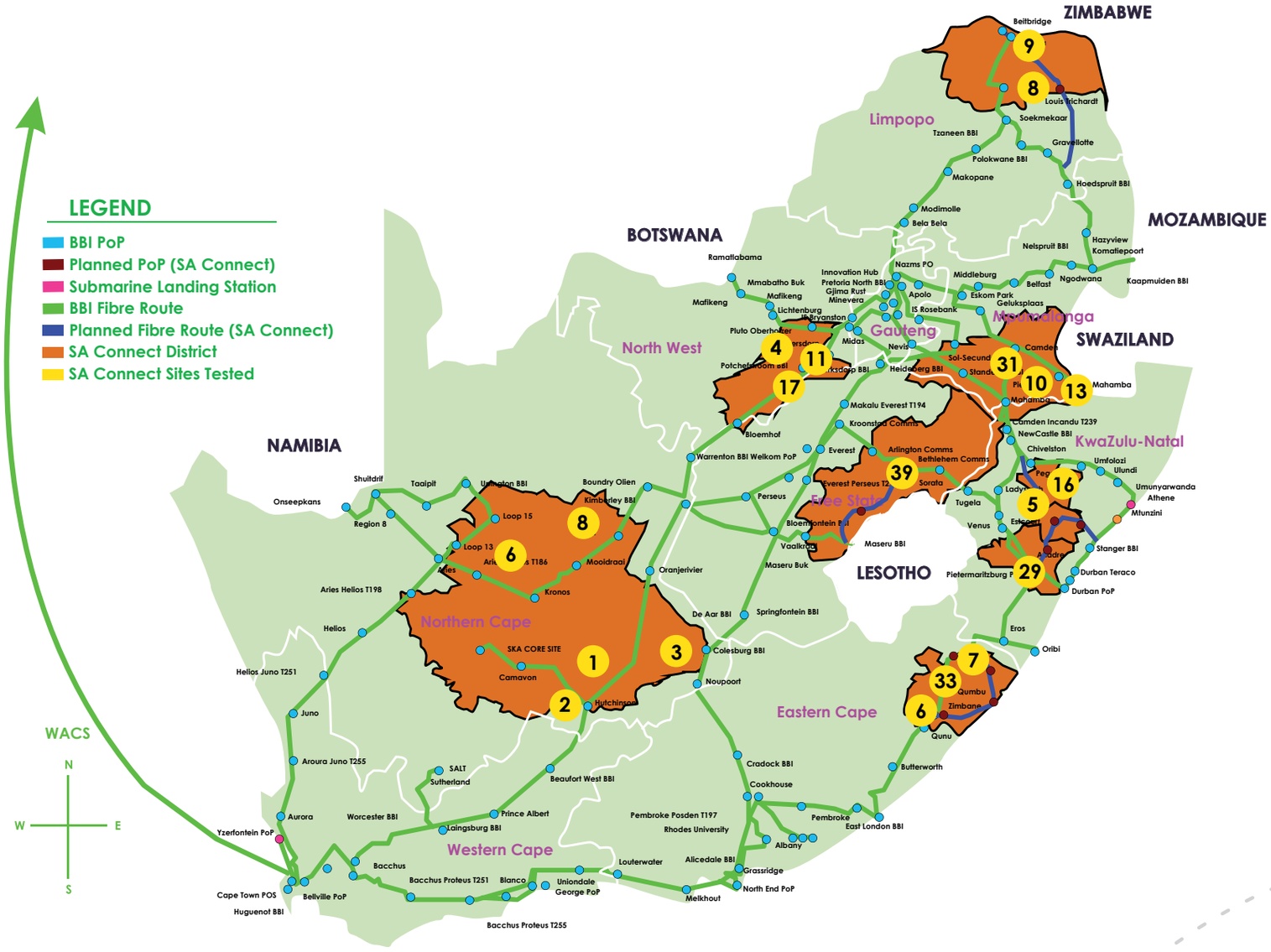
Broadband Infraco

Connect. **Growth, UNLOCKED.**

2019/20
INTEGRATED ANNUAL REPORT

Paving a way towards
a **Digitised** Society

SA Connect Phase 1A



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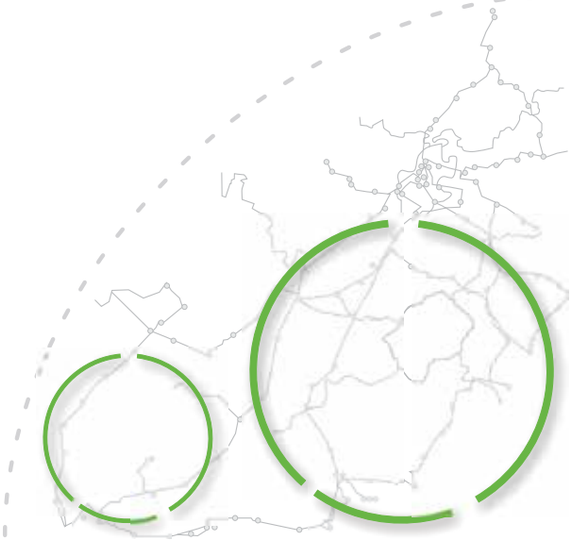


Lusikisiki
Village Clinic
was officially opened by
His Excellency
Matamela Cyril Ramaphosa,
of the Republic of South Africa.
On 17 September 2019

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Broadband Infraco

Our **Journey**

2007: Broadband Infraco Act No. 33 of 2007 was enacted and Broadband Infraco (BBI) established with access to Eskom and Transnet servitudes to provide services to South Africa's Second National Operator (SNO).

2008: The Company was registered in 2008 with the Companies and Intellectual Property Registration Office (CIPRO), now known as Companies and Intellectual Property Commission (CIPC), as an entity owned by the Government and the Industrial Development Corporation (IDC) of South Africa.

2009: In October 2009, we obtained an Individual Electronic Communications Network Services (I-ECNS) license from the Independent Communications Authority of South Africa (ICASA).

2010: We launched commercially on 18 November 2010 with only one customer.

2011: The rights of use agreement with SNO was terminated which resulted in the insourcing of the network operations centre and an increase in the number of customers from one to three.

2012: NOC was insourced. Four new customers were acquired.

2013: Broadband Infraco was registered as a State-Owned Company (SOC) with the CIPC. The Build, Grow and Expand Strategy (BGE) was crafted as a turnaround apparatuses. Customers increased to 11.

Milestones for the previous five financial years and part of the current financial year below:

2016

- Zero irregular expenditure
- NOSA accreditation
- OHSAS 18001 certification retention
- 33 PoPs optimised
- Number of customers increased to 23
- B-BBEE level 3
- Positive EBITDA
- 87.50% achievement of the Shareholder Compact
- Unqualified audit opinion

2017

- Zero irregular expenditure
- OHSAS 18001 certification retention
- ISO 9001-2015 certification process started
- 18 PoPs optimised
- Number of customers increased to 30
- B-BBEE level 2
- Positive EBITDA
- 72% achievement of the Shareholder Compact
- Unqualified audit opinion

2018

- OHSAS 18001 certification retention
- ISO 9001-2015 certification - two external audits completed successfully
- Number of customers increased to 46
- B-BBEE level 7
- Positive EBITDA
- Positive cash flow generated from operations
- 64% achievement of the Shareholder Compact
- Unqualified audit opinion

2019

- 313 SA Connect sites connected and 258 sites tested successfully end-to-end
- 72% increase in sales volume
- ISO 9001-2015 certification- two external audits completed successfully
- B-BBEE level 7
- The number of customers increased to 61
- Positive EBITDA
- Positive cash flow generated from operations
- 95% achievement of the Shareholder Compact
- Unqualified audit opinion

2020

- ISO 9001-2015 certification retained
- ISO 1800 certification retained
- Number of customers increased to 79
- Strategic partnerships for value enhancement forged
- B-BBEE level 6
- Undersea Cable Monitoring launched in 2020
- Lusikisiki Clinic Connected
- Positive EBITDA
- Positive cash flow generated from operations
- 68% achievement of Shareholder Compact
- Unqualified audit opinion

In the **Spotlight**

+22% Customers	+3% Sales	+14% Revenue	+23% Total Number of Services	+117% #Services from Regional Customers
79	**R225m**	**R469m**	**127**	**13**

+56% Co-location Services	+11% #of Services from ISP	Debtors Days	SMMEs paid within	SA Connect sites	MTTR	Service Availability
14	**89**	**28 days**	**19 days**	**313 Sites**	**5.68 Hours**	**99.8%**

+677% Linkedin	+148% Twitter	+72% Facebook	Town Talk	B-BBEE	BOE	BOW
863	**958**	**491**	**4**	**122%**	**46%**	**44%**

Undersea Cable Monitoring launched

ABOUT THIS **REPORT**

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Our reporting is evolving as the Company's strategic focus, operational priorities and organisational thinking become more integrated, thereby enabling us to remain strategically aligned and responsive to stakeholder interests.

Basis of Approach (King IV P5)

This Report was prepared in accordance with the IIRCs or <IR> Framework. We report on financial and non-financial performance for the year from 1 April 2019 to 31 March 2020, and provide forward-looking information in terms of our short-term, medium-term and long-term strategic outlook, highlighting the material relationships between the stores of capitals that form the basis of our value-creation process.

This Integrated Report should be read in conjunction with the annual financial statements for an all-inclusive, comprehensive view of our financial performance.

Reporting Boundary (King IV P5)

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

The Broadband Infraco Integrated Report is published annually after approval by the Board of Directors and Shareholders. The previous Integrated Report for the period 1 April 2018 to 31 March 2019 was approved by the Board on 25 July 2019.

Materiality in our Reporting (King IV P4 and P16)

The 2020 Integrated Report provides information that we consider to be of material significance in creating value in the short-, medium- and long-term. We emphasise four overarching material aspects for the 2020 reporting year, which are detailed on page 45.

We further align material aspects to performance, strategic objectives, and risks, and disclose material stakeholder impacts and concerns raised during the year. We are confident that this Report provides information that is of material interest to all stakeholders coveting to make cognisant appraisals of our performance and ability to create sustainable long-term value.

Integrated Approach to Assurance (King IV P2, P5 and P15)

Our Integrated Assurance Plan has been applied to the process of preparing the Integrated Report to provide an independent perspective on the transparency and accountability of our disclosures. Our Integrated Assurance Plan encapsulates the five-level assurance that is provided by management, compliance and risk management, internal and external audit, and external assurance providers, with the Board of Directors serving as the last line of defence.

Collectively, assurance-related activities performed by the various role players are depicted in the table below:

Broadband Infraco's Integrated Assurance Plan			
Content	Assurance providers	Outcome	Framework/Standard
Integrated Report	• Board of Directors • Audit and Risk Committee (ARC) • Human Resource and Remuneration Committee (HRRC) • Social and Ethics Committee (SEC)	• Director approval	• International <IR> Framework • Audit Committee Terms of Reference
Annual Financial Statements and Performance Information	• SNG Grant Thornton • ARC • SEC • Board of Directors	• Unqualified audit opinion	• IFRS • Public Finance Management Act (PFMA) • Companies Act • IIRF
Review of internal controls and risk management	• Internal Audit	• Financial controls: Satisfactory • Operational controls: Requires improvement	• Committee of Sponsoring Organisations (COSO) • PFMA • Institute of Internal Auditors • Legislative requirements • Enterprise Risk Management
Quality Standards auditing	• South African Bureau of Standards (SABS) • International Standards Organisation (ISO) • TÜV Rheinland	• Standardisation of processes and systems	• Quality Standards • ISO standards relating to safety and environment, including ISO 9001
B-BBEE Contributor Level	• Empower Logic Agency CC	• B-BBEE Level 6	• Broad-Based Black Economic Empowerment (B-BBEE) Act and Charters
Corporate Governance	• Internal Audit	Assessment of controls: • Financial controls satisfactory • Operational controls require improvement • IT controls require improvement	• King IV • PFMA • Companies Act

Table 1: Collectively, assurance-related activities performed

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

Broadband Infraco has adopted King IV, principle 16 as well as International Standards AA1000 and AA1000SES, as standards to adhere to in as far as Stakeholder Engagement is concerned. We strive to communicate with stakeholders robustly and regularly. Our core values, as encapsulated in our Corporate Plan, and on page 36 of this Report, guide us in our interactions with stakeholders. To meet stakeholder commitments, we commit to engage with our stakeholders and adhere to the following Principles of being:

- Purposeful
- Inclusive
- Timely
- Honest
- Respectful.

Going Concern Status (King IV P2)

In adopting the going concern assumption, the Board reviewed the Company's performance for the year and considered the budgets and cash flow projections for the 15 months ending 30 June 2021, including costs saving efforts, the cost of sales and related optimisation opportunities, the funding plan, and the shareholder loan conversion.

Board oversight of the elements of the 2020 Integrated Report (King IV P5, 8, 11, 13, 15 and 15)

The Board and the Executive Committee (EXCO) have respectively established committees to ensure effective management and monitoring of the operations, and to 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 2020 Integrated Report.

Board oversight of integrated reporting elements				
Integrated reporting element		Required activities	EXCO sub-committee	Board Committee
	Stakeholder engagement and relationship	• Effective stakeholder engagement and responsiveness	• SMF	• SEC
	Risks and opportunities	• Effective identification and assessment of material issues	• SMF	• ARC
	Strategy and resource allocations	• Processes and controls • Initiatives and activities • Resource allocation	• Capital Investment Steering Committee • Bid Adjudication Committee	• ARC • Investment, Finance, Tender and Procurement Committee (IFTPC) • HRRC • SEC
	Performance and outlook	• Appropriate performance measurement, include key performance indicators, targets, and management	• SMF	• ARC • IFTPC • HRRC • SEC
	Remuneration	• Appropriate remuneration structure to align performance against strategy	• n/a	• HRRC
	Governance	• Governance and assurance processes to oversee 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

Feedback

We endeavour to continuously improve our integrated reporting process to ensure that we meet best practice reporting standards and the expectations of our stakeholders, as well as increase visibility of our efforts in creating sustainable value for all our stakeholders. We, therefore, welcome any views on the content and design of the report. Comments and questions can be directed to contact-us@infraco.co.za.

Outlook Statement

Certain statements in this Report regarding Broadband Infraco's operations may be based on the future-outlook. These include all statements other than statements of historical fact, including those regarding the financial position, corporate strategy, management plans and objectives for future operations.

Future-outlook statements constitute our present expectations that hinge on reasonable assumptions based on market analysis and calculated risk. These statements inform the readers that our 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. Broadband Infraco neither intends to, nor assumes any obligation to, update or revise any future-outlook statements, whether because of new information or future events.

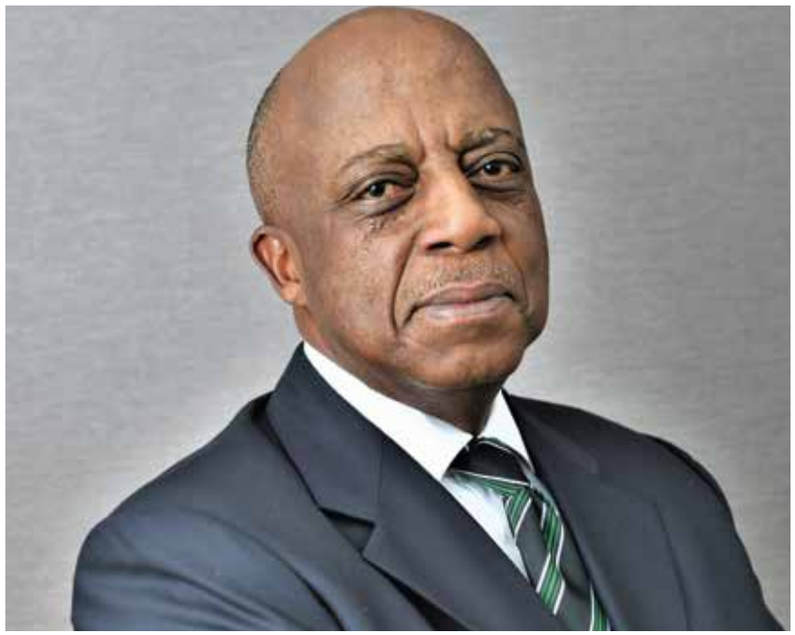
Statement of Responsibility

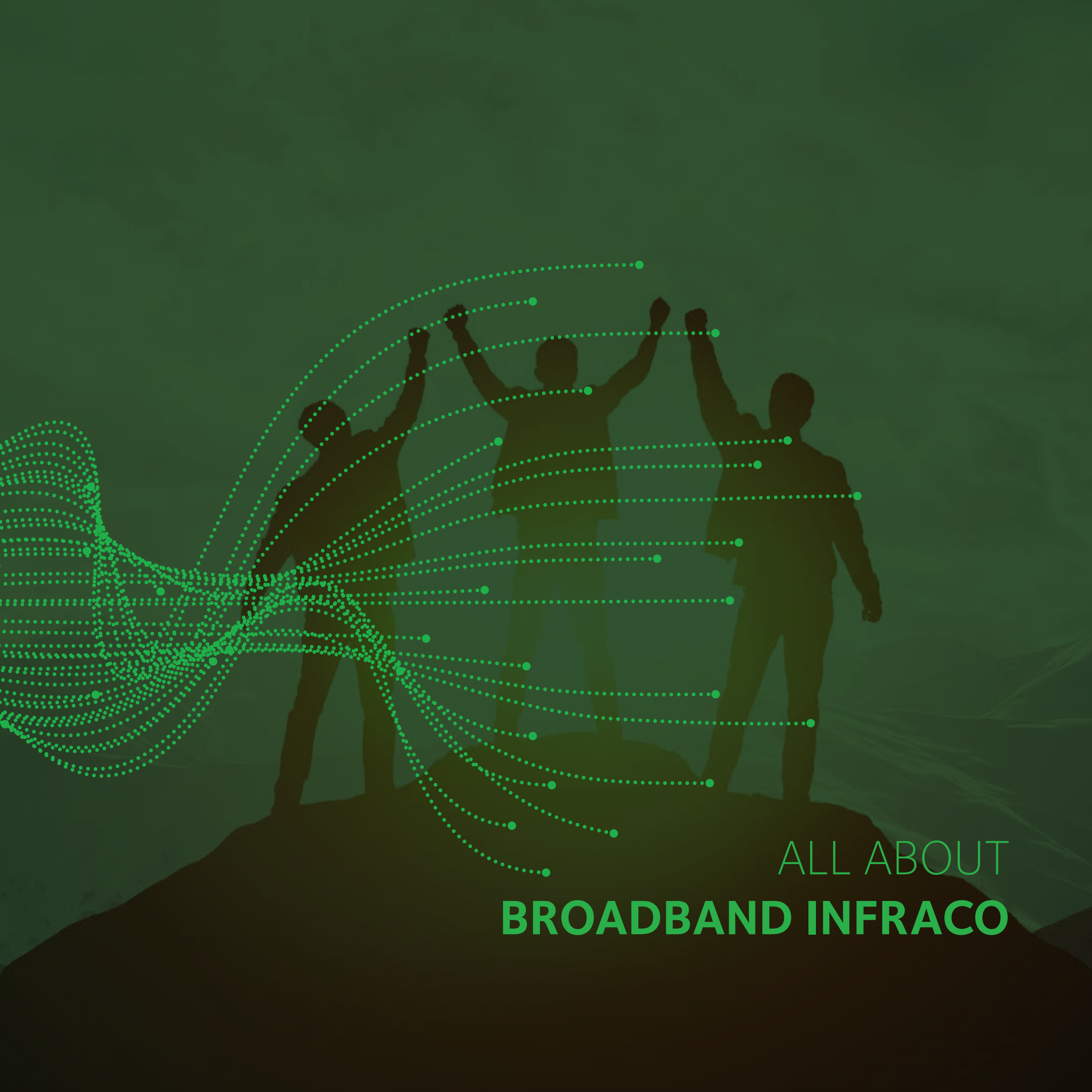
The Board of Directors, assisted by the ARC, acknowledges its responsibility to ensure the integrity and completeness of the 2020 Integrated Report. The Board affirms that it has applied its collective mind in the preparation and presentation of the integrated report and has concluded that it is presented in accordance with the International Integrated Reporting Framework.

The Board, considering the completeness of the material matters dealt with and the reality of information presented based on the integrated assurance process followed, approved the 2020 Integrated Report, Annual Financial Statements and supplementary information on 29 September 2020.

N Selamolela
Chairperson: ARC

M Ngcobo
Chairperson: Board





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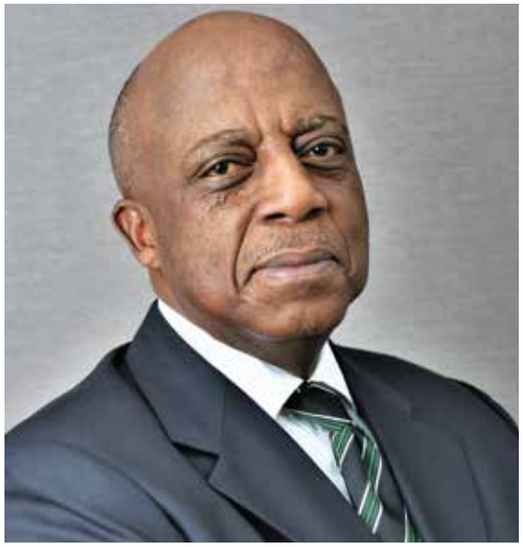
BROADBAND INFRACO



LEADERSHIP **PERSPECTIVE**

The Chairman, Chief Executive Officer (CEO) and Chief Financial Officer (CFO), on behalf of the Board of Directors, present Broadband Infraco's Integrated Report for the year ended 31 March 2020. This Report covers the total performance of the Company, its financial and other resources over a period of five years, thus depicting our continual journey in implementing our turnaround strategy - Build, Grow and Expand (BGE).

100%
of the key customer base was **retained.**

The telecommunications sector is a dynamic and increasingly competitive environment that necessitates constant review, adaptation, and alignment of our strategies to both the internal and external environments.

The market is shifting from Irrefutable Rights of Use (IRU) and long term lease contracts as the customers have garnered more market power through the oversupply of infrastructure, despite these challenges, we are happy to report that 100% of the key customer base was retained.

This is a major achievement given the current economic conditions: FY19/20 experienced base revenue erosion of about 20% as renewals from major operators came at the back of price re-negotiations. The impact hereof was compensated for by new business driven by the Mobile Operators' capacity growth, which will start yielding benefits in the 2020/21 financial year. Strides were made in the aggressive acquisition of Internet Service Providers (ISPs) as an extension and supplement to the Sales capacity as well as leveraging SA Connect opportunities. As part of the Strategic partnerships, leverage was made from the Google relationship as it further enhanced the brand and its relevance in the market. The Microsoft and Tata partnerships yielded commercial benefit with a major competence now being built for undersea cables monitoring. Southern African Development Community (SADC) business yielded growth, albeit at a slow pace and largely affected by the delays in the Kopfontein route implementation. West African Cable System (WACS), on the other hand, experienced growth of about 39% due to increased capacity from the anchor customer.

Despite much focus having been created in the public sector business in this year, the resultant business was not to the extent envisaged. As a result, a review will be conducted on the approach to this segment.

In March 2020, the economy experienced the initial phases of a slowdown as a result of the COVID-19 lockdown which translated into some big bet deals having to be inadvertently delayed. This had major implications as the last days of the financial year are normally filled with large deal activities as customers finalise Project commitments before moving into a new financial year.

From a market perspective, we note the challenges that required more dynamism in approach and responses:

- A notable aversion to IRU commercial deals which had an adverse impact to operational cash flows.
- Shift in our customer patterns: High revenue generating customers opting to self-build, with this year being particularly affected by the completion of critical route builds (Route 5 & 6) which entailed a substantial component of current demand and revenue contribution.
- Shift in commercial propositions: With more and more of our customers experiencing price pressure from Regulators and end customers, therefore demanding fibre swaps instead of sales transactions.
- A rife Industry price war and fight for customer retention which has required never seen before responses on commercial propositions.
- Long decision making by customers on deals which has an adverse implication on the timing within which revenue and cash flow finally lands on the financial period.
- The longer period experienced in concluding contracts with international customers which could have contributed significantly in the current fiscal year.

The stars of our Company's performance, under difficult circumstance, were undoubtedly our employees who continued to excel under difficult circumstances encountered during the year. The circumstances we had to endure included providing reliable service levels while operating under high levels of load shedding and provisioning urgent customer services with very limited capacity on the network. Notable among some of these successes was the provisioning of 100G and multiples of 10G services to various customers under very challenging conditions and timelines. Similarly, the relocation of the Beitbridge Border PoP to a more secure environment aided in the reduction of incidences of vandalism and theft of critical network components.

Although delays were experienced in the execution of some projects, the good news is that all projects were executed at, or below, the planned cost indicating accurate planning and frugality in implementation. The Kopfontein project continued to experience delays due to lack of collaboration from some State-Owned Companies (SOCs), resulting in an alternative solution being pursued. A lot of effort was made in expediting the completion of all projects within this financial year, with special focus on the SA Connect Phase 1B and Northern Ring projects.

Regrettably, project execution was delayed due to a few factors, including contracting delays and non-performance of some of the Access Network Providers (ANPs), meaning that outstanding work will be completed during the upcoming financial year. Some customer's professional services were only concluded late in the year, adding more pressure on the internal team and the completion of layer 2 services rollout.

Network service performance exceeded the planned **goal of 98%,** by achieving **99.76%** network services availability.

During the year under review, network service performance exceeded the planned goal of 98%, by achieving 99.76% network services availability, which was slightly better than 99.65% achieved in the previous financial year. The financial year under review also posed a number of challenges when it came to the effectiveness of the talent management function. There were numerous obstacles that made it difficult for the human resources function to achieve the usual levels of excellence to enable the organisation to execute its strategic objectives.

Human Capital

The Company's financial limitations deprived us of the ability to implement planned critical imperatives intended to enhance, among others, leadership effectiveness, a well-populated structure for a meaningful succession plan, and budget to fulfil the requirements accordingly, adequately catering for individual development needs of the employees required to boost performance levels and enable career advancement.

The second challenge, with significant impact, was the inability to fill vacancies as a result of a moratorium by the shareholders, which was partially lifted towards mid-year, although the requirements to populate were not accessible. There was a large dependency on the interns and trainees as well as outsourced services, all of which presented their own challenges from a low skills base, to high costs of labour and the inability to build and maintain a reliable career pipeline.

Financial provisions to boost workplace morale have been reduced to a bare minimum and there are no equitable means to incentivise exceptional performance, except for performance linked annual remuneration adjustments. As a result, the unavailability of resources to pay out prior year performance-based incentives when the company performance target had been met, is a matter that the employees understand, but do not fully appreciate as it is perceived to be lack of appreciation for dedication and over commitment.

We were able to execute on our strategic objectives as 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 speedily resolving any stumbling blocks to enable the flow of processes by whatever means available. Employees at all levels operate outside of their actual scope of work to assist in areas where there is a lack of capacity. There are many employees who work unlimited hours and have made sacrifices to take on extra assignments.

The Human Resource (HR) division identified opportunities with potential to maintain workplace morale by continuing with inclusive participation and consultative processes to encourage buy-in when rolling out organisation-wide imperatives.

During the financial year, the division was involved with the demanding tasks to implement critical aspects of the function based on the outcome of employer/employee undertakings, facilitating human resources development projects and participation in programmes initiated on shareholder directive. This is amidst an acute shortage of capacity which has led to intolerant stress levels and other ill-effects on health. In the main, the following activities were prioritised:

- HR is considered to have made a 40% contribution towards the Company's B-BBEE status through skills development imperatives. During this term, the division worked with the Supply Chain Management department to obtain expert assistance with outputs that have the potential to improve the ratings on weighted activities. The consultations were extensive and a lot of insight regarding how the scores can be maximised was gained.
- There were intense engagements with the new majority organised labour representatives, Information Communication & Technology Union (ICTU), who had successfully organised to Collective Recognition and Procedural Agreement status.
- The 2019/20 negotiations were finalised without industrial relations incidents albeit after a protracted process that resumed in earnest in May 2019. The annual salary adjustments agreed with the representative Trade Union were implemented in two phases at bargaining level.
- Support was required for the finalisation of the outstanding aspects of the Sales Compensation Structure as well as the implementation of the Q3-4 2018/19 commissions. The process is still in a testing phase and care is being taken to ensure that unwarranted complications are prevented. There was also work involving the formulation of a finder's fee part of the scheme which is now due for EXCO consideration and approval.

The division was busy with assignments that were not part of the divisional annual business plan, and this had an impact on the capacity of the human resources team. Among the most significant and demanding activities were the following:

- The finalisation of the Skills Audit process to complete the individual competence assessments received priority. The initial participation rate was only 50%, after which an appeal was made to outstanding employees which increased participation to 97%. This brought the project to the final phases which will lead to a report and closure.
- The Company increased its number of participants in the China Telecoms sponsored skills development programmes with a total of five employees taking part in various courses most of which were on the 4th Industrial Revolution (4IR) competencies. This is considered a significant step towards the readiness for embracing the advent of the technological advancement to keep up with the global trends and stay relevant. The programmes are sponsored by the Department of Communications and Digital Technologies (DCDT). This brings to 12 the total number of employees who were afforded a similar opportunity since 2016 to attend seminars in China. This is also a form of recognition for employees whose performance is consistently above board.
- One IT employee at senior management attended a 21-day international programme hosted in India on cyber security.
- There has been a lot of participation in the information gathering and valuation phase of the SOC rationalisation process which required HR to provide personnel data and have representation in the workshop sessions between the two entities to be merged.
- A first in the history of Broadband Infraco was launched: the signing up to participate in a landmark project for the country's gender balancing strategy aimed at increasing the numbers of females in the science, technology, engineering and mathematics careers. The TechnoGirl Programme is a project that promotes the participation of corporate citizens of the country to open their doors to female learners in Grades 9 to 11 to provide job shadowing opportunities during school vacations. The purpose is to create awareness and encourage the girlchild to pursue these predominantly male careers.

Continuation with the Internship programme, albeit on a small scale and limited to a maximum of five new intakes for the financial year, contributed to the strategy to develop human resources capacity requirements from the bottom up to create south African youth career development opportunities. The focus was on increasing the numbers of females and persons with disabilities.

On the quality front, Broadband Infraco has maintained its ISO9001:2015 certification from 2017 to-date. There were no repeat findings from external audits conducted, except for six minor areas that were flagged for continuous improvement. This attests that the Company operates within the norms of global standards and our customers benefit from all these efforts.

Broadband Infraco prioritises the health and well being of its employees. To prevent the spread of COVID-19, the Company enabled employees to work from home, with the exception of those who's roles are considered essential services, such as Network Operations and Maintenance. Health and safety is measured monthly using the Lost Time Injury Frequency Rate (LTIFR), which is an international benchmark. Using this measure, we have maintained a healthy 0.29 LTIFR, with only minor incidents registered during the year.

In the latter part of the year, the entity embarked on the SOC Rationalisation process, the first phase of which focused on the feasibility of merging the two entities as well as establishing the value of the merged entity. The first phase of the work completed included a post-merger integration plan and valuation report.

Below are the details of our milestones as per the respective Capitals:

Intellectual Capital

We have, in this period, continued to execute our Build, Grow and Expand strategy which was developed in the 2013 financial year. The BGE strategy ensures a solid platform to create momentum towards growth, innovation, and sustainability by preserving the value of the Company and connecting the nation and beyond.

> This strategy identified 23 initiatives to turn the Company around in the 2013/2014 financial year. Our 2018 integrated report indicated that 19 of the 23 initiatives were achieved, two were ongoing and two were a challenge. In 2019, all initiatives were achieved although the Company still faced challenges of securing funding from commercial banks that persisted in the year under review.

Having been certified ISO9001:2015 compliant, the Company maintained its certification levels after Quality Management Systems audits were conducted. A few minor non-conformances in the Gauteng region are being rectified.

The Company continued to review standardised processes, policies, and procedures to ensure good governance and continuous improvement. Several key performance indicators (KPIs) are tracked to measure business performance, notably those determined by the Shareholders in the Annual Performance Plan (APP) and contracted through the Shareholder Compact.

The implementation of the 6-pillar sales strategy was executed under a challenging macro-economic environment. This was characterised by price pressures, coupled with a reduced sales and human resource capacity due to the moratorium in filling vacancies.

Financial Capital

The 2019/20 financial year presented revenue growth of 14% in comparison to the previous financia year. Performance was delivered under a challenging macro-economic environment with growth of less than 1%, a price pressured industry environment as well as two-thirds of the sales capacity due to the moratorium that was in place in FY2019/20. This year was, as a result, very focused on retention of the key customer base as there was a vicious battle for total ownership of these accounts.

The following are key factors that worked and were linked to the execution of the 6-pillar Sales strategy:

- The Key Accounts: 100% retention of the account base was achieved.
- Acquisition: 11 new and revenue yielding ISPs were acquired in FY2019/20.
- Strategic partnerships: Three major strategic partnerships were locked-in this year (Google, Microsoft and Tata).
- SADC and WACS growth: SADC contributed 12% towards total TCV for the financial year, whilst WACS grew by 39% due to increased capacity from the anchor customer.
- Public Sector: Retention of a major public sector customer, as well as growth of services. One major provincial customer and municipality were closed in this financial year.
- Channel Partnership: Four major channel partnerships were completed.

It is worth noting that strategic pricing engagements with suppliers yielded a 29% cost reduction with one of the major fibre lease partners which in turn supported BBI's response to the market.

Gross profit margins improved year-on-year, amidst the increase in cost of sales mainly attributable to high fibre maintenance costs due to a number of fibre breaks, this is despite a highly competitive market which is demanding highly competitive pricing Operating expenses are higher year-on-year largely due to higher employee costs as a result of the filling of critical vacant posts during the latter part of the previous financial year and cost of living adjustment. Depreciation also played a role in this year-on-year increase in operating costs.

Broadband Infraco maintained a positive Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of R71 million for a fourth year in a row. The Company however remained under severe cash constraints during the year as no new cash upfront deals (IRU) were signed nor received during the last three quarters of the year. As a result, all capital expenditure to provision services to customers had to be funded from its own funds generated during the year. This, together with the lower revenue growth outside of SA Connect, is placing the Company under severe cash flow constraints.

The Company made an operational loss of R111 million for the year ending 31 March 2020, compared to a loss of R15 million (normalised to a loss of R115 million) in the previous financial year. This is mainly due to the Company not achieving the set revenue targets for the year under review. Revenues from the SA Connect project were also lagging due to a delay in receiving the signed final sales documents to enable invoicing and slow activation by some of the access network providers.

Some progress was made during the year to convert the shareholders' loans into equity, but the authorisation from IDC remains outstanding. This significantly impacted on the Company's ability to raise funding to extend the core network and provision services. As a result, the Company did not meet the sales and revenue targets for the current year.

Management remains optimistic that overall profitability will improve over the next 24 months due to a good sales pipeline.

Funding

> We continue to follow a funding strategy that is designed to cater for a transitioning business model that will enable sustainability. The Company's business model has transitioned from a single customer to one based on multiple customers, ranging from the private to the public sector.

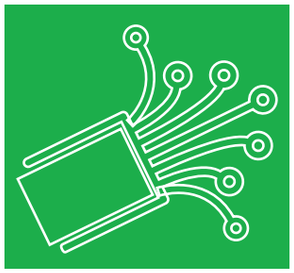
The Company's planned capital investment programme is supportive of long-term financial sustainability, with four key priorities:

- Revenue protection projects.
- Revenue generating projects.
- Mandate and license obligations projects.
- Essential asset upgrades and refurbishment projects.

The funding strategy is to source funds from various financial institutions, selective vendor financing alternatives and other providers of medium-term debt financing. 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 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 the financing of technology enhancements.

In the 2019, the Minister of DCDT approved the conversion of the shareholder loan into equity that will significantly strengthen our balance sheet. The Company, however, is still awaiting the same approval by the second shareholder to finalise the accounting transaction of conversion.

The delay in conversion of the shareholders' loans is significantly impacting on the financial sustainability of the Company and its ability to raise capital projects funding is eroded. The impact leads to non-reroutable network outages for existing customers and new service provisioning is hamstrung.



Manufactured Capital

Network Build

> In the year under review, a number of customer connectivity projects were completed on schedule and within budget

A brief description of these projects is as follows:

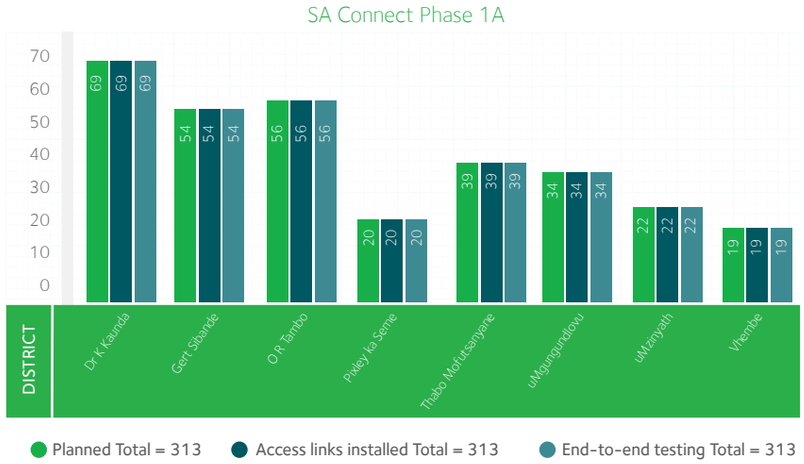
- The Kopfontein project is not yet complete due to delays experienced with the Eskom fibre lease. The customer was notified of these and various alternatives/temporary solutions were agreed and implemented.
- The Northern Ring Upgrade project installations were completed in February 2020. An additional 600G capacity was added through this project.
- A key customer's 100G project was provisioned in record time.
- Six links for customer 2 were successfully completed on schedule
- Several other customer-related projects were similarly completed successfully over the financial year.
- The Beitbridge PoP site relocation and cutover was successfully completed. The relocation was delayed due to changes on the initial proposed site position for power lines clearance. This was resolved after negotiations with Eskom.

SA Connect

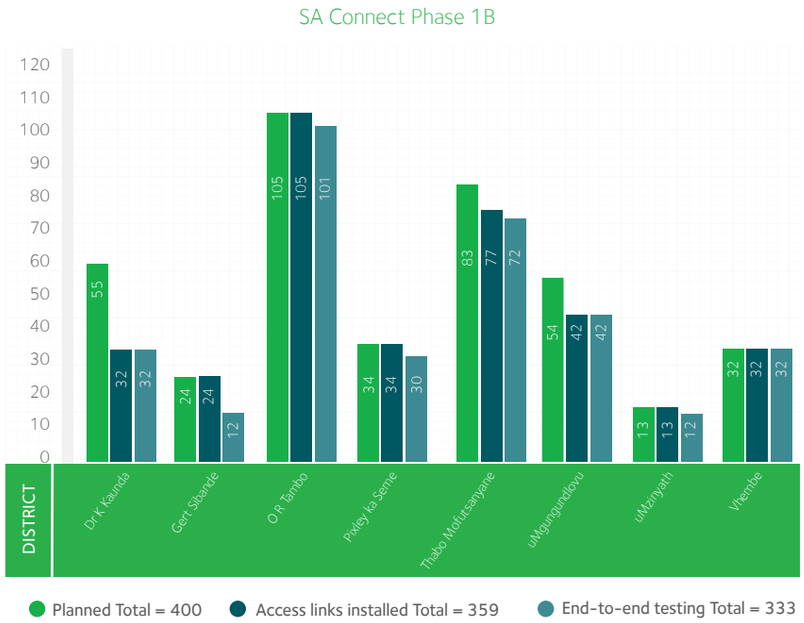
The Government of South Africa in preparation for the Fourth Industrial Revolution, determined that all government facilities in rural and underserviced areas should have access to broadband connectivity. The connection of government facilities in remote areas is implemented as part of the National Development 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 for the purpose of accessing government services as well as general public empowerment. With this connectivity will come the empowerment of citizens in remote areas, in preparation for participation in the digital economy and the age of the Internet of Things (IoT). A a total of 672 sites have been installed and 646 tested end-to-end successfully.

The table below shows the progress of the overall SA Connect project for the various phases that the Company is implementing:

SA Connect Overall Progress



Graph 1: SA Connect Phase 1

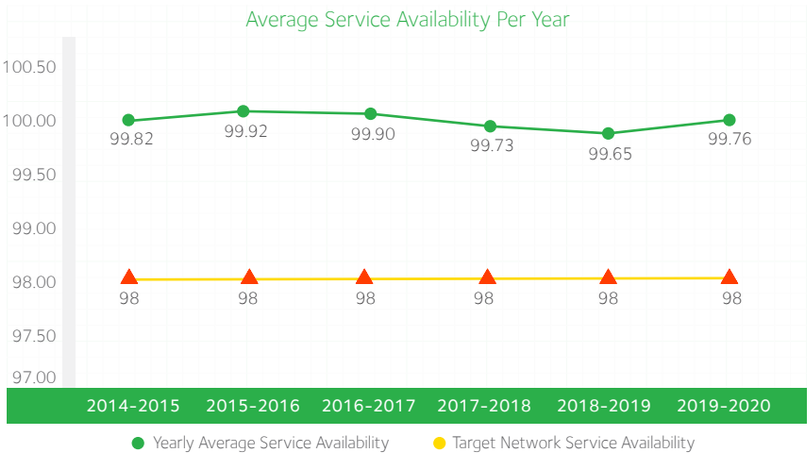


Graph 2: SA Connect Phase 2

Network Service Availability

We have consistently exceeded the average network performance targets agreed to with our customers. In the year under review, the network service availability was slightly better at 99.76% compared to 99.65% in the previous financial year.

The graph below shows the average service availability trend over the past six financial years.

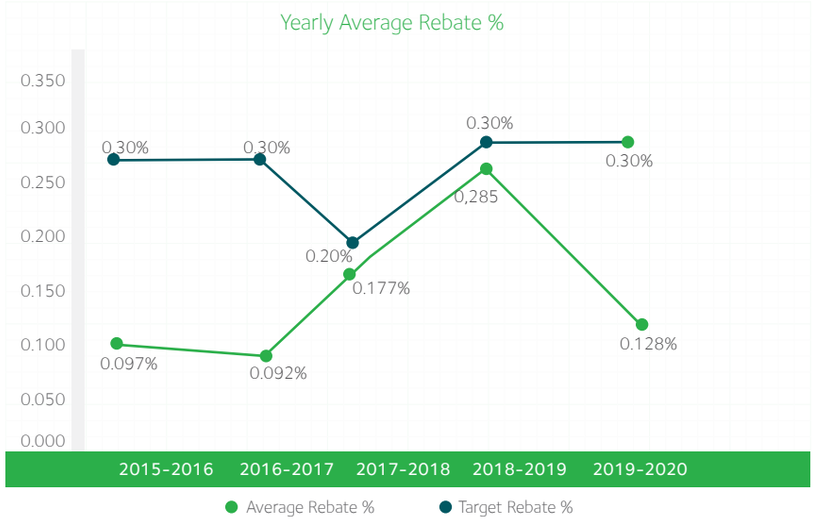


Graph 3: Average Service Availability

Network Rebates

Despite having exceeded the Network service availability, in 2019/2020 some customer's services did not meet the SLA requirements and resulted in rebates, which amounted to R594 891 in provisions. The actual rebates invoiced was a total of R394 182. The actual averaged rebates provisioned were 0.13% of the yearly revenue which is within the company target of 0.30%.

The full annual comparison of the percentage of rebates paid is shown in the trend graph below.



Graph 4: Yearly Average Rebate

Social and Relationship Capital

Brand and Events

We saw a tremendous increase in events attended by the Company which varied from industry-related events which are viewed as platforms for building brand awareness, thought leadership and customer acquisition. Other platforms include shareholder advocacy/projects of national interest and CSI-related events that afford the Company an opportunity to support the shareholder and to also contribute positively to communities in which we operates. We continued to carry a positive image and brand presence as the connector of the unconnected society in the market.

> Additionally, we have experienced a continuation in the exceptional growth trajectory on the Company's repositioning and sought-after thought leadership position. The Company secured numerous speaking opportunities on various topics during recent conferences, providing industry guidance on topics ranging from SA Connect to future technologies.

Customer Engagement

Continual engagement with our regional counterparts through the Southern African Telecommunication Association (SATA) and West Africa Cable System (WACS) strengthened our relationships and increased brand awareness. It also yielded positive returns with BBI, for the first time, landing a deal for the management of the undersea cables.

We increased our customer base from 61 to 79 in various segments and maintained 100% retention of our customers. Despite some contracts coming to the end of their tenure, we have attained 100% renewals.

Employee Engagement

During the 2019/20 financial year, an enormous amount of time was spent on activities relating to stakeholder management to address matters of governance for cooperative relations, employee expectations and major shareholder directives. The following were key:

- A skills audit project was conducted that will benefit both parties as the Company also needs to determine its status for critical skills and knowledge for optimum performance and readiness for the 4IR.
- Human resources has contributed 40% towards the company's B-BBEE status through skills development imperatives. There have been challenges in meeting this requirement due to lack of financial resources to spend 6% of salary bill on skills development initiatives. As a result, a concerted effort was put into obtaining expert assistance with identifying alternative ways of gaining traction to collect points from activities and facilities that are a cost to the company. The consultations were extensive and a lot of insight into how the scores can be maximised was acquired. For instance, additional points can be earned from the calculation of the Rand value of the time spent by employees regarded as subject matter experts across the various divisions who are involved with internal skills enhancement initiatives such as workshops, mentoring and coaching, upskilling initiatives, the costing of the office facilities used for training sessions, and developing learning material to support internship programmes where necessary. The 2019/20 annual salary adjustment negotiations were finalised without industrial relations incidents albeit after a protracted process that resumed in earnest in May 2019. Agreements were reached with the representative trade union and successfully implemented.
- Support was required for the finalisation of the outstanding aspects of the Sales Compensation Structure that was in its second year. There was also work done involving the formulation of a finder's fee as part of the scheme.

Targeted Procurement

The Company has successfully deployed systems, policies and procedures to comply with all statutory supply chain management requirements which include, but are not limited to, National Treasury prescripts, Preferential Procurement Policy Framework Act (PPPFA) as well as Broad-Based Black Economic Empowerment functionality. The procurement strategy is specifically designed to attract a meaningful contribution from previously disadvantaged groups and 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.

All B-BBEE Performance Targets that were set for the year were achieved through the fruits of a well-executed strategy to improve spending on targeted designated groups.

Community Engagement

As a responsible corporate citizen, the Company adopted a high school annually from 2013 to support the Maths and Science programme through the provision of broadband connectivity. In previous years, interactive teaching and learning aids, such as interactive whiteboards, telematics, computer tablets, computer laboratory, and cyber security were provided. In 2019, Borakanelo High in North West Province was adopted and broadband connectivity, including a computer lab and telematics (long distance learning programme), were provided in partnership with our service providers. Ten educators were tutored on the use of the telematics and cyber security training, and cyber-bullying awareness was created. Additionally, BBI collaborated with Google to train schools on coding skills.

During the year under review, a new school, Byletts Secondary School in the Eastern Cape was adopted, and training was provided to create cyber-bullying awareness.

Human Capital

The following upskilling initiatives and contribution towards the national skills development plan were implemented:

- The finalisation of the Skills Audit process to ascertain individual competence assessments, received priority.
- The Company increased participation in the China Telecoms sponsored skills development programmes, as sponsored by the DCDT, with a total of five employees taking part in various courses. This is considered a significant step towards the readiness for embracing the advent of the 4IR technological advancement to the next generation to keep up with global trends and stay relevant. This brings to 12 the total number of employees who were afforded similar opportunity since 2016. This is also being used as a form of recognition for employees whose performance is consistently above par.
- One IT employee at senior management level attended a five-day cyber security international programme hosted in India.
- The Company signed up to participate in a programme that seeks to increase the number of females in the science, technology, engineering, and mathematics careers. The TechnoGirl Programme is a project that encourages the participation of corporate citizens of the country to open their doors to female learners in Grades 9 to 11 to provide job shadowing opportunities during school vacations with the intention to create awareness and encourage the girlchild to pursue these predominantly male-orientated careers.
- Continuation of the Internship programme, albeit on a small scale limited to a maximum of five new intakes for the financial year, contributed to the strategy to develop organisational human resources capacity requirements and to increase the number of females and persons with disabilities.

Outlook

The Fourth Industrial Revolution will continue to be a focus for the country with Government set on ensuring inclusion of the broader population to opportunities and new ways of delivering Government Services. Broadband Infraco will continue to play a fundamental role as Government's backbone provider for enabling all the new products and services and ensuring their availability to the rural and underserved communities. We will continue to participate in the State driven policies and initiatives aimed at delivering national objectives which include the 4IR Commission as well as the Digital Economy Master Plan work. Meanwhile, operators are accelerating plans for 5G deployment, with the main ones having tested in the major centres. BBI will continue to endeavour developing and maintaining the backbone in preparation for the high capacities and speeds demanded by the new Technologies.

ACE, an optical-fibre submarine cable system serving 24 countries on the west coast of Africa and Europe is forecasted to land in South Africa in the last quarter of 2020. Additionally, the 37 000km long 2Africa cable with a design capacity of up to 180Tbps and forecasted to have more than the total combined capacity of all subsea cables serving Africa today, is expected to go live in 2023/4. The landing of undersea cables will drive the price of international capacity down as well as place more pressure on the reduction of terrestrial fibre pricing. With this, we are also seeing an influx of investments in data centres, with the investment of Africa Data Centres as well as the increased investments from hyper-scalers like Amazon and Microsoft. Data centres will continue to grow in the coming years as the emergence of new technologies will require massive amounts of capacity for storing data for Analytics, Artificial Intelligence and IoT.

The Company will, for the **foreseeable future,** continue to focus on **financial and operational sustainability.**

The sustainability of the Company is dependent on the incremental growth of sales and revenue. For the Company to be profitable, the network capacity should be expanded, including the Internet Protocol (IP) Network, whilst reducing AdLash. Capacity is required both for redundancy as well as direct customer provisioning. Further investment in the actual capacity upgrade is required to run a resilient network. We have plans to improve network reliability, performance, and route redundancy. The strategy will be to focus on prioritising key spots on the network, including AdLash refurbishment in conjunction with key stakeholders and revamping and upgrading of the power/auxiliary equipment, and better management of power failures. The outlook for BBI has improved significantly in the past two years, partly due to the implementation of SA Connect and positive perceptions thereof by various stakeholders. This has generated an increased interest in the Company from the market, which can also be seen by the increase in the number of customers as well as the growth of the sales pipeline, within the same period.

Over the past few years, the Information Communication Technology (ICT) sector has continued to experience economic price pressure whilst volume continues to grow. As a result, revenue continued to be under pressure even though Broadband Infraco revenue was on the rise. The momentum for revenue growth is expected to continue to increase with the implementation of the sales strategy.

The Company will, for the foreseeable future, continue to focus on financial and operational sustainability. Obtaining access to additional infrastructure, as well as investment and funding, is pertinent to Broadband Infraco's growth strategy which will enable greater offerings to customers (network and connectivity). This also includes the internal enablement of the organisation through alignment initiatives such as business model optimisation, operating model review and implementation of improved processes, systems, structures, and governance, which will allow for organisational optimisation to maximise benefits for customers and stakeholders.

Key to this will be prioritising good financial management that is mainly concerned with the management of all matters associated with the Company's cash flow both in the short- and long-term, how the organisation uses its funds and funding of its working capital, and seeking funding from third parties through loans/debt. Financial management also endeavours to reduce organisational costs within the approved budget parameters. This will be supported with best practice Supply Chain Management principles being embedded in the organisation using long-term demand planning, supplier management and expedient procurement processes.

The following are identified as sales enablers:

- IP Network Investment – the key enablement in unlocking business growth through a saleable network which is scalable and flexible to deliver a variation of bandwidths at competitive prices which will open-up for volume sales.
- Resolution of the Shareholder loan – to open doors for funding which will enable the activation of customer projects which are on hold due to lack of financing.
- Redundancy on SADC Routes – to secure the existing business in the region, and secondary routes are of importance. The current instability of the network has put the organisation at risk of losing existing and new customers.
- Optimise Reach – accelerate growth on Reseller Agreements and/or channel partnerships to increase revenue streams.
- Leverage SA Connect – replicate the KwaZulu-Natal business model to the other provinces such as Eastern Cape, Limpopo, Northern Cape and beyond.
- Collaborate – continue to partner with industry giants to grow revenues, gain industry recognition through rapid deployment of products, reaching a strategic customer base and grow the footprint beyond the borders of South Africa.
- Retain and grow – major accounts.
- Business Development – win key accounts, manage relationships and develop joint strategic accounts.

> We intend to continue rolling out services in rural areas as part of supporting government efforts to reduce the digital divide. This plan builds on top of the SA Connect project that continues to be rolled out. In addition, focus will continue to be placed on maintaining and running the sites that were already connected.

Appreciation

A special thanks and appreciation to our Shareholders, the Minister of Communications and Digital Technologies, the Honourable Ms. Stella Ndabeni-Abrahams and her department, as well as the Industrial Development Corporation of South Africa, and its Shareholder representative, Ms. Lucretia Khumalo and her executive team for their ongoing support.

We wish to thank our colleagues on the Board and Executives who have provided valuable and assiduous guidance. We would like to thank them for their commitment in assisting with re-positioning the Company to prepare it for the future. Gratitude also goes to the many staff members who continue to demonstrate stoicism and dedication to adding value to the Company's bottom line.

We thank all our stakeholders, especially customers, clients, and investors for their support during the year and look forward to their continuing support during the forthcoming years.

M Ngcobo
Chairperson: Board

A Matseke
Chief Executive Officer

I van Niekerk
Chief Financial Officer

Profiles of the **Board of Directors**

Mandla Ngcobo

Gender: Male

Qualifications:
LLB (Natal), LLM in Company Law (WITS), Business Management Programme (UCT); Admitted Attorney

Expertise:
Law; Telecommunications and Business Management expertise

Nokuthula Selamolela

Gender: Female

Qualifications:
B. Com (Accounting) (North West University), B. Com (Honours)/CTA (UKZN), Master of Commerce in Development Finance (UCT GSB)

Expertise:
Telecommunications, Financial Management, Supply Chain Management and Skills Development

Sydney Mabalayo

Gender: Male

Qualifications:
BSc (Electrical Engineering) (UCT), MBA (WITS)

Expertise:
Project Management and General Management

Andrew Matseke
Chief Executive Officer

Gender: Male

Qualifications:
BSc Electrical & Electronic Engineering (UCT),
Master of Business Administration (UP)
Post Graduate Diploma in Project Management (Cranefield College).
Professional Engineer (ECSA). Senior Member (SAIEE)

Expertise:
Engineering, Telecommunications and Business Management, Strategy Development, and Execution.

Ian van Niekerk
Chief Financial Officer

Gender: Male

Qualifications:
B. Compt (Hons) (UNISA), CA (SA), CIBM (UNISA),
Certificate in Short Term Reserving Techniques (UP)

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

Zandile Kabini

Gender: Female

Qualifications:
B. Com Informatics (University of Pretoria)
B. Com (Hons) – Informatics (University of Pretoria)
MDP - GIBS
Diploma in Business Analysis - FTI

Expertise:
Information, Communication and Telecommunications (ICT) and Business Management, Strategy Planning and Execution

Gift Mphefu

Gender: Male

Qualifications:
BSc. Electrical and Electronic Engineering (UKZN);
Certificate Course in Wireless Telephony (University of Pretoria);
Master's in Engineering (Engineering Management) (University of Pretoria);
Post Graduate Diploma in Health Technology Management (UCT);
MSAIEE; ECSA Registered Professional Engineer

Expertise:
Engineering, Information, Communication and Technology (ICT), Product Development, Business Development Management, Technology Management; People Management; Entrepreneurship; Stakeholder Relationship Management

Jennifer Schreiner

Gender: Female

Qualifications:
BA Honours (UCT), Master of Arts (Sociology) (UCT),
Master's in Security Studies (University of Pretoria),
Certificate in Project Management

Expertise:
Researcher, Activist, Administrator, Management and Strategist, Public Service and Administration

Lungile Mabece

Gender: Male

Qualifications:
B Proc (UWC), LLB (UWC), Higher Certificate: Project Management (Damelin);
Admitted Attorney of the High Court of South Africa

Expertise:
Corporate and Commercial Law; Transport Law,
Information and Communication Law, Policy and Legislation Development

ORGANISATIONAL **OVERVIEW**

Who **we are**

LEGISLATIVE AND REGULATORY

Broadband Infraco Act No. 33 of 2007
The Electronic Communication Act No. 36 of 2005 (ECA)

NATIONAL PLANS

NDP 2030
MTSF Outcomes
Nine Point Plan
SIP 15: Sub-outcome 15

DEPARTMENT OF COMMUNICATION AND DIGITAL TECHNOLOGIES

Departmental Plans

Key Focus Areas:

- Financial and Operational Sustainability
  Organisational Enablement
- Enable Digital Transformation and Infrastructure
- Enable Last Mile Connectivity

Our Vision

Provider communication services to enable a connected and transformed society

10 Year Outlook

Our Mission

- Expand the availability and affordability of access to communication services, including but not limited to under-developed and under-serviced areas
- Enable the acceleration of the state's digital transformation through broadband connectivity

10 Year Outlook

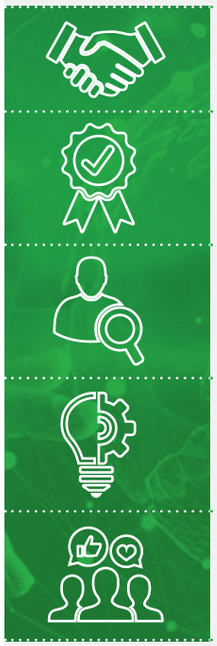
Our Impact

- Increase availability and affordability to communication services including, but not limited to, under-developed and under-serviced areas
- Implemented innovative, efficient, and cost-effective communication services
- A state supported through broadband connectivity
- A strategically positioned, reputable, competitive and profitable industry player

10 Year Outlook

Values

We strive to deliver excellence, efficiently and effectively, through active engagement with stakeholders, a customer-centric approach, and innovation that is guided by the highest levels of integrity. These are reflected through their core values, as shown below:



- Deepen customer centricity
- Excellence in service delivery
- Integrity and transparency in all that we do
- Fostering an innovative culture
- Active engagement with stakeholders

Figure 1: Values

Governance Context

The Company is owned by the Government, as represented by the Minister of Communications and Digital Technologies and the Industrial Development Corporation.

The Company's Memorandum of Incorporation (MoI) – approved by the Shareholder Minister on 20 September 2017, aligns with the provisions of the PFMA, and the Companies Act. As an SOC, the PFMA is our primary legislation. The Company is a Schedule 2 public entity in terms of the PFMA.

BBI signs an annual Shareholder's Compact with the Minister of Communications and Digital Technologies 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 EXCO. A detailed governance framework can be found on page 82.

Systems, Policies and Procedures

The Company has systems, policies and procedures that cover all aspects of the business to ensure that internal controls are efficient and adequate. There is an enterprise-wide policy register that is updated on a quarterly basis to assist in tracking policies that are due for review.

Standards

The Company has implemented ISO14001, OHSAS 18001 to ensure the safety of our employees and contractors. The South African Bureau of Standards (SABS) has certified compliance with the Occupation, Health and Safety Act. Stage 1 and 2 auditing of the ISO 9001:2015 re-certification was completed successfully during the year under review.

Core Operations

The Sales and Marketing, Network Engineering, Network Build, Network Operations and Maintenance (Technical), and Stakeholder Management divisions form the core operations of the Company.

The Sales and Marketing division is responsible for sales, marketing of products and services, and customer relationship management.

Network Engineering, which is part of the technical environment is responsible for the technical design of network and customer service provisioning for all technologies (IP/MPLS Design, Security, Operating Systems, DWDM and SDH, Power Calculations and Designs, and Geographical Information Systems [GIS]) experience.

Network Build is the execution engine of all capital projects which are formulated in the Company. They also manage turnkey projects and delivery of customer services in conjunction with internal and external stakeholders.

The Network Operations Centre monitors the performance of the network, including all communication alarms and power failures and ensures that all Service Level Agreements (SLAs) with customers are met.

We also have regional offices that maintain and restore the network when faults occur as illustrated on page 32.

The Company operates and maintains 147 PoPs and more than 14 862km of fibre throughout the nine provinces.

What We Do

We offer long-haul connectivity and various broadband communication services. Our 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. We are geared to connect the nation through the implementation of SA Connect phase 1 in the new financial year.

Our Offerings

Our portfolio of products and services is based on the provision of high capacity managed bandwidth from Point of Presence (PoP) to PoP, delivered on our 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.

We responded to this by implementing next generation dense wavelength division multiplex (DWDM) technology that can carry 100Gbps within our core network. We adopted the Open Systems Interconnection (OSI) model to define and name our products rather than use definitions based on the technology. Our 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. Layer 3 services include IP connectivity services and IP transit.

Our products include the following:

- **SDH, DWDM and Ethernet Services** – the company provides basic network connectivity over national long distance 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** – we are a Tier-1 owner of the WACS 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.
- **Customer Tie Cable Maintenance Service** – a one-stop solution to repair and maintain handover links between our PoPs and the Customer's PoPs. This service will enable customers to connect directly to Broadband Infraco 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 our existing network monitoring centre to provide network reports and performance of the customer network elements. We now also offer monitoring of undersea cables.
- **Maintenance as a Service** – availing our human resource and technical expertise to expeditiously repair and maintain third-party fibre networks and equipment systems.
- **Colocation** – this product has been improved to include the colocation of masts in the external yard of our own PoPs. Previously the colocation was only catering for internal equipment housed at the PoPs sites and associated ancillary services.
- **Lump up Mtunzini Co-location** – 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 Broadband Infraco. Broadband Infraco has enabled a connection with an upstream provider for IP Transit at Teraco Isando.

National Connectivity

Our national long-distance fibre optic network comprises of more than 14 958km of optic fibre cable, utilising Dense Wavelength Division Multiplexing (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

Our network covers all nine provinces, major cities, and towns of South Africa and extends to the borders of our neighbouring countries of Botswana, Lesotho, Mozambique, Namibia, eSwatini and Zimbabwe to provide required interconnectivity.

In line with the Southern African Development Community (SADC) Protocol, we have connected all the SADC PoPs. Broadband Infraco offers services to all the neighbouring countries through interconnections at border posts. The organisation now also has presence in Camden - where four countries (ESwatini, Mozambique, Lesotho and South Africa come together).

The following are the border connectivity points:

- Ramatlabama at the border with Botswana;
- Maseru at the border of South Africa and Lesotho;
- Onseepkans at the border with Namibia;
- Mahamba at the border with eSwatini;
- Beitbridge at the border with Zimbabwe; and
- Komatipoort at the border with Mozambique.

International Connectivity

We are a Tier 1 Investor in the 5.1 Tbits/s, WACS. The cable connects South Africa to the United Kingdom, with landing stations at 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 our plans. This forms an important backup link for undersea cables on the East and West coasts. It also provides connectivity between the two regions.

The diagram below depicts our national and international connectivity.

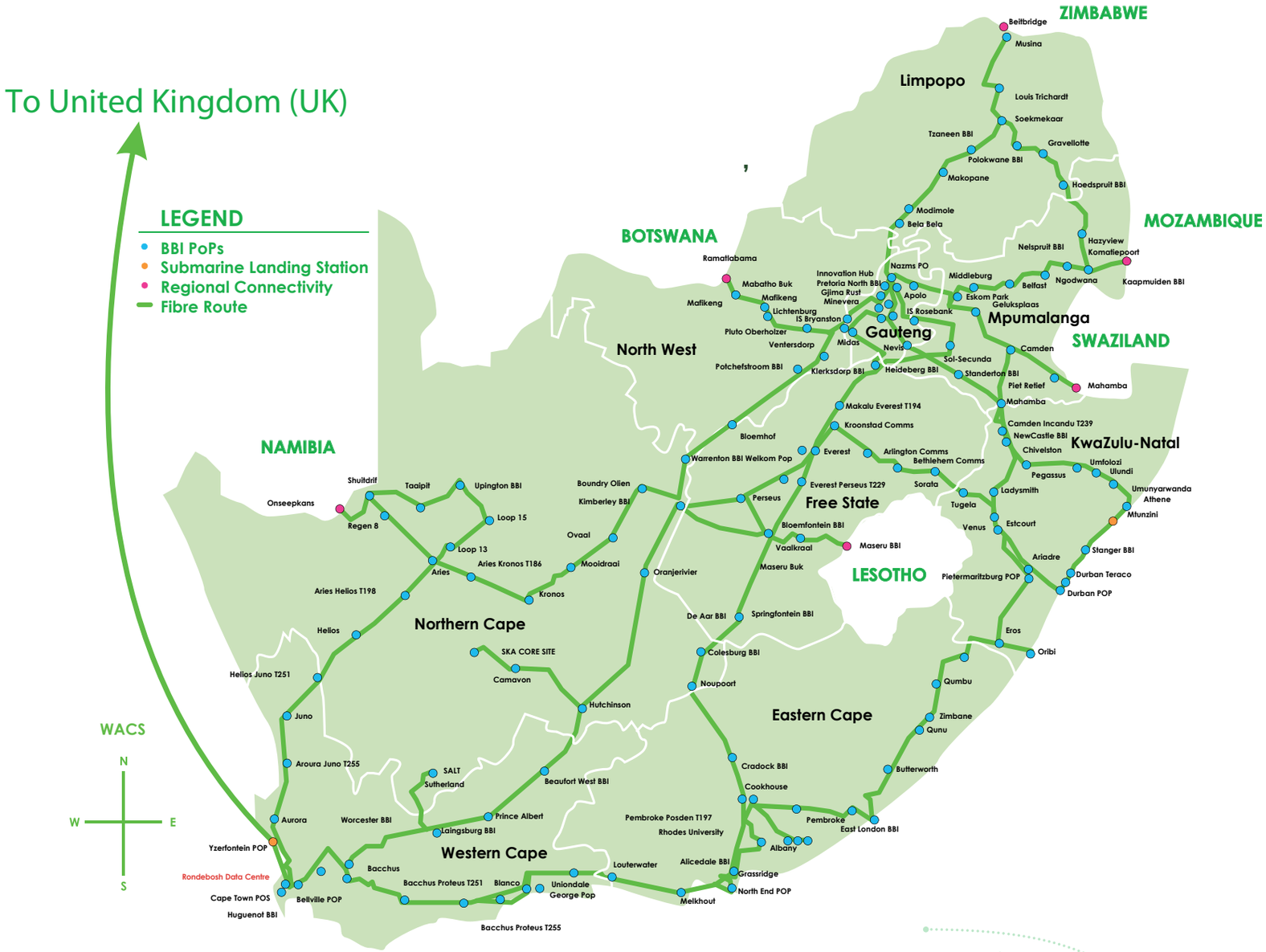


Figure 2: Broadband Infraco Fibre Footprint

Where We Operate

Our main offices are in Gauteng and we have a presence in all nine of the country's provinces, spanning 13 regional offices. The map below depicts where the regional offices are situated, and future expansion of offices is planned:

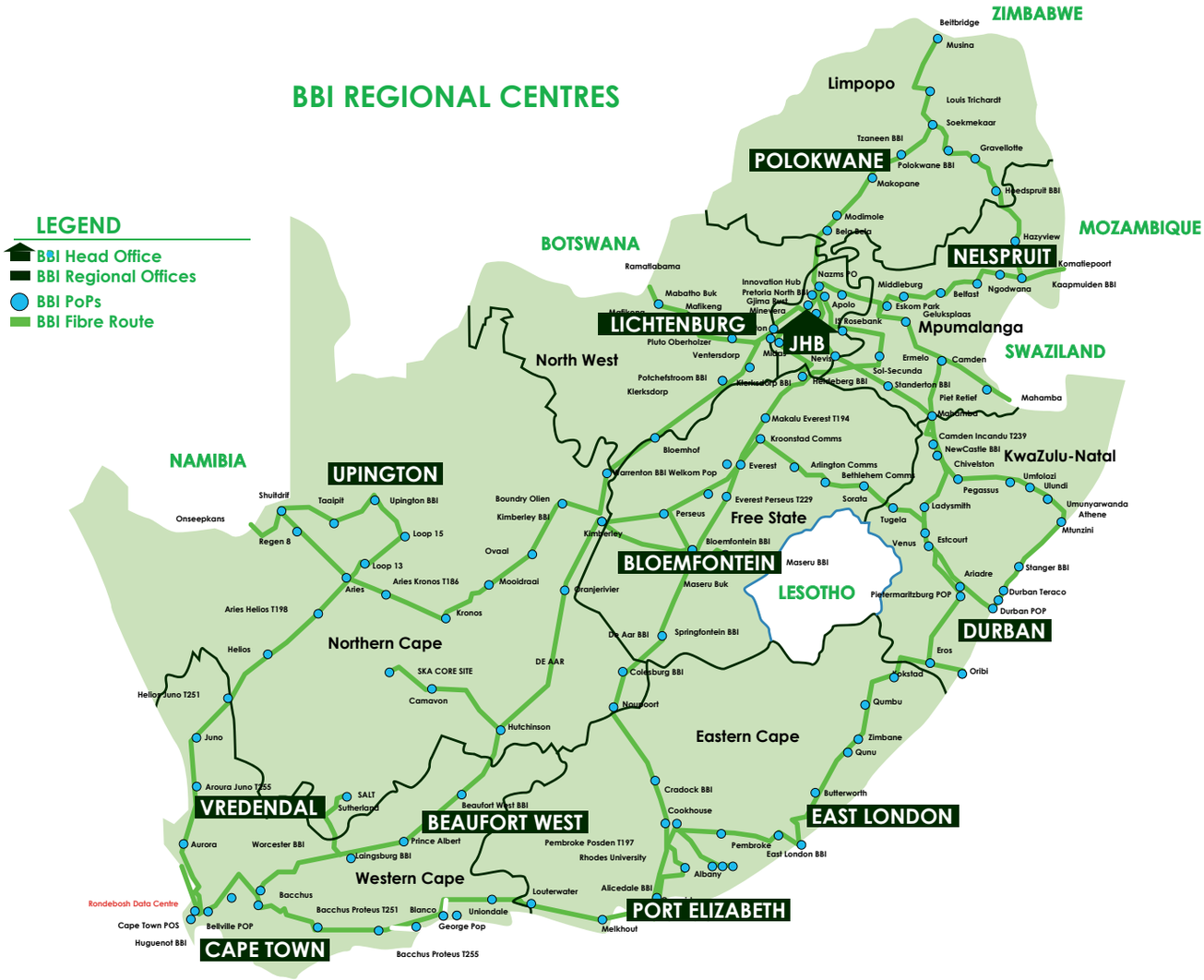


Figure 3: Broadband Infraco Regional Centres

Enterprise Support

The support functions encompass strategy, business process, quality, information technology systems, supply chain, human resources, internal auditing, risk, legal, regulatory, compliance, and financial management. Our operations are fortified by ethical leadership and effective governance.

Employment

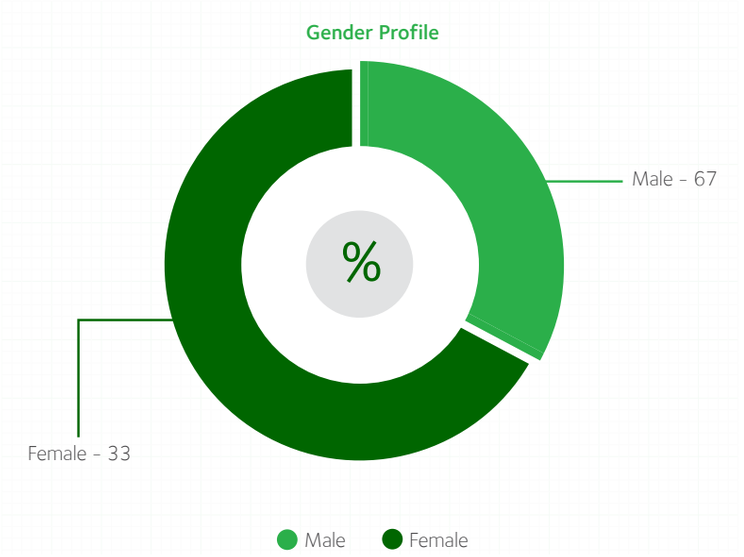
As at the end of March 2020, the Company had a total of 129 employees, excluding three temporary workers.

Below table depicts a summary of headcounts per division.

Division	Executive	Senior Managers	Middle Managers	Junior Managers	Operational	Support	Active	Vacant	Total headcount approved (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	0	0	1	0	0	0	1	2	3
Total	**6**	**13**	**46**	**17**	**41**	**6**	**129**	**26**	**155**

Table 3: Depicts a summary of headcounts per division.

The demographics of the organisation are presented in the charts below with a race group representation of Africans at 87%, Whites 9%, Coloureds 2% and Indians 2% excluding interns and temporary workers. Our employee gender profile is predominantly male at 67% and females at 33% which indicates a further decline from the previous year. See details below:



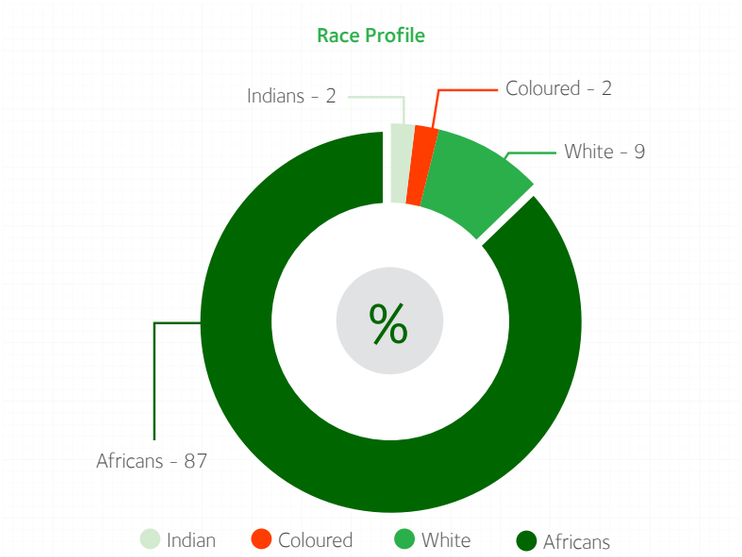


Figure 4: Employee Profile

Broad-Based Black Economic Empowerment

We apply the amended B-BBEE ICT Sector Code as issued in terms of the B-BBEE Acts 53 of 2003. BBI's B-BBEE verification covers four of the ICT Sector Scorecard (excluding the ownership element).

During the year under review, an independent and impartial accreditation process was completed with the objective to measure the Company against the Codes of Good Practice on Broad-Based Black Economic Empowerment. The Company achieved a rating of Level 6, but downgraded to a Level 7, as the minimum threshold on Skills Development, in terms of the ICT Sector codes, were not achieved. We however achieved full points for enterprise development and socio-economic development for the 2020 financial year.

ANALYSING OUR **VALUE CREATION**

Our Value **Chain**

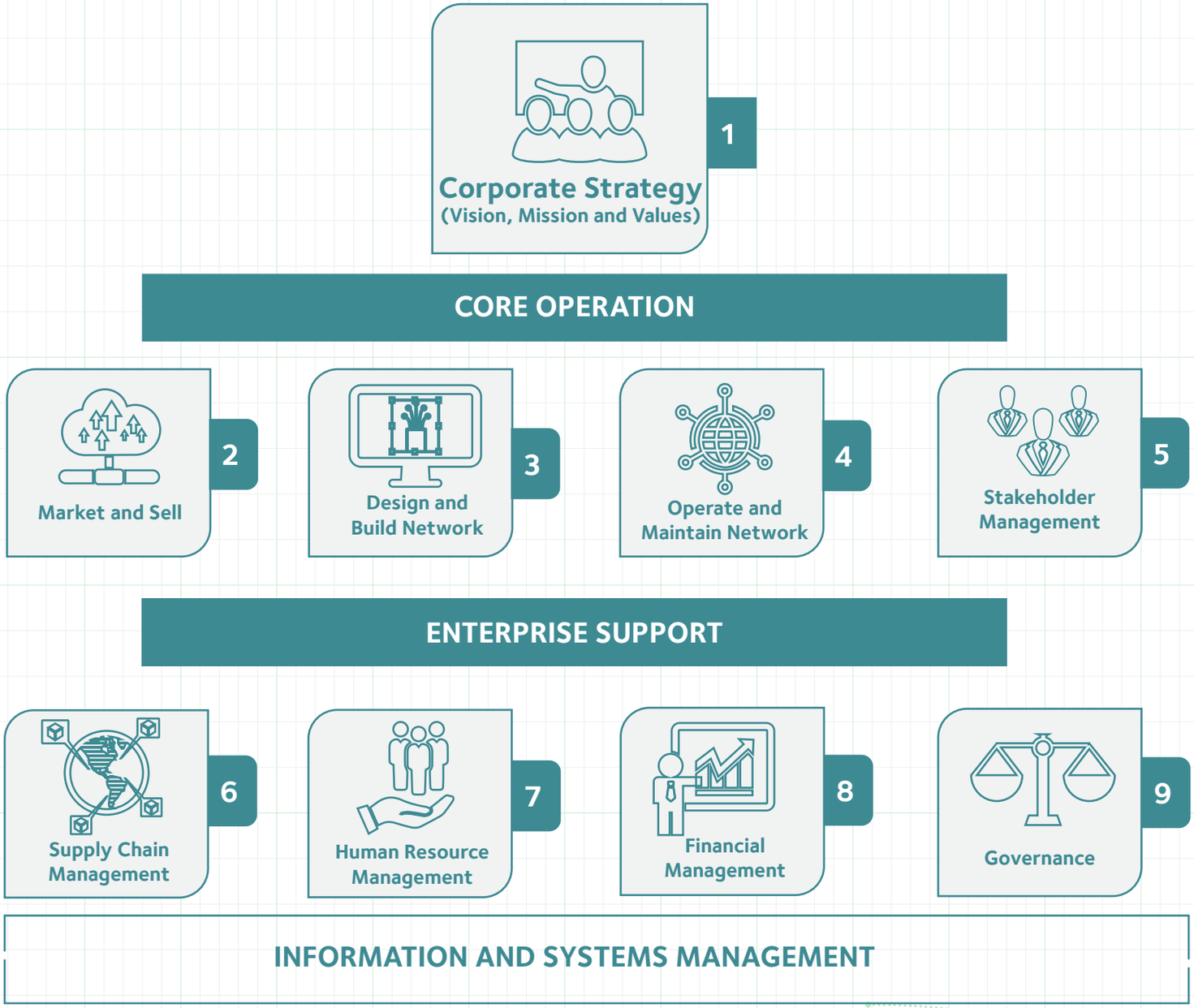


Figure 5: Operating Model

This Enterprise Process Operating Model outlines the processes, information, systems, and resources required to execute strategy, thus depicting how we create value. This model is a compass that ensures that the true north of the organisation is based on sound and innovative strategic planning that drives the allocation of resources to enable effective operations for value creation. It is stratified into four distinct areas reflecting the Company ethos, core operations, enterprise support, as well as information systems. Our value creation flows from the Company ethos, which is expressed in the vision and the mission, as encapsulated in the strategy. The ceiling of our model entails the business processes, quality, and information technology management as enablers of strategy implementation. The Intellectual Capital of the organisation resides in this layer, which includes the policies, processes, standards, frameworks, and systems. The second layer is the pillar of the core operations inclusive of Sales and Marketing, Design and Build Network, Operate and Maintain Network, and Technology and Customer Relationship Management. This layer is the anchor of our value creation which consists of core operations (Manufactured) and the Social and Relationship capitals.

The third layer entails the Enterprise Support functions that include Governance, which underpins the operations of the Company, and reflects the inter-dependencies of the Financial, Human, Intellect, and Social and Relationship capitals.

The model is continuously assessed to drive improvement and relevance in the way the Company operates.

Profiles of the **EXCO**

Andrew Matseke
Chief Executive Officer

Gender: Male

Qualifications:
BSc Electrical & Electronic Engineering (UCT),
Master of Business Administration (UP)
Post Graduate Diploma in Project Management (Cranefield College). Professional Engineer (ECSA). Senior Member (SAIEE)

Expertise:
Engineering, Telecommunications and Business Management, Strategy Development, and Execution.

Ian van Niekerk
Chief Financial Officer

Gender: Male

Qualifications:
B. Com (Hons) (UNISA), CA (SA), CIBM (UNISA),
Certificate in Short Term Reserving Techniques (UP)

Expertise:
Telecommunications, Financial Management,
Commercial Management, Strategy

Montseng Mopeli
Executive: HR

Gender: Female

Qualifications:
Executive Development Programme (GIBBS),
Master's of Management in HR; (WBS); Honours - Bachelor of Library & Information Science (UNISA),
BA: Political Science and Public Administration (UNIN)

Expertise:
HR & General Management (Telecommunications & Manufacturing), Organisational Development and Transformation Strategies, and Labour Legislation framework

Gift Zowa
Chief Technical Officer

Gender: Male

Qualifications:
BSc Electrical Eng. (Hons), MBA (University of Pretoria),
Pr Eng. (ECSA), MSAIEE, MIEE (UK)

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

Phumza Dyani
Chief Marketing and Sales Officer

Gender: Female

Qualifications:
B. Com (Acc) – University of the Western Cape (UWC)
MBA – E Commerce (Bond Australia)
VAEP – Vodacom accelerated Leadership Programme (GIBS)

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

Mike Mojapelo
Executive: Compliance, Risk, and Audit

Gender: Male

Qualifications:
Postgraduate Diploma in Management Practice (Henley);
B. Com (Unisa), GIA (IIA); PA (S.A) (SAIPA); EDP (Executive Development Programme (WITS); LP (Leadership Programme for Senior Manager (UNIV. of PTA); International Leadership Development Program (ILDP) Henley and Penn State Business School.

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

Value creation through **the capitals**

In this section, we show how our business model draws on the various capitals as inputs, through our business activities, and converts them to outputs. In the main, our Company deploys five of the six capitals as there is minimum impact on the natural capital. Our activities and outputs lead to outcomes in terms of effects on the capitals as reflected in the table below:

		INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES
INTELLECTUAL CAPITAL	Project lifecycle programme methodologies Standard operating procedures Policies, frameworks and processes Responsible and ethical leadership	ECS License	Reporting Monitoring compliance	Compliance with the licence obligations	Regulatory compliance
		77 Regulatory Universe	Update regulatory universe with new acts or amendments Prioritise the key legislations Reporting	Prioritised regulatory universe with consequence and owners	Compliance to law and regulations
		17 Frameworks	Analyse legislation Analyses national/international frameworks Develop guidelines	Approved framework documents	Aligned Frameworks
		57 Policies and Procedures	Monitoring implementation of policies Review policies Document policies and procedures	Approved Policies and procedures documents	Compliance to law and regulations
		Process Operating Model	Process Analysis Process Modelling Process Implementation	Four End-to-End Processes	Process continuous improvement

FINANCIAL CAPITAL

International and domestic capital markets

Financial markets (public and private)

Development finance institutions

Project financiers

Partial funding by OEMs

Revenue from operations

INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES
R376 million Sales volumes	Customer Engagement Signing NDA and SOFs	R227 million Sales volumes	Increased sales volumes
R411 million Revenue	Signing of SLA Service Provisioning Service Handover	R469 million Revenue	Increased revenue
ZERO Debt Funding Strategy	Sourcing of funding Manage debt to equity ratio Funding of capital requirements	53% Debt to Equity	Improved debt to equity ratio
R95 million Cash and cash equivalents	Manage working capital Active cash management Daily bank recon and cash flow meetings	R109 million cash and cash equivalent available	Improved liquidity
Positive EBITDA of R102 million	Improve/Grow revenue Optimise costs: - Contract optimally - Improve Demand Planning - Improve Strategic Sourcing	Positive EBITDA of R71 million	Increased EBITDA Improved liquidity Improved overall financial performance
SMME invoices paid within 14.68 days	Ensure invoices received are signed off Analyse creditors age analysis weekly Identify SMME invoices	SMME invoices paid within 19 days	Improved cash position BBIs contribution to SMME support and enterprise development
54 Debtors' days	Customer Billing Active debt collection Stakeholder engagement and management	28 Debtors' days	Improved cash position
117% Current ratio	Manage working capital Enter in set off agreements with customers who are suppliers as well	130% Current Ratio	Improved short-term resources Improved liquidity

MANUFACTURED CAPITAL

Property, plant, and equipment

Fibre network Infrastructure

Points of Presence (PoP)

Servitudes

INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES
258 SA Connect sites connected to BBI network	Specifications Appointment of ANPs Purchase of equipment Site connection Site testing and connection to BBI network	Additional 333 Sites connected to BBI Network	Reduction of digital divide Broadband availability in rural and under serviced areas Enabled e-learning, e-government, and e-health
14 958kms of fibre	Network infrastructure	14 826kms	Efficient network management
147 PoPs	Maintenance, customer service	147 PoPs	Network availability
0.15% of gross revenue paid as network performance rebates	Network monitoring Identification of faults Notification of O&M about faults Escalation	0.13% of gross revenue paid as network performance rebates	Improved service availability Excellent SLA Management
5:90 Hours to restore network faults No. of Technicians No. of faults last year	Preventive maintenance Planned maintenance Dispatch of technicians to resolve network faults	5:63 Hours to restore network faults	Faster restoration of network Improve customer satisfaction and retention

SOCIAL AND RELATIONSHIP CAPITAL

Customers

Government and regulators

Employees and organised labour

Communities, citizens, institutions, media

Shareholder and funders

INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES
61 Customers	Meetings with customers Sales Pipeline meetings ICT Conference attendance	18 New customers signed up	Increased number of customers
11 SMMEs	Allocate installation work	Four additional SMMEs	Participation of SMMEs in the core business of the Company
137 Employees	137 Employee Engagement	Four Town Talks	Improved staff morale Informed employees
104% spent on B-BBEE	Targeted procurement Demand planning Manage discretionary spend	104% spent on B-BBEE	122% of total discretionary budget to be spent on B-BBEE
49% spent of B-BBEE on Black-Owned Entities (BOE)		49% spent of B-BBEE on Black-owned entities	46% of total B-BBEE spend to be spent on BOE
44% of 40% spent on Black Owned Entity for Black Women-Owned Entities (BWOE)		44% of 40% spent on BOE for Black Women-Owned Entities	44% spend of 40% spent on Black Women-Owned Entities
2% of 40% spent on PricewaterhouseCoopers		2% of 40% spent on PwD	2% spend of 40% spent on PwD entities
% of 40% spent on Black-Owned Entities for Youth-Owned Entities (BYO)		14% spend of 40% spent on BYO entities	Increased targeted procurement
B-BBEE Level 7	Demand planning Implement online, cloud-based B-BBEE management system Actively collate and mange input from all stakeholders	The final report shows a Level 6, downgraded to a Level 7	Improved B-BBEE Level

HUMAN CAPITAL

Responsible leadership

Skilled and motivated employees

Remuneration philosophy and process

INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES
132 Employees Organisational structure	Review organisational structure Aligning the organisational structure to corporate strategy	Approved reviewed organisational structure	No new appointments were made during the year
6 Intake of interns	Recruitment of interns Placement of interns as per stipulated requirements	Five new interns appointed	Human capacity strengthened
Remuneration and Reward systems	Conduct benchmarked market remuneration structure	Compensation ratio analysis conducted	Gaps identified, approval to be sought for implementation
Work Skills Plan and individual Personal Development Plan (PDPs) 1.80% of payroll spent on training per annum	Appointment/identification of service providers Schedule training Conduct training review	1.83% of payroll spent on training per annum	Competent workforce

STRATEGY AND **ALLOCATIONS**

STRATEGY AND **ALLOCATIONS**

Our Mandate

Our legislative mandate is set out in the Broadband Infraco Act No. 33 of 2007 (the Act). Its objectives are to expand the availability and affordability of access to electronic communications including, but not limited to, under-developed and under-serviced areas. The objects of the Act are aligned with the Electronic Communications Act No. 36 of 2005 and commensurate with international best practice and pricing, through the provision of electronic communications network services and electronic communications services.

National Mandate

	Target	Penetration measure	Baseline	By 2016	By 2020	By 2030
	Broadband access in Mbps user experience	% of population	33.7% internet access	50% at 5Mbps	90% at 5Mbps 50% at 100Mbps	100% at 10Mbps 80% at 100Mbps
	Schools	% of schools	25% connected	50% at 10Mbps	100% at 10Mbps 80% at 100Mbps	100% at 1Gbps
	Health facilities	% of health facilities	13% connected	50% at 10Mbps	100% at 10Mbps 80% at 100Mbps	100% at 1Gbps
	Government facilities	% of government facilities		50% at 5Mbps	100% at 10Mbps	100% at 100Mbps

Table 4: National mandate

The goal of the South African government is to achieve a universal average download speed of 100Mbps by 2030. The target is to be achieved in a progressive manner, with reviewable targets by increasing user experience speed of 5Mbps in 2016 to 50% of the population and to 90% by 2020. Targets are set for schools, clinics, and the public sector. Broadband Infraco has been mandated to provide network connectivity for the SA Connect Project that will drive the rollout of broadband infrastructure to rural and under-serviced areas.

Our Strategy

We crafted a 2030 strategy that identified four focus areas that informed key performance indicators for the 2020 to 2031 financial year:

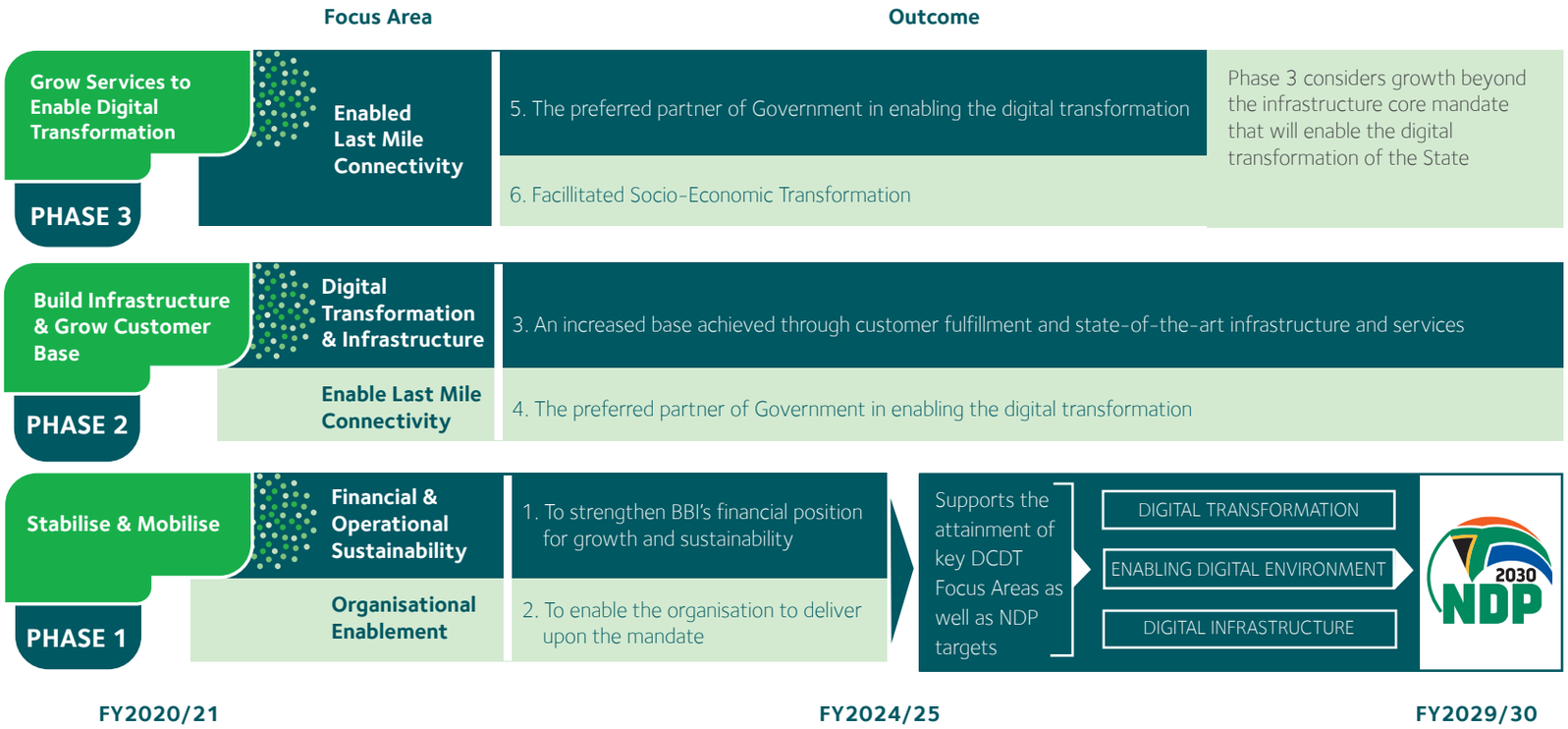


Figure 6: New Strategy

We are however reporting on the activities and outcomes of executing our previous BGE Strategy.

Global advances in telecommunications has facilitated dramatic shifts in the external environment within which BBI operates. These shifts have given rise to new industries and new technologies, all underpinned by an Information and Communication Technology bedrock – that has facilitated increases in communication, connectivity, and convergence. These trends are evident locally, despite slow economic growth, and, in an environment of significant change, the competition has aggressively moved to invest in technology. What is apparent, however, is that the competitive landscape has focused its resources on pursuing metropolitan areas and routes within South Africa with greater economic concentration; with no visible plans to grow within underdeveloped and underserviced areas. As the economics of last mile access requires State intervention, the private sector has limited appetite and focus therein. BBI, however, has a developmental mandate to provide connectivity in these areas thereby creating the environment within which demand can flourish, aid in socio-economic development, and pave the way for private sector involvement.

Our new strategy adequately responds to a rapidly evolving contextual environment and deliver on a mandate that is both commercial and developmental in nature. We endeavour to maintain customer-centricity whilst driving innovation through strategic partnerships. The new strategy will focus, amongst other principles, on becoming the backbone provider of choice for all of Government's broadband connectivity requirements while establishing collaborative partnerships with other ICT SOCs.

The 2030 strategy therefore seeks to enable delivery of the mandate through providing relevant solutions to customers, ensuring sustainable operations are embedded and continuing the progression towards commercial viability and long-term sustainability for the Company. To achieve this, the strategy focuses on four key areas as encapsulated the figure above to achieve the impact of "Provide communication services to enable a connected and transformed society."

MATERIAL MATTERS, **OPPORTUNITIES AND RISKS**

Material Matters

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

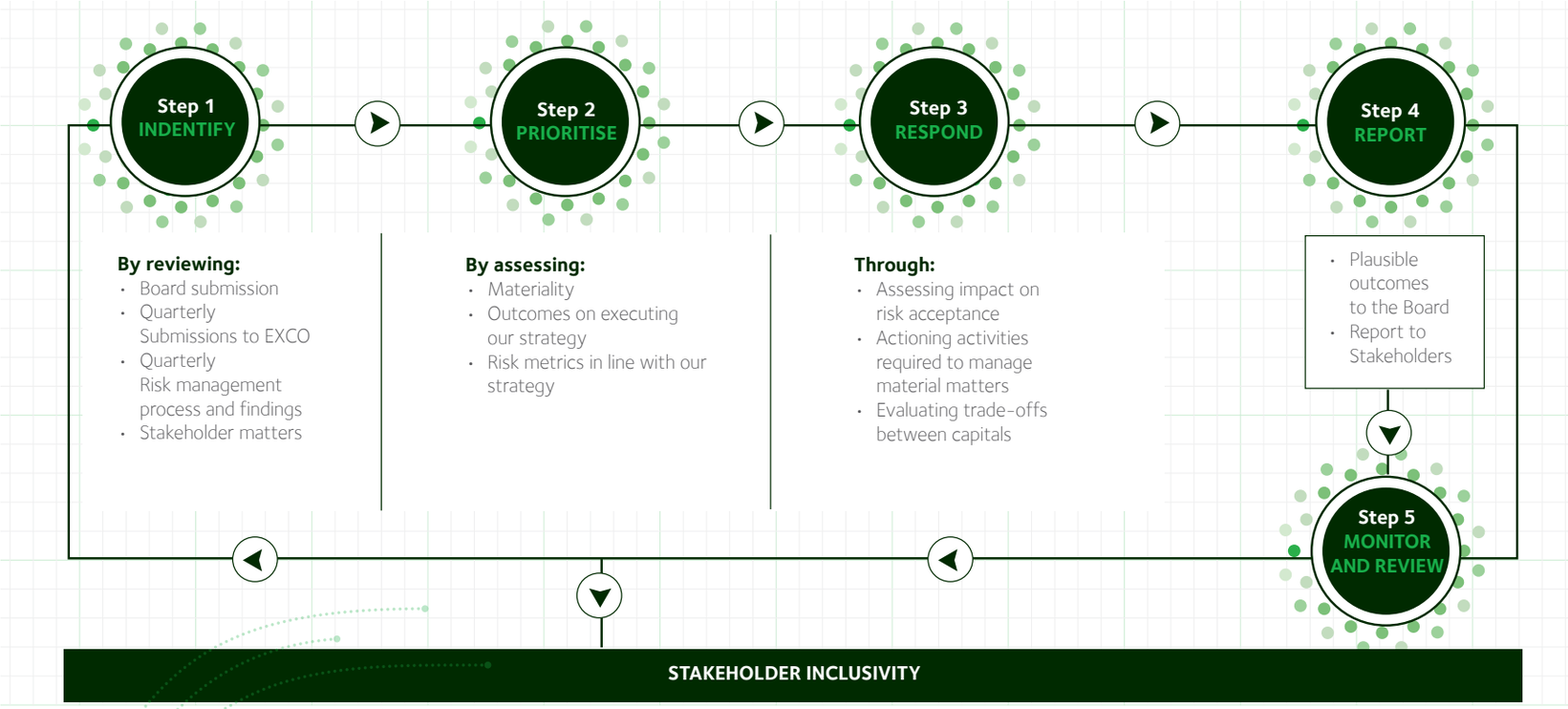


Figure 7: Material Matters Management Process

Opportunities arising from material matters

Our material topics relate directly to matters that impact the performance of the core business, our strategic growth objectives, and the Company's standing as a responsible corporate citizen over short-to long-term period.

The figure below depicts the opportunities arising from material matters

MATERIAL MATTERS	OPPORTUNITIES
Financial Sustainability	**Ensure long-term financial sustainability** The Company appointed as the broadband infrastructure lead agency for SA Connect. The conversion of shareholders' loans into shareholders' equity will strengthen the balance sheet of the Company that will enhance our opportunity for borrowing. The Company will enter strategic partnerships and collaborations with ISPs, other SOCs and OEM.
Government Regulations	**Expand and maintain broadband network infrastructure** The Company to become a reseller of spare capacity for non-ICT SOCs, and the Company is entering strategic partnerships and collaborations
Information and data security	**Improve operational excellence** Engage cyber security experts to conduct cyber security awareness throughout the Company. There is an opportunity for the Company to develop firewalls and off-site back-up systems to protect the integrity of Company data.
Attracting, developing and retaining talent	**Build a high-performance organisation** Enforce an employee value proposition that enables the Company to attract and retain core and scarce skills. Participating in MICT SETA internship programmes to appoint newly qualified students. For the first time the Company conducted a skills audit exercise to ensure that employees are correctly positioned, and capacity is maximised.

Figure 8: Opportunities arising from material matters

Risk Management Framework (KING IV, P11 & 12)

The King IV corporate governance principles have seen increasing risk management focus on BBI's strategic objectives rather than 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 to achieve 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 which drives risk management according to strategic objectives, stakeholders' needs, our 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:

- The ARC oversaw risk management processes;
- The strategic risk register was continually reviewed and aligned with corporate strategy; and
- Internal and external audits reviewed how the risk management strategy is being discharged.

The second being operational risk management process and framework are standard and tailored for the specific needs of risk assessments at the operational level and to 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, analysis, evaluation, treatment, monitoring, recording and reporting.

BBI's risk management architecture is based on the ISO 31000:2018 standard for the ERM process. These are two distinct but integrated cycles, with the innermost cycle depicting the core of the risk management process and providing the Public Sector Risk Management Framework as issued by National Treasury for managing risk on a day-to-day basis as reflected in the figure alongside:

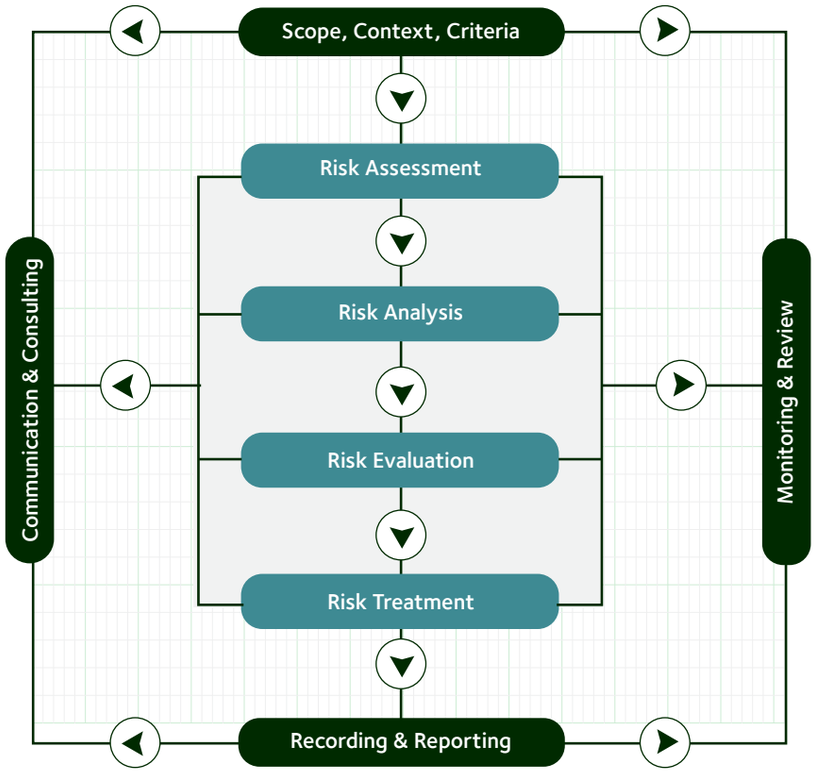


Figure 9: Risk Management Process

The annual assessment of strategic risks with Shareholders, Board and Management was conducted during the third quarter of the year as an integral part of the strategic planning process. 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.

During the 2019/20 financial year, we performed a formal review of the ERM framework and policy that is due for approval to address key improvements; and assessed alignment with COSO, ISO and King IV requirements to determine any emerging challenges facing the risk management function. An ERM audit was undertaken by Internal Audit and a subsequent remedial action plan was developed to improve ERM within the Company.

Adding Value Through ERM (King IV, P4 & 11)

The risk and compliance function participates in the remedial plan relating to reported audit findings to facilitate improvements in BBI's processes. In addition, risk and compliance integrates and maps current assurance activities, and lines of assurance, against each step in 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

The 2019/20 BBI strategic risks register ended with 13 risks compared to 10 from the previous year. The top nine risks have remained relatively unchanged over the last three financial years, with the risks for the 2019/20 financial year remaining the same as that of the prior year, however, the risk rankings have changed somewhat. The landscape changed a little with the introduction of an additional three new risks during the year under review. These new risks talk to current challenges of loss in market share, delays in the conversion of the shareholders' loans into equity, and the last risk relating to the COVID-19 pandemic.

Negative movements in rankings (consequence ratings) can be seen in respect of all the risks listed in our strategic risk register with the key risks such going concern risk, margin pressure risk, and difficulty to raise funds. BBI's margin pressure risk is attributed to the high cost of providing broadband connectivity services, thereby 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 under capitalisation, and difficulty in securing short- to medium-term funding from external parties, and the difficulty to raise funds due the lack of a track record of historical debt, and risk adversity of banks to fund infrastructure projects due to our weak balance sheet. BBI has consistently, for the past number of years, been facing the risk of the impact of non-ICT SOCs on the cost to communicate and regulatory constraints impeding organisational agility. The company has explored different options to mitigate this with no success. These risks impact BBI negatively in terms of delayed project deliverables and revenue losses, with the business sustainability of the organisation being compromised.

Risk Maturity

We use the risk assessment matrix to measure the size of risk and to determine whether they have appropriate controls or mitigations to minimise risk. The risk assessment matrix is a living, breathing document that needs to be nurtured and maintained. 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, such as establishing an enterprise risk management programme, a major merger or acquisition, or perhaps a significant deficiency or material weakness arises within an internal control environment. Hopefully, it is not the case, but with a continuous risk assessment process and matrix, the Company should be equipped to, at the very least, heed any warning signs. Our top risks had remained constant over a period of three years, with minor changes from year to year.

The changes were mostly on management action plans and the risk status. The total number of risks have reduced from top 10 to top 9 for a year under review with three new risks identified: possible loss of the Market Share; delays in 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 our Risk Matrix, the impact on value creation and the associated timeframe, as well as the treatment strategy:

IMPACT	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
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain
LIKELIHOOD						

Table 5: Strategic Risks

The table below depicts the mitigation strategies for our top strategic risks:

Strategic Objective	Risk Description	Root Causes	Inherent Risk Rating	Residual Risk Rating	Management Action Plan
Ensure long-term financial sustainability	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.	Level 1 Very High	Level 2 High	1. Management continues to actively manage and drive the new sales strategy that was implemented, i.e. reporting lines, process changes, consequence management and new sales targets. A new sales resource started employment during the fourth quarter. Key sales opportunities are reaching closure at the end of the quarter. 2. Key supplier contracts have been negotiated and resulted in sustainable, long-term cost savings. All contracts that are to be renewed will be subjected to the same scrutiny. 3. Continue with implementing the integrated sales strategy. 4. a. Renegotiation of key supplier contracts. b. Rigorous cash management. 5. Continue to apply for funding from external parties.
Ensure long-term financial sustainability	Regulatory constraints impeding organisational agility.	1. Legislative constraints on borrowing and procurement. 2. Lack of ECS licence which results in limitation on product offering.	Level 1 Very High	Level 2 High	1. Continue to drive the optimisation of the long-term demand plan and strategic sourcing to reduce the turnaround time of bids. 2. Continue to plan to play a leading role as SOC infrastructure integrator. 3. Optimise demand planning in procurement. 4. Need to explore options of acquiring an ECS license.
Ensure long-term financial sustainability	Margin pressure.	1. Market pressure on pricing on high demand routes. 2. Low returns on capital investments due to potential high capital cost. 3. Customer and market pressure to upgrade capacity and reduce unit cost. 4. Dependency on single supplier sourcing.	Level 1 Very High	Level 2 High	1. The pricing strategy has been completed and approved by EXCO. The implementation will start in the new financial year. 2. Continued pressure is being placed on major suppliers and OEMs to reduce pricing in line with market demands. Further to this, when a big tender is submitted, specific discussions take place to find optimal prices. 3. Embed and continue to optimise pricing strategy.
Expand and maintain broadband network infrastructure	The impact of non-ICT SOCs on the cost to communicate.	1. SOCs exploring ICT revenue streams outside of their core legislative mandate. 2. Less stringent license conditions for non-ICT SOCs.	Level 1 Very High	Level 1 Very High	1. Continue to engage non-ICT SOCs. 2. Engage the regulators to ensure that non-ICT SOCs are governed by the regulations.
Ensure long-term financial sustainability	Difficulty to raise funds.	1. No track record of historical debt. 2. Risk adversity of banks to fund technically insolvent institutions.	Level 1 Very High	Level 2 High	1. Extended credit terms with major suppliers (rated and international suppliers). 2. Continue to apply for funding from external parties.

Strategic Objective	Risk Description	Root Causes	Inherent Risk Rating	Residual Risk Rating	Management Action Plan
Expand and maintain broadband network infrastructure	Inability for the organisation to respond to rapid changes in market and technology.	The market demand has evolved to require IP/ MPLS technology as opposed to SDH products. For a long time BBI had no funds to evolve the network in accordance to customer demand, and this was the root of the problem. Of late, the network upgrades (M-Tera and IP Core Upgrade), have started to mitigate this problem.	Level 1 Very High	Level 3 Medium	1. Network upgrades currently taking place will go a long way to mitigate this risk. These upgrades are based on the M-Tera project as well as the planned SA Connect project roll out. 2. Source funding for IP project.
Build a high performance organisation	Difficulty to retain and attract the required skills while appropriately managing the cost to revenue ratio.	1. Limited pool of critical and core skills in the industry. 2. Inability to pay competitive salaries. 3. Ability to pay remuneration incentives.	Level 1 Very High	Level 3 Medium	1. Roll-out of Internship programme to include both core and non-core units. 2. Intensify employee engagement strategy. 3. Pilot retention strategy is now effectively applied, and the model needs to extend to other critical and scarce positions.
Drive socio-economic transformation	Inadequate stakeholder management.	1. Inadequate coherent stakeholder management strategy. 2. Inadequate communication with stakeholders. 3. Uncoordinated customer focus.	Level 1 Very High	Level 2 High	1. Develop a Stakeholder Management Strategy and Plan. 2. Review the current communication strategy. 3. Continuous engagement with all stakeholders.
Improve Operational Excellence	Cyber security risk.	1. Shortage of skilled cyber security professionals. 2. Lack of IT Management Best Practices.	Level 1 Very High	Level 2 High	1. Engage cyber security experts to conduct cyber security awareness throughout the Company. 2. Mimecast is currently being used for back-up. 3. SharePoint being used for backing up. 4. Knowledge transfer from co-sourced partners.
Expand and maintain broadband network infrastructure	Possible loss of market share.	1. Market consolidation resulting in a changed market structure. 2. Commercialisation of fibre infrastructure from other SOCs.	Level 1 Very High	Level 2 High	1. Sign more long-term leases with clients. 2. Lobbying and improve on stakeholder management.
Ensure long-term financial sustainability	Delays in conversion of the Shareholder Loan to Equity.	1. Dependency on long governance processes	Level 1 Very High	Level 2 High	1. Continue to engage with stakeholders.
Build a high performance organisation	Outbreak of COVID-19.	1. Transmissions by International travellers . 2. Exposure to infected people. 3. Poor hygiene practices.	Level 1 Very High	Level 2 High	1. Monitor progress on lockdown and working from home situation. 2. Maintain IT capacity to ensure enough support to employees. 3. Ensure compliance with the Disaster Management Guidelines provided by the Shareholder and Government.

Table 6: Top Strategic Risks

SHEQ risk management

The responsibility for managing the effectiveness and efficiency of the SHEQ process rests with the Board. The Company is proactive in its risk assessment and professional in its remediation. The SHEQ rules are the most significant tool to measure our commitment to safe operations.

To ensure relevance and proactive steps to the Company-wide policy and strategy, executive managers review the SHEQ policy regularly for improvements in monitoring techniques, investigation and controls. The policy states that Broadband Infraco will develop its SHEQ capabilities to world-class standards by marketing and provisioning quality services and products that are safe and do not pose a risk to employees, customers, or to the environment. The Company is committed to compliance with all external regulations, including ISO 9001, ISO 14001 and OHS 18001.

Capital Project Risk Management

Capital Project Risk enables an organisation to get to the root cause of their 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 the company has adopted both 'top-down' and 'bottom-up' risk assessment approach. Risk assessments are conducted at:

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

Risks relating to SA Connect and other projects were identified, evaluated and mitigating plans were put in place to manage the risks. 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.

Key Focus areas for 2021:

- Conduct risk assessments for all projects within Company;
- Implement and apply the compliance policy, framework methodology and processes;
- Eliminate duplication in assurance coverage and implement Integrated Assurance Model;
- Conduct PFMA compliance review;
- Conduct King IV principle compliance assessment;
- Implement Business Continuity Management Policy; and
- Promote Governance Principles and Ethics.

Addressing Stakeholder Interests

Our Stakeholder Cosmos

We recognise the critical value of good stakeholder relationships in ensuring that the Company operates optimally to achieve its mandate. As such, we continue to strive to improve the ways in which we engage and communicate with our stakeholders. During the year, we reviewed our stakeholder cosmos, which comprises eight stakeholder groupings that have the potential to affect or be affected by the organisation's activities. These groupings of stakeholders also have the power to influence our business, both positively and negatively.

We promote an inclusive approach when engaging our material stakeholders. We align as far possible to the King IV Code in executing our mandate and attempt to consider all legitimate and reasonable needs, expectation, and interests of all our material stakeholders. We continue to improve the quality of our stakeholder relationships and are guided by the Stakeholder Engagement Policy and Stakeholder Engagement Management Procedure in our endeavours, which was reviewed during the financial year. Together, they provide a methodical, companywide approach to managing stakeholder engagements. This year BBI has also adopted Standard AA1000SES, the adoption of which entails an integration of stakeholder engagement in organisational governance, an integration to the organisational strategy, and an integration to operations. Our engagements range from formal, daily communication with stakeholders to responding to crises such as resolving network faults for customers.

The Social and Ethics Committee of the Board of Directors oversees BBI's stakeholder relationship management. To execute this duty, the SEC resolved that BBI conducts a Multi-Stakeholder Perception Survey every two years to independently gauge how the organisation is perceived by its stakeholders. Due to financial constraints, this survey will be conducted in the new financial year. Over and above gauging perception, Part 5.5 of the King IV Report provides inter alia that: 5.1 (4e) *"The governing body shall oversee stakeholder relationship management, including the measurement of the quality of relationships and resultant appropriate responses."*

Engaging our Stakeholders on the new BBI Strategy

BBI's new strategy will be implemented through a new operating model that places customer-centricity, operational excellence, financial sustainability, and integration at the core of the business. Accordingly, BBI's stakeholder engagement strategy is being modified to share the key precepts of the strategy with material stakeholders. The stakeholder engagement strategy is designed to be transparent, and to reach stakeholders through the communication channels that work best for them. Our messaging intends to contextualise the new business strategy within the present business environment, our historical context, and the broader market, and to make it understandable, accessible, and implementable across the Company.

During the year, greater emphasis was placed on actively engaging with stakeholders. The Board hosted a strategic planning session with the Shareholders, Executives and Senior Managers to craft the new 2030 strategy. The Company further held numerous employee engagement sessions across the business to share Company performance and development that provides a platform through which employees can engage with the Company's leadership.

Our material stakeholder groups, and their interests, are described in the table below:

BBI Stakeholder Engagement

REGULATORS

WHAT MATTERS TO THEM

- Compliance to Regulations
- Compliance to Licence
- Reporting

NATURE OF ENGAGEMENT

- Meetings
- Reporting
- Application

RESPONSES TO MATERIAL MATTERS

- Submission of half-yearly reports
- Compliance to licence obligations
- Application Universal Access amendment

IMPACT

Non-compliance to regulations may have major impact on business operations

SHAREHOLDERS

WHAT MATTERS TO THEM

- Policy Directives
- Funding
- Sustainability
- Accountability
- Risk management
- Reporting
- Reputation

NATURE OF ENGAGEMENT

- Meetings
- Site Visits
- Application
- 4IR Forums

RESPONSES TO MATERIAL MATTERS

- Submission of quarterly and annual reports
- Application for Shareholders' loan conversion to equity

IMPACT

The delay in converting shareholders loans has a catastrophic on the sustainability of the company

FINANCIAL INSTITUTIONS

WHAT MATTERS TO THEM

- Liquidity
- Cash generation ability
- Sustainability

NATURE OF ENGAGEMENT

- Funding applications
- Meetings
- Transactional engagement

RESPONSES TO MATERIAL MATTERS

- Funding applications
- Submit annual financial statements
- Improve liquidity

IMPACT

The weak balance sheet has a major impact on the Company to secure funding

EMPLOYEES ORGANISED LABOUR NON-UNIONISED EMPLOYEES

WHAT MATTERS TO THEM

- Job security
- Training and development
- Dispute resolutions
- Labour relations
- Health and safety
- Sustainability
- Performance management
- Remuneration, recognition, and rewards
- Fair treatment
- Job satisfaction
- Conducive working environment
- Information and feedback

NATURE OF ENGAGEMENT

- Quarterly Town Talk Sessions
- Management/Organised Labour quarterly and monthly formal meetings
- HR Employee Representative Committees:
  - Employment Equity
  - Skills Development
  - Pension Fund
  - Management/Employee Representative Teams

RESPONSES TO MATERIAL MATTERS

- Market-related remuneration
- Reward and recognition for excellent performance
- Substantive negotiations
- Training and development
- Equity and fair treatment practices

IMPACT

Sound relationships with employees and organised labour has a major impact on morale and productivity

Stakeholder Group (continued)

GOVERNMENT

WHAT MATTERS TO THEM

- Policy implementation
- Availability of broadband infrastructure and services
- Job creation
- Socio-economic transformation
- National revenue contribution
- Skills development levies
- Compliance to regulations

NATURE OF ENGAGEMENT

- Consultations
- Workshops
- Partnerships

RESPONSES TO MATERIAL MATTERS

- Government to government interchange and collaborations

IMPACT

Non-compliance to legislations and government policies may have a major impact on the reputation of the Company

OTHER STATE-OWNED ENTITIES

WHAT MATTERS TO THEM

- Broadband infrastructure
- Collaborations and partnerships
- Monetisation of telecommunication assets

NATURE OF ENGAGEMENT

- Contract management
- Joint presentations
- Meetings
- Conferences

RESPONSES TO MATERIAL MATTERS

- Non-duplications of infrastructure
- Collaborations on usage of existing infrastructure
- Reduction of cost to deliver services
- Quick deployment of services

IMPACT

The failure to partner with other SOCs may have a catastrophic impact on the sustainability of the Company

CUSTOMERS

WHAT MATTERS TO THEM

- Sound relationships
- Availability of network and services
- Competitive pricing and service solutions
- Quality of service
- Timeous project execution
- Contract management
- Partnerships and collaborations

NATURE OF ENGAGEMENT

- Sales engagements
- Regular meetings
- Fault management
- Debtor management
- Conferences

RESPONSES TO MATERIAL MATTERS

- Faults and incidents reporting
- Events and working groups
- Service level agreements reviews

IMPACT

Sound relationship with customers has a major impact on the sustainability of the Company

SUPPLIERS

WHAT MATTERS TO THEM

- Market conditions
- Contract management
- Strategic partnerships
- Fair tender management
- Ethical business conduct

NATURE OF ENGAGEMENT

- Responses to tenders, RFQs, etc
- Negotiations
- Contract and service agreements
- SMME development
- Product and technology presentations
- Support CSI initiatives

RESPONSES TO MATERIAL MATTERS

- Timeous payments
- Improved contract management
- Supplier evaluation
- Enterprise and supplier development
- Enquiries issued to the market

IMPACT

Sound relationship with suppliers has a major impact on the cost efficiency of customer service provisioning

Figure 10: Stakeholder Group

OUR PERFORMANCE **AND OUTLOOK**

Annual Performance **Results**

The Company utilises in the main five capitals as encapsulated in our Corporate Plan to create value for internal and external stakeholders. However, we measure the activities and outputs of four capitals that were agreed with the Shareholders.

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

	KPI	2019/20 Target	2019/20 Actual	
FINANCIAL CAPITAL	New sales contracts signed annually	R350 million sales contracts signed	R227 million sales contracts signed	Not Achieved
	% revenue year-on-year growth (including SA Connect)	34% revenue year-on-year growth (including SA Connect)	14% revenue year-on-year growth (including SA Connect)	
	Gearing Ratio*	125% Debt to Equity	53% Debt to Equity	Achieved
	Maintain positive cash balance monthly	R10 million cash and cash equivalent available	R109 million cash and cash equivalent available	
	Improve operating profit before depreciation after interest	Improve by R13 million	Decreased by R84 million	Not Achieved
	# of days within which SMMEs invoices are paid	SMME invoice paid within 30 days	SMME invoice paid within 19 days	Achieved
	Number of days per outstanding customer invoice	Debtors' collection of 45 days per contract plus 15 days	Debtors' collection of 28 days	
MANUFACTURED CAPITAL	# of Government sites connected to Broadband Infraco network for SA Connect Phase 1	400 SA Connect sites connected to Broadband Infraco network	333 SA Connect sites connected to Broadband Infraco network	Not Achieved
	Network performance rebates paid as a percentage of gross revenue	≤0.3% of gross revenue	0.15% of quarterly gross revenue	Achieved
	Actual Time to Restore Core Network Faults	7:5 hrs Actual Time to Restore Core Network Faults	5:68 hrs to Restore Core Network Faults	

*In calculating the gearing ratio, the Company treats the shareholders's loans as equity, in line with the approved technical indictor descriptions.

	KPI	2019/20 Target	2019/20 Actual	
SOCIAL & RELATIONSHIP CAPITAL	# of SMMEs allocated installation work	Three SMMEs allocated OEM installation work annually	Four SMMEs were allocated installation work	Achieved
	% Allocation of B-BBEE budget discretionary spend	70% spend on B-BBEE	122% of total discretionary budget to be spent on B-BBEE	
	% spend on black-owned entities spend annually	40% spend on B-BBEE spend on black-owned entities	46% of total B-BBEE spend to be spent on black-owned entities	
	% spend on Black Women-owned entities annually	10% spend of 40% spend on BOE	44% spend of 40% spent on Black Women-owned entities	
	Improve B-BBEE Level	Level 6	The final audit report shows a Level 6, downgraded to a Level 7	Not Achieved
	# of Schools provided with broad-band connectivity	One school adopted in an under-serviced area	Byletts Combined School in Eastern Cape. Training sponsors for digital skills secured	Achieved
HUMAN CAPITAL	% of payroll spend on Training per annum	1% of the wage bill spend on targeted training and development by the end of the year	Training spent at 1.96% of payroll	Achieved
	# of interns who require experience	Intake of five interns on new internship programme	Five new interns were employed	
GOVERNANCE	# of repeat external audit findings reduced	Zero repeat external audit finding	Repeat external audit findings	Not Achieved

Figure 11: Key Performance Indicators

The Company achieved 68% of its annual targets, which is lower than 95% achieved in the previous financial year. The inability to raise capital funds in the market due to the weak balance sheet, which is a direct result of the non-conversion of the shareholders' loans, 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 industry and self-provisioning by major players. The debtors' collection period has improved significantly to 28 days and we were able to increase the targeted procurement through designated groups, thus achieving all the targets for B-BBEE.

Our 5 year performance overview is depicted on page 4.

Intellectual Capital

Improve operational excellence

The telecommunications sector is a dynamic and increasingly competitive environment that requires constant adaptation and alignment of our strategies. The market is shifting from long-term lease contracts of five years to 12 or 24 months, and the time to conclude deals is becoming longer as customers are pressing for more competitive prices through fierce competition and the factors impact on both the price and sales strategy.

The implementation of the six-pillar strategy depicted by a figure on the next page focused on the following:

- The critical managing of work in progress. The revenue meetings with the involvement of the internal stakeholders yielded positive results with constant review of the links under provisioning keeping each team accountable of its outputs in order to convert sales to billing. Services which were delayed for provisioning over three to four quarters were finally delivered through revenue meeting initiatives. The future objective is to reduce the average conversion of sales to revenue significantly which will fast track the realisation of revenue. Where constraints were beyond execution, re-prioritisation took place in order to significantly influence the revenue position. The discipline in this practice will continue into the next financial year.
- The number of orders from the regional customers in the SADC region has increased exponentially in the current financial year. The continuous engagements through SATA and quarterly customer visits are yielding positive results. Regional customers perceive Broadband Infraco as an alternative to the exorbitant costs from the existing service providers.
- Reseller of other services: tapping into unfamiliar territories through products like professional services, demonstrates the agility to maintain and grow the stability of the organisation. There is a desire to continue to evaluate these opportunities and leverage where it practically makes sense. The objective is to sign more while label products and sell them to customers through partnerships with the giants in the industry.

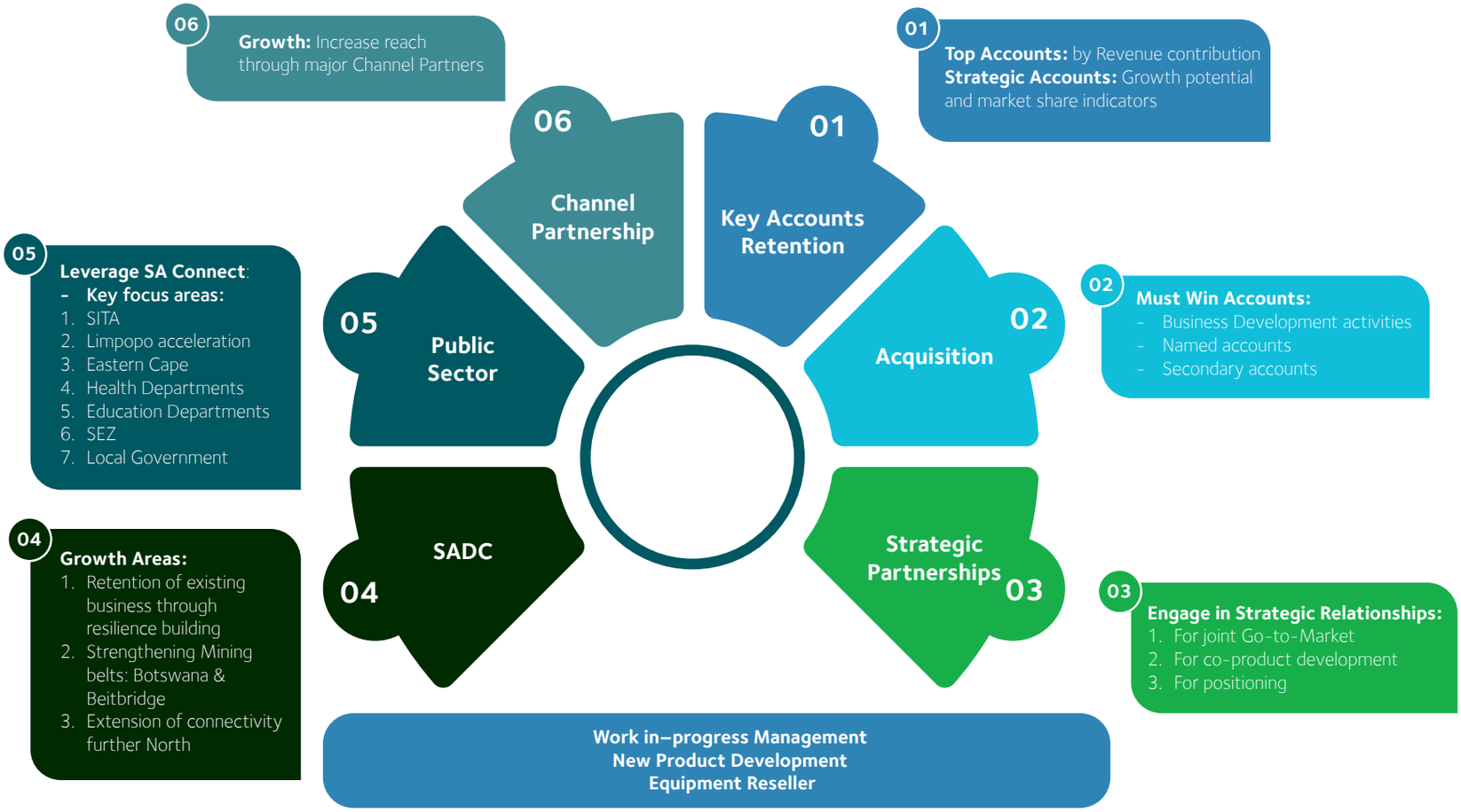


Figure 12: Sales strategy

Policies, Procedures and Processes

The company has developed an enterprise-wide Policy Register that lists all approved company policies. The register is monitored on a quarterly basis and progress is reported to both EXCO and the ARC. During the year under review the Company has recorded an increase in the number of policy documents from 52 to 56, with four new policies approved and implemented. The approved policies are socialised across the divisions to create awareness and induce compliance. The procedures that are documented independent of the policies, were tracked to review consistency and alignment.

The figure below encapsulates the status of policy paradigm:

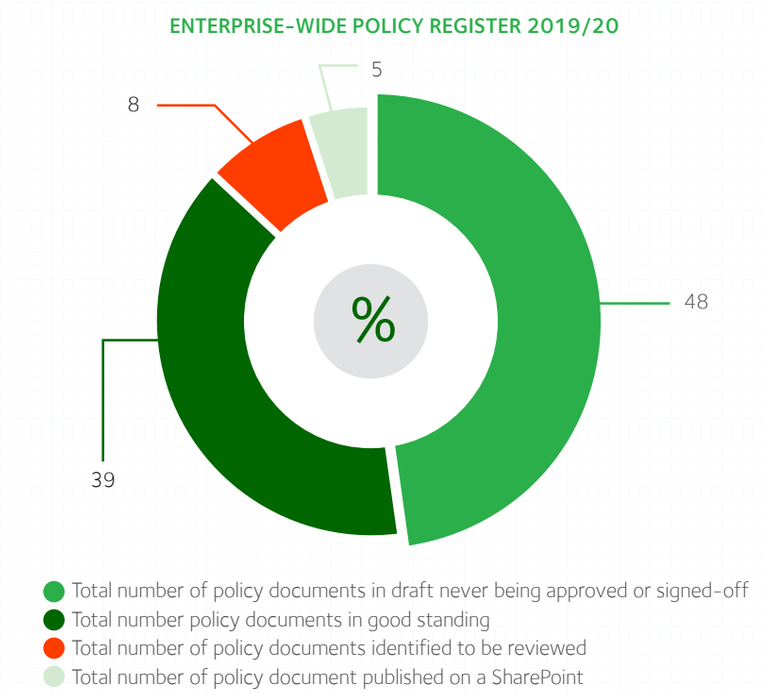
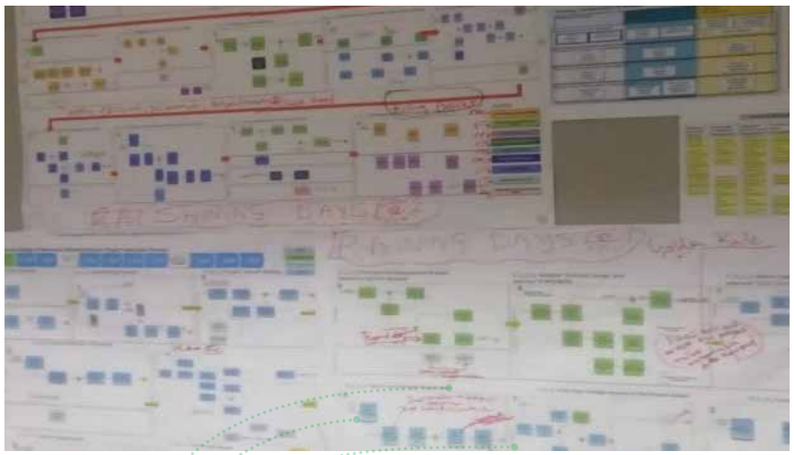


Figure 13: Enterprise-wide Policy Register

The Company identified nine core processes as depicted by our Process Operating Model on page 35. During the year under review, four end-to-end processes that impact on revenue generating operations, were reviewed and modelled using the "Brown Paper Model" as depicted below:



We have seen a significant improvement in ensuring that operational controls are identified and implemented, within the Services Provisioning Process, Debtors Management and Collection business processes, and improvement in the business processes relating to the execution of projects for customer's service delivery. The Company further made a significant improvement in the reviewing of Supply Chain Management processes resulting in improving the operational efficiency and effectiveness. Cross functional processes meetings and workshops were regularly held with departmental stakeholders, with the aim of evaluating, monitoring and improving performance across the organisations.

Systems

The lack of investment in Customer Relationship Management (CRM) systems, due to financial constraints, remains a challenge for both reporting and efficiency. The quotations are managed through Excel spreadsheets with no databases or capability of data storage which could enable the business to gain more insights into operations. This is especially critical for revenue management as well as putting measures in place for accurate revenue recognition.

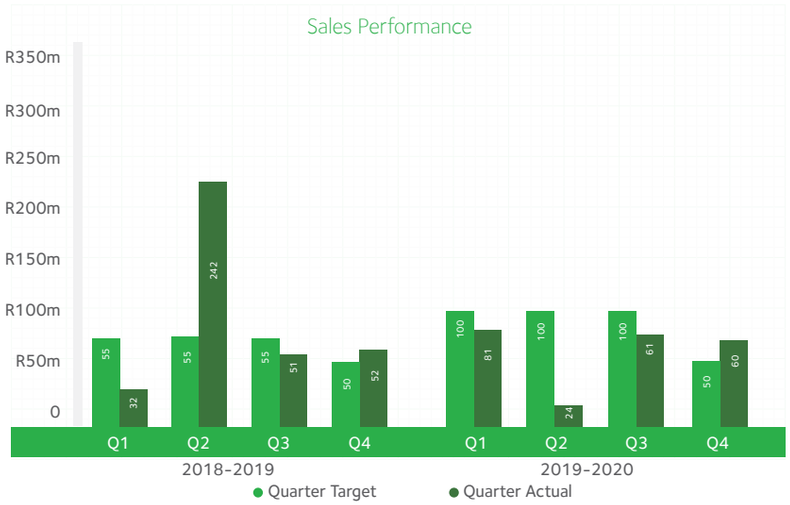
Financial Capital

Ensure Financial Sustainability

Sales

The 2019/20 financial year presented growth of 3% compared to the previous financial year, albeit a missed target by 36%. The performance was delivered under a challenging macro-economic environment with growth of less than 1%, a price-pressured industry environment, as well as two-thirds of the sales capacity due to the moratorium on recruitment that was in place in FY2019/20. This year was, as a result, very much focused on retention of the customer base as there was a vicious battle for total ownership of key accounts. Whilst the first quarter started strong, with a solid and strong pipeline for recovery in the second quarter, the market conditions toughened with the same deals circulating the market with customers demanding lower and lower price points, and not committing. The recovery that came through in Q3 was not adequate to close the gap that emanated from Q2. With this, there was still confidence as there is a buffer provided by the last quarter through a target that is half that of other quarters. Indeed, there was a recovery, however this was impacted by the loss of the last two weeks of March which carry

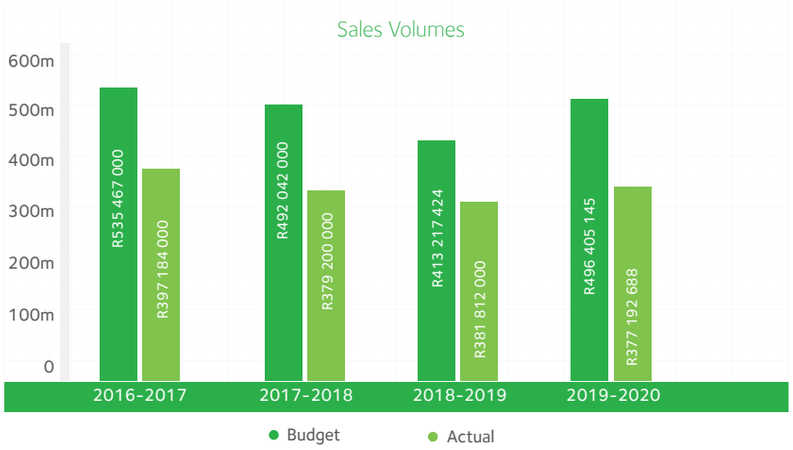
significance in as far as closing of deals.



The graph below indicates sales performance:
Graph 5: Sales Performance

Overall the market has been exposed to continuous pressure from customers who are looking for competitive pricing and taking longer to respond to quotations. This is more evident in large enterprises like the mobile operators with the timing between quotations and feedback taking more than 30 days. The performance of sales vs the target throughout the four quarters has averaged above 71% which is an indication that the sales team has managed to engage the industry aggressively, irrespective of the external factors affecting the economy and the market. Despite not being able to fill the Product Management vacancy, the team fostered an entrepreneurial approach, tapping into new revenue streams by selling professional services for the very first time in the organisation, to the total value of R34 million. The demand for 100Gbps+ capacities, which continue to dominate requests, played a major role in closing the sales and revenue gap. The pricing difference in these upper capacities, which is highly driven by input costs, seems to be very high compared to the market.

The graph below presents year-on-year sales volumes comparisons:



Graph 6: Sales Volumes

Average Revenue per Customer (ARPC)

ARPC					
Description	FY16/17	FY17/18	FY18/19	FY19/20	Growth
Customers	33	46	57	79	21%
ARPC	R12 036	R11 645	R7 237	R5 482	-24%

Table 7: ARPC

The above table illustrates how the ARPC is declining, implying that more effort should be applied for the same level of revenue. In FY2020/21, we will focus more on aggressive customer acquisition and business development efforts to increase revenue. Customer growth needs to be accelerated to generate the volume of transactions to make up the revenue.

Benefits and Trade-offs

The Resellers/Channel Partnership has gained momentum through the partners signed in the current financial year - on a win-win basis. BBI, through the Reseller agreement, responded to the data centre requirements of one of the SOCs in the telecommunication space, partnered with one of the data centre providers in the Gauteng region for the extension of the services into its product portfolio. The objective of intensifying the sales capability and leveraging on channel partner resources is being realised and will continue to BBI's footprint, as well as sales resources, for new customer acquisitions. The foundation set in this financial year will be leveraged into the following years and position BBI as an infrastructure player of relevance.

BBI, through a partnership with an international player, has been awarded the undersea cable tender for the management and maintenance of the primary NOC. In this offer, BBI has been granted the opportunity to host a primary NOC of an international consortium which promotes its brand, upskills its workforce and becomes a company of note.

The partnership with one of the MNO-1s to collaborate on industry-strategic requests for pricing (RFP) is one of the initiatives which will bear fruits in the coming financial year. The platform offers BBI an opportunity to engage on Public Private Partnerships (PPP) in support of government initiatives, while positioning the partnership with a compelling value proposition.

BBI is currently involved in an in-depth discussion with one of the leading international software service providers for a partnership whereby the two entities will approach the industry and provide end-to-end solutions on e-government through combined value propositions and mandates of both organisations. The focus will be on the COVID-19 value offering with emphasis on schools and cloud services. An MoU/MoA will be signed by both entities to enable to enable the implementation of the collaboration.

Highlights

- Regional Player: one of the regional customer's 100Gbps link was provisioned within 14 days of the SOF being signed. This was as a result of capitalising on the WACS cable break, through a marketing campaign that ensured the industry is aware of BBI's capability with WACS undersea cables.
- MNO-1: the relationship with MNO-1 is growing and the work that is taking place with the operator is yielding results. MNO-1 ordered a 10Gbps in the first quarter, a 50Gbps service in the third quarter, and another 40Gbps service in the fourth quarter - bringing the total capacity requirements to 100Gbps in the 2019/2020 financial year. It should be noted that the 50Gbps service is complete and ready to be handed over to MNO-1 after the MNO-1 network freeze due to the COVID-19 lockdown. This brings the total amount of capacity with MNO-1 to 230G at end of March 2020.
- MNO-1: the last month of the financial year ended with an MNO-1 deal, which is a significant contract over a three-year term. The capacity requirement is 200Gbps and this was a result of an aggressive campaign by the team to close the gap. This was the best result for BBI as not only do we get to grow the revenue from MNO-1, but we can also showcase our delivery capability (moving from just under 200Gbps to just under 500Gbps of capacity with them).
- Customer 30: both services for the customer were activated in March 2020 - 13 months after the sale was concluded. The delay was also due to Northern Ring Upgrade which took longer than anticipated.
- Provincial Government: the broadband project in one of the provinces is starting to yield results - a purchase order was received for broadband connectivity.
- SOC: in our quest to find new revenue streams for the Company, we managed to secure a contract to provide professional services with one of our key customers.
- Municipality: the Company secured a deal with the first municipality as a customer, albeit small capacity. This is a key opener to this market segment and very significant in bringing connectivity to the people.
- SOC - Research Based: this financial year marked the beginning of a relationship with a state-owned company which is involved in research and BBI was selected as one of the suppliers to provide connectivity to state-owned companies.

Challenges

MARKET CONTEXT

- **Macro-economic weakness**
  High impact on pricing
  High discount
- **Competitor Activity**
  Evidence of lower pricing
- **Growth in ISP market**
  Impact on capacity requirement
  Demand of affordable pricing key
  64% of services sold from this segment
- **Research and Academic**
  Drive to connect universities
  Growth area and price sensitive

INTERNAL CHALLENGES

- **Lack of Capacity**
  Smaller capacities delivered in increments
- **Extended Period**
  Service provisioning cycle too long with impact on revenue recognition
- **Lack of Funding**
  Transmission equipment ordered on-demand or only when there is service order is placed
- **Instability of the Network**
  Service failures with impact on customers' services
- **Solution Design**
  Cancellation due to designs
- **Delays in Project Delivery**
  Some project taking over 12 months to deliver

RESULTS

- Not able to provision what the customer requires and in time
- Cancellation of services
- Confidence lost in BBI capabilities
- Opportunity cost of upselling to customers due to delays

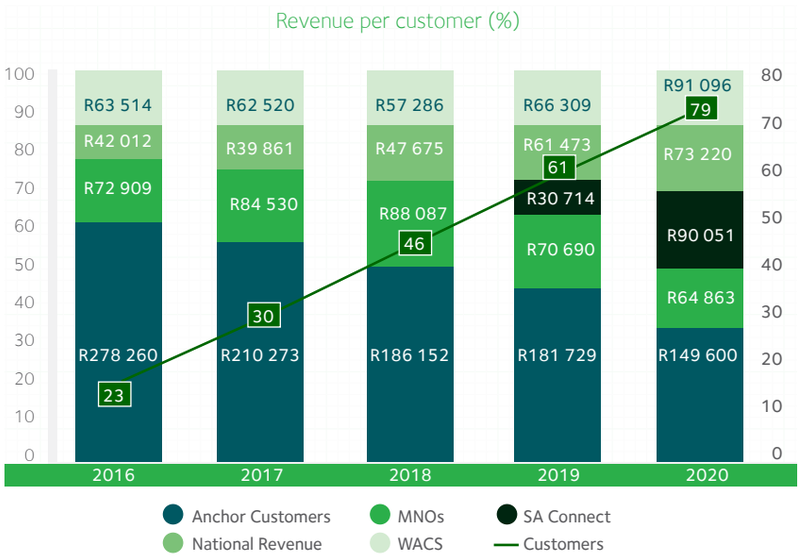
Figure 14: Challenges

Financial Capital (continued)

The Company increased the number of billed customers from 61 to 79 during the financial year. This increase in customers contributed to an increase of more than 14% year-on-year revenue growth. However, amidst this growth, the Company did not achieve the set revenue targets for the year. A recovery in revenue was expected during the last two quarters of the year. This recovery never materialised mainly due to the inability of the Company to raise funding due to the Shareholders' loans not being converted and the continued economic downturn being experienced in the ICT sector.

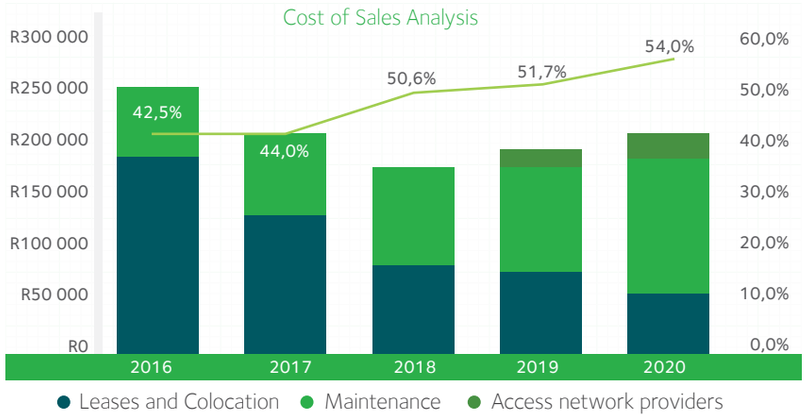
> We did secure new sales of more than R227 million during the financial year and there are good pipeline opportunities, the total benefits of which will reflect during the next financial year.

Revenue



Graph 7: Revenue per customer

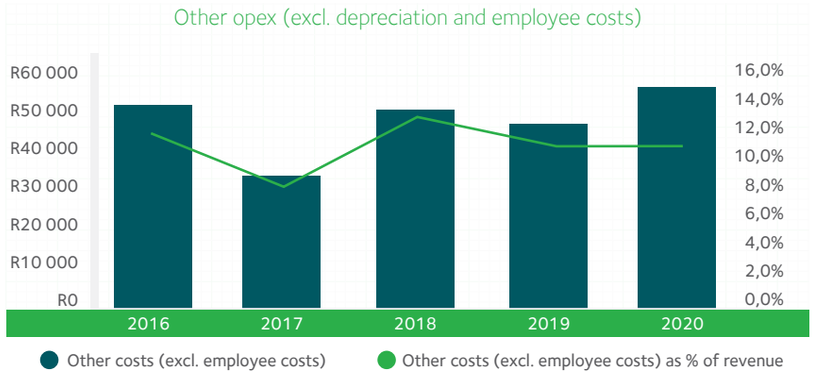
Cost of Sales



Graph 8: Cost of sales analysis

Cost of Sales (excluding depreciation) for the year is 20% higher than the previous financial year (18% if IFRS 16 adjustments are normalised) mainly due to higher fibre costs and access providers for the provisioning of SA Connect, when compared to the previous financial year. Amidst this increase in cost of sales, the gross profit margin increased to 54% for the year under review.

Operating Costs

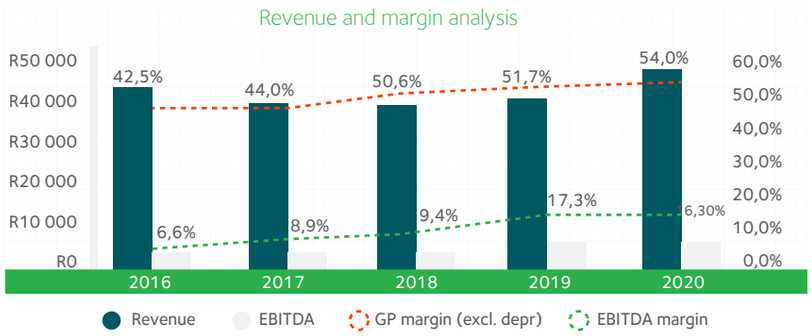


Graph 9: Operating costs

Operational expenses for the year are 4% higher than the normalised operating expenses (after considering the capitalisation of spares in the 2019 financial year) for the previous financial year. This increase is mainly due to an increase in maintenance activities, and related insurance costs, as a result of an increase in vandalism and fibre line breaks, and co-sourcing of critical services.

> Management continues to drive the optimisation of various costs that have assisted the Company in achieving a positive EBITDA and ensuring its long-term sustainability.

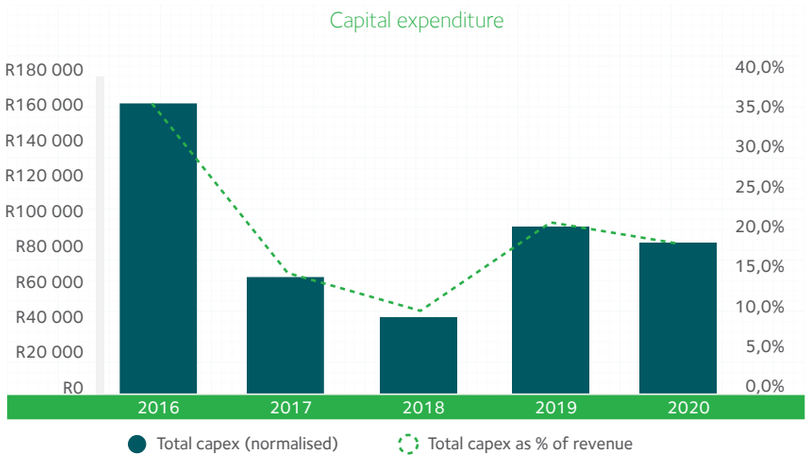
EBITDA and Capex



Graph 10: Revenue and margin analysis

The Company remained cash positive throughout the financial year. The gross profit percentage increased, and the EBITDA margin only decreased slightly, making for a positive outlook. Although the Company had a positive EBITDA, and generated cash from its operations, we remained under severe cash constraints. This position was worsened by the fact that we were unable to raise funding during the past year as a result of the non-conversion of the shareholders' loans and very few cash upfront deals (IRU). As a result, all capital expenditure, to mainly provision services to customers had to be funded from own funds generated during the year. This, together with the lower revenue growth outside of SA Connect placed us under severe cash flow constraints.

Capital Expenditure



Graph 11: Capital expenditure

The total capital spend for the year is R66 million (excluding IFRS 16 adjustments for right-of-use assets). Most of the capital spend was for the provisioning of specific strategic customers and rolling out of SA Connect.

The Executive and Senior Management teams continue to work relentlessly to drive sales growth. This drive will ensure the sustainability of the Company and is reflected in the cash flow forecast for the next 12 months.

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 Earnings Before Interest, Tax, Depreciation and Amortisation. The Executives continue to drive the conversion of Shareholders' loans into equity, to gain access to funding, which in turn will assist in increasing revenue. This drive will ensure the sustainability of the Company and is depicted in the cash flow forecast for the next 12 months.

Shareholders' Loans

Minimal progress was made during the year to convert the Shareholders' loans into equity, as the authorisation from one shareholder remains outstanding. This is significantly impacting on the Company's ability to raise funding to extend the core network and provision services. The Executives continue to drive this target.

Funding

Management continues to seek additional funding from Development Finance Institutions (DFIs) and commercial institutions for the expansion of the network to provision services for customers, in line with its funding plan. This is proving to be challenging with the delays being experienced with the conversion of the Shareholders' loans.

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

Benefits and Trade-offs

Due to the imminent SOC Rationalisation between BBI and Sentech, it is not possible to hire employees cost-effectively. We have to rely on more expensive outsourced resources to fill specific functions or roles in the Company, when we should be optimising coats during these difficult economic times.

Key Highlights

- We successfully implemented IFRS16, with widespread impact on the financials of the Company, as disclosed in the Annual Financial Statements later in the report.
- Most of the financial and supply chain management policies were updated and approved by the Board of Directors and/or Board sub-committees.
- Concluding Phase 1 of the SOC Rationalisation process with PricewaterhouseCoopers (PwC) and Sentech was another important development during the latter part of the year.
- Implemented improved contract management processes to prevent further irregular expenditure.
- Concluded a physical fixed asset verification process and reconciliation, improving the final reporting and accuracy of the fixed asset register of the Company.
- Improved adherence to legislation and regulations in the compliance sections.

Challenges

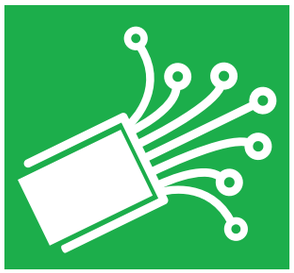
- Increased irregular expenditure as a result of the clean-up process of contracts and prolonged processes of requesting condonation from respective stakeholders.
- Inability to fill vacant positions with competent resources on a fixed-term contract basis.
- Not having an ECS licence remains a commercial risk for the Company as it is losing out on potential revenue with large unlicensed wholesale data providers.
- Anticipated improvement in the B-BBEE certification not realised.
- COVID-19 lockdown has affected all efforts and output during the State of Disaster period.

Future Outlook

The Company will, for the foreseeable future, continue to focus on financial and operational sustainability. This entails obtaining access to additional infrastructure as well as investment and funding. These are pertinent to BBI's growth strategy which will enable greater offerings to customers (network and connectivity).

It also includes the internal enablement of the organisation through alignment initiatives such as business model optimisation, operating model review and implementation of improved processes, systems, structures, and governance. This will allow for organisational optimisation to maximise benefits for customers and stakeholders.

Key to this will be prioritising good financial management that is mainly concerned with the management of all matters associated with the cash flow of BBI both in the short- and long-term, how the organisation uses its funds and funding of its working capital and seeking funding from third parties through loans/debt. Financial management also endeavours to reduce organisational costs within the approved budget parameters. This will be supported with best practice Supply Chain Management (SCM) principles being embedded in the organisation using long-term demand planning, supplier management and expedient procurement processes.



Manufactured Capital

"Expand and maintain broadband network infrastructure."

Products and Services

Our new products and services include the following:

Professional Services

BBI has introduced Professional Services as a value-added service to our current offering. Professional Services entails connectivity service which has seen an extension and move up the value chain from purely connecting the WAN to including connecting to the customers LAN to enable end–to-end connectivity. This has seen great success as it was met with a need in a market for accelerating connection on SA Connect sites.

Data Centre facilities

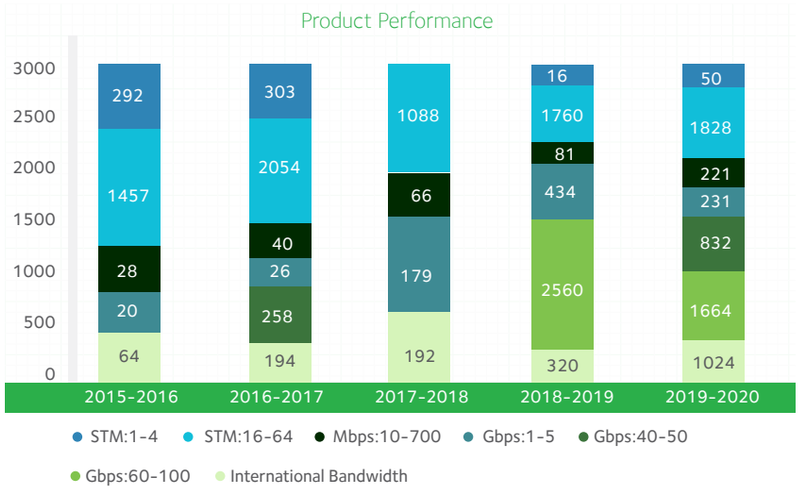
We have also through a partnership launched a white labelled data centre service as a product. The product allows for colocation of rack space and servers with security are provided through closed a biometric access and rack specific access. The data centre facility is connected to a fast and reliable network backbone to ensure reliable connectivity and redundancy for servers at highly competitive pricing.

The rapid evolution of technology, coupled with the high consumption of Internet Protocol based services, has resulted in customers requesting high bandwidth services as reflected in the table below. A project to implement the next generation dense wavelength division multiplex (DWDM) technology that can carry 100Gbps within the core network is close to completion. This will enable the Company to respond to customer requirements appropriately and is complemented by native IP-based technology which positions the Company competitively.

Product Performance

The table below indicates that there has been a shift in TDM-based services to IP-based services which is supported by the revised BGE strategy and illustrates the product performance for five financial years:

Product performance



Graph 12: Product Performance

Network Build

There were various projects that 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 external resources was limited due to financial constraints.

SA Connect

The government of South Africa in preparation for Fourth Industrial Revolution, 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, with the project being named South Africa Connect. This project ensures that government facilities such as schools, clinics, hospitals, post offices, Thusong Centres and police stations, are connected to the internet for the purpose of accessing government services as well as general public empowerment. With this connectivity will come the empowerment of citizens in remote areas, in preparation for the participation in the 4IR economy and the age of the Internet of Things.

Lusikisiki Project

On the 19 of August 2019, Broadband Infraco received a request from the Minister of Cooperative Governance and Traditional Affairs via the Ministry of Communication and Digital Technology to identify and provide broadband connectivity to a Health facility in Lusikisiki Town, Ngquza Hill Local Municipality, OR Tambo district Municipality, Eastern Cape Province. The request was based on a Cabinet resolution to pilot an Integrated District Based Model in OR Tambo for Presidential Visit on 17 September 2020. Lusikisiki Village Clinic was suggested as an option to the Ministry, however it was highlighted that the facility is outside of Broadband Infraco current fibre network and SA Connect connectivity.

Confirmation of the required connectivity to the Lusikisiki Village Clinic was received from the Ministry on 21 August and as the Clinic was built to be an NHI health facility, broadband connectivity was priority. Planning commenced with the Access Network Provider providing a feasibility report and timelines. The report indicated that the facility is about 80km from the existing network and can be connected by constructing a link as a network extension to Lusikisiki. The estimated total time was provided as four to five weeks, with the earliest probable completion date being 20 September 2019, including material ordering, construction work, facility installation, testing and handover.

Material delivery and construction work was expedited by Access Network Provider, supported by the project team, from 2 to 6 of September 2019, with the radio link installation done and tested by 13 September 2019. The testing took longer than anticipated due to the distance and the BBI technical team was deployed to the district to support the Access Network Provider and managed to resolve all issues experienced. Service layer installation and testing for the health facility applications to work was completed on 16 September 2020, on time for the arrival of the delegation. The opening was a resounding success with the President of the Country officially opening the facility and accompanied by the Minister of Cooperative Governance and Traditional Affairs and Minister of Communication and Digital Technology.

Some of the lessons learnt from the connectivity include the need for better planning, coordination from Government, early communication of these high priority programmes to the various stakeholders and that Broadband Infraco and various other SOCs have the capacity to lead the rollout of infrastructure in the country.

Northern Ring Project

Northern Ring upgrade project is another flagship project that was rolled out in 2019/20. The project was approved in May 2019 based on a service order received from two customers requiring 300G capacity from Isando to Beitbridge PoP site and 100G capacity from Isando to Komatipoort PoP site. Equipment was delivered in January 2020 and the services were partially activated on the 31 March, with few delays due to technical complication from the OEM equipment. The upgrade has ensured that BBI fulfils its mandate to provide connectivity to the SADC countries. The project upgraded broadband network equipment and capacity by 600G to Zimbabwe via Beitbridge PoP site and Mozambique via Komatipoort site.

Projects

Various projects were completed during the financial year under review as depicted in the table below:

Various Projects									
#	Project name	Dates			Total plan	Total installed	Total accepted	Status	Comments
		Start date	Planned end date	Revised end date					
1	Customer 13	23-Apr-18	03-Dec-18	30-Jun-20	5	1	1	Delayed	Late due to outstanding Eskom fibre lease. Lobatsi proposal is submitted to the customer for approval.
2	SA-Connect Phase 1A	23-Apr-18	31-Mar-19	30-Sep-19	313	313	313	Completed	Completed and handed over to DTPS.
3	SA-Connect Phase 1B	03-Apr-19	31-Mar-20	31-May-20	400	359	333	Execution	Delayed contracting and ANP third-party applications and equipment failure.
4	Customer 2	03-Apr-19	28-Jun-20	n/a	6	6	6	Completed	Handed over to the customer.
5	Customer 18 - 2x 10G	30-Jan-19	31-Jul-19	n/a	2	2	2	Completed	Handed over to the customer.
6	Customer 66	10-Sep-18	19-Sep-30	n/a	1	1	1	Completed	Handed over to the customer.
7	Customer 18 - 60G	04-Apr-19	30-Sep-19	n/a	6	6	6	Completed	Handed over to the customer.
8	Customer 10 -100G	10-Sep-18	31-Mar-20	n/a	2	2	2	Completed	Handed over to the customer.
9	Customer 4 - 2 links	01-Feb-20	31-Mar-20	30-Apr-20	2	0	0	Execution	ANP waiting for high site approval by TFR.
10	Regional PoC	01-Nov-19	tbc	n/a	66	0	0	Delayed	Launch date is revised to accommodate Minister's diary as invited.
11	Customer 1 Layer 3 CPE	13-Jan-20	31-Mar-20	30-Jun-20	256	163	48	Execution	Delayed due to L2 completion and scheduled to be completed by June 2020.
12	Customer 1 Layer 3	13-Jan-20	31-Mar-21	n/a	970	0	0	Contracting	Awaiting material availability from the customer, scheduled to start April 2020.

Table 8: Various Projects

Benefits and Trade-offs

The completion of projects within time and budget increases the financial capital through billing of customers and payment for services provisioned, whilst the cost of sales may increase that reduce the financial capital. Due to the inability of the Company to raise capital project funding through the commercial banks, the service provisioning decreases and financial capital decreases as there is no revenue generated that impacts on the sustainability of the Company.

Future Planned Projects

For the financial year 2020/21, there are more than 12 major projects for implementation. These projects range from customer provision projects, network extensions/upgrades, special projects and network monitoring projects. The successful execution of some of these projects will be dependent on funding availability.

Network Operating and Maintenance

A sharp increase of 15.2% of network failure incidents was reported during 2019/20 compared to the previous financial year. The main contributing factor was Eskom load shedding that was implemented nationally, and which reached its peak in February 2020.

Despite Eskom implementing Stages 2, 3 and 4 load shedding, the impact due to power-related causes only slightly increased. Operations and Maintenance (O&M) mitigation plans proved to be effective and well-executed. Additional measures were put in place by the NOC and O&M to closely monitor, and further increase, the battery standby capacity at key sites.

The impact to the network due to fault incidents linked to vandalism significantly decreased from 27.7% in Q3 to 16.3% reported in Q4 despite vandalism remaining the single most common and consisted root cause of network incidents.

Network incidents related to force majeure, increased from 6.1% in March 2019 to 19.9% in April 2019. This resulted from veld fires, heavy rains, flooding and strong winds that were reported throughout the country during April 2019. The extreme heatwave conditions also experienced in November 2019, severely put all PoP sites' cooling systems under severe strain and therefore increased the risk of possible transmission equipment failures.

Route 7 experienced an increased number of fault incidents due to different causes, among them being farmers, third parties and Transnet Freight Rail (TFR) contractors. This resulted in the Zimbabwe cross-border route availability and traffic being affected.

Less site and regional office break-in incidents were reported during 2019/20 compared to previous financial year. Site break-in incidents remain a risk to our assets and network reliability.

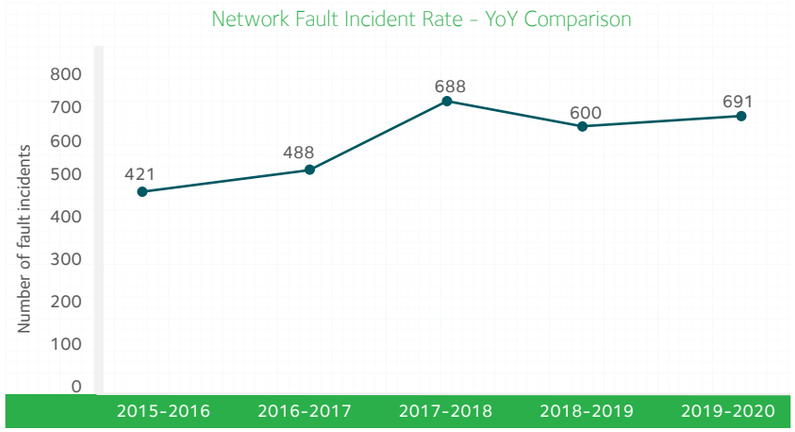
The site build specification was reviewed and approved to also address the upgrade of security systems at all existing and proposed PoP sites. Incident rate is the measure or record of all network affecting incidents on a month-to-month and quarterly basis and serves as network reliability indicator.

A total of 691 network failure incidents were reported during 2019/20, compared to 600 in the previous financial year.

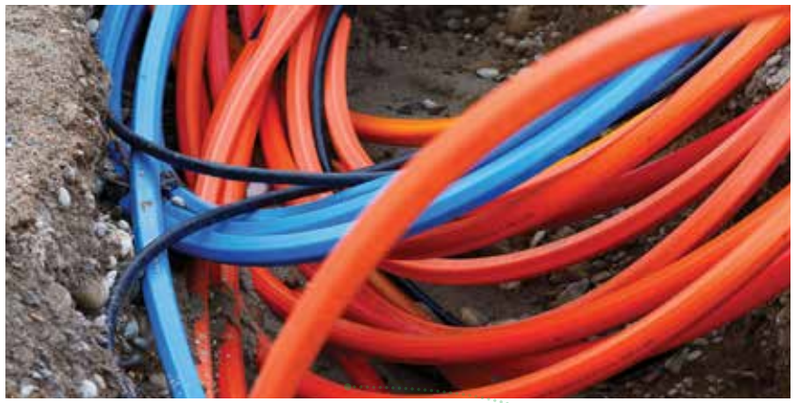
The 2019/20 annual network failure distribution per domain was as follow:

- Fibre Optic Cable contributed: 70.9%
- Terminal Equipment related incidents accounted for: 5.8%
- Power related incidents (Facilities) contributed: 19%
- Clear While Localising (CWL) accounted for: 4.3%.
-

The graph below indicates year-on-year (YoY) network fault incident rate profile for the last five financial years:



Graph 13: Network fault incidents rate - YoY comparison

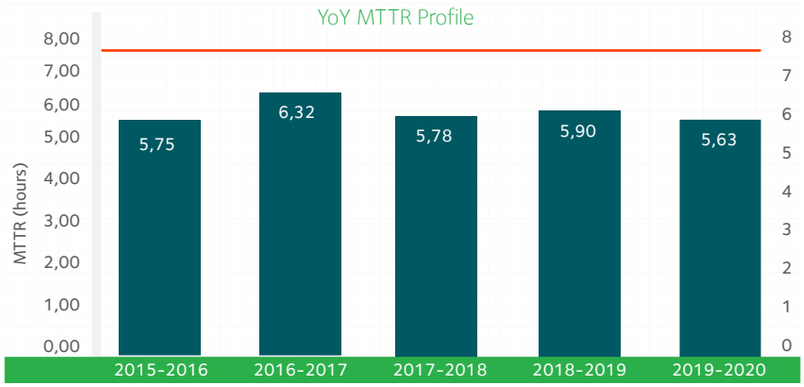


Mean Time to Restore (MTTR)

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 for 2019/20 remained within the target of 7:5 (07:30) hours at 5:63 (05:38) hours, compared to 5:9 (05:54) hours in the previous financial year.

The graph below summarises the Year-on-year Mean Time to Restore (YoY MTTR) profile for the last five financial years:



Graph 14 : YoY MTTR Profile

International Routes Performance

The cross-border routes achieved a combined availability of 99.71% in 2019/20 compared to 99.53% achievement in 2018/19, and therefore exceeding the minimum combined availability of 99.00%.

The Namibia route was the worst impacted by an AC supply interruption caused by Eskom load shedding during January 2020, and the Botswana route during February 2020 by four AC supply interruptions, with a total downtime of 06:34. Additional battery capacity was added to Oberholzer, Mafikeng, Lichtenburg and Ramatlabama to further increase the standby time to be at least 10 hours.

The figure below depicts the cross-border route performance:

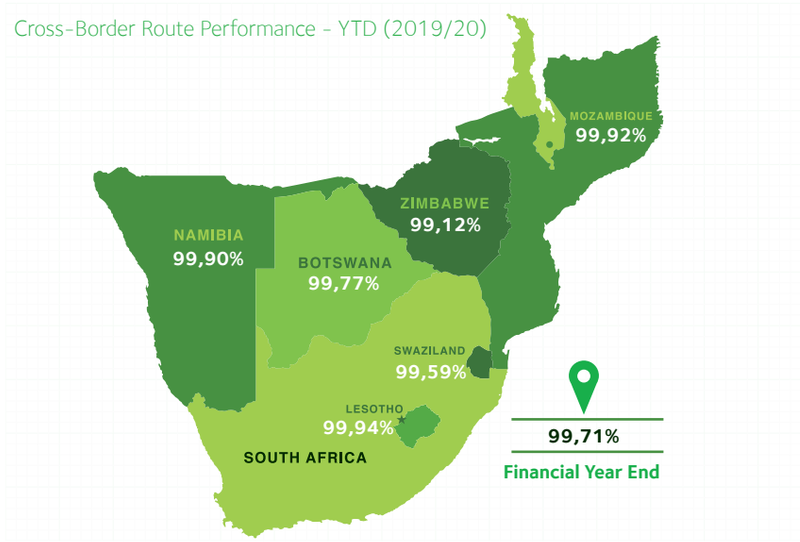
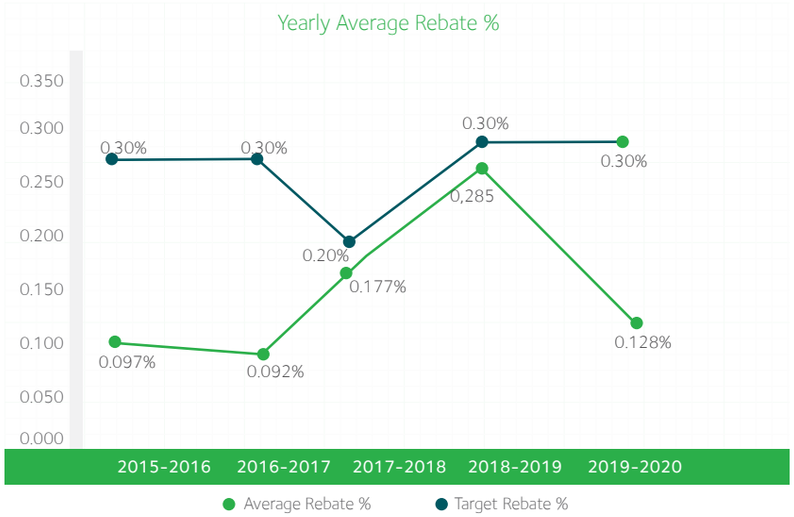


Figure 15: Cross-Border Route Performance

Network Rebates

In FY2019/20 some customer's services did not meet the SLA requirements and resulted in rebates, which amounted to R594 891,56 in provisions. The actual rebates invoiced was a total of R394 182,30. The actual averaged rebates provisioned were 0.13% of the yearly revenue which is within the company target of 0.30%. This figure may be adjusted in the next quarter if new information is received.

The full annual comparison of the percentage of rebates paid is shown in the trend graph below:



Graph 15: Yearly Average Rebate

Network Asset Management

Points of Presence

The number of operational sites remained constant at 147 compared to the previous financial year as depicted in the table below:

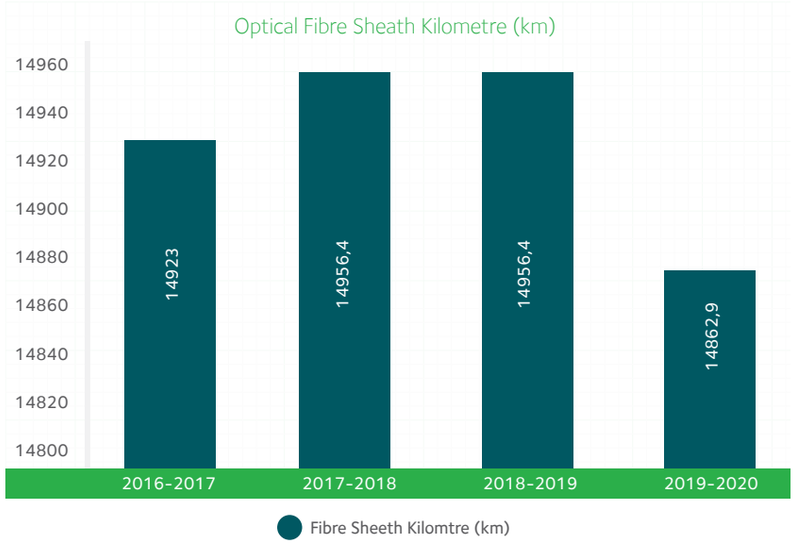
Site Description	Number	3rd Party Access	
		Yes	No *
SOC Co-Location Sites	16	10	6
SOC Site Sharing Sites	48	43	5
SOC Microwave Sites	0	0	0
Customer PoPs	6	0	6
Open Access PoPs	10	10	0
Private Lease	8	8	0
Private Co-Location	2	0	2
Total Sites	147	127	20

Table 9: 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 decreased by 105km due to customer services that were cancelled or not renewed as reflected in the figure below:



Graph 16: Optical Fibre Sheath (km)

Total Site and Fibre Sheath Kilometre per Province

The figure below encapsulates the number of our PoPs and kilometres of fibre across the provinces:

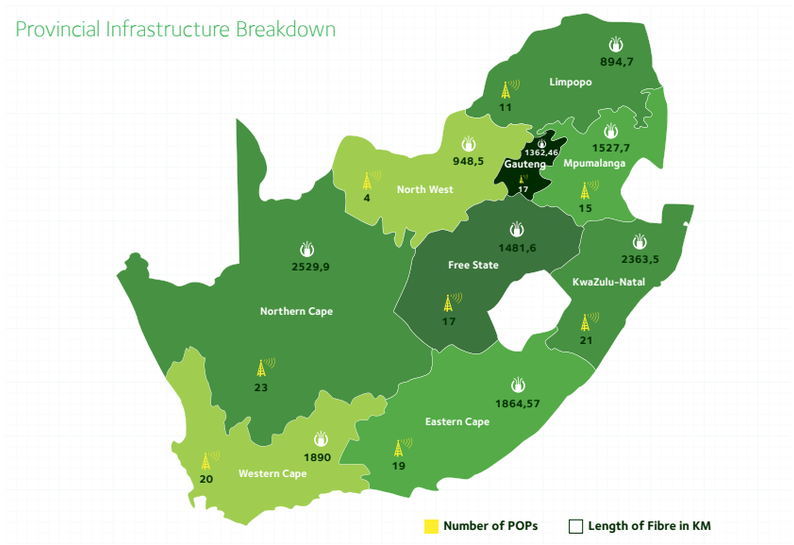


Figure 16: Provincial Infrastructure Breakdown

Key Highlights

- All high span losses between Bloemhof and Klerksdorp have been resolved during planned works.
- Motion detecting sensors were installed at Pegasus after the break-in at site, and all alarms were tested and confirmed to be visible to the NOC.
- East London regional office assisted in connecting the Lusikisiki Village Clinic to the SA Connect network. This was in preparation for the official presidential opening of the clinic.
- The relocation of Beitbridge PoP from the previously unsafe location to the new location was executed successfully. All the links and services restored with minimal interruptions.
- The QMS audits conducted by TÜV Rheinland at selected PoPs in Lichtenburg and Johannesburg areas were successful with only a few minor non-conformances raised.
- The new mTera node installations and commissioning at Beitbridge, Soekmekaar, Kaapmuiden and Komatipoort were completed. The scope of the Northern Ring Capacity Upgrade included the installations of new rectifier systems and 16 batteries at each site.

Challenges

- Break-in incidents at various sites including Pegasus, Heidelberg and Camden-Incandu (T239) reported during the period, with batteries being stolen at all these sites.
- Route 7 was down for about two-and-a-half days during a fibre fault between Pretoria North and Bela-Bela (BBI-37956), which was due to the damage done on the cable over a span of about 1.25kms by people shooting pigeons with pellet bullets. Such damage by pellet bullets is difficult to identify and that contributed to the long restoration times experienced.
- An incident of injury-on-duty (IOD) was recorded during the reporting period.
- There were delays in the completion of SA Connect site installations and testing due to contracting delays, ANP delays and sites given back by ANPs.
- Continuous power failures at Mafikeng, Oberholzer and Nelspruit PoPs, led to many incidents of the sites being isolated for very short periods of time.
- The unavailability of AdLash cable to execute permanent repairs is becoming critical to maintain a reliable and stable network. The increasing number of temporary cables on the ground is putting resources and link stability under increasing pressure.

Future Outlook

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

i. Network capacity upgrade to improve network resilience.
ii. Network Reliability Improvement.
iii. Broadband Infraco has planned to improve network reliability, performance and route redundancy. The strategy will be to focus on prioritising the key spots of the network, including AdLash refurbishment in conjunction with key stakeholders.

IP Network Upgrade

In order to cater to specific customer demands as well as improving the network resiliency, there is a plan to upgrade and expand the current IP network beyond the Golden Triangle. Phase 1 of the IP Network Upgrade involves building an IP Transit PoP in London.

Services in underserved areas

We intend to continue rolling out services in rural areas as part of supporting government efforts to reduce the digital divide. This plan builds on top of the SA Connect project that continues to be rolled out. In addition, more focus will be put into maintaining and running the sites that were already connected.

Stakeholder Relationship Management

"To drive socio-economic transformation"

The Company recognises the importance of engaging all stakeholders to ensure buy-in and support for various projects and initiatives. The one aspect that stands out in this year's reporting is the amount of consultations that have led to partnerships with various stakeholders and customers in an effort to ensure swift implementation of service delivery, especially to disadvantaged communities. Attention has been placed on building consensus through bringing together a diverse range of stakeholders to share information, ideas and knowledge to harmonise the objectives of individual groups to reach common societal goals.

One such initiative was the announcement of the collaboration between BBI and Google aimed at providing learners and teachers, in remote rural areas, with the necessary skills to prepare for today's changing work environments and the impact of 4IR. To further enhance the connectivity provided to-date to SA Connect sites, BBI has partnered with Google to provide training content under their Digital Skills Program "Grow with Google", to offer additional skills training to learners and teachers outside of the school curriculum.

The visit by the Parliamentary Oversight Committee was one such interactive session which provided an opportunity for the Company to present and engage the Committee on its performance, challenges, plans to continue the roll-out of the BGE strategy and innovative ways to contribute to future ICT industry developments.

The platform also provided a platform to present plans to better position the Company as a thought leader in relation to providing a competitive Open-Access, carrier neutral, connectivity enabler who offers higher than industry service level performance, diverse route coverage, allowing its customers to leverage from productivity gains acquired from using the BBI platform which discourages self-provisioning and/or using the service platforms of competitors.

The Company also hosted a successful Annual General Meeting (AGM) presided over by both Shareholders and the Board on 16 August 2019.

Branding and Marketing

The year under review saw a tremendous increase in events attended by the Company which varied from industry-related events which are viewed as platforms for building brand awareness, thought leadership and customer acquisition. Other platforms include shareholder advocacy/projects of national interest and CSI-related events that afford the Company an opportunity to support the shareholder and to also contribute positively to communities in which BBI operates.

There was a newly co-ordinated effort to structure events attended as per the needs of various business units in the Company, such as customer acquisitions, stakeholder management and to enhance partnerships that have been sought over time.

Industry-related events that were attended during the year under review include the following conference and shareholder initiatives: iWeek; ICT Infrastructure; GovTech, Africom, Free State 4IR Summit; Limpopo Digital Summit; Presidential District Model Launch, and the budget vote. Focus for participation was on exhibitions, thought leadership and speaking opportunities for the Company's leadership, or exhibition at relevant events.

Customer Relationships

We have maintained 100% retention of our customers despite some contracts coming to end of tenure, and increased our customer base from 61 to 79 in various segments as depicted in the graph alongside:

Number of Customers

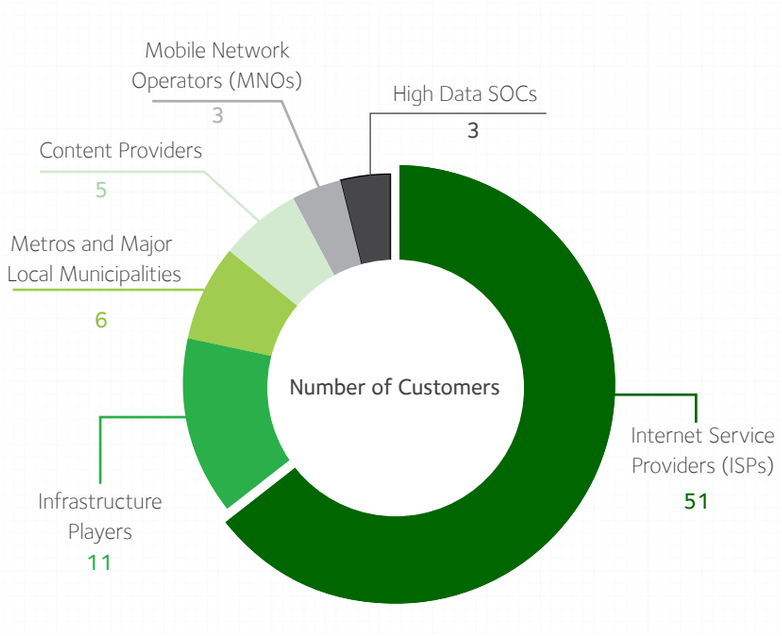


Figure 17: Number of Customers

Employee Engagement

We create opportunities for employees who are willing and able to become part of management decision structures through representative committees. The composition of the committees is diversified by race, job levels, gender and backgrounds depending on competencies that make them effective such as Employment Equity, Skills Development, Pension Fund, and Management Representative/Negotiation Team as well as inter-divisional/cross functional partnerships for organising staff fun or educational events, such as Heritage Day, in accordance with the national calendar and the long service awards to acknowledge five and 10 year anniversaries for appreciation of loyalty.

In the interest of keeping employees abreast of strategic developments in the Company, the CEO and EXCO hosted four Town Talk sessions, during the year under review. This platform provides an opportunity for employees to be informed and for them to make input to the Company's operations. BBI has a staff compliment of 180 employees between its Head Office and its eight regional offices that are the workforce behind all that the Company achieves - ensuring that they all on board was one of the cornerstones of this year's internal communication plan.

Splice Snippets and In the News platforms were created and are used to keep employees abreast of news and activities within the ICT sector. These include media coverage about the Company or other stakeholders in the sector as well as news coverage on events that the Company participates in.

There were internal events held to commemorate Youth Month and Heritage Day. Both events were used to bridge the gap between the younger and older employees and to also create social cohesion. The Youth Month campaign also highlighted the young average age of the Company and profiled young employees and the work that they do.

Our Women's Day event was the highlight of our internal events as it provided women within the Company to be further recognised and provided a platform to engage on what it means to fully contribute in an industry that is still primarily male dominated. The women came together to share thoughts on their experiences and collectively contributed to how challenges can be overcome, bringing further testimony to the phrase, "wathint' abafazi,wathint' imbokodo".

Organised Labour

The Company places a lot of emphasis on the recognition of the employees' organised labour representatives as key role players in the strengthening of the relationship between management and the employees. At the beginning of the financial year the company had just commenced engagements on developing a Collective Recognition Agreement with a trade union that had successfully gained majority membership in the organisation. An agreement was entered into with the Information Communication Technology Union in May 2019. The process was finalised during the first quarter and the bargaining process commenced and was finalised in.

Media Relations

There has been notable increased activity in terms of the Company's involvement in the media space. This is an indication of a renewed strengthening in our brand perception. Becoming a sought-after thought leader for the Company and our leadership team in the media space is one of the objectives highlighted in the marketing strategy that is slowly starting to move in a positive trajectory. The Company continues to enjoy a positive relationship with its stakeholders, attributable to a culmination of various initiatives implemented over time as part of its Strategy.

The Company has made great strides towards ridding itself of its previously negative reputation to one where it is considered an influencer and thought leadership contributor in the sector and industry at large. This is as a result of active initiatives that were put in place to communicate and share information regarding its activities with the media. A new sense of proactivity and creativity has led to new avenues of creating content and media attention.

This has culminated in a spike of requests for opinion from media houses (journalists), and participation of our leadership in discussion panels in various conferences on current and future industry developments. The Company's lead agency role in SA Connect and its partnership with Google have also contributed to the new posturing that it is now enjoying. The Company will continuously provide important information where required and avail its leadership for transparent engagement on its strategic direction and objectives.

Social Media

Our social media platforms were implemented in the 2018/19 financial year to ensure enhanced brand exposure and awareness. The platforms have over time grown in followership and engagement, enabling the Company the independence to cover and publicise its own events, promote products and services, and share strategic direction. The recent demarcation and targeted use of the platforms continues to ensure that we focus our communication and eventually engage relevant stakeholders per platform.

This year, the platforms have seen a notable increase on their usage to promote products and services, for customer attraction and attrition management, covering Company and industry events, and publicising tenders and vacancies and providing strategic support for Company initiatives.

The usage of these platforms has derived benefits that range from reduced advertising costs, wide sharing of information further than website usage, immediate viewing by stakeholders, and an increased number of tender and vacancy applications. This with the downstream benefit in gained increase in stakeholder engagement and brand awareness.

Below is an outline of the growth on these platforms as experienced during the year under review:

- Our LinkedIn community grew exponentially from 111 followers in March 2019 to 863 by March 2020.

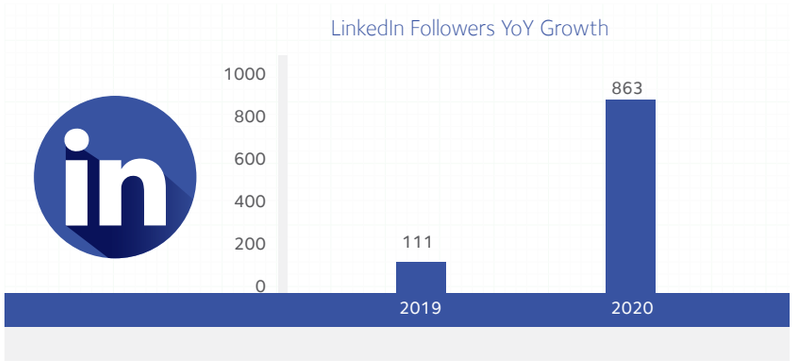


Figure 18: LinkedIn

- Our Twitter followers increased from 386 in March 2019 to 958 in March 2020.

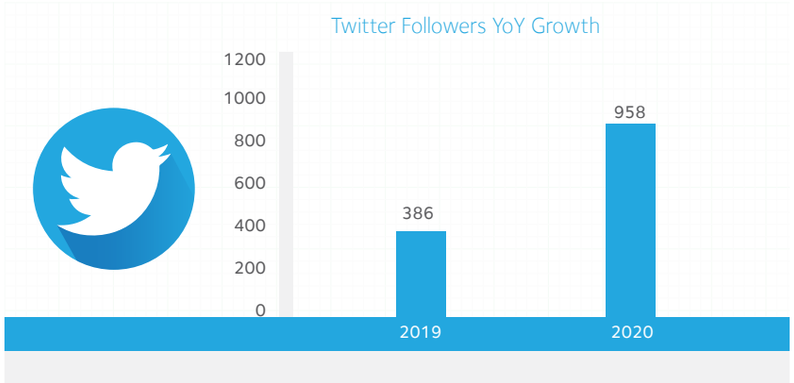


Figure 19: Twitter

- Our Facebook followers increased from 268 in March 2019 to 491 in March 2020.

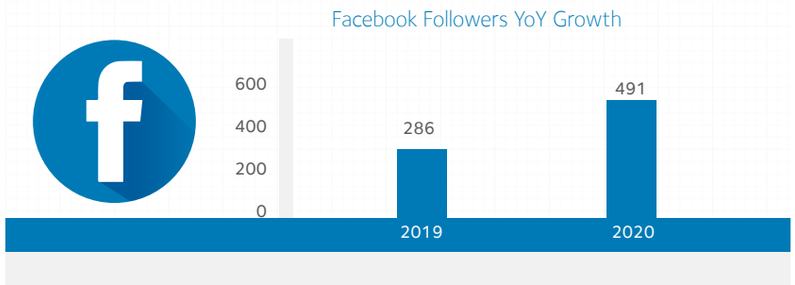


Figure 20: Facebook

This new approach has resulted in open, interactive relationships being built and a bottom-up approach to business being introduced. It has also influenced the communication climate by creating ambassadors and a sense of ownership and responsibility by employees.

Economic Transformation

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 Broad-Based Black Economic Empowerment 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.

The B-BBEE multiplier achievement was 122%, while the percentage of the procurement spent on BOE was 46% and on BWO entities was 44%, which contributed towards improving our B-BBEE status. During the year under review, an independent and impartial accreditation process was completed with the objective to measure the Company against the Codes of Good Practice on Broad-Based Black Economic Empowerment. The Company achieved a rating of Level 6 but was downgraded to a Level 7 as the minimum threshold on Skills Development, in terms of the ICT Sector codes, was not achieved.

Significant progress was however made in the monitoring and collating of verification data through the implementation of an online tool, and management is optimistic that the score will be improved.

Corporate Social Investment

Broadband Infraco believes that it has fundamental responsibility to assist in building sustainable communities by contributing towards access to information and communication technologies and services to communities in which it operates, the Company developed the CSI policy which is aligned to its mandate and strategy of expanding availability of electronic communications network and services to the South African market including underdeveloped and underserviced areas.

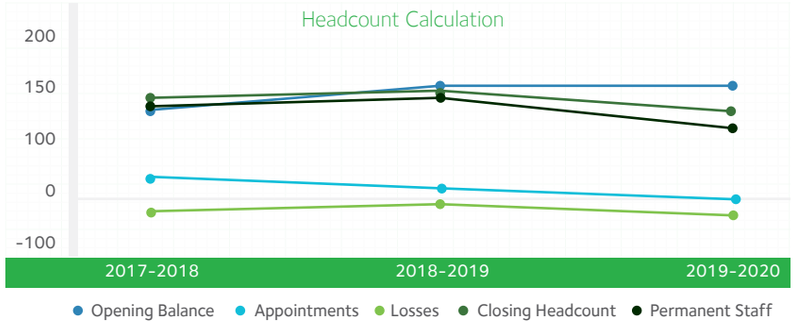
The Company adopts schools for a period of two years to fulfil its CSI objectives, to date the Company has adopted three schools in Limpopo, North West, and Eastern Cape provinces, respectively. We provided the adopted schools with equipment for the computer laboratory, Internet connectivity, cyber security training and telematics, training, and installation of the equipment. The telematic platform is provided by the University of Stellenbosch, serves as a vehicle that makes it easier for all learners to gain access to teachers who are recognised for their expertise and academic skills in a fully interactive, virtual learning space. We also partner with other companies to improve the learning environment of the adopted schools. Whilst the Company continues the relationship with all previously adopted schools, a new school, Byletts Secondary School in East London, Eastern Cape Province was adopted in during the year of reporting. During the reporting period, Borakanelo Secondary School received layer two infrastructure through the SA Connect project. The CS First training in partnership with Google was conducted at the following schools: Eastern Cape - Byletts Secondary School; North West - Borakanelo Secondary School; and Free Sate - Bluegumbosch Secondary School.

The evaluation of the programme was conducted at Seshigo High School. The facilities were impacted by vandalism and loss of connectivity that will be resolved in the year 2020/21 in partnership with the school governing body.

Human Capital

Building a high-performance organisation

Staff Movement



Graph17: Headcount Calculations

Headcount

- The financial year opened with a total headcount of 140 permanent staff and ended with 129. The approved total employee complement is 155. This means there were 26 vacancies in total as at the end of the 2019/20 financial year.
- An executive position that reached the end of its five-year fixed-term contract during the first quarter of the financial year was approved for extension on a shorter term.
- Apart from a headcount freeze as a cost containment measure and only critical positions being approved at EXCO for populating, due to the impending State-Owned Company rationalisation process, there was a shareholder-imposed moratorium on the filling of vacant positions to minimise duplication of human resources that may lead to restructuring when mergers are implemented.

The table below indicates the employee level per division:

Division	Executive	Senior Management	Professionally Qualified & Experienced Specialists/ mid-Management	Supervisory and Junior Management	Operational	Support	Active	Vacant	Total Headcount approved (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	0	0	1	0	0	0	1	2	3
Total	**6**	**13**	**46**	**17**	**41**	**6**	**129**	**26**	**155**

Table 10: Employee level per division

The core divisions, namely Technical and Marketing & Sales, needed assistance with the review of some part of their organisational structures in order to realign the content of the jobs, to deploy functions accordingly and to close relatedness to the Marketing and Sales function for efficiency and provide adequate capacity required for the implementation of strategic objectives. The realignment with redeployment of positions that were in other divisions such as Pricing Specialist, Product Manager, Financial Modelling, and the Stakeholder Relations management role were successfully executed.

The Finance division required HR assistance with the review of the functions within the management accounting unit to incorporate aspects of various jobs to enrich jobs for value add and meaningful engagement by the incumbents. The profiles for the Billing Coordinator, Senior Managers Management Accounts and Finance were revised and the grades reviewed.

Employment Equity

The figures indicating gender and racial representation are not consistent with the effort that is relentlessly put into improving the numbers of females, persons with disabilities and minority race groups. The company's Employment Equity (EE) Committee has explored all possibilities to achieve the set targets including setting EE targets for the divisional heads. However, there have not been opportunities to realise these due to moratorium on filling of vacancies.

The table below depicts our EE statistics:

Employment Equity Demographics													
Job Levels	**Male**				**Female**				**Foreign Nationals**		**Sub Totals**		**Total**
	A	C	I	W	A	C	I	W	M	F	M	F	
Executives	3	0	0	1	2	0	0	0	0	0	4	2	6
	50%	0%	0%	17%	33%	0%	0%	0%	0%	0%	67%	33%	100%
Senior Management	6	1	0	1	2	0	0	1	1	1	9	4	13
	46%	8%	0%	8%	15%	0%	0%	8%	8%	8%	69%	31%	100%
Professional Specialist & Middle Management	25	1	2	4	13	1	0	0	0	0	32	14	46
		2%	4%	9%	28%	2%	0%	0%	0%	0%	70%	30%	100%
Supervisory & Junior Management	11	0	0	3	4	0	0	0	0	0	14	4	18
	61%	0%	0%	17%	22%	0%	0%	0%	0%	0%	78%	22%	100%
Operational	28	0	1	0	14	0	0	0	0	0	29	14	43
	65%	0%	2%	0%	33%	0%	0%	0%	0%	0%	67%	33%	100%
Support	0	0	0	0	5	0	0	1	0	0	0	6	6
	0%	0%	0%	0%	83%	0%	0%	17%	0%	0%	0%	100%	100%
Total Permanent and Fixed-term Contracts	**73**	**2**	**3**	**9**	**40**	**1**	**0**	**2**	**1**	**1**	**88**	**44**	**132**
	55%	**2%**	**2%**	**7%**	**30%**	**1%**	**0%**	**2%**	**1%**	**1%**	**67%**	**33%**	**100%**
GRAND TOTAL	**73**	**2**	**3**	**9**	**40**	**1**	**0**	**2**	**1**	**1**	**88**	**44**	**132**

Table 11: Employment equity statistics

Internships

The internship programme has been implemented on two levels over the past three years. There are candidates for Work Integrated Learning who need work experience to complete their study curriculum for national diploma qualifications. 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 on obtaining their qualifications, the undergraduates are retained on an extended period for when opportunities for absorption into permanent positions exist and they would be appointed on the basis of a proper recruitment process. Interns are assessed and if found suitable are upgraded to Trainee level in their areas of learning, if not absorbed yet. They also have access to permanent employment opportunities during that phase. The number of the new intake of interns still stands at five and there has not been any losses.

Three trainees' employment from the previous intake were extended by another three months' fixed-term contracts based on motivations submitted by their respective divisions.

The Internship programme has become a flagship HR project on the basis of which the company aims to benefit not only the building of human resources capacity but also to maximise benefits from the Media, Information and Communication Technologies Sector Education, and Training Authority (MICT SETA) programme and increase the participation in the national youth employment drive, as well and the improvement of the company's B-BBEE rating. Applications for increased numbers of intern candidates to be allocated to contracted service providers rolling out infrastructure building projects for BBI were submitted to the SETA.

The table below depicts the headcount of interns:

	2016	2017	2018	2019
New Appointments	**19**	**3**	**9**	**5**
Interns	**19**	**3**	**-**	**5**
Trainees	**-**	**-**	**-**	**-**
Losses	-10	-1	0	0
Resignations	-4	-1	-	-
Absorbed to Permanent Employment	**-6**	**-**	**-**	**-**
Termination of Contract	-	-	-	-
Closing Headcount	**9**	**2**	**9**	**5**
Total Interns	**1**	**-**	**3**	**5**
Total Trainees	8	2	6	-

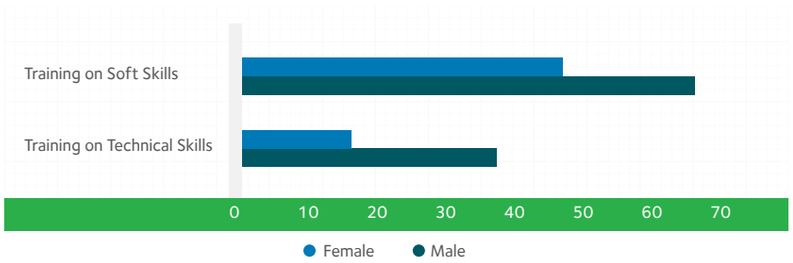
Table 12: Headcount of interns

Employee Development

Employee development is critical not only for individual and team upskilling, but also the 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 lack of funds, the department always encourages management to work with the employees on prioritising development interventions that are most crucial, such as for operating/maintaining new equipment and legislative compliance. This falls short for other significant imperatives and business continuity strategies such as succession planning with specialist professional assessment techniques to determine readiness of nominated candidates. Leadership development programmes are accommodated through group arrangements where personal mastery and people management competencies are prioritised for enabling individual and team performance effectiveness.

The graph below illustrate the number of employees trained on soft and technical skills:



Graph 18: Number of employees trained

Training execution which is based on the Workplace Skills Plan (WSP) which was submitted and approved by the MICT SETA in April 2019 and was implemented satisfactorily amidst budget constraints. The WSP comprised 106 different interventions which were indicated by 142 employees as their training needs.

On average, 32 hours were spent on training per employee. This is equivalent to four days of training per employee per annum which is close to the standard average of 40 hours per employee per annum in companies where training spend is between 3% and 6% of the labour bill. The demand for soft skills was more than that of technical skills. Further, the company's demographics are predominantly male and as such there were more males who attended training compared to females.

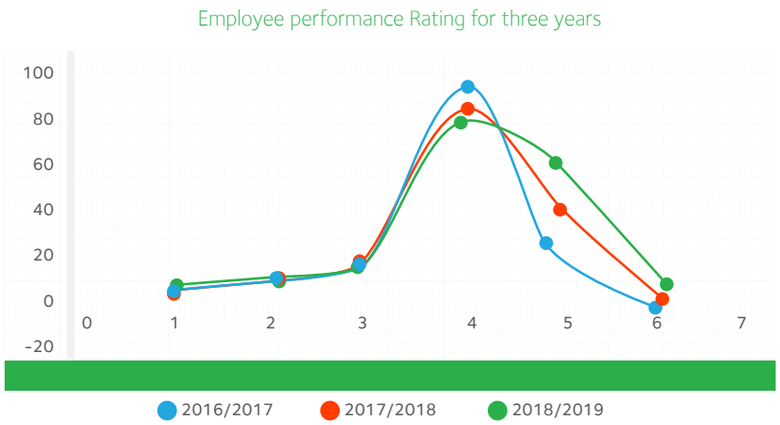
1.83% of the salary bill was spent on training during the year under review, although the Company could not even attempt to spend 6% as required by the B-BBEE scorecard due to lack of financial muscle. Nonetheless, human capacity and competencies were enhanced.

Employee Study Assistance

Employee Study Assistance is one of the most important programmes that motivates our employees to continuously improve their qualifications which adds to competence enhancement and organisational capability for desired performance results. An amount of R392 000 was spent on employee study assistance. Of this, 50% was for post-graduate studies, most of which were at 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. The interest in company financed formal studies had reduced to six new beneficiaries in the previous financial year due to the instability about the future of the organisation and reluctance to commit for an extended stay. Of the six approved in 2018/19, three did not proceed with registration to confirm the management view about apprehensions that were harboured. There seems to be hope in the sustainability of the company resultant from improved financial performance.

Performance Management

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 annual performance plan. It is instrumental in confirming suitability for career mobility and readiness for succession. The performance management framework is fundamental for compliance to fair and equitable remuneration practices as a portion of annual salary adjustments is linked to the actual performance rating. It is also an undisputable method of awarding performance-based incentives when company performance targets have been met. The annual contracting is maintained at above 90% annually.



Graph 19: Individual Performance Management

The figure above indicates the wide score distribution following the final performance reviews of the 2018/19 financial year. The 2019/20 employee performance results become available during the first quarter of the new financial year. There is an indication that the performance culture is changing towards high performance levels and there are fewer employees whose performance is found to be below average. There is a significant improvement in comparison to the previous financial year.

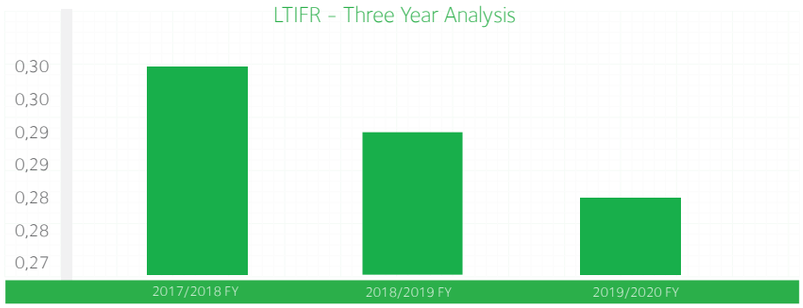
Health and Safety

We are guided by the SHEQ Policy in our safety management approach advocating zero harm to self, colleagues, and the environment. Our SHEQ policy is reviewed annually to ensure relevance and continual improvement.
Our safety performance is measured against industry-recognised indicators, such as the loss time injury frequency rate, fatalities and SHEQ related incidents including those of physical security. We continue to strive towards improved safety performance each year through the implementation of zero harm measures to improve efficiencies as well as safety management. We acknowledge that the highly industrial nature and scope of our activities requires targeted efforts to maintain the highest standards of safety for our employees, contractors, business partners, customers, and communities.

We have created a safety culture that promotes employee engagement and participation in safety at every level of the organisation. Our culture focuses on employee education and company-wide safety awareness. We have Safety and Health representatives across the company that forms a Safety Committee. Our Safety Committee meets regularly, two weekly, to address COVID-19 related and SHE common matters. We had COVID-19 workshops/training virtually empowering regional teams and is yet to be rolled out to all in the organisation within this year under review.

BBI continues to implement safety measures to prevent safety incidents. During the year, there were Zero fatalities and 19 motor vehicle incidents within the financial year under review.

The Company's LTIFR for the year under review has decreased from, 0.30 to 0.28 over three years against a tolerance of 0.30 as depicted in the graph below:



Graph 20: LTIFR

Employment Terminations

There has been an increase in the employee turnover rate as compared to the previous financial year with total terminations for 2019/20 at 11. Wherein the past two years the largest number of exits was at management level, for the year under review the number spreads across all levels, with the highest being at operational/supervisory level which is the technical category.

The human capital is hardest hit by resignations due to the shareholder moratorium that prohibits us from filling vacant positions. The Company made a trade-off to fill certain critical positions with contract workers to reduce financial capital due to high costs.

The graph below depicts the employment terminations for the past three years:

	Executives	Senior Management	Middle Management	Junior Management	Operational	Support	Total
2017/2018	0	3	7	1	0	4	15
2018/2019	0	1	5	0	2	1	9
2019/2020	1	1	2	1	5	1	11

Graph 21: Employee Terminations

Key Highlights

- Notwithstanding the formation of a partnership with a new organised labour representative (ICTU), the relationship between the parties was swiftly nurtured from adversarial to a co-operation level through regular engagements, mediations and agreement on fundamental principles such as openness, mutual respect and shared responsibility. A recognition agreement was signed. The first substantive negotiations were protracted but finalised without incidents.
- Six HR policies and frameworks were developed or revised to enhance the human resources development and talent management practices.
- The submission of the annual Workplace Skills Plan, Annual Training Report, and execution at a spend of 1.83% of salary bill and an average of 32 hours of training per employee were among significant achievements.
- Five employees were successfully enrolled for participation in the China Telecoms international seminars: five females and two males. This with the sponsorship by the DCDT.
- HR capability was put to test when a skills audit and competence gap analysis process was initiated to determine the levels of the requisite skills and knowledge within the company as a whole, and to identify where urgent interventions would be needed to enhance the requisite skills for the execution of the legislated mandate, corporate strategic objectives, and be adequately prepared for 4IR. Phase 1 was completed in-house despite capacity constraints and an acceptable report was submitted. The second phase was assisted by external experts and 97% of the employees were individually assessed.
- Five new interns were appointed for various environments and a new landmark programme, TechnoGirl, which is aimed at giving work exposure in Science, Technology, Engineering and Mathematics (STEM) careers learners in Grades 9 to 11 has been officially launched.
- Eleven employees were awarded Financial Study assistance for the FY2020/21 - an increase by more than five compared to the previous year. The programme is instrumental when it comes to the retention of skills, as funded years are worked back.

Challenges

- The moratorium implemented from January 2019 will compromise execution of projects of significant impact and more resignations are expected.
- 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, due to lack of human resources capacity. Among these are the improvement of the employment equity demographics, the limitations to provide upskilling and recognition for excellent performance, and innovative ideas.
- Staff morale has been adversely affected by the company's inability to afford the costs for the payment of the annual performance-based incentive for staff for the FY2018/18 when the overall performance was at 95%.
- A COVID-19-affected atmosphere gripped the organisation and created one of apprehension, anxiety and uncertainty. Due to this HR was unable to finalise the activities planned for the last quarter of the financial year.

Future Outlook

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 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 inability to execute on commitments and sustain the business.
- 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.
- HR has to be in the forefront of driving a change management process that will ensure the environment's readiness for the implementation of the impending SOC rationalisation process. This will go beyond the current role of providing support and information as well as participating sessions for the consolidation, but will extend to managing apprehensions, allaying fears for the unknown and embedding strategies for transformation of perceptions and anticipations to prepare for the merging of cultures and achieving the desired end state.

GOVERNANCE

Our approach to **governance**

Broadband Infraco promotes good governance through ensuring compliance to all legislative requirements and effective internal control systems and risk management.

BBI, as a state-owned company, has an Executive Authority who is the Minister of the Communications and Digital Techlogies, the Honourable Ms. Stella Ndabeni-Abrahams via the Department of Telecommunications and Postal Services (the new Communications and Digital Technologies), and the Accounting Authority, which is the Board of Directors and the Accounting Officer, who is the Chief Executive Office, in terms of the PFMA. Uniquely, the Company is co-owned by the IDC. The Board ensures that the Company complies with the requirements of the Companies Act, the PFMA, the National Treasury Regulations, Memorandum of Incorporation, and other legal requirements within the domain of the Governance Framework.

We continued to evolve our governance structures and practices to ensure the achievement of our strategic objectives and to deliver to our customers effectively, efficiently, and transparently. We established new operational committees accountable to the Executive Management Committee to enhance our compliance and strategic deliverables which are aligned with the international best governance practices.

Our business is uniquely developmental as a state-owned and commercial one, which requires consideration of diverse aspects while managing our business in accordance with best practice that entails business processes, management, technology, environment, employment, relations with suppliers, customers, and society. Our integrated thinking and application of good corporate governance is embedded in our organisational culture and is exhibited in the way the Company oversight is provided as depicted above and the figure below. Specifically, through governance principles and policies that are integrated into our operations and reviewed frequently, ensures continuous compliance and application of best practice. A robust governance structure is in place, including the presence of a lead independent non-executive director.

The figure below depicts differentiated roles and responsibilities:

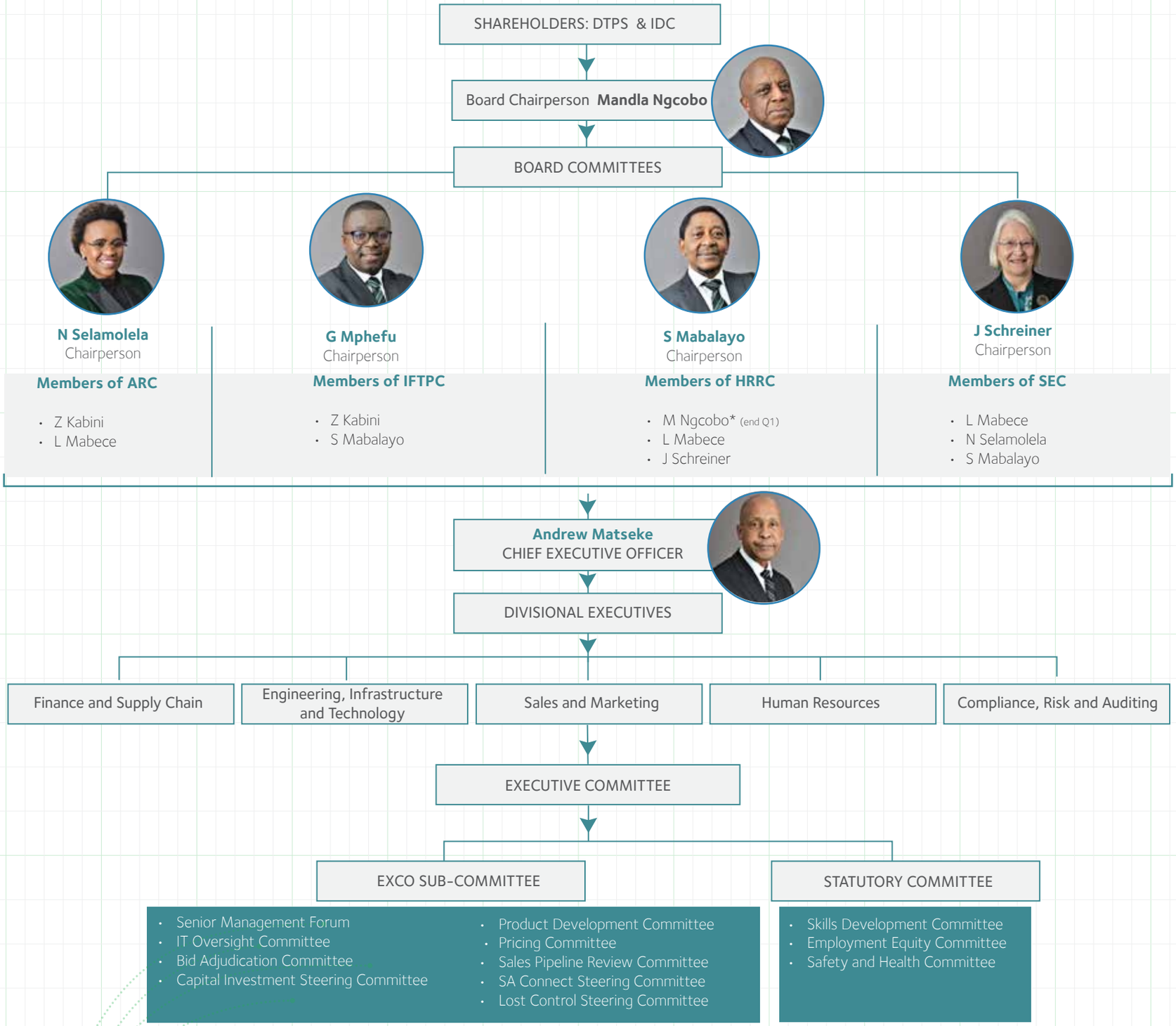


Figure 21: Governance Framework

The Board continues to make significant strides in ensuring good corporate governance. A new Board Committee has been established to oversee knowledge management and information technology, in line with Principle 12 of King IV. The Committees listed in the previous figure have been assigned roles and responsibilities as set out in their terms of reference. The Significance and Materiality Framework sets out the requirements for those matters needing approval in terms of the PFMA. The approved Delegation of Authority Policy informs the referral of matters from executive level to committees, the committees recommend to the Board, and where applicable, to the Shareholders and National Treasury.

During the 2019/20 year under review several policies and procedures were reviewed. The collective dedication, knowledge and skills of the erudite Board has assisted by providing leadership and guidance to management.

The Chief Executive Officer, the Executive Management team and all the employees of Broadband Infraco's concerted effort has resulted in the Company's ability to meet its performance targets within the limited resources.

Governance instruments

Memorandum of Incorporation

The Memorandum of Incorporation indicates that the Board shall consist of nine Directors, of whom seven including the Chairman 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.

Corporate Plan and Shareholder Compact

The Shareholders provide the strategic intent that carves the strategic direction of the Company, and thus forms 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 and strategic goals and objectives. The Corporate Plan is submitted to Shareholders a month before the commencement of the financial year.

In addition, the Accounting Authority annually signs a Shareholder Compact with the Executive Authority that details the annual key performance indicators and targets that are extracted from the Corporate Plan.

Delegation of Authority

The Company reviewed its Delegation of Authority Framework during the year. The objective of the review was to craft and implement a Delegation of Authority Framework which defines the parameters within which individuals can make financial decisions on behalf of the Company. This approach will ensure that there are checks and balances in the decision-making process and that there is no one individual with superior powers which may result in abuse of authority, particularly in acquisition of goods and services.

The review of the Delegation of Authority Framework takes cognisance of the Company's strategic objectives. The framework is reviewed annually for adequacy and completeness and approved by the Board. All the Executives are required to sub-delegate authority according to the latest Delegation of Authority Framework to their respective senior managers within a period of 30 days from the date of signature by the Chief Executive.

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 PFMA Executive Committee and its sub-committees 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.

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 Executive Directors are appointed by the Board with the concurrence of the Minister of Communications. The Board also appoints other executive managers with the assistance of the Chief Executive Officer.

The seven independent directors comprise of four black males, two black females and one white female, nearly achieving 50/50 gender representation. The two executive directors comprise of one black male and one white male. The Board is satisfied that the balance of power, gender representation and objectivity on the Board is sufficient although it might be improved.

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. The Board engages 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.

Chairperson of the Board and Chief Executive Officer

The roles of the Chairperson and the Chief Executive Officer 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 their effectiveness. The Chairperson monitors and evaluates the performance of the Chief Executive Officer in conjunction with the HRRC to ensure the achievement of our strategic and operational objectives.

The Chief ExecutiveOfficer 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. The Board is satisfied that the Delegation of Authority Framework clearly records the nature and extent of the authorities delegated by the Board to the Chief Executive Officer and specified governance structures and/or, in turn, by the Chief Executive Officer to the members of the Executive Committee in order to implement certain actions by or on behalf of the Company.

It includes, to the extent necessary and/or incidental thereto, the authority to discharge all the duties, obligations and powers imposed upon the deemed authority under the Broadband Infraco Act.

Director of Development and Evaluation

To ensure that all directors of both the Board and sub-committees of the Company 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 (IoD) and identify 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 not attended any conference or training in the year under review. However, they have attended programmes presented by the IoD.

All new Board members go through a detailed Board induction process. A Board evaluation was not conducted during the financial year under review as more than half of the independent Non-executive directors were newly appointed. The evaluation will be conducted in the new financial year 2021/22, should the Company have financial resources.

Company Secretary

The Company Secretary resigned at the end of August 2019. Due to the moratorium on filling vacancies, a replacement of the Company Secretary was appointed on contract for six months that ended on 30 April 2020. The division is resourced with the manager who assists the Company Secretary, the administrator, and an intern.

The Company Secretary prepares Annual Work Plans for the Board and its committees as informed by the strategic direction of the Company. The ARC 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. The Company Secretary acts as the primary point of contact between the Board and the Company. In addition to various statutory functions, the Company Secretary provides individual Non-Executive Directors and the Board with induction, guidance on duties, responsibilities, and the impact of regulatory developments.

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.

The Company Secretary, Lindiwe Bulo was appointed on 1 November 2019 on a contract for a period of six months due to the moratorium on hiring new employees in consideration of SOC Rationalisation. The contract has since expired and the position is vacant at the time of reporting. Administration of the Board and its committees is conducted by the manager and one trainee and another contract employee.

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Management of potential conflicts of interest

The Companies Act categorises 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 continued 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.

In addition, at the beginning of all of the Company's official meetings, inclusive of meetings of the Board of Directors and its committees, Executive Committee and its sub-committees and all meetings dealing with procurement issues, participants are required to declare if they have any interests in any of the items on the agenda. Where there are any interests declared, the Chairperson of the meeting will make a ruling in line with the applicable policies of the Company.

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 sub-committees, 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 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 on 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.

Approach to Compliance

Leadership through Ethics

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 continue strengthening 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 ensures that the Shareholder Minister has timely access to the audited Annual Financial Statements. In the year under review, the reporting period was however extended by two months due to the COVID-19 pandemic.

The Board acknowledges that lack of accountability has impacted negatively 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 has yielded positive results. BBI continues to operate without any funding from the fiscus. Conversion of the Shareholder loans continues to threaten the Company's sustainability. The Board took accountability and increased its revenue despite those challenges. Austerity measures were introduced, and the Company had to make do under those conditions to keep the ship afloat.

Compliance with laws, codes, rules and standards

The Board governs and directs compliance within the applicable laws. The Company is identified as a major business entity and is listed under Schedule 2 of the Public Finance Management Act. The Board ensures that the Company adheres to the requirements for the assessment of risk, corporate plan, annual budget submissions and the annual conclusion of a Shareholder's Compact. The Board also ensures that the Company adheres to all procedures for quarterly reporting to the Executive Authority through the submission of quarterly reports to the Shareholders.

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 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), the Income Tax Act, No. 58 of 1962 (as amended), the Public Finance Management Act No. 1 of 1999 (as amended), and Treasury Regulations.

King IV Application

We are committed to the highest standards of business integrity, ethics, and professionalism. The Board subscribes to the principles of the King Codes insofar as is applicable to the Company. King IV advocates an outcomes-based approach, and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

The application of King IV is on an apply and explain 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. We have applied the 16 principles set out in King IV as detailed in the table below:

Principles	Applied/ Not applied
Principle 1: Leadership	Applied
Principle 2: Organisational ethics	Applied
Principle 3: Responsible Corporate Citizen	Applied
Principle 4: Strategy and performance	Applied
Principle 5: Reporting	Applied
Principle 6: Primary role and responsibilities of the governing body	Applied
Principle 7: Composition of the governing body	Applied
Principle 8: Committees of the governing body	Applied
Principle 9: Evaluation of performance of the governing body	Applied
Principle 10: Appointment and delegation to management	Applied
Principle 11: Risk governance	Applied
Principle 12: Technology and information governance	Applied
Principle 13: Compliance governance	Applied
Principle 14: Remuneration governance	Applied
Principle 15: Assurance	Applied
Principle 16: Stakeholder relations	Applied

Table 13: King IV Principles

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 2020 Annual Financial Statements.

Refer to a detailed report of the board on pages 96 to 97

PFMA reporting

2017/18 audit findings: In terms of the Public Finance Management Act of South Africa, 1999, the Company is required to report the quantum of Irregular Expenditure incurred, which is expenditure that was incurred in contravention of procurement legislation, notwithstanding that value was received. In the prior year, the audit opinion was not qualified but the going concern remained a matter of emphasis. We received 24 audit findings. A significant amount of irregular expenditure was reported that related to misinterpretation of conditions of service for the Executives and contracts entered in prior years.

2018/19 audit findings: In the prior year, the audit opinion was not qualified but the going concern remained a matter of emphasis. Management made a significant effort to improve and establish adequate controls to maintain complete and accurate records of irregular expenditure. The amount of irregular expenditure increased in this year due to contracts entered in prior years. We received 13 audit findings. The reduction in the number of audit findings is indicative of the improvement in our internal controls.

2019/20 audit findings: During the year under review, management made a significant effort to improve and establish adequate controls to maintain complete and accurate records of irregular expenditure. Much of the irregular expenditure reported in the current year relates to contracts entered in prior years, which is indicative of the improvement in the procurement control environment that is now preventing new incidences of non-compliance.

Board and Board Committees

Board Focus Areas

2020 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 seven meetings held during the financial year.

The key matters considered by the Board are detailed in the table below:

Month	Matter
April 2019	1. Quarter 4 Report ending March 2019 2. Strategic Risk Register 31 March 2019 3. AoPI Quarter 4 4. BBI's Corporate Plan for the period 2019/20 to 2022/23 and 2019/20 Annual Performance Plan (APP)
May 2019	1. Draft Integrated Report 2018/19 2. Internal Audit Report on the 2018/19 APP 3. Draft Annual Financial Statements 2018/19 4. Board Committee Membership
July 2019	1. Conversion of the Shareholders Loans to Equity 2. Broadband Infraco Annual Report and Annual Financial Statements for the financial year ended 31 March 2019, including the following Reports: • Directors Report • Report on the Performance against Annual Corporate Plan Targets • External Auditors Report on the Annual Financial Statements • Audit and Risk Committee Report 3. Management Letter/External Audit Report 4. Quarter 1 Report ending June 2019 5. Strategic Risk Register Quarter 1 6. Monitoring Tool 7. AoPI Quarter 1
October 2019	1. Quarter 2 Report ending September 2019 2. Strategic Risk Register Quarter 2 3. AoPI Quarter 2
January 2020	1. Quarter 3 Report ending December 2019 2. Strategic Risk Register Quarter 3 3. AoPI Quarter 3 4. Corporate Plan 2020/21 – 2024/25 5. Budget 2020/21 6. Strategic Risk Register 2020/21 7. Shareholders' Compact 8. BBI Strategy 2030 9. BBI Meeting Schedule 2020 10. Technology, Knowledge, and Information Management Committee Terms of Reference

Table 14: Key matters

2021 Focus Areas

- Board Evaluation
- SOC Rationalisation
- Board Training
- Monitoring the implementation of the 2030 Strategy.

Board meetings over three years:

Number of Meetings	2017/18		2018/19		2019/20	
	No	%	No	%	No	%
Members						
M Ngcobo*	7/8	85	7/8	85	7/7	100
Z Kabini	N/A	-	N/A	-	6/7	86
S Mabalayo	5/8	62	5/8	62	5/7	71
L Mabece	N/A	-	N/A	-	7/7	100
G Mphefu	N/A	-	N/A	-	7/7	100
N Selamolela	7/8	85	7/8	85	6/7	86
J Schreiner	N/A	-	N/A	-	6/7	86
A Matseke	2/2	100	2/2	100	7/7	100
I van Niekerk	8/8	100	8/8	100	7/7	100

*Chairperson
N/A – Not Members

Table 15: Board meetings 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 Committee (HRRC), the Investment, Finance, Tender, and Procurement Committee (IFPTC), the Social and Ethics Committee (SEC) and the Technology, Knowledge and Information Management Committee (TKIMC). The ARC's constitution, functioning and reporting, complies with the PFMA requirements.

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

Compostion and number of meetings

At the Annual General Meeting held on 16 August 2019, the Shareholders approved the following Directors of Committees in accordance with Section 94 (2) of the Companies Act:

- Ms N Selamolela (Chairperson HRRC and NED);
- Mr L Mabece (NED); and
- Ms Z Kabini (NED).

The Chief Executive Officer, Chief Financial Officer and the Executive: Audit, Risk and Compliance attend all the meetings by permanent invitation. The external auditors attend the ARC meetings.

During the 2019/20 financial year, the ARC considered the following:

- Approved the 2019/20 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 due to 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 ARC;
- 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;
- Considered the new IFRS 16 requirements;
- Reviewed the cash flow forecasts on a quarterly basis and assessed the liquidity of the Company;
- Reviewed the expertise, resources and experience of the Company's finance function;
- Reviewed the quarterly progress and update on litigations;
- Provided a channel of communication between the Board and management, the risk division, internal auditors, external auditors and the compliance officer;
- Liaised with the Board Committees and met as required with the regulators and separately with internal and external auditors;
- Ensured that the combined assurance model was applied to provide a co-ordinated approach to all assurance activities; and
- Ensured that the combined assurance received was appropriate to address all significant risks faced by the Company.

Human Resource and Remuneration Committee (HRRC)

The Committee has been establish to assit the Board in dealing with the human resources of BBI, remuneration of executive and non-executive directors and nomination 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, and the PMFA No.1 of 1999 as amended and any other applicable legislation.

During the 2019/20 financial year, the HRRC considered and approved/recommended the following:

- Approved the Annual Salary Adjustment Mandate 2019/20;
- Approved the Employee Relations Register 2018/19;
- Approved the extension of employment contract of the Executive: Compliance, Risk and Audit for the period of three years from 1 August 2019 to 31 July 2022;
- Recommended the performance-based incentive FY2018/19;
- Received regular updates on the relationship with the Union;
- Approved the HR Department Quarterly Reports;
- Approved the Sales Commission Structure;
- Received updates on Employee Performance Management Status;
- Reviewed human capacity impact of SOC Rationalisation; and
- Approved various HR policies for implementation.

Investment, Finance, Tender and Procurement Committee (IFTPC)

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

The Committee has exercised its delegated authority, as determined by the Board from time to time, subject to 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 2019/20 financial year, the IFTPC considered and approved/recommended the following:

- Recommended Annual Procurement Plan/Demand Plan;
- Approved Capital Projects Status Report;
- Reviewed Status on 2018/19 Audit findings within scope;
- Reviewed Funding Status Update/Financial Position of the Company; and
- Noted Supply Chain Management Reports.

Social and Ethics Committee (SEC)

The SEC is constituted as a committee of the Board of BBI and operates under the Companies Act 71 of 2008, PFMA 1 of 1999 (as amended), and any other applicable legislation including King IV. 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 of 2008 (as amended), in conjuction with Regulation 43 of the Companies Regulations, 2011 and Part 5.3, Principle 8 paragraphs 668, 69 and 70 of King IV.

Mandate	Committee Feedback
Reviewing and approving the policy, strategy and structure to manage social and ethics issues in the organisation.	1. Approved the Social and Ethcis Terms of Reference. 2. Approved the Code of Ethics and Business Conduct Policy. 3. Approved the Conflict of Interest Policy. 4. Approved Stakeholder Engagement Framework. 5. Received quarterly Transformation reports. 6. Received quarterly SHEQ reports. 7. Received quarterly Stakeholder Relations reports. 8. Received quarterly Human Capital reports. 9. Reviewed Stakeholder Relations Policy.
Monitoring, to the best of its ability, significant investments by ensuring the development of policies, guidelines and practices, which are congruent with the Company's Social and Ethics policies.	
Reviewing the BBI broad-based economic empowerment performance disclosures.	
As appropriate, consulting and communicating with internal and external stakeholders with respect to social and ethical issues.	
Reporting annually to shareholders at the Company's AGM on the Company's ethics, responsible corporate citizenhsip, sustainable development and stakeholder relationships.	

Technology, Knowledge and Information Management Committee (TKIMC)

TKIMC was established during the financial year although it will be operational in the 2020/21 financial year. 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.

Board Committee Meetings over three years:

Names of Members	ARC	HRRC	SEC	IFTPC	Joint ARC & IFTPC
M Ngcobo		1/1***			
S Mabalayo	2/2	5/5	3/3	5/5	3/3
N Selamolela	3/3		1/3		2/3
G Mphefu	1/1***			5/5	2/3
Z Kabini	1/3			2/5	2/3
J Schreiner		2/5	3/3		
L Mabece	2/2	4/4	2/3		2/2
A Matseke**	2/3	5/5	2/3	4/5	3/3
I van Niekerk**	3/3		3/3	5/5	3/3
*Chairperson	*N Selamolela	*ST Mabalayo	*J Schreiner	*G Mphefu	*N Selamolela

**Executive Director
***G Mphefu was replaced by L Mabece as member of ARC
***M Ngcobo was replaced by L Mabece as member of HRRC

Table 16: Committee Attendance

Our Control Environment

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

Strategy execution and performance management

BBI's key performance indicators and targets are confirmed in the annually negotiated Shareholder's Compact and the Corporate Plan. The performance is tracked on a monthly basis and reported to stakeholders quarterly and annually.

Procurement management

- Optimally regulated infrastructure-related procurement and capital project management with Investment, IFPTC Terms of Reference.
- Up-to-date additional compliance assurance for high-value tender processes.
- BBI aproved Delegation of Authority.
- Efficient and effective contract management.
- Updated 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

Internal Audit

In accordance with section 51 of the PFMA, BBI 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 ARC.

The mandate and terms of reference of internal audit are included in the Internal Audit Charter, which is approved annually by the ARC. 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.

During the year under review, follow-up audits were conducted on external audit findings to ensure implementation of the management action plan. Out of 13 external audit findings, 11 are resolved, one is partially resolved whilst one remains unresolved, though the mitigation strategies put in place are satisfactory to ensure that the Company operates as a going concern.

An Issue Log Register was implemented for tracking reported internal audit findings and ensuring the implementation of corrective action plans for both IT and Finance. The log register is discussed quarterly with management and progress is reported to the ARC for noting. Performance information is audited quarterly to provide assurance of accuracy and completeness of information reported. The audit plan improves a focus on providing assurance in the adequacy of internal controls and identifying areas of improvement.

The overall assessment of the internal control environment indicated an improvement compared to the previous year.

Enterprise Risk Management

The Board of Directors has delegated the mandate of ensuring an oversight role over the risk management to the ARC. Our strategic risk profile is generated from the Enterprise Risk Management 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.

The material matters, opportunities and risks are detailed on pages 44-50.

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 Risk and Compliance, 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 defence.

The formal implementation of the Integrated Assurance Model was delayed, however, a process has been put in place to ensure implementation in the new financial year as an improvement on the traditional combined assurance model. The combined assurance model assists the ARC and the Board informing their view of the adequacy of risk management and internal control. To optimise external assurance, alignment, and co-ordination with the first (Management) and second (EXCO Sub-Committees) lines of defence are required. The figure below depicts our Integrated Assurance Model:

FIRST LINE OF DEFENCE	– assurance comes directly from those responsible for delivering specific objectives or processes on a day-to-day operational basis.
SECOND LINE OF DEFENCE	– relates to functions such as Compliance and Risk, through which the Company oversees the control framework to ensure effective operations
THIRD LINE OF DEFENCE	– provides objective and independent assurance on the overall effectiveness of governance, risk management and internal controls. BBI's Internal Audit function provides reasonable assurance.
FOURTH LINE OF DEFENCE	– this independent line of defence is provided by the Auditor-General and external auditors. The Auditor-General and external auditors provide an important external perspective regarding governance, risk management and the internal control environment within the Company. Their outsider status strengthens confidence in the objectivity and independence of their assurance.
FIFTH LINE OF DEFENCE	– Board of Directors and Board Sub-Committees.

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 and is 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 financial year. The Company has separate BCM plans for key risk areas such as IT, Safety, Health, Environment and Quality and the Network Operations Centre.

Ethics and Fraud Management

We are committed to a zero tolerance approach to corruption in the organisation and have developed a Fight Corruption Strategy that is premised upon the assumption that we will only be effective in fighting corruption if the whole organisation is involved. The Company has successfully carried out a company-wide ffraud awareness campaign during the year under review where staff were trained on fraud management principles and 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 and is awaiting approval to ensure compliance with the National Treasury requirements.

Whistleblowing

This report details all types of calls received by our hotline services provider, however the priority to investigate focuses only on allegation calls received. For the year under review only two allegation calls were reported and investigated. The table below indicates the five-year cycle of the number of reported calls:

Type of call	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Follow up	0	1	0	0	1	1
Inquiry	3	5	0	0	0	0
Dropped or wrong calls	11	0	0	0	3	11
Test calls	11	0		0	3	6
Allegation reported calls	0	0	2	2	3	2
Total	**25**	**6**	**2**	**2**	**10**	**20**

Table 17: 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 and the Board has overall responsibility for stakeholder engagement. The monitoring and evaluation of stakeholder engagement is reported to the SEC 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 of 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 ARC 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 RU was filtered to identify the top 16 pieces of legislation that are key to BBI and monitored closely.

Protection of Personal Information Act

The Protection of Personal Information (POPI) Act was partly enacted on 11 April 2014. The POPI Act is the new South African data protection legislation that will commence on 1 July 2020, which aims to give effect to the constitutional right of privacy by ensuring that organisations process personal information in a fair, responsible and secure manner.

During the year under review, a high-level POPI readiness assessment was conducted to determine whether BBI has adequate controls and processes in place to address requirements of the Act. The assessment was based on the following eight principles contained in the POPI Act:

- Accountability
- Purpose specification
- Processing limitation
- Further processing limitations
- Information quality
- Security safeguards
- Openness
- Data subject participation.

Skills Development Act

During the year under review, a high-level review of legislative compliance was performed in respect of BBI's compliance with the Skills Development Act No. 97 of 1998. The Skills Development Act sets out provisions relating to an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce.

Disaster Management Act No. 57 of 2002

During the year under review, a high-level review of legislative compliance was performed in respect of BBI's compliance with the Disaster Management Act No. 57 of 2002. An integrated and co-ordinated disaster management policy was developed that focuses on preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, and rapid and effective responses to disasters and post-disaster recovery.

Promotion of Access to Information Act (PAIA) No.2 of 2000

During the year under review, a high-level review of legislative compliance was performed in respect of BBI's compliance with the Promotion of Access to Information Act (PAIA) No.2 of 2000 covering sections 14, 15, 16 and 17.

Companies Act No.71 of 2008

During the year under review, a high-level review of legislative compliance was performed in respect of BBI's compliance with the Companies Act No.71 of 2008 covering Sections 65, 72, 76, 77, 84, 85 and 90.

Overall results of all the reviews

The overall result of all these reviews indicated that some areas require improvement, which management have put implementation plans in place to address.

Remuneration

Our Approach to Remuneration

The Company has adopted the legislative guideline which advocates for equal pay for work of equal value, the underlying principle of which is non-discriminative or unjustifiable remuneration discrepancies. This philosophy is maintained through adherence to market benchmarking and compliance with the principle of remunerating at 50th percentile for the requisite skills, up to 75th percentile for exceptional performance and excessive performance for non-core positions and up to 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 Directors (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 Department of Communications and Digital Technologies and have been reviewed by the DPE and are awaiting cabinet approval. The Board's Human Resources and Remuneration Committee 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 2019/20 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 as required in Treasury Regulation 29.3, within 30 days of the end of each quarter of the financial year.

See detailed Remuneration Report for Non-executive directors and executive managers on page 141 to 142

The Executive Management have 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 incentivise the right behaviour and motivate an increase in sales among the sales staff, a sales compensation structure was designed and has been implemented over the past two financial years. This has introduced another dimension to the remuneration practice where a category of employees are on a remuneration structure modelled in a pay mix of 70% guaranteed pay and 30% earned through commission. The scheme is still being run as a pilot to determine its appropriateness and whether any aspects thereof need modification to ensure fairness and achievement of intended purpose.

Although the usual preparations for the annual substantive negotiations with the recognised union to determine review of conditions of service for employees at bargaining level were initiated, the process was shrouded by several factors. Apart from benchmarking survey results analysis, attending workshops where employers get expert advice on pertinent issues, arranging training for the negotiation skills for the representatives, and the composition of a submission to request approval of the mandate by the HRRC are critical imperatives. These ensure that the management of labour cost receives attention at all monitoring levels and is kept within the costs efficiency ratio of 30% of revenue to remain affordable.

ANNUAL FINANCIAL **STATEMENTS**

Contents

ANNUAL FINANCIAL STATEMENTS
Audit and Risk Committee Report

1. Audit and Risk Committee Report for the 2019/20 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 Nokuthula Selamolela (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 2019/20 financial year and the members were re-appointed by the shareholders at the Company's AGM on 16 August 2019 as required in terms of section 94(2) the Companies Act 71 of 2008.

There were six meetings held during the financial year ended 2019/20. 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	6	
Meeting Dates	25/04/2019#	27/05/2019	24/07/2019	28/10/2019	24/01/2020#	17/02/2020#	**Total**
Names of Directors							
N Selamolela**	A	✓	✓	✓	✓	✓	5/6
G Mphefu*	✓	✓			A	✓	3/4
S Mabalayo	✓	✓			✓	✓	4/4
Z Kabini	✓	A	A	✓	✓	A	3/6
L Mabece			✓	✓	✓	✓	4/4
Executives							
AD Matseke	✓	✓	✓	A	✓	✓	5/6
I Van Niekerk	✓	✓	✓	✓	✓	✓	6/6

Joint Audit and Risk Committee and Investment, Finance, Tender and Procurement Committee
✓Attendance
A Absent with apology
* Chair of Investment, Finance, Tender and Procurement Committee
** Chair of Audit and Risk Commitee

Audit and Risk Committee Report (continued)

During the 2019/20 financial year, the Audit and Risk Committee:

- Approved the 2019/20 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;
- Considered the new IFRS 16 requirements;
- 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 litigations;
- Provided a channel of communication between the Board and management, the risk division, internal auditors, external auditors and the compliance officer;
- Liased with the Board Committees and met as required with the regulators and separately with internal and external auditors;
- Ensured that the combined assurance model was applied to provide a coordinated approach to all assurance activities; and
- Ensured that the combined 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 Risk and Combined Assurance Committee, 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 judgements and estimates were applied;
- Proper accounting records were maintained;
- The adequacy and effectiveness of controls that are in place safeguarded 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 that was tabled in parliament and the shareholders approved stretch target.

N Selamolela
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 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 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 judgements 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 for the year to 31 March 2021 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 100-103.

The annual financial statements set out on pages 106 to 150, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 September 2020 and were signed on their behalf by:

M Ngcobo
Chairman 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.

L Bulo
Company Secretary

ANNUAL FINANCIAL STATEMENTS
Independent auditor's report to Parliament on Broadband Infraco SOC Limited for the year ending 31 March 2020

Report on the financial statements

Opinion

We have audited the financial statements of Broadband Infraco SOC Ltd set out on pages 106 to 150, which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ending, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 31 March 2020, and its financial performance and cash flows for the year then ending in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act no. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act no. 71 of 2008) (Companies Act).

Basis of opinion

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. We are independent of the company in accordance with section 290 and 291 of the Independent Regulatory Board for Auditors' Code of professional conduct for Registered Auditors (Revised January 2019), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2019) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

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

Material uncertainty related to going concern

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

We draw attention to note 28 which indicates that the Company made a loss of R111 001 million for the current financial year and the accumulated losses amounted to R1 317 428 million as at 31 March 2020. As at that date, the company's total liabilities exceeded its total assets by R1 317 428 million. As stated in note 28, these conditions, along with the other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Responsibilities of the accounting authority for the financial statements

The Board of Directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the 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.

In preparing the financial statements, the accounting authority is responsible for assessing the Broadband Infraco SOC Limited's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Auditor's responsibilities for the audit of the financial statements (continued)

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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available at the date of the auditor's report.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.
- 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.
- confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of the most significance in the audit of the financial statements of the current period and are therefore key audit matters. We describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Report on the audit of the annual performance report

Introduction and scope

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

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

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 objectives presented in the report for the directors of Broadband Infraco SOC Limited and set out on pages 56 to 57 of the annual report for the year ending 31 March 2020:

Key Performance Area	Pages in the annual performance report
Objective 1 – Ensure long-term Financial Sustainability.	54 to 55

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

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

Report on the audit of compliance with legislation

Introduction and scope

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

The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Expenditure Management

Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R83 million (2019: R54 million) as required by section 51(1)(b) (ii) of the PFMA. The majority of the irregular expenditure disclosed in the financial statements was caused by goods/services not being procured through a procurement process which is fair, equitable, transparent and competitive as required by section 51(1) (a) (iii) of the PFMA.

Effective steps were not taken, in all instances, to prevent fruitless and wasteful expenditure amounting to R8 000 (2019: R23 000) as disclosed in Note 29 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Procurement and contract management

Goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1) (a) (iii) of the PFMA. Similar non-compliance was also reported in the prior year.

Other information

The directors responsible for the other information. The other information comprises the information included in the annual report which includes the director's 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 thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

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

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. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Internal control deficiencies

We considered internal controls relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

The accounting authority did not exercise adequate oversight responsibility regarding compliance with applicable legislation and related internal controls that resulted in the lack of proper procurement and contract management processes. Action plans developed to address internal control deficiencies were not, in all, instances adequate.

Other reports

Investigations

There were no investigations carried out in the current financial period.

Agreed-upon procedure engagements

Agreed-upon procedure engagements were performed on the following:

- National Treasury consolidation template that covered the period from 1 April 2019 to 31 March 2020.

Auditor's tenure

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo Grant Thornton have been the auditors of Broadband Infraco SOC Ltd for four years.

kanyiso Ncobese
SizweNtsalubaGobodo Grant Thornton Inc.

Director
Registered Auditor
29 September 2020

20 Morris Street East, Woodmead, 2191

ANNUAL FINANCIAL STATEMENTS
Directors' Report

The directors have pleasure in submitting their report on the Annual Financial Statements of Broadband Infraco SOC Limited for the year ended 31 March 2020.

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 compared to the prior year.

Company revenue increased by 14.09% from R410 million in the prior year to R468 milion for the year ended 31 March 2020.

Company cash generated from operations decreased by 13.29% from R143 million in the prior year to R124 million for the year ended 31 March 2020.

2. Share capital

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

3. Events after the reporting period

The shareholders are in an advanced stage of undertaking relevant processes and approvals to convert the shareholders' loans into equity.

4. Going concern

The directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the Annual Financial Statements have been prepared on a going concern basis. The directors have satisfied themselves that the Company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Company.

5. Auditors

SNG Grant Thornton Inc. continued in office as auditors for the Company since 2017. Their four year term is coming to an end in 2020.

At the AGM, the shareholders will be requested to appoint new auditors as the independent external auditors of the Company, after the conclusion of the procurement process, for the 2021 financial year.

6. Secretary

The Company secretary is Ms L Bulo.

7. Approval of Annual Financial Statements

The annual financial statements set out on pages 106 to150, which have been prepared on the going concern basis, were approved by the Board of Directors on 29 September 2020, and were signed on its behalf by:

M Ngcobo
Chairman of the Board

A Matseke
Chief Executive Officer

ANNUAL FINANCIAL STATEMENTS
Statement of Financial Position as at 31 March 2020

	Note(s)	2020 R '000	2019 R '000
Assets			
Non-Current Assets			
Property, plant and equipment	3 & 13	1 044 029	1 053 738
Intangible assets	4	77 095	91 020
Prepayments	5	10 062	10 372
		1 131 186	**1 155 130**
Current Assets			
Prepayments	5	3 958	6 131
Trade and other receivables	6	44 460	90 777
Cash and cash equivalents	7	109 630	95 140
		158 048	**192 048**
Total Assets		**1 289 234**	**1 347 178**
Equity and Liabilities			
Equity			
Retained income		(1 317 428)	(1 207 731)
Liabilities			
Non-Current Liabilities			
Loans from Shareholders	8	1 472 699	1 369 953
Lease liabilities	13	27 046	-
Deferred income	9	373 476	418 344
Deferred gain	11	246 378	356 830
		2 119 599	**2 145 127**
Current Liabilities			
Deferred income	9	141 489	140 833
Current portion of long-term payment arrangements	10	17 621	32 014
Deferred gain	11	110 452	102 746
Trade and other payables	12	172 579	123 532
Lease liabilities	3 & 13	29 542	-
Provisions	14	15 380	10 657
		487 063	**409 782**
Total Liabilities		**2 606 662**	**2 554 909**
Total Equity and Liabilities		**1 289 234**	**1 347 178**

ANNUAL FINANCIAL STATEMENTS
Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2020 R '000	2019 R '000
Revenue	17	468 830	410 915
Cost of sales	18	(216 609)	(181 323)
Gross profit		**252 221**	**229 592**
Other operating income	19	105 123	181 228
Expected credit losses	6	(1 942)	(4 038)
Other operating expenses	20	(351 197)	(319 312)
Operating profit (loss)		**4 205**	**87 470**
Investment income	23	7 066	4 400
Finance costs	24	(122 272)	(106 284)
Loss before taxation		**(111 001)**	**(14 414)**
Taxation	25	-	(322)
Loss for the year		**(111 001)**	**(14 736)**
Total comprehensive loss for the year		**(111 001)**	**(14 736)**

ANNUAL FINANCIAL STATEMENTS
Statement of Changes in Equity

	Retained income R '000	Total equity R '000
Balance at 01 April 2018	**(1 192 995)**	**(1 192 995)**
Loss for the year	(14 736)	(14 736)
Other comprehensive income	-	-
Total comprehensive Loss for the year	**(14 736)**	**(14 736)**
Opening balance as previously reported	(1 207 731)	(1 207 731)
IFRS 16 Adjustments	1 304	1 304
Balance at 01 April 2019 (Restated)	**(1 206 427)**	**(1 206 427)**
Loss for the year	(111 001)	(111 001)
Other comprehensive income	-	-
Total comprehensive Loss for the year	**(111 001)**	**(111 001)**
Balance at 31 March 2020	**(1 317 428)**	**(1 317 428)**

Note(s)
The Company selected to apply IFRS 16 retrospectively with the cumulative effect of initial application, at the date of initial application, being adjusted to opening balance of retained earnings and thus not restating comparative information.

ANNUAL FINANCIAL STATEMENTS
Statement of Cash Flows

	Note(s)	2020 R '000	2019 R '000
Cash flows from operating activities			
Cash generated from operations	26	123 145	149 447
Interest income		7 067	4 400
Finance costs		(5 335)	(10 705)
Lease payments - interest		(7 734)	-
Net cash from operating activities		**117 143**	**143 142**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(66 111)	(68 017)
Sale of property, plant and equipment	3	455	328
Purchase of other intangible assets	4	-	(32)
Net cash from investing activities		**(65 656)**	**(67 721)**
Cash flows from financing activities			
Decrease in long-term payment arrangements		(14 393)	-
Increase in long-term payment arrangements		-	169
Lease payments - capital		(22 604)	-
Net cash from financing activities		**(36 997)**	**169**
Total cash movement for the year		**14 490**	**75 590**
Cash at the beginning of the year		95 140	19 550
Total cash at end of the year	**7**	**109 630**	**95 140**

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 and 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 Annual Financial Statements for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors on 29 September 2020.

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 indication 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 judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements.

Critical judgements in applying accounting policies

The critical judgements 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 assets

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 group applies judgement in assessing whether future taxable profits will be available.

Future taxable profits are determined based on business plans for individual subsidiaries in the group and the probable reversal of taxable temporary differences in future.

Based on past experience of the financial performance of the entity, the deferred tax assets 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.

The cumulative estimated tax loss on which no deferred tax has been recognised is disclosed in note 15.

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.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Details of the considerations are detailed in note 28.

Impairment of financial instruments

The group has elected the simplified approach to recognise lifetime expected losses for its trade and finance lease receivables and contract assets as permitted by IFRS 9. The group has assessed and concluded that due to the short-term nature of its trade and other receivable balances, the trade receivable balances are not significantly exposed to the impact of changes in the macro-economic environment. The provision model will therefore not include economic environmental changes as assumptions applied in deriving the expected loss on its trade, other receivables and finance lease receivables. 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 separate expected loss provision matrix has been calculated for each of the categories based on the net loss history associated to the specific category of receivable.

Twelve month expected credit losses are calculated for cash and cash equivalents using the general approach. Impairments of all other financial assets that are not measured using the simplified approach will be calculated as the difference between the carrying value of the asset and the present value of the expected cash flows, discounted at the original effective interest rate of the instrument.

Impairment of non financial assets

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be fully recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

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.

Management assumed a weighted average cost of capital discount rate of 13.45%. The discount rate was independently calculated, taking into account independently gathered data to ensure that the rate is within an acceptable range.

Useful lives of property, plant and equipment and intangible

Management assess 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 are included in note 14.

Bonus provision

Is based on management estimates after taking into consideration the results of reviews completed with qualifying personnel based on their individual and company's performance after year-end.

Long term liabilities

Long-term liabilities are comprised of obligations on which deferred payment arrangements have been made with the counterparties.

Long-term liabilities are measured at the present value of the obligation, based on the interest rate applicable. When no interest is chargeable, the present value is measured taking into account the expected return that a market participant would demand as repayment immediately in order to obtain a better return elsewhere.

Shareholders' loans

The shareholders' loans comprises loans with no current repayment terms and are interest free; only payable once the Company's assets, fairly valued, exceed the fair value of its liabilities.

The loans have been measured at the present value of the obligation, based on the interest rate per the Subscription and Shareholders' Agreement, should the shareholders decide to charge interest.

It is the intention of the shareholders to convert the loans to equity, hence the term of the obligation is measured taking this into consideration.

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.

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

1.3 Property, plant and equipment

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

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day-to-day servicing costs are included in profit or loss in the year in which they are incurred.

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 similiar 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
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

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

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 or disposal. 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.

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 at the time they are incurred, less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisationis 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.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. 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.

1.4 Intangible assets (continued)

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

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

1.5 Financial instruments

Classification and reclassification

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. Classification of financial assets are re-assessed only when the Company's business model for managing the financial assets change. The Company does not reclassify financial liabilities.

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.

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 principle and interest on the principle 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. All trade and other receivables are initially measured at fair value plus transaction cost.

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 23.

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 and subsequently measured at armotised cost.

All cash resources are placed with reputable financial institutions. The credit ratings are based on the Moody's ratings for each of the banks and the related Probabilities of Default (PD) are based on the Moody's and S&P tables. A Loss Given Default (LGD) of 40% was applied to all the banks based on the updated Basel framework which stipulates a minimum of 40% for unsecured exposure.

Non-derivative financial liabilities

Non-financial liabilities comprises trade payables, trade payables due to related parties, other payables and amounts owing to the Company. Non-derivative financial liabilities exclude, when applicable, VAT payable and amounts received in advance.

Non-derivative financial liabilities are recognised on the trade date when the Company becomes a party to the contractual provisions of the instrument. The non-derivative financial liabilities are measured initially at fair value plus any transaction cost. Any differences between the fair value and the transaction prices, if applicable, is recognised in profit or loss.

Non-derivative financial liabilities are subsequently measured at amortised cost.

Long-term liabilities

Long-term liabilities are comprised of obligations on which deferred payment arrangements have been made with the counterparties.

The long-term liabilities are measured initially at fair value plus any transaction cost. The fair value used is an appropriate discount rate. Any differences between the fair value and the transaction prices, if applicable, is recognised in profit or loss.

Long-term liabilities are subsequently measured at amortised cost.

Impairment

Trade and other payables

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.

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

1.5 Intangible assets (continued)

Trade and other payables (continued)

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, is presented in note 6.

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 de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, 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.

Derecognition gains and losses are included in profit and loss.

1.6 Tax

Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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:

- a transaction or event which is recognised, in the same or a different period,
- to other comprehensive income, or a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Lessee

Policy applicable before 1 July 2019

Classification

At inception of the lease, the Company classified a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. The Company considered certain indicators to determine if a lease should be classified as a finance lease, indicators such as if the lease terms are for 75% or more of the assets economic life or if the lease payments at inception of the lease represents 90% or more of the fair value.

Finance lease

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. The Company used the incremental borrowing rate at inception of the lease to discount lease payments. Interest expense on the liability is recognised in profit and loss and presented as part of finance cost.

1.7 Lessee (continued)

Operating lease

Assets held under an operating lease is not recognised in the statement of financial position. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Policy applicable after 1 July 2019

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 uses the rate implicit in the lease and if that cannot be determined the incremental borrowing rate at inception of the lease to discount lease payments. The Company generally uses the incremental borrowing rate. Lease payments include all fixed payments per contract, variable payments linked to an index or rate, any amounts expected to be payable under a residual guarantee and the purchase price if the entity is reasonably certain it will exercise the option to purchase.

The Company subsequently measures the lease liability using the effective interest rate method. The lease liability is re-measured 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.

The right-of-use asset is measured initially at cost which comprise 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.

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.

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 Lessor

Policy applicable before 1 July 2019

Classification

At inception of the lease the Company classified a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. The entity considered certain indicators to determine if a lease should be classified as a finance lease, indicators such as if the lease terms is for 75% of more the assets economic life or if the lease payments at inception of the lease represents 90% or more of the fair value.

Finance lease

The Company recognised finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the finance lease.

Operating lease

Operating lease income is recognised as other income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under other income in profit or loss.

Policy applicable after 1 July 2019

Classification

At inception of the lease the Company classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. The Company considered certain indicators to determine if a lease should be classified as a finance lease, indicators such as if the lease terms is for 75% of more the assets economic life or if the lease payments at inception of the lease represents 90% or more of the fair value.

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

1.8 Lessor (continued)

When the Company is an intermediate lessor, it accounts for its interest in the head lease and sub-lease separately. It assesses the classification of the sub-lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Company applies the exception described under lessee accounting policy, then it classifies the sub-lease as an operating lease.

When the lease contains a lease and non-lease component, the Company applies IFRS 15 to allocate the consideration in the contract.

Finance lease
The Company recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the entity's net investment in the finance lease.

Operating lease
Operating lease income is recognised as other income on a straight-line basis over the lease term.

1.9 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.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.10 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.

1.11 Loans from shareholders

Loans advanced by shareholders where the Company has a present contractual obligation to repay, the amounts received are classified as long-term liabilities.

The loans are initially measured at fair value at recognition date, and are subsequently measured at amortised cost using the effective interest rate method.

1.12 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 profit sharing and 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.

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

1.13 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.

1.13 Provisions (continued)

If the Company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

The Company does not have any legal action for which contingent liabilities should be recognised.

1.14 Revenue

Revenue from contracts with customers

The Company recognises revenue from the following major sources:

- sale of broadband services; and
- operations and maintenance.

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 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.

Irrefutable rights of use income

Some contracts may require an upfront payment which is the typical payment terms of the industry in which the Company operates. The primary purpose of these payment terms may be to provide the customer with assurance that the Company will complete its obligations satisfactorily under the contract, rather than to provide financing to the customer, therefore there no significant financing component exists.

Revenue is deferred in accordance over the period of the contract. The revenue is recognised on a monthly basis as the services are rendered.

1.15 Cost of sales

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

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.

1.16 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.

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.

1.17 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.

1.18 Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or settle on a net basis, all related financial effects are offset.

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

1.19 Deferred income

Deferred income relates to revenue received under Irrefutable 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.

1.20 Operating segments

The Company's operating activities are conducted in one segment and there is no product and geographical segments to report on.

1.21 Irregular expenditure

Irregular expenditure is recorded in the notes 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.

1.22 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.

1.23 Deferred gains

Gains representing the difference between the fair value of the financial liabilities at recognition and date and the transaction price, are recognised as follows:

- those resulting from a fair value that is evidenced by quoted prices in an active market from an asset or liability, or based on a valuation technique that uses only data from observable markets, are recognised in profit or loss at the initial recognition date;
- in all other cases, deferred and recognised in profit or loss to the extent of the change in valuation factors used, including the remaining valuation period.

1.24 Prepayments made

Prepayments comprise IRU services contracted for by the Company to serve future capacity on critical routes. Prepayments are initially recognised at fair value and subsequently at armotised cost.

1.25 Events after reporting date

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Recognised amounts in the financial statements are adjusted to reflect events arising after the statement of financial position date that provide evidence of conditions that existed at the statement of financial position date. Events after the statement of financial position date that are indicative of conditions that arose after the statement of financial position date are disclosed in note 33.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

IFRS 16 Leases

FRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short-term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements

2.1 Standards and interpretations effective and adopted in the current year (continued)

If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The Company has adopted the standard for the first time in the 2020 Annual Financial Statements.

The impact of the standard is set out in note 34 Changes in Accounting Policy.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2020 or later periods but are not relevant to its operations:

IFRS 17 Insurance contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 1 January 2021.

It is unlikely that the standard will have a material impact on the Company's annual financial statements.

3. Property plant and equipment

Figures in Rand thousand	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Motor vehicles	5 205	(4 549)	656	5 205	(4 323)	882
Office equipment	10 569	(7 886)	2 683	11 102	(7 351)	3 751
Computer equipment	18 800	(17 042)	1 758	18 898	(16 335)	2 563
ROU Assets	79 192	(27 046)	52 146	-	-	-
Network Infrastructure	2 258 170	(1 394 626)	863 544	2 205 875	(1 273 931)	931 944
Spares and test equipment	41 673	(19 932)	21 741	39 386	(17 186)	22 200
Capital - Work in progress	101 501	-	101 501	92 398	-	92 398
Total	**2 515 110**	**(1 471 081)**	**1 044 029**	**2 372 864**	**(1 319 126)**	**1 053 738**

Reconciliation of property plant and equipment - 2020

Figures in Rand thousand	Opening balance	Additions	Disposals	Transfers	Other changes movements	Depreciation	Total
Motor vehicles	882	-	-	-	-	(226)	882
Office equipment	3 751	-	(13)	-	-	(1 055)	3 751
Computer equipment	2 563	990	(50)	-	-	(1 745)	2 563
ROU Assets	-	79 192	-	-	-	(27 046)	2 563
Network Infrastructure	931 944	4 759	(378)	48 643	(407)	(121 017)	863 544
Spares and test equipment	22 200	2 302	(14)	-	-	(2 747)	21 741
Capital - Work in progress	92 398	58 060	-	(48 643)	(314)	-	101 501
	1 053 738	**145 303**	**(455)**	**-**	**(721)**	**(153 836)**	**1 044 029**

Reconciliation of property plant and equipment - 2019

Figures in Rand thousand	Opening balance	Additions	Disposals	Transfers	Other changes movements	Depreciation	Total
Motor vehicles	2 065	-	(71)	-	-	(1 112)	882
Office equipment	4 792	3	-	-	-	(1 044)	3 751
Computer equipment	2 404	849	(61)	203	-	(832)	2 563
Network infrastructure	985 004	3 132	(196)	90 966	-	(146 962)	931 944
Spares and test equipment	5 558	17 752	-	-	-	(1 110)	22 200
Capital - Work in progress	80 966	145 972	-	(134 864)	324	-	92 398
	1 080 789	**167 708**	**(328)**	**(43 695)***	**324**	**(151 060)**	**1 053 738**

*The balance was transferred to Intangible assets (Note 4)

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.

Reconciliation between property, plant and equipment and statement of cash flows

	2020 R'000	2019 R '000
Additions per property plant and equipment	145 303	167 708
Additions per statement of cash flows	(66 111)	(68 017)
Difference	**79 192**	**99 691**
Difference made up as follows:		
Free of charge equipment received (note 18)	-	82 679
Capitalisation of spares	-	17 012
ROU Assets per IFRS 16	79 192	-
	79 192	**99 691**

4. Intangible assets

	2020			2019		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Computer software	116 333	(51 949)	64 384	116 333	(38 024)	78 309
Servitudes	12 711	-	12 711	12 711	-	12 711
Total	**129 044**	**(51 949)**	77 095	**129 044**	**(38 024)**	**91 020**

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	78 309	(13 925)	64 384
Servitudes	12 711	-	12 711
	91 020	**(13 925)**	**77 095**

4. Intangible assets (continued)

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	45 631	32	43 695	(11 049)	78 309
Servitudes	12 711	-	-	-	12 711
	58 342	**32**	**43 695**	**(11 049)**	**91 020**

Intangible assets consist of servitudes, licences and software 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.

Transfers reflect the movements between work in progress and the different asset categories upon completion of a project.

5. Prepayments

	2020 R'000	2019 R '000
Insurance	2 424	1 844
Operating expenses	1 534	3 458
Irrefutable Right of Use	10 062	11 201
	14 020	**16 503**
Non-Current Assets	10 062	10 372
Current Assets	3 958	6 131
	14 020	**16 503**

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

6. Trade and other receivables

	2020 R'000	2019 R '000
Financial instruments at amortised costs:		
Trade receivables	50 681	90 769
Loss allowance	(7 293)	(5 351)
	43 388	85 418
Accrued interest	65	81
Non-financial instruments:		
VAT	-	4 276
Deposits	1 007	1 002
Total trade and other receivables	**44 460**	**90 777**
Split between non-current and current portions		
Current assets	44 460	90 777

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.

6. 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 period of history 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:

	2020	2020	2019	2019
	Estimated gross carrying amount at default	Loss allowance (lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (lifetime expected credit loss)
Expected credit loss rate:				
Not past due: 2.4%	1 760	43	1 610	39
31 - 60 days past due: 3.6%	1 032	37	904	33
61 - 90 days past due: 5.1%	684	35	844	43
91 - 120 days past due: 9.1%	717	65	829	75
121 - 150 days past due: 22.5%	501	112	806	181
151 - 180 days past due: 46.8%	474	222	986	461
More than 181 days past due: 100%	6 779	6 779	4 519	4 519
Total	**11 947**	**7 293**	**10 498**	**5 351**

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

6. Trade and other receivables (continued)

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.

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.

7. Cash and cash equivalents

	2020 R'000	2019 R '000
Cash and cash equivalents consist of:		
Current accounts	13 761	715
Short-term deposits	95 869	94 425
	109 630	**95 140**

Included in the short-term deposits balance are amounts received in advance which is disclosed as a deferred income in note 9, for services not yet rendered as stated below:

Ultimate Holding Company	76 287	57 378
International Company	-	8 799
	76 287	**66 177**

Credit quality of cash at bank and cash and cash equivalents, excluding cash on hand

The credit quality of cash at bank and cash and cash equivalents, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates given that the credit quality of the expected credit losses were determined to be immaterial.

Fair value

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

8. Loans from Shareholders

	2020 R'000	2019 R '000
Department of Telecommunications and Postal Services	1 087 606	1 011 727
Industrial Development Corporation of South Africa	385 093	358 226
	1 472 699	**1 369 953**

The loans are unsecured, have no fixed terms of repayment, bear no interest and are subordinated by the Shareholders to the Company. The agreement states that the loan may be repaid subject to the availability of funds from time to time, however this is based on a mutual agreement between the Shareholders and the Company. The nominal amount of the loans are R1 829 530, before being discounted and restated at the value above. The period and the interest rate used to discount the Shareholder loans are 15 years and 6.25% (Johannesburg Inter Bank Repo Rate plus one) respectively.

9. Deferred income

Deferred income relates to revenue received under 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.

	2020 R'000	2019 R '000
Non-current liabilities	373 476	418 344
Current liabilities	141 489	140 833
	514 965	**559 177**
Reconciliation of deferred income		
Opening balance	559 177	489 108
Payments received	137 546	120 941
Revenue recognised in the reporting period that was included in the opening balance	(165 388)	(46 175)
Revenue recognised in the reporting period from new contracts concluded	(16 370)	(4 697)
Closing balance	**514 965**	**559 177**

The increase in deferred income is due to higher payments received in advance.

10. Long-term payment arrangements

Current liabilities	17 621	32 014

This liability relates to the maintenance and fibre lease costs for the period 1 November 2015 - 31 May 2018. Two agreements were reached to settle this debt over 36 months.

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

11. Deferred gain

Deferred gain relates to the day one gain recognised on the differences between the present value of the Shareholders' loans and the consideration paid.

	2020 R'000	2019 R '000
Non-current Liabilities	246 378	356 830
Current Liabilities	110 452	102 746
	356 830	**459 576**
Reconciliation of deferred gain		
Opening balance	459 576	555 155
Recognised in profit and loss	(102 746)	(95 579)
Closing balance	**356 830**	**459 576**

12. Trade and other payables

Financial instruments:		
Trade payables	162 812	115 072
Straight lining of leases	-	1 396
Internal audit	266	-
External audit	1 264	861
Deposits received	26	26
Non-financial instruments:		
Accrued leave pay	4 820	3 821
PAYE	2 305	2 356
VAT	1 086	-
	172 579	**123 532**

13. Lease liabilities

	2020 R'000	2019 R '000
Minimum lease payments due		
- within one year	36 104	(7 572)
- in second to fifth year inclusive	33 918	7 572
	70 022	-
less: future finance charges	(13 434)	-
Present value of minimum lease payments	**56 588**	**-**
Non-current liabilities	27 046	-
Current liabilities	29 542	-
	56 588	**-**

The Company's obligations under leases are secured by the lessor's charge over the leased assets. Refer note 3.

The future lease payments are discounted at the rate of 13.7% as per the Company policy.

Broadband Infraco as a lessee

Broadband Infraco, in the role of lessee, has entered into the following leases:

Office space and POP sites nationally, with the most significant lease payments being for the Head Office in Woodmead until 2022.

The carrying amounts of the right of use assets and their movements during the period are set out below:

Right of use assets

	Balance at 31 March 2020	Additions to right of use asset	Depreciation expense	Balance at 31 March 2020
ROU Assets	-	79 192	(27 046)	52 146

The carrying amounts of the leases and the movements during the period are reported below:

Lease liability

	Balance at 1 April 2019 (IFRS 16 restatement)	Additions	Accretion of interest	Payments	Total
ROU Assets	79 192	-	7 734	(30 338)	56 588

The total outflow for right of use asset is R30 338

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

13. Lease liabilities (continued)

The following are the amounts recognised in income statement during the period:

Amounts recognised in profit and loss

	Amount at 31 March 2020
Depreciation expense of right of use asset	27 046
Interest expense of lease liability	7 734
	34 780

Amounts recognised in cashflow statements

	Amount at 31 March 2020
Total cash outflow for leases	**30 338**

Nature of leases

The Company leases land and buildings for its office space. The leases for office space typically run for a period of five years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the term. One lease included the requirement for the entity to restore the building after the lease term to the condition it was received in.

Some lease agreements require the Company to make payments that relate to the property taxes levied on the lessor, these amounts are generally determined annually.

14. Provisions

Reconciliation of provisions - 2020

	Opening balance	Addition	Utilised during the year	Reversed during the year	Total
Legal proceedings	600	-	-	-	600
Retention bonus	6 446	10 630	-	(3 481)	13 595
Other provisions	3 611	808	(756)	(2 478)	1 185
	10 657	**11 438**	**(756)**	**(5 959)**	**15 380**

Reconciliation of provisions - 2019

Legal proceedings	1 000	-	(44)	(356)	600
Retention bonus	4 216	2 230	-	-	6 446
Other provisions	1 549	2 062	-	-	3 611
	6 765	**4 292**	**(44)**	**(356)**	**10 657**

Legal proceedings

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

14. Provisions (continued)

Retention bonus

The retention bonus provision relates to reviews to be completed with qualifying personnel based on individuals' and the 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.

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.

15. 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:

Reconciliation of deferred tax asset

Movement in temporary differences	9 043	20 317
Deferred tax assets not recognised	(9 043)	(20 317)
At end of the year	**-**	**-**

Deferred tax rates

The deferred tax rate applied to the fair value adjustments of investment property/financial assets is determined by the expected manner of recovery. If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2019: 28%) is applied.

Recognised (cumulative balances)

IFRS 16 Right of Use Assets	(14 601)	-
IFRS 16 Liability	15 845	-
Capital allowances	3 331	3 504
Prepayments	(1 316)	(1 645)
Provision for bad debts	2 042	1 498
Leave pay accrual	1 350	1 070
Doubtful debt allowance	(817)	-
Bonus provision	3 807	1 805
Credit note provision	332	1 011
Variable remuneration	82	-
Other provisions	168	168
Unrealised foreign exchange differences	152	129
Deferred income	144 190	117 136
Deferred tax asset not recognised	(154 565)	(124 676)
	-	-

The unused tax credits amount to R322 120 (2019: R322 120), the amounts will expire between 15 October 2021 and 12 December 2021. The unused tax losses amount to R900 693 383 (2019: R757 069 119).

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Notes to the Annual Financial Statements (continued)

16. Share capital

	2020 R'000	2019 R '000
Authorised		
Ordinary	1	1
Reconciliation of number of shares issued:		
Reported as at 01 April 2019	1	1
Issued		
Ordinary*	-	-

Shares are held as follows:

- 74 ordinary shares held by the State, represented by Department of Telecommunications and Postal Services.
- 26 ordinary shares held by the Industrial Development Corporation of South Africa.

Unissued shares are controlled by the Executive Authority (the Minister of Communications and Digital Technologies).

*Amounts less than R1 000.

17. Revenue

Revenue from contracts with customers		
Rendering of services	468 830	410 915
Disaggregation of revenue from contracts with customers		
The Company disaggregates revenue from customers per type of service as follows:		
Rendering of services		
Co-location	3 583	1 659
Sale of broadband services	429 241	383 318
Operations and maintenance	36 006	25 938
	468 830	**410 915**
Local		
Broadband services	410 899	365 979
Operations and maintenance	26 002	20 672
Co-location	2 886	1 304
	439 787	**387 955**
Foreign		
Broadband services	18 342	17 339
Operations and maintenance	10 004	5 266
Co-location	697	355
	29 043	**22 960**
Timing of revenue recognition		
Over time		
Rendering of services	**(468 830)**	**(410 915)**

18. Cost of sales

	2020 R'000	2019 R '000
Rendering of services	**218 854**	**181 323**
Rendering of services		
Cost of broadband services	109 738	110 364
Maintenance	109 116	70 959
	218 854	**181 323**

19. Other operating income

Compensation from insurance claims	466	226
Recoveries - (WACS)	1 238	2 745
Free of charge equipment received	-	82 679
Deferred gain recognised	103 419	95 578
	105 123	**181 228**

20. Operating expenses

Operating expenses include the following:

Employee costs		
Salaries	**121 039**	**110 297**
Directors emoluments		
Non-executive directors	2 966	2 553
Executive directors	5 317	5 056
	8 283	**7 609**
Service Fees		
Consulting and professional fees	1 813	1 356
External Audit fees	1 541	939
Legal fees	1 822	255
Internal audit fees	1 252	-
Co-sourcing	9 712	5 150
	16 140	**7 700**

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

20. Operating expenses (continued)

	2020 R'000	2019 R '000
General and administrative expenses		
Advertising	1 433	1 214
Assets written off	2 113	508
Electricity	5 289	4 765
IT expenses	1 973	2 523
Insurance	2 050	1 483
Other expenses - deductible	7 735	9 661
Repairs and maintenance	10 178	4 501
Telephone and fax	602	840
Training	1 493	1 390
Travel - local	4 078	4 759
Short term lease liability expense	**3 360**	**7 365**
Variable lease liability expenses	**272**	**-**
Provision for impairment of trade and other receivables		
Loss allowance	**1 942**	**4 038**

21. Employee costs

Employee costs		
Basic	111 381	107 483
Other payroll expenses	9 658	2 814
	121 039	**110 297**

22. Depreciation, amortisation and impairment losses

Depreciation		
Property plant and equipment	153 836	151 060
Amortisation		
Intangible assets	13 925	11 050
Total depreciation amortisation and impairment		
Depreciation	153 836	151 060
Amortisation	13 925	11 050
	167 761	**162 110**

23. Investment income

	2020 R'000	2019 R '000
Interest income		
Investments in financial assets:		
Bank	3 842	2 358
Trade and other receivables	1 696	35
Unrealised foreign exchange gains	1 529	2 007
Total interest income	**7 067**	**4 400**

Investment income on financial instruments which are available for sale or held to maturity are only presented for comparative purposes for financial instruments held in the prior reporting period but which were disposed of prior to the beginning current reporting period, which is the date of adoption of IFRS 9: Financial Instruments. Investment income on all other financial assets has been reclassified in compliance with IFRS 9.

24. Finance costs

Realised loss on foreign exchange transaction	3 308	596
Lease liabilities	7 734	-
Interest paid	5 335	7 162
Discounted interest charge*	105 895	98 526
	122 272	**106 284**

*The discounted interest charge includes the interest portion of the interest free loans from Shareholders and the interest from the long-term liabilities.

25. Taxation

Major components of the tax expense		
Current		
Foreign income tax or withholding tax - recognised in current tax for prior periods	-	322
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting loss	(111 001)	(14 414)
Tax at the applicable tax rate of 28% (2019: 28%)	(31 080)	(4 036)
Tax effect of adjustments on taxable income		
International travels	96	48
WACS recovery	(188)	(312)
Deferred tax not recognised	31 172	4 300
Botswana Withholding Tax	-	322
	-	**322**

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

26. Cash generated from operations

Loss before taxation	(111 001)	(14 414)
Adjustments for:		
Depreciation and amortisation	167 761	162 110
Interest income	(7 067)	(4 400)
Finance costs	122 272	10 705
Movements in provisions	4 723	3 892
Movement in deferred income	(44 212)	70 069
Tax receivable	-	(322)
Changes in working capital:		
Trade and other receivables	46 317	(14 862)
Prepayments	2 483	(907)
Trade and other payables	44 615	33 154
Movement in deferred gain	(102 746)	(95 578)
	123 145	**149 447**

27. Related parties

Relationships	
Holding Company	The state represented by the Department of Telecommunications and Postal Services
Shareholder with significant influence	Industrial Development Corporation of South Africa
Departments	Department of Science and Technology
Major public entities	Eskom, Transnet, Industrial Development Corporation of South Africa
Other public entities	SITA (SOC) Limited

27. Related parties (continued)

	2020 R'000	2019 R '000
Related party balances		
Loan accounts - Owing (to) by related parties		
Department of Telecommunications and Postal Services	1 087 606	1 011 727
Industrial Development Corporation of South Africa	385 093	358 226
Amounts included in Trade Receivables (Trade Payable) regarding related parties		
Major public entities	4 617	9 232
Major public entities	(78 540)	(105 086)
Ultimate holding company	118	-
Deferred Income		
Departments	296 351	335 259
Ultimate holding Company	75 000	65 985
Related party transactions		
Purchases from (sales to) related parties		
Major public entities	134 977	105 359
Major public entities	(77 851)	(49 115)
Other public entities	-	(95 175)
Compensation to directors and other key management		
Short-term employee benefits - Non-executive directors	2 966	2 552
Short-term employee benefits - Executive directors	5 317	5 056
Short-term employee benefits - Key management	8 722	7 550
	17 005	**15 158**

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Notes to the Annual Financial Statements (continued)

28. Going concern

We draw attention to the fact that at 31 March 2020, the Company had accumulated losses of R1 317 428 000 and that the Company's total liabilities exceed its assets by R1 317 428 000.

The Shareholders' Loans, which comprise the significant portion of the total liabilities, have been subordinated, until such time the Company is in a position to repay the loans. IAS 1 prescribes that the Board of Directors and management of the Company should thoroughly assess the financial sustainability of the business and ensure that the business will continue without the threat of liquidation for the foreceeable future, usually regarded as at least within 12 months after reporting date. It also requires the Board and management to declare the intention to keep the Company as continuing in business for the foreseeable future with neither the intention to cease trading nor seeking protection from creditors persuant to laws or regulation. The going concern assumption is a fundamental principle in the preparation of financial statements. Under the going concern assumption, a Company is ordinarily viewed to realise its assets, discharge its liabilities and obtain refinancing in the normal course of business.

The COVID-19 pandemic has developed rapidly in 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 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. 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.

Broadband Infraco has prepared its financial statements for the year ended 31 March 2020 on the basis that it will continue as a going concern for the foreseeable future, thus at least the next 12 months. This basis 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 Board of Directors has considered whether the going concern assumption is appropriate for the Company in the preparation of the Annual Financial Statements. The directors have reviewed the Company's financial performance for the year 31 March 2020 and forecast for the 31 March 2021. 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 access to some funding in the medium term being obtained.

The Company will further secure additional lines of credit in this eventuality that collections are affected, once the shareholders' loans have been converted.

29. Irregular, fruitless and wasteful expenditure

Irregular expenditure

Section 1 of the Public Finance Management Act No.1 of 1999, as amended, defines irregular expenditure as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not incurred in accordance with a requirement of any applicable legislation. The following amounts have been disclosed as being irregular expenditure, in terms of Section 55(2)(b) of the Public Finance Management Act No.1 of 1999

	2020 R'000	2019 R '000
Irregular Expenditure		
Opening balance	53 935	1 603
Incurred in the current year	21 420	11 489
Incurred in the previous years identified in the current year	7 392	41 045
Condoned during the year	-	(202)
Closing balance*	**82 747**	**53 935**

* Internal processes to resolve these matters are in progress.

29. Irregular, fruitless and wasteful expenditure (continued)

Irregular expenditure

Irregular expenditure detail 2020

R'000	Action	Expenditure identified	Amounts condoned	Amounts removed from register	Remaining expenditure
Identified in prior years		53 935	-	-	53 935
Incurred in the previous years identified in the current year					
The Company awarded a contract to a service provider based on a tender document that was not advertised for the prescribed 21 working days. There was no financial loss to Broadband Infraco.		7 392	-	-	7 392
Identified in current year					
The Company awarded a contract to a service provider based on a tender document that was not advertised for the prescribed 21 working days. There was no financial loss to Broadband Infraco.	Condonation requested	15 095	-	-	15 095
The Company continued to utilise the services of a critical contract for site sharing which National Treasury did not approve. There was no financial loss to Broadband Infraco.	Condonation requested	858	-	-	858
The Company continued to utilise the services without approval from National Treasury as previous expansion were not made to National Treasury. There was no financial loss to Broadband Infraco.	Condonation requested	272	-	-	272
The Company continued to utilise the services of a critical contract for site sharing which National Treasury did not approve. There was no financial loss to Broadband Infraco.	Under investigation	3 068	-	-	3 068
The Company continued to utilise the services of a critical contract for fibre lease which National Treasury had not provided approval for yet. There was no financial loss to Broadband Infraco.	Under investigation	2 127	-	-	2 127
		82 747	**-**	**-**	**82 747**

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

29. Irregular, fruitless and wasteful expenditure (continued)

Irregular expenditure detail 2019

R'000	Action	Expenditure identified	Amounts condoned	Amounts removed from register	Remaining expenditure
Identified in prior years	Condoned	1 603	(202)	-	1 401
Identified in current years					
The Company continued to utilise the services after the contract negotiations with the supplier failed. There was no financial loss to Broadband Infraco.	Condonation requested	16 095	-	-	16 095
The Company continued to utilise the services after the contract negotiations with the supplier failed. There was no financial loss to Broadband Infraco.	Condonation requested	16 627	-	-	16 627
The Company continued to utilise the services after the contract expired. There was no financial loss to Broadband Infraco. Consequence management was instituted.	Condonation requested	31	-	-	31
The Company awarded a contract to a service provider based on a tender document that was not advertised for the prescribed 21 working days. There was no financial loss to Broadband Infraco.	Under investigation	9 858	-	-	9 858
The Company continued to utilise the services of a contract that renewed automatically every year, which is against the Contract Management Framework. There was no financial loss to Broadband Infraco.	Under investigation	9 923	-	-	9 923
		54 137	**(202)**	**-**	**53 935**

29. Irregular fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure

Losses recovered or written off

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:

	2020 R'000	2019 R '000
Fruitless and wasteful expenditure		
Opening balance	-	-
Identified in the current year	8	17
Written off	(8)	(17)
	-	-

	Action	Losses identified	Losses written off
Fruitless and wasteful expenditure in detail 2019			
Interest incurred from suppliers	Losses written off	8	(8)
Fruitless and wasteful expenditure in detail 2018			
Interest incurred from suppliers	Losses written off	17	(17)

30. Directors' and prescribed officer emoluments

Executive

2020

	Position	Service period in months	Directors fees	Cellphone allowance	Total
I van Niekerk	Chief Financial Officer	12	2 454	30	2 484
AD Matseke	Chief Executive Officer	12	2 803	30	2 833
			5 257	**60**	**5 317**

2019

	Position	Service period in months	Directors fees	Cellphone allowance	Total
I van Niekerk	Chief Executive Officer	12	2 326	30	2 356
AD Matseke	Chief Executive Officer	12	2 670	30	2 700
			4 996	**60**	**5 056**

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

30. Directors' and prescribed officer emoluments (continued)

Non-executive

2020

	Position	Service period in months	Directors' fees	Total
BMC Ngcobo	Board Chairperson	12	867	867
SD Mabalayo	Board member	12	429	442
N Selamolela	Board member	12	371	341
Z Kabini	Board member	12	321	321
G Mphefu	Board member	12	269	269
J Schreiner	Board member	12	328	283
R Mabece	Board member	12	381	
			2 966	**2 966**
2019				
BMC Ngcobo	Board Chairperson	12	896	896
SD Mabalayo	Board member	12	442	442
N Selamolela	Board member	12	341	341
Z Kabini	Board member	12	321	321
G Mphefu	Board member	12	269	269
J Schreiner	Board member	12	283	283
			2 552	**2 552**

Key management

2020

	Position	Service period in months	Commission	Basic Salary	Expenses and other allowances	Total
ME Mopeli	Executive: Human Resources	12	-	1 901	30	1 931
G Zowa	Chief Technical Officer	12	-	2 768	30	2 798
M Mojapelo	Executive: Compliance Risk and Audit	12	-	1 518	30	1 548
P Dyani	Chief Marketing and Sales Officer	12	-	2 415	30	2 445
		-	-	**8 602**	**120**	**8 722**
2019						
G Zowa	Chief Technical Officer	12	-	2 610	30	2 640
ME Mopeli	Executive: Human Resources	12	-	1 793	30	1 823
M Mojapelo	Executive: Compliance Risk and Audit	12	-	1 383	30	1 413
G Pete	Acting Chief Marketing and Sales Officer	9	70	974	18	1 062
P Dyani	Chief Marketing and Sales Officer	3	-	604	8	612
			70	**7 364**	**116**	**7 550**

31. Financial instruments and risk management

31.1 Categories of financial instruments

Categories of financial assets

2020

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	6	43 453	43 453	43 453
Cash and cash equivalents	7	109 630	109 630	109 630
		153 083	**153 083**	**153 083**

2019

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	6	85 499	85 499	85 499
Cash and cash equivalents	7	95 140	95 140	95 140
		180 639	**180 639**	**180 639**

Categories of financial liabilities

2020

	Note(s)	Amortised cost	Leases	Total
Trade and other payables	12	164 368	-	164 368
Loans from Shareholders	8	1 472 699	-	1 472 699
Lease liability	13	-	56 588	56 588
		1 637 067	**56 588**	**1 693 655**

2019

	Note(s)	Amortised cost	Leases	Total
Trade and other payables	12	117 355	-	117 355
Loans from Shareholders	8	1 369 953	-	1 369 953
Lease liability	13	-	-	-
		1 487 308	-	**1 487 308**

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

31. Financial instruments and risk management (continued)

31.2 Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2020

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest income	23	7 067	7 067

2019

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest income	23	4 400	4 400

Gains and losses on financial liabilities

2020

	Note(s)	Amortised cost	Leases	Total
Recognised in profit or loss:				
Finance costs	24	(114 538)	(7 734)	(122 272)

2019

	Note(s)	Amortised cost	Leases	Total
Recognised in profit or loss:				
Finance costs	24	(106 284)	-	(106 284)

31. Financial instruments and risk management (continued)

31.3 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.

The capital structure of the Company consists of debt, which includes the payment arrangements disclosed in note 10, long-term payment arrangements and equity as disclosed in the statement of financial position.

There have been no changes to what the entity manages as capital or the strategy for capital maintenance from the previous year.

Loans from Shareholders	8	1 472 699	1 369 953
Lease liability	13	56 588	-
Trade and other payables	12	164 368	117 355
Total borrowings		**1 693 655**	**1 487 308**
Cash and cash equivalents	7	(109 630)	(95 140)
Net borrowings		**1 584 025**	**1 392 168**
Equity		(1 317 428)	(1 207 731)
Gearing ratio		(120)%	(115)%

31.4 Financial risk management

Overview

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk interest rate risk and price risk).

31.4.1 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 6 for more information on credit risk management and policy.

The maximum exposure to credit risk is presented in the table below:

	Note(s)		2020			2019	
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	6	50 681	(7 293)	43 388	90 769	(5 351)	85 418
Cash and cash equivalents	7	109 630	-	109 630	95 140	-	95 140
		160 311	**(7 293)**	**153 018**	**185 909**	**(5 351)**	**180 558**

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

31. Financial instruments and risk management (continued)

31.4.2 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 Company's risk to liquidity is a result of the funds available to cover future commitments. The Company manages liquidity risk through an ongoing review of future commitments and credit facilities.

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.

2020

	Note(s)	Over 5 years	Total	Carrying amount
Non-current liabilities				
Loans from Shareholders	8	1 472 699	1 472 699	1 472 699
Lease liability	13	27 046	27 046	27 046
Current liabilities				
Trade and other payables	12	164 368	164 368	164 368
Lease liability	13	29 542	29 542	29 542
		1 693 655	**1 693 655**	**1 693 655**

2019

	Note(s)	Over 5 years	Total	Carrying amount
Non-current liabilities				
Loans from Shareholders	8	1 369 953	1 369 953	1 369 953
Lease liability	13	-	-	-
Current liabilities				
Trade and other payables	12	117 355	117 355	117 355
Lease liability	13	-	-	-
		1 487 308	**1 487 308**	**1 487 308**

31.4.3 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 currency in which the Company deals primarily is 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.

31. Financial instruments and risk management (continued)

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

Exchange rates

Rand per unit of foreign currency		
US Dollar	17,902	14,595

Foreign currency sensitivity analysis

The following information presents the sensitivity of the Company to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Increase or decrease in rate	2020 Increase	2020 Decrease	2019 Increase	2019 Decrease
Impact on profit or loss				
US Dollar 8% (2019: 8 %)	331	(331)	22	(22)
	331	**(331)**	**22**	**(22)**
Impact on equity				
US Dollar 8% (2019: 8 %)	331	(331)	22	(22)
	331	**(331)**	**22**	**(22)**

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The debt of the Company is comprised of different instruments, which bear interest at either fixed or floating interest rates. The ratio of fixed and floating rate instruments in the loan portfolio is monitored and managed, by incurring either variable rate bank loans or fixed rate bonds as necessary. Interest rates on all borrowings compare favourably with those rates available in the market.

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

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

Increase or decrease in rate	2020 Increase	2020 Decrease	2019 Increase	2019 Decrease
Impact on profit or loss				
Bank 8%	307	(307)	-	-
Trade and other receivables 8%	136	(136)	-	-
	443	**(443)**	**-**	**-**
Impact on equity				
Bank 8%	307	(307)	-	-
Trade and other receivables 8%	136	136	-	-
	443	**(443)**	**-**	**-**

32. Capital commitments

Capital commitments approved and contracted	40 525	152 496
Budgeted but not contracted	481 956	293 577

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.

33. Events after the reporting period

The Department of Telecommunications and Postal Services has approved and is undertaking relevant processes to convert the R1,3 billion loan issued to Broadband Infraco into equity. This conversion will improve the liquidity of the Company, which will improve the going concern assumptions.

COVID-19

The outbreak of communicable disease COVID-19 and subsequent lockdowns implemented in the country and around the world has interrupted the manner in which all businesses operate globally, due to the limited human interaction required in orderto the reduce the spread of the virus.

The COVID-19 pandemic has developed rapidly in 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 to monitor and mitigate the effects of COVID-19, which include safety and health measures for our employees, e.g. detailed standard operating procedures, social distancing and allowing for all employees to work from home. The Company further ensured continued operations by securing remote access and VPNs to all employees. The Company also conducted cyber security awareness and implemented additional security controls in the IT systems, throughout the Company to safeguard employees, and the Company, against a potential increase in cyber-attacks.

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. 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 also refer to note 28, where the impact of the COVID-19 pandemic on the going concern assumptions are considered by the Company.

34. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Leases

Definition of a lease

The Company determined if an agreement contains a lease in terms of IAS 17 and IFRIC 14 on the transition of IFRS 16 the Company elected to apply the practical expedient to not reassess if an existing agreement on 1 April 2019 contains a lease. Therefore, agreements that did not contain leases in terms of IAS 17 and IFRIC 14 were not reassessed. The Company must assess if agreements contain a lease in terms of IFRS 16 for all agreements entered from 1 April 2019.

Lessee

The Company previously classified leases as operating leases as there were no finance leases. Under IFRS 16 the Company recognises, for most leases, a right of use asset and a lease liability which is recognised in the statement of financial position.

Leases previously classified as operating leases

The Company recognised lease liabilities at initial application for leases previously classified as an operating lease applying IAS 17. The Company measured the lease liability at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application.

The Company recognised a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. The Company elected to measure the right of use assets at an amount equal to the lease liability.

The Company used the following practical expedients

- It relied on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
- The Company elected to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases and include the cost associated with those leases within the disclosure of short-term lease expense in the annual reporting period that includes the date of initial application.
- Not to reassess if a contract is, or contains, a lease at initial inception of IFRS.
- Not to recognise a right of use asset and lease liability for leases which the lease term ends within 12 months on the date of initial application.
- To exclude initial direct cost from the measurement of the right of use asset at the date of initial application.
- Not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.
- The company excluded initial direct costs from the measurement of the right of use asset at the date of initial application.

The Company selected to apply IFRS 16 retrospectively with the cumulative effect of initial application, at the date of initial application, being adjusted to opening balance of retained earnings and thus not restating comparative information. The Company measured the lease liability at the present value of remaining lease payments, discounted at the incremental borrowing rate at the date of initial application of IFRS 16.

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

34. Changes in accounting policy (continued)

Lessor

The Company is not required to make any adjustments on transition for leases in which it is a lessor except where the company sub-lease. The Company does not sub-lease any assets.

Sale and leaseback transactions

A company is not allowed to reassess sale and leaseback transactions entered into before the date of initial application of IFRS 16 to determine whether the transfer of the underlying asset satisfies the requirements in IFRS 15 to be accounted for as a sale.

Impact on the financial statements

On transition to IFRS 16 the Company account for additional right of use assets and lease liabilities with the difference being accounted for in retained earnings.

Increase in right of use asset	79 192
Increase in lease liability	(79 192)
Decrease in finance operating liability	1 304
Decrease/(increase) in retained earnings	**1 304**

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 13.7%

Operating Lease Commitment as at 31 March 2019	21 566
Discounted using incremental borrowing rate at 01 April 2019	(3 708)
Short-term leases	(3 360)
Lease liability at 1 April 2019	**14 498**

Acronyms	Description
3G	3rd Generation Mobile Telecommunications
4IR	Fourth Industrial Revolution
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
CRM	Customer Relationship Management
CSI	Corporate Social Investment
CWL	Clear While Localising
DCDT	Department of Communications and Digital Technologies
DFIs	Development Finance Institutions
DTPS	Department of Telecommunications and Postal Services
DWDM	Dense Wavelength Division Multiplexing
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 Committee Management
FTTX	Fibre to the Home/Business
FY	Financial year
Gbit/s	Gigabits per second
Gbps	Gigabits per second

Acronyms	Description
HR	Human Resources
HRRC	Human Resources and Remuneration Committee
ICASA	Independent Communications Authority of South Africa
ICT	Information Communication Technology
ICTU	Information Communication & 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
IIRC	International Integrated Reporting Council
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
KPIs	Key Performance Indicators
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 Restore
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

Acronyms	Description
OH&S	Occupational Health and Safety
Opex	Operational Expenditure
OSI	Open Systems Interconnection
PFMA	Public Finance Management Act
PoP	Point of Presence
PPPFA	Preferential Procurement Policy Framework Act
PwC	PricewaterhouseCoopers
QMS	Quality Management Systems
SA	South Africa
SA Connect	South Africa Connect
SABS	South African Bureau of Standards
SADC	Southern African Development Community
SATA	Southern African Telecommunications Association
SCM	Supply Chain Management
SCOPA	Standing Committee of Public Accounts
SDH	Synchronous Digital Hierarchy
SEC	Social and Ethics Committee
SEZ	Special Economic Zones
SHEQ	Safety Health Environment and Quality
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprise
SMF	Senior Management Forum
SNG GT	SNG Grant Thornton
SNO	Second National Operator
SOC	State-Owned Company
SOE	State-Owned Enterprise
SOF	Service Order Form
Tbps	Terabits per Second
TDM	Time-division multiplexing
WACS	West Africa Cable System
WSP	Workplace Skills Plan
YoY	Year-on-year
ZAR	South African Rand

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Broadband Infraco

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