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ABBREVIATIONS

A	Absent
AG	Auditor-General of South Africa
ASB	Accounting Standards Board
ATV	Analogue Television
ASO	Analogue Switch Off
B-BBEE	Broad-Based Black Economic Empowerment
BSD	Broadcast Signal Distribution
CAPEX	Capital Expenditure
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
COJ	City Of Joburg
CSI	Corporate Social Investment
DAB+	Digital Audio Broadcast
DOC	Department of Communications
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
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
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
IIR	Institute of Integrated Reporting
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
ISO	International Standards Organisation
ITU	International Telecommunications Union
KM	Kilometres
MDDA	Media Development and Diversity Agency
MOI	Memorandum of Incorporation
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
NCRF	National Community Radio Forum
POPI	The Protection of Personal Information Act 4 of 2013
PFMA	Public Finance Management Act, Act No. 1 of 1999
SENTECH Act	SENTECH Act, Act No. 63 of 1996 as amended
TBC	To Be Confirmed
TRIR	Total Recordable Incident Rate
SABC	South African Broadcasting Corporation (SOC) Ltd
SADIBA	South African Digital Broadcasters Association
SED	Socio Economic Development
SOC	State Owned Company
SW	Short Wave
VSAT	Very Small Aperture Terminal
YTD	Year to Date

SENTECH BUSINESS

About this report

This is SENTECH SOC Limited's integrated annual report for the year ended 31 March 2016. This report aims to provide all stakeholders with a concise, material, transparent and understandable assessment of SENTECH's governance, strategy and performance. The Board approved this report on 31 July 2016. SENTECH is committed to applying the corporate governance principles contained in King III. Details of the Company's application of these principles appear in section 5.7 of this report.

Basis of preparation

This report has been prepared in terms of:

- SENTECH Act, Act No. 63 of 1996 as amended;
- International Financial Reporting Standards;
- Companies Act, No 71 of 2008 (Companies Act) as amended;
- King Report on Corporate Governance (King III);
- National Treasury Framework for Managing Programme Performance Information;
- Public Finance Management Act, Act No. 1 of 1999 and
- Treasury Regulations 2005 (Issued by National Treasury).

Report Scope and Boundaries

This report covers SENTECH's activities for the financial year ended 31 March 2016. This report does not discuss social or environmental aspects of the Company's supply chain but does address legitimate issues relevant to stakeholders outside the Company.

Determination of Report Content

The information presented in this annual integrated report is selected by the Board of Directors and the Executive Committee such that, in their view, it offers the most value or "materiality" to those who will read this report. Both quantitative and qualitative aspects of a matter, together with an anticipated timeframe, were considered when determining their materiality. SENTECH's Board and management are confident that the information presented is that which is most material to its stakeholders and which will inform their assessment of the Company's ability to create value in the short, medium and long-term.

This report focuses on the organisation's corporate responsibility of accountability and SENTECH's commitment to applying the King III principles and to providing an understanding of the significance of governance to the providers of financial capital means that the governance of the company is reviewed at length.

Combined Assurance

SENTECH's combined assurance model recognises three lines of defence, namely, review by management, supplemented by internal and external assurance in order to optimise governance oversight, risk management and control. The Audit and Risk Committee (ARC) and the Board rely on combined assurance in forming their view of the adequacy of SENTECH's management and internal controls. A combined assurance approach has been adopted in the preparation of this report. Although the report as a whole has not been externally assured, those sustainability Key Performance Indicators (KPIs) contained in the shareholder compact and reported on in this report were subject to external assurance.

Forward-looking Statements

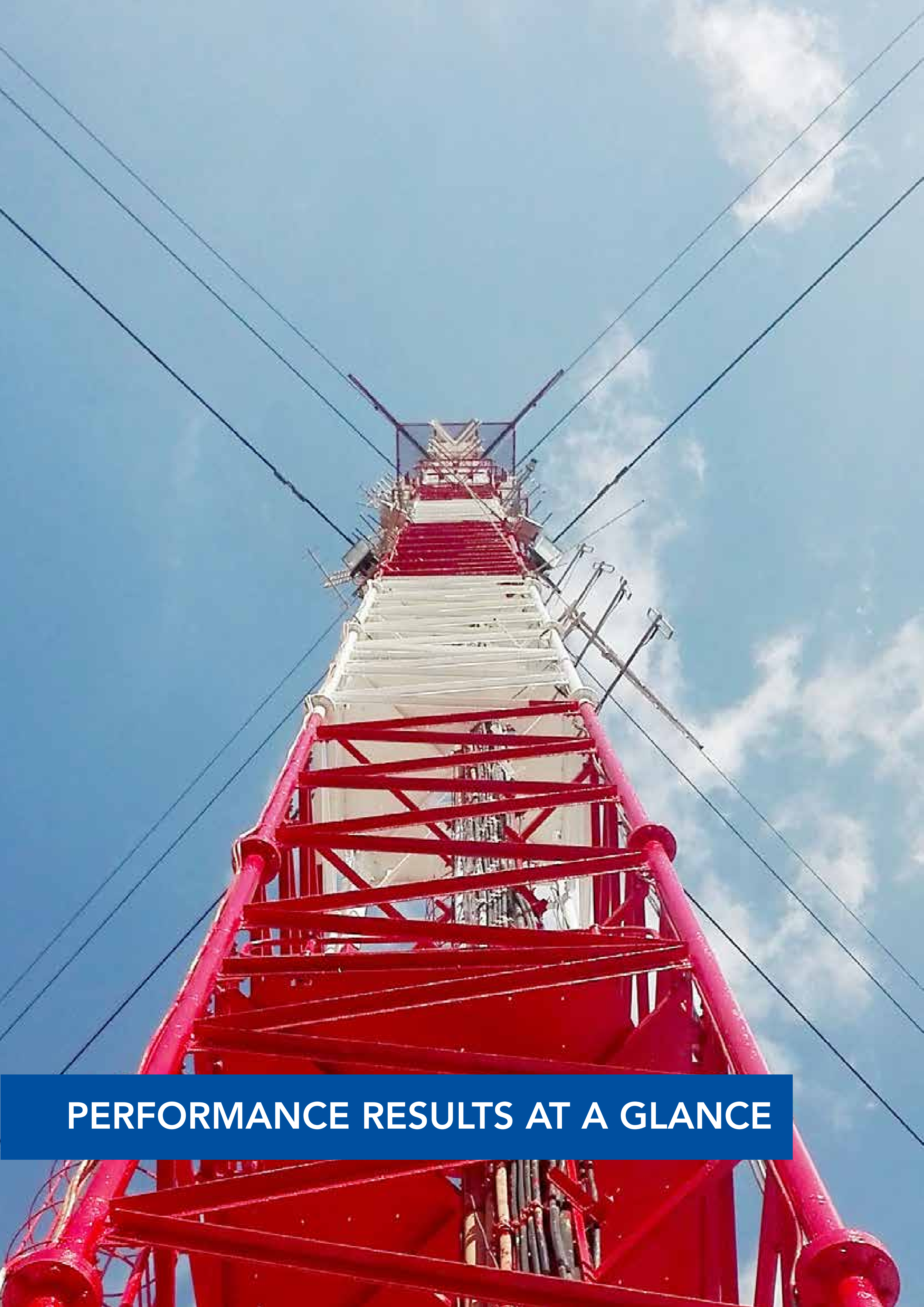
Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. While these forward-looking statements represent our judgements and future expectations, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These include factors that could adversely affect SENTECH's businesses and financial performance. SENTECH is not under any obligation to (and expressly disclaim any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

Statement of Responsibility

The Board is responsible for the preparation of the Company's integrated annual report and for the judgements made in this information. The Board is responsible for establishing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the integrated annual report.

In our opinion, the integrated annual report fairly reflects the operations of SENTECH for the financial year ended 31 March 2016.

Mr M. Booi Chief Executive Officer	Mr M. Mello Chairperson



PERFORMANCE RESULTS AT A GLANCE

PERFORMANCE RESULTS AT A GLANCE

Table 1 provides a high level overview of SENTECH's performance for the 2015/16 financial year:

REVENUE R1.18Bn
- Revenue grew by 7%

EBIT R196.14M
- EBIT grew by 15%

NPAT R199.80M
- NPAT grew by 18%

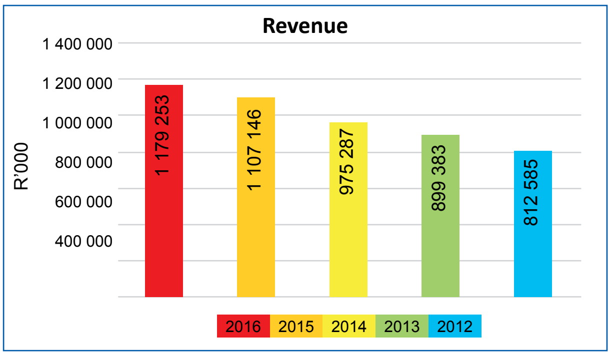
KPI's
- 82.35% of all KPI's achieved

B-BBEE
- B-BBEE Level 3 achieved

EMPLOYEES
- Number of employees grew to 541 from 539

Table 1 – Performance Highlights

Figures 1-3 set out SENTECH's financial performance for the current and preceding 4 years.



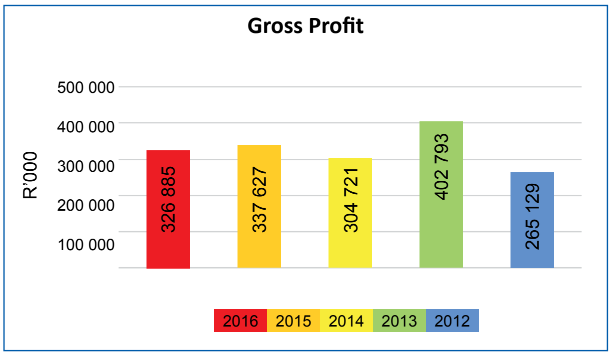
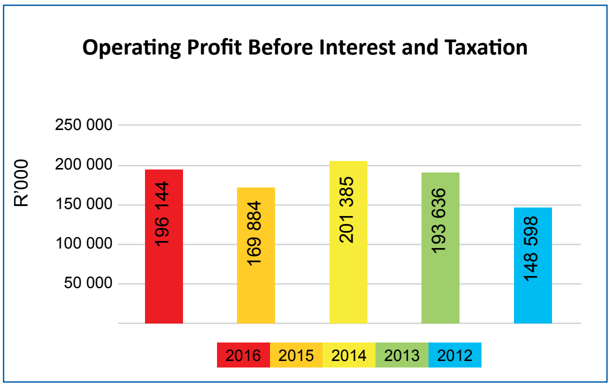


Figure 1: Revenue and Gross Profit



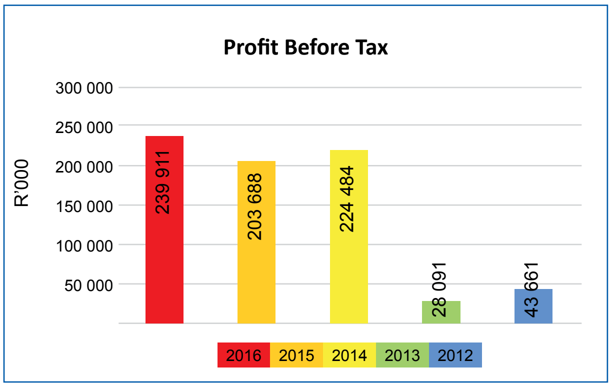
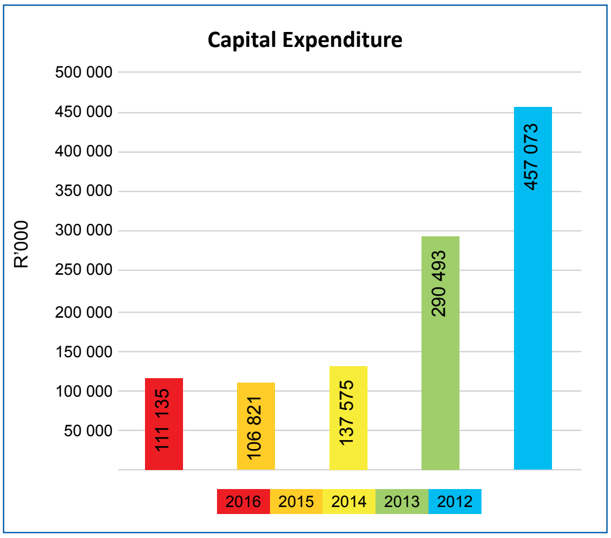


Figure 2: 5 Year EBIT and Profit before Taxation



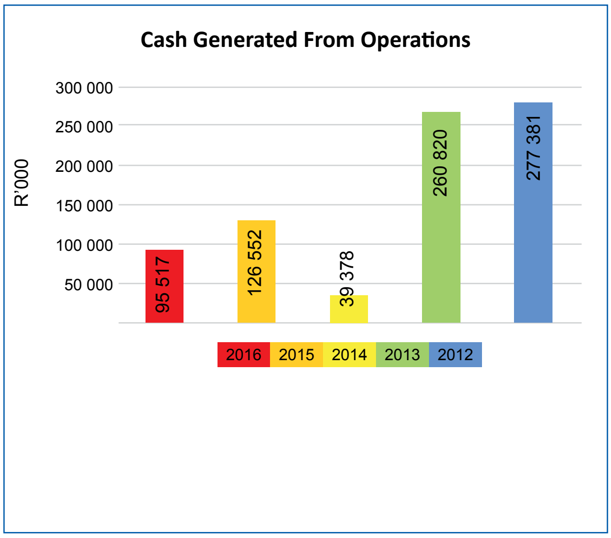


Figure 3: 5 Year Cash Generated By Operations and Capital Expenditure

VALUE CREATION AT A GLANCE

The six capitals model are resources or "stocks of value" on which businesses depend as inputs to their business model. The capitals are increased, decreased or transformed through an organisation's business activities and outputs. Figure 4 sets out a high level overview of how SENTECH has transformed its inputs into outcomes during the 2015/16 financial year:

FINANCIAL CAPITAL

INPUTS	OUTPUTS	OUTCOMES
• Approved Finance Department Policies • Cash Generated from Operations of R 96m • Appointment of skilled, competent management staff • SAP blueprint for finance module	• Compliance with the PFMA and Treasury Regulations • Suppliers paid within 30 days • Contribution to the fiscus of R 40m • ESD Spend of R 8m • Implementation of new SAP financial system • Solvency Ratio of 6.71:1	• Accountable and caring corporate citizen • Reliable and accurate information available for key decision makers • SENTECH will continue as a going concern in the short, medium and long-term

MANUFACTURED CAPITAL

INPUTS	OUTPUTS	OUTCOMES
• Capital expenditure of R 111m • • Total Expenditure of R 993m	• Weighted average network availabilty of 99.89% • EBIT of R 196m • RoNA of 11.26% • Population and geographic coverage of 87.26% and 61.69% respectively	• Satisfied customers as evidenced by the customer satisfaction index of 72% which is greater than the Corporate Plan target of 69% • Additional geographic and population coverage will allow for increased service offering

INTELLECTUAL CAPITAL

INPUTS	OUTPUTS	OUTCOMES
• Innovation hub • Digital product roadmap	• Smart City Solution for CoJ • Hybrid Broadcasting Platform developed • Completion of project and reports prepared for DAB+, DRM 30 and L Band	• Enhanced product offering to customers including products and consulting services

HUMAN CAPITAL

INPUTS

- OD consultant appointed
- Workplace skills plan implemented
- Strenghtened senior management and management team following GIBS LDP programme
- Performance management process implemented
- Employment Equity Policy
- Implemented Remuneration Policy

OUTPUTS

- New organisational structure for top 3 layers of management
- 100% of all staff signing performance contracts
- 80% of training plan achieved

OUTCOMES

- The right employees with the right skills in the right structure

SOCIAL CAPITAL

INPUTS

- Social and Ethics Committee Sponsorships
- Appointment of an ESD Specialist
- SCM Policy supporting SME's and ESD

OUTPUTS

- Continuous meaningful stakeholder engagement
- Compliance with King III principles as per Governance Report
- Developement of a Stakeholder Management Strategy
- B-BBEE Level 3 rating achieved

OUTCOMES

- Skills development training resulting in community uplifment
- Accountable and caring corporate citizen
- Development of SME's and assisting job creation in the ICT sector

NATURAL CAPITAL

INPUTS

- Environmental Policy
- Service provider to dispose of hazardous and non-hazardous waste

OUTPUTS

- Continuous meaningful stakeholder engagement
- Compliance with King III principles as per Governance Report
- Developement of a Stakeholder Management Strategy

OUTCOMES

- Reduced impact on the environment by reducing carbon emmissions

Figure 4: Value Creation

1 SENTECH'S BUSINESS

1.1 Evolution of SENTECH

SENTECH was established as a technical division of the South African Broadcasting Corporation (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, the SENTECH Act, 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 Individual Electronic Communications Service (I-ECS), licenced in terms of the Electronic Communications Act, No. 36 0f 2005.

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 organisation's financial reporting requirements. Policies have been put in place to ensure that there is compliance with all relevant legislation. The organisation 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 Vision, Mission and Corporate Values

Vision	Mission
To be a world-class provider of sustainable communications platform services.	To provide open access and interoperable communications platform services that enable affordable universal access to digital content services.

Corporate Values

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

Integrity

We act with honesty, fairness and openness

Quality Customer Service

We are committed to proactively ensuring high levels of customer satisfaction and building a relationship based on trust

Innovation

We endeavour to develop and support creativity and responsible risk taking

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

Accountability

We deliver on our promises and take responsibility for our actions

1.4 Legal and Operating Structure

SENTECH SOC Ltd has four subsidiaries as set out in figure 6. These entities are all 100% directly and indirectly (in the case of InfoSat (Pty) Ltd) owned by SENTECH SOC Ltd. These subsidiaries are all dormant and in the process of being deregistered. There are currently no material account balances nor classes of transactions at these entities.

SENTECH's head office is based in Radiokop, Johannesburg and has operational centres and terrestrial broadcasting sites in all nine provinces. SENTECH currently does not have any representation outside the borders of South Africa.

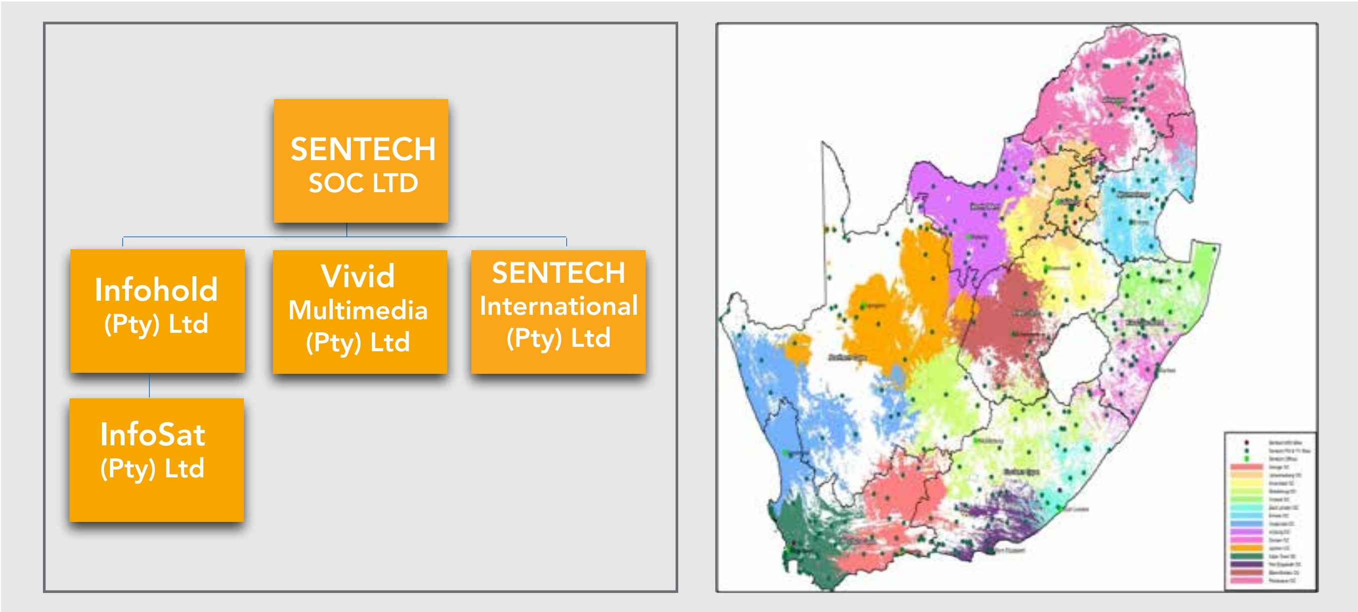


Figure 6: Legal and Operating Structure and Geographical Spread

1.5 Products and Services

SENTECH's primary product portfolio consists of Broadcasting Signal Distribution (BSD), Infrastructure services and Data Connectivity. The BSD products comprise Direct to Home (DTH) satellite services, television and radio services. Infrastructure services are offered in the form of facilities leasing and infrastructure hosting, with Very Small Aperture Terminal (VSAT) being the technology used for providing data connectivity. As noted in section 2.3, SENTECH over the next Medium Term Expenditure Framework (MTEF) 2016-2019, attempts to expand the breadth and depth of its content distribution services and increase the scope of its activities in support of the general communications industry. It is therefore anticipated that there will be additional revenue generated in future.

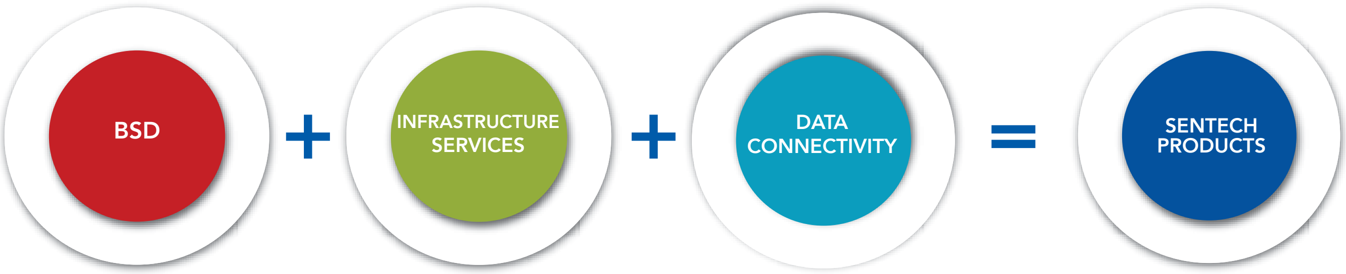


Figure 7: SENTECH Products

1.6 Key Projects

1.6.1 Digital Terrestrial Television

SENTECH was tasked with rolling out a Digital Terrestrial Television (DTT) infrastructure network that would allow the country to migrate from analogue to digital television to meet the requirements and terms of Article 12.6 of the International Telecommunications Union (ITU) GE06 Agreement. By the end of the 2014/15 financial year, the company completed the implementation and rollout of the DTT network at all 178 analogue sites. This resulted in a population coverage of 84.23% and a geographical coverage of 57.99% in accordance with the Independent Communications Authority of South Africa's (ICASA's) Frequency Spectrum Plan.

At the beginning of the financial year, SENTECH planned to increase its population and geographic coverage to 88.02% and 62.05% respectively by the commissioning of four new Greenfield sites as set out in table 2 below. The reason was primarily to increase SENTECH's service offering to under-serviced areas. Only two sites were completed during the 2015/16 financial year, and the remaining ones are expected to be completed by September 2016. The reasons for the delay included community unrest related matters and weather interruptions.

Description	Post ERP amendment of the frequency plan	
	Target 182 sites	Actual ERP 180 Sites
% Accumulated population coverage	88.02%	87.26 %
% Accumulated geographic coverage	62.05%	61.69 %

Table 2: Post ERP amendment plan

The remainder of the population, once the remaining two sites are completed, will be covered by the DTH satellite solution, Gap Filler, which has been completed. The coverage map below depicts the DTT geographic coverage as at 31 March 2016. The company is now in the process of stabilising the DTT network by implementing network management systems for monitoring and control. This work will be completed on time for the Analogue Switch Off (ASO).

The portions of the map marked in green reflect SENTECH's current geographical coverage.

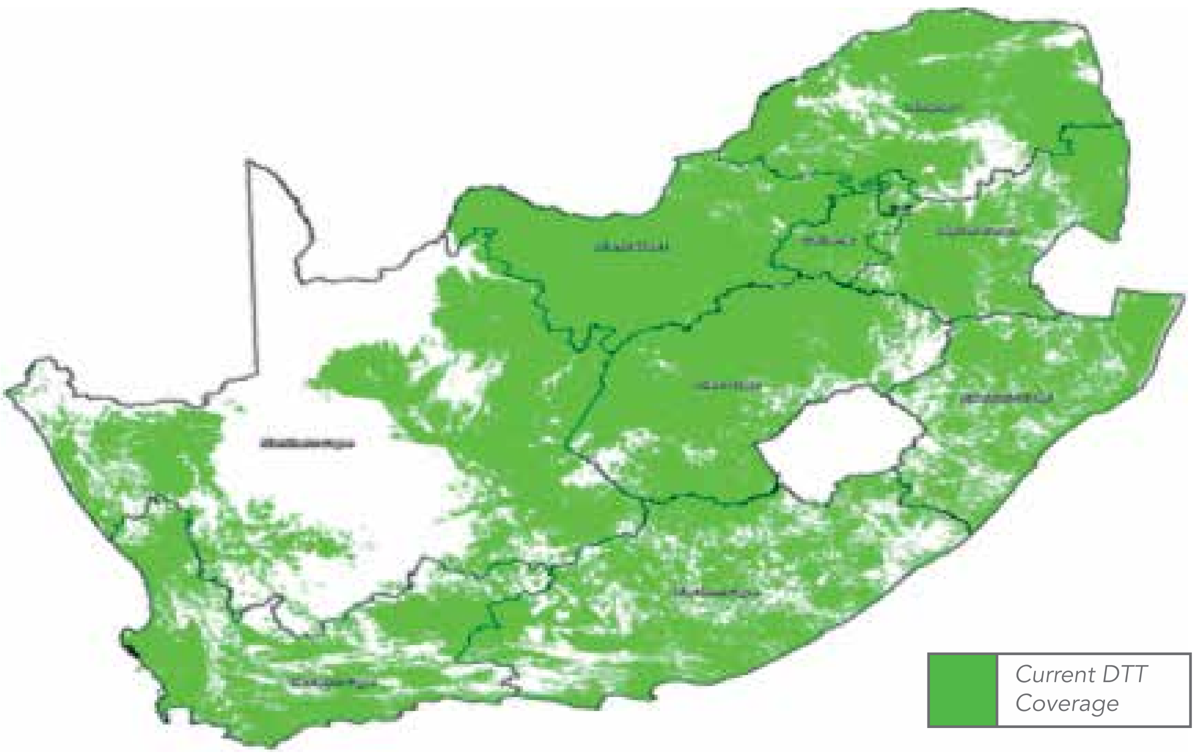


Figure 8: DTT Coverage

1.6.2 DTT Operating Model

The commercial launch of DTT services is imminent as the June 2015 ITU ASO deadline has passed. SENTECH is currently optimising 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 performance;
- 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.

1.6.3 Analogue Switch Off (ASO)

South Africa, as a signatory to the ITU DTT 2006 Migration Treaty, is in the process of preparing for the DTT migration programs. DTT migration success hinges significantly on innovative, structured and coordinated project approaches. On the critical path for digital migration (or ASO) is the availability of set-top-boxes for all TV households. SENTECH collaborated with various DTT migration stakeholders during the 2015/16 financial year and developed a baseline national ASO strategy and implementation plan. The strategy and plan focus on protecting services from the likely cross border interference and compliance with the Square Kilometre Array (SKA) Act and DTT Migration Plan.

1.7 Stakeholder Engagement

SENTECH's approach to stakeholder engagement is informed by best practice and recommendations from the King III Report on Governing Stakeholder Relations. The approach adopted as documented in the Company's Stakeholder Management Strategy was developed in the current financial year to manage stakeholder engagements efficiently and effectively, as set out in figure 9:

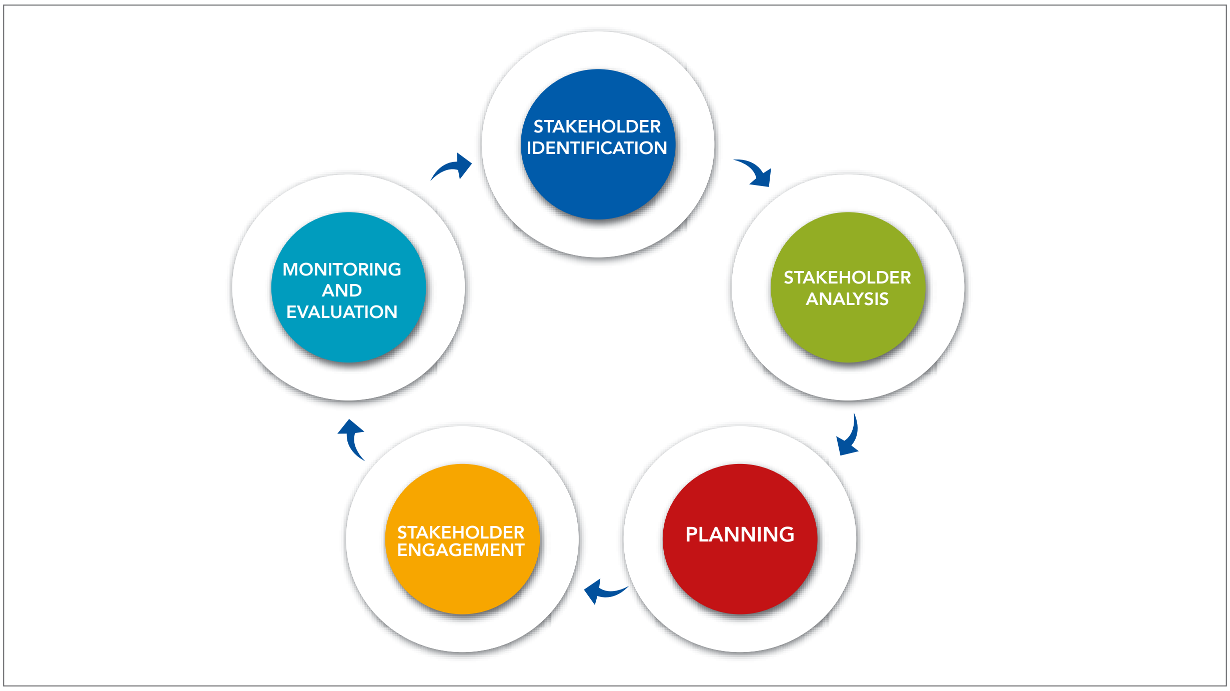


Figure 9: Stakeholder Management Approach

Stakeholder engagement is the actual implementation of strategies and plans. The Strategy Division tracks the progress and impact of engagements at various predetermined intervals and reports progress to Executive Committee (EXCO) and subsequently to the Social and Ethics Committee. Figure 10, depicts SENTECH's stakeholder universe.

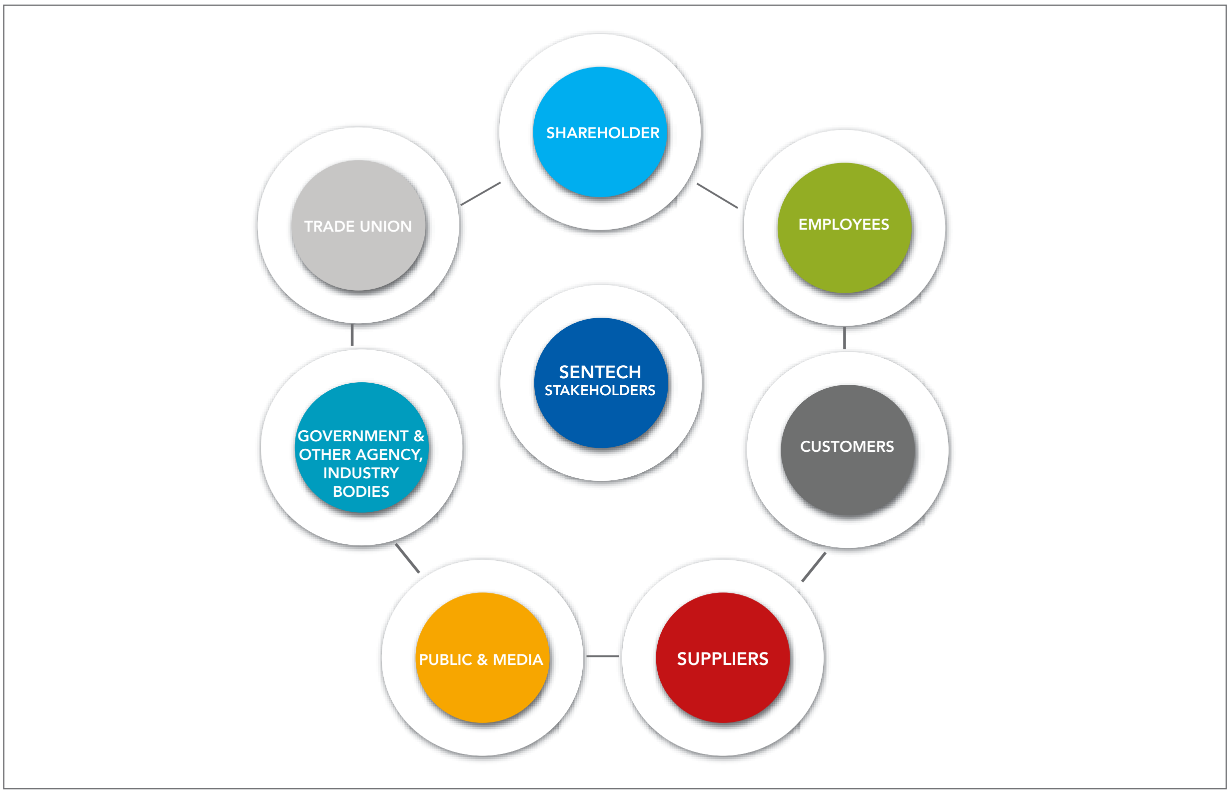


Figure 10: Key Stakeholders

Table 3 sets out the SENTECH's key stakeholders, together with its strategy, performance indicators, means of verification and responsible persons. Stakeholders are not mentioned in any order of importance.

Stakeholder	Strategy	Indicators	Means of verification	Timing	Responsible agent
Shareholder	Provide quality and timely reporting and presentations	Highly satisfied shareholder	Formal feedback	Quarterly	EXCO
Employees	Enhance employee relations Strengthen Interdepartmental cooperation and collaboration	Healthy employee relations High level of Interdepartmental cooperation	Organisational Climate Surveys Engagement Reports Departmental meetings	Bi- Annual Monthly Quarterly	Independent agent Executives & Heads Executives
Customers	Build excellent customer relations for customer satisfaction Enhance lobbying and advocacy	Very satisfied customers	Customer Satisfaction measurements Engagement Reports	Bi-Annual Reports	Independent agent Marketing & Sales, Government Relations
Suppliers	Ensure efficient supply chain management Ensure timely payments Advance supplier development and transformation	Highly satisfied and empowered suppliers	B-BBEE Scorecard Classification of suppliers by BEE level Supply Satisfaction Survey Management Reports	Annual Bi-Annual Monthly	Verification agent Independent agent Finance Department
Public/Media	Strengthen public relations and publicity Enhance corporate social responsibility	Brand recognition and loyalty	Public Opinion polls Social Responsibility and Impact Report	Annual Annual	Independent agent Independent agent
Trade Union	Inform, consult and negotiate	Industrial peace	Climate Survey Employee Relations Report	Bi-Annual Quarterly	Independent agent HR
Agencies/ Bodies	Build partnerships and associations Ensure compliance with regulatory and statutory bodies	Quality partnerships 100% compliant	Reports Compliance certificates/licences	Quarterly Ongoing	Responsible Execs and Heads Legal & Regulatory, Company Secretary

Table 3: Stakeholder Expectations

There were numerous interactions between SENTECH and its stakeholders during the year. Table 4 sets out only the material issues which the Board believes had an impact on both SENTECH and its stakeholders during the financial year:

Material Issue	Overview	How has SENTECH Responded	Stakeholders and Material Issues Raised	Frequency and Mode of Interaction	Issue Status
13^{th} cheque requested by the Union for all affiliated employees	In September 2014, employees engaged in strike action. Amongst other matters, one of the key requirements was the receipt of a guaranteed 13th cheque and no satisfactory conclusion has yet been achieved	SENTECH has adopted a Relationship by Objective (RBO) approach facilitated by regular face to face and BTV engagements with all employees and the employee representatives	Communication Workers Union Receipt of a 13^{th} cheque. Adequate training opportunities for all employees	Face to face and BTV as required	Still to be resolved
Under-serviced areas identified by stakeholders	Due to the geographical spread of the country, together with reliance on other stakeholders, certain areas have experienced service interruptions	SENTECH continued to engage and collaborate with various industry stakeholders on a monthly basis across the country to identify underserviced areas and jointly developed remedial actions	SABC, SENTECH, Eskom, ICASA, SAPOS, USAASA and GCIS	Face to face on a monthly basis	All matters as at 31 March 2016 have been resolved

Table 4: Material Issues Raised by Stakeholders

STRATEGIC REVIEW

2 STRATEGIC REVIEW

2.1 Chairperson's Report

As a Company, we are building on solid foundations and this is evidenced by our positive results and clean audit results. The volatility of exchange rates and the challenging global macro environment have had an impact on our financial performance and our plans to expand our services to the rest of the African continent in order to diversify our revenue. We are still committed to building business presence in the Pan-African countries and there will be more focus on this in the coming financial year.

On behalf of SENTECH's Board of Directors, it is my privilege and honour to reflect on our journey in the past 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.

SENTECH plays a crucial role in the ICT and economic ecosystem of our country. SENTECH's activities play a role in building stakeholder trust with regard to access to information as enshrined in our Constitution. Forming part of its essential duties to broaden economic inclusion and facilitate access to broadcasting services, SENTECH has to ensure that South African citizens receive superior quality broadcasting services through a reliable infrastructure, providing both Radio and Television content. Universal access to media content is the primary focus of the company in line with the National Development Plan (NDP).

Much work remains to be done to overcome the challenges of unemployment, poverty, economic exclusion and education, which are at the centre of our socio-economic challenges. This requires us all, within the ICT sector, to accelerate economic and social transformation. Amongst other strategic initiatives the Board has spent this year under review focusing on Broad-Based Black Economic Empowerment (B-BBEE) through the implementation of the enterprise and supplier development strategy in order to contribute to the economic transformation of the ICT sector. This will receive greater focus in the 2016/17 financial year.

Our commitment to transformation is demonstrated by our approach to providing employment, training opportunities and growth for our employees.

To be a sustainable business, we need to operate within the confines of the environmental limits while meeting the needs of our societies. While this entails doing less of some things, it also presents us with an opportunity to develop new solutions that can be of benefit to the environment, our customers and the Company. Our policy on environmental management represents our concerted and committed effort to doing what is right, in line with triple bottom-line approach to business execution.

The focus of the Board this year has been on setting a new strategy direction for the Company, organisational design, human capital management, management changes, risk management, enterprise and supplier development and Supply Chain Management (SCM), development of a business continuity management system and digital migration.

Strategy development: The Company has built on the foundations created in the previous years and SENTECH will facilitate efforts to digitise the broadcasting sector and will place emphasis on customers, broadcasters, general content providers and the needs of society.

Organisational design (OD) Project: The Board approved an OD Project and Process. The purpose of the OD was to create an optimised organisational structure to enable the delivery of our strategy in line with SENTECH's operating model.

Board and management changes: Two Board members retired at the end of February 2015 and the Board was strengthened by the appointment of Lumko Mtimde and Seth Radebe. The Board is now diversified in terms of skills and industry expertise.

Dr Setumo Mohapi resigned as the Chief Executive Officer (CEO) of SENTECH at the end of March 2015 and Mlamli Booi was appointed as the CEO in October 2015. Rudzani Rasikhinya resigned as the Chief Financial Officer (CFO) in November 2015 and the recruitment process for a CFO is underway.

Risk management: The Company revised its Risk Management Policy and Framework, and its approach to risk identification to respond to new and emerging risks, and ensure best practice. The risks pertaining to skills, exchange rate, DTT migration and availability of services were on the Board's radar and received considerable attention.

Human capital management: The Board has decided to have a special focus on human capital management by incorporating a human resources mandate in the erstwhile Nominations and Remuneration Committee. In the coming year, there will be a special focus on developing and monitoring implementation of a human resources strategy.

Broad-Based Black Economic Empowerment: The Company has achieved level three contributor status and aims to reach level one. Interventions have been put in place, which include, among others, mandating the Social and Ethics Committee to have oversight on the ESD and SCM matters, separating ESD from SCM and locating SCM directly under the CFO's purview.

Digital Migration: The Company is focusing on making sure that digital migration is executed successfully. From an infrastructure perspective, the technology implemented is the latest standard of digital terrestrial television. A Test Laboratory has been established to facilitate quality management of our network. SENTECH continues to stabilise the DTT network by improving the network management system whilst waiting for the announcement of the analogue switch off date. The Board is monitoring the progress and governance related to the implementation DTT transmission network. More focus will be put on the development of new skills that will be required to operate our digital network. The company is working on implementing a disaster recovery site by the end of the 2016/17 financial year.

It has been a year of good progress, strategically, operationally and financially, however, we cannot remain complacent in a rapid changing ICT environment. We need to focus on the risk and regulatory changes to ensure a stable broadcasting ecosystem for our clients. We will continue adding value for our stakeholders. We can only do this with success through our people, and on behalf of the Board, I would like to thank management, employees, our Shareholder Representative, Honourable Minister Dr Cwele, the Portfolio Committee on Telecommunications and Postal Services, customers and our stakeholders at large for their support of our efforts towards making SENTECH the success it is today.

Mr M. Mello
Chairperson of the Board

2.2 Operating Environment

SENTECH's operating environment is impacted primarily by, amongst other matters, South Africa's policy and regulatory environment, together with South Africa's economic conditions. Over the past decade, numerous studies have highlighted the inherent potential for countries in developing economies to leapfrog some of the first-world economy countries through the adoption and implementation of digital technologies focused on the specific needs of each country. SENTECH believes that the 2013 Broadcast Digital Migration (BDM) and Broadband Policies provide the strategic foundation for the South African ICT industry to begin its roadmap towards digital inclusiveness for all citizens. Figure 11 is a summary of the current regulatory policy and economic environment applicable to SENTECH.

Current Policy Framework	Current Regulatory Environment
The 2015/16 financial year policy framework environment has been challenging for the broadcasting industry. Although it came out largely unscathed from the WRC-2015, it is concerning that both the UHF band and C-band have been identified for possible mobile services allocation and an IMT identification. An outcome of WRC-2015 is that a discussion and a decision regarding the UHF band will take place again in WRC-2023. The statement on the Cabinet meeting of 9 December 2015 indicates that it has approved the date for the commencement of the performance period, which implies that the dual illumination period will be at its commercial phase from 1 February 2016. From a policy and regulatory point of view, the concern for SENTECH is that DD1 and DD2 will not be available at ASO as a result of the ICASA Terrestrial Broadcasting Frequency Plan. Policy direction is awaited with regards to the process and cost implications regarding the DTT-to-DTT migration, especially with the purpose of ensuring that DDI and DD2 are made timeously available in support of the policy with regard to South Africa Connect and South Africa's broadband. The increased deployment of LTE (mobile) technology has seen telecommunications increasingly cropping up into the broadcasting sphere. The ability of LTE network to provide broadcasting services has created additional competition for signal distributors and the broadcasters. This converged environment is increasingly requiring signal distributors to be innovative and agile to ensure that sustainability is maintained.	The regulatory environment has been dynamic for both mobile and broadcasting services. The Regulatory Authority (ICASA) has published an ITA for MUX 3 subscription services and an ITA for commercial free-to-air sound broadcasting service. The announcement made by the Minister of Communication on the dual illumination performance period will greatly influence the regulatory environment in the 2016/17 financial year. Timelines for the introduction of IMT services in the bands 700 and 800 MHz are envisaged. As a holder of several IECS and IECNS licences, SENTECH is currently monitoring the developments regarding the Department of Telecommunications and Postal Services (DTPS) ICT review process. SENTECH's interest in the process is in relation to its intention of becoming a multiplex operator (audio and video) in a legislative and regulatory framework that permits for a unified licensing regime.

Projected Market Conditions
Despite the South African economy's overall current and projected sluggish growth, the South African entertainment and media market is buoyant, and continues to offer significant potential for ICT operators. During the MTEF, as set out in figure 12, it is projected that there will be a shift from the current entertainment and media revenues, by share of market, away from the traditional segments to the Internet, which will have an overall share of the market of 45.34% in 2019 from a forecasted base of 33.92% in 2015. For the same period, the forecasted 2015 market share of television of 26.74%, and radio of 3.75%, is expected to shrink to 22.72% and 3.30%, respectively.

Figure 11: Operating Environment

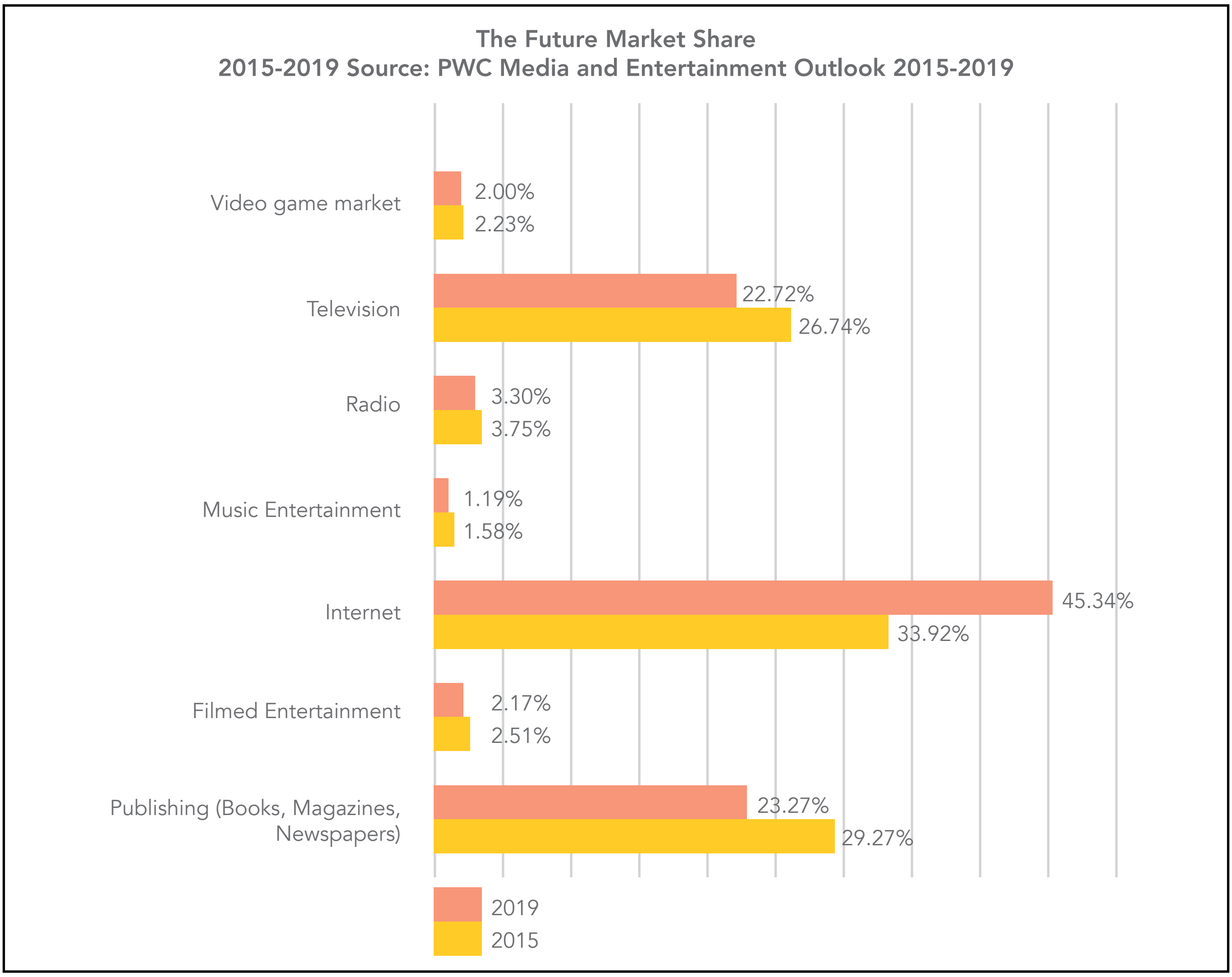


Figure 12: Future Market Share

2.3 Business Strategy

2.3.1 Background

SENTECH took a decision to position the Company as a strategic enabler of government interventions in the ICT sector, guided by the NDP and DTPS Strategic Plan for the period 2016-2020. Whilst continuing with the strategic theme of 'providing open access interoperable communications platform services that enable universal access to digital content and communication services for all South Africans', the Company has reflected on the opportunities to expand on its corporate activities in line with the Shareholder's strategic foundation and general mandate.

Specifically, for the MTEF period 2016-2019, the Company will expand the breadth and depth of its content distribution services and increase the scope of its activities in support of the general communications industry. In addition to pursuing business sustainability, the Company will focus on identifying growth areas in order to substitute any revenue losses that arise due to differences between the DTT and Analogue Television (ATV) services tariffs. Various new products are currently being investigated and innovated (to respond to the projected market environment) as set out in section 3.4 and 4.5. This revenue challenge will be experienced fully at ASO.

To drive this process, SENTECH is pursuing a customer driven growth strategy outlined in its strategic architecture presented in figure 13. Informed by the mandate and critical outcomes of financial sustainability, universal and open access, SENTECH's strategic architecture hinges on four strategic thrusts and is supported by three critical enablers.

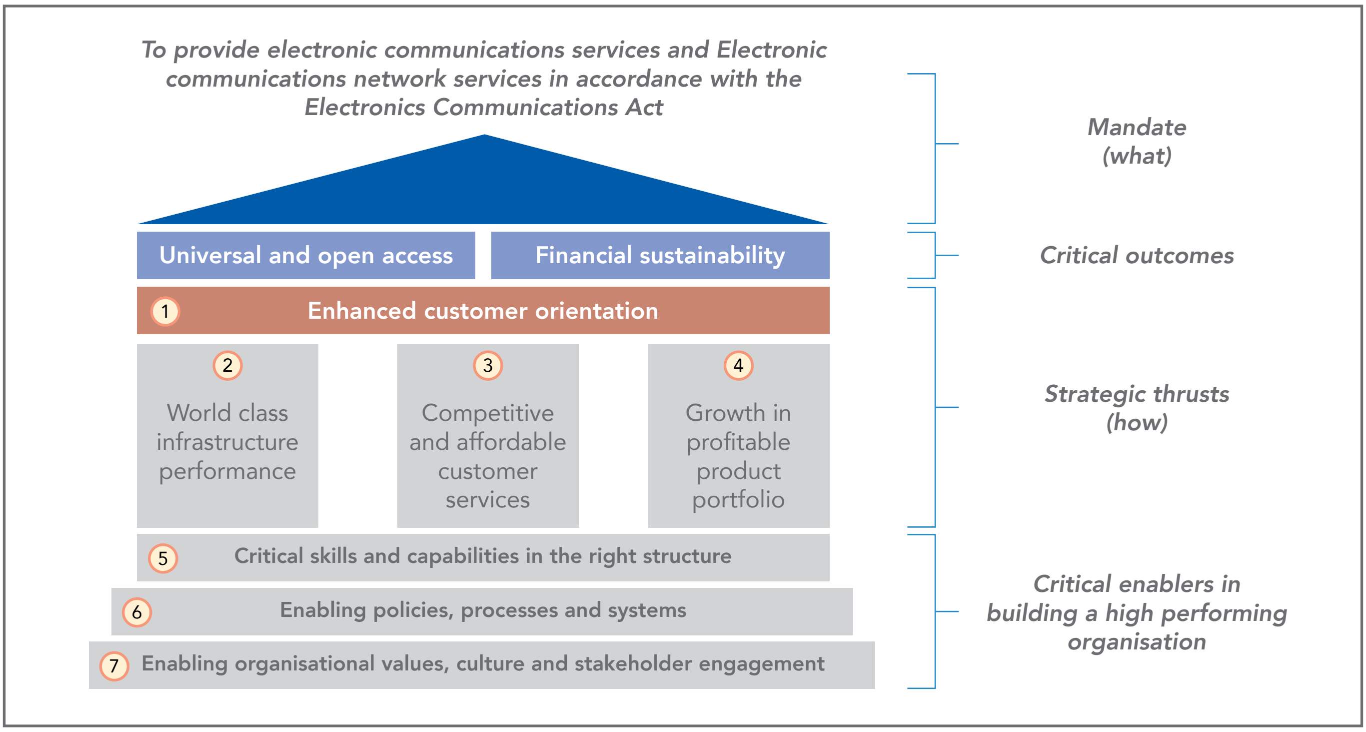


Figure 13: Strategic Architecture

2.3.2 Interaction with the Six Capitals Model

The six capitals model, as defined by the Institute of Integrated Reporting (IIR), are resources or "stocks of value" on which businesses depend as inputs to their business model. The capitals are increased, decreased or transformed through an organisation's business activities and outputs.

The strategic thrusts and enablers are very closely integrated, which means that any adverse matter in one area inadvertently influences another. This requires a concerted effort to balance competing priorities in an appropriate manner – the need to do maintenance, manage the financial constraints and ensure sustainability in the longer term.

Table 5 depicts the link between the six capitals and SENTECH's strategic thrusts and critical enablers. From this, it is evident that these strategic thrusts are integrated and incorporate all aspects of the business and value created over time.

Strategic Thrusts and Critical Enablers	Financial Capital	Productive Capital	Intellectual Capital	Human Capital	Social & Relationship Capital	Nature Capital
Enhanced Customer Orientation					X	
World Class Infrastructure Performance	X	X	X			X
Competitive and Affordable Customer Services	X	X	X		X	
Growth in Profitable Product Portfolio	X				X	
Critical Skills and Capabilities in the Right Structure			X	X	X	
Enabling Policies and Procedures					X	
Enabling Organisational Values and Stakeholder Engagement					X	

Table 5: Interaction with the 6 Capitals

SENTECH is confronted by risks along all of its strategic thrusts and critical enablers. These are very closely integrated, which means that any adverse shift in one inadvertently influences another. This requires a concerted effort to balance competing priorities in an appropriate manner – the need to do maintenance, manage financial constraints and ensure sustainability in the longer term. This cannot be achieved independently. In this regard, SENTECH will rely on partnerships with all stakeholders, as well as various demand side management interventions, to help succeed.

2.4 Business Operating Model

The Board reviewed SENTECH's business model during the financial year to ensure that the Company implements its business strategy set out in section 2.3. The business model set out in figure 14 is a departure from the previous one, where the focus was on the establishment of business units. The current business model places more emphasis on across-the-board research, development and innovation. SENTECH's products and services are focused into three categories, namely, content and multimedia services, infrastructure management services and connectivity services.

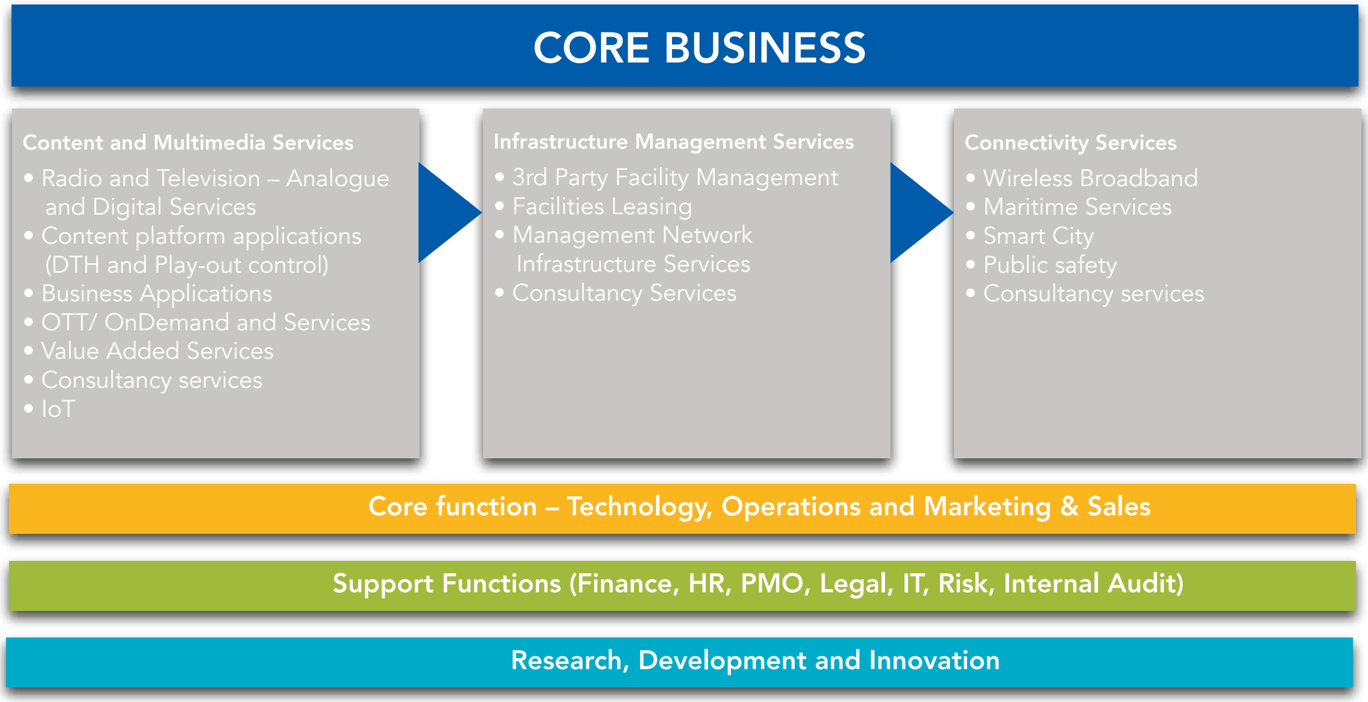


Figure 14: Operating Model

2.5 Organisational Structure and Executive Management

The Board reviewed the organisational structure of SENTECH during the financial year to ensure that it is aligned to the new business operating model and furthermore to ensure that critical skills and capabilities are included in the correct structure. The revised organisational structure set out in figure 15 has resulted in the merger of the IT and Technology divisions which will report to the Chief Technology Officer. To drive SENTECH'S B-BBEE related activities, a new department, Socio-Economic and Enterprise Development (SEED) will report to the Executive: Strategy. The positions of Executive Strategy and Chief Technology Officer (CTO) are expected to be filled by the end of Quarter 1 in the 2016/17 financial year.

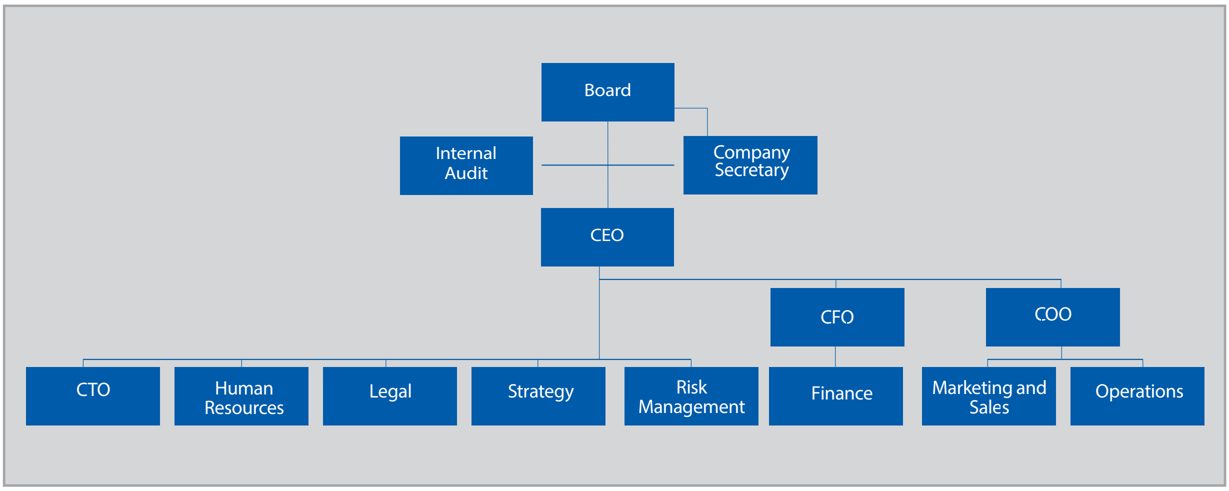


Figure 15: Organisational Structure

Table 6 sets out the profiles and qualifications of all Executive Managers at SENTECH who support the organisational structure set out in figure 15 as at 31 March 2016:

Name	Date appointed	Position	Highest qualification
Mr M. Booi	1 November 2015	CEO	MSc (Electrical Engineering)
Mr K. S. Matabane	1 July 2012	COO	PG Dip (Business administration)
Mr O. N. Nekhavhambe	1 July 2015–30 September 2015 and 7 November 2015 to date	Acting CFO	CA (SA)
	3 February 2014	Executive: Finance	
Ms F. Sefara	1 August 2014	Company Secretary	LLM
Mr T. J. Leshope	1 August 1999	Executive: Operations	N Dip (Electrical Engineering)
Ms N. B. Motswasele	16 January 2012	Executive: Marketing & Sales	N Dip (Business Management)
Mr F. Mnisi	1 March 2007	Acting Executive: Technology	B Tech(Electrical Engineering)
Mr Z. Adams	7 August 1995	Executive Head: Legal	BProc, Admitted Attorney (RSA)
Ms K. Motlhabi	1 June 2016*	Acting Executive: Human Resources	BCom Hons (Industrial Psychology)
Mr I. Segaloe	1 May 2016*	Executive: Strategy	MBA (Corporate Strategy)
Mr D. Ngwenya	1 June 2016*	Chief Technology Officer	MSc (Electrical Engineering)
Ms M. M. Matobako	8 October 2012	Executive: Risk Management	MBL
Mr P. N. Phukubje	1 February 2013	Executive: Internal Audit	RGA (SA)

**Appointed after Year-End*

Table 6: Executive Management

2.6 Strategic Risk Profile

2.6.1 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 Audit and Risk Committee. A process was in place to ensure risk reporting to all other Board Committees in line with their respective Terms of Reference. The Board has delegated the responsibility for the execution of the risk management processes to EXCO. The implementation of risk management has been a core strategic initiative and enabler to achieve business objectives and improve organisational performance and effectiveness. The organisational risk maturity has been independently assessed to be at level four of six levels – with level six being the best level.

The Company continued to manage its risk exposures on an enterprise-wide approach. Through this approach, the Company considered the potential impact of all types of risks in an integrated manner. To this end, risks were identified and assessed from the strategic level, risks linked to pre-determined 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.

2.6.2 Risk Profile

Twelve top risks were listed in the Corporate Plan for the 2015/16 financial year. Table 7 provides a summary of how these risks have been managed. Some of them are still relevant going forward into the 2016/17 financial year as their mitigation interventions require medium to long-term initiatives. The risks carried forward with the MTEF review process will 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 the Company mandate and objectives are achieved and shareholder value is created.

Risk No.	Risk Description	Risk Treatment
1	**Threats to existing and new revenues**	In a global economic market where revenues are under pressure for most businesses, SENTECH has been no exception to this business climate. In response to this risk, SENTECH has implemented a range of mitigation strategies such as diversification of both product portfolio and customer mix. In order to diversify products portfolio and customer mix, in an era where technologies are becoming rapidly obsolete, SENTECH's technology road-map was reviewed to ensure appropriateness of the deployed technologies.
2	**Ageing analogue TV infrastructure due to delayed Analogue Switch Off**	Replacement programmes have been in place and executed for some of the analogue equipment. The company procured infrastructure that can also be migrated for services such as Digital Audio Broadcast (DAB+) in VHF. SENTECH continued to implement its maintenance programmes to ensure network performance aligned to customer Service Level Agreements. In response to the Analogue Switch Off risks, SENTECH responded as discussed under risks 8 and 10 below.
3	**Threats to sustained availability of energy to run efficient operations**	SENTECH developed and is rolling out a strategy for alternative sources of energy. The load shedding impact was minimal during the year under review, resulting in acceptable energy costs.
4	**Effects of extreme weather conditions on SENTECH operations**	SENTECH developed a comprehensive Business Continuity Management Programme which is being implemented. This includes a Business Continuity Plan (BCP) that will enable the company to respond to all natural disasters and other incidents. Parts of the Disaster recovery plans that are a subset of the BCP are being implemented at the Company's disaster recovery site at Nasrec.
5	**Foreign exchange**	SENTECH is exposed to foreign exchange rates fluctuations as a significant amount the Company's operational (e.g. satellite) and capital costs are denominated in foreign currencies; and revenue generated in foreign currency is not significant to constitute a natural hedge. The company continued to monitor foreign denominated cash resources and purchasing of foreign currency at favourable exchange rates, when necessary. The foreign debtors have been limited to a maximum of two months foreign currency denominated revenues.

Risk No.	Risk Description	Risk Treatment
6	**Lack of a dynamic workforce that can take SENTECH into the future**	The Company had already initiated a partnership with University institutions to build capacity for scarce skills in engineering, specifically targeted at Historically Disadvantaged Individuals (HDIs). Training continued to be conducted to provide some of the much needed skills in line with the training plan that was developed for the year. SENTECH has also embarked on an Organisation Design and Development (ODD) process which will assist the Company identify skills needed to take SENTECH into the future and to ensure that people are organised in a way that is best to deliver on its business model and SENTECH's mandate. More information regarding responses to this risk is available under the Human Resources section of this report.
7	**Impact of policy and regulatory environment**	SENTECH continued to monitor the ITA licensing processes issued by ICASA. The status quo remains until Cabinet pronounces on the ICT Review Report. Uncertainty in the outcome of State-Owned Companies (SOC) rationalisation process remains until finalisation of the process. SENTECH continued to participate in the engagements and will continue to do so, until the process is finalised.
8	**Complexity of DTT migration**	An ad hoc DTT Committee (a committee of the Board) has been established to deal with all matters affecting DTT migration. The Company has been participating and will continue to participate in the DTT task team as setup by the DOC to coordinate the DTT migration process.
9	**Threats to a sustainable and secure commercial environment to deliver on the Company's Public Service Mandate obligations**	The delayed launch of Commercial Digital Terrestrial Television has the potential to negatively impact the Company's future financial sustainability. Any further delays will result in the Company having to deplete its cash reserves to maintain the DTT transmitter network and to provide for its depreciation. SENTECH continued to participate in the interventions established by the Shareholder to expedite the launch of Commercial DTT. In response to the risk of cross-border interferences, the company has engaged with neighbouring countries in order to manage interferences.

Risk No.	Risk Description	Risk Treatment
10	**Delayed ASO and the funding of Dual Illumination**	Furthermore, other stakeholders have been continually engaged regarding ASO plan and these will continue until ASO.
11	**Sustainability of suppliers and service providers of mission critical equipment and services**	SENTECH relies on external solution manufacturers and service providers operating in a volatile global economic environment, which could impact the long-term sustainability of technology partners and ability to remain in business. The company has implemented a process of conducting a due diligence on suppliers of its mission critical equipment and services on an annual basis. Shortage of specialist high mast maintenance skills locally impacts on SENTECH's critical maintenance projects. In response, SENTECH is developing those skills through implementation of its enterprise and supplier development strategy.
12	**Potential for Cyber-attacks and physical security**	A Cyber Security Plan and a Physical Security Plan have been developed and are being implemented.

Table 7: Risk Management

2.6.3 Fraud Prevention

A Fraud Prevention Plan was developed during the corporate planning process in alignment with the PFMA requirement for the entity to have a Risk Management Plan that includes a Fraud Prevention Plan. A register of fraud risks was in place and mitigation plans have been implemented. A database of all reported allegations of fraud and other matters was kept during the period under review, with processes of investigation and resolution on matters reported in place. Staff communication and awareness programmes were implemented in order for the plan to be effective. To this end, SENTECH has been fully compliant with the minimum requirements for fraud prevention as per the guideline provided by the Department of Public Service and Administration (DPSA) as depicted in figure 16:

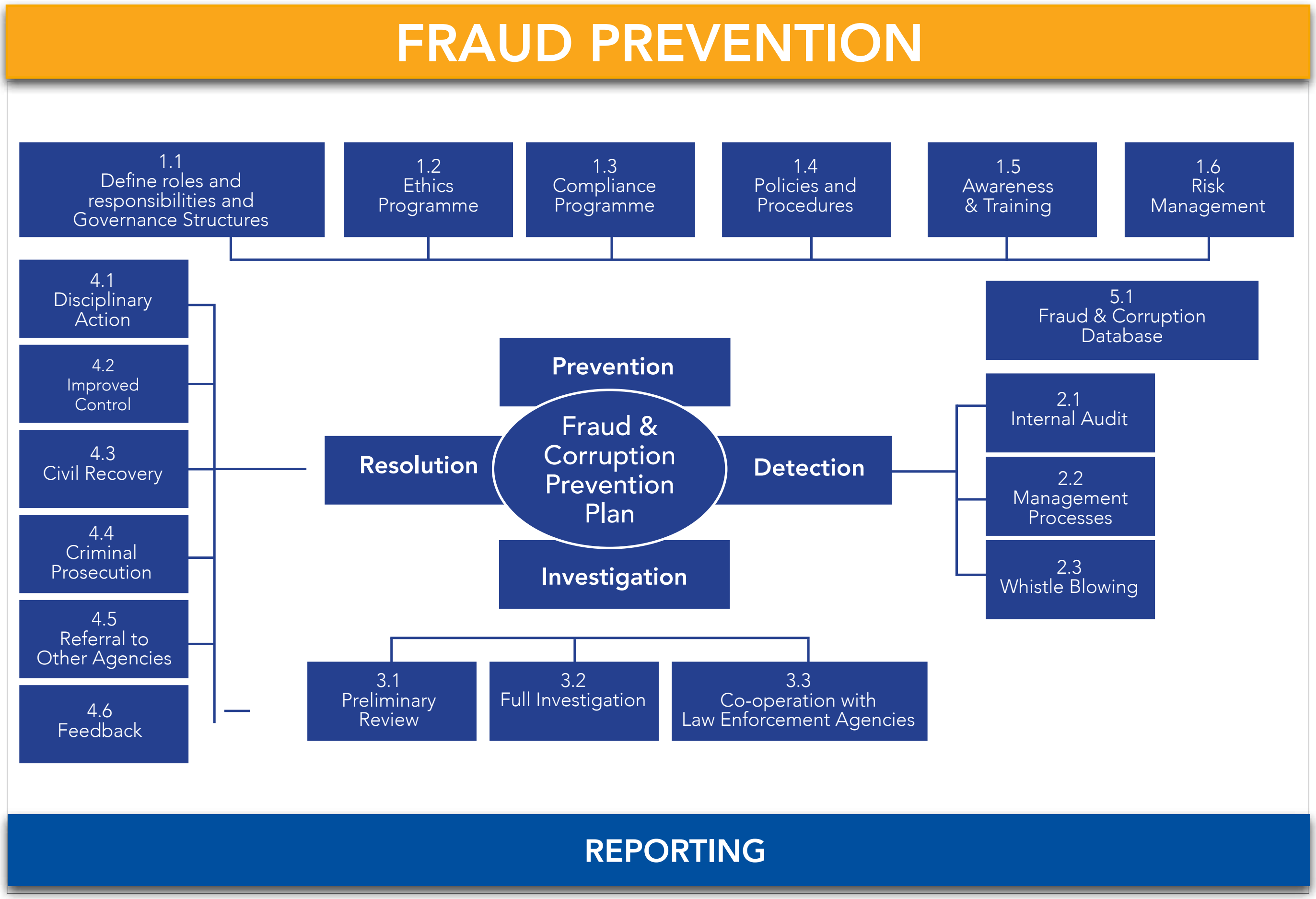


Figure 16: Fraud Prevention

OPERATIONAL PERFORMANCE

3 OPERATIONAL PERFORMANCE

3.1 Chief Executive Officer's Report

Overview

This report is presented on behalf of management and staff members after another year of good results.

The performance of the Company is judged by 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 legislations and regulations that guide the operations of public entities and companies in general. We are excited that we have not only executed extremely well on our mandate but we have also operated with a clean administration as demonstrated by the fourth consecutive clean audit.

Operational Review

SENTECH achieved 82.53% on all the key performance indicators it had committed to for the period under review.

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

- Network availability exceeded the annual target;
- Customer satisfaction levels were above target at 72%;
- 34 community radio broadcasters were connected; and
- 31 Frequency Modulation (FM) expansion transmitters were connected.

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 Total Recordable Incident Rate (TRIR) limit of 1% at an annual average of 0.13%.

Financial Review

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

- Group revenue from continuing operations increased by 7% to R1 179 m (2015: R1 107 m);
- Cash generated from operations decreased by 25% to R 96 m (2015: R127 m);
- R 111 m (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 8% to reach 11.26% due to savings against budget in various classifications of expenditure.

Lastly, SENTECH is expected to achieve a clean audit for the fourth financial year in a row, with our external auditors having declared the following:

- Unqualified opinion on financial statements;
- No material findings on pre-determined 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.

Looking Ahead

We still believe that we are on par with global best practice and developments and we have the courage to forge ahead in the global context, while not losing sight of the unique socio-economic context in which we operate.

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

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

We remain committed to accelerating our efforts to create a healthy organisation, as defined by employee satisfaction, clean administration, competent operations, strong finances and healthy customer and service provider relationships. We fully embrace all these aspirations and we will continue to build and reinforce our nascent healthy state. We continue to work hard towards developing a high performance team and building a culture of customer orientation.

In conclusion, 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.

Mr M. Booi
Chief Executive Officer

3.2 Performance against Shareholders Compact

The Board adopted a set of strategic objectives for the 2015–2018 MTEF planning period, which ensured that the Company would achieve its public service mandate objectives, remain aligned to Shareholder priorities and ensure financial sustainability. In total, there were 17 KPI's which were applicable to the Company. SENTECH's performance against these key performance indicators are set out in table 8 below. A total of 82.53% of all KPI's were achieved.

STRATEGIC GOAL	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR	2015/16 ANNUAL TARGET	2015/16 ACTUAL PERFORMANCE	ACHIEVED/ NOT ACHIEVED	VARIANCE EXPLANATION
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 to connectivity network services	Number of data connectivity terminals installed	300	0 Terminals Installed	Not Achieved	This target was not achieved because of the instability of the technology which has resulted in the product being discontinued
		Number of smart city solutions implemented	1	1 Smart City Solution Implemented	Achieved	Not Applicable
	Ensure secure and reliable internal ICT infrastructure and services	Disaster Recovery and Business Continuity Centre Established	Approved Business Continuity Plan	Business Continuity Plan approved by the Board	Achieved	Not Applicable
	Ensure universal access to digital broadcasting signal distribution network services	Number of Digital Terrestrial sites completed	4 Greenfield Sites Completed	2 Greenfield Sites Completed	Not Achieved	This target has not been achieved due to delays experienced, subsequent to SENTECH having resolved to replace the non-performing supplier, related lead time to replace the supplier, as well as community unrest on one site
		FM Services Implemented	33 Community Radio Broadcasters Connected	34 Community Radio Broadcasters Connected	Achieved	This target has been over-achieved due to an additional customer requesting SENTECH connectivity services
			31 Transmitters for SABC Expansion Connected	31 Transmitters for SABC Expansion Connected	Achieved	Not Applicable

	Ensure universal access to digital multimedia services	Digital Media Solutions Implemented	1 New Customer on the Hybrid Broadcasting Platform connected	1 New Customer connected to the Hybrid Broadcasting Platform	Achieved	Not Applicable
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 product revenues achieved	Weighted average availability based on product revenues of 99.80%	99.89%	Achieved	This target has been over achieved due to the better management of the SENTECH network
	Improve customer and stakeholder satisfaction	Customer and Stakeholder Index rating achieved	69%	72% Customer and Stakeholder Index Achieved	Achieved	This target has been over-achieved based on stakeholder initiatives, including customer interaction workshops and meetings conducted during the year
SG3: Drive organisational performance in order to improve organisational effectiveness.	Effective Management of Talent	Performance ratings achieved	Non-Bargaining Unit - 100% of performance contracts signed and reviewed Bargaining Unit - 90% of performance contracts signed and reviewed	Performance Contracts signed Non-Bargaining Unit - 100% of Performance Contracts signed Bargaining Unit - 100% of Performance Contracts signed Performance Contracts Reviewed 0% Bargaining Unit 93% Non-Bargaining Unit	Not Achieved	This target has not been achieved primarily as a result of engagements between the employee representative and SENTECH in relation to the 13th Cheque matter. Refer to section 1.7 in this regard.
		Cover Ratio for Succession Achieved	25 % Cover Ratio for Succession	47% Cover Ratio for Critical and Core Skills	Achieved	This target has been over-achieved due to the additional number of positions covered by succession plans
	Redesigning and alignment of the organisational structure to the new operating model in order to develop organisational capacity and capability	Approved organisational design and implementation of macro functional structures	Implement new organisational structure for the top three management layers	Implemented new organisational structure for the top three management layers	Achieved	Not Applicable

SG4: Ensure that the Company is Financial Sustainable	Implement SENTECH Foundation	Funds set aside for the implementation of the SENTECH foundation	2% NPAT	4.33% NPAT	Achieved	This target has been over-achieved due to the number of CSI related projects and activities during the year. These included, sponsorships, bursaries and other CSI related projects.
	Develop and Implement Supplier Development Strategy	Funds invested in the implementation of the Enterprise and Supplier Development Strategy	3% NPAT	4.01% NPAT	Achieved	This target has been over-achieved due to the number of ESD related activities entered into during the year. These included, the ESD incubation programme, supplier engagement functions and sponsorships
	Maintain a sustainable Return on Net Assets (RoNA)	Return on Net Assets from Continuing Operations	8%	11.26%	Achieved	This target has been over-achieved based on savings against budget for the following categories of expenditure: Other Cost of Sales and Operating Expenses, Legal and Consulting Expenditure. In addition, Finance Income Exceeded Budget
	Maintain a health Earnings before Interest and Tax	Earnings before Interest and Tax Achieved	R 195.7m	R 196.14m	Achieved	This target has been over-achieved based on savings against budget for the following categories of expenditure: Other Cost of Sales and Operating Expenses, Legal and Consulting Expenditure. In addition, Finance Income exceeded Budget
	Implement effective internal control system and compliance with applicable legislation	Clean Audit Achieved	Clean Audit	Clean Audit Achieved	Achieved	Not Applicable

Table 8: Annual Performance Report

3.3 Financial Performance

3.3.1 Salient Features for the Year Ended 31 March 2016

Table 9 sets out the salient features of SENTECH's financial performance for the year ended 31 March 2016:

	2016	2015	% Change
Revenue	1 179 253	1 107 146	7%
Gross Profit	326 885	337 627	-3%
Operating Profit Before Interest and Tax	196 144	169 884	15%
Profit For the Year	199 803	168 836	18%
Total Assets	1 954 032	1 718 586	14%
Total Liabilities	291 429	412 970	-29%
Total Equity	1 662 603	1 305 616	27%
Cash Flow From Operating Activities	161 540	131 710	23%
Capital Expenditure	111 136	106 822	4%
Gross Profit Margin	27.72%	30.50%	
Profitability Ratio	16.94%	15.25%	
Liquidity Ratio	5.21:1	3.21:1	
Solvency Ratio	6.71:1	4.35:1	

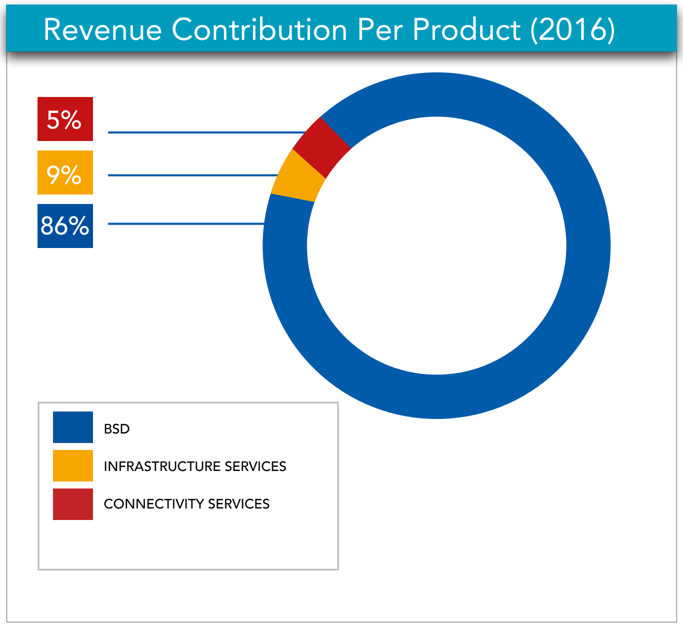
Table 9: Salient Features for the Year Ended 31 March 2016

For a detailed discussion of the amounts set out in the above table, refer to the Board's Report in section 6.4.

3.4 Product Review

3.4.1 Product Review

The BSD services currently account for 86% (2015 : 84%) of the total SENTECH revenue base, while facilities leasing accounts for 5%(2015 : 5%), with the smallest contributor being VSAT at less than 1% (2015 : 1%) during the 2015/16 financial year as set out in figure 17. Overall revenue increased by 6.31% from the previous year mainly because of growth in network expansions on the signal distribution side, however, this is expected to flatten in the following financial year as growth will be constrained by the availability of frequencies for FM and the migration from analogue to digital terrestrial television.



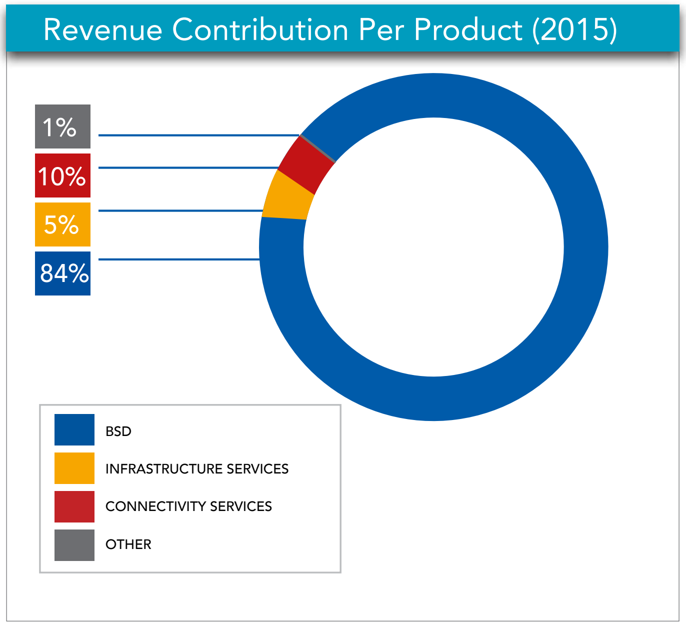


Figure 17: Revenue 2016 vs 2015

3.4.2 Broadcasting Signal Distribution

3.4.2.1 Analogue Television

ATV generated R555m (2015: R477m) of revenue, as budgeted, however, there was a slight decrease in revenue from Commercial TV, a result of the termination of Bay TV (R197k) due to license expiration and e.tv's cancellation of analogue contribution feeds in preparation for DTT (R833k).

The highlight for the year for television was the completion of the DTT commercialisation project which entails billing implementation for DTT that was completed during the last quarter. Additional revenue was anticipated from the implementation of the DTT Contact Centre which was not realised due to capital budget constraints. The Contact Centre project is a Department of Communication (DoC) mandate given to SENTECH which requires funding in the absence of which the Company cannot provide the required service. The Contact Centre project is critical to the success of digital migration. 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 with broadcasters.

During the financial year, SENTECH reached agreements with broadcasters on the tariffs and finalised the ASO tariff model in line with the ASO. During this year the DTT performance period was announced by the Honourable Minister of Communications which will enable SENTECH to commence billing of DTT services.

3.4.2.2 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 Programme Aggregators (PA's) and Business TV/Radio customers.

DTH-S revenue for the period was R152m, which was 20% below budget as a result of the delay in finalising content aggregators commercial agreements. DTH-S revenue still managed to achieve a growth of 31,8%, from the previous year (R113m).

3.4.2.3 Frequency Modulation

During the 2015/16 financial year, SENTECH provided FM BSD services to 18 SABC radio stations, 18 commercial radio stations and to 129 community radio stations.

FM revenue currently accounts for 23% of SENTECH revenue. The FM portfolio achieved a 21% year-on-year growth and yielded revenue of R265m (2015: R220m), which is an increase of R45m compared to the previous financial year which comprises of revenue generated from Public FM (R191m), from Commercial FM (R52m) and from Community FM (R17m).

Public FM revenue growth came mainly from FM expansion of 31 additional transmitter sites. Two additional commercial services were expected in this financial year, in line with the licenses issued by ICASA, however, the broadcasters are awaiting additional licenses to be issued prior to launching the additional radio services. Commercial FM revenue contributors were a combination of transmitter power upgrades, network linking enhancements and network expansions for various customers. SENTECH provided an additional 34 community FM services in the year.

3.4.2.4 Medium Wave

During the 2015/16 financial year, SENTECH did not provide any new MW BSD services and Medium Wave (MW) continued to contribute less than 1% of SENTECH revenue and achieved R8.7m revenue, increasing by R1.07m from the 2014/15 MW revenue.

3.4.2.5 Short Wave

During the 2015/16 financial year, SENTECH provided Short Wave (SW) BSD services to one additional African broadcaster, however, lost one international broadcaster. SW currently contributes 2,4% of SENTECH revenue and achieved R28m revenue compared to R25m generated in the previous financial year.

The 3-year sustainability plan, launched in April 2013, was expected to return the SW product to sustainable operating profits. The plan involved scaling down the SW services to profitable services only, and aligning the operational structure with the reduced service. However, this has proven to be a challenge for the SW radio product, which has continuously generated a loss. During the 2016/17 financial year, SENTECH will embark on an exercise that will determine whether it continues to offer the service or ultimately discontinue it due to technology obsolescence that has led to high maintenance costs.

3.4.3 Infrastructure Services

3.4.3.1 Facilities Rental

SENTECH rent out over 220 sites to more than 90 service providers (public and private) who use the infrastructure for various communication services. Facilities rental revenue was R59m (2015 : R 54m) during the 2015/16 financial 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. The Company will develop business models that will seek to aggressively grow the managed infrastructure services portfolio and capitalise on its capacity to provide facilities management and leasing. For the broader communications industry, the Company will consolidate its current capabilities in the management of transmitter networks and network facilities, to offer specialised and focused third-party networks and facilities management services.

3.4.4 Connectivity Services

3.4.4.1 Very Small Aperture Terminal

The VSAT product has continued to make significant losses for a considerable period of time. SENTECH initiated various interventions to remedy the situation without much success. As a result, a VSAT exit strategy has been developed, following a number of initiatives that had previously been undertaken to attempt to resuscitate the product and improve profitability. The Company has therefore taken a strategic decision to exit the broadband product offering to prevent further and continued losses that are incurred by the product, while retaining the point-of-sale (transactional services) offering. The hub reached its end of life cycle with the intention to replace it 2016/17. During the period under review, the revenue dropped by 40% to R6m (2015: R10.6m). The revenue underperformance was largely due to existing infrastructure having reached its end of life stage and suspended sales of the service as the VSAT hub is being upgraded.

NETWORK PERFORMANCE

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, 7 days a week and are continually maintained to improve reliability, ensure service availability and long-term operations continuity.

Figure 18 presents a high level signal distribution value chain for above outlined services.

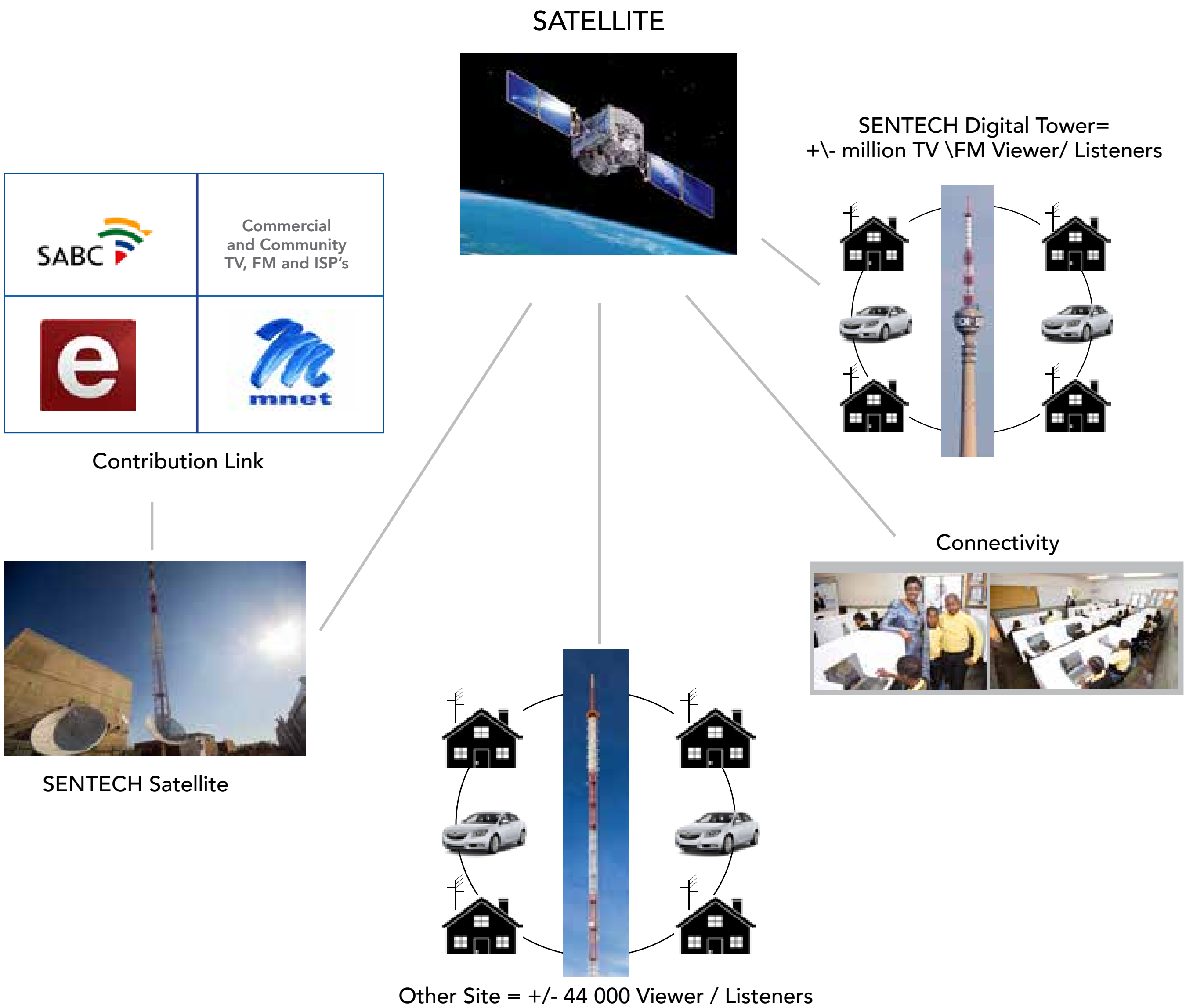


Figure 18: Signal Distribution Value Chain

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 KM's to access a site for maintenance purposes.

3.5.2 Overall Network Performance

Based on predetermined service level targets and Corporate Plan objectives, SENTECH measured each platform service for the 2015/16 financial year on a weighted average basis, based on product revenues. In this regard, SENTECH exceeded the Corporate Plan network availability target of 99.80% and achieved an overall weighted average network availability based on revenue of 99.89% during the 2015/16 financial year.

Table 10 presents the overall network availability for all operational platform services for the year ended 31 March 2016.

National Network Performance - 2015 - 2016							
Network Services	**SLA Target**	**Total Hours**	**Overall Interruptions**	**Overall Performance**	**SENTECH Interruptions**	**SENTECH Performance**	**Weighted Average**
Terrestrial Television	99.70	456 320	624.77	99.86	481.26	99.88	55.40
FM Radio	99.70	618 240	781.97	99.87	433.78	99.89	25.52
Medium Wave Radio	99.50	5 888	7.24	99.88	5.24	99.44	0.87
Short Wave Radio	99.50	2 500	8.58	99.65	7.57	99.80	2.85
VSAT	99.50	736	0.35	99.95	0.35	98.14	0.61
Satellite	99.80	66 816	296.26	99.49	11.64	99.97	14.62
					Overall Network availability (%)		**99.89**

Table 10: Overall Network Performance

Figure 19 presents the network performance per service for the 2015/16 financial year:

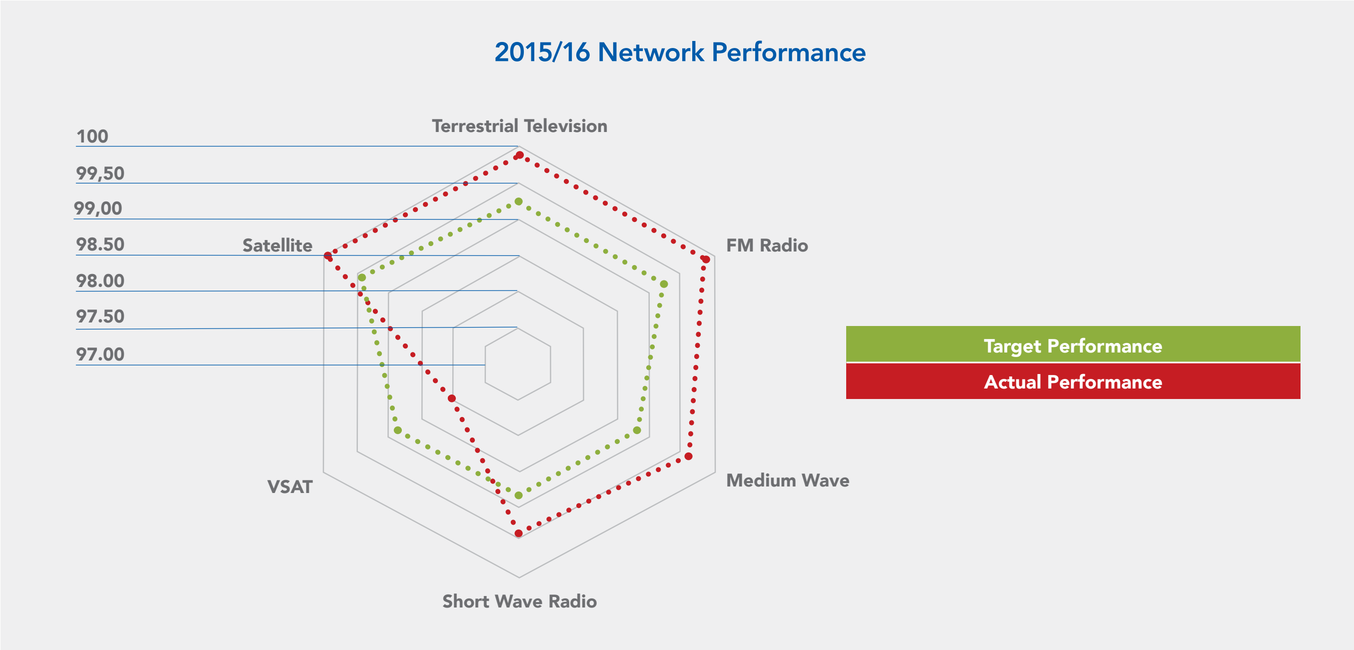


Figure 19: Network Performance Chart

SENTECH exceeded network performance targets for Analogue Television, FM radio, SW radio and DTH platform services during the 2015/16 financial year. The VSAT platform underperformed due to the unstable hub which is near its end of life (EOL) whilst the MW radio service under-performed due to power supply problems and ageing infrastructure.

3.5.2.1 Terrestrial Television Network

SENTECH operates a network of Television transmitters across the country to provide its customers and citizens of South Africa with television coverage services. This network is supported and managed to ensure continuous services availability. During the 2015/2016 financial year, Terrestrial television platform exceeded the set service level target of 99.70% by achieving a network availability of 99.88% during the 2015/16 financial year.

Figure 20 depicts the network availability and associated service interruptions for television services.

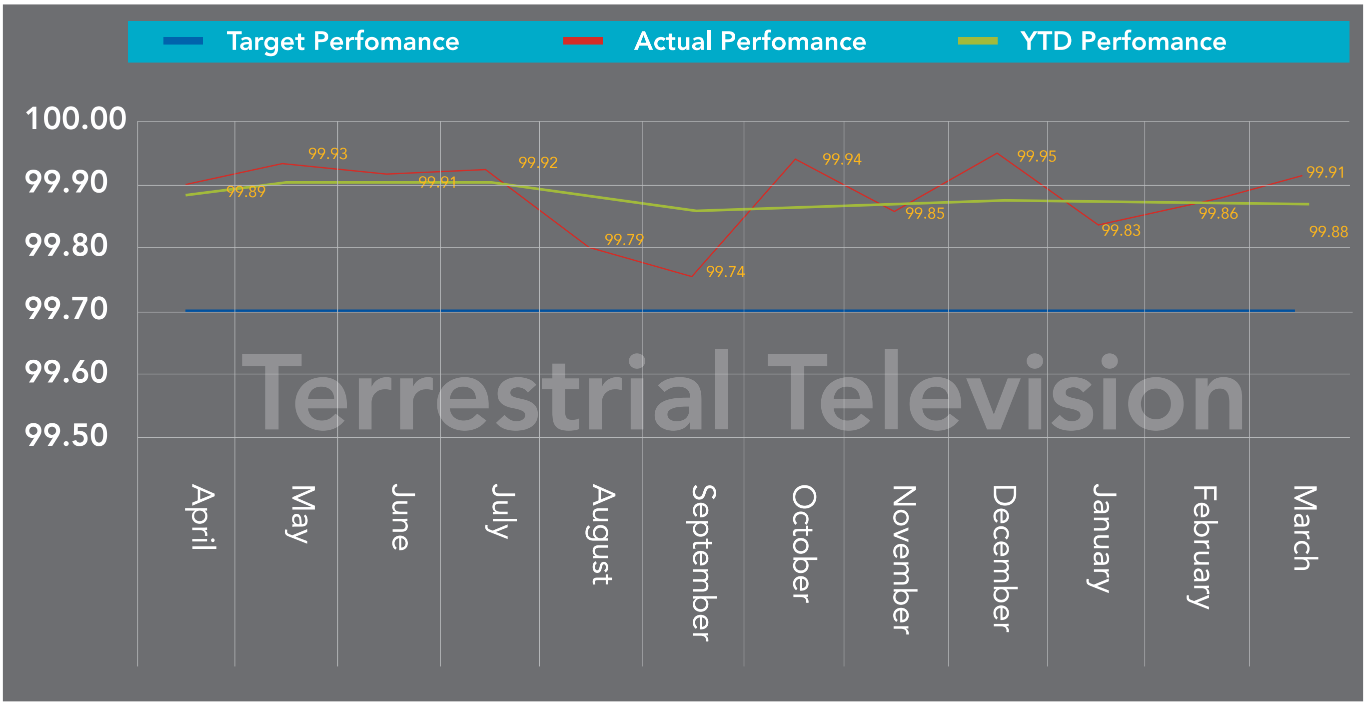


Figure 20: Terrestrial TV

Whilst 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; and
- Asset vandalism and cable theft.

3.5.2.2 Terrestrial FM

SENTECH operates a network of Radio transmitters across the country to provide its customers and 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 a network availability of 99.89% during the 2015/16 financial year.

Figure 21 depicts the network availability for FM radio services during the financial year:

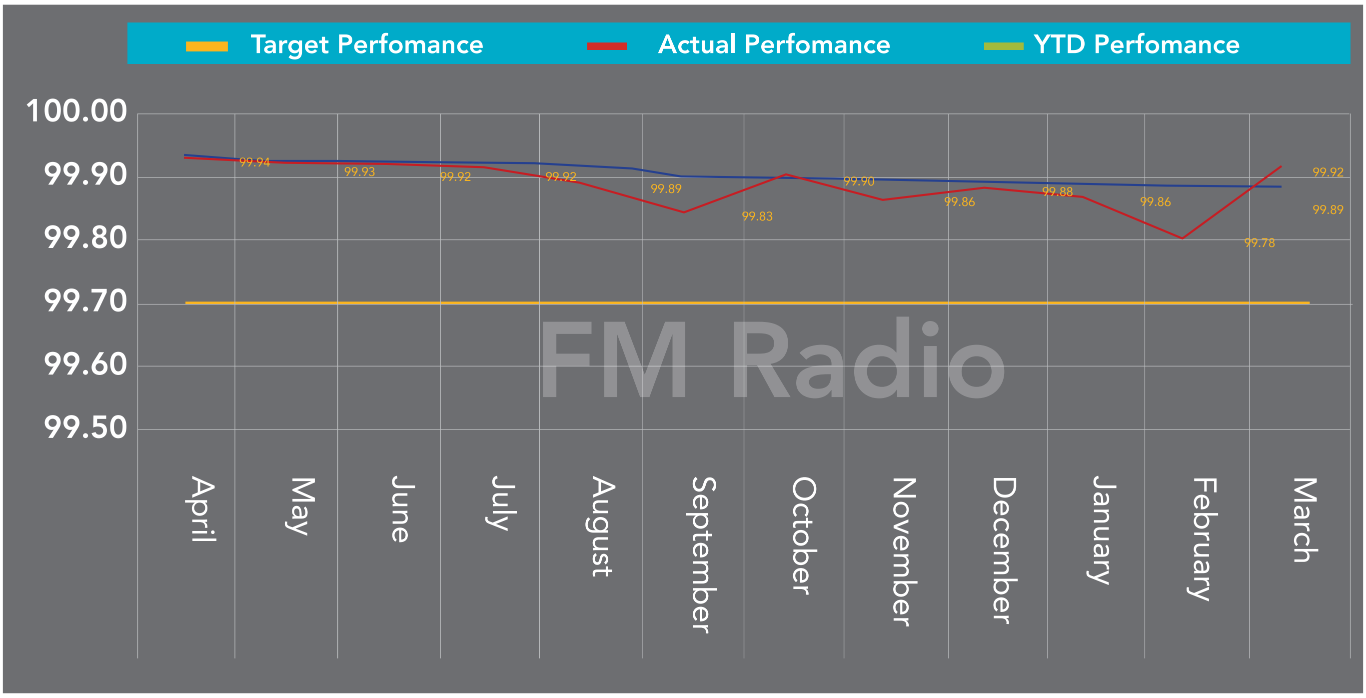


Figure 21: FM Radio

Whilst 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.

3.5.2.3 Medium Wave Terrestrial

SENTECH operates a network of MW transmitters in Gauteng, Eastern Cape and Western Cape to provide its customers and citizens of South Africa with Radio coverage services. The terrestrial MW Radio platform did not perform at the set service level target of 99.50% and achieved a network availability of 99.44% during the 2015/16 financial year.

Figure 22 depicts the network availability and associated service interruptions for MW radio services:

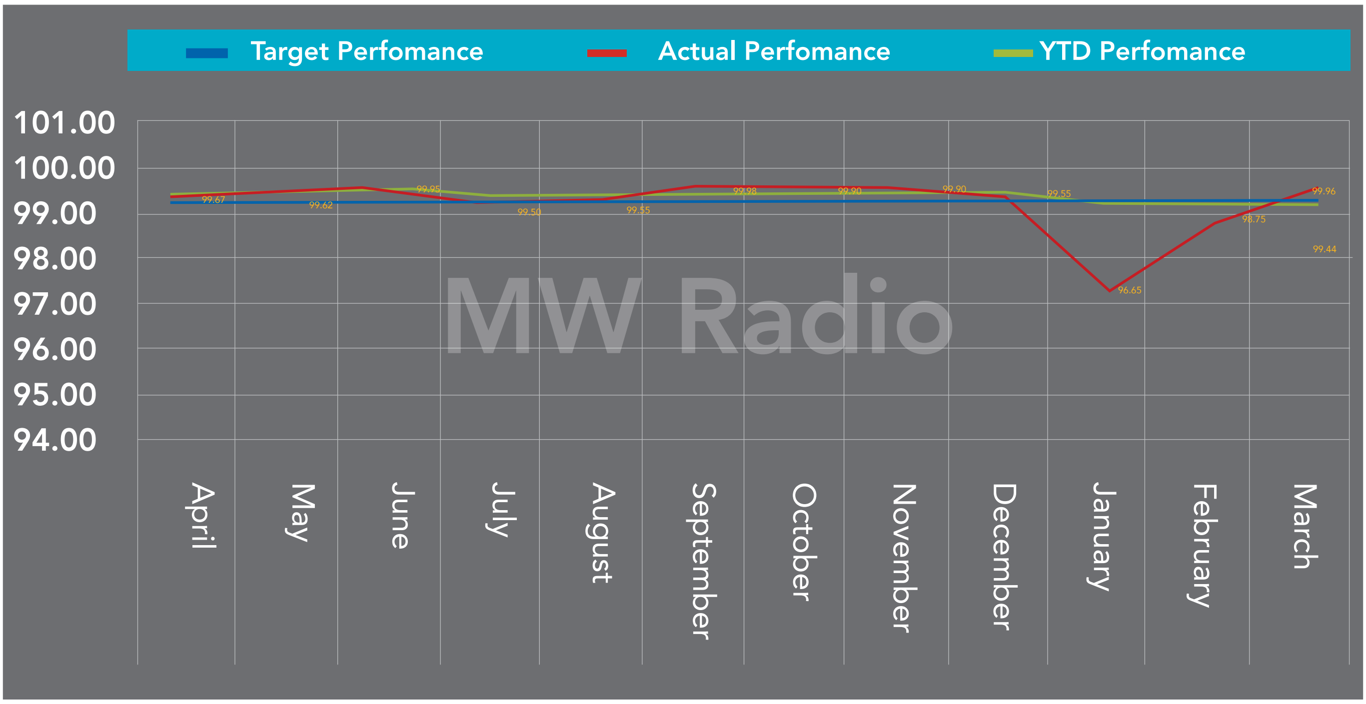


Figure 22: MW Radio

The causes of MW service interruptions for the year included:

- Eskom load shedding activities combined with stand-by generator system failures
- Ageing infrastructure and
- Unavailability of spares resulting in extended service outages.

3.5.2.4 Short Wave Terrestrial

SENTECH operates a network of Short Wave transmitters from Gauteng province to provide its customers and citizens of in 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 a network availability of 99.80% during the 2015/16 financial year.

Figure 23 depicts the network availability and associated service interruptions for SW radio services:

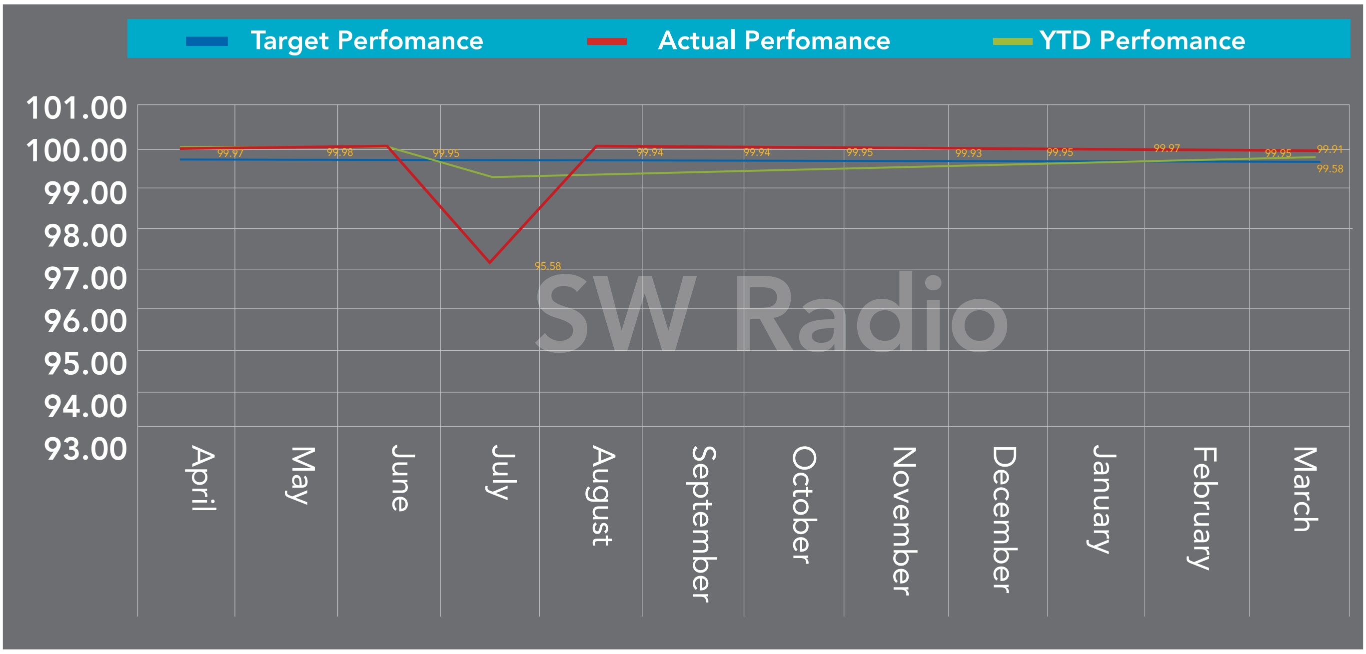


Figure 23: SW Radio

Whilst 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.

3.5.2.5 Direct to Home Satellite Network

SENTECH operates a network of Satellite transponders to provide its customers and citizens in South African and the 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 a network availability of 99.97% during the 2015/16 financial year.

Figure 24 depicts the network availability and associated service interruptions for DTH network services.

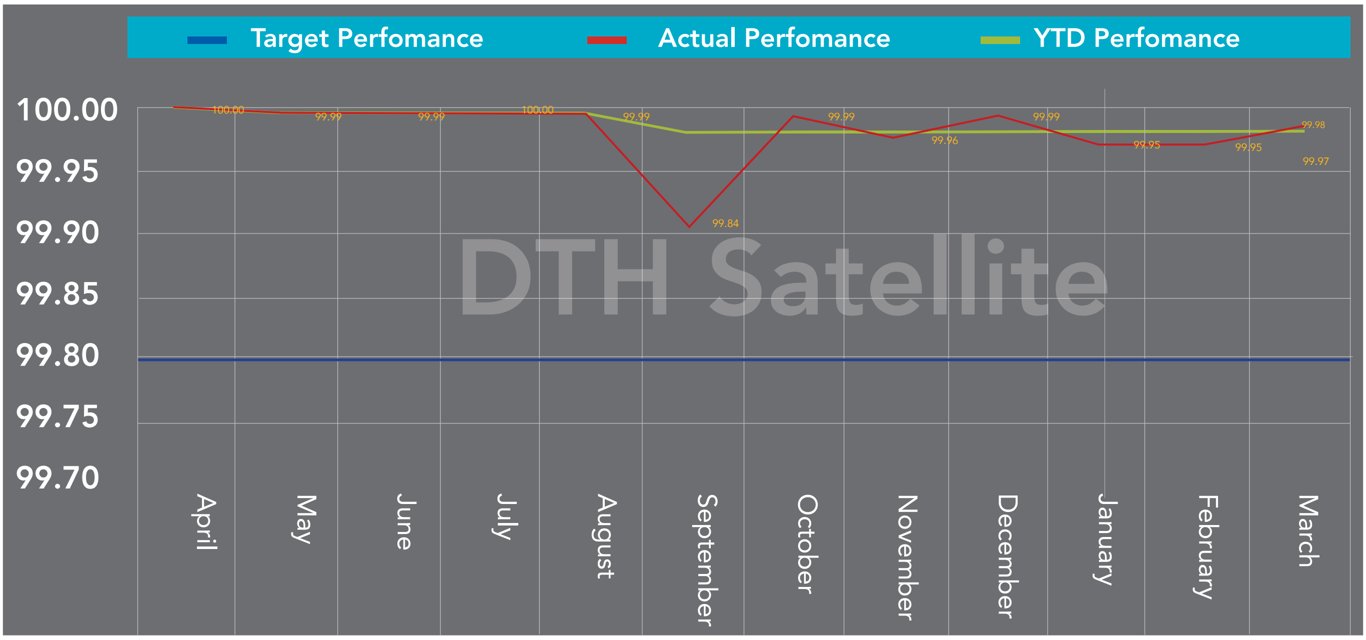


Figure 24: DTH Satellite

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

- Uninterrupted Power Supply (UPS) system failures and weather interruptions

3.5.2.6 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 a network availability of 98.14% during the 2015/16 financial year due to equipment having reached its end of life.

Figure 25 depicts the network availability and associated service interruptions for VSAT services.

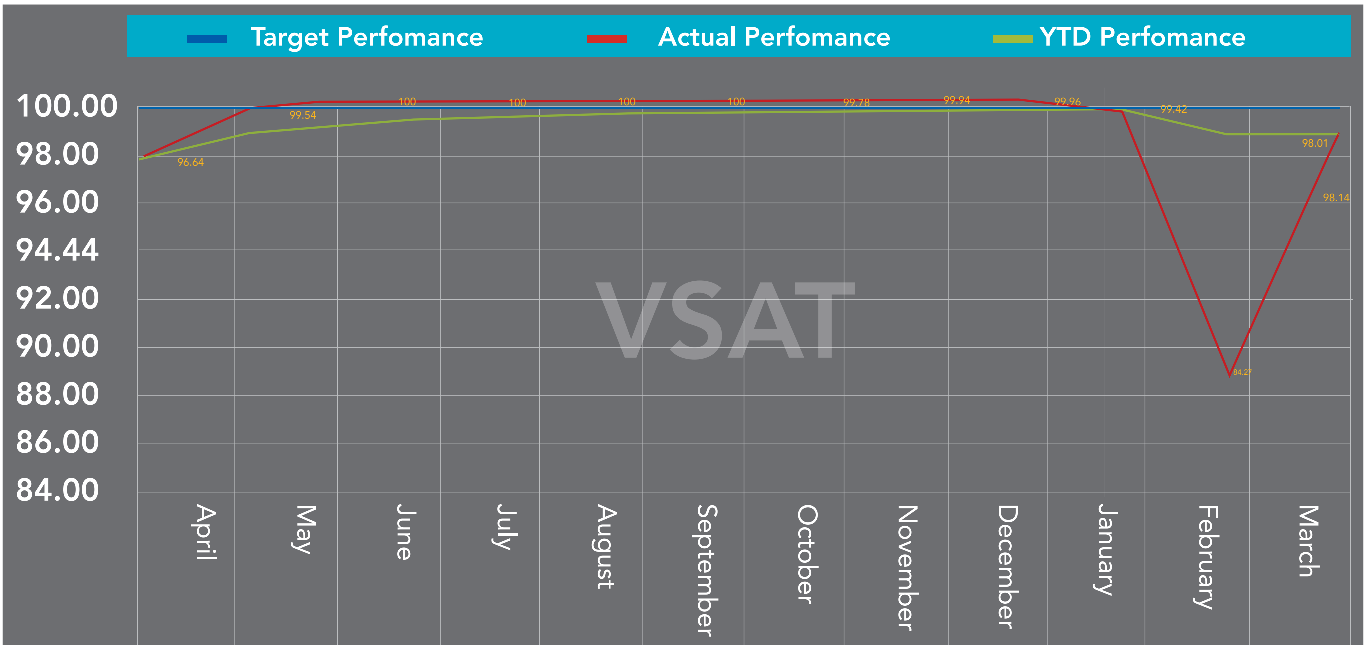


Figure 25: VSAT

The major causes of VSAT service interruptions, included end of life and unsupported equipment causing instability of the VSAT hub. As mentioned in 3.4.4, SENTECH has developed a VSAT exit strategy as a result of the product's continued negative profitability coupled with underperforming network performance and only support its point-of-sale (transactional services) offering.

VALUE CREATION

4 VALUE CREATION

4.1 Financial Capital

SENTECH's financial capital makes it possible to produce products, provide services and invest in organic and inorganic growth. Financial capital is obtained through financing such as equity or through revenue generated from operations and finance income. Financial capital increases when a profit is achieved. Traditionally it was the primary measure of business performance and success in terms of reporting performance to the Shareholder, suppliers and employees, regulators and government and is normally a function of revenue less expenditure.

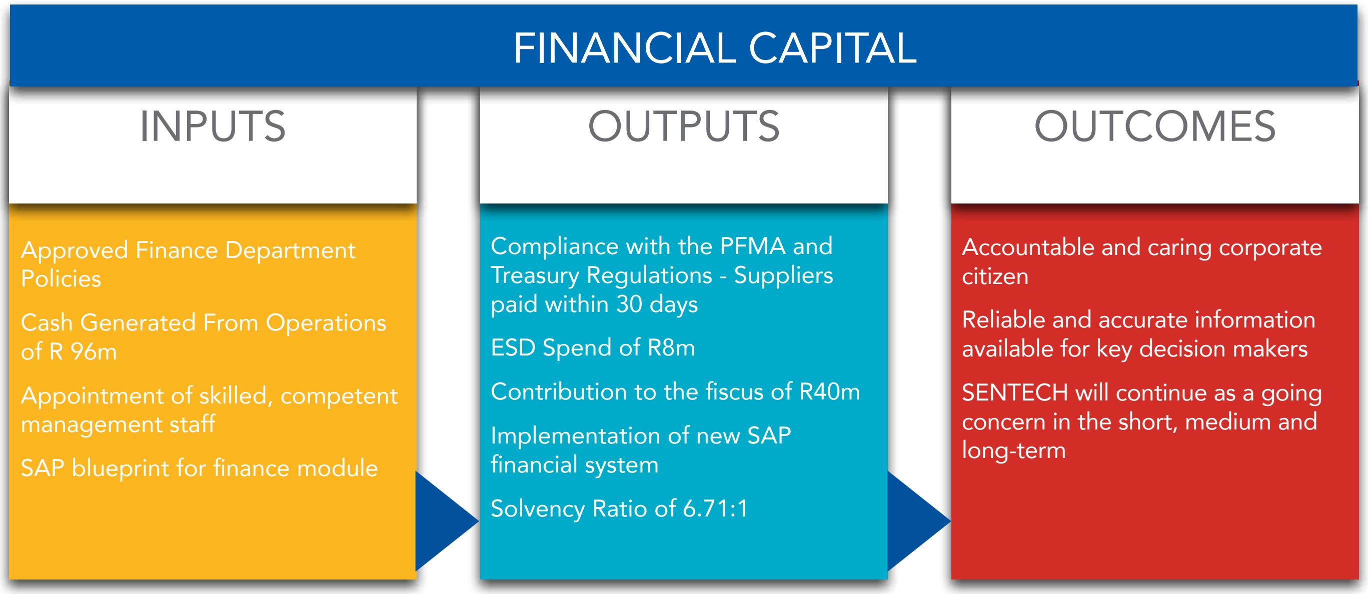


Figure 26: Financial Capital

Enhancing Financial Capital is not the function of a single division within the Company. All divisions within SENTECH have worked together to achieve the financial results for the current financial year.

4.1.1 Financial Capital Creation

During the 2015/16 financial year, SENTECH generated an amount of R95 517 (2015: R126 552) from its operations, a decrease of 25%. Refer to the Board's Report in section 6.4 for a discussion on the key reasons for this decrease. Additional interventions included the review of SENTECH's policies to ensure that they are optimised to support SENTECH's business, the appointment and training of competent staff to drive these policies, together with the implementation of a new SAP system. These interventions have yielded positive benefits in both the internal and external environment.

These include:

- SENTECH having sufficient resources at any point in time to ensure suppliers are paid within 30 days on average. This supports SENTECH's suppliers that they, as well, may continue as a going concern without the need for short-term financing.
- SENTECH having a strong Statement of Financial Position as evidenced by the solvency ratios computed in section 3.3
- Generating sufficient wealth to pay employees market related salaries, implementing its CSI related plans and contributing to the fiscus by way of taxation.

These outcomes have resulted in SENTECH entrenching itself in the market as an accountable corporate citizen, having the appropriate systems to generate accurate and timely information for both internal and external decision makers and being able to continue into the foreseeable future.

4.1.2 Wealth Creation by a South African Company for South Africans

Table 11 sets out the wealth created during the year, together with how it was distributed. It is worth noting that the majority of the wealth was distributed to employees, followed by taxation paid to the fiscus (which ultimately benefits the country), CSI and ESD related projects which are further discussed in section 4.3.3.

	2016	2015
Revenue	1 179 253	1 107 146
Expenditure	(608 331)	(566 510)
Value Added by Operations	570 922	540 636
Other Income	31	2 824
Interest Income	53 889	44 573
Total Wealth Created	624 842	588 033
Distributed As Follows	425 039	419 197
Employees		
Salaries and Wages	368 276	368 342
Corporate Social Investment	8 653	16 003
Enterprise Supplier Development	8 002	–
Government		
Taxation	40 108	34 852
Re-invested	199 803	168 836

Table 11: Value Added Statement

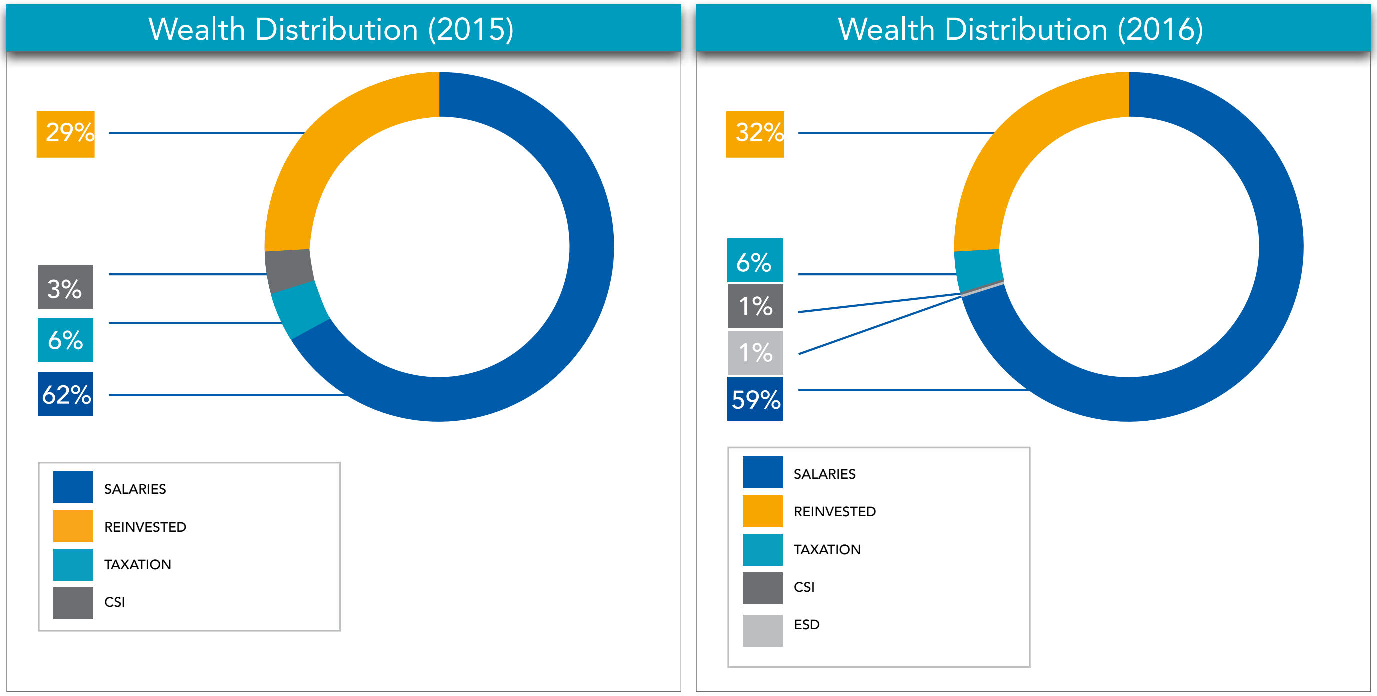


Figure 27: Value Added Activities 2016 vs 2015

4.2 Manufactured Capital

SENTECH's manufactured capital includes the infrastructure that makes it possible for SENTECH to deliver products and services to customers. It is key to the Company's sustainability, and if used efficiently, allows SENTECH to be flexible, innovative and increase the speed to market its products and services.

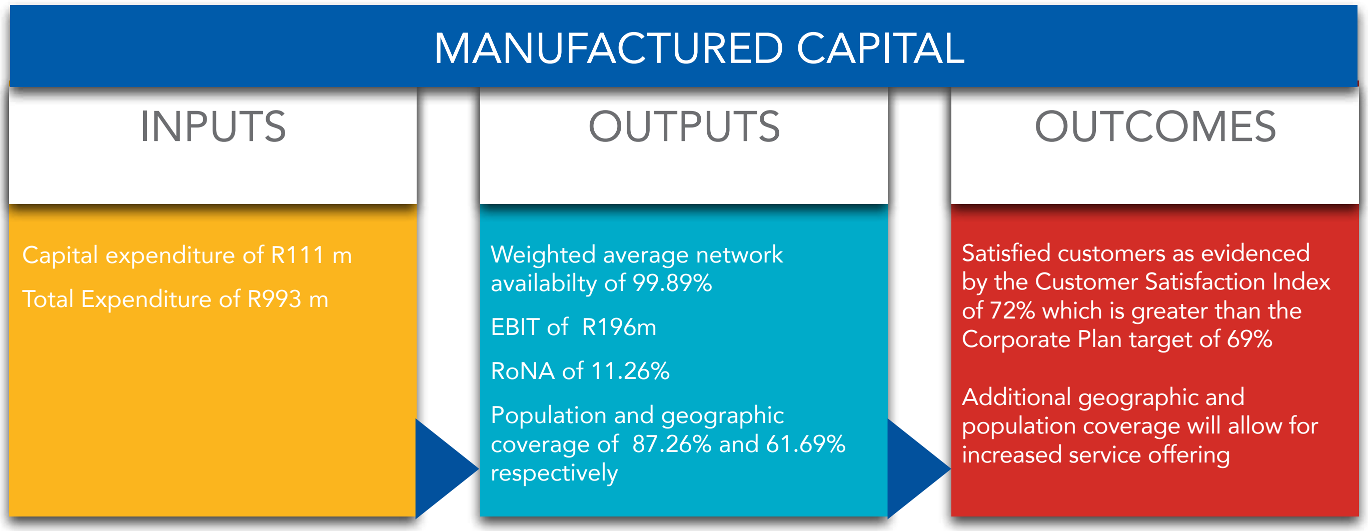


Figure 28: Manufactured Capital

Creating Manufactured Capital is not the function of a single division within the Company. All divisions within SENTECH have worked together to achieve the financial results for the current financial year.

4.2.1 Manufactured Capital Creation

During the 2015/16 financial year, SENTECH incurred capital expenditure amounting to R189 849 (2015: R106 822) and operational expenditure amounting to R993 262 (2015: R950 855). The primary set of reasons, excluding salaries and wages, include the provision of SENTECH's products and services, key projects and its investment in technology and innovation. Additional interventions included the review of SENTECH's policies to ensure that they are optimised to support SENTECH, the appointment and training of competent staff to drive these policies, together with the implementation of a new SAP system. These interventions have yielded positive outcomes in both the internal and external environment.

These include:

- Weighted average network availability was 99.89% similar to that of last year (it is worthy to note that SENTECH is penalised based on its SLAs with customers should the network availability for a particular service be below the agreed percentage;
- SENTECH having strong Statement of Comprehensive Income and Position as evidenced by its EBIT of R196.14m and Rona of 11.27%; and
- As a result of its key projects, was able to increase both the geographical and population coverage to 61.69% and 87.26 % respectively.

These outputs have resulted in SENTECH satisfying the needs of customers as evidenced by its positive 72% customer satisfaction rating, an increase in its service offering owing to the additional population and geographical coverage available and supporting the Company's going concern ability.

4.3 Social and Relationship Capital

SENTECH's social and relationship capital is about any value that is added to the activities and economic outputs of the Company by its human relationships, partnerships and cooperation. It is by way of these interventions, relationships and interactions that assists in the Company achieving its objectives. Social and relationship capital includes the intangibles associated with the brand and reputation, and SENTECH's social licence to operate.

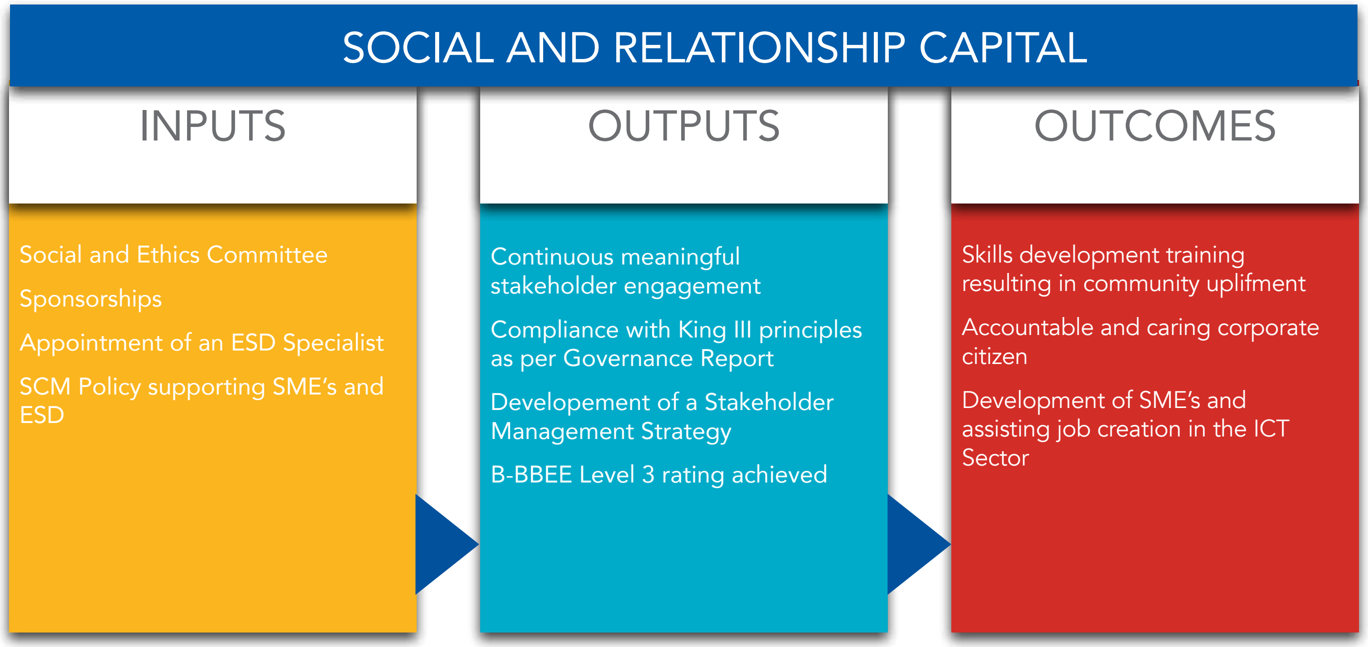


Figure 29: Social and Relationship Capital

In this regard, SENTECH has sought to increase its social and relationship capital by way of:

- Stakeholder engagements set out in section 1.7 and 4.3.1;
- B-BBEE rating discussed in section 4.3.2; and
- CSI interventions set out in section 4.3.3.

4.3.1 Stakeholder Engagement Outcomes

All stakeholder relationships impact directly or indirectly on the business and its reputation. Because of the importance of stakeholder engagement and responsiveness to SENTECH, stakeholder engagement is integrated into the Risk Management Framework. Every aspect of the Company interacts with stakeholders who are relevant to that particular part of the business.

Stakeholder Management is discussed in section 1.7. SENTECH utilises a wide range of communication channels including BTV meetings, face-to-face meetings, telephonic and electronic communication, websites, electronic and paper-based employee and customer newsletters, brochures, employee and customer forums, and customer roadshows. The Company has delegated to the Strategy Division the responsibility of monitoring and reporting stakeholder engagement to EXCO. EXCO reports the performance on stakeholder engagement on a quarterly basis. It is also worth noting that SENTECH formalised its stakeholder engagement processes in the current year by way of a Stakeholder Management Strategy.

4.3.2. Broad Based Black Economic Empowerment (B-BBEE)

4.3.2.1 SENTECH'S B-BBEE Philosophy

SENTECH is acutely aware of the need for transformation in South African society in order to overcome the consequences of previous discrimination and to create an equitable society in which all individuals have equal opportunities, free from prejudice. By so doing, South Africa will benefit from the social reparation of past injustices and the added economic contribution of inclusive and unrestricted participation by all citizens.

To this end, SENTECH is fully supportive of constructive measures introduced by government to facilitate effective transformation in South Africa. SENTECH has embraced the Department of Trade and Industry's (DTI) B-BBEE codes. B-BBEE for SENTECH is not just a matter of compliance to these codes but an integral part of its mandate for bridging the digital divide and ensuring universal access.

4.3.2.2 Implementation of SENTECH'S B-BBEE Philosophy

This is an area that the Company has historically not performed well in. In this regard, SENTECH attained a Level 3 B-BBEE rating based on the financial performance and activities conducted during the 2014/15 financial year (2013/14 – B-BBEE Level 4) as set out in table 12:

SENTECH B-BBEE Score as at 31 March 2015		
Element	Target Score	Achieved Score
Management and Control	15.00	15.00
Employment Equity	10.00	5.35
Skills Development	22.00	18.15
Preferential Procurement	20.00	20.00
Enterprise Development	11.00	0.00
Socio Economic Development	22.00	22.00
	100.00	80.50

Table 12: B-BBEE Score

The ultimate aim is to achieve a B-BBEE Level 1 rating by the end of the 2016-2019 MTEF period. The main areas of improvement identified based on this rating include, employment equity and ESD. In both criteria, SENTECH achieved less than 60% of the target score. SENTECH's B-BBEE rating for the 2015/16 financial year is in the process of being evaluated. Furthermore, it will be evaluated based on the revised B-BBEE codes which came into effect on 1 May 2015.To this end and in response to the new B-BBEE codes, the following initiatives were implemented during the 2015/16 financial year and a more favourable rating is anticipated.

Employment Equity

Whilst SENTECH has continued to maintain good performance at senior management level in term of race and gender representation, challenges remain in the middle, junior management levels as well as people with disabilities. SENTECH has historically developed an employment equity policy which has and will continue to be implemented for all new appointments. For a further discussion of SENTECH's employment equity approach, refer to section 4.4.

Review of the SCM Policy

During the 2015/16 financial year, the SCM Policy was reviewed and approved after a consultation process. The purpose of reviewing the SCM policy, includes creating efficient and effective support of SENTECH's operations and at the same time supporting SME's.

Enterprise Supplier Development

During the 2015/16 financial year, SENTECH developed and implemented an ESD Strategy. In addition, an ESD specialist was appointed to further drive this Strategy. As a result of these interventions an amount of R8.01m (2015: R0) was incurred during the 2015/16 financial year. This expenditure included costs for placing suppliers into an incubation programme with a service provider and the hosting of supplier related interaction functions in line with the Company's Stakeholder Management Strategy. The purpose of the incubation programme was to assist with the development of the Company's suppliers which would ultimately lead to job creation opportunities in the country.

During the 2016/17 financial year, SENTECH intends on enhancing and intensifying the implementation of the strategy. To support this initiative, an amount of 5% of NPAT has been allocated for this purpose. Other interventions for both SED and ESD have been put in place, which include, among others, mandating the Social and Ethics Committee to have oversight on the ESD and SED, separating ESD and SED from SCM and locating it under the Strategy division.

4.3.3 Corporate Social Investment

SENTECH aims to empower communities. In line with this, the Company continued to successfully implement its Graduate Internship Programme. During year under review, 20 unemployed skilled learners from disadvantaged backgrounds were placed in the Gauteng, Free State, Western Cape, Northwest and Eastern Cape offices. These covered various qualifications such as Electronic Engineering, IT, Internal Audit, Finance, Communications and Human Resources. This translated into 60% of graduate interns being offered extended employment within SENTECH at a total budget spend of R2.1m.

In addition, SENTECH provided bursaries of R100 000 each to seven students from previously disadvantaged backgrounds at the University of Pretoria (5) and University of Witwatersrand (2). Their fields of study were linked to SENTECH's core areas of Electronic Engineering and Information Technology. These learners will form a pipeline of young qualified engineers to join the organisation in the future, thereby developing SENTECH's human capital. Additional funding of R1.3m was also granted to the two universities for project work and research for these and other students.

4.4 Human Capital

Human capital includes the competencies, capabilities, experience and motivation to innovate of our people. The alignment of SENTECH's people with and their support for the company's approach to governance, risk management and ethical values all forms part of human capital, as is their ability to understand, develop and implement the strategy and to lead, manage and collaborate; as well as their loyalty and motivation to improve our processes, products and services.

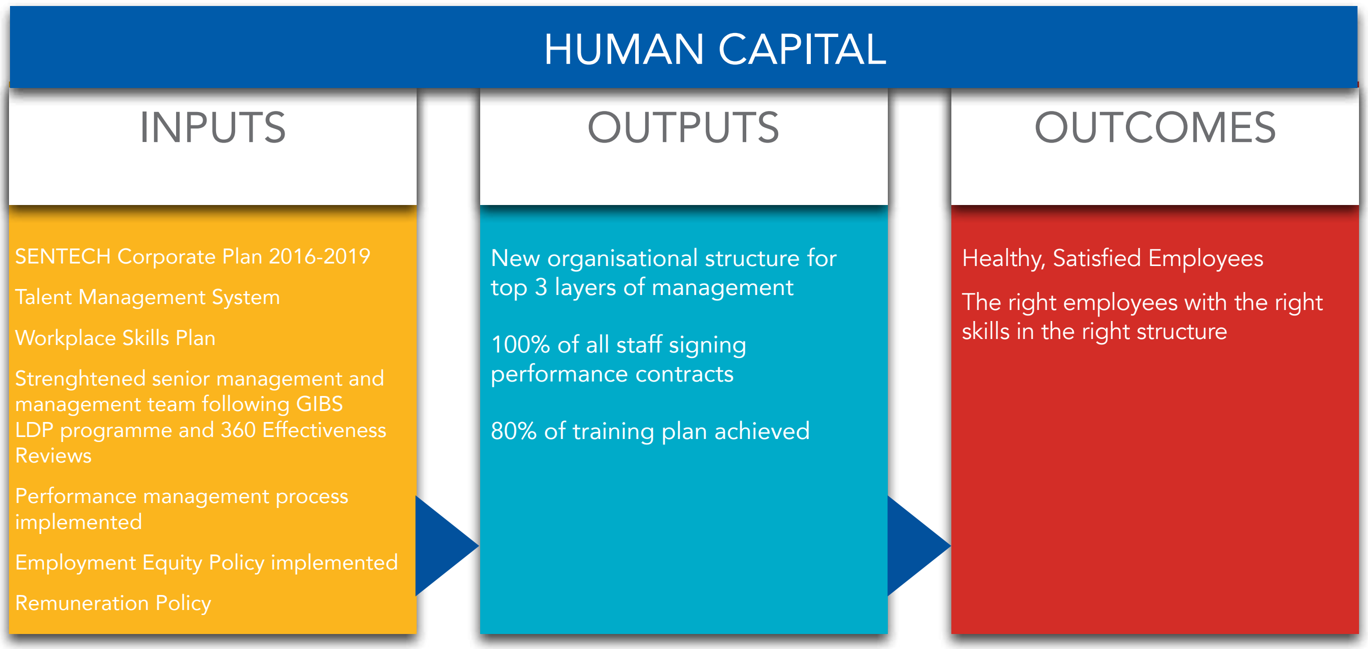


Figure 30: Human Capital

In this regard, SENTECH has adopted various interventions to support its Human Capital, set out in section 4.4.1 to 4.4.17.

4.4.1 Background

At SENTECH, people are central to achieving the Company's strategic objectives. One of SENTECH's critical enablers is to have the best talent with the right skills at the right level. SENTECH is deeply committed to the career development of its employees. The latter receive focused technical and functional training appropriate for their roles and levels within the Company. SENTECH strives to maintain a work environment that reinforces collaboration, motivation and customer focus and is consistent with our core values. The key HR programmes initiated during the 2015/16 financial year were intended to provide a compelling employee value proposition to meet the needs and developmental expectations of SENTECH employees.

4.4.2 Talent Management

Attracting top talent remained a key driver of SENTECH's human capital agenda during the 2015/16 financial year and significant progress was made in attracting and promoting African talent. Great strides were made in senior management appointments, which included a blend of external appointments and internal promotions to ensure a well-balanced management team. A new talent management system was introduced to identify and develop talent for more effective succession planning and retention. The entire leadership and management team was provided with training to entrench a one talent mindset and ensure that there is consistency in managing talent.

4.4.3 Learning and Development

SENTECH is committed to promoting a learning culture which enables employees to develop and grow to reach their full potential. Employees benefited from a range of in-house and external learning and development opportunities, including programmes on technical and functional skills. In total R8 328 988(2015: R10 049 439) or 2.88% of total payroll expenditure was spent delivering 1 413 training interventions (80% of Approved Workplace Skills Plan) as set out in table 13 below.

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	R88 397.43	0.03%	20	13	R6 799.80
Senior Management	R180 782.55	0.05%	35	17	R10 634.27
Professionally qualified	R1 171 756.07	0.34%	186	85	R13 785.37
Skilled	R6 029 325.39	1.73%	915	261	R23 100.86
Semi-skilled	R366 088.17	0.11%	116	44	R8 320.19
Unskilled	R492 638.70	0.14%	141	45	R10 947.53
Total	**R 8 328 988.31**	**2.39%**	**1413**	**465**	**R17 911.80**

Table 13: Average Training Cost

4.4.4 Performance Management

SENTECH recognises that optimal employee performance requires effective performance management. Fundamental to this, is ensuring that employees understand their roles and responsibilities, and how they contribute to the broader strategic outcomes. A key principle underpinning SENTECH's approach to managing performance is ensuring employees receive regular performance feedback, both informal and formal. In total, 100% employees signed performance agreements in both management and bargaining levels.

4.4.5 New Organisational Architecture

In order to seize the unique opportunities presented by this digital age where technological change is the only constant determinant of advancement and in which consumer preferences are continuously evolving, the executive leadership team identified four strategic objectives for long-term growth and success in line with the critical outcomes of financial sustainability and universal open access.

During the 2015/16 financial year, SENTECH embarked on an organisational design project to ensure that the Company is efficiently and effectively organised to deliver on these strategic objectives. A new organisational structure to deliver on SENTECH's objectives and strategic programmes has been designed. The process of enhancing our competency framework to ensure that SENTECH has the right skills and capabilities has also been initiated.

4.4.6 Rewards and recognition

Reward and recognition plays an integral role in the successful delivery of SENTECH's strategic objectives. Attracting, retaining talent and recognising high performing employees is central to SENTECH its remuneration strategy. SENTECH has a short-term incentive scheme that is linked to the individual's performance contribution and organisational performance. During the 2015/16 financial year, performance linked bonuses and increases were paid for the management levels. The bargaining level received 11.2% gratuity in lieu of a performance linked bonus. SENTECH's employee salaries are continuously benchmarked to ensure that its remuneration strategies are market related in order to attract and retain skills.

4.4.7 Leadership Effectiveness

Building the leadership mind-set to embrace the new organisation and the associated leadership behaviours was a key focus area during 2015/16 financial year. A leadership behavioural competency model to take SENTECH into the digital age was developed to assist the leadership in driving the right performance and behaviours across the organisation.

The success of SENTECH is dependent on the quality of our leadership team across all levels. The effectiveness of the Company's leaders is evaluated through 360° leadership assessments to enhance leadership capabilities.

4.4.8 Employee Engagement

SENTECH believes that an environment where employees are engaged and supported is one where its employees can grow and improve business performance. An employee engagement model was developed and socialised with the leadership team to encourage employee engagement by having regular strategic conversations around business performance and change.

4.4.9 Employee Wellness and Safety

SENTECH recognises the importance of the health and safety of its people. Employees have access to a wide range of benefits and services aimed at supporting their overall wellbeing and safety. In addition to the subsidised medical scheme, SENTECH employees as well as their families have access to counselling and support services through a comprehensive employee wellness programme.

SENTECH also has a medical surveillance programme to manage and minimise occupational illnesses. Medical surveillance baseline assessments were conducted for 351 employees. Those who were found to have underlying conditions were referred for treatment under the medical surveillance programme. Injuries on duty continues to be closely managed through awareness campaigns and training. The number of injuries on duty reported were within the TRIR limit of 1% at an annual average of 0.13%.

4.4.10 Employee Relations

Sixty-eight percent of SENTECH's employees fall within the bargaining unit and 62% are unionised by Communication Workers Union (CWU). It is therefore essential that SENTECH promotes healthy employee relations. Following the RBO process, the Union and management have been implementing the RBO resolutions and this has, to a large extent, culminated in an amicable labour relations environment which embraces the principles of partnership between the Union and management.

The union and management signed a multi-year wage agreement albeit with some sunrise clauses that allows for wage negotiations in the event the Consumer Price Index (CPI) drops to particular agreed levels. The multi- year agreement, to a large extent, assures an industrial action free environment for the next three financial years, and this augurs well for the business to meet its corporate objective without any unplanned hindrances like industrial action by the Union.

Furthermore, a full-time shop steward has been appointed by the union constituency, and the incumbent has assumed the role since 01 January 2016. The existence of this office will go a long in enhancing a better working relationship between the Union and the HR Division, and will invariably create a fertile ground for better relations between the unionised employees and line management.

4.4.11 Employment equity

SENTECH is fully committed to transformation and reflecting the demographics of South African society in its workforce. SENTECH subscribes to the requirements of the Employment Equity and B-BBEE Act. The appointment of black candidates in the organisation remains a priority and the company strives to make appointments in line with the set EE targets.

The total workforce increased marginally by 0.37% year-on-year. As at the 31 March 2016, SENTECH had 541 permanent employees as set out in table 14. The current employment equity statistics reflect that 81% of staff in the organisation is black and 35% female. At top management levels, 100% are black and 30% female; 89% of senior management is black and 33% are female, whilst 69% of specialists and middle management levels are black and 25% female. The company's disability rate is 1% of the total staff complement. This is due largely to the type of operations SENTECH does, which requires people to have the ability to climb transmitter masts and do field work.

Occupational levels	MALE				FEMALE				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	6	0	1	0	3	0	0	0	10
Senior Management	9	1	0	2	6	0	0	0	18
Professionally qualified and experienced specialists and Mid-Management	44	5	2	24	25	2	1	5	108
Skilled technical and academically qualified workers, Junior Management, Supervisors, Foremen and Superintendents	114	12	10	51	99	4	3	7	300
Semi-skilled and discretionary decision making	22	1	0	0	23	5	2	5	58
Unskilled and defined decision making	36	6	0	1	4	0	0	0	47
TOTAL PERMANENT	**231**	**25**	**13**	**78**	**160**	**11**	**6**	**17**	**541**

Table 14: Employment Equity Statistics

4.4.14 Personnel Remuneration by Salary Band

The average personnel remuneration total cost per employee is R587 656 of which top management accounts for 6.29% as shown on table 15.

Level	Personnel Remuneration	% of Total Personnel Cost	No. of employees	Average personnel Remuneration per employee
Top Management	R19 170 443	6.3%	10	R1 917 044
Senior Management	R21 725 633	6.8%	18	R1 206 980
Professionally qualified	R97 429 981	30.6%	108	R902 129
Skilled	R149 676 670	47%	300	R498 922
Semi-skilled	R18 431 479	5.8%	58	R317 784
Unskilled	R11 487 966	3.6%	47	R244 424
TOTAL	**R317 922 172**	**100**	**541**	**R587 656**

Table 15: Personnel Remuneration by Salary Band

4.4.15 Employment and Vacancies

Table 16 depicts SENTECH's employee turnover and the recruitment profile:

Programme	2014/2015 No. of Employees	Approved Posts	Planned to be filled	2015/2016 No. of Employees	Vacancies	2015/2016 Vacancies Planned To be Filled	Vacancy Rate on Planned Posts
Top management	13	17	14	10	7	4	29%
Senior Management	22	28	23	18	10	5	22%
Professionally qualified	106	125	115	108	17	7	6%
Skilled	299	327	321	300	27	21	7%
Semi-skilled	55	71	70	58	13	12	17%
Unskilled	44	48	47	47	1	0	0%
Total	**539**	**616**	**590**	**541**	**75**	**49**	**8%**

Table 16: Employment and Vacancies

4.4.16 Employment Change

Table 17 depicts SENTECH's employment profile as at 31 March 2016. The Company had 75 planned vacancies for the 2015/16 financial year, it must be noted that due to budgetary consideration, 49 vacancies were prioritised. A total of 66 appointments were made which included the replacement of voluntary and involuntary exits during the year.

Salary band	Employment at beginning of period	Appointments	Terminations	Internal Appointments	Employment at end of period
Top management	13	1	3	0	10
Senior	22	2	6	0	18
Professionally qualified	106	8	10	7	108
Skilled	299	19	14	14	300
Semi-skilled	55	4	1	3	58
Unskilled	44	7	2	1	47
Total	**539**	**41**	**36**	**25**	**541**

Table 17 Employment Change

4.4.17 Reason for employees leaving

SENTECH's turnover rate for 2015/16 was 6.7%, comprising 4.2% voluntary (resignations) and 3.3% involuntary terminations (retirement, dismissals and death) as set out in table 18.

Reason	Number	% of Total Staff Leaving
Death	3	8%
Resignation	18	50%
Dismissal	2	6%
Retirement	13	36%
Total	**36**	**100**

Table 18 Staff Turnover

4.5 Intellectual Capital

There are many definitions of intellectual capital. A simple definition is that the intellectual capital in a business has three sources: products and intellectual property; human capital; and the knowledge and expertise that resides in the way things are done in a business, which includes systems, procedures and protocols. There is no doubt that intellectual capital is a real business asset, although measuring it can be difficult.

INTELLECTUAL CAPITAL		
INPUTS	OUTPUTS	OUTCOMES
Innovation hub Digital product roadmap	Smart City Solution for CoJ Hybrid Broadcasting Platform developmed Completion of project and reports prepared for DAB+, DRM 30 and L Band	Enhanced product offering to customers, including products and consulting services

Figure 31 Intellectual Capital

In this regard, SENTECH has implemented various initiatives in relation to enhancing innovation. These include:

- Human capital interventions in relation to training and development set out in section 4.4;
- Researching innovative products in section 4.5.1; and
- Researching new technologies in section 4.5.2.

These initiatives have individually and collectively assisted SENTECH in enhancing its product offering.

4.5.1 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.

SENTECH has, over the past financial year, invested in building new capabilities and creating new platforms. Some of these platforms have now been commercialised whilst 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 it 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.

As part of the Company's strategy for enhanced and premium broadcasting services, SENTECH embarked and completed 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 the 2015/16 SENTECH continued its 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 2015-2018 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 financial year first quarter of the 2015/16 financial year, SENTECH assisted the City of Johannesburg (CoJ) municipality by establishing a Municipal TV channel for them to communicate with all stakeholders.

4.5.2 New Technologies

In addition to the Digital Television Migration Project, SENTECH identified that it is important to consider evaluating digital radio technologies. This is with an objective to find means by which the current challenges related to spectrum availability are addressed and further leverage on the service enhancement brought by digital technology. Digital radio not only maximises on the use of frequency spectrum, it also delivers value-add capability that can be exploited for sustainability of broadcasters. The aim of the digital radio 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 National Association of Broadcasters (NAB) and the South African Digital Broadcasters Association (SADIBA), Digital Audio Broadcast (DAB+), DAB+ was identified as one of the technologies towards advancement of digital radio. SENTECH has deployed two 10kW DAB+ trial sites in Brixton, Johannesburg, Kameeldrift and Tshwane. The first site of the network was put on air in December 2014, and subsequently followed by testing with key stakeholders. This process was completed in December 2015 and a final report prepared and presented to ICASA.

In relation to MW, SENTECH completed a project 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. A report in relation to this project has been submitted to ICASA.

SENTECH further completed its portion of a collaboration agreement with the Council for Scientific and Industrial Research (CSIR) to evaluate the use of L-band.
This partnership aimed to find and evaluate various solutions that will enable the evolution of community broadcasting into the digital platforms.

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.

4.6 Natural Capital

Natural capital includes the natural resources and processes needed by an organisation to produce its products and services. This includes renewable and non-renewable resources and processes such as energy consumption, waste creation, emissions etc.

NATURAL CAPITAL

INPUTS	OUTPUTS	OUTCOMES
Environmental Policy Service provider to dispose of hazardous and non-hazardous waste	Compliance with King III principles as per Governance Report Electricity costs in line with inflationary increases	Reduced impact on the environment by reducing carbon emmissions

Figure 32: Natural Capital

In this regard, SENTECH has implemented various initiatives in relation to enhancing its natural capital. These include:

- Stakeholder engagements set out in section 1.7 and 4.3.1; and
- Environmental preservation initiatives set out in section 4.6.1.

4.6.1 Environmental Preservation

Environmental Policy Implementation

Communications infrastructure deployment and management requires the 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 the Environmental Management Act, SENTECH historically developed an Environmental Policy which continued to be implemented in the current year. To date, there has been no material non-compliance with the Environmental Act nor its regulations.

SENTECH has not appointed a service provider to compute its overall carbon footprint. The main reason includes its cost versus benefit. This process will be re-investigated during the 2016/17 financial year and beyond. SENTECH has, however, implemented various interventions, both formal and informal, to enhance its natural capital.

Hazardous Materials

SENTECH uses hazardous equipment and substances during the production of signal distribution services and continues to construct new broadcast sites on important landmarks. Some of the existing SENTECH infrastructure is located in nature reserve zones and at times closer to monument sites. All of the above considerations require careful management of materials utilisation to ensure compliance and:

- avoid human exposure to health hazards;
- minimise pollution during day to day operations; and
- preserve the environment for the future.

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

Recyclable Wastage

SENTECH has implemented a process whereby all wastage (paper, tin cans, plastic bottles etc.) are suitably containerised and disposed of responsibly through re-use, recycling and recovery by an external service provider. The performance of this service provider is monitored on an ongoing basis.

Electricity Consumption

Electricity currently constitutes a significant proportion of the Company's expenditure. The Company has adopted a strategy to reduce electricity consumption at all sites by investing in more energy efficient electrical equipment (energy efficient fluorescent and LED lighting and standby generators). Other initiatives include the inculcation of a culture of energy saving (switching the lights off after hours) by SENTECH staff via the use of staff communications. During the 2016/17 financial year, various projects in relation to the construction and refurbishment of SENTECH buildings will commence at various locations. Energy saving measures have and will be factored into any building plans to be prepared, going forward.

CORPORATE GOVERNANCE

5 CORPORATE GOVERNANCE

5.1 Commitment to Good Governance

For SENTECH, corporate governance is more than a set of policies, procedures, structures, rules and frameworks, it is abiding by the principles and structures enabling it to facilitate and foster healthy relationships between the Board, the Shareholder Representative, stakeholders and employees. Good governance is the vehicle towards business integrity, sound business practices and creation of value for our various stakeholders. SENTECH embraces governance principles and practices that are underpinned by an independent and diverse Board, striving to ensure creation of value in a manner that is sustainable for its stakeholders.

For SENTECH, governance entails transparency, respect, ethical conduct and adherence to our values in all our actions. Governance principles at SENTECH are flexible, thus enabling us to proactively respond to the dynamic environment we operate in. Governance at SENTECH entails a culture committed to sound processes and procedures, which goes beyond legal compliance and ensures sustainability long after a law and its iterations have been implemented. We constantly review our practices to ensure we apply what is right and fair for our stakeholders.

5.2 The Board and its Committees

The Board ensures shareholder value creation within a framework of prudent and effective controls, which enables risk to be assessed and managed to ensure long-term sustainable development and growth. The Board has ultimate responsibility and accountability for the performance and affairs of the Company, and bears the responsibility for ensuring that the Company adheres to high standards of ethical behaviour. Board Committees provide oversight and guidance. To this end, the Board has established five Board Committees, set out in figure 33:

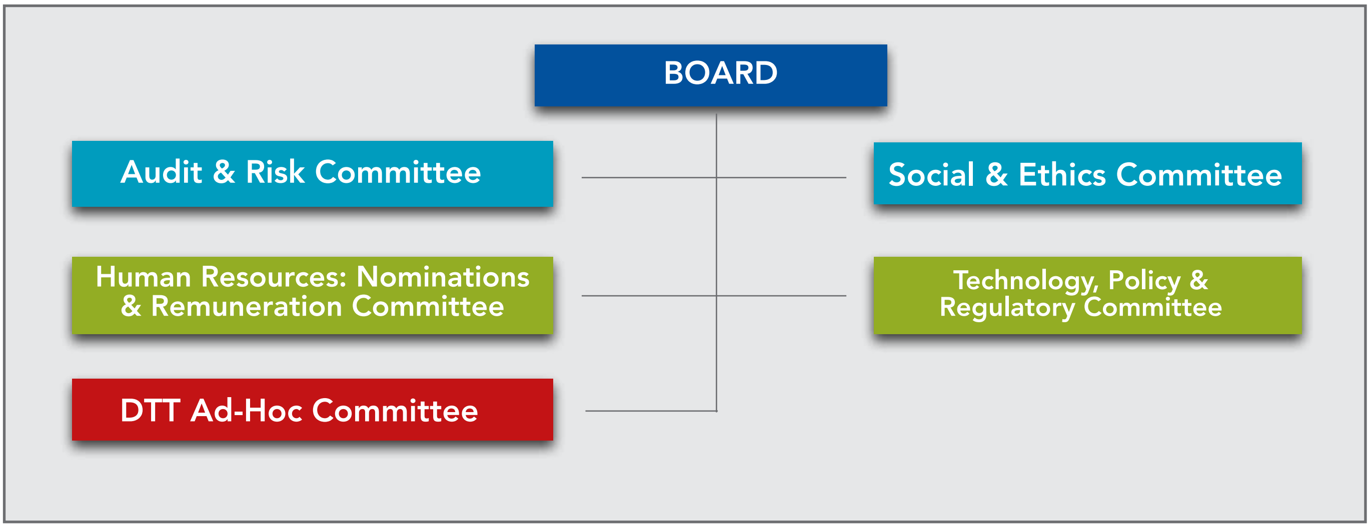


Figure 33: Board and its Committees

Details on the Board Committees appear in section 6.4.

5.3 Board Continuity Programme

The Board continuity programme addresses the skills, experience and other qualities required for the effective function of the Board. It sets out the induction and ongoing training of directors, and evaluation of the Board performance. The evaluation of the Board's performance is underway. Refer to section 5.6 in this regard.

5.4 Board Attendance

Number of meetings	2014/15		2015/16	
	No	%	No	%
Mr M. Booi	N/A	N/A	5	100
Ms X. Daku	10	100	7	78
Ms J. Huntley	10	90	9	100
Mr K. Matabane	10	90	8	100
Ms N. Mbele	10	100	9	100
Mr M. Mello	N/A	N/A	9	100
Mr L. Mtimde	N/A	N/A	7	78
Mr O. Nekhavhambe	N/A	N/A	6	100
Mr S.Radebe	N/A	N/A	9	100
Ms R. Rasikhinya	10	100	5	100

Figure 34: Board Attendance

5.5 Board composition

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 and five-year term respectively. None of the directors have been in service for more than the requisite period.

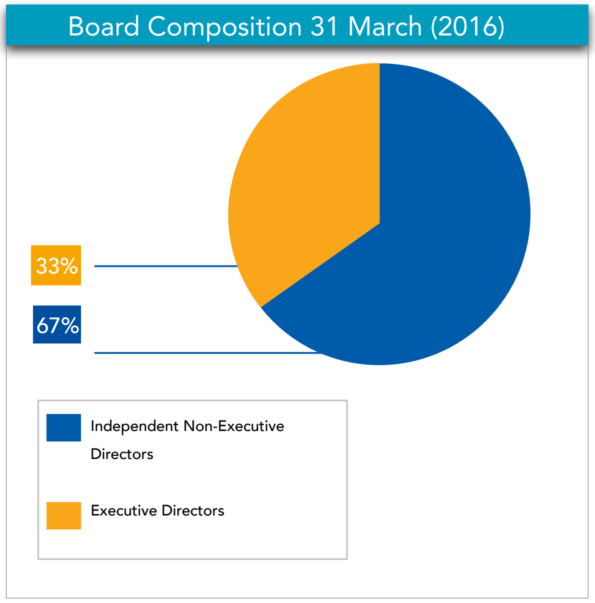
The executive directors shall be the persons performing the functions of a CEO, COO and CFO and shall constitute the company's EXCO. As at 31 March 2016, the Board comprised of nine directors, that is, three executive directors and six independent non-executive directors.

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 are 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 his duties.

5.5.1 Board of Directors

As at 31 March 2016 the SENTECH Board comprised as follows:



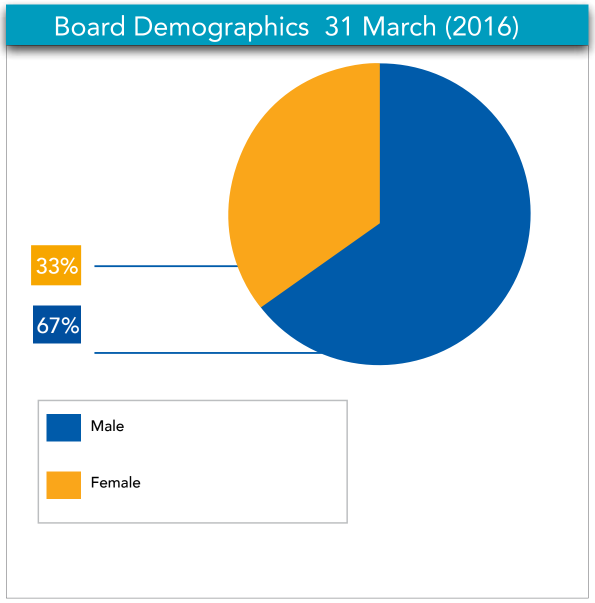


Figure 35: Board Composition

Mr Magatho Mello

Chairperson: 1 March 2015 – to date

MSc (Electrical Engineering), B Sc (Electrical Engineering), N HD (Electrical Engineering),

Mr. Magatho Mello was appointed Non-Executive Director and Chairperson to the SENTECH Board with effect from 1 March 2015 for a three-year period. Mr Mello is a member of the Human Resources, Nominations and Remunerations Committee; DTT ad hoc Committee; and Technology, Policy and Regulatory Coordination Committee. Mr Mello holds a Certificate in Financial Management from the University of Johannesburg, MSc in Electrical Engineering from Washington State University, BSc in Electrical Engineering and a National Higher Diploma in Electrical Engineering from Technikon Witwatersrand. Mr. Mello has extensive experience in Telecommunications and Engineering services. Mr Mello has served as Non-Executive Director of Swifnet, a subsidiary of Telkom, and SABC. Mr Mello currently serves as the Director: Client Services in the Telecommunications Unit at IBM.

Ms Xoliswa Daku

Non-Executive Director: 15 November 2013 – to date

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 15 November 2013-to date

B Proc, LLB, Cert (Management Advanced Programme)

Ms. Huntley has extensive experience in Commercial and Corporate Law, including Telecomms 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: 15 November 2013 – to date

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 – to date

B Sc (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 CEO at Alfred Nzo Development Agency (ANDA). Mr. Mtimde is, amongst others, a member of Media Advertising Information and Communication Technology Sector Education and Training Agency (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.

Mr Seth Radebe

Non-Executive Director: 1 March 2015 – to date

CA (SA)

Mr. Radebe is the CEO of Amazwe Capital. His Board memberships include but are not limited to: Non-Executive Chairman of Arthur Els Consulting Actuaries, Non-Executive Director of Yebo-Yethu Limited. His past directorships include Non-Executive Chairman Merchant West Holdings, Lead Independent Director at Platfields Limited, 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 Mlamli Booi

CEO: October 2015 to date

MSc degree (Electrical Engineering)

Mr. Booi was appointed as CEO for a five year period commencing 13 October 2015. Mr. Booi, is the founder of Z-Coms and a Professional Electrical Engineer with more than 20 years' experience in engineering, policy, regulatory and management. He has held several advisory roles including advising the SA Government on the telecommunication policy, DTI on BPO and call centre market, JP Morgan on the telecommunications landscape and business model, developing a licensing policy and universal access policy for the Southern African Development Community (SADC) region.

Ms Rudzani Rasikhinya

CFO: 1 September 2013 – 6 November 2015

CA (SA)

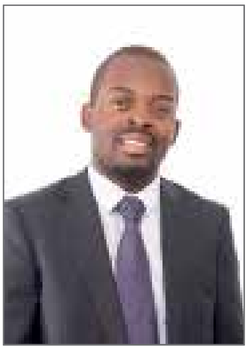
Ms. Rasikhinya previously served as CFO at the Department of Home Affairs and held various other senior positions including, but not limited to, Chief Director: Accounting and Support at the National Treasury, as well as senior management positions at KPMG. She also served on various Boards and is a member of SAICA.

Mr Kganki Matabane

COO: 1 July 2012 – to date

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.



Mr Obrey Nekhavhambe

Acting Chief Financial Officer – July 2015 – September 2015; November 2015 – to date

B Com (Accounting), H Dip Acc, CA(SA)

Mr. Nekhavhambe has more than 10 years' experience in financial management consulting. Mr Nekhavhambe has worked for National Treasury and Deloitte and Touche before joining SENTECH SOC Limited.

5.6 Board and Committee's Evaluation

The Human Resources, Nominations and Remuneration Committee is responsible for this function. The evaluation will measure the effectiveness of the Board and its committees, and individual directors and it will be conducted from May 2016 to July 2016. The evaluation report will be submitted to the Minister as per the requirements of the Memorandum of Incorporation.

5.7 Approach to Compliance

SENTECH's risk appetite policy is based on a zero tolerance approach towards compliance risk.

5.7.1 Compliance with King III

SENTECH endeavours at all times to apply with the principles espoused in King III in such a way that all requirements are met. During the period under review, the Board was satisfied with the way the recommendations in King III have been applied, or put alternative measures in place where necessary.

SENTECH has implemented 83% of the 75 principles in King III. Seven percent of these principles have been partially complied with, and 1% has not been complied with. Nine percent of these principles could not be implemented due to circumstances beyond SENTECH's control

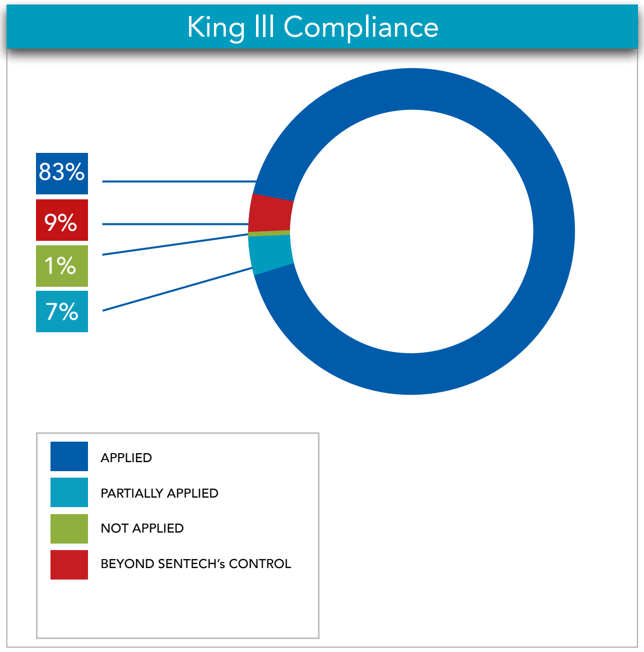


Figure 36: Non Compliance King 3

5.7.2 Remedial Action for Non-Compliance

Instances of partial or non-compliance with King-III identified during 2015/16 are as follows:	Reason for non-compliance	Remedial action
The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function	The evaluation will be finalised in June	To be done during 2016/17 financial year
The Board should elect a Chairperson of the Board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of the Chairperson	Beyond the Board's control - The Chairperson, an independent non-executive director, is appointed by the Minister. The role of the CEO and the Chairperson are not vested in one individual	This is beyond the Board's control.
The Board should appoint the CEO and establish a framework for the delegation of authority	Beyond the Board's control - The CEO is appointed by the Minister following a recommendation from the Board. The Board has approved the Delegation of Authority document.	The Board conducts the interviews and makes a recommendation to the Minister
Shareholders should approve the Company's remuneration policy	The Remuneration Policy is approved by the Board.	The Shareholder approves the remuneration of non-executive and executive directors
Sustainability reporting and disclosure should be independently assured	The Company does not conduct integrated reporting, an annual report, audited by external auditors, is issued	The Company will adopt integrated reporting for the 2015/16 financial year

Table 19: Remedial Action for Non-Compliance

5.8 Leadership through Ethics

"It is unwise to be too sure of one's wisdom. It is healthy to be reminded that the strongest might weaken and the wisest might err." Mahatma Gandhi

The Board assumes ultimate responsibility for the Company's ethics' performance, but delegates this function to executive management. A Code of ethics and business conducted, and a tip-offs anonymous line are in place to manage ethics. The Compliance Officer provided awareness training to employees.

5.9 Combined Assurance

The combined assurance model introduced by King III is an essential and fundamental element relied on by the Audit and Risk Committee (ARC) and the Board in forming their view of the adequacy of risk management and internal control in the organisation. The combined assurance model adopted by SENTECH recognises three levels of assurance as set out in figure 37. Combined assurance assists management in identifying duplication in assurance work or potential assurance shortfalls, and developing improvement plans for those areas identified. The model guides assurance providers to reach consensus on the key risks faced by the Company and aids in reducing the likelihood that significant risks remain unidentified.

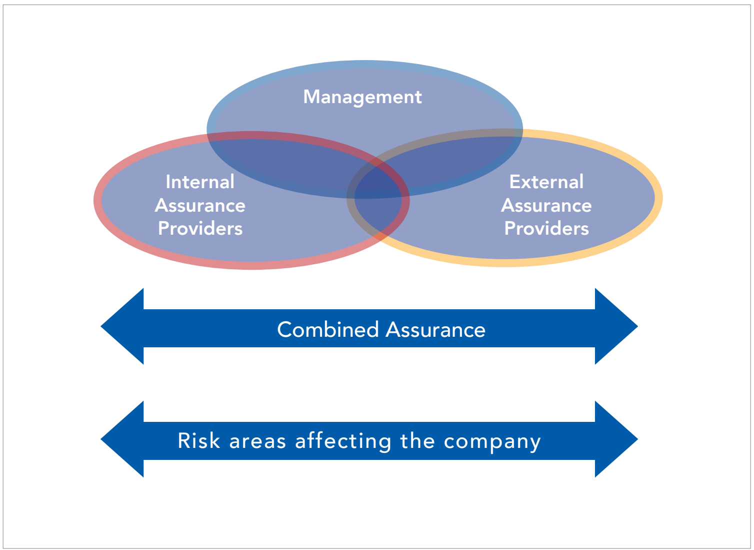


Figure 37: SENTECH Combined Assurance Model

The following key principles guide and inform SENTECH'S combined assurance approach:

- Identification of significant risks needing assurance;
- Identification of assurance providers most suited to provide adequate assurance;
- Delivering quality assurance results which the Board can rely on and
- Reporting and escalating assurance results to the required level, thus ensuring the required attention and focus to address significant matters.

The Combined Assurance Forum, established in 2015, has been successful in implementing and embedding the combined assurance principles within the organisation. The ARC is ultimately responsible for providing oversight over the combined assurance activities. The committee receives reports on the status of governance, risk management, compliance and the adequacy of preventative and corrective action.

5.10 Internal Audit

5.10.1 Mandate

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

5.10.2 Internal Audit Function Performance

The Internal Audit Executive is responsible for co-ordinating internal audit efforts to ensure appropriate coverage, while maximising efficiency. Internal Audit Function (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 2015/16, financial year, Internal Audit was able to discharge its responsibilities in line with the charter and as outlined in the Internal Audit Plan, further performed adhoc assignments as and when it was required. Tables 20 and 21, highlight the summary of audits performed during the year:

Details	2014/2015 Plan	Reports Issued 2014/2015	2015/2016 Plan	Reports issued 2015/2016
Planned Audits	23	23(100%)	17	17 (100 %)
Adhoc Audits	N/A	4 (100%)	N/A	6 reviews of Board approval tenders
Consulting Services	N/A	0	N/A	2 Forensic investigation reports

Table 20: Planned vs Actual Audits

Details	2013/2014 Number of Audits performed	2014/2015 Number of Audits performed	2015/2016 Number of Audits performed
16 Operational Centres	5	7	10

Table 21: Operational Centre Audits

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

5.11 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 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 and made progress in implementing all CGICT Priority processes during the 2015/16 financial year. These included:

- Manage continuity;
- manage security;
- manage enterprise architecture;
- manage operations; and
- manage program 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 which was implemented.

Also initiated was the KM project and the establishment of a Registry and Company File Plan consistent with the National Archives Records Services (NARS) precepts. The pilot and further analysis prior to full implementation is being finalised. The outcome will inform the enterprise' wide deployment in 2016/17. The SENTECH file plan was also approved by NARS and awareness and implementation of the file plan has commenced.

ANNUAL FINANCIAL STATEMENTS

6 Group Annual Financial Statements

6.1 Board's Responsibilities and Approval

The Group's Board 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 2016, 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 IFRS and the requirements of the Companies Act and the PFMA of South Africa. In addition, the Group's Board is responsible for preparing the Board's Report.

The Board is also responsible for such internal control as the Board 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 Board 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 Board on 31July 2016 and are signed on its behalf by:

Director

Director

6.2 Statement by the Company Secretary

I certify that SENTECH SOC Limited has filed all its returns and notices for the year ended 31 March 2016, as are required of a public company in terms of section 88(2) (e) of the Companies Act, and that such returns and notices, to the best of my knowledge and belief, are true, correct and up to date.

Ms F. Sefara
Company Secretary
31 July 2016

6.3 Report of the Audit and Risk Committee

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.

6.3.1 Terms of Reference

The ARC adopted formal Terms of Reference that had been approved by the Board 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 of Directors, 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.

The ARC assists the Board in fulfilling its oversight responsibilities, in particular, with regard to the evaluation of the adequacy and efficiency of accounting policies, internal controls and financial and corporate reporting processes. In addition, the ARC assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditors.

6.3.2 Composition

With effect from 1 April 2016 the Committee had three members and Mr S. Radebe was co-opted to the Committee due to his experience. At the Annual General Meeting held on 14 August 2015, the Shareholder appointed the following directors to constitute the Committee in line with section 94 (2) of the Companies Act.

- Ms N. Mbele (Chairperson and non-executive director);
- Ms X. Daku (independent non-executive director);
- Ms J. Huntley (independent non-executive director) and
- Mr S. Radebe (independent non-executive director).

The external auditors and Executive: Internal Audit attend ARC meetings and are afforded an opportunity to meet with the Committee in the absence of management. In addition, the Executive Directors and the Executive: Risk Management attend all meetings by permanent invitation.

The Committee held five scheduled and one special meeting during the 2015/16 financial year as set out in table 22.

	1 April 2015 - 31 March 2016					
Name of Member	22-Apr	27-May	15-Jul	3-Aug**	19-Oct	15-Jan
Ms N. Mbele (Chairperson)	✔	✔	✔	✔	✔	✔
Ms X. Daku	✔	✔	✔	✔	X	X
Ms J. Huntley	✔	X	✔	✔	✔	✔
Mr S. Radebe#	✔*	✔*	✔*	✔	✔	✔

Table 22: ARC Meetings

Appointed on 14 August 2015
* Meetings attended by invitation
X Apology
✔ Present (in person or via teleconference)
** Special meetings

6.3.3 Summary of the main activities undertaken by the ARC during the year

6.3.3.1 External Audit

The Committee is responsible for appointment, compensation and oversight of the external auditors of the Company, namely, Rakoma and Associates Inc.

During the 2015/16 financial year, the Committee:

- Considered the External Audit Planning Memorandum for the year ending 31 March 2015, with specific reference to the proposed audit scope, approach and the audit fee;
- Considered 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 re-appointment 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;
- Reviewed a report from the external auditor concerning the effectiveness of the Company's internal control environment;
- Noted status reports on the 2014/15 Management Letter Points;
- Monitored the effectiveness of the external auditors in terms of their audit quality, expertise and independence, as well as the content and execution of their audit plan and
- Concurred that the adoption of the going concern premise in preparation of the financial statements was appropriate.

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 Board's Report.

The Committee reviewed and discussed the audited 2015/16 financial statements with management, EIA and the external auditors. The Committee assessed and found to be effective and appropriate, the financial reporting process and controls that led to the compilation of the financial statements, as well as the presentation and disclosure in the Annual Financial Statements with regard to the approved accounting policies, IFRS and requirements of the Companies Act for fair presentation.

6.3.3.2 Internal Audit

Internal Audit performs an independent assurance function and forms part of the third line defence as set out in the Combined Assurance Model of the Company. The Executive: Internal Audit reports administratively to the CEO and functionally to the ARC and has unrestricted access to the ARC Chairperson.

With respect to the Committee's evaluation of the adequacy and effectiveness of internal controls, the Committee receives reports from the EIA. The Committee assesses the effectiveness of the internal audit function and approves the Annual Audit Plan.

During the 2015/16 financial year, the committee:

- Approved the 2015/16 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 in terms of its scope, execution of its plan, coverage, and independence;
- 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;
- Monitored and challenged, where appropriate, action taken by management with regard to adverse internal audit findings 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.

Having considered, analysed, reviewed, and debated information provided by management and Internal Audit and the external auditors, the ARC considered that the internal controls have been effective in all material aspects throughout the year under review.

6.3.3.3 Financial Reporting

The Committee received regular reports from management regarding the performance of the Company, the tracking and monitoring of key performance indicators, details of budgets, forecast, capital expenditure, and reliability of management information used during the financial reporting process. The Committee considered the accounting and financial policies of the Company, and monitored the consistency of application and compliance with accounting standards.

6.3.3.4 Risk Management

The Committee has a monitoring responsibility for management of risks within the Company. The ARC Charter defines the minimum requirements for the Committee to give effect to its risk oversight responsibilities. The Committee receives regular reports on issues in the Company's Risk Register from the Executive: Risk Management and regular reports on compliance matters from the Compliance Officer. The Committee has been involved in various key risk areas which include:

Recommending the following for approval by the Board:

- Risk Management Reporting Framework;
- Risk Management Plans;
- Reviewed Risk Management Policy;
- Combined Assurance Plan; 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 and
- IT risks as related to financial reporting;

Provided an oversight to the Board of Directors in discharging its duties relating to the Company's system of risk management and compliance. The Committee considered the material risks within the Company and changes to the risk profiles during the year. New and emerging risks, including stakeholder management risks, were addressed.

The Committee received internal audit reports regarding the adequacy and effectiveness of the Company's information system controls.

The Strategic Risks flowing from our 2015-2018 Corporate Plan influenced the pertinent matters addressed by the Board. The Committee is satisfied that the mitigation actions for the identified risks have been effective.

6.3.3.5 Internal Financial Control

During the 2015/16 financial year, 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 audit processes;
- Approved internal control and compliance activities 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.

6.3.3.6 Other matters

During the 2015/16 financial year, the Committee:

- Considered the quarterly performance reports of the Company with regard to financial performance and achievement of key performance indicators;
- Considered to the Board Shareholder's Expectations in relation to governance reporting;
- Reviewed proposed changes to the ARC Charter and Annual Work Plan;
- Reviewed proposed changes to the Delegation of Authority Framework;
- Recommended to the Board appointment of the Acting CFO;
- Reviewed Management's reports on items of fruitless, wasteful and irregular expenditure and
- Received reports on the fraud prevention.

6.3.4 Regulatory Compliance

The ARC complied with all applicable legal and regulatory responsibilities. It is crucial to deliver a sustainable and effective compliant regulatory operating model which is underpinned by a direct link to the strategic benefits of establishing a winning regulatory environment.

6.3.5 Finance Function

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

6.3.6 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)
31 July 2016

6.4 Board's Report

6.4.1 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 2016. 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.

6.4.2 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. It also provided other ICT services in terms of its business model.

6.4.3 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
Postal Address:	Private Bag X 06 Honeydew 2040

6.4.4 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.

6.4.5 Memorandum of Incorporation

The Company's 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 Company and Intellectual Property Commission (CIPC) on 14 May 2014.

6.4.6 Shareholder's Compact

The Shareholder Compact includes KPI's which are revised annually by agreement between the Shareholder Representative and the Board of Directors, serves as the performance monitoring framework for the Company. Performance against the 2015/16 Shareholder Compact is outlined in section 3.2 of this report as required by section 55(2) (a) of the PFMA.

6.4.7 External Auditors

Rakoma and Associates Inc. are the currently appointed External Auditors.

6.4.8 Public-Private Partnerships

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

6.4.9 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 Board is currently in the final stages of the process to wind up Infohold (PTY) limited and its wholly-owned subsidiary Infosat (PTY) limited.

6.4.9.1 Basis of Presentation

The Groups Financial Statements and Company Financial Statements were prepared in accordance with IFRS, the Companies Act and the PFMA.

6.4.9.2 IFRS

The application of IFRS is contrary to Treasury Regulation 28 which requires that the Generally Recognised Accounting Practice (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.

The group financial performance is summarised as follows:

6.4.9.3 Revenue

Note: 18 Annual Financial Statements

Group revenue increased by 7% to R1 179 253 (2015: R1 107 146). Revenue has increased primarily as a result of CPI related tariff increases.

6.4.9.4 Gross Profit

Group Gross Profit declined by 3% to R326 885 (2015: R 337 627) whilst the Gross Profit Margin decreased marginally to 27.63% (2015: 30.50%). The primary reasons for this decrease included

- an increase of 28% in satellite rental costs to R259 369 (2015: R202 326); and
- an increase of 13.34% in other cost of sales to R137 221 (2015: R121 066).

6.4.9.5 Operating Profit before Interest and Tax

Group Operating Profit before interest and taxation increased by 15% to R196 144 (2015: R169 884). The increase was primarily as a result of the following:

Savings against budget for a wide range of expenses due to the implementation of Instruction Note 4, 2014 (Cost containment rules issued by the National Treasury) together with other cost containment and savings measures.

6.4.9.6 Profit for the Year

Group Profit for the year increased by 18% to R199 803 (2015: R168 836). Furthermore the Profitability Ratio increased to 16.95% (2015: 15.25%). The reasons for the increase, are included in section 6.4.9.5.

6.4.9.7 Equity

Note 11: Annual Financial Statements

There were no changes to either the authorised or issued share capital of the Company during the year ended 31 March 2016.

6.4.9.8 Total Assets

Note 6, 8, 9 &10: Annual Financial Statements.

Group Total Assets increased by 14% to R1 954 032 (2015: R1 718 586). The reasons for this increase includes:

- The revaluation of Property, Plant and Equipment, resulting in an increase in assets amounting to R186 557 (2015: R0); and
- additions to Property, Plant and Equipment (net of government grant) of R189 849 (2015: R106 822).

6.4.9.9 Total Liabilities

Note: 12, 13, 15, 16, & 17 : Annual Financial Statements

Total Liabilities declined by 29% to R291 429 (2015: R412 970). The primary reasons for this decline includes:

- The reduction in deferred income by 58% to R 76 423 (2015: R176 154). This decline was primarily due to the matching of the costs of property, plant and equipment to the government grant income received in the current and previous financial year; and
- the Company has continued to settle Trade and Other Payables, within 30 days.

6.4.9.10 Cash Flows from Operating Activities

Cash flows from operating activities increased by 23% to 161 540 (2015: R131 710). The primary reasons for this increase with the exception of a higher operating profit before interest and tax (discussed above) include:

- Finance income increased by 20% to R53 889 (2015: R44 573);
- dividends received increased by 25% to R20 661 (2015: R16 530)
- current tax receivable during the year declined to R13 283 (2015: R72 918) as a result of the receipt of a tax refund for previous years of assessment from SARS and
- interest paid reduced from R1 660 to nil in the current financial year.

6.4.9.11 Borrowings

In terms of the Group's MOI, the Group may only 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. (2015-Nil)

6.4.9.12 Dividends

There were no dividends declared in respect of the year ended 31 March 2016.

6.4.9.13 Solvency Ratios

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

6.4.10 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.

6.4.11 Board of Directors

Biographical details of the current directors appear in section 5.5.1. Details of directors' remuneration appear on note 30.2 of the Annual Financial Statements. In terms of the MOI, non-executive directors are appointed for a three-year term.

During the 2015/16 financial year, and also subsequent to year-end, the following changes occurred:

- Mr M. Booi was appointed as the CEO in October 2015 pursuant to the resignation of Dr S. Mohapi; and
- Ms R. Rasikhinya resigned as the CFO in November 2015. Mr O.N Nekhavhambe has been acting in the CFO position since November 2015.

Details of the members of the Board who served during the year and at the reporting date are set out in table 23:

Name	Position	Date Appointed	Date Resigned
Mr M. Booi	Executive director	9 October 2015	Not Applicable
Ms X. Daku	Independent non-executive director	15 November 2013	Not Applicable
Ms J. Huntley	Independent non-executive director	15 November 2013	Not Applicable
Mr K. Matabane	Executive director	1 July 2012	Not Applicable
Ms N. Mbele	Independent non-executive director	15 November 2013	Not Applicable
Mr M. Mello	Chairperson and Independent non-executive director	1 March 2015#	Not Applicable

Mr L. Mtimde	Independent non-executive director	1 March 2015#	Not Applicable
Mr O.N. Nekhavhambe**	Executive director	July 2015 – September 2015 November 2015 – March 2016	Not Applicable
Mr S. Radebe	Independent non-executive director	1 March 2015#	Not Applicable
Ms R. Rasikhinya	Executive director	1 September 2013	6 November 2015

Table 23: Board Members during the Year

accepted appointment in April 2015
** Acting CFO

Responsibilities of the Board

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. 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 during the reporting period. 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 Company, 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, integrated 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 and
- Accounting to the Shareholder on 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.

Composition and Number of Meetings

During the period under review, the Board comprised of the following members and held one strategy session, four scheduled and four special meetings as set out in table 24:

Name of Member	10 Apr 2015**	29 Apr 2015**	23 Jul 2015	7 Sep 2015**	28 Oct 2015	4 & 5 Dec 2015$	28-Jan 2016	26-Feb 2016	31 Mar 2016**
Mr M. Mello (Chairperson)	✔	✔	✔	✔	✔	✔	✔	✔	✔
Mr M. Booi	N/A	N/A	N/A	N/A	✔	✔	✔	✔	✔
Ms X. Daku	A	✔	✔	✔	✔	✔	✔	A	✔
Ms J. Huntley	✔	✔	✔	✔	✔	✔	✔	✔	✔
Mr K. Matabane	✔	✔	✔	✔	✔	✔	✔	✔	N/A
Ms N. Mbele	✔	✔	✔	✔	✔	✔	✔	✔	✔
Mr L. Mtimde	✔	✔	✔	A	✔	A	✔	✔	✔
Mr O. Nekhavhambe	N/A	N/A	✔	✔	✔	✔	✔	✔	N/A
Mr S. Radebe	✔	✔	✔	✔	✔	✔	✔	✔	✔
Ms R. Rasikhinya	✔	✔	✔	✔	✔	N/A	N/A	N/A	N/A

Table 24: Board Meetings during the Year

X Apology
✔ Present (in person/via teleconference)
** Special Meeting
$ Strategy session

Key Focus Areas of the Board

The Board has spent a considerable time during the period reviewing the strategies of the Company and on change management pursuant to the resignation of the CEO and the CFO. The Board considered the following, pursuant to recommendation by the EXCO and Board Committees:

Change Management – the job descriptions and employment contracts of the CEO and the CFO. This process has culminated in the appointment of Mlamli Booi as the CEO by the Honourable Minister Dr Siyabonga Cwele.

Governance – the Board members who assumed office in April 2016 were inducted. The new appointments necessitated the review and strengthening of Board Committees in line with the skills of the Board members. The Board and Board Committee Charters have been reviewed and aligned to the new strategies of the Company. The Board is confident that the Board Committees are adequately capacitated to discharge their responsibilities.

Strategic direction – the Board held a strategy session to review the strategic direction of the Company. This culminated in a Corporate Plan for the 2016-2019 MTEF period. We are confident that the strategic direction chosen by the Company is appropriate for taking the Company into the future.

OD - The Board approved an OD project and process. The purpose of the OD was to create an optimised organisational structure to enable the delivery of SENTCH'S strategy in line with its operating model. A new operating model and macro-structure have been approved.

Risk management – the Board recognises that the management of any business is fundamentally about managing risks. SENTECH's risk management is underpinned by its risk management framework and policy which have been reviewed during the reporting period. Given the persistent volatile, uncertain, complex and ambiguous ("VUCA") environment, as well as the rapid changes within the ICT environment, its top ten strategic risks that form the cornerstone of the Risk Management Plan have been crystallised. Details on SENTECH'S risk management approach appear on section 2.6.

Policy environment - The Board has approved various policies as part of managing the governance process.

The sustainability of the Company is something that is on the radar of the Board and will receive special focus in the 2016/17 financial year.

6.4.12 Role of the Company Secretary

Ms F. Sefara is the registered Company Secretary for the Company. Ms Sefara has direct access to, and ongoing communication with the Chairperson of the Board. Ms Sefara is not a director of the Company and the Board is satisfied that, as far as is reasonable possible, an arm's length relationship between the Company Secretary and the Board is intact.

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 and the Companies Act, Government Protocol on Corporate Governance, King III 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 ensures that the Board and Board Committee Charters are reviewed annually, and prepares annual work plans for the Board and its Committees. 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 Shareholder, and the Board and the Company.

6.4.13 Directors' Interests

The directors had no interest in any third party or company responsible for managing any of the business activities of the Company.

6.4.14 Board Committees

Board Committees endeavour to comply with recommended practices as outlined in King III in executing their mandates. This is facilitated by way of review of Committee Charters, development of work plans and quarterly meetings, followed by a submission of a report to the Board of Directors after each meeting.

6.4.14.1 Audit and Risk Committee

The Audit and Risk Committee Report appears in section 6.3.

6.4.14.2 Social and Ethics Committee

The Committee has been mandated to advise, oversee and monitor the Company's activities with regard to social and economic development, ethics, transformation, Broad-Based Black Economic Empowerment objectives, sustainability, corporate citizenship, environmental, health, safety, stakeholder relationships, labour and employment matters.

The Committee composition complies with the requirements of the Companies Act, 71 of 2008 (as amended). The Committee comprises three non-executive directors. The executive directors, executives for Human Resources, Operations and Risk Management attend Committee meetings by invitation.

Composition and Number of Meetings

During the 2015/16 financial year, the Committee comprised the following members and held four meetings as set out in table 25.

Name of Member	1 April 2015 to 31 March 2016			
	22 Jun 2015	22 Sep 2015	9 Dec 2015	17 Feb 2016**
Ms R.J. Huntley (Chairperson)	X	X	✔	✔
Mr L. Mtimde	✔	✔	✔	✔
Mr S. Radebe	✔	✔	✔	✔

Table 25: Social and Ethics Committee Meetings during the Year

X Apology
✔ Present (in person/via teleconference)
** Special meeting

Focus Areas of the Social and Ethics Committee

During the 2015/16 financial year, the Committee, among other matters:

- Monitored progress on the Implementation of People Transformation Strategy. The Committee is satisfied with the level of people transformation within the Company. The Company is lagging behind with regard to its target on people living with disabilities;
- Monitored activities related to socio-economic development (including internal skills development), corporate social investment, enterprise and supplier development, supply chain management, and considered socio-economic development programmes to be implemented by the Company;
- Received reports on the implementation of the fraud prevention plan and from the Tip-offs Anonymous;
- Reviewed reports on the implementation of the Environmental Policy and considered the Environmental Impact Management Policy;
- Considered the Employee Satisfaction Survey Report and Customer Satisfaction Survey Report and Implementation Plan;
- Reviewed the Compliance Policy, recommended the Compliance Plan to the Board and received Compliance Reports;
- Reviewed Social and Ethics Charter and 2015/16 Annual Work Plan;
- Reviewed the Learning and Development Policy which is aimed at developing and assisting employees through provision of bursaries for tertiary education;
- Recommended the Stakeholder Management Strategy to the Board for approval;
- Considered King III Implementation Report and
- Received reports on risks pertaining to the mandate of the Committee.

The challenges facing the Company pertain to preferential procurement and supply chain management will be an area of focus in the 2016/17 financial year. As a state-owned company, there is an opportunity for SENTECH to lead at the forefront with regard to B-BBEE.

6.4.14.3 Technology, 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 are not limited to:

- Advising and guiding 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;
- Ensuring that SENTECH's Technology Strategy, its development and implementation are aligned with the business objectives;
- Understanding global developmental trends in the policy and regulatory environment and ensuring that SENTECH's Strategy takes them into consideration as such;
- Reviewing the IT Strategy and ensuring that there is good governance throughout the IT ecosystem by ensuring the effectiveness and efficiency of the Company's information systems from a strategic alignment and risk perspective;
- Reviewing the Legal, Policy and Regulatory Strategy and its implementation;
- Overseeing on technology related investments. This is a new oversight responsibility that has been added to the mandate of the Committee and
- Reviewing the implementation of risk management on matters of technology, policy and regulatory environments.

Composition and Number of Meetings

During the period under review, the Committee comprised the following members and held five meetings as set out in table 26.

Name of Member	1 April 2015 to 31 March 2016				
	24 Jun 2015	23 Sep 2015	10 Dec 2015	5 Feb 2016**	18 Mar 2016
Mr L. Mtimde (Chairperson)	✔	X	✔	✔	✔
Mr S. Radebe	✔	✔	✔	✔	✔
Ms R. J. Huntley	✔	✔	✔	✔	✔
Mr M. Mello	✔	✔	✔	✔	✔

Table 26: TPRC Meetings

X Apology
✔ Present (in person via teleconference)
** Special meeting

Focus Areas of the Technology, Policy and Regulatory Co-ordination Committee

During the financial year, the Committee considered the following, among others:

- Trends within the regulatory environment and their impact on SENTECH;
- Various Business Cases and progress reports on these business cases;
- Legal and Regulatory Strategy;
- VSAT Business Case;
- Reviewed IT Strategy;
- Cyber Security Policy;
- SENTECH Digital Library Policy;
- Reviewed Technology Strategy;
- Reviewed DTH Business Case;
- Business Continuity Management System;
- Records Management Policy and
- Reviewed the Committee Charter and Work-plan for 2015/16.

The Company has undergone a SAP functional upgrade. The first phase of the Project which encompassed SAP ECC6.0 Core Functionalities, SAP Employees Self Service and Manager Self Service (SAP ESS/MSS), SAP Governance, Risk and Compliance (SAP GRC) commenced on in June 2015 and went live in February 2016 ahead of the schedule of one year. Phase Two started on the 1st March 2016 and is scheduled to be completed within one year. The suites in this Phase are SAP Business Intelligence (SAP BI), SAP Customer Relationship Management (SAP CRM), SAP Contract Lifecycle Management (SAP CLM), SAP Suppliers Relationship Management (SAP SRM), SAP Supply Chain Management (SAP SCM), SAP Product Lifecycle Management (SAP PLM), and SAP Interfaces to 3rg Party Systems.

IT governance was a huge consideration. This is evidenced by the elevation of the establishment of a Disaster Recovery Centre and Business Continuity Plan as a key performance indicator in the Corporate Plan. The Committee has considered progress reports on digital trials that the Company is embarking on. Skills availability within the ICT sector remains a challenge and the Company has some initiatives in place to attract skills. The Committee will continue to execute its mandate and will focus on the digital technology workforce and enhanced customer experience by showcasing how the digital environment contributed to an enhanced customer experience.

6.4.14.4 DTT Ad Hoc Committee

The main purpose of this committee is to ensure implementation of the DTT strategy and monitoring of the DTT programme. 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 and
- Monitoring the DTT programme in relation to all spheres of the business which are impacted.

Composition and Number of Meetings

During the period under review, the Committee comprised the following members and held four meetings as set out in table 27.

Name of Member	1 April 2015 to 31 March 2016			
	26 Jun 2015	20 Oct 2015	10 Dec 2015	18 Mar 2016
Mr S. Radebe	✔	✔	✔	✔
Ms X. Daku	✔	x	✔	✔
Ms R.J. Huntley	✔	✔	✔	x
Mr M. Mello	✔	✔	✔	✔
Mr L. Mtimde	x	✔	✔	✔

Table 27: DTT Adhoc Meetings during the Year

X Apology
✔ Present (in person/via teleconference)
** Special meeting

Focus Areas of the DTT Adhoc Committee

During the 2015/16 financial year, the Committee considered the following:

- Reviewed DTT ad hoc Committee Charter and 2015/16 Work Plan;
- DTT Migration Project Implementation Report;
- DTT-to-DTT Frequency Migration Plan;
- Cost of delayed ASO;
- Report on DTT Industry Trends in respect of Policy and Regulatory Environment;
- Funding for the National DTT Contact Centre;
- DTT Commercial Switch-on Readiness Review Report and
- Reports on risks pertaining to DTT Migration.

Funding for DTT Migration remains a challenge as the funding received by the Company has not been adequate to cover dual illumination costs both for the 2014/15 and 2015/16 financial years. This challenge is being addressed with the Shareholder.

6.4.14.5 Human Resources, Remuneration and Nominations Committee

A mandate for human resources has been added to the oversight responsibilities of the Committee. This was as a result of an acknowledgement by the Board for a special focus on human resources matters by removing human resources matters from the Social and Ethics Committee's oversight responsibility. The Committee considers remuneration policies which aim to attract and retain top talent. A key feature of our Remuneration Strategy is pay for performance.

The Committee's responsibilities include but are not limited to:

- Ensuring development and annual review of the strategy, plan, and policies for the Company's human resources;
- Ensuring organisational development of the Company;
- Ensuring that competitive remuneration and reward strategies and policies are in place to facilitate the recruitment, motivation and retention of high performance staff at all levels;
- Regularly reviewing the size, composition necessary and desirable competencies of the board and making recommendations to the Board with regard to any appropriate changes;
- Assisting with the recruitment of executive directors;
- Identifying directors qualified to fill vacancies on Board committees and making recommendations to the Board accordingly;
- 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 and
- Ensuring that directors receive ongoing development and training (education) on their duties, responsibilities and nature of SENTECH's business.

Composition and Number of Meetings

During the 2015/16 financial year, the Committee comprised the following members and held 4 scheduled and seven special meetings as set out in table 28.

	1 April 2015-31 March 2016										
Name of Member	16 April **	12 June **	22 June	8 July**	14 Aug **	19 Oct	9 Dec	15 Jan**	25 & 26 Jan**	5 Feb **	17 Mar
Ms X.Daku (Chairperson)	✔		✔	✔	✔	✔	✔	✔	✔	✔	✔
Ms N. Mbele	✔	✔	✔	✔	✔	✔	✔	✔	✔		✔
Mr M. Mello	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Mr L. Mtimde	✔	N/A	✔	✔	✔					✔	✔
Ms J Huntley#									✔		
Mr S Radebe#									✔		

Table 28: HRREM Meetings during the Year

X Apology
✔ Present (in person/via teleconference)

** Special Meeting
# Board member

Director Mtimde was appointed to the Committee on 7 September 2015. Prior to his appointment, he attended Committee meetings to assist with the CEO appointment process. The Executive: Human Resources, Executive Directors and Executive: Risk Management attend meetings by permanent invitation. The Committee held three scheduled meetings and eight special meetings during the period under review. The special meetings pertained to the appointment process of the CEO and the CFO.

Focus Areas of the Nominations and Remuneration Committee

During the 2015/16 financial year, the Committee considered, amongst others, the following:

- Reports on human resources matters;
- Mandate for 2015/16 salary increases for employees and payment of 2014/15 Short-term incentive payments and gratuities;
- Board Evaluation Report;
- OD Project and Process. The purpose of the OD was to create an optimised organisational structure to enable the delivery of the business strategy in line with SENTECH's operating model. The macro–structure has been approved by the Board and has been implemented. The OD Report will be considered by the Committee in the first quarter of the 2016/17 financial year and
- Appointment of the CEO and CFO. A considerable amount of time was spent on the recruitment process for the CEO and CFO which entailed consideration of the job specifications and employment contracts, compiling a shortlist of the candidates to be interviewed, interviews, and making recommendations to the Board on suitable candidates.

Much work has been done in improving relations between management and the union. The challenge remains the settlement of the 13th cheque dispute.

The Committee will prioritise development of a Human Resources Strategy, and CEO, CFO, COO and Executive Management's succession and development plans in the 2016/17 financial year to ensure there is an appropriate balance of skills, experience and expertise at executive level.

6.4.15 Role of the Executive Committee

The EXCO of the company is tasked, in terms of both the SENTECH Act and the Company's MOI, with managing the affairs of the Company. To strengthen the effectiveness of EXCO, executive management is invited to EXCO meetings.

Table of Contents

The reports and statements set out below comprise the Annual Financial Statements presented to the shareholder:

6.5 REPORT OF THE AUDITOR 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 92 to 139 which comprise the consolidated and separate statements of financial position as at 31 March 2016, 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 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 Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 financial statements.

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

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 2016, 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.

Emphasis of matter

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

Restatement of corresponding figures

8. As disclosed in note 36 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of change in accounting policy during 31 March 2016.

Additional matter

9. 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 2016, 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 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 financial statements. We have not audited the reports and accordingly do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. 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

11. 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 2016.

- Objective SG1: Ensure that ICT infrastructure is accessible, robust, reliable, affordable and secure to meet the needs of the country and its people; on pages 33-34
- Objective SG2 : Ensure high levels of customer and stakeholder satisfaction by meeting their needs all the time; on page 34
- Objective SG3: Drive organisational performance in order to improve organisational effectiveness; on page 34
- Objective SG4: Ensure that the Company is financially sustainable; on page 35

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

13. 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).

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

15. There were no material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Additional matters

16. 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

17. Refer to the annual performance report on pages 33 to 35 for information on the achievement of planned targets for the year.

Compliance with legislation

18. We performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. The were no material non-compliance identified.

Internal control

19. 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

Investigations

20. There were investigations that were being conducted on some employees regarding allegations of fraud and misconduct. These investigations were still ongoing at the time of finalising this audit and are expected to be completed in the next financial year.

Audit-related services and special audits

21. 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

Registered Auditors

Rakoma & Associates Inc.

Per: Elisha Musindo

Chartered Accountant SA

Registered Auditor

Director

Johannesburg

Statement of Financial Position

As at 31 March 2016

Figures in Rand thousand	Note	2016	Restated 2015	Restated 2014
ASSETS				
Non-Current Assets				
Property Plant Equivalents	6	846,351	633,461	602,409
		846,351	**633,461**	**602,409**
Current Assets				
Inventories	8	73,345	62,066	71,666
Tax	14	13,283	72,918	50,401
Trade and other receivables	9	63,811	60,437	39,832
Cash and cash equivalents	10	957,242	889,704	1,077,430
		1,107,681	**1,085,125**	**1,239,329**
Total Assets		**1,954,032**	**1,718,586**	**1,841,738**
EQUITY				
Share capital	11	75,892	75,892	75,892
Reserves		667,867	510,763	510,763
Accumulated profit		918,844	718,961	559,278
		1,662,603	**1,305,616**	**1,145,933**
LIABILITIES				
Non current liabilities				
Employee Benefits	12	10,170	-	100,333
Deferred Tax	13	68,602	46,380	30,325
		78,772	**46,380**	**130,658**
Current liabilities				
Loans and borrowings		-	-	15,816
Trade and other payables	15	118,340	139,638	142,479
Deferred income	16	76,423	176,154	366,020
Provisions	17	17,894	50,798	40,832
		212,657	**366,590**	**565,147**
Total liabilities		**291,429**	**412,970**	**695,805**
Total Equity and Liabilities		**1,954,032**	**1,718,586**	**1,841,738**

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016

Figures in Rand thousand	Note	2016	2015	2014
Revenue	18	1,179,253	1,107,146	975,287
Cost of Sales	19	(852,368)	(769,519)	(670,566)
Gross Profit		**326,885**	**337,627**	**304,721**
Other Income	18	31	2,824	41,410
Operating Expenses	19	(59,316)	(74,639)	(79,316)
Selling expenses	19	(12,588)	(22,856)	(14,718)
Administrative expenses	19	(58,868)	(73,072)	(50,712)
Operating Profit		**196,144**	**169,884**	**201,385**
Finance income	21	53,889	44,573	46,202
Finance costs	22	(10,122)	(10,769)	(23,103)
Profit Before Taxation		**239,911**	**203,688**	**224,484**
Taxation	23	(40,108)	(34,852)	(11,511)
Profit or Loss for the Year		199,803	168,836	212,973
Remeasurement of defined benefit		111	(12,711)	46
Income tax		(31)	3,559	(13)
Remeasurement of PPE		186,557	-	-
Income tax		(29,452)	-	-
Total Comprehensive Income		**356,988**	**159,684**	**213,006**

Statement of Changes in Equity

For the year ended 31 March 2016

Figures in Rand thousand	Note	Share capital	Share premium	Total share capital	Non Distributable reserves	Retained income	Total equity
Group and Company							
Balance at 01 April 2014 (restated)		**2**	**75,890**	**75,892**	**510,762**	**559,279**	**1,145,933**
Previously stated		2	75,890	75,892	510,762	579,546	1,166,200
Change in Accounting Policy		-	-	-	-	(20,267)	(20,267)
Profit for the year (previously stated)		-	-	-	-	174,564	174,564
Change in Accounting Policy		-	-	-	-	(5,729)	(5,729)
Other comprehensive income		-	-	-	-	(9,152)	(9,152)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**159,684**	**159,683**
Balance at 31 March 2015 (restated)		**2**	**75,890**	**75,892**	**510,762**	**718,962**	**1,305,616**
Previously stated		2	75,890	75,892	510,762	744,958	1,331,612
Change in Accounting Policy		-	-	-	-	(25,997)	(25,997)
Profit for the year		-	-	-	-	199,803	199,803
Other comprehensive income		-	-	-	-	80	80
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**199,883**	**199,883**
Revaluation surplus (NDR)		-	-	-	157,105	-	157,105
Balance at 31 March 2016		**2**	**75,890**	**75,892**	**667,867**	**918,844**	**1,662,603**

11

Cash Flow Statement

For the year ended 31 March 2016

Figures in Rand thousand	Note	2016	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES				
Cash generated from operations	**24**	**95,517**	**126,552**	**39,378**
Interest received	21	33,228	28,043	38,720
Dividends received	21	20,661	16,530	7,482
Interest paid	25	(131)	(1,660)	(4,582)
Tax Paid	26	12,265	(37,755)	(33,389)
Net cash from operating activities		**161,540**	**131,710**	**47,609**
CASH FLOW FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment		(194,171)	(314,579)	(290,493)
Proceeds from disposal of assets		-	294	-
Net cash from investing activities		**(194,171)**	**(314,285)**	**(290,493)**
CASH FLOW FROM FINANCING ACTIVITIES				
Repayment of financial liabilities		-	(15,816)	(38,530)
Repayment of loans and borrowings		-	-	(622,441)
Grant Utilised		-	-	(5,140)
Interest on government grant		-	-	15,625
Grant received	16	95,614	121,759	469,565
Employee benefit		-	(118,919)	(74,443)
Interest on government grant		4,555	7,825	15,418
Net cash from financing activities		**100,169**	**(5,151)**	**(239,946)**
Total cash movement for the year		**67,538**	**(187,726)**	**(482,830)**
Cash at the beginning of the year		889,704	1,077,430	1,560,260
Cash at the end of the year	**10**	**957,242**	**889,704**	**1,077,430**

Notes to the Financial Statements

Accounting Policies

For the year ended 31 March 2016

1 PRESENTATION OF 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 Road, Honeydew. The consolidated Annual Financial Statements of the Company as at and for the year ended 31 March 2016 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.

2 BASIS OF PREPARATION

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 29 July 2016.

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.

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.

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 recognized in the consolidated financial statements is included in note 5 and the following notes:

- Notes 3.4 and 6 – valuation of property, plant and equipment;
- Notes 3.9 and 13 – measurement of employee benefits;
- Notes 3.15 and 13 – utilisation of tax losses and
- Notes 3.10,18 and 33 – 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.

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 cashflow.

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

Non-derivative 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.

Non-derivative 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 non-derivative financial instruments are measured as described below.

Loans to/(from) group companies and related parties

These include loans to fellow 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.

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.

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 of 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.

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.

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.

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.

3.9 Provisions and Contingencies

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.

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.

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

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 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.

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 as at 13 January 2016

IAS 8 requires that when an entity has not applied a new Standard or Interpretation that has been issued but is not yet effective, the entity shall disclose:

this fact; and known or reasonably estimable information relevant to assessing the possible impact that the application of the new Standard or Interpretation will have on the entity's financial statements in the period of initial application.

The standard requires you to consider the following in your disclosure:

- the title of the new Standard or Interpretation;
- the nature of the impending change or changes in accounting policy;
- the date by which application of the Standard or Interpretation is required;
- the date as at which it plans to apply the Standard or Interpretation initially; and either:

– a discussion of the impact that initial application of the Standard or Interpretation is expected to have on the entity's financial statements; or

– if that impact is not known or reasonably estimable, a statement to that effect.

for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

– statement line item affected; and

– if IAS 33 Earnings per Share applies to the entity, for basic and diluted earnings per share.

Below is a list of the current standards and interpretations that have been issued, but may not be effective. Please ensure your disclosure is updated.

IFRS 5 Non-current assets Held for Sale and Discontinued Operations 1 January 2016

Annual Improvements 2012-2014 Cycle: Amendments clarifying that a change in the manner of disposal of a non-current asset or disposal group held for sale is considered to be a continuation of the original plan of disposal, and accordingly, the date of classification as held for sale does not change.

IFRS 7 Financial Instruments: Disclosures 1 January 2016

- Annual Improvements 2012-2014 Cycle: Amendment clarifying under what circumstances an entity will have continuing involvement in a transferred financial asset as a result of servicing contracts.
- Annual Improvements 2012-2014 Cycle: Amendment clarifying the applicability of previous amendments to IFRS 7 issued in December 2011 with regard to offsetting financial assets and financial liabilities in relation to interim financial statements prepared under IAS 34.

IFRS 9 Financial Instruments 1 January 2018

A final version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition:

- IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets.

- IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.
- IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.
- IFRS 10 Consolidated Financial Statements 1 January 2016.

Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and

- IAS28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

IFRS 11 Joint Arrangements 1 January 2016

- Amendments adding new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business which specify the appropriate accounting treatment for such acquisitions.

IFRS 12 Disclosure of Interests in Other Entities 1 January 2016

- Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS
- 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.

IFRS 14 Regulatory Deferral Accounts 1 January 2016

- IFRS 14 permits first-time adopters to continue to recognise amounts related to its rate regulated activities in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that apply IFRS and do not recognise such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the Standard.

IFRS 15 Revenue from Contracts from Customers 1 January 2018

- New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.
- The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

The new standard supersedes:

- IAS 11 Construction Contracts;
- IAS 18 Revenue;
- IFRIC 13 Customer Loyalty Programmes;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 18 Transfers of Assets from Customers and
- SIC-31

Revenue—Barter Transactions Involving Advertising Services.

IFRS 16 Leases 1 January 2019

- New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non- financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.
- IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.
- IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- IFRS16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.
- IFRS16 supersedes the following Standards and Interpretations:
- IAS 17 Leases;
- IFRIC 4 Determining whether an Arrangement contains a Lease;
- SIC-15 Operating Leases—Incentives and
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IAS 1 Presentation of Financial Statements 1 January 2016

Disclosure Initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.

IAS 16 Property, Plant and Equipment 1 January 2016

Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.

Amendment to IAS 16 and IAS 41 which defines bearer plants and includes bearer plants in the scope of IAS 16 property, plant and Equipment, rather than IAS 41, allowing such assets to be accounted for after initial recognition in accordance with IAS 16.

IAS 19 Employee Benefits 1 January 2016

- Annual Improvements 2012-2014 Cycle: Clarification of the requirements of to determine the discount rate in a regional market sharing the same currency (for example, the Eurozone).

IAS 27 Consolidated and Separate Financial Statements 1 January 2016

- Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

IAS 28 Investments in Associates and Joint Ventures 1 January 2016

Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28

- introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

IAS 34 Interim Financial Reporting 1 January 2016

- Annual Improvements 2012-2014 Cycle: Clarification of the meaning of disclosure of information 'elsewhere in the interim financial report'.

IAS 38 Intangible Assets 1 January 2016

- Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset.
- Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.

IAS 41 Agriculture: Bearer Plants 1 January 2016

- Amendment to IAS 16 and IAS 41 which defines bearer plants and includes bearer plants in the scope of IAS 16 property, plant and Equipment, rather than IAS 41, allowing such assets to be accounted for after initial recognition in accordance with IAS 16.

Management's assessment of these new standards that are not yet effective has resulted in a conclusion that the effect on the Annual Financial Statements of SENTECH is considered to be insignificant.

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.

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.

6 PROPERTY, PLANT AND EQUIPMENT

Group and Company	2016			2015		
Figures in Rand thousand	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and Buildings	701,456	(142,952)	558,504	559,504	(189,665)	369,839
Motor vehicles	19,933	(10,655)	9,278	21,941	(5,005)	16,936
Computer, technical and office equipment	808,479	(655,037)	153,442	807,241	(654,769)	152,472
Capital Work in Progress	125,127	-	125,127	94,214	-	94,214
Total	**1,654,995**	**(808,644)**	**846,351**	**1,482,900**	**(849,439)**	**633,461**

Reconciliation of property, plant and equipment - 2016

Group and Company Figures in Rand thousand	Opening balance	Additions	Revaluation	Disposals	Transfers	Depreciation	Total
Land and buildings	369,839	3,917	186,557	(72)	34,136	(35,873)	558,504
Motor vehicles	16,936	435		-	(2,442)	(5,650)	9,278
Computer, technical and office equipment	152,472	1,475		(4,140)	43,703	(39,068)	153,442
Capital work in progress	94,214	105,309		-	(74,397)	-	125,127
Total	**633,461**	**111,135**	**186,557**	**(4,212)**	**(0)**	**(80,591)**	**846,351**

Reconciliation of property, plant and equipment - 2015

Figures in Rand thousand	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land and buildings	398,155	6,249	(98)	667	(35,134)	369,839
Motor vehicles	5,298	14,428	-	-	(2,790)	16,936
Computer, technical and office equipment	111,731	70,563	(4,375)	7,926	(33,373)	152,472
Capital work in progress	87,225	15,582	-	(8,593)	-	94,214
Total	602,409	106,822	(4,472)	-	(71,297)	633,461

Valuations were made on the basis of comparative land sales in each area and buildings based on the net replacement valuations or the capitalisation of income methods depending on the type and location of the property.
The revaluation surplus/deficit, net of the applicable deferred tax, was credited or debited to the revaluation reserve in the shareholders' equity.
If land and buildings were stated at the historical cost basis, the amounts would be as follows;

GROUP AND COMPANY

	2016	2015	2014
Cost	315,284	295,471	288,555
Accumulated depreciation and impairment losses	(151,334)	(122,636)	(112,956)
Carrying value	**163,950**	**172,835**	**175,599**

7 INVESTMENTS IN SUBSIDIARIES

Name of company	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015
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.

All the subsidiaries in question are dormant and thus there are no transactions.

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		COMPANY	
	2016	2015	2016	2015
Consumables	802	984	802	984
Inventories	78,293	65,272	78,293	65,272
	79,095	66,256	79,095	66,256
Inventories (write-downs)	(5,750)	(4,190)	(5,750)	(4,190)
	73,345	**62,066**	**73,345**	**62,066**

The inventory held is not encumbered.

9 TRADE AND OTHER RECEIVABLES

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Trade receivables	35,434	47,587	35,434	47,587
Less: Provision for doubtful debts	(3,512)	(3,853)	(3,512)	(3,853)
Net Trade receivables	31,922	43,734	31,922	43,734
Other receivables	8,778	6,626	8,778	6,626
Deposits	7,836	4,750	7,836	4,750
Loans and receivables	48,536	55,110	48,536	55,110
Prepayments	15,275	5,328	15,276	5,328
Total trade and other receivables	63,811	60,438	63,812	60,438

Receivables from related parties for both Group and Company included in trade and other receivables amounts to **R866 921 (2015 – R4 486 396).**

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

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Unrestricted cash				
- Own cash	922,140	713,550	922,140	713,550
Restricted cash				
- Government grants cash	30,630	76,127	30,630	76,127
- Interest earned on Government grant cash	4,472	100,027	4,472	100,027
	957,242	**889,704**	**957,242**	**889,704**

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:

Projects

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Digital Terrestrial Transmission and Dual Illumination	-	59,280	-	59,280
Community broadcasters	-	5,751	-	5,751
Disaster Recovery (2010 World Cup Soccer)	30,630	11,096	30,630	11,096
	30,630	76,127	30,630	76,127
Interest earned on Government grants cash	4,472	100,027	4,472	100,027
	35,102	**176,154**	**35,102**	**176,154**

Bank Guarantees

	GROUP		COMPANY	
	2016	2015	2016	2015
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		COMPANY	
	2016	2015	2016	2015
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

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		COMPANY	
	2016	2015	2016	2015
Present value of the defined benefit				
Obligation - partially or wholly funded	(39,188)	(118,919)	(39,188)	(118,919)
Fair value of plan assets	29,018	118,919	29,018	118,919
	(10,170)	-	(10,170)	-

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	1,000	3,554	1,000	3,554
Equity Securities	4,108	19,598	4,108	19,598
Bonds	1,000	2,772	1,000	2,772
Foreign Investments	2,000	6,685	2,000	6,685
Annuity	20,910	86,310	20,910	86,310
	29,018	**118,919**	**29,018**	**118,919**

Reconciliation (Figures in Rand thousand)	Accrued Liability		Plan Assets	
	2016	2015	2016	2015
Opening Balance as at 1 April	118,919	100,333	(118,919)	–
Interest Cost on Defined Benefit Obligation	9,991	9,109	-	-
Current Service Cost (includes Interest to Year End)	1,537	1,350	-	-
Expected Return on Plan Assets	-	-	(10,007)	-
Expected Employer Benefit Payments	(5,235)	(4,584)	-	-
Expected Benefit Payments from Plan Assets	-		5,235	-
Expected Closing Balance as at 31 March	125,212	106,208	(123,691)	-
Risk Transfer Arrangement (Annuity Purchase)	(87,130)	-	87,130	(118,919)
Adjusted Expected Closing Balance as at 31 March	**38,082**	**106,208**	**(36,561)**	**(118,919)**
Past Service Cost	(1,247	-	-	-
Actuarial (Gain)/Loss	2,353	12,711	7,543	-
Actual Closing Balance as at 31 March	**39,188**	**118,919**	**(29,018)**	**(118,919)**

Principal actuarial assumptions used

Discount rate	10.1%	8.6%	10.1%	8.6%
Annual increase in health care costs	9.7%	8.4%	9.7%	8.4%
Expected retirement age	63 years	63-65 years	63 years	63-65 years

Sensitivity analysis

2016			
Change in liability	9.70%	(1.00%)	1.00%
1% change in current service and interest cost	1,956	1,124	3,021
2015			
Change in liability	8.40%	(1.00%)	1.00%
1% change in current service and interest cost	11,528	9,976	13,458

Historical information

	2016	2015	2014	2013
Retirement medical aid benefits				
Present value of the obligation	10,170	-	100,333	198,225
Actuarial losses (gains) recognised	**2,353**	**12,711**	**(46)**	**11,124**

Analysis of unexpected gains and losses

The accrued liability calculated in this valuation is R39.188 million, reflecting an unexpected loss of R1.106 million.

13 DEFERRED TAX

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Deferred tax liability	(68,602)	(46,380)	(57,089)	(46,380)
Movement in temporary differences				
At beginning of year	(46,380)	(30,325)	(46,380)	(30,325)
Prior year adjustment / change in policy	-	2,227	-	2,227
Recognised in profit and loss	7,230	(21,841)	7,230	(21,841)
Recognised in other comprehensive income	(29,452)	3,559	(29,452)	3,559
	(68,602)	**(46,380)**	**(68,602)**	**(46,380)**

Deferred tax liabilities are attributed to the following:

	PPE	Prepayments	Total
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)
Recognised in profit and loss	9,267	(2,786)	6,481
Recognised in other comprehensive income	(29,452)	-	(29,452)
Balance at 31 March 2016	(98,709)	(12,463)	(111,172)

Deferred tax assets are attributed to the following:

	Provisions	Unearned income and Deposits	Total
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
Change in Accounting Policy	10,109	-	10,109
Balance at 31 March 2015	35,072	6,749	41,821
Recognised in profit and loss	1,299	(519)	780
Recognised in other comprehensive income	(31)	-	(31)
Balance at 31 March 2016	36,340	6,230	42,570

14 CURRENT TAX RECEIVABLE

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
South African Revenue Services	13,283	72,918	13,283	72,918

15 TRADE AND OTHER PAYABLES

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Trade payables	15,077	54,064	15,077	54,064
Accrued expenses	58,910	35,258	58,910	35,258
Financial liabilities	73,987	89,322	73,987	89,322
Customer deposits	2,708	6,928	2,708	6,928
Lease accrual	11,827	13,114	11,827	13,114
Unearned Income	297	2,493	297	2,493
VAT	6,387	4,502	6,387	4,502
Leave pay accrual	23,134	23,279	23,134	23,279
	118,340	139,638	118,340	139,638

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

16 DEFERRED INCOME

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Analysis of movements in deferred income				
Opening balance	176,154	366,020	176,154	366,020
Net funding received (see below)	95,614	121,759	95,614	121,759
Acquisition of property, plant and equipment	(279,892)	(211,741)	(279,892)	(211,741)
Assets in Work In Progress	193,773	-	193,773	-
Net interest capitalised	1,827	967	1,827	967
Interest capitalised for the Disaster Recovery Project	2,537	1,102	2,537	1,102
Taxation paid on interest for Disaster Recovery Project	(710)	(135)	(710)	(135)
Interest deferred	2,728	6,857	2,728	6,857
Interest deferred until approval is received	-	-	-	-
Taxation paid	-	-	-	-
Interest previously recognised awaiting approval	2,728	6,857	2,728	6,857
Utilisation	**(113,781)**	**(107,708)**	**(113,781)**	**(107,708)**
– Community broadcasters (Receivables)	(13,053)	-	(13,053)	-
– Dual illumination cost/revenue	(100,728)	(107,708)	(100,728)	(107,708)
Closing balance	**76,423**	**176,154**	**76,423**	**176,154**
Net funding received				
Government grants received	109,000	138,805	109,000	138,805
Deemed VAT (14%)	(13,386)	(17,046)	(13,386)	(17,046)
	95,614	121,759	95,614	121,759

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

17 PROVISIONS

Figures in Rand thousand	Opening balance	Additions	Utilised during the year	Total
Reconciliation of provisions - Group - 2016				
Legal and other provisions	50,798	16,547	(49,451)	17,894
Reconciliation of provisions - Group - 2015				
Legal and other provisions	40,829	39,632	(29,663)	50,798
Reconciliation of provisions - Company - 2016				
Legal and other provisions	50,798	16,547	(49,451)	17,894
Reconciliation of provisions - Company - 2015				
Legal and other provisions	40,829	39,632	(29,663)	50,798

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.

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Analysis of provisions				
Legal claim	-	9,414	-	9,414
Overtime	1,402	1,319	1,402	1,319
Performance bonus	16,000	36,105	16,000	36,105
Ex-employee claim	-	1,563	-	1,563
Other provisions	**492**	2,397	**492**	2,397
	17,894	50,798	17,894	50,798

18 REVENUE

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Terrestrial television services	555,198	477,295	555,198	477,295
Terrestrial FM radio services	265,385	219,999	265,385	219,999
Terrestrial MW radio services	8,717	7,646	8,717	7,646
Terrestrial short wave radio services	28,085	24,602	28,085	24,602
Terrestrial and satellite linking	631	91,125	631	91,125
Satellite direct-to-home	150,322	108,883	150,322	108,883
Business television	3,988	3,719	3,988	3,719
VSAT	6,338	10,617	6,338	10,617
Dual illumination grant income	100,728	107,708	100,728	107,708
Other	208	417	208	417
	1,119,600	1,052,011	1,119,600	1,052,011
Reconciliation from Rental Income comprises of the following:				
Facility rentals	59,017	53,581	59,017	53,581
Reconciliation from Sales of Goods comprises of the following:				
Vivid	636	1,554	636	1,554
	1,179,253	**1,107,146**	**1,179,253**	**1,107,146**
Other Income comprises of the following:				
Credit balances written off	31	2,824	31	2,824

19 EXPENSES BY NATURE

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

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Cost of Sale	852, 368	769, 519	852, 368	769, 519
Operating expenses	59,316	74,639	59,316	74,639
Administration expenses	58,868	73,072	58,868	73,072
Selling expenses	12,588	22,856	12,588	22,856
	983,140	940,086	983,140	940,086
Cost of sales				
Employee costs (note 20)	368,276	368,342	368,276	368,342
Depreciation, amortisation and impairments	80,591	71,297	80,591	71,297
Operating lease expense - satellite rental	259,369	202,326	259,369	202,326
Transmitter tubes	4,425	3,698	4,425	3,698
Support equipment	2,486	2,790	2,486	2,790
Other cost of sales	137,221	121,066	137,221	121,066
	852,368	769,519	852,368	769,519
Operating expenses includes the following:				
Operating lease expenses				
Premises	11,600	9,333	11,600	9,333
Lease rentals on operating lease - Other	5,251	4,382	5,251	4,382
Auditors remuneration				
- Current year audit fees	3,020	2,300	3,020	2,300
Legal and consulting fees	8,724	13,439	8,724	13,439
Transport costs	16,471	19,557	16,471	19,557
Loss on impairment or disposal of property, plant and equipment	1,128	4,179	1,128	4,179
Other Operating Expenses	13,122	21,449	13,122	21,449
Total Operating expenses	59,316	74,639	59,316	74,639

Administration expenses includes the following:

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Licences	5.918	7,539	5,918	7,539
- Spectrum	813	1,382	3,499	1,382
- ECNS/ECS	3,063	4,292	1,982	4,292
- Other	2,042	1,863		1,863
Other administration expenses	47,032	57,996	47,032	57,996
Total Administration expenses	**58,868**	**73,072**	**58,868**	**73,072**
Selling expenses includes the following:				
CSI, Advertising and other selling expenses	12,588	22,856	12,588	22,856

20 EMPLOYEE COST

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Salaries and Wages	301,920	306,050	301,920	306,050
Medical aid contributions-current employees	32,515	28,890	32,515	28,890
Medical aid contributions-pensioners	494	4,241	494	4,241
Medical aid contributions-post-retirement obligations, excluding interest	3,307	(102)	3,307	(102)
Statutory charges	1,030	981	1,030	981
Pension costs - defined contribution plan	29,010	28,282	29,010	28,282
	368,276	368,342	368,276	368,342

Number of persons employed

Total number of employees at year-end (excluding temporary staff)	541	539	541	539

21 FINANCE INCOME

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Dividend revenue				
Sanlam Collective Investments Dividends	20,661	16,530	20,661	16,530
Interest revenue				
Bank	33,228	28,043	33,228	28,043
	53,889	**44,573**	**53,889**	**44,573**

22 FINANCE COSTS

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Recognised in profit and loss				
Borrowings	-	1,183	-	1,183
Other financial interest				
Other	131	477	131	477
	9,991	9,109	9,991	9,109
Post-retirement medical interest	**10,122**	**10,769**	**10,122**	**10,769**

23 TAXATION

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Major components of the tax expense				
Current				
Local income tax - current period	49,122	14,993	49,122	14,993
Local income tax - prior period	-	1,042	-	1,042
Tax recovered from grant funds	(1,784)	(3,024)	(1,784)	(3,024)
	47,339	13,011	47,339	13,011
Deferred				
Deferred tax debit/(credit)	(7,230)	21,841	(7,230)	21,841
	40,108	34,852	40,108	34,852
Deferred tax - Profit and loss				
Restatement - Actuarial gains/(losses)	(31)	3,559	(31)	3,559

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Applicable tax rate	28,00%	28,00%	28,00%	28,00%
Expenses not deductible	(0.54%)	2.78%	(0.54%)	2.78%
Dividend income exempt	(2.41%)	(2.22%)	(2.41%)	(2.22%)
Capitalised interest income	(0.74%)	0.00%	(0.74%)	0.00%
Amortisation of government grant	(9.19%)	(12.37%)	(9.19%)	(12.37%)
Depreciation of buildings	1.61%	1.31%	1.61%	1.31%
	16.73%	17.50%	16.73%	17.50%

24 CASH GENERATED FROM OPERATIONS

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Operating profit	196,260	177,840	196,260	177,840
Adjustments for:				
Depreciation and amortisation	80,591	71,297	80,591	71,297
Loss on disposals of property, plant and equipment	1,128	4,179	1,128	4,179
DTT Dual illumination	(100,728)	(107,708)	(100,728)	(107,708)
Post-retirement medical aid benefit obligation	290	(3,234)	290	(3,234)
Repayment of loans to subsidiary	-	-	-	7
(Decrease)/increase in provisions	(32,905)	(1,636)	(32,905)	(1,636)
Gain on Asset Revaluation	-	(42)	-	(42)
Cash generated from operations before working capital changes	144,636	140,696	144,636	140,703
	(49,119)	(14,144)	(49,119)	(14,144)
Inventories	(11,279)	9,600	(11,279)	9,600
Trade and other receivables	(16,427)	(20,900)	(16,427)	(20,900)
Trade and other payables	(21,413)	(2,844)	(21,413)	(2,844)
Cash generated from operations	**95,517**	**126,552**	**95,517**	**126,559**

25 INTEREST PAID

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Amount recognised in profit or loss	(10,122)	(10,769)	(10,122)	(10,769)
Interest on post-retirement medical aid	9,991	9,109	9,991	9,109
	(131)	**(1,660)**	**(131)**	**(1,660)**

26 TAX PAID

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Balance at the beginning of the year	72,918	50,401	72,918	50,401
Current tax for the year recognised in profit or loss	(49,153)	(18,262)	(49,153)	(18,262)
Tax recovered from grant funds	1,784	3,024	1,784	3,024
Less Balance at end of the year	(13,283)	(72,918)	(13,283)	(72,918)
	12,266	(37,755)	12,266	(37,755)

27 FINANCIAL INSTRUMENTS

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	GROUP		COMPANY	
	2016	2015	2016	2015
Cash and cash equivalents	959,583	889,704	959,583	889,704
Loans and receivables	61,471	55,111	61,471	55,111
	1,021,054	**944,815**	**1,021,054**	**944,815**

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

Domestic	30,367	48,737	30,367	48,737
Foreign	5,067	6,374	5,067	6,374
	35,434	**55,111**	**35,434**	**55,111**

Impairment losses

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

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Not past due date	14,830	34,065	14,830	34,065
Past due 30 days	3,376	6,030	3,376	6,030
Past due 60 days	2,106	3,973	2,106	3,973
Past due 90 days and more	11,611	11,043	11,611	11,043
Net loans and receivables	**31,923**	**55,111**	**31,923**	**55,111**

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

Balance at beginning of year	(3,853)	(4,916)	(3,853)	(4,916)
Impairment loss (recognised)/reversed	341	1,063	341	1,063
	(3,512)	(3,853)	(3,512)	(3,853)

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.

Exposure to liquidity risk

Financial liabilities at year-end were as follows:

Trade and other payables	84,316	90,940	84,316	90,940
Other financial liabilities	-	-	-	-
Carrying amount	**84,316**	**90,940**	**84,316**	**90,940**

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	73,870	127,769	73,870	127,769
Other financial liabilities	-	-	-	-
2 – 5 years	-	-	-	-
Total contractual cash flows	73,870	127,769	73,870	127,769

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

Unutilised borrowing capacity

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

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:

Figures in Rand thousand	Loans and Receivables	Trade and other payables	Cash and cash equivalents	Net exposure at year-end
2016				
GBP	30	-	7,349	7,379
EUR	64	(7,839)	3	(7,772)
USD	**138**	**-**	**18,266**	**18,404**
	232	(7,839)	25,618	18,011
2015				
GBP	221	-	1,686	1,907
EUR	59	(233)	1,956	1,782
USD	131	(26)	13,513	13,618
	411	(259)	17,155	17,307

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2016	**2015**	**2016**	**2015**
GBP / ZAR	20.98	17.96	21.30	18.19
EUR / ZAR	15.50	14.05	16.96	13.26
USD / ZAR	13.93	11.21	14.83	12.30
CHF / ZAR	14.90	12.19	16.13	13.05
SEK / ZAR	1.72	1.55	1.91	1.46
JPY / ZAR	0.12	0.10	0.14	0.10

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 / ZAR	(1910)	(168)	(1910)	(168)
EUR / ZAR	21	(195)	21	(195)
USD / ZAR	(21,190)	(1,351)	(21,190)	(1,351)

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		COMPANY	
	2016	2015	2016	2015
Variable rate instruments				
Government grants cash and cash equivalents	35,102	176,154	35,102	176,154
Own cash and cash equivalents	924,481	713,550	924,481	713,550
	959,583	889,704	959,583	889,704

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.

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.

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).

28 FINANCIAL RISK MANAGEMENT

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.

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.

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 33.

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.

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.

The core debt components of the Group is as follows:

Figures in Rand thousand	2016	2015	2016	2015
Post-retirement medical benefits obligation	10,170	-	10,170	-
	10,170	-	10,170	-

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 applies for medical aid contributions which are adjusted by a factor that is above CPI.

Key capital structure data:	2016	2015	2016	2015
Shareholder Funds – Equity	1,662,720	1,305,616	1,662,720	1,305,616
Earnings before interest, tax and depreciation (EBITDA)	276,735	241,181	276,735	241,181
Interest expense	10,122	10,769	10,122	10,769
- Long term borrowings	131	1,660	131	1,660
- Post-retirement medical	9,991	9,109	9,991	9,109
	-	-	-	-
The Group benchmarks the following capital ratios:				
Debt to Equity ratio				
Target	Less than 40%	Less than 40%	Less than 40%	Less than 40%
Actual	4.74%	4.30%	4.74%	4.30%
EBITDA to Debt				
Target	Greater than 3	Greater than 3	Greater than 3	Greater than 3
Actual	3.51	5.20	3.51	5.20
EBITDA to interest cover				
Target	Greater than 10	Greater than 10	Greater than 10	Greater than 10
Actual	27	22	27	22

29 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 2016 and 31 March 2015.

Transactions with key management personnel loans to directors

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

Key management compensation

Directors emoluments 2016

Figures in Rand Thousand	Period of service (months)	Basic salary	Performance bonus & allowances	Provident Fund	Fees	Total
Executive						
M Booi	6	1,065	-	143	-	1.208
KS Matabane	12	1,857	-	260	-	2,117
R Rasikhinya	8	996	175	139	-	1,310
NO Nekhavhambe (Acting CFO)	5	-	165	-	-	165
Non-executive						
AM Mello	12	308	-	-	369	677
SM Radebe	12	123	-	-	306	429
L Mtimde	12	123	-	-	297	420
NP Mbele	12	123	-	-	275	398
RJ Huntley	12	123	-	-	231	354
X Daku	12	123	-	-	265	388
Total		**4,841**	**340**	**542**	**1,743**	**7,466**

Directors emoluments 2015

Figures in Rand Thousand	Period of service (months)	Basic salary	Performance bonus & allowances	Provident Fund	Fees	Total
Executive						
SJ Mohapi	12	2,918	1,730	584	-	5,231
KS Matabane	12	1,752	641	245	-	2,638
R Rasikhinya	12	1,568	604	266	-	2,438
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
Total		**7,013**	**2,975**	**1,095**	**1,188**	**12,270**
Chairperson - Audit	Committee					
JK Masemola	6	-	-	-	56	56
See Accounting Authority's report for movements (resignations and appointment) in directors during the year.						

Other key management personell

Key personnel are defined as per their positions below. Remuneration to key management personell excluding director's emoluments is:

2016 Figures in Rand Thousand	Position	Period of service (months)	Basic Salary	Performance Bonus and Other Allowances	Pension Fund	Total
T Masooa	Executive: Human Resource	10	1,218	-	171	1,389
MM Matobako	Executive: Risk Management	12	1,481	-	207	1,688
PN Phukubje	Executive: Internal Audit	12	1,486	-	208	1,694
NB Motswasele	Executive: Business Services	12	1,444	-	202	1,646
LS Takalani	Executive: Technology	7	825	--	116	941
Z Adams	Executive Head: Legal	12	1,389	-	195	1,584
S. Senti	Acting Executive: Innovation	10	875	192	122	1,189
P Maine	Executive Head: Information Technology	12	1,467	-	206	1,673
NO Nekhavhambe	Executive: Finance	12	1,447	-	203	1,650
TJ Leshope	Executive: Operations	12	1,490	-	209	1,699
Total			**13,122**	**190**	**1,839**	**15,153**

2015 Figures in Rand Thousand	Position	Period of service (months)	Basic Salary	Performance Bonus and Other Allowances	Pension Fund	Total
T Masooa	Executive: Human Resource	12	1,378	412	193	1,983
MM Matobako	Executive: Risk Management	12	1,397	306	196	1,899
PN Phukubje	Executive: Internal Audit	12	1,397	313	196	1,906
NB Motswasele	Executive: Business Services	12	1,369	391	192	1,952
L. S Takalani	Executive: Technology	10	1,221	349	171	1,741
Z Adams	Executive Head: Legal	12	1,308	291	183	1,782
S. Senti	Acting Executive: Strategy Co- ordination	12	1,188	249	139	1,576
P Maine	Executive Head: Information Technology	12	1,397	390	196	1,983
NO Nekhavhambe	Executive: Finance	12	1,359	414	190	1,963
TJ Leshope	Executive: Operations	12	1,403	417	196	2,016
Total			**13,417**	**3,532**	**1,852**	**18,801**

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:

Sale of goods and services

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
SABC	599,078	562,202	599,078	562,202
USAASA	40	2,043	40	2,043
	599,118	**564,245**	**599,118**	**564,245**

Services are rendered at market related rates.

Purchases of goods and services

South African Post Office	-	-	-	-
SABC	-	195	-	195
ICASA	5,918	8,723	5,918	8,723
	5,918	**8,918**	**5,918**	**8,918**

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

Related party receivables

South African Post Office	-260	-260	-260	-260
SABC	285	2,331	285	2,331
USAASA	1,464	3,061	1,464	3,061
Impairment of related parties	(622)	(1,180)	(622)	(1,180)
Department of Telecommunications and Postal Services	-	534	-	534
	867	4,486	867	4,486
Other receivables				
ICASA	-	-	-	-

Transactions with subsidiaries

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.

30 COMMITMENTS

Capital commitments

Expenditure will be financed in line with the Company's optimal capital structure, taking into account internal cash resources available, borrowings and government grants.

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
- Sentech funded assets	502,016	300,000	502,016	300,000
- Government grant funded assets	30,346	80,822	30,346	80,822
Approved but not contracted	450,049	291,854	450,049	291,854
Contracted	82,313	88,968	82,313	88,968

The authorised capital expenditure for property, plant and equipment is planned to occur in the next financial year. It will be financed in line with the Company's optimal capital structure, taking into account available internal cash resources, borrowings 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 19.

Minimum lease cash payments due				
- within one year	291,194	225,894	291,194	225,894
- in second to fifth year inclusive	1,029,846	788,714	1,029,846	788,714
- later than five years	1,998,722	2,018,668	1,998,722	2,018,668
	3,319,762	**3,033,276**	**3,319,762**	**3,033,276**

31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Litigation matters

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

32 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:

Figures in Rand thousand	GROUP		COMPANY	
	2016	2015	2016	2015
Opening balance	15,113	35,577	15,113	35,577
Add: Expenditure where supply chain management process not followed	1,594	3,833	1,594	3,833
Less: Current year expenditure condoned	-	(1,155)	-	(1,155)
Less: Prior year expenditure condoned	-	(23,142)	-	(23,142)
Closing balance	**16,707**	**15,113**	**16,707**	**15,113**

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:

Balance at 1 April	5,151	5,034	5,151	5,034
Losses identified during the year	261	117	261	117
Balance at 31 March	5,412	5,151	5,412	5,151

The nature of these losses are primarily a result of contract terms that are not favourable to SENTECH, including interest charges on services rendered without reference to the payment due date. The Company is in the process of phasing out such contracts and will renegotiate some of these contracts that are still valid for a forseeable furture and SENTECH is currently considering the possible condonement of these losses within the context of each individual transaction.

33 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 R3 million. The facility has not yet been utilised and will only be used when required by the Group.

34 GOING CONCERN

The Accounting Authority has reviewed the corporate plan and prepared a cash flow forcast for the 18 months to 30 September 2017. 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 Company's ability to generate cash 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.

35 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 on the reported results, other than those matters already disclosed in these financial statements.

36 CHANGE IN ACCOUNTING POLICY

Except for the change below, SENTECH has applied the accounting policies set out in note 1 consistently to all periods presented in the financial statements. The Group never had a documented policy that dealt with short-term incentives that were applicable during the periods where the performance by the Group would justify payment of performance based incentives to employees. The Group introduced a Short-Term Incentive Policy in 2015 which introduce a criteria that would be applied in the determination and recognition of employee incentives. In the prior financial years of 2014 and 2015, the employee incentives were determined and expensed in the periods where they were paid instead of periods that the performance related to because of the significant uncertainties regarding the basis that would be used in finalisation.

As a result of the approved policy dealing with Short-Term Incentive for the Group, the accounting policy has been revised to reflect that the determination of the incentives will be provided for in the year of performance consistent with the set criteria. The general accounting convention is that a provision should be raised in the year of accounting and payments effects in the ensuing financial year. In this way, the financial statements will provide information that is more useful to the users of the financial statements including those charged with governance.

IAS 8 requirements were complied with in providing the necessary regarding this requirement and the quantitative impact of the change in accounting policy has been detailed below.

The impact of the restatement

The following table summarises the impact of the above change on the Group's financial position, profit or loss and other comprehensive income.

Group statement of profit or loss and other comprehensive income: Figures in Rand thousand	As Previously	Policy Change	As Restated
3/31/2015	Reported	Adjustment	Amount
Cost of Sales	761,563	7,956	769,519
Income Tax Expense	37,080	(2,228)	34,852
Total Comprehensive Income	(165,412)	5,728	(159,684)
Group statement of financial position:			
3/31/2015			
Current Liabilities	(330,485)	(36,105)	(366,590)
Deferred Taxation	(56,489)	10,109	(46,380)
Equity (Retained Earnings)	(744,958)	25,995	(718,962)
4/1/2014			
Current Liabilities	(536,998)	(28,149)	(565,147)
Deferred Taxation	(38,207)	7,882	(30,325)
Equity (Retained Earnings)	(579,546)	20,267	(559,279)