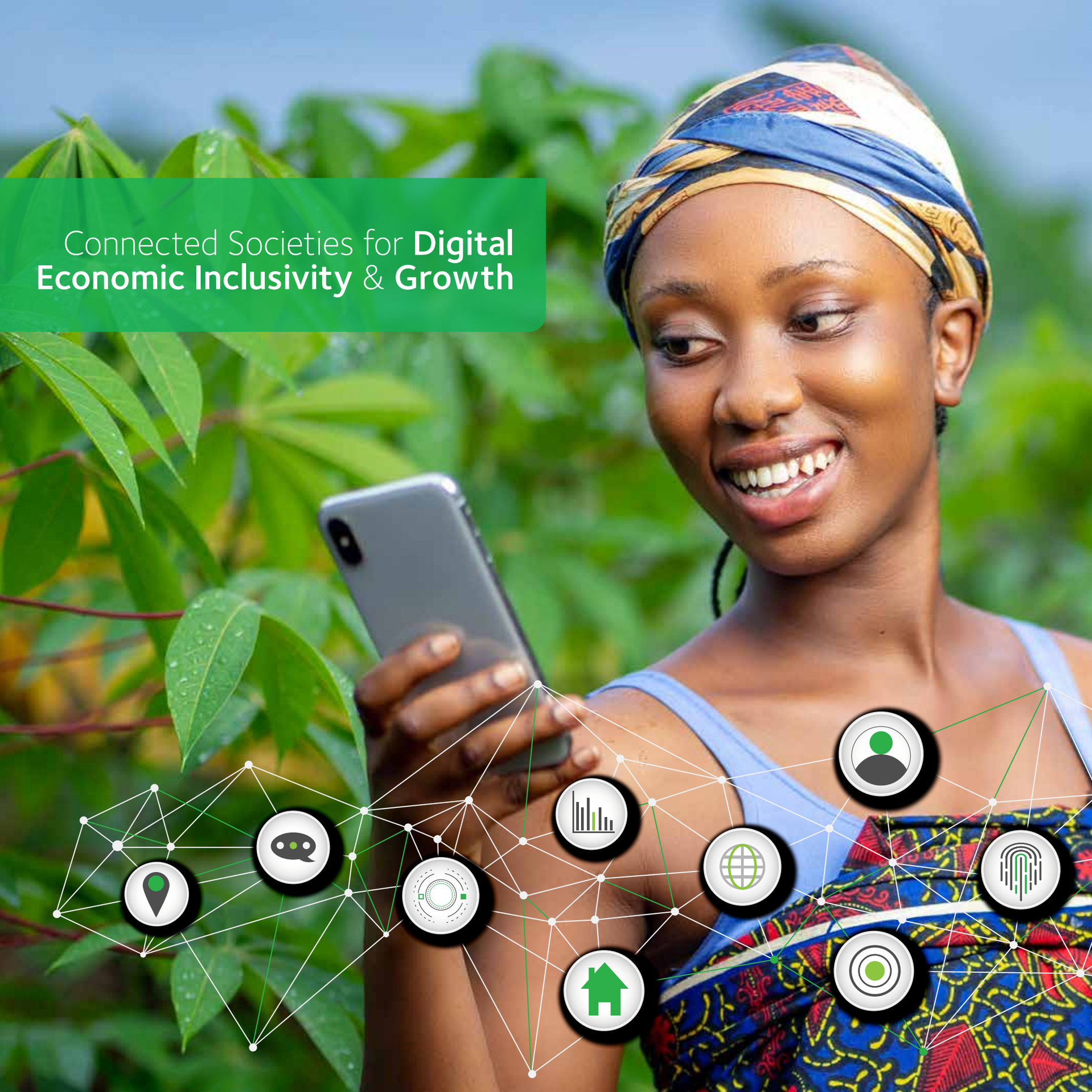
INTEGRATED REPORT 2022/23

Broadband Infraco

Connect. **Growth, UNLOCKED.**

Connected Societies for Digital Economic Inclusivity & Growth

Connected Societies for **Digital Economic Inclusivity** & **Growth**



SA CONNECT 1A AND 1B

DIRECTORS' APPROVAL: STATEMENT OF RESPONSIBILITY

In accordance with the King IV Reporting standards, the Broadband Infraco (BBI) Board of Directors (the Board), as the body charged with overall governance oversight, actively leads the Company's value creation process. As the Integrated Report (IR) is used to assess BBI's ability to create value over time, the Board oversees the overall quality and accuracy of the report as well as process-related disclosures as outlined in the BBI<IR> Terms of Reference. Accordingly, the Board satisfied itself that the 2023 Integrated Report demonstrates the Company's ongoing journey towards integrating elements of strategy, risk, opportunities, and performance.

The Board has assessed the 2023 Integrated Report to ensure the:

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

The Board is satisfied that the 2023 Integrated Report provides a fair representation of the integrated performance of the Company during the year and enables the reader of the report to make an informed assessment of the Company's performance and its ability to create value in a sustainable manner.

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

A summary of the key frameworks and standards adhered to in our reporting is contained in Table 1: Integrated Reporting Assurance Framework (see page 13).

The Board, considering the completeness of the material matters dealt with, and the reliability of information presented based on the integrated assurance process followed, approved the 2023 Integrated Report that includes Annual Financial Statements, and supplementary information on 22 August 2023, signed on its behalf by:

Ms Zandile Kabini
Chairperson: Board

Ms Bojane Segooa
Chairperson: ARC

Mr Lungile Mabece
Chairperson: SEC

Mr Den Dwane
Chairperson: HRC

Mr Devesh Mothilall
Member

Mr Patrick Makape
Chairperson: IFTPC

Mr Loyiso Tyira
Chairperson: KIMC

Mr Gift Zowa
Acting Chief Executive Officer

Ms Thuli Phakedi
Chief Financial Officer

CONTENTS

5 **ABOUT THIS REPORT**

13 **THE JOURNEY OF BROADBAND INFRACO**
- Company milestones
- Highlights, Challenges, and Mitigations

17 **OUR LEADERSHIP OVERVIEW**

29 **ORGANISATIONAL OVERVIEW**
- Who We Are
- Our Value Proposition
- Operating Context
- Socio-Economic Development
- Enterprise Development

41 **VALUE CREATION THROUGH THE CAPITALS**

49 **STRATEGY AND RESOURCE ALLOCATIONS**
- Our Strategy and Outcomes
- Material Matters Impacting Our Strategy
- Risk Management
- Our Stakeholder Interests

59 **OUR PERFORMANCE OVERVIEW**
- Financial Capital
- Manufactured Capital
- Social and Relationship Capital
- Key Highlights, Risks and Mitigation Strategies
- Human Capital
- 2023 Performance Review

85 **OUTLOOK**

89 **GOVERNANCE**
- Ethical, Effective Leadership and Responsible Corporate Citizenship
- Board of Directors
- Our Governance Instruments
- Specific Governance Requirements
- Company Secretary
- Approach to Compliance
- Board and Board Committees
- Our Control Environment
- Remuneration

108 **ANNUAL FINANCIAL STATEMENTS**

About this Report

ABOUT THIS REPORT

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

Basis of Approach (King IV P5)

BBI's internal and external reporting processes comply with the South African Companies Act, No. 71 of 2008, as amended (Companies Act), and the King IV Report on Corporate Governance (King IV). As such, we document the Company's internal control and risk management procedures and policy. Similarly, details of our Audit and Risk Committee (ARC) are provided in our governance report page 98 and financial report. Details provided include the Committee members and the frequency of meetings during the year. This Report was prepared in accordance with the IIRC, also referred to in this report as <IR> Framework. The report provides both financial and non-financial performance updates for the year 1 April 2022 to 31 March 2023 and includes future-focused information as it relates to the short-, medium-, and long-term strategic outlook of the organisation. Key relationships between stores of capital (that form the basis of the value-creation process) are highlighted in the report.

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

Reporting Boundary (King IV P5)

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

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

The Broadband Infraco Integrated Report is published annually upon approval by the Board of Directors and Shareholders. The previous Integrated Report for the period 1 April 2021 to 31 March 2022, was approved by the Board on 22 August 2022.

Materiality in our Reporting (King IV PA and P16)

The 2023 Integrated Report provides information that BBI considers to be of material significance to value creation in the short, medium, and long term. Five overarching material aspects for the 2023 reporting year are provided in more detail on page 52. We further align material aspects to performance, strategic objectives, as well as risks, and disclose material stakeholder impacts and concerns raised during the year (detailed further in the report).

This Report provides information that is of material interest to all stakeholders desiring to make conscious appraisals of the organisation's performance and ability to create sustainable long-term value

An Integrated Approach to the Assurance and Reporting Process (King IV P2, P5, P8, P11, P13 and P15)

An Integrated Assurance Plan is applied when preparing the Integrated Report. This provides an independent report on the transparency and accountability of our disclosures contained in this report. The Integrated Assurance Plan encompasses our five levels of assurance provided by management, internal specialists, internal audit, external audit, external advisers, and service providers.

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

Our integrated assurance process and oversight will continue to respond to all challenges by integrating the key risk and assurance concepts in an innovative and practical manner.

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

The Board and ARC assessed the effectiveness of controls for the year ended 31 March 2023, and found that these to require improvement. This was achieved mainly through management self-assessment, including formal confirmation from senior management and reports from internal and external audits, and other assurance providers. The Annual Financial Statements present all material respects, our financial position, results of operations, and cash flows for the period.

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

	Assurance Providers	Outcome	Framework/Standard
Integrated Report (in full)	• Board of Directors • ARC • Social and Ethics Committee (SEC) • Nexia SAB&T • DCDT Oversight • Parliament Oversight	• Review and Commentary • Approval	• International <IR> Framework (IIRF) • ARC Terms of Reference • SEC Terms of Reference • King IV • Public Finance Management Act, No. 1 of 1999 (PFMA) • Companies Act
Annual Financial Statements and Performance Information	• Nexia SAB&T • Audit and Risk Committee • Board of Directors • DCDT Oversight • Parliament Oversight	• Review and Commentary • Unqualified audit opinion • Approval	• IFRS • PFMA • Companies Act
Review of Internal Controls, Governance, and Risk Management	• BBI Internal Audit • ARC • Board of Directors	Based on the Results of the Reviews Assessment of Controls: • Financial Controls Adequate but Requires Improvement • Operational Controls Adequate but Requires Improvement • IT Controls Adequate and Effective	• Committee of Sponsoring Organisations (COSO) • PFMA • Institute of Internal Auditors • Legislative Requirements • Enterprise Risk Management ISO 31000 Standard • ISO Standards Relating to Safety and Environment, including ISO 9001:2015 and ISO 14000
Quality Standards Auditing	• South African Bureau of Standards (SABS) • TÜV Rheinland	• Standardisation of Processes and Systems	• Quality Standards • ISO Standards Relating to Safety and Environment
Broad-Based Black Economic Empowerment (B-BBEE) Contributor Level	• BEE Online Advisory (Pty) Ltd	• B-BBEE Level 4	• Broad-Based Black Economic Empowerment (B-BBEE) Act, No. 53 of 2003 and Charters • ICT Scorecard
Corporate Governance	• Internal Audit	• Review and Commentary • IA Outcome • Approval	• King IV • PFMA • Companies Act

Table 1: Integrated Reporting Assurance Framework

Going Concern Status (King IV P2)

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

Figure 1: Performance Factors

The Board is satisfied that BBI will remain a going concern for the foreseeable future. Please see note 26 on pages 148 of the Annual Financial Statements.

Governance Context

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

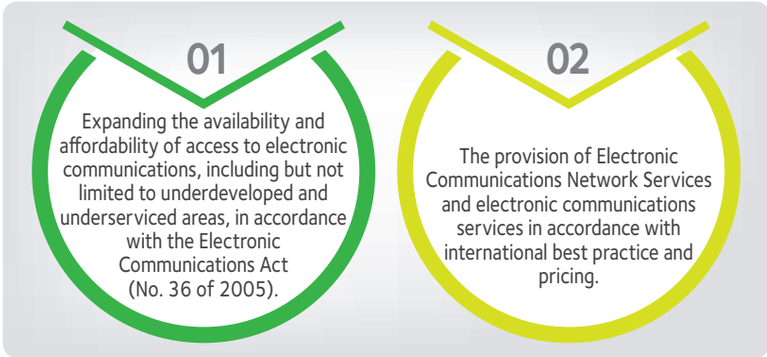


Figure 2: Main Objectives

The Company has two Shareholders - the DCDT, representing the South African Government (owning 74% of the shares), and the IDC who owns 26% of the shares.

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

BBI signs an annual Shareholder's Compact with the Executive Authority that details strategic objectives and key performance indicators and targets. The Board directs the Company's strategy in accordance with the mandate and strategic intent. The leadership of Broadband Infraco is guided by our values and code of conduct. There is a clear distinction of roles and responsibilities between the Board and Executive Committee (EXCO). A detailed governance framework can be found on page 91.

Regulatory context

BBI complies with the PFMA provisions for Schedule 2 companies and more than 60 regulatory requirements. To ensure compliance with regulations and effect law of the country, we developed systems, policies, and procedures. These governance instruments cover all aspects of the business to ensure that internal controls are efficient and adequate. These are recorded in an enterprise-wide policy register updated quarterly to monitor the status of policies. In total, 63 policies have been developed.

Statement of Stakeholder Commitment (King IV P16, AA1000, AA1000SES)

We strive to communicate and engage with our stakeholders regularly and robustly. BBI's core values, as encapsulated in its Corporate Plan, guide all our interactions with stakeholders. The Board and Management have reviewed and updated the 2030 strategy, taking into consideration the global telecommunications environment. The details of our values can be viewed on page 31 of this report.

To meet and improve upon our stakeholder commitments, we continue to strive for:

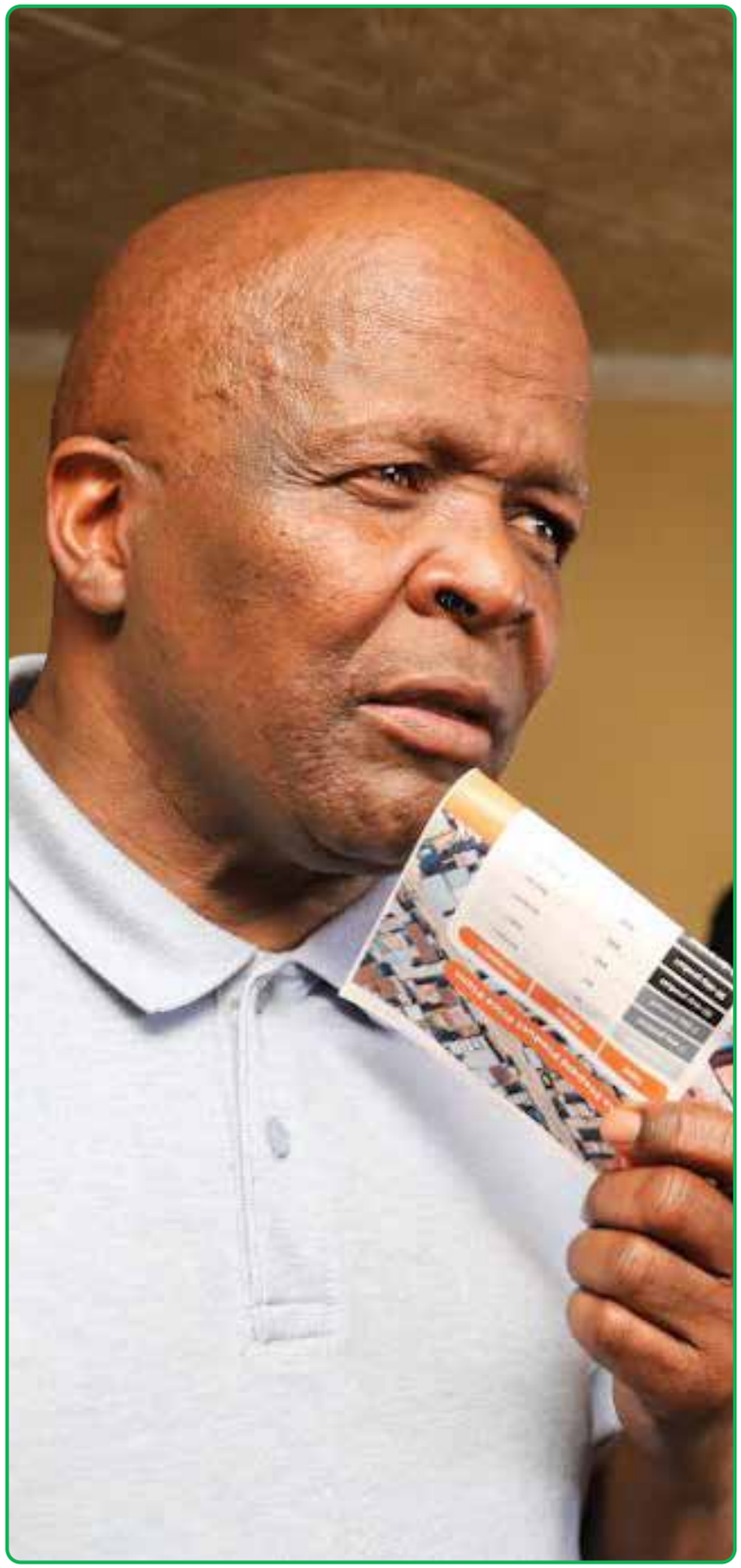
Figure 3: How we meet our stakeholder commitments

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

The Board and the EXCO have respectively established committees to ensure the effective management and monitoring of operations, and to efficiently respond to the fundamentals of the Company's mandate and strategy. Accordingly, the table below links the management activities and Board Committee oversight to the required components for inclusion in the 2023 Integrated Report.

Feedback

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



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

Table 2: Board oversight of integrated reporting elements

Forward-Looking Statements

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

Future outlook statements constitute the present expectations of the organisation that hinge on reasonable assumptions based on market analysis and calculated risk.

These statements inform the readers that assumptions have been validated. Actual results may differ materially from the projected future outlook statements due to many events, risks, uncertainties, and other factors.

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

The **Journey** of **BROADBAND INFRACO**

THE JOURNEY OF BROADBAND INFRACO

01 Highlights

- The Company maintained a position of net cash inflow from operations, realised in the current financial year, coupled with a positive Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA);
- The most significant contributors to the achieved sales were WACS clients and a state-owned entity that awarded BBI a contract to provide broadband services;
- BBI successfully stabilised a key regional client business that was at risk of cancellation due to performance challenges. The service has been restored and the customer is satisfied with the performance of the links;
- ISO 9001:2015 recertification was obtained;
- The upgrade installations for the Botswana traffic through the Ramatlabama cross-border fibre cable capacity have been completed;
- A funding allocation letter of R3 billion rand was received from the National Treasury, broken down as R1,1 billion for the first year, starting April 2023, and R1,9 billion for the second year;
- A mini-Internet Protocol (IP)/MPLS network was implemented to migrate services of Universal Service and Access Agency of South Africa (USAASA), State Information Technology Agency (SITA) and other customers to a more efficient IP network;

01 OPTIONS

2007

Broadband Infraco Act enacted and published and the company established.

02 OPTIONS

2008

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

03 OPTIONS

2009

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

04 OPTIONS

2010-2011

Launched commercial. Rights of use for the SNO terminated. Insourced NOC. Last trench of Shareholder funding.

02 Challenges

- Vandalism of network infrastructure persists as the primary cause of network failures, with 35,1% of all incidents attributed to this issue;
- Eskom load shedding has affected customer services at various Points of Presence (PoP) sites across the country that became isolated during Stages 3, 4, 5, and 6, especially during the ongoing Stage 4 load shedding;
- A national shortage of standby batteries continues to pose a significant challenge to BBI in replacing batteries whose condition has been compromised by frequent AC supply interruptions caused by Eskom load shedding. This significantly reduces the lifespan of the batteries;
- The stalemate between BBI and Eskom has had a negative impact on the business, leading to the cancellation of some services. These cancellations have resulted in a loss of customers and a reduction in the customer base;
- Fewer services on routes with poor performance are at high risk, as customers are unwilling to upgrade or renew existing contracts;
- The presence of interns and trainees with extended terms creates an expectation of permanent appointment, especially as many of them are already performing full responsibilities of the jobs they occupy. An inability to absorb them poses a potential legal risk and may create perceptions of exploitation;
- Delays have been experienced in third-party fibre lease approvals and restoration of fibre breaks.

- Successful operation and management of the primary NOC for the West African Cable Submarine System (WACS) continues;
- A new NOC communication system, supporting the hybrid working system, has been successfully implemented;
- Despite limited staff, the remote operation of the NOC for BBI National Long-Distance Network (NLD) continues successfully;
- The Rondebosch – Koeberg - Yzerfontein hiT7300 link was successfully migrated from the vulnerable Transnet and Eskom route to a new third-party cable, thereby connecting Rondebosch directly to Yzerfontein54r;
- Nationally, regions initiated a process of procuring portable generators for all regional offices to mitigate the effects of simultaneous long power outages due to load shedding in some areas;
- BBI successfully hosted World Radio Day in Qunu using South Africa (SA) Connect sites to establish a Wi-Fi hotspot at the local Chief's Great Place, thereby showcasing SA Connect capabilities and success. The annual Workplace Skills Plan and Annual Training Report were submitted, with execution at a spend of 2,18% of the salary;
- Maintained partnership with MICT SETA resulted in the appointment of 40 new interns; and
- Implemented Techno-Girl project that included job shadowing.

06
OPTIONS

2012-2023

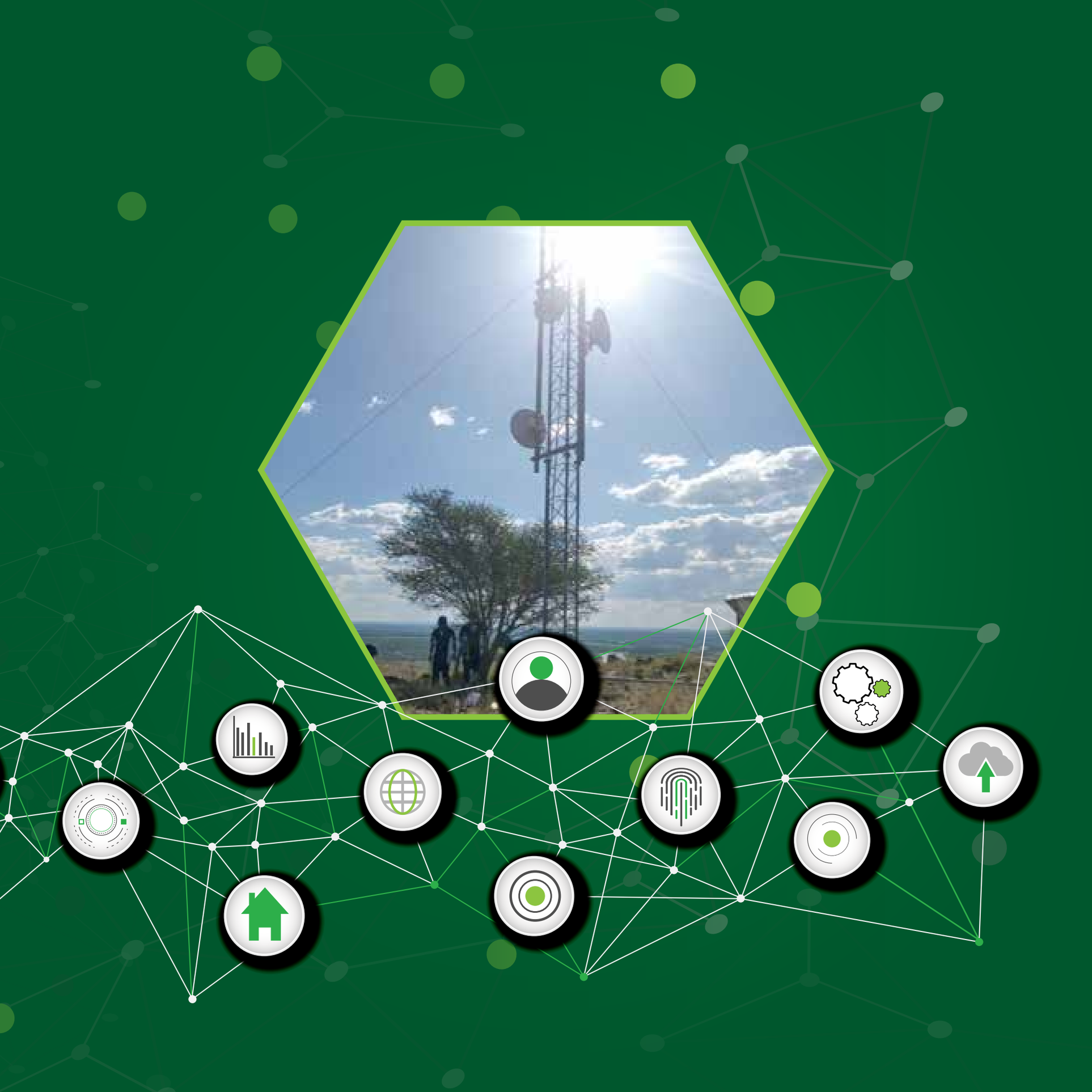
- WACS cable.
- Karoo Array Telescope.
- SA Large Telescope.
- Kilometre Array.
- 14 892km Fibre.
- 150 POPs.
- ISO 9001:2015 Accreditation.
- 713 SA Connect Sites.
- 412 USAASA Sites.
- Five schools adopted for CSI programme.

03 Mitigations

- Secure funding for capital projects;
- Drive the sales strategy to increase sales through new customer acquisitions locally, regionally, and internationally;
- Strategic customer ;
- New product development;
- Engage and build partnerships with stakeholders to expand brand reach and impact;
- Enhance network reliability by upgrading the network infrastructure and replacing obsolete equipment;
- To expand the network and establish route redundancy by linking strategic routes as backup paths;
- In response to the increasing demand for IP services, we are currently upgrading the IP network;
- Accelerate services in underserved areas by taking part in national and local government initiatives and programmes to implement the SA Connect project; and
- Diversify revenue streams.

04 Future Plans

- Resolve the Eskom impasse;
- Rolling out the Broadband Access Fund and SA Connect Phase 2, among other projects;
- Improve network service availability and customer offerings include the following plans;
- To improve network resilience and meet growing customer demands, we are upgrading network capacity by increasing capacity on strategic high-demand routes and addressing bottlenecks in the network;
- Network Reliability Improvement by replacing obsolete equipment that still exists on some routes;
- Provide route redundancy by initiating projects to expand the network and to link strategic routes to serve as a backup path to minimise downtime and ensure continuity of services in the event of unplanned network outages; and
- Upgrading of the IP Network to satisfy the increasing demand for IP services from customers and the continued drive to ensure an IP presence in at least one node in each of the provinces necessitates the further rollout of the IP/MPLS network.



Our **Leadership Overview**

LEADERSHIP OVERVIEW

FINDING A NICHE AMID STORMY WATERS

CHAIRPERSON STATEMENT

Dear Stakeholders,
It is with great pleasure that I present the overview of the performance information of BBI for the 2022/23 financial year. From a financial sustainability perspective, we continue to work with our Shareholders to engage on access to funding to enable us to expand our network. We are still faced with liquidity risk and not being able to meet customer requirements timeously, with supplier payments delayed, creating strained relations in some sectors. This situation will improve once the fundraising process is completed with the assistance of the Shareholders..

Governance structures

The governance structures have been optimised to ensure that, as the Accounting Authority, we availed ourselves to management and our stakeholders when required to do so and maintain our oversight role as mandated by our Shareholders. Our Board and its Committees have met regularly and have held ad-hoc meetings as necessitated by the requirements of continued operations. We have also met and reported on our performance and governance to the Portfolio Committee on a quarterly basis; and this sometimes includes ad-hoc reporting when deemed necessary by the Portfolio Committee.

Challenges

The Company has survived through cash generated from operations since 2010/11, when the last tranche of the initial capitalisation was received. This has had an impact on the network capacity, as the network could not be expanded to keep up with market requirements, and this has weakened its position in the market and contributed negatively to its financial sustainability. Over the years this has affected the capacity of the Company to provide effective and efficient services to its customers. The disconnect of fibre links by Eskom due to debt owed by BBI has contributed negatively on the core operations of BBI.

Future outlook

On 14 February 2023, BBI was appointed as a Fund Manager for Presidential Employment Stimulus (PES). The objective of the fund is to subsidise Internet Service Providers (ISPs) to provide internet services to 50 000 households and 3 000 community Wi-Fi hotspots. The project is for a period of 12 months. The fund was budgeted at R200million with an aim of creating job opportunities in, partnership with local Small Medium Micro Enterprises (SMMEs) and ISPs.

Another project BBI is embarking on is the SA Connect phase 2, with an estimated funding of R3 billion. The local SMMEs, ISPs and Mobile Virtual Network Operators will lease capacity and provide connectivity to those households and Community Wi-Fi hotspots, with the applicable metering and support. The State Digital Infrastructure Company (SDIC) and the ICT industry will aggregate and backhaul the SA Connect traffic using state-owned and private sector infrastructure.

Audit Outcome

The Company retains its unqualified audit outcome with findings that we remain committed to addressing, with none of these relating to fraud or other serious breaches of governance.

Appreciation

I would like to thank the Board of Directors for their exceptional work in leading this Company during such turbulent times and further express my humble appreciation to the late Chairperson of the Board Ms Leah Khumalo who had served the organisation diligently. My gratitude is extended to the Minister of Communications and Digital Technologies and the IDC, our two Shareholders, in taking the Company forward and recognising its potential to accelerate access of broadband connectivity by all citizens in rural and underserviced areas.

I further extend my thanks and deep appreciation for the intense contributions of every employee by diligently providing excellent services, preserving the assets of the Company, and driving the cost containment effort. This is evidence of Team BBI spirit.

I also acknowledge BBI's stakeholders for their continued support and engagement. Throughout this Integrated Report, we reflect on the work of BBI and our commitment to create shared value for our stakeholders; ensure safe and sustain operations; and our focus on securing the Company's resilience in a lower-carbon future.

The stakeholders' challenges and inputs have been important in the Company's efforts to set a new strategic direction. The outstanding and continuous support, as well as rigorous dialogue, contribute significantly to our long-term value creation.

Ms Zandile Kabini
Chairperson: Board

OUR BOARD OF DIRECTORS

Zandile Kabini
Chair of the Board

Gender: Female

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

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

Bojane Segooa
Audit and Risk Committee Chairperson

Gender: Female

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

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

Lungile Mabece
Social and Ethics Committee Chairperson

Gender: Male

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

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

Den Dwane
Human Resource and Remunniration Committee Chairperson

Gender: Male

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

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

Devesh Mothilall
Member of the Board

Gender: Male

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

Expertise:
- ICT
- Electrical Engineering
- Telecommunication

Patrick Makepe
Investment, Financing and Procurement Committee Chairperson

Gender: Male

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

Expertise:
- Mechanical Engineering
- Infrastructure Delivery Management
- Programme Management

Loyiso Tyira
Technology, Knowledge, and Information Management Committee Chairperson

Gender: Male

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

Expertise:
- Information Technology and Business Management

Gift Zowa
Acting Chief Executive Officer

Gender: Male

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

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

Ms Thuli Phakedi
Chief Financial Officer

Gender: Female

Qualifications:
- Chartered Accountant CA (SA)
- B.Com Honours - University of South Africa (UNISA)
- BCom Accounting (University of Johannesburg)

Expertise:
- Conceptualizing and implementing financial planning and management
- Profitability Monitoring
- Internal and External audit management
- Cashflow forecasting and management
- Working capital management
- Short- and long-term budget planning
- Project implementation and accounting management
- Procurement Management

Xolisile Njapha
Company Secretary

Gender: Female

Qualifications:
- LLB - niversity of South Africa (UNISA)
- Bachelor of Social Science (Labour and Legal Studies) - UKZN
- Post Graduate Diploma (Maritime law and Economics) - UKZN

Expertise:
- Corporate Governance
- Regulatory Compliance
- Stakeholder engagement
- Contracts management and drafting
- Policy review

LEADERSHIP OVERVIEW

SAILING THROUGH STORMY WATERS

CHIEF EXECUTIVE OFFICER STATEMENT

Dear Stakeholders,

I was appointed Acting Chief Executive Officer from 17 November 2022 (upon the expiry of my predecessor's term), having served as the Chief Technical Officer since 2013. The Company has remained steadfast in the face of many challenges over the years. BBI has been through some extraordinary challenges. These challenges, however, are not insurmountable. We believe the future is brighter, especially with the following hurdles having been overcome:

- The conversion of Shareholders' loans, approved at the end of the previous financial year, thus improving the Company's balance sheet;
- The approval of the SA Connect Phase 2 project, with BBI playing a key role in the project's implementation; and
- Better collaboration with Sentech as part of the merger process, thus opening new opportunities for both companies.

The onset of COVID-19 and the ensuing disaster management regulations over the past three financial years, including the year under review, have created increased demand for larger bandwidth capacity. This shift has transformed primary business offices from formal, office-based working to home-based offices. The pandemic prompted enterprises and the government to accelerate their digital transformation plans and their move to the cloud to support remote working and accommodate social distancing requirements. This shift to a "new normal" has provided an opportunity for BBI to increase its growth trajectory in terms of its products and services, offering prospects for acceleration in the digital transformation arena. While the ground for growth and acceleration was fertile, not all the opportunities presented were realised. This was attributed to a myriad of unforeseen constraints within the Company, exacerbated by continued financial constraints.

The successful delivery of SA Connect Phase 1 has brought about positive spin-offs, including newly formed strategic partnerships through SOC-to-SOC business. This will lead to the connection of unconnected communities in the OR Tambo and Pixley Ka Seme district municipality. This also aligns with our strategic objectives that aim to replicate this model for most district municipalities throughout all provinces.

Factors Driving our 2030 Strategy

Fibre infrastructure forms the foundation for the development of communication products and services, such as broadband connectivity and support for wireless products. This has driven significant investments towards fixed broadband services and infrastructure within SA, which grew by 51% over the past four years. At present, Telkom holds the largest market share in the NLD fibre market, possessing approximately 73% of the market. BBI holds the second-largest market share with approximately 14% of the market, covering roughly 15 000km of NLD fibre. The rest of the fibre is owned by Telcos such as Liquid Telecom, MTN, Vodacom, FibreCo, and Dark Fibre Africa. The growth in infrastructure is driven by market demand for internet connectivity.

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

It is pertinent to note that the ICT industry remains ever evolving and this calls for BBI to remain agile and proactive to continue to be a valuable contributor in the sector. In support of this, BBI has considered important supplementary services and solutions during the process of crafting our revised strategy. This includes the incorporation of cloud services and data centres. There is potential to grow BBI's vertical product offerings and reselling of cloud services to SMMEs, ISP, markets, and Government departments. To thrive in an environment such as the above, partnerships are essential for the growth and survival of BBI and to further the expansion of products and services horizontally which are relevant for the population.

The merger of BBI with Sentech, will enable large-scale investment in communication infrastructure that will improve the sustainability of both entities jointly. The market is experiencing an increase in undersea cables landing in the country, which will in turn place additional pressure on the prices of international connectivity costs. Lastly, technological trends heighten the need to consolidate horizontal expansion into additional services.

2023 Performance Results Against Shareholder Compact

BBI has continued to comply with the PFMA and National Treasury by submitting both the Corporate and Annual Performance Plans timeously each year. The total number of targets during the year under review was 20, spanning various areas of the Company's operations. Most of the targets were in financial sustainability and received prioritised focus. Although we could not fill vacancies due to the moratorium over the last three years, our employees remained resilient and strove to achieve the pleasing results reported herein.

This achievement comes despite the financial constraints that led to Eskom disconnecting some of the BBI links, the impact of the pandemic on the supply chain, which caused a delay in the delivery of chips and equipment required to provision services by almost two years, and the impact of the moratorium on our ability to execute all plans. The Company was unable to secure approval to obtain commercial funding due to the pending merger with Sentech. This protracted process significantly impacted the Company's ability to expand its core network and provision of services, thereby negatively affecting the financial sustainability targets over the years.

The sales strategy could not be fully implemented due to a lack of full funding and loss of infrastructure from Eskom, which impacted orders and sales capacity constraints. An element of the strategy, which focused on ISP acquisitions, was not realised due to the number of service cancellations experienced during the financial year under review. The direct impact on the ISPs was the loss of revenue as their customers were cancelling services with them.

Full implementation of this strategy could not be achieved as the focus shifted to attempts to improve network stability. Vandalism of the network and load shedding added to the challenges, which shifted the focus from sales to relationship management.

Revenue increased by 7% compared to the previous year but was, however, 19% lower than the budget. The main reasons for the non-attainment of the target include the non-materialisation of the investment plan strategy due to BBI's inability to secure approval to obtain commercial funding, cancellation of links, non-renewed expired contracts, and increased rebate credits issued due to network instability. Revenue growth has been constrained by a lack of funding to provision the capacity requirements of customers.

Gross profit margins increased by 10% year-on-year (excluding depreciation) as the cost of sales decreased by 12% year-on-year, off the back of an increase in revenue by 7% year-on-year. Operating expenses are higher year-on-year by 7%, mainly due to an increase in co-sourcing costs and operating leases, negated by the low spend in maintenance due to cash constraints.

The Company was able to maintain a positive EBITDA of R32 million for the year under review. However, the Company remains under severe cash constraints as no new cash upfront deals were signed or received over the past 24 months. As a result, all capital expenditure to provide services to customers is funded from own funds generated during the year. This, along with the low new sales resulting in declining revenue growth, places the Company under cash flow constraints. The total operating loss is R121 million.

Network Build and Service Availability

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

On the downside, vandalism continues to plague our service availability, as cables and batteries are either stolen or vandalised - increasing the number of faults. Crime has escalated to higher levels since the advent of COVID-19, with our PoPs targeted for batteries, increasing breaking levels, and increasing network faults at an alarming rate. Some areas are unsafe for our maintenance technicians, especially females to attend to network faults during the night without being accompanied by armed response security guards. This has resulted in high provisioned rebates, and high turnover in dispatching technicians that increases the length of service unavailability.

Eskom disconnected some fibre links during September 2022 due to an outstanding debt. This with the impact of load shedding, at 95,71% our network services availability was below the target availability of 98%. The performance was considerably worse than 99,01% achieved in the previous financial year. The swift response by the Polokwane and Nelspruit teams ensured that the Beitbridge PoP was put back in operation within two days after its destruction by vandalism. Considering the damage to the site and equipment, this has been the worst PoP site break-in incident we have experienced to date.

Broadband Infraco was awarded the USAASA contract to provision 412 sites in the Eastern and Northern Cape in the first quarter of 2022/2023. All governance and procurement processes were completed in the second quarter of FY2022/2023. The first 73 sites were delivered to USAASA in the third quarter of FY2022/2023. The installation of 139 Layer-2 services was completed, and 88 were operational with internet in the last quarter of FY2022/2023.

International Standards

We have maintained the ISO9001:2015 certification since 2017. There were no repeat findings from external audits conducted that conducted the surveillance audit. We pride ourselves in operating within the norms of global standards that create value for all our stakeholders.

Safeguarding Our Employees

The Company's priority has always been to support our most treasured assets – our employees. Thus, we meticulously aligned our Occupational and Employee Wellness Policy with the Company's COVID-19 management interventions during the year. The policy prioritises chronic disease management, considering the high risks of exposure to any diseases, occupational or otherwise. Our employees have transitioned smoothly to the new offices in Radiokop-Sentech offices from January 2023.

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

SOC Rationalisation

All inputs required for the Sentech merger to take place, including the Strategy, the Valuation and Post-Merger Integration plans and business model for the formation of the SDIC were submitted to the Shareholder. With that achieved, the way for the merger paved, the Minister is engaging the boards of the two entities on the corporate structure of the SDIC. BBI has relocated its head office to Sentech to improve the integration with Sentech and improve collaborations and partnership. This has resulted in significant savings though most employees travel longer distances to the new offices.

Preparing for Post Pandemic Economy Recovery

SA's Economic Reconstruction and Recovery Plan sets out a bold vision and immediate actions to enable an economic rebound and to build the economy of the future. The recovery and reconstruction strategy places jobs at its centre. An employment focus bridges the traditional separation of growth and social policies. Just as pro-growth policies will help us to achieve our goal of socio-economic transformation, an employment focus will promote accelerated inclusive growth. For this approach to be successful, private sector economic activity needs to be unleashed, just as state capability needs to be improved. The plan targets the primary constraints on growth and employment. These include energy supply, digital infrastructure, and regulatory and policy barriers that increase costs and create inefficiencies. In addition, through a major infrastructure programme and a large-scale employment stimulus, the plan aims to respond to the immediate economic impact of COVID-19, propelling job creation and expanding support for vulnerable households. BBI's 2030 Strategy sets out the plan to accelerate broadband connectivity to rural and underserviced areas. This serves to support and enable the government's economic reconstruction and recovery plans. It furthermore presents an opportunity for BBI to grow, as the demand for high data will result in an increase in the need for the services that BBI provides to the market. The implementation of the Broadband Access Fund and SA Connect Phase 2 will enable both the Company and Government to achieve this objective and better the lives of the citizens of South Africa. There is a renewed focus on venturing into diversifying revenue streams through various initiatives, including collaboration with the private sector on a few opportunities.

Appreciation

BBI would not have continued to survive during these challenging times without its employees who continued to demonstrate their commitment to the Company and its customers. A special thanks to our employees for sailing through stormy waters; your tenacity is appreciated. Uncertainties and the most strenuous circumstances could not cloud your diligence, commitment, and love of the Company. Our employees have continued to work diligently, which has proved to be a major cost-saving phenomenon for the Company while improving productivity and strengthening their safety; what a win-win situation. I thank the previous Minister, the Honourable Khumbudzo Ntshavheni, for spearheading the allocation of the PES and SA Connect Phase 2 that will roll out Community Wi-fi hotspots in all nine Provinces, thus bridging the digital divide and accelerating economic inclusivity and reconstruction. This has changed the outlook of the Company's future, which now provides immense opportunities.

I take this opportunity to welcome the new Minister, Honourable Mondli Gungubele. We are looking forward to working with him in bridging the digital divide that has plagued our country since time immemorial. Also, special thanks to the Acting Director General, Ms Jordan-Dyani, and the Shareholder representatives of the DCDT, and the IDC of SA, for their unwavering support and guidance.

I want to thank the Board, my colleagues on the EXCO, and the Senior Managers who have provided valuable and industrious leadership. I would like to thank them for their commitment to assisting with re-positioning the Company to prepare it for the merger with Sentech and future ventures. We thank all our valued stakeholders, especially customers, clients, and suppliers, for their support during the year and look forward to their continued support in the forthcoming years.

Gift Zowa
Acting Chief Executive Officer

OUR EXECUTIVE MANAGEMENT

Gift Zowa
Acting Chief Executive Officer

Gender: Male

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

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

Ms Thuli Phakedi
Chief Financial Officer

Gender: Female

Qualifications:
- Chartered Accountant CA (SA)
- B.Com Honours - University of South Africa (UNISA)
- BCom Accounting (University of Johannesburg)

Expertise:
- Conceptualizing and implementing financial planning and management
- Profitability Monitoring
- Internal and External audit management
- Cashflow forecasting and management
- Working capital management
- Short- and long-term budget planning
- Project implementation and accounting management
- Procurement Management

Peter Mafagana
Acting Chief Technical Officer

Gender: Male

Qualifications:
- M Eng – Electrical Engineering (Wits University)
- B.Tech (Eng) – Electrical Engineering (Tshwane University of Technology)
- National Diploma – Electrical Engineering - (Tshwane University of Technology)

Expertise:
- Telecommunications Industry Knowledge, Technical Expertise, Technology Management, Strategic Planning and Leadership

Gloria Pete
Acting Chief Marketing and Sales Officer

Gender: Female

Qualifications:
- B. Com in Economics - University of Bophuthatswana (UNIBO)
- Post Graduate Diploma - Management Advancement Program (MAP) Wits Business School

Expertise:
- Product Development & Management, Business Development, Stakeholder Management, Complex and Strategic Sales, Relationship Management, International Sales. Marketing and Go To Market Strategies

Mike Mojapelo
Executive: CRA

Gender: Male

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

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

Irene Mokgohloa
Acting Executive: HR

Gender: Female

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

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

Organisational Overview

ORGANISATIONAL OVERVIEW

WHO WE ARE

Mandate

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

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

Commercial Mandate

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

Social Mandate

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

Figure 4: Our Dual Mandate

Broadband Infraco

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

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

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

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

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

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

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

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

Figure 5: BBI's vision, values and mission

OUR VALUE PROPOSITION

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

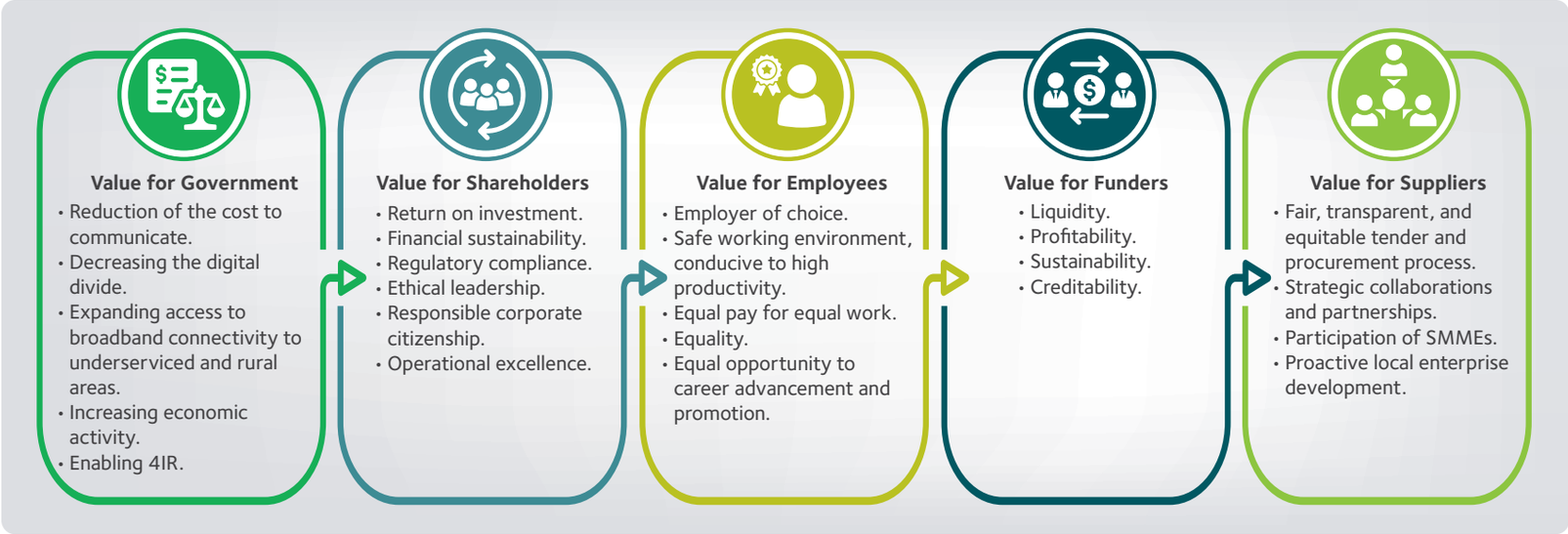


Figure 6: BBI's strategic outcomes

Value for National, Regional, and International Customers

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

1. Open Access Network
An open-access carrier-class communications enabler.

2. Diverse Network Offering
Unique, exclusive access to rail and electricity servitudes.

3. SADC Connectivity
A resilient, comprehensive national terrestrial backhaul network connecting all SADC nodes.

4. International Access Provider
Competitive international connectivity through WACS as a Tier1 Investor and on the East Coast through a PoP in Mtunzini.

5. Innovative Product Offering
Innovative offerings such as Wavelength services, Carrier Ethernet services, WACS, NOC as a Service and Colocation services and 24/7 countrywide customer support.

6. High Standard SLA's
High SLAs on the back of a redundant routes offered on Broadband Infraco core network.

7. National Core Provider
Single provider of the SITA NGN core network.

8. SA Connect
Lead agent for implementation of SA Connect.

9. ICT Solutions Provider
ECS and ECNS licensee for provision of ICT Services.

Figure 7: BBI's value proposition

OPERATING CONTEXT

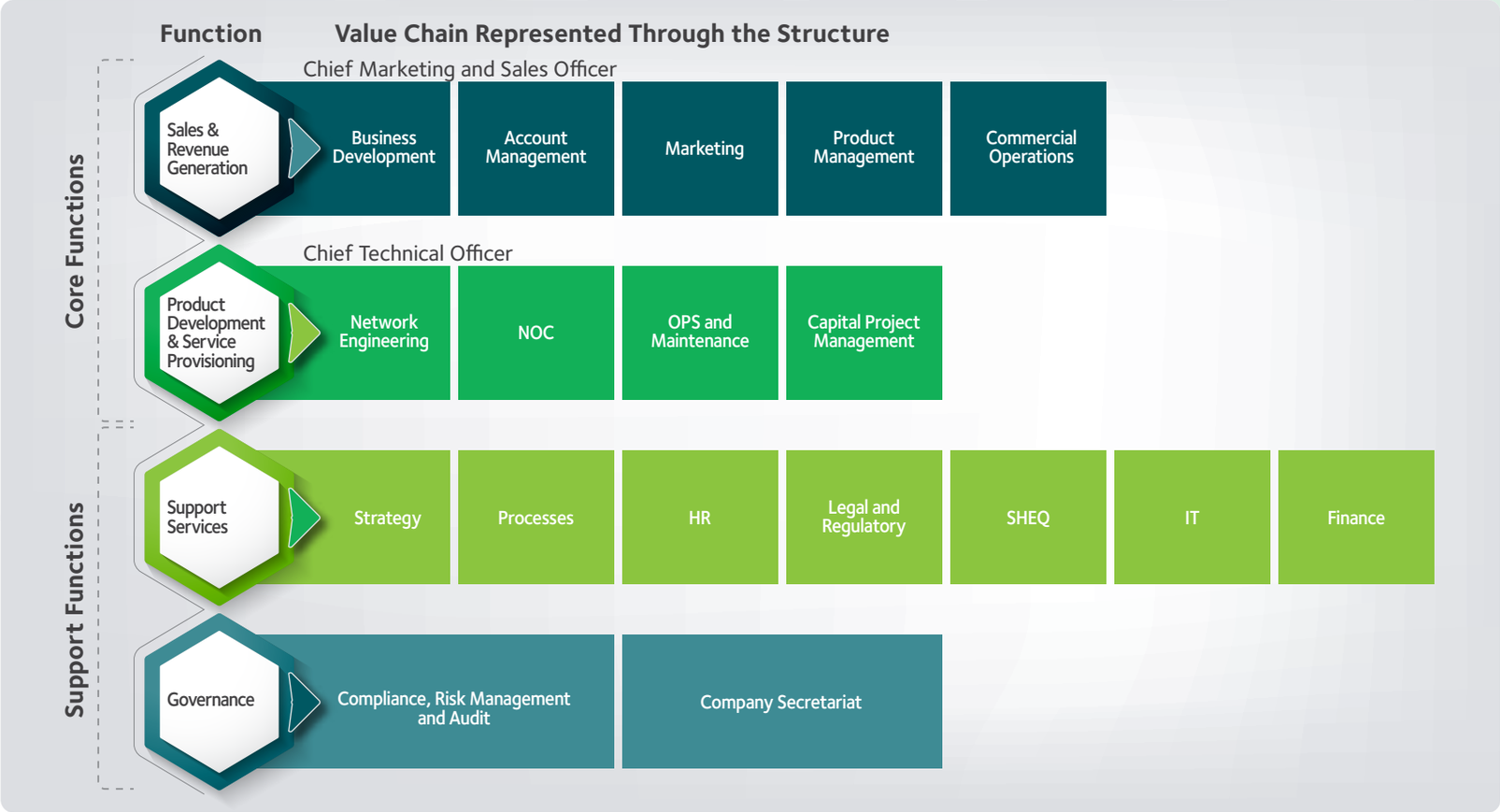


Figure 8: Description of operations

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

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

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

What We Do

BBI offers long-haul connectivity and various broadband communication services. Its mandate is in line with the NDP of establishing national, regional, and municipal fibre optic networks to provide the backbone for broadband access - particularly in underserviced areas of the country. The services are based on the provision of high-capacity bandwidth from point to point on the national network. 713 SA Connect Sites have been connected to BBI's network across eight districts of underserviced areas. In addition, 139 USAASA Sites were connected during the year under review.

Our Offerings

The Company's portfolio of products and services is based on the provision of high-capacity managed bandwidth from PoP to PoP, delivered on its resilient NLD network. The evolution of technology, coupled with the high consumption of IP-based services, has resulted in customers requesting high bandwidth services. This was responded to by implementing next-generation dense wavelength division multiplex (DWDM) technology that can carry 100Gbps within the Company's core network. An Open Systems Interconnection (OSI) model was adopted to define and name products, rather than using definitions based on the technology. BBI's services are in the first

three layers of the OSI model, namely, the physical layer (Layer 1), the data link layer (Layer 2), and the network layer (Layer 3). The bandwidth services that use Synchronous Digital Hierarchy (SDH) and DWDM are in Layer 1 and Layer 2. The Company also offers IP connectivity services including IP transit, which is a Layer 3 service.

Our products include the following:

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

National Connectivity

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

Regional Connectivity

BBI's network covers all nine provinces, major cities, and towns of SA. It also extends to the borders of SA's neighbouring countries of Botswana, Lesotho, Mozambique, Namibia, Eswatini and Zimbabwe to provide required interconnectivity.

In line with the SADC Protocol, BBI have connected all the SADC PoPs. This enables us to offer services to all neighbouring countries through interconnections at the following border posts:

International Connectivity

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

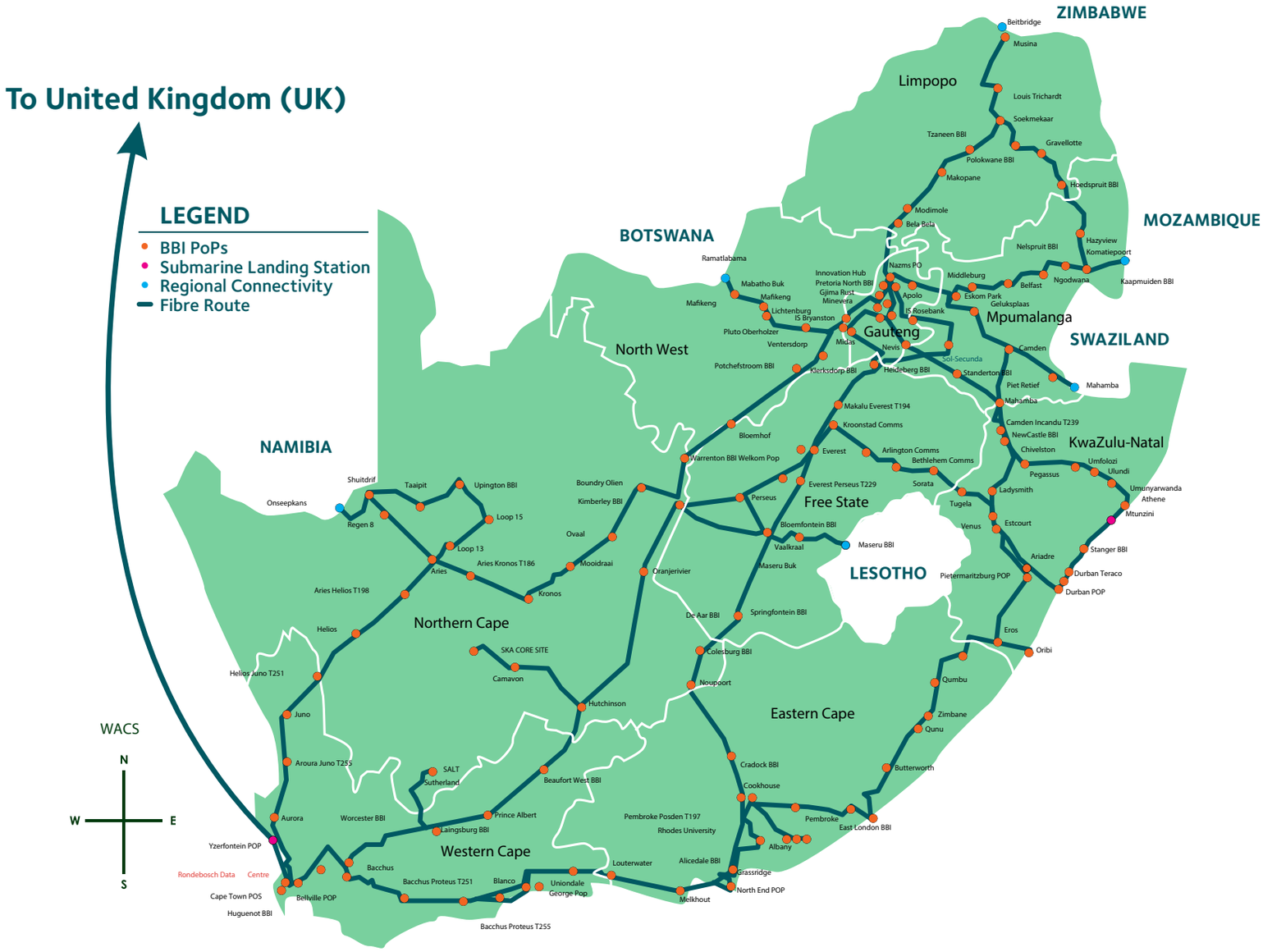


Figure 10: Broadband Infraco Fibre Footprint

Where We Operate

Our main offices are based in Gauteng, and we have a presence in all nine of SA's provinces—spanning 14 regional offices as illustrated in the map below:

Figure 11: Regional Offices

SOCIO-ECONOMIC DEVELOPMENT

Employment

As at the end of March 2023, the Company had a total of 109 employees (121 recorded in FY2021/22). The table below depicts the approved headcount per division that has remained unchanged since it was approved in the FY 2016/17. Due to financial constraints and the moratorium that was imposed by the previous Minister in 2018 financial year, (which has been very costly for the Company and impacted significantly on the achievement of our strategic objectives), we have not been able to fill vacancies.

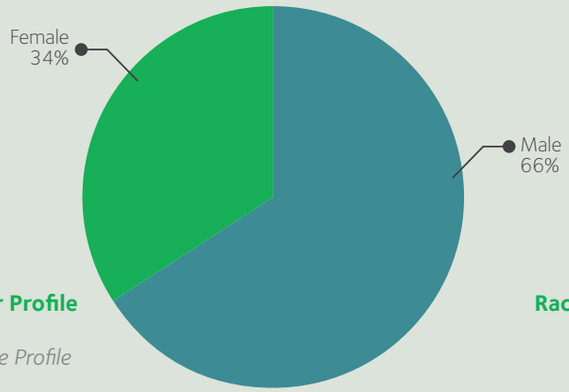
Division	Executive	Senior Managers	Middle Managers	Junior Managers	Operational	Support	Active	Vacant	Total Approved Headcount (Permanent)
CEO's office	0	1	1	0	1	0	3	2	**5**
CFO	1	0	5	1	3	0	10	10	**21**
CMSO	0	3	3	0	0	1	7	6	**13**
CRA	1	0	2	0	1	0	4	3	**7**
CTO	1	4	24	13	33	2	77	20	**97**
HR	0	1	2	0	1	0	4	5	**9**
Secretariat	1	0	1	0	0	0	2	1	**3**
Total	**4**	**9**	**39**	**14**	**38**	**3**	**109**	**46**	**155**

Table 3: Approved headcount.

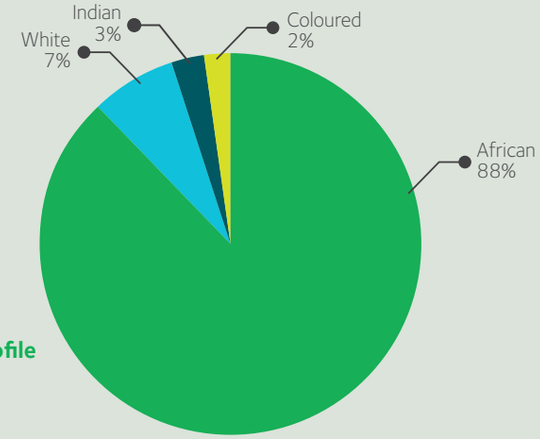
At present, our organisation is conducting five internship programmes in collaboration with the Media, Information, and Communication Technologies Sector Education and Training Authority (MICT SETA). These appointments were finalised during the fiscal year under review and are set to continue for a duration of 12 months. As of 31 March 2023, the total count of interns and trainees stood at 42.

Employment Equity

Our demographics are presented in the charts below with a race group representation of Africans at 88%, Whites 7%, Coloureds 2%, and Indians 3% (excluding interns and temporary workers). This is a slight decline compared to the previous year. Our employee gender profile remained predominantly male with a 66% representation, and females representing 33% due to the moratorium.



Gender Profile



Race Profile

Figure 12: Employee Profile

Skills Development

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

The organisation has spent 2% on training and development due to financial constraints, prioritising development interventions that are most crucial. This falls short for other significant imperatives and business continuity strategies, such as succession planning with specialist professional assessment techniques to determine readiness of nominated candidates.

ENTERPRISE DEVELOPMENT

The Company has successfully deployed systems, policies, and procedures to comply with all current statutory supply chain management requirements. These include, but are not limited to, National Treasury prescripts, the Promoting Preferential Procurement Regulations (PPPFA), and B-BBEE functionality. Our procurement strategy is specifically designed to attract a significant contribution from previously disadvantaged groups and to create an environment within the Company where these individuals receive preference in terms of the supply of goods and services across all areas of the supply chain.

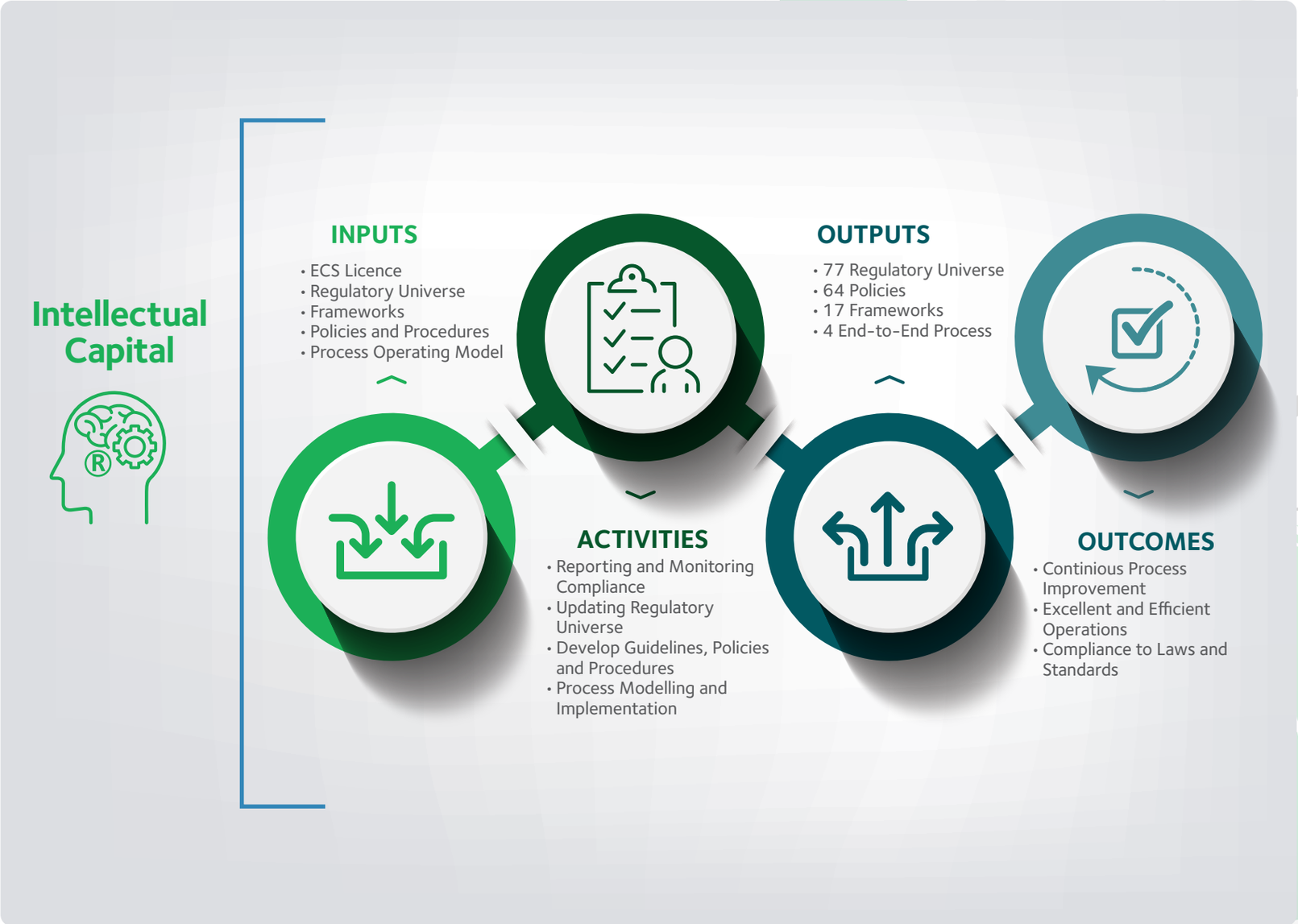
Broad-Based Black Economic Empowerment Level

Our B-BBEE status improved to Level 4, mainly due to the lower rate of procurement stemming from financial constraints. This significantly impacted targeted procurement and training expenditure. The B-BBEE multiplier achievement was 105%, while the percentage of procurement expenditure on Black-Owned Entities was 52%, and Black Woman-Owned Entities was 92%, compared to 106%, 56%, and 74% respectively in the previous financial year. The Company has appointed a transformation specialist in the current financial year to concentrate on improving our B-BBEE Level.

Value Creation through the **Capitals**

VALUE CREATION THROUGH THE CAPITALS

In this section, we illustrate how our business model utilises various forms of capital as inputs, which are then transformed through business activities into outputs. The Company deploys five of the six forms of capital, as there is minimal impact on natural capital. The activities and outputs lead to outcomes that affect the forms of capital, as shown below:



Financial Capital

INPUTS

- Sales Strategy
- Customer Contracts
- Network Capacity
- Debtors Management

ACTIVITIES

- Customer Engagement
- Customer Relationship Management
- Customer Solution Designs
- Service Provisioning
- SLA Management

OUTPUTS

- R120 Million New Sales Volumes
- 5% Revenue Year-on-Year Decrease
- 55 Debtors Days
- SMMEs Paid within 25 Days

OUTCOMES

- Declined Sales Volume and Revenue
- Improved SMME Payment Turnaround

Manufactured Capital

INPUTS

- 14 962 km of Fibre
- 150 POPs
- 713 SA Connect Sites
- 13 Regional Offices

ACTIVITIES

- Network Monitoring and Maintenance
- Customer Solution Designs
- Network Master Planning
- Site Connections and Testing

OUTPUTS

- 14 862 km of Fibre
- 150 POPs
- 713 SA Connect Sites Maintained
- 139 USAASA Sites Connected
- 14 Regional Offices

OUTCOMES

- Increased Regional Presence
- Increased Connectivity in Rural and Under Serviced Areas
- Improved Time to Restore Network Faults

Social & Relationship Capital

INPUTS

- 101 Customers
- 9 ANP
- 1 IP Equipment Supplier
- 1 Transmission Equipment Supplier
- 1 Labour Union
- 3 Adopted Schools for CSI
- 11 SMMEs

ACTIVITIES

- Meetings with Customers
- Pricing and Sales Pipeline Meetings
- Meetings with Suppliers and Schools
- Employee and Union Engagement

OUTPUTS

- 69 Customers
- 2 Schools Provided with Broadband Connectivity
- Resolutions of HR
- 4 Virtual Workshops
- 11 SMMEs Allocated

OUTCOMES

- Strengthened Relationships with Customers and Other Stakeholders
- Increased Participation of SMMEs in the Core Business
- Increased Targeted Procurement

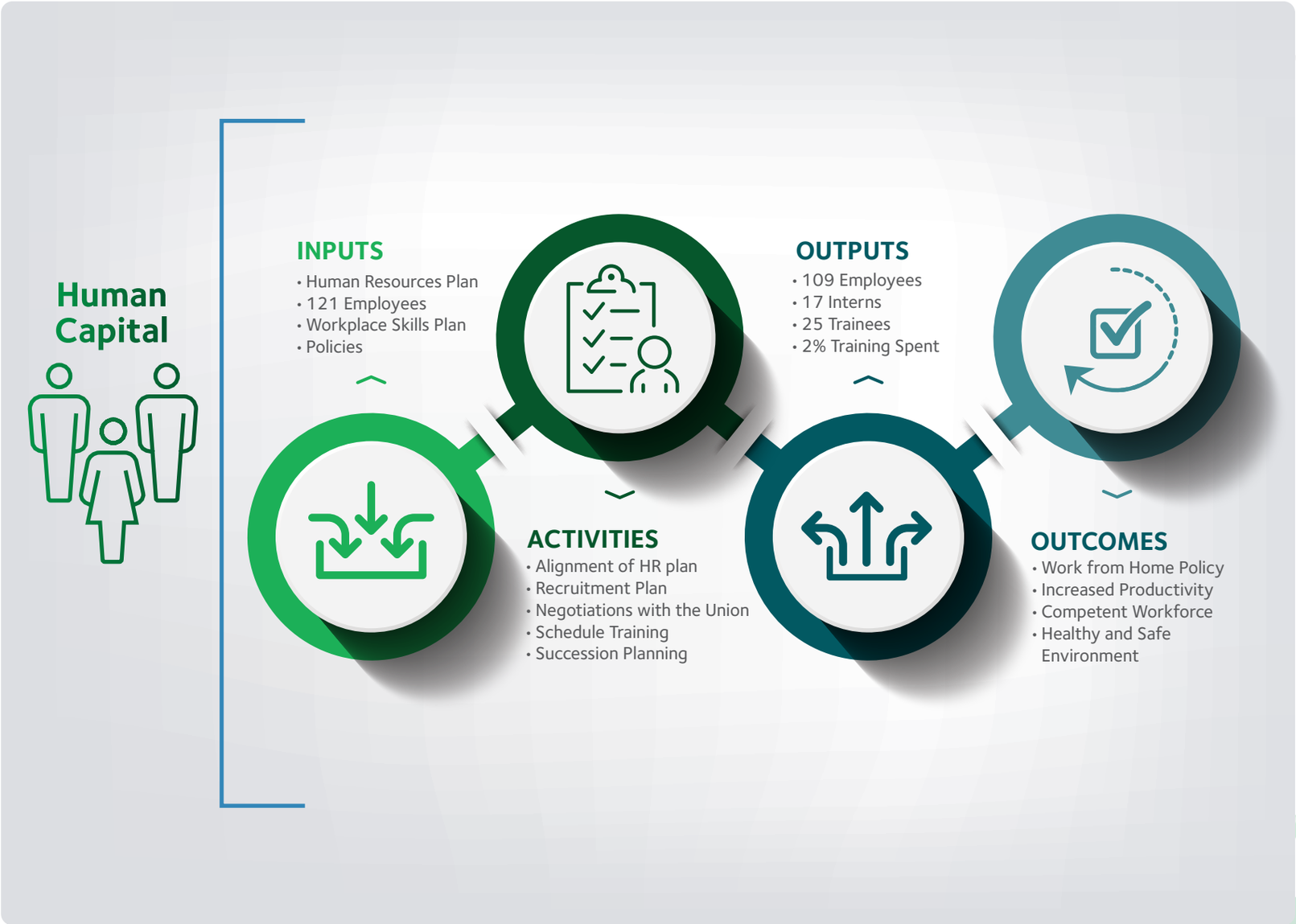


Figure 13: Value creation through our capitals

Strategy and Resource Allocation

STRATEGY AND RESOURCE ALLOCATIONS

OUR STRATEGY AND OUTCOMES

Our 2030 strategy identified four focus areas as depicted in figure 14 below:

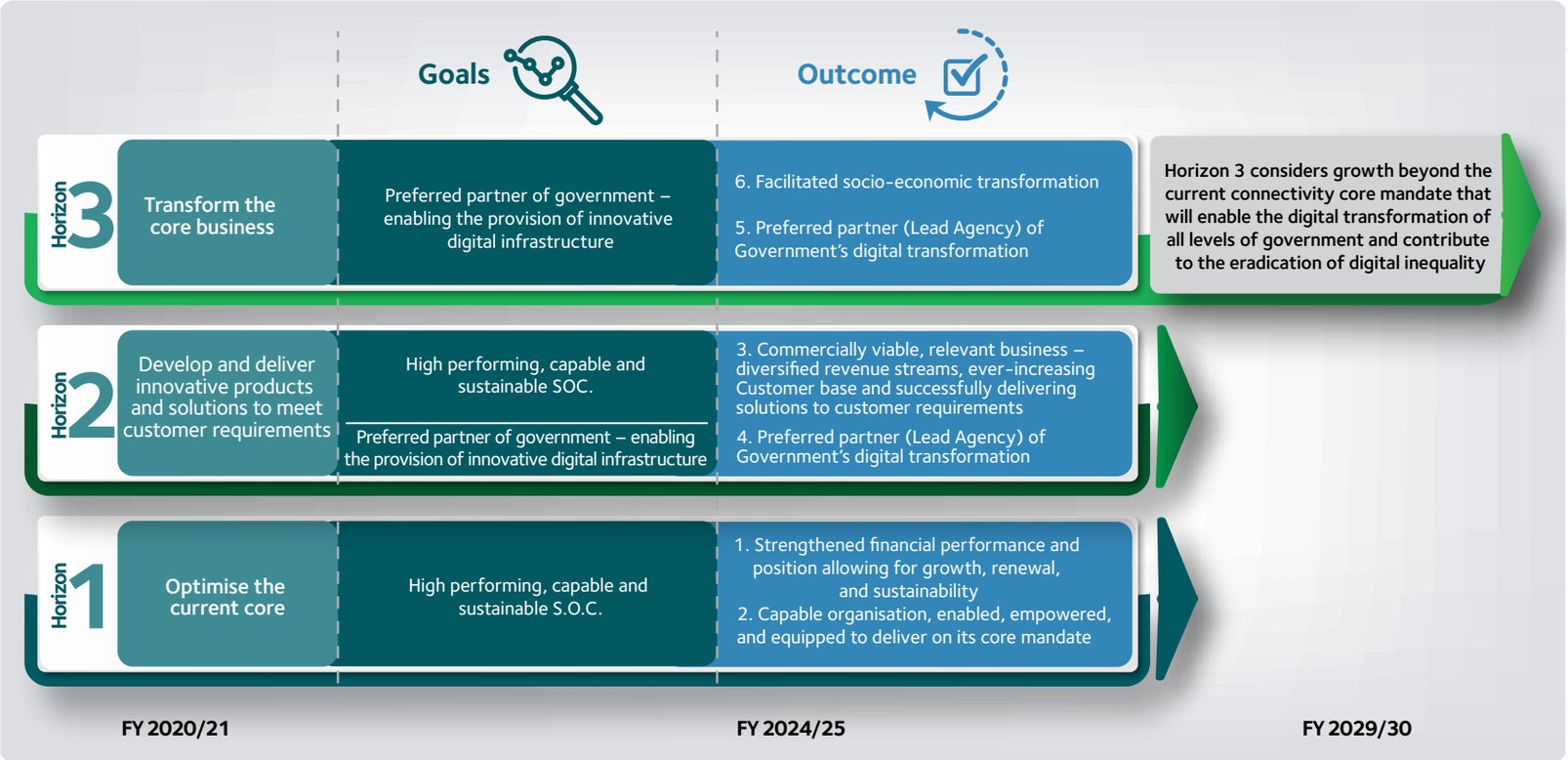


Figure 14: 2030 Strategy

These horizons, together with their associated BBI desired strategic outcomes are summarised in the figure above.

Horizons 1 and 2 are already being actioned while Horizon 3 will commence in the short term, enabled by the integration of BBI and Sentech to form the SDIC.

HORIZON 1 **Optimise the current core business**

Horizon 1 is a critical precursor to Horizons 2 and 3. Within Phase 1, critical levers to enable financial stability and accelerated growth are actioned. This includes a focus on securing of funds to renew and expand current network infrastructure. Similarly, key internally focused activities are required to build the capabilities required for the delivery of the strategy through the acquisition of key resources, skills renewal, and asset optimisation. This Horizon includes the re-alignment of BBI's business model, operating model, processes, and systems to its innovated, evolved corporate strategy.

A key feature of this Horizon is planning and implementing BBI's contribution towards the successful integration of BBI and Sentech to form the SDIC.

HORIZON 2 **Develop and deliver innovative products and solutions**

Horizon 2 concentrates on concerted efforts to retain and attract customers through an innovative value proposition, increased network capacity, and the development and implementation of customer-centric products and solutions. This phase will focus on the development of new business within both the private

and public sectors. A prerequisite to this phase is the sourcing of the necessary funding to increase network reliability through infrastructure renewal as well as capacity increase. It also includes the acquisition and utilisation of an ECS licence. The successful integration of BBI and Sentech in Horizon 1 will have provided access to new resources, including infrastructure, expertise, finances, and an ECS licence. BBI will be able to expand its product portfolio through the introduction of the Internet of Things (IoT), which will see more growth as more companies automate processes to reduce costs. This is also in line with the Government's Fourth Industrial Revolution (4IR) vision. In addition, the rollout of 5G will positively impact BBI's growth. Although the rollout might be slower, a significant increase will be realised within three years.

HORIZON 3 **Transform the core business**

Horizon 3 hinges upon the success of Horizon 2. This phase contemplates the expedited delivery of innovative, and potentially transformative, products, services, and solutions to all government levels, facilitating national sovereignty, the smart digitalisation and delivery of services via connected facilities, sensors, and devices, intelligent access, and the use of data through high-speed data centres/edge data storage, and satellite connectivity. This will directly enhance and transform government service delivery, as well as improve the quality of life for citizens and communities.

The approach within this Horizon is two-fold; the primary focus is on providing digital connectivity to facilities such as schools, health institutions, and other government buildings through the most suitable, efficient, and effective connectivity solutions. The secondary focus is on leveraging existing and new digital infrastructure to decrease digital inequality and provide universal access.

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

Figure 15: Key enablers

MATERIAL MATTERS IMPACTING OUR STRATEGY

The material matters we have identified are issues that could significantly impact the Company's ability to create value in the short-, medium-, or long-term due to potential difficulties in executing its strategy, thereby impacting its competitive standing. The material matters are outlined in the approach and table below, illustrating risks and opportunities connected to each one. These are tied to the Company's related strategic objectives. The figure below demonstrates our approach to managing these material matters.

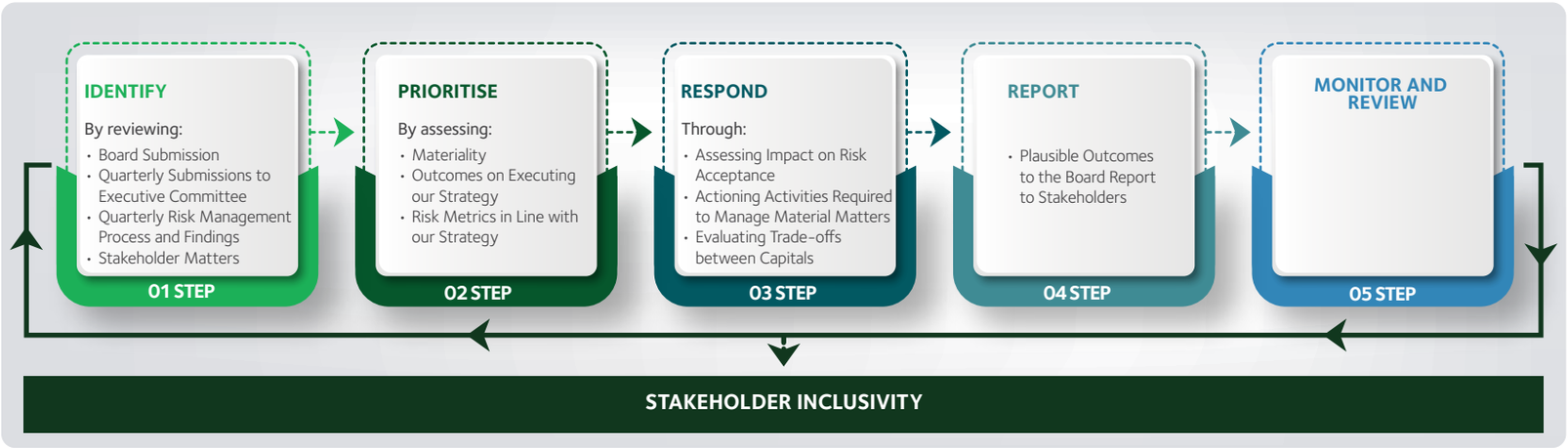


Figure 16: Material matters management process

Sources for our Material Matters

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

The table 4 below depicts material matters and their impact:

Material matters	Contextualisation of risks and opportunities
Financial Sustainability	Potential failure to continue as a going concern is a significant risk. The root causes are under-capitalisation, challenges in securing short-to long-term funding from external parties, a lack of credit history, and sustained poor financial performance. However, opportunities do exist. The DCDT has appointed the Company as the lead agency for broadband infrastructure for SA Connect. We continue in this role with vigilance. Effective cost containment has been implemented, and we have applications for funding in the pipeline. The Company had difficulty in raising funds due the lack of a track record of historical debt, and the risk adversity position of banks to fund infrastructure projects due to insufficient funds. The conversion of Shareholders' loans into Shareholders' equity, has unfortunately not provided the desired outcome. There is a challenge insofar as lack of credit record for the Company. Margin pressure due to intense competition on high-demand routes is affecting returns on capital investments. Delays in converting sales into revenue, coupled with a lack of suitable funding to provision spare capacity on the network, are leading to BBI consistently falling short of its revenue and profitability targets.
Government Regulations	Non-compliance to ICASA licence obligation. The connectivity obligation should be implemented within 36 months from the date of issuance of the radio frequency spectrum licences, and the connectivity targets will be shared among successful bidders. ICASA responded to BBI's request to extend the time which BBI needs to fulfil its outstanding Universal Access Obligation with a letter stating that ICASA would not grant BBI's request to have its remaining UAOs rolled into SA Connect. It appears that confusion was created between BBI and ICASA regarding what BBI wanted out of its virtual meeting with ICASA's Sub-Committee on UAOs. Commercialisation of fibre infrastructure. An opportunity exists for the Company to become a reseller of spare capacity for non-ICT SOCs. The Company is also embarking on strategic partnerships and collaborations. Intervention at the political level by the Ministry is required to engage non-ICT SOCs.
Information and Cyber Security	Cybersecurity represents a unique risk that individuals and businesses face due to interconnected technological systems. The sector faces a shortage of skilled cybersecurity Professionals and a lack of adherence to IT Management Best Practices. To mitigate these risks, the Company has conducted a rollout of cybersecurity awareness programmes and questionnaires, implemented Mimecast for backup, and reviewed related IT Risk policies. The Company is also considering acquiring the services of an external cybersecurity specialist.
Attracting, Developing, and Retaining Talent	The moratorium on filling vacancies and failure to embrace innovation have had significant impacts on our organisation. It is widely recognised that the achievement of our strategic objectives largely depends on our ability to attract, retain, and engage high-calibre employees and individuals with scarce skills. This is particularly important with respect to critical positions and strategically vital skills, ensuring we have an adequate succession pipeline, especially in the telecommunications industry. To address these issues, we need to enforce an employee value proposition that enables the Company to attract and retain core, as well as scarce, skills. We are taking part in MICT SETA internship programmes to appoint newly qualified students. Temporarily using contractors will provide resources at a higher premium.
Health and Safety	COVID-19 and related strains have less impact on productivity and are manageable. The IT capacity is constantly being updated to ensure sufficient support to employees. Ensure compliance with the Disaster Management Guidelines provided by the shareholders and government. Continued working from home is in place and the policy for work-from-home is in progress.

Table 4: Material Matters

RISK MANAGEMENT (KING IV,P11 AND P12)

The King IV corporate governance principles have resulted in an increased focus on BBI's strategic objectives in risk management, moving beyond simply aiming for inherent efficiencies and operational performance. Consequently, enterprise risk management (ERM) has emerged as a function that can shape the strategic direction of the organisation. The risk management approach is evolving from a process and compliance focus, to a facilitator for achieving strategic and operational objectives.

The Company has embraced the risk management process, which has seen significant improvements during the year under review. Our risk management consists of two main processes. The first is the strategic role that guides risk management according to strategic objectives, stakeholder needs, the desired risk culture, the appropriate organisational structure, plans for advancing risk management, aspirations for integrated control assurance, and the requirements of governance instruments and legislation.

The Company has institutionalised risk management as follows:

Figure 17: Risk management

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

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

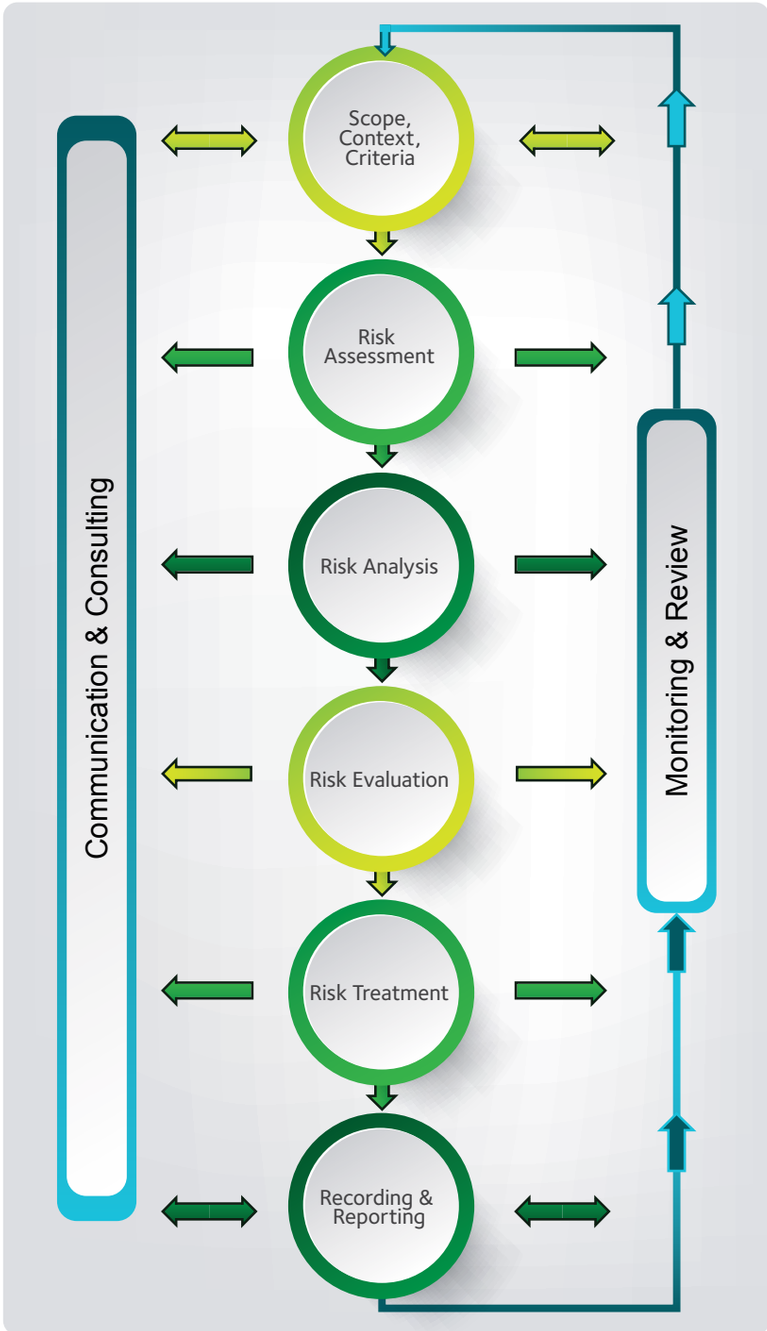


Figure 18: Risk Management Process

The annual assessment of strategic risks with the Board and Management was conducted during the fourth quarter of the year as an integral part of the strategic planning process. It resulted in the identification of new strategic risks and consolidation of others.

Achieving Best Practice Levels (KING IV, P11)

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

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

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

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

Our Key Strategic Risk Movements

Most of our strategic risks have remained consistent over the past five financial years; however, the risk rankings have experienced minor changes. The landscape saw a slight shift with the identification of three new risks and the mitigation of two others, which were relegated to the operational level during the year under review. Certain high-level risks persist due to ongoing challenges such as the moratorium on filling vacancies, potential failure to continue as a going concern, lack of access to state-owned fibre infrastructure, and the commercialisation of fibre infrastructure.

Negative movements in rankings (consequence ratings) are apparent across all the risks listed in our strategic risk register, with key risks including the risk of continuing as a going concern, margin pressure, and difficulty in raising funds. BBI's margin pressure risk is attributed to the high cost of providing broadband connectivity services, making our pricing uncompetitive in the telecommunications market. This risk is exacerbated by the unregulated fee structure in telecommunications operations.

BBI's financial sustainability risk is explained in terms of the root causes. Such causes are identified as undercapitalisation, difficulty in securing short- to long-term funding from external parties, challenges in raising funds due to a lack of a track record of historic debt, as well as banks' risk aversion to funding infrastructure projects due to low cash flow.

For several years now, BBI has consistently faced the risk of non-ICT SOCs having an advantage in fibre infrastructure ownership, easy access, and regulatory constraints that impede organisational agility. Despite exploring various mitigation options, the Company has not found a successful solution. These risks negatively affect BBI in terms of project delivery delays and revenue loss, compromising the business sustainability of the organisation. The Minister is currently in discussions with the Minister of Public Enterprises on this matter.

Risk Maturity

The risk assessment matrix is a tool used to measure the level of risk and to establish whether appropriate controls or mitigations are in place to minimise the realisation of those risks. It is an active, evolving document that must be monitored, reviewed, and updated regularly. Risks are in a constant state of change, and the matrix should reflect modifications to our environment. Certain events may trigger the need for an update, such as the establishment of an ERM, a merger or acquisition, or perhaps a significant deficiency or material weakness that arises within an internal control environment. Nonetheless, with a continuous risk assessment process and matrix, the Company should be equipped to, at the very least, heed any warning signs. The top risks have remained constant over the past three years, with minor changes from year to year.

The strategic risks have remained consistent, with changes mainly affecting management action plans and the risk status. The total number of risks has decreased from the top 13 to 11 for the year under review, as most risks were merged. One new risk was identified: Deactivation of Service by Key Suppliers. The following table details the strategic risks and provides the associated risk rating on the Risk Matrix. It also provides the impact on value creation, the associated timeframe, and the treatment strategy.

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

Table 5 Risk Assessment Matrix

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

Strategic Objective	Risk Description	Root Causes	Inherent Risk Rating	Residual Risk Rating	Management Action Plan
An increased base achieved through customer fulfilment and state of the art infrastructure and services	Increased vulnerability to cyber attacks	1. Shortage of talented Cybersecurity Professionals 2. Lack of IT Management Best Practices			1. Firewall has an Intrusion Prevention System that detects threats before they come into our network. Firewall is also monitored for any cyber threats 2. Mimecast mail filtering system filters and detects threats before they reach user's mailbox 3. High availability systems monitoring 4. Servers and firewall has been moved to the Teraco data centre, this increases security around physical location of the servers on elements- such as electricity and fire
To strengthen BBI's financial position for growth and sustainability	Lack of funding (possible failure to continue as a going concern)	1. Dependancy on long governance processes 2. Lack of buy in from stakeholders 3. No track record of historical debt 4. Risk Adversity of Banks to fund technically insolvent institutions 5. Delay in conversion of Shareholders, loan into equity 6. Under capitalisation of the Company 7. Difficulty in securing short to medium-term funding from external parties 8. Continued poor financial performance 9. Poor cashflow			1. Sentech proposed to be part of the funding solution 2. BBI Turnaround Plan approved by the Board and submitted to the Shareholders 3. EXCO has discussed plans to appoint a service provider to assist develop funding model to guide on how to address the funding issues of BBI
An increased base achieved through customer fulfilment and state-of-the-art infrastructure and services	Inability of the organisation to respond to rapid changes in external environment	1. Inadequate spend on maintenance and network infrastructure and refurbishment 2. Not keeping up with rate of advancement in technology (technical expertise, etc.) 3. Current infrastructure has reached its lifespan 4. Lack of spares due to the equipment being discontinued 5. Lack of appropriate project funding to fund investment in technology			1. A joint turnaround plan was completed with Sentech and submitted to the Minister for approval. The plan includes an R1.3 billion capital expenditure (CapEx) plan for the next four years, which includes IP and network upgrades 2. The mini-IP/MPLS is under implementation is part of USAASA rollout which is slowly migrating our network to IP 3. We will be leveraging on SA Connect Phase 2 CapEx plan to implement some of the IP and Transmission network upgrades
To strengthen BBI's financial position for growth and sustainability A preferred partner of government in enabling the digital transformation	Competition from non-ICT SOCs	1. Diversification of revenue base by SOCs and SOEs 2. BBI not being recognised as having the first right of refusal to roll out fibre infrastructure on behalf of the state's institutions 3. The probability of Eskom being privatised will diminish BBI's ability to manage and control Eskom's fibre infrastructure			1. Eskom does not want to further engage BBI on fibre utilisation 2. Sentech is planning to acquire BBI by the end of the FY 2022/23. As a subsidiary of Sentech, BBI will be able to use Sentech's I-ECS licence
To strengthen BBI's financial position for growth and sustainability An increased base achieved through customer fulfilment and state-of-the-art infrastructure and services	Lack of competitiveness (market share and margin pressure interlinked)	1. Market consolidation resulting in a changed market structure 2. Commercialisation of fibre infrastructure from other SOCs			1. No change end of March on network investment 2. Funding to support bankable projects received but not implemented as yet 3. Eskom impasse not resolved 4. Funding received but not yet implemented 5. Moratorium lifted only for the posts approved on the organogram

Strategic Objective	Risk Description	Root Causes	Inherent Risk Rating	Residual Risk Rating	Management Action Plan
To enable the organisation to deliver upon the mandate	Low employee morale/ failure to innovate/ embrace innovation	1. Lack of human and financial resources to promote innovation 2. Inability to accurately identify/ measuring the appropriate employee value proposition through reliable and scientific methods 3. Lack of sharpening the skills to innovate at a requisite rate	Level 1 Very High	Level 3 Medium	1. Explored various opportunities within the organisation to channel the resources where they are most needed 2. Mechanisms used are secondment job rotation and later acting in vacant positions 3. Filling of critical positions through insourcing is ongoing
An increased base achieved through customer fulfilment and state-of-the-art infrastructure and services	Customer defections, especially major customers	Loss of customers has a negative impact on revenue. Without revenue to renew and grow the network, the network will become increasingly unreliable, resulting in further customer defections and an erosion of the Customer base	Level 1 Very High	Level 1 Very High	1. Support the technical environment through sourcing quotations from other service providers for alternative routes and services while the Eskom matter is being addressed 2. Ongoing communication and engagement 3. Providing customers impacted by the Eskom fibre cut with alternative commercial arrangements iin lieu of losing them
An increased base achieved through customer fulfilment and state-of-the-art infrastructure and services	Inability of the organisation to respond to rapid changes in external environment	1. Inadequate spend on maintenance and network infrastructure and refurbishment 2. Not keeping up with rate of advancement in technology (technical expertise, etc.) 3. Current infrastructure has reached its lifespan 4. Lack of spares due to the equipment being discontinued 5. Lack of appropriate project funding to fund investment in technology	Level 1 Very High	Level 2 High	1. A joint turnaround plan was completed with Sentech and submitted to the Minister for approval. The plan includes an R1.3 billion capital expenditure (CapEx) plan for the next four years, which includes IP and network upgrades 2. The mini-IP/MPLS is under implementation is part of USAASA rollout which is slowly migrating our network to IP 3. We will be leveraging on SA Connect Phase-2 CapEx plan to implement some of the IP and Transmission network upgrades
To strengthen BBI's financial position for growth and sustainability	Merger/integration of BBI and Sentech to form SDIC does not happen or is significantly delayed	Continued lack of progress or significant delays in the merger/integration of BBI and Sentech to form SDIC will have an adverse impact in the business continuity and sustainability of BBI	Level 1 Very High	Level 2 High	1. During September 2022, Sentech commenced its Due Diligence (DD) of BBI. The (DD) report was submitted to the Minister during December 2022.
To strengthen BBI's financial position for growth and sustainability	Deactivation of goods and services by key suppliers	Non-resolution of the Eskom debt through the various escalations, eventually, leading to termination of BBI services	Level 1 Very High	Level 2 High	1. The BBI Board is engaging the Suppliers Board 2. Waiting for National Treasury to disburse funds for SA Connect project; some of which will be used for paying off the Eskom debt 3. Negotiating and paying suppliers

Table 6: Top Strategic Risks

Legend

Level 1 Very High	Level 2 High	Level 3 Medium

Emerging Risks

Emerging risks are defined as new or unforeseen risks that we have not yet contemplated. These are risks that should have been on our radar, but were not, and their potential for harm or loss were not fully known. For the year under review, the emerging risk identified was deactivation of services by key suppliers and the residual risk levels of various risks changed.

Capital Project Risk Management

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

Risk assessments are conducted at the:

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

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

Safety, Health, Environment and Quality (SHEQ) Risk Management

The Board bears the responsibility for managing the effectiveness and efficiency of the SHEQ process. We are proactive in risk assessment and professional in remediation. The SHEQ rules are a primary tool for measuring the organisation's commitment to safe operations. During the year, employees were involved in three motor vehicle accidents, none of which resulted in major injuries, and no fatalities were recorded. Twenty-one cases of COVID-19 infections were noted during this period, with 20 recoveries and, sadly, one fatality.

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

OUR STAKEHOLDER INTERESTS

To achieve our strategic objectives, as defined in our vision and mission, the Company depends on the effective execution of all value-creation processes in its business model. These processes are interdependent and rely on contributions from our significant stakeholders. We consider stakeholders to be those groups or individuals who can be affected by BBI's actions and operations, or whose actions can materially impact the business. Among our key stakeholders are clients, Shareholders, employees, and suppliers.

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

As a customer-centric organisation, customer engagements continued despite network challenges. Letters were sent to all customers affected by the fibre cuts, addressing the problem and detailing the planned resolutions. The letters afforded BBI time to engage in robust negotiations with Eskom, including the Shareholders and Sentech as supporting structures.

During the reporting period, the Company adopted Kheleng Secondary School in Henneman, Free State, as part of its Corporate Social Investment (CSI) programme. The aim was to advocate the benefits of broadband utilisation and to encourage increased use of this capacity in learning and development.

This objective is aimed at ensuring that learners from disadvantaged backgrounds have an equal opportunity to excel as students and to promote quality leadership and teaching, adequate infrastructure, community involvement, and proper academic support. Kheleng Secondary School, established in 1995, is a no-fee, public secondary school situated in Lejweleputswa District in Matjhabeng Local Municipality, Phomolong/Henneman in the Free State. The school has an average of 1,200 learners from previously disadvantaged backgrounds and child-headed households. The figure below reflects the stakeholder interests:

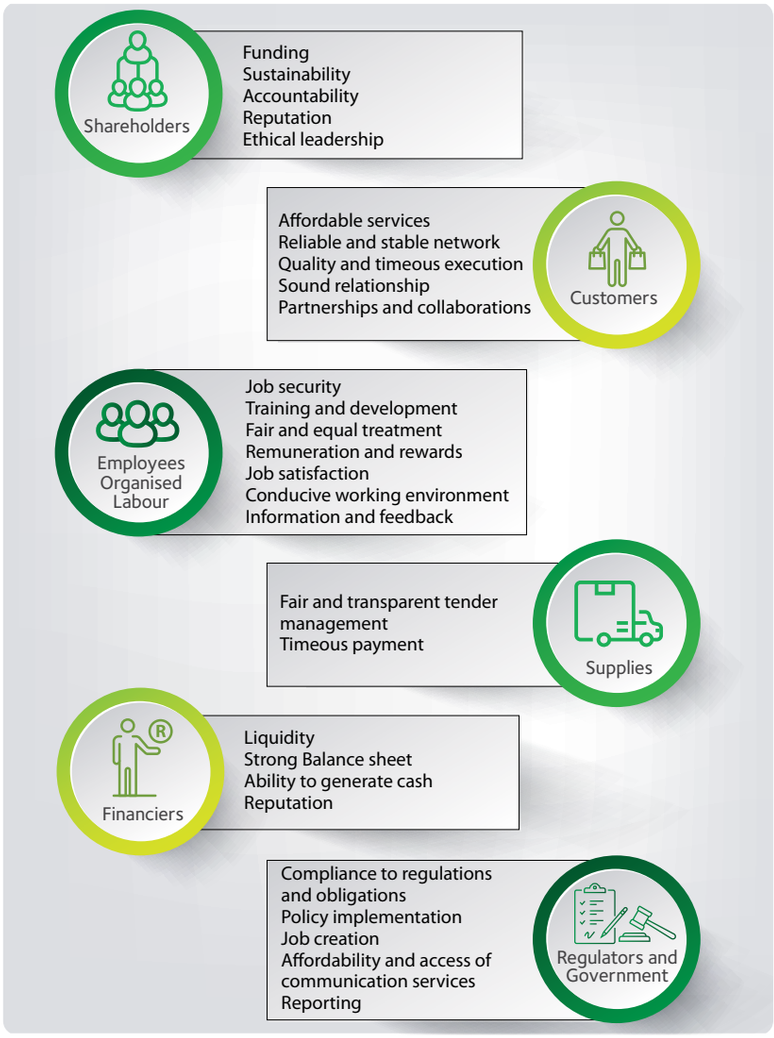


Figure 19: Key Stakeholders

Our **Performance Overview**

OUR PERFORMANCE OVERVIEW

FINANCIAL CAPITAL

Sales

Financial year under review has proven to be extremely challenging due to poor network performance, a lack of funding, and Eskom cutting off BBI fibres. Board interventions, along with assistance from the shareholders, have been initiated to address the issue with Eskom. However, the process, though launched immediately after the fibre cuts, has yet to yield positive results. Alongside these issues, load shedding and vandalism have remained constant and significant contributors to network incidents, leading to more frequent network failures and customer service interruptions.

Figure 20: 5 Pillar Strategy

Revenue

Revenue was recorded at 7% higher compared to the previous financial year, and 19% below budget. A primary reason for underperformance against the budget is the non-realisation of the investment plan strategy due to BBI failing to secure funding. Revenue from this plan is currently tracking below budget by approximately 67%. Other contributing factors include the cancellation of links, contracts that expired and were not renewed, and increased rebate credits issued due to network instability.

However, the number of customers decreased from 93 to 92 (including 23 customers who were no longer active at the year's end) during the financial year. This continued decrease is mainly due to a lack of funding to provide redundant links. Additionally, the market is undergoing a significant price overhaul as more customers are demanding more than a 50% price reduction upon contract renewals.

On a positive note, USAASA has awarded BBI a purchase order for the implementation of further sites in KwaZulu-Natal (KZN) Harry Gwala and within the OR Tambo District in the Eastern Cape in the last month of the quarter. This is expected to increase revenue in the next financial year. The revenue figure shown hereafter, illustrates revenue per customer segmentation.

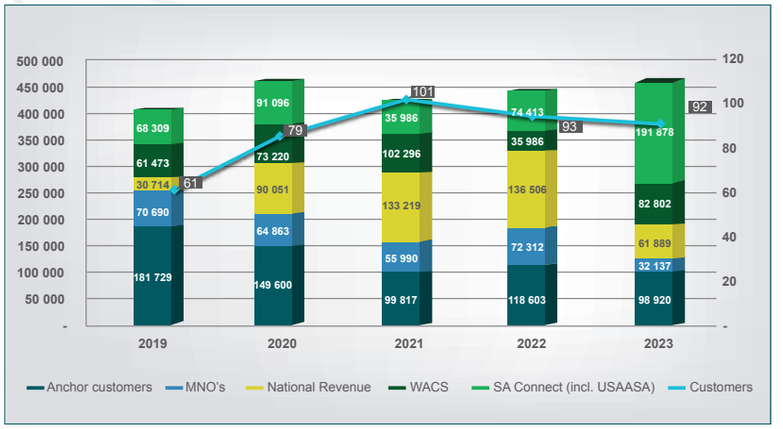


Figure 21: Revenue per customer segment

Cost of Sales

The cost of sales (excluding depreciation) for the year is 12% lower than the previous financial year. This can be mainly attributed to the non-renewal of the fibre maintenance contract due to an impasse with the service provider. As the cost base is largely fixed, the decrease in the cost of sales, coupled with the year-on-year increase in revenue, resulted in a 12% increase in the gross profit margin (excluding depreciation) year-on-year.

The year-on-year comparison of the cost of sales is depicted in the figure below:

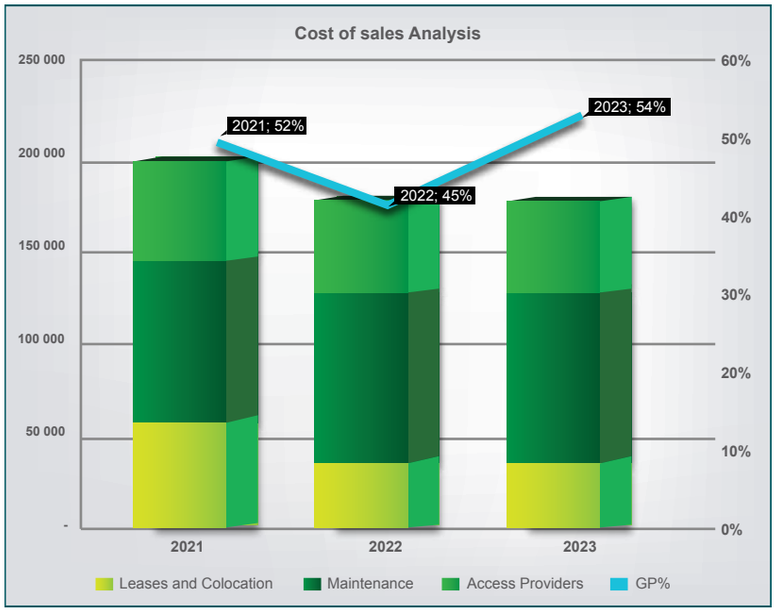


Figure 22: Cost of Sales

Operating Costs

Operating expenses for the year are 10% lower than the previous financial year and 4% higher if employees' costs are excluded. The reduction is mainly as a result of the low spending due to cash constraints.

Operating expenses remained 14% below budget for the year.

The operating costs is illustrated, a year-on-year comparison in the figure below:

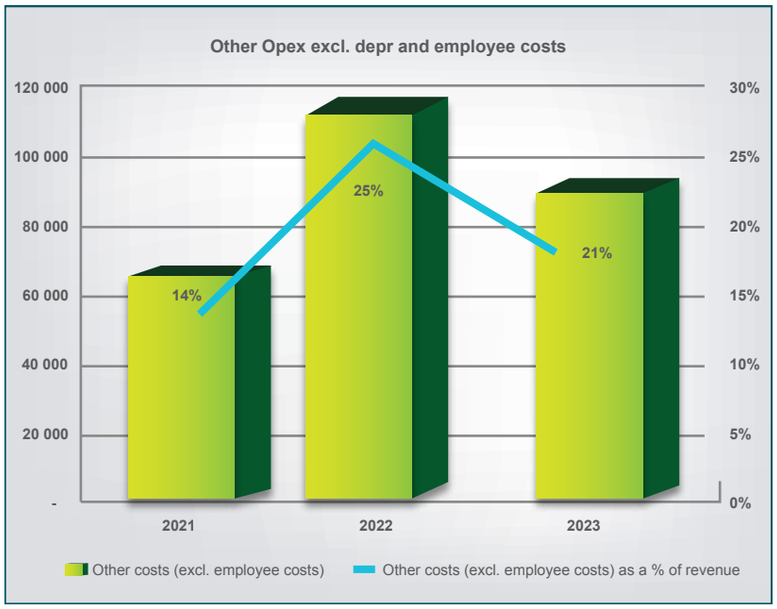


Figure 23: Operational Cost

EBITDA and Capex

The gross profit margins increased by 9% (excluding depreciation) year-on-year due to increased revenue numbers. The reduction in the cost of sales together with the increase in the revenue has slightly improved the EBITDA in the year under review. The continued loss year-on-year is an indication of the cash constraints the Company is currently under.

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

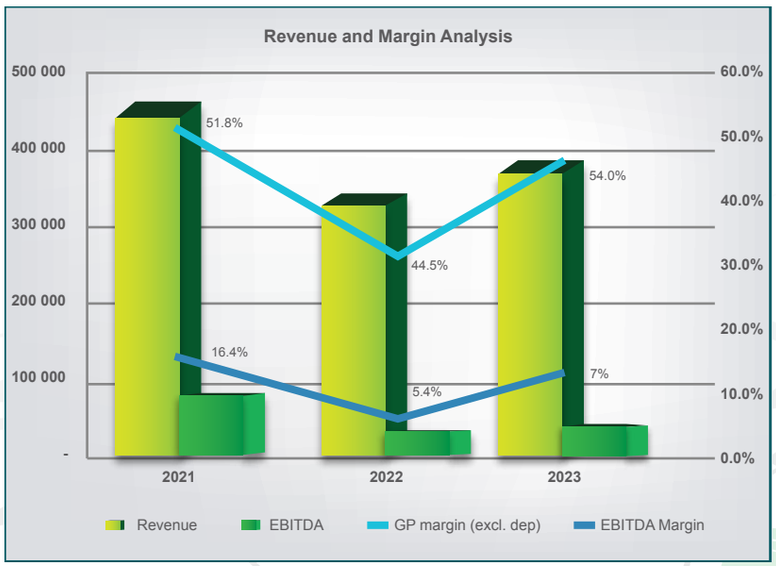


Figure 24: EBIDTA Analysis

The Company was not authorised to source the required funding to implement the network investment plan due to the impending SOC rationalisation.

Capital Expenditure

The total CapEx spend for the year under review was R38 million. This is notably less than the total CapEx spend for the 2022 financial year, as BBI continues to experience cash constraints due to lack of funding.

The CapEx spend is depicted in the figure below:

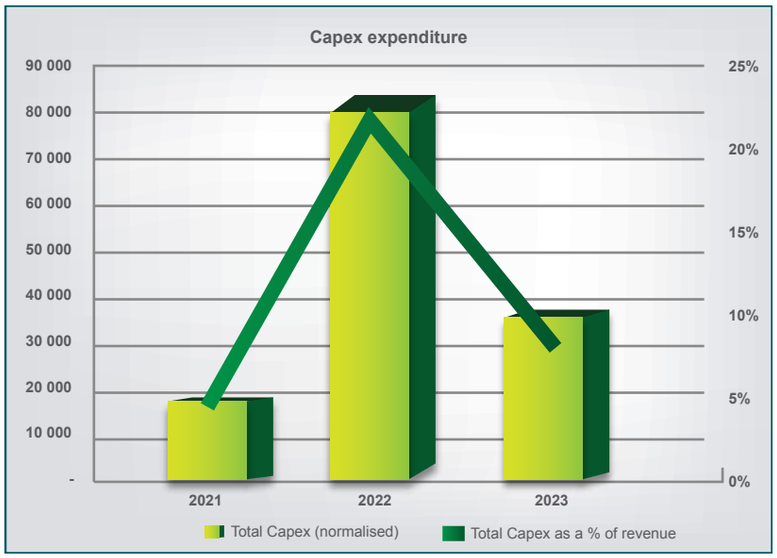


Figure 25: Capex

Cash Flow

Although the Company remained cash positive throughout the financial year, cash resources saw a decrease from the year end position when compared to the previous year. Despite this, the Company managed to retain a position of net cash inflow from operations realised in the current financial year, along with a positive EBITDA.

The Executive and Senior Management teams continue to dedicate their efforts relentlessly towards driving sales growth. This persistent drive is set to ensure the long-term sustainability of the Company.

Irregular Expenditure

SUMMARY OF THE IRREGULAR EXPENDITURE REGISTER		
Description of the transgression	**Audited 2022 R'000**	**Unaudited 2023 R'000**
Opening balance	56 476	94 948
Incurred and Identified in the current year		
Continued to utilise services after contract expired		3 141
Contract renewal not approved by National Treasury	30 140	12 513
No competitive bidding process followed	1 660	2
Identified in the current year and incurred in the Previous year		
No competitive bidding process followed	1 345	4 851
Identified in previous years incurred in the current year		
Continued to utilise services after contract expired		957
Contract renewal not approved by National Treasury	5 327	21
Incurred and Identified in the prior years		
Removal from Register		
Total	94 948	116 185

Table 7: Irregular Expenditure

New irregular expenditure of R2 511 542,38 was identified during the second quarter, which resulted from services utilised on contracts that were not renewed and one transaction where competitive bidding was not followed.

R12 247 202,30 relating to insurance brokers was identified during the third quarter relate to premium amount increased without prior approval of the National Treasury.

The irregular expenditures arose largely from poor contract management practices both within the End-User department and SCM. In the previous financial year, SCM had employed three contract specialists on short-term contracts via co-sourcing, all of whom resigned in quick succession to accept permanent positions elsewhere. This led to human capacity shortages within SCM, impairing their ability to monitor contracts and act before they expired. The moratorium on the filling of vacancies had a negative impact on the sustainable resourcing of SCM and the entire business.

The remaining increase is primarily due to expenditure on previously reported irregular contracts. All irregular expenditure is managed through the process recommended by the National Treasury, which includes a formal review by the Loss Control Steering Committee (LCSC). After considering all the facts, the LCSC will make recommendations, including implementing consequence management where applicable, before the process for the irregular expenditure can be normalised and condonation requests are submitted for approval.

The Company applies appropriate consequence management in instances where employees are found to be at fault.

Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure discovered during the period, amounts to R1 416 978 This amount is made up of:

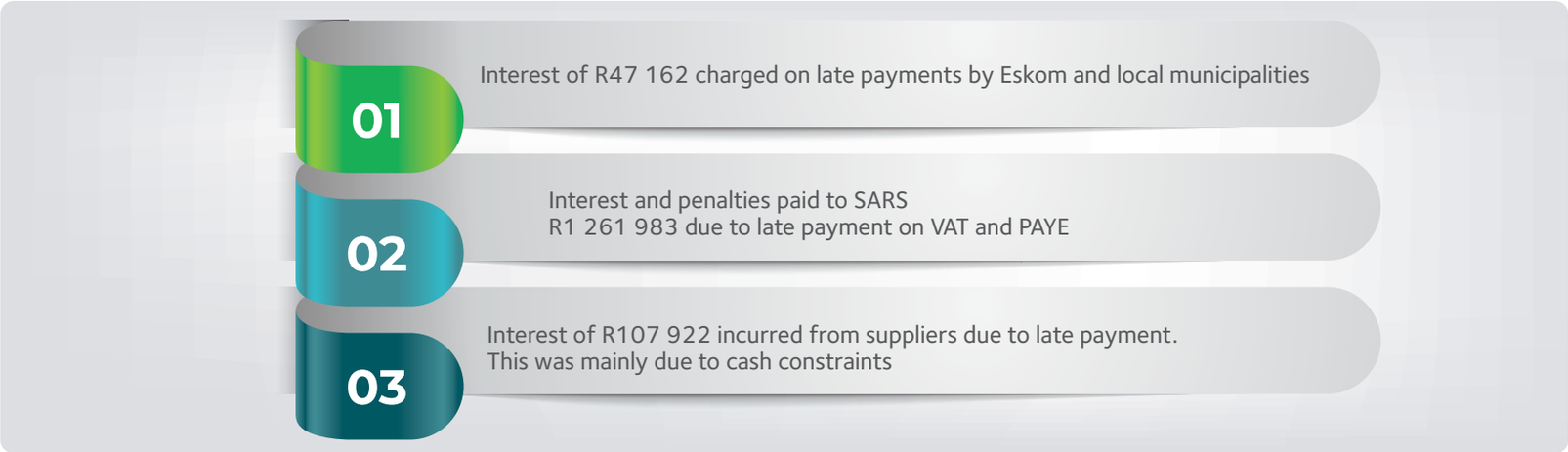


Figure 26: Fruitful and wasteful expenditure

Product Performance Management

The table below indicates that there has been a shift in TDM-based services to IP-based services and product performance for five fiscal years. The columns in the table below indicate quantities of services per product which were sold in each fiscal year and their percentage out of the total services sold for that year.

	2018/19		2019/20		2020/21		2021/22		2022/23	
Service/Bandwidth	Quantity	% of total	Quantity	% of total	Quantity	% of total	Quantity	% of total	Quantity	% of total
STM-1			2	0%	2	0%		0%	1	0%
STM-4	16	0%	48	1%						0%
STM-16	32	1%	164	3%	16	2%	16	1%	384	14%
STM-64	1 728	33%	1 664	28%	64	6%	64	5%		0%
10-100Mbps	26	1%	41	1%	8	1%	6	0%	3	0%
150Mbps					8	1%	8	1%	5	0%
200Mbps	16	0%	32	1%	12	1%	4	0%		0%
300 - 450Mbps	15	0%	37	1%	12	1%	17	1%	12	0%
500-700Mbps	24	0%	111	2%	34	3%	28	2%	14	1%
1Gbps	329	6%	154	3%	14	1%	56	4%	28	1%
2- 7Gbps	105	2%	77	1%	182	18%	92	7%	112	4%
40Gbps			512	9%						
50Gbps			320	5%					320	11%
60Gbps			384	7%						
100Gbps	2 560	50%	1 280	22%	640	64%	1 024	78%		
International bandwidth	320	6%	1 024	18%	7	1%		0%	1920	69%
Total	**5 171**	**100%**	**5 850**	**100%**	**999**	**100%**	**1 315**	**100%**	**2 799**	**100%**

Table 9: Product performance

Key Highlights

- Broadband Infraco managed to sell 300GB, one a global OTT company; and
- The Company adopted Kheleng Secondary School in Henneman Free State as part of its CSI, a programme that focuses on advocating the benefits of broadband utilisation and encourages greater use of this type of capacity in learning and development of students.

Challenges

- Eskom fibre has negatively impacted the sales growth;
- Long process to raise capital funding has negatively impacted business growth;
- The lack of redundancy routes to the border posts continues to be a major challenge;
- Power failures and vandalism adversely affect the network performance; and
- Customers cancelling services.

Future Plans

- Resolve the Eskom impasse;
- Network expansion and unlock business and grow market share;
- Drive reseller partnerships for growth;
- Drive thought leadership in the industry using various marketing and communication tactics;
- Engage and build private partnerships with stakeholders to expand brand reach;
- Build Key Account Managers' capacity to sell both BBI services and SA Connect;
- Grow revenue;
- Focus on rebuilding customer confidence and experience in the SADC region; and
- Review pricing annually.

Manufactured Capital

Our employees continued to work diligently to provide excellent service under challenging circumstances over the past two years, despite the mounting impact of human resource shortages on operations and a lack of capital investment in the network.

In the financial year under review, most of the projects were completed on time, though there were some delays due to various factors, including the disconnection of our fibre network by Eskom, insufficient funding for network construction, cash flow constraints for paying our service providers, and the delayed delivery of the last batch of IP equipment until the start of 2023 due to the global chip shortage caused by the onset of COVID-19.

The network service performance did not meet the planned goal during the year. A network services availability rate of 95,71% fell below the target availability of 98%. This performance was a decline from the previous financial year, which achieved a rate of 99,01%. This was due to disconnected and unrepaired Eskom fibre links, higher stages of electricity load shedding, and rampant vandalism of telecommunication infrastructure. As a result, the actual invoiced rebates paid amounted to 0,52% of the yearly revenue, exceeding the Company's target of 0,30%.

To mitigate the impact of power interruptions caused by Eskom load shedding, BBI persisted in replacing standby batteries at most PoP sites as part of the national battery replacement programme. This was done to minimise network downtime and maintain customer service availability, thus ensuring we met the contracted customer SLAs.

Network Build

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

- **Customer 176:** 139 sites were installed, and 88 sites activated with Access Points. The installation of pilot sites commenced in Pixley ka Seme district municipality in the second quarter, and six sites were activated. Installation increased to 73 sites in the third quarter with 19 of those activated with internet services and followed by significant increases in January with 97 sites installed and 40 of those activated and 100 sites installed and 64 of those activated in February 2023.
- **Broadband Access Fund:** Planning commenced in the second quarter, and a service provider was appointed to capacitate BBI on Fund management, with the report received in December and reviewed in January 2023. BBI submitted a detailed motivation for approval in February 2023 and was finally appointed and funds transferred from DCDT in March 2023.
- **IP Phase 0 ZTE routers replacement project:** The delivery of the last batch of IP equipment was finally received on 31 Jan 2023, after 18 months of delays due to global chip set shortage. The delivered equipment is repurposed to create a mini-IP/MPLS network for the USAASA project and other customers.
- **Customer 15:** Kimberly–Upington 10G capacity and fibre route re - design is done and quotations for fibre lease and wayleaves are applied for from third-party service providers.
- **PTA North to Mahikeng via Zeerust:** Colocation space at Zeerust has been confirmed and Rustenburg resurvey is being arranged with the third party.
- **Customer 18:** Isando – Beitbridge 200G Swap is conditionally supported by EXCO, awaits revised SOF, SFPs installed at Beitbridge, and executable file submitted for service creation.

SA Connect

The government of SA in preparation for 4IR, determined that all government facilities in rural and underserviced areas should have access to broadband connectivity. The connection of government facilities in remote areas is implemented as part of the NDP, with the project being named SA Connect. This project ensures that government facilities such as schools, clinics, hospitals, post offices, Thusong Centres, and police stations, are connected to the internet for the purpose of accessing government services as well as public empowerment. With this connectivity will come the empowerment of citizens in remote areas, in preparation for the participation in the 4IR economy and the age of the IoT. 713 SA Connect Phase 1 facilities were successfully completed and are monitored and maintained.

SA Connect Phase 2 was approved during the financial year, the rollout will commence in the next financial year. The project will consist of connecting more than 33 000 Community Wi-Fi hotspots, consequently, more than 5million households in all nine provinces.

Network Operating and Maintenance

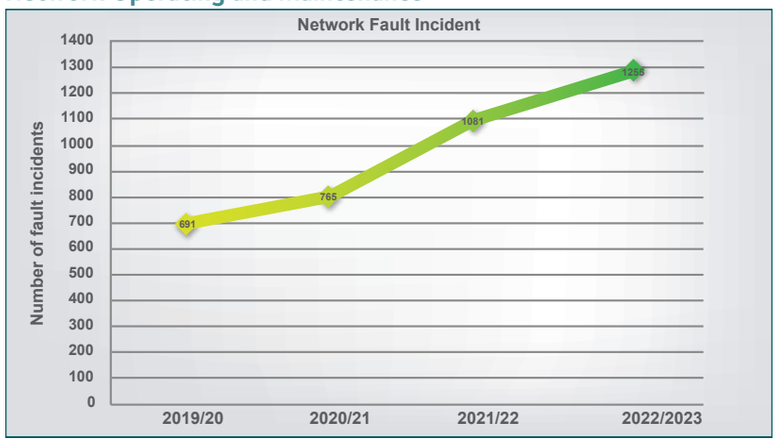


Figure 27: Number of faults

The impact on the network due to vandalism decreased from 58,4% in 2021/22 to 35,1% reported in 2022/23. Vandalism remains the most common and consistent root cause of network incidents. The heightened security risk in certain hotspot areas prolongs restoration times, as faults must be deferred to the following day to ensure staff safety. Out of 1 255 reported network fault incidents, a total of 439 (35%) were due to the impact of Eskom load shedding.

Between 8-11 April 2022, several days of heavy rain across KwaZulu-Natal resulted in deadly floods causing severe damage to terrestrial communication networks and supporting infrastructure. Multiple breaks occurred at Mariannhill, Shallcross, and Klaarwater on overhead Transnet Freight Rail (TFR) cables between Durban and Pietermaritzburg, causing six days of downtime. Transnet railway mast poles and crusher stone were washed away, leading to temporary repairs executed by TFR to restore services. The most severely affected route was Durban to Ariadne, which remains non-operational.

An Eskom Transmission line was also destroyed, with a pylon completely swept away, leaving broken transmission HV wires and OPGW cable at Umlazi River. The damage was extensive, and according to Eskom Transmission, repairs could take several months.

The failure of the Durban to Ariadne route led to the isolation of SITA Mthatha, Bhisho, and East London switching centres on 20 April 2022, due to a fibre break between Pembroke and Pembroke-Poseidon on Eskom's HV line. The repairs are also tied to the resolution of issues with Eskom, with indications suggesting that this will not be resolved soon. Network Engineering is currently drafting solutions to add more redundancy to this route.

A network failure occurred between Juno and Helios-Juno from 29/08/2022 to 07/09/2022, causing some customers and all Namibia-bound traffic to be down for nine days. This was caused by a fibre break on Eskom's side.

BBI managed to restore some of the affected DWDM and SDH links, but further breaks in the line resulted in more downtime. Repairs were often deferred due to poor weather, unsafe working conditions at night, and site access restrictions. Temporary repairs were completed to restore the link and services. The impasse over the contract regarding both fibre maintenance and lease between Eskom and BBI is causing both financial and reputational damage to BBI. It is resulting in an increased number of customers cancelling services due to prolonged downtimes and service instability.

Network Planned Maintenance

Planned maintenance refers to activities planned and/or effort undertaken to improve network reliability where identified network defects are corrected, and temporary repairs converted to permanent repairs. A total of 891:30 hours of planned maintenance were recorded during FY2022/23, compared to 1950:30 in FY2021/22.

The figure below reflects the year-on-year (YoY) planned maintenance profile for the last four financial years.

The figure 28 below summarises the YoY MTTR trends for the last five financial years:

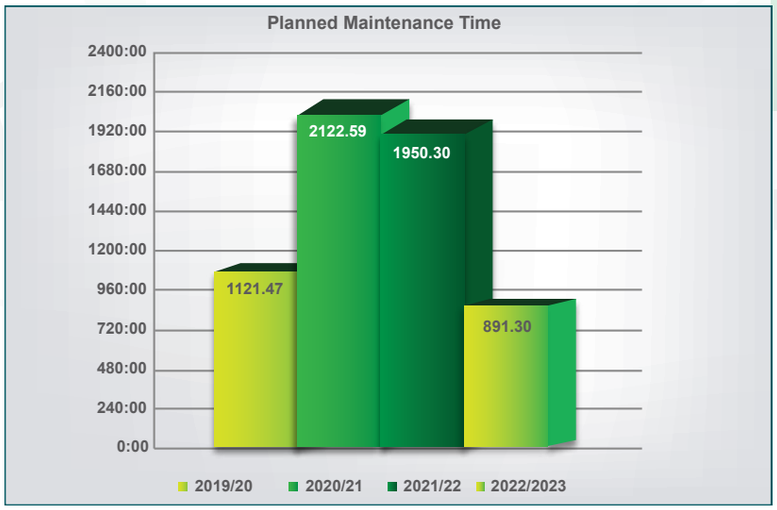


Figure 28: Planned maintenance

The planned maintenance effort distribution was as follows:

- Passive Layer (fibre Optic and Facilities, etc.): 76,8%; and
- Active Layer (Terminal Equipment): 23,2%.

Mean Time to Restore (MTTR)

MTTR network failure incidents is the measure of the average total time it takes to restore network failure incidents, which includes administrative delays (fault logging, etc.), logistic delays and actual fault repair time. Service restoration time is recorded as the fault failure incident end time. The MTTR remained within the target of 7.5 (07:30) hours at 6,30 (06:18) hours, compared to 6,45(06:27 hours in the previous financial year.

The continued high number of acts of vandalism to the network and areas being unsafe to work during night, resulted in long restoration times that caused severe impact on affected customer services.

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

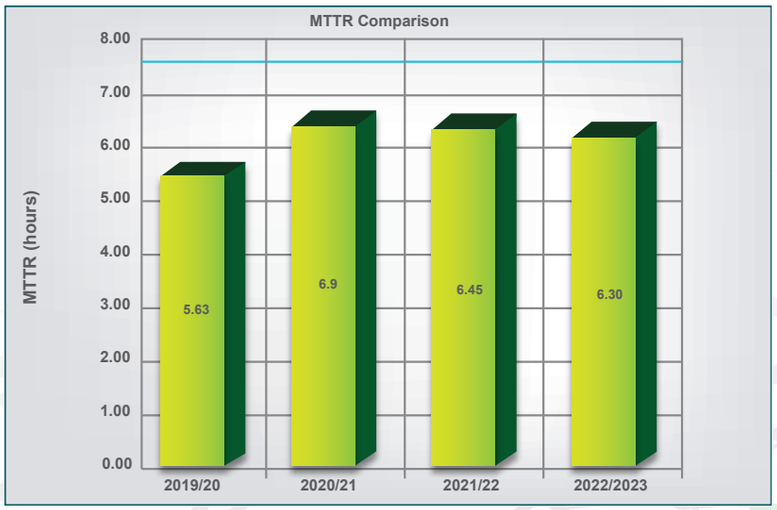


Figure 29: MTTR

TFR deferrals because of safety and security reasons prolonged link restoration which caused severe impact on affected customer services, e.g., Vodacom, SITA, etc.

Routes Performance

The average 2022/23 route availability remained below (outside) the minimum target availability of 99% at 91,99% compared to 94,90% in 2021/22. The main reason is a result of the disconnection by Eskom. This has significant impact in the decline of revenue as more customers have cancelled their links with us.

The figure below illustrates the five-year route availability performance.

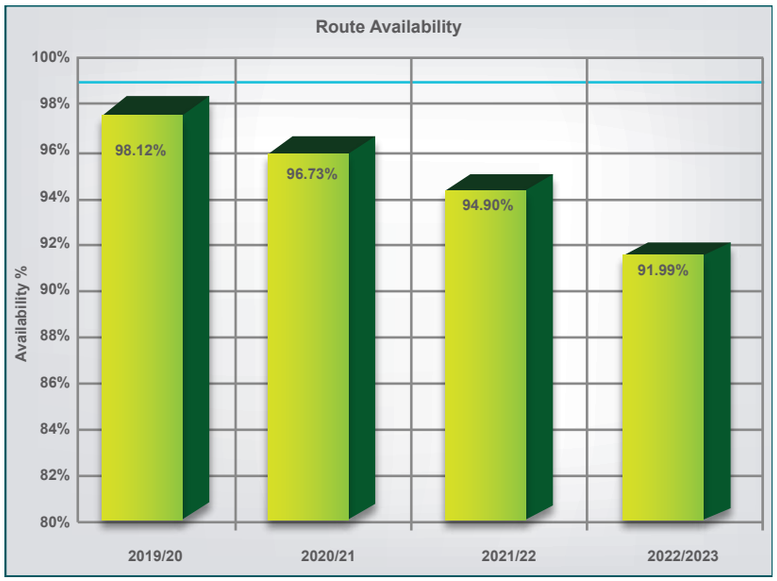


Figure 30: Route availability

International Routes Performance

The cross-border routes achieved a combined availability of 88,48%, compared to 98,19% in the previous financial year, failing to meet the minimum combined availability of 99%. This performance, the worst in our Company's history, was primarily exacerbated by disconnection by Eskom.

In the first quarter, the Eswatini cross-border link was most impacted by eight network failures caused by vandalism and power failures. Repair work on a network fault on the Zimbabwe cross-border route took over four days due to numerous joints on the fibre link between Louis Trichardt and Musina. Another network fault also on the Zimbabwe cross-border route took more than three days to restore because of challenges faced when accessing the point of break on the fibre cable between Louis Trichardt and Musina. Access to the impacted area required a railroad vehicle that, unfortunately, broke down and needed to be repaired before fibre repairs could resume.

During the second quarter, the Botswana and Zimbabwe cross-border links were the worst impacted in July 2022. It took over 54 hours to clear high losses at 45km from Louis Trichardt to Musina on the Zimbabwe cross-border link. Technicians respliced five joints with high losses at different locations. The Zimbabwe cross-border link faced further issues during August 2022. It took more than 97 hours to clear high losses at 103km from Louis Trichardt to Musina on the Zimbabwe cross-border link. Technicians had to resplice several joints with high losses at different locations. The Namibia cross-border route has been down since September 26, 2022, after Eskom disconnected the BBI leased fibre pairs patched onto their OPGW cable.

This disconnection followed a notice of legal action from Eskom to BBI on 05 September 2022, and a 14-day notice that they would terminate the contract if BBI did not settle the outstanding debt.

In the third quarter, the Eskom disconnection of the leased fibre (OPGW) between Aries and Schuitdrift on 26 September 2022, continued to isolate all Namibia-bound traffic, resulting in a 0% route availability on the Namibia cross-border route. The Botswana cross-border link was also severely impacted in October 2022 by four incidents of vandalism and high span loss conditions on the fibre route between Ventersdorp and Lichtenburg. It took an extended period to restore because repairs were deferred due to safety risks to staff in an unsafe area. The Zimbabwe cross-border link was similarly impacted in November 2022 by vandalism and high span loss conditions, with repairs also deferred due to staff safety risks.

During the fourth quarter, the disconnection by Eskom of the leased fibre (OPGW) between Aries and Schuitdrift on 26 September 2022, continued to isolate all Namibia-bound traffic, resulting in a 0% route availability on the Namibia cross-border route. The Zimbabwe cross-border link was severely impacted in January 2023 due to power supply interruptions at Beitbridge caused by Eskom load shedding. The permanent generator failed to start automatically and was later repaired by technicians. The Eswatini cross-border link was most affected in February 2023, primarily due to power supply interruptions at Camden because of a faulty Automatic Transfer Switch. This fault caused the permanent generator not to start automatically, and a transmission node at Mahamba PoP lost configurations, causing the cross-border services to be down for 75:39 hours.

The figure below depicts the cross-border route performance:

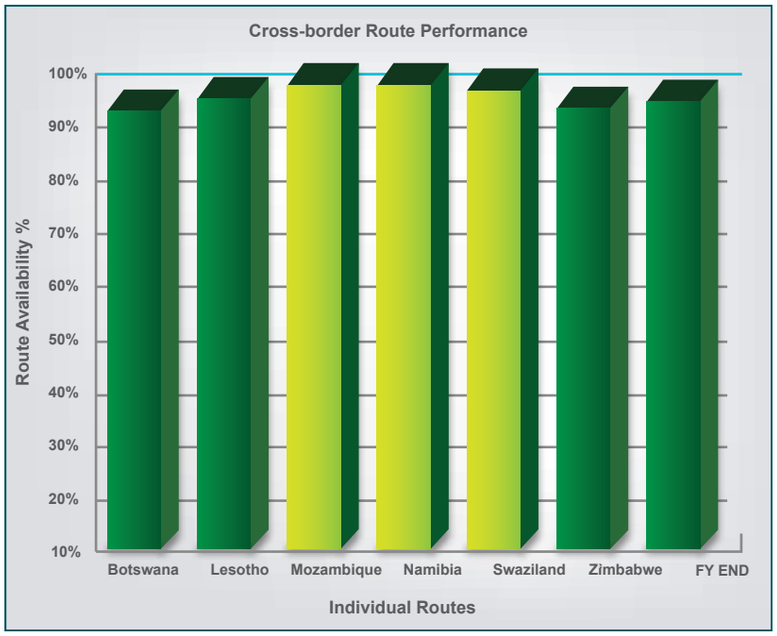


Figure 31: Cross-border route performance

Network Service Availability

Network service availability represents the actual time that the customers' services are available (running error-free). The performance was lower at 95,71% compared to 99,01% achieved in the previous financial year. The network services availability was below the annual target of 98%.

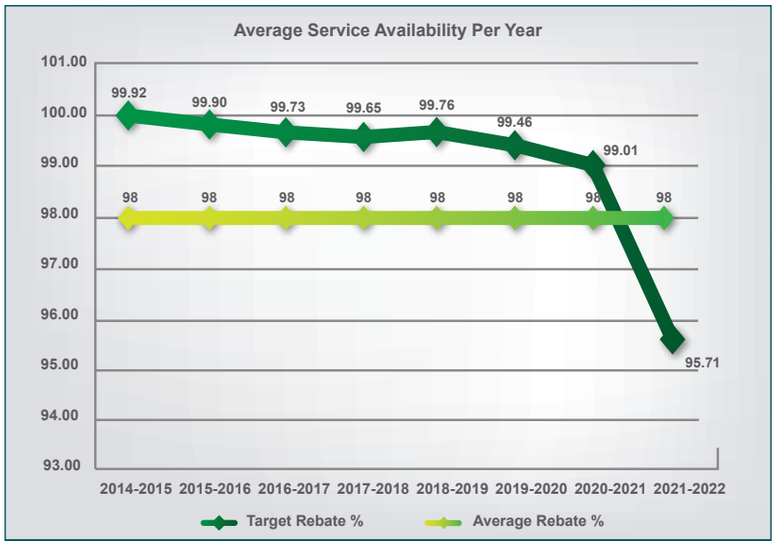


Figure 32: Network services availability

Network Rebates Paid

In FY2022/2023 some customer's services did not meet the SLA requirements and resulted in rebates, which amounted to R9 167 814,98 in provisions. The actual rebates invoiced was a total of R 2 427 895,16, the total paid rebates is based on the invoices received customers. The actual averaged rebates paid were 0,52% of the yearly revenue which is above the Company target of 0,30%.

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

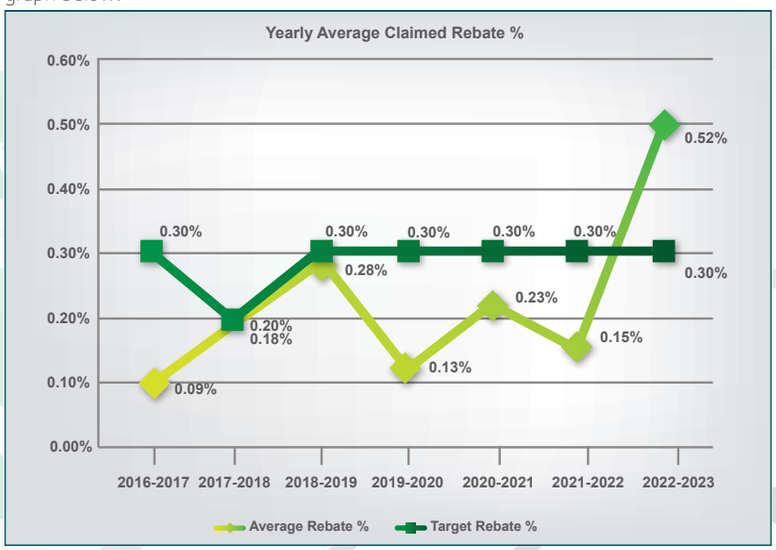


Figure 33: Average network rebates

Network Asset Management

Points of Presence

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

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

Table 8: Points of Presence

Fibre Optic Network

The fibre network snapshot reflects the distance (measured in kilometres) of optical fibre cable removed or added to the network over a period. The optical fibre distance added could be in the form of new fibre build (owned) or leased from third parties.

The optical fibre sheath kilometre distance was 0,976km less compared to the previous financial years as illustrated on in the figure below:

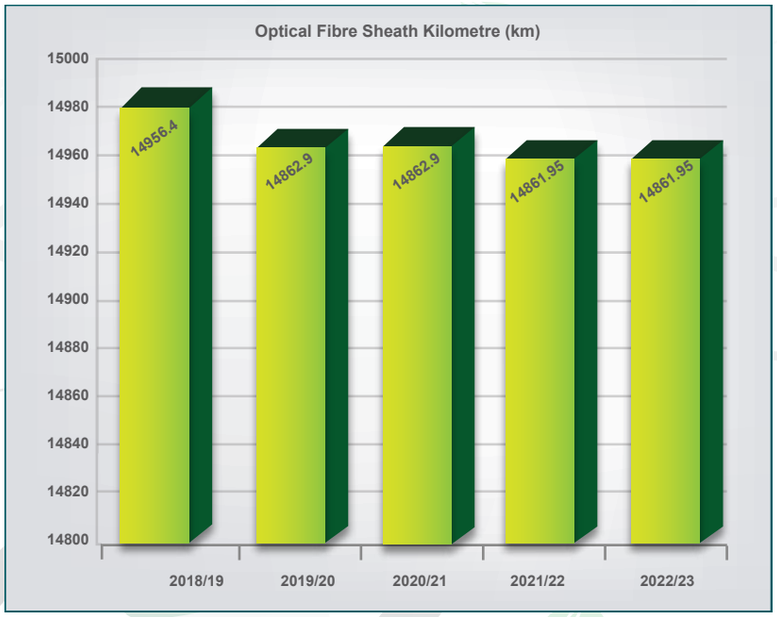


Figure 34: Fibre optic

Total Site and Fibre Sheath Kilometre per Province

The Company operates and maintains 150 PoPs and 14861,95km of fibre throughout the nine provinces.

This is broken down per province as shown in the figure below:

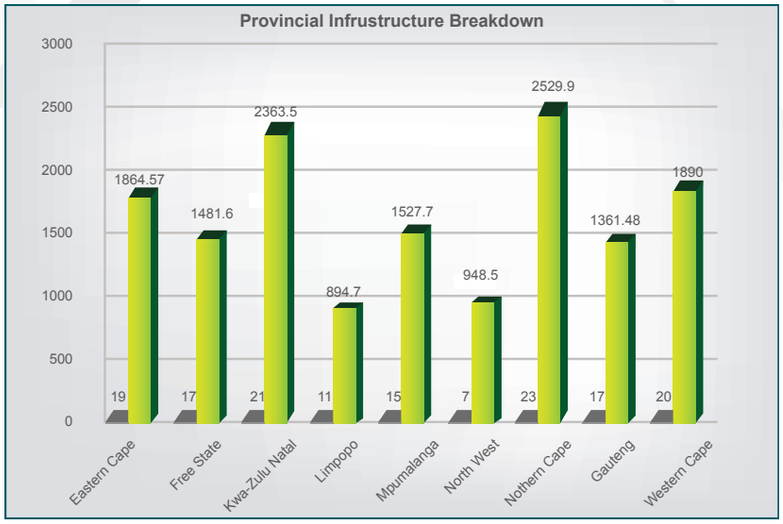


Figure 35: 26 Provincial Infrastructure Breakdown

Key Highlights

- Implemented plans to mitigate the disconnected and unrepaired Eskom links by procuring services through third-party service providers;
- Implemented mini-IP/MPLS to migrate USAASA, SITA and other customers services to a more efficient IP solution;
- PoP site break-in incidents drastically declined from (14) reported in FY2021/22 to three incidents reported in FY2022/23;
- The Rondebosch – Koeberg - Yzerfontein hiT7300 link was successfully migrated from the vulnerable Transnet and Eskom route to a new third-party cable, thereby connecting Rondebosch directly to Yzerfontein;
- Regions nationally embarked on a process of procuring portable generators for all the regional offices to mitigate for simultaneous long power outages in some areas;
- The implementation of the new NOC telephone system was completed in January 2023; and
- BBI successfully hosted World Radio Day in Qunu using SA Connect sites to establish Wi-fi hotspot at the local Chief's Great Place, thereby exhibiting SA Connect capabilities and success.

Challenges

- Vandalism remains the main root cause for network failures and 35,1% of all incidents were linked to this root cause;
- The impact of the contractual impasse, both fibre maintenance and lease, between Eskom and BBI causes both financial and reputational damage to BBI and is long downtimes and service instability;
- Eskom load shedding impacted customer services at different PoP sites across the country that were isolated during Stages 3, 4, 5 and 6, especially the ongoing Stage 4 load shedding. During the fourth quarter, 123 of the reported 330 network fault incidents (37%) were because of the impact of Eskom load shedding. In January 2023 alone, 76 incidents were linked to Eskom load shedding;
- The national shortage of standby batteries continued to present a huge challenge to BBI to replace batteries which condition had been compromised by the impact of frequent AC supply interruptions cause by Eskom load shedding. This drastically shortens the life span of the batteries; and
- BBI received the news that one of our O&M colleagues, Mr Njabulo Mthembu, sadly passed away on 28 December 2022.

Future plans

For the financial year 2023/24, there are plans to roll out the Broadband Access Fund and SA Connect Phase 2 amongst other projects. The successful execution these 2 major projects will change the face of BBI. Recommendations for improving network service availability and customer offerings include the following plans:

- Network capacity upgrade to improve network resilience by increasing capacity on strategic high-demand routes and where there are bottlenecks on the network to be able to meet more customer demands;
- Network Reliability Improvement by replacing obsolete equipment that still exists on some routes, and which has long reached its end of life and is no longer supported by the Original Equipment Manufacturer (OEM). These routes pose a risk of long downtime if we were to experience equipment failures, since in some cases there are no spares available. Projects have been initiated to have obsolete equipment replaced;
- Provide route redundancy by initiating projects to expand the network and to link strategic routes to serve as a backup path to minimise downtime and ensure continuity of services in the event of unplanned network outages;
- Upgrading of IP Network to satisfy the increasing demand for IP services from customers and the continued drive to ensure an IP presence in at least one node in each of the provinces necessitates the further rollout of the IP/MPLS network; and
- Accelerate services in underserved areas by taking part in national and local government initiatives and programmes to implement, for example SA Connect that seeks to meet the technology goals of the NDP of creating an inclusive information society and position the government to play an enabling role in the provision of broadband to the number of underserved district municipalities thereby bridging broadband connectivity gaps.

SOCIAL AND RELATIONSHIP CAPITAL

Shareholder Engagements

Following the Cabinet reshuffle announced on 6 March 2023, the portfolio of Digital Technologies and Communication saw a change in leadership. Minister Khumbudzo Ntshavheni was replaced by Minister Mondli Gungubele. A meeting was held between the Board and its Executive Management, with the newly appointed Minister on 15 March 2023.

In this crucial meeting, the team provided high-level insights into the organisation's operations and its sustainability. Minister Gungubele used this opportunity to deepen his understanding of the organisation's pressing challenges.

Marketing

Brand and Events

The Company capitalises on industry events to drive brand visibility through exhibitions, customer networking, and Company presentations. These events span ICT Conferences, Ministerial, Provincial, Municipal, SADC, and SATA engagements. Broadband Infraco's products and services are well marketed, showcasing the network

and its PoP. These forums also provide opportunities for Broadband Infraco to discuss collaboration and areas of interest with other SOCs.

In line with its brand-building efforts within the ICT sector, the Company took part in several events:

1. **Govtech 2022:** This event serves as a top-tier ICT platform for thought leaders to explore innovative, practical solutions for a developing nation using ICT tools. While Broadband Infraco could not secure an exhibition stand due to cost considerations and financial constraints, the Company did send four delegates. Their focus was on connecting with current and prospective customers and boosting brand awareness. Cross-functional teams present at the event ensured all enquiries were addressed, and information about the Company was disseminated to interested parties.
2. **Africacom 2022:** This event took place at the Cape Town International Convention Centre (ICC). As the most prominent and influential Africa-focused technology event, Africacom brings together those leading Africa's digital transformation. The Company used this platform to engage with its existing customers and pursue business development. Participating in the event contributed to building brand equity and raising awareness of the Company among crucial ICT stakeholders. The Company consistently leverages the conference's meeting facilities to embody the professionalism it promotes.
3. **ICT Summit 2022:** This annual event offers a platform for businesses to discuss ICT developments, network for business opportunities, and strategise on new issues, trends, and innovations. The summit facilitates interactions with industry elites from government, public, and private companies over a two-day summit and exhibition. Broadband Infraco participated in this year's ICT Summit, which took place in East London from 22-24 November, by attending as delegates and securing a free exhibition stand. Participation bolstered brand confidence despite current operational challenges and offered an opportunity to renew old relationships and establish new ones in the Eastern Cape.
4. **Sentech Golf Day:** Broadband Infraco participated in this year's Sentech Chairman's Golf Day. The event provided a networking platform with Sentech executives, stakeholders, and suppliers, including industry players and regulatory bodies. Given the imminent acquisition, this event was critical for maintaining company visibility and supporting its relationship with Sentech.
5. **World Telecommunication and Information Society Day:** Broadband Infraco participated in a podcast organised by ABT Telecoms to commemorate World Telecommunications and Information Society Day 2022, themed "Digital technologies for older persons and healthy ageing". The podcast aimed to raise awareness about the potential impact of the internet and other ICTs on societies and economies and address the digital divide. Broadband Infraco emphasised the importance of building resilient networks for economic growth, thereby enabling internet usage by older individuals.

CUSTOMER ENGAGEMENTS

The Company has been increasingly focused on creating platforms for stakeholder engagement and communication to influence Broadband Infraco's brand and positioning, including awareness, loyalty, perceived quality, and associations. This added effort has enhanced brand awareness and strengthened brand association, which has positively influenced our brand positioning. It has also ensured a trustful relationship and open, honest communication with most of our stakeholders. The year under review also saw a significant emphasis on cultivating relationships that will position the Company as an enabler in achieving the Government's objectives of building broadband infrastructure to stimulate economic activity and job creation. We created more discussion platforms and interactions to handle the SA Connect project and other broadband projects that fall under the Government's scope as an anchor client, alongside other SOCs.
Throughout the year under review, the Company has witnessed a notable increase in proactive and engaging communications with customers, particularly in relation to recent outages caused by the disaster in KwaZulu-Natal (KZN). These interruptions affected services for customers based in KZN and the Eastern Cape, among other service-related elements. Notifications were issued, detailing the issues at hand and the remedial measures that the Company was implementing to address the identified problems. This action was also designed to tackle potential service delivery disruptions. We continuously provided additional details to all impacted customers and other respective stakeholders to repair and facilitate collaborative activities, ensuring that the issues at hand were resolved in the best interest of all stakeholders.

Data Centre Facilities

The Company will continue to pursue the current partnership with EnchaCluod and other service providers to ensure involvement in data centres. This will be crucial at this point where the implementation of SA Connect Phase 2 and other government projects are being prioritised.

External Communication

Social Media

Social media platforms (Facebook, LinkedIn, Twitter) were used to provide operational updates, including tenders and vacancies. This has led to an increase in exposure and the number of applications received for the various projects, also assisting in cost saving as external adverts need not be placed with external service providers. Usage of the platforms has also led to increased applications being received from peri-urban and rural areas and not only urban areas, which speaks to the inclusivity of more citizens in government projects and services. The platforms were also utilised to showcase business agility, continuity and Company products and services.

The platforms are used to support the Shareholder engagements, especially in where there is alignment with the Company's mandate. Marketing of the SA Connect project and other shareholder advocacy projects were also shared on the platforms. The end of the pandemic has enabled added activity and volume on the number of social media posts as more events are now being activated. The usage of these platforms has derived benefits that range from reduced advertising costs, wide sharing of information further than website usage, immediate viewing by stakeholders, increased number of tender and vacancy applications, etc. This has reaped the downstream benefit of increased stakeholder engagement and brand awareness.

Employee Engagement

Organised Labour

Throughout the financial year there were intense engagements with the majority organised labour representatives, Information Communication and Technology Union (ICTU) regarding challenges experienced by the Company including financial performance, moratorium on filling vacancies, moratorium on conditions of services, relocation of offices and merger between BBI and Sentech. A one-year substantive agreement was concluded after several engagements to better the conditions of services of our employees.

Town Talks

Virtual Town Talk Session – Employee engagement initiatives continue to be a significant source of motivation and commitment. Employees are invited to quarterly interactive "town hall" meetings, where the CEO updates them on business matters and employees have the opportunity to provide input or seek clarification. Four sessions—three virtual and one in-person - were hosted by the EXCO to update employees on the Company's operations during the pandemic. Attendance was at an all-time high, and the meetings robustly addressed issues between leadership and employees. Some of the suggestions received were instrumental in helping the Company make financial and operational changes that greatly contributed to the Company's turnaround. Topics of discussion included the SOC rationalisation process, day-to-day HR issues, financial matters, and internal operational affairs. These sessions proved very informative and offered a two-way communication channel that facilitated information sharing between Management and employees.

Youth Day Event – In collaboration with its adopted school in the Eastern Cape, Mhlanganisweni Secondary School, the Company organised a Youth Day event. Twenty learners were invited to participate in a career preparation webinar led by the interns and young employees from each division within Broadband Infraco. The event was hosted under the theme, "Career Preparation for the Youth, by the Youth." The session aimed to provide career guidance to learners, expose them to opportunities available in companies like Broadband Infraco, and prepare them for the future.

The event also benefited from the presence of the keynote speaker of the day, Ms. Jane Egerton-Idehen, Head of Sales, Middle East and Africa for Meta. Ms. Egerton-Idehen delivered a motivational speech to all attendees, inspiring future leaders of the industry.

Health and Safety

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

Different topics were shared with employees ranging from financial management, fatigue, mental health, and overall awareness. BBI uses the LTIFR to track safety and health of employees, which is an international standard. The LTIFR is the number of lost-time injuries within a given accounting period relative to the total number of hours worked in the same accounting period. The lower the number of incidents, the better the performance of the organisation with respect to health and safety issues. The LTIFR remained at 0.0 during the financial year and attests to the effectiveness of our systems.

The figure below captures the LTIFR trends for the past five years:

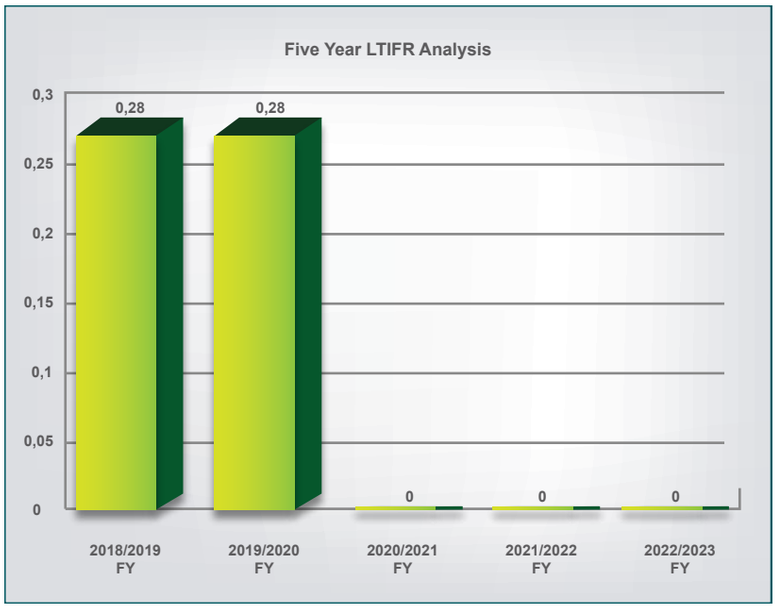


Figure 36: LTIFR

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

Corporate Social Investment

Our CSI programme is aligned with DCDT's strategy which supports the development of sustainable communities by contributing towards the achievement of socio-economic development. To accomplish this responsibility, BBI adopts non-fee-paying schools in rural schools and provide the schools with e-learning platforms which are significant especially post the COVID-19 pandemic. Working together with the local department of basic education, BBI adopted Ohlange Secondary school in KZN and Mhlanganisweni Comms and tech secondary school in the Eastern Cape.

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

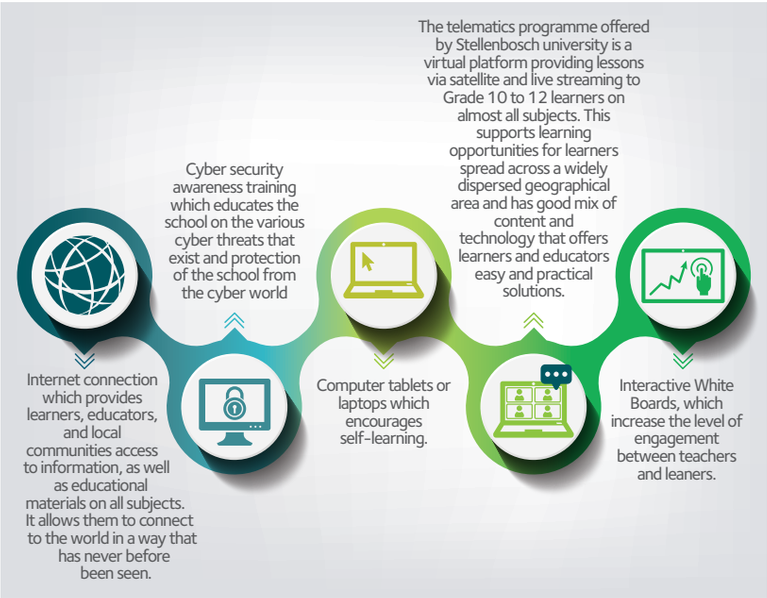


Figure 37: Donated equipment and technology

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

Key Highlights, Risks and Mitigation Strategies

Key Highlights

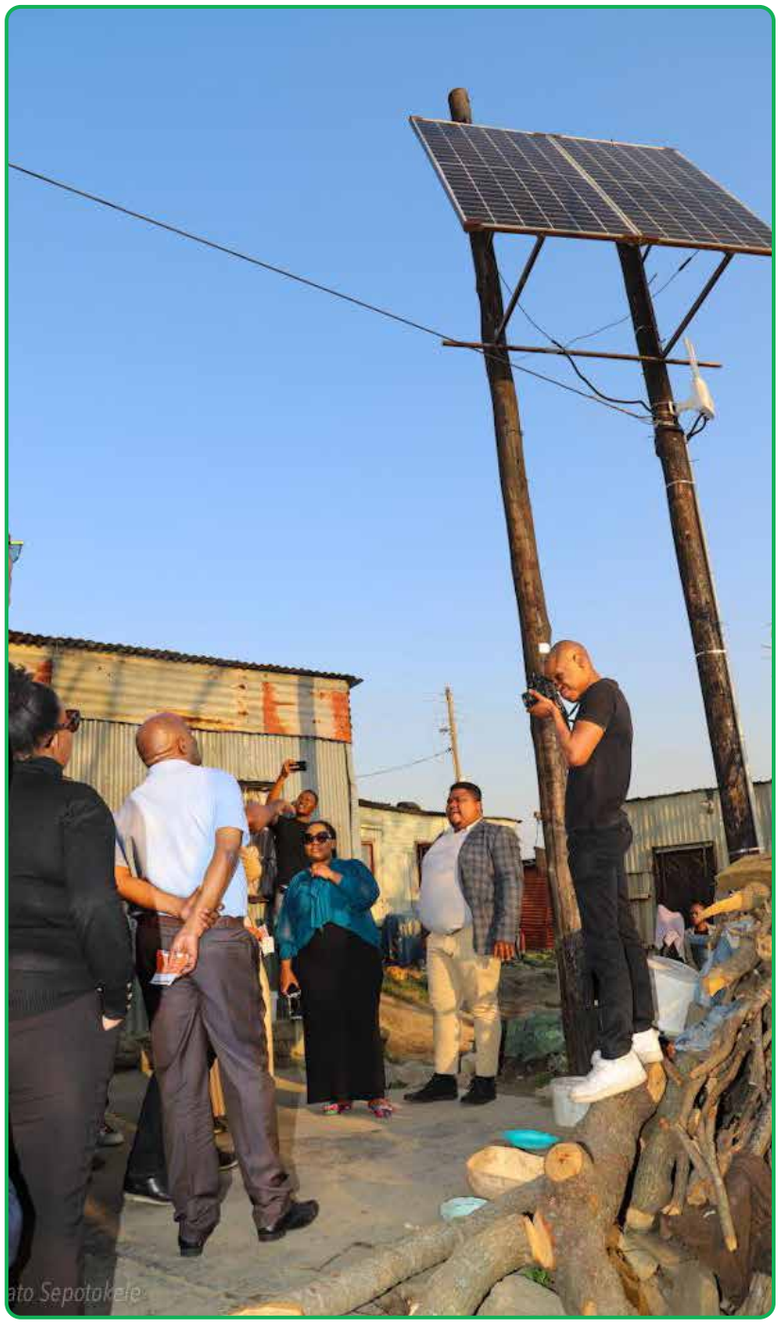
- A total of three customers were acquired in the year under review; and
- BBI has successfully adopted non-fee-paying schools in rural schools and provide the schools with e-learning platforms, i.e., internet and telematics enabling the school to expand the learning capacity of the students through technology.

Challenges

- Network capacity constraints;
- Customers demanding lower prices and shorter contract duration;
- Longer timelines to deliver services due to financial constraint; and
- Lack of funding to upgrade the network.

Future plans

- Upgrade the network;
- Source funding;
- Build Key Account Managers' capacity to sell;
- Grow revenue;
- Review pricing annually; and
- Provision of interactive white boards and cybersecurity software at Byletts School.



HUMAN CAPITAL

During the year under review, the HR division embarked on a review of policies, particularly those affected by the work from home arrangement. The adoption of working from home has now been formalised through a policy which ensures compliance with relevant legislation and applicable acts. The introduction and implementation of the Techno-Girl Trust programme was successful. Ten learners' job-shadowed senior managers and executives during the mid-term break in June and the term in September 2023. The ongoing moratorium on filling vacant positions continues to pose a challenge. The organisation has filled some critical positions through an insourcing process, which is costly and not preferred.

The financial year under review was challenging for the organisation due to several factors, including the ongoing lockdown review by the National Government. The "new normal" prompted the Company to review some of its policies and introduce a work from home policy. The organisation's financial constraints negatively affected human capital. The moratorium on filling vacancies and conditions of service continues to be obstacles in ensuring that the organisation is adequately staffed and in retaining resources. The division continued to support the organisation in ensuring that critical positions were filled despite the moratorium imposed by the shareholders. The insourcing process has proven very costly for the organisation while ensuring that resources are allocated to fulfil the organisation's mandate. The division was also responsible for ensuring adherence to internal policies and acts as prescribed by law.

The reliance on interns and trainees, as well as insourced resources, was the only mechanism that enabled the organisation to execute some of its objectives. The Media, Information, and Communication Technologies Sector Education and Training Authority (MICT SETA) approved additional internship programmes, bringing the total to five for the financial year. Its strategic objectives result from a culture of loyalty, a strong sense of belonging, and shared ownership. Management tirelessly cultivates team spirit, leads by example, and swiftly resolves any obstacles, thereby enabling the flow of processes by whatever means available. Employees at all levels operate outside of their actual scope of work to compensate for areas where there is a lack of capacity when required.

Staff Movement

The number of permanent employees is declining yearly due to the moratorium imposed by the Executive Authority in the wake of SOC rationalisation as depicted in the table below:

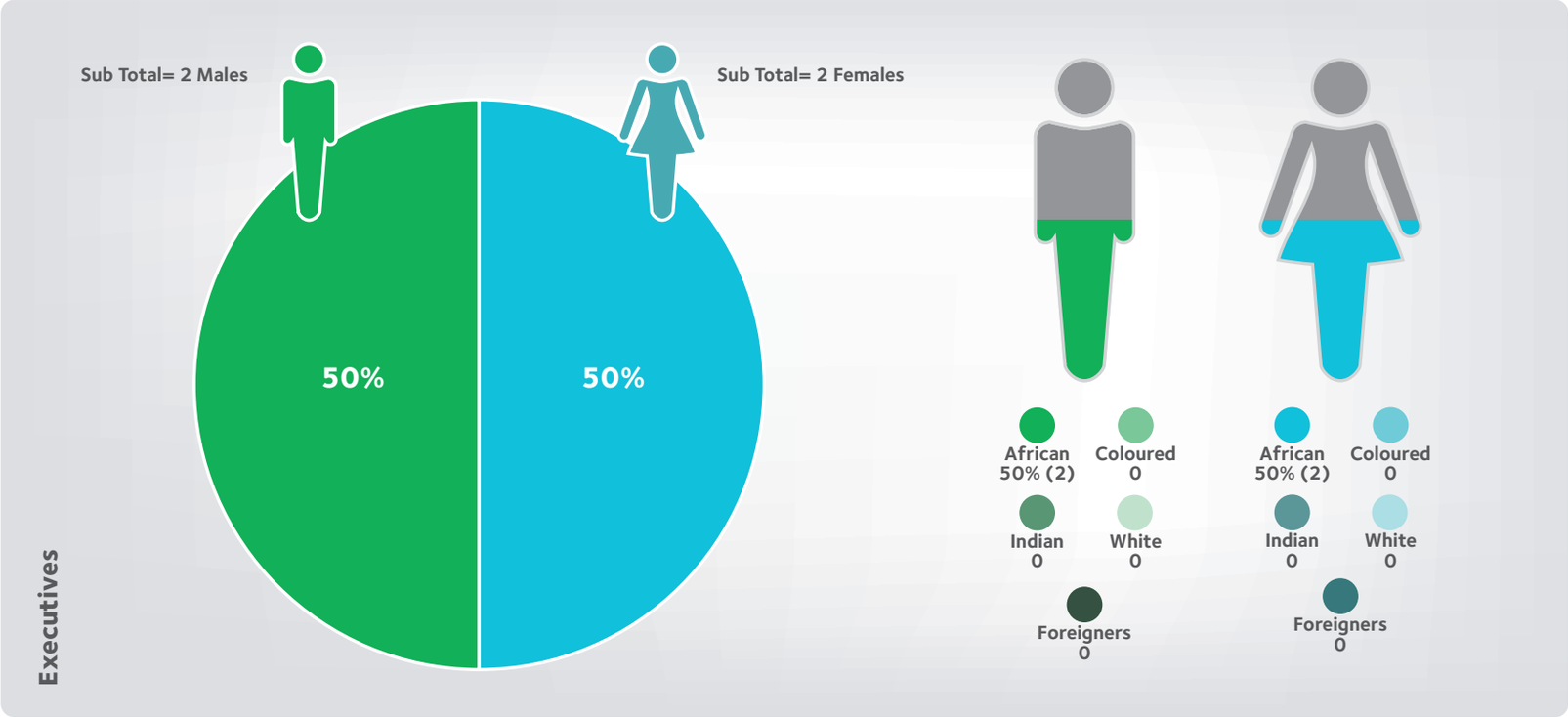
Headcount Calculation					
Categories	**FY 2018/19**	**FY 2019/20**	**FY 2020/21**	**FY 2021/22**	**FY 2022/23**
Opening Balance	144	144	132	124	121
Permanent Staff	141	140	129	121	119
Contract (s)	3	4	3	3	2
Appointments	12	1	0	0	2
Permanent Staff	8	0	0	0	0
Contract (s)	4	1	0	0	2
Losses	-12	-13	-8	-3	-14
Resignations	-8	-8	-4	-1	-12
Termination of contract	-3	-2	0	-1	-1
Involuntary Reductions	-1	-3	-4	-1	-1
Closing Headcount	144	132	124	121	109
Permanent Staff	140	129	121	119	105
Contracts	4	3	3	2	4

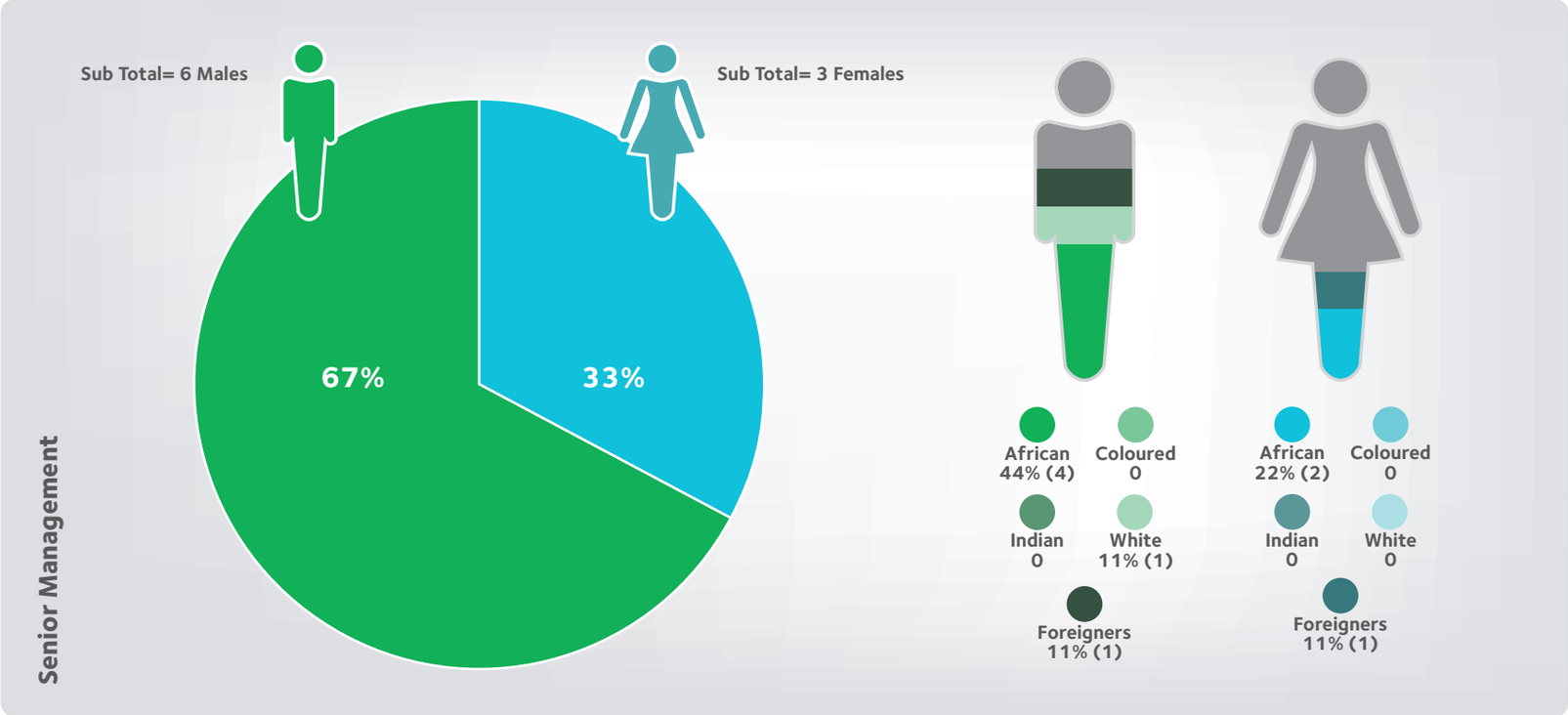
Table 9: Headcount

The financial year opened with a total headcount of 121 permanent staff and ended with 109. The approved total employee complement is 155. We have 46 vacancies in total as at the end of the financial year. The critical vacancies within the core environments were filled through the insourcing process.

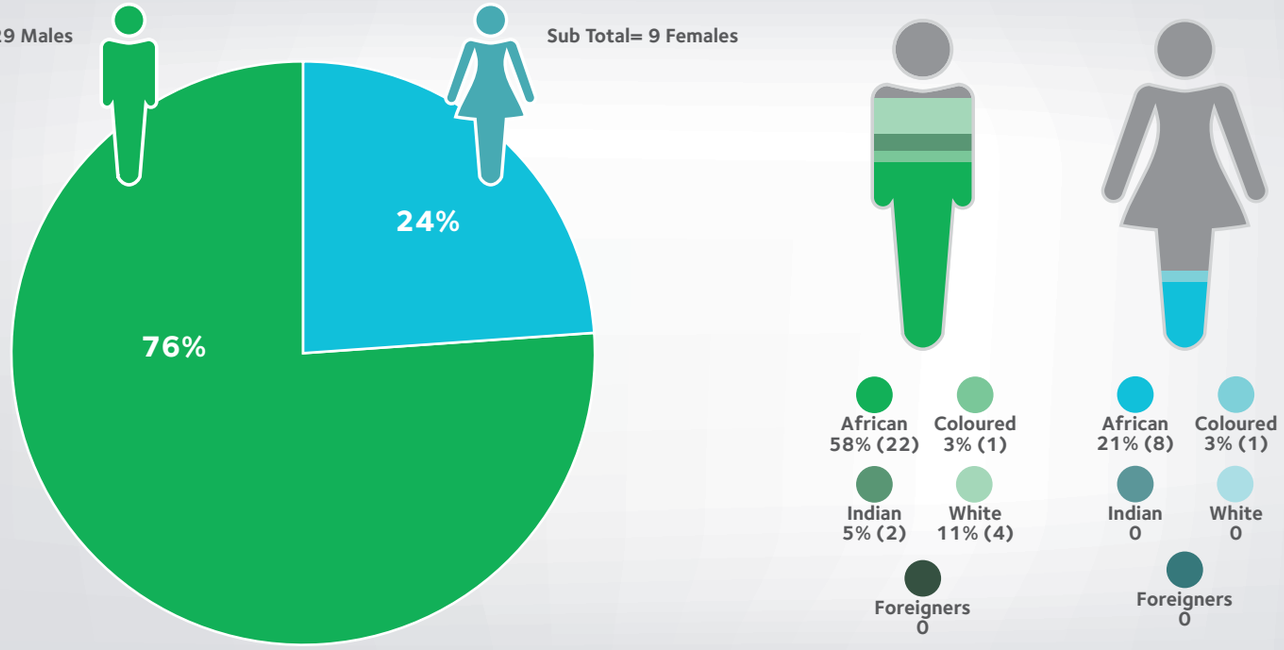
Employment Equity

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

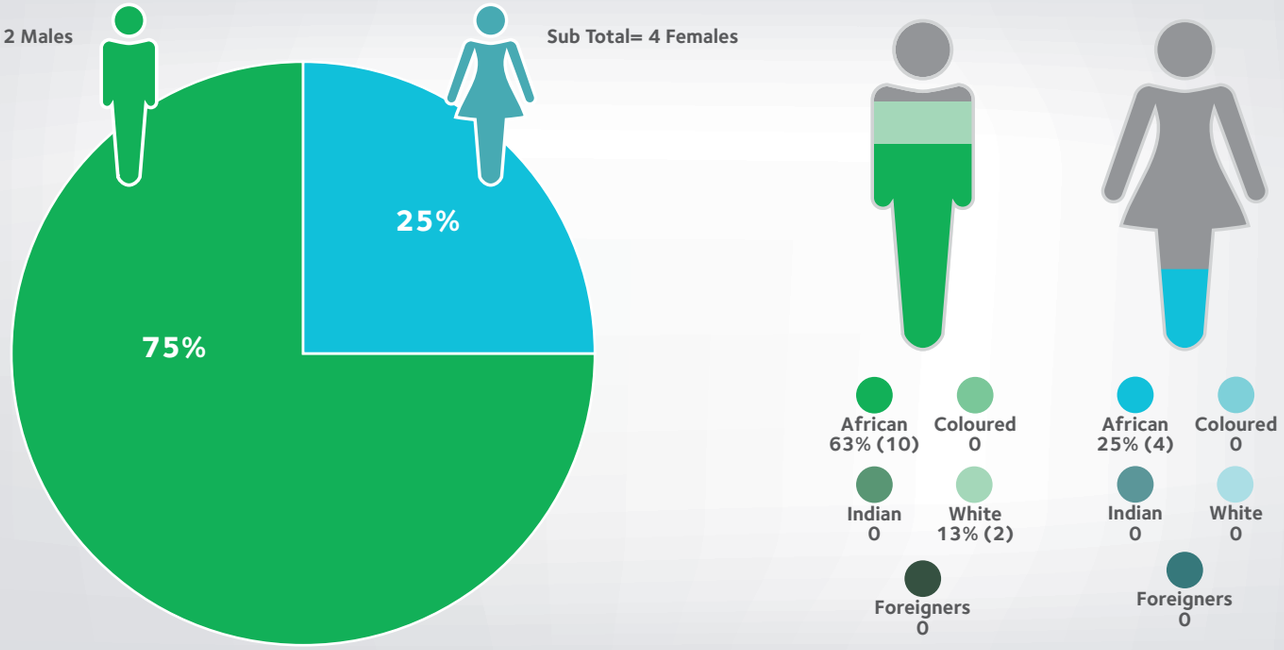


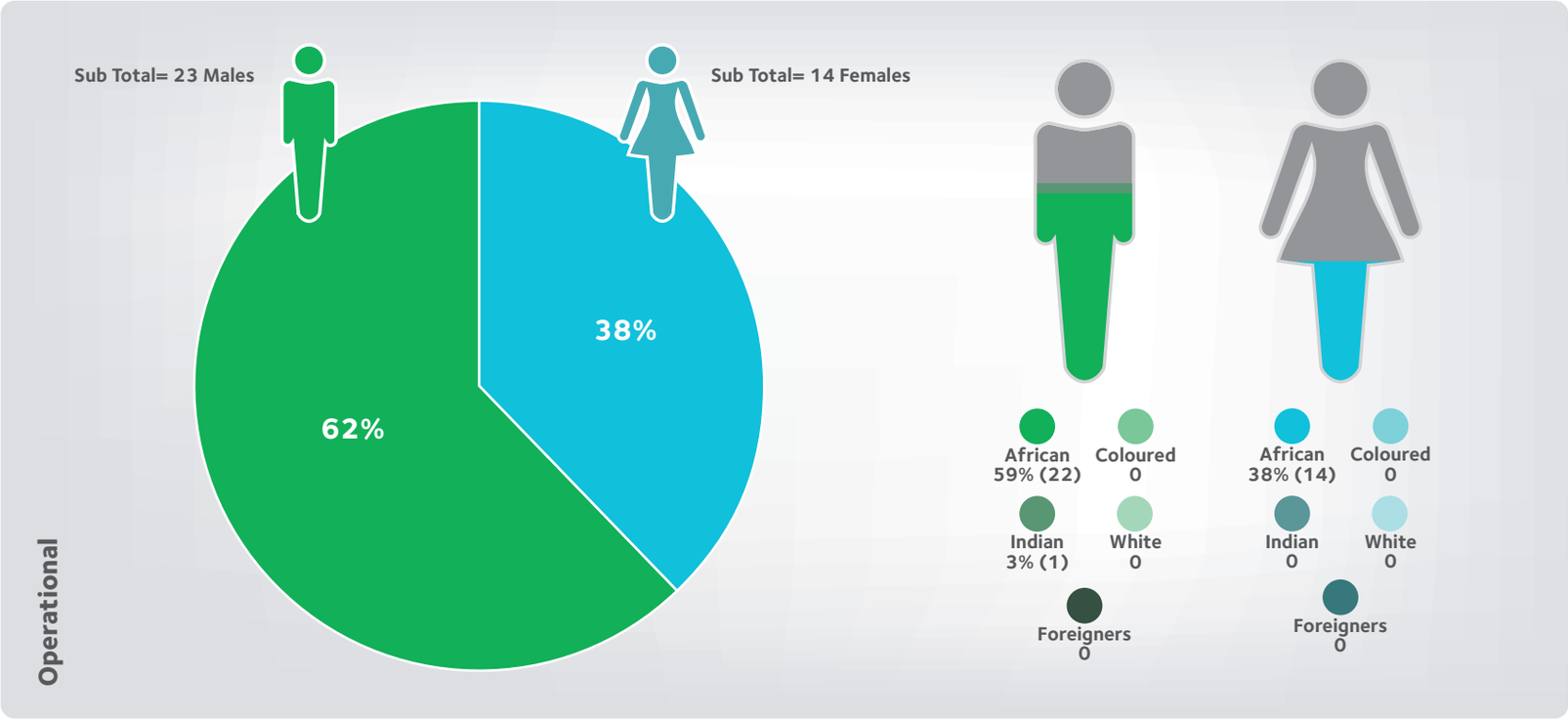


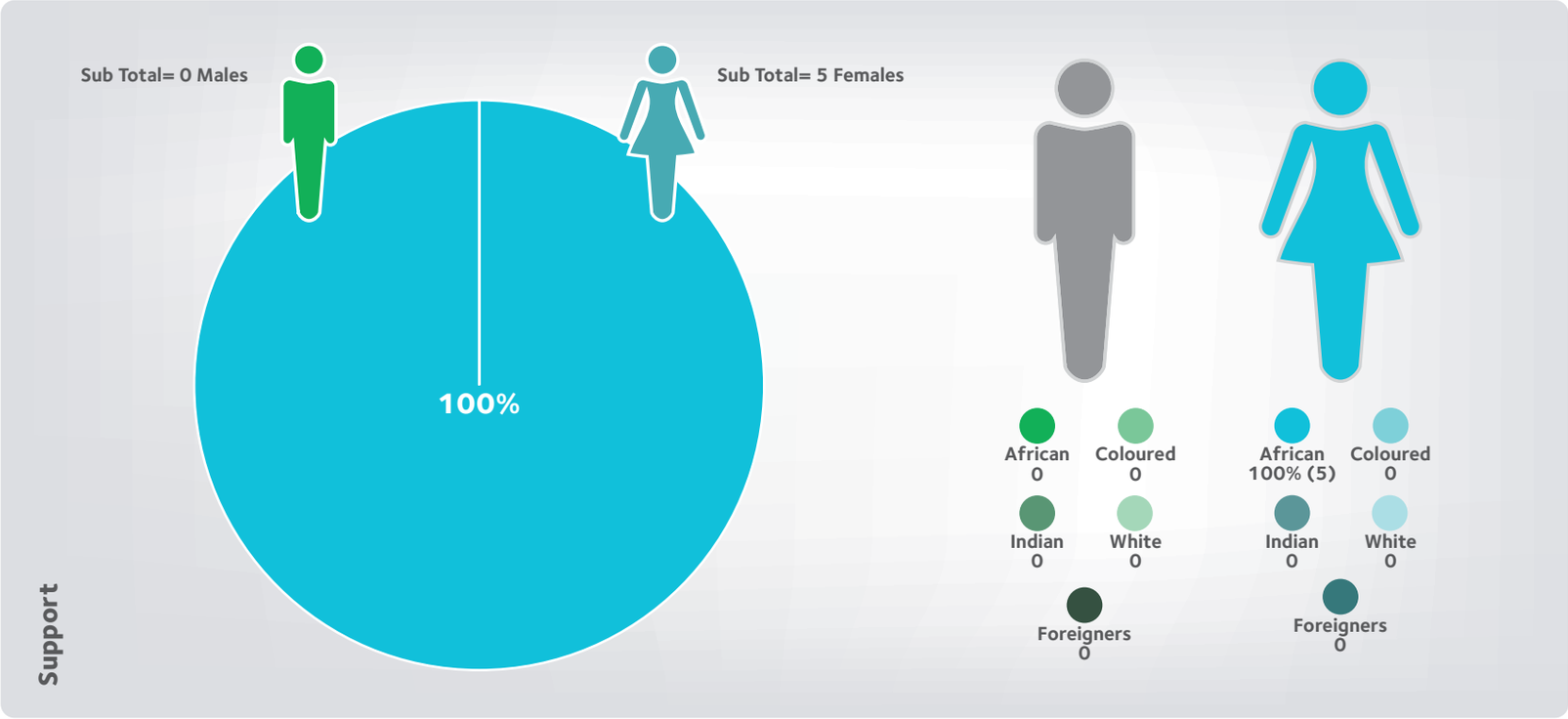
Professional Specialist and Middle Management



Supervisory and Junior Management




Operational
Sub Total= 23 Males
Sub Total= 14 Females
38%
62%
African 59% (22)
Coloured 0
Indian 3% (1)
White 0
Foreigners 0
African 38% (14)
Coloured 0
Indian 0
White 0
Foreigners 0


Support
Sub Total= 0 Males
Sub Total= 5 Females
100%
African 0
Coloured 0
Indian 0
White 0
Foreigners 0
African 100% (5)
Coloured 0
Indian 0
White 0
Foreigners 0

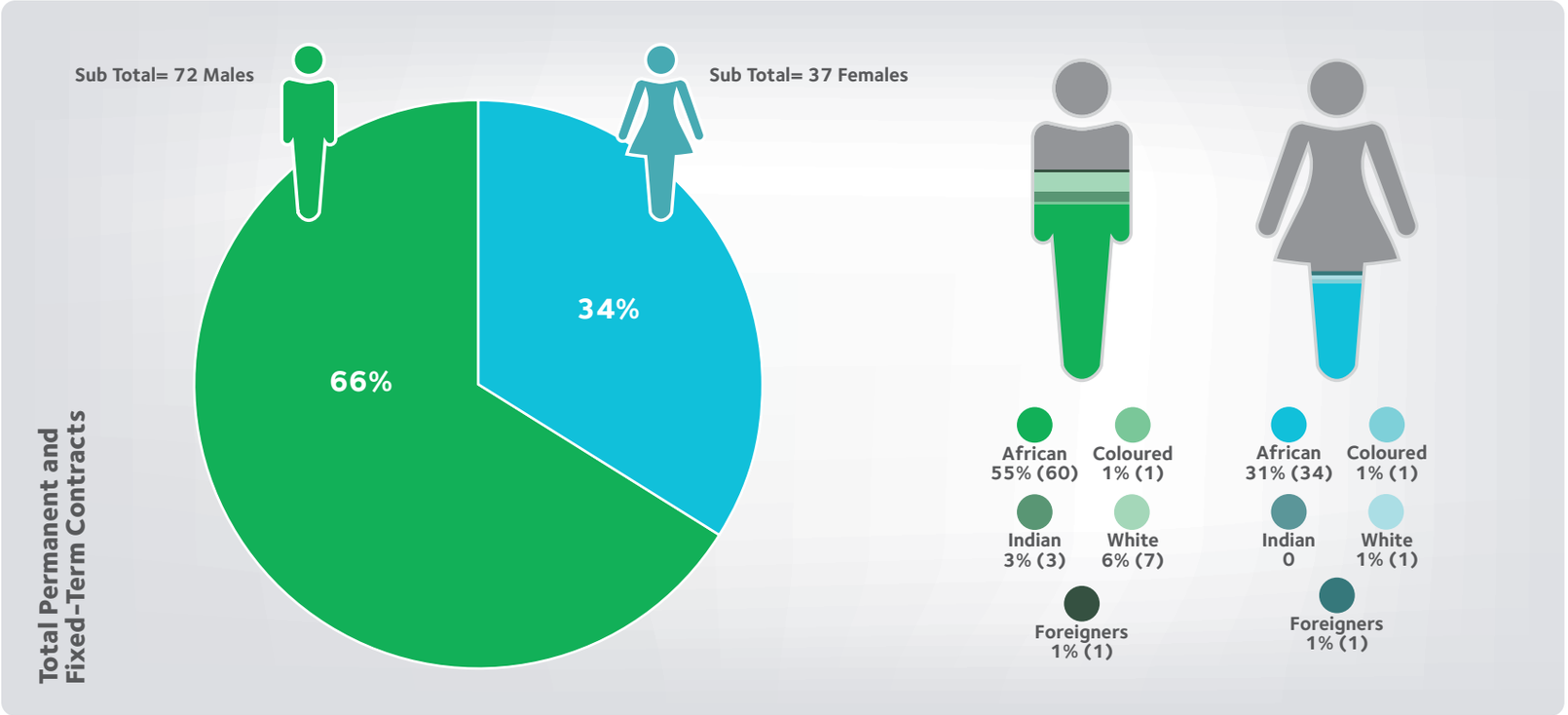


Figure 38: Employment equity

Internship Programme

Youth development is an imperative of national significance, the effectiveness of which is fundamental to the achievement of the country's national development strategies. Broadband Infraco supports, and has been participating in, the development of youth through the internship and trainee programmes. The internship programme has been implemented on two levels over the past four years. There are candidates for Work Integrated Learning who need work experience to complete national diploma qualifications for a period of 12 months. There is also a programme for graduates who need to acquire work experience to improve their chances of employability.

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

The internship programme continues to be our flagship project, based on which the Company aims to benefit not only the building of human resources capacity, but also to maximise benefits from the MICT SETA programme, increase the participation in the national youth employment drive, and improve the Company's B-BBEE rating. During the financial year under review, Broadband Infraco partnered with MICT SETA in hosting learners for a period of twelve months. The Company provided the required experience through formal training and on-the-job training as part of the agreement.

Employee Development

Employee development is critical not only for individual and team upskilling, but also for the enhancement of competencies for organisational effectiveness and sustainability. The provision for training and development on an annual basis has only been 1% of the salary bill due to lack of funds. However, Management has always been encouraged to focus on crucial skills development needs, taking into consideration employment equity targets. This falls short for other significant imperatives and business continuity strategies, such as improvement of the B-BBEE spend on skills development and succession planning with specialist professional assessment techniques to determine the readiness of nominated candidates.

Training execution is based on the Workplace Skills Plan (WSP) that was submitted and approved by the MICT SETA in April 2022. The WSP was implemented satisfactorily amidst budget constraints. On average, 18 hours were spent on training per employee. This is equivalent to two days of training per employee per annum. The spend on soft skills was slightly higher than on technical skills. Furthermore, our demographics are predominantly male and as such, there were more males who attended training compared to females.

Employee Study Assistance

Employee study assistance is one of the most important programmes that motivates our employees to continuously improve their qualifications, which adds to competence enhancement. An amount of R376,535 was spent on employee study assistance, 40% of which was for post-graduate studies at the Master's level.

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

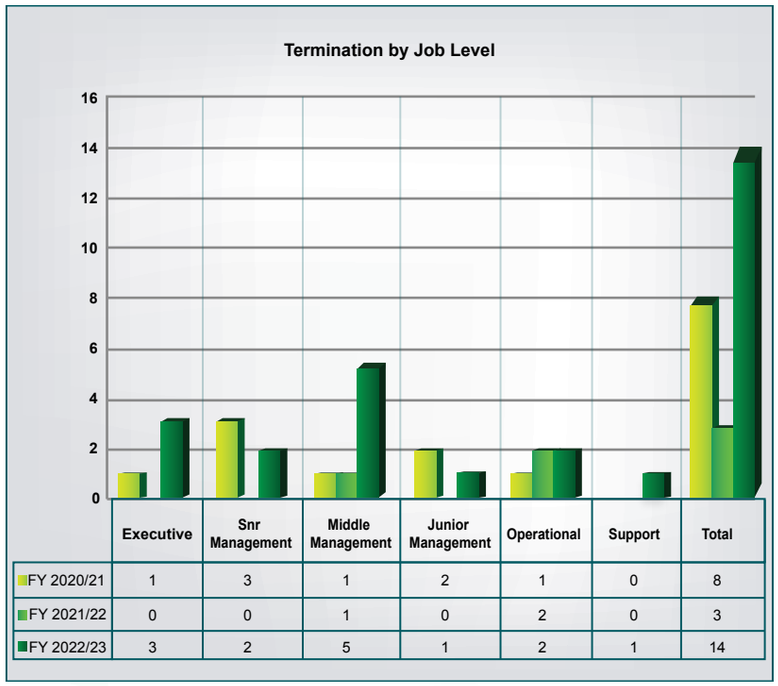
Performance Management

A culture of optimum performance standards has been nurtured in the organisation. Performance management remains the pillar of organisational behaviour monitoring and appropriate culture cultivation. There is continuous compliance with the contracting on an annual compact per employee, to ensure that everyone has made a measurable contribution towards the achievement of the Company's objectives. The annual contracting was maintained at above 94%. Consistency with compliance to the application of the employee performance evaluation process, and reduced association thereof with the monetary incentive that we have not afforded in the recent past financial year, indicates appreciation for the value of the practice for the employees as well as the organisation.

Employment Terminations

The termination rate has increased during the year under review as compared to the previous three years due to the impending integration and moratorium on the change of conditions of service and filling of vacancies. This has had a negative impact on the advancement of employees in their careers. The total number of terminations was 14, compared to three in the previous financial year.

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



	Executive	Snr Management	Middle Management	Junior Management	Operational	Support	Total
FY 2020/21	1	3	1	2	1	0	8
FY 2021/22	0	0	1	0	2	0	3
FY 2022/23	3	2	5	1	2	1	14

Figure 39: Employment terminations

KEY HIGHLIGHTS, RISKS, AND MITIGATION STRATEGIES

Key highlights

- The submission of the annual WSP, Annual Training Report, and execution at a spend of 2,18% of salary;
- Partnered with MICT SETA and appointed 40 new interns;
- Submission of the Employment Equity report to the Department of Employment and Labour;
- Implementation and Job Shadowing of the Techno-Girl project;
- Reviewed and obtained approval of six HR Policies; and
- Facilitated insourcing of critical positions.

Challenges

- The moratorium implemented from January 2019, compromised the effectiveness of operations; and
- Lack of financial resources and partial lifting of the moratorium on the population of vacancies presented challenges for the implementation of mission critical aspects of the organisational effectiveness strategies. This was attributable to a lack of human resource capacity. Among these are the improvement of the employment equity demographics, the limitations to provide upskilling and recognition for excellent performance, and innovative ideas.

Future Plans

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

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

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Preparing for the Digital Economy
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FY 2022/23 PERFORMANCE REVIEW

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

Outcomes/ Strategic objectives	KPI	FY2022/23 Targets	Q1 Results	Q2 Results	Q3 Results	Q4 Results	2023 Annual Results	Status	Reasons for Non-Achievements	Corrective Action
	New sales contracts signed annually.	R250 million new sales contracts signed.	R11 million new sales contracts signed.	R22 million new sales contracts signed.	R21 million new sales contracts signed.	R65 million new sales contracts signed.	R119 million new sales contracts signed		Lack of funding to upgrade the network and resolve the impasse with Eskom. Delays in receiving equipment from the vendor due to outstanding payments.	Approval of the network investment plan. Source funding. Upgrade the network. Resolve the impasse with Eskom.
1. A strengthened financial position for growth and sustainability	Percentage revenue year-on-year growth (including SA Connect).	30% revenue year-on-year growth.	Revenue declined by 1% compared to previous year.	Revenue declined by 8% compared to previous year.	Revenue increased by 37% compared to the previous year.	Revenue increased by 9% compared to the previous year.	Revenue increased by 7% compared to previous year.			
	Number of days per outstanding customer invoice per month.	Debtors collection of 60 days per contract.	59,61 Debtors' collection days..	59,55 Debtors' collection days.	Debtor collection period was 69,83.	Debtors collection period was 55,20.	Debtors collection period was 55.			
	Maintain positive cash balance monthly.	R10 million cash and cash equivalent available.	R43 million cash and cash equivalent available.	R37,9 million cash and cash equivalent available.	R40 million cash and cash equivalent available.	R20 million cash and cash equivalent available	R20 million cash and cash equivalent available			
	Maintain operating profit before depreciation after interest.	Decline by R22 million.	Decline by R6 million.	Decline by R54 million.	Operating profit increased by R16,2 mllion.	Operating loss increased by R7,6 million.	Operating loss increased by R10,1 million.		Operating loss improvement could not be attained due to lower than budget growth in the revenue.	
	Number of days within which SMMEs invoices are paid.	SMMEs invoices paid within 30 days.	SMMEs invoices paid within 23 days.	SMMEs invoices paid within 21 days.	SMME were paid within 25 days.	SMME were paid within 21 days.	SMMEs invoices paid within 21 days.			
2. An organisation enabled to deliver upon the mandate	Integrated BBI and Sentech.	Implement the integration of BBI and Sentech.	Business model for the SDIC completed. Integration plan completed in the previous period.	Consultation with the union and employees were conducted. Due diligence is underway.	Due diligence report has been submitted to the Board and the DCDT. BBI has moved the head office to Sentech.	Integration has been completed.	Consultation with the union and employees were conducted. Due diligence was completed.		There has been a change of strategy. Sentech is now acquiring the DCDT's shareholding in BBI. There is a need to review the target.	Support the next steps towards the merger of BBI and Sentech.
	Percentage of payroll expenditure on training per annum.	2% of the salary bill expenditure on training annually.	Expenditure on training was 0,53% of the salary bill.	0,32% of the salary bill expenditure on training annually.	2,35% of the salary bill was spent on training.	5,87% of the salary bill was spent on training.	2% of the salary bill was spent on training.			
	Unqualified external audit report maintained.	Maintain unqualified external audit report.	Progress report to resolve external audit findings submitted.	Progress report to resolve external audit findings submitted.	Progress report to resolve external audit findings submitted.	Progress report to resolve external audit findings submitted.	Maintained unqualified external audit opinion.		External audit is in progress.	

Outcomes/ Strategic objectives	KPI	FY2022/23 Targets	Q1 Results	Q2 Results	Q3 Results	Q4 Results	2023 Annual Results	Status	Reasons for Non-Achievements	Corrective Action
3. An increased base achieved through customer fulfilment and state-of-the-art infrastructure and services	Improve actual time to restore core network faults.	7,5 hours to restore core network faults.	6,3 hours to restore core network faults.	6,8 hours to restore core network faults.	6,47 hours to restore core network faults.	6,45 hours to restore core network faults.	6,30 hours to restore core network faults.			
	Percentage of gross revenue paid as network performance rebates.	≤0,3% of gross revenue.	1,8% of quarterly gross revenue.	1,8% of quarterly gross revenue.	2% of quarterly gross revenue.	2% of quarterly gross revenue.	0.5% of quarterly gross revenue.		This was due to lengthy network outages caused by unrepaired and disconnected Eskom fibre links, the impact of Eskom load shedding and vandalism of fibre infrastructure.	Escalated to the Board and the Executive Authority - Sourcing managed services links from third-party service providers while Eskom's problem is resolved.
4 The preferred partner of Government in enabling the digital transformation	Number of SA Connect sites connected to BBI Network.	Maintain 713 SA Connect sites connected to BBI Network.	713 SA Connect sites connected to BBI Network maintained.	713 SA Connect sites connected to BBI Network maintained.	713 SA Connect sites connected to BBI Network maintained.	713 SA Connect sites connected to BBI Network maintained.	713 SA Connect sites connected to BBI Network maintained.			
	Number of points of presence (PoPs) refurbished.	Refurbish 20 PoPs to support SA Connect Phase 2 rollout.	Procurement processes not run.	Desktop designs are completed.	10 PoPs Refurbished.	12 PoPs Refurbished.	22 PoPs Refurbished.			
	Number of USAASA Sites connected to BBI network.	Connect services to 412 sites under the USAASA SA project.	Procurement processes dependent onboard approval.	6 sites connected to BBI network.	73 Sites were connected.	66 sites connected to BBI network.	139 sites connected to BBI network.		Delayed approvals and payment plan.	A revised payment plan and schedule has been shared with the customer.
5. Facilitated Socio-Economic Transformation	Number of SMMEs allocated installation work.	Ten SMMEs allocated installation work.	Procurement processes not run.	SMMEs were not allocated work.	9 SMMEs were allocated work.	2 SMMEs were allocated work.	11 SMMEs were allocated installation work.			
	Percentage of total discretionary budget to be spent on BBBEE.	80% of total discretionary budget to be spent on BBBEE.	109% of total discretionary budget spent on B-BBEE.	110% of total discretionary budget to be spend on BBBEE.	114% of total B-BBEE against target of 80%.	105% of total discretionary budget to be spend on BBBEE.	123% of total discretionary budget to be spend on BBBEE.			
	Percentage of total B-BBEE expenditure to be spent on black-owned entities (BOEs).	40% of total BBBEE expenditure to be spent on BOEs.	67% of total BBBEE spent on BOEs.	75% of total BBBEE spent on BOEs.	96% of total BBBEE spent on BOEs.	52% of total BBBEE spent on BOEs.	56% of total BBBEE spent on BOEs.			
	Percentage of total spend on BOEs to be spent on black women-owned entities (BWOEs).	10% to be spent on BWOEs.	40% spent on BWOE.	40% spent on BWOE.	75% spent on BWOE.	92% spent on BWOE.	74% spent on BWOE.			
	Improve BBBEE Level.	Improve BBBEE Level to Level 3.	Service provider appointed in previous year.	Verification audit has not commenced.	Verification report not submitted.	Verification in progress.	Verification completed with a level 4.		Lower points for Skills development andInterns that BBI had could not be absorbed into the organisation due to the moratorium in place.	Increase training spent and develop enterprise development strategy.
	Number of schools provided with broadband connectivity.	Broadband connectivity provided to one school.	Free State province identified, and three schools identified and visited.	The Company visited Botshabelo Digital Hub in the Free State to partner and provide connectivity.	Acquisition of connectivity equipment has not been achieved.	Training and connectivity equipment purchased.	Free State Province, a School was adopted, and a Digital Hub was selected and visited.			

Table 10: Annual Performance Results

The Company has achieved 70% of its annual targets, compared to 74% achieved in the previous financial year. Fourteen of the 20 targets were achieved and six were not achieved. Three financial sustainability, two network build and maintenance targets, and one socio-economic targets were not achieved.

The inability to obtain approval to source funding significantly contributed to the instability of the network performance and revenue targets, which impacted the ability of the Company to pay outstanding debts that resulted in Eskom deactivating services. The significant increase in the provisioned rebates is a result of increased network failures, vandalism of infrastructure, and customers taking longer to confirm. Due to the moratorium, the Company could not resource the procurement unit adequately. We are planning to review the enterprise development strategy and increase the training spent in the coming financial year to improve the B-BBEE Level.

Figure 40 below reflects our five-Year Perfomance Results:

FIVE-YEAR PERFORMANCE TREND

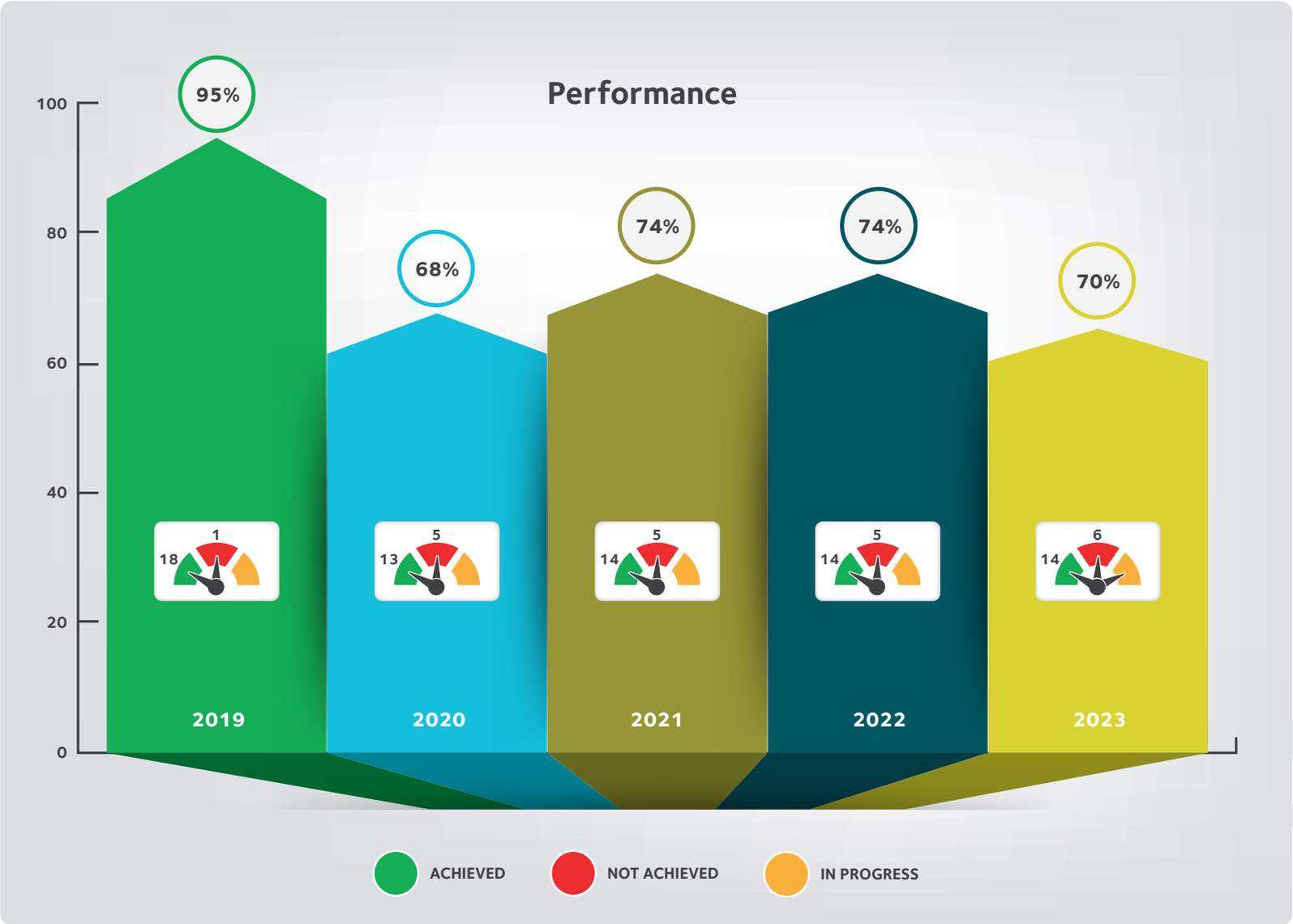

Figure 40: 5-year performance trend

Outlook

OUTLOOK

Our revised 2030 Strategy resonates with SA's Economic Reconstruction and Recovery Plan as it sets out the plan to accelerate broadband connectivity to rural and underserviced areas. The implementation of the Broadband Access Fund and SA Connect Phase 2, which includes a rollout of Community Wi-fi Hotspots and household connectivity throughout the country, will bridge the digital divide, increase economic activity in rural areas, and ensure that citizens have access to and can participate in the digital economy.

The future of work, hybrid work, has become normal in most organisations. The requirement for high data continues, which magnifies the expansion of access to broadband connectivity in rural and underserviced areas. This new normal has widened the digital divide and further highlighted inequalities within the SAn market. This presents an opportunity for BBI to grow as the demand for high data will result in an increase in the need for the services that BBI provides to the market.

The outlook for BBI remains positive despite past challenging years. The implementation of SA Connect Phase 2 continues to provide positive spin-offs which will benefit the organisation at large. We remain committed to implementing our sales strategy and responding to an ever-evolving market environment. There is a renewed focus on venturing into diverse revenue streams through third-party partnerships, commercialising our own internet services and white-labelling market-related products that the Company does not have in its current product suite, such as cloud services and IoT. The implementation of SA Connect will not only connect the unconnected but also unlock future business for BBI due to the network upgrades. We will continue to focus on reseller partnerships as part of our SMME development drive. It is expected that this segment will grow as Phase 2 of SA Connect is implemented, providing BBI with more presence and the ability to engage in regional opportunities.

Further, we plan a more aggressive and targeted customer acquisition despite the challenging year we experienced. The loss of market share demands more focus on customer value segmentation, spending more time engaging with current and future customers for the growth of the organisation. The following then become critical for sustaining growth:

- **New product development:** A dedicated resource for both in-house product development and productising collaboration products. This, in addition to the IP Core network, is paramount to increasing the product bouquet and, therefore, revenue opportunities;
- **Strategic customer acquisition:** Filling vacancies to focus on must-win customers representing sustainable growth opportunities;
- **Strategic collaborations:** Collaborating and using the industry skill, competence, and resources for enriching the go-to-market value proposition and share of wallet;
- **Leveraging SA Connect Phase 2** to create models that will ensure bandwidth affordability and service sustainability. Besides expanding our own network, it is key not to duplicate but to share the infrastructure owned by both private and public entities; and
- **Creating capacity through filling Account Management** roles and improved implementation execution is fundamental to turning the tide around, developing a steady increase in revenue, and achieving revenue targets.

The organisation remains a significant player in SADC connectivity with relationships that span across the continent. Infrastructure is a key driver of economic growth and the prosperity of industries. How we communicate this is essential, and the value is magnified by the services that leverage this infrastructure to be efficiently deployed. Partnerships are invaluable to us, and we will continue to develop these beyond our borders.

BBI has undertaken several interventions to address the vandalism of its infrastructure. Some of the interventions are done jointly with TFR, as a significant portion of the BBI fibre network is in the Transnet railway servitudes. The interventions include the upgrading of PoP security systems. We will replace all wooden and steel cable support infrastructure with concrete poles. This has proven to be the most effective solution since the average MTTR network failures on overhead support infrastructure is much less than on underground infrastructure. The Company also interacts and participates on a regular basis with private and public entities, and law enforcement agencies, in different forums that deal with the pressing issue of combatting network infrastructure vandalism and theft.

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

Collaboration with other SOEs can be utilised to leverage existing technical expertise, for job rotation and SETA offerings. Sponsored international seminars should be considered as opportunities to upskill the organisation to take advantage of advances in technology, such as those offered by the 4IR. To be recognised as an employer committed to the transformational objectives of the country, the human resource management function continues to find ways of assisting the organisation to achieve affirmative action measures, which aim to eradicate any forms of discrimination associated with the injustices of the country's historical background. The inability to fill vacancies and financial resources have hindered our ability to address the transformation agenda.

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

The strategic outlook of BBI for the medium-to long-term will consider the impact of the rationalisation of SOEs. In December 2017, Cabinet approved the framework for the rationalisation of SOEs. This approved framework includes the formation of the SDIC, which will be formed out of the integration of BBI and Sentech. The Post-Merger Integration Plan, the valuation of both entities, the strategy, and the business model, have been completed. The Minister will be engaging the boards of both entities for the formation of the corporate structure of the SDIC.

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Governance

GOVERNANCE

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

Shareholders

Uniquely, the Company is co-owned by the SA Government, represented by the DCDT and the IDC. BBI, as an SOC, has an Executive Authority who is the Minister of Communications and Digital Technologies, the Honourable Mr Mondli Gungubele.

Board of Directors

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

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

The framework depicts differentiated roles and responsibilities:

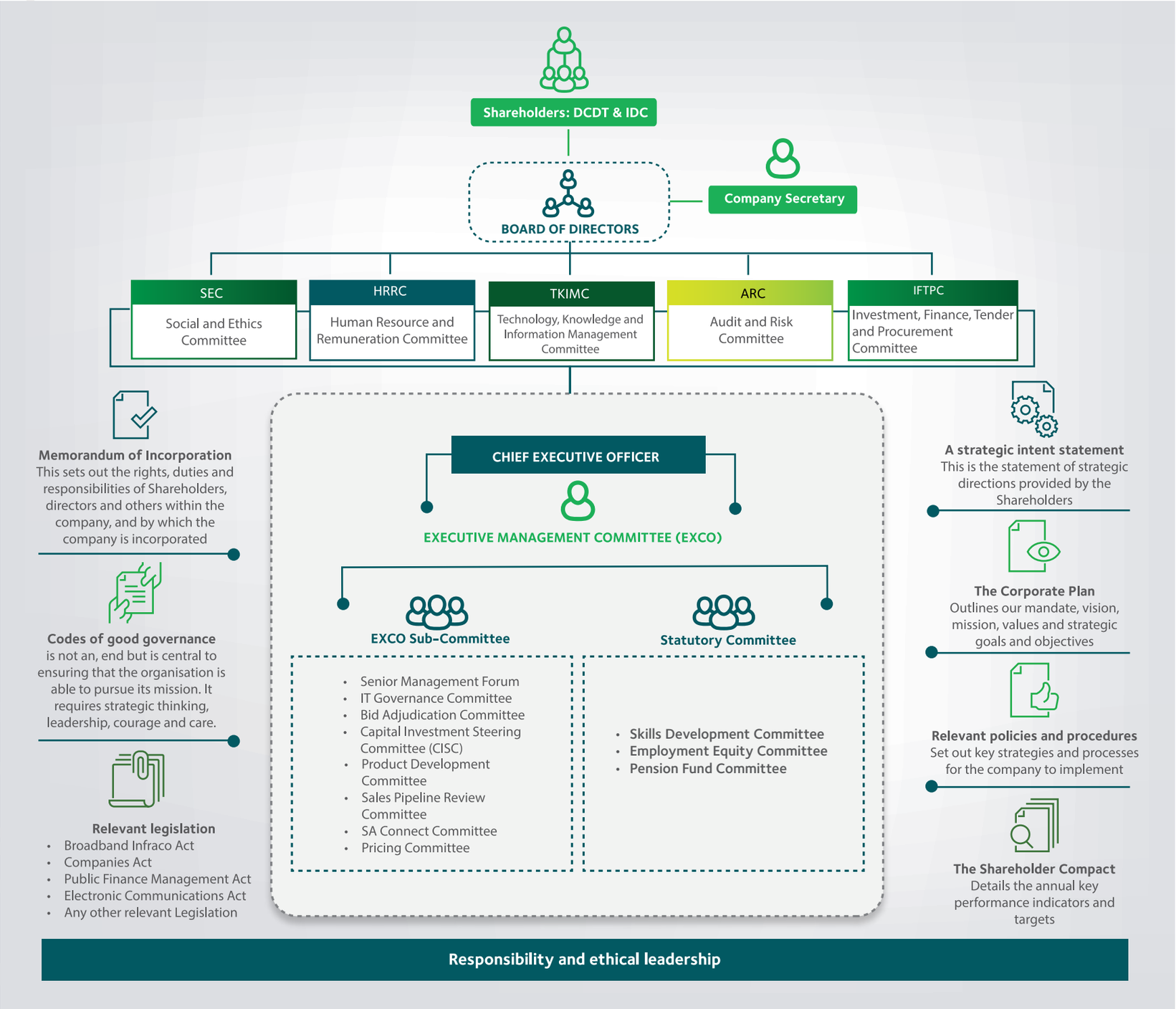


Figure 41: Governance Framework and structure

Appointment of Directors (King 1V, P8)

Non-Executive Directors

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

Executive Directors

The Executive Directors are appointed by the Board with the concurrence of the Minister. The Board also appoints other executive managers through the assistance of the HRRC.

The Executive Directors were/are:

- Mr Andrew Matseke was appointed as the Chief Executive Officer from 15 November 2017 to 15 November 2022. He was subsequently succeeded by the Acting Chief Executive Officer Mr Gift Zowa from 16 November 2022 to date.
- Mr Ian Van Niekerk was appointed as CFO from 15 September 2015 to 30 April 2022, he was succeeded by Ms Boitumelo Mabusela from 1 June 2022 to November 2022, followed by acting CFO Mr Zanoxolo Koyana from 1 December 2022 to 28 February 2023 from 6 March 2023 Ms Thuli Phakedi Phakedi was appointed as an interim CFO for a period of one year.

Our governance instruments

Memorandum of Incorporation

The MoI indicates that the Board shall consist of a minimum of nine and maximum of twelve Directors, of whom seven including the Chairperson should be independent non-executive directors, and two should be executive Directors. The Executive Directors are the Chief Executive Officer and Chief Financial Officer.

The MoI was revised and filed with the CIPC in October 2017. BBI is in process of amending its MoI that was necessitated by the conversion of the Shareholders' loans into equity. The mandates of the Board of Directors and its committees are aligned with the Company's MoI.

Delegation of Authority

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

The Board Charter and the Terms of References of its Committees

These charters are regularly reviewed to ensure alignment with the MoI, the provisions of the Companies Act. King Code and the Delegation of Authority (DOA) Framework, as well as any other changing business requirements. Equally, the charters of the EXCO and its sub-committees are aligned with the DOA Framework and the charters of the Board and its committees.

Specific governance requirements

PFMA

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

Companies Act

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

Refer to a detailed report of the Board on page 118 - 119 of the financial statements

Prescribed Officers

The Company has defined its prescribed officers as EXCO members (see EXCO members' profiles on page 26). They are deemed to exercise or regularly participate in the executive control of the Company as contemplated in the Companies Act and its regulations. The recruitment of prescribed officers is elevated to Board level for noting, with the involvement of the HRRC. The disclosure on the remuneration of prescribed officers is set out on page 151.

King IV Application

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

PFMA and POPIA

The PFMA, Companies Act and Protection of Personal Information Act, No. 4 of 2013 (POPIA) provide specific requirements pertaining to the Company's records management practices. These include the audited Annual Financial Statements (AFS) that satisfy the International Financial Reporting Standards, that should be submitted to the relevant authorities as required. The Company finalises its annual financial statements within the set timelines and ensures that the Shareholders have timely access to those audited annual financial statements. We have to that end, received compliance letters from the National Treasury.

Management of Potential Conflicts of Interest

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

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

To effect laws and regulations, the Board has approved 64 policies across the enterprise that are monitored through a register – ensuring that all policies kept relevant.

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

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

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

The Board of Directors

The Role of the Board of Directors

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

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

Composition of the Board

The Board of Directors was stricken by the passing of the Board Chairperson Ms Leah Khumalo on 4 November 2022, Ms Khumalo had served the Board of BBI since 24 May 2021. Following the passing of Ms Khumalo, Ms Zandile Kabini presided as the Chairperson of the Board from November 2022.

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

The Company, through the Shareholders, adheres to the prescribed requirements for the composition, election, appointment, and remuneration of the Board.

The seven independent Directors comprise of four black males, two black females and one Asian male, which is 28% females to 72% males gender representation. The two executive Directors comprised of one black male and one black female. The Board acknowledges that the gender representation is not satisfactory. However, the Board believes that the balance of power and objectivity is sufficient.

Chairperson of the Board and Chief Executive Officer

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

The Chief Executive is responsible for the execution of the Company's strategy, and the day-to-day business of the Company. He is supported by the EXCO, of which he is the Chairperson. The Board is satisfied that the Delegation of Authority Framework clearly records the nature and extent of the authorities delegated by the Board to the Chief Executive and specified governance structures and/or, in turn, by the Chief Executive to the members of the EXCO to implement certain actions by or on behalf of the Company. It includes, to the extent necessary and/or incidental thereto, the authority to discharge all the duties, obligations and powers imposed upon the deemed authority under the Broadband Infraco Act.

Company Secretary

Ms Machobane was appointed on a fixed-term contract from 29 January 2022 until August 2022 and was succeeded by Ms Njapha from February 2023, to provide company secretarial services to BBI.The Company Secretary prepares Annual Work Plans for the Board and its committees as informed by the strategic direction of the Company. The ARC reviews the Annual Work Plans and makes recommendations to the respective Board committees for consideration. These Annual Work Plans are recommended to the Board for approval by the respective Board committees for implementation and are continually tracked to assess progress.

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

The Company Secretary acts as the primary point of contact between the Board and the Company. In addition to various statutory functions, the Company Secretary provides individual non-executive directors and the Board with induction, guidance on duties, responsibilities, and the impact of regulatory developments.

In consultation with the Chairperson, the Company Secretary ensures that the contents of the agenda are relevant to the Board's decision-making and communicates the Board's resolutions throughout the Company in a timely and appropriate manner. The Company Secretary is qualified to perform duties in accordance with applicable legislation and is considered by the Board to be fit and proper for the position.

The Company Secretary does not fulfil an Executive Management function and is not a director.

Board Independence

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

Director Development and Evaluation

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

The Board identifies relevant training programmes that they need to attend which are arranged via the Office of the Company Secretary.

Approach to Compliance

Compliance with Laws, Codes, Rules, and Standards

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

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

Ethical Leadership

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

Transparency, Accountability, and Integrity

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

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

BOARD AND BOARD COMMITTEES

Board Focus Areas

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

1

22 April 2002 (Special Meeting)
The Select Committee presented the recommendations to the Board pertaining to the appointment of the Interim Chief Financial Officer.

The Board approved that the submission be submitted to the Minister for consideration and approval.

2

29 April 2022
The following matters were approved and recommended to the Board of Directors:
1. Quarter 4 Report ending March 2022

The following matters were approved:
1. Condonation of Irregular Expenditure pertaining to Eskom
2. Condonation of Irregular Expenditure pertaining to TFR

3

06 May 2022
The following matters were approved:
1. BBI Letter to Minister – Response regarding Network Investment Plan
2. Eskom Issues and Impact on BBI Customers – Escalation to Minister

4

31 May 2022
The following matters were recommended to the Shareholders:
1. 2022 Draft Annual Report
2. 2021/22 Draft Annual Financial Statements

5

15 June 2022
The following matter was recommended to the Shareholders.
1. Sentech's offer to acquire 74% of BBI

6

15 July 2022
The meeting was utilised to discuss the Quarter 1 Report ending June 2022. The Board of Directors did not recommend the Quarter 1 Report ending June 2022 as the report was incomplete. Annexure C (Monitoring Tool) was not included to the report. Management was requested to conclude on the outstanding matters and request for an extension from the Shareholders and National Treasury to submit the report by 15 August 2022.

7

15 August 2022
The following matters were approved and recommended to the Shareholders:
1. Quarter 1 Report ending June 2022
2. BBI Management Report
3. BBI External Report
4. Integrated Annual Report FY 2021/22
5. Annual Financial Statements FY 2021/22

The following matters were approved:
1. Agenda and Notice of the 15th Annual General Meeting
2. Annual Performance Information FY 2021/22
3. Annual Performance Information Quarter 1 2022/23.

8

21 September 2022 (Special)
The Seacom Partnership matter was noted

9

21 October 2022 (Special)
The meeting was utilised to consider:
- The Appointment of multiple service providers to provide layer two connectivity services in various local municipalities in Pixley ka Seme district in the Northern Cape and OR Tambo District in the Eastern Cape, for a period of two years.

The submission was not approved due to incomplete information.

10

23 October 2022 (Special)
The meeting was utilised to reconsider:
- The Appointment of multiple service providers to provide layer two connectivity services in various local municipalities in Pixley ka Seme district in the Northern Cape and OR Tambo District in the Eastern Cape, for a period of two years.

The submission was approved subject to the service providers obtaining funding within a period of seven working days.

11

31 October 2022
The following matters were recommended to the Shareholders:
1. Quarter 2 Report ending September 2022

The following matters were approved:
1. Investment, Financing and Procurement Committee Terms of Reference
2. Audit of performance information quarter two.

12

13-14 December 2022
Board of Directors and
EXCO Strategic Planning Session
The following matters were discussion:
1. Critical reflection of performance in terms of the 2030 strategy, FY 2022/23 Corporate Plan and APP
2. Review confirmation of the BBI 2030 strategy
3. Divisional Strategies
4. SOC Update
5. FY 2023/24 focus areas and planning priorities for draft FY 2023/24 Corporate Plan and APP
6. Budget and Procurement Plan 2023/24
7. Strategic risk review
8. Roadmap to final submission of the Plans.

13

14 December 2022 (Special)
The following matters were approved:
1. 2023 BBI meeting schedule
2. Close-out report on substantive negotiations

The following matters were approved:
1. Update on recruitment of the Chief Financial Officer
2. Update on recruitment of the Company Secretary
3. Feedback from Eskom meeting with ACEO and ACFO.

14

30 January 2023
The following matters were recommended to the Shareholders:
1. Quarter 3 Report ending December 2022
2. Recruitment of Chief Financial Officer

The following matters were approved:
3. Appointment of Sentech for USAASA Project
4. Recruitment of Company Secretary. The Company Secretary has been appointed with effect 01 February 2023 on a contractual basis for one year.
5. Audit of Performance Information Quarter three
6. Board of Directors Annual Plan.

15

27 February 2023
The following matters were recommended to the Shareholders:
1. Shareholders' Compact 2023/24
2. Corporate plan 2024-28.

16

3 March 2023
The following matters were considered:
1. BBI Turnaround plan "the Board provided inputs on the plan and recommended that Management submits the final updated plan to the Board addressing all concerns raised via email before submission to the DCDT".
2. PES Fund Budget.

17

15 March 2023
The BBI Turnaround Plan was recommended to the Shareholders.

Figure 42: Board Focus Areas

2024 Focus Areas

- SOC rationalisation;
- Acquisition of capital projects funding;
- Execution of the 2030 strategy; and
- Monitoring the implementation of the 2030 strategy.

Board Meeting Attendance over five years

Table 15: Board attendance

Meeting Date	2017/18		2018/19		2019/20		2020/21		2021/22		2022/23	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Members												
M. Ngcobo**	7/8	85	7/8	85	7/7	100	7/7	100	1/1			
L. Khumalo^	N/A								8/9	89	8/19	42
Z. Kabini*	N/A	-	N/A	-	6/7	86	7/7	100	9/9	100	16/19	84
S. Mabalayo**	5/8	62	5/8	62	5/7	71	7/7	100		N/A	N/A	
L. Mabece	N/A	-	N/A	-	7/7	100	6/7	86		N/A	19/19	100
G. Mphefu**	N/A	-	N/A	-	7/7	100	6/7	86				
N. Selamolela**	7/8	85	7/8	85	6/7	86	5/7	71				
J. Schreiner**	N/A	-	N/A	-	6/7	86	6/7	86				
B. Segooa	N/A								7/9	78	15/19	78
P. Makape	N/A								7/9	100	16/19	84
D. Mothilall	N/A								9/9	100	17/19	89
L. Tyira	N/A								9/9	100	18/19	94
D. Dwane	N/A								4/4		19/19	100
A. Matseke**	2/2	8/9	89%	100	7/7	100	7/7	100	9/9	100	13/19	68
I. van Niekerk**	8/8	100	8/8	100	7/7	100	7/7	100	8/9	89	1/19	5.2
G. Zowa^^	N/A										6/19	31
T. Nqandela^^^	N/A										1/19	5.2
B. Mabusela **	N/A										7/19	36
Z. Koyana**	N/A										3/19	15.7

A - Absent *N/A - Non-Applicable* *√ - Present* ** - Chairperson* *** - Previous Chairperson*

See Directors Report on page 118 and page 119.

BOARD SUB-COMMITTEES

In line with the requirements of the Companies Act, the Board of Directors established the ARC, the Human Resource and Remuneration (HRRC), the IFTPC, SEC and Technology, Knowledge, and Information Management Committee (TKIMC). The ARC's Constitution, functioning and reporting, complies with the PFMA requirements.

Each Committee acts within agreed, written terms of reference. The Board receives minutes and reports from the Chairperson of each Board- appointed Committee.
The Chairperson of each Board-appointed Committee is an independent non-executive director and members are non-executive directors. Executive Directors and other executive managers attend Committee meetings by invitation.

Audit and Risk Committee (ARC)

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

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

Terms of reference

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

Further details of the activities of ARC are captured on page 109 of the Annual Financial statements.

Human Resource and Remuneration Committee

Terms of Reference

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

HRRC Composition and Number of Meetings

Mr D. Dwane - Chairperson;
Mr L. Mabece
Mr D. Dwane; and
Mr P. Makape.

Table 11: Meeting attendance

No.	1	2	3	TOTAL
Meeting Date	**30 June 2022**	**30 November 2022**	**15 March 2023**	
Members				
Z. Kabini**	√			1/1
D. Dwane*	√	√	√	3/3
S. Mabalayo	√			1/1
L. Mabece		√	√	2/2
P. Makape	√	√	√	3/3
G. Zowa		√	√	2/2
A. Matseke	√			1/1

A - Absent *√ - Present* ** - Chairperson* *** - Previous Chairperson*

Activities

During the 2022/23 financial year, the HRRC considered and approved/recommended the following:

- Review of employment contract of executive compliance, risk and audit;
- Appointment of an Acting CEO;
- Recruitment and appointment of Interim CFO and interim Company Secretary;
- Adoption of HRRC terms of reference;
- Review HR quarterly performance information;
- Employee relations matters;
- Update on the payment of performance Bonus Incentives 2018/19;
- Proposal on the adjustment of the conditions of employment for the trainees;
- Close-out report on the substantive negotiation process;
- Tools of trade for Board of Directors;
- Non-Executive Directors fees;
- Trade Union demands on salary increases and review of conditions of service (FY2022/23); and
- Alignment of the Shareholders' Compact, Corporate Plan and APP, and the KPIs of the CEO and Executives.

Investment, Finance, Tender and Procurement Committee (IFTPC)

Terms of Reference

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

Composition of the Committee and Number of Meetings Held

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

Table 12: Meeting attendance

No.	1	2	3	4	5	No.
Meeting Date	11 July 2022	31 August 2022	21 September 2022	22 November 2022	28 March 2023	
Members						
P. Makape*	√	√	√	√		4/4
D. Dwane	√	√	√	√		4/4
B. Segooa	√	A	√	A		2/4
L. Tyira	√	√	√	√		4/4
G. Zowa					√	1/1
T. Nqandela					√	1/1
A. Matseke	√	√	√	√		4/4
B. Mabusela	√	√	√	√		4/4

A - Absent *√ - Present* ** - Chairperson*

Activities

The Committee has exercised its delegated authority, as determined by the Board from time to time, subject to the provisions of the Companies Act, No. 71 of 2008, Broadband Infraco's MoI, the Public Finance Management Act No. 1 of 1999 as amended and any applicable legislation.

During the FY 2022/23, the IFTPC considered and approved/recommended the following:

- Supply Chain Management Policy;
- Capital Projects Status Report;
- Status on 2022/23 external audit Findings;
- BBI Financial Position as at 28 February 2023;
- Supply Chain Management Report;
- Accounts Receivables Age Analyses;
- Appointment of a panel of Service Providers for the supply and delivery of IP Equipment for a period of 36 months;
- Disposal and Auction of Office Furniture located at the BBI Head Office;
- USAASA 412 Sites Internet Service in Eastern Cape OR Tambo District municipality and Northern Cape Pixley ka Seme District municipality; and
- Request for the approval of the provisioning of Dark Fibre to Vodacom.

Technology, Knowledge, and Information Management Committee (TKIMC)

Terms of Reference

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

Composition of the Committee and Number of Meetings Held

Mr L. Tyira (Chairperson);
Mr D. Mothilall; and
Mr P. Makape
Ms B. Segooa.

Table 13: Meeting attendance

No.	1	2	No.
Meeting Date	6 September 2022	2 February 2023	
Members			
L. Tyira*	√	√	1/1
Z. Kabini	√		1/1
P. Makape		√	1/1
D. Mothilall	√	√	1/1
B. Segooa		√	1/1
G. Zowa		√	1/1
A. Matseke	√		1/1

A - Absent *√ - Present* ** - Chairperson*

Activities

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

- Technical and network performance report;
- Key strategic projects updates;
- SA Connect update;
- PES – Broadband fund update;
- USAASA project update;
- Strategic risk register;
- External audit report; and
- ICT Industry Trends: Discussion of distributed BMI-T material;

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

The purpose of the Joint Committees is to consider Finance and Investment Policies, Finances, Investments and quarterly performance reports processes.

During the 2022/23 financial year, the joint AR and IFTPC considered and approved/

recommended the following:

- Business continuity management framework and policy;
- FY 2021/22 BBI management report;
- FY 2021/22 BBI Audit external report;
- FY 2021/22 Integrated Annual Report;
- FY 2021/22 Annual Financial Statements;
- 2030 BBI strategy;
- 2023-2028 budget;
- 2023-24 Annual Performance Plan; and
- 2024-2028 Corporate Plan.

SOCIAL AND ETHICS COMMITTEE

Introduction

The SEC is constituted as a Committee of the Board of BBI and operates under the Companies Act 71 of 2008, PFMA 1 of 1999 (as amended), and any other applicable legislation including King IV. The Committee is constituted as a statutory Committee of the Company in respect of those statutory duties assigned to it in terms of section 72(4) of the Companies Act of 2008 (as amended), in conjunction with Regulation 43 of the Companies Regulations, 2011 and Part 5.3, Principle 8 paragraphs 668, 69 and 70 of King IV.

Mandate and Terms of Reference

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

Ethics and Code of Conduct

The Company monitors various aspects of ethics and conduct of the relevant stakeholders in line with the requirements of, amongst others, Principle 2 of King IV. For the year under review no cases of corruption and fraud were reported, including through the Hotline. There is also no conflict of interest that has been reported through the annual declarations required of all Directors, which is updated whenever there is a need during the cause of the year.

Fair Labour Practices

Labour practices and treating employees fairly are matters receiving priority attention in the Company. The challenges of the moratorium on filling of vacancies, as well as the improvement of working conditions (including performance bonuses) has caused the Company to no longer be able to comply with International Labour Organisation guidance on decent work and working conditions. As at the end of March 2023, the rate of vacancies was as follows: A headcount of 155 was approved, with 46 vacancies, across all levels. Therefore, the labour turnover rate is at 29,6% of the approved headcount. Due to the moratorium on all recruitment activities being halted since 2019, the organisation has been capacitating the critical positions through the insourcing model which proved to be costly over time.

Promoting B-BBEE

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

Responsible Corporate Citizenship

The Company continues to comply with being a responsible corporate citizenship through King IV.

Environmental Health and Safety

The Company continues to perform well on this aspect as well.

Incorporation of the Environmental, Social and Governance Framework

The Company strives to enhance its reporting by covering an organisation's risks in three spheres i.e. environmental stewardship, social responsibility and corporate governance.

Future Outlook

The Committee will continue to monitor the organisation's activities in terms of employee wellness to retain the critical skills for the successful implementation of its strategy. This also ensures that the quality of the work environment is of a good standard in general, despite the moratorium on the filling of vacancies.

Composition of the Committee and Number of Meetings Held

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

Table 14: Meeting attendance

No.	1	2	3	4	No.
Meeting Date	10 May 2022	7 July 2022	11 October 2022	23 March 2023	
Members					
L. Mabece*	√	√	√	√	4/4
D. Dwane	√	√	√	√	4/4
L. Khumalo	A	√	A		1/3
D. Mothilall	√	A	√	√	3/4
Z. Kabini				A	0/1
G. Zowa				√	1/1
A. Matseke	√	√	A		2/3

A - Absent *√ - Present* ** - Chairperson* *** - Previous Chairperson*

During the FY2022/23 the SEC recommended the following to the Board:

1. Transformation Report.
2. SHEQ Report.
3. Human Capital Report.
4. Stakeholder Relations Report.
5. SEC Annual Plan.
6. Approval of Social and Ethics Terms of Reference.

L. Mabece
Chairperson of SEC

Our Control Environment

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

Strategy Execution and Performance Management

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

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

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

Procurement Management

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

Internal Audit (IA)

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

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

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

Combined Assurance Model

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

The combined assurance framework was approved during the year under review, we are currently finalising the Plan that will assit with the implementation. The combined assurance framework assists the ARC and the Board by informing their view of the adequacy of risk management and internal control. To optimise external assurance, alignment, and coordination with the first (Management) and second (EXCO Sub-Committees) lines of defence are required. The figure below depicts our Integrated Assurance Model:

Figure 43: Integrated Assurance Model

Enterprise Risk Management

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

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

Material matters, opportunities, and risks: page 52 to 57.

Business Continuity

The Company has an approved Business Continuity Management (BCM) Policy to provide better guidance regarding BCM and capabilities that must be in place. It further identifies the required processes, infrastructure, resources and plans to minimise the impact of a large-scale crisis or disaster that might affect the Company. Continuity of our business by way of the earliest recovery will serve to protect the interests of all our stakeholders. Our plan identifies and evaluates risks to the assets and operations, maintains prevention procedures and protection and mitigates the effects of unforeseen losses by having in place processes of continuity and recovery which are regularly audited, tested, and updated.

The BCM Policy and Framework were approved during the year under review. BCM plan is still in progress, and it is envisaged that it will be approved in the new year. The Company has separate BCM plans for key risk areas such as IT, SHEQ and the NOC.

Ethics and Fraud Management

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

Whistleblowing

The anonymous hotline is outsourced to ensure confidentiality, protection, and no bias investigation. The service provider submits a report that details all types of calls received. However, priority to investigate focuses only on allegation calls received. For the year under review no allegation calls were reported. There were no reported calls for the under review, this clean sheet as a result of the intervention such awareness campaign, extensive internal auditing and effective governance structure in place. The table below indicates the five-year cycle of the number of reported calls:

Type of call	2018 /19	2019 /20	2020 /21	2021 /22	2022 /23
Follow up	1	1	0	0	0
Inquiry	0	0	0	0	0
D. Dwane	3	11	4	0	0
D. Dwane	3	6	5	0	0
L. Khumalo	3	2	1	0	0
Total	**10**	**20**	**10**	**0**	**0**

Table 16: Whistle Blowing

Stakeholder Engagement Management

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

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

ICT Management

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

Regulatory Universe and Prioritised Regulatory Universe

The Regulatory Universe (RU) listing 77 pieces of legislation was revised during the year of reporting. The RU was discussed with Senior Management, reviewed by EXCO, and recommended for approval by the ARC and approved by the Board, who take ultimate responsibility and accountability for the content and updating of the RU as well as the implementation of compliance management based on its content. The legislation on the regulation universe was filtered to top 15 pieces of legislation that are key to BBI and monitored closely.

In terms of the End-User and Subscriber Services Charter regulations, which were published on 15 December 2011, in General Notice 902 of 2011 in Government Gazette No. 34 863, I-ENCS licensees, such as BBI, are to submit their compliance

filing with ICASA twice a year, being in April and September. The April filing consists of projected (unaudited financials) of the previous financial year ending 31 March and network operational performance, which should cover the following:

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

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

Remuneration

Our Approach to Remuneration

BBI has adopted the legislative guideline which advocates for equal pay for work of equal value, the underlying principle is non-discriminative or unjustifiable remuneration discrepancies. This philosophy is maintained through adherence to market benchmarking and compliance with the principle of remunerating at 50th percentile for the requisite skills, up to 75th percentile for exceptional performance and excessive performance for non-core position and up to 90th percentile for critical core positions. This implicitly recognises the professional technical career stream and a management career stream.

All employees are remunerated on a total cost-to-company basis. The package includes pensionable earnings, medical aid, and cash allowances. Local benchmarks and market factors are considered in determining the remuneration structures.

Non-executive Director (NED)

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

The Shareholder Compact for FY 2022/23 was signed between the Board of Directors and the Executive Authority (Minister). The Shareholder Compact established the basis for effective performance monitoring, evaluation, and corrective action. BBI has submitted quarterly performance reports to the Shareholders in accordance with National Treasury Regulation 29.3, within 30 days of the end of each quarter of the financial year, timeously.

See detail Remuneration Report for Non-Executive Directors and Executive Managers on page 150 to 151.

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

Employee Remuneration and Benefits Management

In order to effectively manage labour cost for wastage and misalignment to productivity, the Company has set a cost efficiency ratio of 30% of revenue for human resources capital. On a yearly basis the organisation enters into substantive negotiations with organised labour to review and improve the remuneration and conditions of services for the employees. During the FY under review the Company entered into substantive negotiations process as per the collective agreement with the majority union. The Substantive Negotiation Process is meant to review the conditions of services of employees including the cost-of-living adjustment. The processes eventually yielded a signed substantive agreement which was implemented during November 2022.

Annual Financial Statements

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023*

Index

	Page
Audit and Risk Committee Report	109-110
Directors' Responsibilities and Approval	111
Company Secritary's Statement	112
Independent Auditor's Report	113 - 117
Directors' Report	118 - 119
Statement of Financial Position	120
Statement of Profit or Loss and Other Comprehensive Income	121
Statement of Changes in Equity	122
Statement of Cash Flows	123
Accounting Policies	124 - 130
Notes to the Annual Financial Statements	131 - 155

These annual financial statements were independently prepared by: Mr T Ramawa CA (SA)

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Issued 31 August 2023

Audit and Risk Committee Report

Audit and Risk Committee Report for the 2022/23 Financial Year

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

There were three (3) meetings held during the financial year ended 2022/23. Critical issues were dicussed and minutes were recorded.The minutes of the Audit and Risk Committee meetings were made available to the Board on request.

The committee comprised Ms B Segooa (Chairperson and Non-Executive Director), Mr Lungile Mabece (Non-Executive Director),Mr L Tyira (Non-Executive Director) and Mr D Mothilall. The Audit and Risk Committee was in place for the 2022/23 financial year and the members were re-appointed by the Shareholders at the Company's AGM on the 17 November 2022 as required in terms of section 94(2) the Companies Act 71 of 2008.

No.	1	2	3	
Meeting Dates	**25/04/ 22**	**14/08/22**	**24/01/23**	**Total**
Names of Directors				
B Segooa**	✓	✓	✓	3/3
D Mothilall	A	A	✓	1/3
Z Kabini	A	✓	✋☑	1/3
L Mabece	✓	✓	✓	3/3
L Tyira	A	✓	✓	2/3
Executives				
AD Matseke	✓	✓	NR	2/3
B Mabusela	NR	✓	NR	1/3
I Van Niekerk	✓	NR	NR	1/3
P Makape	A	✓	NR	1/3
G Zowa	NR	NR	✓	1/3

A Absent with apology
✓ Attendance
** Chair of Audit and Risk Committee
NR Not Required

During the 2022/23 financial year, the Audit and Risk Committee:

- Approved the 2022/23 Internal Audit Plan and Internal Audit Charter;
- Considered the risk areas of the operations covered in the scope of internal and external audits;
- Considered accounting and auditing concerns identified as a result of internal and external audits;
- Assessed the adequacy, reliability and accuracy of financial information provided by management;
- Assessed compliance with applicable legal and regulatory requirements;
- Reviewed the effectiveness of the Internal Audit Function (IAF), Compliance and Risk departments, through assessments of the quality of the reports submitted to the Audit and Risk Committee;
- Reviewed the Financial Statements and reporting for proper and complete disclosure of timely, reliable and consistent information and confirmed that accounting policies used are appropriate;
- Reviewed the cash flow forecast on a quarterly basis and assessed the liquidity;
- Reviewed the expertise, resources and experience of the Company's finance function;
- Reviewed the quarterly progress and update on litigation;
- Provided a channel of communication between the Board and management, the risk division, internal auditors, external auditors and the compliance, risk and audit;
- Liaised with the Board Committees and met as required with internal and external auditors;
- Ensured that the Integrated Assurance model was applied to provide a coordinated approach to all assurance activities; and
- Ensured that the Integrated Assurance received was appropriate to address all significant risks faced by the Company.

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

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

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

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

Bojane Segooa
Chairperson Audit and Risk Committee

ANNUAL FINANCIAL STATEMENTS
Directors' Responsibilities and Approval

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

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

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

The External Auditors are responsible for independently auditing and reporting on the Company's Annual Financial Statements. The Annual Financial Statements have been examined by the Company's External Auditors and their report is presented on pages 113 to 117.

The Annual Financial Statements set out on pages 120 to 155, which have been prepared on the going concern basis, were approved by the Board of Directors on 22 August 2023 and were signed on their behalf by:

Z Kabini
Chairperson of the Board

G Zowa
Acting Chief Executive Officer

Company Secretary's Certificate

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

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

C Catin

Xolisile Njapha
Company Secretary

Independent Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. We have audited the financial statements of the Broadband Infraco SOC Limited set out on pages 120 to 155, which comprise the statement of financial position as at 31 March 2023, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Broadband Infraco SOC Limited as at 31 March 2023 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, and the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

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

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

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

Material uncertainty relating to going concern

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

7. We draw attention to note 26 to the financial statements, which indicates that a net loss of R121 148 was incurred during the year ended 31 March 2023 and, as of that date, the current liabilities exceeded total assets by R386 447. As stated in note 26, these events or conditions, along with other matters as set forth in note 26, indicate that a material uncertainty exists that may cast significant doubt on the public entity's ability to continue as a going concern.

Emphasis of matters

8. We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Restatement of corresponding figures

9. As disclosed in note 31 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of errors identified in the financial statements of the entity, and for the year ended, 31 March 2023.

Irregular expenditure

10. As disclosed in note 27 to the financial statements, irregular expenditure of R21 485 (2022: R37 297) was incurred, as proper tender processes were not followed.

Material allowance for impairment

11. As disclosed in note 7 to the financial statements, material allowance for impairment of R32 382 (2022: R11 534) was recorded against trade debtors as a result of irrecoverable debt.

Other matter

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

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

13. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 27 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Broadband Infraco SOC Limited. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under

assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees. We do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

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

14. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, the Companies Act of South Africa and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
15. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor for the audit of the financial statements

16. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

17. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

18. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

19. We selected the following objectives presented in the annual performance report for the year ended 31 March 2023 for auditing. We selected objectives that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Objectives	Page numbers	Purpose
Objective 3 - An increased base achieved through customer fulfilment and state-of-the-art infrastructure and services	81	To increase the customer base and market-share by offering relevant, reliable digital infrastructure and solutions to customers - relevant to their requirements.
Objective 4 - The preferred partner of Government in enabling the digital transformation	81	To position BBI as the preferred connectivity/digital infrastructure partner (Lead Agency) to Government, thereby enabling reducing digital inequality, achieving universal access and supporting South Africa's digital transformation.

20. We evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

21. We performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets

22. We performed the procedures for the purpose of reporting material findings only; and not to express an assurance conclusion.

23. The material findings on the performance information of the selected objective are as follows:

Objective 3 - An increased base achieved through customer fulfilment and state-of-the-art infrastructure and services

Indicator - Percentage of gross revenue paid as network performance rebates

24. We were unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined nature and method of calculation to be used when measuring the actual achievement for the indicator. This was due to insufficient measurement definitions and processes. We were unable to test whether the target for this indicator was clearly defined by alternative means.

Objective 4 - The preferred partner of Government in enabling the digital transformation

Indicator - Number of USAASA Sites connected to BBI network

25. An achievement of 139 was reported against a target of 412. However, the audit evidence did not support this achievement. We could not determine the actual achievement, the reported achievement might be more or less.

Other matters

26. We draw attention to the matters below.

Achievement of planned targets

27. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievements. This information should be considered in the context of the material findings on the reported performance information.

28. Reasons for the underachievement of targets are included in the annual performance report on pages 80 to 81.

Material misstatements

29. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Objective 3 - An increased base achieved through customer fulfilment and state-of-the-art infrastructure and services and Objective 4 - The preferred partner of Government in enabling the digital transformation. Management did not correct the misstatements and we reported material findings in this regard.

30. In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

Report on compliance and legislation

31. We performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, we do not express an assurance opinion or conclusion.

32. Through an established AGSA process, we selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

33. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

34. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.

35. Material misstatements of non-current assets, current assets, liabilities, cost of sales, expenditure and disclosure items identified by the auditors in the submitted financial statement, were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

36. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R21 485 as disclosed in note 27 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure incurred was caused by non-compliance with laws and regulations governing procurement and contract management.

37. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R1 417, as disclosed in note 27 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by late payments to supplies.

Revenue management

38. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Procurement and contract management

39. The deviation was not in line with the circumstances provided in the SCM policy under which the procurement may occur as required by PFMA Instruction Note 3 of 2021/22 par. 4.3 and 4.4.

40. Some of the goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.

Consequence management

41. We were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.

42. We were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

SOE oversight and governance

43. The vacancy of the company secretary was not filled within 60 days by the board after the vacancy arose, as required by section 86(4) of the Comapanies Act.

Other information in the annual report

44. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

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

46. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

48. We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with applicable legislation; however, our objective was not to express any form of assurance on it.

49. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on annual performance report and compliance with legislation included in this report.

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

51. Management did not maintain an adequate system for reporting on performance information.

Auditor tenure

52. In terms of the IRBA rule published in Government Gazette No. 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Broadband Infraco SOC Limited for 3 years.

NexiaSAB&T

Nexia SAB&T
Caroline Chigora
Director
Registered Auditor
31 August 2023

119 Witch - Hazel Avenue
Highveld Technopark
Centurion
0157

Annexure to the auditor's report

The annexure includes the following:

- the auditor's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

2. In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the financial statements. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

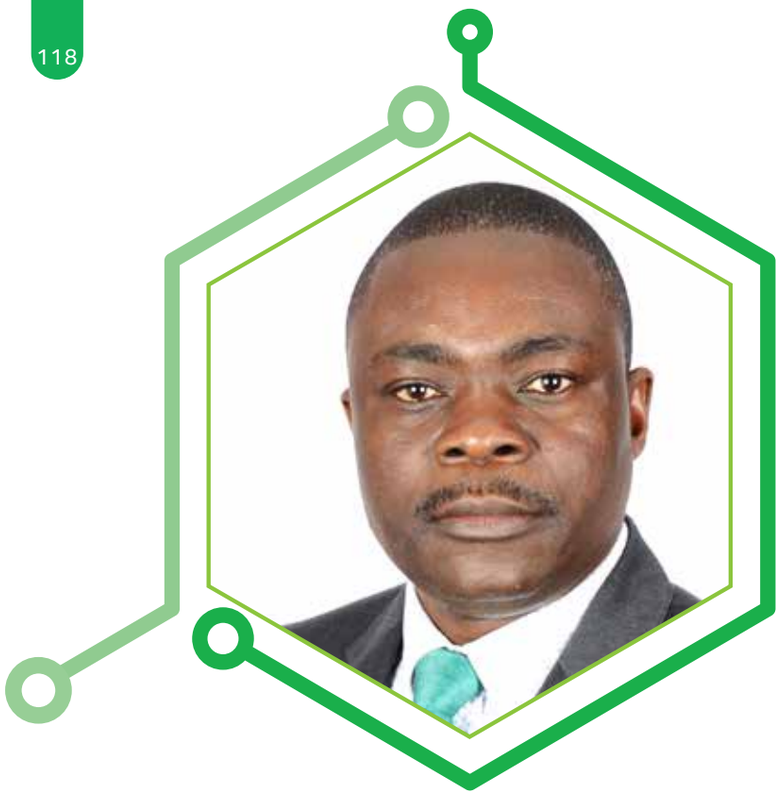
Communication with those charged with governance

3. We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
4. We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

1. The selected legislative requirements are as follows:

Legislation	Legislation Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 50(3); 50(3)(a); 50(3)(b) Section 51(1)(a)(ii); 51(1)(a)(iii); 51(1)(a)(iv); 51(1)(b); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 52(b) Section 53(4) Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56 Section 57(b); 57(d) Section 66(3)(a)
Treasury Regulations	Regulation 29.1.1; 29.1.1(a); 29.1.1(c;); 29.2.1; 29.2.2; 29.3.1 Regulation 31.2.5; 31.2.7(a) Regulation 33.1.1; 33.1.3
Companies Act No.71 of 2008	Section 30(3)(b)(i); 33(1)(a) Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4) Section 46(1)(a); 46(1)(b); 46(1)(c') Section 72(4)(a); Section 75(6) Section 86(1); 86(4); Section 88(2)(d) Section 112(2)(a); Section 129(7)
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Companies Regulations	Regulation 30(2); 43(2)(a)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1) Section 22(3)
CIDB Regulations	CIDB regulation 17; 18(1A)1; 25(1); 25 (5) & 25(7A)
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8; Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
NT SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2; 4.2(b); 4.3; 4.4; 4.4(c); 4.4(d); 4.6 Paragraph5.4
NT SCM Instruction 4A of 2016/17	Paragraph 6
NT SCM Instruction Note 03 2019/20	Paragraph Par 5.5.1(iv); 5.5.1(x)
NT SCM Instruction Note 11 2020/21	Paragraph 3.1; 3.4 (a); 3.4(b); 3.9: 6.1; 6.2; 6.7
PFMA SCM instruction 08 of 2022/23	Paragraph3.2 Paragraph 4.3.2; 4.3.3



Directors' Report

The Directors have pleasure in submitting their report on the Annual Financial Statements of Broadband Infraco SOC Limited for the year ended 31 March 2023.

1. Review of financial results and activities

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

Company revenue increased by 7% from R 437 million in the prior year to R 468 million for the year ended 31 March 2023.

Company cash generated from operations increased from R20 million in the prior year to R293 million for the year ended 31 March 2023. This is largely due to the ringfenced fund of R200 million from Department of Communications and Digital Technologies.

2. Share capital

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

3. Directorate

Directors	Office	Designation	Changes
G Zowa	Acting Chief Executive Officer	Executive	Appointed 16 November 2022
I van Niekerk	Chief Financial Officer	Executive	Expiry of term 30 April 2022
A Matseke	Chief Executive Officer	Executive	Expiry of term 15 November 2022
Z Kabini	Board Chairperson*	Non-executive Independent	
R Mabece		Non-executive Independent	
L Khumalo	Board Chairperson	Non-executive Independent	Deceased 3 November 2022
B Segooa		Non-executive Independent	
P Makape		Non-executive Independent	
D Mothilalll		Non-executive Independent	
L Tyira		Non-executive Independent	
ID Dwane		Non-Executive Independent	
B Mabusela	Interim Chief Financial Officer	Executive	Appointed- 01 June 2022, Expiry of term -30 November 2022
Z Koyana	Interim Chief Financial Officer	Executive	Appointed- 01 December 2022, Expiry of term 28 February 2023
T Phakedi	Interim Chief Financial Officer	Executive	Appointed Monday, 06 March 2023
A Machobane	Company Secretary	Executive	Appointed 29 January 2022, Expiry of term 30 August 2022
X Njapha	Company Secretary		Appointed 01 February 2023

*Changes and responsibilities

Z Kabini was appointed as a non-executive independent director on 15 March 2018 and on 17 November 2022 she assumed the role of Board Chairperson.

4. Events after the reporting period

The directors are not aware of any significant matter or circumstance arising since the end of the financial year, not otherwise dealt within the annual financial statements, which materially affects the financial position of the company or the results of its operations to the date of approval of these annual financial statements.

5. Auditors

Nexia SAB&T continued in office as auditors for the Company since 01 October 2020.

6. Going Concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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

The company had accumulated losses of R (1,679,666) and that the company's total assets exceed its liabilities by R 149,864.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company and that the subordination agreement referred to in note of these annual financial statements will remain in force for so long as it takes to restore the solvency of the company. Refer to note 26 for further details.

7. Secretary

The Company Secretary is Ms X Njapha.

8. Preferential Procurement Regulations 2017

On 24 February 2022 the Director-General of National Treasury issued an advisory note to all public entities to hold in abeyance all procurement of goods and services from 16 February 2022 except for tenders running on or before 16 February 2022. This is a result of Constitutional Court outcome of Minister of Finance vs Afribusiness NPC [2022] ZACC 4 Case CCT279/20. This has impacted on the running of the organisation as all procurement above R 30,000 was stopped until the exemption was received.

9. Approval of Annual Financial Statements

The annual financial statements set out on pages 120 to 155, which have been prepared on the going concern basis, and have been approved by the board of directors on 22 August 2023, and were signed on its behalf by:

Z Kabini
Chairperson of the Board

G Zowa
Acting Chief Executive Officer

ANNUAL FINANCIAL STATEMENTS

Statement of Financial Position as at 31 March 2023

	Note(s)	2023 R'000	2022 Restated* R'000	2021 Restated* R'000
Assets				
Non-Current Assets				
Property, plant and equipment	3	761 964	820 393	865 516
Right-of-use assets	4	14 839	38 213	25 576
Intangible assets	5	48 482	52 398	63 676
Prepayments	6	5,506	7,784	7,784
		830,791	**918,788**	**962,552**
Current Assets				
Prepayments	6	3,396	4,248	10,634
Trade and other receivables	7	118,344	81,869	72,733
Cash and cash equivalents	8	220,560	26,880	87,636
		342,300	**112,997**	**171,003**
Total Assets		**1,173,091**	**1,031,785**	**1,133,555**
Equity and Liabilities				
Equity				
Share capital	9	1,829,530	1,829,530	1,829,530
Retained income		(1,679,666)	(1,558,514)	(1,438,679)
		149,864	**271,016**	**390,851**
Liabilities				
Non-Current Liabilities				
Lease liabilities	4	8,449	42,789	-
Contract liabilities	10	286,031	265,449	315,530
		294,480	**308,238**	**315,530**
Current Liabilities				
Lease liabilities	4	9,591	1,061	30,333
Contract liabilities	10	188,189	72,610	148,410
Provisions	11	4,064	1,127	2,013
Employee benefit obligation	12	8,867	11,496	28,094
Trade and other payables	13	518,036	366,237	218,324
		728,747	**452,531**	**427,174**
Total Liabilities		**1,023,227**	**760,769**	**742,704**
Total Equity and Liabilities		**1,173,091**	**1,031,785**	**1,133,555**

ANNUAL FINANCIAL STATEMENTS

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2023 R'000	2022 Restated* R'000
Revenue	15	467,627	437,821
Cost of sales	16	(213,052)	(242,904)
Gross profit		**254,575**	**194,917**
Other operating income	17	2,671	6,636
Other operating gains (losses)	18	156	3,446
Expected credit losses allowences	19	(20,848)	(1,309)
Other operating expenses	19	(327,086)	(303,516)
Operating loss	19	**(90,532)**	**(99,826)**
Investment income	21	1,025	1,271
Finance costs	22	(31,537)	(21,131)
Loss before taxation		**(121,044)**	**(119,686)**
Taxation	23	(104)	(149)
Loss for the year		**(121,148)**	**(119,835)**
Total comprehensive loss for the year		**(121,148)**	**(119,835)**

*** See Note 30**

ANNUAL FINANCIAL STATEMENTS
Statement of Changes in Equity

	Share capital R'000	Accumulated losses R'000	Total equity R'000
Opening balance as previously reported	1,829,530	(1,438,126)	391,404
Adjustments			
Prior period error*	-	(554)	(554)
Balance at 01 April 2021 as restated	**1,829,530**	**(1,438,679)**	**390,851**
Loss for the year	-	(119,835)	(119,835)
Total comprehensive Loss for the year	**-**	**(119,835)**	**(119,835)**
Balance at 01 April 2022	**1,829,530**	**(1,558,518)**	**271,012**
Loss for the year	-	(121,148)	(121,148)
Total comprehensive Loss for the year	**-**	**(121,148)**	**(121,148)**
Balance at 31 March 2023	**1,829,530**	**(1,679,666)**	**149,864**
Note(s)	9		

*** See Note 30**

ANNUAL FINANCIAL STATEMENTS
Statement of Cash Flows

	Note(s)	2023 R'000	2022 Restated* R'000
Cash flows from operating activities			
Cash generated from operations	24	290,875	20,352
Interest income	21	1,025	1,271
Finance costs	22	(31,537)	(14,639)
Net cash from operating activities		**260,363**	**6,984**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(32,385)	(45,015)
Sale of property, plant and equipment		589	424
Purchase of intangible assets	5	(5,810)	(3,047)
Net cash from investing activities		**(37,606)**	**(47,638)**
Cash flows from financing activities			
Payment on lease liabilities	4	(29,233)	(20,102)
Total cash movement for the year		**193,524**	**(60,756)**
Cash at the beginning of the year		26,880	87,636
Effect of exchange rate movement on cash balances		156	–
Total cash at end of the year	8	**220,560**	**26,880**

ANNUAL FINANCIAL STATEMENTS
Accounting Policies

Corporate information

Broadband Infraco SOC Limited is a Public Company incorporated and domiciled in South Africa. The address of the Company's registered office is Sentech: 2040 Octave Street, Radiokop, Honedew. The Company is owned by the South African Government as represented by the Minister of Communcations and Digital Technologies. The Company has two Shareholders being the Department of Communicationss and Digital Technologies and Industrial Development Corporation. The main objectives as set out in the Act include:

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

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

The audited Annual Financial Statements for the year ended 31 March 2023 were authorised for issue in accordance with a resolution of the Board of Directors on, 22 August 2023.

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

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

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

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

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

These accounting policies are consistent with the previous period.

1.2 Significant judgments and sources of estimation uncertainty

Critical judgments in applying accounting policies

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

Recognition of deferred tax asset

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

Based on past experience of the financial performance of the entity, the deferred tax asset arising from accumulated tax losses incurred has not been recognised, as it is not probable that taxable profit will be available against which the loss can be utilised as there is no expected taxable profits within the next 24 months to utilise the loss, due to lower sales revenue.

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

Going concern

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

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

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

1.2 Significant judgments and sources of estimation uncertainty (continued)

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

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

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

The fair value of the company business in use is assessed using the Discounted Cashflow (DCF) model. The DCF was based on the 5 year corporate plan that was approved by the Board of Directors and tabled in Parliament.

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

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

Provisions
Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 11.

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

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

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

1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

1.3 Property, plant and equipment (continued)

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

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

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

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

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

1.4 Intangible assets

Intangible assets are initially recognised at cost.

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

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

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

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

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

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its continued use. Any gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, is included in profit or loss when the asset is derecognised.
Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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

1.5 Financial instruments

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

The Company classifies non-derivative financial assets into the following categories:
- Financial assets measured at amortised cost

The Company classifies non-derivative financial liabilities into the following categories:
- Financial liabilities measured at amortised cost

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

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

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

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

Trade and other receivables are subsequently measured at amortised cost.

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

1.5 Financial instruments (continued)

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

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

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

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

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

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

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

The Company derecognise financial liabilities when its contractual obligations are discharged or cancelled, or expired.

De-recognition gains and losses are included in profit and loss.

1.6 Tax

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

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

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

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

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

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

1.7 Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

1.8 Lessee

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

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

The Company subsequently measures the lease liability using the discount rate used at initial recognition. The lease liability is remeasured if there is a change in the variable payments linked to an index or rate, if the Company changes its assessment of whether or not it will exercise the option to purchase or option to renew the agreement, or if there is a change in the estimated amount payable under a residual value guarantee.

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

The right-of-use asset is adjusted with the corresponding adjustment to the extent that the balance is reduced to zero, thereafter the adjustments are recognised in profit and loss.

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

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

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

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

1.9 Impairment of non-financial assets

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

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.10 Share capital and equity

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

1.11 Employee benefits

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

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

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

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

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

1.12 Provisions

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

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

Provisions are not recognised for future operating losses.

1.13 Revenue

Revenue from contracts with customers

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

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

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

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

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

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

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

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

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

1.14 Cost of sales

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

Contract costs comprise:
- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and

1.15 Translation of foreign currencies

Foreign currency transactions
A foreign currency transaction is recorded, on initial recognition in South African Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period, foreign currency monetary items are translated using the closing rate.

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

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Annual recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.16 Related parties

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

1.17 Contract liabilities

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

1.18 Irregular expenditure

Irregular expenditure is recorded in the note 27 to the Annual Financial Statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes. This is after the irregular expenditure is confirmed by the loss control steering committee as guided by the irregular expenditure framework issued by the National Treasury.

Section 1 of the Public Finance Management Act No.1 of 1999, as amended, defines irregular expenditure as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not incurred in accordance with a requirement of any applicable legislation.

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure refers to a transaction, event or condition which was undertaken without value or substance and which did not yield any desired results or outcome. Reasonable care means applying due dilgence (careful application, attentiveness, caution) to ensure that the probability of a transaction, event or condition not being achieved as planned is being managed to an acceptable level. Note 27.

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

1.20 Prepayments made

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

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	01 January 2022	The impact of the amendments is not material.
• Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022	The impact of the amendments is not material.
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022	The impact of the amendments is not material.
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022	The impact of the amendments is not material.
• Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022	The impact of the amendments is not material.
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	01 January 2022	The impact of the amendments is not material.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Lease liability in a sale and leaseback	01 January 2024	Unlikely there will be a material impact
• Initial application of IFRS 17 and IFRS 9 – Comparative information	01 January 2023	Unlikely there will be a material impact
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.	01 January 2023	Unlikely there will be a material impact
• Definition of accounting estimates: Amendments to IAS 8	01 January 2023	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-Current – Amendment to IAS 1	01 January 2023	Unlikely there will be a material impact
• IFRS 17 Insurance Contracts	01 January 2023	Unlikely there will be a material impact

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

3. Property, plant and equipment

R'000	2023			2022		
	Cost or revaluation	Accumulated depreciation and Impairment	Carrying value	Cost or revaluation	Accumulated depreciation and Impairment	Carrying value
Motor vehicles	4,568	(4,446)	122	5,205	(4,999)	206
Office equipment	6,122	(5,046)	1,076	10,660	(8,897)	1,763
Computer equipment	20,796	(17,613)	3,183	20,853	(18,835)	2,018
Network Infrastructure	2,369,100	(1,668,931)	700,169	2,341,308	(1,585,697)	755,611
Spares and test equipment	49,707	(26,042)	23,665	43,132	(25,433)	17,699
Network Infrastructure – Capital	33,749	–	33,749	43,096	–	43,096
Work in progress						
Total	**2,484,042**	**(1,722,078)**	**761,964**	**2,464,254**	**(1,643,861)**	**820,393**

	Cost or revaluation	Accumulated depreciation	Carrying value
Motor vehicles	5,205	(4,774)	431
Office equipment	10,582	(8,395)	2,187
Computer equipment	19,872	(17,883)	1,989
Network Infrastructure	2,305,072	(1,518,941)	786,131
Spares and test equipment	42,220	(22,736)	19,484
Network Infrastructure – Capital	55,294	–	55,294
Total	**2,438,245**	**(1,572,729)**	**865,516**

Reconciliation of property, plant and equipment – 2023

R'000	Opening balance	Additions	Adjustments	Disposals	Transfers	Depreciation	Total
Motor vehicles	206	–	–	(23)	–	(61)	122
Office equipment	1,763	–	–	(1,175)	–	488	1,076
Computer equipment	2,018	301	–	(48)	–	912	3,183
Network Infrastructure	755,611	2,223	(6,230)	(48)	31,952	(83,339)	700,169
Spares and test equipment	17,699	5,735	-	–	839	(608)	23,665
Network Infrustructure – Capital Work in progress	43,096	24,126	-	–	(33,473)	–	33,749
	820,393	**32,385**	**(6,230)**	**(1,294)**	**(682)**	**(82,608)**	**761,964**

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

Reconciliation of property, plant and equipment – 2022

R'000	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Motor vehicles	431	–	–	-	(225)	-	206
Office equipment	2,187	102	(7)	-	(519)	-	1,763
Computer equipment	1,989	1,196	(63)	-	(1,104)	-	2,018
Network infrastructure	786,131	3,113	(330)	35,015	(68,318)	-	755,611
Spares and test equipment	19,484	1,015	(24)	-	(2,776)	-	17,699
Network Infrustructure – Capital Work in progress	55,294	39,589	-	(35,015)	-	(16,772)	43,096
	865,516	**45,015**	**(424)**	**-**	**(79,942)**	**(16,772)**	**820,393**

Reconciliation of property, plant and equipment – 2021

R'000	Opening balance	Additions	Adjustments	Transfers	Depreciation	Total
Motor vehicles	656	–	-	-	(225)	431
Office equipment	2,683	13	-	-	(509)	2,187
Computer equipment	1,758	1,072	-	-	(841)	1,989
Network infrastructure	867,361	1,213	42	41,109	(123,594)	786,131
Spares and test equipment	21,741	548	-	-	(2,805)	19,484
Network Infrustructure – Capital Work in progress	84,080	11,073	1,250	(41,109)	-	55,294
	978,279	**13,919**	**1,292**	**-**	**(127,974)**	**865,516**

2023 Adjustment of R6.230 million relates to prior year depreciation estimates that were reversed when the actual depreciation was passed.

2023 Transfers of - R682 thousand relates to tranfers in note 5 (Intangilbe Assets).

3. Property, plant and equipment (continued)

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

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

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

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

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

4. Lease liabilities and Right-of-use assets

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

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

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

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

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

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

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

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

	2023 R'000	2022 R'000	2021 R'000
Net carrying amounts of right-of-use assets			
The carrying amounts of right-of-use assets are as follows:			
Property	7,790	3,353	8,320
Fibre	7,049	34,860	17,256
	14,839	**38,213**	**25,576**
Additions to right-of-use assets			
Property	6,680	2,147	3,133
Fibre	–	35,870	-
	6,680	**38,017**	**3,133**
Depreciation recognised on right-of-use assets			
Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 19),			
Property	2,455	7,141	7,600
IT equipment	-	-	209
Fibre	27,705	18,266	22,187
	30,160	**25,407**	**29,996**
Lease disclosures			
Interest expense on lease liabilities	3,423	5,924	6,313
Lease payments not included in the measurement of lease liabilities included in operating expenses	8,026	2,903	264
Total lease payments	29,233	20,102	34,812
Lease liabilities			
Within one year (Current)	9,591	1,061	30,333
Two to five years (Non-Current)	8,449	42,789	-
	18,040	**43,850**	**30,333**
			-
Non-current liabilities	8,449	42,789	
Current liabilities	9,591	1,061	30,333
	18,040	**43,850**	**30,333**

Exposure to liquidity risk

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

Exposure to liquidity risk

Refer to note 29 Financial instruments and risk management for the details of liquidity risk exposure and management.

Exposure to currency risk

Refer to note 29 Financial instruments and financial risk management for details of currency risk management for lease liabilities.

5. Intangible assets

R'000	2023			2022		
	Cost/ Valuation	Accumulated amortisation	Carrying value	Cost/ Valuation	Accumulated a mortisation	Carrying value
Computer software	120,371	(84,653)	35,718	119,879	(80,192)	39,687
Servitudes	12,764	–	12,764	12,711	–	12,711
Total	**133,135**	**(84,653)**	**48,482**	**132,590**	**(80,192)**	**52,398**

	2021		
	Cost/ Valuation	Accumulated a mortisation	Carrying value
Computer software	116,832	(65,867)	50,965
Servitudes	12,711	–	12,711
Total	**129,543**	**(65,867)**	**63,676**

Reconciliation of intangible assets – 2023

R'000	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software	39,687	5,757	(9)	682	(10,399)	35,718
Servitudes	12,711	53	–	-	–	12,764
	52,398	**5,810**	**(9)**	**682**	(10,399)	**48,482**

Reconciliation of intangible assets – 2022

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

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

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

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

	2023 R'000	2022 R'000	2021 R'000
6. Prepayments			
Operating expenses	3,396	4,248	10,634
Indefeasible Right of Use	5,506	7,784	7,784
	8,902	**12,032**	**18,418**
Non-Current Assets	5,506	7,784	7,784
Current Assets	3,396	4,248	10,634
	8,902	**12,032**	**18,418**

7. Trade and other receivables

Financial instruments at amortised costs:			
Trade receivables	149,239	90,799	81,022
Loss allowance	(32,381)	(11,534)	(10,225)
	116,858	79,265	70,797
Accrued interest	–	34	31
Non-financial instruments:			
VAT	–	1,530	880
Deposits	1,486	1,040	1,025
Total trade and other receivables	**118,344**	**81,869**	**72,733**

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

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

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

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

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

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

7. Trade and other receivables (continued)

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

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

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

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

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

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

R'000	2023 Estimated gross carrying amount at default	2023 Loss allowance (Lifetime expected credit loss)	2022 Estimated gross carrying amount at default	2022 Loss allowance (Lifetime expected credit loss)	2021 Estimated gross carrying amount at default	2021 Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:						
Not past due: 4%	60,699	2,322	2,863	69	2,147	52
31 – 60 days past due: 5%	21,700	1,180	1,307	47	1,224	44
61 – 90 days past due: 33%	1,717	560	1,013	52	835	43
91 – 120 days past due: 57%	4,161	2,381	686	62	789	72
121 – 150 days past due: 71%	-	1,536	383	86	492	110
151 – 180 days past due: 44%	3,109	22,021	511	239	621	290
More than 181 days past due: 77%	33,377	2,382	10,979	10,979	9,614	9,614
Total	**124,763**	**32,382**	**17,742**	**11,534**	**15,722**	**10,225**

Reconciliation of loss allowances
The following table shows the movement in the loss allowance (lifetime expected credit losses) for lease receivables:

Accumulated Impairment balance 01 April	**(11,534)**	**(10,225)**	**(7,293)**
Impairment for the year	(20,848)	(1,309)	(2,932)
Impairment reversal	-	-	-
Closing balance	**(32,382)**	**(11,534)**	**(10,225)**

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

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

	2023 R'000	2022 R'000	2021 R'000

8. Cash and cash equivalents

Cash and cash equivalents consist of:			
Current accounts	7,193	7,850	3,675
Broadband Access Fund	200,000	–	-
Short-term deposits	13,367	19,030	83,961
	220,560	**26,880**	**87,636**

Included in Cash and Cash equivalent is a ring-fenced fund amount of R200 million from the Department of Communications and Digital Technologies for the management of Presidential Employment Stimulus (PES) Braodband Access Fund for the implimentation of Phase 2 of SA Connect. The funds are ring-fenced and are to be used in accordance with the terms and conditions of the signed Service Level Agreement with the department.

BBI Cash Ownership Composition			
Own BBI Controlled Funds	20,560	26,880	87,636
Broadband Access Fund (Ring-fenced)	200,000	–	-
	220,560	**26,880**	**87,636**

9. Share capital

Authorised			
Ordinary	1,000	1,000	1,000
Reconciliation of number of shares issued:			
Reported as at 01 April 2022	1,000	1,000	1,000
Issued			
Ordinary*	–	–	-
Industrial Development Corporation of South Africa	478,400	478,400	478,400
Department of Communicationss and Digital Technologies	1,351,130	1,351,130	1,351,130
	1,829,530	**1,829,530**	**1,829,530**

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

* Amounts less than R1 000.

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

	2023 R'000	2022 R'000	2021 R'000

10 Contract liabilities

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

Non-current liabilities	286,031	265,449	315,530
Current liabilities	188,189	72,610	148,410
	474,220	**338,059**	**463,940**
Reconciliation of deferred income (PES Broadband Acccess Fund)			
Opening Balance	-	-	-
Payments received	173,913	-	-
Recognised in profit and loss	-	-	-
Closing Balance	**173,913**	**-**	**-**
Reconciliation of other contract liabilities			
Opening Balance	338,059	463,940	514,965
Payments received	40,351	59,627	213,911
Revenue recognised in the reporting period that was included in the opening balance	(49,889)	(167,663)	(208,775)
Revenue recognised in the reporting period from new contracts concluded	(28,214)	(17,845)	(56,161)
Closing Balance	**300,307**	**338,059**	**463,940**

11. Provisions

Reconciliation of provisions - 2023

	Opening balance	Additions	Reversed during the year	Total
Legal proceedings	-	2,400	-	2,400
Other provisions (Credit Notes)	1,127	**1,664**	**(1,127)**	**1,664**
	1,127	4,064	(1,127)	4,064

Reconciliation of provisions - 2022

	Opening balance	Additions	Reversed during the year	Total
Legal proceedings	600	-	(600)	-
Other provisions (Credit Notes)	1,413	1,127	(1,413)	1,127

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

	2,013	1,127	(2,013)	1,127

Reconciliation of provisions - 2021

	Opening balance	Additions	Total
Legal proceedings	600	-	600
Other provisions (Credit Notes)	1,185	228	1,413
	1,785	**228**	**2,013**

Legal proceedings

The provision relates to legal costs that are estimated to be paid by BBI for the defending of summons brought against it. The timing of the case is dependent on courts availability, which is uncertain.

Other Provisions

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

	2023 R'000	2022 R'000	2021 R'000
12. Employee benefit obligation			
This represents a perfomanace bonus that was approved by the Board in 2018/19 financial year. This represents the balance that is still to be paid.			
Provision for Performance Bonus	2,100	4,593	22,164
Leave Accrued	6,768	6,903	5,931
	8,868	**11,496**	**28,095**
13. Trade and other payables			
Financial instruments:			
Trade payables	490,911	362,862	214,471
Salary related payables	1,394	-	-
Accrual	1,215	1,156	1,102
Deposits received	-	6	26
Non-financial instruments:			
PAYE	2,476	2,213	2,725
VAT	22,040	-	-
	518,036	**366,237**	**218,324**

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

14. Deferred tax

Deferred tax liability

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

	2023 R'000	2022 R'000	2021 R'000
Reconciliation of deferred tax asset			
Movement in temporary differences	(26,559)	(38,800)	(13,370)
Deferred tax assets not recognised	26,559	38,800	13,370
At end of the year	-	-	-
Recognised (cumulative balances)			
IFRS 16 Right Of Use Assets	(4,006)	(10,700)	(7,161)
IFRS 16 Liability	4,871	12,278	8,493
Capital allowances	7,171	1,704	41,256
Prepayments	(917)	(1,483)	(3,525)
Expected credit losses	(3,497)	3,230	2,863
Leave pay accrual	1,827	1,932	1,661
Provision for doubtful debts	8,743	(1,292)	(1,145)
Bonus provision	(567)	(1,286)	(6,206)
Credit note provision	449	316	396
Legal fee provision	648	6	8
Other provisions	-	168	168
Unrealised foreign exchange differences	(269)	159	219
Contract liabilities	128,040	94,657	129,903
Deferred tax asset not recognised	(142,493)	(99,689)	(166,930)
	-	-	-

The unused tax losses amount to R 1 186 871 688 (2022: R 1 019 256 973)

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

	2023 R'000	2022 R'000
15. Revenue		
Revenue from contracts with customers		
Rendering of services	467,627	437,821
Disaggregation of revenue from contracts with customers		
The company disaggregates revenue from customers per type of service as follows:		
Rendering of services		
Co-location	2,105	1,783
Broadband services	418,501	397,677
Operations and maintenance	47,021	38,361
	467,627	**437,821**

The revenue from sale of broadband services is net of provisions for credit notes as disclosed in note 11.

16. Cost of sales		
Rendering of services	213,052	242,904
Rendering of services		
Co-location	29,409	26,069
Cost of broadband services	90,784	112,211
Maintenance	92,859	104,624
	213,052	**242,904**
17. Other operating income		
Compensation from insurance claims	177	706
Recoveries	1,830	5,930
Other income	664	–
	2,671	**6,636**

18. Other operating gains (losses)

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

Foreign exchange gains (losses)

Net foreign exchange gains	156	3,446

	2023 R'000	2022 R'000

19. Other operating expenses

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

Depreciation and amortisation		
Depreciation of property, plant and equipment	82,608	72,942
Depreciation of right-of-use assets	30,160	25,407
Amortisation of intangible assets	10,400	14,325
Total depreciation and amortisation	**123,168**	**112,674**
Impairment losses		
Property, plant and equipment	-	16,772
Movement in credit loss allowance		
Trade and other receivables	20,848	1,309

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Employee costs	106,904	99,062
Lease expenses	8,026	2,903
Depreciation, amortisation and impairment	123,168	129,446
Other expenses	88,988	72,105
	327,086	303,516

20. Employee costs

Employee costs		
Basic salaries	105,796	109,279
Perfomance Bonus*	1,108	(10,217)
	106,904	99,062

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

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

	2023 R'000	2022 R'000
21. Investment income		
Investments in financial assets:		
Bank	1,023	1,271
Trade and other receivables	2	-
Total investment income	**1,025**	**1,271**
22. Finance costs		
Lease liabilities	3,423	5,924
Interest paid	28,114	15,207
Total finance costs	**31,537**	**21,131**
23. Taxation		
Major components of the tax expense		
Current		
Withholding tax - recognised	104	149
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting loss	(121,044)	(119,686)
Tax at the applicable tax rate of 27% (2022: 28%)	(26,559)	(33,512)
Tax effect of adjustments on taxable income		
WACS recovery	-	77
Deferred tax not recognised	26,663	33,584
	104	**149**

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

24. Cash generated from operations

	2023 R'000	2022 R'000
Loss before taxation	(121,044)	(119,686)
Adjustments for:		
Depreciation and amortisation	123,168	112,674
Gains on foreign exchange	(156)	(3,446)
Investment income	(1,025)	(1,271)
Finance costs	31,537	21,131
Net impairments	20,848	18,081
Movements in provisions	2,937	(886)
Movement in contract liabilities	(37,752)	(125,881)
Movement in employee benefit obligation	(2,493)	(17,571)
Movement in contact liabilities (PES Fund)	173,913	-
Changes in working capital:		
Trade and other receivables	(52,521)	(11,752)
Prepayments	3,130	6,386
Trade and other payables	150,333	142,573
	290,875	**20,352**

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

25. Related parties

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

	2023 R'000	2022 R'000
Related party balances		
Shareholders Equity		
Department of Communicationss and Digital Technologies	1,351,130	1,351,130
Industrial Development Corporation of South Africa	478,400	478,400
Amounts included in Trade receivable (Trade Payable) regarding major public entities		
Limpopo Local Economic Department Agency	1,998	-
KZN Department of Education	2,191	-
Sentech	706	432
SITA	248	249
Transnet	9,265	-
CSIR	15,521	(2,647)
Eskom	(154,544)	(95,259)
Sentech	(18,206)	(3,160)
Transnet	(235,181)	(47,987)
Department of Communicationss and Digital Technologies	42,415	-
Universal Services and Access Agency of South Africa	2,596	-
Contract liabilities		
Department of Communicationss and Digital Technologies	173,913	16,633
CSIR	-	207,605
Related party transactions		
Purchases from (sales to) major public entities		
Limpopo Local Economic Development Department	1,998	-
Sentech	(239)	(1,989)
CSIR	(40,084)	(42,365)

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

SITA	(67,325)	(71,146)
Transnet	(2,848)	(2,322)
Eskom	72,179	95,510

25. Related parties (continued)

	2023 R'000	2022 R'000
Sentech	16,914	5,297
Transnet	178,415	96,375
CSIR	1,923	4,265
Purchases from (sales to) ultimate holding company		
Department of Communicationss and Digital Technologies	-	4,482
Department of Communicationss and Digital Technologies	(146,250)	(136,577)
Compensation to directors and other key management*		
Short-term employee benefits - Non-executive directors	2,946	2,838
Short-term employee benefits - Executive directors	7,222	5,495
Short-term employee benefits - Key management	8,002	8,267
	18,170	**16,600**

*Refer to note 28 for "details of directors and other key management compensation.
There are no special terms and conditions with regards to transactions between the Company and related parties.

26. Going concern

The Company incurred a net loss of R 121 148 during the year ended 31 March 2023 due to lower revenue raised against higher other operating expenses. The Company's current liabilities exceeded its current assets by R 386 447. The Company had accumulated losses of R 1 679 666 and that the Company's total assets exceed its liabilities by R 149 864. This indicates a material uncertainty and cast significant doubt on the ability of the company to continue as a going concern, however management has implemented the below measures:

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

- Prioritise the merger of BBI and Sentech.This will enable large scale investment in the communication infrastructure that will improve sustanability of both entities jointly.
- Implement and provision sales contracts clinched in the previous year from strategic partnerships with other SOC's.
- Continue renegotiation of key suppliers' conctracts as well as faster execution of projects.
- Priorities implementating SA Connect phase 2 project and Broadband Access fund project.
- Continue implementing retention strategies of major customers.

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

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

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

both entities on the corporate structure of the SDIC and intergration process.

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

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

The directors have reviewed the Company's financial performance forecast for the year 31 March 2024 as well as 31 March 2025 and in light of this review and the current financial position, they are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future, taking into account expected improvement in accessing some funding in the medium term.

27. Irregular, fruitless and wasteful expenditure Expenditure

	2023 R'000	2022 R'000
Expenditure		
Unauthorised Expenditure	-	-
Irregular Expenditure	21,485	37,014
Fruitless and Wastefull Expenditure	1,417	283
Total*	**22,902**	**37,297**

* Internal processes to resolve these matters are in progress.

28. Directors' and prescribed officer's emoluments Executive

2023

Directors' emoluments	Service Period - Month(s)	Basic Salary	Expense allowances	Bonus paid	Total
G Zowa	4	974	207	693	1,874
I van Niekerk	1	443	3	-	446
A Matseke	8	2,192	26	-	2,218
B Mabusela	6	1,958	-	-	1,958
Z Koyana	3	547	-	-	547
T Phakedi	1	175	3	-	178

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

6,289	239	693	7,221

2022

Directors' emoluments	Service Period - Month(s)	Basic Salary	Expense allowances	Total
Services as director or prescribed officer				
I van Niekerk	12	2,532	35	2,567
A Matseke	12	2,893	35	2,928
		5,425	**70**	**5,495**

28. Directors' and prescribed officer's emoluments Executive (continued)

Non-executive

2023

Directors' emoluments	Service Period - Month(s)	Director Fees
L Khumalo	7	501
Z Kabini	12	610
R Mabece	12	376
B Segooa	12	393
P Makape*	12	-
D Mothilall	12	333
L Tyira	12	360
ID Dwane	12	373
		2,946

202

Directors' emoluments	Service Period - Month(s)	Director Fees
Services as director or prescribed officer		
BMC Ngcobo	3	140
S Mabalayo	5	144

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

N Selamolela	3	62
Z Kabini	12	397
G Mphefu	3	52
J Schrei	3	55
R Mabece	12	363
L Khumalo	10	707
B Segooa	10	309
P Makape		-
D Mothilall	10	247
L Tyira	10	274
ID Dwane	6	89
		2,839

28. Directors' and prescribed officer's emoluments Executive (continued)

Key management

2023

Directors' emoluments	Service Period - Month(s)	Basic Salary	Expense allowances	Bonus paid	Total
Services as director or prescribed officer					
G Zowa	8	2,024	-	-	2,024
MM Mojapelo	12	1,676	43	301	2,020
CI Mokgohloa	12	1,100	187	193	1,480
P Dyani	7	1,720	27	-	1,747
G Pete	5	618	111	-	729
		7,138	368	494	8,000

Directors' emoluments	Service Period - Month(s)	Basic Salary	Expense allowances	Bonus paid	Total
Services as director or prescribed officer					
G Zowa	12		2,858	35	2,893
MM Mojapelo	12		1,597	30	1,627
CI Mokgohloa	12		1,203	23	1,226
P Dyani	12		2,492	30	2,522
			8,150	118	8,268

* Public Servant and not entitled to board fees.

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

29. Financial instruments and risk management

Categories of financial instruments
Categories of financial assets

2023

	Note(s)	Amortised cost	Total
Trade and other receivables	7	116,853	116,853
Cash and cash equivalents	8	220,560	220,560
		337,413	**337,413**

2022

	Note(s)	Amortised cost	Total
Trade and other receivables	7	79,299	79,299
Cash and cash equivalents	8	26,880	26,880
		106,179	**106,179**

Categories of financial liabilities

2023

	Note(s)	Amortised cost	Leases	Total
Trade and other payables	13	493,510	-	493,510
Lease liabilities	4	-	18,040	18,040
		493,510	18,040	511,550

2022

	Note(s)	Amortised cost	Leases	Total
Trade and other payables	13	364,024	-	364,024
Lease liabilities	4	-	43,850	43,850
		364,024	**43,850**	**407,874**

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

29. Financial instruments and risk management (continued)

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

	Note(s)	Amortised cost	Leases	Total
Lease liabilities	4	18,040	43,850	30,333
Trade and other payables	13	518,036	366,237	218,322
Total borrowings		536,076	410,237	248,655
Cash and cash equivalents	8	(220,560)	(26,880)	(87,636)
Net borrowings		**315,516**	**383,357**	**161,019**
Equity		149,864	271,016	390,854

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Foreign currency risk

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Refer to note 7 for more information on credit risk management and policy.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company maintains flexibility in funding by maintaining availability under committed credit lines.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

29. Financial instruments and risk management (continued)

2023

	Note(s)	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	4	-	8,449	8,449	8,449
Current liabilities					
Trade and other payables	13	493,520	-	493,520	493,520
Lease liabilities	4	9,591	-	9,591	9,591
		(503,911)	**(8,449)**	**(511,560)**	**(511,560)**
Non-current liabilities					
Lease liabilities		-	42,789	42,789	42,789
Current liabilities					
Trade and other payables	13	364,024	-	364,024	364,024
Lease liabilities	4	1,061	-	1,061	1,061
		(365,085)	**(42,789)**	**(407,874)**	**(407,874)**

Financing facilities

Foreign currency risk

The company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the company deals primarily are US Dollars.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

Exposure in foreign currency amounts

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

	Note(s)	2 to 5 years	Total	Carrying amount
Current assets:				
Cash and cash equivalents	8	250,671	227,992	285,543
Exchange rates				
Rand per unit of foreign currency:				
US Dollar		17,862	14,517	14,910

Interest rate risk

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

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

30. Events after the reporting period

The directors are not aware of any significant matter or circumstance arising since the end of the financial year, not otherwise dealt within the annual financial statements, which materially affects the financial position of the company or the results of its operations to the date of approval of these annual financial statements.

31. Prior period errors

The prior period error was mainly due to adjustments for project completed in priors years and its related depreciaiton amounts.During the previous year management did not comply with the requirements of IAS16 on initial recognition. The correction of the error(s) results in adjustments as follows:

2021

	As previously reported	Correction of an error	Reclassification	Restated balance
Statement of financial position				
Property, plant and equipment	866,070	(554)	-	865,516
Retained earnings	(1,438,126)	(554)	-	(1,438,680)
Trade and other payables	-	-	(5,931)	(5,931)
Employee benefit obligation	-	-	5,931	5,931
Statement of financial performance				
Other operating expenses (Depreciation)	(126,128)	(1,846)	-	(127,974)

2022

Statement of financial position				
Property, plant and equipment	822,221	(1,828)	-	820,393
Retained earnings	(1,556,687)	(1,828)	-	(1,558,515)
Trade and other payables	-	-	(6,903)	(6,903)
Employee benefit obligation	-	-	6,903	6,903
Statement of financial performance				
Other operating expenses (Depreciation)	(65,761)	(7,081)	-	(72,842)
Other operating gains (losses)	2,877	-	569	3,446
Investment Income	1,839	-	(569)	1,270

LIST OF ABBREVIATIONS AND ACRONYMS

Acronyms	Description
3G	3rd Generation Mobile Telecommunications
5G	5th Generation Mobile Telecommunications
4IR	Fourth Industrial Revolution
AGM	Annual General Meeting
ANP	Access Network Provider
APP	Annual Performance Plan
ARC	Audit and Risk Committee
ARPC	Average Revenue per Customer
B-BBEE	Broad-Based Black Economic Empowerment
BBI	Broadband Infraco
BCM	Business Continuity Management
BGE	Build, Grow and Expand
Capex	Capital Expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIPC	Companies Intellectual Properties Commission
CIPRO	Companies and Intellectual Property Registration Office
CISC	Capital Investment Steering Committee
CMSO	Chief Marketing Sales Officer
COSO	Committee of Sponsoring Organisations
CRA	Compliance, Risk and Audit
CRM	Customer Relationship Management
CSI	Corporate Social Investment
CTO	Chief Technology Officer
CWL	Clear While Localising
DCDT	Department of Communicationss and Digital Technologies
DCF	Discounted Cash Flow
DFA	Dark Fibre Africa
DFIs	Development Finance Institutions
DoE	Department of Education
DPE	Department of Public Enterprise
DSL	Digital Subscriber Line
DTPS	Department of Telecommunications and Postal Services
DWDM	Dense Wavelength Division Multiplexing
EBITDA	Earnings Before Interest, Taxation, Depreciation, and Amortisation
ECA	Electronic Communications Act No. 36 of 2005

Acronyms	Description
ECS	Electronic Communication Services
EE	Employment Equity
ERM	Enterprise Risk Management
EXCO	Executive Management Committee
FTTH	Fibre to the Home
FTTX	Fibre to the Home/Business
FY	Financial year
Gbit/s	Gigabits per second
GBN	Gauteng Broadband Network
Gbps	Gigabits per second
HR	Human Resources
HRRC	Human Resources and Remuneration Committee
ICASA	Independent Communications Authority of South Africa
ICT	Information Communication Technology
ICTU	Information Communication and Technology Union
IDC	Industrial Development Corporation
I-ECNS	Individual Electronic Communications Network Services
I-ECS	Individual Electronic Communications Services
IFRS	International Financial Reporting Standards
IFTPC	Investment Finance Tender and Procurement Committee
IIA	Institute of Internal Auditors
IIRC	International Integrated Reporting Council
IIRF	International Integrated Reporting Framework
IOD	Injury-on-duty
IoD	Institute of Directors
IoT	Internet of Things
IP	Internet Protocol
IR	Integrated Reporting
IRU	Irrefutable Rights of Use
ISPs	Internet Service Providers
ISO	International Standards Organisation
IT	Information Technology
KAT-7	Karoo Array Telescope
KPIs	Key Performance Indicators
LAN	Local Area Network
LTIFR	Lost-Time Injury Frequency Rate
Mbps	Megabits per Second
MICT SETA	Media, Information and Communication Technologies Sector Education, and Training Authority

Acronyms	Description
MoA	Memorandum of Agreement
MoI	Memorandum of Incorporation
MoU	Memorandum of Understanding
MTTR	Mean Time to Repair
NCOP	National Council of Provinces
NDA	Non-Disclosure Agreement
NDP	National Development Plan
NEDS	Non-executive Directors
NOC	Network Operations Centre
O&M	Operations and Maintenance
OH&S	Occupational Health and Safety
OpEX	Operational Expenditure
OSI	Open Systems Interconnection
PFMA	Public Finance Management Act
PO	Purchase Order
PoC	Proof of Concept
PoP	Point of Presence
PPPFA	Preferential Procurement Policy Framework Act
PwC	PricewaterhouseCoopers
QMS	Quality Management Systems
RoU	Rights of Use
RU	Regulatory Universe
SA	South Africa
SA Connect	South Africa Connect
SABS	South African Bureau of Standards
SADC	Southern African Development Community
SALT	Southern African Large Telescope
SANReN	South African National Research Network
SATA	Southern African Telecommunications Association
SCM	Supply Chain Management
SCOPA	Standing Committee of Public Accounts
SDH	Synchronous Digital Hierarchy
SDIC	State Digital Infrastructure Company
SEC	Social and Ethics Committee
SEZ	Special Economic Zones
SHEQ	Safety Health Environment and Quality
SITA	State Information Technology Agency
SKA	Square Kilometre Array

Acronyms	Description
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprise
SMF	Senior Management Forum
SNG	Sizwe NtsalubaGobodo-Inc
SNO	Second National Operator
SOC	State-Owned Company
SOE	State-Owned Enterprise
SOF	Service Order Form
STEM	Science, Technology, Engineering, and Mathematics
Tbps	Terabits per Second
TDM	Time-division multiplexing
TFR	Transnet Freight Rail
TKIMC	Technology Knowledge and Information Management Committee
USAASA	Universal Service and Access Agency of South Africa
WACS	West Africa Cable System
WAN	Wireless Area Network
WSP	Workplace Skills Plan
YoY	Year-on-year
ZAR	South African Rand

NOTES

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