



FIRST QUARTER REPORTED FOR FY 2012/13

PRESENTATION TO THE PORTFOLIO COMMITTEE ON COMMUNICATIONS

09 October 2012



SENTECH
connecting You

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VISION

To be a world-class provider of sustainable communications network infrastructure and services in South Africa.

MISSION

To enable affordable universal access to communication services in the context of South Africa's socio-political imperatives as a developmental state.

VALUES

- **Integrity:** *We act with honesty, fairness and openness;*
- **Quality Customer Service:** *We are committed to proactively ensuring high values of customer satisfaction and building a relationship based on trust;*
- **Innovation:** *We endeavour to develop and support creativity and responsible risk-taking;*
- **Accountability:** *We deliver on our promises and take responsibility for our actions; and*
- **Social Responsibility:** *We endeavour to fulfill our mandate in a manner that benefits our employees, customers, suppliers, communities and the environment in all the areas that the Company operates in.*

- The purpose of this report is to provide an overview of the performance of the company against the pre-determined objectives for the first quarter of the financial year 2012-2013.
- The report is submitted in terms of the requirements of the Public Finance Management Act (PFMA), relevant Treasury Regulations and the understanding of the requirements of the Shareholder Compact.
- As set out in the Corporate Plan for MTEF 2012 – 15, SENTECH’s mission for the financial year 2012-2013 is to pursue its public service mandate of providing common carrier open access broadcast signal distribution and telecommunications services to the communications industry and public at large.
- SENTECH’s strategic objectives are informed by a variety of policies, legislation and regulations that inform the operations of the communications industry in general, the broadcasting sector in particular, and state-owned companies.

- Within this context, and in additional consideration of internal operational requirements, the company's key business strategic objectives, as set out in the corporate plan for the three year MTEF period, are summarized as:
 - **Customers and Stakeholders**
 - Understand our customer's and stakeholder's needs and expectations;
 - Provide expert advise and collaborate with our customers to meet the Company's public service mandate; and
 - Identify and support community projects that will deliver social and economic dividends to the respective communities.

 - **Infrastructure**
 - Accelerate rollout and provision of open access communications infrastructure networks to broadcasting and communications services licenses; and
 - Prioritise underserved and underserviced communities in the infrastructure rollout and service provision plan.

- **Employees**

- Develop employee skills to manage, participate and support the SENTECH business model; and
- Implement a comprehensive management and leadership development programme to ensure personal growth, succession planning and skills retention.

- **Solutions and Interventions**

- Consolidate the Company's analogue radio and television signal distribution business;
- Enable expansion of public broadcasting services to reflect the country's diverse socio-demographic profile; and
- Provide a multimedia content delivery platform that will enable distribution and accessibility of content on all known and future digital platforms.

○ **Sustainability**

- Diversify products and solutions within the framework of the Company's Licences and market environment;
- Leverage Shareholder investment on the DTT and NWBN flagship projects to secure SENTECH's future; and
- Ensure that the Shareholder funded infrastructure-build projects enables job creation and skills development.

○ **Governance**

- Define and enable SENTECH medium term strategy and achievement;
- Ensure that SENTECH complies with Legal and Regulatory provisions to maintain going-concern status;
- Develop risk management capability and ensure that that risk management is embedded in all of the Company's activities; and
- Maintain collaborative and supportive relationship with the Shareholder.

- These goals and objectives are the core of SENTECH's strategic plan and provide the Company tangible means of measuring its achievements and progress. SENTECH the sought to report in a meaningful way to the Shareholder, on how the Company has lived up to the ambitions it has set for the future.

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- SENTECH's engagements with **customers and stakeholders** continue to improve, even though some key customer risks continue to be a cause for concern.
- During the quarter, attempts were made to resuscitate the relationship with USAASA and ensure that both entities continue working together in pursuit of a common public service mandate.
- The risk with SITA around the Department of Home Affairs service that SENTECH has traditionally managed also continues to be a cause for concern. The strategic intervention that was attempted during the quarter was the creation of a memorandum of understanding between SENTECH, SITA and Broadband Infraco.
- With respect to **infrastructure** rollout, the low power project for public television and radio services fell behind schedule during the first quarter.
- On the same note of **infrastructure** rollout, the key DTT flagship project started slower than expected due to some delays in the completion of acquisition activities on key DTT equipment. The issue has since been resolved and as at the end of the quarter, most of the DTT-related equipment acquisition activities were on track and the project is back on track.

- In respect of solutions and Interventions, the company made significant strides during the quarter to create a multimedia platform capable of distributing content to multiple devices and meet the different content consumption requirements of users.
- The internal flagship project around employees continued during the quarter. Notable milestones in this regard were the completion of the organizational diagnostics, the development of the leadership competency framework, development of a policy that will govern the review of all policies of the company, the review of specific policies related to employees and the development of divisional balanced scorecards for most of the divisions.
- During the quarter, submissions were made to the Department of Communications with regard to roll-over of allocated funds for DTT, broadband and the world cup project. On the back of the development of the multi-media platform, SENTECH engaged with a number of broadcasters to attempt to diversify its product and solutions base through the establishment of a free-to-air satellite platform that would be able to feed and drive the digital migration across the continent.

- During the quarter, the committees of the Board were formalized in order to align to relevant legislation and to respond to the strategic needs of the company. In this regard, the following Board committees are now operational: Audit & Risk, Social & Ethics, Nominations & Remuneration and Policy & Regulatory Coordination.
- The rest of this report goes into greater detail on the activities of the first quarter. Section 3 deals with the operational review of the main lines of business of the company and includes a review of the performance of each product line. Section 4 deals with matters related to employees and employee relations. Section 5 provides a detailed review of the overall performance against the pre-determined objectives for the quarter. Section 6 and 7 respectively deal with risk management and the financial affairs of the company for the quarter.

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- At the end of June 2012, SENTECH had established 5 sites, which are Makadima (North West), Logagane (Limpopo), Molema (Limpopo), Andriesvale (Northern Cape) and Noenieput (Northern Cape) against a target of 21. These five sites contribute 0.02% population coverage (10, 228 people).
- The table below summarizes the quarterly performance on the low power project, against targets as contained in the corporate plan.

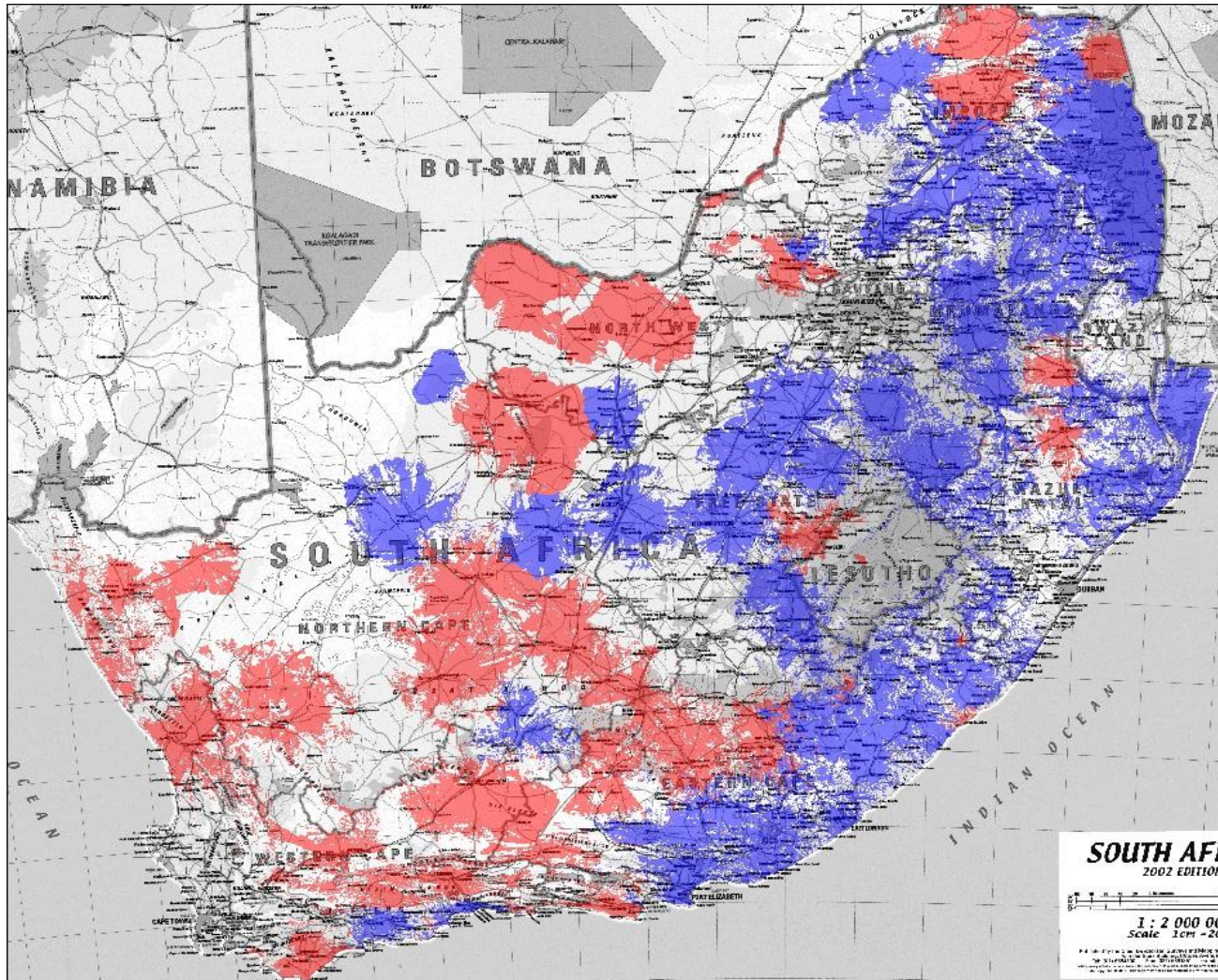
	End March 2012	April	May	June	Quarter 1 (Target)	Quarter 1 (Actual)
Total number of LP sites	58	3	9	2	21	5
Population Coverage	535, 030 (1.1%)	10, 040 (0.02%)	0	188 (0.0004%)	No set target	10 228 (0.02%)

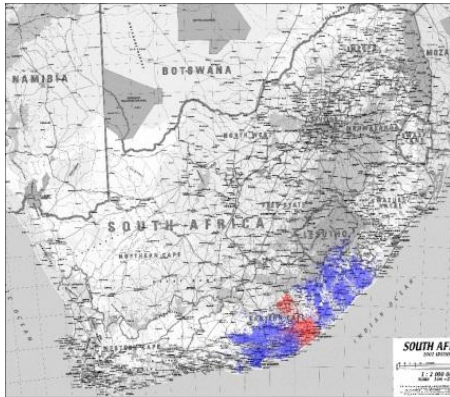
- The following table shows the sites that are planned to be completed in July and August as part of the recovery plan.

Month	End March 2012
July 2012	Vriscgewaagd, Mhinga, Joubertina, Jansenville, Klipplaat; Herbertsdale and Utrecht
August 2012	Askham, Mier, Welkom NC, Rietfontein, Krakeelrivier, Steytlerville, Calitzdorp and Vanwyksvlei.

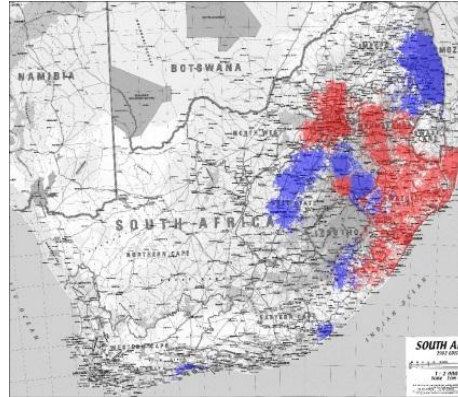
- The above table in particular, shows that the target for July will be met and that at least one additional site, against the target of 7, will be completed in August. Thereafter, the rate of completion will be increased with a view of ensuring that the initial first quarter deficit of 16 sites is removed by the end of the financial year.
- It is noted that the two major residual risks for the plan are i) allocation of frequencies by ICASA to the SABC and ii) the continuing difficulty in accessing sites.
- To manage and mitigate the risk SENTECH will continue to engage with ICASA, SABC and other relevant stakeholders. Should this specific risk continue into the second quarter unresolved, there might be a need to formally review the targets for the low power project for the financial year.

- In support of the SABC FM expansion program, SENTECH developed a frequency plan that aims to increase the geographic diversity of public radio broadcasting services.
- In the quarter under review, the SABC gave feedback regarding the plan and requested SENTECH to increase the number of sites. The updated demographic information has been forwarded to the SABC and the current plan as agreed with the SABC constitutes a total of 197 expansion possibilities.
- The coverage maps below show the current and additional proposed coverage per SABC language service with current coverage in red and proposed expansion in blue.

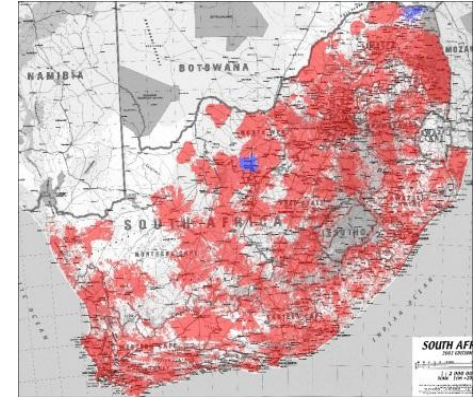




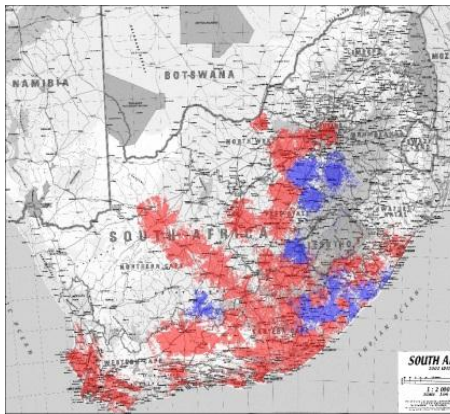
Tru FM



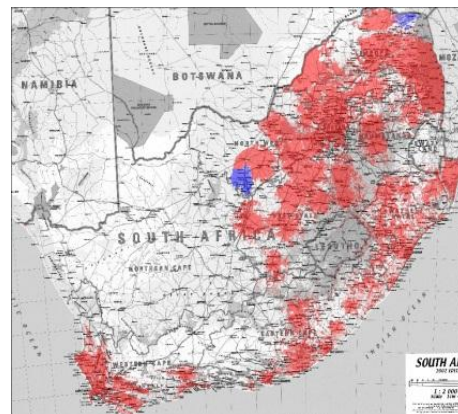
Ukhozi FM



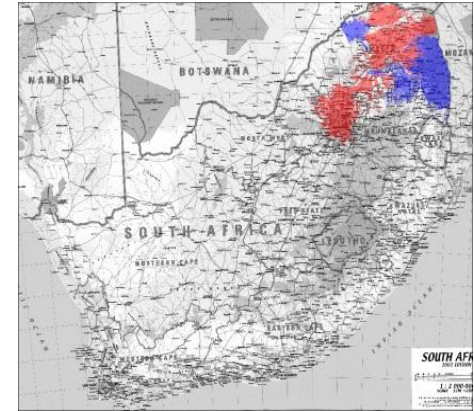
SA FM



Umhlobe Wenene FM



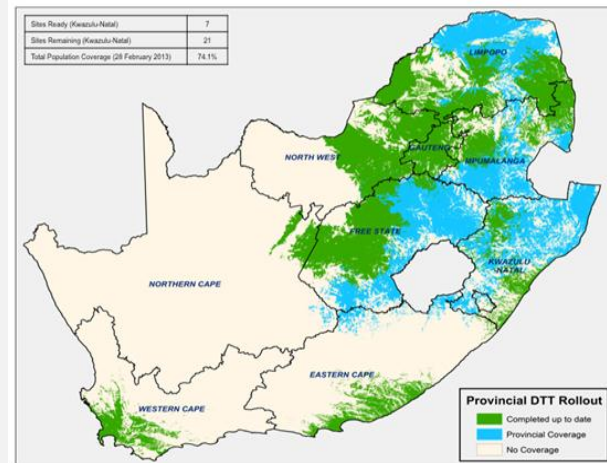
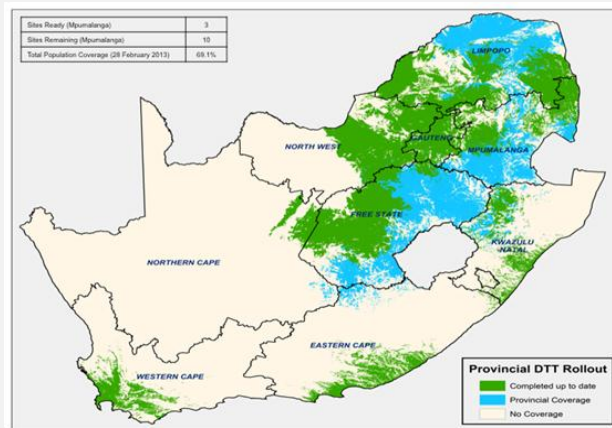
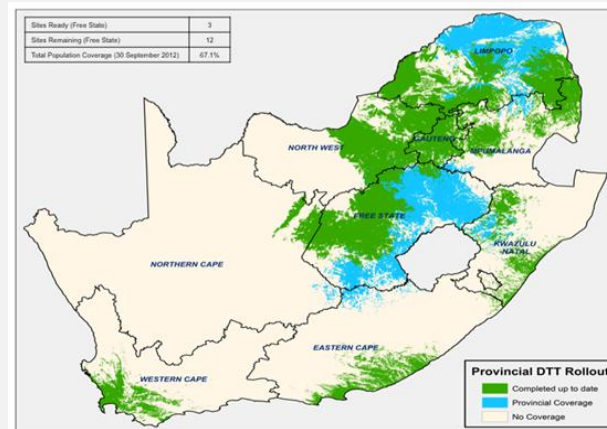
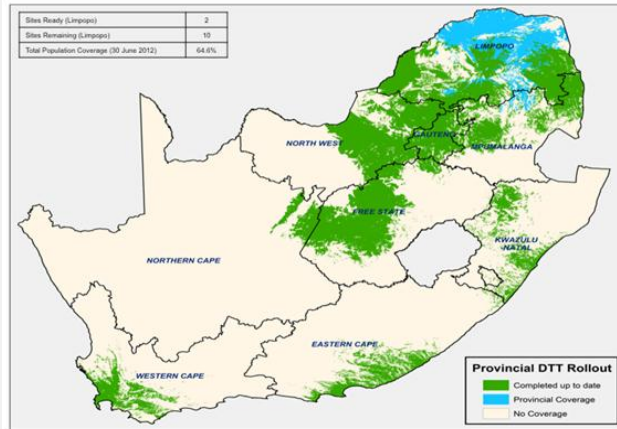
Radio 2000



Phalaphala FM

- The customer, SABC, has not yet signed the contract related to the expansion programme. Furthermore, the FM transmitter tender has not been concluded due to delays in tender evaluation. This means that installation will not be completed in the second quarter for revenue and service realization for the stations that were envisaged in August and October.
- The remaining major risk that will affect delivery is the allocation of frequencies by ICASA as stated in the discussion on the low power project above.

- To date SENTECH has rolled out the DTT to 61% of the South African population. The plan for the financial year is to rollout the network based on provinces and achieve a population coverage target of 80%.



- During the first quarter, the site plan was finalized and is summarized in the table below:

Province	Planned Stations	Remaining Stations	Cumulative Population Coverage
Limpopo	8	1##	63.85%
Free State	11	1##	66.32%
Mpumalanga	10	0	68.84%
Kwazulu Natal	21	1*	75%
Western Cape	6	16**	75.93%
North West	2	11**	76.60%
Eastern Cape	10	21**	80.00%
Northern Cape	0	14**	

- new transmitter stations to be constructed, Harrismith & Burgersfort.

- - Ulundi needs a new UHF antenna as well as mast strengthening/replacement.
- ** - Sites beyond 80%.

- In addition, site visits and detailed surveys were conducted at 44 out of the 68 sites planned for installation in for the current financial year. The rest of the surveys will be completed during the first half of the second quarter.
- As at the end of the quarter, 78% (21 out of a total of 27) of DTT tenders were either awarded or in the late stages of evaluation and/or adjudication. Of the remaining tenders, only 1 was still in the process of being prepared. Notably, orders were placed for digital transmitters, the T2 MI gateway and the rest of the descramblers required for the 80% population coverage target.
- The second quarter will focus on finalizing the remaining site surveys, completing all SCM processes for the project and accepting the initial batch of equipment ordered during the quarter.

- During the quarter, SENTECH continued making inputs to the Department of Communications on the national broadband plan.
- In its corporate plan, SENTECH noted that whilst the DoC is developing the national plan, VSAT will continue being used to provide connectivity to government institutions as and when required.
- In order to facilitate this, SENTECH developed a Memorandum of Understanding between itself, Broadband Infracore and SITA, that aimed to enable the three parties to contribute in the development, deployment and servicing of connectivity solutions to Government institutions. The draft MoU was presented to and accepted by the departments of Communications, Public Enterprises and Public Services and Administration. The agreed next steps required the respective departments to present the draft MoU and cooperation proposal to the National Treasury, but no progress was made since however.
- During the quarter, SENTECH made attempts to regularize its relationship with USAASA, after the latter had cancelled most of the connections during the previous financial year. An in principle agreement was reached but this has not been formalized due to USAASA personnel not being readily available.

- In line with international trends and industry requirements to provide a multiplicity of services that are accessible anywhere, anytime and from any device, SENTECH has developed an open access digital Content Distribution Platform – model (CDP). The CDP is central to enabling the provision of multimedia products and services to all citizens.

- Key achievements in this quarter include:
 - DTH Video-on-Demand (VoD) - SouthTel
 - DTH Payout – Rivers for Living Water, Homebase TV
 - DTT Payout – My TV
 - FTP Payout services for Shortwave

- Q2 Solutions Roadmap:
 - An Upgrade of the DTT/DTH Payout Systems to use an IP network platform
 - Live internet broadcasting of TV channels
 - Development of prototype applications for TV and Radio broadcasting on mobile devices
 - Collaboration on testing interactive services for DTT Set Top Boxes
 - Finalisation of the Content Management System RFP

- Performance for the Analogue Television portfolio was below expectations for the quarter. Revenue was R119m compared to the budget of R122m. Although revenue was 3% up on the last quarter of 2011/2012, Q1 performance was 2.63% below budget. The main reason for the product performance for the quarter was the slippages on the SABC low power project that have already been dealt with.
- For Q1, establishment fees (R2.7m) for a total of 21 new low power sites were budgeted for but only 11 (R1.09m) were billed resulting in a deficit of R1.61m. In addition, Low Power monthly services fees (R49k) for a total of 14 new sites were budgeted whilst only 8 (R9k) were billed during the quarter resulting in a deficit of R40k. Once-off Self Help rehabilitation fees (R8.34k) for 12 sites were budgeted and although site surveys have been undertaken for all the sites to be converted for the year, none were completed in Q1. Self-Help monthly services fees (R56k) for 12 sites were budgeted, however no revenue was realised as no sites were completed.
- Revenue for DTH in Q1 was R13.4m compared to budget of R16m. Q1 revenue is 10% up on the last quarter of 2011/2012 but 16.5% down on budget for this quarter. Annuity revenue was up due to new services activated for Homebase TV (Free-To-Air DTH Satellite Channel) and SouthTel (Video-on-Demand).

- Revenue for Facility Rentals in Q1 was R9.5m compared to budget of R10.6m. Q 1 revenue is 12% up on the previous quarter due to the annual increase as well as additional once off revenues of R293k. During the period facilities leasing had 3 cancellations from Kalttrade, Fleetcall and iTV. Facility Rental revenue is 10.1% down on budget primarily due to new services anticipated in Q4 of 2011/12 that did not materialise. The result was that the revenue budget for Q1 was overstated.
- The Q1 revenue for FM was R 50.8m compared to a budget of R 52.6m. This is R 1.8 m or 3.4% below budget. The product failed to meet budget largely due to the delays in the SABC Low Power project. In addition revenues were reduced by the effect of lower tariffs for community radio broadcasters. There were no additions from currently self-providing broadcasters.
- Q1 revenue for MW was R 1.6m compared to a budget of R 1.3m. This is 20.9% above budget and 23% above Q4 in 2011/12. The growth for MW is due to the annual increase and new revenue from Radio Veritas which went on air in April 2012.
- Q1 revenue for SW was R 6.3m compared to a budget of R 7.3m. This is R 1.0m or 14% below budget and 2% below Q4 2011/12 revenue. Although the turn-around plan for the SW business has started to show results in terms of improved profitability for the product, other factors impacted negatively on revenues during the quarter.

- Q1 revenue for VSAT was R 6.2m compared to a budget of R 6.8m. This is R 573k or 8.4% below budget and 26% lower than the last quarter of 2011/12 Q4. Whilst there was new revenue of R6k from Radio Veritas and R20k back billing from SENTECH CSI initiatives, revenue was negatively impacted by various factors including:
 - Cancellations from SAPO, Goldfields FET, Botswana KFC and Ingwe FET
 - Migration of the Ethniks inbound link from Satellite to Terrestrial resulting in a drop of R13k in revenue
 - Credit note of R221k issued to KZN Department of Education due to double billing in May 2012
- Discussions with SITA on the negotiation for an extension to the VSAT contract for Home Affairs are now at an advanced stage.

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- The HR intervention (Project Sakhum'tu) continues to be at the core of HR activities.
- The first phase of the project focused on the organisational diagnosis where there was robust gathering of information. 16 interviews, workshops and focus groups with 53 Executives, Senior and Middle Managers were conducted.
- Various sessions were held to develop the organizational scorecard as well as divisional scorecards. Senior managers and manager's scorecards have also been developed an
- Policy review is one of the key deliverables of the project. A Policy Work Group was established with representatives from business to review the HR policies .The Policies were benchmarked and changes / recommendations made.
- The competency framework process started with defining leadership competencies for SENTECH Leaders. Various workshops have also been held with the divisions to define the competencies of all divisions. The identified competencies will give clarity on the expected behaviours from all employees as well as SENTECH leaders.

- The employment equity status for the quarter reflects that 74% of staff in the organisation is black and 25% black female. Top and senior management is 74% black and 23% black female whilst specialist and middle management levels are 61% black and 18% black female. The new employment equity plan for the next 3 years will be developed in the 2nd quarter
- The staff turnover rate for April was 1.95%.
- During the quarter there was a recruitment drive to fill vacant positions, however some of the senior positions have been filled with internal candidates which still leaves gaps in the positions vacated by those promoted. This is one of the reasons why there is a big saving on the salary bill for the quarter. Recruitment remains a major focus in the 2nd quarter and will be fast-tracked by the new HR business partners.
- The new appointments for the Quarter were 88% black and 53% black female.

- There were 4 CCMA/Labour Court matters. One case was ruled against the company and the company has filed an application for rescission as it did not have an opportunity to present its case as the notice or arbitration was not received. Three other cases have been set for arbitration.
- There were 6 cases of misconduct of which 4 have been investigated and disciplinary hearings are scheduled and two are still under investigation.
- There were three grievances reported during the quarter of which one was resolved and two pending resolutions.
- No dismissals were recorded in the quarter.

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PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Ensure universal access to Communications Infrastructure Network services

ACTIVITIES AND INTERVENTIONS	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
(How We Will Achieve It)	(How We Will Measure Performance)		April 2012	May 2012	June 2012	Actual	Target	Variance
Low Power/Low Cost and Self-Help Transmitter rollout to underserved areas	Number of LP/LC sites installed and activated	LP/LC – 84	3	0	2	5	21	-81%
	Number of SH sites installed and activated	SH - 48	0	0	0	0	12	-100%
Expansion of Public Broadcasting Services transmitter network	Number of sites rolled out to enable FM reception	8	n/a	n/a	n/a	n/a	n/a	-
	Number of sites rolled out to enable TV reception	38	n/a	n/a	n/a	n/a	n/a	-
Accelerate rollout of VSAT connectivity to Dinaledi Schools	Number of schools connected through VSAT broadband	50	n/a	n/a	n/a	n/a	n/a	-
Digital Terrestrial Broadcasting infrastructure rollout	Percentage of population covered by DTT Network	80%	60.9%	60.9%	60.9%	60.9%	60.9%	-

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Ensure network quality of service

ACTIVITIES AND INTERVENTIONS	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
(How We Will Achieve It)	(How We Will Measure Performance)		April 2012	May 2012	June 2012	Actual	Target	Variance
Network performance at customer SLA	Average percentage service uptime and availability at SLA	Radio: 99.8%	99.94%	99.98%	99.73%	99.88%	99.80%	0.08
		Radio: 99.5% (MW)	99.91%	99.97%	100%	99.96%	99.50%	0.46
		Radio: 99.5% (SW)	99.96%	99.86%	99.65%	99.82%	99.50%	0.32
		ATV: 99.8%	99.89%	99.92%	99.88%	99.89%	99.80%	0.09
		DTH-S: 99.8%	99.99%	99.99%	99.99%	99.99%	99.80%	0.19
		VSAT: 99.8%	99.99%	100%	100%	99.99%	99.80%	0.19
	Mean Time To Resolve Faults	Radio: 2h30 (FM)	2h44	3h40	5h11	3h40	2h30	-1h10
		Radio: 2h00 (MW)	2h17	1h18	0h00	1h58	2h00	0h02
		Radio: (SW)	0h07	0h07	0h12	0h10	-----	-----
		ATV: 2h30	2h46	8h10	2h16	4h17	2h30	-1h47
		DTH-S: 0h30	0h04	0h25	0h29	0h18	0h30	0h12
		VSAT: 4h00	141h01	0h00	0h00	0h35	4h00	3h25

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Ensure infrastructure-build projects contribute economic development

ACTIVITIES AND INTERVENTIONS	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
			April 2012	May 2012	June 2012	Actual	Target	Variance
(How We Will Achieve It)	(How We Will Measure Performance)		April 2012	May 2012	June 2012	Actual	Target	Variance
Preferential procurement	% of total infrastructure spend spent on BEE (Level 4 and above)	50%	20%	22%	41%	27%	50%	-23% 80% of the spend on BEE is not updated on SAP – due to IT not yet being able to up load this info on the SAP system.
	% of total infrastructure spend spent on qualifying SMMs	10%	1%	1%	0%	1	10%	-9% On-going process of identifying and allocating suppliers on this category – SCM currently working on ED programme to be presented to EXCO for approval
	BBBEE Rating	65 points	67 points	67 points	67 points	67 points	65 points	+2%
		Level 4 Rating	Level 4	Level 4	Level 4	Level 4	Level 4	0

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Ensure that communications infrastructure services are affordable

ACTIVITIES AND INTERVENTIONS	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
			April 2012	May 2012	June 2012	Actual	Target	Variance
(How We Will Achieve It)	(How We Will Measure Performance)		April 2012	May 2012	June 2012	Actual	Target	Variance
Implement a broadcasting signal distribution tariff in line with current Policy and Regulatory regime	Timeframe for signed-off differentiated tariff model cognisant of the different classes of broadcasting service licensees	Q1	Tariff Model cost allocation exercise begin	Tariff Model cost allocation exercise in progress	Asset revaluation exercise delayed.	Tariff Model cost allocation exercise & asset revaluation was late.	Signed off DTT tariff model	Delayed to Q2 by the asset revaluation exercise

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Provide a multimedia content delivery platform that will enable distribution and accessibility of content on all known and future digital platforms

ACTIVITIES AND INTERVENTIONS (How We Will Achieve It)	KEY PERFORMANCE INDICATOR (How We Will Measure Performance)	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
			April 2012	May 2012	June 2012	Actual	Target	Variance
Establish open access and interoperable Multimedia Content distribution platform	Timeframe for commercial availability of open access content distribution platforms	Establish DTH-S 'gap-filler' platform for DTT services – Q3	Specification DTH-S subsidized set top box started	Specification for DTH-S continue to be developed	Specification for DTH-S continue to be developed	Achieved	DTH-S technical specification signed off	-
		Pilot a Mobile TV platform in Q3	Mobile TV technical specification signed off.	Mobile TV strategy completed and ready for submission to EXCO	-	Achieved	Mobile TV strategy document complete and signed off	Mobile TV strategy completed and ready for submission to EXCO
			Mobile TV trial license approval	-	-	Achieved	Mobile TV trial license application submitted	Mobile TV trial license approval to be concluded Q2
		Pilot converged content distribution platform (CDP) in Q4	Commence process for procuring network streaming infrastructure	RFQ for network streaming infrastructure issued	Installation of a temporary play out system started	-	CDP technical specification signed off	-

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Improve service delivery levels

ACTIVITIES AND INTERVENTIONS (How We Will Achieve It)	KEY PERFORMANCE INDICATOR (How We Will Measure Performance)	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
			April 2012	May 2012	June 2012	Actual	Target	Variance
Timeous response to customer complaints and inquiries	Number of hours taken to respond to customer complaints and inquiries	Complaints – 48 hrs	Not presently measured	Not presently measured	Not presently measured	Not presently measured	48 hrs	-
		Queries – 24 hrs	Not presently measured	Not presently measured	Not presently measured	Not presently measured	24 hrs	-

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Consolidate the Company's analogue radio and television signal distribution business

ACTIVITIES AND INTERVENTIONS (How We Will Achieve It)	KEY PERFORMANCE INDICATOR (How We Will Measure Performance)	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
			April 2012	May 2012	June 2012	Actual	Target	Variance
Establish open access and interoperable Multimedia Content distribution platform	Ensure that product/ solutions portfolios achieve profitability targets	All products to achieve greater than 5% profitability	Product Cost allocation review commenced	Product Cost allocation review completed	-	Not achieved	All products to achieve greater than 5% profitability	

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Identify and support community projects that will deliver social and economic dividends to the respective community

ACTIVITIES AND INTERVENTIONS (How We Will Achieve It)	KEY PERFORMANCE INDICATOR (How We Will Measure Performance)	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
			April 2012	May 2012	June 2012	Actual	Target	Variance
Enable broadband connectivity to public institutions outside of the Dinaledi Schools programme	Number of Schools connected	8 current	8	0	0	8	8	
		14 New	0	2	0	2	1	
Support ICT related CSI programmes	Number of ICT CSI programmes supported	5	0	0			ICT Project Plan drafted	

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Implement a comprehensive management and leadership development programme to ensure personal growth, succession planning and skills retention

ACTIVITIES AND INTERVENTIONS (How We Will Achieve It)	KEY PERFORMANCE INDICATOR (How We Will Measure Performance)	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
			April 2012	May 2012	June 2012	Actual	Target	Variance
Leadership Assessments Intervention and development plans	Number of senior managers assessed	100% by Q3	n/a	n/a	n/a	10%	100% by Q3	
	Develop leadership programme including leadership plans	100% of senior managers assessed with development plans by Q2	n/a	n/a	n/a	10%	100% by Q2	
Succession plans	Number of critical positions with proper succession plans	Succession planning policy developed – Q4	n/a	n/a	n/a	n/a	Q4	

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Develop employee skills to manage, participate and support the SENTECH business model

ACTIVITIES AND INTERVENTIONS (How We Will Achieve It)	KEY PERFORMANCE INDICATOR (How We Will Measure Performance)	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
			April 2012	May 2012	June 2012	Actual	Target	Variance
Job profiling and evaluation	Number of jobs profiled and graded	100% of all jobs by Q1	n/a	n/a	n/a	0%	100% by Q1	Not achieved
Skills Audit	Skills Matrix	100% of staff – Q2	n/a	n/a	n/a	n/a	Q2	
Individual development Plans	Number of employees with plans	70% of employees with PDPs by Q4	n/a	n/a	n/a	n/a	Q4	
Entrench performance culture	Number of completed divisional scorecards	100% Q1	70%	-	-	70%	100% by Q1	Not achieved

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Maintenance of a going concern status of the company

ACTIVITIES AND INTERVENTIONS	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
			April 2012	May 2012	June 2012	Actual	Target	Variance
(How We Will Achieve It)	(How We Will Measure Performance)	2012/13	April 2012	May 2012	June 2012	Actual	Target	Variance
Effective and efficient financial management and budgetary controls	Percentage of minimum EBITDA-to-revenue to be achieved	16%	33%	32%	33%	33%	16%	+17%

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- PFMA compliant SCM for the acquisition of goods and services

ACTIVITIES AND INTERVENTIONS	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
			April 2012	May 2012	June 2012	Actual	Target	Variance
(How We Will Achieve It)	(How We Will Measure Performance)	2012/13	April 2012	May 2012	June 2012	Actual	Target	Variance
Effective and efficient SCM policies and procedures	Irregular expenditure as a percentage of revenue	≤1.0%	≤1.0%	≤1.0%	≤1.0%	≤1.0%	≤1.0%	0%

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Achievement of approved revenue targets

ACTIVITIES AND INTERVENTIONS	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
			April 2012	May 2012	June 2012	Actual	Target	Variance
(How We Will Achieve It)	(How We Will Measure Performance)	2012/13	April 2012	May 2012	June 2012	Actual	Target	Variance
Effective and efficient revenue management	Minimum actual revenue to be achieved as a percentage of approved revenue budget	97%	98%	96%	95%	96%	7%	-1%

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Fair presentation of financial performance, financial position and cash-flow

ACTIVITIES AND INTERVENTIONS	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
			April 2012	May 2012	June 2012	Actual	Target	Variance
(How We Will Achieve It)	(How We Will Measure Performance)	2012/13	April 2012	May 2012	June 2012	Actual	Target	Variance
Effective system of internal controls, record keeping and reporting systems	Nature of audit opinion issued by external auditors	Unmodified audit opinion	n/a	n/a	n/a	n/a	n/a	n/a. Annual target that falls within the second quarterly report.

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Maintenance of positive free cash-flow from operations

ACTIVITIES AND INTERVENTIONS	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)			
			(How We Will Achieve It)	2012/13	April 2012	May 2012	June 2012	Actual	Target
Effective management of working capital	Number of times available unrestricted cash (cash from operations) covers the monthly payroll costs	3.0X		31.5X	32.2X	33.1X	33.1X	3.0X	+30.1X

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Define and enable SENTECH medium term strategy and performance measurement

ACTIVITIES AND INTERVENTIONS	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
			April 2012	May 2012	June 2012	Actual	Target	Variance
(How We Will Achieve It)	(How We Will Measure Performance)	2012/13	April 2012	May 2012	June 2012	Actual	Target	Variance
Define strategic objectives and initiatives of the organisation	Timeframe for the EXCO Strategic Planning Session	October 2012	n/a	n/a	n/a	n/a	October 2012	-
Define strategic Plans for key initiatives and programmes	Timeframe for finalized strategic plans for key initiative, including business cases where relevant	December 2012	n/a	n/a	n/a	n/a	December 2012	-

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Develop risk management capability and ensure that that risk management is embedded in all of the Company's activities – Enterprise Risk Management (ERM)

ACTIVITIES AND INTERVENTIONS	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
			April 2012	May 2012	June 2012	Actual	Target	Variance
(How We Will Achieve It)	(How We Will Measure Performance)		April 2012	May 2012	June 2012	Actual	Target	Variance
Develop policies, procedures and guidelines for ERM	Existence of policies, procedures and guidelines for risk management developed and approved by Board	Company capable of performing risk assessment as a matter of course and normal management process	-	Risk management policy has been approved.	ERM strategy has been approved by the Audit and risk Committee	Achieved	Risk management policy has been approved.	-
Training and performance of best practice risk assessment & mitigation response and plans	Evidence and demonstration of company's ability to make risk informed decisions				Training and education in progress	Training and education in progress	-	
Review and monitor key company risks	Improvement in the level of risk maturity	All departments reporting on risk assessment Quarterly		With the exceptions of 3 Divisions, risk registers have been submitted	All Divisions have identified and maintain a register of the Division's significant risks.		With the exceptions of 3 Divisions, risk registers have been submitted	All Divisions have identified and maintain a register of the Division's significant risks.

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES:

- Ensure that the Company's internal control and assurance procedures are in line with the statutory and good governance provisions

ACTIVITIES AND INTERVENTIONS	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	MONTHLY PERFORMANCE			QUARTERLY PERFORMANCE (Q1 2012)		
			April 2012	May 2012	June 2012	Actual	Target	Variance
(How We Will Achieve It)	(How We Will Measure Performance)		April 2012	May 2012	June 2012	Actual	Target	Variance
Review and redesign key processes and procedures	Approved List of processes and procedures that do not comply with statutory and good governance provisions	Q1	In progress	In progress	A list of all processes in the repository with their status is available.	List available; gaps still to be prioritised	List of all company processes and procedures developed	Achieved
	Approved redesigned processes and procedures	Q3	n/a	n/a	n/a	n/a	End of Q3	

CONTENTS:

1. INTRODUCTION
2. EXECUTIVE SUMMARY
3. OPERATIONAL REVIEW
4. HR INTERVENTION
5. PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
6. **FINANCIAL PERFORMANCE**

Statement of Consolidated Income for Qtr. 1 ended 30 June 2012

	Notes	Apr-12	May-12	Jun-12	Qtr 1				Prior Year		Forecast	Budget 2013
		Actual			Actual	Budget	Variance	%	June-11	Variance to prior		
Revenue		74 250	72 946	74 887	222 083	231 876	(9 794)	(4%)	202 005	10%	888 330	971 765
Signal Distribution		66 970	66 043	67 865	200 878	210 098	(9 220)	(4%)	184 849	9%	803 511	848 765
DTT: Dual Illumination		4 988	4 988	4 988	14 963	14 963	-	-	11 355	32%	59 853	95 237
Vsat:		2 292	1 915	2 034	6 242	6 815	(573)	(8%)	5 801	8%	24 966	27 764
Less : Operating costs		49 557	49 540	50 453	149 551	182 857	(33 307)	(18%)	119 348	25%	598 202	797 138
Cost of sales :		-	66	-	66	98	(32)	(32%)	8	706%	265	16 649
Line rentals	1	842	683	567	2 092	3 435	(1 342)	(39%)	2 403	(13%)	8 370	13 739
Satellite Rentals	2	7 599	7 296	7 857	22 751	25 207	(2 456)	(10%)	19 969	14%	91 004	101 327
Energy Costs	3	4 976	5 972	3 288	14 236	18 950	(4 714)	(25%)	11 566	23%	56 943	77 734
Hiring Costs	4	1 836	1 338	1 497	4 670	7 631	(2 961)	(39%)	3 858	21%	18 681	20 742
Services & Levies		20	20	84	124	417	(293)	(70%)	229	(46%)	495	1 699
Licences	5	3 896	3 907	4 374	12 177	11 705	472	4%	1 891	544%	48 710	46 821
Transport Cost	6	1 019	1 359	2 059	4 438	5 231	(793)	(15%)	4 447	(0)	17 752	20 773
Operating Maintenance	7	1 354	2 143	4 748	8 245	16 358	(8 113)	(50%)	4 631	78%	32 980	72 292
Insurance & Security Costs	8	738	926	665	2 329	2 635	(305)	(12%)	1 168	99%	9 317	10 501
Corporate communication & C&C	9	826	629	1 385	2 840	2 821	19	1%	1 387	105%	11 358	11 284
Personnel costs	10	22 926	22 830	21 936	67 692	73 200	(5 508)	(8%)	59 644	13%	270 767	342 274
Travel & Subsistence	11	1 211	669	109	1 989	4 251	(2 261)	(53%)	2 578	(23%)	7 957	16 974
Stationery & Printing		91	121	12	223	386	(163)	(42%)	159	40%	893	1 533
Communication Costs	12	453	288	785	1 525	1 932	(407)	(21%)	905	68%	6 101	7 730
Other Office Costs		28	10	33	71	174	(103)	(59%)	17	310%	284	638
Financial & Writeoff Charges		80	(9)	4	75	504	(430)	(85%)	140	(47%)	298	2 017
Professional & Consulting fees	13	1 303	1 007	628	2 938	6 103	(3 166)	(52%)	2 938	0%	11 751	24 034
Legal fees	13	79	7	4	90	600	(510)	(85%)	209	(57%)	359	3 500
Computer Services		280	280	419	980	1 220	(240)	(20%)	1 201	(18%)	3 918	4 878
EBITDA		24 693	23 406	24 433	72 532	49 019	23 513	48%	82 657	(12%)	290 128	174 627
Depreciation	14	4 284	5 015	4 401	13 700	14 716	(1 016)	(7%)	15 724	(13%)	54 801	79 840
EBIT		20 409	18 391	20 032	58 832	34 303	24 529	72%	66 933	(12%)	235 327	94 788
Net finance income		5 147	7 970	6 747	19 864	5 633	14 231	253%	12 107	64%	79 456	22 531
Finance Income	15	6 609	6 956	7 121	20 687	6 750	13 937	206%	13 591	52%	82 747	27 000
Finance expense	16	(1 462)	1 013	(374)	(823)	(1 117)	294	(26%)	(1 484)	(45%)	(3 291)	(4 469)
EBT		25 556	26 360	26 780	78 696	39 936	38 760	97%	79 039	(0%)	314 783	117 319
Company Tax expense	17	8 355	8 785	8 731	25 871	25 462	409	2%	26 534	(2%)	103 484	58 564
Earnings after taxation		17 201	17 575	18 049	52 825	14 473	38 352	265%	52 506	1%	211 300	58 755

Statement of Consolidated Income for Qtr. 1 ended 30 June 2012
Revenue:

- Group revenue from continuing operations increased by 2% over the prior year from R794 million to R813 million, achieved earnings before interest and depreciation (“EBITDA”) margin of 25% whilst Group operating profit decreased by 23% from R193 million to R149 million.
- Sentech SOC Ltd generated revenues of R222 million for the first quarter ended 30 June 2012 versus a budget of R 232 million, resulting in a 4% (R10m) negative variance. The negative variance was mainly caused by:
 - Delays in the rollout of the SABC Low Power project and
 - Reduced broadcast hours on the SW service.

	Actual			Qtr. 1				FY2013 Budget
	Apr-12	May-12	Jun-12	Actual	Budget	Variance		
Analogue TV	39 713	39 222	40 327	119 263	122 212	(2 949)	(2%)	491 076
DTH / Free View TV	4 448	4 425	4 551	13 423	16 072	(2 648)	(16%)	64 290
DTH / Free View Radio				-	-	-	-	-
FM	17 043	16 732	17 004	50 779	52 572	(1 793)	(3%)	217 791
MW	522	522	526	1 570	1 299	271	21%	5 911
SW	1 936	2 083	2 280	6 299	7 328	(1 029)	(14%)	26 463
Business Radio				-	-	-	-	-
Business TV				-	-	-	-	-
Facility Rentals	3 308	3 058	3 178	9 544	10 616	(1 072)	(10%)	43 233
Signal distribution	66 970	66 043	67 865	200 878	210 098	(9 220)	(4%)	848 765
VSAT	2 292	1 915	2 034	6 242	6 815	(573)	(8%)	27 764
DTT Dual Illumination	4 988	4 988	4 988	14 963	14 963	-	-	95 237
TOTAL Services	74 250	72 946	74 887	222 083	231 876	(9 794)	(4%)	971 765

Operating costs:

- FY2012/13 Qtr. 1 operating costs were 18% (R33m) below budget (R150m actual vs. R183m budget), driven by the following cost elements:
 - Operations maintenance project delays (R8m), arising from SCM challenges.
 - Personnel costs (R5.5m) due to delays in filling in critical vacant positions as budgeted.
 - Professional & consulting fees (R3m) are a function of demand, & there was not much consultation necessary in qtr. 1 as projected.
 - Energy costs (R5m) with less energy consumption due to project implementation delays.
 - Hiring costs (R3m) as a result of there being no additional office space requirements as predicted resulting from Fourways move.
 - Satellite rental (R2.5m) due to favourable ZAR vs. US\$ exchange rates.
 - Travel and subsistence (R2m) due to less travelling for maintenance support.
 - Transport costs were 15% (R793k) below budget due to Little fleet maintenance costs owing to there being not much project activities and Lower claims for business travel by employees.

FINANCIAL PERFORMANCE:

Statement of Financial position as at Qtr. 1 ended 30 June 2012

		Actual 30-Jun-12	Actual 31-Mar-12	Variance
Assets				
		R'000		
Non-current assets		417 097	410 039	7 058
Property, Plant and Equipment	Notes 1	415 797	408 739	7 058
Employee Benefit Obligations		1 300	1 300	-
Current assets		1 799 429	1 648 950	150 478
Inventory	2	7 725	4 908	2 817
Trade Receivables	3	40 298	38 363	1 935
Cash and Cash Equivalents	4	1 751 405	1 605 679	145 726
Sentech funds		792 147	715 391	76 756
Grant funds		959 258	890 288	68 970
Total assets		2 216 526	2 058 989	157 536
Equity and Liabilities				
Capital and reserves		838 501	785 676	52 825
Equity		449 498	449 498	-
Retained Earnings	5	389 003	336 178	52 825
Non-current liabilities		227 827	224 226	3 600
Long term Liabilities		23 935	23 935	-
Retirement Benefit Obligations	6	176 222	172 622	3 600
Deferred Taxation	7	27 670	27 670	-
Current liabilities		1 150 199	1 049 087	101 111
Trade Payables	8	132 411	126 141	6 270
Government Grant	9	959 258	890 288	68 970
Short term Portion of LTL	10	21 494	21 494	-
Provisions	11	11 164	11 164	-
Taxation	12	25 871	-	25 871
		-		
Total liabilities		1 378 025	1 273 314	104 711
Total equity and liabilities		2 216 526	2 058 989	157 536

FINANCIAL PERFORMANCE:

Statement of Financial position as at Qtr. 1 ended 30 June 2012

- Property, Plant and Equipment: movement is mainly due to the normal assets depreciation and additions for the period as well as assets capitalisation from work in progress.
- Inventory: movement is mainly due to purchase of equipment for maintenance purposes and replacement of related spares and accessories on equipment
- Trade and Other Receivables: increase is due to increase in billing from new customers and lower power project billing and Year-end credit balances adjustment
- Cash and Cash Equivalents and Ring fenced funds: movement is due to Debtors' cash collections and creditors' payments made within the period.
 - Interest earned on Sentech funds & government grant funds invested (R14m).
 - Government grant funds received in June 2012 (R85m excluding vat).

FINANCIAL PERFORMANCE:

Statement of Financial position as at Qtr. 1 ended 30 June 2012

- Long term Liabilities: there was no movement is the DBSA loan as repayments are made bi-annually in September and March of each year.
- Retirement Benefit Obligations: movement is due to the retirement benefit (R1.2 million per month) provision raised to provide for probable shortfalls following actuarial valuations.
- Trade payables: increased mostly due to an increase in purchase orders for spares and equipment placed for projects and maintenance work and other services.
- Retirement Benefit Obligations: movement is due to the retirement benefit (R1.2 million per month) provision raised to provide for probable shortfalls following actuarial valuations

- Deferred Income - Government grant: movement is due to:
 - DTT project incremental operating cost recovered for the period.
 - Interest earned on 2010 WCS project government grant funds invested and
 - DTT projects capital funds received in June 2012 (R85m ex vat

- Provisions: balances are in respect of:
 - Ex- employee claims, (R1.6m)
 - Legal fees for pending cases (R1.5m) and
 - ICASA for pending litigation (R8m)

- Taxation: is the tax payable provision raised based on the taxable income at end of Qtr. 1.

Sentech Ltd
Consolidated Company
Cashflow Statement as at 30 June 2012

	30-Jun-12	31-Mar-12
	R'000	
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from Operations	81 428	258 547
Finance income received	59 635	281 978
Interest paid	20 687	59 072
Taxation paid	1 106	(7 201)
	-	(75 302)
CASH FLOW FROM INVESTING ACTIVITIES	(5 998)	(71 795)
Property, Plant and Equipment acquired	(7 138)	(76 025)
Interest received capitalised (WCS2010)	1 140	4 230
CASH FLOW FROM FINANCING ACTIVITIES	70 037	283 386
Government Grant received	85 000	341 139
Government grant utilised for capital expenditure	(14 963)	(36 259)
Loans Repaid (DBSA)	-	(21 494)
NET INCREASE/(DECREASE) IN CASH	145 467	470 138
Cash and cash equivalents at beginning of period	1 605 938	1 135 800
Cash and cash equivalents at end of period	1 751 405	1 605 938

NOTE

1

NOTES TO THE CASH FLOW STATEMENT

1. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before taxation to cash generated from operations :

Profit per the income statement	52 825	170 102
Adjustments for non-cash flow items :		
Depreciation and Amortisation	13 700	60 202
Loss on Disposal of Fixed Assets	-	-
Transfer to Post Retirement Medical Fund	3 600	12 000
Increase in provisions	-	-
Decrease in trade and other receivables	-	-
Changes in working capital :		
(Increase) / Decrease in Inventory	(2 817)	(5 309)
(Increase) / Decrease in Trade and Other Receivables	(1 935)	7 604
Increase / (Decrease) in Accounts Payable	(5 738)	37 379
Cash Generated from Operations	59 635	281 978

SENTECH SOC Limited