrastructure.

The organisation also interacts and participates on a regular basis with private and public entities, and law enforcement agencies, in different forums that deal with the pressing issue to combat network infrastructure vandalism and theft.

BBI has an excellent Wide Area Network (WAN) infrastructure, spanning thousands of kilometres, and offers both Layer 2 and Layer 3 services. It is envisaged that this current strength will continue through the new SDIC, which joins BBI's robust fibre connectivity and expertise, and SENTECH's sturdy terrestrial wireless network and expertise. A full end-to-end solution can thus be provided based on a wholesale model. This model is founded on the current SA Connect Project, in which both these SOCs are participating. For BBI to take advantage of these opportunities, it requires funding (amongst others) to extend its network footprint, upgrade its core transmission network, and build a national IP/MPLS layer in its network. This will be achieved together with relevant SOCs, such as SENTECH, and municipalities with ICT infrastructure.

Collaboration with other SOEs can be utilised to leverage existing technical expertise, for job rotation and SETA offerings. Sponsored international seminars should be considered as opportunities to upskill the organisation to take advantage of advances in technology, such as those offered by the 4IR.

To be recognised as an employer committed to the transformational objectives of the country, the human resource management function continues to find ways of assisting the organisation to achieve affirmative action measures, which aim to eradicate any forms of discrimination associated with the injustices of the country's historical background. Both the inability to fill vacancies and lack of financial resources have hindered our ability to address the transformation agenda.

We remain committed to impacting communities and supporting the delivery of quality education through the use of technology. We commit to this in order to help build the much-needed pipeline for STEM careers and to make technology accessible to the unreached areas.

The strategic outlook of BBI for the medium to long term will consider the impact of the rationalisation of SOEs. In December 2017, Cabinet approved the framework for the rationalisation of SOEs. This approved framework includes the formation of the State Digital Infrastructure Company (SDIC), which will be formed out of the integration of BBI and SENTECH. The Post-Merger Integration Plan, the valuation of both entities, the Strategy, and the Business Model have been completed. The Minister will be engaging the boards of both entities for the formation of the corporate structure of the SDIC.

GOVERNANCE

GOVERNANCE

ETHICAL, EFFECTIVE LEADERSHIP AND RESPONSIBLE CORPORATE CITIZENSHIP
(King 1V, P1, 3 and 12)

Shareholders

Uniquely, the Company is co-owned by the South African Government, represented by the Department of Communications and Digital Technologies (DCDT) and the Industrial Development Corporation (IDC). BBI, as a State-owned Company, has an Executive Authority who is the Minister of the Communications and Digital Technologies, the Honourable Ms Khumbudzo Ntshavheni, (the Minister).

Board of Directors

The Board of Directors consists of non-executive directors and executive directors, which serve as the Accounting Authority in terms of the PFMA.

The Accounting Authority, reports to the Shareholders, including the Minister. The Shareholder's rights are represented according to the stipulations of the PFMA and the Companies Act, and associated procedures are in place to govern the activities of the Board. The Board is responsible for approving, directing, and overseeing the overall Company strategy as well as the associated operational, commercial, and statutory objectives of BBI. During this process, the Board balances the interests of stakeholders and ensures that the Company's long-term objectives are achieved. BBI complies with the requirements of the Companies Act, namely sections 88(2) (e) and (f) in relation to filing the required returns and notices.

In accordance with National Treasury Regulation 29, the Company annually enters into a Shareholder's Compact with the Executive Authority detailing mandated key performance measures and indicators and the Board approves the annual Corporate Plan. The Board oversees and monitors the Company's performance against the targets and ensures that adequate processes are in place for budget planning and allocation to further the Company's mandate. The figure below depicts the Governance Framework, which regulates our relationship with the Shareholders and guides the way the organisation conducts its business.

The framework glaringly depicts differentiated roles and responsibilities:

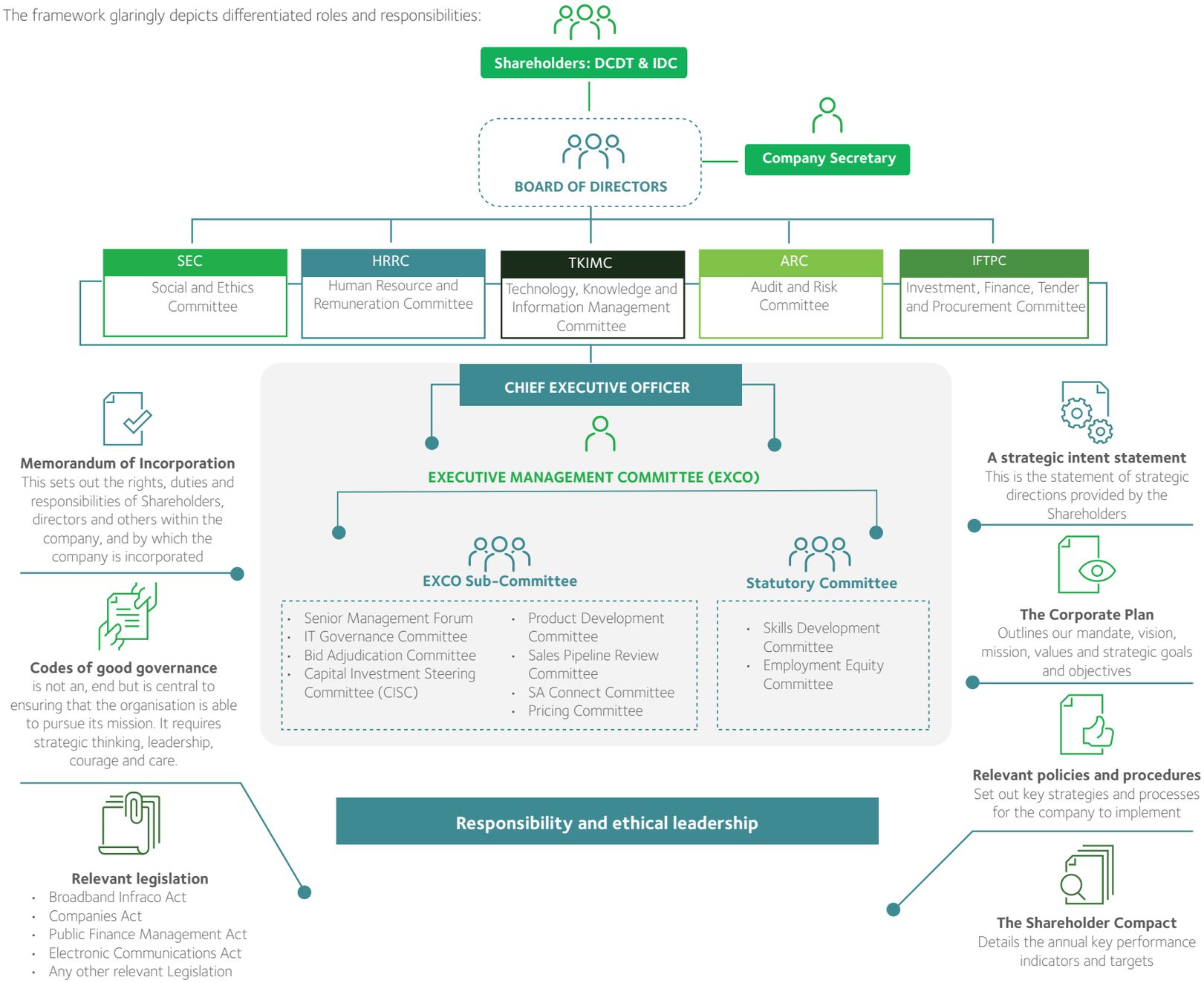


Figure 37: Governance Framework and structure

Appointment of Directors (King 1V, P8)

Non-Executive Directors

Non-executive Directors are appointed by the Shareholders, and approved by Parliament, for a period of three years, renewable annually at the Annual General Meeting.

Executive Directors

The executive directors are appointed by the Board with the concurrence of the Minister. The Board also appoints other executive managers with the assistance of the Human Resources and Remuneration Committee.
The executive directors are:

- Mr Andrew Matseke, appointed as the Chief Executive Officer from 15 November 2017 to date.
- Mr Ian Van Niekerk, appointed as CFO from 15 September 2015.
- Subsequent to the year-end, the contract of the Chief Financial Officer ended on 30 April 2022.

Our governance instruments

Memorandum of Incorporation

The Memorandum of Incorporation (MoI) indicates that the Board shall consist of a minimum of nine and a maximum of ten Directors, of whom seven including the Chairperson should be independent non-executive directors, and two should be executive directors. The executive directors are the Chief Executive Officer and Chief Financial Officer. The MOI was revised and filed with the CIPC in October 2017. The mandates of the Board of Directors and its committees are aligned with the Company's MOI.

Delegation of Authority

The Company reviewed its Delegation of Authority Framework, no changes were made. The mandates of the Board of Directors and its committees are aligned with the provisions of the Companies Act, No. 71 of 2008 (as amended) and the Delegation of Authority. Similarly, the mandates of the Executive Committee and its subcommittees are aligned with the current Delegation of Authority and the mandates of the Board and its committees. During the year under review, each committee had several key duties and responsibilities, and the Board is satisfied that the committees effectively discharged their responsibilities in accordance with their respective terms of reference.

Charters of the Board and its committees

These charters are regularly reviewed to ensure alignment with the MOI, the provisions of the Companies Act and the DOA Framework, as well as any other changing business requirement. Equally, the charters of the Executive Committee and its subcommittees are aligned with the DOA Framework and the charters of the Board and its committees.

Board-approved policies and procedures

To effect laws and regulations, the Board has approved 63 policies across the enterprise that are monitored through a register – ensuring that all policies are kept relevant.

Specific governance requirements

PFMA

The PFMA outlines the fiduciary duties and responsibilities of the Board and requires that it serves as the Accounting Authority. The Company is identified as a major business entity and is listed under Schedule 2 of the PFMA. The Board ensures that the Company adheres to the requirements of the PFMA for the assessment of risk, the annual budget submissions, and the conclusion of the annual Shareholder's Compact. In addition, the Board also ensures that the Company adheres to all procedures for quarterly reporting to the Executive Authority.

Companies Act

The Company reports on the extent of its compliance with the Companies Act No. 71 of 2008 (as amended) in the Directors' Report in the 2022 Annual Financial Statements.

Refer to a detailed report of the Board on page 115 - 116 of the financial statements

Prescribed Officers

The Company has defined its prescribed officers to include all Executive Committee Members (see Executive Committee members for profiles on page 27). They are deemed to exercise or regularly participate in the executive control of the Company as contemplated in the Companies Act and its regulations. The recruitment of prescribed officers is elevated to Board level for noting, with the involvement of the Human Resources and Remuneration Committee. The disclosure on the remuneration of prescribed officers is set out in note 27 on pages 148 - 149.

King IV Application

The Company has adopted the King IV principles in conjunction with regulatory provisions to achieve the overarching outcomes of sound governance, namely an ethical culture, good performance, effective control as well as operational and social legitimacy. The Company attempts to do so applicably and not merely to achieve the above outcomes. BBI adheres to the King IV principles and recommendations as herein delineated and reported. The application of King IV is on an apply and explain the basis and the practices underpinning the principles espoused in King IV are entrenched in many of our internal controls, policies and procedures governing corporate conduct.

PFMA and POPIA

The PFMA, Companies Act and Protection of Personal Information Act, No. 4 of 2013 (POPIA) provide specific requirements pertaining to the Company's records management practices. These include the audited Annual Financial Statements that satisfy the International Financial Reporting Standards, which should be submitted to the relevant authorities as required.

The Company finalises its Annual Financial Statements within the set timelines and ensures that the Shareholders have timely access to those audited Annual Financial Statements. We have to that end, received compliance letters from the National Treasury.

Management of potential conflicts of interest

The Companies Act categorised the fiduciary duties of directors, and prohibits the use of position, privileges, and/or confidential information for personal gain or to benefit another person improperly. The Board continuously improves the governance instruments to ensure ongoing adherence to the prescribed standards of ethical and professional conduct.

The Company has policies that govern business ethics and the management of personal interests of employees and Directors. These include the Code of Ethics and Business Conduct Policy, as well as the Conflict of Interest and Financial Disclosure Policy. All employees and Directors are required to disclose their external business interests, Directorships held in other entities, affiliations to professional bodies, and any related party interests on an annual basis, and immediately there are any changes to previous declarations. This exercise was completed for the year under review.

To effect laws and regulations, the Board has approved 63 policies across the enterprise that are monitored through a register – ensuring that all policies are kept relevant.

Where it has been established that a director or employee has any direct or indirect personal or private business interest in a particular matter, that director or employee is recused from the proceedings when the matter is considered, unless the Board, Board Committees or Executive Committee and its subcommittees, as the case may be, decide that the member's interest in the matter is insignificant or irrelevant.

The declaration of interest and related party disclosures registers are signed by the members and attendees at all formal meetings of the Board, the Executive Committee, and their committees. These registers are maintained by the Company Secretary. In addition, non-executive directors, the Executive Committee members, Senior Management Forum members, line management and any employee who has an interest, either directly or indirectly, are required to file an annual declaration of interest form with the Company Secretary at the beginning of each financial year or within 30-days from date of appointment.

Any changes in interests during the year necessitate the filing of a revised declaration of interest forms, which are formally noted by the relevant governance structures. The Board and the Executive Committee note their respective annual declarations of interest registers. The Human Resource and Remuneration Committee together with the Social and Ethics Committee conduct annual reviews of the filed declaration of interest forms of the members of the Board and Executive Committee for oversight purposes. The declaration of interest process is conducted through filing of forms, which is a manual system. In addition, the Company requires all employees to sign confidentiality and declaration of interest forms when adjudicating procurement contracts, and this practice is strictly enforced. The declaration of interest and related-party disclosure policies for directors and employees are revised every five years, or as required, in line with the Company Policy Framework.

The Board of Directors

The Role of the Board of Directors

The Board is principally responsible for directing and overseeing the affairs of the Company, balancing the interests of stakeholders, and ensuring the Company's long-term sustainability. The Board leads the Company in its achievement of strategic objectives by directing and approving the Company's overall strategy and associated operational objectives. It monitors the Company's performance against targets outlined in the Shareholder's Compact and ensures that adequate processes are in place for planning and allocation of resources to advance the Company's mandate. This includes oversight of the Company's socio-economic programmes.

The Board is tasked with ensuring that the Company can achieve its statutory and commercial mandate. Board engaged in extensive meetings with various stakeholders ranging from financiers, customers, and Shareholders. The Chairperson and individual directors provide support for continued improvement in the Board's efficiency and effectiveness. An annual independent evaluation is conducted to assess the effectiveness of the Board, its committees, the Chairperson, and the individual contributions of the directors.

Composition of the Board

The Company, through the Shareholders, adheres to the prescribed requirements for the composition, election, appointment, and remuneration of the Board. Non-executive Directors are appointed by the Shareholders, and approved by Parliament, for a period of three years, renewable annually at the Annual General Meeting.

The eight independent directors comprise four black males, three black females and one Asian male, which is 38% female to 62% male gender representation. The two executive directors comprised one black male and one white male. The Board acknowledges that the gender representation is not satisfactory. However, Board believes that the balance of power and objectivity is sufficient.

The term of office for some of the Board members ended on 31 March 2021. Subsequently, the Minister appointed new members on 24 May 2021 and the IDC also replaced one of its long-serving representatives in June 2021.

Chairperson of the Board and Chief Executive Officer

The roles of the Chairperson and the Chief Executive are separate, with their individual responsibilities clearly defined. The Chairperson is an independent non-executive director and is responsible for leading the Board and Board Committees, ensuring its effectiveness. The Chairperson monitors and evaluates the performance of the Chief Executive Officer in conjunction with the HRR Committee to ensure the achievement of our strategic and operational objectives.

The Chief Executive is responsible for the execution of the Company's strategy, and the day-to-day business of the Company. He is supported by the Executive Committee, of which he is the Chairperson.

Company Secretary

Due to the moratorium on filling vacancies, the Legal and Regulatory Senior Manager was appointed Acting Company Secretary until mid-January 2022. A new incumbent was appointed on a fixed-term contract from 29 January 2022. The division is resourced with the Manager who assists the Company Secretary, and the post of the Administrator remains vacant due to the moratorium. The Intern who assisted the team over a period of two years, resigned during the financial year.

The Company Secretary prepares Annual Work Plans for the Board and its committees as informed by the strategic direction of the Company. The Audit and Risk Committee reviews the Annual Work Plans and makes recommendations to the respective Board committees for consideration. These Annual Work Plans are recommended to the Board for approval by the respective Board committees for implementation and are continually tracked to assess progress.

The Company Secretary also advises the Board on corporate governance issues, the requirements of the Companies Act, and other relevant legislation, both collectively and individually. Although the relationship between the Board and Company Secretary is kept at an arm's length, the Board has unfettered access to the services and advice of the Company Secretary.

In consultation with the Chairperson, the Company Secretary ensures that the contents of the agenda are relevant to the Board's decision-making and communicates the Board's resolutions throughout the Company in a timely and appropriate manner. The Company Secretary is qualified to perform duties in accordance with applicable legislation and is considered by the Board to be fit and proper for the position. The Company Secretary does not fulfil an executive management function and is not a director.

Board independence

The Board comprises an appropriate balance of knowledge, skills, experience, diversity, and independence - enabling it to discharge its duties objectively and effectively. In accordance with King IV Reporting standards, the Board is satisfied that the non-executive directors of the Company are independent. The non-executive directors have diverse skills, experience, and backgrounds. They are principally free from any business relationship that could hamper their objectivity or judgement in terms of the business and activities of the Company. All the non-executive directors have unrestricted access to the Company's information, documents, records, and property in the interest of fulfilling their fiduciary duties and responsibilities.

Director Development and Evaluation

To ensure that all directors are adequately equipped with the latest information and knowledge relating to the Company's business and to continuously support them in their role as Directors, the Board are Members of the Institute of Directors South Africa (IoDSA).

The Board identifies relevant training programmes that they need to attend which are arranged via the Office of the Company Secretary. Due to current austerity measures, Board Members have only attended programmes presented by the IoDSA during the year under review. A Board evaluation was not conducted during the year under review.

Approach to Compliance

Compliance with laws, codes, rules, and standards

The Board of Directors has a duty to ensure that the Company complies with all applicable rules, laws, codes, and standards, including the provisions of the Companies Act, the PFMA, the Memorandum of Incorporation (MoI) and the King IV Report on Governance (King IV). These codes and standards should not be read in isolation but should be interpreted in the context of the whole compliance universe applicable to the Company. Where required, the Board of Directors need to determine legislative priorities, the Company is subject to the PFMA, and in instances of conflicts in legislation; the PFMA prevails, save for the Constitution.

The Company has, to the best of its ability, complied in all material respects, with all legislation and regulations applicable to it during the period under review. Compliance reviews have been conducted without limitation in respect of, among others, the Electronic Communication Act, No. 36 of 2005, the Companies Act, No. 71 of 2008 (as amended), Income Tax Act, No. 58 of 1962 (as amended) the Public Finance Management Act No. 1 of 1999 (as amended) and Treasury Regulations.

Ethical Leadership

The Board accepts collective responsibility for defining how ethics and ethical behaviour should be implemented in BBI. This includes setting out the conduct of individual Board members to ensure that they act with integrity, competence, responsibility, accountability, fairness, and transparency. These characteristics set the tone from the top to support an ethical culture within BBI. Ethical leadership is embedded in the organisation, and this is witnessed in all the unqualified audits of the Company. The Board is committed to the continued strengthening of its governance regime to ensure that the Company is sustainable.

Transparency, accountability, and integrity

The PFMA, Companies Act No.71 of 2008 (as amended) and Protection of Personal Information Act, No. 4 of 2013 (POPI Act) provide specific requirements pertaining to the Company's records management practices, such as Annual Financial Statements that satisfy the International Financial Reporting Standards, and for the audited Annual Financial Statements to be prepared within five months following the financial year end. To that end, the Company finalised its Integrated Annual Report and the Annual Financial Statements within the legislated timelines and ensured that the Shareholders have timely access to the audited Annual Financial Statements.

The Board acknowledges that lack of accountability has negatively impacted on institutions both in public and private entities. The Board and Management accentuates accountability throughout the Company. Accountability underscores the basic aspects of responsible leadership which is cascaded to the entire organisation. The collective efforts of the Board in promoting accountability yielded positive results. BBI continued to operate without any funding from the fiscus.

BOARD AND BOARD COMMITTEES

Board Focus Areas

2022 Financial Year

The Board is delighted that despite all the challenges it was able to fulfil its mandate. The Board has provided the much-needed strategic direction in ensuring legislative and regulatory compliance during the nine meetings held during the financial year. The key matters considered by the Board are detailed in the figure below:

Figure 38: 2022 financial year

2023 Focus Areas

- SOC Rationalisation.
- Acquisition capital projects funding.
- Monitoring the implementation of the 2030 Strategy.

Board Meetings over five years:

Number of Meetings	2017/18		2018/19		2019/20		2020/2021		2021/22	
Members	No	%	No	%	No	%	No	%	No	%
M Ngcobo**	7/8	85	7/8	85	7/7	100	7/7	100	1/1	
L Khumalo*	N/A								8/9	89
Z Kabini	N/A				6/7	86	7/7	100	9/9	100
S Mabalayo**	5/8	62	5/8	62	5/7	71	7/7	100		
L Mabece	N/A	-	N/A	-	7/7	100	6/7	86		
G Mphefu**	N/A	-	N/A	-	7/7	100	6/7	86		
N Selamolela**	7/8	85	7/8	85	6/7	86	5/7	71		
J Schreiner**	N/A	-	N/A	-	6/7	86	6/7	86		
B Segooa	N/A								7/9	78
P Makepe	N/A								9/9	100
D Mothilall	N/A								9/9	100
L Tyira	N/A								9/9	100
D Dwane	N/A								4/4	
A Matseke	2/2	8/9	89%	100	7/7	100	7/7	100	9/9	100
I van Niekerk	8/8	100	8/8	100	7/7	100	7/7	100	8/9	89%

* Chairperson
** Term of office ended/replaced
N/A – Not Members

Table 11: Board Meeting Attendance

BOARD SUB-COMMITTEES

In line with the requirements of the Companies Act, the Board of Directors established the Audit and Risk Committee (ARC), the Human Resource and Remuneration (HRRC), the Investment, Finance, Tender, and Procurement Committee (IFTPC), Social and Ethics Committee (SEC) and Technology, Knowledge, and Information Management Committee (TKIMC). The Audit and Risk Committee's constitution, functioning and reporting, complies with the PFMA requirements.

Each committee acts within agreed, written terms of reference. The Board receives minutes and reports from the Chairperson of each Board-appointed committee.

The Chairperson of each Board-appointed committee is an independent non-executive director and members are non-executive directors. Executive directors and other Executive Managers attend committee meetings by invitation.

Audit and Risk Committee (ARC)

The overall objective of the Committee is to assist the Board of Directors to discharge their responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and control processes, the preparation of materially accurate financial and non-financial reporting information and statements in compliance with all applicable legal and regulatory requirements and accounting standards, and the oversight of the external and internal audit appointments and functions.

The Committee, in carrying out its duties, has due regard to legislation as well as principles of governance, and exercises its delegated authority as determined by the Board from time to time, subject to the provisions of the Companies Act No. 71 of 2008 as amended, Broadband Infraco's Memorandum and Articles of Association, the Public Finance Management Act No. 1 of 1999 (as amended), and any other applicable legislation.

Terms of reference

- Nominating independent auditors for the Company;
- Determining the fees to be paid to the auditors and their terms of engagement; Ensuring compliance with the Companies Act and other relevant legislation in the appointment of auditors;
- Determining the nature and extent of non-audit services that the auditor may provide to the Company;
- Preparing a report for inclusion in the financial statements that:
  - » describe how the audit committee carried out its functions,
  - » comment on the financial statements, accounting practices and internal financial controls of the Company
  - » state whether the audit committee is satisfied by the independence of the auditor
  - » Receiving and disposing of concerns and complaints relating to
  - » Accounting practices and internal audit of the Company;
  - » The content and auditing of the Company's financial statements
  - » The internal financial controls of the Company;
  - » Any related matter;
- Making submissions to the Board on any matter concerning the Company's accounting policies, financial control, records and reporting.
- Performing other functions determined by the Board, including the development and implementation of a policy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the Company.

Composition and Number of Meetings

Refer to p107 for details.

Human Resource and Remuneration Committee (HRRC)

Terms of reference

The Committee has been established to assist the Board in dealing with the human resources of BBI, remuneration of executive and non-executive and appointment of executives. The Committee has exercised its delegated authority as determined by the Board, subject to the provisions of the Companies Act, No. 71 of 2008, the BBI MoI, the Shareholder Compact, the PMFA No.1 of 1999 as amended and any other applicable legislation.

Composition and Number of Meetings

Ms Z Kabini - Chairperson;
Mr D Dwane; and
Mr P Makepe.

Activities

During the 2021/22 financial year, the HRRC considered and approved/recommended the following:

- Updated Human Resources and Remuneration Terms of Reference.
- Extension of Executive Fixed Term Contracts.
- Substantive Negotiations Mandate 2021/22.
- Remuneration Strategy.
- Approved reviewed Human Resources Policies
- The Succession Plan
- The Proposal on Adjustment of Conditions of Service for Trainees
- Board of Directors Tools of Trade.

Investment, Finance, Tender and Procurement Committee (IFTPC)

Terms of reference

The purpose of the Committee is to consider the finances, investments, and procurement processes. The Committee has been established to assist in consider and approving investment and financial related matters as well as procurement process decisions on commericla related matters for the benefit of BBI.

Composition of the committee

Mr P Makepe (Chairperson)
Mr L Tyira;
Mr D Dwane; and
Ms B Segooa.

Activities

The Committee has exercised its delegated authority, as determined by the Board from time to time, subject ot the provisions of the Companies Act, No. 71 of 2008, Broadband Infraco's Memorandum of Incoporation (MoI, the Public Finance Management Act No. 1 of 1999 as amended and any applicable legislation. During the 2021/22 financial year, the IFTPC considered and approved/recommended the following:

- Annual Procurement Plan / Demand Plan
- Capital Projects Status Reports
- BBBEE Policy
- Business Development Plan
- Status on 2019/20 Audit findings within the scope of the Committee
- Financial Position of the Company
- Supply Chain Management Reports.

Technology, Knowledge, and Information Management Committee (TKIMC)

Terms of reference

The purpose of the Committee is to consider, review, advise and approve all aspects of technology, knowledge and information management including but not limited to, governance, strategy, operations, and major risks, to support its strategy and maximise growth.

Composition of the committee

Mr L Tyira (Chairperson);
Mr D Mothilall; and
Ms Z Kabini.

Activities

During the period under review, the TKIMC considered and approved/recommended the following:

- Reviewed the Committee Terms of Reference
- Network Investment Plan
- IT Network Change Management Policy
- Information Security Policy
- Data Backup and Restoration Policy
- Technology and Network Performance Quarterly Reports

Joint Audit and Risk, and Investment, Finance, Tender and Procurement Committee (AR and IFTPC)

The purpose of the Joint Committees is to consider Finance and Investment Policies, Finances, Investments and Quarterly Performance Reports processes.

During the 2021/22 financial year, the joint AR and IFTPC considered and approved/recommended the following:

- Annual Audit Performance of Information Quarterly Performance Reports
- Extension of Fibre Lease Contracts
- Business Continuity Management Framework and Policy
- 2020/21 BBI Management Report
- 2020/21 BBI Audit External Report
- 2020/21 Integrated Annual Report
- 2020/21 Annual Financial Statements
- 2030 BBI Strategy
- 2023-2027 Budget
- 2022-23 Annual Performance Plan
- 2023-2027 Corporate Plan.

Social and Ethics Committee (SEC) Report: King IV, P8

Introduction

The Social and Ethics Committee is constituted as a committee of the Board of BBI in terms of the Companies Act (Act 71 of 2008), PFMA (Act 1 of 1999) , and any other applicable legislation and codes , including King IV Report. The Committee is constituted as a statutory committee of the Company in respect of those statutory duties assigned to it in terms of section 72(4) of the Companies Act, read with Regulation 43 of the Companies Regulations, 2011 and Principle 8 of King IV Code on Corporate Governance.

Mandate/ Terms of Reference

The mandate of the committee covers all aspects detailed in the Companies Act read with Regulation 43 of the Companies Regulations. It has also taken into consideration Principle 8 of the King IV Code, including items 68,69 and 70 thereof. It has both statutory and non-statutory responsibilities .The committee is established and guided by the Terms of Reference that are regularly reviewed.

Composition of the Committee

The members are appointed for specified terms as determined by the Board, subject to the Company's MoI as well as the Companies Act and Regulations. The members of the committee are:

Mr L Mabece- Chairperson
Ms L Khumalo
Mr D Mothilall; and
Mr D Dwane.

Activities and outcomes

a) Approved the Social and Ethics Terms of Reference.
b) Recommended the Business Continuity Management Policy and Framework
c) Recommended Communication and Social Media Policy
d) Reviewed quarterly Transformation reports.
e) Reviewed quarterly SHEQ reports.
f) Reviewed quarterly Stakeholder Relations reports.
g) Reviewed quarterly Human Capital reports.
h) Reviewed Stakeholder Relations Policy.

Ethics and Code of Conduct

The company monitors various aspects of ethics and conduct of the relevant stakeholders in line with the requirements of, amongst others, Principle 2 of King IV Code.
For the year under review no cases of corruption and fraud were reported, including through the Hotline.

There is also no conflict of interest that has been reported and participants in the Board and Committee meetings are required to declare if they have a conflict or possible conflict of interest on any matter tabled on the agenda . This declaration is in addition to the annual declarations required of all directors, which must be updated whenever there is a need during the cause of the year.

Labour practices and treating employees fairly

Labour practices and treating employees fairly are matters receiving priority attention in the company. The challenges of the moratorium on filling of vacancies, as well as the improvement of working conditions (including performance bonuses) has caused the Company to no longer be able to comply with International Labour Organisation guidance on decent work and working conditions.

As at the end of March 2022, the rate of vacancies was as follows:

A headcount of 115 was approved, with 40 vacancies, across all levels. Therefore, the labour turnover rate is at 26% of the approved headcount. Due to the moratorium on all recruitment activities being halted since 2019, the organisation has been capacitating the critical positions through the insourcing model which proved to be costly over time.

Promoting B-BBEE

The company is performing well in promoting B-BBEE, to the extent that the majority of its suppliers are historically disadvantaged. More women and youth have also received increased attention. The meeting of targets on engaging suppliers classified as People living with Disabilites remains a challenge and it is a matter receiving attention at the Board level.

Responsible corporate citizenship

Responsible corporate citizenship as articulated in Principles 3 and 8 of King IV Code continue to receive attention. The company continues to perform well overall on this aspect.

Environment, health and safety

The company continues to perform well on this aspect as well. Despite the challenges that the country went through with the Covid-19 pandemic, the company performed well and continues to do so.

Future Outlook

The future outlook is positive overall. The speedy addressing of the moratorium on filling of vacancies and improvement of working conditions will go a long way in improving reporting for the company.

RL Mabece
Chairperson of SEC

Board sub- Committee Attendance

Names of Members	Audit and Risk (AR) Committee	Social and Ethics Committee	Human Resource and Remuneration Committee	Investment. Finance,Tender and Procurement (IFTP) Committee	Technology, Knowledge and Information Management (TKIM) Committee	Joint Audit and Risk and Investment, Finance, Tender and Procurement Committees
L Khumalo		1/1				
Z Kabini	2/2		3/3		4/4	5/5
B Segooa	2/2			2/2		4/4
D Dwane			0/1			
L Mabece	2/2	3/3				5/5
P Makepe			3/3	2/2		4/4
D Mothilall					4/4	
L Tyira				2/2	4/4	4/4
A Matseke**	2/2	3/3	3/3	2/2	4/4	5/5
I van Niekerk**	2/2	3/3		2/2		5/5
* Chairperson	*B Segooa	* L Mabece	* Z Kabini	*P Makape	*L Tyira	** ED

Table 12: Board Sub-Committee Attendance

Our Control Environment

Our control environment consists of various governance functions and operational management practices reported below:

Strategy execution and performance management

The Shareholders provide the strategic intent that carves the strategic direction of the Company, thus forming the basis of developing the strategic objectives. The Accounting Authority guides the strategic direction of the Company and monitors the progress and achievement of the strategic objectives as set out in the Corporate Plan. The Corporate Plan encapsulates our mandate, vision, mission, values, as well as strategic goals and objectives. The Corporate Plan is submitted to Shareholders a month before the commencement of the financial year in terms of section 55 of the PFMA.

Annually, the Accounting Authority signs a Shareholder Compact with the Executive Authority that details the annual key performance indicators, and targets that are extracted from the Corporate Plan. The Board also ensures that the Company adheres to all procedures for quarterly and annual reporting to the Executive Authority and Parliament through the submission of quarterly and integrated annual reports to the Shareholders, National Treasury and Parliament. BBI's key performance indicators and targets are confirmed in the annually revised Corporate Plan. The performance is tracked on monthly basis and reported to Shareholders and broader stakeholders quarterly and annually.

We are pleased to report that the Company has been consistently compliant with National Treasury Regulations and has received a letter of compliance in this regard.

Procurement management

- Optimally regulated infrastructure-related procurement and capital project management with Investment, Finance, Procurement and Tender Committee Terms of Reference.
- Up-to-date compliance assurance for high-value tender processes.
- BBI Delegation of Authority.
- Efficient and effective contract management, with SCM Contract Management Procedures Manual and Procurement Procedure Manual.
- Supply Chain Management Policy and robust, independent complaints handling.
- Adherence to a strict set of laws, codes, rules and standards, including (but not limited to):
  - Section 217(1) of the Constitution of South Africa and section 51(1)(a)(iii) of the PFMA;
  - Promotion of Administrative Justice Act, No 3 of 2000, which was issued in terms of section 33 of the Constitution;
  - The Promotion of Access to Information Act, No 2 of 2000;
  - The Preferential Procurement Policy Framework Act, No 5 of 2000, and the regulations; and
  - National Treasury Regulations and Instruction Notes.

Internal Audit

In accordance with section 51 of the PFMA, we established an internal audit function that is governed by the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA). The internal audit function is an independent assurance provider to the Company that is functionally accountable to the Audit and Risk Committee.

The mandate and terms of reference of internal audit are included in the Internal Audit Charter, which is approved annually by the Audit and Risk Committee. The internal audit is a fully insourced function that operates under the strategic leadership of the Executive: Compliance, Risk, and Audit, who is a permanent employee and an Executive Committee member. In providing the required assurance on our governance, risk and control environment, the internal audit unit has adopted an end-to-end audit approach in conducting its audits. This approach has benefited the Company in ensuring accountability, ownership, and synergy, and in eradicating a silo approach.

Internal Audit has optimised its resources to the maximum to cover key areas of assurance to be able to draw an opinion on the internal control environment of the Company. A total of 603 internal controls of the planned audit were tested for the year under review and overall assessment of the internal control environment indicated an improvement compared to the previous year.

Combined Assurance Model

The Company has adopted a guideline from King IV in reviewing a Combined Assurance Model for managing risks and controls, which consists of five levels of assurance providers, namely management representing the first line of defence, the second line of defence is specialist's functions, the third level is Internal Audit, and the fourth line is Independent External Assurance Providers, and the Board and its sub-committees are the last line of defense.

The combined assurance model assists the ARC and the Board by informing their view of the adequacy of risk management and internal control. The combined assurance framework has been approved. To optimise external assurance, alignment, and coordination with the first (Management) and second (EXCO Sub-Committees) lines of defence are required. The figure below depicts our Integrated Assurance Model:

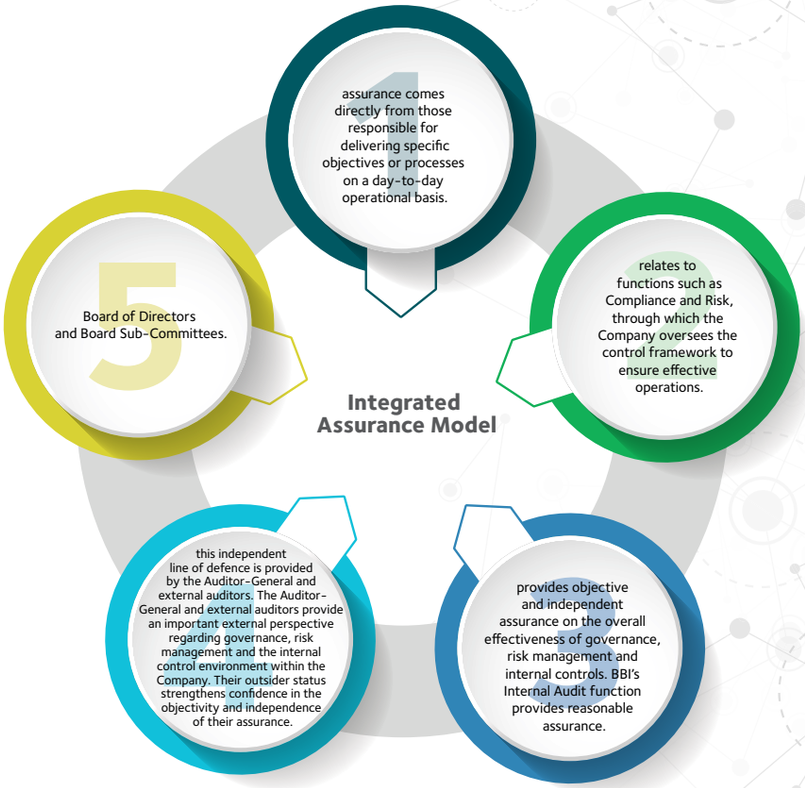


Figure 39: Integrated Assurance Model

Enterprise Risk-Management

The Board of Directors has delegated the mandate of ensuring an oversight role over the risk management to the Audit and Risk Committee. Our strategic risk profile is generated from the Enterprise Risk Management (ERM) Strategy Framework and results of the annual risk assessment workshop with Stakeholders, Board and Management. The ERM methodology is continuously refined to accommodate improvements in governance, risk ownership, and risk measurement. We have further enhanced our governance processes and ERM methodology by improving our integrated assurance management model for managing risks and controls.

We embarked on a concerted approach to analyse risks by assessing them on an inherent or pre-control basis, thereafter, allowing risk owners to explicitly state their desired risk control effectiveness, and finally aligning with the control effectiveness rating of the internal assurance providers. There were no major changes in our business model to necessitate a shift in our strategic risks. The strategic risk register is a living document, and the identified risks were assessed in terms of impact and likelihood and results were approved by the Board.

Material matters, opportunities, and risks page 51-55

Business Continuity

The Company has an approved Business Continuity Management (BCM) Policy to provide better guidance regarding business continuity management and capabilities that must be in place. It further identifies the required processes, infrastructure, resources and plans to minimise the impact of a large-scale crisis or disaster that might affect the Company. This policy will be reviewed in the new financial year.

Continuity of our business by way of the earliest recovery will serve to protect the interests of all our stakeholders. Our plan identifies and evaluates risks to the assets and operations, maintains prevention procedures and protection and mitigates the effects of unforeseen losses by having in place processes of continuity and recovery which are regularly audited, tested, and updated.

The BCM Policy was reviewed awaiting finalisation of the BCM plan that incorporates the clause addressing pandemics such as COVID-19. It is envisaged that it will be approved in the new year. The Company has separate BCM plans for key risk areas such as IT, Safety, Health, Environment and Quality (SHEQ) and the Network Operations Centre (NOC).

Ethics and Fraud Management

The Company is committed to zero tolerance for corruption in the organisation and has developed the Fight Corruption Strategy that is premised upon the assumption that the Company could only be effective if the whole organisation is involved. The Company has successfully conducted fraud awareness campaigns during the year under review, in which staff were trained on fraud management principles and the promotion of a fraud-free society. Staff members were also made aware of emerging new risks on social media platforms and cyber risks. The Fraud Prevention and Investigation Policy was reviewed during the year.

Whistleblowing

The anonymous hotline is outsourced to ensure confidentiality, protection, and no bias investigation. The service provider submits a report that details all types of calls received. However, the priority to investigate focuses only on allegation calls received. For the year under review, no allegation calls were reported. Table 12 below indicates the five-year cycle of the number of reported calls:

Type of call	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Follow up	0	0	1	1	0	0
Inquiry	0	0	0	0	0	0
Dropped or wrong calls	0	0	3	11	4	0
Test calls		0	3	6	5	0
Allegation reported calls	2	2	3	2	1	0
Total	2	2	10	20	10	0

Table 13: Whistleblowing

Stakeholder engagement management

The Board delegates authority to the Chief Executive who reports to the Board on all material stakeholder issues and takes responsibility for incorporating these into BBI's strategy and risk management. Stakeholder engagement practices align with the Company's Culture and values.

Engagement norms include inclusivity, accountability, and responsiveness. Stakeholder engagement performance is measured as a key performance indicator in the balanced scorecards of stakeholder relationship owners. Stakeholder engagement is decentralised, but the Board has overall responsibility for stakeholder engagement. The monitoring and evaluation of stakeholder engagement is reported to the Social and Ethics Committee and to the Board. We have adopted guidelines from the AA1000 standards (Accountability Principles Standard 2008 and the AA1000 Stakeholder Engagement Standard 2011).

ICT Management

The Board is responsible for information technology governance, risk, and compliance. In the year under review, the Board delegated the responsibility for the implementation of IT governance, to the management team. The management team has developed an IT Governance Framework which was adopted by the Information Technology Oversight Committee currently in place. The IT Oversight Committee plays a crucial role in driving IT programs across the Company to ensure it is effectively communicated and that all employees are informed of the framework and associated Information Technology policies, such as the Information Security Policy and the use of allocated IT devices policy. To gear the technology function to support the growing business environment, several of the governance, risk, and compliance objectives have been set. The IT Governance Framework was developed by initially identifying generic technology risks and the policies that are aligned with the IT framework. During the year, the Board established a committee to oversee Knowledge Management and Information Technology.

Regulatory Universe and Prioritised Regulatory Universe

The Regulatory Universe (RU) listing 77 pieces of legislation was revised during the year of reporting. The RU was discussed with Senior Management, reviewed by EXCO, and recommended for approval by the Audit and Risk Committee and approved by the Board, who take ultimate responsibility and accountability for the content and updating of the RU as well as the implementation of compliance management based on its content. The legislation on the regulation universe was filtered to the top 16 pieces of legislation that are key to BBI and monitored closely.

In terms of the End-User and Subscriber Services Charter regulations, which were published on 15 December 2011, in General Notice 902 of 2011 in Government Gazette No. 34863, I-ENCS licensees, such as BBI, are to file their compliance filing with ICASA twice a year, in April and September. The April filing consists of projected (unaudited financials) of the previous financial year ending 31 March and network operational performance, which should cover the following:

a. How soon BBI connects customers.
b. How soon BBI addresses customer complaints.
c. How often the network is down.
d. How quickly BBI restores network faults.

We are elated to report to our stakeholders that all reports were submitted to the Regulator.

Remuneration

Our Approach to Remuneration

BBI has adopted the legislative guideline which advocates for equal pay for work of equal value, the underlying principle is non-discriminative or unjustifiable remuneration discrepancies. This philosophy is maintained through adherence to market benchmarking and compliance with the principle of remunerating at a 50th percentile for the requisite skills, up to a 75th percentile for exceptional performance and excessive performance for non-core positions and up to a 90th percentile for critical core positions. This implicitly recognises the professional technical career stream and a management career stream. All employees are remunerated on a total cost-to-company basis. The package includes pensionable earnings, medical aid, and cash allowances. Local benchmarks and market factors are considered in determining the remuneration structures.

Non-executive Director (NED)

The NEDs are paid on a retainer basis in alignment with the Department of Public Enterprise (DPE) Remuneration and Incentive Standards for State-Owned Companies' (SOC) Executive Directors, Prescribed Officers, and Non-Executive Directors (the Remuneration Standards). These Remuneration Standards were adopted by the DCDT and have been reviewed by the DPE and are awaiting cabinet approval. The Board's Human Resources and Remuneration Committee (HRRC) has developed remuneration policies and practices that are aligned with the DPE Remuneration Standards that achieve the best value for the Shareholders and all stakeholders.

The Shareholder Compact for 2021/22 was signed between the Board of Directors and the Executive Authority (Minister). The Shareholder Compact established the basis for effective performance monitoring, evaluation, and corrective action. BBI has submitted quarterly performance reports to the Shareholders in accordance with National Treasury Regulation 29.3, within 30 days of the end of each quarter of the financial year, timeously.

See the detailed Remuneration Report for Non-Executive Directors and Executive Managers on pages 148 - 149.

The Executive Management has fixed-term contracts. None of the Executives have special termination of employment contract benefits. No restraints of trade are in place. The remuneration of Executives is recommended by the HRRC and approved by the Board.

Employee Remuneration and Benefits Management

In order to effectively manage labour costs for wastage and misalignment to productivity, the Company has set a cost efficiency ratio of 30% of revenue for human resources capital. On a yearly basis the organisation enters into substantive negotiations with organised labour to review and improve the remuneraion and conditions of services for the employees. However, due to the moratorium on the review of conditions of service and remuneration placed by the shareholder for the past two financial years, the review process and substantive negotiations did not take place. In order to improve on the morale and cost of living for the employees, the Board approved a CPI rate increase for the year under review.

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ANNUAL FINANCIAL STATEMENTS*
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* These annual financial statements was prepared by: Zanoxolo Koyana, Professional Accountant (SA), MBA
* These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act No.71 of 2008

ANNUAL FINANCIAL STATEMENTS
Audit and Risk Committee Report

Audit and Risk Committee Report for the 2021/22 Financial Year

The Audit and Risk Committee is an independent committee constituted to review the control, governance and risk management of the Company in terms of Regulation 27(1) of the Public Finance Management Act No.1 of 1999 (PFMA), as amended. The Audit and Risk Committee reports that it has discharged its responsibilities as contained in the Audit and Risk Committee terms of reference.

The committee comprised Ms Bojane Segooa (Chairperson and Non-Executive Director), Mr Lungile Mabece (Non- Executive Director) and Ms Zandile Kabini (Non-Executive Director). The Audit and Risk Committee was in place for the 2021/22 financial year and the members were appointed by the shareholders at the Company's AGM on the 08 September 2021 as required in terms of section 94(2) the Companies Act 71 of 2008 as amended.

There were five (5) meetings held during the financial year ended 2021/22. Critical issues were discussed and minutes were recorded. The minutes of the Audit and Risk Committee meetings were made available to the Board on request.

No.	1	2	3	4	5	
Meeting Dates	**26/04/ 21**	**17/06/21**	**26/07/21**	**26/01/ 22**	**21/02/22**	**Total**
Names of Directors						
B Segooa**	N/A	✓	✓	✓	✓	4/4
N Selamolela	✓					1/1
Z Kabini	✓	✓	✓	✓	✓	5/5
L Mabece	✓	✓	✓	✓	✓	5/5
S Mabalayo	✓					1/1
G Mphefu	✓					1/1
Executives						
AD Matseke	✓	✓	✓	✓	✓	5/5
I Van Niekerk	✓	✓	✓	✓	✓	5/5

A Absent with apology
✓ Attendance
** Chair of Audit and Risk Committee
N/A Not a member

During the 2021/22 financial year, the Audit and Risk Committee:

- Approved the 2021/22 Internal Audit Plan and Internal Audit Charter;
- Considered the risk areas of the operations covered in the scope of internal and external audits;
- Considered accounting and auditing concerns identified as a result of internal and external audits;
- Assessed the adequacy, reliability and accuracy of financial information provided by management;
- Assessed compliance with applicable legal and regulatory requirements;
- Reviewed the effectiveness of the Internal Audit Function (IAF), compliance and risk departments, through assessments of the quality of the reports submitted to the Audit and Risk Committee;
- Reviewed the Financial Statements and reporting for proper and complete disclosure of timely, reliable and consistent information and confirmed that accounting policies used are appropriate;
- Reviewed the cash flow forecast on a quarterly basis and assessed the liquidity;
- Reviewed the expertise, resources and experience of the Company's finance function;
- Reviewed the quarterly progress and update on litigation;
- Provided a channel of communication between the Board and management, the risk division, internal auditors, external auditors and the compliance, risk and audit;
- Liaised with the Board Committees and met as required with internal and external auditors;
- Ensured that the Integrated Assurance Model was applied to provide a coordinated approach to all assurance activities; and
- Ensured that the Integrated Assurance received was appropriate to address all significant risks faced by the Company.

The Audit and Risk Committee ensured that the Company's Internal Audit function was independent and had the necessary resources, and standing authority in order to enable the Internal Audit department to discharge its duties.

Having considered, analysed and reviewed the information provided by management, Internal Audit, External Audit and the Audit and Risk Committee confirms that:

- The internal controls of the Company were effective in most material aspects throughout the year under review;
- Appropriate policies, supported by reasonable and prudent judgments and estimates were applied;
- Proper accounting records were maintained;
- The adequacy and effectiveness of controls that are in place, safeguard the assets;
- The Financial Statements comply, in all material respects, with the relevant provisions of the PFMA and International Financial Reporting Standards; and
- The skills, independence, audit plan reporting and overall performance of the external auditors were acceptable.

The Audit and Risk Committee is satisfied that management was reviewing the performance information reports on a quarterly basis against both the approved Annual Performance Plan (APP) that was tabled in Parliament and the shareholders approved Shareholder's Compact.

Bojane Segooa
Chairperson Audit and Risk Committee

ANNUAL FINANCIAL STATEMENTS
Directors' Responsibilities and Approval

The Directors are required in terms of the Companies Act 71 of 2008 as amended to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards, the Public Finance Management Act No.1 of 1999 as amended and Financial Reporting Pronouncements issued by the Financial Reporting Standards Council. The External Auditors are engaged to express an independent opinion on the Annual Financial Statements.

The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company's cash flow forecast and, in light of this review and the current financial position, they are satisfied that the Company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Company's Annual Financial Statements. The Annual Financial Statements have been examined by the Company's External Auditors and their report is presented on pages 111 - 114.

The Annual Financial Statements set out on pages 117 to 154, which have been prepared on the going concern basis, were approved by the Board of Directors on 15 August 2022 and were signed on their behalf by:

L Khumalo
Chairperson of the Board

A Matseke
Chief Executive Officer

Company Secretary's Certificate

In terms of section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the Company has lodged with the Commissioner all such returns as are required of a Public Company in terms of the Act and that all such returns are true, correct, and up to date.

The Audit and Risk Committee concurs with the Board of Directors and management that the adoption of the going concern principle in the preparation of the Financial Statements is appropriate, and agrees with the details in the director's report.

Anastasia Machobane
Company Secretary

ANNUAL FINANCIAL STATEMENTS
Independent Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. We have audited the financial statements of the Broadband Infraco SOC Limited set out on pages 117 to 154, which comprise the statement of financial position as at 31 March 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as 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 financial position of the Broadband Infraco SOC Limited as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, 2008 (Act No. 71 of 2008) and the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

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

4. We are independent of the entity in accordance with Independent Regulatory Board for Auditors' Code of Professional Conduct for Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards).

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 going concern

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

7. We draw attention to note 25 to the financial statements, which indicates that the entity incurred a net loss of R118,561m during the year ended 31 March 2022 and, as of that date the entity's current liabilities exceeded its current assets by R339,535m. As stated in note 25, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

9. As disclosed in note 30 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2022.

Responsibilities of the board of directors, which constitutes the accounting authority for the financial statements

10. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act and PFMA, 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.

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

Auditor's responsibilities for the audit of the financial statements

12. 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.

13. 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

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.

15. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures do not examine whether the actions taken by the entity enabled service delivery. Our procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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.

16. 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 objective presented in the entity's annual performance report for the year ended 31 March 2022:

Objective	Page in the annual performance report
Objective 4 - The preferred partner of Government in enabling the digital transformation	81

17. We performed procedures to determine whether the reported performance information 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.

18. We did not identify any material findings on the usefulness and reliability of the reported performance information for this objective

Other matter

19. We draw attention to the matter below.

Achievement of planned targets

20. Refer to the annual performance report on page 81 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

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

22. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

23. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements on the expenditure, non-current assets, current assets, current liabilities and disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

24. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R37m disclosed in note 26 to the annual financial statements, as required by section 51(1) (b) (ii) of the PFMA. The majority of the irregular expenditure incurred was caused by non-compliance with laws and regulations governing procurement and contract management.

OTHER INFORMATION

25. 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. The other information does not include the financial statements, the auditor's report and those selected objective presented in the annual performance report that have been specifically reported in this auditor's report.

26. Our opinion on the financial statements and my 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 on it.

27. 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 financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

28. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

Internal control deficiencies

29. 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. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion and the findings on compliance with legislation included in this report.

30. Management did not implement effective controls to ensure accurate financial reporting nor did they exercise adequate oversight responsibility over compliance with applicable legislation, which resulted in irregular expenditure and material adjustments made to the financial statements.

Auditor tenure

31. In terms of the IRBA rule published in Government gazette number 39 475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Broadband Infraco SOC Limited for 2 years.

NexiaSAB&T

Nexia SAB&T
C. Chigora
Director
Registered Auditor

19 August 2022

119 Witch Hazel Avenue
Highveld Technopark
Centurion
0146

ANNEXURE – AUDITOR'S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

2. 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 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 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 relating to events or conditions that may cast significant doubt on the ability of the Broadband Infraco SOC Limited 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 our opinion on the financial statements. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

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

ANNUAL FINANCIAL STATEMENTS
Directors' Report

The Directors are required in terms of the Companies Act 71 of 2008, as amended, to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards, the Public Finance Management Act No.1 of 1999 as amended and Financial Reporting Pronouncements issued by the Financial Reporting Standards Council. The External Auditors are engaged to express an independent opinion on the Annual Financial Statements.

The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company.

While operating risks cannot be fully eliminated, the Company endeavours to minimise them by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have pleasure in submitting their report on the Annual Financial Statements of Broadband Infraco SOC Limited for the year ended 31 March 2022.

1. Review of financial results and activities

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards, the Public Finance Management Act and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently similarly as per the prior year.

Company revenue decreased by 5.47% from R 463 million in the prior year to R 437 million for the year ended 31 March 2022.

Company cash generated from operations decreased from R45 million in the prior year to R7 million for the year ended 31 March 2022.

2. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

3. Directorate

Directors	Office	Designation	Changes
BMC Ngcobo	Previous Chairperson	Non-executive Independent	Expiry of term 24 May 2021
S Mabalayo		Non-executive Independent	Expiry of term 30 June 2021
N Selamolela		Non-executive Independent	Expiry of term 24 May 2021
I van Niekerk	Chief Financial Officer Executive	Executive Director	Expiry of term 30 April 2022
A Matseke	Chief Executive Officer	Executive Director	Appointed 15 Nov 2017
Z Kabini		Non-executive Independent	Appointed 1 April 2018
G Mphefu		Non-executive Independent	Expiry of term 24 May 2021
J Schreiner		Non-executive Independent	Expiry of term 24 May 2021
L Mabece		Non-executive Independent	Appointed 6 Dec 2018
L Khumalo	Board Chairperson	Non-executive Independent	Appointed 24 May 2021
B Segooa		Non-Executive Independent	Appointed 24 May 2021
P Makape		Non-executive Independent	Appointed 24 May 2021
D Mothilalll		Non-executive Independent	Appointed 24 May 2021
L Tyira		Non-executive Independent	Appointed 24 May 2021
ID Dwane		Non-executive Independent	Appointed 8 June 2021

4. Events after the reporting period

The term for the Chief Financial Officer, Ian Van Niekerk ended on 30 April 2022. The board has appointed an interim Chief Financial Officer, Boitumelo Mabusela, from 1 June 2022. This will not have an impact on the operations of the Company.

5. Auditors

Nexia SAB&T continued in office as auditors for the Company since 01 October 2020. At the AGM, the Shareholders will be requested to reappoint Nexia SAB&T as the independent external auditors of the Company for the 2022/23 financial year.

6. Secretary

The Company Secretary is Mrs A Machobane.

7. Preferential Procurement Regulations 2017

On 24 February 2022 the Director-General of National Treasury issued an advisory note to all public entities to hold in abeyance all procurement of goods and services from 16 February 2022 except for tenders running on or before 16 February 2022. This is a result of Constitutional Court outcome of Minister of Finance vs Afribusiness NPC [2022] ZACC 4 Case CCT279/20. This has impacted on the running of the organisation as all procurement above R30,000 was stopped until the exemption was received.

8. Approval of Annual Financial Statements

The Annual Financial Statements set out on pages 117 to 154, which have been prepared on the going concern basis, were approved by the Board of Directors on 15 August 2022, and were signed on its behalf by:

L Khumalo
Chairperson of the Board

A Matseke
Chief Executive Officer

ANNUAL FINANCIAL STATEMENTS

Statement of Financial Position as at 31 March 2021

	Note(s)	2022 R'000	2021 Restated * R'000	2020 Restated * R'000
Assets				
Non-Current Assets				
Property, plant and equipment	3	822,221	866,070	978,279
Right-of-use assets	4	38,213	25,576	52,146
Intangible assets	5	52,398	63,676	77,095
Prepayments	6	7,784	7,784	10,062
		920,616	**963,106**	**1,117,582**
Current Assets				
Trade and other receivables	7	81,869	72,733	44,460
Prepayments	6	4,248	10,634	3,958
Cash and cash equivalents	8	26,880	87,636	109,630
		112,997	**171,003**	**158,048**
Total Assets		**1,033,613**	**1,134,109**	**1,275,630**
Equity and Liabilities				
Equity				
Share capital	9	1,829,530	1,829,530	-
Retained income		(1,556,687)	(1,438,126)	(1,331,030)
		272,843	**391,404**	**(1,331,030)**
Liabilities				
Non-Current Liabilities				
Loans from shareholders		-	-	1,472,699
Lease liabilities	4	42,789	-	27,046
Contract liabilities	11	265,449	315,530	373,476
Deferred gain		-	-	246,378
		308,238	**315,530**	**2,119,599**
Current Liabilities				
Lease liabilities	4	1,061	30,333	29,542
Trade and other payables	10	373,141	224,255	172,577
Contract liabilities	11	72,610	148,410	141,489
Provisions	12	1,127	2,013	1,785
Current portion of long term liability		-	-	17,621
Employee benefit obligation	13	4,593	22,164	13,595
Deferred gain		-	-	110,452
		452,532	**427,175**	**487,061**
Total Liabilities		**760,770**	**742,705**	**2,606,660**
Total Equity and Liabilities		**1,033,613**	**1,134,109**	**1,275,630**

*** See Note 30**

ANNUAL FINANCIAL STATEMENTS

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2022 R'000	2021 Restated * R'000
Revenue	15	437,821	463,136
Cost of sales	16	(242,904)	(222,226)
Gross profit		**194,917**	**240,910**
Other operating income	17	6,636	3,417
Other operating gains (losses)		2,877	(2,284)
Expected credit losses	7	(1,309)	(2,932)
Other operating expenses	18	(302,241)	(334,857)
Operating loss	18	**(99,120)**	**(95,746)**
Investment income	20	1,839	2,836
Finance costs	21	(21,131)	(14,099)
Loss before taxation		**(118,412)**	**(107,009)**
Taxation	22	(149)	(87)
Loss for the year		**(118,561)**	**(107,096)**
Total comprehensive loss for the year		**(118,561)**	**(107,096)**

*** See Note 30**

ANNUAL FINANCIAL STATEMENTS
Statement of Changes in Equity

	Share capital R'000	Retained income R'000	Total equity R'000
Opening balance as previously reported	**-**	(1,317,428)	(1,317,428)
Adjustments			
Prior period error	-	(13,602)	(13,602)
Restated* Balance at 01 April 2020 as restated	**-**	**(1,331,030)**	**(1,331,030)**
Loss for the year	-	(107,096)	(107,096)
Total comprehensive Loss for the year	**-**	**(107,096)**	**(107,096)**
Issue of shares	**1,829,530**	**-**	**1,829,530**
Total contributions by and distributions to owners of company recognised directly in equity	1,829,530	-	1,829,530
Opening balance as previously reported	**1,829,530**	**(1,424,522)**	**405,008**
Adjustments			
Prior period errors	-	(13,604)	(13,604)
Balance at 01 April 2021 as restated	**1,829,530**	**(1,438,126)**	**391,404**
Loss for the year	-	(118,561)	(118,561)
Total comprehensive Loss for the year	**-**	**(118,561)**	**(118,561)**
Balance at 31 March 2022	**1,829,530**	**(1,556,687)**	**272,843**
Note(s)	9		

*** See Note 30**

ANNUAL FINANCIAL STATEMENTS

Statement of Cash Flows

	Note(s)	2022 R'000	2021 Restated* R'000
Cash flows from operating activities			
Cash generated from operations	23	20,351	49,808
Interest income		1,839	2,836
Finance costs		(15,207)	(7,786)
Net cash from operating activities		**6,983**	**44,858**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(45,014)	(13,919)
Sale of property, plant and equipment	3	424	–
Purchase of intangible assets	5	(3,047)	(500)
Net cash from investing activities		**(47,637)**	**(14,419)**
Cash flows from financing activities			
Decrease in long term payment arrangements		–	(17,621)
Payment on lease liabilities		(20,102)	(34,812)
Net cash from financing activities		**(20,102)**	**(52,433)**
Total cash movement for the year		**(60,756)**	**(21,994)**
Cash at the beginning of the year		87,636	109,630
Total cash at end of the year	8	**26,880**	**87,636**

*** See Note 30**

ANNUAL FINANCIAL STATEMENTS
Accounting Policies

Corporate information

Broadband Infraco SOC Limited is a Public Company incorporated and domiciled in South Africa. The address of the Company's registered office is Country Club Estate, Building 9, 21 Woodlands Drive, Woodmead, 2146. The Company is owned by the South African Government as represented by the Minister of Communcations and Digital Technologies. The Company has two Shareholders being the Department of Communications and Digital Technologies and Industrial Development Corporation. The main objectives as set out in the Act include:

- Expanding the availability and affordability of access to electronic communication (including but not limited to, under-developed and under-serviced areas).
- The provision of electronic communication network service and electronic communication services in accordance with international best practices and pricing.

The Company is primarily involved in the establishment of a national long-distance fibre-optic network and the establishment of an international marine-cable network deployed between South Africa and the United Kingdom.

The audited Annual Financial Statements for the year ended 31 March 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 15 August 2022.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these Annual Financial Statements are set out below.

1.1 Basis of preparation

The Annual Financial Statements have been prepared in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS"), Public Finance Management Act No.1 of 1999 and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these Annual Financial Statements and the Companies Act 71 of 2008.

Management has assessed whether Broadband Infraco meets the criteria listed in paragraph 7 of Directive 12: Selection of an appropriate reporting framework by public entities issued by the Accounting Standards Board. This assessment is highlighted below:

- The Company's operations are commercial in nature. Management has assessed that the operations of Broadband Infraco, currently and for the foreseeable future, is commercial in nature as the Company's overall financial objective is to provide goods and services to generate a profit.

- Only an insignificant portion of the Company's funding is acquired through government grants or other forms of financial assistance from government Broadband Infraco does not currently nor are there any indications that they will at any time in the future, receive any funding or financial assistance from government.

Based on the assessment, management is of the view that the most appropriate reporting framework for Broadband Infraco would be to continue to report in terms of IFRS.

The Annual Financial Statements have been prepared on the historic cost basis, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in South African thousand Rands, which is the Company's functional currency and rounded to the nearest R'000.

These accounting policies are consistent with the previous period.

1.2 Significant judgments and sources of estimation uncertainty

Critical judgments in applying accounting policies

The critical judgments made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Recognition of deferred tax asset

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences (as applicable) to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be used. The Company applies judgment in assessing whether future taxable profits will be available.

Based on past experience of the financial performance of the entity, the deferred tax asset arising from accumulated tax losses incurred has not been recognised, as it is not probable that taxable profit will be available against which the loss can be utilised as there are no expected taxable profits within the next 12 months to utilise the loss, due to lower sales revenue.

The cumulative estimated tax loss on which no deferred tax has been recognized is disclosed in note 14.

Going concern

The Company's Directors have assessed the appropriateness of the application of going concern principle as the basis owing to the material uncertainty that exists and have assessed it as being appropriate.

Following due consideration of the operating budgets, an assessment of the funding requirements, solvency and liquidity, cash flow forecasts and other pertinent issues, the directors have concluded that the Company has adequate resources and Shareholder support (if required) to enable the Company to continue operations for the foreseeable future. For these reasons, the financial statements have been prepared on a going concern basis.

Details of the considerations are detailed in note 25.

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

1.2 Significant judgments and sources of estimation uncertainty (continued)

Impairment of financial instruments

The Company has used the simplified approach to recognise lifetime expected losses for its trade receivables and contract assets as permitted by IFRS 9. Impairment losses calculated using the simplified approach are calculated using a provision matrix. The provision matrix is a probability weighted model which applies an expected loss percentage, based on the net write-off history experienced on receivables, to each ageing category of receivables at the end of each month in order to calculate the total provision to be raised on the receivable balances. Receivables have been grouped together based on similar credit characteristics and a single expected loss provision matrix has been calculated based on the net loss history.

Twelve-month expected credit losses are calculated for cash and cash equivalents using the general approach.

Impairment of non-financial assets

Management performs a fair valuation of the Company in their consideration of the impairment of the Cash Generating Unit as required by IAS 36, Impairment of Assets.

The fair value of the company business in use is assessed using the Discounted Cashflow (DCF) model. The DCF was based on the five year corporate plan that was approved by the Board of Directors and tabled in Parliament.

Useful lives of property, plant and equipment and intangibles

Management assesses the appropriateness of the useful lives and residual values of property, plant and equipment and intangibles at the end of each reporting period. The useful lives of network infrastructure, spares and test equipment, office equipment, motor vehicles and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions is included in note 12.

Retention bonus

This relates to reviews to be completed with qualifying personnel based on individuals' and Company's performance after year- end. It is probable that the Board may approve a payout to qualifying staff in the following financial year, as an enabler to retain core skills within the Company. The retention bonus is based on management estimates

Recognition of revenue

As revenue from broadband services and maintenance services are recognised over time, the amount of revenue recognised in a reporting period depends on the extent to which the performance obligation has been satisfied.

The Company recognises revenue when it transfers control of services to a customer. The Company opted to use the output method for recognising revenue and as such, revenue is recognised on the basis of direct measurement of the value of services transferred to the customer at the date relative to the remaining broadband services and operations and maintenance promised under each contract.

For indefeasible rights of use income, revenue is deferred over the period of the contract. The revenue is recognised on a monthly basis as the services are rendered.

1.3 Property, plant and equipment

Property, plant and equipment are initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

Major spare parts and standby equipment which are expected to be used for more than one year are included in property, plant and equipment, and depreciated at a similar rate with the related equipment.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Company. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Network Infrastructure	Straight line	5-20 years
Network Infrastructure – Capital Work in Progress	Not depreciated	–
Spares and test equipment	Straight line	5-15 years
Office equipment	Straight line	10 years
Computer equipment	Straight line	3-6 years
Motor vehicles	Straight line	5 years

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

1.3 Property, plant and equipment (continued)

The depreciation charge for each year is recognised in profit or loss.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Network Infrastructure – Capital Work in Progress (WIP) refers to the network under construction. WIP is recorded at the cost price and transferred to equipment once the asset is ready for use.

1.4 Intangible assets

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost, less any accumulated amortisation and any impairment losses.

Intangible assets consist of servitudes and licences acquired and is measured at cost less accumulated amortisation on a straight-line basis over expected useful lives. The Company has full right of use of these assets without any restriction.

Servitudes are any leases, right of use or other real rights in or over land, which existed immediately prior to the commencement of the Infraco Act, for the conveyance or provision of telecommunication facilities. They are regarded as having an indefinite useful life because, based on all relevant factors, there is no foreseeable limit to the period over which they are expected to generate net cash inflows. Amortisation is not provided for servitudes, but they are tested for impairment annually and whenever there is an indication that they may be impaired.

For licences, amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its continued use. Any gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, is included in profit or loss when the asset is derecognised.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values are as follows:

Item	Useful life
Servitudes	Not amortised
Computer software	5-7 years

1.5 Financial instruments

Classification

Classification depends on the business model of the Company as well as the cash flow characteristics of the instrument itself and takes place at initial recognition.

The Company classifies non-derivative financial assets into the following categories:

- Financial assets measured at amortised cost

The Company classifies non-derivative financial liabilities into the following categories:

- Financial liabilities measured at amortised cost

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Company are presented below.

Recognition and measurement

Trade and other receivables

Trade and other receivables comprise of trade receivables, trade receivables with related parties, retention debtors and other receivables. Trade and other receivables exclude, when applicable, VAT receivable and prepayments.

Trade and other receivables are classified as financial assets measured at amortised cost due to the Company's business model whose objective it is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company initially recognises trade and other receivables on the date that they are originated. The trade and other receivables are measured initially at their transaction price, if at initial recognition of the trade and other receivable the Company expects to receive payment within one year or less from date that the goods or services were transferred to the customer.

Trade and other receivables are subsequently measured at amortised cost.

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income in note 20.

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

1.5 Financial instruments (continued)

Cash and cash equivalents
Cash and cash equivalents comprise of cash balance, cash on hand and short term deposits with maturities of three months or less, from date of acquisition, and that are subject to an insignificant risk of change in their fair value and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are initially measured at fair value and subsequently measured at amortised cost.

Trade and other receivables
The Company recognise a loss allowance for expected credit losses on trade and other receivables at each reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses.

The Company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate. The customer base is diverse with significantly different loss patterns for different customer segments. The Company aggregates customer segments which share similar credit risk characteristics for purposes of determining the credit loss allowance. Details of the provision matrix, per grouping, are presented in note 7.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in profit or loss under operating expenses.

De-recognition
The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Company derecognise financial liabilities when its contractual obligations are discharged or cancelled, or expired. De-recognition gains and losses are included in profit and loss.

1.6 Tax

Deferred tax assets and liabilities
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The Company shall offset current tax assets and current tax liabilities if, and only if, the Company: has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the inability simultaneously

A Company shall offset deferred tax assets and deferred tax liabilities if, and only if:

- the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  (i) the same taxable Company; or
  (ii) different taxable companies which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax expenses
Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

1.7 Lessee

The Company recognises a right-of-use asset and lease liability in the statement of financial position at commencement of the lease.

The lease liability is measured at the present value of lease payments not paid at commencement date. The Company generally uses the incremental borrowing rate. Lease payments include all fixed payments per contract.

The Company subsequently measures the lease liability using the discount rate used at initial recognition. The lease liability is remeasured if there is a change in the variable payments linked to an index or rate, if the Company changes its assessment of whether or not it will exercise the option to purchase or option to renew the agreement, or if there is a change in the estimated amount payable under a residual value guarantee. The right-of-use asset is adjusted with the corresponding adjustment to the extent that the balance is reduced to zero, thereafter the adjustments are recognised in profit and loss.

The lease liability is presented as a separate line in the statement of financial position.

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

1.7 Lessee (continued)

The right-of-use asset is measured initially at cost which comprises of the initial amount of the lease liability plus any lease payments made on or before commencement date, plus any direct cost incurred and an estimate of cost to dismantle or restore the underlying asset, less any lease incentives. There were no restoration or dismantling of the right of use assets.

The right-of-use asset is subsequently depreciated, on a straight-line basis, over the lease term. Depreciation is recognised in profit and loss and presented as part of other expenses. The right-of-use asset is annually assessed for impairment and adjusted for any re-measurements of the lease liability or modifications of the agreement. There were no adjustments or impairments of right of use assets which would have necessitated the re-measurement.

Short-term leases and low-value assets
The Company has elected not to recognise a right-of-use asset and lease liability for all short-term leases with a lease term of 12 months or less and all low-value assets. The lease payments of these leases are recognised on a straight-line basis over the lease term.

1.8 Impairment of non-financial assets

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

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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.

1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of a Company after deducting all of its liabilities.

1.10 Employee benefits

Short-term employee benefits
The cost of short-term employee benefits, i.e. those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care, are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The expected cost of payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans
Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.11 Provisions

Provisions are recognised when:
- the Company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating losses.

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

1.12 Revenue

Revenue from contracts with customers

The Company recognises revenue from the following major sources:
- Sale of broadband services
- Operations and maintenance; and
- Co-location

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of services to a customer. The Company opted to use the output method for recognising revenue and as such, revenue is recognised on the basis of direct measurement of the value of services transferred to the customer at the date relative to the remaining broadband services and operations and maintenance promised under each contract.

For bundled packages, the Company accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it.

The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Company sells broadband services and maintenance services.

Sale of broadband services
The Company provides the sale of broadband services through its national and international backhaul network facilities. In addition, the Company earns installation fees for installation services attached to the provision of the broadband services. The broadband service is highly dependent and interrelated with the installation services. The broadband service and installation services are therefore viewed as a single performance obligation. Customers either pay in advance for these services (see Indefeasible rights of income below) or pay monthly in equal installments over the contractual period.

Sale of maintenance services
The Company recognises revenue from these services as maintenance is performed. Revenue is recognised on the basis of direct measurement of the value of services transferred to the customer at the date relative to the remaining operations and maintenance promised under each contract over time.

Co-location
This is offered to customers that procure capacity from the Company. The customer will indicate the size of the equipment together with the power consumption to interconnect with the Company at the specific PoP.

The Company recognises revenue from these services as they are provided. Revenue is recognised on the basis of direct measurement of the value of services transferred to the customer at the date relative to the remaining broadband services and operations and maintenance promised under each contract.

1.13 Cost of sales

The related cost of providing services recognised as revenue in the current period is included in cost of sales. The cost of sales relate to the following revenue sources:
- Sale of broadband services
- Maintenance services

Contract costs comprise:
- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.14 Translation of foreign currencies

Foreign currency transactions
A foreign currency transaction is recorded, on initial recognition in South African 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.

In circumstances where the Company receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the Company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, Company determines a date of transaction for each payment or receipt of advance consideration.

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.

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Accounting Policies (continued)

1.15 Related parties

Related-party transactions are defined as transactions with entities that have the same controlling shareholder as the Company and transactions with directors and key management and their families and entities controlled or jointly controlled by these individuals as well as other major public entities.

1.16 Contract liabilities

Contract liabilities relate to revenue received under Indefeasible Rights of Use (IRU) agreements of which services are prepaid by the customer on commissioning of services. The revenue will be recognised on a monthly basis when the service is provided over the period of the agreement.

1.17 Irregular expenditure

Irregular expenditure is recorded in note 29 to the Annual Financial Statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes. This is after the irregular expenditure is confirmed by the loss control steering committee as guided by the irregular expenditure framework issued by the National Treasury.

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 disclosed as being irregular expenditure, in terms of Section 55(2)(b) of the Public Finance Management Act No.1 of 1999.

1.18 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure refers to a transaction, event or condition which was undertaken without value or substance and which did not yield any desired results or outcome. Reasonable care means applying due diligence (careful application, attentiveness, caution) to ensure that the probability of a transaction, event or condition not being achieved as planned is being managed to an acceptable level. Note 29.

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

The following losses, through fruitless and wasteful expenditure, have been identified as being reportable in terms of Section 55(2)(b)(iii) of the Public Finance Management Act, No. 1 of 1999, as amended, for the year under review

1.19 Prepayments made

Prepayments comprise Indefeasible Right of Use, insurance premiums and mostly rental expenses that are payable in advance.

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2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

There are no relevant new standards which have been adopted in the current year.

Management has also assessed for standards and interpretations that are in issue but not yet effective and concluded that there are not any standards and interpretations that are in issue but not yet effective that will have a material impact on the company.

3. Property, plant and equipment

	2022			2021		
R'000	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Motor vehicles	5,205	(4,999)	206	5,205	(4,774)	431
Office equipment	10,660	(8,897)	1,763	10,582	(8,395)	2,187
Computer equipment	20,853	(18,835)	2,018	19,872	(17,883)	1,989
Network Infrastructure	2,287,694	(1,576,713)	710,981	2,264,454	(1,517,138)	747,316
Spares and test equipment	43,132	(25,433)	17,699	42,220	(22,736)	19,484
Network Infrastructure – Capital Work in progress	89,554	-	89,554	94,663	-	94,663
Total	**2,457,098**	**(1,634,877)**	**822,221**	**2,436,996**	**(1,570,926)**	**866,070**

2020

R'000	Cost or revaluation	Accumulated depreciation	Carrying value
Motor vehicles	5,205	(4,549)	656
Office equipment	10,569	(7,886)	2,683
Computer equipment	18,800	(17,042)	1,758
Network Infrastructure	2,262,750	(1,395,389)	867,361
Spares and test equipment	41,673	(19,932)	21,741
Network Infrastructure – Capital Work in progress	84,080	-	84,080
	2,423,077	**(1,444,798)**	**978,279**

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2022

R'000	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Motor vehicles	431	-	-	-	(225)	-	206
Office equipment	2,187	102	(7)	-	(519)	-	1,763
Computer equipment	1,989	1,196	(63)	-	(1,104)	-	2,018
Network infrastructure	747,316	3,112	(330)	22,020	(61,137)	-	710,981
Spares and test equipment	19,484	1,015	(24)	-	(2,776)	-	17,699
Network Infrastructure – Capital Work in progress	94,663	39,589	-	(22,020)	-	(22,678)	89,554
	866,070	**45,014**	**(424)**	**-**	**(65,761)**	**(22,678)**	**822,221**

Reconciliation of property, plant and equipment – 2021

R'000	Opening balance	Additions	Transfers	Depreciation	Total
Motor vehicles	656	-	-	(225)	431
Office equipment	2,683	13	-	(509)	2,187
Computer equipment	1,758	1,072	-	(841)	1,989
Network infrastructure	867,361	1,213	490	(121,748)	747,316
Spares and test equipment	21,741	548	-	(2,805)	19,484
Network Infrastructure – Capital Work in progress	84,080	11,073	(490)	-	94,663
	978,279	**13,919**	**-**	**(126,128)**	**866,070**

Reconciliation of property, plant and equipment – 2020

R'000	Opening balance	Additions	Disposals	Transfers	*Other changes, movements	Depreciation	Impairment loss	Total
Motor vehicles	882	-	-	-	-	(226)	-	656
Office equipment	3,751	-	(13)	-	-	(1,055)	-	2,683
Computer equipment	2,563	990	(50)	-	-	(1,745)	-	1,758
Network infrastructure	931,944	4,759	(379)	53,224	(407)	(121,780)	-	867,361
Spares and test equipment	22,200	2,302	(14)	-	-	(2,747)	-	21,741
Network Infrastructure – Capital Work in progress	92,398	58,060	-	(53,224)	(314)	-	(12,840)	84,080
	1,053,738	**66,111**	**(456)**	**-**	**(721)**	**(127,553)**	**(12,840)**	**978,279**

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

3. Property, plant and equipment (continued)

Included in Network Infrastructure is the 5.1 Terabit/s West Africa Cable System (WACS) project. The cable connects South Africa to the United Kingdom, with landing stations in Portugal and 12 other countries along the West Coast of Africa. The Company is a Tier 1 investor in the 5.1 Terabit/s West Africa Cable System, and is part of the consortium that jointly controls the WACS asset.

The Company has full right of use of these assets without any restriction.

None of the property, plant and equipment have been pledged as security nor does the Company have any contractual commitments to acquire property, plant and equipment.

Transfers reflect the movements between work in progress and the different asset categories upon completion of a project. Other changes, movements are items that do not meet the asset recognition criteria and were derecognised.

***Other changes, movements are items that do not meet the asset recognition criteria and were derecognised.**

WIP and Impairment (2021/ 2022)

Based on the assessment made by management of Network Infrastructure- Capital Work in Progress, some projects were identified as having indicators of impairment and thus a high probability that the Network Infrastructure- Capital Work in Progress may not be recoverable. A provision for impairment amounting to R22 678 was accounted for in the current financial year.

During the current year management identified expenses amounting to R12 840 that had been incorrectly capitalised to Network Infrastructure- Capital in Progress. The error was corrected in 2019/2020 being the earliest period possible.

4. Lease liabilities and Right-of-use assets

The Company has entered into various kinds of leases for its operation which would include property and fibre and these are long term lease which are included in its Right of Use account in the annual financial statements and short term leases less than 12 months will be expensed. The nature of the leases of the Company are mainly related to lease of land or premises and fibre in line it nature of communication transmission business in a form of a fibre to connect business, state institutions and the public.

The lease agreements provide details of the size of property or the kilometre distance for the fibre, then the period the lease started and end date which vary since the Company has more than one lease.

There are some lease contract that ended and then the Company entered into negotiations to extend those lease and signed addendum to the leases to increase to 4 or even 5 year depending on the nature or the original lease and its impact on the Compay business.

The are payment for lease of the property and fibre are fixed with escalation rate of 10% per annum

The variable payments are not included in calculating the lease liability and are in the operating expenses. As noted above the termination and extension are included in the lease agreement.

The Company did not have committed lease not yet commenced during 2021/ 2022 financial year.

There is no explicit mention of the residual value of the property or fibre which is leased by the Company in the contracts with the lessor.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

4. Lease liabilities and Right-of-use assets (continued)

Details pertaining to leasing arrangements, where the Company is lessee are presented below:

	2022 R'000	2021 R'000	2020 R'000
Net carrying amounts of right-of-use assets			
The carrying amounts of right-of-use assets are as follows:			
Property	3,353	8,320	52,146
Fibre	34,860	17,256	-
	38,213	**25,576**	**52,146**
Additions to right-of-use assets			
Property	2,174	3,133	-
Fibre	35,870	–	-
	38,044	**3,133**	**-**
Depreciation recognised on right-of-use assets			
Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 18),			
Property	7,141	7,600	27,046
IT equipment	–	209	-
Fibre	18,266	22,187	-
	25,407	**29,996**	**27,046**
Other disclosures			
Interest expense on lease liabilities	5,924	6,313	7,734
Lease payments not included in the measurement of lease liabilities included in operating expenses	2,903	264	3,707
Lease liabilities			
Non-current liabilities	42,789	–	27,046
Current liabilities	1,061	30,333	29,542
	43,850	**30,333**	**56,588**

Exposure to liquidity risk
Refer to note 28 Financial instruments and risk management for the details of liquidity risk exposure and management.

Exposure to currency risk
Refer to note 28 Financial instruments and financial risk management for details of currency risk management for lease liabilities.

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

5. Intangible assets

R'000	2022			2021		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	119,879	(80,192)	39,687	116,832	(65,867)	50,965
Servitudes	12,711	–	12,711	12,711	–	12,711
Total	**132,590**	**(80,192)**	**52,398**	**129,543**	**(65,867)**	**63,676**

R'000	2020		
	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	116,333	(51,949)	64,384
Servitudes	12,711	-	12,711
Total	**129,044**	**(51,949)**	**77,095**

Reconciliation of intangible assets – 2022

R'000	Opening balance	Additions	Amortisation	Total
Computer software	50,965	3,047	(14,325)	39,687
Servitudes	12,711	–	–	12,711
	63,676	**3,047**	**(14,325)**	**52,398**

Reconciliation of intangible assets – 2021

R'000	Opening balance	Additions	Amortisation	Total
Computer software	64,384	500	(13,919)	50,965
Servitudes	12,711	–	–	12,711
	77,095	**500**	**(13,919)**	**63,676**

Intangible assets consist of servitudes and licences acquired and is measured at cost less accumulated amortisation on a straight-line basis over expected useful lives. The Company has full right of use of these assets without any restriction.

Servitudes are any leases, right of use or other real rights in or over land, which existed immediately prior to the commencement of the Infraco Act, for the conveyance or provision of telecommunication facilities.

None of the intangible assets have been pledged as security.

There are no contractual commitments outstanding at the end of the reporting period.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

	2022 R'000	2021 R'000	2020 R'000
6. Prepayments			
Insurance	–	2,559	2,424
Operating expenses	4,248	6,936	1,534
Indefeasible Right of Use	7,784	8,923	10,062
	12,032	**18,418**	**14,020**
Non-Current Assets	7,784	7,784	10,062
Current Assets	4,248	10,634	3,958
	12,032	**18,418**	**14,020**

7. Trade and other receivables			
Financial instruments at amortised costs:			
Trade receivables	90,799	81,022	50,681
Loss allowance	(11,534)	(10,225)	(7,293)
	79,265	70,797	43,388
Accrued interest	34	31	65
Non-financial instruments:			
VAT	1,530	880	-
Deposits	1,040	1,025	1,007
Total trade and other receivables	**81,869**	**72,733**	**44,460**

Trade and other receivables pledged as security
The Company has not pledged any trade and other receivables as collateral.

Exposure to credit risk
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country, in which the customers operate, has a major influence on credit risk.

The Company has established a policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Exposure limits are established for each customer in accordance with the approved contracts and the Company's approval framework.

The majority of the Company's customers have had transactions with the Company over the years, and losses have occurred infrequently.

The Company does not require collateral in respect of trade and other receivables, as it mainly renders services to major companies in the industry in which the Company operates.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

7. Trade and other receivables (continued)

The Company established an allowance for impairment that represents its estimated and anticipated losses in respect of trade and other receivables.

The historical impairment loss rate has been defined as the historical impairment provision for each risk category of debtor as a percentage of total historical revenue. The previous financial year has been used as the period to assess. This decision was due to the Company never previously completely writing off any amounts owing. Therefore, the previous financial year was deemed a good base, as the number of customers increased during the financial year. The period used should be identical to the historical period used in calculating the historical write-off percentage.

The historical loss rate for foreign and local large customers were assessed at 0%. This is because the probability that any of the customers belonging to any of these categories being impaired is close to zero.

The creation and release of allowance for impairment has been included in the operating expenses in profit or loss. Trade receivables are generally written off when there is no expectation of recovering additional cash.

The following loss rates were adopted for local medium sized customers:

R'000	2022 Estimated gross carrying amount at default	2022 Loss allowance (Lifetime expected credit loss)	2021 Estimated gross carrying amount at default	2021 Loss allowance (Lifetime expected credit loss)	2020 Estimated gross carrying amount at default	2020 Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:						
Not past due: 2.4%	2,863	69	2,147	52	1,760	43
31 – 60 days past due: 3.6%	1,307	47	1,224	44	1,032	37
61 – 90 days past due: 5.1%	1,013	52	835	43	684	35
91 – 120 days past due: 9.1%	686	62	789	72	717	65
121 – 150 days past due: 22.5%	383	86	492	110	501	112
151 – 180 days past due: 46.8%	511	239	621	290	474	222
More than 181 days past due: 100%	10,979	10,979	9,614	9,614	6,779	6,779
Total	**17,742**	**11,534**	**15,722**	**10,225**	**11,947**	**7,293**

Fair value of trade and other receivables
The fair value of trade and other receivables approximates their carrying amounts.

Credit risk
The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

	2022 R'000	2021 R'000	2020 R'000
8. Cash and cash equivalents			
Cash and cash equivalents consist of:			
Current accounts	7,850	3,675	13,761
Short-term deposits	19,030	83,961	95,869
	26,880	**87,636**	**109,630**

Included in the short-term deposits balance is amounts received in advance from the Department of Communications and Digital Technologies. This is recognised when invoices are issued and is disclosed as a contract liability in note 10, for services not yet rendered as stated below:

Fair value
The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturity of these financial assets.

9. Share capital			
Authorised			
Ordinary	1,000	1,000	-
Reconciliation of number of shares issued:			
Reported as at 01 April 2021	1,000	1	-
Issue of shares	–	999	-
	1,000	**1,000**	**-**
Issued			
Ordinary*	–	–	-
Industrial Development Corporation of South Africa	478,400	478,400	-
Department of Communications and Digital Technologies	1,351,130	1,351,130	-
	1,829,530	**1,829,530**	**-**

Shares are held as follows:
- 740,000 ordinary shares held by the State, represented by Department of Telecommunications and Digital Technologies.
- 260,000 ordinary shares held by the Industrial Development Corporation of South Africa.

* Amounts less than R1 000.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

	2022 R'000	2021 R'000	2020 R'000
10. Trade and other payables			
Financial instruments:			
Payables and accruals	562 863	214,471	162,810
Internal audit	-	-	266
Accrual for external audit	1,156	1,102	1,264
Deposits received	6	26	26
Non-financial instruments:			
Accrued leave pay	6,903	5,931	4,820
PAYE	2,213	2,725	2,305
VAT	-	-	1,086
	373,141	**224,255**	**172,577**

11. Contract liabilities

Contract liabilities relates to revenue received under Indefeasible Rights of Use (IRU) contracts of which services are prepaid by customers on commissioning of the services. These amounts are received in advance and revenue is recognised on a monthly basis over the contract term as the services are being rendered.

Non-current liabilities	265,449	315,530	373,476
Current liabilities	72,610	148,410	141,489
	338,059	**463,940**	**514,965**
Reconciliation of contract liabilities			
Opening Balance	463,940	514,965	559,177
Payments received	59,627	213,911	137,546
Revenue recognised in the reporting period that was included in the opening balance	(167,663)	(208,775)	(165,388)
Revenue recognised in the reporting period from new contracts concluded	(17,845)	(56,161)	(16,370)
Closing balance	**338,059**	**463,940**	**514,965**

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

12. Provisions

Reconciliation of provisions – 2022

R'000	Opening balance	Additions	Reversed during the year	Total
Legal proceedings	600	–	(600)	-
Other provisions	1,413	1,127	(1,413)	1,127
	2,013	**1,127**	**(2,013)**	**1,127**

Reconciliation of provisions – 2021

R'000	Opening balance	Additions	Total
Legal proceedings	600	–	600
Other provisions	1,185	228	1,413
	1,785	**228**	**2,013**

Reconciliation of provisions – 2020

R'000	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Legal proceedings	600	–	-	-	600
Other provisions	3,611	808	(756)	(2,478)	1,185
	4,211	**808**	**(756)**	**(2,478)**	**1,785**

Legal proceedings
The provision relates to legal costs that are estimated to be paid by Broadband for the drafting of the loan facility agreement. The timing of the repayment is subject to Broadband Infraco being granted the loan facility, of which is uncertain.

Other provisions
The other provisions relates to provision for credit notes. These are for services that did not meet the service level agreements and rebates have to be issued.

13. Employee benefit obligation

This represents a retention bonus provision that relates to reviews to be completed with qualifying personnel based on individuals' and Company's current year performance. It is probable that the Board may approve a payout to qualifying staff in the following financial year, as an enabler to retain core skills within the Company. The retention bonus is based on management descretion.

	2022 R'000	2021 R'000	2020 R'000
Provision for Performance Bonus	4,593	22,164	13,595

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

14. Deferred tax

Deferred tax liability

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

	2022 R'000	2021 R'000	
Reconciliation of deferred tax asset			
Movement in temporary differences	(38,800)	(13,370)	9,043
Deferred tax assets not recognised	38,800	13,370	(9,043)
At end of the year	-	-	-
Recognised (cumulative balances)			
IFRS 16 Right Of Use Assets	(10,700)	(7,161)	(14,601)
IFRS 16 Liability	12,278	8,493	15,845
Capital allowances	1,704	41,256	3,331
Prepayments	(1,483)	(3,525)	(1,316)
Expected credit losses	3,230	2,863	2,042
Leave pay accrual	1,932	1,661	1,350
Provision for doubtful debts	(1,292)	(1,145)	(817)
Bonus provision	(1,286)	(6,206)	3,807
Credit note provision	316	396	332
Variable remuneration	6	8	82
Other provisions	168	168	168
Unrealised foreign exchange differences	159	219	152
Contract liabilities	94,657	129,903	144,190
Deferred tax asset not recognised	(99,689)	(166,930)	(154,565)
	-	-	-

The unused tax losses amount to R1 019 256 973 (2021: R900 693 383)

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

	2022 R'000	2021 R'000
15. Revenue		
Revenue from contracts with customers		
Rendering of services	437,821	463,136
Disaggregation of revenue from contracts with customers		
The Company disaggregates revenue from customers per type of service as follows:		
Rendering of services		
Co-location	1,783	3,356
Broadband services	397,676	442,023
Operations and maintenance	38,361	17,757
	437,820	**463,136**
Local		
Co-location	1,704	2,434
Broadband services	368,555	415,030
Operations and maintenance	22,883	4,781
	393,142	**422,245**
Foreign		
Co-location	79	922
Broadband services	29,121	26,993
Operations and maintenance	15,478	12,976
	44,678	**40,891**
16. Cost of sales		
Rendering of services	242,904	222,226
Rendering of services		
Co-location	26,069	24,510
Cost of broadband services	112,211	101,013
Maintenance	104,624	96,703
	242,904	**222,226**

The revenue from sale of broadband services is net of provisions for credit notes as disclosed in note 12.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

	2022 R'000	2021 R'000
17. Other operating income		
Compensation from insurance claims	706	430
Recoveries	5,930	2,987
	6,636	**3,417**

18. Operating profit (loss)

Operating (loss) profit for the year is stated after charging (crediting) the following, amongst others:

Depreciation and amortisation		
Depreciation of property, plant and equipment	65,761	126,128
Depreciation of right-of-use assets	25,407	29,996
Amortisation of intangible assets	**14,325**	13,919
Total depreciation and amortisation	**105,493**	**170,043**
Service fees		
Co-sourcing	10,617	8,743
Consulting and professional	5,329	2,129
External audit fees	1,708	764
Internal audit fees	-	(153)
Legal fees	507	1,087
	18,161	**12,570**
General and administrative expenses		
Membership fees		1,055
IT expenses	2,612	1,473
Insurance	3,701	2,936
Repairs and maintenance	13,421	4,151
Electricity	6,088	5,485
Training	789	617
Travel – local	1,939	1,351
Licence fees	3,601	3,244
Petrol and oil	2,755	2,103
Security	7,205	2,970
Telephone and fax	1,121	838
	43,381	**26,223**

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

	2022 R'000	2021 R'000
19. Employee costs		
Employee costs		
Basic salaries	109,279	111,266
Other payroll expenses*	(10,217)	10,594
	99,062	**121,860**

*There was a reversal of provision for performance bonus in the current year.

20. Investment income		
Investments in financial assets:		
Bank	1,271	1,502
Trade and other receivables	-	39
Foreign exchange gains	568	1,295
Total investment income	**1,839**	**2,836**

21. Finance costs		
Lease liabilities	5,924	6,313
Interest paid	15,207	7,786
Total finance costs	**21,131**	**14,099**

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

	2022 R'000	2021 R'000
22. Taxation		
Major components of the tax expense		
Current		
Foreign income tax or withholding tax – recognised	149	87
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting loss	(118,412)	(107,009)
Tax at the applicable tax rate of 28% (2021: 28%)	(33,155)	(29,963)
Tax effect of adjustments on taxable income		
WACS recovery	77	(75)
Deferred tax not recognised	33,078	30,038
	–	–
23. Cash generated from operations		
Loss before taxation	(118,412)	(107,009)
Adjustments for:		170,043
Depreciation and amortisation	105,493	2,284
(Gains) losses on foreign exchange	(2,877)	(2,836)
Investment income	(1,839)	14,099
Finance costs	21,131	-
Net impairments	22,678	228
Movements in provisions	(886)	(51,025)
Movement in contract liabilities	(125,881)	8,569
Movement in employee benefit obligation	(17,571)	
Changes in working capital:		(31,239)
Trade and other receivables	(10,442)	(4,398)
Prepayments	6,386	51,092
Trade and other payables	142,571	
	20,351	**49,808**

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

24. Related parties

Relationships	
Ultimate holding party – Executive authority	The state, represented by the Department of Communication and Digital Technologies
Shareholder with significant influence	Industrial Development Corporation of South Africa
Departments	Department of Science and Technology
Major public entities	Eskom, Transnet, CSIR, Sentech, SITA, ICASA

	2022 R'000	2021 R'000
Related party balances		
Shareholders Equity		
Department of Communications and Digital Technologies	1,351,130	1,351,130
Industrial Development Corporation of South Africa	478,400	478,400
Amounts included in Trade receivable (Trade Payable) regarding major public entities		
Eskom	–	93
Sentech	432	1,566
SITA	249	8,146
Transnet	–	2,942
CSIR	(2,647)	(948)
Eskom	(95,259)	(87,639)
Sentech	(3,160)	(6,054)
Transnet	(47,987)	(69,681)
Contract liabilities		
Departments	14,461	15,683
Ultimate holding company	2,172	76,649
CSIR	207,605	243,204

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

	2022 R'000	2021 R'000

24. Related parties (continued)

Related party transactions

Purchases from (sales to) major public entities		
CSIR	(42,365)	(39,805)
Sentech	(239)	(1,989)
SITA	(70,371)	(71,146)
Transnet	(2,848)	(2,322)
Eskom	95,510	71,008
ICASA	–	2,115
Sentech	5,297	9,559
Transnet	96,375	77,924
CSIR	4,265	–
Purchases from (sales to) ultimate holding company		
Department of Communications and Digital Technologies	4,482	–
Department of Communications and Digital Technologies	(136,577)	(133,484)
Purchases from (sales to) departments		
Department of Science and Technology	–	(7)
Compensation to directors and other key management		
Short-term employee benefits – Non-executive directors	2,838	2,895
Short-term employee benefits – Executive directors	5,495	5,317
Short-term employee benefits – Key management	8,267	8,488
	16,600	**16,700**

Refer to note 27 for breakdown.

There are no special terms and conditions with regards to transactions between the Company and related parties.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

25. Going concern

We draw attention to the statement of profit and loss and other comprehensive income, which indicates that the Company incurred a net loss of R118,561 during the year ended 31 March 2022 due to lower revenue raised against cost to revenue and other operating expenses. The Company's current liabilities exceeded its current assets by R339,535. The Company had accumulated losses of R1,556,687 and that the Company's total assets exceed its liabilities by R272,843. This indicates a material uncertainty and cast significant doubt on the ability of the company to continue as a going concern, however management has implemented the below measures:

As part of the ongoing strategy of management to address the going concern issue, the Company embarked on the following initiatives:

- Prioritise network investment to enable increased capacity availability.
- Revised network investment plan for approval by Ministry to enable capacity availability for selling and quality improvement.
- SOC fibre consolidation business motivation to Ministry for engagement with DPE.
- Implement and provision sales contracts clinched in the last quarter of the financial year.
- Execute SA Connect Phase 2.
- Continue to apply for funding from third parties and renegotiation of key suppliers' contracts as well as faster execution of projects.
- Continue implementing retention strategies of major customers.

The journey that has been embarked on since 2007, in line with the government policy on technological innovation to support the economy and confirming the intent to rationalise State Owned Entities (SOEs), with the relevant stakeholders to enter into a merger agreement between Broadband Infraco SOC Limited and SENTECH SOC Limited and the ultimate establishment of a State Digital Infrastructure Company ("SDIC") is expected to further strengthen the going concern position of the entity.

In 2019, the Minister of Communications and Digital Technologies formally announced the formation of the SDIC following on the 2017 Cabinet approval for the merger of Sentech and BBI. This process is now well underway with a corporate strategy, integration plan and the business model submitted to DCDT. The Minister is in discussion with the Boards of both entities on the corporate structure of the SDIC and intergration process.

The continued reported loss year after year is a major threat to the liquidity of the Company, especially with no prospect of getting bailout funding from the government and having commercial operations as their only source of income.

The COVID-19 pandemic has developed rapidly since 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The Company has taken a number of measures during the past 24 months to monitor and mitigate the effects of COVID-19, which include safety and health measures for our employees, ensuring operations continue and cyber-risks are appropriately mitigated.

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. As we operate in the telecommunication sector, we have found an increased demand for our products and services, and we expect this to continue. This increase demand provides an opportunity for us to increase our footprint and attract more customers who will assist the Company in its revenue collection and also mediate the risk of running at a loss, which has an impact on our going concern. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our employees. We will also continue to closely monitor our debtors, ageing and payment routines, to determine the possible impact on collections and liquidity of the Company.

The Company has enhanced efforts to increase the number of customers, who will in turn be invoiced for the services and generate revenue to improve the financial position. Broadband Infraco SOC Limited prepares its Annual Financial Statements on a going concern basis and presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The judgement for assuming the Company will be a going concern in the next 12 months is based on the fact that Shareholders have not indicated that they will not continue to support the existence of the SOC.

The directors have reviewed the Company's financial performance forecast for the year 31 March 2023 as well as 31 March 2024 and in light of this review and the current financial position, they are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future, taking into account expected improvement in accessing some funding in the medium term.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

	2022 R'000	2021 R'000

26. Irregular, fruitless and wasteful expenditure

Irregular Expenditure		
Opening balance	56,476	82,747
Incurred and identified in the current year	30,140	298
Identified in previous years and incurred in the current year	5,327	5,777
Amounts removed from register	–	(32,346)
Identified in the current year and incurred in the previous year	1,547	–
Closing balance*	**93,490**	**56,476**

* Internal processes to resolve these matters are in progress.

Amounts removed from register
These relates to transactions which do not comply to company policy. The National Treasury no longer classifies them as irregular expenditure and they are therefore removed from the register.

Irregular expenditure detail 2022

R'000	Action	Expenditure identified	Amounts condoned	Amounts removed from register	Remaining expenditure
Identified in prior years		56,476	–	–	56,476
Identified in previous years and incurred in the current year					
The Company continued to utilise the services after the contract expired. There was no financial loss to Broadband Infraco.	Under investigation	5,327	–	–	5,327
Incurred and Identified in the current year					
The Company approved an extension which should have been approved by National Treasury	Under investigation	30,140	–	–	30,140
Identified in the current year and incurred in the previous year					
Inadequate procurement procedures followed	Under investigation	1,547	–	–	1,547
		93,490	**–**	**–**	**93,490**

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

26. Irregular, fruitless and wasteful expenditure (continued)

Irregular expenditure detail 2021

R'000	Action	Expenditure identified	Amounts condoned	Amounts removed from register	Remaining expenditure
Identified in prior years		82,747	–	(32,346)	50,401
Identified in previous years and incurred in the current year					
The company continued to utilise the services of a critical contract which National Treasury did not approve. There was no financial loss to Broadband Infraco.	Condonation requested	4,984	–	–	4,984
The Company continued to utilise the services after the contract expired. There was no financial loss to Broadband Infraco.	Under investigation	793	–	–	793
Incurred and identified in the current year					
The Company continued to utilise the services after the contract expired. There was no financial loss to Broadband Infraco.	Under investigation	247	–	–	247
The company continued to utilise the services of a critical contract which National Treasury did not approve. There was no financial loss to Broadband Infraco.	Under investigation	51	–	–	51
		88,822	**–**	(32,346)	**56,476**

	2022 R'000	2021 R'000
Fruitless and wasteful expenditure		
Opening balance	–	–
Identified in the current year	283	16
Written off	(283)	(16)
	–	**–**

R'000	Action	Losses identified	Losses written off
Fruitless and wasteful expenditure in detail 2022			
Interest incurred from suppliers	Losses written off	283	(283)
Fruitless and wasteful expenditure in detail 2021			
Interest incurred from suppliers	Losses written off	16	(16)

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

27. Directors' and prescribed officer's emoluments

Executive

2022

R'000	Service Period	Basic Salary	Expenses, Other Allowances	Total
Services as director or prescribed officer				
I van Niekerk	12	2,532	35	2,567
A Matseke	12	2,893	35	2,928
		5,425	**70**	**5,495**

2021

R'000	Service Period	Basic Salary	Expenses, Other Allowances	Total
Services as director or prescribed officer				
I van Niekerk	12	2,454	30	2,484
A Matseke	12	2,803	30	2,833
		5,257	**60**	**5,317**

Non-executive

2022

R'000	Service Period	Basic Salary	Total
Services as director or prescribed officer			
L Khumalo	10	707	707
BMC Ngcobo	3	140	140
S Mabalayo	5	144	144
N Selamolela	3	62	62
Z Kabini	12	397	397
G Mphefu	3	52	52
J Schreiner	3	55	55
R Mabece	12	363	363
B Segooa	10	309	309
D Mothilall	10	247	247
L Tyira	10	274	274
ID Dwane	6	89	89
		2,839	**2,839**

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

27. Directors' and prescribed officer's emoluments (continued)

Non-executive

2021

R'000	Service period	Basic Salary	Total
Services as director or prescribed officer			
BMC Ngcobo	12	837	837
S Mabalayo	12	388	388
N Selamolela	12	371	371
Z Kabini	12	321	321
G Mphefu	12	269	269
J Schreiner	12	328	328
R Mabece	12	381	381
P Makepe*	12	–	–
		2,895	**2,895**

Key management

2022

R'000	Service period	Basic Salary	Expenses, Other Allowances	Total
Services as director or prescribed officer				
G Zowa	12	2,858	35	2,893
MM Mojapelo	12	1,597	30	1,627
CI Mokgohloa	12	1,203	23	1,226
P Dyani	12	2,492	30	2,522
		8,150	**118**	**8,268**

2021

R'000	Service period	Basic Salary	Expenses, Other Allowances	Total
Services as director or prescribed officer				
G Zowa	12	2,767	30	2,809
MM Mojapelo	12	1,547	30	1,589
CI Mokgohloa	7	681	11	699
P Dyani	12	2,415	30	2,457
ME Mopeli	5	965	13	983
		8,375	**114**	**8,489**

* Public Servant and not entitled to board fees.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

28. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2022

R'000	Note(s)	Amortised cost	Total
Trade and other receivables	7	79,299	79,299
Cash and cash equivalents	8	26,880	26,880
		106,179	**106,179**

2021

R'000	Note(s)	Amortised cost	Total
Trade and other receivables	7	70,828	70,828
Cash and cash equivalents	8	87,636	87,636
		158,464	**158,464**

Categories of financial liabilities

2022

R'000	Note(s)	Amortised cost	Leases	Total
Trade and other payables	10	364,025	–	364,025
Lease liabilities	4	–	43,850	43,850
		364,025	**43,850**	**407,875**

2021

R'000	Note(s)	Amortised cost	Leases	Total
Trade and other payables	10	215,598	–	215,598
Lease liabilities	4	–	30,333	30,333
		215,598	**30,333**	**245,931**

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

28. Financial instruments and risk management (continued)

Capital risk management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There have been no changes to what the entity manages as capital or the strategy for capital maintenance from the previous year.

R'000	Note(s)	Amortised cost	Leases	Total
Loans from shareholders		-	-	1,472,699
Lease liabilities	4	43,850	30,333	56,588
Trade and other payables	10	373,141	224,254	172,574
Total borrowings		**416,991**	**254,587**	**1,701,861**
Cash and cash equivalents	8	(26,880)	(87,636)	(109,630)
Net borrowings		**390,111**	**166,951**	**1,592,231**
Equity		252,383	405,772	(1,331,028)

Financial risk management

Overview
The company is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Foreign currency risk

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Refer to note 7 for more information on credit risk management and policy.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company maintains flexibility in funding by maintaining availability under committed credit lines.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

28. Financial instruments and risk management (continued)

2022

R'000	Note(s)	Less than 1 year	2 to 5 years	Total
Non-current liabilities				
Lease liabilities	4	–	42,789	42,789
Current liabilities				
Trade and other payables	10	364,025	–	364,025
Lease liabilities	4	1,061	–	1,061
		(365,086)	**(42,789)**	**(407,875)**

2021

R'000	Note(s)	Less than 1 year	Total
Current liabilities			
Trade and other payables	10	215,598	215,598
Lease liabilities	4	30,333	30,333
		(245,931)	**(245,931)**

Foreign currency risk

The company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the company deals primarily are US Dollars.

The Company has investments denominated in foreign currency, whose net assets are exposed to foreign currency translation risk.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

US Dollar exposure:

Current assets:				
Cash and cash equivalents	8	227,992	285,543	299,840

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

28. Financial instruments and risk management (continued)

	2022 R'000	2021 R'000	2020 R'000
Exchange rates			
Rand per unit of foreign currency:			
US Dollar	14.517	14.910	14.939

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

29. Capital commitments

Budgeted but not contracted		–	747,012

Capital commitments comprise commitments for property, plant and equipment and intangible assets.

Management expects these commitments to be financed by internally generated cash and borrowings.

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

30. Prior period errors

Network Infrastructure (20 years) projects completed in September 2021 amounting to R7 975 were incorrectly accounted for as Network Infrastructure -Capital in progress, resulting in the overstatement of Network Infrastructure -Capital in progress and vice versa for Network Infrastructure in the prior year.

Another Network Infrastructure (6 years) projects completed in 2019/2020 financial year amounting to R4 581 were incorrectly accounted for as Network Infrastructure - Capital in progress, resulting in the overstatement of Network Infrastructure - Capital in progress and vice versa for Network Infrastructure in the prior years of 2019/2020 and 2020/2021. Furthermore , this incorrect accounting resulted in related depreciation of Network Infrastructure being understated by 763 p.a.

The correction of the error(s) results in adjustments as follows:

2020	As previously reported	Correction of error	Reclassification	Restated balance
Statement of financial position				
Property, plant and equipment	991,883	(13,604)	-	978,279
Retained earnings	(1,317,428)	(13,602)	-	(1,331,030)
Statement of financial performance				
Other operating expenses (Depreciation)	(121,017)	(763)	–	(121,780)
Other operating expenses (Impairment)	-	(12,840)	–	(12,840)

2021	As previously reported	Correction of error	Reclassification	Restated balance
Statement of financial position				
Property, plant and equipment	880,437	(14,367)	-	866,070
Retained earnings	(1,423,758)	(14,368)	-	(1,438,126)
Statement of financial performance				
Other operating expenses (Depreciation)	(334,091)	(766)	–	(334,857)
Other operating gains (losses)	-	-	(2,284)	(2,284)
Finance costs	(16,383)	-	2,284	(14,099)

31. Events after the reporting period

The term for the Chief Financial Officer, Ian Van Niekerk ended on 30 April 2022. The board has appointed an interim Chief Financial Officer, Boitumelo Mabusela, from 1 June 2022. This will not have an impact on the operations of the Company.

LIST OF ABBREVIATIONS AND ACRONYMS

Acronyms	Description
3G	3rd Generation Mobile Telecommunications
4IR	Fourth Industrial Revolution
AGM	Annual General Meeting
ANP	Access Network Provider
APP	Annual Performance Plan
ARC	Audit and Risk Committee
ARPC	Average Revenue per Customer
B-BBEE	Broad-Based Black Economic Empowerment
BBI	Broadband Infraco
BCM	Business Continuity Management
BGE	Build, Grow and Expand
Capex	Capital Expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIPC	Companies Intellectual Properties Commission
CIPRO	Companies and Intellectual Property Registration Office
CISC	Capital Investment Steering Committee
CMSO	Chief Marketing Sales Officer
COSO	Committee of Sponsoring Organisations
CRA	Compliance, Risk and Audit
CRM	Customer Relationship Management
CSI	Corporate Social Investment
CTO	Chief Technology Officer
CWL	Clear While Localising
DCDT	Department of Communications and Digital Technologies
DCF	Discounted Cash Flow
DFA	Dark Fibre Africa
DFIs	Development Finance Institutions
DoE	Department of Education
DPE	Department of Public Enterprise
DSL	Digital Subscriber Line
DTPS	Department of Telecommunications and Postal Services
DWDM	Dense Wavelength Division Multiplexing

Acronyms	Description
EBITDA	Earnings Before Interest, Taxation, Depreciation, and Amortisation
ECA	Electronic Communications Act No. 36 of 2005
ECS	Electronic Communication Services
EE	Employment Equity
ERM	Enterprise Risk Management
EXCO	Executive Management Committee
FTTH	Fibre to the Home
FTTX	Fibre to the Home/Business
FY	Financial year
Gbit/s	Gigabits per second
GBN	Gauteng Broadband Network
Gbps	Gigabits per second
HR	Human Resources
HRRC	Human Resources and Remuneration Committee
ICASA	Independent Communications Authority of South Africa
ICT	Information Communication Technology
ICTU	Information Communication and Technology Union
IDC	Industrial Development Corporation
I-ECNS	Individual Electronic Communications Network Services
I-ECS	Individual Electronic Communications Services
IFRS	International Financial Reporting Standards
IFTPC	Investment Finance Tender and Procurement Committee
IIA	Institute of Internal Auditors
IIRC	International Integrated Reporting Council
IIRF	International Integrated Reporting Framework
IOD	Injury-on-duty
IoD	Institute of Directors
IoT	Internet of Things
IP	Internet Protocol
IR	Integrated Reporting
IRU	Irrefutable Rights of Use
ISPs	Internet Service Providers
ISO	International Standards Organisation
IT	Information Technology
KAT-7	Karoo Array Telescope

Acronyms	Description
KPIs	Key Performance Indicators
LAN	Local Area Network
LTIFR	Lost-Time Injury Frequency Rate
Mbps	Megabits per Second
MICT SETA	Media, Information and Communication Technologies Sector Education, and Training Authority
MoA	Memorandum of Agreement
MoI	Memorandum of Incorporation
MoU	Memorandum of Understanding
MTTR	Mean Time to Repair
NCOP	National Council of Provinces
NDA	Non-Disclosure Agreement
NDP	National Development Plan
NEDS	Non-executive Directors
NOC	Network Operations Centre
O&M	Operations and Maintenance
OHS	Occupational Health and Safety
OpEX	Operational Expenditure
OSI	Open Systems Interconnection
PFMA	Public Finance Management Act
PO	Purchase Order
PoC	Proof of Concept
PoP	Point of Presence
PPPFA	Preferential Procurement Policy Framework Act
PwC	PricewaterhouseCoopers
QMS	Quality Management Systems
RoU	Rights of Use
RU	Regulatory Universe
SA	South Africa
SA Connect	South Africa Connect
SABS	South African Bureau of Standards
SADC	Southern African Development Community
SALT	Southern African Large Telescope
SANReN	South African National Research Network
SATA	Southern African Telecommunications Association
SCM	Supply Chain Management

Acronyms	Description
SCOPA	Standing Committee of Public Accounts
SDH	Synchronous Digital Hierarchy
SDIC	State Digital Infrastructure Company
SEC	Social and Ethics Committee
SEZ	Special Economic Zones
SHEQ	Safety Health Environment and Quality
SITA	State Information Technology Agency
SKA	Square Kilometre Array
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprise
SMF	Senior Management Forum
SNG	Sizwe NtsalubaGobodo-Inc
SNO	Second National Operator
SOC	State-Owned Company
SOE	State-Owned Enterprise
SOF	Service Order Form
STEM	Science, Technology, Engineering, and Mathematics
Tbps	Terabits per Second
TDM	Time-division multiplexing
TFR	Transnet Freight Rail
TKIMC	Technology Knowledge and Information Management Committee
WACS	West Africa Cable System
WAN	Wireless Area Network
WSP	Workplace Skills Plan
YoY	Year-on-year
ZAR	South African Rand

NOTES

NOTES

GENERAL COMPANY INFORMATION

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