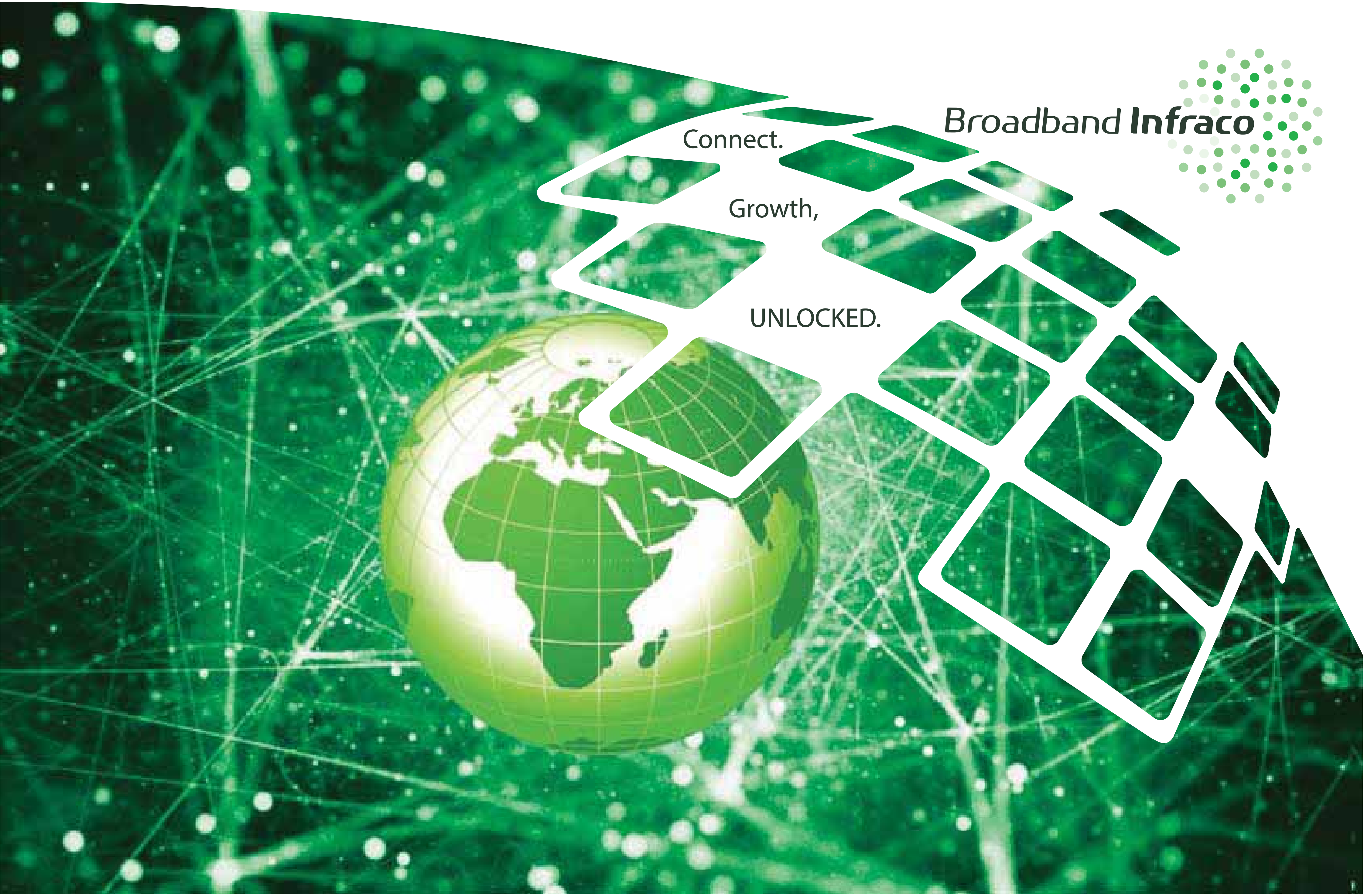

Towards Sustainable Growth... Connecting the Nation and Beyond

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PRELUDE

Our Journey

Our journey commenced in 2007 when Broadband Infraco was established as a State-Owned Enterprise (SOE) in terms of the Broadband Infraco Act No. 33 of 2007 (the Act). Our mandate is to expand the availability and affordability of access to electronic communications, including, but not limited to, underdeveloped and underserviced areas, primarily to service the Second National Operator (SNO). This in accordance with the Electronic Communications Act No. 36 of 2005, commensurate with international best practice and pricing, through the provision of electronic communications network services and electronic communications services.

The Company was registered in 2008, with the Companies and Intellectual Property Commission (CIPC), as an entity owned by Government and the Industrial Development Corporation (IDC). In October 2009, we obtained an Individual Electronic Communications Network Services (I-ECNS) licence from the Independent Communications Authority of South Africa (ICASA). We launched commercially on 18 November 2010. The Rights of Use Agreement with SNO was terminated in the year 2011/12 that resulted in the insourcing of the network operations and an increase in customer acquisitions.

As per the requirements of the Companies Act 71 of 2008, Broadband Infraco is registered as a State-Owned Company (SOC) with the CIPC with effect from 2013. In the same year, we crafted the Build, Grow and Expand (BGE) strategy to turn the Company around. We own and lease fibre from Eskom Enterprises and Transnet Freight Rail, with whom we continue to synergise and enhance relationships with the intention to encourage joint infrastructure planning and optimisation to avoid duplication of fibre network roll-outs. We have initiated site builds where there was previously no infrastructure, thus filling unique unaddressed gaps. Our milestones for the previous five financial years are highlighted in the diagram below.

Milestones

2014

Five new open access PoPs completed

Presidential Proclamation signed on 19 September 2014, effectively transferring the Company from the Department of Public Enterprise to the Department of Telecommunica-tions and Postal Services

Number of customers increased to 14

B-BBEE level 6

89.47% achievement of the Shareholder Compact

170 Permanent Employees

2015

70% Commitment of Employees

Overall award and A rating in compliance

A rating in internal audit and internal control

OHSAS 18001 certification

Number of customers increased to 18

B-BBEE level 4

83% achievement of the Shareholder Compact

175 Permanent Employees

2016

Zero irregular expenditure

NOSA accreditation

OHSAS 18001 certification retention

33 PoPs optimised

Number of customers increased to 23

B-BBEE level 3

Positive EBITDA

87.50% achievement of the Shareholder Compact

149 Permanent Employees

2017

Zero irregular expenditure

OHSAS 18001 certification retention

ISO 9001-2015 certification process started

18 PoPs optimised

Number of customers increased to 30

B-BBEE level 2

Positive EBITDA

72% achievement of the Shareholder Compact

132 Permanent Employees

2018

OHSAS 18001 certification retention

ISO 9001-2015 certification 2

Number of customers increased to 46

B-BBEE level 7

Positive EBITDA

Positive Cash flow generated from operations

64% achievement of the Shareholder Compact

137 Permanent Employees

PERFORMANCE AT A GLANCE

SHAREHOLDER COMPACT

64% acheived declined from 72%

CUSTOMERS

Increased from 30 to 46

REVENUE

Market Price Pressure

EBITDA

Positive

CASH FROM OPERATIONS

Positive

NETWORK IMPROVEMENT

38 Kilometres of fibre added

NETWORK AVAILABILITY	NETWORK UTILISATION	REBATES	MTTR	B-BBEE LEVEL
99.77%	1955.75 STM-1 equivalent sold	Frequent network faults	Improved by 10 %	Change in requirements

ABOUT THIS REPORT

Basis of approach

Broadband Infraco has adopted the Integrated Reporting (IR) Framework from the International Integrated Reporting Council (IIRC) since its inception. Our reporting is dynamic, year on year, as we incorporate the developments and application of the (IR) framework that has challenged our thinking to become more integrated.

Through this report, we aim to guide our stakeholders to:

- View our performance within the economic, technological, social, regulatory and political environments;
- Gauge the capability of our Board of Directors to lead the Company's value creation;
- Comprehend how our governance structures enable our strategic objectives and operational performance;
- Understand challenges and risks that affect our decisions and performance;
- Understand certain shifts made in the use of our resources; and
- Assess our ability to mitigate the unintended adverse impacts on the environment and stakeholders.

Our stakeholder engagement model and processes are outlined on page 21.

Frameworks and Guidelines

The content of this report is guided by the following frameworks and legal requirements:

- National Treasury Regulations and Frameworks;
- Public Finance Management Act (PFMA), No.1 of 1999 as amended;
- Companies Act, No.71 of 2008;
- The King Code on Corporate Governance in South Africa (King IV); and
- The International Integrated Reporting Framework.

Outcomes – Based approach reporting

We have revised the Performance Information Monitoring and Evaluation policy and developed a procedure manual that will be approved in the first quarter of the new financial year. This policy takes an outcomes-based approach to planning and reporting, informed by the guidelines and frameworks issued by National Treasury and the Department of Performance Monitoring and Evaluation (DPME).

Reporting limitations

This Integrated Report reviews our performance for the financial year, from 1 April 2017 to 31 March 2018, with one year's financial comparative information, for the statement of profit and loss and other comprehensive income and two years for the statement of financial position. It follows from our 2017 integrated report and includes material events up to the date of approval.

This integrated report should be read in conjunction with the annual financial statements for an all-inclusive, comprehensive view of our financial performance. The limitations of this report encompass factors that impact on our ability to create value. We believe that the information presented herein is comparable to prior years.

Integrated assurance approach

The Board of Directors and Management recognise the importance of a strong control environment in managing risks, improving performance, enhancing governance, instilling stakeholder confidence and strengthening the Company's reputation. We have applied, where appropriate, our Integrated Assurance Plan to the Integrated Reporting Process to enhance the value creation narrative and to provide an independent perspective on the transparency and accountability of our disclosures.

Our Integrated Assurance Plan encompasses the assurance provided by Management, Sub-Executive Committees (sub-Exco), Specialists, Internal and External Audit, External Advisers and Service Providers, with the Board of Directors serving as the last line of defence. The plan further enables the Board of Directors and its Committees, including the Audit and Risk Committee (ARC), to remain appraised of Management's efforts to mitigate risks to an acceptable level and to improve the control environment.

Collectively, assurance-related activities performed by the various role players constitute the Integrated Assurance Plan.

Table 1 below illustrates the integrated assurance activities that inform the 2018 Integrated Report.

Activities	Assurance providers	Outcome	Framework/ Standard
Annual Financial Statements and Performance Information	• SNG Grant Thornton	• Unqualified audit opinion	• IFRS • PFMA • Companies Act
Review of internal controls and risk management	• Internal Audit • Legal firms	• Financial controls: Satisfactory • Operational controls: Requires improvement	• Committee of Sponsoring Organisations (COSO) • PFMA • Institute of Internal Auditors • Legislative requirements • Enterprise Risk Management
Quality Standards auditing	• South African Bureau of Standards (SABS) • International Standards organisations (ISO) • TUV Rheinland	• Standardisation of processes and systems	• ISO standards relating to safety and environment, including quality.
B-BBEE Contributor Level	• Internal Audit • Empower Logic Agency CC	• B-BBEE contribution Level confirmed as 'Level 7' based on new codes	• Broad-Based Black Economic Empowerment (B-BBEE) Act and Charters
Corporate Governance	• Internal Audit and Compliance Business units	• Assessment of controls • Financial controls: Satisfactory • Operational controls require improvement	• King IV • PFMA • Companies Act

Table 1 Integrated Assurance Plan

Feedback

We endeavour to continuously improve our integrated reporting process to ensure that we meet best practice reporting standards and the expectations of our stakeholders, as well as increase visibility of our efforts in creating sustainable value for all our stakeholders. We therefore welcome any views on the content and design of the report.
Comments and questions can be directed to contact-us @infraco.co.za.

Future-Outlook statements

Certain statements in this report regarding Broadband Infraco's operations may be based on the future-outlook. These include all statements other than statements of historical fact, including those regarding the financial position, corporate strategy, management plans and objectives for future operations.

Future-outlook statements constitute our present expectations that hinge on reasonable assumptions based on market analysis and calculated risk. These statements inform the readers that our assumptions have been validated. Actual results may differ materially from the projected future-outlook statements due to a vast number of events, risks, uncertainties and other factors. Broadband Infraco neither intends to nor assumes any obligation to update or revise any future-outlook statements, whether because of new information or future events.

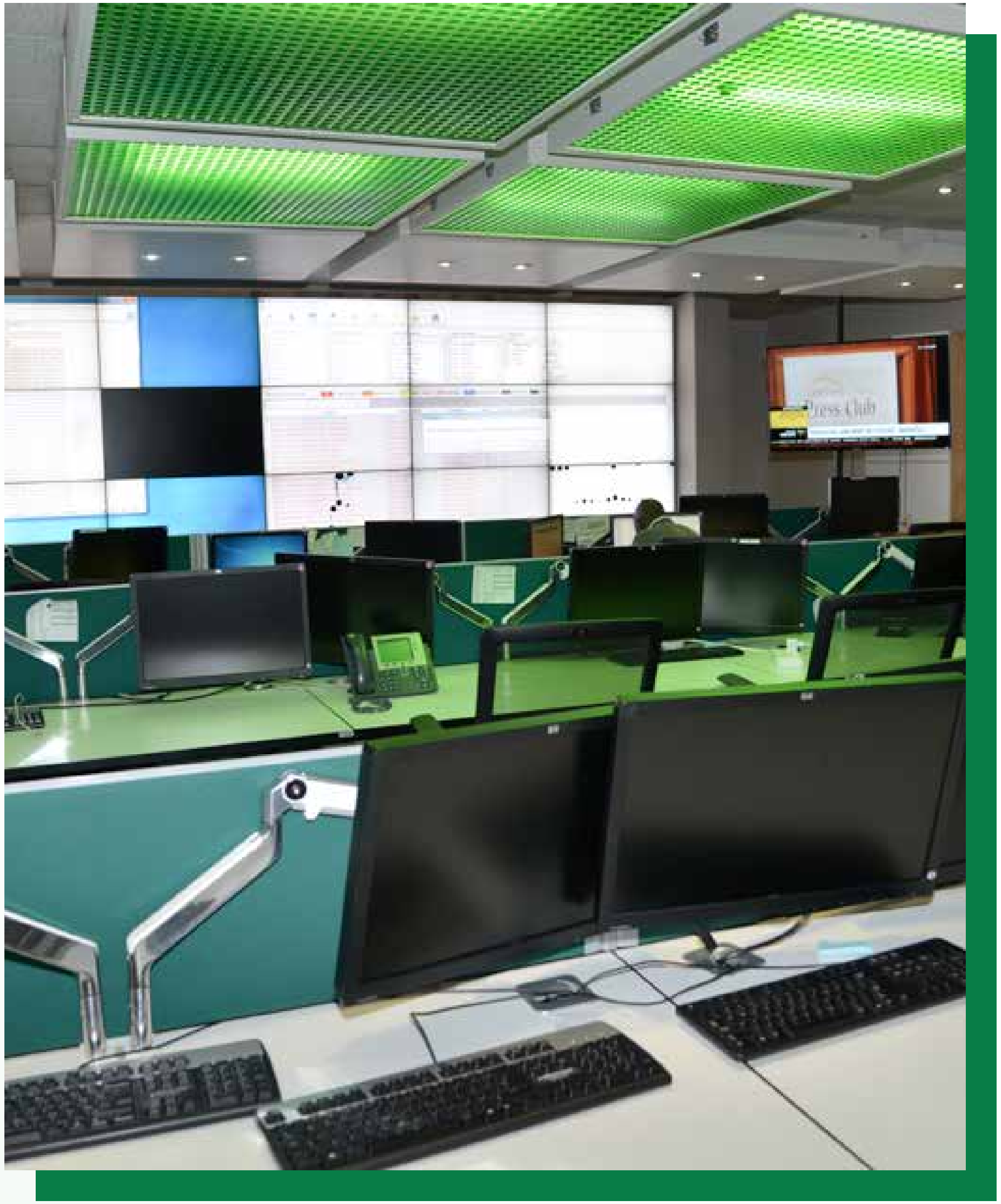
Statement of responsibility

The Board of Directors, assisted by the Audit and Risk Committee (ARC), acknowledges its responsibility to ensure the integrity and completeness of the 2018 Integrated Report. The Board of Directors affirms that it has applied its collective mind in the preparation and presentation of the Integrated Report and has concluded that it is presented in accordance with the International Integrated Report Framework.

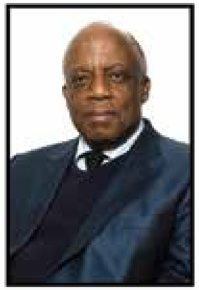
The Board of Directors, considering the completeness of the material matters dealt with and the reality of information presented based on the combined assurance process followed, approved the 2018 Integrated Report, Annual Financial Statements and supplementary information on 21 August 2018.

Ms Nokuthula Selamolela
Chairperson: ARC

Mr Mandla Ngcobo
Chairperson: Board of Directors



LEADERSHIP PERSPECTIVE



BMC Ngcobo
Chairperson of the Board

AD Matseke
Chief Executive Officer

Il van Niekerk
Chief Financial Officer

The Chairman of the Board, Chief Executive Officer (CEO) and Chief Financial Officer (CFO), on behalf of the Board of Directors, present Broadband Infraco's Integrated Report for the year ended 31 March 2018. This report covers the total performance of the Company, its financial and other resources over a period of five-years, thus depicting our journey in implementing our turnaround strategy.

Although the Company continued to experience challenges during the year under review, the tide was turned by the Minister of Telecommunications and Postal Services' (DTPS) announcement in his budget speech on 24 May 2017 that Broadband Infraco had been selected to be the telecommunications infrastructure aggregator to connect the underserviced areas of South Africa through the implementation of the SA Connect project.

The Company has, over the past five years, depicted a sterling leadership stability record in that the change in leadership came about only because of the expiration of the employment contract of the former CEO. The fixed term employment contract of the former CEO expired at the end of May 2017 and was extended until the end of November 2017 to ensure a seamless handover to the current CEO who joined in the middle of November 2017.

We have, during the tenure of the previous CEO, executed our Build, Grow and Expand (BGE) strategy which was developed in 2013 financial year. The BGE strategy ensured that a solid platform is in place to create momentum towards growth, innovation, and sustainability by preserving the value of the Company and connecting the nation and beyond. This strategy identified 23 initiatives to turnaround the Company. Out of the 23 initiatives, 19 were achieved, 2 are work in progress and 2 are a challenge. Below are the details of our milestones as per the respective Capitals:

Intellectual capital

Standardised processes, policies and procedures have been developed for all aspects of the business; and are updated regularly to ensure good governance and continuous improvement. We track several Key Performance Indicators (KPIs) to measure business performance, notably those determined by the Shareholders in the Annual Performance Plan and contracted through the Shareholder Compact.

Financial capital

The 2018 financial year continued to experience the economic downturn that started in the ICT sector at the end of the 2017 financial year, which influenced market consolidation. This necessitated a change in the Company's sales strategy.

Although the number of customers increased from 30 to 46 during the year under review, this increase was not sufficient to enable the Company to achieve the set revenue targets. As a result, revenue ended 5% lower than the previous year. This is mainly due to expected upgrades from major customers not materialising and continued delays in the sales to billing cycle.

The changes in the sales strategy did, however, bring about a change in momentum and significant sales were made during the year. This resulted in national sales increasing by 26% year-on-year. Management is positive that this momentum will continue in the next financial year.

While the revenue target for the year was not achieved, we are proud to have achieved an increase in the sale of STM-1 Equivalent to 1955.75 and are confident of driving revenue growth going forward.

Cost of sales (excluding depreciation) for the year is 16% (R35 million) lower than the previous financial year. This is partly because of the continued efforts by management to optimise costs and the migration of services to our own network to reduce contracted maintenance and colocation costs. This saving was sufficient to improve the gross profit percentage year-on-year from 44% to 51%.

Management is optimistic that cost of sales increases for the next financial year will be maintained at inflationary levels.

Operational expenses for the year (excluding depreciation) are 10% (R13 million) higher than the operating expenses at the end of the previous financial year. This increase is mainly due to an increase in repairs and maintenance to support the network.

Management continues to drive the optimisation of various costs within the Company and the cost containment measures assisted in achieving a positive Earnings Before Interest Taxation Depreciation and Amortisation (EBITDA) rate, ensuring long-term sustainability of the Company. The Company finalised most of capital projects initiated during the financial year with a total capital spend of R41 million for the year under review. Most of the capital spend was for the provisioning of services for strategic customers and technology refurbishment of the core network.

The Company remained cash positive, albeit off the back of depleting cash resources. We had a net inflow of cash resources from operations realised this financial year – a first in Company history, together with the positive EBITDA rate.

The Executives and Senior Management continue to drive sales growth. This drive is towards the sustainable growth of the Company which is depicted in the cash flow forecast for the next twelve months.

Funding

We continue to follow a funding strategy that is designed to cater for a transitioning business model that will enable sustainability. The Company's business model has transitioned from a single customer to one based on multiple customers, ranging from the private to the public sector. The Company's planned capital investment programme is supportive of long-term financial sustainability, with four key priorities:

- Revenue protection projects;
- Revenue generating projects;
- Mandate and licence obligations projects; and
- Essential asset upgrades and refurbishment projects.

The funding strategy is to source funds from various financial institutions, selective vendor financing alternatives and other providers of medium-term debt financing. Financial institutions are targeted as a source of short-term cash and liquidity provisioning facilities and to support the Company with long-term debt capital. Medium-term funders will also be expected to support the Company with long-term debt capital whereas vendors will be sought to support medium and long-term balancing of operational costs with revenue, through financing of technology enhancements.

Manufactured capital

Our network performed above the minimum contracted average of 99.5%, despite major incidents on the network in the third quarter of the year under review where "Force Majeure" incidents occurred that impacted negatively on our service availability to customers.

We have consistently exceeded the average network performance targets agreed to with our customers. The graph below shows the average service availability trend over the past five financial years. Although the overall average performance is above target, more capital investments need to be made in the network to prevent long outages on customers, which is shown by the lower average performance of the network in the 2017/18 financial year.

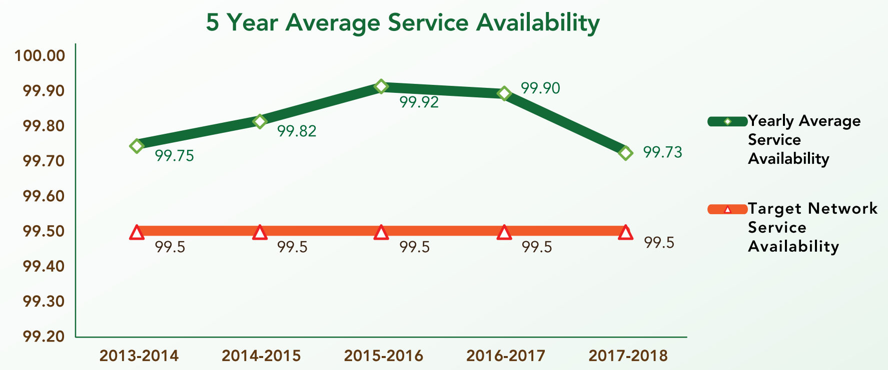


Figure 1 average service availability

Social and relationship capital

The Company experienced a smooth leadership transition with the introduction of the new CEO because of planned interactions with various stakeholders, including media houses that were used to share the news and provide assurance to customers and other relevant stakeholders (internal & external) that daily business operations will not be affected, and the Company will operate business as usual.

Continual engagement with our regional counterparts through the Southern African Telecommunication Association (SATA) and West Africa Cable System (WACS) increased the revenue stream.

We increased our customer base from 30 to 46 in various segments.

The Company adopted a High School in the year 2013 to support the Maths and Science programme through the provision of broadband connectivity as a responsible corporate citizen. In previous years, interactive teaching and learning aids, such as Interactive whiteboards, telematics, computer tablets and a laboratory were provided. In the year under review, cyber security was installed, the educators and learners were trained on cyber-security as a close-out of the CSI Program.

The B-BBEE multiplier achieved was 98%, while the percentage of the procurement spent on black woman owned entities was 16%.

Human capital

Following a challenging period during which the organisation had to adopt stringent cost containment measures, the human capital environment was constrained in its efforts for continuous improvement of talent management. The effects of the headcount freeze and intensive employment cost management placed limitations on human resource capacity building and personal development interventions. This impacted on core areas where requisite skills sets are scarce and highly priced in the market.

Business transformation imperatives such as improvement of gender representation were affected by the inability to attract the right calibre of candidates for activated vacancies during the headcount freeze. Consequently, to manage employment costs and avoid job losses, the Company's remuneration scales were not reviewed through annual benchmarking, per standard practice. The HR correlation efficiency ratio for the cost of employment is 30% of revenue.

The 2017/18 financial year salary structure review was a replacement of the scales that were operational since 2013/14. The alignment of outliers and anomalies continued through a conversion of the portion of the salary adjustments that places an incumbent outside of the scales being paid as a cash allowance.

During the year under review, we were caught between maintaining workplace morale for employee commitment to implement planned business outputs with overstretched human resources capacity, while on the other hand effecting reduced variable remuneration, unable to implement monetary incentives for good performance, as well as a drastic reduction in individual development spend.

The trend impacted employee relations and as a result, the annual substantive negotiation process for the 2017/18 financial year was protracted and marred with disputes that required external resolution.

Processes to fill senior management and technical vacancies were lengthy and often had to be revisited or repeated due to unsuccessful outcomes. At times when suitable or preferred candidates had been identified, their going rate proved to be unaffordable.

Outlook

The negative perspective and perceptions that existed in the market around the ICT sector and state-owned entities is slowly starting to subside, in fact, it is starting to turn positive. Although the Company has not succeeded in raising funds to extend our network, there are positive indications in the market that this will change in the near future. This change may be attributed to the Company starting to implement SA Connect Phase 1.

The rollout of SA Connect, the momentum generated in the sales environment, and the effective cost containment measures embedded in the Company, made the Company poised for a busy, but successful year.

It is expected that the implementation of SA Connect will strengthen our financial position in the short-term as we move closer to becoming profitable. The five-year corporate plan will create a foundation from where Broadband Infraco will create sustainability and profitability to ensure the Company continues to deliver on its mandate by expanding the availability and affordability of access to electronic communications in underdeveloped and underserviced areas.

Appreciation

A special thanks and appreciation to our Shareholders, the Minister of Telecommunications and Postal Services, Dr. Siyabonga Cwele and his department, as well as the Industrial Development Corporation (IDC) of South Africa, and its Shareholder representative, Ms. Lizeka Matshekga and her executive team for their ongoing support.

We wish to thank our colleagues on the Board and Executives who have provided valuable and assiduous guidance. We would like to thank them for their commitment in assisting with re-positioning the Company to prepare it for the future. Gratitude also, to the many staff members who continue to demonstrate stoicism and dedication to adding value to the Company's bottom line.

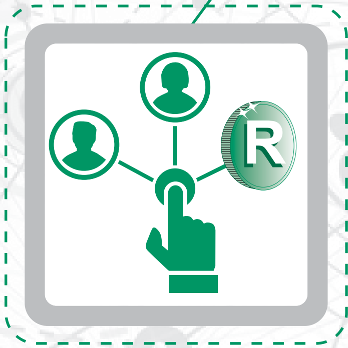
We thank all our stakeholders, especially customers, clients and investors, for their support during the year and look forward to their continuing support during the forthcoming years.

BMC Ngcobo
Chairperson: Board

AD Matseke
Chief Executive Officer

II van Niekerk
Chief Financial Officer

STRATEGY AND RESOURCE ALLOCATION



Who we are

Broadband Infraco is a national asset that is leveraged by Government to drive national growth and industrialisation. Its extensive fixed national and international infrastructure is open to all competitive and public Information Communication Technology (ICT) operators. Broadband Infraco's legislative mandate is set out in the Broadband Infraco Act No. 33 of 2007 (the Act). Its objectives are to expand the availability and affordability of access to electronic communications, including, but not limited to, underdeveloped and underserviced areas. These are aligned with the Electronic Communications Act No. 36 of 2005 and commensurate with international best practice and pricing, through the provision of electronic communications network services and electronic communications services. The Company is a Schedule 2 public entity in terms of the Public Finance Management Act (PFMA) and has the Department of Telecommunications and Postal Services (DTPS) and the Industrial Development Corporation (IDC) as its Shareholders. The Minister is the Executive Authority in terms of the PFMA.

Vision statement

Broadband Infraco aspires to be the

provider of choice, for end-to-end communication services.

Mission statement

- Expand the availability and affordability of access to electronic communications networks and services, including but not limited to underdeveloped and underserviced areas;
- Ensure that the high capacity connectivity and bandwidth requirements for specific projects of national interests are met;
- Enable national and regional private and public collaboration on infrastructure development;
- Remain relevant to customers and stakeholders by offering products and services that fulfil their needs; and
- Deliver on shareholder mandate.

Values

Active engagement of stakeholders

We proactively engage our stakeholders to understand their requirements.

Excellence in service delivery

We are dedicated to satisfying our customers' needs and requirements. The Company respects its customers and understands their requirements, providing them with quality services within the agreed timeframes at affordable prices.

Executes in a simple, flexible and timeous excecution

Our design philosophy is to be flexible to accommodate bespoke, value-added solutions for our customers timeously.

We act with Integrity in all we do

Our employees and directors are personally accountable for the highest standards of behaviour, including honesty and fairness in all aspects of their work. Our personnel will fulfil their commitments as responsible citizens and employees. We consistently treat customers with the respect they deserve.

Open and transparent communication

We build and maintain mutually beneficial relationships with our stakeholders through open and transparent communication.

Strategy

Our strategic intent is to provide broadband connectivity products and related value-added services to public and private licenced or licence-exempt customers, across all industries in South Africa, other selected African and international markets, while continuing to support projects of national importance. The Company's strategic profile is based on the following principles:

1. Understand market demand for broadband connectivity and related value-added services to market segments and respond to customers with the right value, cost-effective services and timeous delivery to drive volume growth.
2. Ensure that products are fit for purpose, flexible, reliable and competitively priced so that we are the provider of choice for broadband connectivity.

3. Develop appropriate, effective marketing and sales strategies that will ensure a push and pull strategy for our products into customer and industry segments to build long-term relationships.
4. Develop, maintain and operate cost-effective national network infrastructure and capacity; including Points of Presence (PoPs), leveraging its preferential access to Eskom and Transnet servitudes, through appropriate partnerships where required.
5. Ensure that the Company has the right capabilities, operational infrastructure, sound governance, internal controls and risk management to facilitate business continuity and compliance.
6. Attract, retain, develop, deploy and appropriately reward people with the right skills, experience, commitment and energy who will proactively implement this strategy and continuously manage performance through our defined performance management framework.

To realise the intent and profile, the strategic theme in support of the vision is to increase access to electronic communication services through connection to our network and partner broadband connectivity solutions.

The strategy of the Company is summarised in the acronym BGE which stands for Build, Grow it Expand as is explained below:

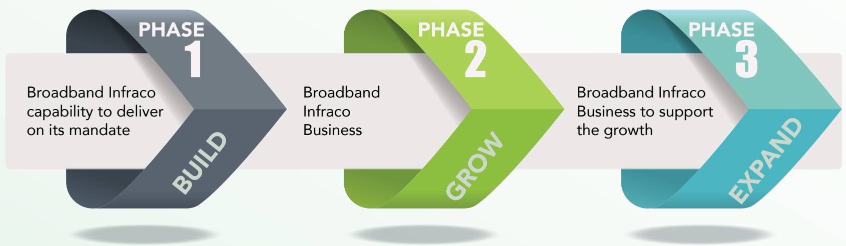


Figure 2 Our strategy

The 23 Strategic initiatives (see page 24) encapsulated all the above phases of strategy.

What we do

We offer backhaul connectivity and various broadband communication services. Our mandate is in line with the National Development Plan (NDP) of establishing national, regional and municipal fibreoptic networks to provide the backbone for broadband access, particularly in underserviced areas of the country. The services are based on the provision of high-capacity bandwidth from point to point on the national network. We are geared to connect the nation through the implementation of SA Connect phase 1 in the new financial year.

Our Key business elements:

National connectivity

Our national long-distance fibre optic network comprises of more than 14 958km of optic fibre cable, utilising Dense Wavelength Division Multiplexing (DWDM) equipment, to provide combinations of base capacities ranging from 2.5 Gigabits (Gbit/s) to 100 Gbit/s lambdas along major network routes. The Company supports small Internet Service Providers (ISPs) by offering sub-gigabit capacity connections on an Internet Protocol (IP) platform. This allows smaller businesses to provide services to their clients.

Regional connectivity

Our network covers all nine provinces, major cities and towns of South Africa and extends to the borders of our neighbouring countries of Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zimbabwe to provide required interconnectivity. In line with the Southern African Development Community (SADC) Protocol, we have connected all the SADC PoPs. Broadband Infraco offers services to all the neighbouring countries through interconnections at border posts.

The following are the border connectivity points:

- Ramatlabama at the border with Botswana;
- Maseru at the border with Lesotho;
- Onseepkans at the border with Namibia;
- Mahamba at the border with Swaziland;
- Beitbridge at the border with Zimbabwe; and
- Komatipoort at the border with Mozambique.

International connectivity

We are a Tier 1 Investor in the 5.1 Tbit/s, WACS. The cable connects South Africa to the United Kingdom, with landing stations at Portugal and along the West Coast of Africa. The interlink between international cables landing on the East Coast and international cables landing on the West Coast of South Africa is crucial to our plans. This forms an important backup link for undersea cables on the East and West Coast and also provides connectivity between the two regions.

The diagram below depicts our national and international connectivity:

Figure 3: Broadband Infraco footprint

Products and services

Our portfolio of products and services is based on the provision of high capacity managed bandwidth from Point of Presence (PoP) to PoP, delivered on our resilient National Long-Distance network. The evolution of technology, coupled with the high consumption of IP based services, has resulted in customers requesting high bandwidth services.

We responded to this by implementing next Generation Dense Wavelength Division Multiplex (DWDM) technology that can carry 100 Gbps within our core network. Our prouducts suite and services is based on the Open System Interconnection (OSI) Model that is established on a variety of technology portfolio in Synchronous Digital Hierarchy DWDM or Optic Transport Network (DTN) and Carrier Ethernet. Our services are in the first three layers of the OSI model, namely, the physical layer (Layer 1), the data link layer (Layer 2) and the network layer (Layer 3). The bandwidth services that use Synchronous Digital Hierarchy (SDH) and DWDM, are in Layer 1 and Layer 2. The Company also offers IP connectivity services including IP transit which is a Layer 3 service.

Product features and benefits

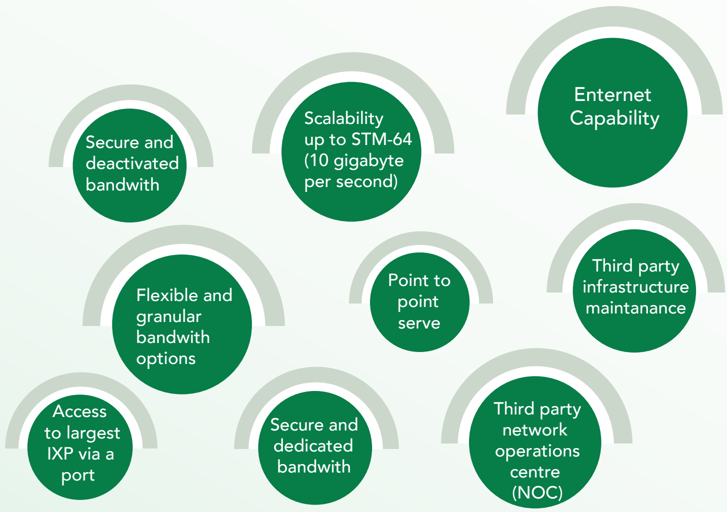


Figure 4 Products features and benefits

Customers

The Company has 46 customers spanning across various segments as illustrated by the figure below:

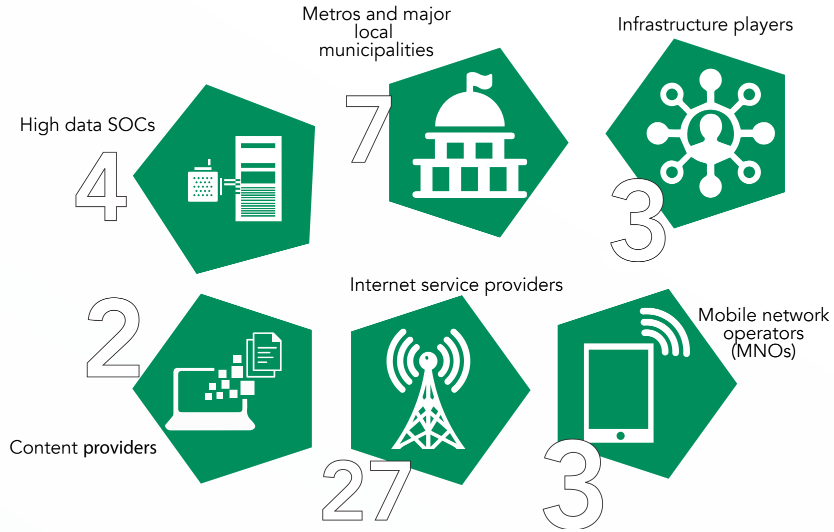


Figure 5 Number of customers

Stakeholder engagement model

We define our stakeholders as those groups that affect, and/or are affected by our activities, products/services and related performance. To effectively deliver on our mandate and corporate strategy, we need to ensure active stakeholder engagement. Details for Stakeholders engagement is on page 32-33.
Our stakeholders engagement model is depicted in the diagram below:

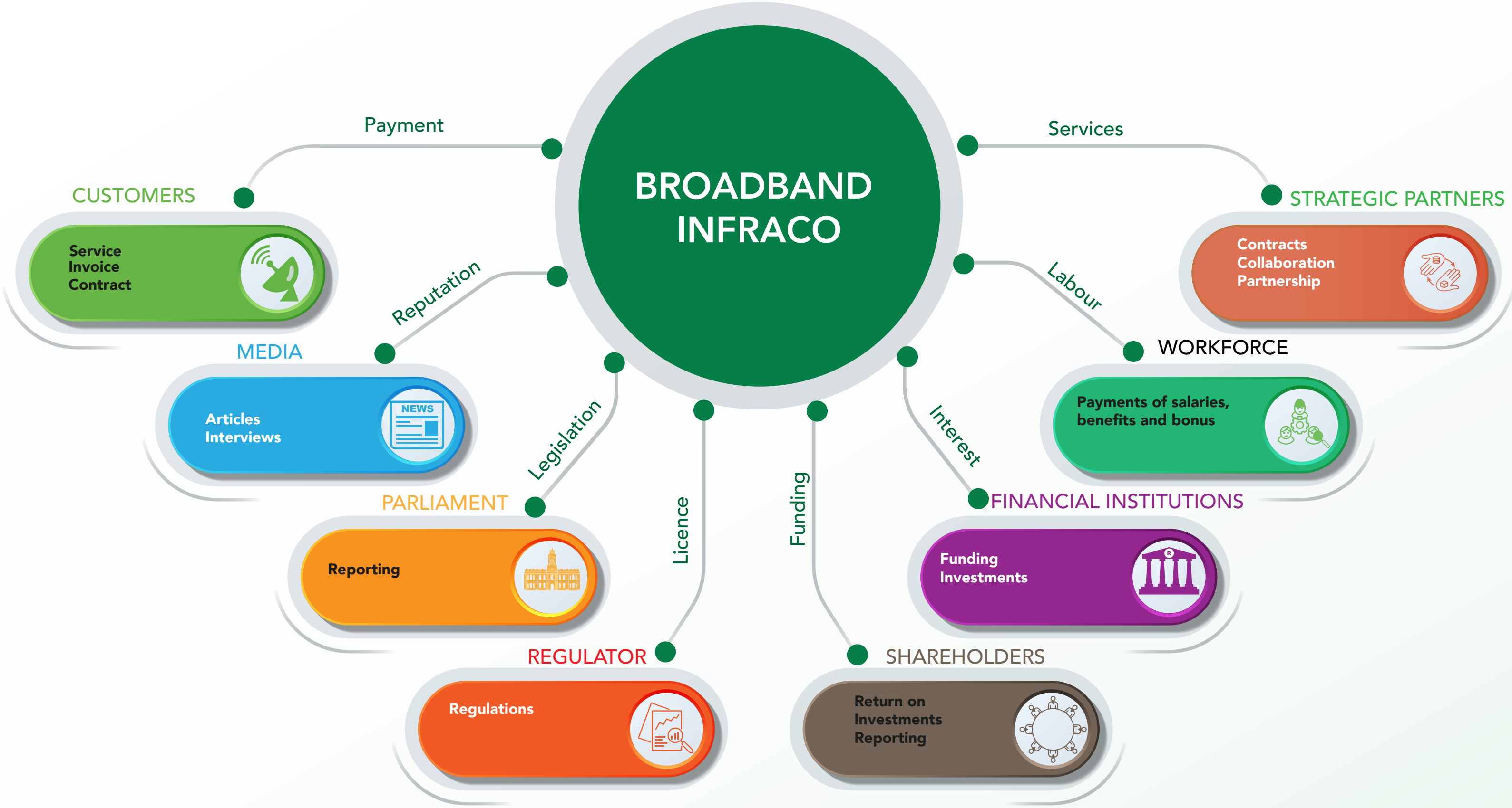


Figure 6 Our stakeholders

ORGANISATIONAL OVERVIEW

Operating environment

Demand for our products and services is increasing nationally, regionally and internationally. If Government is to meet its National Broadband Policy (SA Connect) targets of connecting 90% of the population at 5Mbps and 50% of the population at 100Mbps by 2020, an enormous investment in infrastructure will be required. In the private sector, local mobile operators have reported healthy data growth rates beyond 30% year on year. These are because of accelerated investment in 3G and LTE (high-speed) technologies to meet market appetite for high-speed broadband access.

Our Business Development Strategy in capturing such markets is centered on strengthening the Company within an intensely competitive segment of the telecommunications market through robust positioning of our value proposition:

- An open-access carrier-class communications enabler;
- Unique, preferential access to rail and electricity servitudes (a diversified risk profile ideal for redundancy/diversity);
- A resilient, comprehensive national terrestrial backhaul network connecting all SADC nodes; and
- Competitive international connectivity.

Thus far, this strategic thrust has resulted in the diversification of revenue from over-reliance on a single anchor customer to three anchor customers, and significant customer growth to a total of 46 customers to date.

External factors

We are impacted by various external factors which form an integral part of the environment that we operate in. These includes the Shareholder mandate and applicable legislation and regulations in the telecommunications industry.

Shareholders mandate

Our mandate is to expand the availability and affordability of access to electronic communications, including but not limited to underdeveloped and underserviced areas through the provision of electronic communications network services and electronic communications services.

The Government of the Republic of South Africa, represented by the Minister of the Department of Telecommunications and Postal Services (DTPS) and the Industrial Development Corporation (IDC) of South Africa are our Shareholders. The Company pursues commercial imperatives as well as a public mandate and policy objectives. Our five-year Corporate Plan illustrates our strategic and operational direction including the strategic objectives and resource plans, (financial and human), required to enable the realisation of this direction. The Shareholders Compact defines clear objectives for performance measures and targets between the Board of Directors and the Shareholders. This is a governance tool to ensure clarity of roles, alignment of strategy, and delivery on Government outcomes. The Corporate Plan; Shareholder Compact and Annual Performance Plan (APP) are submitted to the Shareholders for approval before the commencement of each financial year. The Company quarterly reports that are submitted to the Shareholders are an effective performance monitoring tool.

The Corporate Plan entails all the six Capitals, whilst the APP records the four capitals as the critical focus areas for the Board as illustrated below:

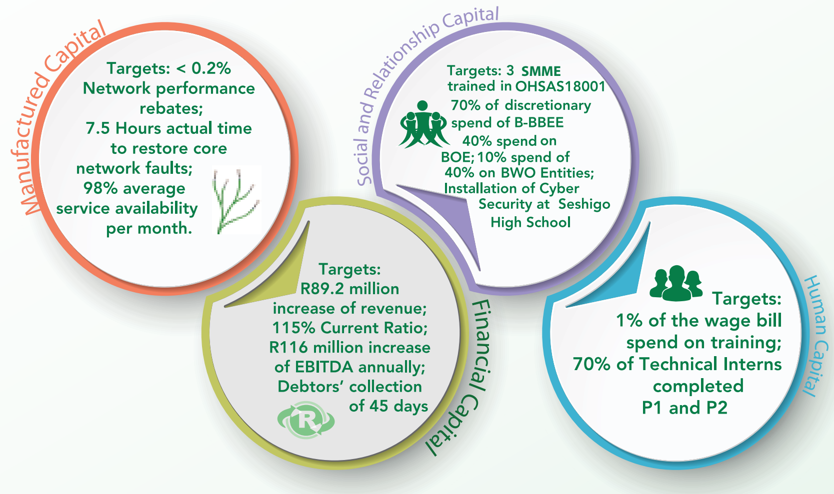


Figure 7 Annual performance plan

Performance against the Annual Performance Plan is set out on page 36 to 54

Compliance with laws, rules, codes and standards

We are mindful of the fact that we must be accountable to all our stakeholders, both internally and externally, thus recognising all regulatory requirements applicable to our business. Great emphasis is placed on ethical values and our integrity as an organisation to comply with the legislative framework within which we operate, and the supervision thereof. We recognise that the greatest risk of non-compliance stems from ignorance of the law which could result in hefty fines or penalties, as well as reputational risk. The Board of Directors, Executive Management and employees are therefore regularly appraised of compliance requirements.

Internal environment

Leadership and governance

Our leadership is guided by our values and code of conduct. The Board is accountable for the sustainability of the Company and provides strategic direction, while the Executive Management Committee (Exco) is responsible for the implementation of the strategy. There is a clear distinction of roles and responsibilities between the Board and Exco. A detailed governance framework can be found on page 57.

Strategic planning and execution

the strategic intent of the Company is to efficiently provide broadband connectivity products and related value-added services to public and private licenced or licence-exempt customers across all industries in South Africa, other selected African and international markets whilst at the same time continuing to support projects of national importance.

We have over the past five years executed the BGE strategy (see page 18), which has ensured that a solid platform is in place to create momentum towards growth, innovation and sustainability, thus preserving the value of the Company. There were 23 initiatives identified to turn the Company around . Of the 23, 19 initiatives were achieved; two are work in progress and two are a challenge as illustrated in the table below:

Initiative	Status	Initiative	Status
1. New Integrated Sales Plan		2. New costing & pricing model	
3. SITA collaboration deal		4. Neotel Scenario Planning	
5. Detailed Network Plan		6. New products and services	
7. Commercial partnerships		8. New commercial model and incentives	
9. Development of area 2 and 3		10. Network upgrade	
11. Optimising the value chain		12. Project funding partnerships	
13. Shareholder/ stakeholder plan		14. International funding	
15. Institutionalise policies and processes		16. B-BBEE initiative	
17. Reward & recognition programme		18. Strategy communication	
19. Implement performance model		20. Clarify roles & responsibilities	
21. Employee Development plan		22. Organisational design	
23. Recruitment and retention			

Table 2 Strategic Initiatives

Legend

Completed		Work in progress	
Completed and norm		Challenge	

The two challenging initiatives relate to sourcing funding from financial institutions due to a weak statement of financial position and no borrowing history. However, it is expected that the implementation of the SA Connect project that relates to strategic initiative 9 will provide the Company with opportunities to source project financing.

One of the two work-in-progress initiatives, the new commercial model and incentives will be completed in the new financial year. The second initiative of development of area 2 and 3 relates to the SA Connect project that will be implemented over a period of ten years.

Systems, policies and procedures

The Company has systems, policies and procedures that cover all aspects of the business to ensure that internal controls are efficient and adequate. There is an enterprise-wide policy register that is updated on a quarterly basis to assist in tracking policies that are due for review, resulting on the company being certified.

Standards

The Company has implemented ISO14001, OHSAS 18001 to ensure the safety of our employees and contractors. The South African Bureau of Standards (SABS) has certified compliance with the Occupation, Health and Safety Act. Stage 1 and 2 auditing of the ISO 9001 certification was completed successfully during the year under review.

Core operations

The Sales and Marketing, Network Engineering, Network Build and Network Operations and Maintenance (Technical) and Stakeholder Management divisions form the core operations of the Company.

The Sales and Marketing division is responsible for sales, marketing of products and services, and customer relationship management.

Network Engineering, which is part of the technical environment is responsible for technical design of network for all technologies (IP/MPLS Design, Security, Operating Systems, DWDM and SDH, Power Calculations and Designs, and Geographical Information Systems [GIS]) and customer service provisioning.

Network Build is the execution engine of all capital projects which are formulated in the Company. They also manage turnkey projects and delivery of customer services in conjunction with internal and external stakeholders.

The Network Operations Centre monitors the performance of the network, including all communication alarms and power failures and ensures that all Service Level Agreements (SLAs) with customers are met.

We also have regional offices that maintain and restore the network when faults occur. The Company operates and maintains 156 PoPs and more than 14 958km of fibre throughout the nine provinces.

Enterprise support

The support functions encompass strategy, business process, quality, information technology systems, supply chain, human resources, internal auditing, risk, legal, regulatory, compliance and financial management. Our operations are fortified by ethical leadership and effective governance.

Employment

As at the end of March 2018, the Company had a total of 158 employees, including 17 interns. The demographics of the organisation are presented in the charts below with a race profile representation of Africans at 86%, Whites 9% Coloureds 1% and Indians 4%. Our employee gender profile is predominantly male at 62% and 38% females, which indicates a slight improvement from the previous year, which was at

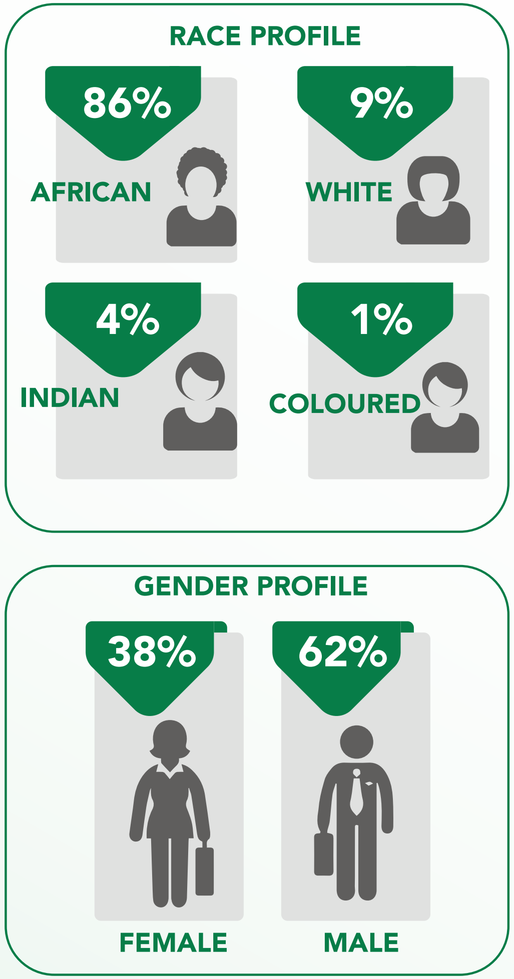


Figure 8 Employee race profile and gender profile

Economic transformation

The Company has succeeded in deploying systems, policies and procedures to comply with all current statutory supply chain management requirements which include, but are not limited to, National Treasury prescripts, Preferential Procurement Policy Framework Act (PPPFA) as well as Broad-Based Black Economic Empowerment (B-BBEE) functionality.

The procurement strategy is specifically designed to attract a meaningful contribution from previously disadvantaged groups and create an environment within the Company where these individuals enjoy preference in terms of the supply of goods and services in all spheres of the supply chain.

The B-BBEE multiplier achieved was 98%, while the percentage of the procurement spent on black woman owned entities was 16%.

CREATING VALUE THROUGH CAPITALS

Our value creation process

Our value chain is illustrated in the Revised Enterprise Process Operating Model below that depicts how we create value for our stakeholders:

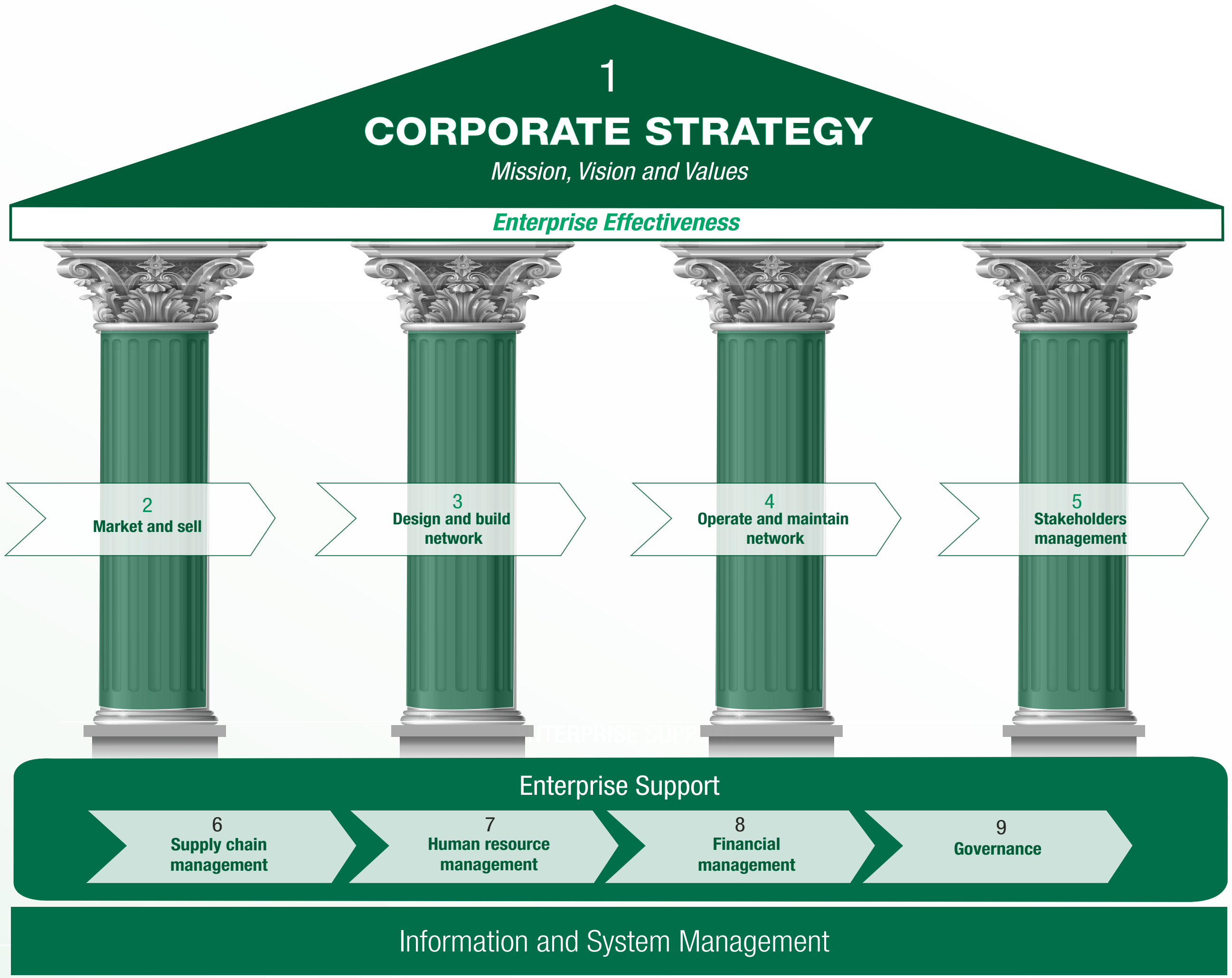


Figure 9 Revised enterprise process operating model

This Enterprise Process Operating Model outlines the processes, information, systems and resources required to execute strategy, thus depicting how we create value. This model is a compass that ensures that the true north of the organisation is based on sound and innovative strategic planning that drives the allocation of resources to enable effective operations for value creation. It is stratified into four distinct areas reflecting the Company ethos, core operations, enterprise support, as well as information systems. Our value creation flows from the Company ethos which is expressed in the vision and the mission as encapsulated in the strategy. The ceiling of our model entails the business processes, quality and information technology management as enablers of strategy implementation. The Intellectual Capital of the organisation resides in this layer, which include policies, processes, standards, frameworks and systems. The second layer is the pillar of the core operations inclusive of Sales and Marketing, Design and Build Network, Operate and Maintain Network and Stakeholder Relationship Management. This layer is the anchor of our value creation which consists of core operations (Manufactured) and the Social and Relationship capitals.

The third layer entails the Enterprise Support functions that include Governance, which underpin the operations of the Company, and reflect the interdependencies of the Financial, Human, Intellectual, and Social and Relationship capitals.

The model is continuously assessed to drive continuous improvement and relevance in the way the Company create value.

Strategic outcomes-based goals

Our mission statement referred to on page 17 is translated into strategic outcomes-oriented goals and objectives to identify the areas of our performance that are critical to the achievement of the mandate and obtaining a competitive edge in the telecommunications industry. They have been set to stretch and challenge us but are considered realistic and achievable within the long-term planning period.

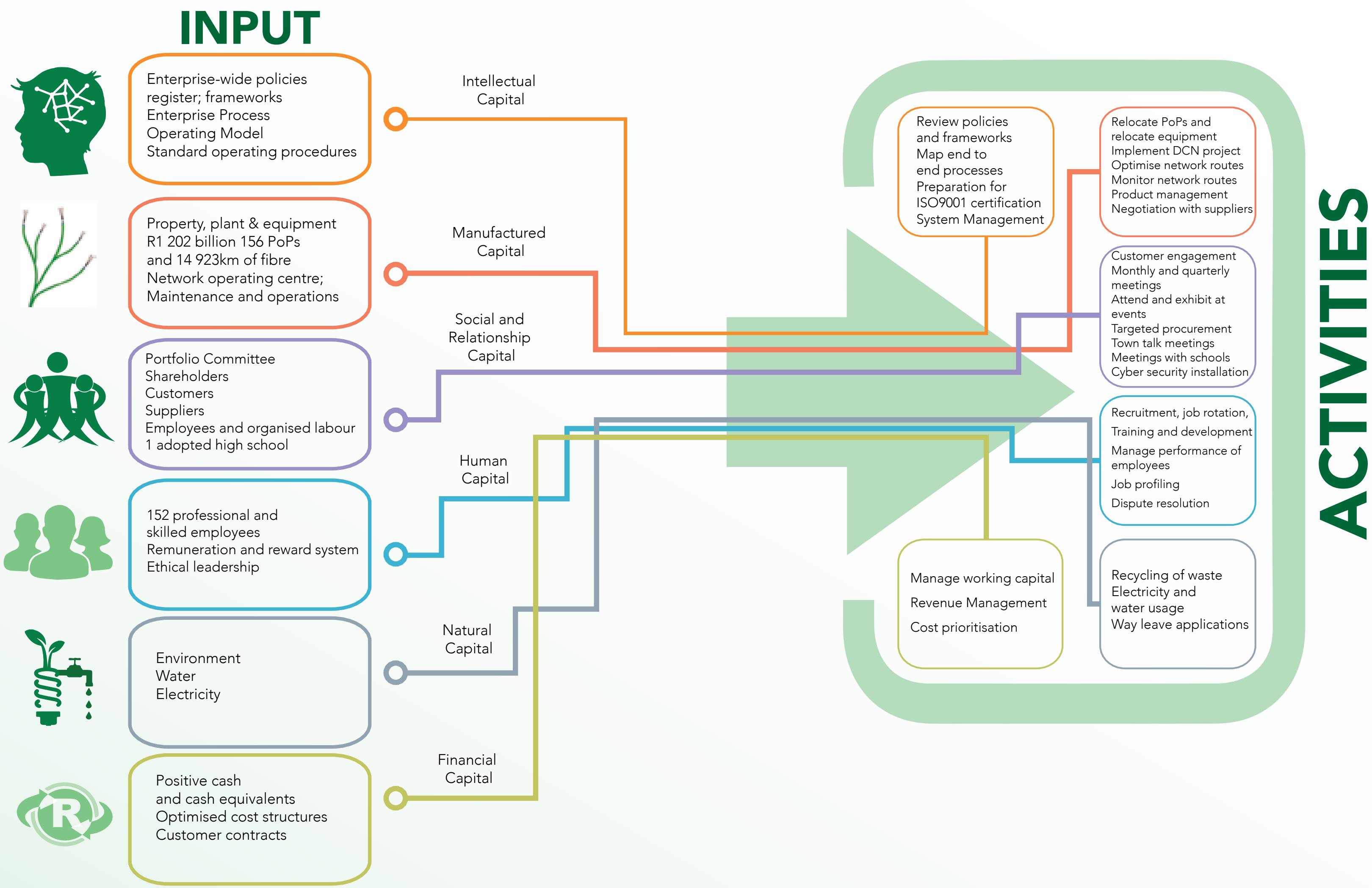
Our goals are written as statements of intent that focus on the value we intend to create through the deployment of our network to deliver products and services to our customers and empower the citizens of South Africa to access the knowledge economy. We intend to achieve this through the efficient and effective use of human and financial capital while impacting the environment and communities within which we operate, in a positive way. The methods used in the delivery of services are continuously enhanced to ensure value is created for all stakeholders. These have informed our strategy map. The associated strategic objectives have been translated into Key Performance Indicators (KPIs) that are measured through annual targets and quarterly deliverables. Our strategic objectives are linked to the National Treasury guidelines on an outcomes-based approach and best practice. Our objectives also address some aspects of the Presidential 9 Point Plan.

Our strategic goals are:

- Resilient Network;
- Financial Sustainability;
- Economic and Social Transformation;
- Operational Excellence;
- Sound Human Capital Management; and
- Proactive Corporate Governance.

How we create value through the Six Capitals

In this section, we show how our business model draws on the various capitals as inputs and through our business activities, converts them to outputs. Our activities and outputs lead to outcomes in terms of effects on the capitals as reflected by the figure below.



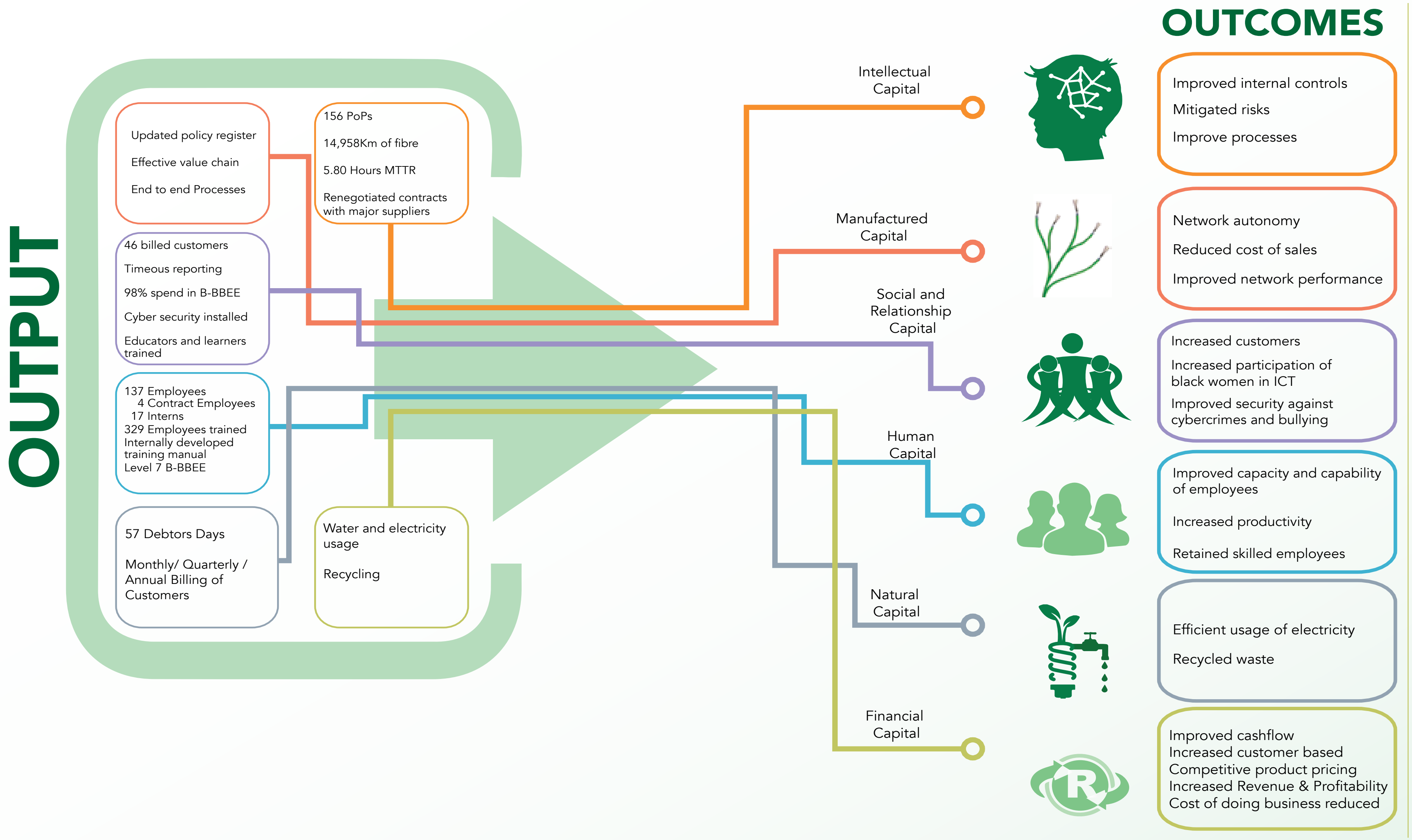


Figure 10 The six capitals

Materiality aspects

Broadband Infraco's 2018 integrated reporting process focuses on topics that are material to the business, the Shareholders and other key stakeholders. Whilst the Company manages a wide range of topics, our 'materiality' focuses the report on matters that are critical to us.

Engaging our stakeholders

In determining our material aspects, we acknowledged the most critical issues raised by our various stakeholders. Our Stakeholders Engagement Policy, that is due for review in the new financial year, defines stakeholders as those groups that affect, and/or are affected by our activities, products/services and related performance. Our stakeholder engagement practices are key success factors in achieving our strategy, and form part of the scope of our Enterprise Risk Management Framework. Our stakeholders influence our brand equity and they also work collaboratively with us through shared and sustainable values. Our priority in creating value in partnership with our stakeholders is to ensure that we manage our stakeholder relationships ethically and accountably. We do so through various governance mechanisms, including our Stakeholders Engagement Policy and Enterprise Process Operating Model adopted in the financial year 2013/14. The Stakeholder Engagement Policy specifies the norms and values that guide our stakeholder relations and establishes a systematic approach to the management stakeholder engagements across the Company. The table below depicts what mattes to out stakeholders, our nature of engagement, the responsible person and activities in the year under review:

Stakeholder Group	Parliament	Regulator	Shareholders	Financial Institutions	Work Force (Employees)	National / Provincial/ Local Government	State Owned Entities	Customers	Suppliers	Media
What matters to them	• Legislation • Oversight	• Regulations • License • Reporting	• Policy Directives • Funding • Sustainability • Accountability • Corporate governance and compliance • Risk management • Reputation	• Funding • Cash generation • Annual Financial Statements	• Job Security • Training and Development • Dispute Resolutions • Labour Relations • Sustainability • Recognition and Rewards • Fair treatment • Job satisfaction • Conducive working environment • Information and feedback	• Broadband infrastructure • Job creation • National revenue contribution • Skills development levies • Compliance to regulations • Socio-Economic Transformation	• Broadband infrastructure • Collaborations and Partnerships	• Sound relationships • Availability of network and services • Competitive service solutions • Quality of Service • Timeous Project Execution • Competitive Pricing • Contract management • Speedy resolution of network faults • Customer satisfaction	• Market conditions • Contract management • Strategic partnerships • Tender management	• Reputation • Communication

Stakeholder Group	Parliament	Regulator	Shareholders	Financial Institutions	Work Force (Employees)	National / Provincial/ Local Government	State Owned Entities	Customers	Suppliers	Media
Nature of engagement	• Meetings • Presentations • Site visits • reporting	• Meetings • Reporting	• Meetings • Performance Results presentations • Events • Annual General Meeting • Site Visits	• Funding Applications • Meetings	• Employment contracts • Performance contracting • HR Processes • Grievance management • Town Talks • Negotiations • Performance Reviews	• Consultations • Workshops • Meetings • Presentations • Tender Management	• Contract management • Meetings • Tender management	• Regular one-on-one Meetings • Service level agreements	• Meetings • Submissions • Contract and service agreements	• Articles • Briefings
Responsibility	• Chairperson of the board • CEO • CFO • Company Secretary	• CEO • CFO • Snr. Manager Regulatory	• Chairperson of the board • CEO • CFO • Company Secretary • Executives	• CFO • CEO	• Executive HR • Other Executives • Senior Managers • Manager Public Relations	• CEO / DG / MP • CMSO • CTO • Executive HR • CFO	• CEO • CMSO • CTO • CFO	• CMSO • CTO • CFO • CEO	• CFO • CTO	• CEO • CMSO • Manager Public Relations
Activities in 2018 FY	• Portfolio Committee visit • Presentations • Meetings	• Application for licence obligation amendment • Meetings • Reporting	• Monthly meetings • Quarterly Performance review • Strategic workshop • AGM • Submission of the Corporate Plan	• Meetings • Applications for project funding • Application for Infrastructure Funding	• Salary increase negotiations • Performance contracting and Evaluations	• Tender submissions • Meetings • Submitted employment equity and skills training reports • Internship program agreement	• Signed MoUs • Service Level Agreements	• Tender submissions • Signed service level agreement • Fault restorations • New customers signed-on	• Tender management • Contract management • Supplier development	• Media articles

Table 3 Activities for stakeholder engagement

Determining material aspects

We define materiality with respect to the Company's long-term sustainability in terms of aspects that substantively impact our ability to create and sustain value over the short, medium and long term.

Confirming material aspects

The material risks were reviewed and confirmed through final consultation with internal stakeholders, including Executive Managers and the Board of Directors and Shareholders. Material risks relating to sales and operations are monitored within the Risk Management function and operational areas where they have material impacts. In the new financial year, material aspects will be monitored at Board level as we endeavour to embed the framework.

We have identified risks and opportunities relevant to our strategy and business model as depicted in the tables below. Our strategy is aimed at mitigating or managing the risks and maximising the opportunities, whilst satisfying the authentic expectations of all our stakeholders. The strategic objectives as focus areas to address the opportunities and risks are listed in the table below.

Strategic Objectives	Risks	Stakeholder Affected	Opportunities
• Ensure long-term business sustainability. • Integrated Strategy Execution. • Develop an integrated packet based transport network that encompasses growth/expansion and technology. evolution. • Drive socio-economic transformation. • Effective corporate governance; and • Build a high performance organisation.	• Likelihood not to continue as a going concern. • Regulatory constraints impeding organisational agility. • Margin pressure. • The impact of Non – ICT SOC's on the cost to communicate. • Lack of awareness for new imperatives in privacy and security of information. • Difficulty to raise funds. • Damage to the reputation of Broadband Infraco. • Limitations in resolving fulfilment value chain. • Market consolidation resulting in a changed market structure. • Difficulty to retain and attract the required skills while appropriately managing the cost to revenue ratio.	• Employees • Board • Shareholders • Customers	• Intensify commercial funding efforts on the strength of project availability and viability. • National Treasury funding of the socio-economic mandate. • Acquire an ECS Licence. • New models for building infrastructure – Infrastructure sharing, co-build, fibre swaps, alliances. • Broadband Infraco being an agency for non-ICT SOCs. • Co-build and infrastructure sharing. • Strategic Partnerships and Collaborations.

Table 4 Strategic objectives, opportunities & risks


PERFORMANCE

Annual performance results

The table below reflects our achievements against the key performance indicators (KPIs) listed in the APP on page 23. These inform our measurement and monitoring systems that provide information about our performance and direct future decision-making:

KPI	Baseline	2017/18 Target	2013/14	2014/15	2015/16	2016/17	2017/18	Status	Comments
Network performance rebates paid as a percentage of gross revenue	0.10%	≤0.2% of gross revenue	0.67%	0.17%	0.10%	0.09%	0.18%	Achieved	
Actual Time to Restore Core Network Faults	8hrs	7.5hrs	6.15 hours	5.45 hours	6.13 hours	6.19 hours	5.47hrs	Achieved	
Average Percentage service availability per month	New	98%	99.75%	99.82%	99.92%	99.90%	99.73%	Achieved	
Increase Revenue by R89.2 million	(49 million)	R89 million	R65 million	R63 million	R86 million	(R55 million)	(R18million)	Not Achieved	Revenue remained behind target mainly due to the delayed sales to billing cycle. Management added capacity in the Sales team, which resulted in new sales in excess of R130 million. Management is expecting the next year's revenue to improve.
Current Ratio	93%	115%	225%	242%	171%	119%	87%	Not Achieved	Current ratio is less than target due to lower Cash and Cash equivalents than predicted.
Increase amount of EBITDA annually	R116 million	R31million	(R36 million)	(R145 million)	R30 million	R35 million	R28 million	Not Achieved	EBITDA remained positive but less than target. Target not met due to revenue target not being met.

KPI	Baseline	2017/18 Target	2013/14	2014/15	2015/16	2016/17	2017/18	Status	Comments
Number of days per outstanding customer invoice	45 days	45 days	180 days	214 days	26 days	54 days	57 days	Not Achieved	A concerted effort during the last quarter reduced the debtors' days considerably. Trade debtors at the end of the financial year include, a significant number of invoices that will only count towards revenue sometime in the future (deferred revenue). If these are excluded from the calculation, debtor days come to 47 days.
Number of small BEE companies trained on OSHA	3 Small BEE Trained	1 Small BEE Trained	n/a	n/a	n/a	3 BEE trained on OHSAS	3 Small BEE Trained on OHSAS	Achieved	
Percentage Allocation of B-BBEE budget discretionary spend	112%	70% spend of B-BBEE	102%	113%	114%	109%	98%	Achieved	
Percentage spend on black-owned entities spend	39.55%	40% spend of B-BBEE	42%	34.4%	54.1%	34.95%	27%	Not Achieved	Although spending on BOE is more than R71.5 million, the annual lease agreements and spend on OEMs, SOCs and other generic suppliers reduce the total BOE spending as a percentage of total spending to below the target of 40%.
Percentage spend on Black Women Owned entities	15.24%	10% spend of 40% spend on BOE	27.75%	32.7%	44.5%	40.76%	16%	Achieved	

KPI	Baseline	2017/18 Target	2013/14	2014/15	2015/16	2016/17	2017/18	Status	Comments
Cyber Security installed at Seshigo High school (Number of digital learning tools/ Number of CSI Projects completed)	ZERO	Seshigo High School Computer laboratory secured	2 CSI Projects. 2 High Schools adopted	Two-year connectivity, computer lab, 335 calculators, Interactive boards and old furniture	60 computer tablets procured and delivered	2 different content applications installed on the computer tablets and the school server	Cybersecurity installed, teachers and learners trained	Achieved	
Training spend as a percentage of payroll	1.55%	1% of the wage bill spend on targeted training and development by end of year	3%	4%	1%	1%	2% of the wage spent on training	Achieved	
% of Technical Intern qualified for P1 and P2	ZERO	70% of Technical Interns completed P1 and P2	n/a	n/a	n/a	10 interns contracted for two years. 1 Completed P1& P2=10%	7 Completed P1 & P2 = 77%. 2 resigned.	Achieved	1 incompleted. The programme will run until the end of September 2018

Table 5 Annual performance results

The Company achieved 9 out of 14 objectives, which is s 64% of the APP due to non-achievement of the revenue target that impacted all financial targets. The Company has, for the past three years focused on the reduction of costs and as a result, had to put capital projects on hold.

Performance through the capitals

The succeeding section provides the narrative of our performance through the Capitals:

INTELLECTUAL CAPITAL

"Broadband Infraco will be a high-performance organisation that maximises opportunities strengths and increases benefits to stakeholders, employees and management due to its effective systems, processes, as well as its resources and organisational culture through driving operational efficiency."

Licence

Broadband Infraco SOC Ltd is a state-owned company founded in terms of the Broadband Infraco Act 33, 2007. We obtained I-ECNS licence in 2009, in terms of the Electronic Communications Act No. 36 of 2005.

Policies, procedures and processes

Our policies and procedures cover all aspects of the business to ensure that internal controls are efficient and adequate. There is an enterprise-wide policy register that is updated on a quarterly basis to assist in tracking policies that are due for review. There are 40 policies and procedures that have been approved, across all functions.

Out of the 23 HR Policies and Procedures approved in 2013/14 financial year to get the people management practice basics in place and transform the workplace whilst tightening controls, 17 were reviewed during the 2017/18 financial year. This was due to a need to enhance critical human capital and talent management strategies for improved workplace morale, alignment to labour legislation amendments as well as talent attraction and retention.

The number excludes policies that have been in progress aimed at the introduction of Executive and Sales incentive schemes for motivation and rewarding excellence. Workshops to socialise employees and management on the content of the revised policies for awareness, compliance and consistent application were facilitated.

A review process is underway for four HR development policies that impact on imperatives such as critical skills upgrading, management of high potential, career advancement and knowledge management.

The Company has accentuated the building of effective internal business process capability and excellence. The Enterprise Process Operating Model on page 28 depicts level 1 processes, which were cascaded to level 4 that details activities, key performance indicators and outputs. In the year under review, focus was placed on end-to-end revenue management processes that span across the core operations of the Company to customer billing and collection. It is envisaged that these processes and other end-to-end processes will be completed and implemented in the new financial year to eradicate any silos and improve collaboration with various divisions and departments.

Quality assurance system

The Company went through two successful external quality standards audits and is now ISO 9001:2015 certified. This certification will further demonstrate to our customers that the Company operates in accordance with international standards in the creation of value.

Information technology

We pride ourselves in strategically protecting our assets and systems that form the core of our values. It is our policy to ensure that:

- Information is protected against unauthorised access;
- Confidentiality of information is assured;
- Integrity of information is maintained;
- Regulation and legislative requirements are met ;
- Business Continuity and Disaster Recovery Plans are maintained and tested; and
- Dissemination of private and confidential information is appropriately controlled in compliance with the applicable legislation.

During the year under review, the Company continued to modernise its Information Technology systems to improve the effectiveness and efficiency of operations. These improvements, some of which will be fully implemented in the following financial year, include:

- Skype for business; and
- OneDrive for Business for storage, synchronisation and sharing of work files in the cloud.

Business development

Our business development successes for the year under review includes :

- Continuing to diversify our customer base by increasing the number of customers from 30 in the previous year to 46;
- 1955.75 STM1 Equivalents were sold;
- Retention of existing customers;
- Extension of contracts and upselling to the existing customers;
- Continuously attracting emerging Internet Service Providers utilising efficient IP-based services;
- Signed two additional government entities;
- Signing-up an additional SADC customer; and
- Signing-up an international Content Provider for a 15-year contract.

The above-mentioned successes are premised on the following embedded service delivery principles:

- Prioritisation of customer segmentation with emphasis on quick wins, i.e. small to medium customers;
- Extension of the network and provisioning of carrier-grade services;
- Each customer is allocated a full-time, dedicated Key Account Manager (KAM) as a first and comprehensive point of entry to their specific needs;
- Introduction of a new portfolio in sales with a specific focus on ISPs and channel partnership;
- Agile decision-making and the ability to respond to changing customer needs from managed services to non-standard offerings;
- Accessibility of the senior management team to customers queries on network related matters;
- Revised pricing structure to align with the market;
- Products and services that are competitively priced and offer value for money;
- Ability to maintain strong stakeholder management both internally and externally.

Manufactured capital

"Broadband Infraco will continue to develop and maintain quality connectivity infrastructure in South Africa and neighbouring countries. This entails expanding broadband infrastructure and maintaining a reliable network."

In pursuit of high network availability, the major focus for the technical environment was the increment of the network capacity, while simultaneously executing key customer projects following successful bidding on tenders.

Good network performance is premised on a rigorous maintenance regime and a network with full redundancy and resilience. To that end, the construction of redundant links is part of our strategy to improve the network performance.

Products and services

Our value-add products include the following:

- Customer Tie Cable Maintenance Service – a one-stop solution to repair and maintain handover links between our PoPs and the Customer's PoP. This service enable customers to connect directly to our sites via fibreoptic tie cables and create a new source of revenue with a low capital layout.
- NOC as a Service – Remote monitoring of third-party networks on our existing network monitoring center to provide network reports and performance of the customer network elements.
- Maintenance as a Service – Availing our human resource and technical expertise to expeditiously repair and maintain third-party fibre networks and equipment systems.
- Colocation – this product has been improved to include the colocation of masts in the external yard of our own PoPs. Previously colocation only catered for internal equipment housed at the PoPs sites and associated ancillary services.

Services addition or improvement of these products is expected to provide more opportunities for the Company to generate revenue while reducing the duplication of infrastructure.

The table below illustrates the product performance for four financial years:

Service/ Band-width	2014/15		2015/16		2016/17		2017/18	
	Quan-tity	% of total	Quantity	% of total	Quantity	% of total	Quantity	% of total
STM-1	144	10%	148	8%	100	3%	0	0%
STM-4	132	9%	144	8%	204	7%	0	0%
STM-16/ 2.5 Gbps	368	24%	368	20%	448	16%	192	12.6%
5 Gbps							32	2.1%
STM-64/ 10 Gbps	769	51%	1 089	59%	1 606	56%	896	58.8%
40 Gig	0	0%	0	0%	258	9%	0	0%
1 Gig/ 1 Gbps	26	2%	20	1%	26	1%	147	9.6%
20 -100Mbps	3	0.2%	19	1%	26	1%	19	1.3%
200 Mbps		0%	6	0.3%	9	0.3%	13	0.9%
300 Mbps		0%	3	0.2%	5	0.2%	6	0.4%
500 – 700 Mbps							28	1.9%
International Band-width	64	4%	64	3%	194	7%	192	12.6%
Total	**1 506**	**100%**	**1 860**	**100%**	**2 876**	**100%**	**1 525**	**100%**

Table 6 Product performance

The evolution of technology, coupled with the high consumption of Internet Protocol (IP) based services, has resulted in customers requesting high bandwidth services as reflected in the table above. A project to implement the next generation Dense Wavelength Division Multiplex (DWDM) technology that can carry 100 Gbps within the core network is close to completion. This will enable the Company to respond to customer requirements appropriately and is complemented by native IP based technology which positions the Company competitively. The table above indicates that there has been a shift in TDM based services to IP based services which is supported by the revised BGE strategy.

Network build

Various projects were implemented in the year under review with focus on building or improving certain sections of the network to enable customer services.

The Company successfully completed projects intended to replace stolen wooden poles with concrete poles in Upington and Pietermaritzburg. The frequency of theft had impacted heavily on Service Level Agreement (SLA) obligations to some key customers. The projects were implemented to enable the provision of uninterrupted services to clients as per SLA and avoid incurring penalties.

Network assets

The number of Points of Presence (PoP) sites remained at 156 for the year under review. The table below shows a breakdown of the operational sites:

Site Description	Year 2015/16			Year 2016/17			Year 2017/18		
	Number	3rd Party Access		Number	3rd Party Access		Number	3rd Party Access	
		Yes	No		Yes	No		Yes	No
Our own LD Sites	57	57	0	56	56	0	56	56	0
SOC Co-Location Sites	14	8	6	16	10	6	16	10	6
SOC Site Sharing Sites	43	43	0	48	43	5	48	43	5
SOC Microwave Sites	11	0	11	10	0	10	10	0	10
Liquid telecom PoPs	12	0	12	6	0	6	6	0	6
Open Access PoPs	10	10	0	10	10	0	10	10	0
Private Lease	8	8	0	8	8	0	8	8	0
Private Co-Location	2	0	2	2	0	2	2	0	2
Total Sites	**157**	**126**	**31**	**156**	**127**	**29**	**156**	**127**	**29**

Table 7 Points of presence

The reduction of 3rd Party Access in the previous years was because of our efforts to build our own PoPs to reduce costs and improve access for our maintenance team and customer connections.

The table below shows the breakdown of the Broadband Infraco fibre network. The total fibre distance of which is now 14 958 kilometres. The table further provides a breakdown of different categories and ownership.

Servitude Owner	Infraco Status	OPGW	ADSS	ADLASH	U/G	Total
Eskom	Owned	0	1 153	3 107	40	4 300
	Leased	488	0	33	0	521
	ROU	687	0	0	0	687
TFR	Owned	0	873	0	845	1718
	Leased	0	5 479	0	0	5 479
Customer 3	Leased	0	497	32	0	529
Other	Owned	0	344	0	135	479
DFA	Leased	0	0	0	1 245	1245
Total	**Owned**	**0**	**2 370**	**3 107**	**1 020**	**6 497**
Total	**Leased**	**488**	**5 976**	**65**	**1 245**	**7774**
Total	**ROU**	**687**	**0**	**0**	**0**	**687**
Total Fibre		**1 175**	**8 346**	**3 172**	**2 265**	**14 958**

Table 8 Fibre Kilometres

Network service availability

Network Service Availability is the actual time that customer services are available and running, error-free. In the year under review, network service availability was slightly lower at 99.73% as compared to 99.90% in the previous year. The main contributor was frequent and lengthy optical fibre outages due to a few factors, including force majeure in the third quarter and unsafe working conditions caused by a train derailment The actual network services availability exceeded the annual target of 98%. The graph on the next page shows the average service availability averaged per quarter.

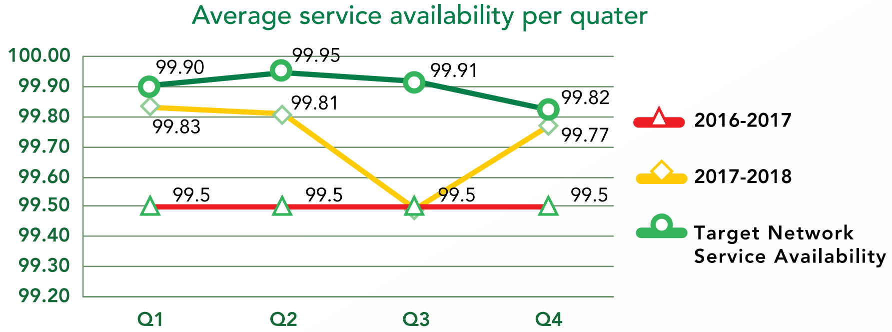


Figure 11 Quarterly service availability

Mean time to restore

The Mean Time To Restore (MTTR) network faults is a measure of the average total time it takes to restore a network fault incident, which includes administrative delay (fault logging), logistic delay and actual fault repair time. Service restoration time is recorded as the fault incident end time. In a sense, the MTTR measures the combined effectiveness of network management as well as the ability, knowledge and agility to restore customer services after a network incident occurs. The lower the MTTR, the better the restoration of customer services.

The MTTR for 2017/18 remained within the target of seven hours thirty minutes (07,5) at 05:47 (5.78 hours) compared to 06.19 (6.32 hours) in 2016/17. The figure below summarises the year on year MTTR comparison over five years:

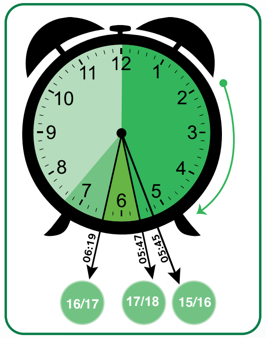


Figure 12 MTTR

International services

The performance of the cross-border links is carefully monitored to provide the best network services to neighbouring countries. The performance on average was above the contracted service level agreements, with one link underperforming. The link to Zimbabwe experienced two network failures caused by vandalism in October 2017 on the fibre route section between Louis Trichardt and Musina.

The average performance of the link for each of the regional neighbours is illustrated in the figure below.

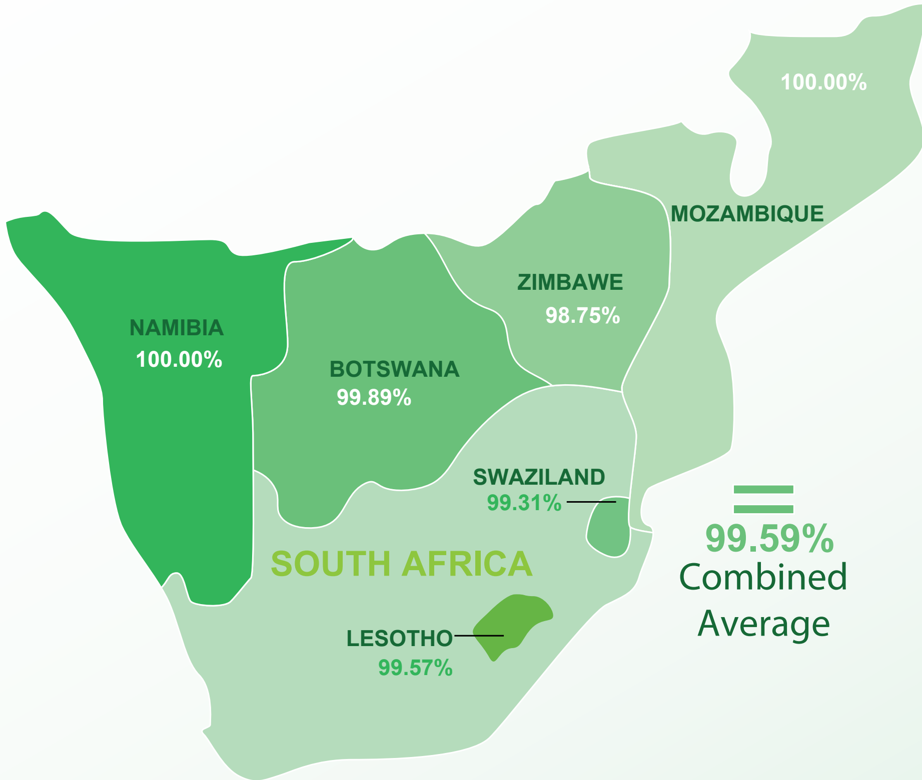


Figure 13 Cross border route availability

Highlights for the financial year under review

- The SA Connect project implementation is now in full swing with some sites expected to be completed before the end of the first quarter 2018/19;
- Successful activation of more than 14 new customer services including the completion of 8 x 10 Gbps services for a key customer;
- All technical interns have been properly trained and absorbed into normal operations as they are now attending to network faults and assisting in the implementation of service activations on their own;
- Successful completion of the pole replacement project in Upington where stolen wooden poles were replaced with concrete poles; and
- Cutover to 4.5km newly constructed route section completed.

Low Lights for the financial year under review

- The network failure incidences;
- Wooden poles being stolen along certain routes of the network;
- Frequent damage to our fibre optic cable by third-party contractors;
- The number of break-in and vandalism incidents at our sites increased compared to 2016/17; and
- International spur link between Soekmekaar and Beitbridge experienced several failures because of road construction in the area.

Outlook

There will be focus on the implementation of the SA Connect project to provide broadband connectivity of 10 Mbps initially, increasing to 100Mbps in 5-years' time.

Social and Relationship Capital

Broadband Infraco endeavours to strengthen relations with all stakeholders

Our Company does not operate in isolation: our ability to deliver value depends on the contribution and activities in consultation with our Shareholders. We strive to create a corporate culture that fosters collective responsibility and shared accountability for the Shareholders, to manage risk and reputation, with the key objective of building strong relationships. Engagement with Shareholders is ongoing; on a multilateral basis and occurs through various platforms. We strive to provide useful and frequent disclosure to our Shareholders by providing formal reports on a quarterly basis. Further to this, Shareholder meetings take place monthly with key stakeholders such as the officials from National Treasury in attendance to discuss the Company's performance and financial wellbeing. Key information is shared, and valuable inputs are received from Shareholders at these engagements.

Parliamentary engagements

The Chairperson of the Board and management attended scheduled meetings of the Portfolio Committee on Telecommunications and Postal Services for the year under review, and made presentations to the Committee on our Quarterly Performance, Annual Performance Plan and Corporate Plan. We also attended meetings in support of several submissions that were made by the Shareholder department to the Portfolio Committee, which created an interactive platform with the Committee and improved the quality of the performance information presented.

During the period under review, we had the pleasure of hosting the Members of the Select Committee on Communications and Public Enterprises at our offices on 15th August 2017 for an oversight visit. Board Members were also in attendance to host the Select Committee. The CEO provided the committee with an overview of the Company and set out the role and legislative mandate of the Company and the Members engaged with the senior Executives and received presentations from each Executive on their respective areas of responsibility. Members also visited various Points of Presence (PoP) and sites. The Select Committee expressed their gratitude to the Company and assured the Board and Executives of their ongoing support of the Company in pursuit of national imperatives and mandate.

Brand-building events

The Company takes advantage of industry engagements to deliver brand-building through exhibitions, customers networking and company presentations. The platforms range from ICT Conferences, Ministerial, Provincial, Municipal, SADC and SATA engagements.

To support its brand-building efforts within the ICT sector, the Company participated in the following events:

- **Govtech 2017** is the premium ICT platform for thought leaders and their associated innovations in the ongoing quest to find practical and progressive solutions to a developing nation using ICT tools. SITA afforded the Company an opportunity to erect a full-colour 2X2 exhibition stand.
- The exhibition area was used as a platform to display Company information, host meetings with existing and potential customers and increase brand awareness levels. The cross-functional teams attending the event ensured that all queries were addressed and information about the Company was shared with interested parties.
- **AfriCom 2017** was held at the Cape Town International Convention Centre (ICC). AfriCom is the largest and most influential Africa-focused technology event in the world and is a meeting place for those driving Africa's digital transformation. The event was a week-long festival of thought-provoking content, immersive satellite events and unique networking experiences. The Company used the platform for engaging its existing internal customers as well as business development efforts. Participation at the event forms part of building brand equity and creating awareness of the Company to ICT stakeholders that matter. The Company continues to utilise the available meeting facilities at the conference to entrench the professionalism that it espouses.
- **I-Week 2017** is South Africa's leading internet industry conference, held annually since 2001. This conference brings together all South Africa's major internet organisations for a series of presentations, panel discussions, workshops, training sessions and social events. The Company engages players in the sector and builds brand equity through participation in the conference as speakers on various matters pertaining to the IP technology.

Customer Engagement

Customer centricity forms an integral part of the revised sales strategy that encourages remarkable customer experience as a value in dealing with our stakeholders. We have developed processes that ensure a holistic customer experience as opposed to interaction that is only based on product and price, thereby differentiating our brand from competitors. Our Key Accounts Managers (KAMS) provide weekly and calendar month customer engagement plans and reports that have resulted in customer retention and an increase in customer numbers from 30 to 46.

Employee relations

Employee engagement initiatives remained the main source of motivation and commitment. Employees were invited to quarterly interactive "town hall" engagement meetings where the CEO provides updates on business matters and employees have the opportunity to provide inputs or obtain clarification. Another differently coordinated Wellness Day programme was organised in partnership with ICAS South Africa, an Employee Assistance professional service provider.

Employee relations were somewhat strained by the protracted 2017/18 annual substantive negotiation process. A dispute ensued, and external resolution mechanisms were resorted to for removal of the impasse. The process was finalised with an agreement signed on 19 October 2017.

The Company leadership and the Communications Workers Union (CWU) National Officials arranged a meeting for the introduction of the new Chief Executive Officer, Mr. Andrew Matseke. Introduction to the local Union shop-floor took place as part of his on-boarding. Emphasis was placed on ensuring constructive and mutually beneficial relations.

To foster a participative leadership style and culture of fairness and transparency, several management-employee committees listed below were reinvigorated:

- Employment Equity Committee;
- Skills Development Committee;
- Job Evaluation and Grading Committee;
- Pension Fund Committee;
- Senior Management Forum; and
- Organised Labour and Management (Executive-National Office Bearers bilaterals / Management – Union Shop-Steward engagements).

Economic transformation

The 2017/18 financial year has been another challenging year wherein costs had to be contained, thus limiting the procurement spend. The effect of this is evident in the efforts to empower and distribute wealth to the previously disadvantaged groups, which was negatively impacted. Notwithstanding these challenges, we exceeded our target spend of 70% B-BBEE Multiplier as set out by the ICT Sector Code, and the 10% spend on Black Women Owned Entities, both by 98% and 16% respectively. Furthermore, we created 96 indirect jobs through awarded contracts; and have consistently upheld standards to ensure adherence to compliance with the legislative requirements. These have yielded results that are indicated in the figure below:

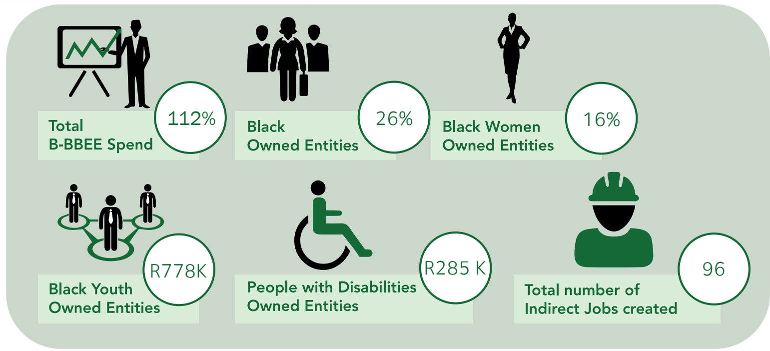


Figure 13 Procurement results

B-BBEE Level

During the year under review, an independent and impartial accreditation process was completed with the objective to measure the Company against the Codes of Good Practice on Broad-Based Black Economic Empowerment. The outcome of this exercise was the achievement of a Level 7 B-BBEE rating, a decline from the previous year's Level 2 due to changes in requirements.

Over the last number of years, we have consistently improved our B-BBEE rating from a Level 6 in 2014 to a Level 2 in 2017. The recent decline in our B-BBEE level comes off the back of the implementation of the amended ICT Sector Generic Scorecard, which is far more stringent on the qualification criteria than the previous code. Albeit, our overall score improved from 86 points in 2017 to 92 points in 2018.

Furthermore, the rating was weakened by non achievement of the minimum threshold of 40% on Skills Development, which is considered a priority element. This could not be attained due to financial constraints as it required spending of 6% of the leviable amount on the training of designated groups. The focus going forward is to strive to achieve maximum spend on designated groups and Small Medium and Micro Enterprises (SMMEs), which will then contribute towards improving our B-BBEE status.

Collaborations and partnerships

During the year under review, the Company signed an MoU with the Passenger Rail Agency of South Africa (PRASA) and partnered with a private company on the Limpopo Broadband Connectivity project. We participated in consultative sessions in the eight district municipalities selected for SA Connect Phase 1, SADC regional engagements and contributed towards international sector specific fora.

Corporate social investment

We have worked towards and sustained a mutually beneficial relationship with Seshigo High School since September 2013, with the continued intention to positively support and leverage the use of ICT in teaching, learning and development. Following on the donation of the 60 tablets , installation of e-curriculum on digital learning platforms, installation of two different content applications on the tablets and the school server, being the 2Enable application (app) and the Sangari IBox content for tablet usage, cyber-security was installed to prevent hacking and surfing of prohibited sites, educators and learners were trained in cyber-security awareness and cyber-bullying in the year under review.

Employee volunteerism

The Company's employees rendered services voluntarily at Othandweni Family Care Centre in Soweto on 23rd February 2018. The team assisted with chores that afforded the staff an opportunity to rest. Gifts were also handed over as part of the initiative and were well received by the centre.

Company reputation

Creating and maintaining a company's reputation takes a great deal of time, resources and effort. Continuing the implementation of its Build, Grow, Expand (BGE) strategy, which has led to increased innovation and a "back to basics" outlook, it was imperative for the Company to ensure that the past year's performance will earn it improved reputation levels in the social, industry and economic arenas. The Company reviewed its product/service costing and pricing model to great delight from its customers, placing us on par with our direct competitors. Increased focus was also placed on ensuring that we consistently exceeded the average network performance targets signed with customers, ensuring great customer experience overall. We have during the year under review, further differentiated ourselves by providing turn-key solutions and ensuring solid, personal and sustainable relationships with our key stakeholders. In the age of the trust economy, where reputation and credibility go a long way, the above can be viewed as successful building blocks to a renewed, positive company reputation.

The Company supports the notion that if South Africans could secure broader, cheaper and faster broadband internet access, the country would see multiple economic benefits, leading to much-needed reinforcement of GDP growth, creating more job opportunities for South African youth and providing emerging entrepreneurs with a platform from which to launch their businesses. The allocation of SA Connect and initiation of Phase 1 hereof, in partnership with SMMEs and big business, has further increased and provided an opportunity for us to showcase our "proven" ability to deliver, by connecting the nation and beyond.

HUMAN CAPITAL

"Broadband Infraco will be a highly productive organisation that maximises opportunities and strength for employees and management through effective human resource management systems and organisational culture."

Regardless of extremely limited human resource capacity, we could execute most of the planned strategic objectives and achieved most set targets. Focus was placed on ensuring capacity building to enable the company to remain effective in the execution of the planned strategic objectives.

As the Company rises on a stronger footing, signs up additional customers, commences work on mandated projects of national significance, human resources capacity rebuilding to make up for lost skills has been driven vigorously. Thirty-one (31) positions were filled and of these, 16 were external permanent appointments, 7 were internal promotions, 5 were interns and 3 were contract employees. This excludes 1 executive contract (Executive HR) extension and 2 contract renewals (Chief Financial Officer and Chief Technical Officer).

Employee headcount

As at the end of March 2018, we had a staff complement of 158 inclusive of 17 interns and four short-term contract employees. The headcount statistics indicate a trend where, due to natural attrition, permanent staff numbers were reduced from 149 to 137 over 3 years as reflected in the table below.

CATEGORIES	2015/16	2016/17	2017/18
Opening Headcount	**185**	**151**	**152**
Permanent Staff	175	149	132
Contract (s)	0	2	3
Interns	10	0	17
Appointments	**3**	**25**	**24**
Permanent Staff	1	5	16
Contract (s)	2	2	3
Interns	0	18	5
Losses	**-37**	**-24**	**-18**
Resignations	25	21	11
Interns resignations	10	1	2
Termination of contract	0	1	3
Involuntary Reductions	2	1	2
Closing Headcount	**151**	**152**	**158**
Permanent Staff	149	132	137
Interns	0	17	17
Contracts	2	3	4

Table 9 Head count

Employment equity

The table below shows the demographic profile per job level and in terms of race and gender. The overall gender split is 38% females and 62% males.

EMPLOYMENT EQUITY DEMOGRAPHICS (inclusive of interns)													
Job Levels	Male				Female				Foreign Nationals		Sub Totals		Total
	A	C	I	W	A	C	I	W	M	F	M	F	
Executives	2	0	1	1	1	0	0	0	1	0	5	1	6
	33%	0%	17%	17%	17%	0%	0%	0%	17%	0%	83%	17%	100%
Senior Management	3	1	0	2	4	0	1	1	1	0	7	6	13
	23%	8%	0%	15%	31%	0%	8%	8%	8%	0%	54%	46%	100%
Professional Specialist & Middle Management	27	1	2	2	13	0	0	1	0	0	32	14	46
	59%	2%	4%	4%	28%	0%	0%	2%	0%	0%	70%	30%	100%
Supervisory & Junior Management	14	0	0	1	3	0	0	0	0	0	15	3	18
	78%	0%	0%	6%	17%	0%	0%	0%	0%	0%	83%	17%	100%
Operational	25	0	1	2	21	0	0	1	1	0	29	22	51
	49%	0%	2%	4%	41%	0%	0%	2%	2%	0%	57%	43%	100%
Support	0	0	0	0	6	0	0	1	0	0	0	7	7
	0%	0%	0%	0%	86%	0%	0%	14%	0%	0%	0%	100%	100%
Total Permanent and fixed term contracts (Excluding Interns)	**71**	**2**	**4**	**8**	**48**	**0**	**1**	**4**	**3**	**0**	**88**	**53**	**141**
	50%	**1%**	**3%**	**6%**	**34%**	**0%**	**1%**	**3%**	**2%**	**0%**	**62%**	**38%**	**100%**
Interns	9	1	0	0	7	0	0	0	0	0	10	7	17
Total Permanent (Including Interns)	**80**	**3**	**4**	**8**	**55**	**0**	**1**	**4**	**3**	**0**	**98**	**60**	**158**
Temporary workers	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
GRAND TOTAL	**80**	**3**	**4**	**8**	**55**	**0**	**1**	**4**	**3**	**0**	**98**	**60**	**158**

Table 10 Employment equity

There is no satisfactory improvement to the gender split because of the shortage of the skills that the Company requires on the market which is aggravated by the inability to compete for or afford the market rate for female applicants. The female representation remains below 40% as depicted in the charts on page 26. However, a concerted effort will be made to increase the numbers of Females and People with Disabilities (PwD) interns with the next intake and identify suitable candidates for career pathing. The Employment Equity Committee was reconstituted; and a three-year Employment Equity (EE) plan was approved and submitted to the Department of Labour. The drive to identify divisional opportunities for the achievement of the set targets is facilitated by a designated task team.

Talent sourcing

During the year under review, a total of 31 appointments were made,16 permanent external appointments, 7 internal promotions, 3 contracts and 5 interns were made to enable the implementation of the SA Connect project.

Internship

The Company entered into a two-year agreement with Media, Information and Communication Technologies Sector Education and Training Authority (MICT Seta) in 2016 that will end on 30 September 2018 who funded fifteen of the interns. During the year under review, 2 resigned, 3 were permanently absorbed in the employ of the Company and 5 new were appointed.

Of these interns, ten needed P1/P2 practicals, while five had graduated and needed practical work exposure and five needed structured work experiential training to complete their curricula to graduate. Out of the ten, seven qualified for P1/P2 during the year, one will complete in the 2018/19 financial year. Thus, from the beginning of the programme, 89% of the interns have completed the P1/P2, including the one that resigned on qualifying.

The internship programme creates value for the Company as a pool of engineers and qualified potential employees is built and we, in turn, distribute value to the unemployed youth by creating an opportunity for them to gain work experience, thus improving their prospects of being employed. The technical environment was the focus area due to the massive exodus of critical skills in the past two financial years.

Employee development

The Company continued to train and develop its employees despite the financial constraints on the most critical and urgent skills requirements. The partnership between China Telecoms and DTPS continue in the year under review, 5 employees attended the 21-day seminar. The training intervention included seminars such as:

- Construction of Information Highway Network for Developing Country Officers;
- Planning and Construction of Smart City for Developing Countries;
- Telecommunication Network Security and Optimization for Developing Countries; and
- Telecommunication New Technology and Equipment Maintenance for Developing Countries.

The table below indicates that a total number of 331 trainings attended. A total of 57 technical training programmes were arranged.

Type of Training	No of training programmes attended	Total Hours for training
Soft Skills	274	4 276
Technical	57	
Total	**331**	

Table 11 Number of employees trained

Though 1.45% of the salary bill and 4 276 hours were spent on training, the skills and capabilities attained strengthen the skills base for the Company and a repository of knowledge for and future business performance is built. Though the financial capital is reduced, the human capital increases

Employee study assistance

3 new applications for employee study assistance were approved. In addition to these were 2 beneficiaries who were continuing from the previous year, one has obtained a Postgraduate Diploma in Business Administration in record time.

The programme has assisted with the retention of skills as the policy requires that those being approved for study assistance should enter into a retention agreement to work the years of studying back to the Company.

Performance management

Our performance management framework continues to be an instrument of fair and reliable measure of outputs. Compliance with the prescribed procedures is consistently above 90% and the other 10% includes employees who by their employment date are not eligible for participation. Both line management and employees commit to the process even in the advent of a rare opportunity for a performance-based incentive. It remains a process for cascading the organisational objectives down to the lowest level of the structure, clarity of acceptable performance standards, constructive feedback, behaviour modification and career advancement.

The figure below provides an indication that the number of employees who scored below average is lesser in the year under review as compared to the previous financial year. There is also an improvement in the number of employees who performed above average in the financial year under review compared to the previous year. This suggests that the performance-driven culture is gradually being inculcated and managers are more objective in measuring performance outputs.

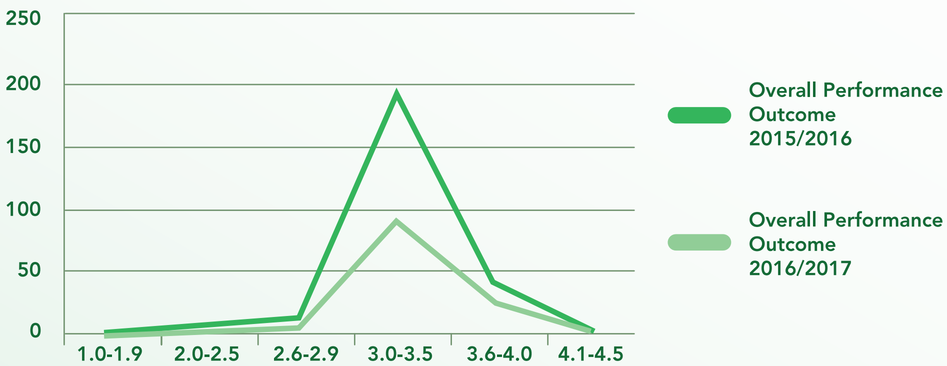


Figure 15 Performance management

The audited annual performance outcome presents a normal distribution curve shape which almost resembles the vitality curve model that maintains that most of the employees' measured performance if done properly, should sit at the middle 70%, 20% towards high and 10% at the bottom end. Poor performance is effectively managed, and implementation is aligned to relevant policy and legislation.

Organisational development

A process for reviewing operational capacity requirements for core and critical areas has intensified to ensure adequate human resources for implementation of priority projects. Structure realignment was initiated to strengthen the Network Operations Centre in accordance with the anticipated technological trends, customer demands and continuous service enhancements. Focus has been placed on populating the vacant permanent and strategic fixed term positions in the technical areas, senior management and executive level. Positions in the Legal, Human Resources and Company Secretariat have been reviewed for alignment to the respective divisions' revised business strategies or functional roles.

The terms of reference for the establishment of a Job Evaluation Committee and the specification for the acquisition of a suitable job grading system were approved. For the applicable policy to be socialised, organised labour representatives will receive training and management will receive a refresher for skills enhancement.

Health and safety

The Company takes the implementation and maintenance of the Health and Safety of our employees and contractors seriously. We ensure compliance and conformance to the Occupational Health and Safety Act 85 of 1993 and other requirements applicable to the business. The LTIFR remained at Zero level for most of the period during the year though it increased to 0.30 rate that is still below the 0.60 rate threshold , as indicated in the figure below:

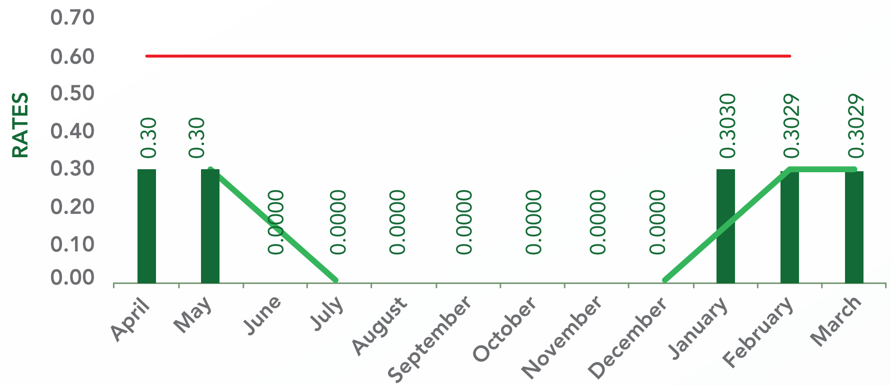


Figure 18 Lost time injury frequency rate

Accidents and incidents management

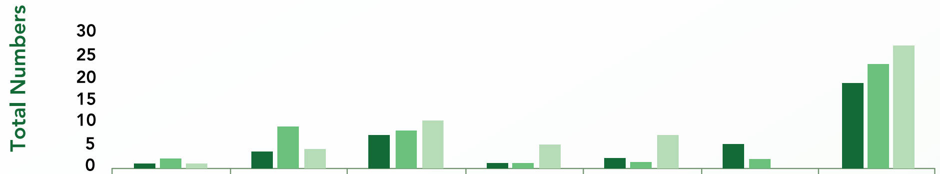
There were two incidents which contributed to the LTIFR going up from December 2017. These incidents are summarised below:

- Airplane incident where an employee suffered a ruptured eardrum due to loss of cabin pressure. The employee received full company support and has since fully recovered.
- Vehicle accident during a response to a network fault. No permanent injuries were sustained.

To reduce the accident rate, plans have been put in place for all employees who are issued with Company vehicles to undergo Defensive and Advanced Driving lessons.

Labour turnover

A total number of 19 terminations were processed during the financial year, of those ten are senior and middle management. In respect of the one Executive, the term of the fixed-term contract had expired.



	Executive	Senior Management	Middle Management	Junior Management	Operational	Support	Total
2017/18	1	3	7	1	2	5	19
2016/17	2	9	8	1	1	2	23
2015/16	1	4	10	5	7	0	27

Job Levels

Figure 19 Terminations

HR analyses the exit interview reports on an ongoing basis to identify reasons for the voluntary termination of employment with the intention to seek interventions that can improve on any situation within the Company's control and prevent loss of skills. In cases where indications are that certain environments are suffering the fate of poor management, this is brought to the attention of the divisional head to be addressed accordingly. In some instances, feedback gathered has led to HR policy amendments to improve employee morale and productivity levels.

Key highlights

Successful review of certain divisional organisational structure, which resulted in alignment of 12 job profiles.

- 31 positions were filled during the financial year.
- The new Chief Executive Officer was appointed effective 15 November 2017.
- The renewal of the employment c ontracts for the Chief Financial Officer and the Chief Technical Officer were motivated and approved by the Board.
- Operational human resource capacity requirements were catered by fast-tracking the skills development initiatives for the interns brought onboard the previous year.

- Review of conditions of service to align to labour legislative amendments and industry practices to manage employment costs down were achieved with the 2017/18 FY annual substantive negotiations. The process had been on the agenda since 2014.
- A major milestone in human capital management strategies was taking the performance management framework to a higher level by linking salary adjustments to individual performance evaluation outcomes.
- Participation in the China Telecoms global telecommunications seminars provided an opportunity for a technical skills upgrade.

Challenges

- According to conducted market remuneration benchmarks, employees' annual salary adjustment expectations and perceptions about the net value of their jobs are above normal market rates and projections. An attempt to meet these expectations would defeat the intention to maintain labour cost at not more than 30% of revenue to keep the Company sustainable.

Outlook

- Ensuring adequate human resources for the SA Connect Project Phase 1 is key. This includes upgrading of requisite skills and filling of all critical vacancies.
- The strategy to build human resources capacity from the bottom through internship and a focused skills development process is prioritised. The basis of the phased internship programme is that it extends to operational entry-level and intake, up to 36 months after the required minimum formal qualification.
- Finalisation of the Sales and Executive Incentive schemes are also prioritised for morale and as part of retention strategies.
- Review of the organisational structure to enable implementation of the revised corporate plan has been initiated.
- The re-establishment of a succession framework and strategy for successful execution.
- Review of Human Resources policies with impact for the overall performance of the Company, legal compliance and workplace morale continues.
- Policy-based implementation of business processes are to be formulated and automated for improved efficiency and effective service delivery to support the organisation.
- HR is intensifying efforts to improve Employment Equity demographics for an increase in the number of females and persons with disabilities.

NATURAL CAPITAL

"Broadband Infraco cares and protects the natural environment."

The Company has minimal impact on this capital though we ensure compliance and conformance to the National Environmental Act, Local and Provincial regulations and the ISO14001:2008, which is an international standard for the Environmental Management System.

FINANCIAL CAPITAL

"Broadband Infraco strives for long-term business sustainability."

The 2018 financial year saw a continuation of the economic downturn experienced in the ICT sector at the end of the 2017 financial year. This also brought about some market consolidation which necessitated a change in the Company's sales strategy.

Financial results

Revenue

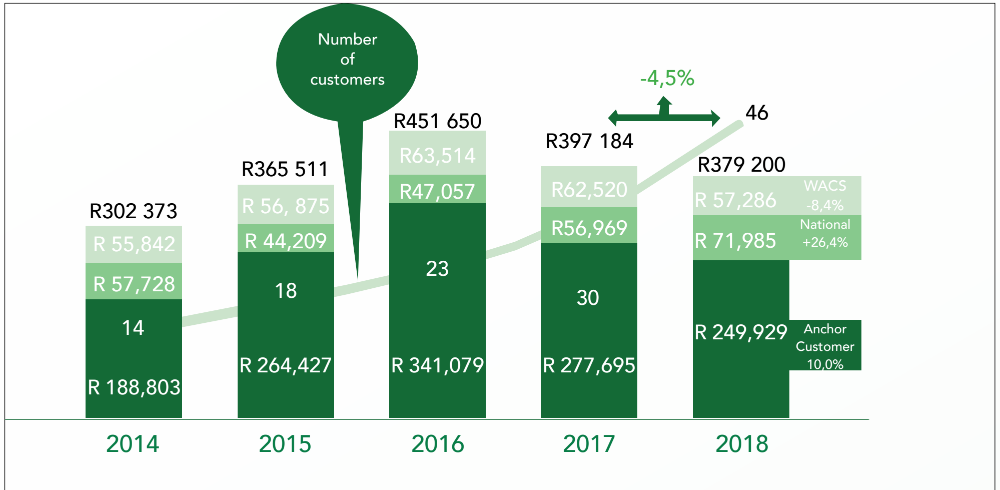


Figure 20 Revenue

The figure above indicates a significant growth of customer numbers since 2014 financial year to 46 during the year under review, which was, however, not sufficient to enable the Company to achieve the set revenue targets. As a result, revenue ended 5% lower than the previous year mainly due to the upgrades expected from major customers not materialising and continued delays experienced between sales to billing cycles.

Changes to the sales strategy brought about a change in momentum with significant sales being made during the year, management is positive that this momentum will continue.

Expenses

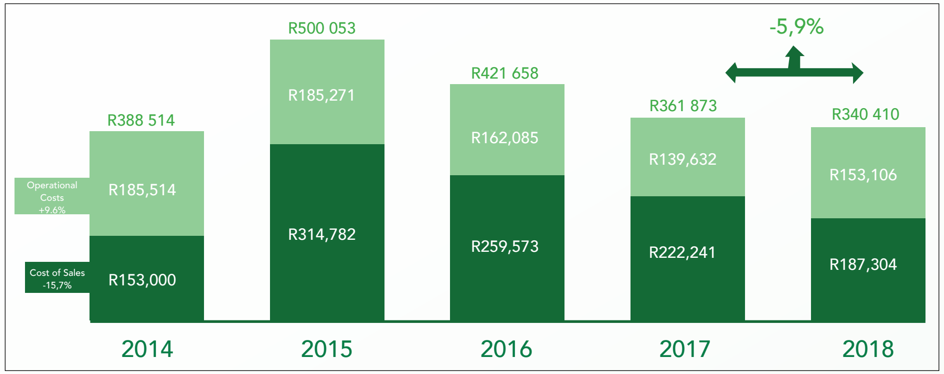


Figure 21 Expenses

Cost of sales

Cost of sales for the year is 16% (R35 million) lower than the previous financial year partly because of continued efforts by the management of costs and the migration of services to the Company's own network.

Management is optimistic that cost of sales increases for the next financial year will be maintained at inflationary levels.

Operational costs

Operational expenses for the year (excluding depreciation) are 10% (R13 million) higher than the operating expenses at the end of the previous financial year. This increase is mainly from an increase in repairs and maintenance to support the network.

Management continues to drive the optimisation of various costs within the Company. These cost containment measures assisted in achieving a positive Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) rate and ensuring the long-term sustainability of the Company.

EBITDA and Capex

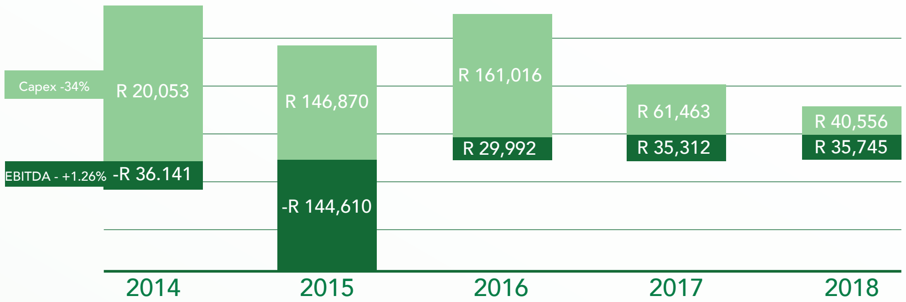


Figure 22 EBITDA & Capex

The Company finalised most of the capital projects initiated during the financial year with a total capital spend of R41 million. Most of the capital spend was for the provisioning of specific strategic customers and the technology upgrade of the core network.

Cash flow

The Company continued to remain cash positive, albeit off the back of depleting cash resources. We had a net inflow of cash resources from operations realised this financial year, a first in the Company's history, together with the positive EBITDA rate.

The Executives and Senior Management continue to drive sales growth which will ensure the sustainability of the Company and is depicted in the cash flow forecast for the next twelve months.

Funding

The Company continues to follow a funding strategy that is designed to cater for a transitioning business model that will enable sustainability. Our business model has transitioned from a single customer to one based on multiple customers, ranging from the private to the public sector. The Company's planned capital investment programme is supportive of long-term financial sustainability, with four key priorities:

- Revenue protection projects;
- Revenue generating projects;
- Mandate and licence obligations projects; and
- Essential asset upgrades and refurbishment projects.

Our funding strategy is to source funding from various financial institutions, selective Vendor Financing alternatives and other providers of medium-term debt financing. Financial institutions are targeted as a source of short-term cash and liquidity provisioning facilities and to support the Company with long-term debt capital. Medium-term funders will also be expected to support the Company with long-term debt capital whereas Vendors will be sought to support medium and long-term balancing of operational costs with revenue through the financing of technology enhancements.

Outlook

The negative perspective and perceptions that existed in the market around the ICT sector and state-owned entities is slowly starting to subside, in fact, it is starting to turn positive. Although the Company has not yet succeeded in raising funds to extend their network, there are positive indications in the market that this will change in the near future. This change may be attributed to the Company starting to implement SA Connect Phase 1.

The rollout of SA Connect, the momentum generated in the sales environment and the good cost containment measures embedded in the Company, make us poised for a busy, but successful year.

It is expected that the implementation of SA Connect will strengthen our financial position in the short-term as we move closer to becoming profitable. The five-year corporate plan creates a foundation from where we will create sustainability and profitability to ensure the Company continues to deliver on its mandate by expanding the availability and affordability of access to electronic communications to underdeveloped and underserviced areas.

LEADERSHIP AND GOVERNANCE

Our governance

"Broadband Infraco promotes good governance through ensuring compliance to all legislative requirements and effective internal control systems and risk management."

Broadband Infraco is a State-Owned Company (SOC) with the Minister as representative of Government and the Industrial Development Corporation (IDC) of South Africa as the Shareholders.

The Company is a Schedule 2 public entity in terms of the Public Finance Management Act (PFMA). Executive Authority over the Company is vested in the Minister of the DTPS, the Honourable Dr. Siyabonga Cwele. The Board as the Accounting Authority guides the strategic direction of the Company and monitors the progress and achievement of the strategic objectives as set out in the Corporate Plan. The Board ensures that the Company complies with the requirements of the Companies Act, the PFMA, the National Treasury Regulations and other legal requirements within the domain of the Governance Framework.

We adhere to the statutory responsibilities enforced by the Companies Act 2008 and the Public Finance Management Act, 1999. As a State-Owned Company, our mandate is to deliver on the strategic intent of Government as set out in our Memorandum of Incorporation (MOI).

We continue to evolve our governance structures and practices to ensure achievement of our strategic objectives and to deliver to our customers effectively, efficiently and transparently. We established new operational committees accountable to the Executive Management Committee (Exco) to enhance our compliance and strategic deliverables which are aligned with the international best governance practices.

Board and Executive Members

The figure below depicts the Governance Framework, which regulates our relationship with the Shareholders and guides the way we conduct our business. The framework clearly indicates that there are clear roles and responsibilities and policies in place.

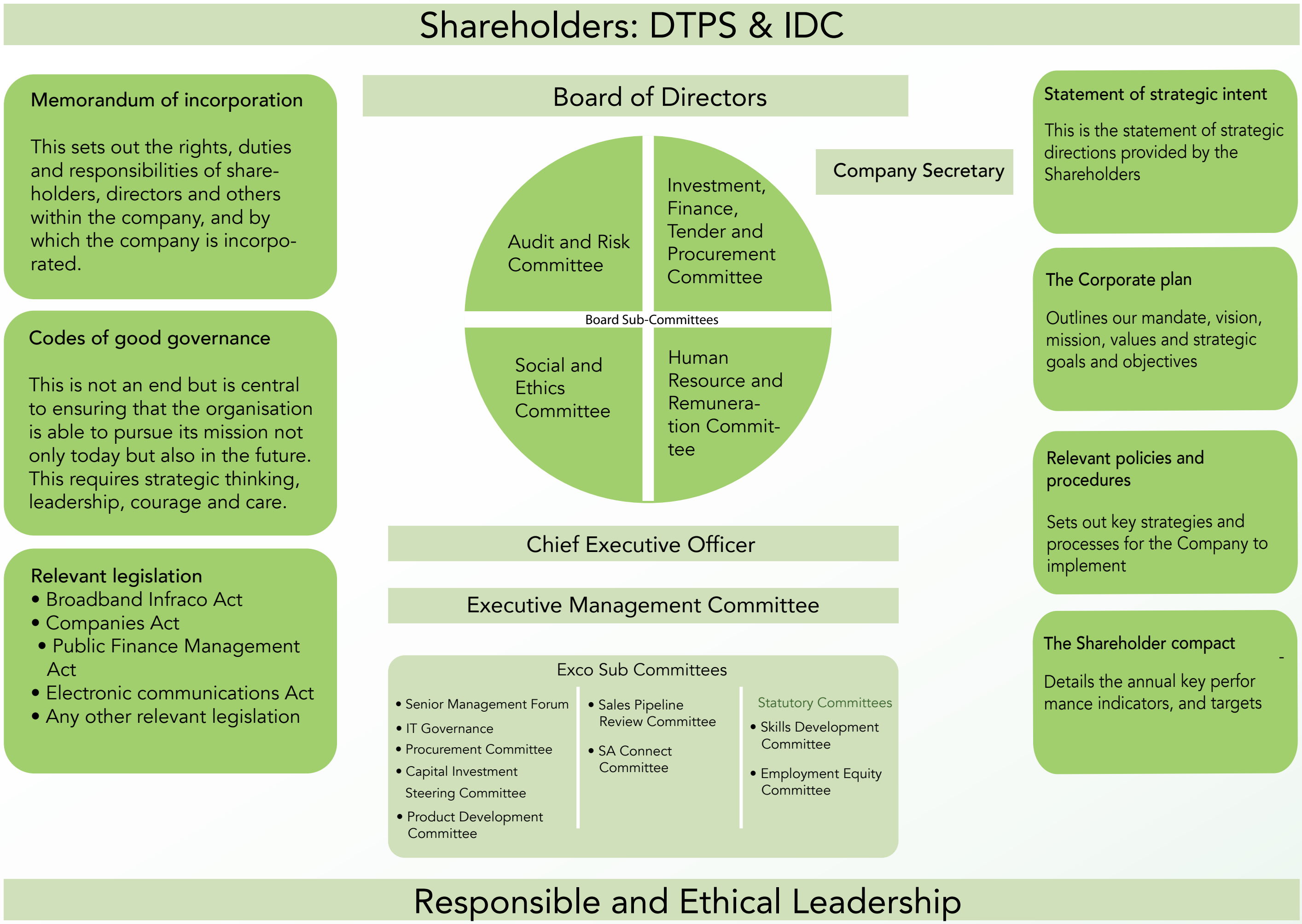


Figure 23 Governance Framework

The Significance and Materiality Framework sets out the requirements for those matters needing approval in terms of the PFMA. Read together with the Delegation of Authority Framework, it informs the referral of matters from executive level to committees of the Board, and where applicable, to DTPS and National Treasury.

We are committed to good corporate governance, which is the overarching framework of our operations. During the 2017/18 period, we continued to work to ensure that our policies and practices promoted good governance and ethics in all areas of our business. This assists in ensuring that we deliver on our strategy and address material issues of our stakeholders.

The governance of the Company and the responsibility for ensuring good corporate citizenship rests with the Board, which is assisted by the Board Committees and the Company Secretary. The Board, through its Committees, provides strategic direction and the Chief Executive, supported by the Executive Management Committee (Exco) and its subcommittees is accountable to the Board for execution of the strategy.

Compliance with Laws, Codes, Rules and Standards

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

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

King iv application

The Board subscribes to and recognises the need to conduct the business in accordance with the principles of the King Code of Corporate Practices and Conduct (King IV). These principles include discipline, independence, responsibility, fairness, social responsibility, transparency and the accountability of Directors to all stakeholders. We are aware that King IV has moved from, "apply or explain" or "apply and explain" concept it requires us to substantiate our assertion that good governance is being practiced. To comply, we have entrenched many of these principles are in our internal controls, policies and procedures governing corporate conduct. The Board is satisfied that every effort has been made during the reporting period to comply in all material aspects of King IV.

During the period under review, we continued to focus on the application of and adherence to the King IV principles. We are satisfied that we substantially applied the King IV principles during the period under review, as reflected in the table below:

Principles	Applied/Not applied
Principle 1: Leadership	Applied
Principle 2: Organisational Ethics	Applied
Principle 3: Responsible Corporate Citizen	Applied
Principle 4: Strategy and Performance	Applied
Principle 5: Reporting	Applied
Principle 6: Primary role and responsibilities of the governing body	Applied
Principle 7: Composition of the governing body	Applied
Principle 8: Committees of the governing body	Applied
Principle 9: Evaluation of performance of the governing body	Applied
Principle 10: Appointment and delegation to Management	Applied
Principle 11: Risk Governance	Applied
Principle 12: Technology and Information governance	Applied
Principle 13: Compliance governance	Applied
Principle 14: Remuneration governance	Applied
Principle 15: Assurance	Applied
Principle 16: Stakeholders relations	Applied

Table 12 King IV governance register

Board of directors

Composition of the board of directors

The Memorandum of Incorporation indicates that the Board shall consist of minimum of nine Directors, of whom seven including the Chairman should be independent Non-Executive Directors, and two should be Executive Directors. The Executive Directors are the Chief Executive Officer and Chief Financial Officer. Non-executive Directors are appointed to the Board by the Shareholders, approved by Parliament, for a period of three years, renewable annually at the Annual General Meeting. The Board is satisfied that the balance of power and objectivity of the Board is sufficient. Below if the profiles of the board members:

N Selamolela
Chaiperson audit and risk commitee

Date of re-appointment: 1 April 2018
Black Female

Qualification
B. Com (Accounting)
(North-West University)
B. Com(Hons) (UKZN)
M.Com Development
Finance (UCT GBS)

Expertise
Telecommunications,
Finance and
General Management

Member: IFTP
Chairperson: ARC

BMC Ngcobo
Chaiperson Board of Directors

Date of r e-appointment: 1 April 2018
Black Male

Qualification
LLB (Natal), LLM in Company Law (WITS)
Business Management Programme (UCT)
Admitted Attorney

Expertise
Telecommunications
Business Management

Member: HRRC
Chairperson: of the Board

AD Matseke
Chief Executive Officer

Date of appointment: 15 November 2017
Black Male

Qualification
BSc Electrical & Electronic Engineering (UCT),
Master of Business Administration (UP)
Post Graduate Diploma in Project
Management (Cranefield College)
Professional Engineer (ECSA)
Senior Member (SAIEE)

Expertise
Engineering, Telecommunications
and Business Management,
Strategy Development and Execution

S Mabalayo
Chairperson HR Reward Commitee

Date of re-appointment:1 April 2018
Black Male

Qualification
BSc (Electrical Engineering) (UCT), MBA

Expertise
Project and General Management

Member: ARC, SEC & IFTP
Chairperson: HRRC

II Van Niekerk
Chief Financial Officer

Date of appointment: 15 September 2015
White Male

Qualification
B. Compt (Hons) (UNISA), CA (SA),
CIBM (UNISA), Certificate in Short Term
Reserving Techniques (UP)

Expertise
Telecommunications
Financial Management
Commercial Management
Strategy

Resignations and movements on the board

Ms. M Maponya retired from the Board of Directors in September 2017. Ms. P Kwele (Ex CEO) retired from the Board and the Company on 30 November 2017. Dr. A Githiari (NED) retired on 14 February 2018. The IDC Board nominee, Ms. L Ramokone resigned in March 2018 after serving 5 months on the Board of Directors. Mr. A D Matseke (New CEO) commenced employment on 30 November 2017.

Below is a list of 3 Board Members approved by Cabinet in March 2018, effective 1 April 2018:

Z KABINI

Member: ARC & IFTP

Date of Appointment: 1 April 2018
Black Female

Qualifications:
B. Com Informatics (UP)
B. Com (Hons) – Informatics (UP)
M.Com Business Management (UNISA),

Expertise:
Information, Communication and Telecommunications (ICT) and Business Management
Strategy development and execution

Member: ARC & IFTP

G MPHEFU

Chairperson: IFTP

Date of Appointment: 1 April 2018
Black Male

Qualifications:
BSc. Electrical & Electronic Engineering (UKZN),
Certificate Course in Wireless Telephony (UP),
Master's in Engineering (Engineering Management) (UP),
Post Graduate Diploma in Health Technology Management (UCT)

Expertise:
Information, Communication and Telecommunications (ICT),
Business Management , Engineering

Chairperson: IFTP

JA SCHREINER

Chairperson: SEC

Date of Appointment: 1 April 2018
White Female

Qualifications:
BA Honours (UCT)
Master of Arts (Sociology) (UCT)
Master's in Security Studies (University of Pretoria)
Certificate in Project Management

Expertise:
Researcher, activist, administrator, management and strategist
Public Service and Administration

Member: HRRC
Chairperson: SEC

Diversity and composition of the board

The Company acknowledges that diversity gives the Board the benefit of different perspectives and ideas. The Company has a unitary Board, consisting of Executive and Non-Executive Directors who represent a broad spectrum of demographic attributes and characteristics. To promote objectivity and reduce the possibility of a conflicts of interest, most directors are independent Non-Executive Directors. The competence and views of individual directors, as well as their interaction during Board meetings, allows strategic oversight. The board consists of 3 black males and 2 black women and 1 white women non Executive Director. The 2 Executives are 1 black male and 1 white male.

Director development

To ensure that all directors on both the Board and Sub-committees of the Company are adequately equipped with the latest information and knowledge relating to the Company's business and to continuously support them in their role as Directors, the Board are Members of the Institute of Directors (IoD) and identify relevant training programmes that they need to attend which is arranged via the Office of the Company Secretary. Due to current austerity measures, Board Members have not attended any conference or training, but they have attended programmes presented by the IoD. In 2018/19, the Company plans to continue with the training and further entrench the culture of Director Development.

Board evaluation

A comprehensive in-house Board evaluation was conducted by the Organisational Development Manager during the 2017/2018 financial year. The outcomes of the evaluation including recommendations for improvement were detailed in a prepared report which was shared with the Board and the Shareholders for consideration. The report provided the Shareholders with a basis for reappointment of their nominees at the Annual General Meeting held on 22 August 2017.

Delegation of authority

The Board of Directors alone cannot perform all the tasks assigned to it. The Board has delegated authority to the CEO and Executives to meet the strategic objectives and targets. The Board has delegated its authority to various board committees with the mandate to deal with governance issues and report on their activities on a quarterly basis. Each committee operates under terms of reference which set out roles and responsibilities, composition and scope of authority which are reviewed on an annual basis.

During the year under review, each committee had several key duties and responsibilities and the Board is satisfied that the committees effectively discharged their responsibilities in accordance with their respective terms of reference.

Company secretary

The Company Secretary is responsible to ensure the proper administration of the Board and its committees. Directors engage with the Company Secretary regularly for governance and regulatory advice. He prepares the annual meeting schedules in consultation with the Board Chairman and Chairpersons of various committees.

The performance of the Company Secretary, as well as his relationship with the Board, is assessed on an annual basis by the Chairman of the Board as well as the Chief Executive Officer. The assessment considers competency, qualifications and experience and whether an arm's length relationship with the Board and Management is maintained.

For the reporting period, the Board is satisfied that the incumbent is suitably qualified and his relationship with the Board is adequate to ensure his independence from director influence or conflict of interest.

Board committees

In line with the requirements of the Companies Act, the Board of Directors established the Audit and Risk Committee, the Human Resource and Remuneration Committee, the Investment, Finance, Tender and Procurement Committee, and Social and Ethics Committee. The Audit and Risk Committee's constitution, functioning and reporting, complies with the PFMA requirements.

Board and committee meetings

Meetings of the Board and its committees are scheduled in advance. Special meetings are convened as and when required to consider specific material issues.

The number of meetings attended by each member are reflected in the table below:

Names of Members	Board	Audit & Risk Committee	Human Resource & Remuneration Committee	Investment, Finance, Tender & Procurement Committee
BMC Ngcobo*	7/8		3/3	
MM Maponya*	3/5	2/2		
ST Mabalayo*	5/8	2/3	3/3	3/3
N Selamolela*	7/8	2/3		3/3
A Githiari	7/8	2/3		3/3
M Mosweu	5/6		1/2	2/2
L Ramakone	1/2	1/1		
P Kwele**	4/6	2/2	2/2	2/2
Il van Niekerk**	8/8	3/3		3/3
M Mopeli**			3/3	
AD Matseke**	2/2	1/1	1/1	1/1
* Chairperson				
** Executives				

Table 13 Board & committee attendance

Audit and Risk Committee (ARC)

The detailed report is on page 74 to 75.

Human Resource & Remuneration Committee (HRRC)

The Committee considered and approved/recommended the following:

- Revised the Organisational Structure;
- Closed out on Irregular Expenditure in relation to certain appointments;
- A deviation for Acting Position;
- The Employment Equity Report;
- The CEOs and CMSO appointments;
- Received regular updates on the Relationship with the Union;
- Approved the Annual Employee Cost of Living Adjustment;
- The HR Department Quarterly Report;
- The Proposal for the Sales Structure;
- The Incentive Scheme for Critical and Scarce Skills based on Pilot Conducted;
- Recommended the CTOs Contract Extension;
- Received updates on Employee Performance Management Status; and
- The human capacity impact of SOC Rationalisation.

Investment, Finance, Tender & Procurement Committee (IFTPC)

The IFTPC considered and approved/recommended the following:

- The Overall Sourcing Strategy for the SA Connect Phase 1 Project;
- The Confinement Strategy for SA Connect;
- The SA Connect Phase 1 Capital Expenditure;
- SA Connect Phase 1 Business Case; and
- The Coriant Services / Care Contract.

Social and Ethics Committee Report (SEC)

Although the SEC did not convene for the period under review, it is important to note that much of the work that is required to be done by the committee on issues such as the marketplace, workplace, social environment, natural environment, CSI, ethics and corporate citizenship, consumer relations, safety, health environment and quality (SHEQ) was in fact attended to by other Board Committees such as the Human Resources and Remuneration Committee and the Audit and Risk Committee. There are also various internal governance structures in place that ensure that all relevant social and ethical matters are addressed and communicated to employees.

Executive Committee (Exco)

Exco facilitates the effective control of the Company's operational activities in terms of its delegated authority, approved by the Board. It is responsible for recommendations to the Board on the Company's policies and strategies and for monitoring their implementation in line with the Board's mandate. It meets bi-weekly and more often when required.

EXCO Members

Below is the profiles of EXCO members

AD MATSEKE
Chief Executive Officer

Date of appointment: 15 November 2017
Black Male

Qualification
BSc Electrical & Electronic Engineering (UCT),
Master of Business Administration (UP)
Post Graduate Diploma in Project
Management (Cranefield College)
Professional Engineer (ECSA)
Senior Member (SAIEE)

Expertise
Engineering, Telecommunications
and Business Management,
Strategy Development and Execution

II VAN NIEKERK
Chief Financial Officer

Date of Appointment: 15 September 2015
White Male

Qualifications:
B. Com (Hons) (UNISA), CA (SA),
CIBM (UNISA), Certificate in Short Term
Reserving Techniques (UP)

Expertise:
Telecommunications, Financial Management,
Commercial Management, Strategy

M MOPELI
Executive HR

Date of Appointment: 1 May 2012
Black Female

Qualifications:
Executive Development Programme (GIBBS)
Master's of Management in HR; (WBS)
Honours – Bachelor of Library &
Information Science (UNISA)
BA: Political Science and
Public Administration (UNIN)

Expertise:
HR & General Management, Telecommunications &
Manufacturing, Organisational Development,
Transformation Strategies, and Labour Legislation
Framework

G ZOWA
Chief Technical Officer

Date of Appointment:1 March 2013
Black Male

Qualifications:
BSc Electrical Eng. (Hons), MBA (University of
Pretoria), Pr Eng. (ECSA), MSAIEE, MIEE (UK).

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

M MOJAPELO
Compliance Risk and Audit

Date of Appointment:1 March 2013
Black Male

Qualifications:
Postgraduate Diploma in Management Practice; B.Compt,
GIA; PA. (S.A); EDP (Executive Development Program
(Wits); LP (Leadership Programme for Senior Manager
(Univ. of PTA); International Leadership Development
Program (ILDP) Henley and Penn State Business School

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

G PETE
Acting Chief and
Marketing Officer

Date of Appointment: Acting from 1st
November 2016 to date
Black Female

Qualifications:
B. Com (Economics) (North-West University)
Management Advancement Programme (MAP)
(Wits Business School)

Expertise:
Telecommunications, Product Management, Sales
Management (National, Regional, International)

F MOHAMMED
Company Secretary

Date of Appointment:1 June 2008
Indian Male

Qualifications:
BA (Law), PGDBM, Henley Business
School (UK)

Expertise:
Company Secretariat,Governance,
Administration, Compliance, and
Stakeholder Management

Table 15 The Executive Committee

Remuneration

Our approach to remuneration is designed to attract and retain skilled, professional executives and employees. The remuneration model comprises consideration for Job value (ranking according to relative value); Market value (industry remuneration benchmarks) and Individual value (internal parity based on the worth per employee).

Employees are remunerated in accordance with their job grade at from the 10th percentile up to the 90th percentile of the applicable salary scale. We guarantee internal equity through defensible differentials in pay and resolve unjustifiable race and gender based income differentials if they arise.

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

Non-Executive director

A Non-Executive Director (NED) is a director who is not involved in the daily management and operations of a company but simply attends, provides oversight, objective judgment, and votes at Board meetings.

The NEDs are paid on a retainer basis in alignment with the Department of Public Enterprise (DPE) Remuneration and Incentive Standards for State Owned Companies' (SOC) Executive Directors, Prescribed Officers and Non-Executive Directors. The Remuneration Standards were adopted by the DTPS. These Remuneration Standards have been reviewed by the DPE and are awaiting cabinet approval. The Board's Human Resources and Remuneration Committee (HRRC) has developed remuneration policies and practices that are aligned with the DPE Remuneration Standards .

Historically, the Shareholders Compact was signed between the Board and the representatives of both Shareholders. However, the Shareholder Compact for 2017/18 was signed between the Board of Directors and the Executive Authority (Minister) and captures the above principle that ensures that the Executive Remuneration and Incentive of the Board is aligned with the newly recommended DPE Remuneration and Incentive Standards for SOCs.

Executive directors

The Executive Directors have fixed-term contracts. None of the Executives have special termination of employment contract benefits. No restraints of trade are in place. The remuneration of Executives is approved by the Board.

Employee remuneration and benefits management

In order to effetively manage labour cost for wastage and misalignment to productivity, the Company has set a cost efficiency ratio of 30% of revenue for human resources capital. Variable pay is part of the annual review of conditions of service negotiatied with organised labour.

During the year under review, the Human Resources and Remuneration Committee (HRRC) approved the Management proposal and substantive negotiation strategy. The first meeting between Management and the Organised Labour representatives was held in June 2017 and the agreement was concluded in October 2017 after a total of eight negotiation sessions.

A review of the conditions of service based on the substantive negotiation process yielded a reduction of variable remuneration in the technical environment, namely, overtime by 18% and nightshift allowance by 10%.

The process to review salary scales was concluded through an independent Remuneration service provider and approved by the HRRC during the year. Implementation of the salary adjustment was during October 2017 through a separate payroll. On average, the 2017/18 Cost of Living Adjustment for all categories of employment was 5, 9%.

Our control environment

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

Internal audit

In accordance with section 51 of the PFMA, we established an internal audit function that is governed by the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA). The internal audit function is an independent assurance function that is functionally accountable to the Audit and Risk Committee.

The mandate and terms of reference of internal audit are included in the Internal Audit Charter, which is approved annually by the Audit and Risk Committee. The internal audit is a fully insourced function that operates under the strategic leadership of the Executive: Compliance, Risk and Audit who is a permanent employee and an Executive Committee member.

In providing the required assurance on our governance, risk and control environment, the internal audit unit has adopted an End-to-End audit approach in conducting its audits. This approach has benefited the Company in ensuring accountability, ownership and synergy, and in eradicating a silo approach.

Strategic audit plan alignment

The Internal Audit Strategy is aligned with Broadband Infraco's strategic objectives, strategic focus areas and critical risks. It takes the following management and control aspects into account:

- Corporate Plan and Shareholder's Compact;
- 'Tone at the top' that relates to institutionalising a sound governance, risk and control environment;
- Human capital management strategy and employee culture;
- Factors that could obstruct or delay the satisfactory realisation of Broadband Infraco's goals and objectives;
- Findings from previous internal and external audit reports;
- Results from control self-assessments, integrated assurance and other continuous control monitoring tools used by management; and
- The cyclical rotation of internal audit reviews in accordance with the three-year strategic rolling Internal Audit Plan.

External audit action plan progress

During the year under review, follow up audits were conducted on external audit findings to ensure implementation of the management action plan. One of the external audit findings remains unresolved, though the mitigation strategies put in place are satisfactory to ensure that the Company operates as a going concern. The Memorandum of Incorporation was signed in the third quarter of the financial year under review.

Internal Audit Issue Log

An Issue Log Register was implemented for tracking reported internal audit findings and ensuring the implementation of corrective action plans for both, IT and Finance.

The log register was discussed quarterly with management and progress reported to the Audit and Risk Committee.

Performance information assurance

Performance information is audited quarterly to provide assurance of accuracy and completeness of information reported. The audit plan improves a focus on providing assurance in the adequacy of internal controls and identifying areas of improvement.

Our risk-management approach

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

We embarked on a concerted approach to analyse risks by assessing them on an inherent or pre-control basis, thereafter allowing risk owners to explicitly state their desired risk control effectiveness, and finally aligning with the control effectiveness rating of the internal assurance providers.

There were no major changes in our business model to necessitate a shift in our strategic risks. The strategic risk register is a living document, and the identified risks were assessed in terms of impact and likelihood and final results were approved by the Board.

Risk Maturity

We use the risk assessment matrix to measure the size of a risk and to determine whether they have appropriate controls or strategies to minimize the risk.

The risk assessment matrix is a working document that needs to be nurtured and maintained. Risks are constantly evolving, and the matrix should reflect these changes to your environment. There are events that may trigger the need for a refresh, such as establishing an enterprise risk management (ERM) program, a major merger or acquisition, or perhaps a significant deficiency or material weakness arises within your internal controls environment. Hopefully, that's not the case, but with a continuous risk assessment process and matrix, you should be equipped to, at the very least, heed any warning signs.

Our top ten risks have not changed from previous years, except the change in the status. Below is the three-year strategic risk register with ratings to show improvement or deterioration.

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

Table 14 Risk assessment matrix

#	Risk Description	Mitigation	Risk Status		
			Inherent Risk	Residual Risk	Perceived Controls Effectiveness
1	Likelihood not to continue as a going concern	1. a. Continue with the sales drive. b. Negotiate long tenure revenue contracts. 2. a. Renegotiation of key supplier contracts. b. Rigorous cash management. 3. Continue to apply for funding from external parties.	Very High	Medium	Satisfactory Controls
2	Regulatory constraints impeding organisational agility	1. Optimise demand planning in procurement. 2. Engaging Shareholder on borrowing limits. 3. Continue to provide inputs on how to integrate government ICT infrastructure.	Very High	High	Weak Controls
3	Margin pressure	1. Embed and continue to optimise pricing strategy. 2. Renegotiation of key suppliers' contracts.	Very High	High	Weak Controls
4	The impact of Non – ICT SOC's on the cost to communicate	1. Continue to engage non-ICT SOC's. 2. Engage the regulators to ensure that non-ICT SOCs are governed by the regulations.	Very High	High	Weak Controls
5	Lack of awareness for new imperatives in privacy and security of information	1. Engage cyber security experts to conduct cyber security awareness throughout the Company. 2. Use Mimecast to inform cyber security alerts. 3. Knowledge transfer from co-sourced partners.	High	Low	Satisfactory Controls

#	Risk Description	Mitigation	Risk Status		
			Inherent Risk	Residual Risk	Perceived Controls Effectiveness
6	Difficulty to raise funds	1. Extended credit terms with major suppliers (Rated and international suppliers). 2. Continue to apply for funding from external parties.	Very High	High	Weak Controls
7	Damage to the reputation of Broadband Infraco	1. Reinforce the current communication strategy. 2. Harmonize the external communication with the Shareholders. 3. Continuous engagement with journalist.	High	Low	Satisfactory Controls
8	Limitations in resolving fulfillment value chain	1. Cross functional processes integration	Very High	Low	Satisfactory Controls
9	Market consolidation resulting in a changed market structure	1. Actively monitor ICT environment. 2. CTO to actively pursue CTO- CTO engagements	Very High	Low	Very Good Controls
10	Difficulty to retain and attract the required skills while appropriately managing the cost to revenue ratio	1. Roll out of Internship programme to include both core and non-core units. 2. Intensify employee engagement strategy. 3. Pilot retention strategy is now effectively applied. The model will be extended to other critical and scarce positions.	Very High	Medium	Satisfactory Controls

Table 15 Strategic Risk Register

Legend

	Risk Status	Perceived Controls Effectiveness
(red)	Level 1 – Very High Risk	Ineffective controls
(orange)	Level 2 – High Risk	Weak controls
(yellow)	Level 3 – Medium Risk	Satisfactory controls
(green)	Level 4 – Low Risk	Very Good controls

Business continuity

The Company has an approved Business Continuity Management (BCM) Policy to provide better guidance regarding business continuity management and capabilities that must be in place. It further identifies the required processes, infrastructure, resources and plans to minimise the impact of a large-scale crisis or disaster that might affect the Company. This policy will be reviewed in the new financial year.

Continuity of our business by way of the earliest recovery will serve to protect the interests of all our stakeholders. Our plan identifies and evaluates risks to the assets and operations, maintains prevention procedures and protection and mitigates the effects of unforeseen losses by having in place processes of continuity and recovery which are regularly audited, tested and updated.

Strategy execution and corporate performance management

We have approved the performance information monitoring and evaluation policy and procedures that provide a framework for strategy implementation and performance information monitoring and evaluation. To ensure that the strategy is implemented and there is delivery on the identified objectives, each strategic objective has key performance areas which are key for the achievement of initiatives. This ensures that there is overall congruence between the overarching direction of the Company and its strategic plan. To this effect, the key performance areas have each been assigned Executive-level sponsors and associated measures to track performance.

The Board enters into a performance agreement as an annexure to the Shareholder Compact with the Shareholders annually. The Annual Performance Plan illustrates the key performance areas, indicators and targets that the Company is expected to achieve. The key performance indicators are cascaded down to divisions and individual employees to measure the performance of each business area and employees.

Information technology governance

The Board is responsible for the information technology governance, risk and compliance. In the year under review, the Board delegated the responsibility for the implementation of IT governance to management. Management has developed an IT Governance Framework which was adopted by the Information Technology Oversight Committee in place. The IT Oversight Committee plays a crucial role in driving IT programmes across the Company. We ensure that all employees are informed of the framework and associated Information technology policies, such as Information Security Policy and the use of allocated IT devices policy.

To gear the technology function to support the growing business environment and several of the governance, risk and compliance objectives have been set. The IT Governance Framework was developed by initially identifying generic technology risks and the policies developed aligned to the IT framework. During the year, we continued to be guided by the outcomes-based framework.

Ethics and fraud management

The Company subscribes to the international principles of anti-corruption behaviour that are embedded in the way we conduct business.

Values

Our values underpin our vision and serve as a compass for our daily activities, including the way we conduct business and interact with our stakeholders. See details on page 17.

Code of ethics

Ethical conduct is a cornerstone of our values. Our code of business principles and ethics is fundamental to our culture of performance with integrity. The provisions of the code reflect the values of the Company and affirm its commitment to the highest standards of integrity and ethics in the conduct of our business. Most importantly, the code set out the Company's expectations of the conduct of our Directors and employees (both full and contract), all contractors including customers and other stakeholders.

Our code is a key element of the Company's governance, risk management, compliance and ethics initiatives and is intended to maintain a culture of integrity and sets out the standards of responsible conduct to which we must adhere to in our daily work. These standards must be well understood and embraced by all. We are responsible for living our values by upholding the principles that govern the way we work – integrity, trust, responsibility, accountability, fairness and transparency.

These principles are necessary for upholding and enhancing our ethical culture. High ethical conduct is a performance requirement for all employees. By building these principles into our actions and decisions, we will continue to earn the confidence necessary for our continued success and growth. Our code contains standards, provides direction and sets forth principles that must guide our conduct internally and our interactions with business partners and parties, the communities in which we operate and undertake our activities, and with the public.

The Board and all employees are required to submit a Disclosure of Interest form to the Company Secretary on an annual basis. These interests are checked against the Companies Intellectual Properties Commission (CIPC) to ensure that NEDs and employees are not conflicted. Board members declarations are also circulated at every meeting of the Board to update their forms and all NEDs and employees who sit on committees are requested to declare at every sitting if they have any conflict on any matter to be considered. Where conflict is identified, the member or employee is requested to recuse themselves from the meeting regarding the matter or any decision related thereto.

During the year under review, each committee had a few key duties and responsibilities and the Board is satisfied that the committees effectively discharged their responsibilities in accordance with their respective terms of reference.

Anti-Corruption

In terms of corporate governance and risk management, we are working to ensure that we apply Principle 11 of King IV, which states that businesses should work against corruption in all its forms, including extortion and bribery. The prevention of fraud and corruption is good business practice. We have taken several measures to mitigate fraud and corruption risks in our business and our operating environment and continually review their effectiveness. The Board and Audit and Risk Committee monitor compliance with our Code of Ethics through quarterly reports they receive from the Executive: Compliance Risk and Audit, which includes feedback from our whistle-blower hotline and our internal audit department.

Addressing fraud and corruption

Our Fraud and Corruption Prevention Plans which the Board approved in 2016 include aspects of training and awareness. We have also established a process to monitor and report on all reported cases and there has been a significant improvement in understanding and prevention.

Fraud and corruption risks are included in our risk assessment process, which includes all our business units. Incidents of fraud and corruption that are reported or detected through management controls are formally investigated by the Risk Management unit. Where control weaknesses are identified, control enhancement measures are implemented. Should an investigation prove that the Fraud and Corruption Policy has been transgressed, a formal disciplinary process is followed, which could lead to dismissal and/or criminal charges being instituted.

Our Fraud and Corruption Prevention Policy, which will be reviewed in the new financial year, has been distributed to all heads of departments and our first level of management is aware of its provisions and is responsible for cascading it down their management line. Related issues are discussed at EXCO meetings as and when they arise. All members of management are required to declare their interests, irrespective whether there is an existing conflict of interest or not. This information forms the foundation of future fraud prevention activities.

Whistle-Blowing

The Company is operating in line with industry best practices and standards and has developed a Whistle-Blowing Policy and Procedure. The prevention and detection of fraud consist of the following four key components:

- Commitment to zero tolerance of fraud and unethical behaviour;
- Control mechanisms to prevent and detect fraud, using an independent hotline service provider to help fight and combat corruption, fraud and unethical behaviour within the workplace;
- Promote a culture that will discourage corruption, using a pro-active approach to fraud; and
- Communication at all levels about fraud and unethical behaviour by conducting annual fraud awareness campaigns.

We pride ourselves in that the systems and processes implemented within the Company are adequate to prevent any potential fraud and corruption risk company-wide. This plan, together with the Whistle Blowing Policy and Tip-offs Anonymous Hotline procedures shall be reviewed when there are material changes. For the year under review, only two cases were reported as reflected in the table below:

Type	Status	2014/15	2015/16	2016/17	2017/18
Follow up	Inquiry about progress on the HR irregularities investigation	0	1	0	0
Inquiry	Inquiry about progress on the HR irregularities investigation	3	5	0	0

Type	Status	2014/15	2015/16	2016/17	2017/18
Dropped or wrong calls	None	11	0	0	0
Test calls	None	11	0		0

Type	Status	2014/15	2015/16	2016/17	2017/18
Allegation reported calls	Investigation completed, reported		0	2	2
Total		**25**	**6**	**2**	**2**

Table 16 Comparative figures

Integrated assurance

We have developed an Integrated Assurance Model for managing risks and controls, which consists of three level of assurance providers, namely management representing the first line of defence, the second line of defence is EXCO Sub-committees and specialists, and Internal Audit and External Audit are the third lines of defence, which provide independent assurance. The formal implementation of the Integrated Assurance Model was delayed; however, a process has been put in place to ensure implementation in the new financial year as an improvement on the traditional combined assurance model.

The Audit and Risk Committee ensures that assurance model is applied to provide a co-ordinated approach to all assurance providers. The model will also support the King IV on the interdependency between internal audit and other assurance providers such as risk management.

The assurance benefits are :

- Reduces duplication of responsibilities;
- Better assurance on risk;
- Improvement on the efficiency; and
- Better optimisation of resources.

The combined assurance model assists the Audit and Risk Committee and the Board informing their view of the adequacy of risk management and internal control in the organisation. To optimise external assurance, alignment and coordination with the 1st (Management) and 2nd (EXCO Sub-Committees) lines of defence are required.

The figure below depicts our integrated assurance model:

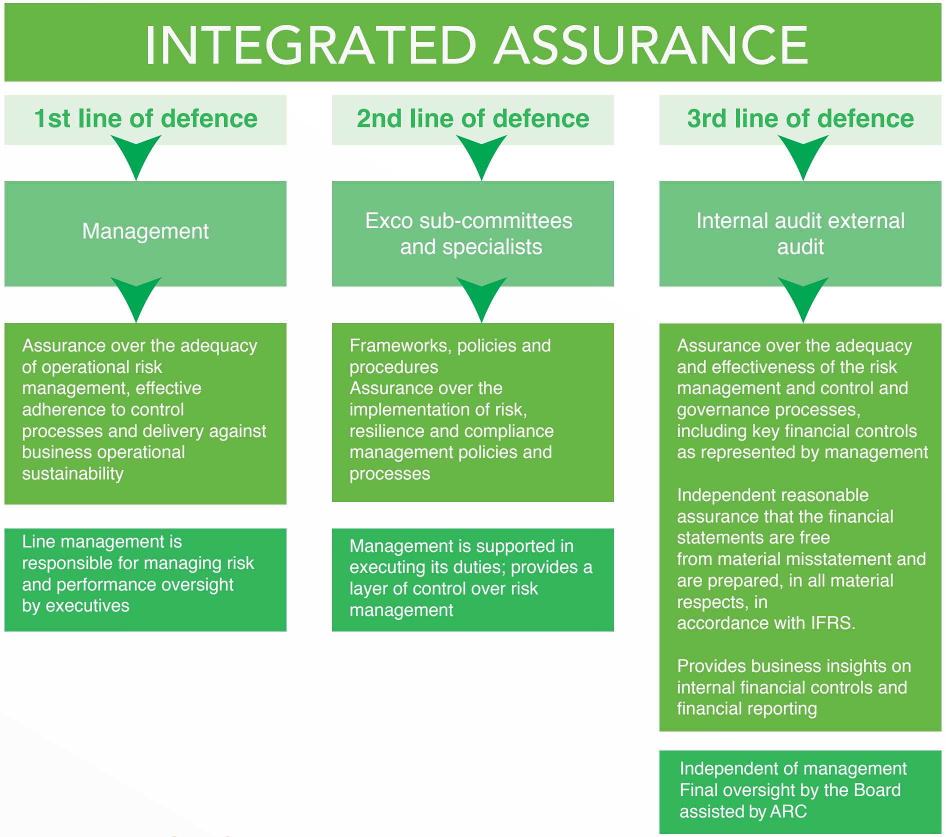


Figure 24 Combined assurance

Regulatory compliance

73 regulatory requirements have been identified as falling within the scope of compliance risk for the organisation and incorporated in the company-wide regulatory universe, which is reviewed annually. Compliance is implemented through a risk-based approach, with high priority given to mandatory/primary legislation impacting the organisation and its operations. The Company has a Compliance unit, the primary function of which is to assist and support the Board of Directors and management to discharge their compliance responsibilities. During the year, the Company has ensured that it reports on its compliance obligations to the Shareholders on a quarterly basis and has not been subjected to any non-compliance fines, penalties or compliance transgressions, during the period under review.

ANNUAL FINANCIAL STATEMENTS

1. Audit and Risk Committee Report for the 2017/18 Financial Year

The Audit and Risk Committee is an independent committee constituted to review the control, governance and risk management of the Company in terms of regulation 27 (1) of the National Treasury Regulation. The Audit and Risk Committee reports that it has discharged its responsibilities as contained in the Audit and Risk Committee terms of reference.

The committee comprised Ms Meta Maponya (Ex Chairperson and Non-Executive Director), Ms Nokuthula Selamolela (Chairperson and Non-Executive Director), Mr Sydney Mabalayo (Non-Executive Director), Dr Anthony Githiari (Non- Executive Director) and Ms Lebogang Ramokone (Non-Executive Director). The Audit and Risk Committee was in place for the 2017/18 financial year and the members were re-appointed by the Shareholders at the Company's AGM.

There were three (3) meetings held during the financial year ended 2017/18, see table 13 on page 62. Critical issues were discussed and minutes were recorded. The minutes of the Audit and Risk Committee meetings were made available to the Board on request.

The following matters were considered:

- Reviewed the effectiveness of internal control systems by approving the internal audit plan, internal audit charter and reviewing quarterly internal audit reports submitted;
- Considered the risk areas of the operations covered in the scope of internal and external audits;
- Considered accounting and auditing concerns identified as a result of internal and external audits;
- Assessed the adequacy, reliability and accuracy of financial information provided by management;
- Assessed compliance with applicable legal and regulatory requirements;

- Reviewed the effectiveness of the internal audit function, compliance and risk departments, through assessments of the quality of the reports submitted to the Audit and Risk Committee;
- Reviewed the financial statements and reporting for proper and complete disclosure of timely, reliable and consistent information and confirmed that accounting policies used are appropriate;
- Reviewed the cash flow forecast on a quarterly basis and assessed the liquidity;
- Reviewed the expertise, resources and experience of the Company's finance function;
- Reviewed the quarterly progress and update on litigations;
- Provided a channel of communication between the Board and management, the risk division, internal auditors, external auditors and the compliance officer;
- Received regular reporting from each of the above functions and monitored timely resolutions of issues or concerns raised by management;
- Liaised with the Board Committees and met as required with the regulators and separately with internal and external auditors;
- Ensured that the assurance model was applied to provide a coordinated approach to all assurance activities; and
- Ensured that the assurance received was appropriate to address all significant risks faced by the Company.

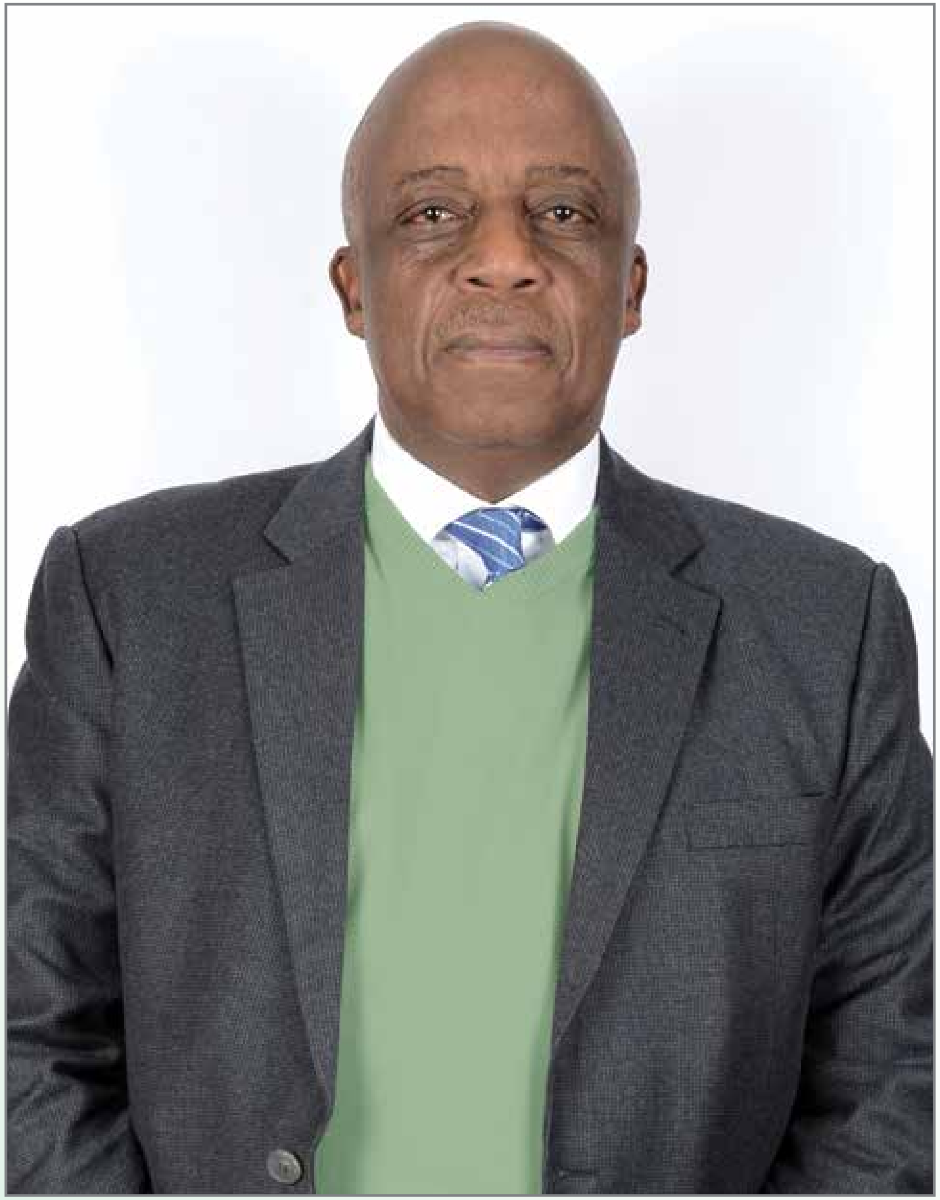
The Audit and Risk Committee ensured that the Company's Internal Audit function was independent and had the necessary resources, and standing authority in order to enable the Internal Audit department to discharge its duties.

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

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

The Audit and Risk Committee is satisfied that management was reviewing the performance information reports on a quarterly basis against both the approved annual performance plan that was tabled in parliament and the shareholders approved stretch target.

N Selamolela
Chairperson Audit and Risk Committee



Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards, PFMA and Companies Act 71 of 2008 and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

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

The directors have reviewed the company's cash flow forecast for the year to 31 March 2019 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's Annual Financial Statements. The Annual Financial Statements have been examined by the company's external auditors and their report is presented on pages 78 to 81.

The Annual Financial Statements set out on pages 84 to 133, which have been prepared on the going concern basis, were approved by the board of directors on 21 August 2018 and were signed on their behalf by:

BMC Ngcobo
Chairman of the Board

AD Matseke
Chief Executive Officer

Company Secretary's Certificate

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

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

F Mohamed
Company Secretary

Independent Auditor's Report To Parliament And The Shareholders On Broadband Infraco Soc Limited

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of Broadband Infraco SOC Limited as set out on pages 84 to 133, which comprise the statement of financial position as at 31 March 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Broadband Infraco SOC Limited as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act and the Companies Act of South Africa.

Basis for opinion

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

We are independent of the entity in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA code) and other independence requirements applicable to performing audits of the annual financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the International Ethics Standards Board for Accountants' Code of Ethics for professional accountants.

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

Material uncertainty related to going concern

We draw attention to note 28 to the financial statements, which indicates that the company incurred a net loss R 113 471 000 during the year ended 31 March 2018. Further, as at that date, the company's total liabilities exceeded its total assets by R 1 192 995 000 (2017: R 1 079 524 000), and its total current liabilities exceeded total current assets by R153 930 000 (2017: 127 860 000). As stated in note 28, these conditions, along with the other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter

We draw attention to note 35 to the financial statements, the corresponding figures for 31 March 2017 have been restated as a result of errors in the financial statements of the company at, and for the year ended, 31 March 2018. Our opinion is not modified in respect of this matter.

Responsibilities of the directors for the Annual Financial Statements

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act and the Companies Act and for such internal control as the accounting authority determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the accounting authority is responsible for assessing Broadband Infraco SOC Limited's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Annual Financial Statements

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

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

Report on the audit of the Annual Performance Report

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information which must be based on the approved performance planning documents of the entity. We have not evaluated the completeness and appropriateness of the performance indicators established and included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information relating to future periods that may be included as part of the reported performance information. Accordingly our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the company for the year ended 31 March 2018:

Objectives	Pages in the Annual Integrated Report
Objective 1 – Develop an integrated packet transport network that encompasses growth/expansion, technology evolution.	34
Objective 2 – Ensure long-term Financial Sustainability	34
Objective 3 – Drive socio-economic transformation	34
Objective 4 – Build high performance organisation	34

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives;

- Objective 1 – Develop an integrated packet transport network that encompasses growth/expansion, technology evolution.
- Objective 2 – Ensure long-term financial sustainability
- Objective 3 – Drive socio-economic transformation
- Objective 4 – Build high performance organisation

Report on the audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof we have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

Annual financial statements, performance and annual report

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (b) of the PFMA and section 29(1) (a) of the Companies Act (Registered Companies.

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

Expenditure management

Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R1 603 000 as disclosed in note 31 to the annual financial statements, as required by section 51(1) (b) (ii) of the PFMA. 87% of the irregular expenditure was caused by the entity not following the State Owned Enterprise Remuneration Guidelines as required by the company's Memorandum of Incorporation and consequently the Companies Act.

Other information

The company's accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the Director's Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

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

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Internal control deficiencies

We considered internal control relevant to our audit of the annual financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on annual performance report included in this report above.

Leadership

As the accounting authority did not adequately review the financial statements and the before submitting them for auditing, material misstatements were not identified and corrected.

The company developed a plan to address internal and external audit findings, but the appropriate level of management did not monitor adherence to the plan in a timely manner.

Financial and performance management

Management did not implement adequate controls over daily and monthly processing and reconciling transactions.

Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

Mxolisi Mthimkhulu
Director
Registered Auditor

21 August 2018

SizweNtsalubaGobodo Grant Thornton
20 Morris Street East
Woodmead
2191

Annexure - Auditor's responsibility for the Audit

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the annual financial statements, and the procedures performed on reported performance information for selected objectives and on the company's compliance with respect to the selected subject matters.

Annual Financial Statements

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

- Identify and assess the risks of material misstatement of the annual financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting in the preparation of the annual financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Broadband Infraco SOC Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we am required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the annual

financial statements. Our conclusions are based on the information available to us at the date of the auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also confirm to management that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and here applicable, related safeguards.

Directors' Report

The directors have pleasure in submitting their report on the Annual Financial Statements of Broadband Infraco SOC Limited for the year ended 31 March 2018.

1. Review of financial results and activities

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Company revenue decreased by 4.53% from R397.2 million in the prior year to R379.2 million for the year ended 31 March 2018

Company cash flows from operating activities increased by 151% from (R91,6 million) in the prior year to R46,7 million for the year ended 31 March 2018.

2. Share capital

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

3. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

4. Going concern

The directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the Annual Financial Statements have been prepared on a going concern basis. The directors have satisfied themselves that the Company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or any pending changes to legislation which may affect the company. More details around the going concern principles applied are in note 28 of the annual financial statements section.

5. Auditors

SNG Grant Thornton is in office as auditors for the company from 2017.

At the AGM, the shareholders will be requested to reappoint SNG Grant Thornton as the independent external auditors of the company and to confirm Mr Mxolisi Mthimkhulu as the designated lead audit partner for the 2019 financial year.

6. Secretary

The company secretary is Mr F Mohamed.

7. Approval of Annual Financial Statements

The Annual Financial Statements set out on pages 84 to 133, which have been prepared on the going concern basis, were approved by the board of directors on 21 August 2018, and were signed on its behalf by:

BMC Ngcobo
Chairman of the Board

AD Matseke
Chief Executive Officer

Statement of Financial Position as at 31 March 2018

	Note(s)	2018 R'000	2017 (Restated) R'000	2016 (Restated) R'000
Assets				
Non-Current Assets				
Property, plant and equipment	3	1,080,789	1,202,234	1,297,319
Intangible assets	4	58,342	55,129	62,352
Trade and other receivables	5	-	8,930	-
Deferred tax	6	-	-	-
Prepayments	7	12,836	12,340	13,587
		1,151,967	**1,278,633**	**1,373,258**
Current Assets				
Trade and other receivables	5	74,366	81,304	42,976
Prepayments	7	2,760	4,473	5,460
Cash and cash equivalents	8	19,550	35,515	141,625
		96,676	**121,292**	**190,061**
Total Assets		**1,248,643**	**1,399,925**	**1,563,319**

	Note(s)	2018 R'000	2017 (Restated) R'000	2016 (Restated) R'000
Equity and Liabilities				
Equity				
Accumulated deficit		**(1,192,995)**	**(1,079,524)**	**(952,064)**
Liabilities				
Non-Current Liabilities				
Loans from shareholders	10	1,274,375	1,185,465	1,102,758
Deferred income	11	439,657	454,342	502,857
Long-term liabilities	12	17,423	35,335	-
Deferred gain	13	459,577	555,155	644,065
		2,191,032	**2,230,297**	**2,249,680**
Current Liabilities				
Trade and other payables	14	85,939	77,188	98,774
Deferred income	11	49,451	58,145	71,759
Provisions	15	5,216	7,824	12,463
Current portion of long-term liabilities	12	14,422	17,085	-
Deferred gain	13	95,578	88,910	82,707
		250,606	**249,152**	**265,703**
Total Liabilities		**2,441,638**	**2,479,449**	**2,515,383**
Total Equity and Liabilities		**1,248,643**	**1,399,925**	**1,563,319**

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2018 R'000	2017 (Restated) R'000
Revenue	16	379,200	397,185
Cost of sales	17	(187,304)	(222,241)
Gross profit		**191,896**	**174,944**
Other operating income	18	89,567	82,707
Operating expenses	19	(304,124)	(303,407)
Operating loss		**(22,661)**	**(45,756)**
Investment income	20	3,634	6,230
Finance costs	21	(94,116)	(84,893)
Loss before taxation		**(113,143)**	**(124,419)**
Taxation	22	(328)	(3,041)
Loss for the year		**(113,471)**	**(127,460)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(113,471)**	**(127,460)**

Statement of Changes in Equity

	Accumulated deficit R'000	Total equity R'000
Balance at 01 April 2016 as previously reported	**(952,064)**	**(952,064)**
Loss for the year as previously reported	(127,460)	(127,460)
Prior period error	-	-
Total comprehensive loss for the year	**(127,460)**	**(127,460)**
Balance at 01 April 2017	**(1,079,524)**	**(1,079,524)**
Loss for the year	(113,471)	(113,471)
Other comprehensive income	-	-
Total comprehensive loss for the year	**(113,471)**	**(113,471)**
Balance at 31 March 2018	**(1,192,995)**	**(1,192,995)**
Note(s)	35	

Statement of Cash Flows

	Note(s)	2018 R'000	2017 (Restated) R'000
Cash flows from operating activities			
Cash generated from/(used in) operations	24	46,655	(91,560)
Interest income		3,634	6,230
Finance costs		(5,206)	(2,186)
Net cash from operating activities		**45,083**	**(87,516)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(40,556)	(70,026)
Sale of property, plant and equipment	3	657	-
Purchase of other intangible assets	4	(574)	(988)
Net cash from investing activities		**(40,473)**	**(71,014)**
Cash flows from financing activities			
Movement in long-term liabilities		(20,575)	52,420
Total cash movement for the year		**(15,965)**	**(106,110)**
Cash at the beginning of the year		35,515	141,625
Total cash at end of the year	8	**19,550**	**35,515**

Accounting Policies

Corporate information

Broadband Infraco SOC Limited is a public company incorporated and domiciled in South Africa. The address of the Company's registered office is Country Club Estate, Building 9, 21 Woodlands Drive, Woodmead, 2146. The Company is owned by the South African Government and is primarily involved in the establishment of a national long-distance fibre-optic network and the establishment of an international marine-cable network deployed between South Africa and the United Kingdom.

The Annual Financial Statements for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the directors on 21 August 2018.

1. Significant accounting policies

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

1.1 Basis of preparation

The Annual Financial Statements have been prepared in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS"), Public Finance Management Act (PFMA) and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these Annual Financial Statements and the Companies Act 71 of 2008.

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

The entity's operations are commercial in nature

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

Only an insignificant portion of the entity's funding is acquired through government grants or other forms of financial assistance from government

Broadband Infraco does not currently nor are there any indication that they will at any time in the future, receive any funding or financial assistance from government.

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

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

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements.

1.2 Significant judgements and sources of estimation uncertainty

Critical judgements in applying accounting policies

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

Going Concern

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

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

Details of the considerations are detailed in note 28.

Trade receivables and loans and receivables

The Company assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Key sources of estimation uncertainty

Trade receivables

The company assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be fully recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

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

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

Management assumed a weighted average cost of capital discount rate of 13.45%. The discount rate was independently calculated, taking into account independently gathered data to ensure that the rate is within an acceptable range.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

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

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

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 15.

Long term liabilities

Long-term liabilities are comprised of obligations on which deferred payment arrangements have been made with the counterparties.

Long-term liabilities are measured at the present value of the obligation, based on the interest rate applicable. When no interest is chargeable, the present value is measured at taking into account the expected return that a market participant would demand as repayment immediately in order to obtain a better return elsewhere.

Shareholders' loans

The shareholders' loans comprises loans with no current repayment terms and are interest free; only payable once the company's assets, fairly valued, exceed the fair value of its liabilities.

The loans have been measured at the present value of the obligation, based on the interest rate per the Subscription and Shareholders' Agreement, should the shareholders decide to charge interest.

It is the intention of the shareholders to convert the loans to equity, hence the term of the obligation is measured taking this into consideration.

1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day-to-day servicing costs are included in profit or loss in the year in which they are incurred.

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

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

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

1.3 Property, plant and equipment (Continued)

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

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

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

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

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

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

1.4 Intangible assets

Intangible assets are initially recognised at cost.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisationis provided on a straight-line basis over their useful life.

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

1.4 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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

1.5 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires.

Impairment of financial assets

At each reporting date the company assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset'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 financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

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 are considered indicators that the trade receivable is impaired. Debtors are assessed on an individual basis and the probability of

1.5 Financial instruments (Continued)

debt collection determined. 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.

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 cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

1.6 Tax

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

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

An company shall offset deferred tax assets and deferred tax liabilities if, and only if:

- The company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable company; or

  (ii) Different taxable companies which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

1.6 Tax (continued)

Tax expenses

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

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 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 – lessee

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 operating lease liability. This asset and liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.8 Impairment of non-financial assets

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

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

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

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

An entity 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.

1.9 Share capital and equity

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

1.10 Shareholders' loans

Loans advanced by shareholders where the company has no present contractual to repay, until such time as the assets of the company exceed its liabilities, will be classified as long-term liabilities.

The loans are initially measured at fair value at recognition date, and are subsequently measured at amortised cost using the effective interest rate method.

1.11 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

1.12 Provisions

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

1.13 Revenue

Sale of Broadband services

Sale of services on the national and international backhaul network facilities, based on the usage for the month and co- location services and billed at the begining of each month

Irrefutable right of use income

Revenue is deferred in accordance with the revenue recognition principles over the period of the contract. The revenue is recognised on a monthly basis.

Operations and maintenance

Operations and maintenance services done on behalf of customers and billed operations and maintenance in respect of irrefutable right of use contracts.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

1.13 Revenue (continued)

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

All revenue earned by the Company is from the rendering of services and is recognised in equal portions over the full duration of the agreement.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and Value Added Tax (VAT).

Finance income is recognised, in profit or loss, using the effective interest rate method.

1.14 Cost of sales

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.15 Translation of foreign currencies Foreign currency transactions

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

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

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 cash flow.

1.16 Related parties

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

1.17 Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or settle on a net basis, all related financial effects are offset.

1.18 Deferred Income

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

1.19 Operating Segments

The Company's operating activities are conducted in one segment and there is no product and geographical segments to report on.

1.20 Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes

1.21 Fruitless and wasteful expenditure

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

1.22 Deferred gains

Gains representing the difference between the faie value of the financial liabilities at recognition and date and the transaction price, are regognised as follows:

- Those resulting from a fair value that is evidenced by quoted price in an active market from an asset or liability, or based on valuation technique that uses only data from observable markets,a re recognised in profit or loss at the initial recognition date;
- In all other cases, deferred and recognised in profit or loss to the extent of the change in valuation factors used, including the remaining valuation period.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

In terms of IAS 12 Income Taxes, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The following amendments have been made, which may have an impact on the company:

If tax law restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Additional guidelines were prescribed for evaluating whether the company will have sufficient taxable profit in future periods. The company is required to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

2.1 Standards and interpretations effective and adopted in the current year (continued)

The effective date of the amendment is for years beginning on or after 01 January 2017.

The company has adopted the amendment for the first time in the 2018 annual financial statements.

2.2 Standards and Interpretations early adopted

The company has chosen to early adopt the following standards and interpretations:

Directive 12: Selection of an appropriate reporting framework by public entities

Directive 12, Selection of an appropriate reporting framework by public entities, issued by the Accounting Standards Board, prescribes the criteria to be applied by schedule 2 public entities, like Broadband Infraco, in selecting an appropriate financial reporting framework.

The Directive requires an entity to perform a self-assessment of the reporting framework most appropriate to meet its different users information needs, as they would rely on the financial statements as their major source of financial information.

The Directive states that a public entity must apply IFRS in the preparation of their financial statements if they meet one of the following criteria:

- the entity is a financial institution;
- the entity has ordinary shares or potential ordinary shares that are publicly traded on capital markets; or
- the entity's operations are commercial in nature and only an insignificant portion of the entity's funding is acquired through government grants or other forms of financial assistance from government.

The effective date of the directive is for years beginning on or after 01 April 2018.

The company has early adopted the directive for the first time in the 2018 Annual Financial Statements.
The impact of the directive is none.

2.3 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 January 2018 or later periods:

Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after 01 January 2019.

The company expects to adopt the interpretation for the first time in the 2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the company's annual financial statements.

2.3 Standards and interpretations not yet effective (continued)

IFRS 16 Leases

The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance leases.

IFRS 16 may be applied with full retrospective effect or under a modified retrospective approach with an adjustment made to the opening balance of retained income.

Early adoption is permitted.

The Company is in the process of quantifying the potential impact of the new standard on its financial statements.

Effective date: 1 January 2019

IFRIC 22: Foreign Currency Transactions and Advance Consideration

The interpretation applies to circumstances when an entity has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by the interpretation is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability.

The effective date of the interpretation is for years beginning on or after 01 January 2018.

The company expects to adopt the interpretation for the first time in the 2019 Annual Financial Statements.

It is unlikely that the interpretation will have a material impact on the company's Annual Financial Statements.

IFRS 9 Financial Instruments

The standard requires financial assets to be measured either at amortised cost or fair value depending on the business model under which they are held and the cash flow characteristics of the instrument.

The standard also contains new hedge accounting requirements aimed at better aligning the accounting treatment with the risk management strategy. In addition, the standard replaces the incurred loss impairment model in IAS 39 with an expected loss model. It will no longer be necessary for a credit event to have occurred before credit losses are recognised.

The Company is currently quantifying the potential impact of the new standard.

Effective date: 1 January 2018

IFRS 15 Revenue from Contracts with Customers

IFRS 15 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.

The core principle of IFRS 15 is that an entity recognises 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. An entity recognises revenue in accordance with that core principle by applying the following steps:

2.3 Standards and interpretations not yet effective (continued)

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.
- IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2018.

The company expects to adopt the standard for the first time in the 2019 Annual Financial Statements.

It is unlikely that the standard will have a material impact on the company's Annual Financial Statements.

Notes to the Annual Financial Statements (continued)

3. Property, plant and equipment

	2018			2017			2016		
R'000	Cost / revaluation	Accumulated depreciation	Carrying value	Cost / revaluation	Accumulated depreciation	Carrying value	Cost / revaluation	Accumulated depreciation	Carrying value
Motor vehicles	5,555	(3,490)	2,065	5,950	(2,533)	3,417	5,950	(1,328)	4,622
Office equipment	11,099	(6,307)	4,792	10,820	(5,223)	5,597	10,356	(4,139)	6,217
Computer equipment	18,289	(15,885)	2,404	16,835	(15,135)	1,700	17,414	(14,444)	2,970
Network Infrastructure	2,113,326	(1,128,322)	985,004	1,997,339	(997,415)	999,924	1,964,663	(846,753)	1,117,910
Spares and test equipment	21,633	(16,075)	5,558	15,920	(13,327)	2,593	15,920	(12,110)	3,810
Capital – Work in progress	80,966	–	80,966	189,003	–	189,003	161,790	–	161,790
Total	**2,250,868**	**(1,170,079)**	**1,080,789**	**2,235,867**	**(1,033,633)**	**1,202,234**	**2,176,093**	**(878,774)**	**1,297,319**

Reconciliation of property, plant and equipment – 2018

R'000	Opening balance	Additions	Disposals	Transfers	Impairment	Other changes, movements	Depreciation	Total
Motor vehicles	3,417	–	(227)	–	–	–	(1,125)	2,065
Office equipment	5,597	–	(96)	525	–	–	(1,234)	4,792
Computer equipment	1,700	2,233	(68)	(203)	–	–	(1,258)	2,404
Network Infrastructure	999,924	8,632	(53)	118,004	(3,549)	(2,434)	(135,520)	985,004
Spares and test equipment	2,593	–	–	5,713	–	–	(2,748)	5,558
Capital – Work in progress	189,003	29,691	–	(135,810)	–	(1,918)	–	80,966
	1,202,234	**40,556**	**(444)**	**(11,771)**	**(3,549)**	**(4,352)**	**(141,885)**	**1,080,789**

Reconciliation of property, plant and equipment – 2017

R'000	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Motor vehicles	4,622	-	-	-	-	(1,205)	3,417
Office equipment	6,217	-	-	464	-	(1,084)	5,597
Computer equipment	2,970	200	(111)	-	-	(1,359)	1,700
Network infrastructure	1,117,910	56	-	32,657	-	(150,699)	999,924
Spares and test equipment	3,810	-	-	-	-	(1,217)	2,593
Capital – Work in progress	161,790	69,770	-	(33,121)	(9,436)	-	189,003
	1,297,319	**70,026**	**(111)**	**-**	**(9,436)**	**(155,564)**	**1,202,234**

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

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

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

Transfers reflect the movements between work in progress and the different asset categories upon completion of a project. Other changes, movements are items that do not meet the asset recognition criteria and were derecognised.

4. Intangible assets

	2018			2017			2016		
	Cost / valuation	Accumulated amortisation	Carrying value	Cost / valuation	Accumulated amortisation	Carrying value	Cost / valuation	Accumulated amortisation	Carrying value
Computer software	72,605	(26,974)	45,631	60,484	(17,842)	42,642	59,496	(9,631)	49,865
Servitudes	12,711	-	12,711	12,487	-	12,487	12,487	-	12,487
Total	**85,316**	**(26,974)**	**58,342**	**72,971**	**(17,842)**	**55,129**	**71,983**	**(9,631)**	**62,352**

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	42,642	574	11,547	(9,132)	45,631
Servitudes	12,487	-	224	-	12,711
	55,129	**574**	**11,771**	**(9,132)**	**58,342**

Reconciliation of intangible assets – 2017

R'000	Opening balance	Additions	Amortisation	Total
Computer software	49,865	988	(8,211)	42,642
Servitudes	12,487	-	-	12,487
	62,352	**988**	**(8,211)**	**55,129**

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

	2018 R'000	2017 R'000	2016 R'000

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

None of the intangible assets have been pledged as security.
There are no contractual commitments outstanding at the end of the reporting period.
Transfers reflect the movements between work in progress and the different asset categories upon completion of a project.

5. Trade and other receivables

Trade and other receivables consists of:

Long term and current trade receivables.

Non-current assets			
Long term receivables*	-	8,930	-

* Long term receivables was the amount due to the Company by West African Cable System (WACS) for past upgrades done and was utilised by the Company to settle future upgrades.

Current Assets			
Trade receivables	73,267	74,281	35,859
Deposits	1,058	2,183	2,162
VAT	-	4,796	1,286
Foreign tax credits	-	-	3,041
Accrued interest	41	44	526
Straight-lining of operating leases	-	-	102
	74,366	**81,304**	**42,976**

None of the trade and other receivables have been pledged as security.

Trade and other receivables that are past due but have not been impaired are as follows:

Trade receivables	23,259	15,724	596
Deposits	1,058	2,183	2,162
	24,317	**17,907**	**2,758**

	2018 R'000	2017 R'000	2016 R'000

Trade and other receivables impaired

As of 31 March 2018, trade and other receivables of R 1,192,995 (2017: R 1,438,000) ; 2016: R 1,192,995) were impaired and provided for. Factors taken into account when considering impairment included the age of the debt and the likelihood of recovery.

Movements of the doubtful debt allowance is as follows:	2018 R'000	2017 R'000	2016 R'000
Opening balance	1,438	1,498	-
Reversal of impairment loss from prior year	(240)	(60)	(807)
Additions	533	-	-
Balance at the end of the year	**1,731**	**1,438**	**(807)**

Trade and other receivables pledged as security

The Company has not pledged any trade or other receivables as collateral.

6. Deferred tax

Deferred tax liability

A deferred tax asset has not been raised as it is considered improbable that temporary differences will reverse in the foreseeable future.

Reconciliation of deferred tax asset

	2018 R'000	2017 R'000	2016 R'000
Movement in temporary differences	(7,572)	(17,714)	11,187
Deferred tax assets not recognised	7,572	17,714	11,187
At end of the year	**-**	**-**	**-**

	2018 R'000	2017 R'000	2016 R'000
Deferred tax rates			
The deferred tax rate applied was 28% (2017: 28%).			
Recognised (cumulative balances)			
Straight-lining of lease liabilities	294	78	(29)
Capital allowances	(1,029)	(1,628)	(97,551)
Prepayments	(324)	(315)	(1,559)
Provision for bad debts	486	403	419
Leave pay accrual	1,296	1,052	1,114
Bonus provision	1180	1,855	2,370
Credit note provision	-	2,091	-
Other provisions	280	336	-
Unrealised foreign exchange differences	198	43	-
Deferred income	136,950	143,496	161,194
Deferred tax asset not recognised	(139,331)	(147,411)	(65,958)
	-	-	-

The unused tax credits amount to R 327 616 (2017: R 3 041 205), the amounts will expire between 15 October 2021 and 12 December 2021. The unused tax losses amount to R 739 358 214 (2017: R 587 625 887).

	2018 R'000	2017 R'000	2016 R'000
7. Prepayments			
Insurance	1,892	3,186	2237
Operating expenses	1,364	1,287	3223
Irrefutable Right of Use	12,340	12,340	13587
	15,596	**16,813**	**19,047**
Non Current Assets	12,836	12,340	13587
Current Assets	2,760	4,473	5460
	15,596	**16,813**	**19,047**
8. Cash and cash equivalents			
Cash and cash equivalents consist of:			
Current accounts	1,827	1,018	1,575
Short-term deposits - First National Bank - bearing interest at 6%-6.95%	-	-	30,348
Short - term deposits	17,723	34,497	109,702
	19,550	**35,515**	**141,625**

None of the cash and cash equivalents have been encumbered, secured or pledged.

9. Share capital

	2018 R'000	2017 R'000	2016 R'000
Authorised			
Ordinary	1	1	1
Issued			
Ordinary *	-	-	-

	2018 R'000	2017 R'000	2016 R'000

9. Share capital (continued)

Shares are held as follows:

- 74 ordinary shares held by the State, represented by Department of Telecommunications and Postal Services.
- 26 ordinary shares held by the Industrial Development Corporation of South Africa.

Unissued shares are controlled by the Executive Authority (The Minister of the Department of Telecommunications and Postal Services).

* Amounts less than R1 000.

10. Shareholders' loans

	2018 R'000	2017 R'000	2016 R'000
Department of Telecommunications and Postal Services	941,141	897,107	814,400
Industrial Development Corporation of South Africa	333,234	288,358	288,358
	1,274,375	**1,185,465**	**1,102,758**

The loans are unsecured, have no fixed terms of repayment, bear no interest and are subordinated by the shareholders to the Company. The Shareholders' loan agreement states that the loan may be repaid subject to the availability of funds from time to time, however this is based on a mutual agreement between the Shareholders and the Company. The nominal amount of the loans are R 1,829,530, before being discounted and restarted at the value above. The period and the interest rate used to discount the shareholder loans are 15 years and 7.5% (Johannesburg Inter Bank Repo Rate plus one) respectively.

11. Deferred income

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

	2018 R'000	2017 R'000	2016 R'000
Non-current liabilities	439,657	454,342	502,857
Current liabilities	49,451	58,145	71,759
	489,108	**512,487**	**574,616**

	2018 R'000	2017 R'000	2016 R'000
Reconciliation of deferred income			
Opening Balance	512,487	574,616	617,359
Payments received	64,291	36,851	28,933
Recognised in profit and loss	(87,670)	(98,980)	(71,676)
Closing Balance	**489,108**	**512,487**	**574,616**

12. Long-term liabilities

The amount included in long-term liabilities are as follows:

	2018 R'000	2017 R'000	2016 R'000
Deferred maintenance payments	31,845	43,803	-
Long-term payable	-	6,956	-
Deferred intercorrect charges	-	1,661	-
	31,845	**52,420**	**-**
Non-current liabilities	17,423	35,335	-
Current liabilities	14,422	17,085	-
	31,845	**52,420**	**-**

13. Deferred gain

Deferred gain relates to the day one gain recognised on the differences between the present value of the Shareholders loans and the consideration paid.

	2018 R'000	2017 R'000	2016 R'000
Non - current Liabilities	459,577	555,155	644,065
Current Liabilities	95,578	88,910	82,707
	555,155	**644,065**	**726,772**
Reconciliation of deferred gain			
Opening balance	644 065	726 772	803 708
Recognised in profit and loss	(88 910)	(82 707)	(76 936)
Closing Balance	**555 155**	**644 065**	**726 772**

	2018 R'000	2017 R'000	2016 R'000

14. Trade and other payables

	2018 R'000	2017 R'000	2016 R'000
Trade payables	76,252	69,509	75,630
Trade payables - Neotel settlements	-	-	15,789
VAT	964	-	(2)
Salary payables	6	4	-
Straight lining of leases	1,050	278	-
Accrued leave pay	4,628	3,758	3,978
External audit	820	780	1,000
PAYE	2,219	2,859	2,379
	85,939	**77,188**	**98,774**

15. Provisions

Reconciliation of provisions – 2018

R'000	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Legal proceedings	1,200	280	(480)	-	1,000
Retention bonus	6,624	6,653	(3,223)	(5,838)	4,216
	7,824	**6,933**	**(3,703)**	**(5,838)**	**5,216**

Reconciliation of provisions – 2017

R'000	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Legal proceedings	4,000	-	-	(2,800)	1,200
Retention bonus	8,463	3,526	(4,521)	(844)	6,624
	12,463	**3,526**	**(4,521)**	**(3,644)**	**7,824**

	2018 R'000	2017 R'000

Legal proceedings

The provision relates to current employee cases that are underway and pending. These amounts have been recognised as it is probable that the outcome of the cases may be unfavourable to the company. The amount and timing of the payments are subject to the outcomes of the CCMA cases. The provision is based on management estimates

Retention bonus

The retention bonus provision relates to reviews to be completed with qualifying personnel based on individuals and Company's performance after year end. It is probable that the Board may approve a payout to qualifying staff in the following financial year, as an enabler to retain core skills withing the Company. The retention bonus is based on management estimates.

16. Revenue

The amounts included in revenue arising from exchanges of goods or services included in revenue are as follows:

	2018 R'000	2017 R'000
Sale of broadband services	291,530	298,205
Irrefutable Right of Use income	63,019	75,213
Operations and Maintenance	24,651	23,767
	379,200	**397,185**

17. Cost of sales

	2018 R'000	2017 R'000
Rendering of services	**187,304**	**222,241**

18. Other operating income

	2018 R'000	2017 R'000
Compensation from insurance claims	657	-
Deferred gain recognised	88,910	82,707
	89,567	**82,707**

The deferred gain relates to the amortised day one gain on the Shareholder's loans

	2018 R'000	2017 R'000

19. Operating expenses

Operating expenses include the following:

Operating expenses	304,124	303,407
Employee costs		
Salaries	**90,656**	**93,999**
Directors emoluments		
Non-executive directors	2,304	2,508
Executive directors	9,044	4,841
	11,348	**7,349**

Service Fees

Co-sourcing	7,990	6,107
Consulting and professional fees	858	1,495
External Audit fees	918	827
Legal fees	977	(1,052)
	10,743	**7,377**

	2018 R'000	2017 R'000
General and administrative expenses		
Advertising	883	459
Assets written off	(493)	(130)
Electricity	4,464	3,762
IT expenses	3,017	3,441
Insurance	1,334	1,197
Licence Fees	1,562	2,043
Other expenses – deductible	7,331	4,731
Recoveries – (WACS)	(1,931)	(2,332)
Repairs and maintenance	13,947	7,505
Telephone and fax	383	351
Training	326	(337)
Travel – local	2,523	2,535
	33,346	**23,225**
Operating Leases		
Premises	7,012	7,279
Motor vehicles	-	403
Lease rentals on operating leases	**7,012**	**7,682**
Depreciation and amortisation		
Depreciation of property, plant and equipment	141,885	155,564
Amortisation of intangible assets	9,133	8,211
Total depreciation and amortisation	**151,018**	**163,775**

	2018 R'000	2017 R'000
20. Investment income		
Bank	2,235	5,787
Trade and other receivables	17	241
Unrealised foreign exchange gains	1,386	202
Total interest income	**3,638**	**6,230**
21. Finance costs		
Realised loss on foreign exchange transaction	1,476	154
Interest paid	28	2,032
Discounted Interest Charge*	92,612	82,707
	94,116	**84,893**

*The discounted interest charge includes the interest portion of the interest free loans from the shareholders and the interest from the long-term liabilities.

	2018 R'000	2017 R'000

22. Taxation

Major components of the tax expense

	2018 R'000	2017 R'000
Current		
Foreign income tax or withholding tax – recognised in current tax for prior periods	328	3,041

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense

	2018 R'000	2017 R'000
Accounting loss	(113,143)	(124,419)
Tax at the applicable tax rate of 28% (2017: 28%)	(31,680)	(34,837)
Tax effect of adjustments on taxable income		
International travels	81	50,681
WACS recovery	(265)	1,870
Deferred tax – prior period	–	(17,714)
Deferred tax not recognised	31,864	(3,041)
Botswana Withholding tax	328	–
	328	**(3,041)**

23. Operating leases

The Company has entered into a number of lease arrangements for office space and PoP sites nationally, with the most significant lease payments being for the Head Office in Woodmead until 2022.

	2018 R'000	2017 R'000
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	7,670	6,658
Between one and five years	19,496	23,258
	27,166	**29,916**

	2018 R'000	2017 R'000
24. Cash generated from/(used in) operations		
Loss before taxation	(113,143)	(124,419)
Adjustments for:		
Depreciation and amortisation	151,018	163,775
Losses on disposals, scrappings and settlements of assets and liabilities	4,137	463
Interest income	(3,634)	(6,230)
Finance costs	5,206	2,186
Fair value adjustment	88,911	82,707
Impairment*	3,549	-
Movements in provisions	(2,608)	(4,639)
Movement in deferred income	(23,379)	(62,129)
Tax receivable	(328)	(3,041)
Reversal of prepayment on work-in-progress	-	9,084
Changes in working capital:		
Inventories	-	-
Trade and other receivables	6,938	(38,158)
Prepayments	1,217	2,234
Long-term receivables	8,930	(8,930)
Trade and other payables	8,751	(21,756)
Movement in deferred gain	(88,910)	(82,707)
	46,655	**(91,560)**

*The impairment relates to WACS which was paid and capitalised in the prior years, and subsequently a credit note relating to the underspent amount for upgrade 1 was received from the Operational Central Billing Party (OCBP).

		2018 R'000	2017 R'000

25. Related parties

Relationships	
Ultimate holding company	The state, represented by the Department of Telecommunications and Postal Services
Shareholder with significant influence	Industrial Development Corporation of South Africa
Departments	Department of Science and Technology
Major public entities	Telkom SA (SOC) Limited, Eskom, Transnet, Industrial Development Corporation of South Africa
Other public entities	SITA (SOC) Limited

	2018 R'000	2017 R'000
Related party balances - Loan accounts – Owing to related parties		
Department of Telecommunications and Postal Services	(1,351,130)	(1,351,130)
Industrial Development Corporation of South Africa	(478,400)	(478,400)
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Major Public Entities	4,572	4,367
Major Public Entities	(88,906)	(80,629)
Other Public Entities	-	9,093
Department Ultimate holding company	4,900	-
Deferred Income		
Non Current Liability		
Departments	313,499	347,728
Deferred Income		
Current Liability		
Departments	35,217	33,939
Ultimate holding company	4,298	-
Related party transactions		
Purchases from (sales to) related parties		
Major Public Entities	88,743	85,190
Major Public Entities	(1,820)	(4,477)
Other Public Entities	(135,536)	(128,686)
Departments	55,253	-

	2018 R'000	2017 R'000
Compensation to directors and other key management		
Short-term employee benefits – Non-executive directors	2,304	2,508
Short-term employee benefits – Executive directors	9,044	4,841
Short-term employee benefits – Key management	7,177	7,005
	18,525	**14,354**

26. Directors' and prescribed officer's emoluments

Executive
2018

	Position	Service period in months	Directors' fees	Expenses and other allowances	Retention/ Performance Bonus	Total
P Kwele	Chief Executive Officer	8	2,180	20	*3,585	5,785
II van Niekerk	Chief Financial Officer	12	2,133	30	66	2,229
A Matseke	Chief Executive Officer	4.5	1,017	13	–	1,030
			5,330	**63**	**3,651**	**9,044**

*The amount relates to performance bonus payments for three years between 2013 to 2016.

2017

	Position	Service period in months	Directors' fees	Expenses and other allowances	Retention/ Performance Bonus	Total
P Kwele	Chief Executive Officer	12	2,798	30	–	2,828
II van Niekerk	Chief Financial Officer	12	1,917	30	66	2,013
			4,715	**60**	**66**	**4,841**

	2018 R'000	2017 R'000

Non-executive

2018

	Position	Service period in months	Directors' fees	Total
BMC Ngcobo	Board Chairperson	12	884	884
SD Mabalayo	Board member	12	428	428
MM Maponya	Board member	6	126	126
A Githiari	Board member	11	279	279
N Selamolela	Board member	12	357	357
M Mosweu	Board member	9	178	178
L Ramokone	Board member	3	52	52
			2,304	**2,304**

2017

	Position	Service period in months	Directors' fees	Total
BMC Ngcobo	Board Chairperson	12	847	847
SD Mabalayo	Board member	12	418	418
MM Maponya	Board member	12	322	322
A Githiari	Board member	12	304	304
N Selamolela	Board member	12	334	334
M Mosweu	Board member	12	283	283
			2,508	**2,508**

			2018 R'000	2017 R'000

Key management

2018

	Position	Service period in months	Basic Salary	Retention Bonus	Expenses and other allowances	Total
G Zowa	Chief Technical Officer	12	2,305	160	30	2,495
ME Mopeli	Executive: Human Resources	12	1,696	113	30	1,839
MM Mojapelo	Executive: Compliance Risk and Audit	12	1,312	70	30	1,412
G Pete	Acting Chief Marketing and Sales	12	1,346	61	24	1,431
			6,659	**404**	**114**	**7,177**

2017

	Position	Service period in months	Basic Salary	Retention Bonus	Expenses and other allowances	Total
G Zowa	Chief Technical Officer	12	2,123	160	30	2,313
V Maharaj	Executive: Capital Programme	2	631	-	5	636
ST Mafu	Chief Marketing and Sales Officer	7	1,089	-	18	1,107
M Mopeli	Executive: Human Resources	12	1,487	113	30	1,630
M Mojapelo	Executive: Compliance, Risk and Audit	12	1,219	70	30	1,319
			6,549	**343**	**113**	**7,005**

27. Risk management

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company consists of debt, which includes the borrowings disclosed in note 12, Long term liabilities and equity as disclosed in the statement of financial position.

There have been no changes to what the entity manages as capital or the strategy for capital maintenance from the previous year.

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the finance department governed by policies approved by the Board of Directors. The Company identifies and evaluates financial risks in close co-operation with the Company's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, non-derivative financial instruments and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company maintains flexibility in funding by maintaining availability under committed credit lines.

	2018 R'000	2017 R'000

The Company's risk to liquidity is a result of the funds available to cover future commitments. The Company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate short term investments are monitored.

The following are the contractual maturities of financial liabilities.

	Carrying amount	Contractual cash flows	12 months or less	12 months or more
2018				
Trade and other payables	(85,934)	(85,934)	(85,934)	-
Long-term liabilities	(31,845)	(31,845)	(14,422)	(17,423)
Shareholder loans	(1,274,375)	(1,829,530)	-	(1,274,375)
2017				
Trade and other payables	(77,155)	(77,155)	(77,155)	-
Long-term liabilities	(52,420)	(52,420)	(17,085)	(35,335)
Shareholders loans	(1,185,465)	(1,829,530)	-	(1,185,465)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Company only deposits cash with major banks with high quality credit standing. The Company further limits exposure to any one counter-party by limiting, in terms of the Company policy, the amount invested with any one institution to 50% of total funds invested.

Management evaluated credit risk relating to customers on an ongoing basis. Customers are required to undergo a vetting process where their liquidity is investigated. The Company also performs monthly follow ups with debtors to ensure that they pay within agreed payment terms, this is evident by the 80% of debtors that are within 60 days

	2018 R'000	2017 R'000
Financial assets exposed to credit risk at year end were as follows:		
By geographical area		
Domestic	65,775	73,662
International	7,492	588
	73,267	**74,250**
Ageing		
Not past due date	48,773	58,536
60 days	9,757	8,514
90 days and over	14,737	7,200
	73,267	**74,250**
Credit rating of balances		
BA	6,717	3,586
Unrated	66,550	70,664
	73,267	**74,250**

Foreign exchange risk

The company operates predominantly in its functional currency of South African Rand (ZAR). Certain transactions take place in foreign currencies, primarily with respect to the US dollar. The Company's main US Dollar exposure is in respect to its ongoing investment in the West African Cable System. The company is exposed to the risk of fluctuating exchange rates and seeks to manage this exposure with approved policy parameters by entering into forward exchange contracts with major South African banks. Fluctuations in exchange rates, directly affect profits/(losses) of the Company. At year-end there were no active foreign exchange contracts in place.

Foreign currency sensitivity analysis

The following details the Company's sensitivity to an 8% change in the ZAR/USD exchange rate. The sensitivity rate of 8% represents management's assessment of the possible change in foreign exchange rates. The senitivity analysis includes outstanding foreign currency denominated monetary items and commitments and adjusts their translation at the period end for an 8% change in foreign currency rates.

R'000	2018 8% strengthening	2018 8% depreciation	2017 8% strengthening	2017 8% depreciation
Foreign long-term debtors				
South African Rands	-	-	714	(714)
Foreign long-term creditors				
South African Rands	-	-	(556)	556
Foreign cash and cash equivalents				
South African Rands	28	(28)	91	(91)
US Dollar Rates Used				
Closing Rate			11.76	13.53
Average Rate			13.01	14.06

	2018 R'000	2017 R'000

28. Going concern

We draw attention to the fact that the company incurred a net loss of R (113,471) (2017: R 127,460) during the year ended March 2018. The company had accumulated losses of R 1,192,995 (2017: R 1,079,524) and the company's total liabilities exceed its assets by R 1,192,995 (2017: R 1,079,524), and the current liabilities by R 8,901 (2017: R19,195).

The Shareholders' Loans, which comprise the significant portion of the total liabilities, have been subordinated, until such time the Company is in a position to repay the loans. IAS 1 prescribes that the Board of Directors and management of the Company should thoroughly assess the financial sustainability of the business and ensure that the business will continue without the threat of liquidation for the forececeable future, usually regarded as at least within 12 months after reporting date. It also requires the Board and management to declare the intention to keep the Company as continuing in business for the foreseeable future with neither the intention to cease trading nor seeking protection from creditors persuant to laws or regulation. The going concern assumption is a fundamental principle in the preparation of financial statements. Under the going concern assumption, an entity is ordinarily viewed to realise its assets, discharge its liabilities and obtain refinancing in the normal course of business.

Broadband Infraco has prepared its financial statements for the year ended 31 March 2018 on the basis that it will continue as a going concern for the foreseeable future, thus at least the next 12 months. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Board of Directors has considered whether the going concern assumption is appropriate for the Company in the preparation of the Annual Financial Statements. The director's have reviewed the Company's financial performance forecast for the year 31 March 2019 as well as 31 March 2020 and in light of this review and the current financial position, they are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future, taking into account access to some funding in the medium term being obtained.

The going concern principle is under consideration due to the following significant material uncertainties:

- Trading losses since inception and in the current financial year;
- Revenue streams in the short term is not adequate to cover all costs, resulting in a monthly cash break-even shortfall.

	2018 R'000	2017 R'000

The assessment considered below examines interventions by the Company and shareholders to substantiate why the going concern assumption in preparing the Annual Financial Statements for the year ended 31 March 2018 is considered appropriate.

During the preceding financial year management, under the guidance of the Board of Directors, reviewed its business model, cash flow forecasting, break-even analysis and the Company's corporate plan.

During the past 36 months management undertook several optimisation exercises to reduce cost of sales and operational costs. This resulted in significant sustainable reduction of cost of sales and operational costs as can be seen in the Annual Financial Statements and the positive cashflow obtained from business operations during 2018.

Non-investment in capital expenditure will pose minimum risk in the generation of revenue, due to the sweating of the existing asset principle. A set-up fee to be payable upfront from new customers has been introduced as part of the new sales contracting model. The set-up fee will represent a percentage of the total contract value.

The Company has been able to secure vendor financing from one of its major suppliers and is well advanced in concluding a similiar agreement with a second supplier. The Company is also in discussions to secure short and medium term facilities to fund specific capital expenditure. This will assist the Company in managing the cash flow when specific customer capital expenditure or maintenance is required.

The total new sales concluded during the 2018 financial year totalled almost R140 million of which the benefit will be realised in future years. Management continue to work and drive sales hard to ensure this momentum continues.

	2017 R'000	2016 R'000

The Company was appointed during May 2017 to participate as a service provider in the roll out of SA Connect: Phase 1. This roll out has now commenced in all earnest and at the time of issuing this report 167 number of Government facilities have been connected.

29. Capital commitments

Capital commitments approved and contracted	18,848	33,331
Budgeted but not contracted	42,025	48,263

30. Events after the reporting period

There have not been significant events between 1 April 2018 and 20 August 2018.

31. Irregular, fruitless and wasteful expenditure

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 disclosed as being irregular expenditure, in terms of Section 55(2)(b) of the Public Finance Management Act No.1 of 1999.

Irregular Expenditure

Opening balance	-	1,830
Incurred in the current year	1,603	-
Removal from register		(1,555)
Condoned during the year	-	(275)
Closing Balance*	**1,603**	**-**

*Internal processes to resolve these matters are in progress

	2018 R'000	2017 R'000

Irregular expenditure detail 2018

R'000	Action	Expenditure identified	Amounts condoned	Amounts removed from register	Remaining expenditure
Identified in current year					
Non-compliance to cost containment instructions issued by National Treasury	Under Investigation	202	–	–	202
Non-compliance to a provision of legislation	Under Investigation	1,401	–	–	1,401
		1,603	–	–	**1,603**

Irregular expenditure detail 2017

R'000	Expenditure identified	Amounts condoned	Amounts removed from register	Remaining expenditure
Identified in prior years				
Expenditure incurred in transgression of commercial processes and policies	1,830	(275)	(1,555)	–

	2018 R'000	2017 R'000

Fruitless and wasteful expenditure

Losses recovered or written off

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

The following losses, through fruitless and wasteful expenditure have been identified as being reportable in terms of Section

55(2)(b)(iii) of the Public Finance Management Act, No. 1 of 1999, as amended, for the year under review:

Fruitless and wasteful expenditure	2018 R'000	2017 R'000
Opening balance	-	-
Identified in the current year	23	21
Written off	(23)	(21)
	-	-

Fruitless and wasteful expenditure in detail 2018	Action	Losses identified	Losses written off
Interest incurred from suppliers	Losses written off	23	(23)

Fruitless and wasteful expenditure in detail 2017	Action	Losses identified	Losses written off
Interest incurred from suppliers	Losses written off	21	(21)

	2018 R'000	2017 R'000	2016 R'000

32. Retirement benefits

Defined contribution plan

It is the policy of the Company to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The Company is under no obligation to cover any unfunded benefits.

	2018 R'000	2017 R'000	2016 R'000
The total group contribution to such schemes	2,718	2,268	2,543

33. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2018

	Loans and receivables	Total
Trade and other receivables	74,366	74,366
Cash and cash equivalents	19,550	19,550
	93,916	**93,916**

2017

	Loans and receivables	Total
Trade and other receivables	85,438	85,438
Cash and cash equivalents	35,515	35,515
	120,953	**120,953**

	2018 R'000	2017 R'000

34. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2018

	Financial liabilities at amortised cost	Total
Loans from shareholders	1,274, 375	1,274, 375
Trade and other payables	85,939	85,939
Long term liabilities	31,845	31,845
	1,392,159	**1,392,159**

2017

	Financial liabilities at amortised cost	Total
Loans from shareholders	1,185,465	1,185,465
Trade and other payables	77,188	77,188
Long term liabilities	59,871	59,871
	1,322,524	**1,322,524**

	2018 R'000	2017 R'000

35. Prior period errors

Shareholders' loans received between 2008 and 2014, had not been discounted in the prior years to recognise the interest and capital portions.

The correction of the error resulted in adjustments as follows:

Statement of Financial Position

	2018 R'000	2017 R'000
Shareholders' loans	-	(726,772)
Deferred gain	-	(726,772)

Profit or Loss

	2018 R'000	2017 R'000
Discounted interest charge	-	435 ,107
Deferred gain	-	(435,107)

36. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of Financial Position

	2018 R'000	2017 R'000
Trade and other payables	-	(31)
Trade and other receivables	-	31

ACRONYMS

3G	3rd Generation Mobile Telecommunications
APP	Annual Performance Plan
ARC	Audit and Risk Committee
BA	Business Administration
B-BBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
BGE	Build, Grow and Expand
BPM	Business Process Management
BSC	Bachelor of Science
Capex	Capital expenditure
CAPS	Curriculum and Assessment Policy Statement
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIPC	Companies Intellectual Properties Commission
CMSO	Chief Marketing Sales Officer
COSO	Committee of Sponsoring Organisations
CRA	Compliance Risk and Audit
CSI	Corporate Social Investment
CTO	Chief Technical Officer
DPE	Department of Public Enterprise
DPME	Department of Performance Monitoring and Evaluation
DTPS	Department of Telecommunications and Postal Services
DWDM	Dense Wavelength Division Multiplexing
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortisation
ERM	Enterprise Risk Management
ESS	Employee Self Service
EXCO	Executive Management Committee
FMPPI	Framework for Managing Programme Performance Information
FTTX	Fibre to the Home/Business
FvToCI	Fair Value through other Comprehensive Income
FY	Financial year
Gbit/s	Gigabits per second
Gbps	Gigabits per second
HR	Human Resource
HRM	Human Resource Management
HRRC	Human Resources and Remuneration Committee
IA	Internal Audit
IAS	International Accounting Standards
ICASA	Independent Communications Authority of South Africa
ICC	International Convention Centre
ICT	Information Communication Technology
IDC	Industrial Development Corporation
I-ECNS	Individual Electronic Communications Network Services
I-ECS	Individual Electronic Communications Services
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
IFTP	Investment Finance Tender and Procurement Committee
IIRC	International Integrated Reporting Council
IoD	Institute of Directors
IP	Internet Protocol
IR	Integrated Reporting
IRBA	Independent Regulatory Board of Auditors
IRU	Irrefutable Rights of Use
ISA	International Auditing Standards
ISO	International Standards Organisation
IT	Information Technology

KAM	Key Account Manager
LTE	Long Term Evolution
LTIFR	Lost-Time Injury Frequency Rate
Mbps	Megabits per second
MICT SETA	Media, Information and Communication Technologies Sector Education and Training Authority
MoI	Memorandum of Incorporation
MoU	Memorandum of Understanding
MPLS	Multi-Protocol Label Switching
MSA	Master Service Agreement
MTTR	Mean Time To Restore
NCOP	National Council of Provinces
NDP	National Development Plan
NEDS	Non-executive Directors
NOC	National Operating Centre
NOSA	National Occupation Safety Association
OD	Organisational Development
OH&S	Occupational Health and Safety
OHSAS	Occupational Health and Safety Assessment Series
Opex	Operational expenditure
OPGW	Optical Fibre Composite Overhead Ground Wire
OSI	Open Systems Interconnection
PAA	Public Audit Act
PAYE	Pay as You Earn
PDI	Previously Disadvantaged Individuals
PFMA	Public Finance Management Act
PoP	Point of Presence
PPP	Public-Private-Partnerships
PPPFA	Preferential Procurement Policy Framework Act
PRM	Preventative Routine Maintenance
PWDs	People with Disabilities
RAID	Redundant Array of Independent Disks
SA	South Africa
SABS	South African Bureau of Standards
SADC	Southern African Development Community
SATA	Southern African Telecommunications Association
SCM	Supply Chain Management
SCOPA	Standing Committee of Public Accounts
SDH	Synchronous Digital Hierarchy
SEC	Social and Ethics Committee
SHEQ	Safety Health Environment and Quality
SITA	State Information Technology Agency
SLA	Service Level Agreement
SMME	Small Medium and Micro Enterprise
SNG	Sizwe NtsalubaGobodo
SNO	Second National Operator
SOC	State Owned Company
SOE	State Owned Enterprise
SONA	State of the Nation Address
Tbps	Terabits per second
UCT	University of Cape Town
UJ	University of Johannesburg
UKZN	University of Kwa-Zulu Natal
UP	University of Pretoria
USD	United State Dollars
VAT	Value Added Tax
WACS	West Africa Cable System
WIP	Work in Progress
ZAR	South African Rand

GENERAL COMPANY INFORMATION

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Standard Bank

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