

CORPORATE PLAN

2023/24-2024/25



ABBREVIATIONS

ASO	Analogue Switch-Off
BBI	Broadband Infraco
BU	Business Unit
CAGR	Compounded Annual Growth Rate
CEO	Chief Executive Officer
C&MD	Content & Media Distribution
CFO	Chief Financial Officer
COO	Chief Operations Officer
CPI	Consumer Price Index
CSS	Customer Satisfaction Survey
DCDT	Department of Communications and Digital Technologies
DTH-S	Direct-to-Home Satellite
DTT	Digital Terrestrial Television
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
E&M	Entertainment and Media
ECA	Electronic Communications Act, No. 36 of 2005
ECS	Electronic Communications Services
EXCO	Executive Committee
FM	Frequency Modulation
FY	Financial Year
ICT	Information and Communications Technology
I-ECNS	Individual Electronic Communications Network Services
I-ECS	Individual Electronic Communications Services
IMT	International Mobile Telecommunications
ITU	International Telecommunications Union
KPI	Key Performance Indicator
M&A	Mergers and Acquisitions
Minister	Minister of Communications and Digital Technologies
MI	Managed Infrastructure
MOI	Memorandum of Incorporation
MTEF	Medium Term Expenditure Framework
MVNO	Mobile Virtual Network Operators
MW	Medium Wave
NED	Non-Executive Director
NERSA	National Energy Regulator of South Africa
NMS	Network Management System
OTT	Over-the-Top Services
PFMA	Public Finance Management Act, No. 1 of 1999
PWC	PricewaterhouseCoopers
SABC	South African Broadcasting Corporation
SAP	System Applications and Products
SDIC	State Digital Infrastructure Company
SENTECH Act	SENTECH Act, No. 63 of 1996, as amended
SLA	Service Level Agreement
SOC	State Owned Company
STL	Studio-to-Transmitter Link
UPS	Uninterruptible Power Supply
TV	Television
WRC	World Radiocommunication Conference

TABLE OF CONTENTS

Abbreviations	B
Chairperson’s Statement	2
Chief Executive Officer’s Statement	3
Official Sign-Off	4
1. Our Mandate	5
1.1 Constitutional Mandate	6
1.2 Legislative Mandate	6
1.3 Board of Directors	6
1.4 Executive Management	8
1.5 Organisational Structure	9
2. Our Strategic Focus	11
2.1 Organisational Identity	12
2.2 Our Values	12
2.3 Strategic Goals	13
2.4 Strategic Priorities	13
2.5 Strategic Pillars	14
2.6 Strategic Initiatives	14
3. Situational Analysis	15
3.1 The Changing Strategic Context	16
3.2 South Africa’s Media & Entertainment Market Rebounds	16
3.3 Positioning new digital infrastructure services: Towers and Datacentre	16
3.4 Leading the South African Domestic Satellite Operation	17
3.5 Policy and Regulatory Environment	17
3.6 Internal Environment	18
3.7 Remaining Resolute in Delivering on Our Mandate	20
4. Measuring Our Performance	22
4.1 Impact Statement	23
4.2 Alignment with Shareholder Priorities	23
4.3 Performance Indicators for the MTEF Period FY2023/24–2024/25	24
4.4 Annual Performance Plan (FY2022/23)	26
4.5 Annual Performance Plan – Quarterly Targets FY2023/24	28
4.6 Technical Indicator Descriptions	30
5. Financial Plan	35
5.1 Foreword	36
5.2 Financial Overview	36
5.3 Statement of Profit or Loss and other Comprehensive Income	38
5.4 Revenue	38
5.5 Operating Expenditure	39
5.6 Statement of Financial Position	41
5.7 Statement of Cash Flows	42
5.8 Capital Expenditure	43
6. Annexure A: Governance Structures	44
6.1 Commitment to Good Governance	45
7. Annexure B: Risk Management Plan	46
8. Annexure C: Framework for Fraud and Corruption Response	50
8.1 Introduction	51
8.2 Definition of terms	51
8.3 Legislative framework	51
8.4 Policy Stance and Strategic Approach	51
8.5 Framework for Fraud and Corruption Response	52
8.6 Whistle Blowing	52
9. Annexure D: Materiality and Significance Framework	53
9.1 Borrowing Plan	54
9.2 Materiality and Significance Framework	54
9.3 Quantitative Financial Statement Reporting	55
9.4 Application and Reporting	55
9.5 Acceptable Levels of Materiality and Significance	56

CHAIRPERSON’S STATEMENT

This Corporate Plan is presented within a challenging macroeconomic environment, with the global economy on a recovery path, albeit at differing levels for various economies. Thus, while some markets are beginning to see positive signs of economic recovery, others are facing the possibility of a technical recession. This tapered economic outlook is further exacerbated by ongoing geopolitical instability, negatively impacting the global supply chain, and inflationary prices attributed to the rising cost of imports.

SENTECH is now gearing itself to deliver on the last two years of this MTEF after developing its five-year Strategic Plan 2025 three years ago. The organisation has remained resilient amidst all external factors and its current strategy remains relevant. Nevertheless, there is an urgent need to refine the organisation's implementation plan.

It is in this context that, while the organisation's strategic intent and focus remains on course, SENTECH will place greater emphasis on streamlining its business and operating model into distinct business units. This is to ensure operational efficiency, to unlock and leverage existing capabilities to ensure financial sustainability, and to realise new revenue streams in the medium- to long-term. The organisation is aligning and will commit capital expenditure with expectations of realising revenue in the outer years.

Therefore, the Board has ensured that this Corporate Plan takes into consideration, and is aligned to the Shareholder's priorities while at the same time balancing the organisation's

strategic risks and financial sustainability objectives. Thus, the Board considered the pedestrian revenue growth of the broadcasting environment and the need to remain relevant and deliver on its open access mandate by supporting revenue diversification strategies. In addition, the Board is steadfast in its resolve to ensure that the Shareholder's desire to realise SOC rationalisation is met. The process is well underway to ensure finalization of the acquisition of Broadband Infraco (BBI) and turning this business around is a priority in the FY2023/24.

The Board remains resolute in its oversight function to ensure that SENTECH delivers on its mandate, is a sustainable and relevant business that delivers value to its stakeholders while supporting the Shareholder's priorities.

The Board acknowledges and appreciates the guidance and support of the Minister of the Department of Communications and Digital Technologies (DCDT) for providing leadership in the sector. The Board hereby presents the Corporate Plan and the Annual Performance Plan 2023/24 and pledges its unwavering commitment to providing the necessary oversight to ensure their successful implementation.



MS SEDZANI FAITH MUDAU
BOARD CHAIRPERSON

CHIEF EXECUTIVE OFFICER’S STATEMENT

SENTECH's Corporate Plan is a continuation of the company's five-year Strategic Plan 2025 developed three years ago. This Corporate Plan covers the remaining two years of the MTEF and is in line with Sections 52 and 54 of the PFMA, 1999.

The Corporate Plan was developed during a period when global economies were, and still are, grappling with socio-economic recovery post the COVID-19 pandemic. We are on the cusp of moving away from defining the new norm into the realities of how to navigate and stay resolute within this new norm. Our strategic intent remains relevant as we address the external factors facing our organisation. SENTECH has the opportunity to position itself as a state digital infrastructure company, and to do so raises an urgent need for the organisation to work swiftly towards its desired impact of bridging the country's digital divide.

The organisation has emphasised the need to establish focused business units within SENTECH. This structural change will form an important part of the diversification of our revenue streams and focus on both organic and inorganic growth. To support these efforts to establish the different business units, the organisation has embarked on an organisational redesign process.

The envisaged business units will see the organisation sharpen its focus on five outcomes: (i) We intend to elevate our broadband business by increasing our footprint through building our own broadband network, meaning that the acquisition of BBI and assisting it to develop a turnaround strategy and re-capitalise becomes a top priority. (ii) As a network infrastructure organisation, we intend to unlock value and leverage this network by increasing our tower capacity as well as leverage our property portfolio and operationalise our datacentres. (iii) The organisation aims to consolidate its media and distribution efforts to realise a multiplatform that will service our clients' needs while still ensuring we meet our open access mandate and the Shareholder's priorities. (iv) We are focused on entering African markets and exporting our broadcast offering

and capabilities. (v) Lastly, we will continue implementation of the preparatory work required to launch a South African communications satellite.

The organisation's strategy is anchored on our seven strategic pillars to ensure successful execution. Customer-centricity, delivering excellent customer experience remains at the heart of everything we do as an organisation. In the remaining two years of this MTEF, the Innovation and Data Driven pillar will be elevated to deliver four initiatives that support revenue generation and operational efficiency. The Digital Infrastructure pillar focuses on our efforts to onboard new customers as a means of diversifying our revenue streams.

As the organisation goes through this transition, digital skilling and reskilling our people, as well as a shift in mindset, become critical focus areas supported by the Engaged and Talented People pillar. The remaining pillars hold us to account as a good corporate citizen: the pillar for Transformation and Environment continues with efforts to meaningfully impact our host communities and reduce carbon emissions from our operations; Good Governance remains key to ensure ethical conduct in how we run our business and finally, the Financial Outcome pillar anchors our goal to operate a financially sound and sustainable organisation and thereby increase our Shareholder's value.

I acknowledge the dedicated SENTECH leadership team and staff in developing this Corporate Plan and the unwavering support of the SENTECH Board through providing needed oversight. As the Executive leadership and management, we remain committed to ensure the execution of this Corporate Plan, including the Annual Performance Plan 2023/24.



MR MLAMLI BOOI
CHIEF EXECUTIVE OFFICER

OFFICIAL SIGN-OFF

It is hereby certified that this Corporate Plan:

- Was guided by the Board’s identified strategic goals which the Executive Management of SENTECH will execute.
- Takes account of the 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 MTEF period.

MR ITUMELENG SEGALOE
CHIEF STRATEGY OFFICER



MS RUDZANI RASIKHINYA
CHIEF FINANCIAL OFFICER (INTERIM)



MR TEBOGO LESHOPÉ
CHIEF OPERATIONS OFFICER



MR MLAMLI BOOI
CHIEF EXECUTIVE OFFICER



Approved by:
MS SEDZANI FAITH MUDAU
BOARD CHAIRPERSON



1 OUR MANDATE

1.1 CONSTITUTIONAL MANDATE

SENTECH derives its mandate from legislation, in particular 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, the 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 the Individual Electronic Communications Network Services (I-ECNS) and the Individual Electronic Communications Services (I-ECS), both 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 compliance with relevant legislation. The organisation is further guided by the principles embodied in the King IV Report on Corporate Governance and the Protocol on Corporate Governance in the Public Sector, 2002.

1.3 BOARD OF DIRECTORS

In terms of the SENTECH Act, the Board is comprised of non-executive and executive directors. The Shareholder compact and MOI govern the board of SENTECH’s scope of activity in fulfilling the Shareholder’s operational objectives. Table 1 below lists both non-executive and executive directors of the company. The responsibility of the Board and its different Sub-Committees is also outlined below:

BOARD

The responsibility of the SENTECH Board is to direct and control the Company within the legislative, policy and regulatory framework set by the SENTECH Act, PFMA and the relevant regulatory authority (ICASA) respectively. In managing or directing the affairs of the Company, the Board has authority to exercise all the powers and perform any of the functions of the Company except to the extent that the Companies Act or MOI provide otherwise. The Board must adopt, monitor, and evaluate the implementation of strategies, policies, business plans and the management performance criteria.

TECHNOLOGY, SALES AND REGULATORY COORDINATION COMMITTEE

The Committee is responsible for advising and guiding the Board with respect to the Company Strategy, including but not limited to, the Technology and Information Strategy, in response to National Policy, National Priorities, National Programmes and National Regulatory Environment. It ensures that SENTECH’s Technology and Information Strategy, its development and implementation is aligned with the business objectives and the Corporate Plan. It ensures that the Technology and Information Strategy responds to good corporate governance. In addition, it ensures that the Marketing and Sales Strategy supports the Company’s objective of achieving increased sales revenue. Furthermore, it ensures that strategies emanating from innovative initiatives support the building of digital capabilities and enhance connectivity.

AUDIT AND RISK COMMITTEE

The Committee is authorised to carry out responsibilities for Integrated Reporting, Internal and External Audit, Internal Controls, Risk Management, Financial Statements, Performance Information, and ensure compliance with the relevant prescripts including PFMA and Treasury Regulations (TR). The Committee is responsible for reacting to whistle blowing and investigations relating to fraud and misconduct, performance information and combined assurance.

INVESTMENT COMMITTEE

The Committee is responsible for considering investments and acquisition opportunities presented by EXCO and recommending these to the Board for approval. It further considers and recommends to the Board all qualitatively and quantitatively significant mergers and acquisition transactions or formation of joint ventures. It monitors the execution/implementation of any Board-approved investments, divestments and disposals of assets.

HUMAN RESOURCES, NOMINATION AND REMUNERATION COMMITTEE

The Committee ensures the development and review of policies for the Company’s human resources and receive reports on the implementation of the human resources strategy and plan. The HRNR Committee assists the Board in its responsibility for monitoring implementation of the human resources policies in the long-term interests of the company. It ensures that the Company remunerates fairly, competitively, responsibly and transparently. It also reviews performance of the Executive Directors and Company Secretary in discharging their functions and responsibilities.

SOCIAL AND ETHICS COMMITTEE

The role ascribed to the Committee is that of oversight and reporting on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. The Committee focuses on social and ethical matters that are critical for the Company’s sustainability and management of material issues pertaining to statutory obligations, risks, stakeholder concerns and key performance indicators.

Name	Date appointed	Position	Race	Gender	Qualification
Ms Sedzani F. Mudau	1 December 2021	Board Chairperson Non-Executive Director	A	F	BCom (Hons) Accounting; CA(SA); MBA; Management Advanced Program (MAP)
Ms Veronica M. Motloutsi	1 December 2021	Investment Committee Chair Non-Executive Director	A	F	ND (IT); BTech (IT); Master of Technology; PGD Business Administration; MBA
Ms Mapuleng Maropa	1 December 2021	Technology Sales and Regulatory Coordination Committee Chair Non-Executive Director	A	F	BSc (IT); Programme in Management Development (PMD); MBA
Dr Tshavhuyo Sesane	1 December 2021	Social and Ethics Committee Chair	A	M	ND (Industrial Engineering); Bachelor’s in Industrial Engineering; PGD (Corporate Law); BSC (Hons) Applied Science Industrial Systems; MBA; PhD: Engineering Management
Mr Themba Phiri	1 December 2021	Audit and Risk Committee Chair Non-Executive Director	A	M	ND (Public Administration and Management), BTech (Public Management in Economics); Post-graduate Certificate in Telecommunications Policy and Regulation and Management (TPRM); Master’s Degree in Public Administration (Public Policy)
Adv Nkhumeleni A. Mudunungu	1 December 2021	Non-Executive Director	A	M	B Juris, and LLB
Mr Mbasa Metuse	1 December 2021	Human Resource Nominations and Remuneration Chair Non-Executive Director	A	M	Project Management Certificate; PGD (Business Administration); BSocSci (Hons) Development Studies; Masters in Social Policy and Development Research Methods
Mr Mlamli Booi	15 October 2015	Chief Executive Officer and Executive Director	A	M	BSc; MSc (Electrical Engineering); Pr.Eng; CD(SA)
Mr Tebogo J. Leshope	1 March 2018	Chief Operations Officer and Executive Director	A	M	ND (Electrical Engineering); BTech (Electrical Engineering); MBA
Ms Rudzani Rasikhinya	1 November 2022	Chief Financial Officer (Interim)	A	F	BCom (Hons); BCompt; Higher Diploma in Taxation, CA (SA)

Table 1: Board of Directors

1.4 EXECUTIVE MANAGEMENT

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

Name	Date appointed	Position	Race	Gender	Qualification
Mr Mlamli Booi	15 October 2015	Chief Executive Officer and Executive Director	A	M	BSc; MSc (Electrical Engineering); Pr.Eng; CD(SA)
Mr Tebogo J. Leshope	1 March 2018	Chief Operations Officer and Executive Director	A	M	ND (Electrical Engineering); BTech (Electrical Engineering); MBA
Ms Rudzani Rasikhinya	1 November 2022	Chief Financial Officer (Interim)	A	F	BCom (Hons); BCompt; Higher Diploma in Taxation, CA (SA)
Mr Flenk Mnisi	1 February 2022	Chief Technology and Information Officer (Acting)	A	M	ND (Electrical Engineering); PGD (Management Practices); BTech (Management); MBA
Ms Mabel Manyere	1 June 2020	Executive Finance (Acting)	A	F	BAcc (Hons); MBL; CIMA Adv Dip; MA
Mr Itumeleng Segaloe	1 May 2016	Chief Strategy Officer	A	M	Cert. Digital Transformation; BA; BAdmin (Hons); MBA; Global Executive Programme
Ms Mmapula Kgari	12 June 2017	Broadband Executive (Acting)	A	F	BCom; MBL
Mr Kopano Thage	18 June 2019	Chief Marketing and Sales Officer (Acting)	A	M	BSc; MBA
Mr Zunaid Adams	7 August 1995	Executive: Legal and Regulatory	I	M	BA; BProc
Ms Kereng Motlhabi	15 August 2016	Chief Human Resources Officer	A	F	BCom (Hons) Industrial Psychology
Ms Ephenia Motlhamme	1 December 2022	Company Secretary	A	F	LLB; Admitted Attorney; MAP; Global Executive Programme
Mr Marlon T. Finnis	8 June 2018	Executive: Operations	C	M	BTech (Electrical Engineering), MBL

Table 2: Executive Team Profile

1.5 ORGANISATIONAL STRUCTURE

The current SENTECH organisational structure is as follows:

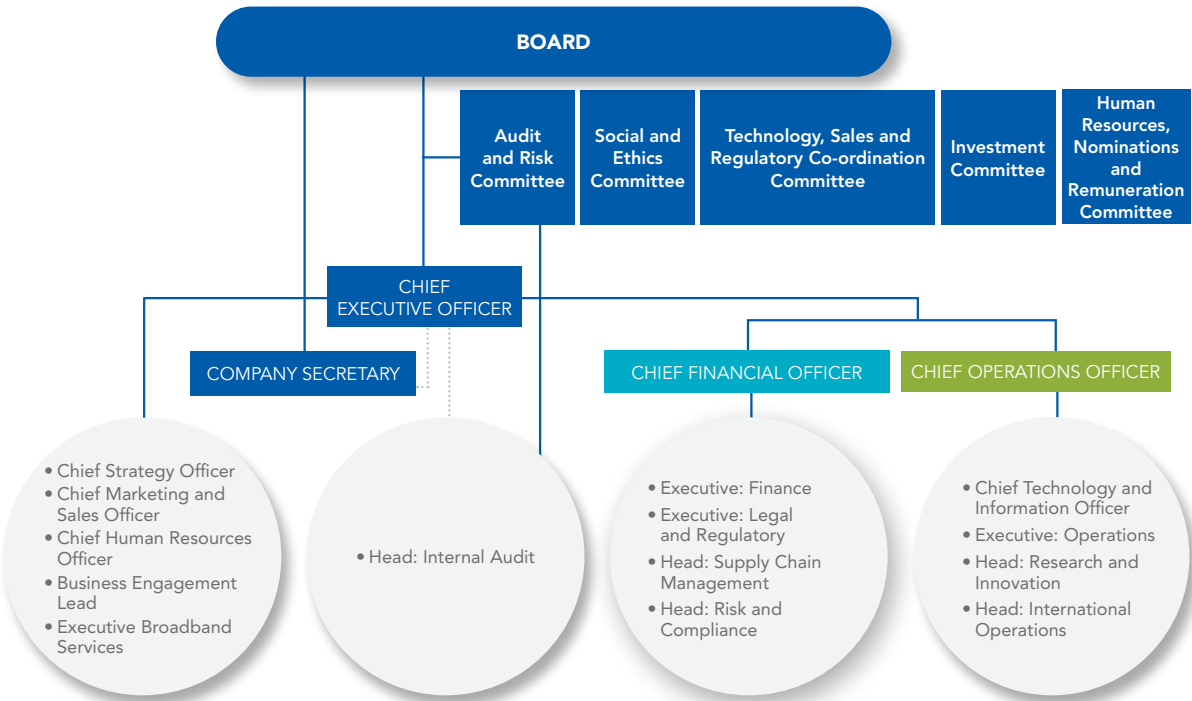


Figure 1: SENTECH Organogram



section

2

OUR
STRATEGIC
FOCUS

ORGANISATIONAL IDENTITY

VISION

To be a global leader in digital infrastructure enabling connectivity and content delivery

MISSION

Provide infrastructure that connects smart communities, people and devices to deliver content and innovative digital solutions

VALUE PROPOSITION

Reliable access to content and connectivity

OUR VALUES

Innovation

Agile

Reliable

i - C A A R E

Customer-centric

Accountable

Ethical

Figure 2: Our values

STRATEGIC GOALS

1

Launch SA-owned communication satellite(s) and build connectivity infrastructure

2

Enable digitally connected people and devices for smart communities

3

A sustainable and relevant business that delivers value to stakeholders

STRATEGIC PRIORITIES

Informed by the Shareholder priorities and the envisaged Fourth Industrial Revolution (4IR), SENTECH has chosen to position itself as a digital infrastructure and platform provider for media distribution and broadband in South Africa, Africa and globally. Aligned to the Annual Performance Plan 2023/24, the following strategic priorities look set to entrench SENTECH as a sustainable State Digital Infrastructure Company:

POSITIONING: Becoming a sustainable state digital infrastructure company		
PRIORITY	STRATEGY	INITIATIVES
Priority 1	Increase broadband connectivity footprint	<ul style="list-style-type: none"> Build own broadband network Participate in SA Connect Increase satellite services (VSAT)
Priority 2	Unlock value and leverage infrastructure assets	<ul style="list-style-type: none"> Increase tower count through acquisitions and build to suit Increase tower revenue through colocation, managed services and value-added services Leverage property portfolio Operationalise datacentre offerings
Priority 3	Consolidate media multiplatform	<ul style="list-style-type: none"> OTT platform and solutions Multiplatform (OTT, DTT, DTH) Roll out STB ecosystem
Priority 4	Focused entry into African markets	<ul style="list-style-type: none"> Export broadcast offerings and capabilities Enter and invest in one country at a time
Priority 5	Communication Satellite launch preparatory work	<ul style="list-style-type: none"> Orbital slot Spectrum licence Funding Strategic partnerships

Figure 3: SENTECH Strategic priorities

STRATEGIC PILLARS

To achieve its strategic goals and Shareholder outcomes, SENTECH has committed to implementing the seven strategic pillars:



Figure 4: Strategic pillars

STRATEGIC INITIATIVES

BROADBAND

SENTECH will strengthen the execution of its Broadband strategy to exploit opportunities and drive connectivity to enable a digital economy as outlined in the quarterly APP deliverables. This will drive technological development in the country to eradicate the digital divide through growing and investing in SENTECH CONNECT coverage initiative and rollout broadband initiatives for the public sector, including SA-Connect.

NATIONAL SATELLITE

During this MTEF, SENTECH will continue to play a key role in leading the Shareholder's aspiration of establishing a South African-owned communication satellite, which will position the country as the African leader in ICT, reduce costs of satellite service access, improve information security and enhance South Africa's technological sovereignty. One of the priorities alluded to in the APP includes securing the orbital slot through regulating authorities.

SOC RATIONALISATION

The BBI acquisition process is well underway and should be finalised at the end of the FY2022/23. This will be followed by an integration plan incorporating a comprehensive turnaround strategy to be supported by the Shareholder to ensure the future sustainability of BBI to continue to deliver on its corporate mandate.

section

3

SITUATIONAL ANALYSIS

SITUATIONAL ANALYSIS

THE CHANGING STRATEGIC CONTEXT

SENTECH's strategic intent formulated for the MTEF 2021/22–2023/24 remains a relevant response to the organisation's need to adapt to the socio-political environment, the economic landscape, technological innovations, policies and regulations, and contribute towards a sustainable future. As an organisation, SENTECH is going through its transformation stage to position itself as a state digital infrastructure company, which bodes well for the entity to achieve its desired impact of bridging the country's digital divide. Through the provisioning of digital infrastructure in the form of a South African-owned communication satellite, the organisation has the opportunity to collaborate with other organs of state and the private sector, with the view of utilising the scale of satellite throughput to bring down connectivity cost to rural communities and bolster local economic activity. By leveraging its tower infrastructure and operationalising its datacentres, SENTECH can offer a range of broadband connectivity solutions for both the private and public sectors. The organisation is further poised to consolidate its digital media distribution plans into a multiplatform offering. The synergies this brings will ensure that SENTECH is able to defend and diversify its revenue streams, while remaining relevant in the market by offering integrated solutions and ultimately fulfilling its mandate.

SOUTH AFRICA'S MEDIA & ENTERTAINMENT MARKET REBOUNDS

	2017	2018	2019\$	2020	2021	2022	2023	2024	2025	2026	21–26 CAGR
Business-to-business	8 771	9 101	9 388	6 586	7 553	8 737	9 249	9 617	9 863	10 023	5.8%
Consumer books	1 606	1 625	1 662	1 648	1 681	1 679	1 683	1 678	1 663	1 641	(0.5%)
Traditional TV and home video	23 485	24 575	24 055	24 256	24 676	25 465	26 041	26 662	27 082	27 371	2.1%
OTT video	1 059	1 196	1 624	2 158	2 648	2 910	3 116	3 267	3 370	3 473	5.6%
Internet access	49 920	52 317	61 188	68 002	81 094	89 600	97 233	104 573	111 434	117 934	7.8%
Newspaper and consumer magazines	10 669	10 439	10 064	7 972	7 677	7 320	7 154	7 015	6 913	6 832	(2.3%)
Out-of-home advertising	2 687	2 735	2 942	2 500	2 719	2 927	3 027	3 061	3 079	3 089	2.6%
Video games and e-sports	3 479	4 017	4 454	4 843	6 042	6 961	8 134	8 912	9 606	10 235	11.1%
TV advertising	7 472	7 233	6 943	5 759	7 077	7 453	7 285	7 582	7 726	7 804	2.0%
Cinema	1 598	1 758	1 759	305	651	1 217	1 879	2 059	2 184	2 316	28.9%
Internet advertising	9 085	11 119	13 074	14 603	18 519	20 874	22 772	24 540	26 175	27 864	8.5%
Music, radio and podcasts	6 507	6 881	6 912	4 858	5 499	6 612	7 088	7 381	7 619	7 828	7.3%
Total	122 079	131 555	142 320	141 503	163 226	178 510	190 914	202 101	211 996	221 204	6.3%
Annual growth		7.8%	8.2%	(0.6%)	15.4%	9.4%	6.9%	5.9%	4.9%	4.3%	

Table 3: PwC Africa entertainment & media outlook, 2022–2026

Some sectors within the Media & Entertainment (M&E) market enjoyed a boost from lockdowns during the recent pandemic. It follows that players in the OTT video will enjoy stable growth of 5.6% CAGR by 2026, albeit with margins under pressure owing to an influx of international OTT players directing investments into Africa. The implications for SENTECH's strategy in consolidating its media and broadband offering is that traditional TV is set to realise mediocre growth of 2.1% with corresponding TV advertising spend at 2% for the same period. This low growth has an impact on the broadcasting segment's outlook, and a direct effect on the organisation's biggest revenue contributor – the TV portfolio. This places an urgent need to accelerate SENTECH's plans to unlock value within the OTT space and broadband connectivity. As seen in Table 3 above, internet advertising spend is poised to enjoy 8.5% CAGR growth on the backdrop of envisaged 7.8% increase in internet access. This trend entrenches data as a currency, as advertisers fight for the limited number of audience segments, who are faced with endless options when deciding where and how to spend their money and time. Radio on the other end, has held its ground with a stable outlook of 7.3%; amidst the negative impact of power outages, it remains the listeners' choice for accessing current affairs, while fostering dialogue across diverse communities.

POSITIONING NEW DIGITAL INFRASTRUCTURE SERVICES: TOWERS AND DATACENTRES

A high level of synergies is attributed to both the towers and datacentre infrastructure, creating an opportunity in the market for SENTECH as a digital infrastructure company. The market demand has shifted towards provisioning of datacentres as a service, providing customised solutions for different clients, either as colocation facilities or for disaster recovery. As a result, the need for data security to counter the growing sophistication of cyber threats has also increased. This has resulted in a shift in the structure of ICT networks towards a hybrid of decentralised and localised network architectures, in turn necessitating innovative business models and new forms of intermediation in the value chain. The opportunity spaces that this opens up for SENTECH may be seen on the right-hand side of the illustration in Figure 5.

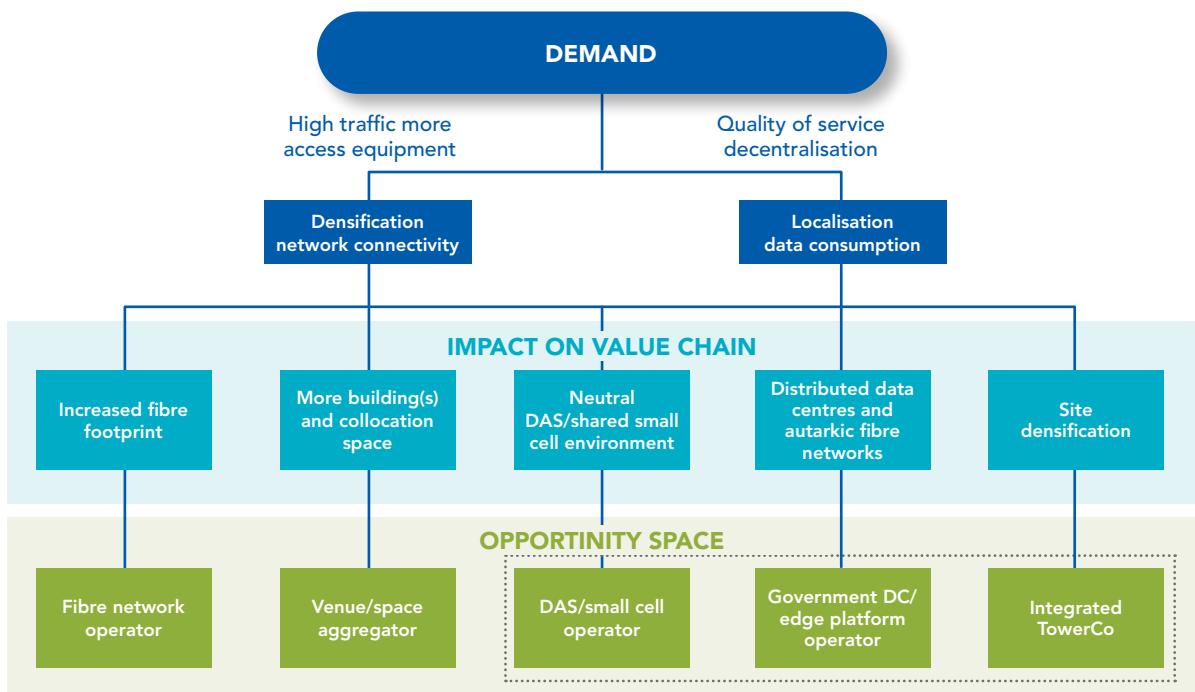


Figure 5: Shifting demand and impact of data centre and tower market

Datacentre growth and the move towards Edge revenue are estimated to reach \$30 billion globally and \$3 billion in Africa by 2030. This growth is driven by the deployment of 5G networks and the Internet of Things (IoT). The exponential increase in data traffic caused by IoT devices and smartphones is boosting the demand for datacentres to manage the volume of data generated, with video streaming and gaming amounting to over 81% of total internet traffic – predicted to grow by 25% CAGR by 2030. This augments the requirements for Edge datacentres going forward, with the value of the global datacentre market growing from \$5.3 billion in 2019 to \$53.1 billion in 2030. In addition, growth in global multi-tenant datacentres (MTDC) is expected to rise from \$31 billion in 2021 to \$48 billion by 2027 at a CAGR of 7.6%.

LEADING THE SOUTH AFRICAN DOMESTIC SATELLITE OPERATION

The African space economy is valued at \$19.49 billion with a growth outlook of 16% by 2026 and employs over 19 000 people, with the government being the biggest contributor, accounting for 11 000 jobs created to date, according to the Space in Africa industry report. A number of important considerations must be kept in mind when considering the development and launch of a South African communications satellite. That being said, SENTECH has existing and sought-after satellite competencies and capabilities, namely, uplink/signal distribution to towers across South Africa for terrestrial TV distribution with DTH uplinking as well as VSAT services. In addition, teleport operations with C and Ku band earth stations at its Radiokop and NASREC sites.

POLICY AND REGULATORY ENVIRONMENT

The consistent theme within the Policy and Regulatory Environment in the last few years has been and will continue to be the need for intense and focused reconsideration of South African policy, legislative and regulatory frameworks in the medium term following of the review of the country's performance against the targets stipulated in the National Development Plan 2030. Several policies and legislative amendments must be finalised to initiate changes in the regulatory frameworks.

The National Integrated ICT Policy White Paper (ICT Policy), as previously indicated, encourages an inclusive regulatory regime for the communications industry by proposing how the Authority can address issues of barriers to ownership, diffusion of infrastructure, services, devices and digital literacy. The ICT Policy advances the need for competition at service level, rather than at infrastructure level. There is also the urgent need for the country to invest in communication infrastructure to enable a faster and more inclusive transition to a fully fledged digital economy. Some of the outstanding policies crucial to addressing the issues raised are Rapid Deployment, Data and Cloud, and Next Generation Radio Frequency Spectrum for Economic Development.

To enable the implementation of some aspects of the anticipated policies, legislative amendment and enactment of new laws is required. There is a need to amend the ECA to take into consideration changes brought about by technology developments since the last modification. The finalisation of new legislation for the formation of the SDIC because of the state rationalisation process is also urgent. Legislative amendments and enactment of new laws will enable the state to successfully intervene in areas of market failure. Additionally, this will encourage a regulatory framework that enables the proliferation of mobile virtual network operators (MVNOs) and community networks through the creation of a network neutral host model, SDIC, thereby striving to reduce infrastructure as a barrier of entry.

SITUATIONAL ANALYSIS CONTINUED

The commencement of SENTECH's FY2023/24 will coincide with the ITU's second session of the Conference Preparatory Meeting 2023 (CPM23-2) scheduled for 27 March to 6 April 2023. CPM23-2 shall prepare a consolidated Report on the ITU Radiocommunication (ITU-R) preparatory studies and viable solutions to the WRC-23 agenda items, to be used in support of the work of the Conferences. The ITU WRC-23) will be hosted by the United Arab Emirates, in Dubai from 20 November to 15 December 2023. WRCs are held every three to four years to review and, if necessary, revise the Radio Regulations, the international treaty governing the use of the radio-frequency spectrum and the geostationary satellite and non-geostationary satellite orbits.

HIGH DEMAND SPECTRUM

The draft *Next Generation Radio Frequency Spectrum for Economic Development* is proposing a framework for the licensing of spectrum allocated for mobile services and identified for IMT at the last WRC conference in 2019. In the event ICASA agrees with the Minister, there is an expectation that the Authority will have begun creating several Roadmap documents for a number of frequency bands. There is at least 17.25 GHz of spectrum that is going to be available for auction, namely: 24.25–27.5 GHz; 37–43.5 GHz; 45.5–47 GHz; 47.2–48.2 GHz; and 66–71 GHz. It is important to note that SENTECH has several fixed (point-to-point) links in the 38 GHz band. Neither the Ministry nor ICASA have indicated how existing services are going to be dealt with, especially when there are no prospects of co-sharing within the same geographical space.

There is still unauctioned lots from the March 2022 ICASA high-demand spectrum auction process. The Authority has indicated that these will be included in the next invitation-to-apply (ITA) process. The bands affected, excluding the WRC-19 allocations, are 700, 800, 2300, 2600 and 3500 MHz. Taking into consideration the current legislative and regulatory frameworks, the state digital infrastructure company would have to participate in the ITA process to access the unassigned high-demand spectrum.

TERRESTRIAL BROADCASTING

In FY2022/23, ICASA published a Discussion Document on *The Market Inquiry Into Signal Distribution Services in South Africa* and held public hearings on the matter. To date, ICASA is yet to gazette the *Findings Document*, a document detailing the Authority's views on the discussion document and the processes that will be initiated as a result of the public participation. Within FY2022/23, SENTECH received a request for information from the Competition Commission in connection with the complaint lodged by the SABC alleging that the tariffs "levied to it are excessive for all distribution/transmission services". After submitting the requested information, the Competition Commission announced the appointment of a mediator.

It is important to note that the Competition Commission will be running both processes, information analysis and mediation, simultaneously. ICASA and Competition Commission have an MOU. However, it is expected that ICASA will propose a public process to initiate the regulation of SENTECH tariffs and the Competition Commission may address issues of accounting separation.

There is a growing demand from mobile network operators for all terrestrial television services to be migrated below 694 MHz as soon as possible. There is currently a concerted effort from ICASA to address the issues of interference between IMT and terrestrial broadcasting services. The sooner terrestrial television services migrate below 694 MHz, the quicker ICASA collects the outstanding auction fees. In the event there are still terrestrial services above 694 MHz by end the of the current financial year, ICASA will likely take a more aggressive stance to approve services above 694 MHz.

Lastly, it is important to note that the Minister has consistently advocated for co-primary allocation of DTT and Mobile services in the band 470–694 MHz. It is therefore clear that South Africa will be going to WRC-23 in Dubai, November 2023 supporting the allocation for mobile services. Depending on where limits will be set, i.e. lower band for mobile services, SENTECH must plan for a number of scenarios with respect to a third migration and a loss of a number of multiplexes.

INTERNAL ENVIRONMENT

The 2022/23 annual strategic review of the SENTECH Corporate Strategy aimed to align internal capabilities to external market forces, resulting in an urgent need to transition from a structure centered around a single business – signal distribution – to the establishment of six focused Business Units (BU) within SENTECH SOC, namely: Content & Media Distribution (C&MD), Connectivity (C), Managed Infrastructure (MI), Datacentres (D), Satellite (S) and Global & Africa (G&A).

The following section, together with Figure 6 below, summarises the key elements of each of these business units to provide insights into what will be expected from the future strategic direction of each. Of these, three business units, namely Content & Media Distribution, Managed Infrastructure and Connectivity, formed part of the original SENTECH corporate structure. The Global and Africa BU had previously been a focus area of the SENTECH Corporate Strategy, but has not received much attention as a result of the limitations brought about by prolonged lockdown periods.

STRATEGIC CHOICES



Figure 6: SENTECH Business units

SITUATIONAL ANALYSIS CONTINUED

The Datacentres and Satellite BUs are newly formed and will focus on the execution of SENTECH's mandate, as directed by its journey towards the establishment of a State Digital Infrastructure Company (SDIC). The strategy of the Connectivity BU furthermore anticipates the acquisition of BBI, which should be completed by the commencement of FY2023/24. This provides an immediate capacitation of the BU and increased footprint in connectivity capabilities into SENTECH as a whole.

It is anticipated that the success of these BUs is not just the way they perform on a stand-alone basis, but rather how they will leverage the synergistic proposition, delivering integrated solutions to customer challenges and opportunities. This will require a cultural shift on the part of SENTECH and its people; a shift to embracing collaborative work practices and conducting business development initiatives with an ethos of delivering the best customer experience as espoused by its strategic direction.

The C&MD BU faces the challenge of transforming its business architecture from a legacy signal distribution business to one delivering a range of potential content access platforms, from OTT to DTT to streaming. The Connectivity BU has the opportunity of expanding and renewing its network to better serve the public sector and find innovative ways of bridging the digital divide.

The Datacentres and Satellite/Space BUs are blank canvases upon which to highlight the technologies of the future. They cater to both an exponential growth in the production and storage requirements of data as well as in the need to secure South Africa's connectivity sovereignty through the development and ultimate launch of South Africa's own Communications Strategy. Lastly, for the Global & Africa BU, its ultimate challenge is to match the different stand-alone and integrated BU solutions to the needs and requirements of different countries on the African continent – one country at a time.

REMAINING RESOLUTE IN DELIVERING ON OUR MANDATE

SERVICE MANAGEMENT

SENTECH will continue to fulfil its service obligation towards its customers and the public of South Africa. To ensure the highest quality of service and maintained integrity of infrastructure, SENTECH will implement its service management strategies and ensure accessible infrastructure services through undertaking requisite infrastructure management initiatives. Implementation of service management strategies will reduce service outages and ensure that the organisation meets its set network availability targets. SENTECH has consistently reached the availability targets per product over the past MTEF, mainly as a result of successful management of services and quick responses to service-affecting faults. Unfortunately, the increased loadshedding and devastating impact of vandalism impacted the performance of the Connectivity Platform in the last financial year. See below a summary of performance over the past four years.

FY2019–2022 Network performance

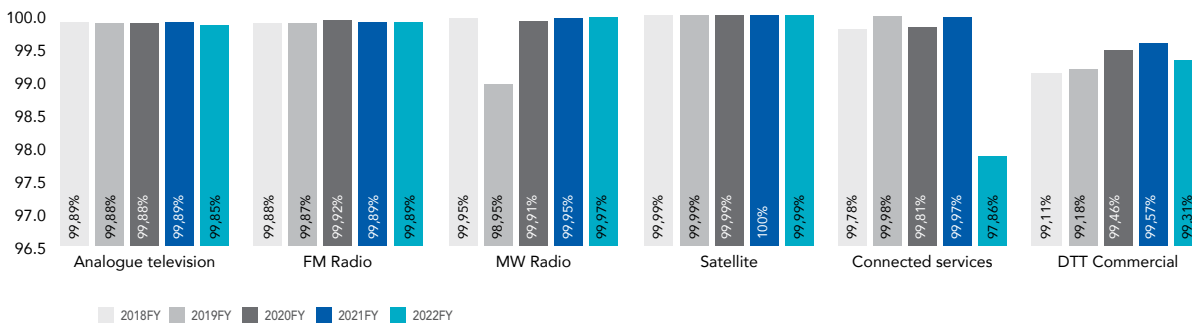


Figure 7: SENTECH Network performance FY2020/22

As SENTECH terminates Analogue TV, it is predicted that there will be overall efficiency gains on spectrum use, energy and maintenance activities. The decrease in plant maintenance will be due to digital technology efficiency – digital service being less maintenance intensive and able to be managed remotely. Corrective maintenance will continue on a case-by-case basis to ensure a reliable network at all times.

Various technology refresh programmes are planned for the MTEF, including the upgrade of the Frequency Modulation (FM) network, Uninterruptible Power Supply (UPS) replacements, Standby Generator replacements, FM and Digital Terrestrial Television (DTT) remote monitoring. Several transmitter and office infrastructures will also be upgraded.

ENVIRONMENTAL PRESERVATION

The Company has implemented various initiatives to enhance its natural capital. Some of SENTECH's communications infrastructure is situated in South Africa's national parks, protected areas, private reserves and farms and subsequently is frequently close to animals, natural vegetation and both surface and underground water supplies. By its nature, technical infrastructure produces harmful and hazardous waste which, if improperly handled, could be harmful to the environment and humans.

SENTECH is committed to preserving environmental integrity and to continually improving its compliance with environmental management legislation, regulations and standards.

LOWER CARBON EMISSIONS

The Carbon Tax Act (No. 15 of 2019) mandates reporting on carbon emissions and requires all businesses to reduce their carbon footprint in a responsible and innovative manner. The Act provides for government to levy a tax on greenhouse gas emissions (GHG) based on the "polluter pays" principle. This is intended to encourage businesses to reduce their emissions and is supported by programmes incentivising them to adopt cleaner technologies.

Energy remains a key commodity for SENTECH service provisioning and availability thereof is critical to ensure service continuity. The Energy Management Strategy objectives intend to achieve reduced energy costs and decrease SENTECH's carbon footprint. This is aligned to the corporate KPI. Over the past two years, SENTECH began implementing green energy solutions successfully at identified sites and at the SENTECH Head Office. Those facilities are reaping the benefits of a reduction in the monthly electricity costs.

During the next MTEF, SENTECH intends to convert 40 additional sites to solar power. Loadshedding disrupts the stable supply of electricity to the SENTECH high sites which causes long generator runs. Therefore, the plan during the next MTEF is to ensure that the implemented solutions and future solutions will be augmented with storage capacity as we work towards moving off the grid.

The green energy initiative combined with the ASO process will yield significant energy saving benefits estimated at 25% of the current energy bill. The phased implementation of the energy management plan, which also speaks to replacement of energy inefficient equipment, has seen a steady reduction in the carbon footprint.

HUMAN AND ASSET SECURITY

The scourge of copper theft and vandalism of the network infrastructure has, in some cases, inhibited the organisation's ability to deliver services to its customers. This is a huge security concern to the organisation and negatively impacts service delivery. Certain sites are now deemed unsafe and too dangerous to attend to at night. This has resulted in the organisation incurring costs for service restoration and infrastructure repair and security enhancements.

SENTECH will continue to invest in initiatives to reduce the impact of theft and asset vandalism. This includes, but is not limited to CCTV, biometric access, electric fences, enhanced monitoring and management of strategic asset movement and other deterrents to reduce the impact of crime.



section
4 MEASURING
OUR
PERFORMANCE

MEASURING OUR PERFORMANCE

IMPACT STATEMENT

Overcome digital inequality and enrich lives.

ALIGNMENT WITH SHAREHOLDER PRIORITIES

The SENTECH Board has adopted a set of strategic objectives for the 2022–2025 planning period to ensure that the Company achieves its public service mandate objectives aligned with Shareholder’s desired outcomes:

SHAREHOLDER PRIORITIES	SENTECH’S STRATEGIC GOALS	STRATEGIC PILLARS
Increased access to secure digital infrastructure and services	<div>Strategic Goal 1</div> LAUNCH A SOUTH AFRICAN COMMUNICATIONS SATELLITE AND BUILD CONNECTIVITY INFRASTRUCTURE	<div>DIGITAL INFRASTRUCTURE</div> <div>CUSTOMER-CENTRICITY</div>
A digitally transformed society and economy	<div>Strategic Goal 2</div> ENABLE DIGITALLY CONNECTED PEOPLE, DEVICES AND COMMUNITIES	<div>INNOVATION AND DATA-DRIVEN</div> <div>TRANSFORMATION AND ENVIRONMENTAL</div>
A high-performance portfolio structured and managed to achieve policy objectives and mandates	<div>Strategic Goal 3</div> A SUSTAINABLE AND RELEVANT BUSINESS THAT DELIVERS VALUE TO STAKEHOLDERS	<div>FINANCIAL OUTCOME</div> <div>ENGAGED AND TALENTED PEOPLE</div> <div>GOOD GOVERNANCE</div>

Figure 8: SENTECH’s Alignment to Shareholder priorities

MEASURING OUR PERFORMANCE

CONTINUED

PERFORMANCE INDICATORS FOR THE MTEF PERIOD FY2023/24–2024/25








STRATEGIC PILLARS	OUTCOMES	OUTCOMES INDICATORS	BASELINE ESTIMATED AS AT END FY2022/23	FY22/23 TARGETS	FY23/24 TARGETS	FY24/25 TARGETS
	Digital infrastructure and technologies in the right place at the right time/able to use	Number of customers onboarded on digital platform	Two new customers onboarded on the OTT platform	Two new customers onboarded on the OTT platform	Cloud platform implemented for two customers	5G deployed
		SA Satellite launch readiness plan	SA Satellite Bankable Business Plan finalised, funding commitments secured and submitted to Shareholder for approval	SA Satellite bankable business plan finalised, funding commitments secured and submitted to the Shareholder for approval	Filing for orbital slot for satellite launch submitted to the Radio Bureau, International Telecommunications Union (ITU) A minimum of four Partnership Agreements concluded to support Satellite launch	Launch SA Satellite
		Number of broadband sites connected	114 Broadband sites connected	680 of broadband sites connected – There was no target in FY 22/23	800 of broadband sites connected (cumulative)	2 600 of broadband sites connected (cumulative) – NO target for FY24/25
		Broadcasting Digital Migration (BDM) and Analogue Switch Off (ASO) finalised in all provinces	66% of analogue sites switched off	–	All analogue sites switched off in remaining provinces	–
	Focused pipeline of innovative products and platforms that deliver strategic and operational value	Number of innovation initiatives implemented for revenue growth and operational efficiency	Two Innovation initiatives	Two Innovation initiatives implemented for revenue growth and operational efficiency	Four Innovation initiatives implemented for revenue growth and operational efficiency	Four Innovation initiatives implemented for revenue growth and operational efficiency
	Excellent customer experience	Customer satisfaction score (%)	75.5% Customer satisfaction score	75% Customer satisfaction score	80% Customer satisfaction score	80% Customer satisfaction score
		Weighted average network availability (%)	99.80% Weighted average network availability	99.80% Weighted average network availability	99.80% Weighted average network availability	99.82% Weighted average network availability
	Reduced carbon footprint	Percentage of sites installed with green energy supply	30% of 40 planned sites installed with green energy supply	30% of 40 planned sites installed with green energy supply	60% of 40 planned sites installed with green energy supply	100% of 40 planned sites installed with green energy supply
	Revenue growth	New revenue growth (%)	10.9%	35.3%	34.3%	36.6%
	Maintain profitability	Cost to income (%)	79.1%	86.7%	–	–
		EBITDA	EBITDA of R409 million	–	EBITDA of R410 million achieved	EBITDA of R410.636 million achieved
	Right people in the right place at the right time with the right skills and mindset	Percentage of digital training intervention planned implemented	100% of digital training planned intervention implemented	100% of digital training planned interventions implemented	100% of digital training planned interventions implemented	100% of digital training planned interventions implemented
	Effective corporate governance	Clean audit achieved	Clean audit	Clean audit achieved	Clean audit achieved	Clean audit achieved
		Finalise SOC Rationalisation	SOC Rationalisation Plan developed and partially implemented	SOC Rationalisation Plan developed and partially implemented	BBI Acquisition concluded	BBI Turnaround Plan implemented

Table 4: Performance Indicators for MTEF Period 2022/23–2024/25

MEASURING OUR PERFORMANCE CONTINUED

ANNUAL PERFORMANCE PLAN (FY2023/24)








STRATEGIC PILLARS	OUTCOMES	OUTCOMES INDICATORS	BASELINE ESTIMATED AS AT END FY2022/23	#	FY2023/24 ANNUAL TARGETS
	Digital infrastructure and technologies in the right place at the right time/able to use	Number of customers onboarded on digital platform	Two new customers onboarded on the OTT platform	1	Cloud platform implemented for two customers
		SA Satellite launch readiness plan	SA Satellite Bankable Business Plan finalised, funding commitments secured and submitted to Shareholder for approval	2	Filing for orbital slot for satellite launch submitted to the Radio Bureau, International Telecommunications Union (ITU)
				3	A minimum of four Partnership Agreements concluded to support Satellite launch
		Number of broadband sites connected	114 Broadband sites connected – There was no baseline in FY 2022/23	4	800 broadband sites connected (Cumulative)
		Broadcasting Digital Migration (BDM) and Analogue Switch Off (ASO) finalised in all provinces	–	5	All analogue sites switched off in remaining provinces
	Focused pipeline of innovative products and platforms that deliver strategic and operational value	Innovation initiatives implemented for revenue growth and operational efficiency	Two innovation initiatives	6	Four innovation initiatives implemented for revenue growth and operational efficiency
	Excellent customer experience	Customer satisfaction score (%)	75.5% Customer satisfaction score	7	80% customer satisfaction score
		Weighted average network availability (%)	99.80% Weighted average network availability	8	99.80% weighted average network availability
	Reduced carbon footprint	Percentage of planned 40 sites installed with green energy supply	30% of planned sites installed with green energy supply	9	60% of 40 planned sites installed with green energy supply (Cumulative)
	Revenue growth	New revenue growth (%)	10.9%	10	34.3% new revenue growth (cumulative)
	Maintain profitability	Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	EBITDA of R403 million	11	EBITDA of R410 million achieved
	Right people in the right place at the right time with the right skills and mindset	Percentage of digital training planned intervention implemented	100% of digital training planned intervention implemented	12	100% of digital training planned intervention implemented
	Effective corporate governance	Clean audit achieved	Clean audit	13	Clean audit achieved
		Finalise SOC Rationalisation	SOC Rationalisation plan developed and partially implemented	14	BBI Acquisition concluded

Table 5: SENTECH's Annual performance plan FY2023/24

MEASURING OUR PERFORMANCE

CONTINUED

ANNUAL PERFORMANCE PLAN – QUARTERLY TARGETS FY2023/24








					QUARTERLY TARGETS			
STRATEGIC PILLARS	OUTCOMES	OUTCOMES INDICATORS	#	FY2023/24 ANNUAL TARGETS	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
	Digital infrastructure and technologies in the right place at the right time/able to use	Number of customers onboarded on digital platform	1	Cloud platform implemented for two customers	Definition of Cloud offering completed	Go to market strategy developed for Cloud platform	Cloud offering launched with one customer	Two customers onboarded onto the Cloud platform
		SA Satellite launch readiness plan	2	Filing for orbital slot for satellite launch submitted to the Radio Bureau, International Telecommunications Union (ITU)	Develop the User Requirement Specification to inform the amount of spectrum required for satellite launch	Undertake an analysis and identify available spectrum for satellite launch	Develop and Submit filing application through ITU tools for satellite launch	Confirm filing for orbital slot for satellite launch submitted to the Radio Bureau, International Telecommunications Union (ITU) and follow coordination process for satellite launch
			3	A minimum of four Partnership Agreements concluded to support satellite launch	Identify potential partners and initiate approach for satellite launch	Present draft partnership agreements for satellite launch	Collate all input and present agreements for sign-off for satellite launch	Conclude a minimum of four Partnership Agreements to support satellite launch
		Number of broadband sites connected	4	800 broadband sites connected (cumulative)	Build phase initiated for broadband sites	Deployment of broadband sites started	400 broadband sites connected	800 broadband sites connected
		Broadcasting Digital Migration (BDM) and Analogue Switch Off (ASO) finalised in all provinces	5	All analogue sites switched off in remaining provinces	All analogue sites switched off in remaining provinces	50% of digital to digital (D2D) migration completed in remaining provinces	100% of digital to digital (D2D) migration completed in remaining provinces	BDM project closeout achieved
	Focused pipeline of innovative products and platforms that deliver strategic and operational value	Innovation initiatives implemented for revenue growth and operational efficiency	6	Four innovation initiatives	Budgets and plans completed for four innovation initiatives	Launch of SENTECH's Cloud Centre of Excellence and SENTECH Academy	Launch of total experience mobile and web interface for data-driven applications	Development and handover of four innovative initiatives
	Excellent customer experience	Customer satisfaction score (%)	7	80% customer satisfaction score	CSS Monitoring Tool designed with interventions	Five Tier-1 customers engaged	10 Tier-1 customers engaged	Annual survey conducted and 80% customer satisfaction score achieved
		Weighted average network availability (%)	8	99.80% weighted average network availability	99.80% weighted average network availability	99.80% weighted average network availability	99.80% weighted average network availability	99.80% weighted average network availability
	Reduced carbon footprint	Percentage of planned sites installed with green energy supply ¹	9	60% of planned sites installed with green energy supply (cumulative)	Planning and Specification development for green energy site	Project plan developed and approved for green energy site	25% of planned sites installed with green energy supply (cumulative)	60% of planned sites installed with green energy supply (cumulative)
	Revenue growth	New Revenue Growth (%)	10	34.3% new revenue growth achieved [R491 million]	1% new revenue growth	2% new revenue growth (cumulative)	10% new revenue growth (cumulative)	34.3% new revenue growth achieved [R491 million] (cumulative)
	Maintain profitability	EBITDA	11	EBITDA of R410 million achieved	EBITDA of R69 million	EBITDA of R141 million (cumulative)	EBITDA of R244 million (cumulative)	EBITDA of R410 million achieved (cumulative)
	Right people in the right place at the right time with the right skills and mindset	Percentage of digital training planned intervention implemented	12	100% of digital training planned intervention implemented	25% of digital training planned intervention implemented	50% of digital training planned intervention implemented	75% of digital training planned intervention implemented	100% of digital training planned intervention implemented
	Effective corporate governance	Clean audit achieved	13	Clean audit achieved	No performance required	No performance required	Reduction of Management Letter Points by 50%	Clean Audit Achieved
		Finalise SOC Rationalisation	14	BBI Acquisition concluded	No performance required	BBI acquisition concluded	Fulfilment of Condition Precedents (CPs)	10% of BBI Turnaround Plan implemented

Table 6: SENTECH's Annual Performance Plan Quarterly Targets FY2023/24

¹ 40 sites identified to be installed with green energy supply, the cumulative target moving from a base of 12 sites translates to 60% (24 sites) installed with green energy supply.

² The risks identified and the mitigation plans are outlined in Annexure B: Risk Management Plan.

MEASURING OUR PERFORMANCE CONTINUED

TECHNICAL INDICATOR DESCRIPTIONS

This section should be read in conjunction with SENTECH's Annual Performance Plan for the FY2023/24. It seeks to highlight the description of impact, outcome and output indicators and targets to outline data collection processes, gathering of portfolio of evidence and acceptance level of performance at the beginning of the planning cycle.

INDICATOR TITLE	NUMBER OF CUSTOMERS ONBOARDED ON DIGITAL PLATFORMS
Definition	This target seeks to measure implementation phases of the Cloud platform for commercial customers
Source of data	Milestones to onboard customers onto the Cloud platform
Method of calculation/assessment	Documented procedure to commercialise, and expand the Cloud platform, followed by business development activities and actual onboarding of two customers
Assumptions	Internships and learnerships approved and deployed as part of the commercialisation process
Calculation type	Quarterly
Reporting cycle	Annual
Indicator responsibility	Research & Innovation

Table 7: Number of customers onboarded on digital platform indicator

INDICATOR TITLE	SA SATELLITE LAUNCH READINESS PLAN: FILING FOR ORBITAL SLOT
Definition	This target measures milestones to ensure a Filing for Orbital Slot for the SA Satellite project
Source of data	Bankable Business Plan
Method of calculation/assessment	Quarterly milestones as outlined in the Corporate Plan
Assumptions	Bankable Business Plan approved
Calculation type	Quarterly milestones
Reporting cycle	Annual
Indicator responsibility	Satellite Business

Table 8: SA Satellite Bankable Business Plan: Filing for orbital slot technical indicator

INDICATOR TITLE	SA SATELLITE LAUNCH READINESS PLAN: MINIMUM OF FOUR PARTNERSHIP AGREEMENTS
Definition	This target measures milestones to ensure a minimum of four Partnership Agreements are in place
Source of data	Bankable Business Plan
Method of calculation/assessment	Quarterly milestones as outlined in the Corporate Plan
Assumptions	Bankable Business Plan approved
Calculation type	Quarterly milestones
Reporting cycle	Annual
Indicator responsibility	Satellite Business

Table 9: SA Satellite Launch Readiness Plan: Minimum of four Partnership Agreements technical indicator

INDICATOR TITLE	NUMBER OF BROADBAND CONNECTED SITES
Definition	This indicator measures the number of broadband connected sites
Source of data	Approved Business Case and/or Purchase Orders to fund the number of sites to be connected, customer contracts, invoices or billed sites
Method of calculation/assessment	Cumulative
Assumptions	Business case approved and/or Purchase Orders received
Calculation type	Cumulative quarter to quarter
Reporting cycle	Quarterly and annually
Indicator responsibility	Broadband

Table 10: Number of broadband connected sites technical indicator

INDICATOR TITLE	NUMBER OF ANALOGUE SITES SWITCHED OFF
Definition	This indicator measures the number of analogue sites switched off
Source of data	Project Plan
Method of calculation/assessment	Cumulative
Assumptions	Project plan is valid and reliable
Calculation type	Cumulative quarter to quarter
Reporting cycle	Quarterly and annually
Indicator responsibility	Operations

Table 11: Number of Analogue Sites Switched Off

INDICATOR TITLE	BROADCASTING DIGITAL MIGRATION (BDM) AND ANALOGUE SWITCH OFF (ASO) FINALISED IN ALL PROVINCES
Definition	This indicator measures the number of analogue sites switched off
Source of data	Project Plan
Method of calculation/assessment	Cumulative
Assumptions	Project plan is valid and reliable
Calculation type	Cumulative quarter to quarter
Reporting cycle	Quarterly and annually
Indicator responsibility	Operations

Table 12: Broadcasting Digital Migration (BDM) and Analogue Switch Off (ASO) finalised in all provinces

INDICATOR TITLE	FOUR INNOVATION INITIATIVES
Definition	This indicator measures the pipeline of innovative products, platforms and implementations as defined in Approved Plan
Source of data	Annual Operational Plan
Method of calculation/assessment	As outlined in Approved Plan
Assumptions	Common corporate vision and agreed outcomes stated in the Approved Plan
Calculation type	Milestones set in the Approved Plan
Reporting cycle	Annual
Indicator responsibility	Research and Innovation

Table 13: Innovation initiatives implemented for enhanced customer experienced technical indicator

MEASURING OUR PERFORMANCE CONTINUED

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 FY2022/23
Method of calculation/assessment	Baseline i.e. Customer Satisfaction Index 2021/22 Year + 5% ²
Assumptions	The Customer Survey Report is valid, reliable and accurate
Calculation type	Annual
Reporting cycle	Annual
Indicator responsibility	Marketing & Sales

Table 14: Percentage customer satisfaction levels technical indicator

² The +5% basis point is added annually to challenge the SENTECH business to improve on the customer satisfaction levels on an ongoing basis.

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 Netpod NMS system and SAP Monthly Network Performance Report (Office Format)
Method of calculation/assessment	Sum of Platform (Revenue(i)*SENTECH Availability(i))/Sum of(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 systems is reliable, valid and timeous
Calculation type	Annual
Reporting cycle	Quarterly
Indicator responsibility	Operations

Table 15: Weighted average network availability technical indicator

INDICATOR TITLE	PERCENTAGE OF PLANNED SITES (I.E. 40) INSTALLED WITH GREEN ENERGY SUPPLY
Definition	This indicator measures the number of sites converted to green energy supply
Source of data	Project Plan
Method of calculation/assessment	Percentage of sites converted in a year against planned 40 sites. Target for FY2023/24 is 60%
Assumptions	Project Plan is accurate, reliable, valid and timely
Calculation type	Annual
Reporting cycle	Quarterly (Cumulative)
Indicator responsibility	Operations

Table 16: Percentage of planned sites converted into green energy supply technical indicator

INDICATOR TITLE	NEW REVENUE GROWTH (%)
Definition	This indicator measures total new revenue growth on a quarterly basis and accumulates to an annual target
Source of data	SAP system
Method of calculation/assessment	Cumulative quarterly to derive annual target
Assumptions	The data stored within the SAP systems is reliable, valid and timely
Calculation type	Cumulative
Reporting cycle	Monthly, quarterly and annually
Indicator responsibility	Marketing and Sales, Broadband, and Strategy

Table 17: Revenue growth technical indicator

INDICATOR TITLE	EBITDA (R)
Definition	This indicator measures earnings before interest, tax, depreciation and amortisation
Source of data	Financial reports/SAP System
Method of calculation/assessment	Cumulative quarterly to derive annual target
Assumptions	The data stored within the SAP systems is reliable, valid and timely
Calculation type	Quarterly (Cumulative)
Reporting cycle	Annual
Indicator responsibility	Finance

Table 18: EBITDA technical indicator

INDICATOR TITLE	PERCENTAGE OF PLANNED DIGITAL SKILLS TRAINING INTERVENTIONS IMPLEMENTED
Definition	This indicator measures the number of training interventions implemented in line with the Training Plan 2023/24 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 (Cumulative)
Indicator responsibility	Human Resources

Table 19: Percentage of digital training planned intervention implemented technical indicator

MEASURING OUR PERFORMANCE CONTINUED

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	<ul style="list-style-type: none">• 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 20: Clean audit technical indicator

INDICATOR TITLE	BBI ACQUISITION CONCLUDED
Definition	To facilitate a seamless integration of BBI and SENTECH
Source of data	Project Plan
Method of calculation/assessment	Fulfil Conditions Precedent as outlined in the SSA
Assumptions	Project Plan is reliable and valid
Calculation type	Project Plan quarterly milestones
Reporting cycle	Annual
Indicator responsibility	Strategy

Table 21: SOC rationalisation completed technical indicator



FINANCIAL PLAN

FOREWORD

For the 2024 financial year SENTECH is budgeting an EBITDA surplus of R410 million, influenced by the analogue switch-off signalling and the completion of the digital migration. A set of realistic and achievable goals were developed when formulating the budget, using data and assumptions based on historical results, management insight and knowledge of future internal and external events or influences. As there is a huge decrease in revenue for TV post-ASO, SENTECH is focusing its growth path on Towers and Connectivity.

Management is encouraged by the company's marginal budgetary position, but note that SENTECH is facing financial pressures and dealing, like many other businesses in the industry, with the associated increases in cost and complexity. The 2024 financial year's plan aims to support the new business model and to be relevant to the market, aligning the business units to provide insights into the future strategic direction of the different units as elaborated in section 3.6 above.

Three business units, namely Content & Media Distribution, Managed Infrastructure and Connectivity were the revenue-generating focus areas. The Global & Africa Business units were focus areas of the Corporate Strategy, but did not progress as expected owing to COVID-19 lockdown limitations.

Management continues to recognise the importance of further actions required to counteract pressures on SENTECH's revenues and expenses. With respect to revenue, the broadband business achieved meaningful growth compared to prior year, and this is of particular importance to SENTECH in view of the continuing decline in the content and multimedia services revenues. Cost management has been more challenging, both at SENTECH and the market environment more broadly, subsequent to the role that COVID-related supply disruptions play in fuelling price increases. In recent years the company has focused efforts on initiatives to reduce costs by resourcefully seeking efficiencies in business practices and evaluating service offerings relative to both peers and the market at large.

Resources required to persevere with improvements across the board have been provided for in the budget – particularly where greater efficiencies can be attained by aggregating activities that are currently undertaken in highly decentralised configurations of the business. We are cautiously encouraged by the pending acquisition of BBI, where potential growth offerings will significantly improve our risk and liquidity profile.

SENTECH will continue to leverage existing business and seek to augment services such as digital terrestrial television, looking to provide OTT platforms, introduce and deliver audio, video and other forms of media across South Africa. Our efforts allow us to prepare the country for next generation technologies and prepare our own workforce for the fourth industrial revolution.

Activities provided for in SENTECH's 2024 financial plan aim to directly respond to the 2019–2024 Medium Term Strategic Framework (MTSF) objectives of tackling the triple challenge of poverty, inequality and unemployment through higher rates of economic growth, the creation of more jobs and the provision of better services to the people of South Africa.

While preparing the 2024 financial plan, management engaged in some self-examination and asked where SENTECH might realistically operate in the future marketplace. The strategic choices and budget formulation was then informed by the change drivers that would be most impactful to the business. The financial plan provides for how the strategic initiatives will interact and evolve, while ensuring alignment to short- and mid-term actions with the longer-term perspective.

FINANCIAL OVERVIEW

The Company is projecting revenues of R1.433 billion for the FY2023/24, and operating expenditure of R1.023 billion, resulting in an EBITDA of R410 million.

Details R 'mil	FY2022 Actual	FY2023 Forecast	FY2024 Budget	FY2025 Budget	FY2026 Budget
Revenue	1 237	1 250	1 433	1 689	1 945
Operating expenses	(953)	(973)	(1 023)	(1 360)	(1 487)
Adjustment for dual illumination	136	132	–	–	–
EBITDA	420	409	410	329	458
Cash generated from operations	251	(111)	727	225	359
Cash balances	2 151	1 721	1 491	1 084	876
Capital expenditure	(75)	(85)	(777)	(508)	(419)

Table 22: FY2024–26 Financial projections

Operating expenses were increased from forecasted FY2022/23 by forecasted Consumer Price Index (CPI) on commodities and variable specific contractual increments.

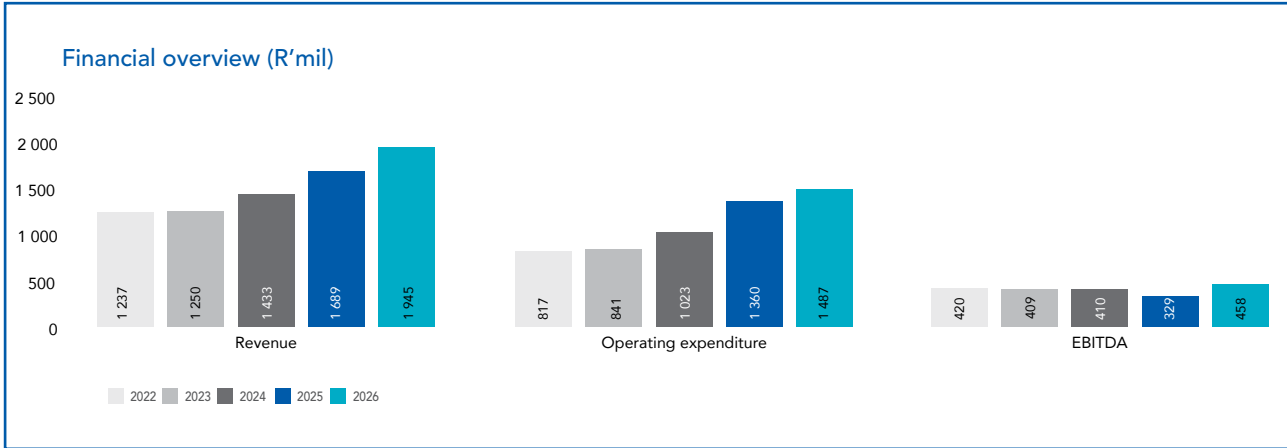


Figure 9: Financial analysis FY2024–2026

The FY2023/24 operating expenditure includes focused initiatives targeted to address revenue stagnations by way of strengthening the connectivity business solution and evaluating growth opportunities to drive the acquisitive diversification strategy.

Despite the financial progress we have made, several continuing forces of counteracting pressure, require us to remain vigilant and disciplined. These include:

- The prospect of continued volatility in the markets – after a nearly unprecedented age of discontinuity, the technology industry is being propelled and struck by a few powerful “winds of change”.
- Continued pressure on operational existence – in the 2024 financial year as indicated by the flat EBITDA from prior year forecast.
- Ongoing stagnation in the traditional broadcasting industry – particularly the content and multimedia services, which puts increasing pressure on SENTECH's operations.
- SENTECH plans to make capital investments to maintain and enhance its leading position, with the ongoing maintenance of current businesses, and continued research and innovation of transformative business ventures to achieve diversification of the portfolio offerings.
- The significant increase in cash generated from operations in FY2024 compared to FY2023 due to settlement of long-outstanding debt from major customers.

Cash generated from operations (R'mil)

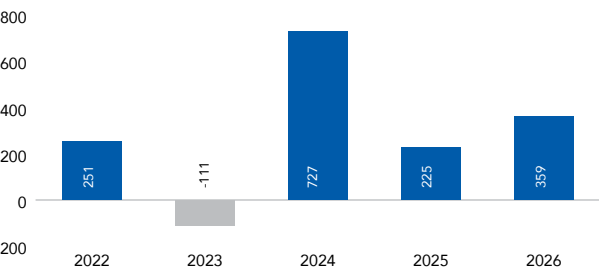


Figure 10: Cash generated from operations 2022–2026

Cash Balances (R'mil)

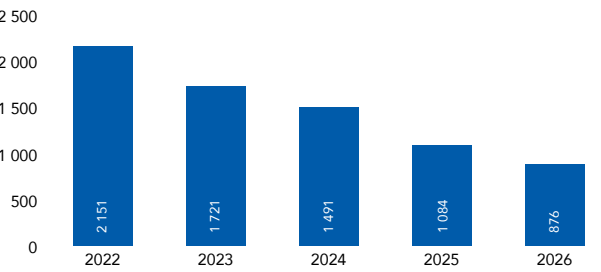


Figure 11: Cash Balances 2022–2026

FINANCIAL PLAN CONTINUED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	FY2022 Actual R'000	FY2023 Forecast R'000	FY2024 Budget R'000	FY2025 Budget R'000	FY2026 Budget R'000	FY2023 vs FY2024	
						R'000	%
Group and Company							
Revenue	1 373 161	1 382 383	1 433 103	1 688 917	1 945 462	50 720	4%
Continuing revenues	1 236 762	1 250 229	1 433 103	1 688 917	1 945 462	182 874	15%
Grant funding	136 399	132 154	–	–	–	(132 154)	(100%)
Other income	66	–	–	–	–	–	–
Lease expenses	(12 445)	1 716	(22 761)	(35 975)	(37 593)	(24 478)	(1426%)
Direct expenses	(217 332)	(274 741)	(321 884)	(499 857)	(575 044)	(47 142)	17%
Operating expenses	(253 659)	(266 661)	(216 270)	(316 454)	(343 618)	50 392	(19%)
Employee costs	(469 535)	(433 619)	(462 084)	(507 876)	(530 730)	(28 466)	7%
EBITDA	420 256	409 078	410 103	328 756	458 476	1 026	0.3%
Depreciation & amortisation	(219 918)	(275 392)	(287 278)	(300 205)	(313 715)	(11 886)	4%
EBIT	200 338	133 686	122 826	28 551	144 762	(10 860)	(8%)
Finance income	75 569	95 450	79 494	83 072	86 810	(15 956)	(17%)
Finance costs	(142 333)	(151 434)	(132 493)	(88 611)	(115 749)	18 941	(13%)
Foreign exchange loss	9 959	(173 989)	8 402	8 780	9 175	182 391	(105%)
Profit before taxation	143 533	(96 287)	78 229	31 791	124 998	174 516	(181%)
Taxation	(24 199)	26 960	(21 904)	(8 901)	(34 999)	(48 864)	(181%)
Profit or loss for the year	119 334	(69 327)	56 325	22 889	89 998	125 652	(181%)
Other Comprehensive income	(8 561)	–	–	–	–	–	–
Total Comprehensive income	110 773	(69 327)	56 325	22 889	89 998	125 652	(181%)

Table 23: Statement of profit or loss and other comprehensive income

REVENUE

The FY2023/24 projected revenues were derived from an increase of 7.6% (CPI of October 2022) from forecast for FY2022/23, supported by a market environment analysis and assessment of growth opportunities. Revenue will increase by R81 million (6%), and funds have been reserved to support the growth focus areas, namely datacentres and connectivity businesses. The company adopted new business areas more focused on the service delivery.

SERVICE	FY2023	FY2024	FY2025	FY2026	FY2023 vs FY2024	
MEDIA	1 155	851	903	962	(304)	(26%)
TV	633	356	377	402	(277)	(44%)
DTH	166	147	156	167	(19)	(11%)
FM	347	341	362	386	(6)	(2%)
MW	9	7	8	8	(2)	(23%)
TOWERS	82	79	84	89	(2)	(3%)
Towers	82	79	84	89	(2)	(3%)
CONNECTIVITY	13	12	–	–	(2)	(13%)
BASELINE	1 250	942	987	1 052	(308)	(25%)
GROWTH						
MEDIA	–	56	32	34	56	100%
DTH	–	53	27	27	53	100%
OTT	–	3	5	7	3	100%
TOWERS	–	69	128	196	69	100%
Towers	–	50	108	166	50	100%
Data center	–	20	20	30	20	100%
CONNECTIVITY	–	200	250	261	200	100%
GROWTH	–	326	410	491	326	100%
TOTAL	1 250	1 268	1 396	1 543	18	1%
International Business		15	20	30	15	100%
Strategic Initiatives		150	272	373	150	100%
Combined	1 250	1 433	1 689	1 945	183	15%

Table 24: Revenue forecast FY2023–2026

Revenue forecast (R'mil)

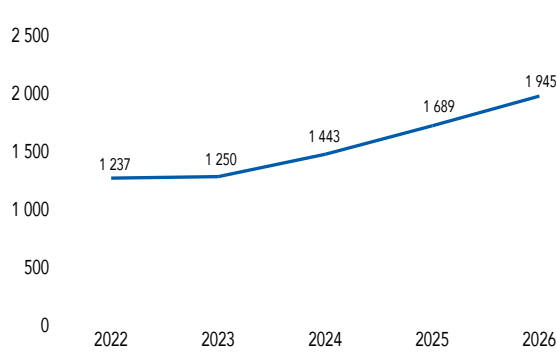


Figure 12: Revenue trends 2022–2026

MEDIA

Media comprises several formats:

Terrestrial broadcasting services – these are delivered via television and radio in both digital and analogue network platforms. With the country in transition from analogue to digital television, it is anticipated ASO will be completed by March 2023. Medium Wave transmitters provide customers and citizens of South Africa with radio coverage services. This network is supported and maintained to ensure continuous service availability. There is no growth in the service. The traditional television, radio and digital media services remain the core competence of SENTECH and are projected to remain stable though showing no growth in the service. However, there are calls for discounts from major customers to reduce tariffs.

Towers – tower sharing is one of the significant growth drivers for the ICT industry, as it presents benefits such as cost reduction, faster infrastructure and data rollout. As the geographical opportunities decline, divergence opportunities become wider, driven largely by the new communications infrastructure features necessary for 5G. Increasing emphasis on improving internet connectivity in rural areas is one of the major factors stimulating the deployment and improvisation of service delivery infrastructure in this area.

Tower business will continue to play a significant role in the communications industry, underpinning modern digital economies for the long term.

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 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.

Datacentres – these are a new growth area on which the company is focusing for growth opportunities.

A datacentre is a physical room, building or facility that houses IT infrastructure for building, running, and delivering applications and services, and for storing and managing the data associated with those applications and services.

Datacentres have evolved in recent years from privately owned, tightly controlled on-premises facilities, housing traditional IT infrastructure for the exclusive use of one company, to remote facilities or networks of facilities owned by Cloud service providers housing virtualised IT infrastructure for the shared use of multiple companies and customers.

Connectivity services – SENTECH focused on enhancing broadband capabilities in South Africa through the SA-Connect project, connecting public sector and other markets. SENTECH has identified the key product bundles to meet market needs. For example, for schools SENTECH has bundles of e-Learning services and e-Health with Internet access. End-user computing for educators is also available where there is a need. These bundles are applicable in the private sector where several large vendors are launching educational offers. To deliver “service bundles” of this nature to government clients, SENTECH make use of partners and strong service integration, deployment and service management capabilities.

Strategic initiatives: There are strategic growth initiatives in Broadband, National Satellite and SoC Rationalisation.

OPERATING EXPENDITURE

The financial pressures require strict adherence to the cost containment measures to curb the ever-escalating cost of operations. The expenditure increases over the MTEF are largely based on forecasted CPI, except for specific contractual obligations which have different escalation rates.

The operating expenses are made up of the following cost drivers:

Employee costs (R462 million) relate to personnel remuneration costs increased at FY2024 CPI of 7.6% including cost to company salary costs (R441 million: Basic; Medical and Provident funds; Housing subsidy; Mast climb & Shift allowance, and other personnel costs), and other payroll costs (R21 million: Leave cost, Corporate GLA, Acting allowances and Overtime).

Lease expenses (R23 million) are for transponder capacity used for distribution and linking of digital terrestrial broadcasting services; and for the Direct-to-Home Satellite (DTH-S) open access platform service. Satellite capacity costs are primarily be driven by exchange rate variations. Actual satellite costs of R293 million are reduced by the IFR16-lease accounting adjustment of (R257 million.)

FINANCIAL PLAN CONTINUED

Operating Expenses (R216 million) relate mainly to:

- Communication costs (R42 million) will continue to increase as new employees come in and the annual tariffs increases in data and voice calls.
- Transport and travelling costs (R48 million) increase on prior year to support maintenance catch-up, however, the costs of fuel has increased significantly from prior year.
- Marketing costs (R23 million) have increased owing to initiatives to increase awareness of current services and exhibitions to garner support and partnerships for possible new revenue streams.
- Insurance and security (R15 million) increased costs are due to increased site security owing to vandalism.
- Hiring charges (R16 million) if premises increase is based on contract terms.
- Computer services (R21 million).
- Licences R15m (R7 million for obligations and R 7 million for licence conditions).
- Professional fees (R20 million) to support new revenue streams in the mergers and acquisitions, to optimise services offerings and increase efficiencies.

Depreciation and Amortisation (R287 million) – the increase in depreciation is due to the new equipment for strategic initiatives and normal depreciation on assets in use and a provision for depreciation on new capital expenditure for products and projects expansion.

Direct Expenses (R321 million) costs relate to:

- Maintenance (R40 million) for network maintenance to meet customer SLAs and keep the network at optimum functioning level to maintain the KPI.
- Line rental (R8 million) – the increase on prior year reflects Telkom STL lines contractual increases.
- Cost of sales (R89 million) for broadband SA-Connect business
- Energy (R184 million) costs are mainly driven by the electricity annual tariff increase as approved by the energy regulator NERSA (18.65%). The persistent loadshedding and an increase in diesel cost have seen a substantial increase in costs. SENTECH, through various projects, is implementing energy-efficient equipment and solar to help curb costs.

SENTECH is budgeting a positive R410 million in earnings before interest, tax and depreciation and amortisation (EBITDA) for the 2024 financial year, resulting in a R133 million (33%) increase compared to the forecasted FY2023 figure. The decrease in profitability is mainly caused by the reduced TV revenues post-ASO and reduced DTT uptake, in addition to environmental cost pressures following the COVID-19 SCM disruptions which caused fuel price increases.

STATEMENT OF FINANCIAL POSITION

Group and Company	FY2022 R'000 Actual	FY2023 R'000 Forecast	FY2024 R'000 Budget	FY2025 R'000 Budget	FY2026 R'000 Budget
Assets					
Non-current assets					
Property, plant, and equipment	1 019 066	918 085	1 532 971	1 865 711	2 095 582
Intangible assets	17 373	20 685	19 700	17 170	18 762
Deferred tax	10 954	10 846	–	–	–
Right-of-use	977 479	842 203	717 790	574 232	459 385
	2 024 872	1 791 818	2 270 461	2 457 112	2 573 729
Current assets					
Inventories	64 779	66 590	61 142	61 754	62 371
Tax	2 961	–	–	–	–
Trade and other receivables	174 055	436 619	147 756	132 980	119 682
Cash and cash equivalents	2 151 215	1 720 731	1 491 302	1 084 026	876 480
	2 393 010	2 223 940	1 700 200	1 278 760	1 058 534
Total assets	4 417 882	4 015 758	3 970 661	3 735 872	3 632 263
Equity					
Share capital	75 892	75 892	75 892	75 893	75 894
Non-distributable reserves	770 134	682 129	776 015	776 015	776 015
Accumulated profit/(deficit)	1 868 733	1 799 406	1 855 731	1 862 670	1 952 668
	2 714 759	2 557 427	2 707 638	2 714 578	2 804 577
Liabilities					
Non-current liabilities					
Employee benefits	28 139	33 767	30 390	27 351	24 616
Finance lase liability	1 063 783	1 146 884	1 084 850	867 880	694 304
	1 091 922	1 180 651	1 115 240	895 231	718 920
Current liabilities					
Trade and other payables	165 058	41 464	37 318	37 691	38 068
Deferred income	307 966	110 078	–	–	–
Tax Payable	–	3 398	–	–	–
Current portion of lease liability	94 116	122 740	110 466	88 373	70 698
Provisions	44 060	–	–	–	–
	611 200	277 680	147 784	126 064	108 766
Total liabilities	1 703 122	1 458 331	1 263 024	1 021 295	827 686
Total equity and liabilities	4 417 882	4 015 758	3 970 661	3 735 872	3 632 263

Table 25: Statement of financial position

FINANCIAL PLAN CONTINUED

STATEMENT OF CASH FLOWS

Group and Company	FY2022 R'000 Actual	FY2023 R'000 Forecast	FY2024 R'000 Budget	FY2025 R'000 Budget	FY2026 R'000 Budget
Operating activities					
Operating profit	200 338	133 686	122 826	28 551	144 762
Depreciation and amortisation	219 918	275 392	287 278	300 205	313 715
Grant Funds - non-cash items	(136 399)	(132 154)	–	–	–
Other adjustments	10 247	–	–	–	–
	294 104	276 924	410 103	328 756	458 476
Working capital changes:					
Inventories	(6 255)	(1 811)	(605)	(611)	(618)
Trade and other receivables	(36 695)	(262 564)	288 863	14 776	13 298
Trade and other payables	84	(123 594)	28 485	(118 323)	(112 235)
Cash generated from operations	251 237	(111 045)	726 846	224 597	358 922
Interest received	75 569	95 450	79 494	83 072	86 810
Interest paid	(139 475)	(151 434)	(132 493)	(110 764)	(115 749)
Taxation paid	(18 736)	(59 117)	(21 904)	(2 699)	(34 999)
Net cash from operating activities	168 594	(226 146)	651 943	194 206	294 984
Investing activities					
Investments in property, plant and equipment	(75 156)	(85 120)	(447 165)	(307 945)	(148 585)
Investments in new operations			(330 000)	(200 000)	(270 000)
Net cash utilised in investing activities	(75 156)	(85 120)	(777 165)	(507 945)	(418 585)
Financing activities					
Grants received	147 605	–	–	–	–
Finance lease payments	(104 126)	(135 186)	(109 231)	(98 308)	(88 477)
Interest on grant funds	14 518	15 967	5 023	4 772	4 533
Net cash from financing activities	57 997	(119 219)	(104 208)	(93 536)	(83 944)
Total cash movement for the year	151 435	(430 484)	(229 429)	(407 276)	(207 546)
Cash at the beginning of the year	1 999 780	2 151 215	1 720 731	1 491 302	1 084 026
Cash at the end of the year	2 151 215	1 720 731	1 491 302	1 084 026	876 480

Table 26: Statement of cash flows

The forecast increase in cash generated from operations in FY2024 compared to the figure forecast for FY2023 is due the expected settlement of accounts receivables from customers who have committed to settling the debt in due course.

There will be a sizable amount of cash outflows to support strategic initiatives aimed at generating additional new revenues over the MTEF period, with the continued focus on positioning the company for future growth.

CAPITAL EXPENDITURE

During the MTEF period, the company will continue investing in core infrastructure, to maintain its unique base and leading position within industry.

SENTECH will focus on integrated infrastructure management to maintain infrastructure and service integrity aimed at enhancing customer experience, and this will be implemented through various technology enhancement programmes and innovations.

The capital expenditure budget is decided based on need and business growth, after determining the returns on their capital expenditure. This allows for future determination of whether or not the investments are paying off, what went right and what went wrong, so that during the next capex cycle, these decisions are continued or improved.

Division	FY2024 R'mil	FY2025 R'mil	FY2026 R'mil	Total R'mil
Operations	175	206	53	434
Technology	273	102	96	470
Strategic Initiatives	330	200	270	800
Total	777	508	419	1 704

Table 27: Capital expenditure budget

SENTECH will continue maintaining and expanding service offerings infrastructure from resources generated from operations to ensure service delivery after the pandemic. The FY2024 MTEF Capital Expenditure budget will be used to expand existing operations and further growth prospect.

There are strategic growth initiatives in Mergers and Acquisitions, Broadband, National Satellite and SoC Rationalisation.

Annexure A

6 GOVERNANCE STRUCTURES

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. This commitment 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 means 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 exacting standards of ethical behaviour.

The Board embraces the benefits of diversity as this enhances the range of perspectives offered by the Directors. The Board subscribes to governance principles and practices to ensure creation of value in a manner that is sustainable for SENTECH's stakeholders. The Board is comfortable that they present the 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 key governance roles and responsibilities of the Board are outlined as follows:

Executive Directors

CEO

- 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.

CFO

- Leads and manages the Company's finance function.
- Provides the Board with updates on the Company's financial performance.

COO

- Leads and manages the Company's technology and operations.
- Provides the Board with updates on Technology, Strategy implementation and operational performance.

Company Secretary

- 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 to 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.

Table 28: Responsibilities of Executive Directors and Company Secretary

BOARD SUB-COMMITTEES

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

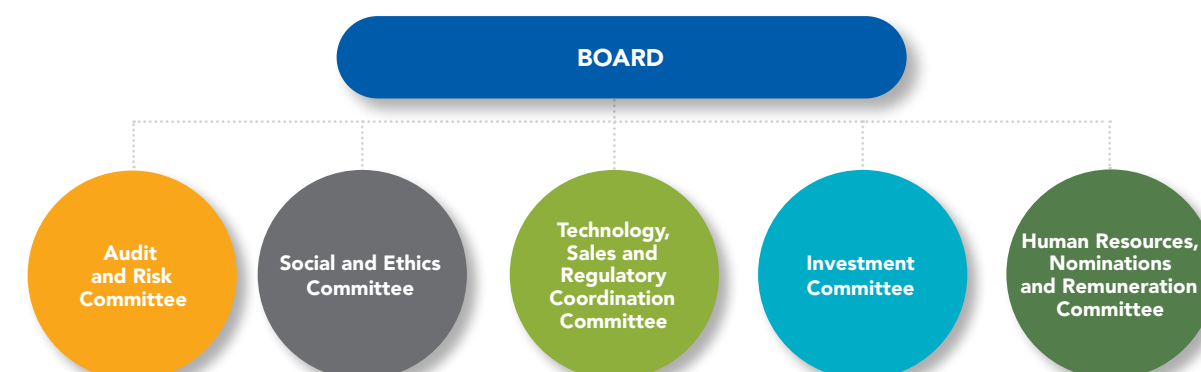


Figure 13: Organogram of Board Sub-Committees

Annexure B

7

RISK MANAGEMENT PLAN

ANNEXURE B: RISK MANAGEMENT PLAN

The Board of Directors has overall accountability to govern risk in a way that supports the organisation in setting and achieving its strategic objectives (in accordance with the King IV Report on Corporate Governance). In achieving this mandate, it is the role and responsibility of the Board to evaluate and monitor the nature and extent of the risks that the organisation is willing to take in pursuit of achieving its strategic objectives and determining risk appetite for the organisation. The Board maintains oversight of the strategic risks identified 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 to 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 impact of risks materialising, including the delivery of benefits related to better informed decision-making. The previous year has shown a positive appreciation of the embedding of the risk management enterprise into the organisation. Therefore, EXCO will continue with the initiative of ensuring that risk management is embedded in the organisation's daily operations using the approved strategies and methodologies as well as best practices and the risk champion model.

Table 27 (Strategic Risks and Proposed Mitigation Actions for FY2023–24) below provides 11 strategic risks that were identified and evaluated with executive management at the time of developing the corporate plan. Some risks may emerge which were not identified during this period owing to the fast-changing nature of the industry, regulatory environment and rapid technology developments. These risks are monitored on a monthly and quarterly basis and progress reports submitted to Board.

ANNEXURE B:
RISK MANAGEMENT PLAN CONTINUED












REF NO	STRATEGIC PILLARS AND GOALS	OUTCOMES	RISK DESCRIPTION	INHERENT RANKING	PROPOSED MITIGATIONS ACTIONS
1	 Increased Access to Digital Infrastructure	Digital infrastructure and technologies in the right place at the right time/able to use	Inadequate growth of the broadband and connectivity business		<ul style="list-style-type: none">Align the current Strategic Partnership Framework to include Third Party Partnership Model (profit-sharing modalities, reseller agreements, etc.) to enable commercialisation and fast track revenue growthImplement the broadband strategy and business structureImplement the SA Connect Phase 2 project
2	 Digitally Transformed Economy & Society	Focused pipeline of innovative products and platforms that deliver strategic and operational value	Slow progress towards creating innovations for digital transformation, revenue streams, customer experience and operation efficiency		<ul style="list-style-type: none">Organisational design for a fully-fledged and populated Research and Innovation division, facilitating appropriate scope of control and activitiesDevelop an internship and learnership programmes and recruit a large pool of cohortsIncrease utilisation of the collaboration network with institutes of higher learning
3	 High Performing Portfolio to Enable Achievement of Respective Mandates & Policy Objectives	Revenue growth	Slow revenue growth		<ul style="list-style-type: none">Implement and monitor the revenue diversification initiativesImplement revised and approved tariffsImplement OTT platform
4	 High Performing Portfolio to Enable Achievement of Respective Mandates & Policy Objectives	Effective corporate governance	Failure to realise the objectives of the envisaged digital infrastructure company		<ul style="list-style-type: none">Finalise the acquisition of the SOC Rationalisation PlanImplement the post-merger integration planImplement approved turnaround plan
5	 High Performing Portfolio to Enable Achievement of Respective Mandates & Policy Objectives	Maintain profitability	Threat to financial sustainability (Unsustainable cost of operations that may result in insolvency)		<ul style="list-style-type: none">Continuous monitoring of foreign exchange fluctuationsDevelop the operating and business modelDevelop and implement an approved cost model structureAutomate the cost allocation process including data clean-up and mappingAnalogue switch off (remaining four provinces)Monitor cost containment measures
6	 High Performing Portfolio to Enable Achievement of Respective Mandates & Policy Objectives	Right people in the right place at the right time with the right skills and mindset	Inability to attract, develop and retain mission critical skills		<ul style="list-style-type: none">Develop and implement Training and Development Plan aligned to the new strategic business needsContinuous engagement with Shareholder to uplift the moratorium on hiring of employeesFinalise OD project and implement the outcomes
7	 Increased Access to Digital Infrastructure	Digital infrastructure and technologies in the right place at the right time/able to use	Inability to deploy targeted sites and digital infrastructure timeously		<ul style="list-style-type: none">Submission of filing to ITU for satellite orbital slot and spectrumSecure satellite project fundingDevelop Agile Deployment Model of infrastructure where none exist (Partnerships/Contract with Towers)Develop the spectrum strategy for the organisationDevelop and implement the spectrum acquisition framework
8	 Digitally Transformed Economy & Society	Excellent customer experience	Loss of current customers and inability to acquire new customers		<ul style="list-style-type: none">Develop and implement effective digital customer-facing experience (SENTECH App, interactive web portal, AI user experience)Review Customer SLAs to focus on pain points
9	 High Performing Portfolio to Enable Achievement of Respective Mandates & Policy Objectives	Effective corporate governance	Non-achievement of clean audit		<ul style="list-style-type: none">Continuous workshop and training on the legislationImplement financial automated systemContinuous review of internal controlsMaintain an effective register of irregular expenditureInvestigate and implement disciplinary action on the perpetrators of fruitless and wasteful expenditures
10	 High Performing Portfolio to Enable Achievement of Respective Mandates & Policy Objectives	Reduced carbon footprint	Failure to complete the conversions on time		<ul style="list-style-type: none">Early approvals of business casesDevelop scope and specificationConduct environmental assessments
11	 Increased Access to Digital Infrastructure	Digital infrastructure and technologies in the right place at the right time/able to use	Cyber attack		<ul style="list-style-type: none">Privileged access management solutionData encryption on all devicesDeployment of the EDR (Event Data Record)

Table 29: Strategic risks with proposed mitigation actions

Cyber Security

Annexure C

8

FRAMEWORK FOR FRAUD AND CORRUPTION RESPONSE

ANNEXURE C: FRAMEWORK FOR FRAUD AND CORRUPTION RESPONSE

INTRODUCTION

SENTECH has developed a code of ethics articulating the values and acceptable ethical standards to which everyone associated with the Company is required to adhere. However, 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 ensuring a proactive approach towards minimising risks that can adversely impact SENTECH business operations. This plan is summarised below:

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 relevant officials.

LEGISLATIVE FRAMEWORK

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

- 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 offering a forged document,

involving an amount of R100 000 or more, to any police official.

- The 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.

- Protection of Personal Information (POPI) Act 2013.

POLICY STANCE AND STRATEGIC APPROACH

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.

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.

ANNEXURE C: FRAMEWORK FOR FRAUD AND CORRUPTION RESPONSE CONTINUED

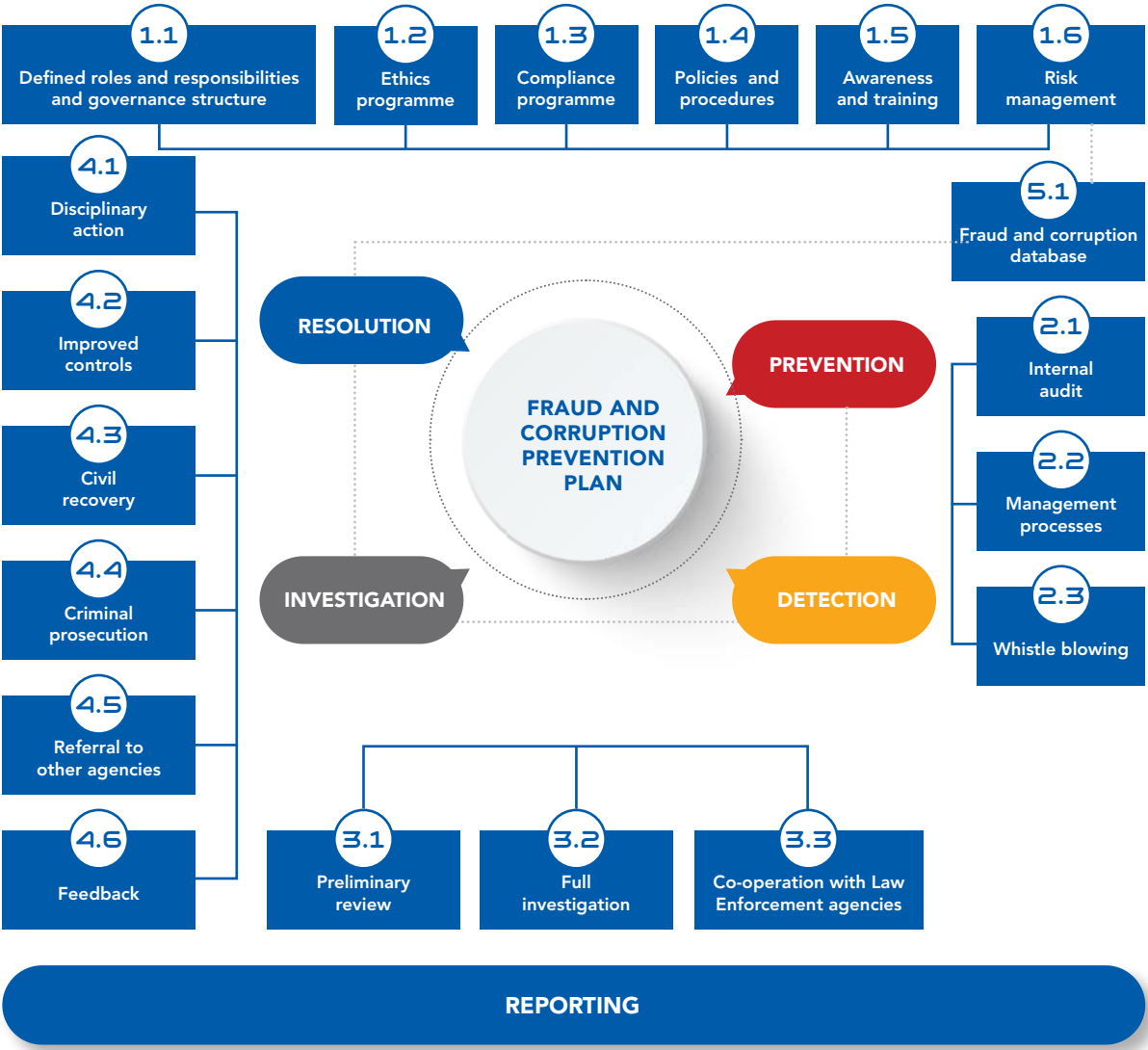


Figure 14: Fraud and corruption plan framework

FRAMEWORK FOR FRAUD AND CORRUPTION RESPONSE

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

WHISTLE BLOWING

SENTECH recognises that unethical conduct and fraud within SENTECH is detrimental to good, effective, accountable and transparent governance and thus 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 has been 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, 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. SENTECH emphasises that reporting on the hotline is for purposes of genuine fraud and corruption matters and strongly advises against malicious reporting.

Annexure D

9 MATERIALITY AND SIGNIFICANCE FRAMEWORK

ANNEXURE D: MATERIALITY AND SIGNIFICANCE FRAMEWORK

BORROWING PLAN

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. The company has not provided for any borrowings for the 2024–2026 MTEF period as the financing requirements identified are within the capacity of internally generated resources. SENTECH will continuously evaluate the need for additional borrowing to accommodate latest industry developments that necessitate new investments.

MATERIALITY AND SIGNIFICANCE FRAMEWORK

LEGISLATIVE BACKGROUND

- SENTECH SOC Limited (SENTECH), which is classified as a schedule 3B public entity, is governed by the Public Finance Management Act 1999 (PFMA), by the Treasury Regulations issued by the National Treasury and by the Companies Act.
- Regulation 28.3.1 of the Treasury Regulations – “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 a framework of acceptable levels of materiality and significance with the relevant executive authority.”
- 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.
- 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:
 - establishment or participation in the establishment of a company;
 - participation in a significant partnership, trust, unincorporated joint venture, or similar arrangement;
 - acquisition or disposal of a significant shareholding in a company;
 - acquisition or disposal of a significant asset;
 - commencement or cessation of a significant business activity; and
 - a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture, or similar arrangement.
- National Treasury Practice Note dated 13/07/2006 dealing with applications under Section 54.

DEFINITION OF MATERIALITY AND SIGNIFICANCE

- The Financial Accounting Standards Boards (FASB) 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”.
- From an external audit point of view, International Standards on Auditing (ISA) 320 published by the South African Institute of Chartered Accountants 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 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”.

- *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 to fulfil the public entity’s mandate and for it to operate effectively.
- *Significant* may also be interpreted as those transactions that in the case of SENTECH Limited, would require approval from the executive authority or National Treasury or Parliament and would include, but are not limited to, the participation in a significant partnership, trust, unincorporated joint venture or similar arrangement, the acquisition or disposal of a significant shareholding in an organisation, the acquisition or disposal of a significant asset and commencement or cessation of a significant business activity.
- From the interpretations above, there is a difference between *material* and *significant*. Significant is larger than material as a significant transaction impacts the public entity. An occurrence may be material but not necessarily significant, whereas any occurrence that is significant will be material.
- As 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.

QUANTITATIVE FINANCIAL STATEMENT REPORTING

QUANTITATIVE ASPECTS

MATERIAL LOSSES (SECTION 55)

BASIS	MAXIMUM PERCENTAGE	FY2024 BUDGET (R'000'S)	HIGH
Gross expenditure	1%	1 310 277	13 103
Gross revenue	1%	1 433 103	14 331
Net income	10%	56 325	5 632
Total assets	2%	3 970 661	79 413

Table 30: Guidelines for setting materiality levels (R'000)

- Flowing 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 R1.3 billion.
- Based on the above and the guideline table above, the quantitative materiality level for SENTECH is R13.1 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 R13.1 million will be reported in the Annual Report and the Financial Statements.

SIGNIFICANCE FRAMEWORK (SECTION 54)

- Flowing from the above description of significance, and also taking into account the percentage guidelines which is listed in the table in 3.1.1 above, SENTECH is of the opinion that the most appropriate basis for calculating the significant limit for purposes of Section 54 of the PFMA should be based as a percentage of total assets, 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 the future years.
- Total assets on R3.971 billion include the following:
 - Property, Plant and Equipment forecasted for 31 March 2024 of R2.3 billion.
 - Other assets R1.7 billion.
- Based on the above and the guideline table above, the quantitative significance level for SENTECH is R79.4 million (excluding VAT), being 2% of budgeted total assets. The cost of the total assets has increased from prior years because SENTECH record assets funded through government grants on a net basis.

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:

- Unusual transactions entered 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 that could result in reputational risk to SENTECH.
- Any fraudulent or dishonest behaviour of an officer or staff 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 (e.g., PFMA and the Treasury Regulations).

APPLICATION AND REPORTING

- The materiality matrix is developed and communicated to relevant management before the start of the financial year. This will enable SENTECH to make decisions as to what should be reported as losses or irregular, fruitless, or wasteful expenditure. SENTECH will then be able to ensure that the correct information is included in the Annual Report and Financial Statements.
- All transactions that result in a loss to SENTECH (including irregular, unauthorised, 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.
- All material losses must be reported to the CFO who should ensure that the transaction is appropriately allocated in the general ledger and recorded in a central loss register.
- 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.
- No officer may condone any material loss incurred directly by him or through instructions issued by him.
- All amounts referred to in paragraph 5.1 and 5.2 must be reported to the Board.
- 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.

ANNEXURE D: MATERIALITY AND SIGNIFICANCE FRAMEWORK CONTINUED

- Material and significant events will be reported to the following parties:
 - External: Minister of Telecommunication and Postal Services (Executive Authority)
 - Internal: SENTECH Board of Directors (Accounting Authority) and EXCO
- 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 [section 28.2.1 of the TR]
 - Corporate Business Plan [section 29.1.1(f) of the TR]
 - Strategic plan [section 30.1.3(e) of the TR]

ACCEPTABLE LEVELS OF MATERIALITY AND SIGNIFICANCE

FRAMEWORK	UNDERLYING PRINCIPLES
<p>Material for Section 55 – Disclosure, in the Annual Report, of:</p> <ul style="list-style-type: none">• Losses due to criminal conduct• Irregular expenditure• Fruitless and wasteful expenditure• 2% of total assets, which is currently calculated at R79.4 million.	<p>Quantitative:</p> <p>Capital Expenditure: 10% of the capital expenditure budget line item</p> <p>Other expenditure: 10% of the related operating expenditure budget line item</p> <p>The materiality levels above are subject to a <u>minimum of R13.1 million</u></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><i>It is, therefore, important to note that the quantitative measures of materiality will only apply to irregular expenditure and fruitless and wasteful expenditure, whereas the qualitative measure will apply to losses due to criminal conduct.</i></p>
<p>Significant for Section 54 – Information and approval by the Minister of “Qualifying transactions”, i.e.:</p> <ul style="list-style-type: none">• participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;• acquisition or disposal of a significant shareholding in an organisation;• acquisition or disposal of a significant asset;• commencement or cessation of a significant business activity; and• a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.	<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. <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 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 (Sec 51(1)(b)(iii)). <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> <ul style="list-style-type: none">• 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 of a daily basis.• The operations of SENTECH is 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.

FRAMEWORK	UNDERLYING PRINCIPLES
<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>	<ul style="list-style-type: none">• SENTECH also has defined accountability and approval structures from the Board, as the stakeholder representative, to the CEO and management.• The responsibility for day-to-day management of SENTECH vests in line management through a clearly defined organisational structure and through formally delegated authorities.

Table 31: Acceptable levels of materiality and significance

AMENDMENT AND REVIEW

Unless otherwise agreed, this Materiality and Significance Framework will be reviewed after a period of three years.

SIGNATURES

Signed by the Minister at on the of 2023

Minister of the Department of Communications and Digital Technologies

Signed on behalf of SENTECH at Centurion on the 28 of February 2023

Chairperson of SENTECH Board of Directors



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