SENTECH
connecting You

Annual Report

For the year ended 31 March 2015

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ABBREVIATIONS

AG	Auditor-General of South Africa
ARC	Audit and Risk Committee
ASB	Accounting Standards Board
ASO	Analogue Switch Off
Board	Board of Directors' or Accounting Authority
BSD	Broadcast Signal Distribution
CAPEX	Capital Expenditure
CIPS	Chartered Institute of Purchasing and Supply
Companies Act	Companies Act, Act No. 71 of 2008, as amended
CSIR	Council for Scientific and Industrial Research
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
CSI	Corporate Social Investment
DAB+	Digital Audio Broadcast
DPSA	Department of Public Service and Administration
DTT	Digital Terrestrial Television
DTH-S	Direct to Home Satellite Platform
DTI	Department of Trade and Industry
DTPS	Department of Telecommunications and Postal Services
EE	Employment equity
ECA	Electronic Communications Act, Act No. 36 of 2005
EIA	Environmental Impact Assessment
ERP	Effective Radiated Power
EXCO	Executive Committee
ERMCO	Enterprise Risk Management Committee
FCAPS	ISO Telecommunications Management Network Model of Fault, Configuration, Accounting, Performance and Security Management
FM	Frequency Modulation
FTA	Free to Air
GE	Government and Enterprise Solutions
GIBS	Gordon Institute of Business Science
GRAP	Generally Recognised Accounting Practice
IAF	Internal Audit Function
IIA	Institute of Internal Auditors
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communications Technology
I-ECNS	Individual Electronic Communications Network Service
I-ECS	Individual Electronic Communications Service
IPTV	Internet Protocol Television
ISO	International Standards Organisation
ITU	International Telecommunications Union
MDDA	Media Development and Diversity Agency
MTEF	Medium-Term Expenditure Framework
MW	Medium Wave
NA	Not Applicable
NAB	National Association of Broadcasters
NIPP	National Industrial Participation Programme
OAG	Office of the Accountant-General
OC	Operational Centre
OVHD	OpenViewHD
NCRF	National Community Radio Forum
PAA	Public Audit Act
POPI	The Protection of Personal Information Act, Act No. 4 of 2013
PFMA	Public Finance Management Act, Act No. 1 of 1999
SENTECH Act	SENTECH Act, Act No. 63 of 1996 as amended
TRIR	Total Recordable Incident Rate
SABC	South African Broadcasting Corporation (SOC) Ltd
SADIBA	South African Digital Broadcasters Association
SOC	State-Owned Company
SW	Short Wave
VSAT	Very Small Aperture Terminal
YTD	Year to Date

1

Vision, Mission and Company Values

1.1 VISION, MISSION AND CORPORATE VALUES

1.1.1 VISION

To be a world-class provider of sustainable communications platform services in South Africa and the rest of the African continent.

1.1.2 MISSION

To provide open access and interoperable communications platform services that enable affordable universal access to digital content services, in the context of South Africa's socio-political imperatives as a developmental state.

1.1.3 VALUES

In seeking to promote good governance and code of conduct, SENTECH has developed and promoted the following values:

a) **Integrity:** We act with honesty, fairness and openness;
b) **Quality customer service:** We are committed to proactively ensure high leveis oí customer satısfaction and build relationships based on trust.
c) **Innovation:** We endeavour to develop and support creativity and responsible risk-taking;
d) **Accountability:** We deliver on our promises and take responsibility for our actions; and
e) **Social responsibility:** We endeavour to fulfil our mandate in a manner that benefits our employees, customers, suppliers, communities and the environment in all the areas that the company operates in.

1.2 LEGISLATIVE FRAMEWORK

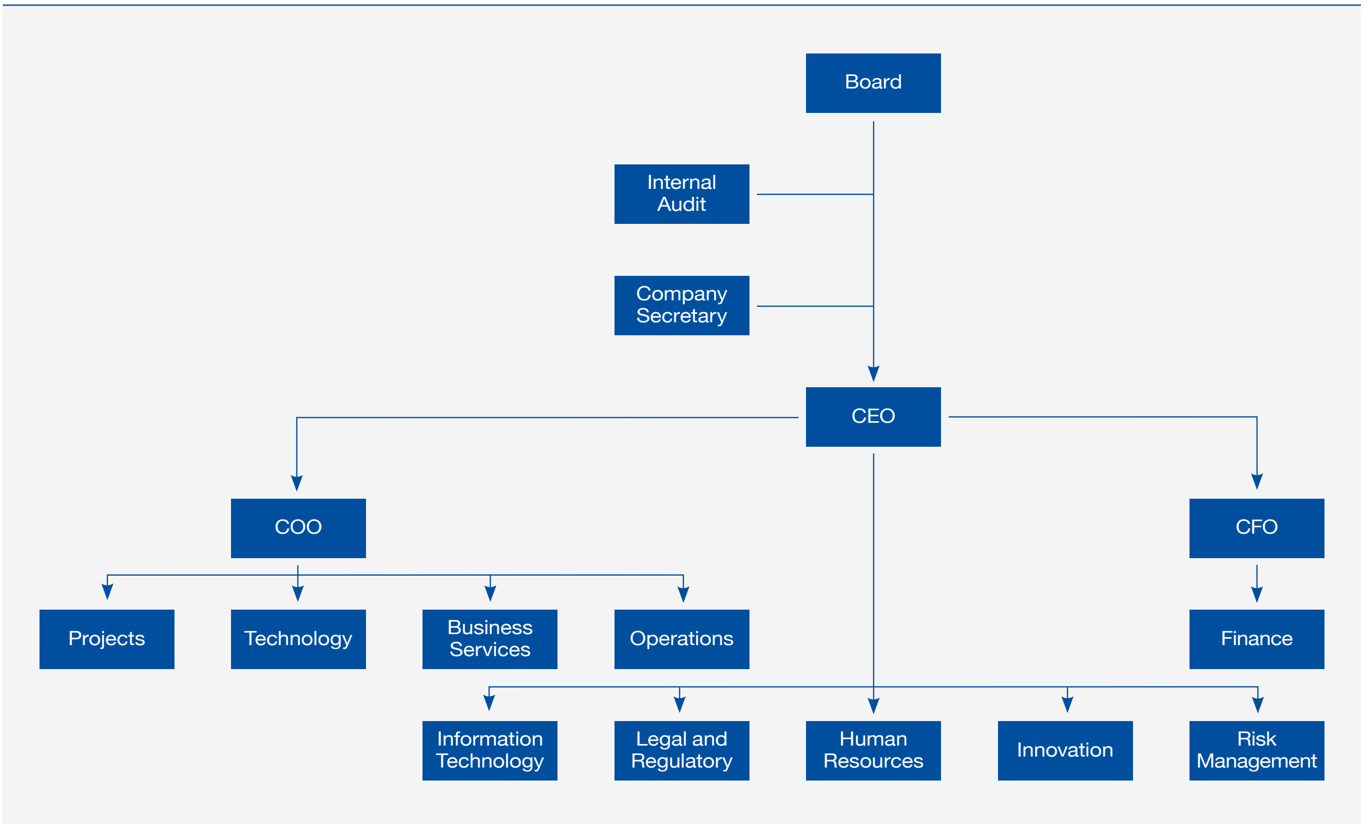
SENTECH's legislative foundation is the SENTECH Act. The PFMA and National Treasury Regulations published in terms thereof, serve as the authority for the company's financial reporting requirements. Policies have been put in place to ensure that there is compliance with all relevant legislation. The company is further guided by the principles embodied in the King III Report on Corporate Governance for South Africa and the Protocol on Corporate Governance in the Public Sector, 2002.

1.3 MANDATE

SENTECH was started as a technical division of the SABC, responsible for the corporation's signal distribution services. In 1992, the division was corporatised as SENTECH, a wholly-owned subsidiary of the corporation. In 1996, SENTECH Act No. 63 of 1996 was amended, converting SENTECH into a separate public entity, responsible for providing broadcasting signal distribution services as a common carrier to licensed television and radio broadcasters.

In 2002, following the deregulation of the telecommunications sector, SENTECH was granted two additional licences, allowing the company to provide international voice-based telecommunications and multimedia services. These licences were subsequently converted into an Individual I-ECNS and an I-ECS, licenced in terms of the ECA.

1.4 ORGANISATIONAL STRUCTURE



1.5 EXECUTIVE MANAGEMENT

Name	Date Appointed	Position	Highest Qualification
Dr S. Mohapi #	1 November 2010	CEO	PhD (Telecommunications)
R.C. Rasikhinya	1 September 2013	CFO	CA (SA)
	1 April 2015	Acting CEO	
K. Matabane	1 July 2012	COO	PG Dip (Business Administration)
F. Sefara	1 August 2014	Company Secretary	LLM
O.N. Nekhavhambe	3 February 2014	Executive: Finance	CA (SA)
T.J. Leshope	1 August 1999	Executive: Operations	N Dip (Electrical Engineering)
N.B. Motswasele	16 January 2012	Executive: Business Services	N Dip (Business Management)
P. Maine	12 June 2013	Executive Head: Information Technology	MSc
L. Takalani	1 June 2014	Executive: Technology	MSc
Z. Adams	7 August 1995	Executive Head: Legal and Regulatory	Admitted Attorney (RSA)
T. Masooa	15 November 2011	Executive: Human Resources	B SocSc
M.M. Matobako	8 October 2012	Executive: Risk Management	MBL
P.N. Phukubje	1 February 2013	Executive: Internal Audit	RGA (SA)

Resigned 31 March 2015

1.6 CHAIRMAN'S REPORT

Mr M. Mello
Chairman

It is my pleasure and privilege to present this Annual Report for the 2014/15 financial year in accordance with the provisions of Section 55 (d) of the PFMA, Treasury Regulation 29 and the Money Bills Amendment Procedure and Related Matters Act of 2009, to the Executive Authority, National Treasury, AG and the Portfolio Committee on Telecommunications and Postal Services, our customers and the citizens of South Africa.

This year's performance was delivered against a clean audit given by the external auditors, making this the third consecutive clean audit by the Company. This was a clear demonstration that SENTECH is committed to delivering on its public service mandate obligations within the highest standards of corporate governance principles and standards.

SENTECH will strive to build on its single most important strategy of the company:
Enabling access to universal, open, interoperable and affordable network platforms for broadcasting and content distribution.

SENTECH has completed the implementation of the DTT network at all the old analogue sites, thus bringing the population and geographic coverage of the digital terrestrial network to 84% and 58%, respectively, as per the Frequency Plan. This involved the migration of 178 sites from analogue to digital transmission. The DTH-S gap filler platform will be used to provide digital television services in the geographic areas that do not have the digital terrestrial signal. This platform has already been completed and is currently running.

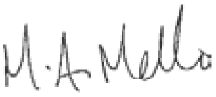
Pursuant to the implementation of the ICASA Frequency Plan, the geographical and population coverage for Community Broadcasters increased significantly, resulting in substantial increased DTT tariff in proportion to the increased coverage. SENTECH is engaging with different stakeholders to determine ways in which the Community Broadcasters could be assisted in order to ensure that they are able to exploit the full potential of DTT in respect of community television services.

SENTECH will continue to partner with and drive its interventions in the community radio broadcasting industry to encourage the broadcasters that self-provide into leveraging off SENTECH's network by providing them with broadcast services. The company continues to seek opportunities to enable new broadcasters to enter the market as quickly as possible whilst it is expanding its network in line with the regulatory framework, and introducing value-added services for its clients. SENTECH has facilitated the deployment of the Parliamentary Audio Service to community radio broadcasters using its VSAT platform. This platform will be used to provide various telemetry and verification services that may enable the community broadcasters to close the current disconnect between audience measurements and advertising revenues.

The Corporate Plan for the 2015 to 2018 MTEF period will continue with the core strategic interventions by the Company. The Plan will build on the foundation that SENTECH has created in the last few years and will facilitate efforts to digitise the broadcasting sector across the board, working from the core principle of providing open-access interoperable technology, service and application platforms that will deliver on the broader purpose statements of the Company. In this regard, SENTECH will increase efforts to place an even greater emphasis on customers, the broadcasters and general content providers as well as the needs of society at large.

In conclusion, I would like to express my sincere gratitude to the Shareholder for the stewardship, policy oversight and persistence in ensuring that SENTECH achieves its core public service mandate of universal access to communication networks and services. I would further like to thank the Parliamentary Portfolio Committee on Telecommunications and Postal Services for their sector oversight and robust engagement on strategic issues. To my fellow directors, I offer my sincere gratitude for your hard work on the development and monitoring of the company strategy and exemplary commitment to corporate governance. I also want to thank and congratulate the retired Board Chairman, Mr Thabo Mongake, Mr Molala, also a retired Board member, and the former CEO, Dr Setumo Mohapi, for their leadership.

I would like to extend a special word of thanks to all employees of SENTECH for their continued outstanding delivery on SENTECH's Public Service Mandate, as well as on the company's financial sustainability results, despite difficult trading conditions in the sector. Your efforts are celebrated every day by each citizen that receives a public broadcasting service for the first time in their life. It is my fervent belief that as we move towards implementing the MTEF 2015 – 2018 Corporate Plan, you will demonstrate the same passion and commitment to the Company's mandate as an enabler of ICT programmes for the benefit of all our citizens.



Mr M. Mello
Chairman

1.7 CHIEF EXECUTIVE OFFICER'S REPORT

Ms R.C. Rasikhinya
Acting Chief Executive Officer

It is my privilege to present this report after another year of outstanding results. The performance of the company is judged on the effectiveness and efficiency of the execution of its mandate towards its customers and the public at large, as contained in the SENTECH Act, the ECA and related industry policies and regulations.

Furthermore, the company is required to ensure that it operates in compliance with a number of legislation and regulations that guide the operations of public entities and companies in general. I am excited that SENTECH has not only performed extremely well on its mandate, but has also operated with clean administration, as demonstrated by the third consecutive clean audit.

SENTECH achieved 90% of all the key milestones it had committed to for the period under review. The 2014/15 Financial Year saw the successful launch of a FTA satellite TV service on SENTECH's Intelsat 20 satellite platform. The FTA service launched on 21 September 2014 and continues to grow its offering and subscriber base on the back of SENTECH's robust infrastructure and reliable services. SENTECH also facilitated the deployment of signal distribution infrastructure for sixteen new community radio services.

The key highlights for the year under review were the following:

- The migration of 178 sites to the DTT network has been completed which increased the population coverage of the network to 84%;
- The customer satisfaction levels were above target at 67%;
- 148 VSAT terminals were installed;
- 88% of training interventions for the year were implemented which was 10% above target;
- Network availability exceeded the annual target; and
- SENTECH connected all community broadcasters, who wished to be connected, to the Parliamentary Audio Channel.

Injuries on duty continue to be closely managed to ensure staff and contractors are sensitised to minimise the number of injuries in the workplace and project sites. The number of injuries on duty reported, was within the TRIR limit of 1% at an annual average of 0.2%.

In summary, I would like to emphasise the following in relation to our financial results:

- Group revenue from continuing operations increased by 14% to R1 107 million (2014: R975 million);
- Cash generated from operations increased 225% to R127 million (2014: R39 million);
- R106 million (net of Government grant) was spent on additions to property, plant and equipment; and
- The return on net assets from continuing operations, exceeded the target of 6% to reach 12.81% due to savings against budget in various classifications of expenditure.

Lastly, SENTECH has achieved a clean audit for the third financial year in a row, with our external auditors having declared the following:

- Unqualified opinion on seperate and consolidated financial statements;
- No material findings on predetermined objectives; and
- No material findings on compliance with laws and regulations.

The clean audit is a result of a planned and concerted effort by the Board, Executive Management and all company employees.

I still believe that SENTECH is on par with global best practice and developments and has the courage to forge ahead in the global context, while not losing sight of the unique socio-economic context in which it operates.

SENTECH's efforts to digitise the broadcasting sector across the board, based on the foundation of its core principle of providing open-access interoperable technology, as well as service and application platforms that will deliver on its mission statement, are still relevant for the future success of the company.

In this regard, SENTECH will increase its efforts to place an even greater emphasis on its customers, the broadcasters and general content providers, as well as the needs of society at large.

SENTECH remains committed to accelerating our efforts to create a healthy company, as defined by employee satisfaction, clean administration, competent operations, strong finances and healthy customer and service provider relationships. SENTECH fully embraces all these aspirations and will continue to build and reinforce this promising healthy state.

I would like to express my gratitude to the Board for their continuous support. I would also like to pay special tribute to our customers, our Shareholder, the Department of Telecommunications and Postal Services, as well as to our stakeholders. Lastly, I would like to sincerely thank the staff of SENTECH, your dedication has been an inspiration.

Ms R.C. Rasikhinya
Acting Chief Executive Officer

2

Performance Information

2.1 STATEMENT OF RESPONSIBILITY

The Accounting Authority is responsible for the preparation of the company's performance information and for the judgements made in this information. The Accounting Authority is responsible for establishing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In our opinion, the performance information fairly reflects the operation of SENTECH for the financial year ended 31 March 2015.

Ms R.C. Rasikhinya
Acting Chief Executive Officer

Mr M. Mello
Chairperson

2.2 ANNUAL PERFORMANCE REPORT

The Board adopted a set of strategic objectives for the 2014 to 2017 MTEF planning period, which ensured that the company would achieve its public service mandate objectives, remain aligned to Shareholder's priorities and ensure financial sustainability.

Strategic Goal	Strategic Objective	KPI	Annual Target	YTD		Variance Explanation
				Actual	Achieved or Not Achieved	
SG1: Ensure that ICT infrastructure is accessible, robust, reliable, affordable and secure to meet the needs of the country and its people	Ensure universal access connectivity to public institutions	Number of VSAT terminals installed	135	148	Achieved	This target has been overachieved based on the greater than expected demand for VSAT installations by Community Broadcasters.
		Number of public sector ICT infrastructure services installed/ enabled through CSI programme	14	14	Achieved	None noted.
SG2: Ensure high levels of customer and stakeholder satisfaction by meeting their needs all the time	Ensure Network Availability meets SLA requirements across all platforms	Weighted average availability based on production revenues	99.80%	99.89%	Achieved	This target has been overachieved, based on the effective management of service platforms.
	Improve customer and stakeholder satisfaction	Customer and stakeholder service index	Baseline + 5%	67.23%	Achieved	This target has been overachieved, based on stakeholder initiatives, including customer interaction workshops conducted during the year.
SG3: Drive organisational performance in order to improve organisational effectiveness	Improve employee performance and productivity	Organisational performance rating at a maximum of 5	3	3.5	Achieved	This target has been overachieved based on the delivery of staff and the company.

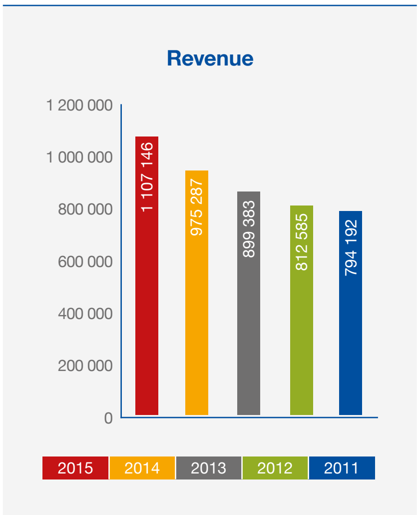
Strategic Goal	Strategic Objective	KPI	Annual Target	YTD		Variance Explanation
				Actual	Achieved or Not Achieved	
SG3: Drive organisational performance in order to improve organisational effectiveness	Effective management of talent	Percentage of training im-plementation plan achieved (interventions to address identified critical skills gaps)	80%	88.04%	Achieved	This target has been overachieved, based on more courses being offerered than the original target, combined with better than expected attendance of many courses.
	Improve employee engagement and satisfaction	Levels of employee engagement satisfaction	65%	57%	Not Achieved	The target was not achieved. The analysis of the change was that employees moved from a positive level of satisfaction to a neutral level of satisfaction. While interventions have been put in place, the benefit of these have not been completely realised. The level of dissatisfaction did not increase in comparison to the previous period.
SG4: Ensure that the company is financially sustainable	Maintain sustainable return on net assets from continuing operations	Return on net assets from continuing operations	6%	12.81%	Achieved	This target is overachieved based on savings of more than R5 million against budget for the following categories of expenses: Energy costs; Corrective maintenance; and Consulting Fees.
	Maintain healthy earnings before interest and tax	Earnings before interest and tax in R million	R111.20	R177.84	Achieved	This target is overachieved based on savings of more than R5 million against budget for the following categories of expenses: Personnel remuneration; Satellite rental; Corrective maintenance; Consulting fees; and Interest paid.
	Implement effective internal control system with applicable legislation	Clean audit	Clean Audit	Clean Audit	Achieved	This is the third year in a row that we have met this target.

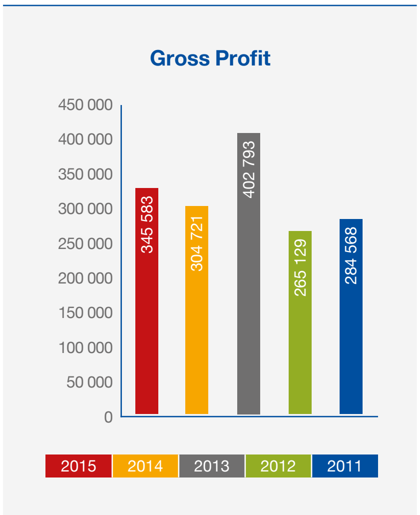
2.3 SALIENT FEATURES FOR THE YEAR ENDED 31 MARCH 2015

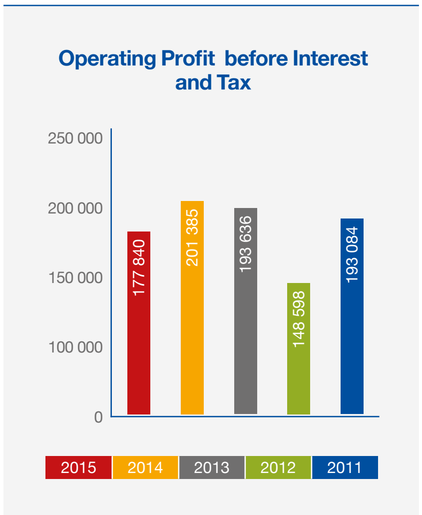
The following table indicates the salient features of SENTECH's financial performance for the abovementioned period:

	2015	2014	% Change
Revenue	1 107 146	975 287	14%
Gross profit	345 583	304 721	13%
Operating profit before interest and tax	177 840	201 385	-12%
Profit for the year	174 564	212 973	-18%
Total assets	1 718 586	1 841 738	-7%
Total liabilities	386 974	675 538	-43%
Total equity	1 331 612	1 166 200	14%
Net Cash flow from operating activities	131 710	47 609	177%
Capital expenditure	106 822	110 262	-3%
Gross profit margin	31.21%	31.24%	
Profitability ratio	15.77%	21.84%	
Liquidity ratio	3.28:1	2.31:1	
Solvency ratio	4.44:1	2.73:1	

For a detailed discussion of the amounts set out in the above table, refer to the Accounting Authority's Report.





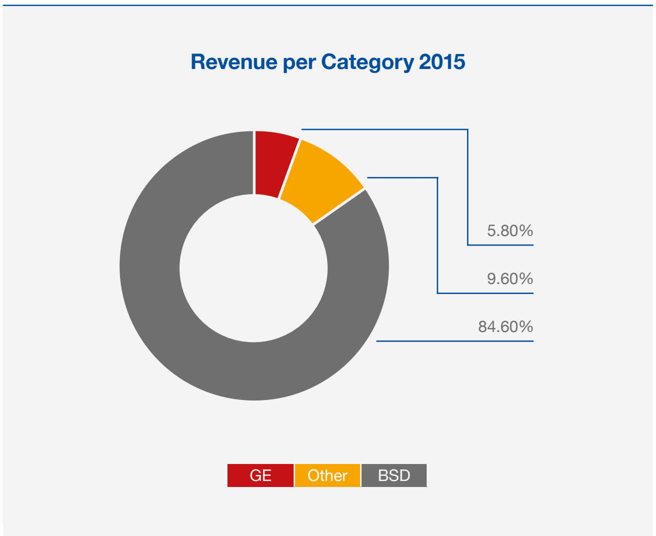


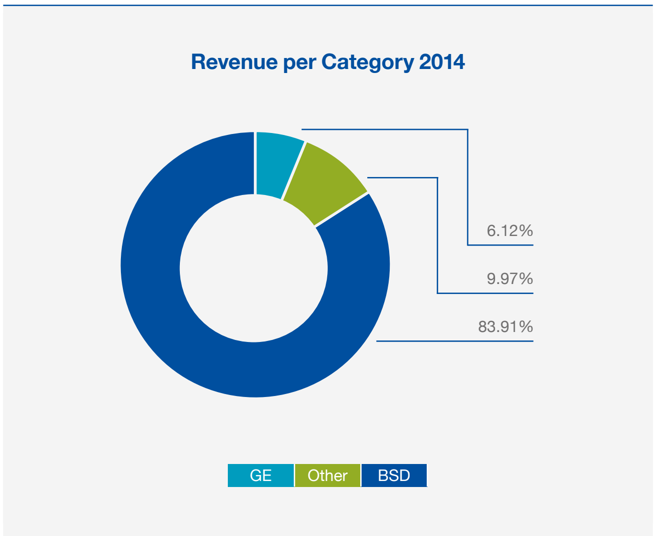
2.4 PRODUCT REVIEW

SENTECH's product portfolio consists of Broadcast Signal Distribution (BSD) and Government and Enterprise (GE) solutions.

The BSD products comprise television and radio services, while the GE products consist of Facility Leasing and VSAT services.

The BSD services currently account for 85% of the SENTECH revenue base, while GE solutions account for 6% of revenue. The remaining revenue primarily comprises the Dual Illumination Grant funding. BSD revenue was up 14% from the previous year, primarily driven by strong growth of the DTH satellite platform product, which achieved double-digit growth over the period under review, as well as from the contribution by the Low Power Project for the SABC. GE revenue was only up 1% from the previous year, largely due to the decrease in Vivid sales.





2.4.1 BROADCASTING SIGNAL DISTRIBUTION

2.4.1.1 ANALOGUE TELEVISION

Analogue television generated 43% (R477 million) of SENTECH's total revenue, primarily driven by the SABC, e.tv, M-Net and community broadcasters, which is an increase of 9% (R38 million) on the previous financial year.

The positive growth during 2014/15 was due to SENTECH's continued drive in providing services in rural and underserviced areas, by completing Low Power sites that were approved during the previous financial year. With the country in transition from analogue to digital television, the continued focus within television was the completion of tariff negotiations and formalisation of SLA negotiations.

Final tariff negotiations were completed with all three major broadcasters and a Memorandum of Understanding was concluded with M-Net and the SABC, appointing SENTECH as their preferred broadcasting signal distributor. During the financial year, not only did SENTECH complete its DTT tariff model, but finalised an ASO tariff model which will be adjusted as soon as the Honourable Minister of Communications announces the ASO period.

2.4.1.2 DIRECT-TO-HOME SATELLITE

The DTH-S Service has four main customer categories, namely existing terrestrial broadcasters, as part of the DTT gap-filler platform, Free-to-View broadcasters, Super PAs and Business TV/Radio customers.

DTH-S is a key growth area for SENTECH and revenue now accounts for 10% of total SENTECH revenue. DTH-S revenue for the period under review was R113 million, which was up 85% from the previous financial year.

2.4.1.3 FREQUENCY MODULATION

During the 2014/15 financial year, SENTECH provided FM BSD services to eighteen SABC radio stations, eighteen commercial radio stations and 95 community radio stations.

FM revenue currently accounts for 20% of SENTECH revenue. The FM portfolio achieved a 9% year-on-year growth and yielded revenue of R220 million, which is an increase of R18 million compared to the previous financial year. Revenue growth came from Public FM (R9 million), from Commercial FM (R7 million) and from Community FM (R2 million).

Public FM revenue growth came mainly from low power sites established in the previous financial year. Commercial FM revenue grew due to a combination of transmitter power upgrades, network linking enhancements and network expansions for various customers. Community FM revenue growth emanated from the connecting of sixteen new FM community broadcasters.

2.4.1.4 MEDIUM WAVE

During the 2014/15 financial year, SENTECH provided MW BSD services to two public radio stations, one commercial radio station and five community radio stations. MW currently contributes less than 1% of SENTECH revenue and achieved R8 million revenue, which is a 6% increase on the previous financial year. Revenue growth for the MW product came mainly from the withdrawal of a discount previously provided to one public MW radio station and network linking enhancements, also for one MW radio station. The SENTECH expertise in terms of the rollout and operation of MW radio systems makes it an attractive provider of MW radio services.

2.4.1.5 SHORT WAVE

During the 2014/15 financial year, SENTECH provided SW BSD services to two domestic broadcasters and to nine international broadcasters. SW currently contributes 2% to SENTECH revenue and achieved R25 million revenue, which is a 25% increase on the previous financial year.

The 3-year sustainability plan, launched in April 2013, is geared to return the SW product to sustainable operating profits. The plan involves scaling down the SW services to profitable services only, and aligning the operational structure with the reduced service. The plan has been implemented and the profitability of the SW product is starting to reverse the negative trend.

2.4.2 GOVERNMENT AND ENTERPRISE

2.4.2.1 FACILITIES RENTAL

SENTECH rents out over 220 sites to more than 90 service providers (public and private) who use the infrastructure for various communication services. Revenue from facilities rental revenue was R54 million for the period under review, which is 16% up on the previous year.

Increasing competition, along with investments in ever-changing technology, has resulted in telecom operators finding new ways of maintaining margins. Considering that the cost of building and operating infrastructure is significant for operators, market trends continue to prove that new operator business models are leaning towards managed services and leased facilities models. SENTECH has communications infrastructure across the country and the company conducted a holistic capacity audit on all its leasable facilities during the year to determine available capacity in line with facilities leasing expansion strategy. This initiative will enable SENTECH to engage its prospective customers on bulk offers and maximise use of infrastructure capacity.

2.4.2.2 VERY SMALL APERTURE TERMINAL

The VSAT product was expanded to include Point-of-Sale offerings. The tariff model for VSAT Ku-band was finalised during the financial year. The product achieved the target for the number of terminals to be installed last year with 148 sites and 14 CSI sites.

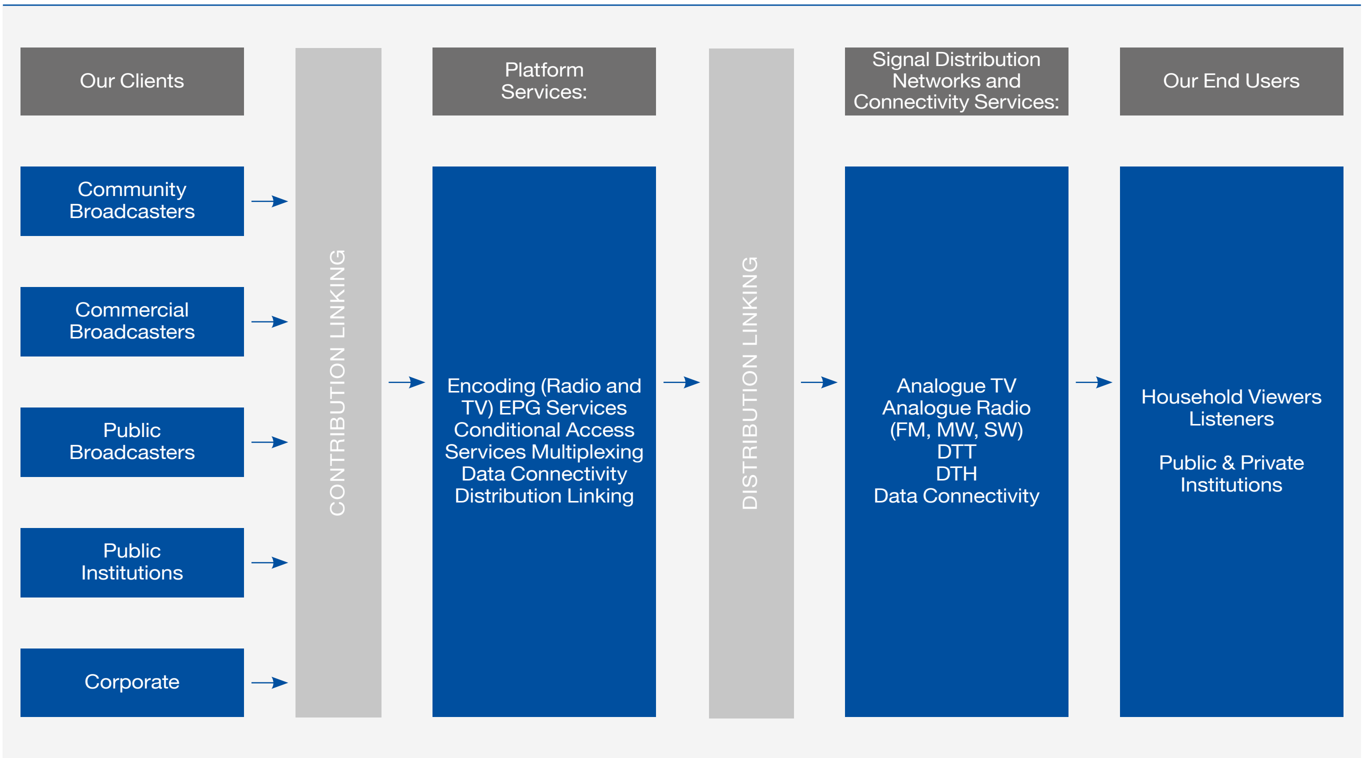
The VSAT product has had challenges, mainly with regard to two aspects of its offering, namely the Pricing and Network Performance. The HUB reached its end of life cycle in December 2014 with the software support anticipated to end in December 2017, while the satellite capacity rental contract is due to expire in June 2015. Revenue for VSAT service offerings continued to decline on average 12% year-on-year. During the period under review, the revenue dropped by 21%, compared to the previous financial year's revenue (R13 million for the 2013/14 financial year, compared to R10.6 million for the 2014/15 financial year). The revenue underperformance was due to the loss of USAASA as a customer and the failure to acquire additional customers in the financial year. The business will embark on a product review process in order to assess business continuity for the VSAT platform.

2.5 NETWORK PERFORMANCE

2.5.1 BACKGROUND

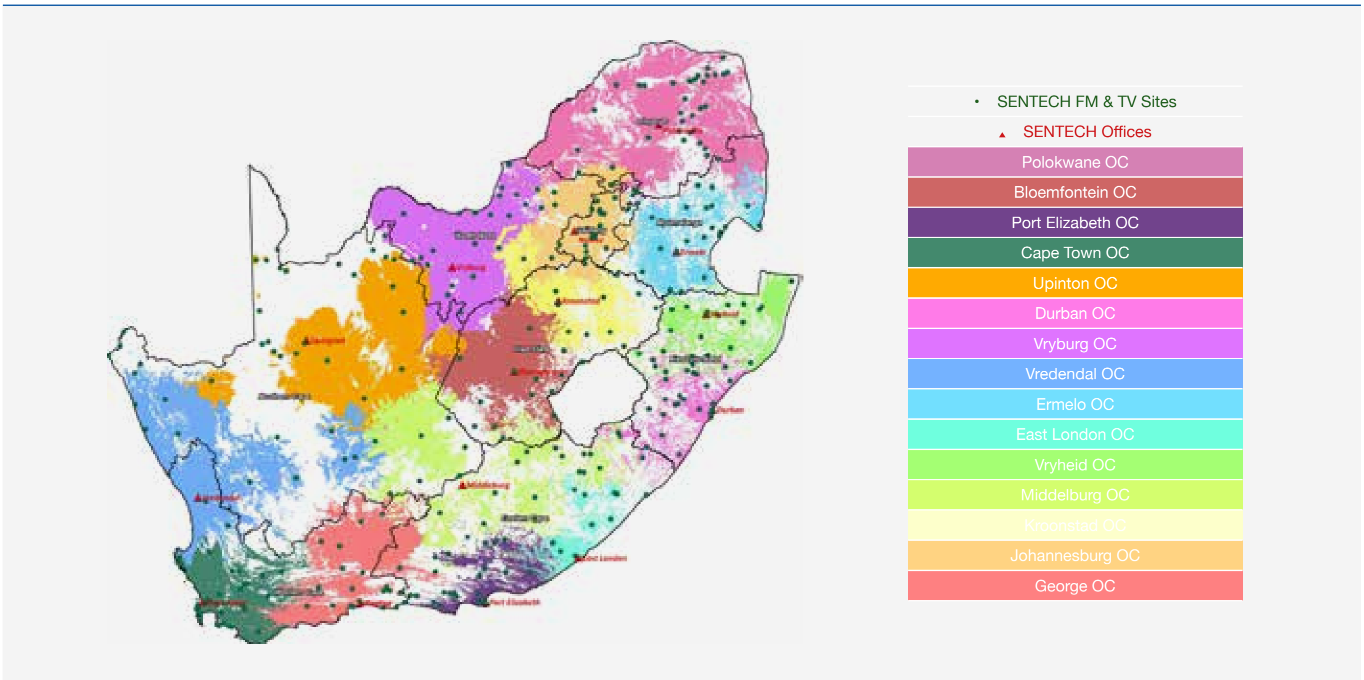
SENTECH operates approximately 330 terrestrial distribution sites and a satellite platform to provide customers with signal distribution services for television, radio and internet connectivity services. These networks are operated 24 hours a day, seven days a week and are continually maintained to improve reliability, ensure service availability and long-term operations continuity.

The diagram that follows, illustrates a high level signal distribution value chain for the above outlined services.



To reach South Africans with communication services, SENTECH deployed remote and satellite terminal sites across the country that are located a few kilometres away from SENTECH Operations Centres. Travel is inevitable with most maintenance activities. On average an employee has to travel 200 kilometres to access a site for maintenance purposes.

The map below depicts the national spread of SENTECH terrestrial infrastructure and offices.



2.5.2 OVERALL NETWORK PERFORMANCE

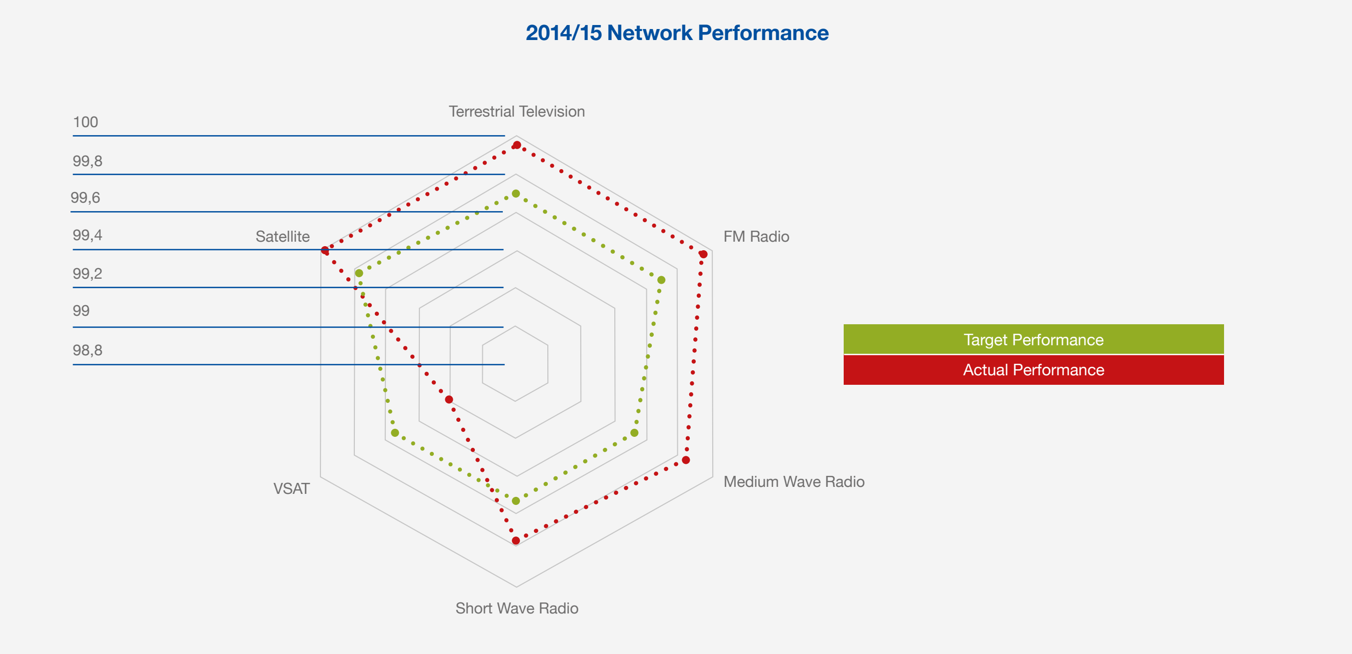
Based on predetermined service level targets and corporate plan objectives, SENTECH measured each platform service for the 2014/15 financial year per product revenue. SENTECH exceeded the corporate plan network availability target of 99.80% and delivered an overall weighted average network availability, of 99.89% during the 2014/15 financial year.

The table below presents the overall network availability for all operational platform services for the year ending March 2015.

National Network Performance – 2014/15							
Network Services	**SLA Target**	**Total Hours**	**Overall Interruptions**	**Overall Performance**	**SENTECH Interruptions**	**SENTECH Performance**	**Weighted Average Based on Revenue**
Terrestrial Television	99.7	5 413 680	11 741	99.78%	6 429	99.88%	55.91%
FM Radio	99.7	7 391 070	11 622	99.84%	7 523	99.90%	25.77%
Medium Wave Radio	99.5	70 080	197	99.72%	135	99.81%	0.89%
Short Wave Radio	99.5	28 936	71	99.75%	63	99.78%	2.88%
VSAT	99.5	8 736	70	99.20%	70	99.20%	1.24%
Satellite	99.8	628 327	994	99.84%	138	99.98%	13.20%
							99.89%

SENTECH realised service availability improvement for the year under review, due to various platform optimisation and maintenance interventions with the main focus on the VSAT platform. SENTECH services were faced with power supply availability and asset vandalism risks during the year under review. This necessitated the deployment of security guards at critical infrastructure sites and a power provisioning strategy review.

The graph below represents network performance for platform services for the 2014/15 financial year:



SENTECH exceeded network performance targets for Analogue Television, FM radio, MW Radio, SW radio and DTH platform services for the 2014/15 financial year. The VSAT platform performed below norm due to the unstable hub which is near its end of life (EOL). SENTECH plans to upgrade the hub during the 2015/16 financial year to improve hub performance and services reliability.

2.5.2.1 TERRESTRIAL TELEVISION NETWORK

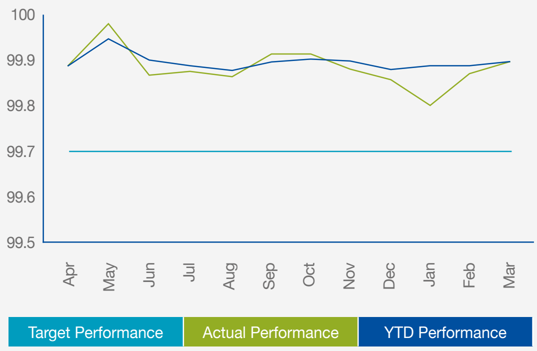
SENTECH operates a network of television transmitters across the country to provide its customers and the citizens of South Africa with television coverage services. This network is supported and managed to ensure continuous services availability. During 2014/15, Terrestrial television platform exceeded the set service level target of 99.70%, by achieving the network availability of 99.88% for the year under review

The diagram below depicts network availability and associated service interruptions for television services.

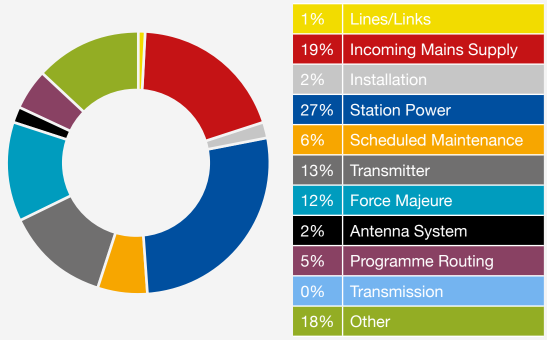
2014/15 Terrestrial Television Network Performance

Network Availability | **Network Interruptions**

Terrestrial Television



Television



Total Transmit Hours	SENTECH Target Norm	Overall Interruptions	Overall Performance	SENTECH Interruptions	SENTECH Performance
5 413 680	99.70	11 741	99.78%	6 429	99.88%

While the network availability target has been achieved, causes of television service interruptions for the year were:

- Eskom load shedding activities combined with stand-by generator system failures;
- Limited access to spare modules for the aging Analogue TV network; and
- Asset vandalism and cable theft.

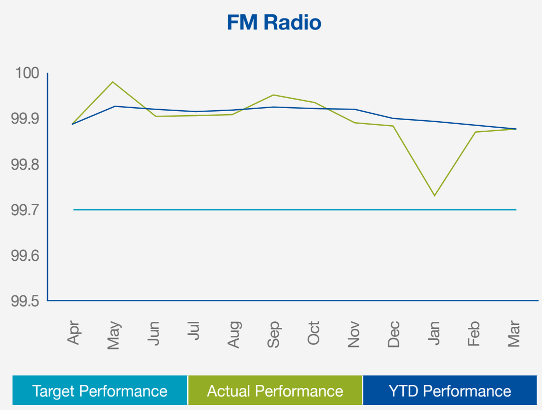
2.5.2.2 TERRESTRIAL FM

SENTECH operates a network of radio transmitters across the country to provide its customers and the citizens of South Africa with radio coverage services. This network is supported and managed to ensure continuous services availability. Terrestrial FM radio platform exceeded the set service level target of 99.70% by achieving the network availability of 99.90% for the year under review.

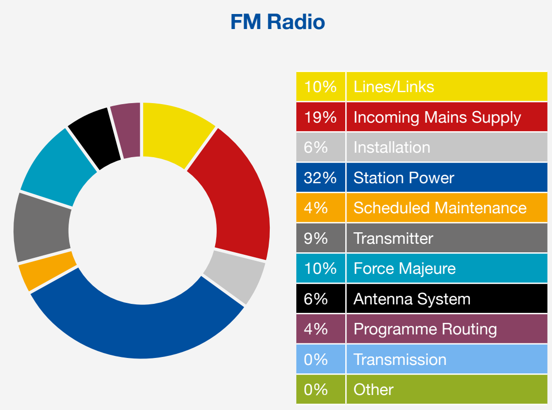
The diagram below depicts network availability and associated service interruptions for FM radio services:

2014/15 Terrestrial FM Network Performance

Network Availability



Network Interruptions



Total Transmit Hours	SENTECH Target Norm	Overall Interruptions	Overall Performance	SENTECH Interruptions	SENTECH Performance
7 391 070	99.70	11 622	99.84%	7 523	99.90%

While the network availability target has been achieved, causes of FM service interruptions for the year were:
- Eskom load shedding activities combined with stand-by generator system failures;
- Feeder cable system failures; and
- Power cable theft and site intrusions.

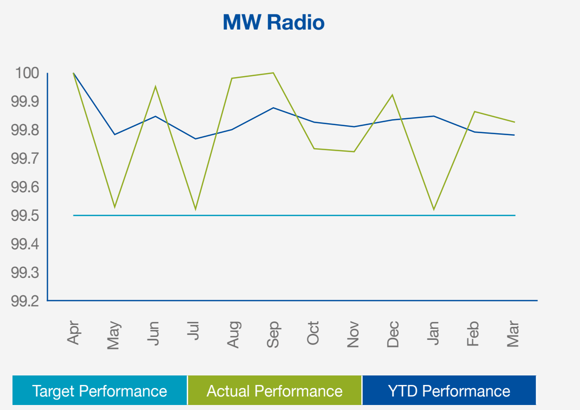
2.5.2.3 MEDIUM-WAVE TERRESTRIAL

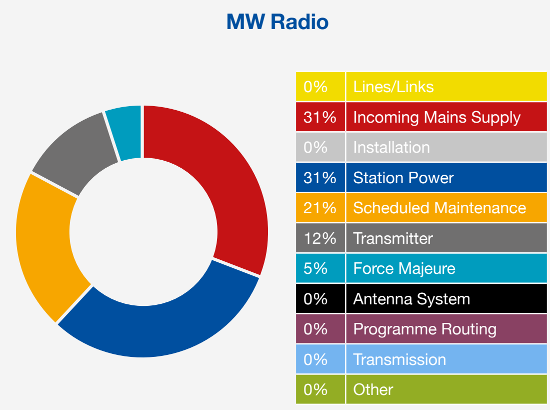
SENTECH operates a network of medium-wave (MW) transmitters in Gauteng, Eastern Cape and Western Cape to provide its customers and the citizens of South Africa with radio coverage services. This network is supported and maintained to ensure continuous services availability. Terrestrial MW radio platform exceeded the set service level target of 99.50% by achieving the network availability of 99.81% for the year under review.

The diagram below depicts network availability and associated service interruptions for MW radio services:

Terrestrial MW Network Performance

Network Availability	Network Interruptions





Total Transmit Hours	SENTECH Target Norm	Overall Interruptions	Overall Performance	SENTECH Interruptions	SENTECH Performance
70 080	99.50	197	99.72%	135	99.81%

While the network availability target has been achieved, causes of MW service interruptions for the year were:

- Vandalism of Eskom supply infrastructure;
- Maintenance to replace the guy rope insulator at Klipheuwel; and
- Unavailability of spares, resulting in extended service outages.

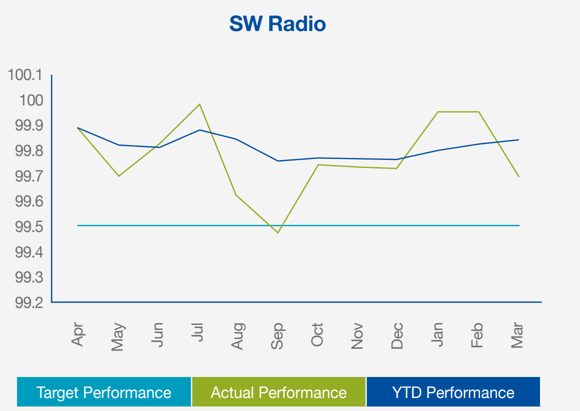
2.5.2.4 SHORT-WAVE TERRESTRIAL

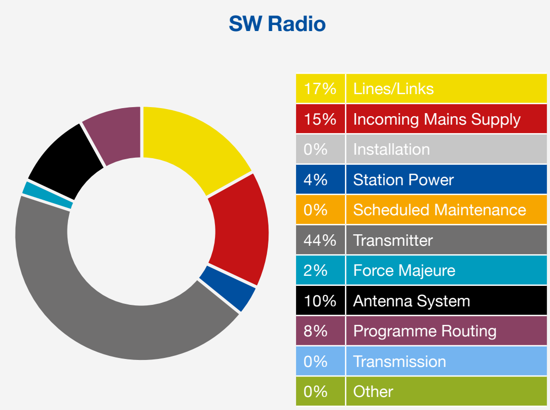
SENTECH operates a network of short-wave (SW) transmitters from Gauteng to provide its customers and the citizens of South Africa, Africa and Europe with radio coverage services. This network is supported and maintained to ensure continuous services availability. Terrestrial SW radio platform exceeded the set service level target of 99.50% by achieving the network availability of 99.78% for the year under review.

The diagram below depicts network availability and associated service interruptions for SW radio services:

Terrestrial SW Network Performance

Network Availability	Network Interruptions





Total Transmit Hours	SENTECH Target Norm	Overall Interruptions	Overall Performance	SENTECH Interruptions	SENTECH Performance
28 936	99.50	71	99.75%	63	99.78%

While the network availability target has been achieved, causes of SW service interruptions for the year were:

- Eskom load shedding activities combined with stand-by generator system failures; and
- Transmitter system failures.

2.5.2.5 DIRECT TO HOME SATELLITE NETWORK

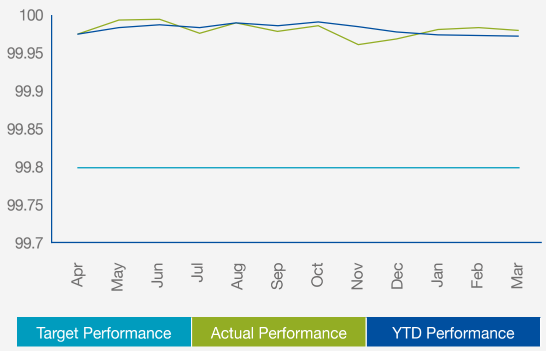
SENTECH operates a network of Satellite transponders to provide its customers and citizens in South Africa and Sub-Saharan Africa with radio and television coverage services. This network is supported and maintained to ensure continuous services availability. The DTH services platform exceeded the set service level target of 99.80% by achieving network availability of 99.98% for the year under review.

The diagram below depicts network availability and associated service interruptions for DTH network services.

Direct to Home

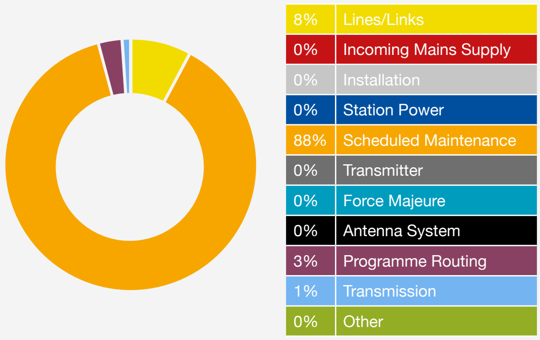
Network Availability

DTH Satellite



Network Interruptions

DTH Satellite



Total Transmit Hours	SENTECH Target Norm	Overall Interruptions	Overall Performance	SENTECH Interruptions	SENTECH Performance
628 327	99.80	994	99.84%	138	99.98%

While the network availability target has been achieved, causes of DTH service interruptions for the year were:

- Uninterrupted Power Supply (UPS) system failures; and
- Weather interruptions.

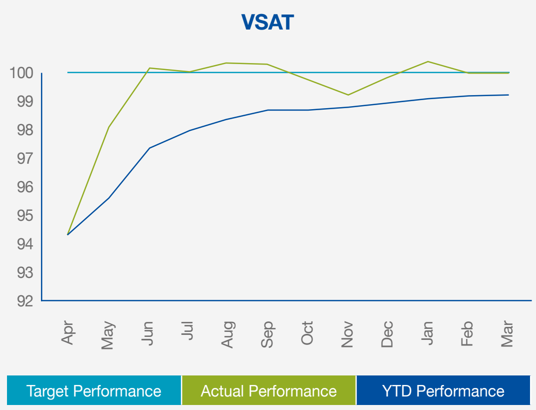
2.5.2.6 VSAT

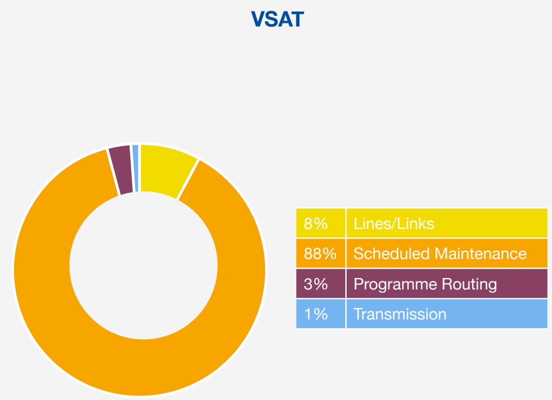
SENTECH operates a VSAT platform to provide government institutions, enterprises and individual users with internet connectivity services. This network is supported and maintained to ensure continuous services availability. The VSAT platform did not meet the set service level target of 99.80% by achieving the network availability of 99.20% for the year under review. The major contributors were end of life and unsupported equipment, causing instability of the VSAT hub.

The diagram below depicts network availability and associated service interruptions for VSAT services:

VSAT

Network Availability	Network Interruptions





Total Transmit Hours	SENTECH Target Norm	Overall Interruptions	Overall Performance	SENTECH Interruptions	SENTECH Performance
8 736	99.80	70	99.20%	70	99.20%

Major VSAT services interruptions for the 2014/15 financial year, was caused by the instability of critical components in the hub, leading to significant downtime.

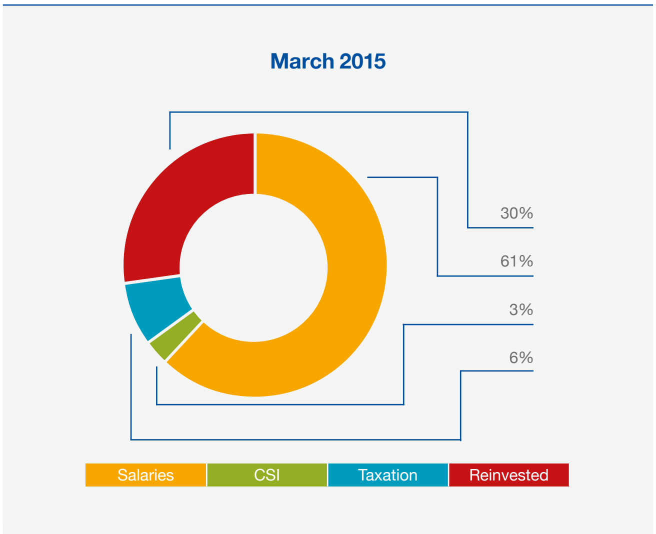
2.5.3 SIGNAL DISTRIBUTOR'S STAKEHOLDER FORUM

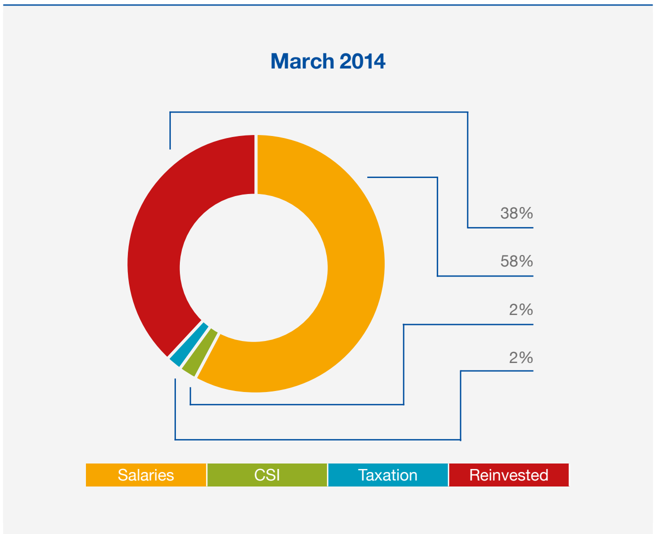
SENTECH continued to engage and collaborate with various industry stakeholders across the country on a monthly basis to identify underserviced areas and jointly developed remedial actions. The Stakeholder Forum includes, but is not limited to the SABC, SENTECH, Eskom, ICASA, SAPOS, USAASA and GCIS. This forum meets on a monthly basis and visits each province monthly. This programme has resulted in the deployment of the low power project and various DTH-related projects.

2.6 VALUE ADDED STATEMENT

The statement shows how wealth was created and how it was disbursed among stakeholders, leaving a retained amount which was reinvested in the company for the development of activities and the maintenance of required capabilities.

	2015	2014
Revenue	1 107 146	975 287
Expenditure	566 462	503 197
Value added by operations	540 637	472 090
Other income	2 824	41 410
Interest income	44 573	46 202
Total wealth created	588 034	559 702
Distributed as follows	413 470	346 729
Employees		
Salaries and wages	360 387	328 266
Corporate social investment government	16 003	6 952
Taxation	37 080	11 511
Reinvested	174 564	212 973





2.7 FIVE-YEAR REVIEW

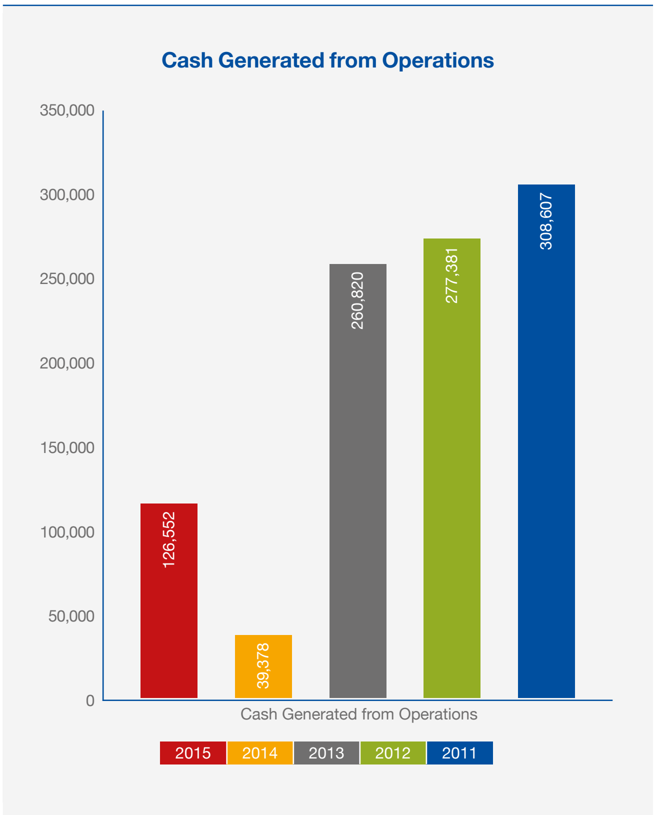
The table below sets out SENTECH's financial performance for the current and preceding four years.

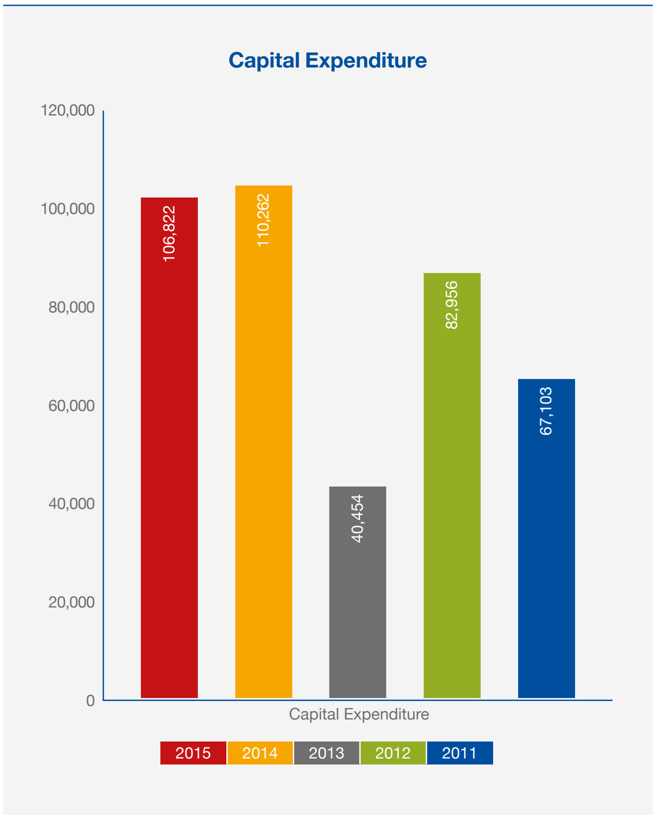
STATEMENT OF PROFIT OR LOSS AND CASH-FLOW

	2015	2014	2013	2012	2011
Revenue	1 107 146	975 287	899 383	812 585	794 192
Gross profit	**345 583**	**304 721**	**402 793**	**265 129**	**284 568**
Other income	2 824	41 410	-		-
Operating expenses	74 639	79 316	97 275	71 259	27 634
Selling expenses	22 856	14 718	12 829	6 750	5 175
Administration expenses	73 072	50 712	99 053	38 522	58 675
Operating Profit	**177 840**	**201 385**	**193 636**	**148 598**	**193 084**
Finance income	44 573	46 202	27 485	62 127	60 088
Finance Costs	10 769	23 103	193 030	18 466	20 804
Profit before tax	**211 644**	**224 484**	**28 091**	**43 661**	**232 368**
Cash generated from operations	**126 552**	**39 378**	**260 820**	**277 381**	**308 607**

STATEMENT OF FINANCIAL POSITION

	2015	2014	2013	2012	2011
Non-current assets	633 461	602 409	545 629	508 430	500 468
Current assets	1 085 125	1 239 329	1 688 836	1 654 663	1 185 999
Non-current liabilities	56 489	138 540	222 433	198 557	186 885
Current liabilities	330 485	536 998	1 058 838	1 057 461	753 934
Total equity	**1 331 612**	**1 166 200**	**953 194**	**907 075**	**745 648**
Capital expenditure	**106 822**	**110 262**	**40 454**	**82 956**	**67 103**


Cash Generated from Operations
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
126,552
39,378
260,820
277,381
308,607
Cash Generated from Operations
2015
2014
2013
2012
2011


Capital Expenditure
120,000
100,000
80,000
60,000
40,000
20,000
0
106,822
110,262
40,454
82,956
67,103
Capital Expenditure
2015
2014
2013
2012
2011

3

Key Projects

3.1 Digital Terrestrial Television

The scope for the DTT rollout project for the 2013/14 and 2014/15 financial years was to expand population coverage from 80% to 84% in accordance with the ICASA frequency spectrum plan. This objective required the installation of transmitter equipment and the upgrade of infrastructure at 64 transmitter stations, as set out in the project schedule below.

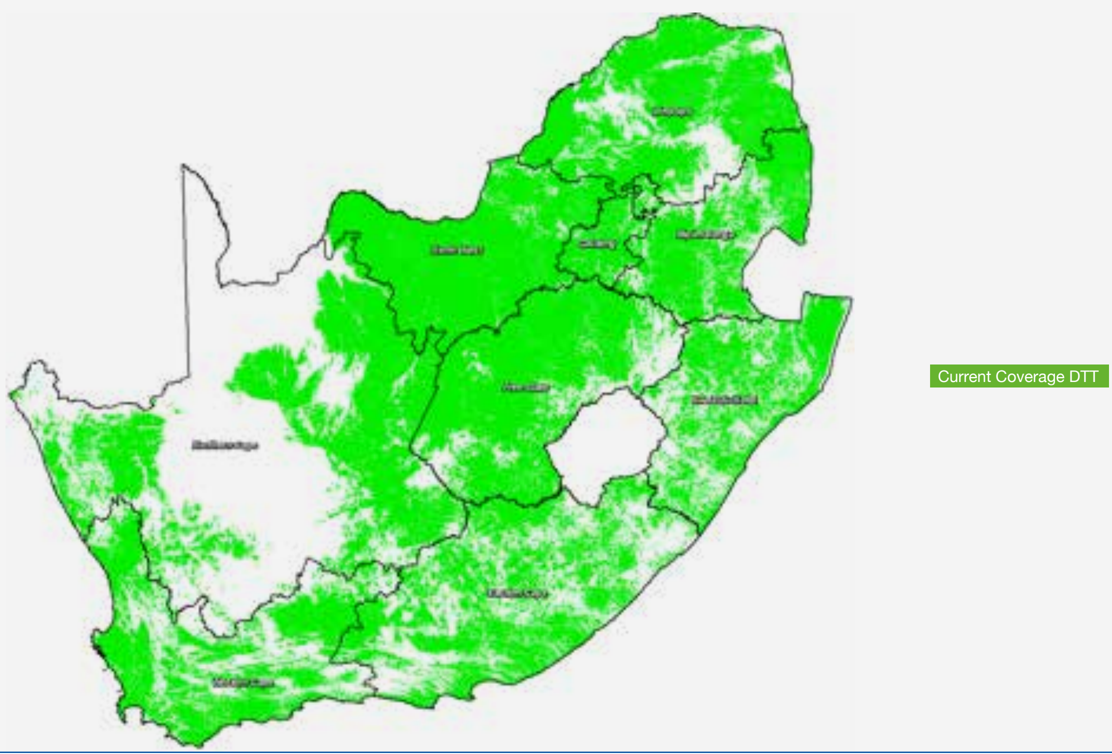
Population Coverage	Number of Sites	Financial Year
0% to 60%	47	2011/12
60% to 80%	67	2012/13
80% to 82%	46	2013/14
82% to 84%	18	2014/15
Total	**178**	

The per site population contribution of the last mile signal distribution infrastructure is smaller and the cost of deployment is higher, compared to earlier infrastructure in the DTT project, due to a scattered population spread in the countryside and a need to install UHF antenna systems at those sites.

DTT coverage status at the end of March 2015, is as shown in the table below:

Description	Regulated ERP	
	Annual Target	Achieved to Date
% Accumulated population coverage	84%	84%
% Accumulated geographic coverage	58%	58%

The coverage map below depicts the DTT geographic coverage as at 31 March 2015.



March 2015	Migration Status	
	Target	Completed
Limpopo	10	10
Mpumalanga	13	13
Gauteng	12	12
North-West	16	16
Free State	13	13
KwaZulu-Natal	29	29
Eastern Cape	33	33
Western Cape	34	34
Northern Cape	18	18
Total	**178**	**178**

The challenge experienced during this year, was related to securing the services of contractors for civil, electrical and rigging requirements – especially given the complex nature of the operations and work that needed to be done at remote sites.

Challenges experienced during the construction phase, mainly pertained to community-related matters and inclement weather. As at the end of March 2015, the migration has been completed.

3.1.1 DTT OPERATING MODEL

The commercial launch of DTT services is imminent as the June 2015 ITU ASO deadline is approaching. SENTECH is currently implementing a project to remodel its technical operations in preparation for the commercial launch of DTT services.

SENTECH developed a globally integrated model for the DTT environment, in order to achieve centralised network control and operational efficiency. This operating model will facilitate standardisation, enterprise-wide integrated operations, nation-wide network visibility and management. The integrated operations model will maximise network support and management capabilities to exploit competitive business advantage. Below are some of the key elements of the new operating model:

- Improves network automation and redundancy to reduce human intervention;
- Improves systems and human capabilities to reduce restoration time;
- Enables strategic placement and the levelling of human resources utilisation;
- Centralises network management to reduce personnel standby hours;
- Improves assets security and third-party service management capability; and
- Standardises network solutions to reduce the spares inventory.

3.1.2 ANALOGUE SWITCH OFF (ASO)

South Africa, as a signatory to the ITU DTT 2006 migration treaty, is underway with the DTT Migration programmes. DTT migration success hinges significantly on innovative, structured and co-ordinated project approaches. SENTECH continued to collaborate with various DTT migration stakeholders during the year under review and developed a baseline national ASO strategies and implementations plan. The strategy and plan focuses on protecting services from the likely cross-border interference and compliance with the SKA Act and DTT migrations regulations.

3.2 NATIONAL WIRELESS BROADBAND NETWORK

SENTECH, as part of its mandate, recognised an opportunity to participate in enabling realisation of the National Broadband Policy and objectives of the SA Connect programme. In the 2014/15 financial year, SENTECH invested its efforts in evaluating technologies for further enhancing its broadband offering within its current VSAT product portfolio as well as contribution towards affordable services. To this end, SENTECH undertook a Ka-band trial in order to evaluate the technology, enhancement of its value proposition, improve affordability and ability to further increase the throughput and quick access to broadband services. Subsequent to the evaluation of the technology, SENTECH initiated an acquisition process for the provision of Ka-band services, with a plan to migrate its broadband customers from Ku-band to Ka-band high throughput services.

With SA Connect, SENTECH sees a need for collaboration in enabling realisation of an ecosystem of high capacity, high speed and high quality electronic networks, services, applications and content that enhances the variety, uses and value of information and communication for different types of users. Within the broadband value chain, SENTECH sees its role within the networks and services segment, especially in complementing its universal access mandate through active collaboration with various government entities and industry players.

3.3 NEW TECHNOLOGIES

SENTECH identified that in addition to the digital television migration, it was important to consider evaluating digital radio technologies. This is with an objective to find means by which the current challenges related to spectrum availability is addressed and further leverage on the service enhancement brought by digital technology. Digital radio not only maximises the use of frequency spectrum, but also delivers value added capability that can be exploited for sustainability of broadcasters. The aim of the digital trials is to find means by which promotion of diversity and entrants of new players is supported and enabled. The trial outcomes also aim to work together with industry stakeholders to find suitable regulatory frameworks and ultimately derive the roadmap towards commercial realisation.

In collaboration with the NAB and SADIBA, DAB+ was identified as one of the technologies towards advancement of digital radio. SENTECH has deployed two 10kW DAB+ trial sites in Brixton and Kameeldrift. The first site of the network was put on air in December 2014 and subsequently followed by testing with key stakeholders.

In relation to MW, SENTECH is also working with Radio Pulpit to evaluate Digital Radio Mondiale (DRM 30) technology as a possible roadmap towards evolution from analogue MW radio to digital, using the MW frequency bands.

In this financial year, SENTECH also signed a collaboration agreement with the CSIR to evaluate the use of L-band. This partnership aims to find various solutions that will enable the evolution of community broadcasting onto the digital platforms, whilst leveraging on the most cost effective and added value.

As part of promoting exposure of historically disadvantaged individuals to the digital arena, SENTECH has also partnered with two local universities in the field of engineering, with the partnership also encompassing research and development projects in the broadcasting sector.

3.4 INNOVATION

SENTECH has defined innovation as one of the critical success factors for the company's long-term sustainability within the new digital convergence economy. It is in this context that SENTECH has formulated key strategic programmes that will enable the company to leverage its existing and future digital infrastructure towards offering enhanced and value-added services to create new business products and develop new markets.

Through the Innovation Hub established at the beginning of the 2014 financial year and operationalised later in that fiscal year, SENTECH has, over the past financial year, invested in building new capabilities and creating new platforms. Some of these platforms have now been industrialised and commercialised, while others are in pilot or proof-of-concept phase. SENTECH developed a Digital Product Roadmap that forms part of the company's MTEF roadmap, geared towards a sustainable future and growth strategy within the converged digital economy.

SENTECH's Satellite Direct-To-Home platform is a digital transmission platform and was therefore ideal to leverage in developing new service offerings. This was especially vital for the company, considering the huge impact digital convergence is proving to be as 'a game changer' and with the delays in the commercial launch of DTT. Derived from capabilities initially developed for the FreeVision DTH platform, SENTECH revised its DTH Business Model to focus on providing end-to-end wholesale platforms for new and existing broadcast operators and other content distributors. The 2014/15 financial year saw the successful launch of the Free-to-Air satellite TV service on SENTECH's Intelsat 20 satellite platform for a FTA client. The Free-to-Air service launched on 21 September 2014 and continues to grow its offering and subscriber base on the back of SENTECH's robust infrastructure and reliable services. A Video-on-Demand service also launched during September 2014, using the SENTECH DTH platform on Intelsat 20. This is a fully converged home gateway solution, offering the latest in movie entertainment, TV series, sports and business content, internet access and wireless smart home solutions.

As part of its future strategy for enhanced and premium broadcasting services, SENTECH embarked on a pilot with the SABC to develop Over-the-Top capabilities using its DTH platform to deliver Hybrid Broadcast Broadband TV (HbbTV) and other interactive applications. The applications developed for the pilot included Catch-up TV applications, Video-on-Demand streaming services as well as applications for news and Government Information Services. During 2014/15, SENTECH began implementation of a state-of-the-art CRM / Subscriber Management System that will enable the company to support business requirements for new customer segments such as Pay TV and Video-on-Demand operators.

An additional key priority area of the MTEF 2014 to 2017 Corporate Plan, was SENTECH's focus on leveraging its digital infrastructure to enhance effective and efficient public Service delivery. Key to this strategy was the engagement and collaboration with different state entities. In this regard SENTECH developed a service offering for Public Access Channels which enable Government entities to establish their own television channels to communicate more effectively with their internal and external stakeholders. The Public Access Channel utilises the DTH platform and in future can be incorporated into other digital platforms such as DTT and IPTV.

During the last quarter of the 2014/15 financial year, SENTECH was appointed by the City of Johannesburg Municipality to assist in establishing a municipal TV channel for them to communicate with both staff and customers. The project will be delivered through a six-month pilot that will be rolled out to eleven sites across the city, including customer service centres, traffic testing stations and clinics.

Another key milestone for SENTECH in 2014/15 was the first broadcast of the State of the Nation Address using its Satellite DTH platform. For the first time SENTECH, through its work with the South African Parliament has been able to provide Free-to-Air audio access to the Parliamentary TV Channel. The service is also provided through multicast over VSAT to over 100 community radio broadcasters across the country.

3.5 ICT GOVERNANCE

ICT governance is a framework that supports effective and efficient management of ICT resources to facilitate the achievement of a company's strategic objectives. The Board is responsible for ICT governance. As part of the ICT governance framework, the board ensures that an ICT charter and policies are established and are implemented.

An ICT governance initiative was undertaken based on the DPSA Policy Framework on Corporate Governance of ICT (CGICT) and the DPSA Governance model.

SENTECH committed to an implementation of CGICT priority processes, namely:
- Manage continuity;
- Manage security;
- Manage enterprise architecture;
- Manage operations; and
- Manage programmes and projects.

A major assessment of IT service continuity, addressing specifically inadequate management of backups and backup restoration processes, was undertaken. This detailed landscape assessment was followed by a remedial action plan.

Also initiated was the Knowledge Management Project and the establishment of a Registry and Company File Plan consistent with National Archives and Records Services (NARS) precepts. Pilots and further analysis, prior to full implementation, will be done in 2015/16. Scoping of the SENTECH BCP to provide cover in the event of a disaster and the design of a disaster recovery network implementation, are on the agenda for the next financial year.

3.6 SUSTAINABILITY

3.6.1 ENVIRONMENT

SENTECH has developed an environmental policy which is in the process of being implemented. Electricity currently constitutes a significant proportion of the company's expenditure and carbon footprint. The company has adopted a strategy to reduce electricity consumption at all sites by investing in more energy-efficient products and solutions.

3.6.2 HEALTH AND SAFETY

As part of the health and safety plan, radio frequency wave testing was conducted at major SENTECH sites to determine exposure levels on employees and ensure compliance to radio frequency international standards (ICNIRP). The results of the assessment provided assurance that the exposure limit is far below the international standards. The company is also in the process of rolling out the medical assessments as part of the surveillance programme to manage and minimise occupational illness for employees occupying positions that have been identified as high risk.

3.6.3 INTEGRATED REPORTING

SENTECH is currently conducting a benchmarking analysis for the purpose of identifying gaps in relation to our current annual reporting. The company is expected to implement the recommendations from this exercise in the 2015/16 Annual Report.

4

Governance

4.1 THE SENTECH BOARD

4.1.1 INTRODUCTION

The Board recognises the need to manage the enterprise with integrity and in accordance with generally accepted corporate practices. As a state-owned company, SENTECH is required to comply with applicable legislation and a number of regulations, including, but not limited to the SENTECH Act, the PFMA, the Treasury Regulations, the Companies Act and the Government Protocol on Corporate Governance.

The company further supports and endorses the guiding principles of the Code of Corporate Practices and Conduct as articulated in the King III Report, to the extent that they are not in conflict with the company's primary legislative documents, as stated above. The company is continuing to design and implement the necessary governance systems to ensure compliance.

4.1.2 OWNERSHIP

In accordance with the SENTECH Act, ownership of the company is vested in the state as the sole Shareholder, as represented by the Minister of Telecommunications and Postal Services (the Minister) who is defined as the Executive Authority in terms of the PFMA.

4.1.3 MEMORANDUM OF INCORPORATION

The Company's new Memorandum of Incorporation (MoI), aligned with the provisions of the Companies Act, and was approved by the Shareholder Representative. The approved MoI was subsequently accepted and placed on file by the Companies and Intellectual Property Commission on 14 May 2014.

3.1.3 SHAREHOLDER'S COMPACT

The Shareholder's Compact includes Key Performance Indicators which are revised annually by agreement between the Shareholder Representative and the Board of Directors, and serves as the performance monitoring framework for the Company. Performance against the 2014/15 Shareholder Compact is outlined in section 2 of this report as required by Section 55(2) (a) of the PFMA.

4.1.4 COMPOSITION OF THE BOARD

In terms of the SENTECH Act, the Board shall consist of three executive directors and at least four non-executive directors, who are all appointed by the Minister. Non-executive directors and executive directors are appointed for a three-year term and five-year term, respectively. None of the directors have been in service for more than the requisite period.

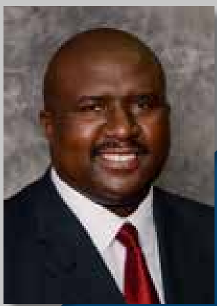
The executive directors shall be the persons performing the functions of a CEO, COO and CFO and shall constitute the company's EXCO. As at 31 March 2015, the Board comprised nine directors, that is, three executive directors and six independent non-executive directors.

The independent non-executive directors have diverse experience, background and skills. They contribute a variety of skills, business acumen, independent judgment and experience on various issues that include strategy, ethical leadership, governance, transformation and performance. They have unrestricted access to the company's information, documents, records and property in the interest of fulfilling their responsibilities as independent non-executive directors.

The roles of the Board Chairperson and the CEO are separate, with their responsibilities clearly defined. The Board Chairperson is responsible for leading the Board and ensuring its effectiveness. The collective responsibilities of management vest in the CEO and as such the CEO bears ultimate responsibility for all management functions. The Executive Committee assists the CEO in the performance of her duties.

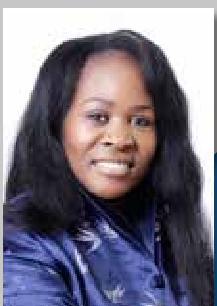
Mr Magatho Mello
Chairperson: 1 March 2015
BSc (Electrical Engineering), NHD (Electrical Engineering), MSc (Electrical Engineering)

Mr Mello is currently the Executive Head: Key Accounts at Vodacom. Prior to this he was a Digital City Services Consultant at the Ekurhuleni Metro and Founder and Executive Director at Maraswi Consulting Services. Mr Mello's extensive experience in telecommunications and engineering includes: Managing Director at IST Telecoms; Telecommunications Senior Manager at arivia.kom (South Africa); Value-added Service Support Manager at MTN (SA); Project Leader: Broadband Network Management at Telkom SA; and Tech Engineer Co-op at National Semiconductor (California). He is a member of Tau Beta Pi National Honor Society and a member of the Institute of Electronic and Electrical Engineers (IEEE).



Mr Thabo Mongake
Chairperson: 1 March 2012 to 28 February 2015
Dip (Auctioneering)

Mr Mongake held several key positions at executive level in numerous organisations, including Executive Director of BIDZ Auctioneers and Valuers; Business Development Manager at Auction Alliance; and Chief Executive of the Prime Time Group (Pty) Ltd. He is currently Chairperson of the Free State Land Use Advisory Board, a board member of the Free State Gambling and Liquor Authority and a Non-executive Director of the Free State Social Housing Company.



Ms Xoliswa Daku
Non-Executive Director: 1 November 2013
B Proc, Dip (Legal Practice), Dip (Human Resource Management), Cert (Management Development Programme), Adv Dip (Project Management), Cert (Facilities Management), LLM, MBA.

Ms Daku serves on several boards at non-executive level, with a focus on corporate governance. She is involved in stimulating women in business development and, in light of this, she served as the National Chairperson of the South African Women Enterprise Network (SAWEN).

Ms Reitumetse Huntley
Non-Executive Director: 1 November 2013
B Proc, LLB, Cert (Management Advanced Programme)

Ms Huntley has extensive experience in Commercial and Corporate Law, including Telecommunications Law. Ms Huntley advised many state-owned enterprises on corporate governance issues and general compliance with relevant legislation. She also serves on several boards at non-executive level.

Ms Ntombizodwa Mbele
Non-Executive Director: 1 November 2013
CA (SA)

Ms Mbele has extensive experience in the fields of project finance and structuring, treasury management, financial management and audit. As an executive for several years, she has rich experience on strategy formulation and implementation, reinforced by years of active serving previously and currently on other boards and audit committees.

Mr Lumko Mtimde
Non-Executive Director: 1 March 2015
BSc (Biochemistry and Physiology), PG Dip (Telecommunications and Information Policy)

Mr Mtimde is a council member of the Sports Adjudicating Panel at the Department of Sports, Arts and Culture, Gauteng Government. He is a former Acting Chief Executive Officer at Alfred Nzo Development Agency (ANDA) and former CEO of the Media Diversity and Development Agency (MDDA). Mr Mtimde is, among others, a member of the MICT SETA, Eastern Cape Information Initiative (ECITI), a board member of the World Summit Awards (WSA), Chairperson of Kwa-Bhaca Community Development and Support Trust (KCDST), Chairperson of Mvenyane Education Trust (MVEET), member of the Africa Steering Committee for the Global Forum and member of the High Level Panel of Advisors of Global Alliance for ICT and Development. He is a former councillor of both the Independent Broadcasting Authority (IBA) and ICASA. He previously served on the boards of SABC and ANDA.

Mr Seth Radebe
Non-Executive Director: 1 March 2015
CA (SA)

Mr Radebe is the Chief Executive Officer of Amazwe Capital. His board memberships include: Non-executive Chairman of Arthur Els Consulting Actuaries; and Non-executive Director of Yebo-Yethu Limited. His past directorships include Non-executive Chairman of Merchant West Holdings; Lead Independent Director at Platfields Limited; and Non-Executive Director at SAFCOL. He is currently the Chairperson of the Audit Committee of Mining Qualification Authority, and Audit Committee member of Mangaung Metropolitan Municipality and the Department of Defence and Military Veterans.

Mr Stephen Molala
Non-Executive Director: 1 March 2012 to 28 February 2015
BA, HED, BA (Hons), MA (Geography), FDE (Education Management)

Mr Molala has fifteen years working experience in the field of institutional development and management, as well as teaching and capacity-building. He has vast experience in grassroots work, general management and transformation and also contributed to several research publications. He was appointed Municipal Manager for Greater Tubatse, Maluti-a-Phofung and Fezile Dabi Municipalities. In addition, Mr Molala previously held positions as Managing Director at Afriscope and Head of Department at the Free State Department of Police, Roads and Transport.

Dr Setumo Mohapi
Chief Executive Officer: 1 November 2010 to 31 March 2015
BSc (Electrical Engineering and Computer Science), M Eng, PhD (Telecommunications)

Dr Mohapi is an accomplished expert in the Information and Communications Technology (ICT) sector and has worked at various companies in the sector, including his previous position as the Chief Operating Officer of IWAYAFRICA, a subsidiary of the Telkom Group in Mauritius. He also served as Chief Technical Officer of ICT-Works.

Ms Rudzani Rasikhinya
Chief Financial Officer: 1 September 2013
CA (SA)

Ms Rasikhinya previously served as CFO at the Department of Home Affairs and held various other senior positions including Chief Director: Accounting and Support at the National Treasury, as well as senior management positions at KPMG. She also served on various boards and is a member of SAICA.

Mr Kganki Matabane
Chief Operating Officer: 1 July 2012
N Dip (Cost and Management Accounting), B Tech (Cost and Management Accounting) PG Dip (Business Administration), Cert (Financial Analysis), Cert (Leadership Development Programme)

Mr Matabane served as an Executive Director of Transformation Policy and Operations at Business Unity South Africa (BUSA). He held various strategic positions at the Black Management Forum (BMF), the Gauteng Provincial Legislature, City Power Johannesburg, Spoornet and Anglo Platinum. Mr Matabane serves on various boards and is a practicing member of the South African Institute of Professional Accountants.

The purpose of the Board is to ensure that the Company is sustainable and capable of fulfilling its statutory, strategic and operational objectives. Directors owe a fiduciary duty to the Company, both under the common law and legislation, namely, PFMA and Companies Act, and are accountable to the Shareholder, represented by the Minister of Telecommunications and Postal Services.

Directors are also responsible, within the confines of corporate law and legislation, to other stakeholders of the Company.

4.2 RESPONSIBILITIES OF THE BOARD

Directors are required to exercise due care, skill and the utmost good faith in the performance of their duties.

The Board is also governed by a Charter, which provides a concise overview of the role, powers, functions, duties and responsibilities of the directors, both collectively and individually. The Board Charter was reviewed and approved by the Board on 29 January 2015. The Board determined that, based on the Memorandum of Incorporation, the Shareholder's Compact and applicable legislation, its main functions and responsibilities, were as follows:

- Giving strategic direction to the Group, in line with Government's objectives, and ensuring that SENTECH remains a sustainable and viable business. The strategic objectives are set out in the Annual Corporate Plan, submitted to DTPS and the National Treasury;
- Preparing and approving corporate plans, annual budgets, annual reports and financial statements;
- Ensuring that SENTECH complies with the obligations imposed by various laws and regulations that are applicable to SENTECH;
- Effectively leading, controlling and managing the SENTECH business, subject to the provisions of the SENTECH Act, the SENTECH Amendment Act, the Shareholder's Compact, the Companies Act, the PFMA and other applicable legislation;
- Monitoring and evaluating implementation, by the Executive Management, of the Board's strategies and performance objectives, as set out in the Corporate Plan and Shareholder's Compact;
- Ensuring that the company is managed effectively and in accordance with corporate governance best practice and the highest ethical standards;
- Taking responsibility for the risk management process, including the system of internal controls and ensuring that it is effective, efficient and transparent;
- Regularly assessing the performance and effectiveness of the Board as a whole, as well as the individual directors, including the Chairperson of the Board and the CEO, committees of the Board and the chairpersons of the various committees;
- Be accountable to the Shareholder regarding implementation of the Corporate Plan; and
- Ensuring that technologies and systems used in the company are adequate to run the business properly and for it to compete through the efficient use of its assets, processes and human resources.

A board evaluation was undertaken by an external service provider during the year under review to assess the effectiveness of the Board of Directors and its Committees as per the requirement of the Memorandum of Incorporation. The Report was considered by the Board and subsequently submitted to the Shareholder Representative. According to the Evaluation Report, a large majority of the board members were confident that the governance of the board and board-related structures were being dealt with to its standards and expectations. The responses received were, in the majority, positive and confident. The evaluation results revealed no material issues requiring urgent or immediate attention by the Board.

4.2.1 SUMMARY OF MAIN ACTIVITIES CONDUCTED BY THE BOARD

The Board of Directors approved, among others, the following during the year under review, pursuant to recommendation by the EXCO and Board Committees:

- 2014 Annual Report;
- Board of Directors Evaluation Report;
- Delegation of Authority Framework;
- Reviewed Board and Board Committees Charters;
- Reviewed Human Resources Policies;
- Analogue Switch-off Strategy and Plan;
- Short-term incentive payments;
- Gratuity payment to employees within the Bargaining Unit;
- People Transformation Strategy;
- Enterprise and Supplier Development Strategy;
- Enterprise Risk Management Policy;
- 2015 to 2018 Corporate Plan;
- Corporate Governance of ICT Policy Framework;
- Corporate Governance of ICT Charter;

- Independence of Directors Policy;
- Reviewed Board Induction Policy;
- Stakeholder Management Policy;
- Stakeholder Citizenship Policy; and
- Succession Plan Framework for Executive Directors.

4.2.2 ROLE OF THE EXECUTIVE COMMITTEE (EXCO)

The EXCO of the company, which is a subcommittee of the Board, is tasked, in terms of both the SENTECH Act and the company's Memorandum of Incorporation, with managing the affairs of the company. To strengthen the effectiveness of the EXCO, executive managers are invitees to EXCO meetings. EXCO has been fully constituted during the period under review.

4.2.3 ROLE OF THE COMPANY SECRETARY

The role of the Company Secretary is to advise directors, both individually and collectively, on their powers, duties and responsibilities in compliance with the SENTECH Act, the PFMA, the Treasury Regulations, the Shareholder's Compact, the Companies Act, Government Protocol on Corporate Governance, the King III Report and other applicable legislation and best practice. The directors have unrestricted access to the Company Secretary and other officials in the Company Secretariat.

The Company Secretary prepares annual work plans for the Board and its Committees. These work plans are considered by the respective Board Committees and subsequently approved by the Board. In consultation with the Chairpersons, the Company Secretary ensures that the contents of the agenda are relevant to the Board and Board Committees' decision-making.

Various instruments have been introduced to ensure that the Board functions efficiently, such as resolutions registers and action logs which are communicated to line function for implementation. The Company Secretary acts as the primary point of contact between the Board and the Company.

4.3 ATTENDANCE OF THE BOARD

In terms of the Memorandum of Incorporation, the Board shall meet at least four times a year. Additional meetings are convened as and when necessary. During the period under review, the Board held five scheduled board meetings, one strategy session and four special meetings.

	1 April 2014 to 31 March 2015								
Name of Member	29 Apr	26 May**	29 Jul	30 Oct	10 Dec	29 Jan	25 Feb	26 Mar**	30 Mar**
Mr T. Mongake# (Chairperson)	✓	✓	✓	×	✓	✓	✓	NA	NA
Ms X. Daku	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms J. Huntley	×	✓	✓	✓	✓	✓	✓	✓	✓
Mr S. Molala#	✓	✓	✓	✓	✓	✓	✓	NA	NA
Ms N. Mbele	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr S. Mohapi	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr K. Matabane	✓	✓	✓	✓	✓	✓	✓	×	✓
Ms R. Rasikhinya	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr M. Mello (Chairman)*	NA	NA	NA	NA	NA	NA	NA	NA	NA
Mr S. Radebe*	NA	NA	NA	NA	NA	NA	NA	NA	NA
Mr L. Mtimde*	NA	NA	NA	NA	NA	NA	NA	NA	NA

\# *Retired on 28 February 2015*

* *Appointment letters and acceptance of directorship have not been received at the time of the meeting*

** *Special Meeting*

4.3.1 DIRECTORS' INDUCTION AND TRAINING

The Board has an induction and development practice. New directors are subject to an induction and the Company Secretary provides new directors with a 'Board Manual', which is a collation of applicable legislation, policies and regulations, business plans and other information relating to the SENTECH business and functions of the Board.

The Non-Executive Directors indicated preference for technical training, given the technical nature of SENTECH's business. To this end, Directors visited local operational centres and were exposed to global best practices. The Directors were also provided with reading material to equip themselves with technical knowledge.

4.4 COMMITTEES OF THE BOARD

In order to properly discharge its responsibilities and duties, the Board has delegated certain responsibilities to various Board Committees, however, the creation of these committees does not reduce the directors' overall responsibilities. During the period under review, the Board organised itself in terms of various committees. The Board retained all the committees, which constitute the following:

- Audit and Risk Committee;
- Nominations and Remuneration Committee;
- Social and Ethics Committee;
- Policy and Regulatory Co-ordination Committee; and
- DTT ad-hoc Committee.

Each of the aforementioned Board Committees comprises members of the Board, and executive directors and executive managers attend by invitation.

4.4.1 AUDIT AND RISK COMMITTEE (ARC)

The ARC is constituted as a statutory committee of SENTECH in respect of its duties in terms of sections 76 and 77 of the PFMA and Treasury Regulation 27.1.1. The committee's responsibilities include, but are not limited to:

- Review and approve the internal audit plan, ensuring that all material risk areas are adequately covered;
- Review and approve the Internal Audit Charter;
- Review internal audit reports and effectiveness of internal audit;
- Recommend the appointment of the external auditor and oversee the external audit process;
- Review and recommend the annual financial statements, as well as the accompanying reports to the Board for approval;
- Ensure compliance with PFMA, Treasury regulations and other legislation;
- Review the arrangements of the company by which staff members may, in confidence and with total anonymity, raise concerns about possible improprieties in matters of financial reporting or any other matters;
- Oversee the company's risk management, including, but not limited to oversight of the development and implementation of the company's risk framework and strategy;
- Ensure effective communication between the internal auditors, external auditors and management.

4.4.1.1 COMPOSITION AND NUMBER OF MEETINGS

During the period under review, the Committee comprised the following members, appointed by the shareholder and held five meetings:

1 April 2014 to 31 March 2015					
Name of Member	22 Apr	28 May	22 Jul	22 Oct	21 Jan
Ms J. Masemola (Chairperson)#	✓	✓	✓	NA	NA
Ms X. Daku	✓	✓	✓	✓	✓
Ms N. Mbele	✓	✓	✓	✓	✓
(Chairperson)*	NA	NA	NA		
Ms J. Huntley*	NA	NA	NA	✓	✓

Term expired on 9 September 2014

* *Appointed on 9 September 2014*

4.4.1.2 SUMMARY OF MAIN ACTIVITIES CONDUCTED BY THE ARC

The Committee approved:

- The Audit Planning Memorandum for the year ending 31 March 2015;
- The 2014/15 Internal Audit Plan and Rolling Three-Year Plan; and
- The 2013/14 Draft Annual Financial Statements.

The Committee noted:

- The 2013/14 Management Letter Points Status Reports; and
- The Internal Audit Quarterly Reports.

The Committee recommended to the Board the following, among others:

- Quarterly Management Reports;
- Quarterly Risk Management Reports;
- 2013/14 Annual Report;
- Performance Information Policy and Performance Procedure;
- Compliance Plan;
- Assessment of the Executive Internal Audit;
- Risk Management Policy; and
- Risk appetite and tolerance level.

The external auditors attended committee meetings and had unrestricted access to all committees of the Board, dealing with audit and/or risk issues of the company. In addition, the Executive Directors of the Executive: Risk, and Executive: Internal Audit, attend committee meetings by permanent invitation.

4.4.2 POLICY AND REGULATORY CO-ORDINATION COMMITTEE

The Committee was created to broaden the scope of the functions of the Technology Committee and ensure co-ordination between policy, regulation and technology in the development and implementation of the company's strategy. The committee's responsibilities include, but is not limited to:

- Advise and guide the Board with regard to the company strategy, including, but not limited to the Technology Strategy, in response to National Policy, Shareholder Priorities and Programmes, as well as the ICT regulatory environment.
- Ensure that SENTECH's Technology Strategy, its development and implementation are aligned with the business objectives, and ensure that the IT Strategy responds to good corporate governance.
- Understand global developmental trends in the policy and regulatory environment and ensure that SENTECH's Development Strategy takes them into consideration as such. SENTECH's Technology Strategies must be aligned with trends in the communication industry.

- Strategic scanning of technology service trends and developments within the communication industry, is to be carried out on a regular basis. The Policy and Regulatory Strategy, as well as the Technology Strategy of the company need to be revised and developed as a published document for approval by the Board on an annual basis. The research agenda needs to be defined.
- Review the implementation of the Technology Strategy, as well as regulatory and policy implementation to be found in the quarterly reports.
- Oversee technology/partner selection processes to ensure that good governance is embodied in such processes. It is required that the company reviews all relationships with technology suppliers and partners on an annual basis at least, so as to ensure good governance of such relationships.
- Review the implementation of risk management on matters of technology, policy and regulatory environments.

4.4.2.1 COMPOSITION AND NUMBER OF MEETINGS

During the period under review, the Committee comprised the following members and held four meetings:

1 April 2014 to 31 March 2015				
Name of Member	27 Jun	10 Oct	15 Dec	26 Mar
Ms X. Daku	✓	✓	✓	✓
Ms R.J. Huntley (Chairperson)	✓	✓	✓	✓
Mr S. Molala*	NA	NA	✓	NA

* *Appointed on 30 October 2014 and term expired on 28 February 2015*

4.4.2.2 SUMMARY OF MAIN ACTIVITIES CONDUCTED BY THE POLICY AND REGULATORY CO-ORDINATION COMMITTEE

During the financial year, the Committee recommended to the Board the following, among others:

- DTT Migration Rollout Plan;
- Joint Spectrum Advisory Group (“JSAG”) Reports;
- Information Technology Strategic Direction;
- Technology Partners Selection in Relation to Good Governance;
- Industry Trends in respect of Policy and Regulatory Environment;
- Congruence of IT Strategy to corporate governance;
- ASO Strategy and Plan;
- Implementation of the Technology Strategy and Regulatory Policy;
- Technology Trials;
- Policy and Regulatory Co-ordination Committee Charter and Annual Work Plan;
- Legal and Regulatory Strategy;
- Corporate Governance ICT Policy Framework; and
- Corporate Governance ICT Charter.

4.4.3 SOCIAL AND ETHICS COMMITTEE

This committee is constituted as a statutory committee of SENTECH in respect of its statutory duties in terms of section 72(4) of the Companies Act and as a Committee of the Board in respect of all other duties assigned to it by the Board. The committee’s responsibilities include, but are not limited to:

- Monitor and assess SENTECH’s compliance with regard to the ten principles of the United Nations Global Compact Principles pertaining to corruption;
- Review and approve the framework, policies and procedures to manage ethics in SENTECH;
- Review and approve the framework, policies and procedures to manage SENTECH’s human resources with due regard for employment and labour laws, employment equity and skills development;
- Review and monitor SENTECH’s progress towards the achievement of its Broad-based Black Economic Empowerment and Transformation objectives, including all seven elements of the DTI scorecard framework;
- Review and monitor SENTECH’s policies and procedures to assess compliance with applicable health, safety and environmental laws and regulatory requirements;

- Review and monitor the impact of SENTECH's health, safety and environmental practices on its products, services, employees, customers and the communities in which it operates;
- Review SENTECH's sustainability practices and processes relative to the business imperative, as well as other best practices concerning sustainability; and
- Monitor the quality of stakeholder relations, with particular emphasis on customers, employees, suppliers, communities and government relationships.

4.4.3.1 COMPOSITION AND NUMBER OF MEETINGS

During the period under review, the Committee comprised the following members and held four meetings:

1 April 2014 to 31 March 2015				
Name of Member	**30 Jun**	**30 Sep**	**08 Dec**	**22 Jan**
Ms R.J. Huntley (Chairperson)	✓	✓	✓	✓
Mr T. Mongake	✓	✓	✓	✓
Mr S. Molala	✓	✓	✓	✓

4.4.3.2 SUMMARY OF MAIN ACTIVITIES CONDUCTED BY THE SOCIAL AND ETHICS COMMITTEE

During the financial year, the committee considered, among other matters, the following:

- Post Analogue Switch-off;
- DTT Readiness ad hoc Committee Formation and Terms of Reference;
- Employment Equity Reports;
- Corporate Social Investment Reports;
- Organisational Development and Skills Reports;
- Environmental Policy Implementation Plan Report;
- Enterprise and Supplier Development Strategy;
- People Transformation Strategy;
- Reviewed Social and Ethics Committee Charter;
- Reviewed Social and Ethics Committee Annual Work Plan;
- King III Compliance Checklist Report;
- State of Employee Relations Report;
- Reviewed human resources policies;
- Stakeholder Management Policy; and
- Corporate Citizenship Policy.

4.4.4 NOMINATIONS AND REMUNERATION COMMITTEE

The main purpose of this committee is to ensure the adoption of remuneration policies which aim to attract and retain top talent, are aligned with the company's strategy and drive performance in the long and short term. The committee's responsibilities include, but are not limited to:

- Regularly reviewing the size and composition of the Board and making recommendations to the Board with regard to any appropriate changes;
- Providing advice to the Board with respect to the necessary and desirable competencies of directors;
- Ensuring that competitive reward strategies and programmes are in place to facilitate the recruitment, motivation and retention of high performance staff at all levels;
- Considering and making recommendations on all remuneration and reward policies;
- Assisting with the recruitment of executive directors, with regard to such factors as the committee considers appropriate, including judgment, skill, diversity, experience in business and other organisations of a comparable size, the interplay between the candidate's experience and the experience of other board members, and the extent to which the candidate would be a desirable addition to the Board and any of the Board Committees;
- Identifying directors qualified to fill vacancies on Board Committees and make recommendations to the Board accordingly, with regard to such factors as the Committee considers appropriate, including the Terms of Reference of the particular Board Committee, the director's experience, as well as the interplay between the director's experience and the experience of other Committee members;

- Reviewing and recommending to the Board the relevant criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities;
- Establishing procedures for the Committee to oversee the evaluation of the performance of the Board and each individual director, including an assessment of whether each director devoted sufficient time to the duties entrusted to such director;
- Ensuring that the performance of members of the Board is reviewed annually;
- Ensuring that fair competitive reward strategies and programmes are in place to facilitate the recruitment, motivation and retention of high-performance staff at all levels in support of realising corporate objectives and safeguarding stakeholder interest; and
- Ensuring that directors receive ongoing development and training (education) regarding their duties, responsibilities and nature of SENTECH's business.

4.4.4.1 COMPOSITION AND NUMBER OF MEETINGS

During the period under review, the Committee comprised the following members and held five meetings:

1 April 2014 to 31 March 2015					
Name of Member	**15 Apr ***	**02 Jul**	**30 Sep**	**15 Dec**	**22 Jan ***
Mr S. Molala (Chairperson)	✓	✓	✓	✓	✓
Ms N. Mbele	✓	✓	✓	✓	✓
Mr T. Mongake	✓	✓	✓	✓	✓

* *Special Meeting*

The Executive: Human Resources and EXCO members attend meetings by permanent invitation. The Committee held three scheduled meetings and two special meetings during the period under review. The Committee also held interviews for the Company Secretary and assessed the performance of the CEO.

4.4.4.2 SUMMARY OF MAIN ACTIVITIES CONDUCTED BY THE NOMINATIONS AND REMUNERATION COMMITTEE

- During the financial year, the Committee considered, among others, the following:
- Mandate for 2014/15 salary increases for Bargaining Unit employees;
- Short-term incentive payments;
- 2014/15 salary increases for Management;
- Succession Plan Framework for Executive Directors;
- Reviewed Total Rewards Philosophy, Strategy and Policy;
- Reviewed Short-term Incentive Policy;
- Reviewed Recruitment and Selection Policy;
- Reviewed Talent Management Policy;
- Reviewed Employee Benefits Policy;
- Reviewed Mast Climbing Allowance Policy;
- Reviewed Acting Appointment and Allowance Policy;
- Skills Audit Report;
- Board Evaluation Report; and
- Composition of the Board and Board Skills Matrix.

4.4.5 DTT AD HOC COMMITTEE

The main purpose of this committee is to ensure that the DTT strategy is implemented and that the DTT programme is monitored. The role of the committee is to assist the Board as follows:

- Ensuring that SENTECH's DTT strategy is developed, implemented and aligned with the business objectives of the Company and the national priorities of its Shareholder;
- Understanding global trends on commercialisation of DTT services and ensuring that SENTECH's development strategy takes these into consideration;

- Ensuring that SENTECH's technology in relation to the principle of Go Digital is aligned with trends in the communication industry;
- Ensuring that strategic scanning of technology and service trends and developments within the communication industry are carried out on a regular basis and monitoring the impact on Going Digital;
- Reviewing the implementation of DTT strategy and implementation from the quarterly reports; and
- Monitoring the DTT programme in relation to all spheres of the business which are impacted.

4.4.5.1 COMPOSITION AND NUMBER OF MEETINGS

During the period under review, the Committee comprised the following members and held one meeting:

1 April 2014 to 31 March 2015	
Name of Member	**20 Feb**
Ms X. Daku (Chairperson)	✓
Ms R.J. Huntley	✓
Ms N. Mbele	✓
Mr S. Molala	✓

4.4.5.2 SUMMARY OF MAIN ACTIVITIES CONDUCTED BY THE DTT AD HOC COMMITTEE

During the financial year, the Committee considered the following:

- ITU Guidelines for the Transition from Analogue to Digital Broadcasting;
- DTT commercialisation;
- End-To-End Test Plan for DTT;
- Digital Trials Report;
- Digital Migration – Handover Presentation to the Department of Communications;
- DTT Project Handover and Representation for Officials on Implementation Planning Structures;
- Non-Executive Directors' overseas visits;
- Appointment of an international DTT expert to the DTT ad hoc Committee; and
- DTT update.

4.4.6 COMBINED SOCIAL AND ETHICS AND NOMINATIONS AND REMUNERATIONS COMMITTEE MEETING

The purpose of the meeting was to consider issues raised by employees belonging to the union as part of Stakeholder engagement. In this regard, the Committee considered principles related to the following:

- Study leave;
- Subsistence and travel allowance;
- Cellular phone allowance;
- Risk allowance for riggers and mast climbers;
- Any other policy-related matters;
- Inter-relationships;
- Interactions between management and the union;
- Interactions between the union and the Board Committees; and
- Interactions between the union and the Board.

4.4.6.1 ATTENDEES AT THE MEETING

During the period under review, the combined Committee comprised the following members and held one meeting:

1 April 2014 to 31 March 2015	
Name of Member	28 Aug
Ms R.J. Huntley	✓
Ms N. Mbele	✓
Mr S. Molala	✓
Mr T. Mongake	✓

4.4.7 CODE OF ETHICS

The Company has a consolidated Code of Ethics which addresses, inter alia, the following matters:

- Behaviour and conduct;
- Fraud;
- Conflict of interest; and
- Declaration of gifts from suppliers and customers.

4.5 RISK MANAGEMENT

4.5.1 MANDATE

The Board of SENTECH is responsible for the management of significant risks that the company faces in pursuit of value. The Board has delegated risk management oversight to its ARC. Ultimately, the responsibility for execution of the risk management processes is delegated to the Executive Committee by the Board, through the Risk Management Policy Framework.

During this performance period, risks were managed on an enterprise-wide basis. This approach enabled the company to consider the potential impact of all types of risks, including their interactions on key business processes, activities, products, services and stakeholders in an integrated manner. In this way, the implementation of Risk Management became a core strategic initiative and enabler to achieve business objectives and improve organisational performance and effectiveness.

To this end, risks were identified and assessed from the strategic level and risks were linked to predetermined objectives, right down to operational levels of the business. Continual reviews were undertaken during the performance period to assess the status of risks mitigation in relation to the reported business performance. During these review processes, new and emerging risks were identified, assessed and mitigation plans developed for those risks.

4.5.2 RISK MANAGEMENT FUNCTION PERFORMANCE

Eight top risks were listed in the corporate plan for 2014/15. The table below provides a summary of how these risks have been managed during the performance period. Some of them are still relevant, going forward into the 2015/16 performance period as their mitigation interventions require medium-term to long-term initiatives. For instance, capacitating the companies in terms of developing the requisite skills that will take SENTECH forward into the future, requires medium-term to long-term interventions. The risks carried forward with the MTEF review process would therefore appear in the corporate plan for 2015/16. In the year ahead, SENTECH will continue to embed risk management within its business processes and day-to-day activities to create a culture of managing risk to ensure objectives are archived and Shareholder value is created.

Risk No.	Risk Category	Objective	Risk Description	Risk Treatment
1	Strategic	Sustainable and secure commercial environment to deliver on the Company's public service mandate obligations	The delayed launch of Commercial Free-To-Air Digital Terrestrial Television has the potential to negatively impact on the Company's future financial sustainability. Any further delays will result in the Company having to utilise its cash reserves to maintain the DTT Transmitter network and to provide for its depreciation.	Continued participation in the interventions established by the Shareholder to expedite the launch of Commercial FTA DTT platform service. An ASO plan has been developed. Various stakeholders have been engaged to a state of readiness for DTT: • National Treasury • ICASA • Shareholders
2	Strategic	Imperative for a long-term policy and regulatory certainty	Digital convergence is accelerating the development of new content distribution and consumption platforms. As with other communications infrastructure network services providers, the Company requires a long-term and predictable policy and regulatory environment to encourage risk-managed investment in future digital technologies.	Continued to participate in the interventions established by the Shareholder, such as the ICT Policy Review and the National Broadband Network Strategy and Implementation Plan. The SENTECH CEO was a member of the ICT policy review. SENTECH engaged ICASA with regards to ensuring that the Regulator conforms to ITA licensing processes for new broadcasting operator services. Furthermore, the business strategy has been reviewed and revised to mitigate the risks relating to convergence.
3	Strategic	Provide a reliable and efficient communications infrastructure network	SENTECH is the primary provider of a signal distribution network for the majority of the country's broadcasting services. While the Company will complete the television universal access broadcasting signal distribution network, there is still no concrete signal distribution master plan for radio services.	A proposal has been submitted to broadcasters on FM expansion. A submission was made regarding replacement of low power sites with DTH solutions for radio. Without the master plan, this risk remains relevant and significant for SENTECH.
4	Financial	Financial performance and enhancement of shareholder value	In the current broadcasting signal distribution market, SENTECH remains reliant on the SABC – which accounts for more than 50% of the Company's revenues. Noting the historical context of the market landscape, SENTECH believes that a forward-looking regulatory framework is necessary to provide certainty in the market.	DTH grew significantly, thus reducing over-reliance on the SABC. SENTECH continues to diversify its products' portfolio in order to mitigate the risk. The risk is addressed in the new corporate plan.
5	Financial	Financial performance and enhancement of shareholder value	SENTECH is exposed to foreign exchange rate fluctuations as a significant amount of operational costs are denominated in foreign currencies, and the revenue generated is not significant to constitute a natural hedge.	SENTECH monitors foreign currency denominated contracts in line with the overall Company Demand Management Plan to ensure that there is sufficient foreign currencies to honour the contracts. However, Management is also considering hedging options to mitigate this risk.

Risk No.	Risk Category	Objective	Risk Description	Risk Treatment
6	Operational	Develop, recruit and retail adequate skills capacity and capability to execute the Company's mandate and strategy	SENTECH skills base remains misaligned with the strategic and operational needs of the company as it accelerates the move towards digital technologies.	Training was conducted to provide some of the much needed skills. Executives, heads and some managers have been taken on the leadership development programme and this should also increase the level of skills. Appointments have been made in some business units, however, capacity and skills remain a challenge for most business units.
7	Operational	Continuity of business operations	The company does not have an operational disaster recover site or active business continuity plans for the signal distribution programme in case of catastrophic failure at the Radiokop Sender Technology Park.	The process of acquiring a service provider to assist SENTECH is underway and conclusion of the acquisition of services is planned for the end of Q2 2015/16. Progress relating to the rollout of the IT and technology disaster recovery elements is ongoing. The terrestrial equipment has been delivered and installation is underway.
8	Operations	Provide a reliable and efficient IT infrastructure network	The SAP ERP 4.6 system is no longer supported by the vendor.	SENTECH is in the process of appointing service provider(s) to assist with the SAP ECC 6.0 EhP6 functional upgrade for a period of two (2) years. Until the full roll-out of the SAP functional upgrade project is completed, the risk remains relevant and significant for SENTECH and will be continued to be monitored.

4.5.3 FRAUD PREVENTION

A Fraud Prevention Plan was developed during the corporate planning process, in alignment with the PFMA requirement for the Company to have a Risk Management Plan that includes a Fraud Prevention Plan. In order for the plan to be effective, priority was given to a structured communication and awareness programme comprising of:

- Training and orientation of new staff members;
- Staff communication and awareness programme; and
- Other initiatives and efforts taken during normal business operations.

A register of fraud risks was in place and mitigation plans implemented. In the coming performance cycle, SENTECH plans to further enhance its fraud prevention measures, thus saving the company from potential losses resulting from fraud and reducing the risk of the negative reputation associated with acts of fraud, corruption, sabotage and other related threats.

4.6 INTERNAL AUDIT

4.6.1 MANDATE

SENTECH's Internal Audit is an independent and objective assurance and consulting function that is guided by a philosophy of adding value to improve the operations of the company. It assists SENTECH in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the company's governance, risk management and control processes.

The role of the internal audit activity is to provide an independent, objective assurance and consulting services designed to add value and improve the company's operations. It helps the company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.6.2 INTERNAL AUDIT FUNCTION PERFORMANCE

The Internal Audit Executive is responsible for co-ordinating internal audit efforts to ensure appropriate coverage, while maximising efficiency. IAF conducts a robust risk-based planning process that incorporates various criteria to prioritise and classify the Cost Centres and functions in the company. Business units classified as high risk, were included in the audit universe. Depending on the risk classification, all other material business units will be included in the three-year rolling plan.

For the year 2014/15, Internal Audit was able to discharge its responsibilities in line with the charter and as outlined in the Internal Audit plan, which complies with IIA standards. The tables below highlight the summary of audits performed during the year 2014/15:

Details	2014/2015 Plan	Reports Issued 2014/2015
Planned audits	23	23 (100%)
Ad hoc audits	NA	4 (100%)
Consulting services	NA	0

Details	2013/2014 Number of Audits performed	2014/2015 Number of Audits performed
16 Operational Centres (OCs)	5 (30%) OCs	7 (40%) OCs

Outsourced internal audit processes were included in the planning process and in the audit universe, where appropriate. IAF outsourced the following: Information Technology and Forensic Audit.

4.6.3 COMBINED ASSURANCE

IAF also liaises with the external auditors, Risk management and other assurance providers to enhance efficiencies in terms of combined assurance. Internal audit, in conjunction with Risk management, facilitated the implementation of a combined assurance model. The IAF continues to add value in achieving objectives as set out in the corporate plan. The ARC was satisfied about the coverage areas and as well as the performance of the IAF.

4.7 LEGAL, REGULATORY AND COMPLIANCE

4.7.1 LEGAL, REGULATORY AND COMPLIANCE PERFORMANCE

The increasingly stringent regulatory environment means that SENTECH faces more legal and regulatory requirements every year. In this regard, it was identified that as at 31 March 2015, SENTECH needs to comply with at least 70 laws and regulations. Failure to comply with these may result in:

- Reputational risk;
- Financial penalties (personal and corporate); and
- Greater regulatory scrutiny and intervention.

To respond to these requirements, SENTECH has a dedicated Legal and Regulatory business unit and a Compliance Officer.

Legal and Regulatory is responsible for ensuring compliance with sector-specific ICASA regulatory requirements. As a holder of an IECS and IECNS licence, SENTECH is required to adhere to license conditions under which it is operating its business and to also fulfill requirements in terms of various regulations issued by the Regulator. Legal and Regulatory ensures that SENTECH performs its business activities and functions in accordance with its license conditions, obligations and the relevant regulations.

In the current financial year, SENTECH has adhered to its license conditions and was found to be compliant in respect of its bi-annual regulatory compliance report submitted to ICASA.

The Compliance Function, reporting to the Executive: Finance, is responsible for ensuring that SENTECH is in compliance with the applicable legislation, regulations and codes.

During the period under review, the following activities were undertaken:

- Compliance Awareness Day;
- Quarterly compliance newsletters published;
- Monitoring of laws and regulations; and
- Gap Analysis on impacted units in relation to POPI legislation.

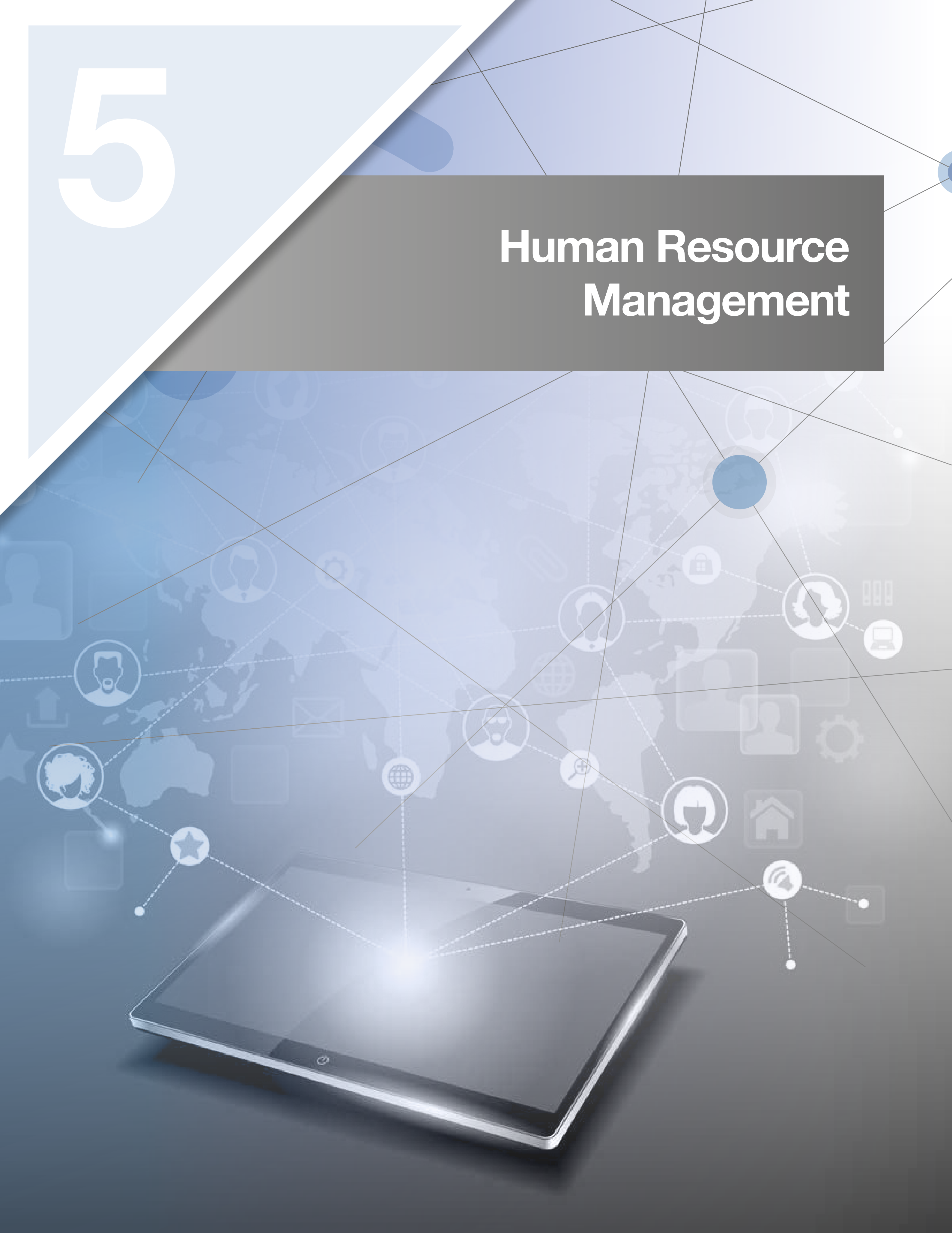
In the current financial year, there was no material non-compliance with laws and regulations.

4.8 COMBINED ASSURANCE

The King Code on good corporate governance recommends that organisations embark on combined assurance, thus integrating and aligning assurance processes in a company to maximise risk and governance oversight and control efficiencies, and optimise overall assurance to the ARC in line with the company's risk appetite levels set. SENTECH's policy on combined assurance was in place and implemented during this performance period. In the year ahead, SENTECH will continue to improve on this process to maximise on the benefit it is intended for.

5

Human Resource Management



SENTECH recognises that a key component for taking SENTECH into the future and will enable SENTECH to successfully compete and evolve in the ever changing ICT environment, lies in our human capabilities. Therefore the thrust of the SENTECH human capital strategy is anchored around creating and reinforcing a compelling value proposition for our employees, that not only attracts and retains the best talent at all levels within the company, but also ensures the highest levels of employee performance and commitment. Embedded in all our human capital initiatives, is transformation.

5.1.1 TALENT MANAGEMENT

SENTECH recognises the importance of talent management. We consider it to be one of the key factors underpinning our company growth and ensuring business continuity. We are committed to developing talent, both for our future leaders and professionals. Through our talent management process, we use strategic human resource planning, development, performance management, and rewards to drive a high performance culture. We recently developed an excellence framework to encourage innovation and performance excellence in our people. Our integrated talent management strategy forms the basis for retention, nurturing high potential employees and identifying employees for succession management.

5.1.2 BUILDING OUR PIPELINE

To develop our pipeline, SENTECH has partnered with two universities (Wits and the University of Pretoria) to offer ten tertiary level bursaries to postgraduates and undergraduates. Further to building our pipeline, the company appointed seventeen learners on our learnership programme to provide learners with the opportunity to gain skills by working at SENTECH.

5.1.3 PERFORMANCE MANAGEMENT

SENTECH has a well-embedded and standardised process for managing and evaluating performance. In 2014/15, the company continued to embed performance management systems for top, senior and middle management levels. Our general success in achieving our strategic initiatives can be linked to our detailed and focused performance management. The new reward strategy that seeks to support and incentivise performance, was implemented for management levels for the first time at SENTECH.

A considerable effort has been made to bring on board the bargaining unit through robust consultations with labour regarding our performance management system and this will ensure full implementation of performance management at the bargaining level. There is a continued drive to enhance the performance development approach in order to ensure success at all levels in the company.

5.1.4 LEADERSHIP DEVELOPMENT PROGRAMME

Enhancing leadership capabilities is central to achieving our strategic objectives. In 2014/15, we successfully launched the SENTECH Leadership Programme in partnership with GIBS. A total of 85 managers participated in the Leadership Development Programme, aimed at enhancing leadership capabilities to effectively execute our strategic objectives.

85 employees (15.5% of the employees) completed the GIBS Leadership Development Programme;

- 14 Top managers attended the Executive Leadership Development Programme;
- 22 middle managers attended the Senior Leadership Development Programme; and
- 49 managers and specialists attended the Leadership Development Programme.

5.1.5 LEADERSHIP EFFECTIVENESS INDEX

At SENTECH, we believe in constantly improving the calibre and quality of leadership effectiveness. In order to ensure effectiveness of SENTECH's leaders, we measure the effectiveness of our managers, using a 360-degree leadership effectiveness assessment.

5.1.6 EMPLOYEE ENGAGEMENT

SENTECH believes that an environment where employees are engaged and supported, is one where our employees can grow and improve business performance. To foster an environment of engagement, the company developed an engagement plan to assist the Leadership Team in implementing initiatives that drive employee engagement.

Employee engagement is measured annually. While extensive engagement initiatives were implemented, the 2014/15 Engagement Survey indicated that the overall engagement and satisfaction level was 57%, a 5% decrease from the

2013 results. Given the amount of change taking place in the company, it is not surprising that the engagement levels have dropped. We will continue to build engagement by implementing key programmes and initiatives to improve our engagement and satisfaction levels in 2015.

5.1.7 HEALTH AND SAFETY

SENTECH is committed to protecting and promoting health and safety practices in the workplace by implementing the Health and Safety framework to drive a culture of health and safety.

As part of the Health and Safety Plan, radio frequency wave testing was conducted at major SENTECH sites to determine exposure levels on employees and ensure compliance to radio frequency international standards (ICNIRP). The results of the assessment gave us the assurance that the exposure limit is far below the international standards. The company is also in the process of rolling out the medical assessments as part of the surveillance programme to manage and minimise occupational illness for employees occupying positions that were identified as high risk.

Injuries on duty continue to be closely managed to ensure staff and contractors are sensitised to minimise the number of injuries in the workplace and project sites. The number of injuries on duty reported, was within the TRIR limit of 1% at an annual average of 0.2%.

5.1.8 EMPLOYEE WELLNESS

Employee wellness is at the heart of our human capital strategy and SENTECH continues to offer assistance and counselling support to employees and their loved ones.

During the period under review, a total of six employees received support from the Company. SENTECH offers a medical aid subsidy to employees and their family members. The scheme offers a chronic health programme, which includes the management of HIV and Aids, diabetis, hypertension and other chronic conditions.

5.1.9 HUMAN RESOURCE POLICIES

In order to continue to attract and retain talent, we review HR policies annually.

5.1.10 HUMAN RESOURCES OVERSIGHT STATISTICS

5.1.10.1 PERSONNEL REMUNERATION BY SALARY BAND

SENTECH had 539 permanent employees at the end of the period under review. The salary average personnel remuneration cost per employee is R569 537, of which top management accounts for 8% and senior management for 9%.

Level	Personnel Remuneration	% of Total Personnel Cost	Number of Employees	Average Personnel Remuneration per Employee
Top management	R24 121 522	8%	13	R1 855 502
Senior management	R26 113 584	9%	22	R1 186 981
Professional qualified	R92 562 576	30%	106	R873 232
Skilled	R138 202 015	45%	299	R462 214
Semi-skilled	R16 279 258	5%	55	R295 987
Unskilled	R9 701 273	3%	44	R220 483
Total	**R306 980 229**	**100**	**539**	**R569 537**

5.1.10.2 EMPLOYMENT AND VACANCIES

The following table depicts SENTECH's employment profile as at the end of March 2015. Although the table indicates 77 vacancies, it must be noted that due to budgetary considerations, positions were prioritised and only 69 of the 77 are to be filled during 2015. A total of 66 appointments were made during the period under review, however, due to internal appointments and exits, this has not reduced the vacancies significantly. Furthermore, taking into consideration the planned companyal redesign, specific projects were managed through the appointment of temporary staff.

The table below depicts employment profiles and vacancies as at the end of March 2015.

Programme	2013/2014 Number of Employees	2014/2015 Approved Posts	Vacancies Planned to be Filled	2014/2015 Number of Employees	Vacancies	2014/2015 Vacancies Planned To be Filled	Vacancy Rate on Planned Posts
Top management	11	17	16	13	4	3	19%
Senior management	18	28	25	22	6	3	12%
Professional qualified	104	125	125	106	19	19	15%
Skilled	293	327	327	299	28	28	9%
Semi-skilled	65	71	62	55	16	7	11%
Unskilled	39	48	53	44	4	9	17%
Total	**530**	**616**	**608**	**539**	**77**	**69**	**11%**

The company also employed a total of fifty temporary staff. Seventeen learners were also appointed in order to ensure cover for specific positions, as well as to afford graduates the opportunity to gain work experience.

5.1.10.2 EMPLOYMENT CHANGE

The table below depicts SENTECH's employee turnover and the recruitment profile:

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Internal Appointments	Employment at End of Period
Top management	11	2	0	0	13
Senior management	18	4	0	0	22
Professional qualified	104	12	8	-2	106
Skilled	293	34	12	-16	299
Semi-skilled	65	5	8	-7	55
Unskilled	39	9	4	0	44
Total	**530**	**66**	**32**	**-25**	**539**

5.1.10.4 REASON FOR EMPLOYEES LEAVING

SENTECH's turnover rate for 2014/15 was 6.3%, comprising 2% voluntary (resignations) and 3.8% involuntary terminations (retirement, dismissals and death).

Salary Band	Number	% of Total Number of Staff Leaving
Death	4	13%
Resignation	12	38%
Dismissal	6	19%
Retirement	10	31%
Total	**32**	**100%**

5.1.10.5 EMPLOYMENT EQUITY

SENTECH is fully committed to transformation and reflecting the diverse demographics of South African society in its workforce. A transformation strategy was developed in order to fast-track interventions to address areas of under-representation with key focus on the appointment of black females and people with disabilities. The company strives to make appointments in line with the set EE targets.

During the period under review the Company made progress in the achievement of its employment equity targets for 2014/15, particularly at middle and junior management levels. Of all the appointments made, 80% of the appointments made in April are employees from previously disadvantaged backgrounds.

The current Employment Equity reflects 79% of staff in the company is black and 35% female. At top management levels 100% are black and 46% female; 86% of senior management is black and 36% are female, while 66% of specialists and middle management levels are black and 24% female. The Company's disability rate is 1% of the total staff complement. The appointment of black candidates in the company remains a priority and the company strives to make appointments in line with the set EE targets.

The table below details the company's Employment Equity profile as at 31 March 2015:

Employment Equity Report 2014/2015											
Occupational Levels	Male					Female					Total
	African	Coloured	Indian	White	Employees with disability	African	Coloured	Indian	White	Employees with disability	
Top Management											
Current	6	0	1	0	-	6	0	0	0	-	**13**
Senior Management											
Current	11	1	0	2	-	7	0	0	1	-	**22**
Professionally Qualified & Experienced Specialists & Mid-Management											
Current	42	5	2	31	-	18	2	1	5	-	**106**
Skilled technical & Academical qualified workers, Junior Management, Supervisors, Foreman & Superintendants											
Current	104	12	10	58	2	94	5	4	9	1	**299**
Semi-skilled & discretionary desicion making											
Current	22	1	0	1	-	20	5	1	5	-	**55**
Unskilled & defined Decision making											
Current	35	5	0	1	-	3	0	0	0	-	**44**
Total Permanent	**220**	**24**	**13**	**93**	**2**	**148**	**12**	**6**	**20**	**1**	**539**

5.1.11 LEARNING AND DEVELOPMENT

To achieve our strategic objectives, SENTECH requires skilled and competent employees. During the period under review, 447 employees were trained both in-house and externally, based on the organisational development plan. We achieved 88% of our training plan and there is a robust training plan to ensure continued focus on staff development.

5.1.12 INVESTING IN OUR PEOPLE

SENTECH spent R8 million on learning activities in 2014/15, of which R6.7 million (77.8%) was spent on previously disadvantaged individuals. A further R1.9 million was spent on the Learnership Programme. The total Skills Development (SD) expenditure constituted 2.8% of the payroll expenditure.

5.1.12.1 TRAINING COSTS

Functional Level	Training Expenditure	Training Expenditure as a % of Payroll	Number of Training Interventions	Number of Employees Trained	Average Training Cost per Employee
Top management	575 689	0.2%	43	14	41 121
Senior management	854 715	0.3%	77	23	37 162
Professionally qualified	1 733 037	0.6%	263	101	17 159
Skilled	4 329 437	1.5%	852	242	17 890
Semi-skilled	384 391	0.1%	132	45	8 542
Unskilled	187 795	0.1%	96	37	5 076
Total	**8 065 064**	**2.8%**	**1463**	**462**	**17 457**

5.1.13 EMPLOYEE RELATIONS

68% of our employees fall within the bargaining unit and 62% are unionised by CWU, which is an important stakeholder of SENTECH. It is therefore essential that SENTECH promotes healthy employee relations and, to this end, during the year under review, management and CWU leadership embarked on an extensive relationship by objective (RBO) process in order to build good relations. This process culminated in agreed upon specific interventions which seek to address key issues identified by both parties.

Specific training interventions were conducted for line managers to equip them with skills to maintain discipline, while ensuring uncompromising principles of fairness and progressive discipline.

6

Transformation

6.1 BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

For SENTECH, BBBEE is not just a matter of compliance to ICT codes but an integral part of our mandate for bridging the digital divide and ensuring universal access. To this end SENTECH will continue to strive and embed transformation in our core business. The goal is to ultimately improve from the current level 3 to level 1 BBBEE status.

Element	Target Score	Achieved Score
Management and control	15.00	15.00
Employment equity	10.00	7.86
Skills development	22.00	15.70
Preferential procurement	20.00	18.72
Enterprise development	11.00	4.84
Socio-economic development	22.00	22.00

6.1.1 MANAGEMENT AND CONTROL

Black representation at Board and top management levels, is 100% black with a key focus to continue to promote women representation. Black representation and recognition for gender at Board, executive director and senior management levels are all above target scores. The overall performance in this category is a full 15 points.

6.1.2 EMPLOYMENT EQUITY

While SENTECH has continued to maintain good performance at senior management level in terms of race and gender representation, challenges remain in the middle and junior management levels, as well as people with disabilities. SENTECH's transformation strategy seeks to address gaps using specific interventions. The overall performance score is 7.86 points.

6.1.3 SKILLS DEVELOPMENT

A total of R6.7 million was spend on black staff and this is 2.19% of our payroll against a target of 3%. Our talent management and training initiatives are all geared towards ensuring the development of black females and people with disabilities. SENTECH will continue to implement internship programmes annually in order to afford an opportunity for experience to black graduates.

6.1.4 PREFERENTIAL PROCUREMENT

Preferential Procurement is one of the main elements on the B-BBEE scorecard driving transformation in organisations. SENTECH scored 18.72 for preferential procurement against an overall score of 20. The total spending on QSEs and EMEs was 27.95%, against a target of 15% and spending on black-owned enterprises was 13.19%. The company achieved a significant improvement year-on-year and aims to focus on increased spending on black women-owned businesses by further diversifying goods and services that are currently procured from abroad. During the 2015 financial year, approximately 70% of the expenditure (excluding international procurement) has been spent on BEE Level 1-4 suppliers that will contribute positively towards the transformation of the country's ICT sector.

6.1.5 ENTERPRISE AND SUPPLIER DEVELOPMENT

In order to meaningfully contribute to the country economic transformation, SENTECH developed an ESD Strategy which will concentrate on the promotion of SMMEs to improve their sustainability. With SENTECH spending approximately R300 million per annum on foreign suppliers, it was deemed necessary to develop local suppliers within this industry to ensure sustainability of supply locally. The strategy focuses on ensuring that:

- Policies and processes are in place to implement ESD initiatives;
- Supplier database management;
- Supplier incubation programme;
- Supplier information sessions;
- Customer development (ICT);
- SMME mentorship; and
- Reporting on NIPP participation and monitoring thereof.

During the current financial year, an investment was made for the incubation programme to the amount of R2.5 million and plans for the implementation of the SENTECH Foundation initiative that assist entrepreneurs within the ICT industry, are at an advanced stage.

In addition to the above, SENTECH will collaborate with the DTI to ensure that foreign suppliers comply with the NIPP programme.

6.1.6 SOCIO-ECONOMIC DEVELOPMENT

SENTECH's investment in community development programmes amounted to 1.76% of our net profit after tax, which resulted in a full score of 22.

6.2 CORPORATE SOCIAL INVESTMENT

SENTECH's Corporate Social Investment Strategy is derived from the national key outcomes to ensure universal access and sustainable development of communities via ICT interventions.

In support of the National Development Plan to improve the socio-economic conditions for underdeveloped communities, SENTECH has delivered i-Lab Connectivity Solutions to fourteen schools. In terms of the company's CSI strategy, SENTECH endeavours to focus its resources in the ICT sector, with special emphasis on connecting institutions of learning to improve the quality of basic education through e-learning and improved ICT infrastructure.

The i-Lab Connectivity Solutions comprises of:

- VSAT connectivity terminals with wireless access points;
- 20 computers; and
- Refurbished computer laboratory with furniture.

The wireless connectivity will enable broadband connectivity for leaners through the supplied laptops or any mobile device. The period of sponsored internet connectivity is five years, upon which the Department of Education and/or the municipality in the area will take over the account. This is agreed upon prior to installing the i-Labs. SENTECH also continued with its investment in the Mindset Learning Channel.

The i-Lab programme has truly touched the lives of both educators and learners in the rural regions of the country and more beneficiaries of the programme are scheduled for the next financial year. In this regard a Grade 6 learner at one of the benefiting schools said, *"It is amazing to learn about computers at school which means I am able to get so much information that will develop my career guidance and knowledge". An IT teacher said, "Learners are excited about the i-Lab. We as teachers have a fear of technology, but have learned to use it and embrace it from seeing how our learners interact with the machines. I have even started exploring means to help me in my career as a teacher and other future prospects"..*

The sites that were rolled out, include the following schools:

No	Site Name	Province	Area	District Municipality	Local Municipality
1	Sakela JS School	Eastern Cape	Sakela	Oliver Tambo	Mthata
2	Dumalisile JS School	Eastern Cape	Mpunzana	Oliver Tambo	Mthata
3	Thubalethu Secondary School	Eastern Cape	Healdtown	Amathole	Fort Beaufort
4	Ramphelane Secondary School	Limpopo	Manganeng Village	Greater Sekhukhune	Sekhukhune
5	Zenzele Secondary School	Mpumalanga	Kwalugedlane	Ehlanzeni	Nkomazi
6	Mavuso High School	KwaZulu-Natal	KwaNibela	Hluhluwe	KwaNibela

No	Site Name	Province	Area	District Municipality	Local Municipality
7	Kegomoditswe Secondary School	Northern Cape	Madullaranch Village	Kgalagadi	Kuruman
8	Charora High School	North West	Robega Bosh Village	Bojanala Platinum	Chaneng
9	Reabetswe Secondary School	North West	Ipelegeng	Dr R S Mompati	Schweizer Reneke
10	Phatsima High School	North West	Atamelang	Dr R S Mompati	Atamelang
11	Dorrington Matsepe Primary School	Free State	Deluwaarts	Fezile Dabi	Kroonstad
12	Botjhaba-Tsatsi Primary School	Free State	Tumahole	Fezile Dabi	Parys
13	Bergsig Primary School	Western Cape	Oudtshoorn	Eden	Eden
14	Radipeu Primary School	Gauteng	Fochville	Emfuleni	Sedibeng

6.3 ENVIRONMENTAL COMPLIANCE

Communications infrastructure deployment and management thereof requires integration of technical, economic and environmental factors in planning, implementation and operations to ensure sustainability and preservation of the environment for future generations. In accordance with Environmental management act and regulations of South Africa, SENTECH developed and approved an Environmental Policy and continued to implement this policy during the year and aligned it operations to ensure preservation of the environment. The policy seeks to position and align SENTECH operations to comply with environmental conservation and ensure compliance with requirements of the Environmental legislations and Policies.

SENTECH uses hazardous equipment and substances during production of signal distribution services and continues to construct new broadcast sites on important landmarks. Some of the existing SENTECH infrastructures are located in nature reserve zones and at times closer to monument sites.

All of the above considerations requires careful management of materials utilisation to ensure compliance and:

- Avoid human exposure to health hazards.
- Minimise pollution during day to day operations.
- Preserve the environment for the future.

SENTECH consolidated a scope of all Hazardous materials across its operations for the current year and appointed a suitable service provider with a national footprint to dispose of any hazardous material at all operations centres.

6.3.1 NEW SITES

SENTECH continued to expand its infrastructure and services to ensure citizens of South Africa have access to information services. As part of Infrastructure deployment requirement SENTECH submitted Environmental Impact Assessment request for the possible Cape Town medium wave site as part of project planning stage.

6.3.2 OPERATIONAL COMPLIANCE

A Workshop arranged by Department of Energy was held in Cape Town to establish guidelines on the impact of energy wind farms and solar arrays. SENTECH presented its case on the on the approach to and possible effects of wind turbines and solar arrays on terrestrial broadcasting. SENTECH is now a key stakeholder in these applications and now need to approve any EIA'S in this regard. SENTECH processed twelve of these applications during the period under review.

There were no environmental incidents such as diesel spillage or veld fires caused by SENTECH during the year under review. There was a runaway veld fire in the Constantiaberg Mountains, Western Cape, which prevented access to our site for more than a week and seriously damaged our Eskom power cable feeding the site. This poses an operational risk as the damage to the cable is not clearly visible and the effect may only become apparent later.

6.3.3 ASSETS DISPOSAL

SENTECH successfully concluded disposal of excess assets taken out of service due to end of life, technology enhancement and office space rationalization. These assets were disposed through an approved auction specialist process. Disposed assets ranged from old standby generators, air conditioners and office furniture as captured on below advert snapshot. The auction was a success and majority of the assets were disposed and removed off site by the end of May 2014. A further 31 retired standby generators were sold off by auction in November 2014.

Group Annual Financial Statements

For the year ended 31 March 2015

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The reports and statements set out below comprise the annual financial statements presented to the shareholder:

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Accounting Authority's Responsibilities and Approval

The Group's Accounting Authority is responsible for the preparation and fair presentation of the group's annual financial statements and the annual financial statements of SENTECH SOC Limited comprising the statements of financial position at 31 March 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act and the Public Finance Management Act of South Africa. In addition, the Group's Accounting Authority is responsible for preparing the Accounting Authority's Report.

The Accounting Authority is also responsible 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; and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The Accounting Authority has made an assessment of the Company and Group's ability to continue as a going concern and there is no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the Group financial statements and Company financial statements are fairly presented in accordance with the applicable reporting framework.

Approval of group annual financial statements and company annual financial statements

The Group annual financial statements and annual financial statements of SENTECH SOC Limited, as identified in the first paragraph, were approved by the Accounting Authority on 31 July 2015 and are signed on its behalf by:

Mr A.M. Mello
Authorised Director

Ms N.P. Mbele
Authorised Director

Company Secretary's Certification

I certify that SENTECH SOC Limited has filed all its returns and notices for the year ended 31 March 2015, as are required of a public company in terms of Section 88(2)(e) of the Companies Act, 2008 (Act No. 71 of 2008), and that such returns are, to the best of my knowledge and belief, true, correct and up to date.

Ms F. Sefara
Company Secretary

Report of the Audit and Risk Committee (ARC)

As required by the PFMA, the ARC Report is prepared as prescribed by Treasury Regulation 27 and in line with the recommendations of the King III Report on Corporate Governance for South Africa and its Code of Governance Principles. The ARC was constituted as a Committee of the Board to fulfil statutory duties in terms of Section 51 (1) (a) (ii), Section 76 and Section 77 of the PFMA, read together with Treasury Regulation 27 and Section 94 (7) of the Companies Act as well as all other duties assigned to it by the Board.

Terms of Reference

The ARC adopted formal Terms of Reference that had been approved by the Accounting Authority and the Committee confirms that it has complied with its statutory obligations and Terms of Reference during the financial year under review. The terms of reference, which are approved by the Board, are continuously reviewed and updated for changes in legislation, business circumstances and corporate governance principles. The Terms of Reference have been reviewed during the period under review.

Composition

The Shareholder appointed the following directors to constitute the Committee:

- Ms J. Masemola (Chairperson and external member);
- Ms N. Mbele (independent non-executive director);
- Ms X. Daku (independent non-executive director); and
- Ms J. Huntley (independent non-executive director).

At the Annual General Meeting held on 9 September 2014, Ms J. Masemola retired as Chairperson and Ms N. Mbele was appointed as Chairperson, thus bringing the Committee composition in line with Section 94 (4) (a) of the Companies Act which requires all Committee members to be directors.

The external auditors attend ARC meetings and have unrestricted access to all Committees of the Board that deal with audit and/or risk issues pertaining to the company. In addition, the executive directors, the Executive: Risk, and the Executive: Internal Audit attend all meetings by permanent invitation. The External Auditors and Internal Auditors are afforded an opportunity to meet with the Committee in the absence of Management.

The Committee held five meetings during the year under review.

<table>
<tr><th colspan="6">1 April 2014 to 31 March 2015</th></tr>
<tr><th>Name of Member</th><th>22 Apr</th><th>28 May</th><th>22 Jul</th><th>22 Oct</th><th>21 Jan</th></tr>
<tr><td>Ms J. Masemola (Chairperson)#</td><td>✓</td><td>✓</td><td>✓</td><td>NA</td><td>NA</td></tr>
<tr><td>Ms X. Daku</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Ms N. Mbele</td><td>✓</td><td>✓</td><td>✓</td><td rowspan="2">✓</td><td rowspan="2">✓</td></tr>
<tr><td>(Chairperson)*</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Ms J. Huntley*</td><td>NA</td><td>NA</td><td>NA</td><td>✓</td><td>✓</td></tr>
</table>

Term expired on 9 September 2014

* *Appointed on 9 September 2014*

Report of the Audit and Risk Committee (ARC)

Summary of the Main Activities Undertaken by the Audit and Risk Committee During the Year

External Audit

The Committee:

- Considered the Audit Planning Memorandum for the year ending 31 March 2015, with specific reference to the proposed audit scope, approach and the audit fee;
- Considered, together with Management, the quality and effectiveness of the external audit process, areas of concern and the improvement plans being developed, to mitigate identified risks;
- Recommended reappointment of the external auditor to the Board for approval by the Shareholder Representative at the Annual General Meeting;
- Reviewed significant accounting practices, judgements and estimates adopted by the Company in the application of the International Financial Reporting Standards and found those to be appropriate;
- Approved 2013/14 Draft Annual Financial Statements;
- Recommended the 2013/14 Annual Report to the Board;
- Recommended Quarterly Management Reports to the Board;
- Reviewed a report from the external auditor concerning the effectiveness of the Company's internal control environment;
- Approved provision of non-audit services by the external auditor;
- Noted status reports on the 2013/14 Management Letter Points;
- Concurred that the adoption of the going concern premise in preparation of the financial statements was appropriate; and
- Received a report on the assessment of external auditors.

Internal Audit

The committee:

- Approved the 2014/15 Internal Audit Plan and Rolling Three-year Plan;
- Considered Internal Audit Quarterly Reports relating to the effectiveness of the Company's internal control environment, systems and processes together with the adequacy and appropriateness of the related Management's corrective action plans;
- Considered the effectiveness of the internal audit function;
- Assessed the performance of the Executive Internal Audit;
- Reviewed and approved the Internal Audit Charter;
- Reviewed the internal audit resources to ensure internal audit is able to discharge its functions; and
- Received no complaints relating to the accounting practices and internal audit of the company, and the content or auditing of its financial statements, the internal financial controls of the company or any other related matters.

The Executive Internal Audit reports administratively to the CEO and functionally to the Audit and Risk Committee and has unrestricted access to the Audit and Risk Committee Chairperson.

Risk Management

The committee:

- Recommended the following for approval by the Board:
  - Risk Management Policy; and
  - Risk appetite and tolerance level.
- Satisfied itself that the following areas had been appropriately addressed:
  - Financial reporting risks;
  - Internal financial controls;
  - Fraud risks as related to financial reporting;
  - IT risks as related to financial reporting; and
- Provided an oversight to the Board of Directors in discharging its duties relating to the Company's system of risk management and compliance.

Report of the Audit and Risk Committee (ARC)

Internal Financial Control

The committee:

- Reviewed the effectiveness of the company's system of internal financial control, including receiving assurance from Management, Internal Audit and External Audit;
- Reviewed significant issues raised by the internal audit and external audit processes; and
- Reviewed policies and procedures for preventing and detecting fraud.

Based on the processes and assurances obtained, the committee believes that the significant internal financial controls are effective.

Other Matters

The committee:

- Reviewed proposed changes to the Delegation of Authority Framework;
- Reviewed Management's reports on items of fruitless, wasteful and irregular expenditure;
- Recommended to the Board the post-retirement medical aid liability settlement;
- Considered irregularities on SCM processes;
- Recommended Performance Information Policy and Performance Procedure to the Board;
- Approved the Compliance Plan; and
- Received reports on the fraud prevention.

Regulatory Compliance

The Audit Committee complied with all applicable legal and regulatory responsibilities.

External Audit

Based on processes followed and assurances received, nothing has come to the committee's attention with regard to the external auditors' independence. Details of the external auditors are set out in the Accounting Authority Report.

External Auditors

The external auditors attend committee meetings and have unrestricted access to all committees of the Board that deal with audit and/or risk issues pertaining to the company. In addition, the executive directors, the Executive: Risk, and the Executive: Internal Audit attend committee meetings by permanent invitation. The external auditors and internal auditors are afforded an opportunity to meet with the Committee in the absence of Management.

Finance Function

Based upon the processes and assurances obtained, the committee believes that the accounting practices adopted are effective.

Financial Statements

Based on process and assurances obtained, the Committee recommends the Group and Company Annual Financial Statements to the Board for approval.

On behalf of the Audit Committee:

Ms N. Mbele
(Chairperson)

Accounting Authority's Report

Introduction

The directors have pleasure in presenting their report, which forms part of the audited Annual Financial Statements of SENTECH SOC Ltd for the year ended 31 March 2015. This report and the Annual Financial Statements comply with the requirements of the PFMA, the SENTECH Act and the Companies Act. The Board is the accounting authority in terms of Section 49 (2) (a) of the PFMA.

Nature of Business

The company is responsible for the provision of broadcasting signal distribution services as a "common carrier" to licensed television and radio broadcasters.

Registration Details

The company's registration number is 1999/001791/30 and its business and postal addresses are set out below:

Business Address: SENDER TECHNOLOGY PARK
Octave Street
Radiokop
2040

Postal Address: Private Bag X 06
Honeydew
2040

Ownership

The company is wholly owned by the Government of the Republic of South Africa as represented by the Minister of Telecommunications and Postal Services.

Equity Contributed

There were no changes to either the authorised or issued share capital of the Company during the year ended 31 March 2015. Details of the authorised and issued share capital can be found in Note 11 to the Annual Financial Statements.

Borrowings

In terms of the Group's Memorandum of Incorporation, the Group may borrow money, provided such borrowing is in accordance with the requirements of Section 66 of the PFMA. No borrowings were incurred during the year under review (2014: Nil).

Annual Financial Statements

The group financial statements comprises consolidated annual financial statements of three subsidiaries (Infohold, Vivid Multimedia and SENTECH International (Pty) Limited) that are wholly owned by SENTECH SOC Limited. These subsidiaries are dormant and the Accounting Authority is currently in the final stages of the process to wind up Infohold (Pty) Limited and its wholly-owned subsidiary Infosat (Pty) Limited. The group financial performance is summarised in R'000's as follows:

Revenue

Note: 19 Annual Financial Statements

Group revenue increased by 14% to R1 107 146 (2014: R975 287). Revenue has increased primarily as a result of CPI-related tariff increases, combined with strong growth of the DTH satellite platform product, which achieved double-digit growth over the period under review, as well as from the contribution by the Low Power Project for the SABC.

Accounting Authority's Report

Gross Profit

Group gross profit increased by 13% to R345 583 (2014: R304 721), while the Gross Profit Margin decreased marginally to 31.21% (2014: 31.24%).

Operating Profit before Interest and Tax

Group operating profit before interest and taxation declined by 12% to R177 840 (2014: R201 385). The decrease was primarily as a result of inflationary increases across all expenditure components coupled with the following:

- There was a 93% decline in other income to R2 824 (2014: R41 410). In the previous year, the amount received was relevant to the gain realised on part-settlement of the Post-retirement Medical Aid Fund. In the current year, this amount has declined due to a lower amount settled in relation to this fund.
- There was an average 9.79% increase in employee costs to R360 387 (2014: R328 266).
- A 25% increase in satellite rental cost to R202 326 (2014: R161 531) occurred. Satellite rental costs are incurred in US Dollars and has increased primarily as a result of the depreciation of the Rand against the Dollar.
- A R12 million expense occurred relevant to the settlement of SENTECH's Post-retirement Medical Aid Fund in accordance with IAS 19 – Employee Benefits.

Profit for the Year

Group profit for the year has declined by 18% to R174 564 (2014: R212 973). Furthermore the profitability ratio has also declined to 15.77% (2014: 21.84%). In addition to the preceding two paragraphs, another contributing factor was the 222% increase in the taxation expense for the year to R37 080 (2014: R11 511). The primary reason includes the once-off deduction of cumulative wear and tear allowances on government grant funded property, plant and equipment that had not been deducted by SENTECH in preceding financial years. The tax expense also further increased as a result of the deferred tax expense that arose primarily due to the reduction of the deductible temporary differences of the Post-retirement Medical obligation that was settled in the financial year under review.

Total Assets

Note 6, 8, 9,10 and 15: Annual Financial Statements.
Group total assets declined by 7% to R1 718 586 (2014: R1 841 738).

Total Liabilities

Note: 12, 13, 14, 16, 17 and 18: Annual Financial Statements
Group total liabilities declined by 43% to R386 974 (2014: R675 538). The primary reason for this decline includes:

- The matching of the Post-retirement Medical Aid liability with a planned asset resulting in a decline of R113 044.

Cash-flows from Operating Activities

Cash-flows from operating activities increased by 177% to R131 710(2014: R47 609). This year is a more normalised position. The primary reasons for this increase include:

- Dividend income increased by 121% to R16 530 (2014: R7 482); and
- Inventory declined by 13% to R62 066 (2014: R71 666).

The Group had taken the decision in 2014 financial year to settle the large accounts payable balance which related to the DTT project which was outstanding at 31 March 2013. This was the main cause of the abnormally low cash generated from operating activities during the period.

Accounting Authority's Report

Solvency Ratios

The Liquidity and Solvency Ratios set out in the table on page 15 of this report, have improved since the previous financial year. This would indicate that SENTECH will easily be able to settle its short-term and long-term liabilities. These ratios also support the Board's going concern assessments set out below.

Dividends

There were no dividends declared for the current financial year (2014: R Nil).

Internal controls

The Board has the ultimate responsibility for establishing a framework of internal controls. The controls are designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. The internal control environments were effectively managed by Management and monitored by the Internal Audit department. During the year, internal controls operated effectively.
PFMA

a) PFMA Compliance
Various sections of the PFMA place responsibility on the Board to ensure that the company complies with all applicable legislations. Any non-compliance with legislation is reported on a quarterly basis to both EXCO and the Board.

b) Materiality and Significance Framework
A Materiality and Significance Framework has been developed for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as for significant transactions per Section 54(2) of the PFMA that require ministerial approval. The framework was approved by the Board and the Minister of Telecommunications and Postal Services.

c) Material Losses Through Criminal Conduct, Irregular, Fruitless and Wasteful Expenditure
Section 55(2) b of the PFMA requires that SENTECH includes in the annual report particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.

Public-private Partnerships

The company did not enter into any public-private partnerships during the current financial year.

Basis of Presentation

The Group's financial statements and Company financial statements were prepared in accordance with IFRS, the Companies Act and PFMA.

IFRS

The application of IFRS is contrary to Treasury Regulation 28 which requires that GRAP be used. The National Treasury approved a departure from Treasury Regulation 28.1.6, pending a review of GRAP by the OAG and ASB. This approval is issued in terms of Section 79 of the PFMA and remains in effect until further notice. The financial statements for the current period were prepared on a basis consistent with the financial statements of the previous financial year.

Accounting Authority's Report

Events Subsequent to the Date of Financial Position

a) Going Concern

The directors confirm that they are satisfied that the company has adequate resources to continue in business for the 12-month period from the date of this report. For this reason they continue to adopt the going concern basis for preparing the financial statements as confirmed in the Statement of Responsibility by the Board.

Directors

Disclosure of directors' remuneration is detailed in Note 30.2 to the Annual Financial Statements. The following individuals were directors during the year under review:

Name	Position	Start Date	Term Ended
Mr M. Mello*	Chairperson	1 March 2015	-
	Non-executive Director	1 March 2015	-
Mr S. Radebe*	Non-executive Director	1 March 2015	-
Mr L. Mtimde*	Non-executive Director	1 March 2015	-
Ms X. Daku*	Non-executive Director	1 November 2013	-
Ms R. Huntley*	Non-executive Director	1 November 2013	-
Ms N. Mbele*	Non-executive Director	1 November 2013	-
Mr T. Mongake**	Chairperson Non-Executive Director	1 March 2012	28 February 2015
Mr S. Molala**	Non-Executive Director	1 March 2012	28 February 2015
Dr S. Mohapi	Chief Executive Officer Executive Director	1 November 2010	31 March 2015
Ms R. Rasikhinya*	Chief Financial Officer Executive Director Acting Chief Executive Officer	1 September 2013 1 April 2015	-
Mr Kganki Matabane*	Chief Operating Officer Executive Director	1 July 2012	-
Ms Fefekazi Sefara	Company Secretary	1 August 2014	-

* *Current Board Members*
** *Term ended*

External Auditors

Rakoma and Associates Inc. are the currently appointed external auditors.

Independent Auditor's Report to Parliament and Shareholder on SENTECH SOC LIMITED

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Introduction

1. We have audited the consolidated and separate financial statements of SENTECH SOC Limited and its subsidiaries set out on pages 78 to 124 which comprise the consolidated and separate statements of financial position as at 31 March 2015, the statements of profit and loss and other comprehensive income, statements of changes in equity, and statements of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the consolidated and separate financial statements

2. The Board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, 2008 (Act No. 71 of 2008) and the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999), and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

Independent Auditor's Report to Parliament and Shareholder on SENTECH SOC LIMITED

Opinion

6. In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of SENTECH SOC Limited and its subsidiaries as at 31 March 2015, their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the Public Finance Management Act of South Africa.

Additional matter

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

   Other reports required by the Companies Act

   As part of our audit of the financial statements for the year ended 31 March 2015, we have read the Accounting Authority's Report, the Audit and Risk Committee's Report and the Statement by Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between the reports and the audited consolidated and separate financial statements. We have not audited the reports and accordingly do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

8. In accordance with the PAA and the General Notice issued in terms thereof, we report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of our tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

Predetermined objectives

9. We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2015.
   - Objective SG1: Ensure that ICT infrastructure is accessible, robust, reliable, affordable and secure to meet the needs of the country and its people; on page 13
   - Objective SG2: Ensure high levels of customer and stakeholder satisfaction by meeting their needs all the time; on page 13
   - Objective SG3: Drive organisational performance in order to improve organisational effectiveness; on pages 13 to 14
   - Objective SG4: Ensure that the company is financially sustainable; on page 14.

Independent Auditor's Report to Parliament and Shareholder on SENTECH SOC LIMITED

10. We evaluated the reported performance information against the overall criteria of usefulness and reliability.

11. We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

12. We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

13. We did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:
    - Objective SG1: Ensure that ICT infrastructure is accessible, robust, reliable, affordable and secure to meet the needs of the country and its people;
    - Objective SG2: Ensure high levels of customer and stakeholder satisfaction by meeting their needs all the time;
    - Objective SG3: Drive organisational performance in order to improve organisational effectiveness;
    - Objective SG4: Ensure that the company is financially sustainable;

Additional matters

14. Although we raised no material findings on the usefulness and reliability of the reported performance information for the selected objectives, we draw attention to the following matters:

Achievement of planned targets

15. Refer to the annual performance report on pages 13 to 14 for information on the achievement of planned targets for the year.

Unaudited supplementary information

16. The supplementary information set out on pages 15 to 27 does not form part of the annual performance report and is presented as additional information. We have not audited this information and, accordingly, we do not express a conclusion thereon.

Compliance with legislation

17. We performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Independent Auditor's Report to Parliament and Shareholder on SENTECH SOC LIMITED

Internal control

18. We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation but not for purpose of expressing an opinion on the effectiveness of the internal control. We did not identify any significant deficiencies in internal control.

OTHER REPORTS

Audit-related services and special audits

19. We performed agreed upon procedures in terms of TGM 22 of 2013 PFMA 2013-14: Interim audit of draft 2015-16 Annual Performance Plan. No misstatements were noted on the measurability of the targets. The targets were well defined, verifiable, specific, measurable and time bound.

20. We also performed agreed upon procedures to review the conversion adjustments from International Financial Reporting Standards (IFRS) to Generally Recognised Accounting Practice (GRAP) on the Treasury pack to ensure conversion adjustments are captured correctly for consolidation purposes by National Treasury. No material misstatements were identified.

Rakoma and Associates Inc.

Rakoma and Associates Inc
Registered Auditors

Per: **Elisha Musindo**
Chartered Accountant SA
Registered Auditor
Director

Johannesburg

31 July 2015

Statement of Financial Position

As at 31 March 2015

Figures in Rand thousand	Note(s)	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
ASSETS					
Non-Current Assets					
Property, plant and equipment	6	633 461	602 409	633 461	602 409
		633 461	**602 409**	**633 461**	**602 409**
Current Assets					
Inventories	8	62 066	71 666	62 066	71 666
Loans to group companies		-	-	-	7
Current tax receivable	15	72 918	50 401	72 918	50 401
Trade and other receivables	9	60 437	39 832	60 437	39 832
Cash and cash equivalents	10	889 704	1 077 430	889 704	1 077 423
		1 085 125	**1 239 329**	**1 085 125**	**1 239 329**
Total Assets		**1 718 586**	**1 841 738**	**1 718 586**	**1 841 738**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	11	75 892	75 892	75 892	75 892
Reserves		510 762	510 762	510 762	510 762
Retained income		744 958	579 546	744 958	579 546
		1 331 612	**1 166 200**	**1 331 612**	**1 166 200**
LIABILITIES					
Non-Current Liabilities					
Employee benefits	12	-	100 333	-	100 333
Deferred tax	13	56 489	38 207	56 489	38 207
		56 489	**138 540**	**56 489**	**138 540**
Current Liabilities					
Other financial liabilities	14	-	15 816	-	15 816
Trade and other payables	16	139 638	142 482	139 638	142 482
Deferred income	17	176 154	366 020	176 154	366 020
Provisions	18	14 693	12 680	14 693	12 680
		330 485	**536 998**	**330 485**	**536 998**
Total Liabilities		**386 974**	**675 538**	**386 974**	**675 538**
Total Equity and Liabilities		**1 718 586**	**1 841 738**	**1 718 586**	**1 841 738**

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2015

Figures in Rand thousand	Note(s)	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Revenue	19	1 107 146	975 287	1 107 146	975 287
Cost of sales	20	(761 563)	(670 566)	(761 563)	(670 566)
Gross profit		**345 583**	**304 721**	**345 583**	**304 721**
Other income	19	2 824	41 410	2 824	41 410
Operating expenses	20	(74 639)	(79 316)	(74 639)	(79 272)
Selling expenses	20	(22 856)	(14 718)	(22 856)	(14 718)
Administrative expenses	20	(73 072)	(50 712)	(73 072)	(50 711)
Operating profit		**177 840**	**201 385**	**177 840**	**201 430**
Finance income	22	44 573	46 202	44 573	46 202
Finance Cost	23	(10 769)	(23 103)	(10 769)	(23 103)
Profit before taxation		**211 644**	**224 484**	**211 644**	**224 529**
Taxation	24	(37 080)	(11 511)	(37 080)	(11 511)
Profit for the year		**174 564**	**212 973**	**174 564**	**213 018**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability/asset	12	(12 711)	46	(12 711)	46
Income tax relating to items that will not be reclassified	24	3 559	(13)	3 559	(13)
Total items that will not be reclassified to profit or loss		**(9 152)**	**33**	**(9 152)**	**33**
Other comprehensive income for the year net of taxation		**(9 152)**	**33**	**(9 152)**	**33**
Total comprehensive income for the year		**165 412**	**213 006**	**165 412**	**213 051**

Statement of Changes in Equity

For the year ended 31 March 2015

Figures in Rand thousand	Share capital	Share premium	Total share capital	Revaluation reserve	Other NDR[1]	Total reserves	Retained income	Total equity
Group								
Balance at 01 April 2013	2	75 890	75 892	422 148	88 614	510 762	366 540	953 194
Profit for the year	-	-	-	-	-	-	212 973	212 973
Other comprehensive income	-	-	-	-	-	-	33	33
Total comprehensive income for the year	-	-	-	-	-	-	213 006	213 006
Balance at 01 April 2014	2	75 890	75 892	422 148	88 614	510 762	579 546	1 166 200
Profit for the year	-	-	-	-	-	-	174 564	174 564
Other comprehensive income	-	-	-	-	-	-	(9 152)	(9 152)
Total comprehensive income for the year	-	-	-	-	-	-	165 412	165 412
Balance at 31 March 2015	2	75 890	75 892	422 148	88 614	510 762	744 958	1 331 612
Note(s)	11	11	11					
Company								
Balance at 01 April 2013	2	75 890	75 892	422 148	88 614	510 762	366 495	953 149
Profit for the year	-	-	-	-	-	-	213 018	213 018
Other comprehensive income	-	-	-	-	-	-	33	33
Total comprehensive income for the year	-	-	-	-	-	-	213 051	213 051
Balance at 01 April 2014	2	75 890	75 892	422 148	88 614	510 762	579 546	1 166 200
Profit for the year	-	-	-	-	-	-	174 564	174 564
Other comprehensive income	-	-	-	-	-	-	(9 152)	(9 152)
Total comprehensive income for the year	-	-	-	-	-	-	165 412	165 412
Balance at 31 March 2015	2	75 890	75 892	422 148	88 614	510 762	744 958	1 331 612
Note(s)	11	11	11					

The SABC, in terms of an agreement arrangement by the shareholder, waived the interest-free portion of its long-term loan. The gain is reflected as NDR to increase contribution from the shareholder.

Statement of Cash Flows

For the year ended 31 March 2015

Figures in Rand thousand	Note(s)	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	25	126 552	39 378	126 559	39 500
Interest income		28 043	38 720	28 043	38 720
Dividends received		16 530	7 482	16 530	7 482
Interest Paid	26	(1 660)	(4 582)	(1 660)	(4 582)
Tax paid	27	(37 755)	(33 389)	(37 755)	(33 389)
Net cash from operating activities		**131 710**	**47 609**	**131 717**	**47 731**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	6	(314 579)	(290 493)	(314 579)	(290 493)
Proceeds from disposal of assets		294	-	294	-
Net cash from investing activities		**(314 285)**	**(290 493)**	**(314 285)**	**(290 493)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of financial liabilities (ICASA and DBSA)		(15 816)	(38 530)	(15 816)	(38 530)
Repayment of loans and borrowings		-	(622 441)	-	(622 441)
Government grant utilisation		-	(5 140)	-	(5 140)
Interest earned on government grant payable		-	15 625	-	15 625
Government Grant		121 759	469 565	121 759	469 565
Settlement of employee benefit - post-retirement medical aid		(118 919)	(74 443)	(118 919)	(74 443)
Interest received on government grant		7 825	15 418	7 825	15 418
Net cash from financing activities		**(5 151)**	**(239 946)**	**(5 151)**	**(239 946)**
Total cash movement for the year		**(187 726)**	**(482 830)**	**(187 719)**	**(482 708)**
Cash at the beginning of the year		1 077 430	1 560 260	1 077 423	1 560 131
Total cash at end of the year	10	**889 704**	**1 077 430**	**889 704**	**1 077 423**

Notes to the Financial Statements

For the year ended 31 March 2015

1. PRESENTATION OF GROUP ANNUAL FINANCIAL STATEMENTS

SENTECH SOC limited (the "Company") is a company incorporated and domiciled in South Africa. The Company's registered office is Sender Technology Park, Octave Street, Honeydew. The consolidated annual financial statements of the Company as at and for the year ended 31 March 2015 comprise of the Company and its subsidiaries (together referred to as the "Group" and individually as the "Group entities").The group primarily is involved in signal distribution and has transmission stations across the country and provides broadcasting services.

These accounting policies are consistent with the previous period.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB), the Companies Act, No. 71 of 2008, as amended, and the Public Finance Management Act, No. 1 of 1999, as amended by Act 29 of 1999.

The financial statements were authorised for issue by the Accounting Authority on 31 July 2015.

2.2 Basis of Measurement

The financial statements have been prepared under the historical cost basis, except for the following material items in the Statement of Financial Position:

- The defined benefit asset/liability is recognised as the net total of the plan assets, plus unrecognised past service costs and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation; and
- Land and buildings are measured at the fair value, being the market value at the date of revaluation.

2.3 Functional Currency

These financial statements are presented in South African Rands, which is the Group's functional currency. All financial information presented in Rands has been rounded to the nearest thousand.

2.4 Use of Estimates and Judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in note 5 and the following notes:

Notes to the Financial Statements

For the year ended 31 March 2015

- Notes 3.4 and 6 – valuation of property, plant and equipment;
- Notes 3.8 and 12 – measurement of employee benefits;
- Notes 3.14 and 13 – utilisation of tax losses; and
- Notes 3.9, 18 and 32 – provisions and contingencies.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group.

3.1 Basis of Consolidation

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Loss of Control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Translation of Foreign Currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in 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;
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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 financial statements are recognised in profit or loss in the period in which they arise.

Notes to the Financial Statements

For the year ended 31 March 2015

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.

3.3 Financial Instruments

Classification

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Recognition

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Presentation

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Group 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 liability simultaneously.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Non-derivative financial instruments

Nonderivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Nonderivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition nonderivative financial instruments are measured as described below.

Loans to/(from) group companies and related parties

These include loans to fellow subsidiaries, subsidiaries, joint ventures and related parties and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest method, less any impairment loss on loans receivable recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Notes to the Financial Statements

For the year ended 31 March 2015

Impairment losses are reversed in subsequent periods when an increase in the loan's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the loan at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans to group companies are classified as loans and receivables. Loans from group companies are classified as other financial liabilities.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and are subject to an insignificant risk of changes in value. These are initially recognised at fair value and subsequently measured at amortised cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Interest-bearing borrowings

Interest-bearing borrowings are initially measured at fair value less attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the initially recognised amount and the redemption amount of interest-bearing borrowings is recognised in profit or loss over the term of the interest-bearing borrowings on an effective interest basis.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Notes to the Financial Statements

For the year ended 31 March 2015

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3.4 Property, Plant and Equipment

Recognition and measurement

Land and buildings comprise mainly transmitter stations and offices. Buildings are revalued to fair value on a three year cycle by external independent valuators. Land and buildings are carried at revalued amounts less subsequent accumulated depreciation (see below) and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount and the net amount is restated to the revalued amount.

Increases in the carrying value arising on the revaluation of land and buildings (revaluation surpluses) are credited in other comprehensive income and presented in the revaluation reserve in equity net of taxation. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific land and buildings, with any remaining loss recognised immediately in profit or loss.

Other items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, directly attributable to borrowing costs and the costs of dismantling and removing the items and restoring the site on which they are located. For assets funded through government grants, the grant income is netted against these costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal to the carrying amount of property, plant and equipment and are recognised net within “other income” in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised and the replacement part is capitalised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less residual value.

Notes to the Financial Statements

For the year ended 31 March 2015

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

Item	Average useful life
Land and buildings	
• Land	Indefinite
• Buildings	40 to 100 years
• Improvements to leasehold premises	20 years
Motor vehicles	
• Motor vehicles	5 years
Technical equipment:	
• Technical equipment	10 to 20 years
• Computer, technical and office equipment	2 to 5 years
• Monitoring equipment	5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This balance is not discounted.

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Where necessary, a provision is made for obsolete, slow-moving and defective inventories.

Notes to the Financial Statements

For the year ended 31 March 2015

3.7 Impairment of Assets

Impairment of non-financial assets

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss to the extent that it cannot be recouped from the revaluation reserve for revalued assets.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Notes to the Financial Statements

For the year ended 31 March 2015

3.8 Employee Benefits

Short-term employee benefits

Short-term employee benefits are recognised in profit or loss during the period in which services are rendered. Employee entitlements to annual leave and long service leave are recognised in profit or loss when they accrue to employees in respect of past services rendered up to the reporting date. This obligation is measured on an undiscounted basis.

An accrual is recognised for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which the services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. The Group recognises past service cost in profit or loss at the earlier of the date when the plan amendment or curtailment occurs and when the entity recognises related restructuring costs or termination benefits.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, changes in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

Notes to the Financial Statements

For the year ended 31 March 2015

3.9 Provisions and Contingencies

Provisions

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

3.10 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods

The Group sells a range of broadcasting and telecommunication products. Sales of goods are recognised when the Group has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Notes to the Financial Statements

For the year ended 31 March 2015

Customers have a right to return faulty products. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Experience is used to estimate and provide for the discounts and returns.

Rendering of services

The Group renders broadcasting and transmission services. These services are provided on a time basis or as a fixed price contract for a specific period.

Revenue from time contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Rental income

Rental income from the rental of premises is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as revenue.

3.11 Government Grants

Grants that compensate the Group for the cost of an asset are recognised initially as deferred income which is classified under current liabilities. Grants relating to completed and incomplete asset projects are deducted from the cost of the relevant asset (net presentation method). The depreciation expense recognised in profit or loss over the useful life of the asset is calculated from the net cost of the asset which is after deduction of the corresponding deferred government grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Government grants are only recognised when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Deferred income is classified as a current liability as uncertainty exists as to the timing of the release of the government grants.

3.12 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.13 Finance Income and Finance Costs

Finance income comprises dividend income, interest income on the Group's own cash and interest income on government grants invested, except where specified in the government grant terms and conditions relating to the funds invested that are recognised as deferred income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, interest costs on defined benefit plans, unwinding of the discount on provisions and impairment losses recognised on financial assets that are recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 March 2015

Borrowing costs that are not directly attributed to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis in operating costs.

3.14 Taxation

Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and goodwill on initial recognition.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.15 Related Parties

Related parties include the shareholder, formerly The Department of Communications, now The Department of Telecommunications and Postal Services (100% shareholder) and its fellow subsidiaries. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Group are also considered to be related parties. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Notes to the Financial Statements

For the year ended 31 March 2015

4. NEW STANDARDS AND INTERPRETATIONS

4.1 Standards and interpretations adopted in the current year

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

Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities

The amendments clarify when an entity can offset financial assets and financial liabilities. This amendment will result in the Group no longer offsetting two of its master netting arrangements. This amendment is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

4.2 Standards and interpretations not yet effective

At the date of authorisation of the financial statements of SENTECH SOC Limited and subsidiaries for the year ended 31 March 2015, the following Standards and Interpretations were issued but not yet effective:

Effective for the financial year commencing 1 April 2015

- IFRS 9 Financial Instruments - IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

Effective for the financial year commencing 1 April 2016

- IFRS 15: Revenue from contracts with customers. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 applies to an annual reporting period beginning on or after 1 January 2017.
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Amendments resulting from September 2014 Annual Improvements to IFRSs (Effective - Annual periods beginning on or after 1 January 2016).
- IFRS 10 Consolidated Financial Statements: The consolidation exception (Effective Annual periods beginning on or after 1 January 2016).
- IFRS 12 Disclosure of Interests in Other Entities: Amendments regarding the application of the consolidation exception (Effective: Annual periods beginning on or after 1 January 2016).
- IAS 16 Property, Plant and Equipment: Amendments regarding the clarification of acceptable methods of depreciation and amortisation (Effective: Annual periods beginning on or after 1 January 2016).
- IAS 16 Property, Plant and Equipment: Amendments bringing bearer plants into the scope of IAS 16 (Effective: Annual periods beginning on or after 1 January 2016).
- IAS 19 Employee Benefits: Amendments resulting from September 2014 Annual Improvements to IFRSs (Effective: Annual periods beginning on or after 1 January 2016).

Notes to the Financial Statements

For the year ended 31 March 2015

- IAS 27 Separate Financial Statements (as amended in 2011): Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (Effective: Annual periods beginning on or after 1 January 2016).
- IAS 28 Investments in Associates and Joint Ventures: Amendments regarding the application of the consolidation exception(Effective: Annual periods beginning on or after 1 January 2016).
- IAS 34 Interim Financial Reporting: Amendments resulting from September 2014 Annual Improvements to IFRSs (Effective: Annual periods beginning on or after 1 January 2016).
- IAS 38 Intangible Assets: Amendments regarding the clarification of acceptable methods of depreciation and amortisation (Effective: Annual periods beginning on or after 1 January 2016).

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND KEY ASSUMPTIONS

Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

The Group makes estimates, judgements and assumptions concerning the future. Those that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment

The valuation methods used for the revaluations of land and building are the income capitalisation amount and the depreciated replacement cost method, which are deemed most appropriate. The income capitalisation method takes into account any market based evidence regarding the value of the land or buildings as at the date of the valuation. Should market based evidence not exist the depreciated replacement cost method will be used. The depreciated replacement cost method uses the replacement cost of the asset at the date of valuation and a depreciation factor is applied to arrive at the depreciated revalued cost. The comparable sales method of valuation is used, where relevant, to determine the market value of the property. This method entails the identification, analysis and application of recent comparable sales involving physical and legally similar properties in the general proximity of the subject property, to enable to valuator to arrive at a norm which will serve as a guide in estimating the market value of the property.

All valuations are performed by an experienced, qualified and objective valuator.

The residual values of property, plant and equipment are considered to be insignificant as the estimation of useful lives is equal to their economic lives.

Impairment of assets

The Group tests whether assets have suffered any impairment, in accordance with the accounting policy stated in note 3.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Estimates are based on management's interpretation of market forecasts and assessment.

Notes to the Financial Statements

For the year ended 31 March 2015

Inventories

Inventory is written down to net realisable value when it is considered that the amount realisable from such inventory's sale is considered to be less than its cost value. In determining whether a particular item of inventory could be considered to be overvalued, several factors are taken into consideration. These include, but are not limited to the following:

- Saleability;
- Excessive quantity;
- Age;
- Sub-standard quality and damage; and
- Historical and forecast sales demand.

Loans and receivables

Management identifies impairment of loans and receivables on an ongoing basis. Impairment adjustments are raised against loans and receivables when their collectability is considered to be doubtful. Management believes that the impairment write-off is conservative and there are no significant trade receivables that are doubtful and have not been impaired. In determining whether a particular debtor could be doubtful, several factors are taken into consideration. These include, but are not limited to the following:

- Age;
- Credit terms;
- Customer current and anticipated future financial status; and
- Disputes with the customer.

Non-derivative financial liabilities

Judgement is required in determining the provision for income taxes due to the complexity of legislation. The group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Defined benefit funds

Experienced and qualified actuaries determine the value of defined benefit funds assets and liabilities at the end of each reporting period.

Notes to the Financial Statements

For the year ended 31 March 2015

6. PROPERTY, PLANT AND EQUIPMENT

Group and Company Figures in Rand thousand	2015 Cost or re-valuation	2015 Accumulated depreciation	2015 Carrying value	2014 Cost or re-valuation	2014 Accumulated depreciation	2014 Carrying value
Land and Buildings	559 504	(189 665)	369 839	553 792	(155 637)	398 155
Motor vehicles	21 941	(5 005)	16 936	7 610	(2 312)	5 298
Computer, technical and office equipment	807 241	(654 769)	152 472	737 021	(625 290)	111 731
Capital Work in Progress	94 214	-	94 214	87 225	-	87 225
Total	**1 482 900**	**(849 439)**	**633 461**	**1 385 648**	**(783 239)**	**602 409**

Reconciliation of property, plant and equipment - 2015

Group and Company Figures in Rand thousand	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	398 155	6 916	(98)	(35 134)	369 839
Motor vehicles	5 298	14 428	-	(2 790)	16 936
Computer, technical and office equipment	111 731	78 489	(4 375)	(33 373)	152 472
Capital work in progress	87 225	6 989	-	-	94 214
	602 409	**106 822**	**(4 473)**	**(71 297)**	**633 461**

Reconciliation of property, plant and equipment - 2014

Figures in Rand thousand	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	417 653	8 339	(2 126)	(25 711)	398 155
Motor vehicles	476	5 118	-	(296)	5 298
Computer, technical and office equipment	85 485	51 595	(2 983)	(22 366)	111 731
Capital work in progress	42 015	45 210	-	-	87 225
	545 629	**110 262**	**(5 109)**	**(48 373)**	**602 409**

As per the Group's accounting policy, the cost of property, plant and equipment is recorded net of government grant funds. The additions before netting off the government grant funds were R314 579 765 (2014: R290 493 000). The government grant funds amount to R211 741 402 (2014: R180 231 000).

Buildings are revalued to fair value on a three year cycle by external independent valuators as per the accounting policy, see note 3.4. A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Group. If land and buildings were stated on the historical cost basis, the amounts would be as follows:

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Cost	295 471	288 555	295 471	288 555
Accumulated depreciation and impairment losses	(122 636)	(112 956)	(122 636)	(112 956)
Carrying value	**172 835**	**175 599**	**172 835**	**175 599**

Notes to the Financial Statements

For the year ended 31 March 2015

7. INVESTMENTS IN SUBSIDIARIES

Company

Name of company	% holding 2015	% holding 2014	Carrying amount 2015	Carrying amount 2014
Infohold (Pty) Limited	100.00%	100.00%	-	-
Vivid Multimedia (Pty) Limited	100.00%	100.00%	-	-
SENTECH International (Pty) Limited	100.00%	100.00%	-	-
InfoSat (Pty) Limited	100.00%	100.00%	-	-
			-	-

The subsidiaries above are unlisted and registered in South Africa.

SENTECH SOC Limited holds 100% of Infohold (Pty) Limited, Vivid Multimedia (Pty) Limited and SENTECH International (Pty) Limited. InfoHold (Pty) Limited holds 100% of the shares of its subsidiary InfoSat (Pty) Limited. InfoSat (Pty) Limited's business operations were discontinued in 2010.

The company is in the process of winding up two subsidiaries; Infohold (Pty) Ltd and its subsidiary InfoSat (Pty) Ltd. There are no significant restrictions in the ability of SENTECH SOC Limited to access assets and settle liabilities in the Group.

The Accounting Authority approved the winding up of Infohold (Pty) Limited and InfoSat (Pty) Limited. This process was still in progress at the reporting date.

8. INVENTORIES

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Consumables	984	3 323	984	3 323
Inventories	65 272	69 343	65 272	69 343
	66 256	72 666	66 256	72 666
Inventories (write-downs)	(4 190)	(1 000)	(4 190)	(1 000)
	62 066	**71 666**	**62 066**	**71 666**

The inventory held is not encumbered.

Notes to the Financial Statements

For the year ended 31 March 2015

9. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
Figures in Rand thousand	2015	2014	2015	2014
Trade receivables	47 587	30 528	47 587	30 528
Less: Impairment	(3 853)	(4 916)	(3 853)	(4 916)
Net trade receivables	43 734	25 612	43 734	25 612
Other receivables	6 625	5 849	6 625	5 849
Deposits	4 750	1 760	4 750	1 760
Loans and receivables	55 109	33 221	55 109	33 221
Prepayments	5 328	6 611	5 328	6 611
Total trade and other receivables	**60 437**	**39 832**	**60 437**	**39 832**

Receivables from related parties for both Group and Company included in trade and other receivables amounts to R4 486 396 (2014: R6 947 000). Refer to note 30.

The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor mentioned above. The group does not hold any collateral as security.

10. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
Figures in Rand thousand	2015	2014	2015	2014
Unrestricted cash				
- Own cash	713 550	711 410	713 550	711 403
Restricted cash	176 154	366 020	176 154	366 020
- Government grants cash	76 127	264 154	76 127	264 154
- Interest earned on Government grant cash	100 027	101 866	100 027	101 866
	889 704	**1 077 430**	**889 704**	**1 077 423**

Restricted cash-government grants cash

Restricted cash relates to government grant funds and the corresponding interest earned. This cash should be used only for the purposes specified by Department of Telecommunications and Postal Services (DTPS) when the grants were received. Project and capital cash balances, net of VAT excluding the interest earned, which is currently managed on behalf of the DTPS is as follows:

Notes to the Financial Statements

For the year ended 31 March 2015

Projects

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Digital Terrestrial Transmission and Dual Illumination	59 280	218 758	59 280	218 758
Community broadcasters	5 751	2 710	5 751	2 710
Disaster Recovery (2010 World Cup Soccer)	11 096	40 650	11 096	40 570
CHAN	-	2 036	-	2 036
	76 127	264 154	76 127	264 074
Interest earned on Government grants cash	100 027	101 866	100 027	101 866
	176 154	**366 020**	**176 154**	**365 940**

At year-end, the Group and Company had issued the following active guarantees:

Eskom Holdings SOC Limited	994	994	994	994
Properties and related rates and taxes	151	151	151	151
	1 145	**1 145**	**1 145**	**1 145**

11. SHARE CAPITAL AND PREMIUM

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Authorised				
100 000 ordinary shares of R1 each	100	100	100	100
Issued				
2 000 ordinary shares of R1 each	2	2	2	2
Share premium	75 890	75 890	75 890	75 890
	75 892	**75 892**	**75 892**	**75 892**

The shareholder (Minister of Telecommunications and Postal Services) controls the unissued shares.

Notes to the Financial Statements

For the year ended 31 March 2015

12. EMPLOYEE BENEFITS

The employee benefits relate to post-employment medical benefit plan and are made up as follows:

Carrying value

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Present value of the defined benefit				
Obligation - partially or wholly funded	(118 919)	(100 333)	(118 919)	(100 333)
Fair value of plan assets	118 919	-	118 919	-
	-	**(100 333)**	**-**	**(100 333)**

This is a stable growth fund that consists of equities, bonds, cash and international investments with normal market risk exposure. The fund is managed by reputable asset managers.

Plan Assets Comprise:				
Cash and Cash Equivalents	3 554	-	3 554	-
Equity Securities	19 598	-	19 598	-
Bonds	2 772	-	2 772	-
Foreign Investments	6 685	-	6 685	-
Annuity	86 310	-	86 310	-
	118 919	-	118 919	-

The employee benefits are made up as follows:

Post-retirement medical benefits.	**-**	**(100 333)**	**-**	**(100 333)**

The actuarial (gains)/losses are made up as follows:

Retirement pension benefit plan	-	-	-	-
Post-retirement medical benefit plan-loss/(gain)	12 711	(46)	12 711	(46)
	12 711	**(46)**	**12 711**	**(46)**

Retirement medical aid benefits

The Group provides post-retirement benefits to its retirees in the form of contributions to the independent medical aid fund and operates as an unfunded defined benefit plan. Members employed on or after 1 July 2005, are not entitled to any post retirement subsidy of medical contribution. The liability was actuarially valued at 31 March 2015 by an independent actuary at R118.9 million. In order to reduce the group's exposure to escalating post-retirement medical benefit aid benefit liability, the Accounting Authority procured a settlement to transfer the risk associated with the liability to a third party. This has resulted in the establishment of a plan asset to fund the residual risks after the settlement. The reconciliation on the following page provide details:

Notes to the Financial Statements

For the year ended 31 March 2015

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Present value of unfunded obligations	-	100 333	-	100 333
Change in the defined benefit fund obligation				
Liability at beginning of the year	100 333	198 225	100 333	198 225
Benefits paid	(4 584)	(6 303)	(4 584)	(6 303)
Plan asset- Effect of settlement -	-	(115 154)	-	(115 154)
Components of the retirement medical benefits recognised in profit and loss				
Current service cost	1 350	5 090	1 350	5 090
Interest cost	9 109	18 521	9 109	18 521
	10 459	**23 611**	**10 459**	**23 611**
Components of the retirement medical benefits recognised in other comprehensive income				
Actuarial (gains)/losses recognised	12 711	(46)	12 711	(46)
Liability at end of the year	**118 919**	**100 333**	**118 919**	**100 333**

Principal actuarial assumptions used	%	%	%	%	%
Discount rate	9.3	8.6	9.3	8.6	9.3
Annual increase in health care costs	8.8	8.4	8.8	8.4	8.8
Expected retirement age	63-65 yrs	63-65 yrs	63-65 yrs	63-65 yrs	63-65 yrs

Sensitivity analysis

	Group and Company		
2015			
Change in liability	8.4%	-1%	+1%
1% change in current service and interest cost	11 528	9 976	13 458
2014			
Change in liability	8.80%	-1%	+1%
1% change in health care cost inflation (R'000)	100 333	88 739	114 373
1% change in current service and interest cost	10 459	9 133	12 086

Historical information

Figures in Rand thousand	2015	2014	2013	2012	2011	2010
Retirement medical aid benefits						
Present value of the obligation	-	100 333	198 225	172 622	130 813	119 580
Actuarial losses (gains) recognised	**12 711**	**(46)**	**11 124**	**30 762**	**(686)**	**(13 578)**

Analysis of unexpected gains and losses

The accrued liability calculated in this valuation is R118.919 million, reflecting an unexpected loss of R6.934 million. Additionally there is an expected actuarial loss due to mortality improvement of R5.777 making a total actuarial loss of R12.711 million.

Notes to the Financial Statements

For the year ended 31 March 2015

13. DEFERRED TAX

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Deferred tax liability	(56 489)	(38 207)	(56 489)	(38 207)
Movement in temporary differences				
At beginning of year	(38 207)	(7 992)	(38 207)	(7 992)
Prior year adjustment	-	(408)	-	(408)
Recognised in profit and loss	(21 841)	(29 794)	(21 841)	(29 794)
Recognised in other comprehensive income	3 559	(13)	3 559	(13)
	(56 489)	**(38 207)**	**(56 489)**	**(38 207)**

Deferred tax liabilities are attributed to the following:

Figures in Rand thousand	PPE	Prepayments	Total
Balance at 31 March 2013	(93 582)	(4 500)	(98 082)
Recognised in profit and loss	7 079	(6 186)	893
Prior year underprovision	(408)	-	(408)
Balance at 31 March 2014	(86 911)	(10 686)	(97 597)
Recognised in profit and loss	8 387	1 009	9 396
Balance at 31 March 2015	**(78 524)**	**(9 677)**	**(88 201)**

Deferred tax assets are attributed to the following:

Figures in Rand thousand	Group and Company Provisions	Group and Company Unearned income and deposits	Group and Company Total
Balance at 31 March 2013	83 810	6 280	90 090
Recognised in profit and loss	(31 074)	387	(30 687)
Recognised in other comprehensive income	(13)	-	(13)
Balance at 31 March 2014	52 723	6 667	59 390
Recognised in profit and loss	(31 319)	82	(31 237)
Recognised in other comprehensive income	3 559	-	3 559
Balance at 31 March 2015	**24 963**	**6 749**	**31 712**

Notes to the Financial Statements

For the year ended 31 March 2015

14. OTHER FINANCIAL LIABILITIES

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Held at amortised cost				
Other financial liability	-	15 816	-	15 816

The other financial liability relates to the ICASA settlement which was fully discharged in the current financial year.

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Current liabilities				
At amortised cost	-	15 816	-	15 816

15. CURRENT TAX RECEIVABLE

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
South African Revenue Services	72 918	50 401	72 918	50 401
	72 918	**50 401**	**72 918**	**50 401**

The South African Revenue Service has independently verified the accuracy of the tax receivable to the company and the company is awaiting a settlement in the 2015/16 financial year.

16. TRADE AND OTHER PAYABLES

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Trade payables	54 064	64 360	54 064	64 360
Accrued expenses	35 258	30 919	35 258	30 919
Financial liabilities	89 322	95 279	89 322	95 279
Customer deposits	6 928	9 631	6 928	9 631
Lease accrual	13114	10 413	13 114	10 413
Unearned Income	2 493	-	2 493	-
VAT	4 502	8 562	4 502	8 562
Leave pay accrual	23 279	18 597	23 279	18 597
	139 638	**142 482**	**139 638**	**142 482**

The accounting authority considers the carrying amount of trade and other payables to approximate their fair value.

Notes to the Financial Statements

For the year ended 31 March 2015

17. DEFERRED INCOME

	GROUP		COMPANY	
Figures in Rand thousand	2015	2014	2015	2014
Analysis of movements in deferred income				
Opening balance	366 020	160 074	366 020	160 074
Net funding received (see below)	121 759	469 565	121 759	469 565
Acquisition of property, plant and equipment	(211 741)	(180 231)	(249 755)	(180 231)
Net interest capitalised	**967**	**2 671**	**967**	**2 671**
Interest capitalised for the FIFA 2010 project (note 24)	1 102	3 710	1 102	3 710
Taxation paid on interest for FIFA 2010 project (note 25)	(135)	(1 039)	(135)	(1 039)
Interest deferred	**6 857**	**8 430**	**6 857**	**8 430**
Interest deferred until approval is received	-	11 708	-	11 708
Taxation paid	-	(3 278)	-	(3 278)
Interest previously recognised awaiting approval	6 857	-	6 857	-
Utilisation recognised in profit and loss	**(107 708)**	**(94 489)**	**(107 708)**	**(94 489)**
– Community broadcasters	-	(1 914)	-	(1 914)
– Dual illumination cost/revenue	(107 708)	(89 349)	(107 708)	(89 349)
– Chan project cost	-	(3 226)	-	(3 226)
	176 154	366 020	176 154	366 020
Closing balance	**176 154**	**366 020**	**176 154**	**366 020**
Net funding received				
Government grants received	138 805	535 304	138 805	535 304
Deemed VAT (14%)	(17 046)	(65 739)	(17 046)	(65 739)
	121 759	**469 565**	**121 759**	**469 565**

Government grants are received for the purchase and construction of property, plant and equipment and to compensate for the Group's operational expenditure related to Government projects. The deferred income relating to completed assets has been netted-off against the cost of the respective assets under property, plant and equipment. Deferred income relating to capital work-in-progress is set-off against costs incurred to date, on the net presentation basis. The asset will then be depreciated over its useful life based on the net carrying amount after taking Government grant funding into account as per the accounting Policy, see note 3.11.

Notes to the Financial Statements

For the year ended 31 March 2015

18. PROVISIONS

Figures in Rand thousand	Opening balance	Additions	Utilised during the year	Total
Reconciliation of provisions - Group - 2015				
Legal and other provisions	12 680	3 527	(1 514)	14 693
Reconciliation of provisions - Group - 2014				
Legal and other provisions	12 878	1 670	(1 868)	12 680
Reconciliation of provisions - Company - 2015				
Legal and other provisions	12 680	3 527	(1 514)	14 693
Reconciliation of provisions - Company - 2014				
Legal and other provisions	12 878	1 670	(1 868)	12 680

The Accounting Authority has raised provision for legal and other provisions that are likely to be incurred. The analysis of the provisions is as above.

	GROUP		COMPANY	
Figures in Rand thousand	2015	2014	2015	2014
Analysis of provisions				
Legal fees	300	500	300	500
Legal claim	9 114	9 114	9 114	9 114
Overtime	1 319	1 564	1 319	1 564
Ex-employee claim	1 563	1 395	1 563	1 395
Other provisions	2 397	107	2 397	107
	14 693	**12 680**	**14 693**	**12 680**

Legal fees and claims

The Group is involved in legal matters and the expected exposure is included above.

Notes to the Financial Statements

For the year ended 31 March 2015

19. REVENUE

Revenue from Rendering of Services comprises of the following:

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Terrestrial television services	477 295	439 252	477 295	439 252
Terrestrial FM radio services	219 999	201 639	219 999	201 639
Terrestrial MW radio services	7 646	7 245	7 646	7 245
Terrestrial short wave radio services	24 602	19 755	24 602	19 755
Terrestrial and satellite linking	91 125	85 622	91 125	85 622
Satellite direct-to-home	108 883	58 910	108 883	58 910
Business television	3 719	5 903	3 719	5 903
VSAT	10 617	13 411	10 617	13 411
Dual illumination grant income	107 708	89 349	107 708	89 349
Other	417	4 758	417	4 758
	1 052 011	**925 844**	**1 052 011**	**925 844**

Revenue from Rental Income comprises of the following:

Facility rentals	53 581	46 261	53 581	46 261
	53 581	**46 261**	**53 581**	**46 261**

Revenue from Sale of goods comprises of the following:

Vivid	1 554	3 182	1 554	3 182
	1 554	**3 182**	**1 554**	**3 182**
	1 107 146	**975 287**	**1 107 146**	**975 287**

Other Income comprises of the following:

Gains realised on settlement of post- retirement medical benefit plan obligation	2 824	41 410	2 824	41 410

Notes to the Financial Statements

For the year ended 31 March 2015

20. EXPENSES BY NATURE

The following is disclosed for profit and loss from continuing operations:

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Cost of sales	761 563	670 566	761 563	670 566
Operating expenses	74 639	79 316	74 639	79 272
Administration expenses	73 072	50 712	73 072	50 711
Selling expenses	22 856	14 718	22 856	14 718
	932 130	**815 312**	**932 130**	**815 267**
Cost of sales				
Employee costs (note 21)	360 387	328 266	360 387	328 266
Depreciation, amortisation and impairments	71 297	48 373	71 297	48 373
Operating lease expense - satellite rental	202 326	161 531	202 326	161 531
Transmitter tubes	3 698	4 249	3 698	4 249
Support equipment	2 790	2 490	2 790	2 490
Other cost of sales	121 065	125 657	121 066	125 657
	761 563	**670 566**	**761 564**	**670 566**
Operating expenses includes the following:				
Operating lease expenses				
Premises	9 333	9 203	9 333	9 203
Lease rentals on operating lease - Other	4 382	3 785	4 382	3 785
Auditors remuneration				
- Current year audit fees	2 300	3 207	2 300	3 207
Legal and consulting fees	13 439	14 674	13 439	14 674
Transport costs	19 557	21 585	19 557	21 585
Loss on impairment or disposal of property, plant and equipment	4 179	5 901	4 179	5 901
Training	2 533	-	2 533	-
Other Operating Expenses	18 916	20 961	18 916	20 917
Total Operating expenses	**74 639**	**79 316**	**74 639**	**79 272**

Notes to the Financial Statements

For the year ended 31 March 2015

Administration expenses includes the following:

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Licences	7 539	4 838	7 539	4 838
- Spectrum	1 382	965	1 382	965
- ICASA	-	2 540	-	2 540
- ECNS/ECS	4 292	701	4 292	701
- Other	1 863	632	1 863	632
Other administration expenses	65 533	45 874	65 533	45 873
Total Administration expenses	**73 072**	**50 712**	**73 072**	**50 711**

Selling expenses includes the following:

CSI, Advertising and other selling expenses	22 856	14 718	22 856	14 718
	22 856	**14 718**	**22 856**	**14 718**

21. EMPLOYEE COST

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Salaries and Wages	298 095	269 781	298 095	269 781
Medical aid contributions- current employees	28 890	26 135	28 890	26 135
Medical aid contributions- pensioners	4 241	5 770	4 241	5 770
Medical aid contributions- post-retirement obligations, excluding interest	(102)	2 312	(102)	2 312
Statutory charges	981	941	981	941
Pension costs - defined contribution plan	28 282	23 327	28 282	23 327
	360 387	**328 266**	**360 387**	**328 266**
Number of persons employed				
Total number of employees at year-end (excluding temporary staff)	539	530	539	530

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For the year ended 31 March 2015

22. FINANCE INCOME

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Dividend revenue				
Sanlam Collective Investments Dividends	1 183	7 482	1 183	7 482
Interest revenue				
Bank	9 586	38 720	9 586	38 720
	44 573	**46 202**	**44 573**	**46 202**

23. FINANCE COSTS

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Recognised in profit and loss				
Borrowings	1 183	4 246	1 183	4 246
Other financial interest				
Bank	-	336	-	336
Post-retirement medical interest	10 628	18 521	10 628	18 521
	10 769	**23 103**	**10 769**	**23 103**

24. TAXATION

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Major components of the tax expense				
Current				
Local income tax - current period	17 221	(15 740)	17 221	(15 740)
Local income tax - prior period	1 042	-	1 042	-
Tax recovered from grant funds	(3 024)	(2 951)	(3 024)	(2 951)
	15 239	**(18 691)**	**15 239**	**(18 691)**
Deferred				
Deferred tax debit/(credit)	21 841	30 202	21 841	30 202
	21 841	**30 202**	**21 841**	**30 202**
	37 080	**11 511**	**37 080**	**11 511**
Deferred tax - Profit and loss				
Restatement - Actuarial gains/(losses)	3 559	(13)	3 559	(13)

Notes to the Financial Statements

For the year ended 31 March 2015

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	GROUP		COMPANY	
	2015	2014	2015	2014
Applicable tax rate	28.00%	28.00%	28.00%	28.00%
Expenses not deductible	2.78%	0.62%	2.78%	0.62%
Dividend income exempt	(2.22)%	(3.33)%	(2.22)%	(3.33)%
Capitalised interest income	-%	16.53%	-%	16.53%
Interest income not recognised - refunded to National Treasury	-%	(73.66)%	-%	(73.66)%
Amortisation of government grant	(12.37)%	(23.15)%	(12.37)%	(23.15)%
Depreciation of buildings	1.31%	5.36%	1.31%	5.36%
	17.50%	**(49.63)%**	**17.50%**	**(49.63)%**

25. CASH GENERATED FROM OPERATIONS

	GROUP		COMPANY	
Figures in Rand thousand	2015	2014	2015	2014
Operating profit	177 840	201 385	177 840	201 430
Adjustments for:				
Depreciation and amortisation	71 297	48 373	71 297	48 373
Loss on disposals of property, plant and equipment	4 179	5 901	4 179	5 901
DTT Dual illumination	(107 708)	(89 349)	(107 708)	(89 349)
Post-retirement medical aid benefit obligation settlement surplus	(3 234)	(41 410)	(3 234)	(41 410)
(Decrease)/increase in provision for the impairment of loans to subsidiary	-	-	7	(7)
DBSA Interest	-	(1 166)	-	(1 166)
Movements in retirement benefit assets and liabilities	-	(558)	-	(558)
(Decrease)/increase in provisions	(1 636)	(198)	(1 636)	(198)
Gain on Asset Revaluation	(42)	-	(42)	-
Cash generated from operations before working capital changes	140 696	122 978	140 703	123 016
	(14 144)	**(83 600)**	**(14 144)**	**(83 516)**
Inventories	9 600	(7 371)	9 600	(7 371)
Trade and other receivables	(20 900)	20 663	(20 900)	20 686
Trade and other payables	(2 844)	(96 892)	(2 844)	(96 831)
Cash generated from operations	**126 552**	**39 378**	**126 559**	**39 500**

Notes to the Financial Statements

For the year ended 31 March 2015

26. INTEREST PAID

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Amount recognised in profit or loss	(10 769)	(23 103)	(10 769)	(23 103)
Interest on post-retirement medical aid	9 109	18 521	9 109	18 521
	(1 660)	**(4 582)**	**(1 660)**	**(4 582)**

27. TAX PAID

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Balance at beginning of the year	50 401	3 787	50 401	3 787
Current tax for the year recognised in profit or loss	(18 262)	18 691	(18 262)	18 691
Tax recovered from grant funds	3 024	(2 951)	3 024	(2 951)
Prior year refund	-	(2 653)	-	(2 653)
Other	-	138	-	138
Less Balance at end of the year	(72 918)	(50 401)	(72 918)	(50 401)
	(37 755)	**(33 389)**	**(37 755)**	**(33 389)**

28. FINANCIAL INSTRUMENTS

28.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Figures in Rand thousand	Note(s)	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Cash and cash equivalents	10	889 704	1 077 430	889 704	1 077 423
Loans and receivables	9	55 111	33 221	55 111	33 221
		944 815	**1 110 651**	**944 815**	**1 110 644**

The maximum exposure for loans and receivables at the reporting date by geographic region was:

Domestic	48 737	30 262	48 737	30 262
Foreign	6 374	2 959	6 374	2 959
	55 111	**33 221**	**55 111**	**33 221**

Notes to the Financial Statements

For the year ended 31 March 2015

Impairment losses

The ageing of loans and receivables at the reporting date was:

	GROUP		COMPANY	
Figures in Rand thousand	2015	2014	2015	2014
Not past due date	34 065	9 943	34 065	9 943
Past due 30 days	6 030	2 097	6 030	2 097
Past due 60 days	3 973	5 749	3 973	5 749
Past due 90 days and more	11 043	15 432	11 043	15 432
Net loans and receivables	**55 111**	**33 221**	**55 111**	**33 221**

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

Balance at beginning of year	(4 916)	(9 582)	(4 916)	(9 612)
Impairment loss reversed	1 063	4 666	1 063	4 696
	(3 853)	**(4 916)**	**(3 853)**	**(4 916)**

The collectability of loans and receivables is assessed at reporting date and specific allowances are made for any doubtful loans and receivables based on a review of all outstanding amounts at year end. Doubtful debts are written-off during the year in which they are identified. The impairment loss at year-end relates to loans and receivables which have been outstanding for a long time and have not been settled subsequent to year-end. Financial assets that are neither past due nor impaired are considered good credit quality.

28.2 Exposure to liquidity risk

Financial liabilities at year-end were as follows:

Trade and other payables	90 940	95 279	90 940	95 279
Other financial liabilities	-	15 816	-	15 816
Carrying amount	**90 940**	**111 095**	**90 940**	**111 095**

The maturity of contractual financial liabilities, including interest payments and excluding the impact of netting agreements are as follows:

1 year or less				
Trade and other payables	127 769	95 279	127 769	95 279
Other financial liabilities	-	15 816	-	15 816
2 – 5 years				
Total contractual cash flows	127 769	111 095	127 769	111 095

The Group and Company will be able to meet their contractual obligations as they become due.

28.3 Unutilised borrowing capacity

Approved and unutilised overdraft facilities	3 000	3 000	3 000	3 000

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For the year ended 31 March 2015

28.4. Exposure to currency risk

Loans from group companies and loans and borrowings are denominated in South African Rand. Foreign currency receivables are from the customer accounts denominated in foreign currency. The exposure to currency risk was as follows based on carrying amounts for other financial instruments:

	Group and Company			
Figures in Rand thousand	Loans and Receivables	Trade and other payables	Cash and cash equivalents	Net exposure at year-end
2015				
GBP	221	(0)	1 686	1 907
EUR	59	(233)	1 956	1782
USD	131	(26)	13 513	13618
	411	**(259)**	**17 155**	**17307**
2014				
GBP	694	(72)	3 794	4 416
EUR	1 262	(10 969)	42	(9 665)
USD	1 003	(107)	5 148	6 044
	2 959	**(11 148)**	**8 984**	**795**

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
Figures in Rand thousand	2015	2014	2015	2014
GBP	17,960	16,533	18,193	17,780
EUR	14,050	13,940	13,259	14,771
USD	11,210	10,353	12,295	10,696
CHF	12,190	11,638	13,055	12,453
SEK	1,550	1,636	1,464	1,705
JPY	0,100	0,106	0,105	0,106

Sensitivity analysis

A 10 percent weakening of the Rand against the following currencies at 31 March would have (decreased)/increased profit or loss for the Group by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

GBP	(168)	318	(168)	318
EUR	(195)	(696)	(195)	(696)
USD	(1 351)	292	(1 351)	292

A 10 percent strengthening of the Rand against the currencies at 31 March would have had equal but opposite effect in the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes to the Financial Statements

For the year ended 31 March 2015

28.5 Exposure to interest rate risk

The Group generally adopts a policy of ensuring that its exposure to change in interest rates is on a floating rate basis.

Profile

The interest rate risk profile of the interest-bearing financial instruments was:

Figures in Rand thousand	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Variable rate instruments				
Government grants cash and cash equivalents	176 154	366 020	176 154	366 020
Own cash and cash equivalents	713 550	711 403	713 550	711 403
	889 704	**1 077 423**	**889 704**	**1 077 423**

Sensitivity analysis

A change of 100 basis points in interest rates would have increased or decreased profit or loss by R0 (2014– R0) with all other variables held constant.

The loan from the Development Bank of South Africa was fully settled as at 31 March 2014 therefore there was no exposure to interest rate risk at reporting date.

28.6 Fair values versus carrying amounts

The Group and Company carrying amounts for financial assets and liabilities approximate the fair values of the respective financial instruments at year end.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Interest bearing loans

Fair value calculated based on discounted expected future principal and interest cash flows.

Loans and receivables/payables including group balances

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Non-derivative financial assets and liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Notes to the Financial Statements

For the year ended 31 March 2015

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on prime rates at the reporting date plus an adequate credit spread.

Fair value hierarchy

At 31 March 2015 and 2014, the Group did not have financial instruments carried at fair value, by valuation method, requiring the following fair value hierarchy classification:

- **Level 1 –** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2 –** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3 –** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

29. FINANCIAL RISK MANAGEMENT

29.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents held on behalf of the Group by financial institutions.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. There is concentration of credit risk in a single customer, South African Broadcasting Corporation (SABC) as more than fifty percent of the Group's revenue comes from this customer. SABC is the national broadcaster and is supported by the Government to ensure that it meets its obligations when they fall due. Therefore, SABC does not pose a significant credit risk and has been settling its account on a timely basis.

The Accounting Authority has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepaid basis.

Cash and cash equivalents

Reputable financial institutions are used for investing and cash handling purposes.

29.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Notes to the Financial Statements

For the year ended 31 March 2015

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains an overdraft facility with ABSA Bank for R6 700 000. The facility utilisation has been disclosed in Note 29.3.

29.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income of the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective presentation currency of the Group. The currencies in which these transactions are primarily denominated are, Japanese Yen (JPY), Swedish Krona (SEK), British Pound (GBP), Swiss Franc (CHF), United States Dollar (USD) and Euro (EUR).

The Group does not hedge foreign purchases and sales but, where possible, matches foreign currency denominated cash inflows and outflows through the underlying operations of the Group. This provides an economic hedge and no derivatives are entered into. The Group's net exposure is kept at an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Interest rate risk

The Group addresses its interest rate risk by ensuring that all borrowings and investments are at market related rates. Within group entities, inter-group financing is also used as it is cheaper and subject to minimal interest rate risk. Certain long-term borrowings are entered into a fixed interest rates if the rates offered are favourable to the Group.

29.4 Capital management

One of the key focus areas of the Accounting Authority is the optimal and most efficient use of the Group's capital. The primary objective of the Group's capital management strategy is to ensure that it maintains healthy capital ratios in order to support its core business and social mandate, whilst maximising stakeholder value.

The Group's aim is to ensure that it funds the maintenance and growth of its core business using internally generated funds, whilst using government grant funding for expansion capital expenditure requirements and government initiated programmes. The Group is restricted in the use of debt funding and accordingly the optimising of the weighted average cost of capital is limited. The philosophy is therefore to actively apply excess capital to growing and maintaining the core business and using government funding for significant mandated projects.

Notes to the Financial Statements

For the year ended 31 March 2015

The core debt components of the Group is as follows:

Figures in Rand thousand	Group 2015	Group 2014
Borrowings	-	-
Post-retirement medical benefits obligation	-	100 333
Pension fund obligation	-	-
	-	**100 333**

The post-retirement medical benefits obligation relates to employees that joined the Group before 2005. This liability relates to the past and certain current employees who are entitled to post-retirement medical aid contribution where they remain in employment with SENTECH until retirement. This is a commitment that increases at medical inflation which approximates at least 2 percent above CPI.

Key capital structure data:

	2015	2014
Shareholder Funds – Equity	1 331 612	1 166 200
Earnings before interest, tax and depreciation (EBITDA)	249 137	241 759
Interest expense	10 769	22 767
- Long term borrowings	1 183	4 246
- Post-retirement medical	9 109	18 521

The Group benchmarks the following capital ratios:

	2015	2014
Debt to Equity ratio		
Target	Less than 40%	Less than 40%
Actual	4%	9%
EBITDA to Debt		
Target	Greater than 3	Greater than 3
Actual	4,40	2,49
EBITDA to interest cover		
Target	Greater than 10	Greater than 10
Actual	23	11

Notes to the Financial Statements

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30. RELATED PARTIES

Relationships

Related party transactions occurred between SENTECH, The Department of Telecommunications and Postal Services (DTPS), The Independent Communications Authority of South Africa (ICASA) and the South African Broadcasting Corporation (SABC).

All transactions with government departments were on an arm’s length and therefore these are considered to be normal dealings.

Key management personnel have also been identified as related parties and their remuneration has been disclosed below. There were no commitments to related parties for the year-ended 31 March 2015 and 31 March 2014.

Transactions with key management personnel

30.1 Loans to directors

There were no loans issued to directors during the year or balances outstanding at the end of the year.

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30.2 Key management compensation

Directors emoluments 2015

	Group and Company					
	Period of service (months)	Basic salary R '000	Performance Bonus and Other Allowances R '000	Provident fund R '000	Fees R '000	Total R '000
Executive						
SJ Mohapi	12	2 918	1 543	584	-	5 045
KS Matabane	12	1 752	568	245	-	2 565
R Rasikhinya	12	1 568	306	266	-	2 140
Non-executive						
AM Mello	1	23	-	-	-	23
SM Radebe	1	10	-	-	-	10
L Mtimde	1	10	-	-	-	10
SM Molala	11	108	-	-	188	296
TJA Mongake	11	270	-	-	446	716
NP Mbele	12	118	-	-	218	336
RJ Huntley	12	118	-	-	194	312
X Daku	12	118	-	-	142	260
		7 013	**2 417**	**1 095**	**1 188**	**11 713**
Chairperson - Audit Committee						
JK Masemola	6	-	-	-	56	56

Directors emoluments 2014

	Group and Company					
	Period of service (months)	Basic salary R '000	Other Allowances R '000	Provident fund R '000	Fees R '000	Total R '000
Executive						
SJ Mohapi	12	2 731	-	404	-	3 135
KS Matabane	12	1 640	-	243	-	1 883
R Rasikhinya	7	875	-	47	-	922
Non-executive						
LT Khumalo	2	-	-	-	64	64
P Mashile	11	-	-	-	372	372
SM Molala	12	-	-	-	322	322
TJA Mongake	12	-	14	-	707	721
SJ Mjwara	4	-	-	-	120	120
NP Mbele	4	-	-	-	91	91
RJ Huntley	4	-	-	-	74	74
X Daku	4	-	-	-	74	74
		5 246	**14**	**694**	**1 824**	**7 778**
Chairperson - Audit Committee						
JK Masemola	12	-	1	-	136	137

See Accounting Authority's report for movements (resignations and appointment) in directors during the year.

Notes to the Financial Statements

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Other key management personnel

Key personnel are defined as per their positions below. Remuneration to key management personnel excluding directors' emoluments above is:

Group and Company						
2015	Position	Period of service (months)	Basic Salary R '000	Performance Bonus and Other Allowances R '000	Pension Fund R '000	Total R '000
T. Masooa	Executive: Human Resources	12	1 378	360	193	1 931
M.M. Matobako	Executive: Risk Management	12	1 397	254	196	1 847
P.N. Phukubje	Executive: Internal Audit	12	1 397	274	196	1 867
N.B. Motswasele	Executive: Business Services	12	1 369	345	192	1 906
L.S. Takalani	Executive: Technology	10	1 221	-	171	1 392
Z. Adams	Executive Head: Legal	12	1 308	247	183	1 738
S. Senti	Acting Executive: Strategy Co-ordination	12	1 188	193	139	1 520
P. Maine	Executive Head: Information Technology	12	1 397	286	196	1 879
N.O. Nekhavhambe	Executive: Finance	12	1 359	61	190	1 610
T.J. Leshope	Executive: Operations	12	1 403	364	196	1 963
			13 417	**2 384**	**1 852**	**17 653**
2014	**Position**	**Period of service (months)**	**Basic/ fees R '000**	**Other Allowances R '000**	**Pension Fund R '000**	**Total R '000**
T. Masooa	Executive: Human Resource	12	1 290	18	264	1 572
M.M. Matobako	Executive: Risk Management	12	1 307	18	255	1 580
P.N. Phukubje	Executive: Internal Audit	12	1 307	18	255	1 580
N.B. Motswasele	Executive: Business Services	12	1 282	18	252	1 552
D.W. Ngwenya	Executive: Technology	5	538	8	80	626
Z. Adams	Executive Head: Legal	12	1 225	18	254	1 497
Z. Mthembu	Executive: Strategy Co-ordination	2	244	-	36	280
P. Maine	Executive Head: Information Technology	10	1 068	-	215	1 283
N.O. Nekhavhambe	Executive: Finance	2	217	-	43	260
T.J. Leshope	Executive: Operations	7	783	11	159	953
			9 261	**109**	**1 813**	**11 183**

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Transactions and balances with related entities

Government grants

Various transactions were entered into with The Department of Telecommunications and Postal Services and National Treasury with respect to government grants. Government grants are accounted for in terms of IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance.

Government grants received and other related movements have been disclosed in note 19. Entities controlled by The Department of Telecommunications and Postal Services.

The Group is controlled by The Government of South Africa which owns 100% of the Company's shares through The Department of Telecommunications and Postal Services. The following transactions occurred with entities controlled by the Department of Telecommunications and Postal Services during the year:

30.3.1 Sale of goods and services

	GROUP		COMPANY	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
SABC	562 092	533 134	562 092	533 134
USAASA	2 043	2 146	2 043	2 146
	564 135	**535 280**	**564 135**	**535 280**

Services are rendered at market related rates.

30.3.2 Purchases of goods and services

South African Post Office	-	1	-	1
SABC	195	3 102	195	3 102
ICASA	8 723	7 429	8 723	7 429
	8 918	**10 532**	**8 918**	**10 532**

Transactions with related parties are on an arm's length basis.

31.3.3 Related party receivables

South African Post Office	(260)	(260)	(260)	(260)
SABC	2 331	1 836	2 331	1 836
USAASA	3 061	6 939	3 061	6 939
Impairment of related parties	(1 180)	(1 568)	(1 180)	(1 568)
Department of Telecommunications and Postal Services	534	-	534	-
	4 486	**6 947**	**4 486**	**6 947**
Other receivables				
ICASA	-	15 816	-	15 816

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Transactions with subsidiaries

	GROUP		COMPANY	
Figures in Rand thousand	2015	2014	2015	2014
Loans owing to subsidiary	-	-	-	7

The Accounting Authority passed a resolution to wind-up Infohold (Pty) limited and InfoSat (Pty) Limited. The Accounting Authority therefore authorised the settlement of the intercompany loans.

31. COMMITMENTS

Capital commitments

Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

	GROUP		COMPANY	
Figures in Rand thousand	2015	2014	2015	2014
Requested per corporate plan				
- SENTECH funded assets	300 000	644 944	300 000	644 944
- Government grant funded assets	80 822	265 750	80 822	265 750
Approved but not contracted	291 854	750 127	291 854	750 127
Contracted	88 968	160 567	88 968	160 567

The authorised capital expenditure for property, plant and equipment is planned to occur in the next financial year. It will be financed from internal cash resources and from government grants received.

Operating lease commitments

The Group leases various facilities, offices, equipment and satellite capacity under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure recognised in profit or loss during the year is disclosed in note 20.

Minimum lease cash payments due				
- within one year	225 894	170 188	225 894	225 894
- in second to fifth year inclusive	788 714	601 337	788 714	788 714
- later than five years	2 018 668	1 394 112	1 635 071	1 394 112
	3 033 277	**2 165 637**	**3 033 277**	**3 033 277**

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32. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At the date of this, there were no significant contingent liabilities.

Litigation matters

The Group has initiated review proceeding against ICASA on the findings document in terms of Section 4C of the ICASA Act regarding the wholesale broadcasting transmission services discussion document published in the Government Gazette on 7 June 2013. ICASA has entered an appearance to defend. The Group is currently in negotiations with ICASA reviewing possible settlement.

At the date of this report, there were no other significant matters that would result in contingent liabilities or contingent assets.

33. LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURES

All losses through criminal conduct and any irregular expenditure

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.

The following amounts have been determined as being losses through irregular expenditure, in terms of section 55(2)(b)(i) of the Public Finance Management Act, No. 1 of 1999, as amended:

	GROUP		COMPANY	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Opening balance	35 577	42 167	35 577	42 167
Add: Expenditure where supply chain management process not followed	3 833	4 762	3 833	4 762
Less: Current year expenditure condoned	(1 155)	(4 762)	(1 155)	(4 762)
Less: Prior year expenditure condoned	(23 142)	(6 590)	(23 142)	(6 590)
Closing balance	**15 113**	**35 577**	**15 113**	**35 577**

Material losses through fruitless and wasteful expenditures

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

The following material losses, through fruitless and wasteful expenditure have been identified as being reportable in terms of the materiality framework approved by the Minister of Telecommunications and Postal Services for the year under review:

Notes to the Financial Statements

For the year ended 31 March 2015

	GROUP		COMPANY	
Figures in Rand thousand	2015	2014	2015	2014
Balance at 1 April	5 034	4 702	5 034	4 702
Losses identified during the year	117	332	117	332
Balance at 31 March	**5 151**	**5 034**	**5 151**	**5 034**

34. BORROWING LIMITS

In terms of the Group's Memorandum of Incorporation, the Accounting Authority shall not have the power to borrow without the prior approval of the Executive Authority and the Minister of Finance. The Minister of Telecommunications and Postal Services has approved a banking facility with ABSA for R74 million which includes an overdraft facility of R6.7 million. The facility has not yet been utilised and will only be used when required by the Group.

35. GOING CONCERN

The Accounting Authority has reviewed the corporate plan and prepared a cash flow forecast for the 18 months to 30 September 2016. The corporate plan concludes that the Company has through a number of austerity measures improved the profitability and cash generating ability to a satisfactory level. The corporate plan is premised on the fact the government grants that have been approved and the additional funds that have been requested to complete the DTT rollout will be made available. On the basis of this review, and in light of the current financial position, approved grant funding, the Accounting Authority is satisfied that the Group has access to adequate cash resources to continue in its operational existence for the foreseeable future and is a going concern, and has continued to adopt the going concern basis in preparing the financial statements.

36. EVENTS AFTER THE REPORTING PERIOD

The Accounting Authority is not aware of any other matters or circumstances arising since the end of the financial year that would impact the reported results, other than those matters already disclosed in these financial statements.

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RP 318/2015
ISBN: 978-0-621-44014-0