



# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2012

PRESENTATION TO THE PORTFOLIO COMMITTEE ON COMMUNICATIONS

09 October 2012



**SENTECH**  
connecting You

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1. **BUSINESS REVIEW**
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- SENTECH is a Schedule 3B State Owned Company (SOC) operating in the broadcasting signal distribution and telecommunications sector. The sole shareholder of the Company is Government as represented by the Minister of Communications.
- In accordance with its mandate as an SOC, SENTECH's strategy is informed by and aligned to Government's Medium Term Strategy Focus (MTSF) goals and the corporate objectives as set by the Board of Directors.
- SENTECH began as a technical division of the South African Broadcasting Corporation (SABC) responsible for signal distribution services of the SABC. In 1992, the SABC corporatised the division as SENTECH, a wholly owned subsidiary of the SABC. In 1996, the SENTECH Act 63 of 1996 was amended, converting SENTECH into a separate public company responsible for providing broadcasting signal distribution services as a 'common carrier' to licensed television and radio broadcasters.
- In 2002, following the de-regulation of the Telecommunications sector, SENTECH was awarded two additional licences allowing the Company to provide international voice-based telecommunications and multimedia services. These licences were subsequently converted into an Individual Electronic Communications Network Service (I-ECNS) and an Individual Electronic Communications Service (I-ECS) licences in terms of the Electronic Communications Act (ECA) No.36 of 2005.

### 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.*



**From left to right:** Mr Johannes Sipho Mjwara, Ms Zanele Hlatshwayo, Mr Kganki Matabane (COO), Mr Paris Mashile, Mr Steven Molala, Dr Setumo Mohapi (CEO), Mr Mesuli Dhlamini, Mr Thabo Mongake (Chairperson), Ms Leah Khumalo & Mr Protas Phili (CFO – Resigned)

- This report aims to highlight SENTECH's accomplishments of its strategic objectives as per the mandate for the current year. There are two key flagship projects that are central to our intent.
- These are the universal access to and services for Digital Terrestrial Television (DTT) and National Wireless Broadband Network (NWBN).
- **Digital Terrestrial Television**
  - As of 31 March 2012 SENTECH has rolled out DTT infrastructure covering 61% of the population.
  - The DTT tariff model adopted by the Board is based on the depreciated replacement cost of assets.
  - Two critical issues that need to be addressed in the DTT regulations relate to the cost of dual illumination as well as the logistics for analogue switch-off.
- **National Wireless Broadband Network**
  - There is currently a hiatus on the NWBN project. This is subject to SENTECH's Broadband Implementation Plan being aligned to the National Broadband Strategy and Implementation Plan that are still being finalised by the Department of Communications (DoC).
- In addition, SENTECH has internal strategic objectives that aim to stabilize the company for the future in respect of product and solutions portfolio, internal human capacity to deliver and compliance to relevant legislation and regulations.
- Finally, as part of its public service mandate, SENTECH's strategic objectives aim to ensure that the company contributes meaningfully to the national strategic objectives on skills development and job creation.

- **Human Resources**

- SENTECH has undertaken a colossal project aimed at empowering its workforce through training, internship education and development.
- The Human Resource Department is currently institutionalising a business process re-engineering model aimed at redesigning workflow processes.
- The objective is to address the needs of a modern day knowledge worker in the information age.

- **Risk and Compliance**

- Given the volatility of the environment in which SENTECH operates, the Board has approved a risk management framework that will provide guidelines for the implementation of Enterprise Risk Management.
- This policy is also embedded in the implementation of all the strategic plans. It ensures that identified catastrophic and critical risks are monitored and mitigated.
- ICASA and e-Botswana matters

- **Financial Analysis**

- In the final analysis, the crown jewel for all our efforts for the year under review is that SENTECH is solvent. I can therefore declare unequivocally that SENTECH will, in the short to medium term, be sustainable.
- For the year under review SENTECH has also received a clean audit evaluation from our external auditors KPMG.

- **Corporate Social Investment and BBBEE**

- SENTECH has provided business and job opportunities to SMMEs by engaging them as service providers in the procurement of i-labs for high schools in rural areas. For the current year SENTECH has, guided by its Corporate Social Investment (CSI) policy, donated fully functional computer laboratories.



- **Overview**

- The 2011/12 financial year was a definitive year in the history of SENTECH. In planning for the year, the Company sought to reposition itself by redefining the context and meaning of its role as a state owned company.
- The first step was to develop a Corporate Plan that would redefine SENTECH both in the communications industry and public service sphere.
- The mission statement and other purpose statements then redirected the SENTECH strategy and operations towards fulfilling its public service mandate affordably and sustainably.
- The statements made it crystal clear to the public and stakeholders in general that, when operating as a network-based intervener in the communications sector, SENTECH is also an enabler of social development, economic development and societal transformation.

- **Policy and regulatory environment**

- In addition to redefining its public service existence, SENTECH sought to intervene within the policy and regulatory environment. To this end achievements have been made in respect of the BDM Policy, DTT Regulatory Framework and Community Broadcasters.
- SENTECH has further made inputs in various forums with the view of pursuing outcomes in terms of open access and interoperable communication systems for the content industry.

- **Human Resources**

- The Human Resources (HR) business intervention stems from the Corporate Plan objective which is “to build an effective and efficient organisation.”
- To this end, the policy review process has commenced and a working group has been established, the balanced scorecard has been developed as a strategic planning and management system, and the employee survey and organisational diagnosis have been completed.
- In terms of the organisational model, implementation of the new strategic direction required the Company to re-align its operating model and principles.

- **Governance**

- During the year under review, much work was done in respect of Supply Chain Management (SCM) governance. At the beginning of the financial year, we realised that, to the extent possible, DTT deliverables must be executed effectively, efficiently and on time.
- In this respect, an overhaul of the SCM function was identified as critical towards achievement of the DTT objectives.
- To this end, SCM policies, practices and processes have been overhauled resulting in the completion of most of the DTT procurement efforts.

- **Digital Terrestrial Television Migration**

- The DTT network rollout target for the financial year was 74% DVB-T2 population coverage with 71 transmitter sites.
- By 31 March 2012, SENTECH had achieved the targeted 60% population coverage on the DVB-T2 standard based on the design for DTT launch which was conceptualised in 2006.
- Going forward, we will implement a provincial rollout geared at providing coverage at equal measures to both rural and urban areas on a provincial basis.
- The targeted network rollout for the next financial year is 80%. At a minimum, provincial rollout will be completed in the Free State, Limpopo, KwaZulu Natal and Mpumalanga.

- **Low cost, Low power transmission**

- During the year under review, 28 FM and 75 SABC television services were expanded to 25 low power stations, thus achieving the year's target. This resulted in 256 500 and 98 553 more people receiving SABC television and radio services respectively.
- For the next financial year, the planned SABC low power radio and television services expansion is 84 sites and upgrade of 45 Self-Help sites.

- **National Wireless Broadband Network**

- To support the envisaged strategy for the National Wireless Broadband Network rollout as depicted in the Corporate Plan 2011 - 2014, SENTECH continued with surveys and design for access and linking services.
- The survey and design have been completed for eight districts out of eleven in KwaZulu Natal.
- However, in order to ensure efficient utilisation of Government resources, the rollout proposal will be revised to ensure alignment with the Department of Communications' National Broadband Strategy and Implementation Plan.

- **Legacy issues**

- Despite the achievements in terms of recognition and understanding of the Company's public service mandate, we are cognisant of the Company's legacy challenges and reputational deficit.
- Whilst most of the challenges have been overcome, there are still some outstanding issues to be dealt with.
- To this end, the DTH decoder matter with Altech UEC has been resolved whilst the eBotswana issue is currently being dealt with. Internally, we have embarked on a robust Human Resources (HR) intervention project.

- **Tariff Review Process**

- In accordance with its public service mandate as a common carrier, SENTECH embarked on a tariff review process for all categories of broadcasters.
- The focus of the review is to update the way in which the Company constructs its tariffs and align these tariffs with the new digital environment.
- This applies to both existing tariffs for Analogue and new tariffs that will come into effect for DTT. The first review was implemented for community broadcasters, and as of 1 April 2012, the revised signal distribution costs for community broadcasters have been reduced by an average of 33% for Community TV services and 65% for Community Radio services.

- **SENTECH Operations**

- Despite the achievements in terms of recognition and understanding of the Company's public service mandate, we are cognisant of the Company's legacy challenges and reputational deficit.
- To this end, the DTH decoder matter with Altech UEC has been resolved whilst the eBotswana issue is currently being dealt with.
- Internally, we have embarked on a robust Human Resources (HR) intervention project.

- **Legacy issues**

- In terms of promoting access to information, SENTECH has identified 197 frequencies across the country for the possible expansion of SABC FM Language Services. This will, going forward, form the basis of the imminent public broadcasting signal distribution master plan between SABC, SENTECH and ICASA.
- It is noted that the infrastructure refresh intervention, which seeks to replace the outdated systems, was not fully implemented. We further experienced some catastrophic failures which resulted in the availability of the Medium Wave and Short Wave broadcast networks being below the agreed target norm. I
- In addressing the above, The SW turnaround plan will prevent further revenue reduction and increase the product's profitability.

- **Financial Analysis**

- During the year under review, Group revenue from continuing operations increased by 4.6% from R742 million to R776.5 million in the previous financial year.
- This augmented revenue growth was due to price increases resulting from CPI and generally improved responsiveness to customer service requirements in terms of new installations and expansions.
- There was no revenue for discontinued operations in comparison to the R32 million (Carrier of Carriers) in the previous financial year.

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Key Outcome	Key Output	Performance Indicator/Measure	Performance Targets FY 11/12	Achieved? Yes or No	Reason per Responsible unit
<b>Restructure in line with Service Delivery Model</b>	Approved Service Delivery Model Signed by Business Partners with Adopted Competence Framework per level	o Organisational Model	o Approval by Q1 o Consultation between Q1-Q2 o Implementation to begin from Q3 o Complete implementation by end Q4	Partially achieved	Top Management structure was approved by the Board on 1 April 2011; Transitional structure beyond Top Management implemented in Q1, with staff consultation; the rest of the structure approved by the Board in Q4; Competency Framework deferred to the HR Intervention project.
<b>Improved Performance Management Culture</b>	o Completeness of Signed KPAs	o Quality Checked KPAs	o KPAs signed beginning Q1 o Quality checked by end Q1 o Align to service delivery model by end Q4	Partially achieved; all KPAs signed except for 1;	Other layers could not be concluded as this became part of the current HR intervention
<b>Improved Strategic Leadership and Management Capacity</b>	o Profile of Leadership and Management Skills	o Management Gaps Identified o Independent measure of management capacity	o 100% Participation of Management by Q2	Not achieved	The KPI has been integrated into the current HR intervention programme

Key Outcome	Key Output	Performance Indicator/Measure	Performance Targets FY 11/12	Achieved? Yes or No	Reason per Responsible unit
<b>Enhanced skills base</b>	o Improved competency and performance levels	o Skills audit report	o Skills audit completed by Q2 o Measurement by Q3 o Alignment with skills audit results by end Q4	Not achieved	The KPI has been integrated into the current HR intervention programme
<b>Achieve an effective partnership with key internal stakeholders</b>	o Adopted Employee Relations Framework	o Approved Recognition Agreement	o Approval by Q1 o Implementation by Q2	Achieved	
<b>Improved Employee satisfaction</b>	o Improved efficiency and productivity	o Employee Satisfaction Survey o Staff turnover rate	o Completed by Q3	Partially achieved	The was a survey incorporated in to the HR Intervention project and conducted in Q4;



Key Outcome	Key Output	Performance Indicator/Measure	Performance Targets FY 11/12	Achieved? Yes or No	Reason per Responsible unit
Achieve Financial Stability	o Improved Debt Collection;	o Reduction of debtors >90 days	o Increase the collection rate from 90% to 95%.	Achieved. on reduction of debtors >90 days; and No on increasing the collection rate from 90% to 95%	The debtors >90 days in 2011 was 71% of total debtors, and only 39% of debtors in 2012. In monetary terms the decrease was from R18.0 million to R14.1 million. With regard to collection rate, it was 83%. Reasons for non-achievement are late billing and unsolved disputes and government entities and delaying payment
	o Disburse only Legitimate payments	o Percentage of improper disbursement	o 0% of improper disbursements	Not achieved.	There was no system or process in place to measure the target
	o Minimise fruitless and wasteful Expenditure	o Percentage of fruitless and wasteful expenditure to Total Expenses	o <0.1% per annum	Achieved.	
	o Minimise irregular expenditure	o Percentage of irregular expenditure to Total Expenses	o <0.5% per annum	Not achieved	The supply chain management process had key vacancies and the policy has been re-designed.

<b>Achieve no less than 6% NPAT</b>	<b>o Terminate unsustainable products</b>	<b>o Number of products with negative gross margins</b>	<b>o Zero</b>	<b>Achieved.</b>	<b>NPAT is &gt; 6%, however no negative GP products have been terminated</b>
<b>Sustain Analogue Television</b>	o Maintain product profitability	o Product profitability	o End of fiscal	Achieved.	
<b>FM</b>	o Maintain product profitability	o Product profitability	o End of fiscal	Achieved.	
<b>MW</b>	o Maintain product profitability	o Product profitability	o End of fiscal	Not achieved	Customer termination of a major MW service caused significant loss of revenue.
<b>SW</b>	o Maintain product profitability	o Product profitability	o End of fiscal	Not achieved	A delay in the renegotiation of rates with a major customer as well as customer terminations has caused profitability to decline.

DTH	o Maintain product profitability	o Product profitability	o End of fiscal	Achieved	
BTV	o Maintain product profitability	o Product profitability	o End of fiscal	Achieved	
Facilities	o Maintain product profitability	o Product profitability	o End of fiscal	Achieved	
VSAT	o Maintain product profitability	o Product profitability	o End of fiscal	Achieved	
Improve billing	Customer Satisfaction	Customer Survey	o Reduce complaints by 80%	Not achieved	No CRM system in place.
	Customer Satisfaction	o Billing accuracy (invoice) o Timeous billing	o 100% accuracy	Not achieved	Billing accuracy 97.75% , timely billing 88.21%
Improve service delivery levels	Customer Satisfaction	o Fault Response time o Installation response time	o <30 minutes for all faults o Comply with customer contract	Not achieved	No CRM system in place, to monitor this.

Key Outcome	Key Output	Performance Indicator/Measure	Performance Targets FY 11/12	Achieved? Yes or No	Reason per Responsible unit
<b>Reduce Customer Churn</b>	Addressing customer needs	o 99% retention of customer base	<1%	Achieved at 0.05%	
<b>Informed customer</b>	o Customer newsletter	o Frequency and participation	o Quarterly o Participation by all managers at least once a year	Not achieved	Only 2 newsletters generated
	o Customer contact	o Frequency and participation	o Quarterly o Participation by operational managers	Not achieved	There was increased contact with customers but there is no CRM system in place to provide measurements.
		o Rollout and switch on of low power transmitters	25	Achieved	
	o DTT Rollout Targets	o Number of sites rolled out (cumulative based on ICASA frequency plan)	71	Not achieved. 44 sites rolled out	The KPI was not achieved as a result of delays in the procurement of transmitter equipment. However, the PCC and the Minister were informed of the delay, respectively on 30 August 2011 and 15 November 2011. The new Board target of 60% was however not formally changed.

Key Outcome	Key Output	Performance Indicator/Measure	Performance Targets FY 11/12	Achieved? Yes or No	Reason per Responsible unit
	o DTT Population Coverage	o % of Population reached	74%	Not achieved. 61% achieved	The KPI was not achieved as a result of delays in the procurement of transmitter equipment. However, the PCC and the Minister were informed of the delay, respectively on 30 August 2011 and 15 November 2011. The new Board target of 60% was however not formally changed.
	o Consolidated NWBN Business Plan	o Board, DoC and National Treasury approvals	End of Q1	Achieved	The plan was approved by the Board as per the corporate plan and by the Minister
<b>National Wireless Broadband Network</b>	o Allocation of funds	o National Treasury allocation	Adequate funds allocated by end of Q2	Not achieved	National Treasury approved the retention of the R500m previously allocated to Sentech. The use of the funds was however restricted, pending the finalization of the Broadband strategy and implementation plan by the DoC.

Key Outcome	Key Output	Performance Indicator/Measure	Performance Targets FY 11/12	Achieved? Yes or No	Reason per Responsible unit
	o Rollout in KZN	o Service Availability	Rollout starts by Jan 2012 Coverage of at least 90% of the more than 5200 (4680) KZN schools declared as underserved completed by end March 2012	Not achieved	National Treasury stopped the use of the R500m for the KZN project pending submission and approval of the National Broadband strategy and implementation plan by the DoC to National Treasury.
<b>Terrestrial Television Network Performance at SLA level</b>	o SLA network performance achieved	o Performance of network at SLA	99.80%	Achieved	
<b>Attain Digital Terrestrial Television project objectives</b>	o SLA network performance achieved	o Performance of network at SLA	99.80%	Achieved	Based on the Q4 implementation
<b>FM Network Performance at SLA level</b>	o SLA network performance achieved	o Performance of network at SLA	99.80%	Achieved	
<b>MW Network Performance at SLA level</b>	o SLA network performance achieved	o Performance of network at SLA	99.50%	Not achieved	The actual percentage achieved was 99.42% and this was due to specific theft of specialized feeder cables and matching units which required reconstruction since the original units were based on a 1960 design which was not available for quick fixing;

Key Outcome	Key Output	Performance Indicator/Measure	Performance Targets FY 11/12	Achieved? Yes or No	Reason per Responsible unit
SW Network Performance at SLA level	o SLA network performance achieved	o Performance of network at SLA	99.50%	Achieved	
DTH-S Commercial Network Performance at SLA level	o SLA network performance achieved	o Performance of network at SLA	99.80%	Achieved	
DTH-S Business Network Performance at SLA level	o SLA network performance achieved	o Performance of network at SLA	99.50%	Achieved	
VSAT Network Performance at SLA level	o SLA network performance achieved	o Performance of network at SLA	99.80%	Achieved	-

- The period under review was favourable for the overall SENTECH product portfolio led by positive performance within the Broadcast Signal Distribution portfolio
- The Group results from continued and discontinued operations was as follows:

Category	Product Groups	Actual 2011	Actual 2012	% change from prior year
<b>Continued Operations</b>	BSD	678.0	717.5	5.8%
	VSAT	25.0	23.0	-8.0%
	Facilities	27.0	31.0	14.8%
	Other Services*	12.0	5.0	-58.3%
	SUB-TOTAL **	742.0	776.5	4.6%
<b>Flagship Programmes total</b>	DTT	36.0	36.0	0.0%
<b>Discontinued Operations</b>	Carrier of Carriers	32.0	0.0	-100.0%
	Biznet	0.2	0.0	-100.0%
	SUB-TOTAL	32.2	0.0	-100.0%
<b>REVENUE TOTAL</b>		810.2	812.5	0.3%
<b>Other Income</b>	World Cup 2010	16.0	0.0	-100.0%
		826.2	812.5	-1.7%



- **Broadcasting Signal Distribution**

- The Broadcasting Signal Distribution (BSD) portfolio achieved total combined revenues of R717.5 million for the year. Revenue performance for the portfolio was 5.8% up on the previous year mainly driven by strong revenue performance of the Television, FM Radio and DTH products. The SW and MW products continued to struggle over the period and specific interventions are planned to address the sustainability of these products going forward.
- Analogue TV achieved revenues increased from R375 million in the previous financial year to R389 million for the period under review. Key to the performance of the product was the drive to increase universal access to broadcasting services through the growth of new Community Broadcasters and the rollout of the SABC Low Power project.
- The provincial coverage of Analogue Television is reflected as follows:

Province	POPULATION COVERAGE		GEOGRAPHICAL COVERAGE	
	Number	%	km <sup>2</sup>	%
Eastern Cape	4 664 083	74	161 980	95.7
Free State	2 410 816	88.7	117 814	91.9
Gauteng	11 070 833	99	17 218	91.9
Kwazulu Natal	8 102 028	77	88 653	92.8
Limpopo	3 982 156	80	116 730	92.8
Mpumalanga	2 640 853	76	74 376	95.9
Northern Cape	938 519	90	52 204	14
North West	3 021 589	94.7	99 579	93.4
Western Cape	4 921 995	94.8	122 487	94.6

- **Broadcasting Signal Distribution (cont.)**

- FM Radio revenue for the period under review was R178 million in comparison to the achieved R164 million in the previous reporting period. Revenue growth in FM was, similarly to TV, driven by the growth from the Community Broadcasting sector and the SABC Low Power project.
- The provincial coverage of Analogue Television is reflected as follows:

PROVINCE	POPULATION COVERAGE		GEOGRAPHIC COVERAGE	
	Number	%	Area (km <sup>2</sup> )	%
Eastern Cape	5,458,592	87.1	161,980	95
Free State	2,390,400	88.6	118,278	91
Gauteng	11,009,100	98.6	17,008	91
KwaZulu Natal	8,645,119	82.7	88,850	95
Limpopo	4,339,013	82.7	123,290	98
Mpumalanga	2,647,829	80.7	75,342	98
Northern Cape	808,811	84	59,662	15
Northwest	3,085,169	96.6	14,456	97
Western Cape	5,131,445	98.3	125,480	97

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- **Broadcasting Signal Distribution (cont.)**

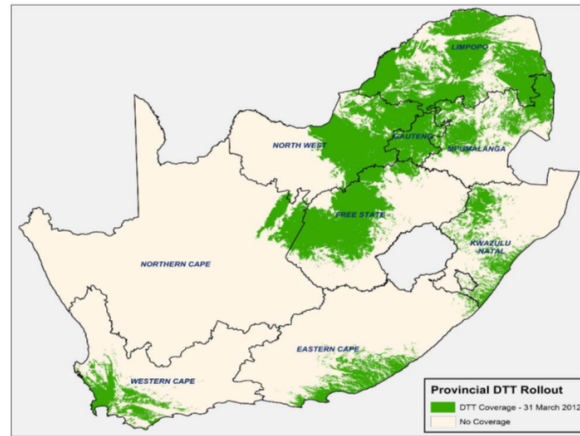
- The MW radio portfolio achieved revenue of R4.5 million for the period. Revenue suffered from the second quarter of the year due to the cancellation of a key customers services on MW.
- The impact of this revenue loss was lessened by adhoc MW broadcasts in the Western Cape during the course of the year. With the release of three new MW invitation to apply (six MW frequencies) by ICASA in early 2012, the outlook for this product is seemingly positive.
- The SW product achieved revenue of R24.5 million however, continued to face challenges during the financial year mostly precipitated by adverse market conditions and high operating costs.
- A SW turnaround plan was initiated in Q3 to prevent further revenue reduction and to increase the product's profitability.
- From the upcoming financial year, the DTH and BTV services will be combined as part of an integrated service offering. The combined DTH platform performed well above expectation for the period achieving revenue of R38 million.

- **Telecommunication Services**

- The VSAT product is currently the only retail Broadband service offered, targeting users in remote areas where there is little or no telecommunications infrastructure.
- SENTECH also provides VSAT services to Government and Public entities as part of the Company's strategy to enable universal access of ICT products and services.
- However, the VSAT service has moved into the decline stage over the last three years.
- At the beginning of the financial year a turnaround plan was initiated to improve the profitability of the product and to focus on new growth.
- With a more market related offering the service was able to add over 120 new additional sites by the end of the period, mostly through the KwaZulu Natal and Free State schools projects.



- In terms of DTT migration, the design for launch was done in 2006 with a focus on population coverage attainment.
- Going forward, the SENTECH provincial network rollout will focus on both urban and rural areas.
- SENTECH converted and switched on 44 sites to the new DVB – T2 standard to attain population coverage of 60.91%.
- In the coming financial year, SENTECH will work towards providing 80% coverage by 31 March 2013, with full conversion of sites in Limpopo, Free State, Mpumalanga and Kwazulu Natal and conversion of additional sites in Eastern Cape, North West and Western Cape.



	Rural	Urban
Launch (60% roll-out)	12%	49%
Gauteng	9%	91%
Limpopo	82%	18%
Free State	22%	78%
Mpumalanga	51%	49%
Kwazulu Natal	43%	57%
Eastern Cape	52%	48%
North West	55%	45%
Western Cape	6%	94%
Northern Cape	26%	74%
<b>TOTAL</b>	<b>36%</b>	<b>64%</b>

	Actual Population	60% DVB-T2 Population Coverage			Full Rollout DVB-T2 Population	
		Population	%	%	%	%
Gauteng	22%	10 718 135	21.44%	96%	22%	97%
North West	6%	2 954 486	5.91%	92%	6%	93%
Mpumalanga	7%	1 184 794	2.37%	33%	7%	90%
Limpopo	11%	3 229 438	6.46%	59%	9%	83%
Eastern Cape	13%	2 079 638	4.16%	31%	10%	74%
Free State	6%	1 304 773	2.61%	46%	5%	88%
Northern Cape	2%	329 943	0.66%	30%	2%	68%
Kwazulu-Natal	21%	4 834 159	9.67%	45%	19%	89%
Western Cape	10%	3 814 336	7.63%	73%	8%	77%
<b>TOTAL</b>	<b>100%</b>	<b>30 449 701</b>	<b>60.9%</b>	<b>60.9%</b>	<b>87%</b>	<b>87%</b>

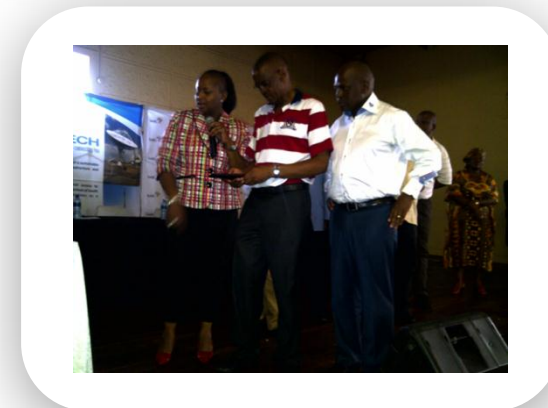
\* Based on Statistics SA's 2010 population estimates

## Key National Projects: Low Power Transmission

- Since project inception, SENTECH has provided broadcasting signal through low power transmission to areas in all provinces.
- During the period under review SENTECH expanded 28 FM and 75 SABC Television services to 25 Low Power stations.
- For the 2012/13 financial year the planned SABC Low Power radio and television services expansion are 84 sites and the upgrade of 45 Self-Help sites.
- The total accumulative population coverage at the end of March 2012 was 535 030 (1% of the total population).



Action BSD	SABC TV	SABC Radio
32 sites activated prior to 2011/2012 financial year.	278,080	193,376
3 sites installed prior to 2011/2012 financial year but activated this year.	26,230	23,447
21 (of the 25 sites installed) activated this year	230,720	75,106
<b>Accumulated Total</b>	<b>535,030</b>	<b>291,929</b>



- To support envisaged strategy for the National Wireless Broadband Network rollout as depicted in the Corporate Plan 2011 - 2014, SENTECH continued with surveys and design for access and linking services.
- The survey and design have been completed for eight districts out of eleven in KwaZulu Natal.
- In addition, prospective planning has been conducted for the Western Cape.



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3. **SUSTAINABILITY REPORT**
4. ANNUAL FINANCIAL STATEMENTS

- SENTECH employees remain the most important component of the business. The company realises that in order to continue to be efficient and effective and to deliver on its mandate, people must be at the centre of the organisational transformation.
- As such, It is for this reason that in the Company has embarked on a Human Resources (HR) intervention (Project Sakhum'tu) which is a total overhaul and transformation of SENTECH's human capital management.
- The intervention is an integrated approach which recognises the importance and the impact of all HR variables in order to ensure long term sustainability.
- The Headcount split per region is as follows:

Headcount Split 31 march 2012 2011/2012	
Region	Total Number
Western Region	54
Northern Region	344
Eastern Region	78
Central	32
Total	508



- **Employment equity & diversity**

- Appointments for the period under review demonstrate an emphasis on Employment Equity, with 92% of appointments being Equity candidates.

- **Skills Development**

- SENTECH is committed to promoting a learning culture which enables its employees to develop and to reach their full potential. The Company is a contributing member to the MICT SETA and is actively involved in providing skills within the ICT sector.
- In the year under review, SENTECH provided 874 of the planned 929 (94.1%) short course training interventions to 298 staff members of which 79.5% was to black employees and 28.9% to female employees.
- In terms of skills transfer, 17 staff members benefitted from one-on-one skills transfer interventions during a mentoring programme to help young technicians gain exposure in Radio, Television and Radio Frequency (RF) from experienced staff members nearing retirement. 76.5% of these were black employees and 45.5% were females to support this essential group of identified individuals.
- Digital Terrestrial Television (DTT) Training continued to be a key focus area as the Company prepared for the migration from analogue to digital terrestrial television.

- **Skills Development (cont.)**

- 16 learners were placed on internship programmes in close collaboration with MICT SETA. The sixteen candidates were 87.5% black and 50% female, of which 81.25% obtained meaningful employment after the programme. Twelve of these learners got full time employment at SENTECH.
- The Company awarded 20 bursaries for part time studies to employees and recorded exceptional exam pass rate of 95.2% was achieved by these students.

- **Employee Relations and Discipline**

- SENTECH continues to foster strong relationship with the recognised majority union Communications Workers Union (CWU).
- An Employee Relations Framework (Policy and Recognition Agreement) was developed and approved during the financial year under review and implemented through an established bargaining forum.

- **Occupational Health and Safety**

- The Annual Recordable injury rate for the year under review is at 1.2 percentage point which represent a nominal figure of seven recordable injuries for the year against the set monthly limit of one (1).

- **Wellness**

- For the year under review, more than a hundred SENTECH walking enthusiasts braved the cold to partake in Johannesburg's most loved walking event of the year: The Discovery 702 "Walk the Talk"

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- During the period under review, SENTECH continued investment in Mindset Health, Mindset Learn, University of Pretoria Broadband Wireless and Multimedia Chair (BWMC) and various schools in terms of VSAT connectivity.
- Furthermore, during this period, the Company conceptualised the i-LAB schools connectivity project which relates to providing VSAT connectivity to primary and secondary schools in rural and/or underserved areas. Within this strategy, and in instances where the schools do not have computer facilities, the CSI provision is further extended to computer hardware and software.
- i-LABs were installed at four schools in the North West, Mpumlanga, Eastern Cape (2). The scope of intervention was: 20 computers, five-years VSAT internet connectivity, network installation, electrical cabling, four-year service management, classroom re-painting, provision of desks and chairs and security reinforcement.
- In addition, during the current year a CSI bursary was awarded to Fana Bhengu, a 19-year old matriculant from the Nquthu village in KwaZulu Natal. Fana Bhengu was afforded the opportunity to pursue studies in electrical engineering at the South West Gauteng College.
- In terms of the Corporate Plan for MTEF 2012 – 2015, going forward, 14 i-LABS will be installed per financial year.



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# ANNUAL FINANCIAL STATEMENTS:

## Statement of Consolidated Income for the year ended 31 March 2012

		Company			
		31-Mar-12	31-Mar-11	Variance	
<b>Revenue</b>	Notes	<b>812 585</b>	<b>794 192</b>	<b>18 393</b>	<b>2%</b>
Signal Distribution		748 525	705 267	43 258	6%
DTT: Dual Illumination		36 260	36 260	-	-
Vsat:		24 726	26 273	(1 546)	(6%)
Other		3 074	26 393	(23 319)	(88%)
Carrier of Carriers		-	30 220	(30 220)	(100%)
<b>Less : Operating costs</b>		<b>605 459</b>	<b>515 998</b>	<b>89 461</b>	<b>17%</b>
Cost of sales :		2 616	15 027	(12 411)	(83%)
Communication Costs		5 260	3 544	1 717	48%
Computer Services		4 602	3 373	1 229	36%
Energy Costs		58 423	46 469	11 953	26%
Financial & Write-off Charges		(5 511)	(4 807)	(704)	15%
Hiring Charges		12 192	16 191	(3 999)	(25%)
Insurance & Security costs		6 183	6 092	91	1%
Legal fees		11 814	5 534	6 280	113%
Licences		12 269	13 888	(1 619)	(12%)
Line Rental		10 425	15 484	(5 059)	(33%)
Marketing Costs		6 750	5 180	1 570	30%
Operations Maintenance		62 370	26 040	36 330	140%
Other Office costs		469	373	96	26%
Personnel Remuneration		272 780	238 166	34 614	15%
Professional & Consulting Charges		16 936	17 760	(823)	(5%)
Satellite Rental		95 022	86 546	8 476	10%
Services and Levies		1 810	1 531	279	18%
Stationery & Printing		731	1 248	(517)	(41%)
Transport Costs		17 816	11 685	6 131	52%
Travel & Subsistence		12 502	6 675	5 827	87%
<b>EBITDA</b>		<b>207 126</b>	<b>278 194</b>	<b>(71 068)</b>	<b>(26%)</b>
Depreciation		58 528	102 701	(44 173)	(43%)
<b>EBIT</b>		<b>148 598</b>	<b>175 494</b>	<b>(26 896)</b>	<b>(15%)</b>
<b>Net finance Income</b>		<b>(43 661)</b>	<b>(50 520)</b>	<b>6 859</b>	<b>(14%)</b>
Finance Income		(62 126)	(60 082)	(2 045)	3%
Finance expense		18 465	9 562	8 903	93%
<b>EBT</b>		<b>192 259</b>	<b>226 013</b>	<b>(20 037)</b>	<b>(9%)</b>
Company Tax expense		57 984	53 094	(17 979)	(34%)
<b>Earnings after taxation</b>		<b>134 275</b>	<b>172 919</b>	<b>(2 058)</b>	<b>(1%)</b>



### 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.
- Prior year figures included a once off figure of R16 million for both operating costs and revenue relating to 2010 Soccer World Cup operating expenses and the recovery thereof from the government.
- The subdued revenue growth is mainly due to price increases limited to CPI and very little new sales activity in the period. The normalised operating profit margin for both years is 22%.

### Income statement:

- The Group posted a R134 million net profit after tax for the 2012 financial year, versus R173 million in the previous financial year.
- Operating expenses increased by 17% on prior year mainly due to the personnel costs annual adjustments and a also the increase in operating expenses.
- Finance income of R62 million (2011 – R60 million) was earned on the Group’s own cash and grant funds during the period. The decrease is due to the reduction in the money market interest rates. Consistent with prior year practice and as more fully detailed above, the Group accounts for all interest earned on grant funds for its benefit.

# ANNUAL FINANCIAL STATEMENTS:

## Statement of Financial position for the year ended 31 March 2012

		31-Mar-12	31-Mar-11	Movement
<b>Assets</b>				
		<b>R'000</b>		
<b>Non-current assets</b>	Notes	508 430	500 468	7 962
Property, Plant and Equipment	1	506 808	499 168	7 640
Defferd Tax assets		322	-	322
Employee Benefit Obligations (Pension)	2	1 300	1 300	-
		1 654 514	1 185 881	468 633
<b>Current assets</b>				
Inventory	3	7 491	7 315	176
Trade and other receivables	4	41 217	31 408	9 809
Current tax receivable		-	11 476	(11 476)
Cash and cash equivalents	5	1 605 806	1 135 682	470 124
Sentech funds		565 385	363 193	202 192
Grant funds		1 040 421	772 489	267 932
<b>Total assets</b>		<b>2 162 944</b>	<b>1 686 349</b>	<b>476 595</b>
<b>Equity and Liabilities</b>				
<b>Capital and reserves</b>		908 984	745 734	163 250
Equity		558 446	529 294	29 152
Retained Earnings	6	350 538	216 440	134 098
<b>Non-current liabilities</b>		196 557	186 885	9 672
Long term Liabilities	7	23 935	45 429	(21 494)
Retirement Benefit Obligations (Medical Aid)	8	172 622	130 813	41 809
Deferred Taxation		-	10 643	(10 643)
<b>Current liabilities</b>		1 057 403	753 732	303 671
Trade and Other payables	9	104 956	84 832	20 124
Deferred Income - Government grant	10	889 294	638 432	250 862
Short term Portion of LTL	11	21 494	19 302	2 192
Provisions	13	39 006	11 164	27 842
Taxation	14	2 653	-	2 653
<b>Total liabilities</b>		<b>1 253 960</b>	<b>940 617</b>	<b>313 343</b>
<b>Total equity and liabilities</b>		<b>2 162 944</b>	<b>1 686 351</b>	<b>476 593</b>

# ANNUAL FINANCIAL STATEMENTS:

## Statement of Financial position for the year ended 31 March 2012

- The total assets were R2 163 million as at March 2012 compared to R1 686 million in the prior financial year.
- Cash and cash equivalents increased to R1 606 for FY2012 from R1 136 million in prior financial year.
- Loan and borrowings decreased to R24 million from R45 million in the previous financial year due to a loan redemption
- Current liabilities increase to R1 billion in FY2012, from R754 million in prior year due to the DTT project funds received to recapitalise the asset base.

# ANNUAL FINANCIAL STATEMENTS:

## Statements of Cash Flow for the year ended 31 March 2012

	31-Mar-12	31-Mar-11
	R'000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	267 216	232 987
Finance income received	277 368	308 607
Interest paid	62 127	60 088
Taxation paid	(7 203)	(8 616)
	(65 076)	(127 092)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment acquired	(82 946)	(67 105)
Proceed from sale of property plant & equipment	(82 956)	(67 105)
	10	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Government grant received	285 854	(7 607)
Government grant utilised for capital expenditure	341 140	66 053
Interest received capitalised ( WCS2010)	(40 449)	(60 820)
Loans repaid (DBSA)	4 465	5 606
	(19 302)	(18 446)
<b>NET INCREASE/(DECREASE) IN CASH</b>	470 134	158 275
Cash and cash equivalents at beginning of period	1 135 800	977 525
Cash and cash equivalents at end of period	1 605 934	1 135 800

### 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	148 598	193 084
Adjustments for non-cash flow items :		
Depreciation and amortisation	58 528	90 492
Loss on disposal of fixed assets	1 892	12 568
Transfer to post retirement medical fund	30 546	259
Increase in provisions	28 198	4 598
Decrease in trade and other receivables	500	7 870
Changes in working capital :		
(Increase) / Decrease in Inventory	(676)	(6 723)
(Increase) / Decrease in trade and other Receivables	(10 282)	49 543
Increase / (Decrease) in accounts payable	20 064	(43 084)
Cash Generated from Operations	277 368	308 607

# ANNUAL FINANCIAL STATEMENTS:

## Statements of Cash Flow for the year ended 31 March 2012

- The Group has performed exceptionally in achieving strong cash generation. The Group achieved cash generated after working capital to EBITDA percentage of 129% compared to 127% in the prior year.
- The cash generated amounted to R277 million (2011 – R309 million). The prior cash generation was impacted by the significant discontinued cash costs and the large settlement made with SARS for the late payment of VAT on grant funds received.
- The current cash outflows included tax payments of R65 million and R82 million on capital expenditure on grant projects.

**SENTECH SOC Limited**