

Corporate Plan 2020/21- 2024/25



SENTECH
connecting You



ABBREVIATIONS

B-BBEE	Broad-Based Black Economic Empowerment
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
CPI	Consumer Price Index
CRM	Customer Relations Management
CSI	Corporate Social Investment
DCDT	Department of Communications and Digital Technologies
DTH-S	Direct-to-Home Satellite
DTPS	Department of Telecommunications and Postal Services
DTT	Digital Terrestrial Television
EBIT	Earnings Before Interest and Tax
ECA	Electronic Communications Act, No. 36 of 2005
ECNS	Electronic Communications Network Services
ECS	Electronic Communications Services
ESD	Enterprise Supplier Development
EXCO	Executive Committee
FM	Frequency Modulation
FY	Financial Year
GB	Gigabyte
ICASA	Independent Communications Authority of South Africa (Regulatory Authority)
ICT	Information and Communications Technology
ISA	International Standard on Auditing 320
IoT	Internet of Things
IMT	International Mobile Telecommunications
ITA	Invitation to Apply
ITU	International Telecommunications Union
LTE	Long-Term Evolution
Minister	Minister of Communications and Digital Technologies
MTEF	Medium Term Expenditure Framework
MUX	Multiplex
MW	Medium Wave
OTT	Over-the-Top
PDA	Protected Disclosures Act of 2000
PFMA	Public Finance Management Act, No. 1 of 1999
SENTECH Act	SENTECH Act, Act No. 63 of 1996
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprise
SOC	State Owned Company
TV	Television
WOAN	Wireless Open Access Network



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Chairperson's Statement

We live in interesting economic times characterised by technological disruptions and exponential change fuelled by the fourth industrial revolution. The times are now even more challenging with the advent of Covid-19 pandemic that has disrupted personal, social and economic life. The pandemic is predicted to hit hard on the economies of the world resulting in low economic growth, job losses, increased government debt and muted business and consumer confidence. Covid-19 is disrupting human and business behaviour and this will require a strategy that is future fit and aligned to the new normal.

The Executive Authority's own structural integration and review and re-configuration of its entities opened up new and exciting opportunities for SENTECH. Through a better understanding of the Shareholder's strategy which emerged from strategy workshops, SENTECH had an opportunity to consider how best it could contribute to the achievement of the overall Department of Communications and Digital Technologies' (DCDT) mandate.

There were also challenging times for most State Owned Companies (SOCs) which all had to take stock of what and how they were doing and implementing step-changes to their ways of working and service delivery. With the decline and poor state of the national economy, many SOCs, which were dealing with challenges in corporate governance, had to rethink their way forward. Covid-19 has exacerbated sustainability challenges faced by most SOCs as government's priority funding is to curb the health and economic impact caused by the pandemic.

If we were to consider the 'beautiful/incredible constraint' theory and were to ask ourselves what we would do if there were no rules or constraints, we would rise to the challenge with new forms of creativity and innovation. In the SENTECH context, there was an urgent need to diversify services and thus increase revenue streams and reduce dependency on the South African Broadcasting Corporation (SABC). SENTECH's strategy is geared towards a sustainable path of venturing into new markets and new products in this disruptive environment. It is a strategic response to the Fourth Industrial Revolution and the DCDT's mandate to enable a connected and digitally transformed society to foster socio-economic growth.

The Board has ensured that this Strategic Plan is aligned to the policy priorities of government, in particular the DCDT. The Strategic plan had to be reviewed to factor in the impact of Covid-19 on the company's sustainability and the environment in which it is operating. The Board has and will continue to provide direction in the development and implementation of strategic priorities and policies and the alignment thereof with the Shareholder's priorities. In its review of the Strategic Plan that was approved before the onset of this financial year, the Board also considered the impact of COVID-19 on all customers and potential customers OF SENTECH. The Board acknowledges and appreciates the leadership and support of the Minister of DCDT in providing the national ICT sector with the strategy to which we are committed to contribute. The Board presents the Strategic Plan and the Annual Performance Plan and is committed to providing oversight over the implementation thereof.

A handwritten signature in black ink that reads "Sandile Malinga".

Dr Sandile Malinga

Board Chairperson



Chief Executive Officer's Statement

SENTECH has developed a Strategic Plan in response to the demands for communication services driven by the Fourth Industrial Revolution (4IR) opportunities and challenges, tough socioeconomic and regulatory environments.

Moreover, the Strategic Plan takes into account the challenges and opportunities brought about by Covid-19. SENTECH challenges exacerbated by Covid-19 impact include declining customer uptake, macroeconomic factors, changing industry environment and rising cost of doing business. Identified opportunities include e-services for existing networks, last mile solutions, partnerships and streaming services. In the light of these challenges and opportunities, it was necessary for SENTECH to formulate a strategic response to ensure business sustainability. We have taken into account the impact of Covid-19 in remodeling our business during the MTEF period. During the first quarter on the MTEF, we have been inundated with payment relief requests from our customers focusing on payment holiday and tariff increases negotiations.

In addition, the changing industry landscape and internal organisation capabilities and opportunities have been considered in developing the Strategic Plan. This is reflected in our seven strategic pillars of optimisation and growth; innovation and digital readiness; talented people; transformation; reputation; customer centricity and environmental preservation.

SENTECH's aspiration going forward is to be an Information and Communications Technology (ICT) company that delivers connectivity and content across all platforms. These platforms include Satellite, Terrestrial, Wireless, Streaming and OTT. If SENTECH does not move into all platforms, it will be exposed to a risk of losing customers, encouraging competitors to enter into its business space and not being able to configure the appropriate value-based solutions for customers.

A key initiative for SENTECH is to lead digital migration going forward. Part will be funded through digital migration funds coming from the DCDT and part will be self-funded. It is an important initiative that will also contribute to closing broadband access gaps and freeing spectrum for mobile services.

The issue of optimising the core business, increasing value-add to broadcasters and decreasing tariffs is important. SENTECH's focus is on retaining business whilst expanding the value it could contribute, for example by taking over broadcaster's non-core technology assets.

Growth is largely dependent upon an increase in buying power in the economy. This is a driver for advertising revenue in the content delivery industry and audience services consumption. In this economic environment, it is difficult to take investment decisions that has a short term impact. Creating momentum in building the business of the future through a focus on SENTECH Connect, a broadband service e-offering as an important imperative to deliver on broadband connectivity in line with the DCDT's priorities.

SENTECH had to reconsider and change both its investment and broadband strategies. It is clear that 'investing ahead of the curve' would be required.

Important drivers for the future are;

- o Manage costs and optimise efficiencies in core business
- o Build infrastructure to gain traction in broadband business
- o Use Lean Start-Up and Agility to take advantage of opportunities
- o Use acquisitions and strategic partnerships to leverage the building of required capabilities.

Risk management is a key focus area for the organisation in order to ensure long term sustainability. One of the emerging risks is the availability of stable power supply. The ESKOM load shedding challenges impacts our service delivery directly and calls for more investment in an energy mix during the MTEF. We will focus efforts and budget on introducing renewable energy power supply into our main transmitter sites and later roll it out to all our sites.



Without the commitment and support of the SENTECH Board, our dedicated executive leadership team and staff, this Strategic Plan will not come to fruition. As the Executive leadership and management, we hereby commit ourselves to the implementation of this annual performance plan and in delivering on all the presented key performance indicators.

Mlamli Boo
Chief Executive Officer



Official Sign-Off

It is hereby certified that this Strategic Plan:

- Was developed by the management of SENTECH under the guidance of the Board of SENTECH.
- Takes into account relevant policies, legislation and other mandates for which SENTECH is responsible.
- Accurately reflects the Impact, Outcomes and Outputs which SENTECH will endeavour to achieve over the five-year period.

[Itumeleng Segaloe] Signature:

[Head Official responsible for Planning]

Chief Strategy Officer



[Rudzani Rasikhinya] Signature:

Chief Financial Officer (Acting)



[Tebogo Leshope] Signature:

Chief Operations Officer



[Mlamli Booi] Signature:

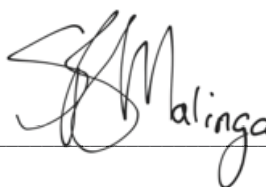
Accounting Officer

Chief Executive Officer



Approved by: [Dr Sandile Malinga] Signature:

Board Chairperson



1. Our Mandate

2. Our Strategic Focus





1. Our Mandate

1.1. Constitutional Mandate

SENTECH derives its mandate from legislation, particularly the SENTECH Act and the Electronic Communications' Act (ECA). In 1992, SENTECH was corporatised as a wholly owned subsidiary of the South African Broadcasting Corporation (SABC). In 1996, SENTECH Act, No. 63 of 1996 was amended, converting SENTECH into a separate public entity responsible for providing broadcasting signal distribution services as a common carrier to licensed television (TV) and radio broadcasters.

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

1.2. Legislative Mandate

SENTECH's legislative foundation is the SENTECH Amendment Act, No. 4 of 1999 and it is incorporated as a State-Owned Company in terms of the Companies Act, No. 71 of 2008. The Public Finance Management Act (PFMA) and National Treasury Regulations published in terms thereof, serve as the Authority for the organisation's financial reporting requirements. Policies have been implemented to ensure that there is compliance with relevant legislation. The organisation is further guided by the principles embodied in the King IV Report on Corporate Governance for South Africa and the Protocol on Corporate Governance in the Public Sector, 2002.

1.3. Executive Management

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

Name	Date Appointed	Position	Qualification
Mr M Booï	15 October 2015	Chief Executive Officer and Executive Director	BSc, MSc (Electrical Engineering)
Mr TJ Leshope	1 March 2018	Chief Operations Officer and Executive Director	B. Tech (Electrical Engineering), MBA
Ms R Rasikhinya	1 May 2020	Acting Chief Financial Officer	CA (SA)
Ms R Ramlal	2 July 2018	Chief Technology and Information Officer	BSc, MBA
Mr I Segaloe	1 May 2016	Chief Strategy Officer	BA, BAdmin (Hons), MBA
Ms M Kgari	12 June 2017	Acting Broadband Executive	BCom, MBL
Mr K Thage	18 June 2019	Acting Chief Marketing and Sales Officer	BSc, MBA
Mr Z Adams	7 August 1995	Executive: Legal and Regulatory	BA and BProc
Ms K Motlhabi	15 August 2016	Chief Human Resources Officer	BCom (Hons) Industrial Psychology
Adv. SP Matsane	1 November 2018	Company Secretary	B.luris and LLB
Mr MT Finnis	8 June 2018	Executive: Operations	B.Tech (Electrical . Engineering), MBL

Table 1: Executive Team Profile



1.4. Organisational Structure

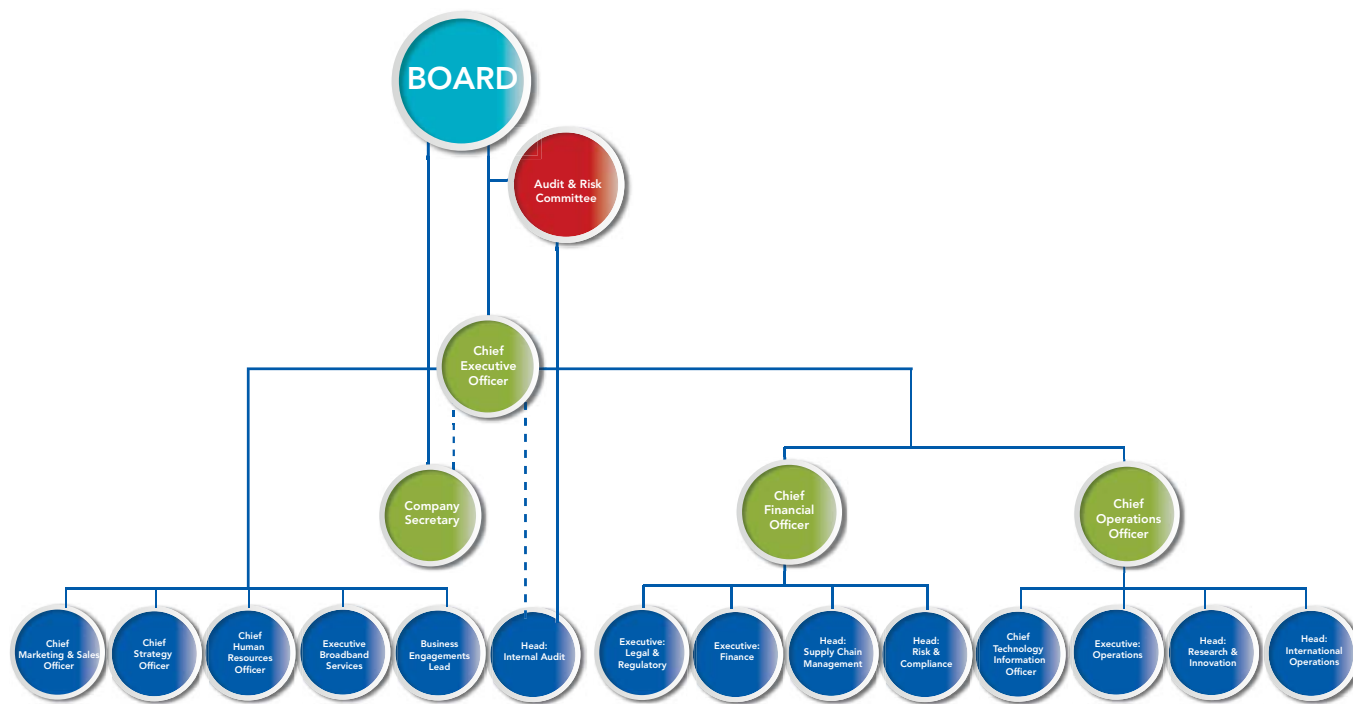


Figure 1: SENTECH Organogram



2. Our Strategic Focus

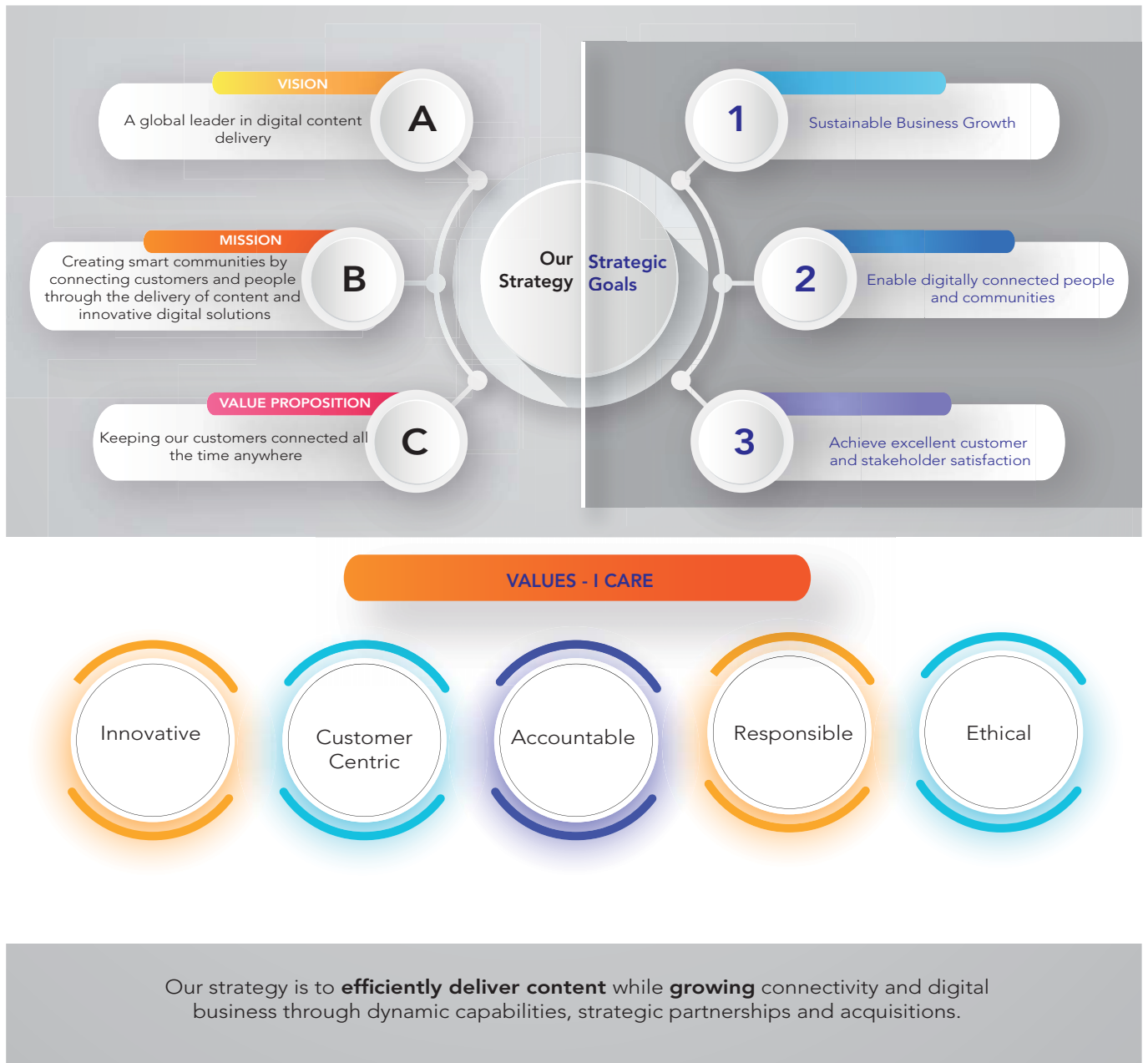


Figure 2: SENTECH Strategic Focus



2.1. Strategic Pillars

Strategic Pillars	Strategic Initiatives	Outcomes
Customer Centricity 	<ul style="list-style-type: none"> Invest in necessary customer and market intelligence Build long-term relationships with customers which is a basis of shared value Using professional tools such as CRM and SLAs to manage information and relationships 	Loyal and satisfied customers
Optimisation and Growth 	<ul style="list-style-type: none"> Optimise core business through focused cost efficiency and value-added products and solutions Invest in digital migration and promote receiver uptake Mergers and acquisitions which accelerate growth and capabilities Developing collaborative strategic partnerships to leverage potential opportunities 	Sustainable, relevant, future-focused business
Talented People 	<ul style="list-style-type: none"> Fit for purpose organisation designed to support the execution of its strategy Reskill and equip our people with mission critical skills Shape a high-performance culture that embraces accountability, collaboration, agility, innovation and customer-centricity 	Right, talented people in the right place at the right time
Innovation and Digital Readiness 	<ul style="list-style-type: none"> Invest in Research and Innovation Develop a pipeline of future products, services and solutions Actively trial 5G and IoT technologies to develop expertise Establishing a SENTECH Innovation Hub that provides opportunities and infrastructure for entrepreneurs SMMEs to incubate disruptive ideas 	Focused pipeline of innovative services and solutions Digital capabilities in place to ensure future success
Transformation 	<ul style="list-style-type: none"> CSI as a good corporate citizen by supporting Covid-19 relief initiatives B-BBEE programme for transformation and business development Employment Equity Programme to ensure equitable demographic representation across all occupational levels and categories, promote diversity and inclusion and ensure equal opportunity 	Socio-economic contribution to society
Environmental Preservation 	<ul style="list-style-type: none"> Develop and implementing energy conservation initiatives such as green energy Reduce pollution through waste management, creation of awareness and taking care of the environment where SENTECH operates 	Preserve the environment for future use
Reputation 	<ul style="list-style-type: none"> Effective stakeholder management and engagement Relevant, accurate and quality Performance Information Targeted external and internal Communications to ensure stakeholders are well informed about SENTECH's business aspirations and the way it works Effective brand management to position SENTECH in the minds of its current and potential customers 	Increased brand equity and reputation

Figure 3: Strategic Pillars



2.2. Strategic Projects and Initiatives

- **Digital Migration**

SENTECH will drive finalisation of the digital migration process to enable South Africa to realise the spectrum efficiency and enhance service quality benefits of migration. We plan to capacitate the national Project Management Office (PMO) with resources and participate in leading the migration to effectively achieve the analogue switch-off (ASO) date of 2021 outlined in the new delivery model.

- **Broadband**

Build broadband infrastructure to achieve our growth aspirations and technological development of the country to ensure a truly connected South Africa. SENTECH will grow its SENTECH CONNECT coverage initiative to roll out broadband connectivity initiatives for the public sector including SA Connect. Covid-19 has demanded a change in our broadband strategy which we have started updating.

- **Mergers and Acquisitions**

Use acquisitions to accelerate the build of required capabilities, revenue growth and increased market share. Support SOC rationalisation of merging SENTECH and Broadband Infraco.

- **National Satellite**

Technological sovereignty is vital now that the technological impasse is developing across the world. SENTECH plays a key role in supporting the Shareholder's aspiration of establishing a South African communication satellite.

3. Situational Analysis





3. Situational Analysis

3.1. The Changing Strategic Context

Late into 2019, the world woke up to a disruption that was declared a pandemic by the World Health Organisation (WHO): Covid-19 or Coronavirus. Covid-19, a respiratory disease which is said to have emerged in Wuhan, a city in China, is unprecedented and caught the world by surprise. It spread quickly and within a month, it spread to almost every countries in the world, leaving a behind a trail of people sick and many who have succumbed to the illness. These casualties are said to continue unless drastic measures are put in place including mass screening and testing, treatment and ultimately finding a vaccine.

COVID-19 Impact on the South African Economy

The South African economy is expected to contract significantly between 4% to 8% in 2020 according to most economists and Finance Ministry's estimates. The economy will be in recession for some time, exacerbated by the credit rating agencies review of the economy to junk status. Unemployment is expected to rise to at least 50% from the current 29.1% which will put pressure on the already strained social system. Labour economist estimate that between 3–7 million jobs may be lost as firms shut down, especially Small, Medium and Micro Enterprises (SMMEs) who are generally by nature risky. The country's budget deficit is estimated to reach 12% against an initial 6.8%, before Covid-19. This implies that government will have to borrow in order to make the economic stimulus package of R500 billion a reality.

COVID-19 Impact on SENTECH SOC Ltd

SENTECH, like most companies, is not immune from these global and economic challenges. A lack of economic growth will impact the Company's revenue as some of its major customers will be affected by declining sales and the need to cut costs. The fall of the rand against the US dollar has increased the Company's costs of paying its dollar-based foreign suppliers. The rising unemployment rate and the increased budget deficit implies that the government's tax base will decline and there will be no further funding or guarantees for state owned companies like SENTECH who have to cover the cost of dual illumination until the completion of the digital migration process. This is likely to affect the implementation of the national strategic projects like digital migration, Communication Satellite and SA Connect. Covid-19, unlike technology disruption, is drastic, unprecedented and life-threatening and requires an immediate response. It has disrupted SENTECH's revenue forecasts, business and operating models, corporate plan and strategy and overall business sustainability. It will therefore require an immediate response.

3.2. Policy and Regulatory Environment

The South African policy and regulatory frameworks need focus as they may pose a challenge to the future operations of our business. The National Integrated ICT Policy White Paper seeks to create an inclusive telecommunications industry by addressing barriers to ownership, diffusion of infrastructure, services, devices and digital literacy. The ICT Policy strives to introduce the proliferation of mobile virtual network operators (MVNOs) by reducing the infrastructure barriers of entry through the creation of a wholesale open-access network operator (WOAN). The principle of the WOAN, in turn, faces competition hurdles, as already indicated by the Competition Commission. The Regulator, Independent Communications Authority of South Africa (ICASA), is faced with a challenge of deciding the format of licensing the WOAN while manoeuvring around the threat of facing litigation on a competition basis, resulting in further delays in the licensing of high demand spectrum. The delay in the migration of digital terrestrial television services to below 700 MHz will likely impact on the availability of high demand spectrum.

SENTECH expects that ICASA's memorandum of information on spectrum licensing will clarify some of the issues, including the licensing method, the invitation to apply, assignment of high demand spectrum as well as the composition of the WOAN.

- **High Demand Spectrum**

The Regulator has indicated that the licensing process, through an auction for the high demand spectrum will include the following radio frequencies: 700, 800, 2600 and 3500 MHz. What is still unclear, is how the Regulator will address the availability of radio frequency spectrum for 5G-based technology standards when considering the deliberations and outcomes of the World Radiocommunication Conference (WRC-19). The Regulator will be facing challenging and complex developments when considering the licensing of high demand spectrum.



The Competition Commission has raised several competition issues regarding the licensing of high demand spectrum, namely, the timing, type of radio frequency spectrum, and subscriber market configuration. The National Treasury department has indicated the need for the Regulator to maximise the auction output by reducing the amount of radiofrequency spectrum considered for the WOAN. It remains to be seen how the Regulator will deal with auction process versus the proposed assignment of the high demand spectrum to both mobile operators and the WOAN in light of the policy directive.

- **Broadcasting Framework**

The licensing process for the high demand spectrum will exert immense pressure on terrestrial broadcasting services, audio and visual. The timeframes for the migration of the digital terrestrial television services will impact the auction process concerning the time and value of spectrum. The issues of time and cost of the high demand spectrum, 700 and 800 MHz, to be auctioned will be central to the licensing process and procedures. The 700 and 800 MHz radio frequency bands are for extending coverage requirements, especially in the rural areas. There is a need to replace the linking equipment, studio to transmitter, for frequency modulation (FM) services. The current linking equipment operates in the 800 MHz band and must move operations to the 2100 MHz band as the new designated band. Migration of services to the digital terrestrial television (DTT) network services will have to be expedited to allow for a smooth vacation of the high demand spectrum bands. It is anticipated that the government will finalise its DTT Set-Top boxes delivery method to facilitate this process. It is expected that the completion of this process will, barring any litigation on the licensing of the high demand spectrum, deliver on the much vaunted digital dividend. It is not clear how the spectrum temporary licences issued as a result of Covid-19 will impact on the long-term licensing of high demand spectrum.

- **Regulatory Framework**

ICASA has finalised the draft regulations on digital sound broadcasting and is awaiting the policy maker to gazette the Policy and Policy Directive on the licensing of digital sound broadcasting. It is expected of ICASA to publish the draft regulations for implementation in the 2020/21 financial year. The Regulator is expected to gazette the effective date for the *Regulations On The Use Of Television White Spaces* in the 2020/21 financial year. The effective date for the regulations will likely be synchronised with the invitation to apply (ITA) on high demand spectrum. To effect the digital-to-digital migration of terrestrial television services to below 694 MHz, ICASA will be required to amend the *Digital Migration Regulations* as the guidelines are limited to addressing the issues relating analogue-to-digital migration. ICASA is scheduled to publish the ITA process for terrestrial community broadcasters interested in the unassigned 15% capacity in DTT Mux 1 in the 2020/21 financial year. The Regulator will be required to consider amending the digital migration regulations in order to accommodate the business requirements of television broadcasters. This should deal with the question of choice between DTT and (Direct-to-Home) DTH free to air services.

3.3. The changing media and entertainment landscape

The entertainment and media industry continues to experience a swift change as consumers now dictate what they want to consume, when and where they choose to consume their preferred content. As such, players throughout the value chain are required to review their strategies as more organisations are going direct to the end consumer.

This change in consumer preferences is brought about by increasing digital media content via OTT services. As technological advancements introduce more disruptions, broadcasters are faced with an array of both challenges and an opportunities. An example is how 5G will allow consumers to watch television content easily on mobile devices without the need for a Wi-Fi connection, improving all round consumer experience.

In response to this market disruption, broadcasters have also responded to these technological shifts in a number of ways, through:

- Significant consolidation between content players
- Aggressive cost reduction exercises, from simplification to disposing of non-core assets
- Greater product differentiation focusing on specific consumer segments, provision of localised content and more high-profile brand identity
- Partnerships to increase reach and minimise defections. For example, Pay-TV platforms are increasingly striking deals with OTT platforms to stream their own content direct to the consumer.



Innovation is a key enabler for broadcasters to compete more effectively in their markets and become resilient to change. What has not changed is the demand for great and compelling content. Supplying this demand presents opportunities for those who can produce content and monetise at scale.

3.4. Broadcasting sector

- **Television**

According to PWC-Ovum report, **Total TV** market was forecasted to grow to R40,5 billion (3.9%) by 2023 from R33,4bn in 2018. **OTT Video** to grow from R1,2 billion (2018) to R2,3 billion or by 14.1% in 2023. **Pay-TV subscription** to grow from R23,4 billion (2018) to a forecasted R28,8 billion or 4.3% by 2023.

Source: Entertainment and Media Outlook: 2019-2021, PWC, Ovum

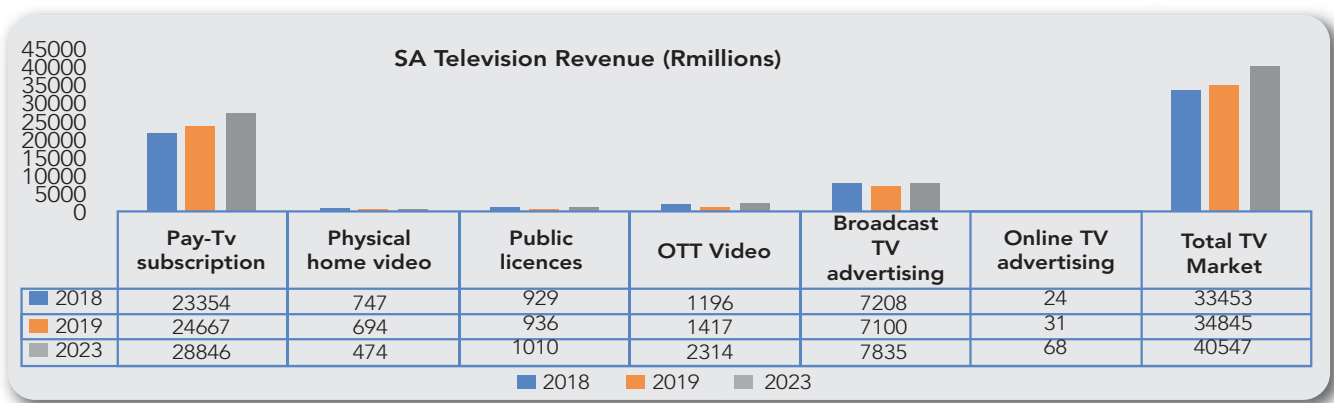


Figure 4: South Africa: Television Revenue (Rmillions)

- **Radio**

Radio advertising revenue is forecasted to grow from R4,3 billion (2018) to R4,8 billion a 2.1% Compound Annual Growth Rate (CAGR) by 2023. Radio like TV remains an important contributor towards SENTECH revenue. SENTECH derives almost 25% of its revenue from the radio portfolio. Any decline in radio advertising revenue will have a negative impact on SENTECH.

Sources: Entertainment and Media Outlook: 2019-2021, PWC, Ovum

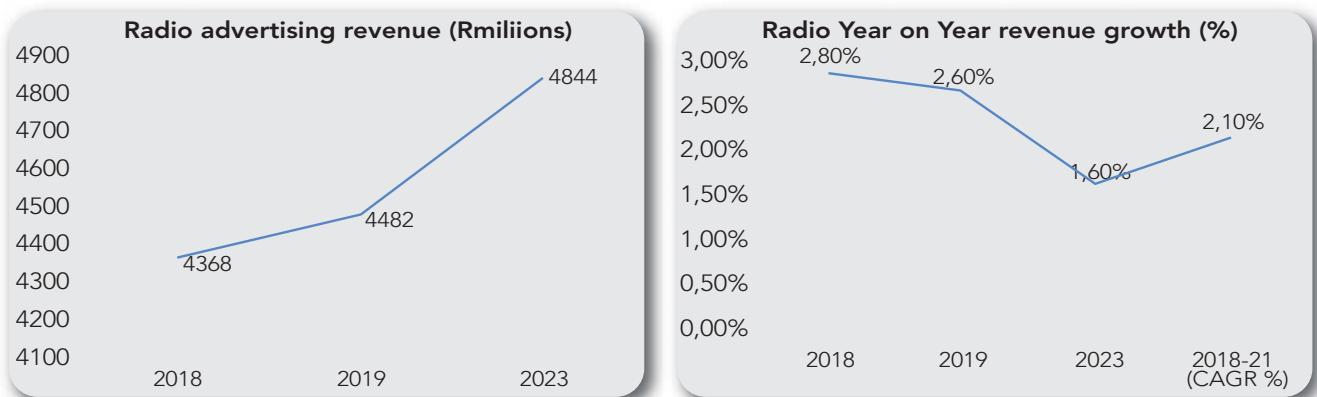


Figure 5: Revenue advertising revenue and year on year growth



3.5. Internet Access

Total Internet access revenue, which is made up of fixed and mobile broadband is forecasted to increase at 8.2% CAGR and reach R77,7 billion by 2023 from R52,3 billion in 2018. **Fixed broadband**, where SENTECH is positioning itself for future growth, is estimated to increase from R6,6 billion (2018) to R8 billion by 2023, a 4.9% CAGR. **Data consumption** in SA is forecasted to increase by CAGR of 30.9% and approach 18.7 billion Gigabytes (GB) in 2023, from 1.6 billion GB in 2014 and 4.9 billion GB in 2018. **Video** is the main driver of data consumption, 4 095 million GB (in 2018) and forecasted to grow to 15 742 million GB by 2023.

Sources: Entertainment & Media Outlook: 2019-2021, PWC, Ovum

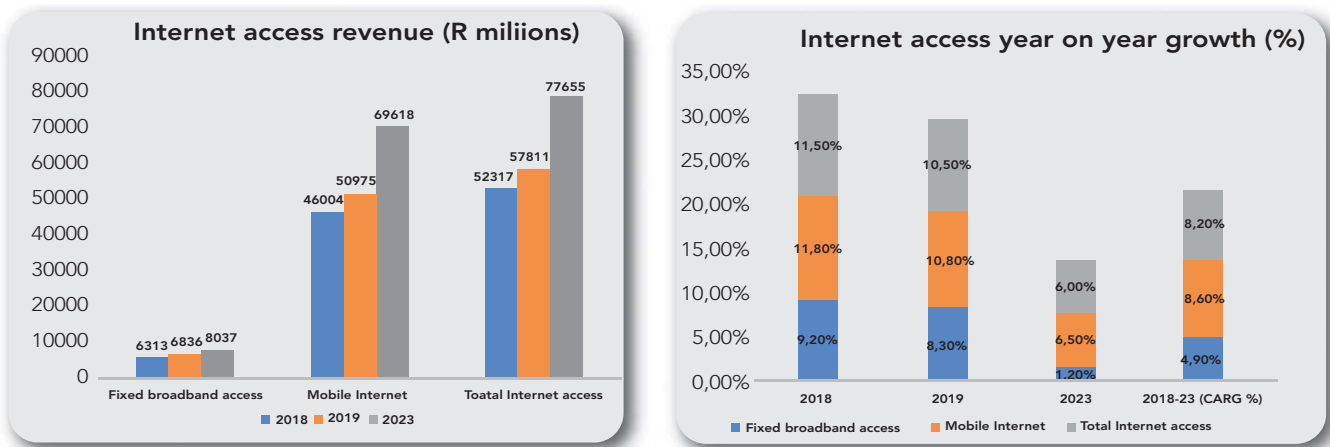


Figure 6: Internet access revenue and year on year growth

3.6. Data Consumption

Data consumption in SA is forecasted to increase by CAGR of 30.9% and approach 18.7 billion GB in 2023, from 1.6 billion GB in 2014 and 4.9 billion GB in 2018. Video is the main driver of data consumption, 4 095 million GB in 2018 and forecasted to grow to 15 742 million GB by 2023. The growth is driven by increasing access to the internet. Fixed broadband households is forecasted to grow from 1.7 million reached in 2018, to 3.2 million by 2023 or CAGR of 13.5%. Smartphones are seen to be the most important area of growth with the overall market share of 35.5%. The number of smartphones are estimated to reach 93.5 million by 2023 from 53.1 million in 2018.

Sources: Entertainment & Media Outlook: 2019-2021, PWC, Ovum

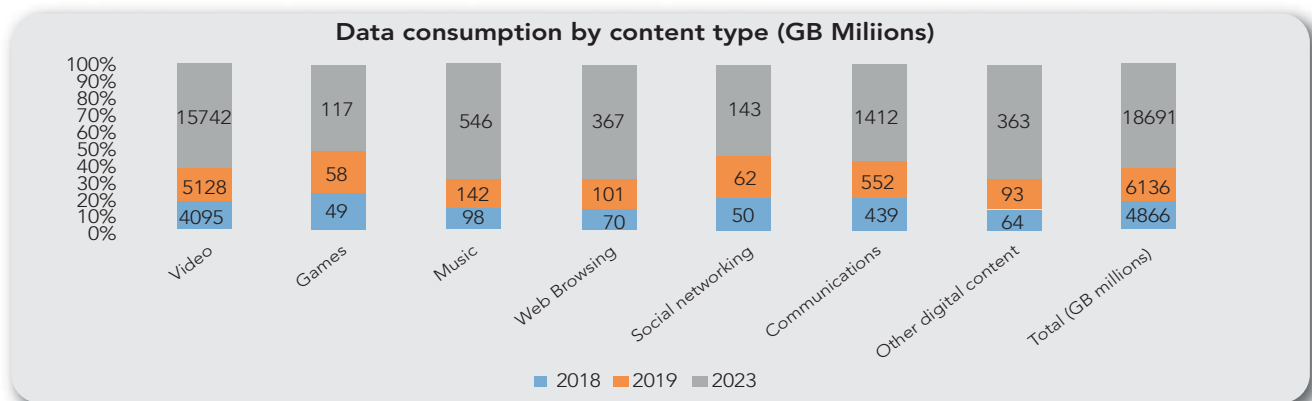


Figure 7: Data consumption by content type



1.7. The changing telecommunications landscape

Ovum forecasts that global mobile subscriptions will grow at a Compound Annual Growth Rate (CAGR) of 1.5% until 2023, when they will number 8.8 billion (excluding M2M), driven by growth in emerging markets, especially Africa, Central and Southern Asia, and Oceania, Eastern and Southeast Asia. However, more important than subscription growth is profitable growth, which means migrating users to higher-value price plans, and for very low-end users, tailoring devices and price plans to stimulate usage.

Furthermore, globally Long-Term Evolution (LTE) and 5G will dominate by 2023, but Global System for Mobile(GSM) and Wideband Code Division Multiple Access (WCDMA) will still be relevant. As market demand for high-speed mobile broadband increases, operators will switch off legacy networks to free up capacity to optimise their networks. Some operators will make 2G networks redundant and some will make 3G redundant, depending on where they have most legacy users and the ease of transitioning them to 4G/5G services.

Source: Ovum Telecoms and Media Outlook Global and South Africa

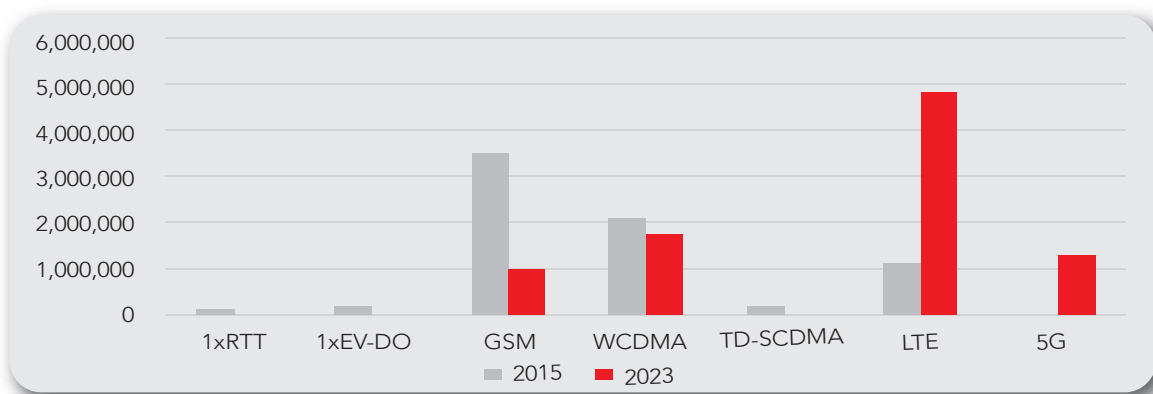


Figure 8: Global mobile subscriptions by technology, 2015 and 2023

Ovum’s research further reveals that the SA market is growing steadily, boosted by high demand for broadband connectivity and video content. Affordability, however, remains a challenge in a weakened economy as broadband prices are still not affordable for many South Africans. Moreover, in the past five years, there has been an expansion of 3G and 4G in-country and implemented Fibre to the (FTTx) in urban areas.

The legacy of poor fixed network coverage represents a significantly large and untapped market for broadband service providers. Fixed-wireless access is already providing much of the region’s fixed broadband capacity and leveraging the popularity of mobile broadband LTE-based services.

Source: Ovum Telecoms and Media Outlook Global and South Africa

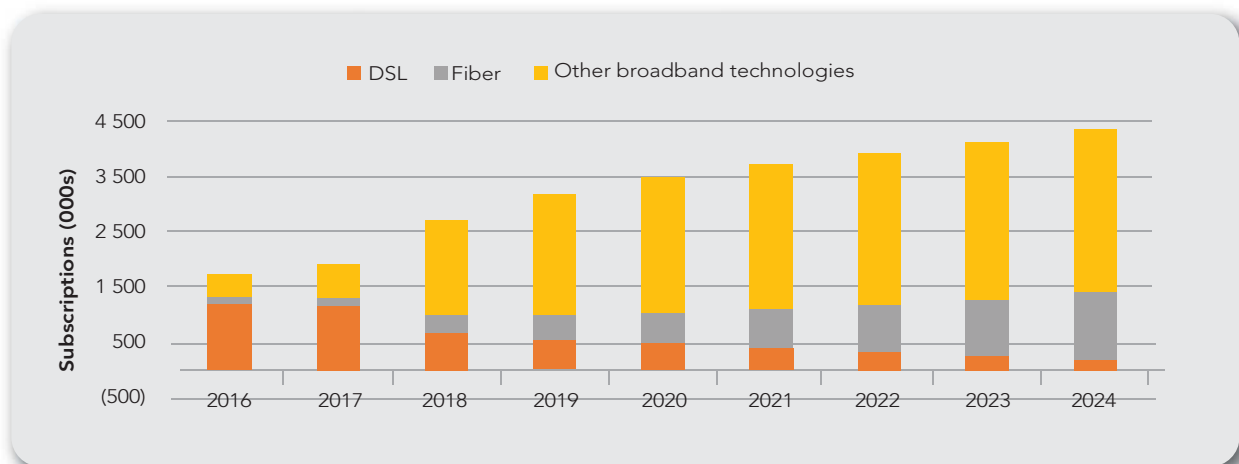


Figure 9: Global mobile subscriptions by technology, 2016 and 2024

4. Measuring Our Performance





4. Measuring Our Performance

4.1. Impact Statement

Impact Statement	SENTECH's digital solutions empower people by bridging the digital divide, the service access gap and by contributing to knowledge, intelligence and a well-informed society. Through this, we will overcome inequality and enrich lives.
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4.2. Alignment with Shareholder Priorities

The SENTECH Board has adopted a set of strategic objectives for the 2020–2025 planning period to ensure that the Company achieves its public service mandate objectives aligned with Shareholder priorities:

Outcomes	DCDT Priorities (2020-2025)	SENTECH Alignment to DCDT Priorities
Outcome 1	Enabling digital transformation policies and strategies: <ul style="list-style-type: none"> State Digital Infrastructure Company Act Implementation of Digital Economy Masterplan 	<ul style="list-style-type: none"> SENTECH will continue availing human capital resource in supporting the DCDT for new state digital infrastructure company
Outcome 2	Increased access to secure digital infrastructure: <ul style="list-style-type: none"> Implementation of Phase 2 broadband connectivity facilitated 4.1 million household devices installed in all identified households within SA 	<ul style="list-style-type: none"> SENTECH to play a significant role in supporting broadband initiatives including SA Connect and the roll-out of SENTECH CONNECT e-services SENTECH aims to lead digital migration going forward and to promote receiver uptake in the short- to medium-term period
Outcome 3	Transformed digital society: <ul style="list-style-type: none"> Implementation of the Digital and Future Skills Strategy facilitated and monitored 	<ul style="list-style-type: none"> SENTECH continues to invest in digital reskilling and upskilling of its employees to ensure a fit for purpose workforce of the future
Outcome 4	High performing portfolio to enable achievement of their respective mandates	<ul style="list-style-type: none"> SENTECH will continue ensuring effective and good corporate governance and achievement of strategic objectives and mandate

Table 2: SENTECH's Alignment to the Priorities of the DCDT

4.3. Five-Year Strategic Plan FY 2020/21–2024/25

Strategic Pillars	Outcomes	Outcome Indicators	Baseline	Five-Year Targets
Optimisation and Growth	Sustainable growth	Sales revenue (R)	R1,3bn	R1,8bn
	Optimised cost structure	Earnings before interest and tax (R)	R142m	R 180m
	Sustainable broadband business (SOC rationalisation)	New broadband business/ company	Post-Merger Implementation Plan developed	Sustainable broadband company
Talented People	Right people in the right place at the right time with the right skills and mindset	Percentage of planned digital skills training interventions implemented	85%	100% of planned skills training interventions implemented



Strategic Pillars	Outcomes	Outcome Indicators	Baseline	Five-Year Targets
Innovation and Digital Readiness	Right technology in the right place at the right time/able to use	Number of digital technology projects initiated (Data Analytics, Artificial Intelligence, Internet of Things)	0	4IR technologies applied (Data Analytics, Artificial Intelligence, Internet of Things)
	Focused pipeline of innovative products and platforms that deliver strategic and operational value	Number of digital products launched for commercial customers	2	8 digital products launched for customers (cumulative)
Customer-centricity	Customer loyalty	Percentage customer satisfaction levels	73%	80%
	Network availability	Percentage weighted average network availability	99.85%	99.85%
Transformation	Transformed communities and enterprises	Improved B-BBEE level score	B-BBEE level 2 5 Enterprises supported	B-BBEE level of not less than 2 achieved and maintained
Environmental Preservation	Carbon footprint reduced	Number of sites converted to green sites	1	10 converted to green energy supply sites operational and with increased cost efficiencies
Reputation	Effective corporate governance	Clean audit	7th Consecutive clean audit	Clean audit achieved

Table 3: SENTECH's Five-Year Strategic Plan (FY2020/2 –2024/25)

4.4. Performance Indicators for the MTEF Period 2020/23

Strategic Pillars	Outcomes	Annual Targets			
		Outcomes Indicators	MTEF Period		
			2020/21 FY	2021/22 FY	2022/23 FY
Optimisation and Growth	Sustainable growth	Sales revenue (R)	R1,185 million	R1,292 million	R1,356 million
	Optimised cost structure	Earnings Before Interest and Tax (EBIT)	EBIT R137 million	EBIT R108 million	EBIT R42 million
	Sustainable broadband business (SOC Rationalisation)	Strategy for the New Broadband Network Company (NBNC) developed	Strategy Document for NBNC	Implementation process to integrate the NBNC	Implementation process to integrate the NBNC
Talented People	Right people in the right place at the right time with the right skills and mindset	Percentage of planned digital skills training interventions implemented	85% of planned digital skills training interventions implemented	90% of planned digital skills training interventions implemented	100% of planned digital skills training interventions implemented



Strategic Pillars	Outcomes	Annual Targets			
		Outcomes Indicators	MTEF Period		
			2020/21 FY	2021/22 FY	2022/23 FY
Innovation and Digital Readiness	Right technology in the right place at the right time/ able to use	Number of 4IR projects initiated	2 4IR technologies initiated	2 4IR technologies initiated	2 4IR technologies initiated
	Focused pipeline of innovative products and platforms that deliver strategic and operational value	Number of digital products launched for commercial customers	2 digital products developed	2 digital products developed	2 digital products developed
Customer Centricity	Customer loyalty	Percentage customer satisfaction levels	Customer satisfaction levels of baseline +5%	Customer satisfaction levels of baseline +5%	Customer satisfaction levels of baseline +5%
		Weighted average availability based on product revenues	Weighted average availability based on product revenues 99.80%	Weighted average availability based on product revenues 99.80%	Weighted average availability based on product revenues 99.80%
Transformation	Contribution to industry transformation goals	Percentage of allocated budget spend on Enterprise Supplier Development (ESD)	100% of allocated budget spend on ESD	100% of allocated budget spend on ESD	100% of allocated budget spend on ESD
Environmental Preservation	Carbon footprint reduced Energy efficiencies achieved	Number of sites converted to green energy supply	2 sites converted to green energy supply	2 sites converted to green energy supply	2 sites converted to green energy supply
Reputation	Effective corporate governance	Clean audit achieved	Clean audit achieved	Clean audit achieved	Clean audit achieved

Table 4: Performance Indicators for MTEF Period 2020/23



4.5. Annual Performance Plan (FY 2020/21)

Strategic Pillars	Outcomes	Outcomes Indicators (KPIs)	Annual Target
Optimisation and Growth	• Sustainable growth	Sales revenue	Sales revenue of R1,185m
	• Optimised cost structure	Earning before interest and tax (EBIT)	EBIT of R137 million
	• Sustainable broadband business (SOC Rationalisation)	Strategy for New Broadband Network Company (NBNC) developed	Strategy Document for New Broadband Network Company developed
Talented People	• Right people in the right place at the right time with the right skills and mindset	Percentage of planned digital skills training interventions implemented	85% of planned digital skills training interventions implemented
Innovation and Digital Readiness	• Right technology in the right place at the right time/able to use	Number of 4IR projects initiated	2 4IR technologies initiated (Data Analytics, AI)
	• Focused pipeline of innovative products and platforms that deliver strategic and operational value	Number of digital products launched for commercial customers	2 digital products launched for customers
Customer-centric	• Customer loyalty	Percentage of customer satisfaction levels	Customer satisfaction levels (76.7%) achieved
	• Network availability	Percentage weighted average network availability on product revenue	99.80% weighted average network availability on product revenue
Reputation	• Effective corporate governance	Clean audit achieved	Clean Audit achieved
Environmental Preservation	• Carbon footprint reduced • Energy efficiencies achieved	Number of sites converted to green energy supply	2 sites converted to green energy supply
Transformation	• Transformed communities and enterprises	Percentage of allocated budget spent on ESD	100% of allocated budget spent (R5 million) on ESD

Table 5: SENTECH's Annual Performance Plan 2020/21

4.6. Annual Performance Plan – Quarterly Targets FY2020/21

Strategic Pillars	Outcome	Outcome Indicators (KPIs)	Annual Target	Quarterly Targets			
				Q1	Q2	Q3	Q4
Optimisation and Growth	Sustainable growth	Sales revenue (R)	R1,185 million (Sales revenue)	R302 million (cumulative)	R604 million (cumulative)	R896 million (cumulative)	R1,185 million (cumulative)
	Optimised cost structure	Earnings before Interest and Tax (EBIT) (R)	R137 million (EBIT)	R41 million (cumulative)	R67 million (cumulative)	R95 million (cumulative)	R137 million (cumulative)
	Sustainable broadband business (SOC Rationalisation)	Strategy Document for the New Broadband Network Company (NBNC)	Strategy Document for the New Broadband Network Company (NBNC)	No performance (New target included in Q1)	Project plan and resource, terms of references and requirements finalised	Draft corporate strategy developed for the NBNC	Corporate strategy developed for the NBNC
Talented People	Right people in the right place at the right time with the right skills and mindset	Percentage of planned digital skills training interventions implemented	85% of planned digital skills training interventions implemented	20% of planned digital skills training interventions implemented	45% of planned digital skills training interventions implemented	65% of planned digital skills training interventions implemented	85% of planned digital skills training interventions implemented
Innovation and Digital Readiness	Right technology in the right place at the right time/able to use	Number of 4IR projects initiated	2 4IR technologies initiated (Data Analytics, AI)	Data Analytics concept developed	Data Analytics strategy developed	Data Analytics use case developed	Data Analytics project initiated and minimum viable product developed
	Focused pipeline of innovative products and platforms that deliver strategic and operational value	Number of digital products launched for commercial customers	2 digital products launched for customers	AI concept developed	AI strategy developed	AI use case developed	AI project initiated and minimum viable product developed
				Business requirements, specifications and product definitions for 2 digital products completed	Business model and plan developed for 2 digital products	2 digital products developed	2 digital products launched for commercial customers



Strategic Pillars	Outcome	Outcome Indicators (KPIs)	Annual Target	Quarterly Targets			
				Q1	Q2	Q3	Q4
Customer-centricity	Customer loyalty	Percentage of customer satisfaction levels	73% + 5% baseline (76.65%) customer satisfaction levels achieved	Customer Satisfaction Survey Monitoring Tool developed	Engagements with top 5 Tier 1 customers	Engagements with all Tier 1 customers	73% + 5% baseline (76.65%) customer satisfaction levels achieved
	Percentage weighted average network availability based on product revenues	99.80% weighted average availability based on product revenues achieved	Weighted average availability based on product revenues of 99.80%	Weighted average availability based on product revenues of 99.80%	Weighted average availability based on product revenues of 99.80%	Weighted average availability based on product revenues of 99.80%	Weighted average availability based on product revenues of 99.80%
Transformation	Transformed communities and enterprises	Percentage spend on ESD	Percentage of allocated budget spend (R5m) on ESD	Enterprise and Supplier Development Plan completed	ESD revised project plan developed and necessary resources acquired	Achieve 50% spend of allocated budget for ESD	100% of allocated budget spent (R5m) on ESD
Environmental Preservation	Carbon footprint reduced	Number of sites converted to green energy supply	2 sites converted to green energy supply	Green energy supply project plan developed for 2 sites	Design and solutions requirements concluded for 2 site	1 site converted to green energy supply converted	2 sites converted to green energy supply converted
	Energy efficiencies achieved	Clean audit achieved	Clean audit achieved	No performance required	No performance required	Reduction of Management Letter Points by 50%	Complete and issue Interim Financial Statements for the 9 months period ending 31 December 2020
Reputation	Effective corporate governance	Clean audit achieved	Clean audit achieved	No performance required	No performance required	Reduction of Management Letter Points by 50%	Complete and issue Interim Financial Statements for the 9 months period ending 31 December 2020

Table 6: SENTECH's Annual Performance Plan Quarterly Targets (2020/21)

5. Technical Indicator Descriptions





5. Technical Indicator Descriptions

This section should be read in conjunction with SENTECH's Annual Performance Plan for the 2020/21 financial year. It seeks to highlight the description of impact, outcome and output indicators and targets to outline data collection processes, gathering of portfolio evidence, and acceptance level of performance at the beginning of the planning cycle.

Indicator Title	Sales revenue (R)
Definition	This indicator measures the revenue generated from sales within the three product portfolio i.e. content and multimedia (ATV; MW; MW and DTH); managed infrastructure services and connectivity. It should be noted that there are instances where consultancy services generates revenue and this cuts across all three product portfolios.
Source of Data	SAP system
Method of Calculation/Assessment	Revenue billed and collected on a monthly basis.
Assumptions	The data stored within the SAP systems is reliable, valid and timely.
Calculation Type	Cumulative
Reporting Cycle	Quarterly
Indicator Responsibility	Marketing and Sales

Table 7: SENTECH's Sales Revenue Technical Indicator

Indicator Title	Earnings Before Interest and Tax (EBIT)
Definition	This indicator measures the organisations' profitability
Source of Data	SAP system
Method of Calculation/Assessment	Revenue less Cost of Sales less Operating Costs (excluding interest, taxation and extra-ordinary items).
Assumptions	The data stored within the SAP systems is reliable, valid and timely.
Calculation Type	Cumulative
Reporting Cycle	Quarterly
Indicator Responsibility	Finance

Table 8: SENTECH's EBIT Technical Indicator

Indicator Title	Strategy for New Broadband Company developed
Definition	This indicator measures the development of the NBNC strategy.
Source of Data	Terms of reference and project plan.
Method of Calculation/Assessment	None
Assumptions	Procurement possible to secure external service provider to deliver on the NBNC strategy.
Calculation Type	Annual
Reporting Cycle	Quarterly
Indicator Responsibility	Strategy

Table 9: Strategy for NBNC Technical Indicator



Indicator Title	Percentage of planned Skills Training Interventions implemented
Definition	This indicator measures the number of training interventions implemented in line with the Corporate Plan 2020/23 objectives.
Source of Data	SENTECH Training Plan.
Method of Calculation/Assessment	Number of training intervention for the Year/Total number of training interventions conducted *100.
Assumptions	The SENTECH Training Plan is accurate, reliable, valid and timely.
Calculation Type	Annual
Reporting Cycle	Quarterly
Indicator Responsibility	Human Resources

Table 10: SENTECH's Percentage of Planned Skills Training Interventions Implemented Technical Indicator

Indicator Title	Number of 4IR Projects initiated
Definition	This indicator is the measure of 4IR technologies initiated/begun within the current annual cycle. At the end of the annual cycle both technologies will be available as a viable minimum product for early customer adoption allowing for customers to provide further feedback and development.
Source of Data	Concept and strategy document developed.
Method of Calculation/Assessment	Sum total of the number of use cases developed and trialled.
Assumptions	Strategic partnership established to develop and support internal capabilities.
Calculation Type	Annual
Reporting Cycle	Quarterly
Indicator Responsibility	Research and Innovation

Table 11: SENTECH's Number of 4IR Projects Initiated Technical Indicator

Indicator Title	Number of Digital Products launched for the Customer
Definition	This indicator is the measure of the number of digital products developed within the current annual financial cycle. The process includes development of product specification, business requirements and business model. This will accumulate into two digital products developed.
Source of Data	Business requirement; product specifications; business model.
Method of Calculation/Assessment	Sum total of the number of digital products developed.
Assumptions	Procurement possible to secure third party support to deliver digital products.
Calculation Type	Annual
Reporting Cycle	Quarterly
Indicator Responsibility	Technology

Table 12: SENTECH's Number of Digital Products Developed



Indicator Title	Percentage Customer Satisfaction levels
Definition	This indicator measures the customer satisfaction levels expressed as a baseline from prior year +5% in the current year.
Source of Data	Customer Survey Report for the 2018/19 Financial Year.
Method of Calculation/Assessment	Customer Satisfaction Index 2018/19 Year *5% + Customer Satisfaction Index 2019/20 FY calculated as 73% + 5% baseline (76.65%)
Assumptions	The Customer Survey Report is valid, reliable and accurate
Calculation Type	Annual
Reporting Cycle	Annual
Indicator Responsibility	Marketing and Sales

Table 13: SENTECH's Percentage Customer Satisfaction Levels Technical Indicator

Indicator Title	Weighted Average Availability based on Product Revenues
Definition	This indicator measures the overall network availability and interruptions against agreed Service Level Agreements with existing customers.
Source of Data	NMS System Reports from SAP. Monthly Network Performance Report (Word Format).
Method of Calculation/Assessment	$\text{Sum of Platform}(\text{Revenue}(i) * \text{Availability}(i)) / \text{Sum of } (\text{Revenue}(i))$; Where "i" is an index for a product e.g. television, radio etc. Revenue(i) is the revenue generated from product "i", e.g. revenue from television, revenue from radio availability(i) is the service availability for product "i" service availability for television, service availability for radio.
Assumptions	Data sourced from the NMS system is reliable, valid and timeous.
Calculation Type	Annual
Reporting Cycle	Quarterly
Indicator Responsibility	Operations

Table 14: SENTECH's Weighted Average Availability based on Product Revenues Technical Indicator

Indicator Title	Number of sites converted to green energy supply
Definition	This indicator measures the number of sites converted to green energy supply in line with Corporate Plan 2020/25 objectives.
Source of Data	Project Plan
Method of Calculation / Assessment	Number of sites converted in a year
Assumptions	Project Plan is accurate; reliable; valid and timely.
Calculation Type	Annual
Reporting Cycle	Quarterly
Indicator Responsibility	Operations

Table 15: Number of Sites Converted into Green Energy Supply Technical Indicator



Indicator Title	Percentage of allocated budget spent on (ESD)
Definition	This indicator measures the implementation of BBBEE codes namely Enterprise and Supplier Development; Corporate Social Investment; Skills Development and Preferential Procurement in line with the DTI regulations.
Source of Data	BB-BEE Codes for the ICT Industry issued by the Department of Trade and Industry EXCO Approved ESD and SED Plans (MS Word)
Method of Calculation / Assessment	% spend on (R5 million) allocated budget for Enterprise and Supplier Development
Assumptions	Allocated budget spent on (ESD)
Calculation Type	Annual
Reporting Cycle	Quarterly
Indicator Responsibility	Strategy

Table 16: SENTECH's Percentage of allocated budget spent on (ESD) Technical Indicator

Indicator Title	Clean Audit Achieved
Definition	This indicator measures the monitoring of activities to ensure that prior year audit findings are not repeated and that there is a sound control environment that detects and prevents misstatements and fraud.
Source of Data	Management Letter Points (internal and external). Risk and Compliance Reports. Internal Audit Annual Plan.
Method of Calculation / Assessment	Number of MLP Resolved / Total Number of MLP * 100
Assumptions	The internal environment limits the occurrences of major breakdowns and controls and is flexible enough to amend or enhance controls.
Calculation Type	Annual
Reporting Cycle	Quarterly
Indicator Responsibility	Finance

Table 17: SENTECH's Clean Audit Technical Indicator

6. Financial Plan





6. FINANCIAL PLAN

This Financial Plan provides insight into the investment and financing decisions made by SENTECH in building a financially sustainable company within the framework of the overall financial strategy. Capital allocation is in line with the core business and growth areas focused on. Significant efforts are being made to streamline business processes, create an agile organisation and implement initiatives that positively drive the Shareholder's value.

6.1. SUMMARY

The digital revolution presents challenges for the broadcasting industry, as there is a distinct shift in consumer behavior and preferences. Broadcasting consumers no longer consume what is being offered to them but choose from a host of options available to them anywhere, anytime across multiple channels, which is why streaming services over the internet are on an all-time rise.

With the rise of alternative media channels, the competition for broadcast television is becoming ever more intense, and SENTECH is fighting hard to ride the digital wave by understanding the market and upselling the right services in response to the television industry, gearing up to meet the digitisation challenge where the television ecology is becoming more democratic. Streaming services have been biting out of linear TV broadcast viewership for quite some time.

SENTECH will continue responding to these developments by working on new innovative solutions collaboratively with customers and key strategic partners. Digital migration also offers a solution to frequency congestion and encourages more programmes. Investment in the current infrastructure will continue to ensure network reliability and efficiencies.

The organisation will over the MTEF, continue to review the effect of financial performance to ensure continued operations as a going concern within the current economic dynamic environment. There is a determined commitment to improve the Capital Allocation Strategy to prioritise organic growth, vigorously pursuing mergers and acquisitions whilst cautiously introducing leverage to the balance sheet. Additionally, specific measures are being developed to investigate which financial strategies are best suited for adoption to react to the new competitive context.

SENTECH will continue to eliminate unnecessary work-related tasks to improve the efficiency of processes, strengthen business development, prudently execute capital projects aimed at growing and diversifying revenue and contain costs.

The organisation will work hard over the MTEF to ensure financial sustainability, by rethinking, reshaping, fixing, improving, re-engineering, bolstering and strengthening a multifaceted company for responsible and effective outcomes, looking at all possible avenues including market penetration (Pan-Africa Strategy), new platforms development, market expansion (Managed Infrastructure Services) and diversification (Mergers and Acquisitions).

SENTECH is projecting continuing revenue of R1,185 million and operating expenditure of R1,156 million from continuing operations, resulting in an operating profit of R137 million for the 2020/21 financial year. It is expected that the analogue network will be gradually switched off resulting in TV revenues decreasing. In addition, the effects of the Covid-19 pandemic resulted in an overall 11% decrease in revenue compared to the forecasted 2019/20 financial year. Operating expenses decreased from forecasted 2019/20 financial year even after increasing by the Consumer Price Index (CPI). are variable with contractual agreements.

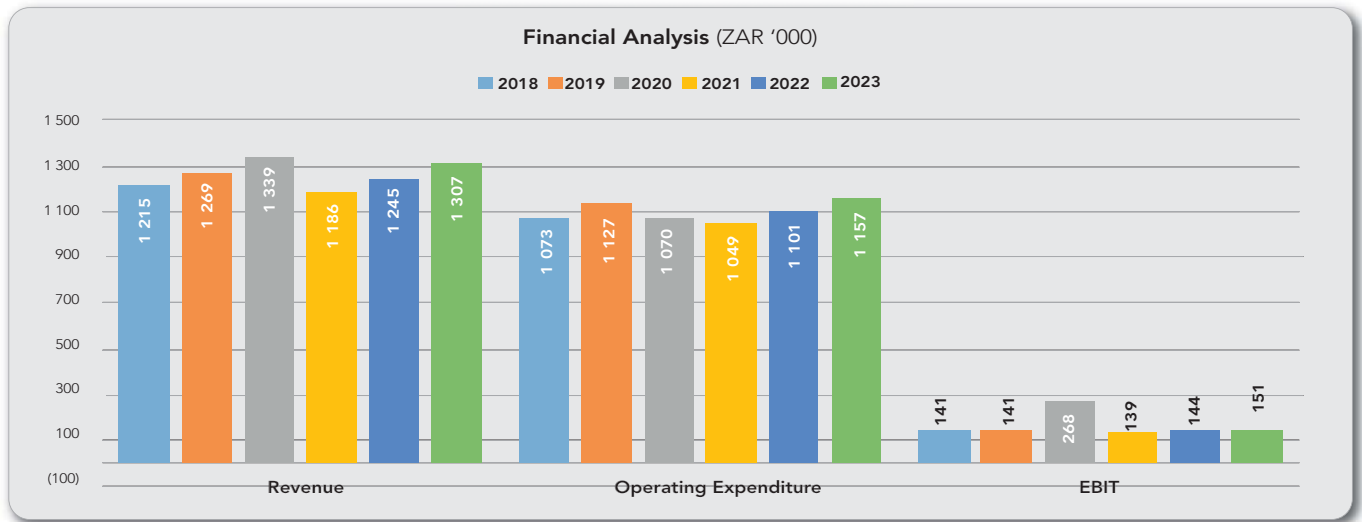


Figure 10: Financial Analysis 2018 to 2023

The 2020/21 financial year operating expenditure incorporates cost containment initiatives, and focused initiatives to address revenue stagnation through enhancing the connectivity business solution and evaluation of growth opportunities to drive the acquisitive diversification strategy. Government has funded most of the dual illumination incremental costs since the digital signal was switched on back in 2008, and likewise allocated such funds for the MTEF period.

6.2. Statement of Profit or Loss and other Comprehensive Income

Group and Company	FY2019	FY2020	FY2021	FY2022	FY2023	FY2020 vs FY2021
	R'000	R'000	R'000	R'000	R'000	
Revenue	1,399,127	1,480,928	1,293,098	1,357,753	1,425,640	(187,830) (13%)
Continuing Revenues	1,268,564	1,334,928	1,185,690	1,244,975	1,307,223	(149,238) (11%)
Grant Funding	130,563	146,000	107,408	112,778	118,417	(38,592) (36%)
Other income	515	60	-	-	-	(60) (100%)
Depreciation & Amortisation	(85,603)	(236,468)	(228,784)	(240,224)	(252,235)	7,684 3%
Lease Expenses	(271,217)	(31,883)	(33,924)	(35,620)	(37,401)	(2,041) (6%)
Direct Expenses	(213,538)	(267,606)	(253,367)	(266,035)	(279,337)	(14,239) (5%)
Operating Expenses	(234,477)	(223,675)	(218,454)	(229,377)	(240,846)	(5,221) (2%)
Employee costs	(453,069)	(463,258)	(421,874)	(442,967)	(465,116)	41,384 10%
Operating profit	141,738	257,599	136,695	143,530	150,706	(120,904) (47%)
Finance income	81,752	83,219	87,416	57,933	29,366	4,197 5%
Finance costs	(4,004)	(147,237)	(180,349)	(171,332)	(179,898)	(33,112) (18%)
Profit before taxation	219,486	193,581	43,762	30,131	20,173	(149,819) (77%)
Taxation	(36,760)	(42,795)	(12,253)	(8,437)	(5,648)	30,542 71%
Profit or loss for the year	182,726	150,786	31,509	21,694	14,525	(119,277) (5738%)
Other Comprehensive Income	107,134	13,218	-	-	-	(13,218) -
Total Comprehensive Income	289,860	164,004	31,509	21,694	14,525	(132,495) (81%)

Table 19: Statement of Profit or Loss and other Comprehensive Income



6.3. REVENUE

The projected 2020/21 financial year revenues were derived from an increase of 3.7% (CPI of October 2019) forecasted from the 2019/20 financial year, adjusted for the effects of the Covid-19 pandemic, following a market environment analysis and growth opportunities estimated earnings.

Product Line	FY2021	FY2020	Variance	
	R '000	R '000	R '000	%
TV	602,474	679,343	(76,869)	(11%)
FM	337,617	344,159	(6,542)	(0%)
MW	6,316	13,020	(6,704)	(51%)
DTH	136,468	191,077	(54,609)	(29%)
Connectivity	14,373	16,000	(1,627)	(10%)
MIS	88,442	88,879	(437)	(0%)
Other	-	2,450	(2,450)	(100%)
Total	1,185,690	1,480,928	(149,238)	(10%)

Table 20: Projected 2020/21 Financial Year Revenues

- **Content and Multimedia Services** Terrestrial broadcasting services are delivered via television and radio in both digital and analogue network platforms. With the country in transition from analogue to digital television, the continued focus within television will be the commercialisation of the platform and finalisation of formal Service Level Agreement (SLA) negotiations with broadcasters.
 - TV revenues reduced by 11% due to adjustments reflected in the budget which diluted the 3.7% CPI increase applied on baseline:
 - impending ASO
 - effects of the Covid-19 pandemic following main customer requesting no tariff increase for FY2021
 - inability of some of the top 10 customers to accept the annual increase due to economic downturn.
 - Radio decrease remained flat following main customer requesting no tariff increase for FY2021.
 - The decrease in DTH of 29% was as a result of a once off sale of smartcards in the 2019/20 year, in addition to issues in FY2021 pertaining to:
 - Request for no increase in new year by main customers
 - Effects of Covid-19
 - Termination of services.
- **Management Infrastructure Services (MIS):** SENTECH rents out over 220 sites to more than 90 service providers (public and private) who use the infrastructure for various communication services. Increasing competition, along with investments in an ever-changing technology has resulted in telecom operators finding new ways of maintaining margins. Market trends continue to prove that new operator business models are leaning towards managed services and leased facilities models, considering that the cost of building and operating infrastructure is huge for operators.
 - MIS remains flat, however, initiatives are being pursued with the potential of growth on the sale of database centers capacity, coupled with the management of traditional council facility lease contracts.
- **Connectivity Services:** SENTECH created new broadband capabilities focusing on the South Africa Connect (SA Connect), public sector and other markets, against the backdrop of pedestrian media services growth. Growing on this platform, SENTECH launched a new broadband offering, SENTECH Connect, which focuses on E-health, E-education and government connectivity.
 - Connectivity Services showed a 10% decrease is as a result of contracts coming to an end in the current year, mainly SA Connect. New broadband services have been budgeted for from a lower base as these services are still at the infancy stage.



OPERATING EXPENDITURE

In line with the cost containment plan, MTEF expenditure growth over the MTEF is largely based on forecasted CPI, except for contractual obligations specific items.

The following major line items drive operating expenses.

- Personnel Costs (R421million) pertains to personnel remuneration costs including basic salaries, pension and medical fund contributions, housing subsidy, shift and climbing allowances and other personnel costs, such as recruitment costs, skills development levy, bursaries and courses. The decrease of 10% is mainly as a result of the moratorium where vacancies from resignations have not been filled.
- Depreciation and Amortisation (R229million) charge is regarding the normal depreciation on assets in use and adjustment for IFRS-16 Lease Accounting which was adopted on FY2020, going forward.
- Direct expense (R253million) indicates a 5% decrease is as a result of the below drivers:
 - o Maintenance costs (R82million) are to support network continuity to enable the delivery of broadcasting signal distribution services, and to perform work necessary to address potential weakness that can impact on the organisation's overall efficiency and effectiveness and infrastructure preservation. The 5% increase is due to the costs for rehabilitating and maintaining the network for improved network performance and catch-up on backlog from prior years.
 - o Cost of sales (R4million) 91% decrease as a result of a once off transaction entered into in the 2019/20 year. The significant decrease offsets the impact of the increase in other items in the direct expense category.
 - o Energy costs (R133 million) are in respect of electricity, diesel and oil for generators. In the 2020/21 financial year, the 4% decrease is mainly driven by the electricity suppliers' annual tariff increase as approved by the energy regulator (NERSA) and energy saving measures effected in operations.
- Operating expenses (R5m) showed a 2% decrease is as a result of the below drivers:
 - o Computer services (R22 million) costs indicated a 18% increase on prior year due to the increased cost remote operations during the Covid-19 pandemic regarding all computer networks, including other system development technical upgrades.
 - o Professional and Consulting Charges (R28 million) decreased by 15% on prior year due to delays in the implementation of strategic growth and sustainability initiatives following the Covid-19 movement restrictions.
 - o Marketing Costs (R26 million) increased by 24% and new expenditure relates to the new broadband offering, university bursary scheme and overall marketing costs relating to strategic initiatives.

SENTECH is budgeting to achieve R137 million in earnings before tax for the 2021 financial year, resulting in a 47% (R121 million) decrease on the forecasted FY2020.

The projected decrease in earnings is mainly due to:

- o TV revenue reductions due to analogue switch-off
- o Revenue reductions due to request from customers for payment holidays, cancellation of services, and reduced service requirements
- o Impact of Covid-19 on revenue.

Offset by:

- o Operating expenditure cost containment initiatives
- o Value for money motivations for exceptional expenditures.



6.4. Statement Of Financial Position

	FY2019	FY2020	FY2021	FY2022	FY2023
	R'000	R'000	R'000	R'000	R'000
Group and Company	Actual	Forecast	Forecast	Forecast	Forecast
Assets					
Non-current assets					
Property, plant and equipment	1,043,349	2,358,783	2,280,550	2,244,187	2,066,952
	1,043,349	2,358,783	2,280,550	2,244,187	2,066,952
Current assets					
Inventories	66,435	54,062	54,603	55,149	55,700
Tax	16,220	-	-	-	-
Trade and other receivables	400,757	342,455	346,816	350,284	353,787
Cash and cash equivalents	1,112,407	1,516,008	1,631,668	1,675,440	1,736,722
	1,595,819	1,912,525	2,033,087	2,080,872	2,146,209
Total assets	2,639,168	4,271,308	4,313,636	4,325,059	4,213,162
Equity					
Share capital	75,892	75,892	75,892	75,892	75,892
Non-distributable reserves	776,015	776,015	776,015	776,015	925,558
Accumulated profit/(deficit)	1,357,968	1,661,348	1,671,399	1,671,523	1,710,780
	2,209,875	2,513,255	2,523,306	2,523,430	2,712,230
Liabilities					
Non-current liabilities					
Employee benefits	25,984	11,434	11,434	11,434	11,434
Finance Lease Liability	-	1,191,825	1,461,112	1,423,791	1,299,283
Deferred tax	76,477	71,473	72,601	72,601	72,601
	102,461	1,274,734	1,545,147	1,507,826	1,383,318
Current liabilities					
Trade and other payables	150,236	136,927	95,643	71,732	53,799
Deferred income	130,368	213,811	213,241	295,140	147,191
Tax liability	-	1,401	-	-	-
Finance Lease Liability - current portion	-	85,181	93,700	103,070	113,376
Provisions	46,228	46,000	30,000	30,000	30,000
	326,832	483,322	245,184	293,803	117,613
Total liabilities	429,293	1,758,054	1,790,331	1,801,629	1,500,931
Total equity and liabilities	2,639,168	4,271,308	4,313,636	4,325,059	4,213,162

Table 21: Statement of Financial Position



6.5. Statement Of Cash Flows

	FY2019	FY2020	FY2021	FY2022	FY2023
	R'000	R'000	R'000	R'000	R'000
Group and Company					
Operating Activities					
Operating profit	141,738	268,480	136,695	143,530	150,706
Depreciation and amortisation	85,603	236,468	228,784	240,224	252,235
Grant funds - non-cash items	(130,563)	(146,000)	(107,408)	(112,778)	(118,417)
Other adjustments	-	31,014	-	-	-
	96,778	389,962	258,071	270,975	284,524
Working capital changes:					
Inventories	15,870	12,373	(541)	(546)	(551)
Trade and other receivables	(82,226)	57,375	(3,434)	(3,468)	(3,503)
Trade and other payables	3,688	(22,712)	(31,881)	(23,911)	(17,933)
Cash generated from operations	34,110	436,998	222,216	243,050	262,536
Interest received	81,752	62,348	47,416	37,933	29,366
Interest paid	(4,004)	(144,405)	(180,349)	(171,332)	(179,898)
Dividends received	-	-	-	-	-
Taxation paid	(24,073)	(35,350)	(1,053)	(2,837)	(49)
Net cash from operating activities	87,785	319,591	88,230	106,815	111,955
Investing activities					
Investments in property, plant & equipment	(78,537)	(46,217)	(202,918)	(210,649)	(75,000)
Net cash utilised in investing activities	(78,537)	(46,217)	(202,918)	(210,649)	(75,000)
Financing activities					
Grants Received & Interest	187,010	130,228	230,348	147,605	24,328
Net cash from financing activities	187,010	130,228	230,348	147,605	24,328
Total cash movement for the year	196,258	403,602	115,659	43,771	61,283
Cash at the beginning of the year	916,149	1,112,407	1,516,009	1,631,668	1,675,440
Cash at the end of the year	1,112,407	1,516,009	1,631,668	1,675,440	1,736,722

Table 22: Statement of Cash Flows



6.6. CAPITAL EXPENDITURE

SENTECH operates infrastructure that offers signal distribution services to most of the country's licensed broadcasters, which includes the Public Broadcaster, Commercial and Community Broadcaster. In addition, SENTECH is committed to a diversification strategy by enhancing the traditional broadcasting signal distribution with broadband/connectivity capability and therefore expanding the infrastructure to offer broadband services. Facilities leasing is also offered to operators looking for the best geographic operations that offer broad signal coverage.

Funding Source	FY2020	FY2021	FY2022	FY2023	MTEF
	(R' mil)	(R' mil)	(R' mil)	(R' mil)	(R' mil)
Internal funds	150	150	150	55	355
External funds	51	52	60	20	132
Total	201	202	210	75	487

Table 23: Capital Expenditure Budget

To ensure service delivery, the Company maintains and expands service offerings infrastructure from resources generated from operations. In the FY2021, the MTEF Capital Expenditure budget is aimed at ensuring continued service offering and expanding the infrastructure for any new business opportunities. The budgeted capital will utilise the available cash resources, with the intention of earning future cash flows. Capital expenditure will also be allocated to the establishing of the broadband business which started in the last FY 2020.

The budgeted capital expenditure has the objectives of:

- Snowballing the scope of operations and, thus, improve the base of profitable revenues
- Improving internal efficiencies
- Overhauling business capabilities.

6.7. BORROWING PLANS

SENTECH's Financial Strategy highlights the appropriateness of a suitable capital structure that incorporates a reasonable amount of borrowing, without placing a significant burden on the financial performance of the Company. Short-term borrowing facilities are in place in case the financing requirements go beyond the capacity of internally-generated resources.

Long-term borrowing will be considered for significant investment needs that are supported by attractive business investment opportunities that are aligned to the long-term strategy of the Company. In consultation with the Shareholder and National Treasury, a borrowing facility and Debt Management Plan will be developed in accordance with the guidelines and objectives for financing as prescribed by National Treasury and Shareholder financial governance rules and regulations.

6.8. COVID-19 IMPACT

At the end of FY2020, SENTECH presented a Corporate Plan which outlined the principle that the Entity was expected to function as a going concern into the future. The occurrence of Covid-19 has presented business challenges that potentially impacts on the going concern assumptions. It has also afforded the business an opportunity to reassess its business model and its cost structure to evaluate where cost savings could be realised.

The assessment of the impact of Covid-19 on SENTECH revealed a potential R100 million decrease in continuing revenue of SENTECH in the 2021 year. Management appreciates the urgency to introduce new viable revenue streams that will ensure the sustainability of the business. However, as an immediate mitigating factor, costs have been adjusted to ensure the sustainability of the business. Covid-19 has presented a unique opportunity to the business where various costs savings can be realised from digitising the workplace. Below is an analysis the revised Income Statement.



	FY2019	FY2020	FY2021	FY2022	FY2023	FY2020 vs FY2021	
	R'000	R'000	R'000	R'000	R'000		
Group and Company							
Revenue	1,399,127	1,480,928	1,293,098	1,357,753	1,425,640	(187,830)	(15%)
Continuing Revenues	1,268,564	1,334,927	1,185,690	1,244,975	1,307,223	(149,237)	(13%)
Grant Funding	130,563	146,000	107,408	12,778	118,417	(38,592)	(36%)
Other income	515	60	-	-	-	(60)	(100%)
Depreciation & Amortisation	(85,603)	(234,525)	(228,784)	(240,224)	(252,235)	5,741	3%
Lease Expenses	(271,217)	(31,883)	(33,924)	(35,620)	(37,401)	(2,041)	(6%)
Direct Expenses	(213,538)	(267,606)	(253,367)	(266,035)	(279,337)	14,239	6%
Operating Expenses	(234,477)	(223,043)	(218,454)	(229,377)	(240,846)	4,589	2%
Employee costs	(453,069)	(463,757)	(421,874)	(442,967)	(465,116)	41,883	10%
Operating profit	141,738	260,174	136,695	143,530	150,706	(123,479)	(90%)
Finance income	81,752	83,219	87,416	57,933	29,366	4,197	5%
Finance costs	(4,004)	(476,407)	(180,349)	(171,332)	(159,899)	296,058	164%
Profit before taxation	219,486	(133,014)	43,762	30,131	20,173	176,776	404%
Taxation	(36,760)	32,878	(12,253)	(8,437)	(5,648)	(45,131)	(368%)
Profit or loss for the year	182,726	(100,136)	31,509	21,694	14,524	131,645	418%
Other Comprehensive Income	107,134	13,218	-	-	-	(13,218)	-
Total Comprehensive Income	289,860	(86,918)	31,509	21,694	14,524	118,427	376%

Table 23: Adjusted Income Statement

Revised Income Statement views presented:

In the above Income Statement two views have been presented, being:

- Corporate plan (scenario 1) – This view shows the corporate plan projection taking into account the R42 million loss of revenue that is due to Covid-19.
- Revised view – This view shows adjusted revenue to reflect the revenue loss and costs containment in light of Covid-19. It is also important to note that when costs decrease the dual illumination recovery also decreases.

Analysis of movements

- Personnel remuneration (5% decrease).
- Energy (5% decrease) – The decrease is expected due to:
 - o Less power that will be consumed because the majority of staff are working from their place of residences.
 - o The solar projects which started in 2020, are also expected to start yielding results with more projects set for implementation in the 2021 year.
 - o Fuel usage to run generators during load shedding is expected to decrease as the power utility has excess capacity due to reduced economic activities, hence the threat of incurring costs due to load shedding are low.
- Maintenance (5% decrease) – the decrease is expected mainly on preventative maintenance as corrective maintenance will continue on a case by case basis to ensure a reliable network is kept at all times.
- Marketing costs (20% decrease) – the decrease will be as a result of
 - o Cut on exhibition costs that are linked to conferences that may not materialise.
 - o Reduction in sponsorships in an effort to preserve cash.

Provision has been made to ensure that a marketing budget is kept, aimed at building revenue to ensure sustainability of the business.



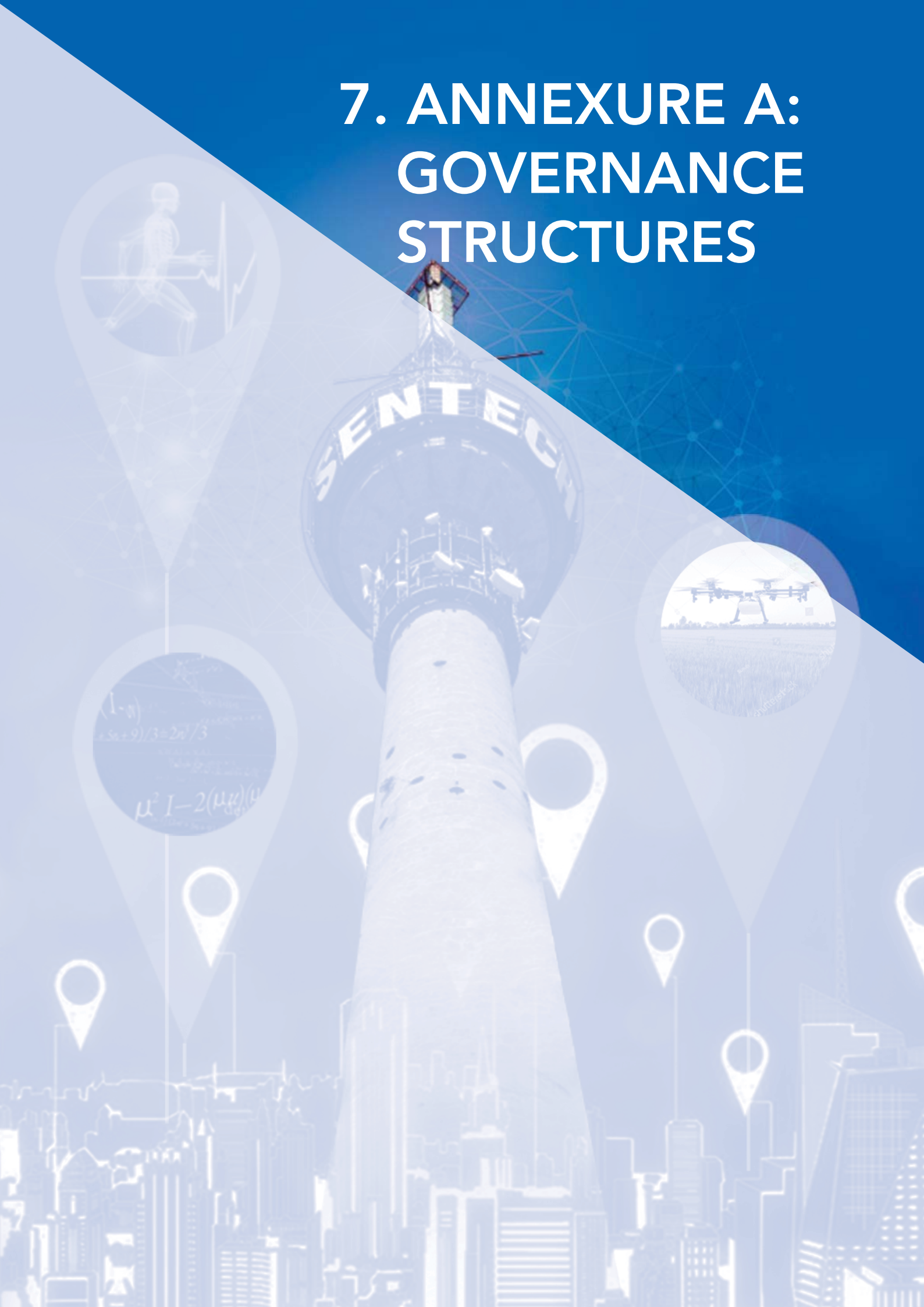
- Professional and Consulting Fees (20% decrease) - the decrease will be as a result of a cut in some consulting fees due to subdued business activity.
- Travel and subsistence fees (20% decrease) – the decrease will be realised on the reduction in international and local travel. The only travel that is envisioned is travel for operational business purposes to sites. The business will make use of digital resources at its disposal to reduce travel for meetings. Additionally, travel for conferences is expected to reduce.
- Transport costs (20% decrease) – the decrease will be realised due to decreased travel for operational business purposes. Only essential travel will be done, reducing fuel costs and maintenance costs. Further, the fuel price is expected to decrease even further which will result in more savings.
- Computer services including broadband data consumption (20% increase) – the increase will be as a result of the use of digital resources as more employees work from their residences and thus using mobile data which is more expensive.
- Insurance and security (20% increase) – The increase will be as a result of the need to increase security at the sites. There were increased incidents of vandalism during the lockdown which increased the need to secure SENTECH premises.
- Communication costs (25% increase) – the increase is as a result of the majority of employees working from home.
- Other office costs (40% decrease) – the decrease is as a result of the majority of employees working from home.
- Stationery and printing (40% decrease) – the decrease is as a result of the majority of employees working from home.

Impact of Covid-19 on the Statement of Financial Position

The greatest impact that Covid-19 presents on the balance sheet is on the cash and cash equivalents and on accounts receivable balances. The Entity believes that there are adequate plans in place to minimise significant impact, as shown below.

- Cash and cash equivalents – SENTECH is already in a good cash position and this position will be strengthened by:
 - o Savings as outlined above, will result in the Entity retaining more cash which will be reinvested to earn finance income.
 - o Reassessment of CAPEX investment to ensure that CAPEX is invested mainly in income generating projects.
 - o It is expected that the Department will continue with grant income funding.
- Accounts receivable
 - o To manage the risk of increased accounts receivable, the Entity is working with customers in crafting the best possible solution that will ensure customer retention and ensure customer sustainability. The plan involves providing payment holidays to customers whose accounts were current at the beginning of the lockdown period and to those who had existing debt restructure agreements in place. There will be a delay payment for three months, thereafter the customer must repay the debt that has accrued in six consecutive monthly payments or less, depending on the financial standing of the customer. In addition, interest will be waived. Whilst this plan may protract debtors, it will ensure the sustainability of the Entity in the long run.

7. ANNEXURE A: GOVERNANCE STRUCTURES





7. ANNEXURE A: GOVERNANCE STRUCTURES

Commitment to Good Governance

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

The Board embraces the benefits of diversity as this enhances the range of perspectives of Directors. The Board subscribes to governance principles and practices to ensure the creation of value in a manner that is sustainable for SENTECH's stakeholders. The Board is comfortable that there is a right balance of skills, experience and independence to make valuable contributions to SENTECH's business. Governance at SENTECH entails a culture committed to sound processes and procedures, which goes beyond legal compliance and ensures sustainability, long after a law and its iterations have been implemented.

Board of Directors

In terms of the SENTECH Act, the Board shall consist of three Executive Directors and at least four Non-Executive Directors (NEDs), who are all appointed by the Minister. NEDs and Executive Directors are appointed for three-year and five-year terms, respectively. The Board is led by an independent NED and is comprised of a majority of independent NEDs. The Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Operating Officer (COO) are the Executive Directors.

The Board comprises of the following members:

No.	Member	Qualifications
	Dr Sandile Malinga Appointed 1 April 2018 as Non-Executive Director and appointed 4 February 2020 as Board Chairperson Non-Executive Director	MBA PhD (Physics)
	King Madzikane II Thandisizwe Diko Appointed 4 February 2020 Non-Executive Director	BA Social Science Magister Artium, Development Communication
	Ms Maureen Manyama Appointed 1 November 2018 Non-Executive Director	Chartered Accountant (SA) MBA
	Ms Precious Sibiya Appointed 1 November 2018 Non-Executive Director	Chartered Accountant (SA)
	Ms Tebogo Malaka Appointed 1 April 2018 Non-Executive Director	BA (SocSc) MBA



No.	Member	Qualifications
	Ms Malande Tonjeni Appointment 4 February 2020 Non-Executive Director	B Com and B Com Honours (Accounting) Chartered Accountant (SA)
	Mr Mxolisi Tsika Appointment 4 February 2020 Non-Executive Director	LLB Master of Philosophy
	Mr Mlamli Boo Appointed 15 October 2015 Chief Executive Officer and Executive Director	Qualifications MSc (Electrical)
	Mr Tebogo Leshope Appointed 1 March 2018 Chief Operations Officer and Executive Director	N Dip (Electrical Engineering) BTech (Electrical Engineering) MBA
	Ms Rudzani Rasikhinya Appointed 1 May 2020–31 July 2020 Acting Chief Financial Officer	Chartered Accountant (SA)

The key governance roles and responsibilities of the Board are outlined as follows:

Chairperson

- a) Responsible for setting the Board agenda and ensuring there is sufficient time available for discussion of all items.
- b) Encourages open and honest debate among all Board members.
- c) Leads and manages the dynamics of the Board, providing direction and focus.
- d) Ensures that the Board sets the strategy of the Company and assists in monitoring progress towards achieving the strategy

NEDs

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



Executive Directors		
CEO	CFO	COO
<ul style="list-style-type: none"> Bears ultimate responsibility for all management functions. Responsible for managing and leading the Company within the authorities delegated by the Board. Ensures that the Board receives information that is accurate, timely and clear to enable the Directors to perform their duties effectively. 	<ul style="list-style-type: none"> Leads and manages the Company's finance function. Provides the Board with updates on the Company's financial performance. 	<ul style="list-style-type: none"> Leads and manages the Company's technology and operations. Provides the Board with updates on Technology Strategy implementation and Operational Performance.
Company Secretary		
<ul style="list-style-type: none"> Responsible for the flow of information to the Board and its committees and for ensuring compliance with Board procedures. Responsible for minutes of all Board and committee meetings and record the deliberations and decisions taken therein. Ensures that the Board complies with all relevant legal prescripts. Provides guidance to the Board in discharging its fiduciary duties. 		

Board Sub-committees

The Board Committees facilitate the discharge of responsibilities and provide in-depth focus, oversight and guidance on specific areas, and reports to the Board through their respective Chairpersons. Committee Chairpersons and submits written reports to the Board. To this end, the Board has established five Board Committees as set out below.



8. ANNEXURE B: RISK MANAGEMENT PLAN





8. ANNEXURE B: RISK MANAGEMENT PLAN

The Board of Directors has overall accountability for ensuring effective risk management and sets strategic direction and determines risk appetite for SENTECH. It maintains oversight of the top risks facing the Entity through periodic review to satisfy itself that the risks are being adequately mitigated. The overall oversight role is exercised through the Audit and Risk Committee, with all other Board Committees (HR Nominations; Technology, Sales, Regulations Coordination and Social and Ethics Committee) limited to issues appropriate to only their terms of reference. The Executive Management is responsible for the management and implementation of the risk management framework together with the Risk and Compliance Management function. Successful enterprise risk management can reduce the likelihood and consequences of risks materialising, including the delivery of benefits related to better informed decision-making. As such, EXCO will continue with the initiative of ensuring that risk management is embedded in the Company's daily operations, using the approved strategies and methodologies as well as best practices and the risk champion model.

The risks are identified and revised at least twice a year through assessment workshops with all stakeholders and they are monitored and reported to the Board on a quarterly basis.

The following risks have been identified and assessed as high risks facing SENTECH, at the time of developing the Corporate Plan. Some risks may emerge which were not identified during this period due to the fast changing nature of the industry, regulatory environment and rapid technology developments.

Risk Rating Guide:

The following is the risk rating matrix that was used to assess the risks :

Critical	5	Medium	Medium	High	High	High	Risk Appetite Line
Major	4	Low	Medium	High	High	High	
Insignificant	3	Low	Medium	Medium	High	High	
Moderate	2	Low	Low	Medium	Medium	Medium	
Negligible	1	Low	Low	Low	Low	Medium	
		1	2	3	4	5	

SENTECH's Risk Rating Matrix



8.1.1. Strategic Risks

Top nine strategic risks being monitored and reported on, are detailed in the table below:

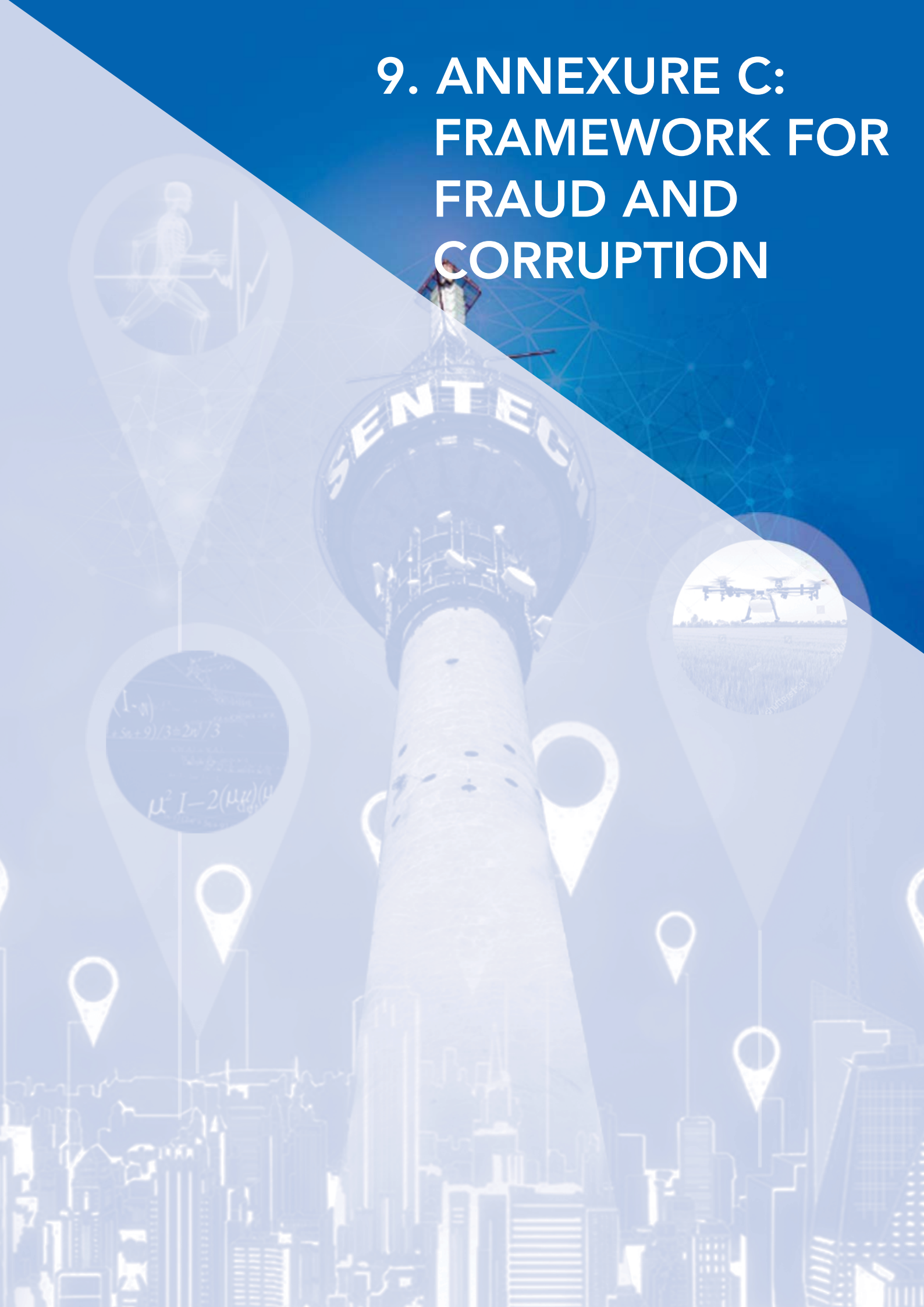
#	OUTCOMES	RISKS	MITIGATIONS
1	Sustainable growth	Poor penetration of the broadband market	<ul style="list-style-type: none"> Acquisition in the broadband Market. Collaboration with other State-Owned Entities. Establish strategic partnerships for delivery and revenue opportunities. Build capabilities & skills (permanent resources). Capital for broadband
2		Missed opportunities for the 4IR Market	<ul style="list-style-type: none"> Implement Research and Development framework Broadband strategy M&A processes Implement Build 4IR capabilities Partnerships and Collaboration with industry leaders
3		Declining revenues for existing business	<ul style="list-style-type: none"> Inorganic growth strategies Broadband strategy
4		Lack of innovation	<ul style="list-style-type: none"> Build data analytics capabilities Enhance digital skills Innovation Hub Follow through on Lean Start-up Initiatives and other initiatives
5		Inability of customers and suppliers to recover due Covid-19 impacting SENTECH operations	<ul style="list-style-type: none"> Credit management Cost reduction to reduce tariffs Payment breaks for customers
6	Optimised cost Structure	Threat to financial sustainability	<ul style="list-style-type: none"> Implementation of the staff cost cutting initiatives. Continued engagement of stakeholders for ASO. Implement sales strategies Continue monitoring foreign exchange fluctuations and implement relevant controls.
7	Weighted Average Network Availability	Service disruptions due to infrastructure degeneration and Covid-19	<ul style="list-style-type: none"> Implementation of maintenance plans and upgrade of infrastructure, Implement a comprehensive network monitoring (all networks) Implementation of Business Continuity Plans SLA with 3rd party service provider Implementation of the security strategy
8	Increased brand equity	Damaged brand and reputation due to social media activities	<ul style="list-style-type: none"> Allocate adequate resources to manage social media accounts and activities and implement social media policy.
9		Service termination due to non-payment for services rendered	<ul style="list-style-type: none"> On-board broadcasters with viable business cases and de-risk the capital investment at on boarding. New forums to coordinate the initiatives to manage stakeholder relationships.
10	Improvement in BBBEE level	Regression on the BBBEE level	<ul style="list-style-type: none"> Maintain and monitoring of current controls relating to all elements of B-BBEE including skills development, procurement, management & control and SED .
11	Weighted Average Network Availability	Cyber attacks (increase in cyber-attacks due to increased use of technology)	<ul style="list-style-type: none"> Continued Implementation of BCM strategy including disaster recovery plans Dedicated cyber security resources Monitoring and continued implementation of the ICT security plan



#	OUTCOMES	RISKS	MITIGATIONS
12	Multiple Objectives	Uncertainty in the SOC rationalisation process.	<ul style="list-style-type: none">• Participation in the SOC rationalisation Task Team• Business Case inputs developed and presented to the department• Development of the implementation plan
13	Multiple Objectives	Non-compliance with Regulations & Standards or policies (regular changes to regulations)	<ul style="list-style-type: none">• Compliance assessments• Regulatory assessments• Policy review processes

SENTECH's Strategic Risks (2020/21)

9. ANNEXURE C: FRAMEWORK FOR FRAUD AND CORRUPTION





9. ANNEXURE C: FRAMEWORK FOR FRAUD AND CORRUPTION RESPONSE

1. Introduction

SENTECH developed a code of ethics articulating the values and acceptable ethical standards that everyone who is associated with the Company are required to adhere to. Notwithstanding, the Company acknowledges that in today's business environment, fraud is prevalent and all organisations are susceptible to the risk of fraud. In this regard, the purpose of the Fraud Prevention Plan is to set out the policy on **Zero-Tolerance-To-Fraud** and outline the Board and Management's commitment to combating and eradicating all forms of fraud inherent in the operations of SENTECH.

SENTECH, as a public entity, has been mandated by the National Treasury through Treasury Regulation 27.2.1 to develop and implement a Fraud Prevention Plan as part of the Entity's enterprise risk management strategy. As such, SENTECH has developed a Fraud Prevention Plan that outlines the framework and strategy for the prevention, deterrence, detection, reporting, investigation and handling of fraud, corruption and other corporate crimes. This plan is one of the key instruments to ensure that there is a proactive approach towards minimising risks that can adversely impact SENTECH business operations. This plan is summarised below:

2. Definition of terms

Fraud is defined as "the unlawful and intentional making of a misrepresentation which causes actual and or potential prejudice to another." The term "fraud" is also used in a wider sense by the public. All other terms used are defined in the Fraud Prevention Policy which can be found on the SENTECH website or on request from the relevant officials.

3. Legislative framework

In addition to the aforementioned legislated requirement for a Fraud Prevention Plan, the following three specific pieces of legislations also govern aspects of fraud and corruption for South African entities.

- 3.1. The Prevention and Combating of Corruption Activities (PRECCA) Act 12 of 2004, section 34 obliges people who hold positions of authority to report any offence of theft, fraud, extortion, forgery or uttering a forged document, involving an amount of R100 000 or more, to any police official.
- 3.2. The Protected Disclosures Act of 2000 (PDA) was enacted to protect employees who make protected disclosure, which is defined by the Act as any disclosure of information regarding any conduct of an employer, or an employee of that employer, made by any employee who has reason to believe that the information concerned shows or tends to show one or more of the following:
 - a) that a criminal offence has been committed, is being committed or is likely to be committed;
 - b) that a person has failed, is failing or is likely to fail to comply with any legal obligation to which that person is subject;
 - c) that a miscarriage of justice has occurred, is occurring or is likely to occur;
 - d) that the health or safety of an individual has been, is being or is likely to be endangered;
 - e) that the environment has been, is being or is likely to be damaged;
 - f) unfair discrimination as contemplated in the Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No. 4 of 2000); or
 - g) that any matter referred to in paragraphs (a) to (f) has been, is being or is likely to be deliberately concealed.
- 3.3. Protection of Personal Information (POPI) Act 2013.

4. Policy Stance and Strategic Approach

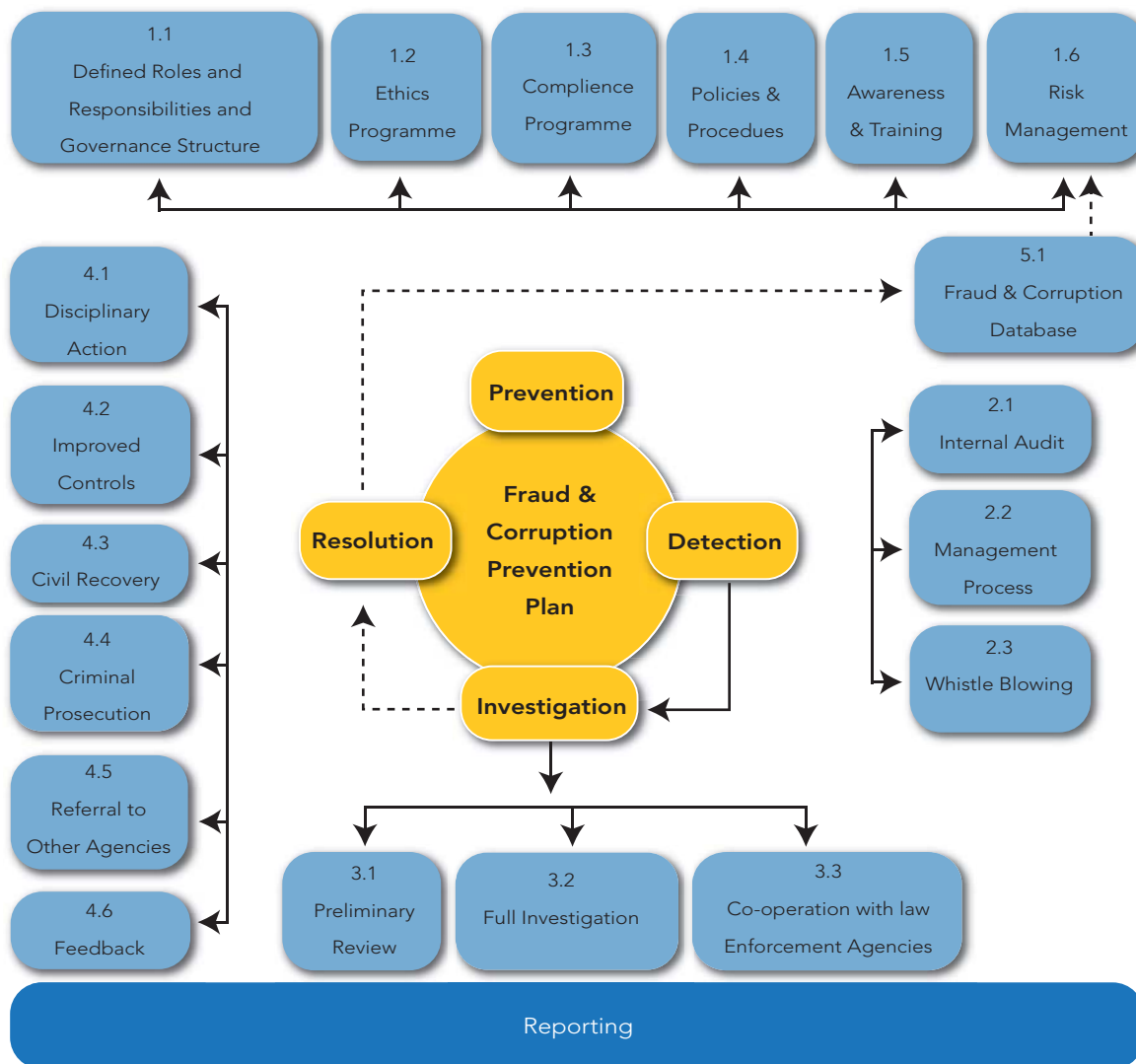
- 4.1. SENTECH assumes a zero-tolerance stance against all forms of fraudulent and corrupt activities and is committed to discouraging and preventing such behaviour in the performance of its business operations.



4.2. SENTECH shall implement systems and processes that give assurance that the potential for fraud and corruption across all business areas is minimised. Systems and processes that provide assurances that actual incidences of fraud and corruption are detected and responded to shall also be implemented.

5. Framework for Fraud and Corruption Response

SENTECH’s framework to fraud and corruption prevention and response is depicted in the diagram below. The details of the framework are contained in the detailed Fraud Prevention Plan.



6. Whistle Blowing

SENTECH recognises the fact that unethical conduct and fraud within SENTECH is detrimental to good, effective, accountable and transparent governance within SENTECH and there is a need for procedures in terms of which employees may, without fear of reprisals, disclose information relating to suspected or alleged unethical conduct and fraud affecting SENTECH. To this end, a Whistle Blowing Policy was developed to ensure reasonable compliance with the PDA, which makes provision for the protection of employees who make disclosures in good faith. A tip-off anonymous hot line is in place for the anonymous reporting of fraud and corruption activities. Tip-Offs Anonymous is completely independent and confidential whistle blowing hotline service operating 24-hours a day, 365 days a year. The service allows employees, customers, service providers and other stakeholders to report fraud and inappropriate activities in the Company in a safe, confidential and secure way.

10. ANNEXURE D: MATERIALITY AND SIGNIFICANCE FRAMEWORK





10. ANNEXURE D: MATERIALITY AND SIGNIFICANCE FRAMEWORK

AGREEMENT

on the

MATERIALITY AND SIGNIFICANCE FRAMEWORK

between

THE MINISTER OF COMMUNICATIONS AND DIGITAL TECHNOLOGIES

and

SENTECH SOC LTD



1. LEGISLATIVE BACKGROUND

- a) SENTECH, as a schedule 3B public entity, is governed by the PFMA and the Treasury Regulations issued by the National Treasury and by the Companies Act.
- b) Treasury Regulation 28.3.1 – “For purposes of material [sections 55(2) of the PFMA] and significant [section 54(2) of the PFMA] transactions, the SENTECH Board of Directors must develop and agree on a framework of acceptable levels of materiality and significance with the relevant Executive Authority.”
- c) Section 55(2)(b)(i) of the PFMA – “The Annual Report and Financial Statements referred to in subsection (1)(d) must include particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the year.”
- d) Section 54(2) of the PFMA – “Before a public entity concludes any of the following transactions, the Accounting Authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transactions to its Executive Authority for approval of the transaction:
 - i. establishment or participation in the establishment of a company;
 - ii. participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;
 - iii. acquisition or disposal of a significant shareholding in a company;
 - iv. acquisition or disposal of a significant asset;
 - v. commencement or cessation of a significant business activity; and
 - vi. a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.”
- e) National Treasury Practice Note dated 13/07/2006 dealing with applications under section 54.

2. DEFINITION OF MATERIALITY AND SIGNIFICANCE

- f) The Accounting Standards Board defines materiality as “the magnitude of an omission or misstatement in the financial statements which, individually or collectively, makes it probable that a reasonable person relying on those statements would have been influenced by the information or made a different judgement if the correct information had been known.”
- g) From an external audit point of view, International Standard on Auditing (ISA) 320 defines materiality as follows: “Information is material if its omission or misstatement could influence the economic decisions of users taken based on the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point (quantitative), rather than being a primary qualitative characteristic which information must have if it is to be useful.”
- h) The Concise Oxford Dictionary defines ‘significant’ as “extensive or important enough to merit attention” and may therefore be interpreted as of relative importance to the public entity. Transactions may be significant based on the monetary value of the transactions or due to the nature of the transactions. Thus, a transaction will be significant if conducting the transaction is vitally important in order to fulfil the public entity’s mandate and for it to operate effectively.
- i) ‘Significant’ may also be interpreted as those transactions that, in the case of SENTECH, would require approval from the Executive Authority or the National Treasury or Parliament and would include, but not be limited to, participation in a significant partnership, trust, unincorporated joint venture or similar arrangement; the acquisition or disposal of a significant shareholding in the organisation; the acquisition or disposal of a significant asset; and commencement or cessation of a significant business activity.
- j) From the interpretations above, it can be seen that there is a difference between ‘material’ and ‘significant’. Significant is larger than material as a significant transaction impacts on the public entity as a whole. An occurrence may be material but not necessarily significant, whereas any occurrence that is significant will be material.
- k) As Treasury Regulation 28.3.1 also has an expectation of qualitative reporting, this framework will be dealt with in two main categories, namely, quantitative and qualitative aspects. The policy set out hereunder should be appropriately presented in the Annual Report, as required.



3. QUANTITATIVE FINANCIAL STATEMENT REPORTING

a) Quantitative Aspects

i. Material Losses (Section 55)

Guidelines for setting materiality levels

Basis	Maximum %	FY2021 Budget	High
		R'000	R'000
Gross expenditure	1%	1,156,403	11,564
Gross revenue	1%	1,293,098	12,931
Net income	10%	31,509	3,151
Total assets	2%	4,313,636	86,273

From the above description of 'quantitative materiality', and considering the percentage guidelines listed in the table above, management is of the opinion that the most appropriate basis for calculating the quantitative material loss limit for SENTECH should be based on the annual budgeted gross operating expenditure:

- The annual budgeted gross operating expenditure for the year is R1,156 billion.
- Based on the above and the guideline table above, the quantitative materiality level for SENTECH is R11,564 million, being 1% (rounded off) of the annual budgeted gross expenditure.
- Accordingly, all fruitless and wasteful expenditure and/or irregular expenditure that exceed the quantitative materiality level of R11, 564 million will be reported in the Annual Report and the Financial Statements.

ii. Significance Framework (Section 55)

From the above description of 'significance', and taking into account the percentage guidelines which is listed in the table above, SENTECH is of the opinion that the most appropriate basis for calculating the significance limit for the purposes of section 55 of the PFMA should be based as a percentage of total assets, specifically in view of the fact that SENTECH is an infrastructure company and is currently engaged in various major projects which will also translate into assets in future years.

Total assets of R4,313 billion include the following:

- Property, plant and equipment, forecast for 31 March 2021 at R2,281 billion
- Cash and cash equivalents at R1,632 billion
- Other assets at R401 million.

Based on the above and the guideline table above, the quantitative significance level for SENTECH is R86,273 million (excluding VAT), being 2% of budgeted total assets. The cost of total assets has increased from prior years because SENTECH records assets funded through Government Grants on a net basis, in addition to the adjustment for IFRS-16 Lease Accounting which was adopted from FY2020, going forward. SENTECH expects to change its Accounting Policy to reflect the gross method and therefore the cost of total assets for the Company after analogue switch-off.

b) Qualitative Aspects

Materiality is not merely related to the size of SENTECH and/or the elements of its financial statements. Obviously, misstatements that are large, either individually or in the aggregate, may affect a 'reasonable' user's judgment. However, misstatements may also be material on qualitative grounds. These qualitative grounds include amongst others:

- Unusual transactions entered into that are not of a repetitive nature and are disclosable purely due to the nature thereof (due to knowledge thereof affecting the decision-making of the user of the financial statements)
- Transactions entered into that could result in reputational risk for SENTECH
- Any fraudulent or dishonest behaviour of an officer or staff member of SENTECH – for example, losses resulting from criminal conduct may be seen as material, based on the public accountability of SENTECH, regardless of the monetary value of the amount
- Procedures/processes required by legislation or regulation.



4. APPLICATION AND REPORTING

- a) The materiality matrix is developed and communicated to relevant management before the start of the financial year. This enables SENTECH to make decisions as to what should be reported as losses or irregular, fruitless or wasteful expenditure. SENTECH is then able to ensure that the correct information is included in the Annual Report and Financial Statements.
- b) All transactions that result in a loss to SENTECH (including irregular, unauthorised and fruitless and wasteful expenditure, and losses resulting from criminal conduct) should be recorded in a register. The PFMA defines 'irregular expenditure' as expenditure incurred in contravention of the PFMA or any applicable legislation or incurring expenditure not in accordance with the mandate of SENTECH. 'Fruitless and wasteful expenditure' refers to expenditure which was made in vain and would have been avoided had reasonable care been exercised.
- c) All material losses must be reported to the Chief Financial Officer (CFO) who should ensure that the transaction is appropriately allocated in the general ledger and recorded in a central loss register.
- d) An explanation detailing all information and reasons surrounding the transaction as well as amounts recovered and strategies developed to prevent similar losses in the future must be included.
- e) No officer may condone any material loss incurred directly by him or through instructions issued by him.
- f) All amounts referred to in paragraph 5.1 and 5.2 must be reported to the Board.
- g) When developing the Three-year Rolling Audit Plan and the Annual Audit Coverage Plan, the Internal Audit Function must ensure that sufficient attention is given to the audit of material items which may fall through the gaps in the existing control systems.
- h) Material and significant events will be reported to the following parties:
 - External: Minister of Communications and Digital Technologies (The Minister) Internal: SENTECH Board and EXCO.
- i) The reporting of applicable material and significant events (PFMA – section 54) to the Minister will be done formally in writing before the transaction is concluded.
- j) The public entity must include the materiality and significance framework in the following documents to be submitted to the entity's Executive Authority:
 - Annual Report [TR 28.2.1]
 - Corporate Business Plan [TR 29.1.1(f)]
 - Strategic Plan [TR30.1.3(e)]



5. ACCEPTANCE LEVELS OF MATERIALITY AND SIGNIFICANCE

Definitions	Framework	Underlying Principles
<p>Materiality for section 55 of the PFMA – Disclosure, in the Annual Report, of:</p> <ul style="list-style-type: none"> • Losses due to criminal conduct • Irregular expenditure • Fruitless and wasteful expenditure 	<p>Quantitative:</p> <p>For purposes of reporting the incidence of losses due to criminal conduct, irregular expenditure, and fruitless and wasteful expenditure, in terms of section 55(2) (b) (i) of the PFMA; disclosure shall be made where the loss or expenditure is equal to or greater than R11,564 million.</p> <p>Qualitative:</p> <p>Over and above the financial considerations of materiality, any losses due to criminal conduct are material by nature, irrespective of the quantum thereof.</p> <p>It is, therefore important to note that the quantitative measures of materiality will only apply to expenditure other than irregular expenditure and fruitless and wasteful expenditure, and losses due to criminal conduct which are considered in terms of the qualitative measures.</p>	<ul style="list-style-type: none"> • Each loss due to criminal conduct, irregular expenditure or fruitless and wasteful expenditure, as identified, will be evaluated in the context of the expense category to which it relates, to determine whether it qualifies for disclosure in the Annual Report as required by section 55. • In line with good business practice, as well as the requirements of the Act, SENTECH is committed to the prevention, detection of and taking appropriate action on all irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of SENTECH (section 51(1)(b)(ii)). <p>To this end, SENTECH's systems and processes are designed and continually reviewed to ensure the prevention and detection of all such expenditure, irrespective the size thereof.</p>



Definitions	Framework	Underlying Principles
<p>Significant for section 54 – Information and approval by the Minister of ‘Qualifying transactions’, i.e.:</p> <ul style="list-style-type: none"> • Establishment or participation in the establishment of a company • Equity participation in a significant partnership, trust, unincorporated joint venture or similar arrangement (applies to both local and international transactions) • Acquisition or disposal of significant shareholding in an organisation • Acquisition or disposal of a significant asset, commencement or cessation of a significant business activity • A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement (locally based or international transactions). 	<p>Quantitative:</p> <p>Qualifying transactions of an operational nature</p> <p>Qualifying transactions of a strategic nature</p> <ul style="list-style-type: none"> • 10% of equity. <p>Regardless of the monetary value thereof, all direct equity investments:</p> <ul style="list-style-type: none"> • greater than 20% require formal information to the Executive Authority; or • greater than 50% require approval by the Executive Authority. <p>Qualitative:</p> <p>A qualifying transaction may also be considered significant based on considerations other than financial when, in the opinion of the Board, it is considered to be significant for the application of section 54. The decision on which non-financial issues may be considered at any time requires careful judgment at a strategic level and should therefore rest with the Board as the representative body of the stakeholders. As an example, the Board may consider a qualifying transaction as significant when it could impact significantly on a decision or action by the Minister.</p>	<p>The PFMA is not intended to affect the autonomy of SENTECH, but its stated objectives are to ensure transparency, accountability and sound management of revenue, expenditure, assets and liabilities of the institutions to which the Act applies. Therefore, the legislature could not have intended for the public entities to report and seek approval on matters on a daily basis.</p> <ul style="list-style-type: none"> • The operations of SENTECH are conducted within the framework of the mandate, objects and powers of the SENTECH Act, as well as the operational and financial direction set out in the Strategic Plan. • SENTECH also has defined accountability and approval structures from the Board, as the Stakeholder representative, for the Chief Executive Officer (CEO) and management. • The responsibility for day-to-day management of SENTECH rests in line management through a clearly defined organisational structure and through formally delegated authorities.



6. AMENDMENT AND REVIEW

Unless otherwise agreed, this materiality and significance framework will be reviewed after a period of three years.

7. SIGNATURES

Signed by the Minister at..... on the of.....2020

Minister of Communications and Digital Technologies

Signed for on behalf of SENTECH at on the of 2020

Chairperson of SENTECH Board of Directors



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