

Broadband **Infraco**



2021

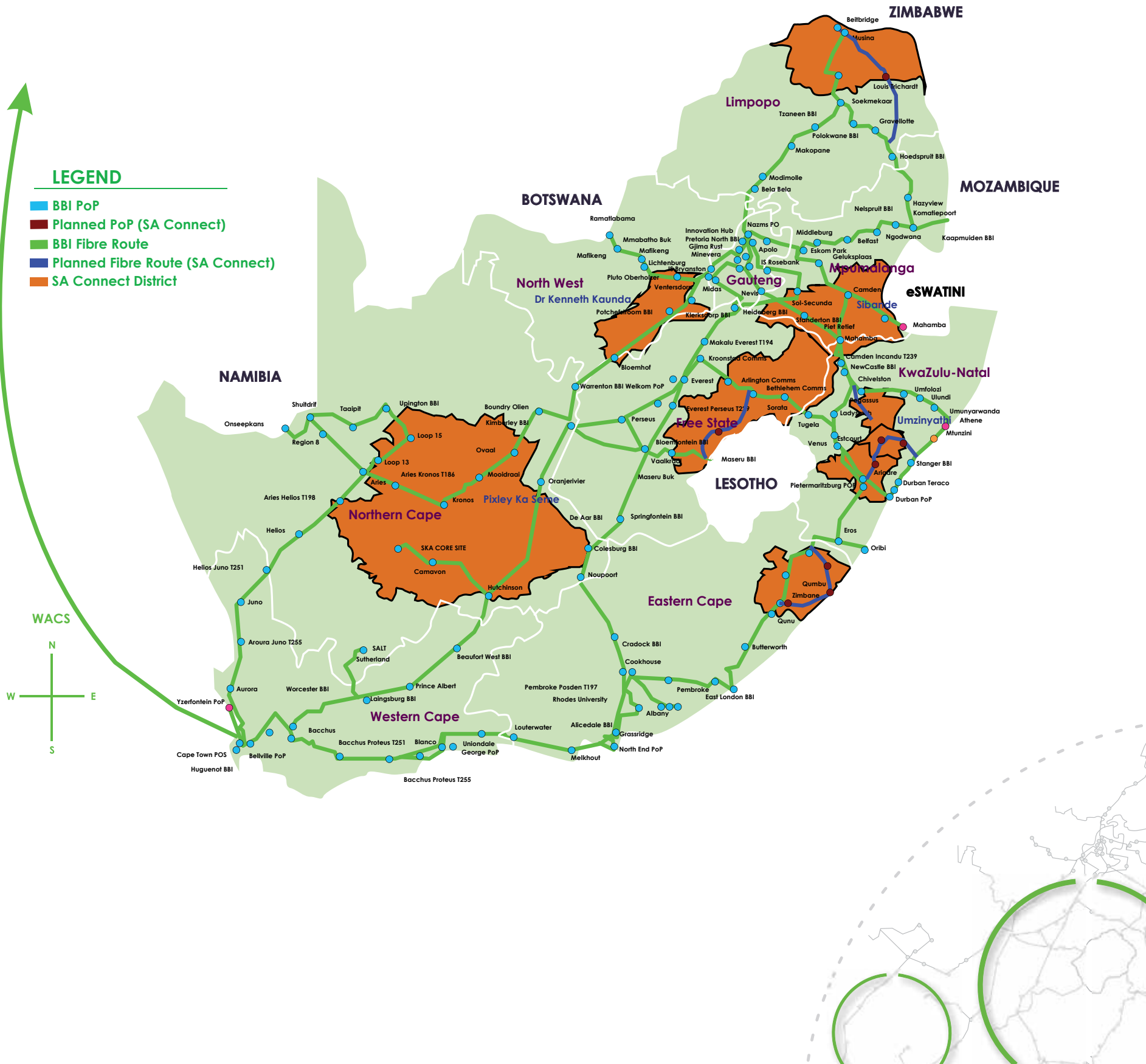
INTEGRATED ANNUAL REPORT

Connect. **Growth, UNLOCKED.**



Leading Connectivity
in the **Digital Era**

SA Connect 1A and 1B

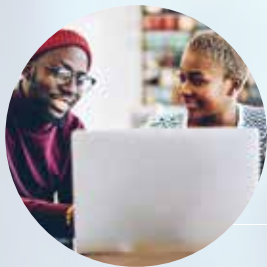




Leading Connectivity
in the **Digital Era**

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ABOUT THIS REPORT



ABOUT THIS REPORT

The Broadband Infraco (BBI) Integrated Report provides a reasonable and accurate reflection of its organisational strategy, performance, opportunities, and future outlook in relation to material matters as they pertain to financial, economic, social and governance issues. The report primarily aims to address value creation considerations to long-term investors, and provides information that is pertinent to key stakeholders of the organisation.

Basis of Approach (King IV P5)

This Report was prepared in accordance with the International Integrated Reporting Council (IIRC), also referred to in this report as (IR) Framework. The report provides both financial and non-financial performance updates for the year 1 April 2020 to 31 March 2021, and includes future-focused information as it relates to the short-, medium-, and long-term strategic outlook of the organisation. Key relationships between stores of capital that form the basis of the value-creation process are highlighted in the report.

This Integrated Report should be read in conjunction with the Annual Financial Statements for a comprehensive view of our financial performance.

Reporting Boundary (King IV P5)

The reporting boundary encompasses Broadband Infraco's Strategic Intent, its business context, and operating environment. Included are key factors that impact on the organisation's ability to create value such as material risks and stakeholder interest. The information presented herein is comparable to prior reporting years, with no significant restatements – unless otherwise indicated.

The Broadband Infraco Integrated Report is published annually upon approval by the Board of Directors and Shareholders. The previous Integrated Report for the period 1 April 2019 to 31 March 2020, was approved by the Board on 29 September 2020.

Materiality in our Reporting (King IV P4 and P16)

The 2021 Integrated Report provides information considered to be of material significance to value-creation in the short, medium, and long-term. Five overarching material aspects for the 2021 reporting year are provided in more detail on page 55. Material aspects are further aligned to performance, strategic objectives, and risks, and disclose material stakeholder impacts and concerns raised during the year (detailed on page 68). The results were shared with all Stakeholders.

Broadband Infraco is confident that this Report provides information that is of material interest to all stakeholders who wish to make conscious appraisals of the organisation's performance and ability to create sustainable long-term value.

Integrated Approach to Assurance (King IV P2, P5 and P15)

The Board of Directors (the Board), with the support of the Audit and Risk Committee (ARC), is ultimately responsible for BBI's system of internal control. The system of internal control is designed to identify, evaluate, manage, and provide reasonable assurance against material misstatement and performance information. BBI applies an Integrated Assurance model, which seeks to optimise the assurance obtained from management, as well as internal and external assurance providers, whilst fostering a strong ethical perspective and implementing various systems to ensure compliance. Through the risk management process, approved by the Board, management identifies key risks faced by BBI, and implements the necessary internal mitigation controls.

The Integrated Assurance depicts five levels of assurance that are provided by senior management, compliance and risk management, internal and external audit, and external assurance providers with the Board of Directors serving as the last line of defence.

The process is monitored and evaluated under the direction of Internal Audit, while external audit teams monitor key financial controls and accounting matters in the course of their audits. Other levels of external assurance are obtained as and when required.

The Board and ARC assessed the effectiveness of controls for the year ended 31 March 2021 and found these to be moderate. This was achieved primarily through a process of management self-assessment, including formal confirmation from senior management and reports from Internal and External Audit, as well as other assurance providers. The Annual Financial Statements present fairly (in all material respects), our financial position, results of operations, and cash flows for the period.



Collectively, assurance-related activities performed by the various role players are depicted in the table below:

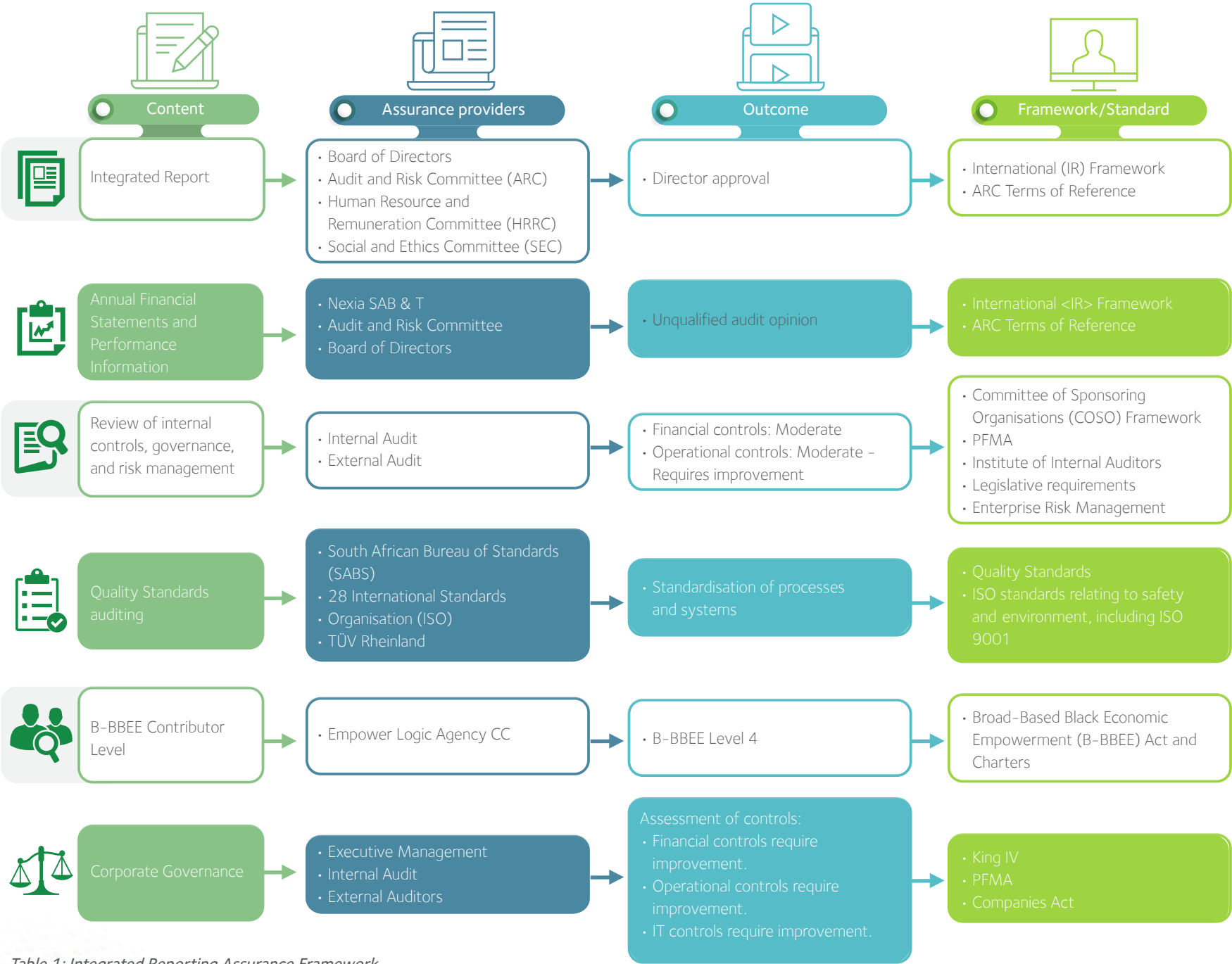


Table 1: Integrated Reporting Assurance Framework

Statement of stakeholder commitment (King IV P16, AA1000, AA1000SES)

BBI has adopted King IV principle 16, as well as International Standards AA1000 and AA1000SES, as standards of adherence in so far as Stakeholder Engagement is concerned. The organisation strives to communicate with stakeholders regularly and robustly. Our core values, as encapsulated in the Corporate Plan and on page 28 of this report, guide the organisation in its interactions with stakeholders. To meet stakeholder commitments, BBI remains committed to stakeholder engagement and to adherence of the following Principles of Being:

- Purposeful;
- Inclusive;
- Timely;
- Honest; and
- Respectful.

Going Concern Status (King IV P2)

BBI management performed a going concern assessment as at 31 March 2021. Some of the factors considered included:

- Financial performance and projections;
- Current economic factors;
- Funding considerations;
- Shareholders’ loans conversion;
- Solvency and liquidity considerations;
- Contingent liabilities and post balance sheet events; and
- COVID-19 impact.

The Board is satisfied that BBI will remain a going concern for the foreseeable future.

Please see pages 102 – 105 of the Auditor’s Report.

**Board oversight of the elements of the 2021 Integrated Report
(King IV P5, 8, 11, 13, 15 and 16)**

The Board and the Executive Committee (EXCO) have respectively established committees to ensure the effective management and monitoring of operations, and to efficiently respond to the fundamentals of the Company’s mandate and strategy. Accordingly, the table below links the management activities and Board committee oversight to the required components for inclusion in the 2021 Integrated Report.



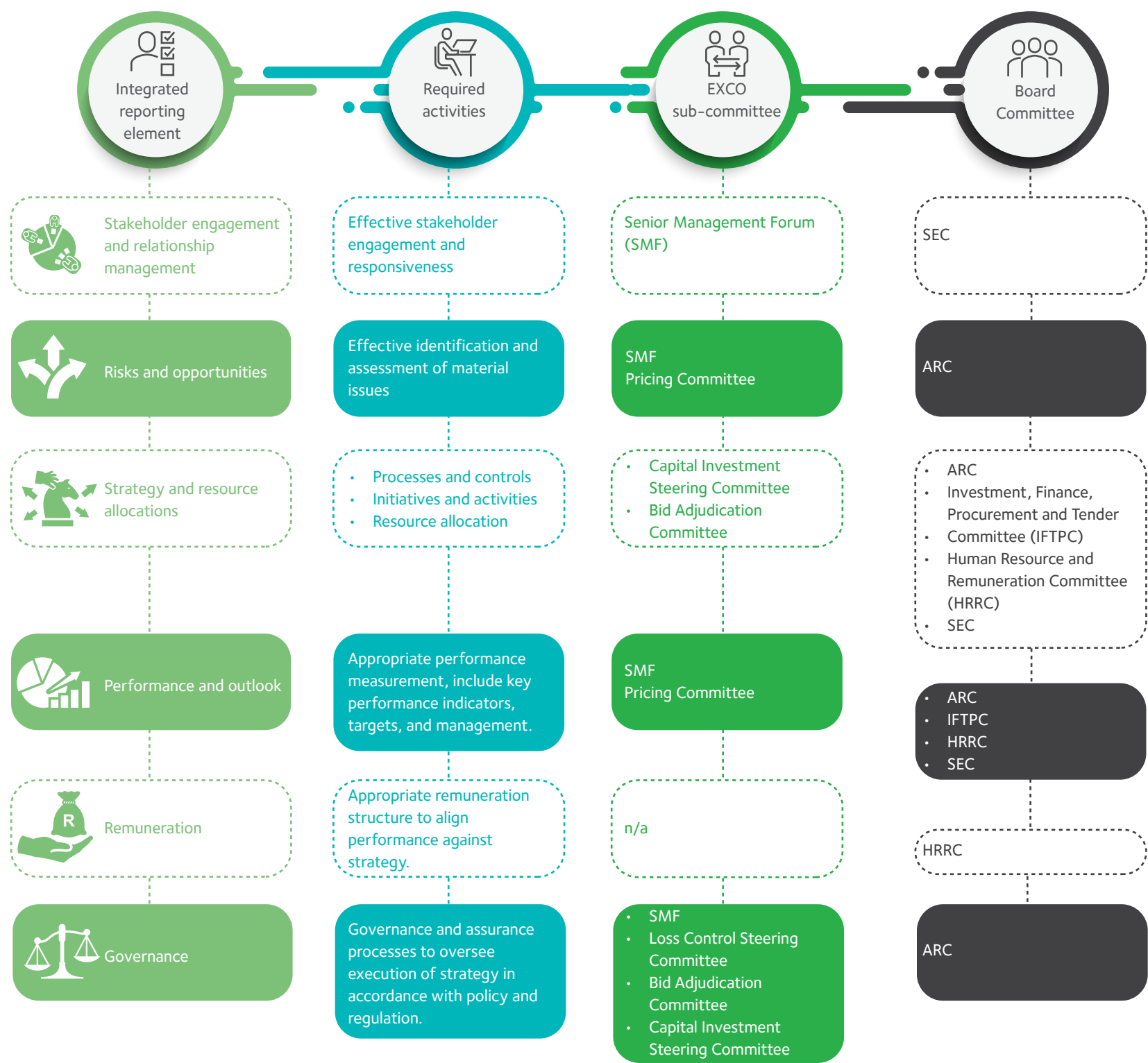


Table 2: Board oversight of integrated reporting elements



Feedback

BBI continually endeavours to improve upon its integrated reporting process to ensure that it meets best practice reporting standards, satisfies the expectations of its stakeholders, and increases the visibility of its efforts in creating sustainable value for all stakeholders. The organisation therefore welcomes any views on the content and design of the Report. Comments and questions can be directed to contact-us@infraco.co.za.

Outlook Statement

Certain statements in this Report, as they relate to Broadband Infraco's operations, may be based on the future-outlook. These include all statements (other than statements of historical fact) such as those related to the financial position, corporate strategy, management plans, and objectives for future operations.

Future-outlook statements constitute the present expectations of the organisation that hinge on reasonable assumptions based on market analysis and calculated risk.

These statements inform the readers that 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.

BBI neither intends, nor assumes any obligation to update or revise any future-outlook statements, whether due to new information or future events.



Statement of Responsibility

The Board of Directors (the Board) has established an Audit and Risk Committee (ARC) in compliance with Section 94 of the Companies Act, and its composition complies with the provisions thereof. The role of ARC is aligned with the requirements of King IV. The Board, assisted by ARC, acknowledges its responsibility to ensure the integrity and completeness of the 2021 Integrated Report. The Board affirms that it has applied its collective mind in the preparation and presentation of the Integrated Report and that it has concluded that the report is presented in accordance with the International Integrated Reporting Framework.

The term of office of the Chairperson of the Board, Mr. Mandla Ngcobo, and that of the Chairperson of ARC, Ms. Nokuthula Selamolela ended on 24 May 2021. A new Board was appointed effective from 24 May 2021, and the term of the new Chairperson of the Board, and ARC, is effective from this date.

The Board has considered the completeness of the material matters dealt with, and the reliability of information presented, based on the integrated assurance process followed and approved the 2021 Integrated Report, the Annual Financial Statements, and supplementary information on 30 July 2021.



Ms Bojane Segooa
Chairperson: ARC



Ms Leah Khumalo
Chairperson: Board

EVOLUTION OF BROADBAND INFRACO

Broadband Infraco (BBI) is a Schedule 2 entity in terms of the Public Finance Management Act No. 1 of 1999 (PFMA) and is mandated through the Broadband Infraco Act No. 33 of 2007 (the Act), amongst other key pieces of legislation. The main objectives of the Company, as set out in the Broadband Infraco, Act include:

- expanding the availability and affordability of access to electronic communications (including but not limited to, under-developed and under-serviced areas) in accordance with the Electronic Communications Act (No. 25 of 2002); and
- the provision of electronic communications network services and electronic communications services in accordance with international best practice and pricing.

The Company has two Shareholders – the Department of Communications and Digital Technologies (DCDT), representing the South African Government (owning 74% of the shares), and the Industrial Development Corporation (IDC) of South Africa Limited who owns 26% of the shares.

The Company was founded using optical fibre infrastructure that is a mix of fibre installed on Eskom transmission lines and on Transnet railway lines. This infrastructure is a combination of fibres that BBI purchased from each of these state-owned entities (Eskom and Transnet), and fibres that BBI leases from the same entities. BBI has also entered into collocation agreements with the two entities, which enables it to have Points of Presence (PoPs) in their servitudes. Eskom and Transnet maintain the fibres owned by BBI and used in their respective servitudes.

The Act grants BBI the rights to the servitudes of Eskom and Transnet. This is what provides the security of tenure for the presence of BBI in the two environments. This also enables BBI to expand its infrastructure footprint in the two environments to accommodate any and all potential future needs. The fibre infrastructure of BBI includes access network fibres that are leased from private network infrastructure owners (such as Dark Fibre Africa (DFA)).

In October 2009, the Company obtained an Individual Electronic Communications Network Services (I-ECNS) license from ICASA and launched commercially in November 2010, in order to broaden its customer base to other licensed operators. The rights of use agreement with SNO was terminated in 2011, resulting in the insourcing of the network operations centre and increased the number of customers from one to three.

At its inception, BBI's services were based upon the provisioning of high-capacity managed bandwidth from Point of Presence (PoP) to PoP within its National long-distance fibre-optic network. BBI delivers its mandate by providing national, regional, and international connectivity. The Company has grown its customer base from one in 2010 to 101 by March 2021. The customer base is made up of other licensed network operators and ranges from carrier network operators, large mobile network operators (MNOs), the network operators of neighbouring countries, small- to medium-sized Internet Service Providers (ISPs), and Public Sector institutions.

The Build, Growth, and Expand (BGE) turnaround strategy was developed in the 2012/13 financial year. 23 strategic initiatives were identified. Much of the emphasis was placed on developing stronger revenue streams, correcting the pricing of the network, and undertaking network expansion to support the growth and expansion prospects of both large and small telecommunications providers.

A strong emphasis was given to expansion in under-serviced areas, and much of the future-focused strategy attempted to unpack how this may be achieved. It is the belief of BBI that it can be used as a catalyst by Government to achieve broadband roll-out in these areas and that many operators, and certainly Government, would be willing to follow the lead if BBI provided the necessary infrastructure.

This will be achieved by providing the necessary services to customers. Even with the kind of outlook and plans held by BBI, the challenge remains one of funding. This was ameliorated to some extent when Government appointed the Company as the lead agency for SA Connect in 2017. Delays experienced, and the limited sites deployed, have – however – significantly constrained the potential impact of this Project, which may have been far greater if the financial standing and network investment had been realised.

The acquisition of Government business remained a key target for BBI that was underpinned by its strong vision of collaboration with other state-owned companies (such as Sentech and SITA) in the delivery of telecommunication services to the broader South African region.

The life cycle of BBI's network requires focus on revitalisation efforts in order to ensure that it is in line with the current technology trends. Therefore, if unaddressed, the funding burden will begin to pose a threat to both the growth of the Company, and potentially its ability to render a reliable and robust network that meets market demands.

Several provincially orientated initiatives have been identified that position the Company to unlock developmental potential through the provision of broadband access in areas not previously serviced. The objective of this is to position the Company as a conduit for Government's ambitions to rapidly roll out infrastructure into under-serviced areas and become the lead consolidating agent of choice. The efforts of the Company are thwarted as a result of a number of provincial Government's establishment of competing state-owned entities, which have similar mandates as that of BBI.

The Company was founded using optical fibre infrastructure installed on Eskom transmission lines and on Transnet railway lines. The BBI network is built from a combination of fibres that BBI purchased from each of these state-owned entities (Eskom and Transnet), and fibres that BBI leases from the same entities.

The elements of the BGE strategy have been implemented over the years with mixed results. Some of the highlights achieved along the way include:

- The completion of the WACS cable which came into service on 11 May 2012. BBI reserved 70% of its share of WACS capacity for international connectivity and for projects of national importance that were being developed by the then Department of Science and Technology. These projects included the South African National Research Network (SANReN), Karoo Array Telescope (KAT-7), Southern African Large Telescope (SALT), and the Square Kilometre Array (SKA). The remaining 30% of capacity was used in the provision of international telecommunications services in the market.
- Insourcing of network maintenance, except for the maintenance associated with fibre optic maintenance on Transnet and Eskom electronic communications network infrastructure.
- The normalisation of commercial arrangements with Neotel (now Liquid Technologies South Africa) by terminating the Rights of Use (RoU) Agreement in 2012/13. Subsequently Neotel reduced the number of services, and this led to revenue decline by 40%. The Company geared itself for an accelerated competitive drive and grew its customer base from seven (at the time) to the 101 customers it has in 2020/21.
- Improved marketing propositions developed to focus on large electronic communications network service and electronic communications services operators and Government.
- Insourcing of network operating system, operations, and maintenance thus enabling significant control and visibility over the network.
- Evolving new products such as Carrier Ethernet Layer Two and Co-Location for additional revenue streams, as well as expanding into smaller niche markets. Recently, BBI has added the monitoring of undersea cables as a major addition to its value proposition.
- Concluding a major backhaul contract with Customer two presenting the first large entry into the mobile network operations market. This was later followed by the addition of more key customers. Recently.
- Awarded international connectivity through the strategic PoP in Ramatlabama.
- Conducted a comprehensive customer satisfaction survey, including comparative competitor insights using industry-based methodology, as well as strategic insights (current and prospective customers). The survey indicated that BBI scored consistently above average on Account Management, Network performance, and most other survey attributes. In a recent survey completed using the identical methodology, BBI achieved the same high-rating metrics. The implementation of the first Corporate Social Investment (CSI) programme benefiting two rural schools in the endeavour to promote information communication technology (ICT) skills among the youth. Promotion of ICT was achieved at a third school and was completed in this financial year.
- Designed a comprehensive Network Engineering Masterplan for all nine provinces.
- Organisational re-alignment and resourcing of the Supply chain Management (SCM) division implemented together with forward-planning initiatives (divisional demand management).
- Acquired State Information Technology Agency (SITA) as an anchor customer resulted in increased revenue – meeting the revenue- year-on-year growth.
- Built independent open access PoPs in Port Elizabeth, Bloemfontein, and Upington, thus reducing the reliance on third parties.
- Developed an Enterprise and Supplier Development Strategy.

- Optimised 33 PoPs to achieve network autonomy from Neotel.
- The Company achieved NOSA and ISO 9001:2015 accreditation.
- Co-location service (hosting space and mast) and NOC as a service were launched.

In 2017, the Department of Telecommunications and Postal Services granted BBI the responsibility to provide connectivity for SA Connect Phase One. The aim of the project was to provide connectivity and Internet access at 6135 Government facilities in eight district municipalities. BBI was mandated to provide connectivity at a minimum speed of 10 Mbps (Megabits per second), upgradeable to 100 Mbps on demand. SITA was given the responsibility to provision Internet access on top of the connectivity provided by BBI.

In the financial year 2018/19, 313 SA Connect sites were connected, and 258 sites tested successfully end-to-end. From 2019/20 financial year, 400 SA Connect sites were connected over a two-year period.

By 2019/20 financial year, 21 of 23 strategic initiatives were achieved, which prompted the Company to review its strategy that saw the 2030 Strategy still based on the development of three phases. The three initiatives that were not achieved were all related to funding.

The number of sites was curtailed to 713 as Government had to divert funding to other priorities. All 713 sites have been activated and are monitored and maintained by BBI. A positive cash flow generated from operations was achieved. The Company has been surviving from cash generated from operations since it received the last tranche of capitalisation by its Shareholders in the year 2010/11. These are the milestones achieved from that R1,825 billion capital:

1. Increased the expansion of broadband connectivity through rollout of 12 800 km of optic fibre.
2. National Broadband Expansion of R342 million.
3. Supported projects of national interests through investment in the West Africa Cable System (WACS). Through this project, Broadband Infraco catalysed dramatic price declines in the backhaul and international product segments of up to 70% in some instances.
4. The rollout of fibre influenced market forces which contributed to a decline in overall broadband connectivity prices.
5. In pursuit of providing 'Broadband For All', it increased the number of its Points of Presence, including those to under-serviced areas, as defined by the Independent Communications Authority of South Africa (ICASA).
6. Expanded Government inter-connection by providing national backhaul services to the SITA for seven provinces.
7. Integrated regional telecommunication between Southern African Development Community regions.

2021 Performance at a glance

The Company contracted with the Shareholders to achieve 19 targets as encapsulated in the Corporate Plan submitted a month before the commencement of the financial year. This occurred prior to the outbreak of the COVID-19 pandemic. The performance for this financial year attests to the resilience of BBI employees who were not only impacted by the pandemic, but also faced the challenges caused by the Company's OEM supplier for core network equipment. For an extended period of time during the financial year, the Company could not order and receive new equipment, and this resulted in a major impact on the provisioning of customer orders for services.

One customer cancelled a substantial order that could have increased BBI's sales volume and revenue. Despite the reduction in the number of Key Accounts Managers within the Sales team, revenue only declined by 1%. The Company could not replace these resources due to the moratorium on the filling of vacancies, as a result of the pending merger with Sentech.

It is important to note that the decline in revenue remained minimal. This was a result of the concerted efforts focused on customer retention, in order to protect the base revenue.

This was achieved by the Sales team in very challenging times, and an independent Customer Satisfaction Survey conducted on behalf of the Company by BMIT is testament to the outstanding efforts of the team.

The BMIT Survey report commended the efforts of the Account Management team in maintaining stability during an exceedingly challenging period in the Company's history.

The moratorium on the filling of vacancies impacted various key areas of BBI's operations. This prompted management to improvise through outsourcing (a costly measure) and placed increased pressure on cash flow.

The outbreak of the COVID-19 pandemic, and the pursuant lockdown regulations imposed by the Government, impacted the Corporate Social Investment (CSI) programme. This resulted in a decision being taken by management to instead continue to support the school that was adopted during the previous financial year. BBI achieved 14 of the 19 targets, and one target will be assessed on completion of the external audit. Three financial sustainability targets were not achieved. A noteworthy achievement of BBI during the reporting period, is that it achieved its B-BBEE Level 4 status. This despite the various challenges that the Company had faced in this regard.



OUR BUSINESS IMPERATIVES

Chairperson's Statement



Navigating uncharted territory

Dear Stakeholders

The current financial year was ushered in by the outbreak of the COVID-19 pandemic and the implementation of national lockdown Level 5, which lasted for 21 days. This altered various aspects of our operations. The Honourable President of the Republic of South Africa announced lockdown level 5 from 23 March 2020, in an endeavour to contain the spread of the virus. This resulted in our employees having to work from home, with the exception of the core operations members who monitor and maintain networks. COVID-19 has significantly impacted every company, Governments, and economies worldwide. The ensuing impact may potentially spark long-lasting geopolitical reforms.

As the world struggles with containing this highly infectious and deadly virus, we find ourselves in a more acute situation, despite the fact that the pandemic should have presented increased opportunities through the heightened demand for the provision of broadband backhaul brought about by the demand for stable and increased data needs to enable virtual/online operations by Government, private sector, and education facilities. BBI was, however, not able to maximise on this opportunity because of the inability to access funding needed to expand the network due to a weak balance sheet. This further placed the liquidity of the Company at a high risk, as customer requirements

could not be timeously met, and supplier payments were delayed. This situation was exacerbated by the delay in converting shareholders' loans into equity in order to assist the Company in accessing funding for network expansion and refurbishment. Fortunately, this conversion was approved in March 2021, and the implications and benefits thereof will be experienced in the upcoming financial year.

Governance structures

The governance structures of Broadband Infraco have proved effective. Governance ranges from the oversight exercised by the Board and its Subcommittees to Executive Management (EXCO), and the levels below. The Company has scheduled reporting to the Shareholder representatives on both governance and performance; these reporting meetings are done quarterly, and annually, but also include ad-hoc reporting as and when the need arises.

The Company also reports on its performance and governance to the Portfolio Committee on a quarterly basis; and this sometimes includes ad-hoc reporting when deemed necessary by the Portfolio Committee.

It gives me great pleasure to report that over the past five years, the Company has had an unqualified audit outcome with findings. None of the findings relate to fraud or other serious breaches of governance.

Strategy revolution

The Build, Growth, and Expand (BGE) turnaround strategy was developed in the 2012/13 financial year. Twenty-three strategic initiatives were identified. Much of the emphasis was placed on developing stronger revenue streams, correcting the pricing of the network, and undertaking network expansion to support the growth and expansion prospects for both large and small telecommunications providers.

An increased emphasis was placed on expansion in under-served areas, and much of the future-focused strategy is devoted to unpacking how this may be achieved. The Company believes that BBI can be used as a catalyst by Government to achieve broadband roll-out in these areas, and that many operators (and certainly Government) would be willing to follow the lead if BBI provided the necessary infrastructure by providing the necessary services to customers. Even with the kind of outlook and plans that BBI have, the challenge remains that of the funding. This was ameliorated to some extent when Government appointed the Company as the lead agency for SA Connect in 2017.

The acquisition of Government business remained a key target for BBI that was underpinned by our strong vision of collaboration with other state-owned companies, such as Sentech and SITA, in the delivery of telecommunication services to the broader South Africa region.

By the 2019/20 financial year, 21 out of 23 strategic initiatives had been achieved. This prompted the Company to review its strategy and resulted in the adoption of the 2030 Strategy. The 2030 Strategy is also based on three phases (as with the BGE strategy). The three initiatives that were not achieved were related to funding – project funding, partnerships, and international funding.

BBI has periodically reviewed its business strategy to ensure that the Company remains relevant in an increasingly competitive and resource-intensive industry climate. Central to BBI's strategic approach in fulfilling its mandate of providing communication services to a connected and transformed society, and competitively positioning itself within the market, is the alignment of three pertinent business drivers:

- commercial viability;
- service delivery; and
- socio-economic upliftment.

An enabling legislation, access to Eskom and Transnet servitudes, good customer relations, and having Government as a key partner, provide BBI with a competitive advantage and serve as the main drivers of the revised strategy. However, the outbreak of the COVID-19 pandemic inhibited the execution of the 2030 Corporate Strategy (crafted during the third quarter of the previous financial year) that is aimed at stabilising the Company.

The details of the strategy can be found on page 41.

Funding

The Company has demonstrated remarkable resilience in its ability to survive through cash generated from operations due to the initial and only capitalisation that was last received in 2010/11. This has had an impact on the network capacity, as the network could not be expanded to keep up with market requirements, and this has weakened its position in the market and negatively contributed to its financial sustainability. Over the year's the capacity of the Company to provide effective and efficient services to its customers has been affected. Furthermore, this has had an impact on the inability of BBI to meet its revenue target for the past five years.

During this time, the Board has supported Management in ensuring that the limited cash resources are managed prudently; and this has allowed the Company to remain operational despite its many challenges. For the Company to grow its revenue, and move towards financial sustainability, it needs to invest in its infrastructure and network.

The Shareholders need to provide support to the Company in this regard. The infrastructure investment timeline may also overlap into the period of the merger with Sentech, but this is unavoidable and should be part of the plan. The outgoing Board of Directors and Management have worked effectively for the wellbeing of the Company. The term of the Board ended without any major breaches of governance and no reported, or detected, incidents of corruption.

Appreciation

On behalf of the Board of Directors I would like to thank the outgoing Board members for the sterling work they have done to lead the Company during its difficult times. I look forward to working with the Minister and the IDC as the Shareholder representatives in taking the Company forward.

I further extend my thanks and deep appreciation for the intense contributions of every employee during a critical and unprecedented period in the company's history. BBI employees stepped up by diligently providing excellent services, preserving the assets of the company, and driving the cost containment effort. This is evidence of the Team BBI spirit.

I also acknowledge BBI's stakeholders for their continued support and engagement. Throughout this Integrated Report, we reflect on the work of BBI and its commitment to grow shared value for our stakeholders; ensuring safe and sustaining operations; and its focus on securing the Company's resilience in a lower-carbon future. The stakeholders' challenges and inputs have been important in the Company's efforts to set a new strategic direction. The outstanding support and rigorous dialogue should continue with the new Board.

Future outlook

BBI is an entity that has a crucial role to play in ensuring that South Africa achieves the goals of providing connectivity in under-developed and under-serviced areas. The entity that will be formed through the merger of BBI and Sentech will also have this important role to play. The Shareholder representatives have offered support to the Board and Management, and this is appreciated. The support must continue, in order to ensure that the company is able to access funding for the investment in its infrastructure and networks.



Ms Leah Khumalo

Chairperson



Profiles of the Board of Directors



Leah Khumalo

Gender: Female

Qualifications:

Bachelor of Laws (LLB): University of Durban-Westville
Project Management: University of Durban-Westville
Bachelor of Laws: University of Durban-Westville

Expertise:

General Management, drafting and design of legal documents, Execution of judicial acts (litigation), Stakeholder Management



Bojane Segooa

Gender: Female

Qualifications:

CA (SA)
B. Compt Honours (CTA): UNISA
Bachelor of Accounting Science: UNISA
Bachelor of Commerce – Accounting

Expertise:

Academic Lecturing and Presenting, Summative and Formative, Assessment, Research Corporate: Financial Management, Procurement, and Supply Chain, Corporate Tax, Risk Management, and Auditing, Corporate Governance (King IV), Business Leadership, Innovation, and Information Technology



Devesh Mothilall

Gender: Male

Qualifications:

Masters in Engineering (Renewable and Sustainable Energy): University of Stellenbosch International Visitors Leadership Program on Urban Sustainability: Graduate School USA
Renewable Energy Program: Fraunhofer Institute (Germany)
Certificate in Performance Evaluation: DBSA Training Academy
Masters in Engineering (Technology Management): University of Pretoria
Diploma in Project Management): Executive Education (Cape Town)
B. Sc. Hons. Engineering: University of Cape Town

Expertise:

ICTs, Electrical Engineering, and Telecommunication



Zandile Kabini

Gender: Female

Qualifications:

B. Com Informatics (University of Pretoria)
B. Com (Hons) – Informatics (University of Pretoria)
MDP – GIBS
Diploma in Business Analysis – FTI

Expertise:

Information, Communication and Telecommunications (ICT) and Business Management, Strategy Planning and Execution



Loyiso Tyira

Gender: Male

Qualifications:

MDP [Management Development Programme] Unisa SBL –2009
PME (Programme for management Excellence] GIBS – 2014

Expertise:

Information Technology and Business Management



Lungile Mabece

Gender: Male

Qualifications:

B Proc (1991) University of the Western Cape, LLB (1993) University of the Western Cape, Attorney of the High Court, Higher Certificate: Project Management (2002) Damelin

Expertise:

Corporate and commercial lawyer who is an expert in Transport Law, Information and Communication Law, Policy and Legislation Development



Sydney Mabalayo

Gender: Male

Qualifications:

BSc (Electrical Engineering) (UCT), MBA (WITS),
ECSA Registered Professional Engineer

Expertise:

Project Management and General Management



Patrick Makape

Gender: Male

Qualifications:

BSc Mechanical Engineering: University of Witwatersrand (1999);
Post Graduate Diploma in Advanced Supply Chain Management – Wits University;
and Project Management (Principles and Practices) – University of Pretoria

Expertise:

Mechanical Engineering
Programme Management



Andrew Matseke
Chief Executive Officer

Gender: Male

Qualifications:

BSc Electrical & Electronic Engineering University of Cape Town,
Master of Business Administration University of Pretoria,
Post Graduate Diploma in Project Management (Cranefield College).
ECSA Registered Professional Engineer, Senior Member (SAIEE)

Expertise:

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



Ian van Niekerk
Chief Financial Officer

Gender: Male

Qualifications:

B. Compt (Hons) (UNISA), CA (SA), CIBM (UNISA),
Certificate in Short Term Reserving Techniques
University of Pretoria

Expertise:

Telecommunications, Financial Management,
Commercial Management, Strategy Execution



Mr P Nkhreanye
Acting Company Secretary

Gender: Male

Qualifications:

Master of Business Administration (GIBS/UP)
Juris Doctorate (Howard University School of Law)
Bachelor of Arts Economics & Community Studies (UC Santa Cruz)
Certificate in Telecommunications Regulation (USTTI)

Expertise:

International Law, ICT Policy & Regulation



OUR COMPANY ETHOS



Who we are



LEGISLATIVE AND REGULATORY

- Broadband Infraco Act No. 33 of 2007
- The Electronic Communication Act No. 36 of 2005 (ECA)



NATIONAL PLANS

- NDP 2030
- MTSF Outcomes
- Nine Point Plan
- SIP 15: Sub-outcome 15



DEPARTMENT OF COMMUNICATION AND DIGITAL TECHNOLOGIES

Departmental Plans

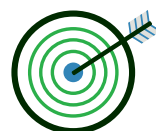
Key Focus Areas:

- Financial and Operational Sustainability
- Organisational Enablement
- Enable Digital Transformation and Infrastructure
- Enable Last Mile Connectivity



Our Vision

Provider communication services to enable a connected and transformed society



Our Mission

- Expand the availability and affordability of access to communication services, including (but not limited) to under-developed and under-served areas; and
- Enable the acceleration of the state's digital transformation through broadband connectivity

10 Year Outlook

10 Year Outlook



Our Impact

- Increase availability and affordability to communication services including, but not limited to, under-developed and under-served areas
- Implemented innovative, efficient, and cost-effective communication services
- A state supported through broadband connectivity
- A strategically positioned, reputable, competitive and profitable industry player

10 Year Outlook



Our Values

We strive to deliver excellence, efficiently and effectively, through active engagement with stakeholders, a customer-centric approach, and innovation that is guided by the highest levels of integrity. These are reflected through our core values, as shown below:

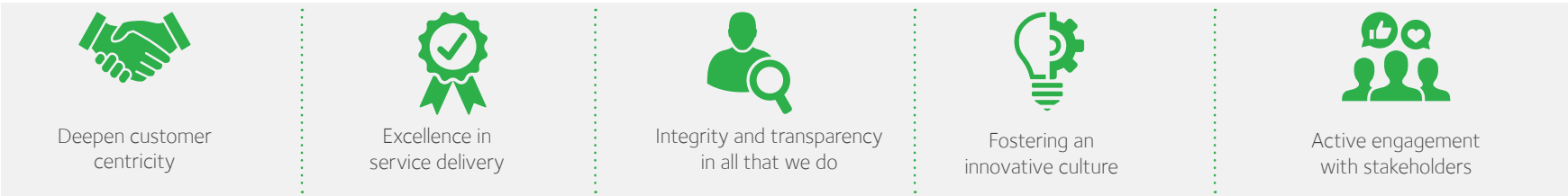


Figure 1: Our Values

Our Value Proposition

BBI as a State-owned Company, its overarching value propositions are founded in the Shareholders mandate, attainable through its strategic outcomes as illustrated below:

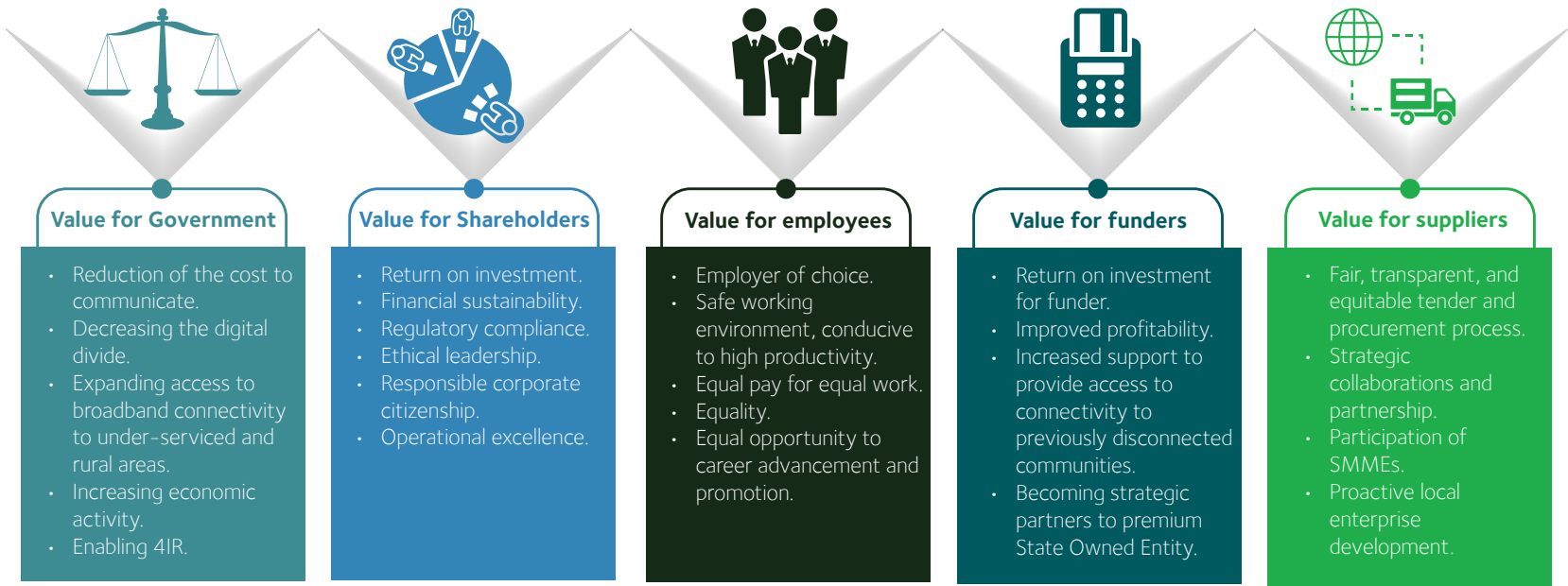


Figure 2: Strategic Outcomes

Value for National, Regional, and International Customers.



Figure 3: Value Proposition

OUR OPERATIONAL CONTEXT

Chief Executive Officer’s Statement



Stabilising the operations of BBI, charting the way to the merger

Dear Stakeholders

Since joining BBI as the CEO on 1 December 2017, I have seen the Company facing extraordinary challenges, exacerbated by a weak balance sheet in this financial year, and the outbreak of the COVID-19 pandemic. However, the company continued to navigate through these difficult times with tenacity and zeal to rise through the stems. We would like to thank our customers for the unrelenting confidence in the Company as evidenced by the Customer Satisfaction Index and will continue to act as the best wholesale network of choice for customers.

As the world dealt with COVID-19, for the ICT sector the pandemic presented opportunities for the Company as more organisations adopted work-from-home policies and online learning, webinars, and meetings. We could, unfortunately, not take optimal advantage of these opportunities due to factors that were beyond our control. Of particular significance has been the inability to raise funding, and this has impacted our ability to provision customer services and settle debts timeously. This severely affected sales, especially considering the high capacities that could not be fulfilled for some of the major customers. Despite this, the Company has put up a good fight in its efforts to ensure customer retention.

Factors driving our 2030 Strategy

Fibre connectivity is the foundational physical infrastructure required prior to the development of primary products and services (such as broadband connectivity), as well as supporting wireless products. This has driven large investment towards fixed broadband services and infrastructure within South Africa, which grew by 51% over the past four years.

At present, Telkom holds the largest market share in the national long-distance fibre market holding approximately 73% of the market, covering approximately 75 500km of national fibre and 81 900km of metropolitan fibre. BBI has the second largest market share with approximately 14% of the market, covering approximately 14 862km of national fibre. Other competitors that provide national fibre include Liquid Telecom (approximately 3 000km), MTN (approximately 3 000km), Vodacom (approximately 3 000km), FibreCo (2 539km), and Dark Fibre Africa (1 057km).

The growth in infrastructure is driven by market demand for internet connectivity. Over the same four-year period, fixed broadband subscriptions increased by 61.7%, Digital Subscriber Line (DSL) internet subscriptions by 41.9%, FTTH/ Building internet by 278.8%, and other fixed (wired) broadband subscriptions by 3%.

Despite the increase of investment in the provision of national long-distance networks, the focus has been on the major routes (such as metros). Other routes have remained largely uncompetitive as the cost to connect to remote locations is high. BBI’s mandate is therefore a necessity to facilitate connectivity throughout the country, especially as access is a critical issue within South Africa. In the past year, players in the field have emerged and demonstrated an increasing focus on rural connectivity. This places BBI in an optimal position to support this emergence and growth.

Pertinent to note is that the ICT industry remains ever evolving, and this calls for BBI to remain agile and proactive in order to continue to be a valuable contributor in the sector. In support of this BBI has considered important supplementary services and solutions during the process of crafting its revised strategy which includes the incorporation of cloud services and data centres. There is potential to grow BBI’s vertical product offerings and reselling of cloud services to Small-, Medium-, and Micro-sized Enterprises (SMMEs), Internet Service Provider (ISP) markets and Government departments. In order to thrive in such an environment, partnerships are essential to the growth and survival of BBI and to further the horizontal expansion of products and services.

The merger of BBI with Sentech will enable large-scale investment in infrastructure and concerted efforts will minimise the impact on the environment through planned expansion that will reduce duplicated infrastructure. The market is likely to experience an increase in undersea cables landing in the country, which will in turn place additional pressure on lowering the prices of national long-distance backbone infrastructure. Lastly, technological trends heighten the need to consolidate horizontal expansion into additional services.

Financial sustainability

In spite of financial constraints and customer service provisioning, focus remained on securing smaller capacities through the ISP segment which could be delivered without financing equipment sourcing. This, too, presented challenges as both the large and the small ISP segment of the market is accompanied by aggressive competitive pricing and short delivery timelines.

This can be witnessed by the sales activity in terms of sales volumes. Whilst the productivity was only 6% lower than last year, the sales Rand value did not equate to the same revenue impact as ISPs predominantly buy smaller capacity. Additionally, customers require short-term contracts rather than Indefeasible Right of Use (IRU), from which BBI has benefitted in the past due to upfront payments.

The telecommunications industry is highly competitive and, in the past few years, has been characterised by pricing pressures where customer demands drive prices down, thereby putting pressure on margins. This, in turn, impacts on the return on investment. The Company should strive to strike a balance between customer satisfaction whilst increasing Shareholders' value and market share.

The authorisation to convert the Shareholders' Loans into equity was received during March 2021, which will pave the way for access to much-needed funding in order to expand the Company's network and provision efficient customer services. This will, in turn, have a positive impact on BBI's sustained operations.

Network build and service availability

Although delays were experienced in the execution of some projects that put a strain on customer relations, BBI has nonetheless executed all projects (except the SA Connect) at, or below, the planned cost. This is indicative of accurate planning and prudence in project execution. The KZN Broadband Proof of Concept (PoC) successfully launched on 9 July 2020.

KZN DoE Internet Connectivity to 38 education facilities site surveys were completed on 27 October 2020, and cabinet installations completed on 15 December 2020. One facility – eShowe – is still with no Line of Sight and this has resulted in it being replaced with Pholela Special School.

25 access network installations of the KZN DoE sites are completed, with only two but rejected due to the testing duration not meeting the testing parameters. The BBI team successfully implemented planned works between East London and Butterworth, and East London and Pembroke sections. This year also saw BBI fully implementing undersea cable monitoring capability for WACS. BBI, in partnership with Tata, won this award in 2019/20 and has completed a full year's cycle of this service (a first for BBI), without any challenges.

On the downside, vandalism continues to plague service availability, as cables and batteries are either stolen or vandalised – increasing the number of faults. These increased considerably during the early stages of the COVID-19 lockdown, seriously impacting our customers. Crime was also on the rise during the period of the lockdown, requiring maintenance technicians to be accompanied by armed response security guards to attend to network faults in certain areas.

Despite the challenges faced, the network service performance exceeded the planned target of 98% at 99.46% network services availability. This performance was lower than the 99.76% realised in the previous financial year. It should be noted that this excellent network performance level has been maintained for more than five-years.

There was a good working relationship with TFR in the Northern region, resulting in quicker fault restoration, especially in the Limpopo, Mpumalanga, and Lichtenburg areas. This has contributed significantly to achieving the target for Mean Time to Repair (MTTR) network faults.

International Standards

We have maintained the ISO9001:2015 certification since 2017. There were no repeat findings from external audits conducted, except for standardisation of names for our PoPs. Management appointed a committee to standardise and record all acronyms and definitions used in our documents for continuous improvement. We pride ourselves in operating within the norms of global standards that create value for all our stakeholders.

Safeguarding our employees

We endeavour to always prioritise the health and safety of our employees, and proactively act in an effort to protect both employees and contractors within our premises and at facilities where customer service solutions are executed. To prevent the spread of COVID-19, the company allowed employees to work from home, except for essential services such as those responsible for network operations and maintenance.

During this period, 11 employees contracted the virus, 10 recovered and 1 sadly passed away. One of our employees in Limpopo was involved in a serious motor vehicle accident. Whilst the vehicle was written off, the employee fortunately escaped unharmed – save for a few minor injuries.

The measure of health and safety is tracked monthly via the Lost Time Injury Frequency Rate (LTIFR), which is an international measure of incidents recorded during the year. The measure for the year is 0.28, which is below the threshold of 0.6. This shows that the organisation prioritises the health and safety of its employees.

Condolences



Sadly, during the year under review the company lost two of its long-serving employees due to ill-health. Like a parent, no CEO wants to witness this kind of separation with his employees. I once again, on behalf of the Company, send our sincere condolences to the families of those employees.

Appreciation

BBI would not have continued to provide excellent service during these difficult times without its employees who continued to demonstrate their commitment to the Company and its customers. A special thanks to our employees for braving the harsh weather and the uncharted territories of the COVID-19 pandemic; your tenacity is appreciated. You have upheld the stature of BBI during the pandemic.

I thank the Shareholders for finally granting authorisation to convert the Shareholders’ loans into equity to strengthen our balance sheet and unlock the possibility of accessing capital funding. This has changed the outlook of our future as opportunities are immense. Special thanks as well to Shareholders representatives of the Department of Communications and Digital Technologies (DCDT), and the Industrial Development Corporation of South Africa, for their unwavering support.

I wish to thank the Board, my colleagues in the Executive Committee, and the Senior Managers who have provided valuable and industrious leadership. I would like to thank them for their commitment in assisting with re-positioning the Company to prepare for the merger with Sentech and future endeavours.

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

2021 Performance Results

By the commencement of the financial year, the Company had entered into a performance contract with the Shareholders through the Shareholder Compact and the Annual Performance Plan (APP). The APP provided 19 targets that the company needed to achieve during this period, and these were concluded before the outbreak of COVID-19 pandemic. The performance for this financial year attests to the resilience of our employees as we were not only impacted by the pandemic, but also had challenges

with the OEM supplier for core network equipment. For nine months during the financial year, the Company was unable to source new equipment to provision customer orders. One customer cancelled a substantial order that could have increased sales volume and revenue. Revenue only declined by 1%, despite a reduction in the number of Key Accounts Managers within the Sales team.

The Company could not replace these resources due to the moratorium on the filling of vacancies due to the pending merger with Sentech. It is important to note that the decline in revenue remained at a minimum due to the concerted effort of ensuring the retention of customers in order to protect the base revenue. This was achieved by the Sales team under very challenging conditions and can be evidenced by an independent Customer Satisfaction Survey that was conducted on behalf of the Company by BMIT. The survey commended the effort of the Account Management team in stabilising a rather challenging period in BBI’s history.

The moratorium on the filling of vacancies impacted various key areas of operations that prompted management to improvise through outsourcing, which is very costly, thus putting increased pressure on cash flow.

Also, the outbreak of the COVID-19 pandemic and the lockdown that was imposed by the Government impacted on Corporate Social Investment (CSI) programme leading to management choosing to continue supporting the school adopted in the previous financial year.

Outlook

The new normal of companies having to enable employees to work from home, and for education to be delivered online, has magnified the requirement for high network capacity and expansion of access to broadband connectivity in rural and under-served areas. This has widened the digital divide and further highlighted inequalities within the South African market. This presents an opportunity for BBI to grow as the demand for high data will result in an increased need for the services that BBI provides to the market.

The SOC Rationalisation project has progressed swiftly with the Draft Strategy for the SDIC being submitted to DCDT on 31 of March 2021 following the completion of the Valuation and Post-Merger Integration reports in the previous financial year. The two entities will now embark on a formulation of the SDIC Business Model, work which will be delivered in the 2021/22 financial year.

A handwritten signature in black ink, appearing to read 'A. Matseke', written over a horizontal line.

Andrew Matseke
Chief Executive Officer

Profiles of the EXCO



Andrew Matseke
Chief Executive Officer

Gender: Male

Qualifications:

BSc Electrical & Electronic Engineering University of Cape Town, Master of Business Administration University of Pretoria Post Graduate Diploma in Project Management (Cranefield College). ECSA Registered Professional Engineer Professional Engineer (ECSA). Senior Member (SAIEE)

Expertise:

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



Ian van Niekerk
Chief Financial Officer

Gender: Male

Qualifications:

B. Compt (Hons) – UNISA, CA (SA), CIBM – UNISA, Certificate in Short Term Reserving Techniques – University of Pretoria

Expertise:

Telecommunications, Financial Management, Commercial Management, Strategy



Irene Mokgohloa
Acting Executive: HR

Gender: Female

Qualifications:

B Tech Labour Relations (UNISA) University of South Africa, National Diploma Human Resources (TUT) Tshwane University of Technology

Expertise:

Remuneration and Total Rewards
Labour Relations
Transformation
Human Resource Information System



Gift Zowa
Chief Technical Officer

Gender: Male

Qualifications:

BSc Electrical Eng. (Hons), MBA (University of Pretoria), ECSA Registered Professional Engineer, MSAIEE, MIEE (UK)

Expertise:

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



Phumza Dyani
Chief Marketing and Sales Officer

Gender: Female

Qualifications:

B. Com (Acc) – University of the Western Cape
MBA – E Commerce (Bond Australia)
VAEP – Vodacom accelerated Leadership Programme (GIBS)

Expertise:

Commercial (Technical and Negotiations)
Telecommunications as Expertise
Pan Africa Expert
Sales
Financial Expertise
Product Expertise



Mike Mojapelo
Executive: Compliance, Risk, and Audit

Gender: Male

Qualifications:

Postgraduate Diploma in Management Practice (Henley); B. Com (Unisa), GIA (IIA); PA (S.A) (SAIPA); EDP (Executive Development Programme (WITS); LP (Leadership Programme for Senior Manager University of Pretoria; International Leadership Development Program (ILD) Henley and Penn State Business School.

Expertise:

Internal Auditing; Compliance; Risk; Governance and Strategy



ORGANISATIONAL OVERVIEW

Governance Context

The Company is owned by the Government, as represented by the Minister of Communications and Digital Technologies and the IDC. The Company's Memorandum of Incorporation (MOI) – approved by the Shareholder Minister on 20 September 2017, aligns with the provisions of the PFMA, and the Companies Act. As an SOC, the PFMA is our primary legislation. The Company is a Schedule 2 public entity in terms of the PFMA. BBI signs an annual Shareholder's Compact with the Executive Authority that details strategic objectives and key performance indicators and targets. The Board directs the Company's strategy in accordance with the mandate and strategic intent. The leadership of BBI is guided by its values and code of conduct. There is a clear distinction of roles and responsibilities between the Board and EXCO.

A detailed governance framework can be found on page 82.

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. BBI has 57 policies that are tracked through a policy register to ensure that its policies remain relevant.

Standards

The Company has implemented ISO14001, OHSAS 18001 to ensure the safety of its employees and contractors. The South African Bureau of Standards (SABS) has certified compliance with the Occupation, Health and Safety Act. Stage one and two auditing of the ISO 9001:2015 re-certification was completed successfully during the year under review.

Operating context

Core Operations

The Sales and Marketing, Network Engineering, Network Build, 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 the technical design of network and customer service provisioning for all technologies (IP/ Multi Protocol Label Switching (MPLS) Design, Security, Operating Systems, DWDM and SDH, Power Calculations and Designs, and Geographical Information Systems (GIS) experience.

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.

The Stakeholder Management is a vacant role and is fulfilled through a Stakeholder Engagement Framework which assigns key relationships to EXCO Members.

The Company has regional offices that maintain and restore the network when faults occur as illustrated on page 30.

The Company operates and maintains 150 PoPs and 14 862km of fibre throughout the nine provinces.

Enterprise Support

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

What We Do

BBI offer long-haul connectivity and various broadband communication services. Its mandate is in line with the National Development Plan (NDP) of establishing national, regional, and municipal fibre optic networks to provide the backbone for broadband access – particularly in under-served areas of the country. The services are based on the provision of high-capacity bandwidth from point to point on the national network. 713 SA Connect Sites have been connected to BBI's network across eight districts of underserved areas.

Our Offerings

The Company's portfolio of products and services is based on the provision of high-capacity managed bandwidth from PoP, delivered on its 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.

This was responded to by implementing next generation dense wavelength division multiplex (DWDM) technology that is able to carry 100Gbps (Gigabytes per second) within the Company's core network. An Open Systems Interconnection (OSI) model was adopted to define and name products, rather than using definitions based on the technology. BBI's 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).

Our products include the following:

- **SDH, DWDM and Ethernet Services** – the Company provides basic network connectivity over national long distance in various capacities, configurations, and interfaces. Among these are the SDH, Ethernet and DWDM services ranging from a few Mbps to multiples of 100GB with SLAs defined by the customer requirements.
- **WACS Connectivity and Monitoring** – BBI is a Tier-1 owner of the West African Cable System which connects the West Coast of Africa, all the way to Portugal and London. The connectivity services related to this asset allow us to provide backup services and onward connections for the landlocked countries in the region and beyond. This now comes with the additional new service of WACS monitoring, delivered in partnership with Tata.
- **Customer Tie Cable Maintenance Service** – a one-stop solution to repair and maintain handover links between the Company's PoPs and the Customer's PoPs. This service will enable customers to connect directly to BBI sites via fibre optic tie cables, creating a new source of revenue with a low capital layout.
- **NOC as a Service** – remote monitoring of third-party networks on BBI's existing network monitoring centre to provide network reports and performance of the customer network elements.
- **Maintenance as a Service** – availing human resource and technical expertise to expeditiously repair and maintain third-party fibre networks and equipment systems.
- **Co-location** – co-location of masts in the external yard of the Company's own PoPs, including internal equipment and associated ancillary services.
- **Mtunzini Co-location** – this product was created solely for the purpose of the lease of space at the Mtunzini PoP which is strategically located near the Seacom and Eassy Submarine cable landing stations.
- **IP Transit** – this product provides the full routing table to the service provider customers of BBI. BBI has enabled a connection with an upstream provider for IP Transit at Teraco Isando.
- **Professional Services** – this service has launched BBI as not only a provider of connectivity for the Wireless Area Network (WAN), but also connecting up to the Local Area Network (LAN). This has positioned BBI as an end-to-end connectivity provider.

National Connectivity

BBI's national long-distance fibre optic network comprises of 14 862km of optic fibre cable, utilising DWDM equipment, to provide combinations of base capacities ranging from 2.5 (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



Figure 4: Regional Connectivity

BBI's network covers all nine provinces, major cities, and towns of South Africa. It also extends to the borders of South Africa's neighbouring countries of Botswana, Lesotho, Mozambique, Namibia, eSwatini, and Zimbabwe to provide required interconnectivity. In line with the Southern African Development Community (SADC) Protocol, BBI has connected all the SADC PoPs, offering services to all the neighbouring countries through interconnections at the following border posts:

- Ramatlabama at the border with Botswana;
- Maseru at the border of South Africa and Lesotho;
- Onseepkans at the border with Namibia;
- Mahamba at the border with eSwatini;
- Beitbridge at the border with Zimbabwe; and
- Komatipoort at the border with Mozambique.

BBI has recently added Camden as a presence that connects eSwatini, Lesotho, Mozambique, and South Africa.

International Connectivity

BBI is a Tier 1 Investor in the 5.1 TeraBits per second (Tbits/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 the Company's plans. This forms an important backup link for undersea cables on the East and West coasts. It also provides connectivity between the East and West coasts.

The diagram below depicts our national and international connectivity.

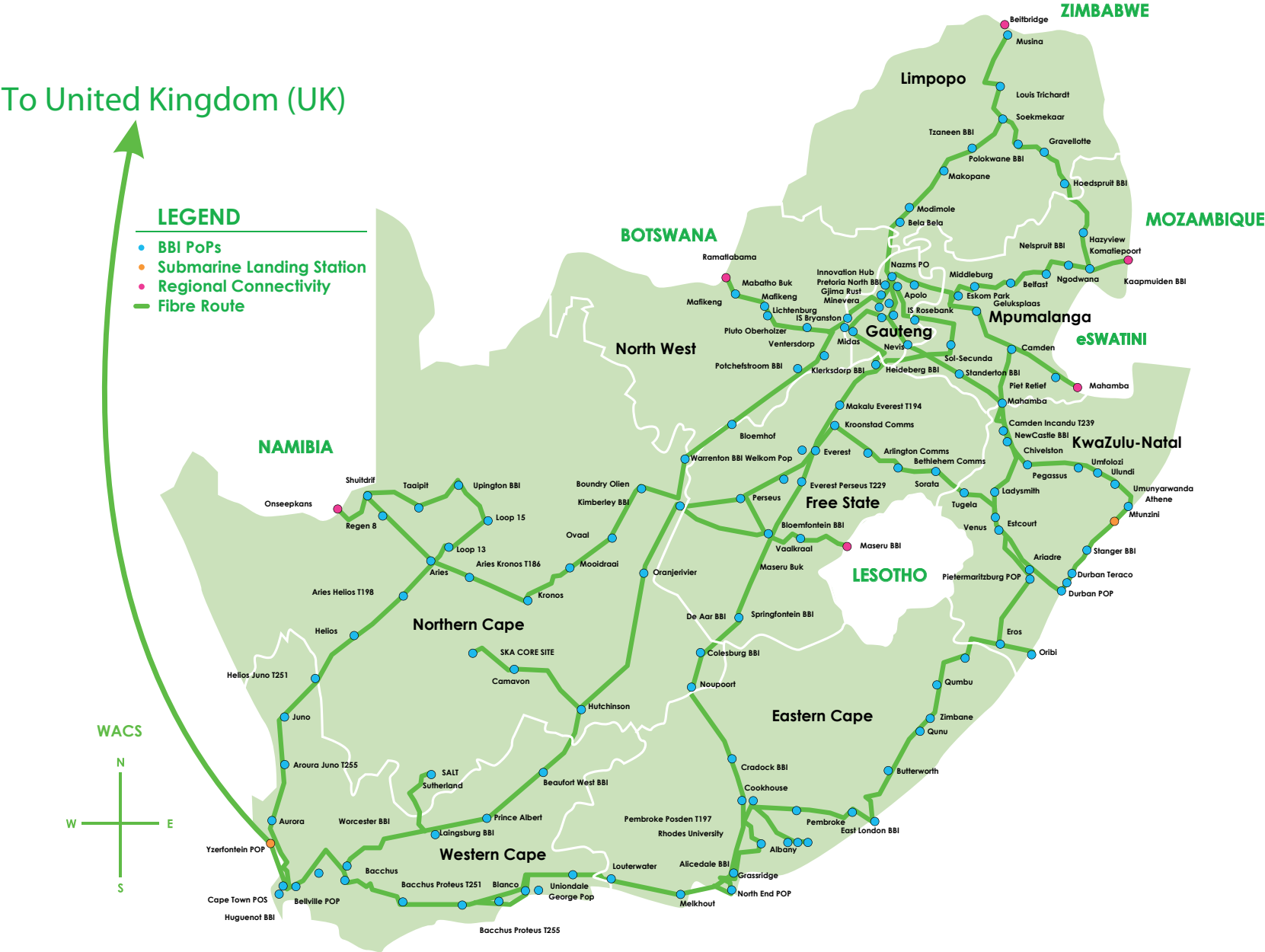


Figure 5: Broadband Infracore Fibre Footprint

Where We Operate

Our main offices are based in Gauteng, and a presence is held in all nine of the South Africa's provinces – spanning 13 regional offices as illustrated in the map below:

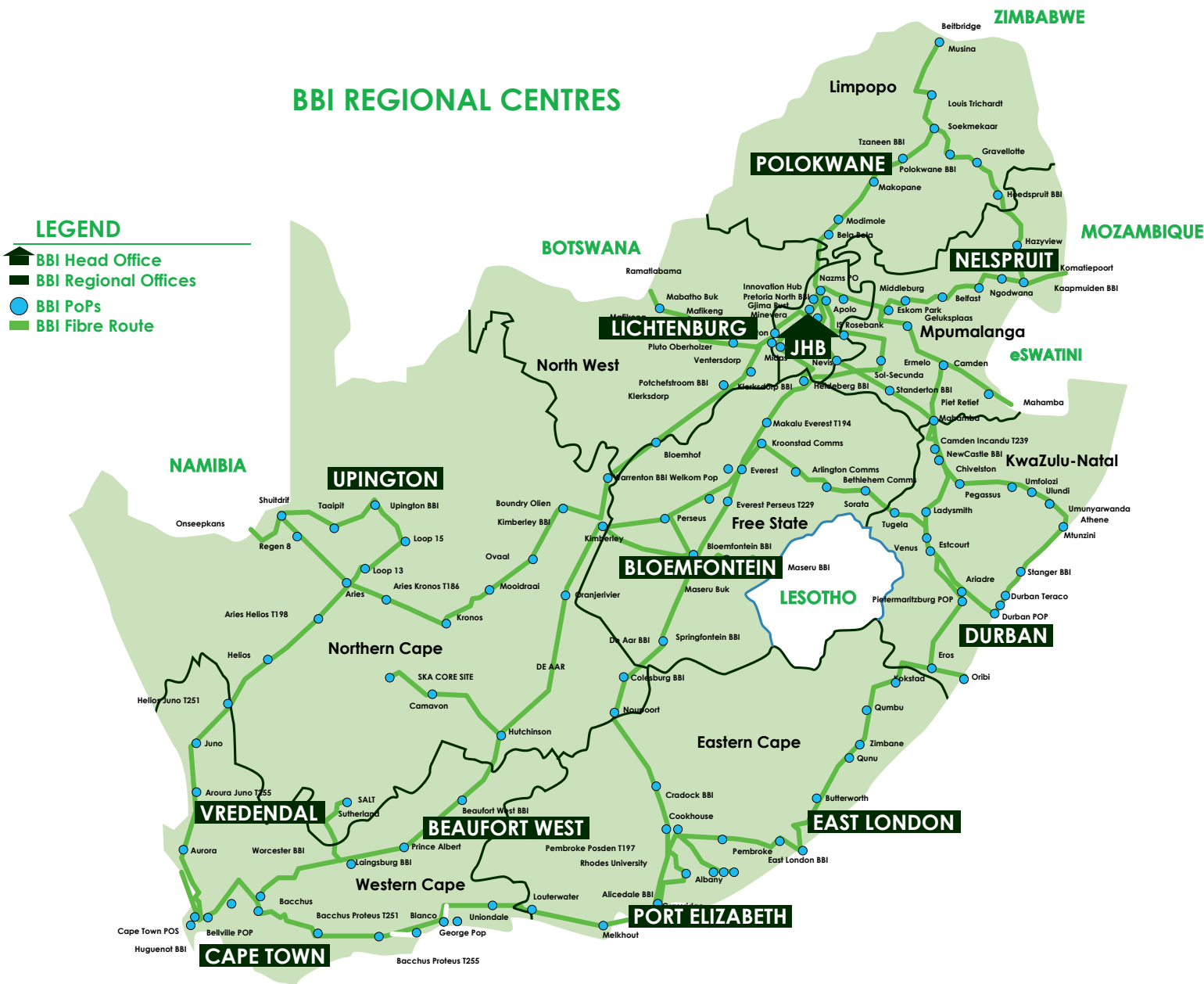


Figure 6: BBI Regional Centres

Socio- Economic Development

Employment

As at the end of March 2021, the Company had a total of 121 employees, excluding 3. This total number is decrease of 9 compared to the previous financial year due to resignations. The table below depicts the approved headcount per division that has remained unchanged since it was approved in the 2016/17 financial year, due to financial constraints and recently the moratorium that impedes filling of vacant positions in the wake of SOC Rationalisation.

Division	Executive	Senior Managers	Middle Managers	Junior Managers	Operational	Support	Active	Vacant	Total headcount approved (permanent)
CEO's office	1	0	1	0	1	0	3	0	3
CFO	1	3	7	2	2	0	15	6	21
CMSO	1	5	3	0	0	1	10	3	13
CRA	1	0	4	0	1	0	6	1	7
CTO	1	4	29	15	36	4	89	10	99
HR	1	1	1	0	1	1	5	4	9
Secretariat	1	0	1	0	1	0	1	2	3
Total	7	13	46	17	42	6	129	26	155

Table 3: Employment

The Company had the opportunity of having two intakes of Interns in the technical environment which amounted to 15 during the year under review. The first five were appointed in October 2020, and the second group of 10 was appointed during March 2021. Seven of the 15 are females, which is indicative of the intent to provide equal opportunity to women.



Employment Equity

Our demographics are presented in the charts below with a race group representation of Africans at 88%, Whites 7%, Coloureds 2%, and Indians 3% (excluding interns and temporary workers), which is a slight improvement compared to the previous year. The employee gender profile remained predominantly male with a 67% representation, and females representing 33%.

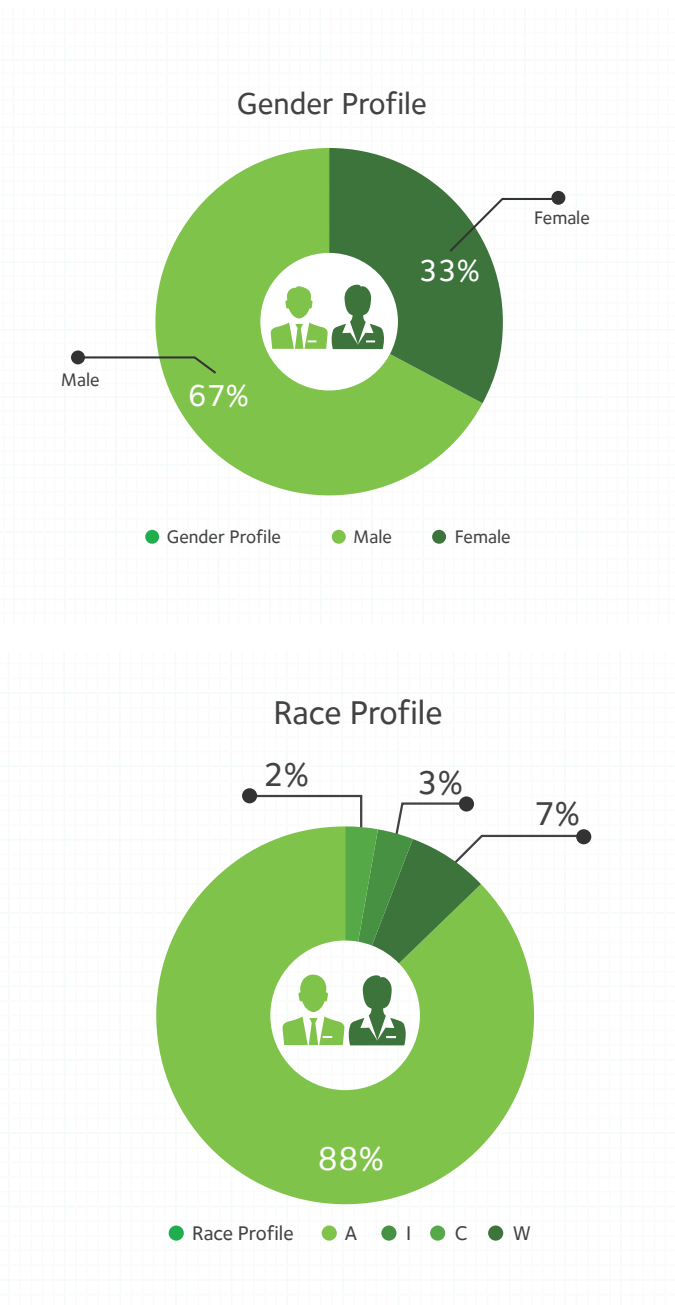


Figure 7: Employee Profile

Skills Development

Employee development is critical for individual and team upskilling, and for enhancement of competencies for the organisational effectiveness and sustainability. It is an imperative of national significance, the effectiveness of which is fundamental to the achievement of the country's national development strategies. This justifies skills development as accounting for 40% of the company's B-BBEE rating to determine the level.






Even though the provision for training on an annual basis is only 1% of the salary bill due to lack of funds, the Company prioritises development interventions that are most crucial. This falls short for other significant imperatives and business continuity strategies – such as succession planning with specialist professional assessment techniques to determine readiness of nominated candidates.

Enterprise Development

The Company has succeeded in deploying systems, policies, and procedures to comply with all current statutory supply chain management requirements. These include, but are not limited to, PFMA National Treasury prescripts, Preferential Procurement Policy Framework Act (PPPFA), as well as B-BBEE functionality. The procurement strategy is specifically designed to attract a meaningful contribution from previously disadvantaged groups, and to 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.

Broad-Based Black Economic Empowerment Level

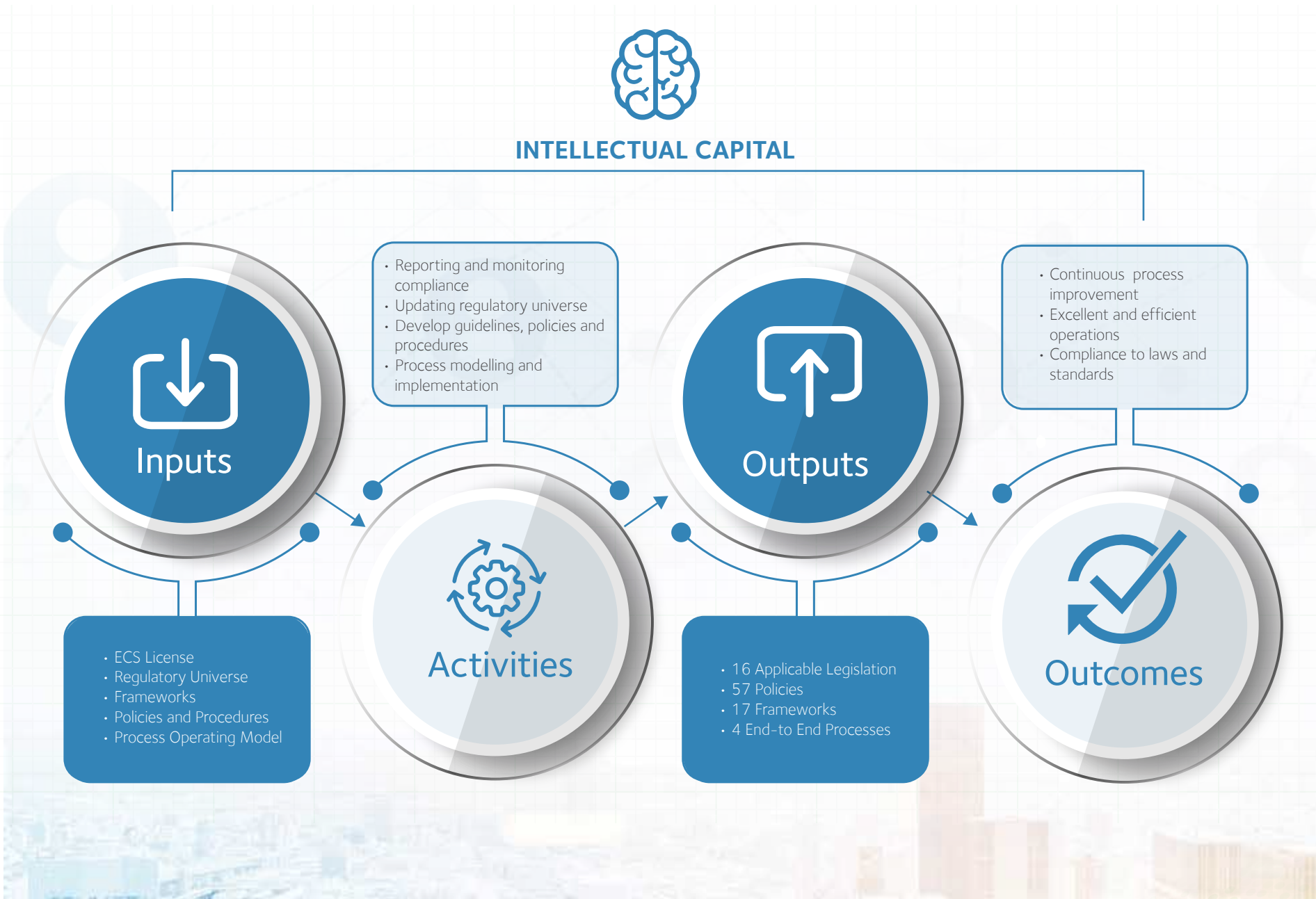
During the year under review, an independent and impartial accreditation process was completed with the objective to measure the Company against the Codes of Good Practice on B-BBEE. The Company achieved a rating of Level 4 despite the financial constraints that may have pushed the level even higher. BBI applied the amended B-BBEE ICT Sector Code as issued in terms of the B-BBEE Acts 53 of 2003. BBI's B-BBEE verification that covers four of the ICT Sector Scorecard (excluding the ownership element) as illustrated in the table below:

Element	Target	Actual 2021
 Ownership	N/A	N/A
 Management Control	85%	85%
 Skills Development	75%	69%
 Enterprise and Suppliers Development	100%	101%
 Socio-Economic Development	100%	100%

The B-BBEE multiplier achievement was 124%, while the percentage of the procurement spent on black-owned-entities was 70%, and black woman-owned entities was 64%, which contributed towards improving our B-BBEE status to a Level 4 contributor.

VALUE CREATION THROUGH THE CAPITALS

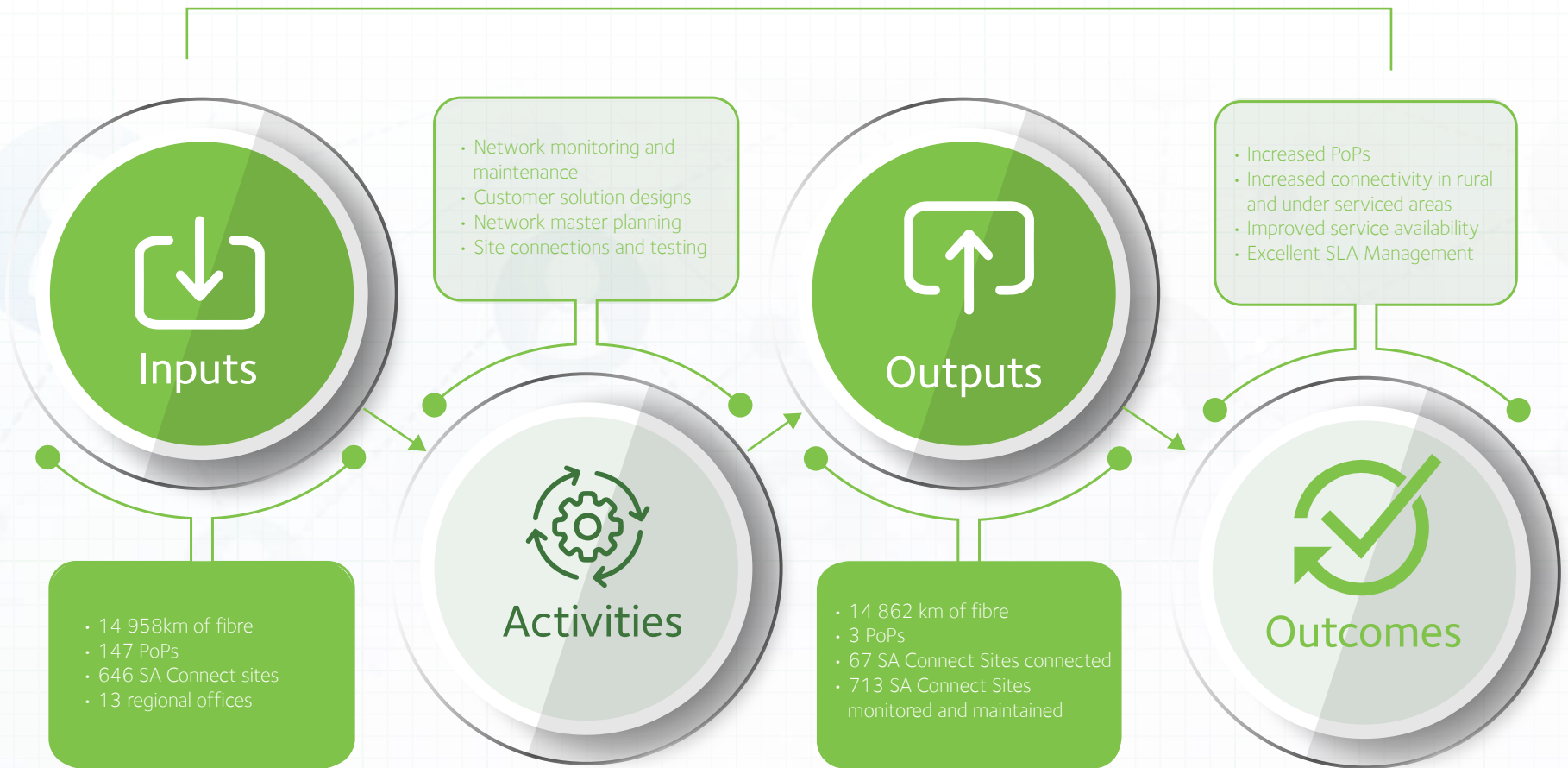
In this section, a demonstration is provided of how our business model draws on the various capitals as inputs, through business activities that are converted to outputs. We deployed five of the six capitals as there is minimal impact on the natural capital. The activities and outputs lead to outcomes in terms of effects on the capitals as illustrated below:

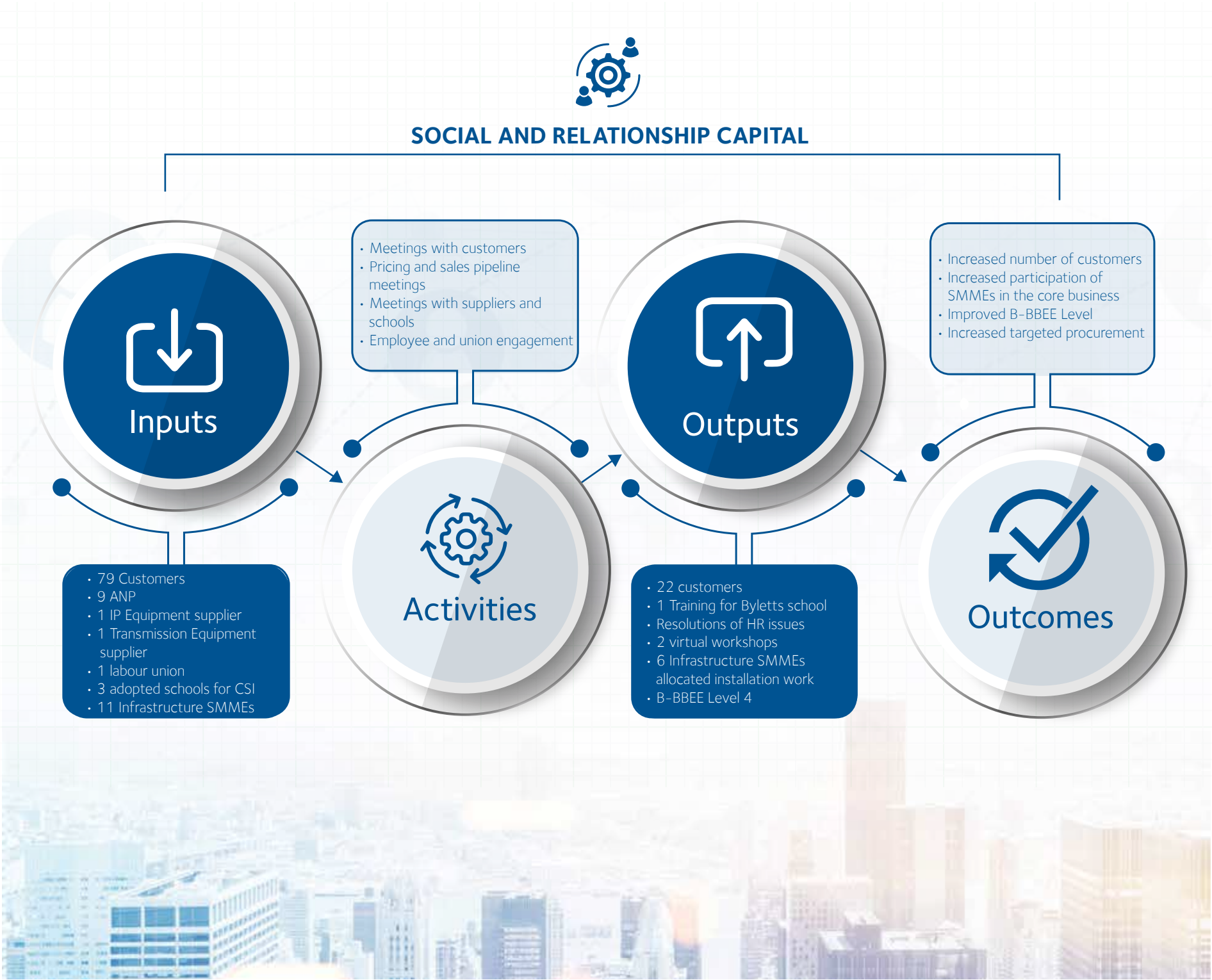






MANUFACTURE CAPITAL







HUMAN CAPITAL





STRATEGY AND ALLOCATIONS

Our Mandate

Our 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, under-developed and under-served areas. The objects of the Act 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, expand the availability and affordability of access to electronic communications, including (but not limited) to underdeveloped and underserved areas.



Figure 8: BBI's Mandate



National Mandate

Our purpose is in line with the National Development Plan (NDP) of establishing national, regional, and municipal fibre-optic networks to provide the backbone for broadband access. The NDP aims to “eliminate poverty and reduce inequality by 2030”. The goal of the South African government is to achieve a universal average download speed of 100 Mbps by 2030. The target to be achieved in a progressive manner, reviewable targets by increasing user experience speed of 5 Mbps in 2016 to 50% of population and to 90% by 2020 as depicted in the table below.

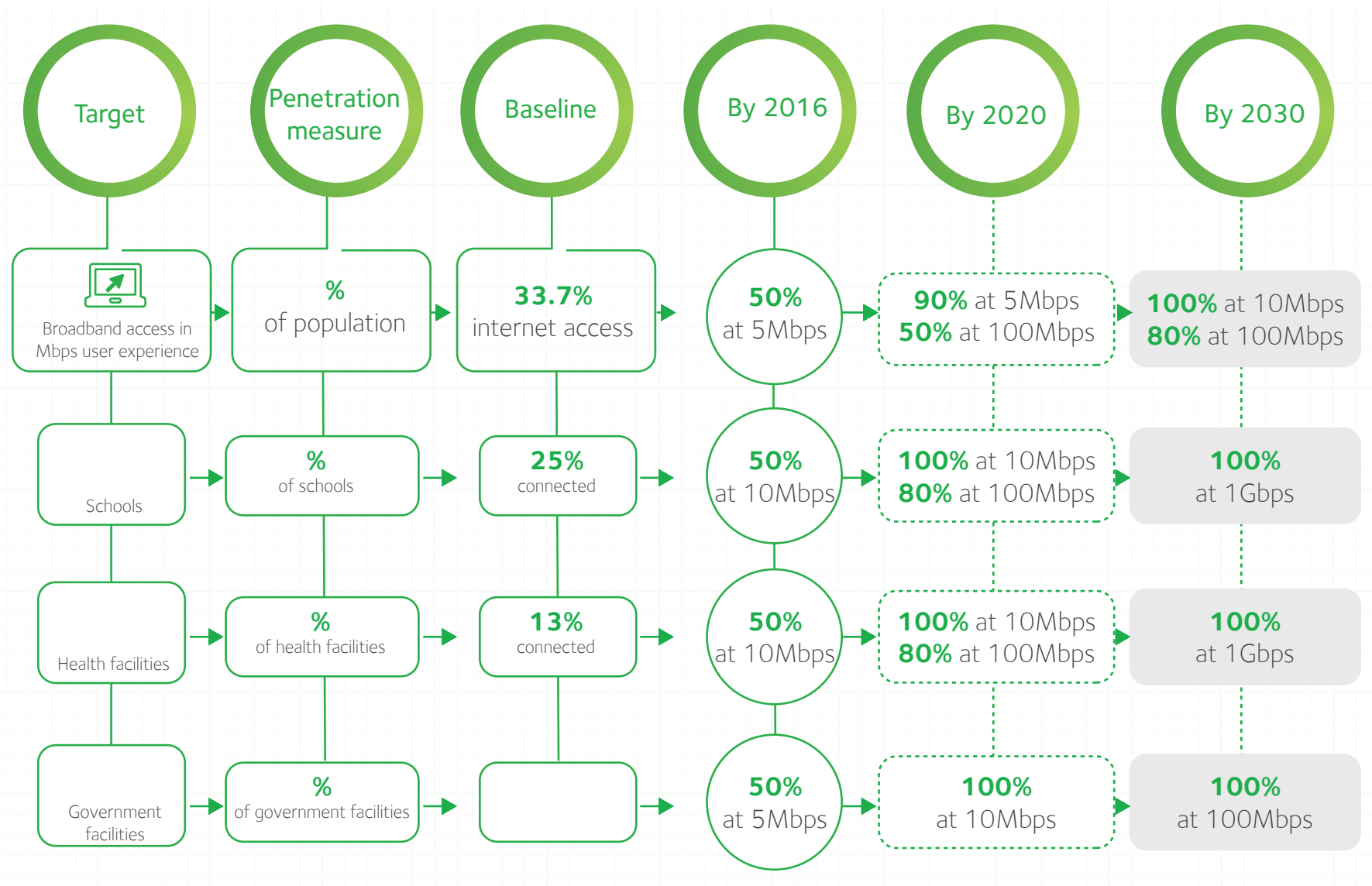


Table 4: National Target

The Minister of Communications and Digital Technologies has been contracted to ensure that 80% of the population have access to the internet by 2024, review the model of SA Connect to increase private sector participation with the Government as a buyer of services, and oversee the implementation of Phase 2 of SA Connect (focusing on 42 000 Government sites to 10Mbps).

BBI is still poised to provide network connectivity that will drive the rollout of broadband infrastructure to rural and under-served areas.

BBI has been mandated to provide network connectivity for the SA Connect Project that will drive the rollout of broadband infrastructure to rural and under-served areas. The table below reflects targets for existing and targets markets in the public sector.

Our Strategy

BBI has periodically reviewed its business strategy to ensure that the Company remains relevant in an increasingly competitive and resource-intensive climate within the industry. Our 2030 strategy identified four focus areas as depicted in the figure below:

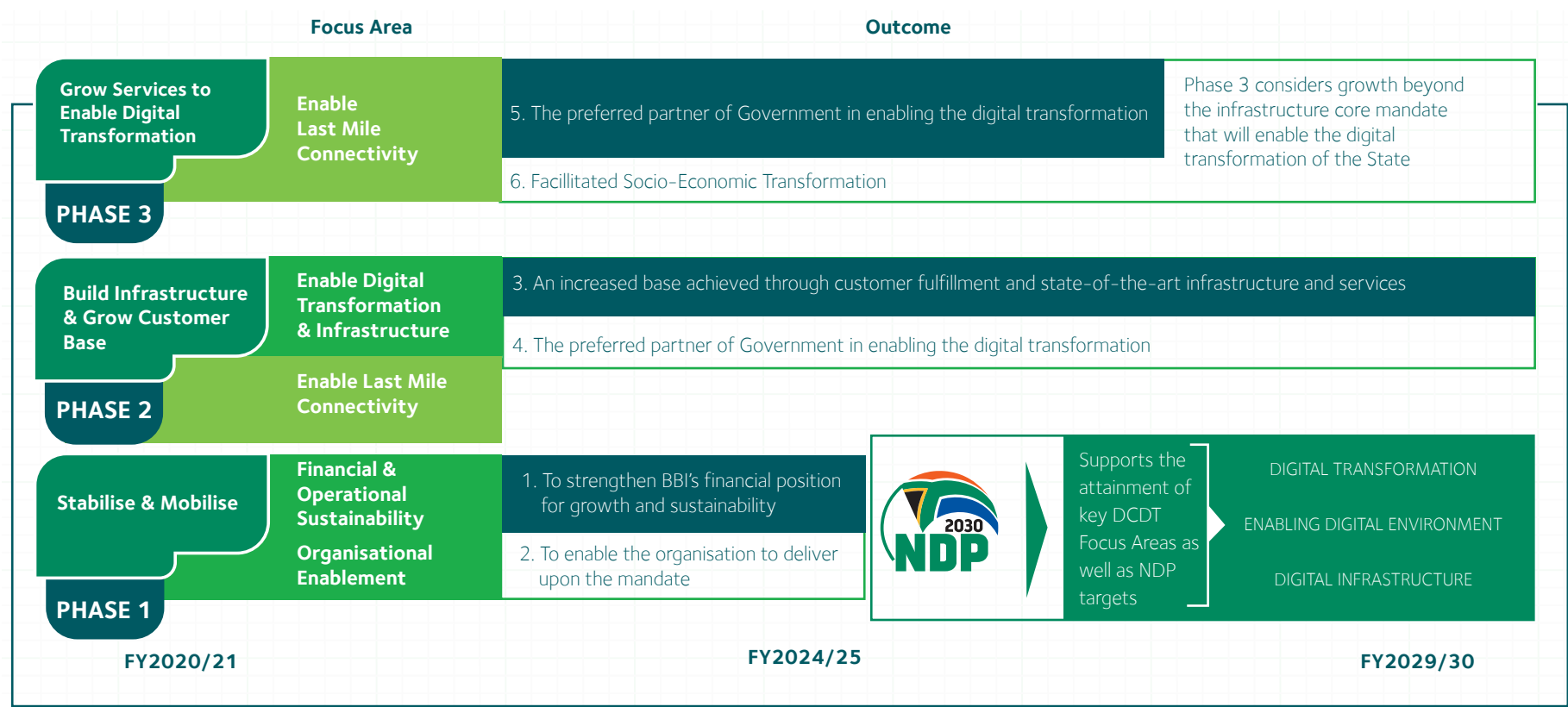


Figure 9: 2030 Strategy

Overall, BBI seeks to reach its desired vision to: Provide communication services to enable a connected and transformed society. This impact will be enabled through three key phases: (1) Stabilise and Mobilise; (2) Build Infrastructure and Grow Customer Base; and (3) Grow Services to enable digital transformation. The phases, together with the strategic goals, are summarised in the figure below. Phases 1 and 2 commence in the short-term, and Phase 3 is expected to commence in the medium- to long-term.

Phase 1 Stability and mobilisation is a critical precursor to Phases 2 and 3. Within Phase 1, critical levers to enable financial stability are necessary, such as the securing of funds to expand on infrastructure. Similarly, key internal-focused activities are required to gear the organisation toward the delivery of the strategy; for example review of the business and operating models, as well as a review of processes, together with the implementation of automation systems.

Phase 2 Focuses on the tactical efforts in customer attraction and retention, through a customer-centric model to develop new business in both the private and public sectors. The commercial mandate will aid in the subsidisation of the social mandate, allowing BBI to expand faster into the under-developed and under-served areas.

Phase 3 Considers the expansion of products and services specifically to the State, enabling the State services through connected societies. The Phase is two-pronged with focus on digital connectivity promoting accessibility while facilitating socio-economic transformation through SMME development and school adoption. Phase 3 further seeks to leverage the strategic positioning of BBI as a key enabler to the digital transformation of the State.

The key enablers for the successful execution of this 2030 strategy hinges on the following:

- Capacity of the network, product offering, market share and human resources;
- Access to funding;
- Consolidation of state fibre;
- SOC Rationalisation; and
- Partnerships, collaborations, and Alliances.

Material Matters impacting our Strategy

Our identified material matters are issues that could substantially affect the Company's ability to create value in the short-, medium-, or long-term as a result of not being able to execute on its strategy and impact its ability to stay competitive. The material matters are defined in the approach and table below, featuring risks and opportunities related to each. These are linked to the Company's related strategic objectives. The figure below reflects the approach in managing material matters:

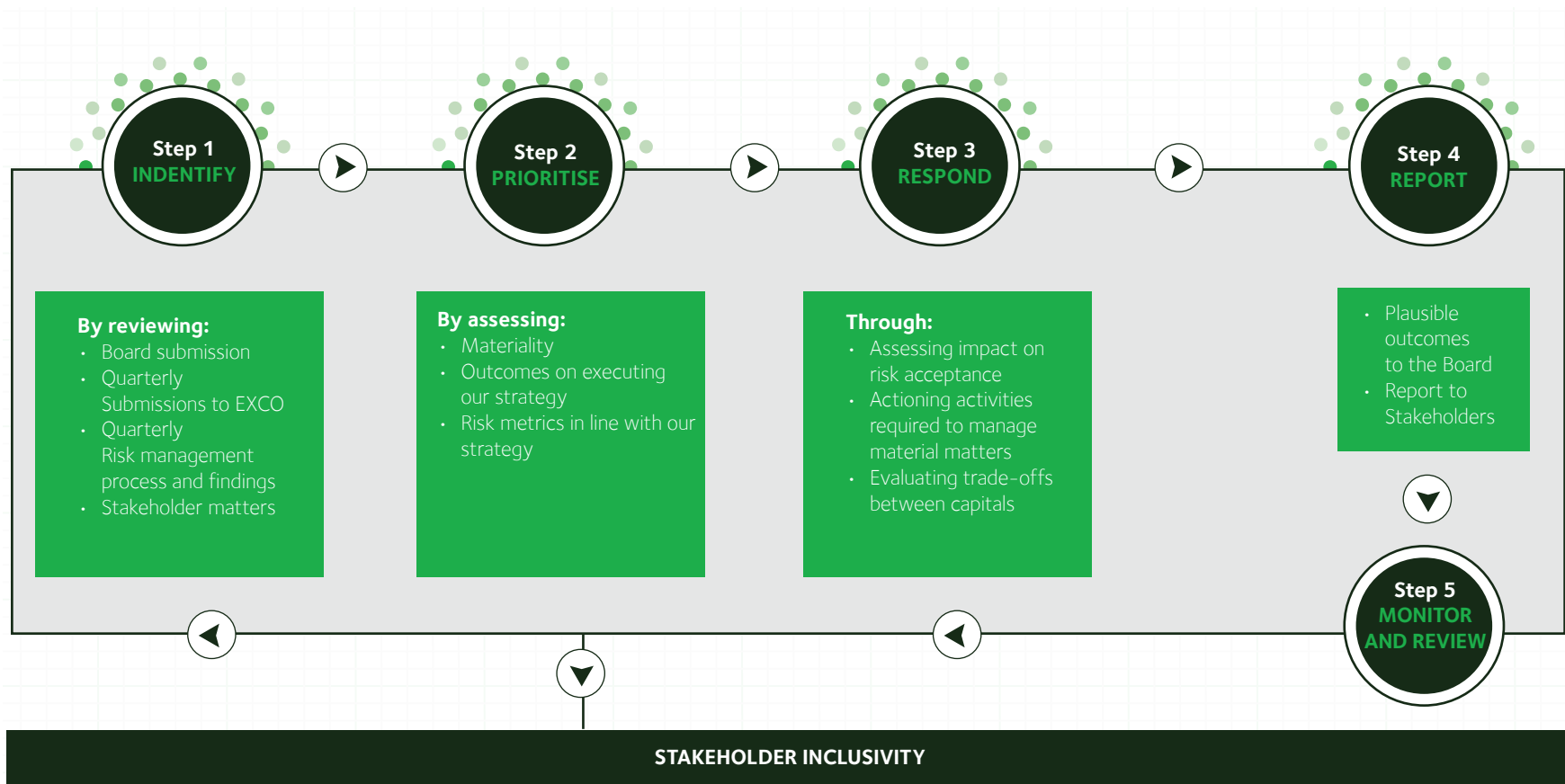


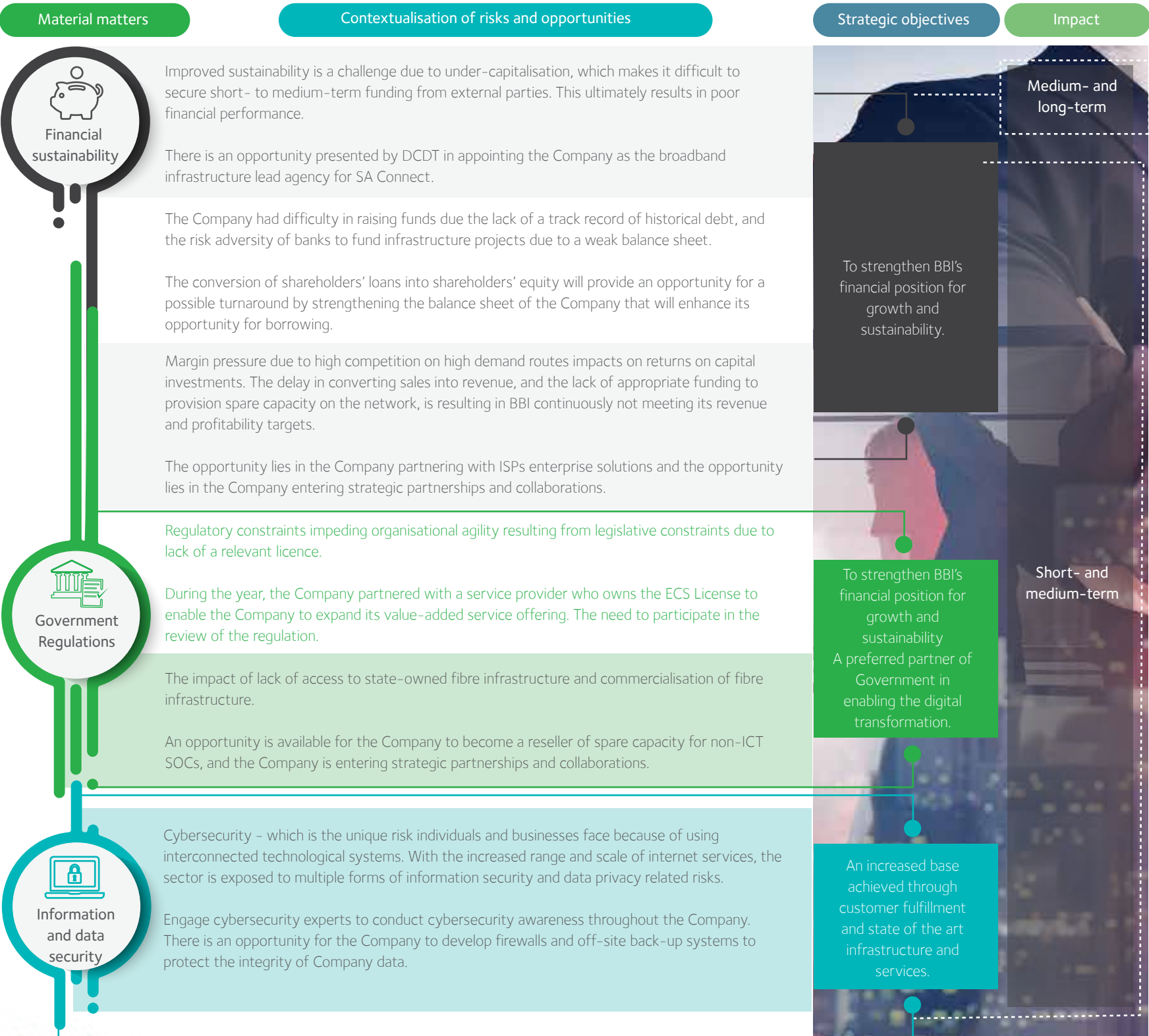
Figure 10: Material Matters Management Process



The background of the page is an abstract composition. It features a dense network of thin, light-colored lines connecting small dots, creating a web-like structure. Overlaid on this are several fiber optic cables. One cable in the foreground is clearly visible, showing its internal structure and the light it carries. The cables are set against a backdrop of blurred, glowing light spots in shades of blue, green, and white, which appear to be light reflecting off the fibers or distant data points. The overall effect is one of high-tech connectivity and data flow.

Material Matters

The diagram below depicts material matters and their impact:



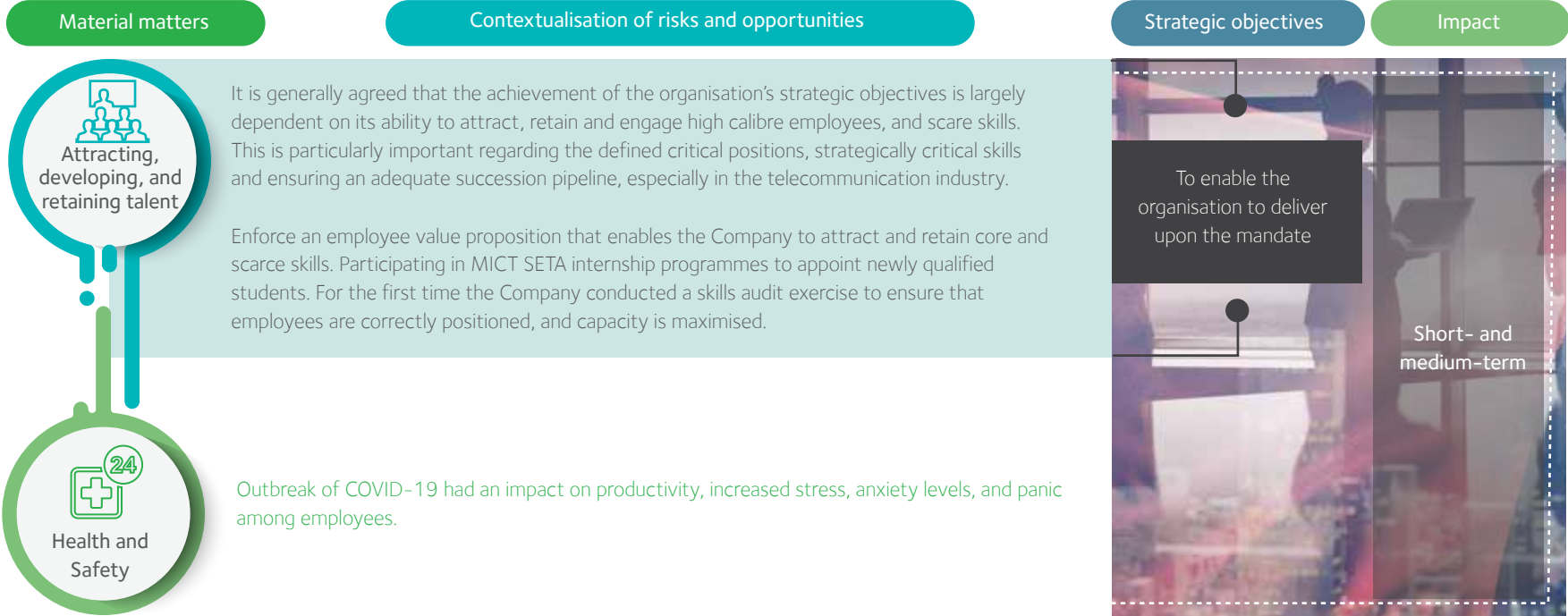


Diagram 1: Material Matters



Risk Management Framework (King IV, P11 & 12)

The King IV Corporate Governance Principles have seen increasing risk management focus on BBI's strategic objectives, rather than merely striving for inherent efficiencies and operational performance. As a result, enterprise risk management (ERM) has now emerged as a function that can shape the strategic direction of the organisation. The risk management approach is evolving from a process and compliance focus to an enabler to achieve strategic and operational objectives.

The Risk Management process was embraced by the Company, which has improved significantly during the year under review. Our risk management has two main processes, one of which is the strategic role that drives risk management according to strategic objectives, stakeholders' needs, the desired risk culture, appropriate organisational structure, plans for advancing risk management, integrated control assurance aspirations, and the requirements of governance instruments and legislation.

The Company has institutionalised risk management as follows:

- The ARC oversee risk management processes. The strategic risk register is continually reviewed and aligned with corporate strategy; and Internal and external audits review the discharge of the risk management strategy.
- The strategic risk register was continually reviewed and aligned with corporate strategy; and
- Internal and external audits reviewed how the risk management strategy is being discharged.

The operational risk management process and framework are standard and tailored for the specific needs of risk assessments at the operational level and to projects. The risk management process involves the systematic application of policies, procedures, and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording, and reporting risk.

BBI's risk management architecture is based on the ISO 31000:2018 standard. These are two distinct but integrated cycles, with the innermost cycle depicting the core of the risk management process and providing the framework for managing risk on a day-to-day basis as reflected in the figure alongside:

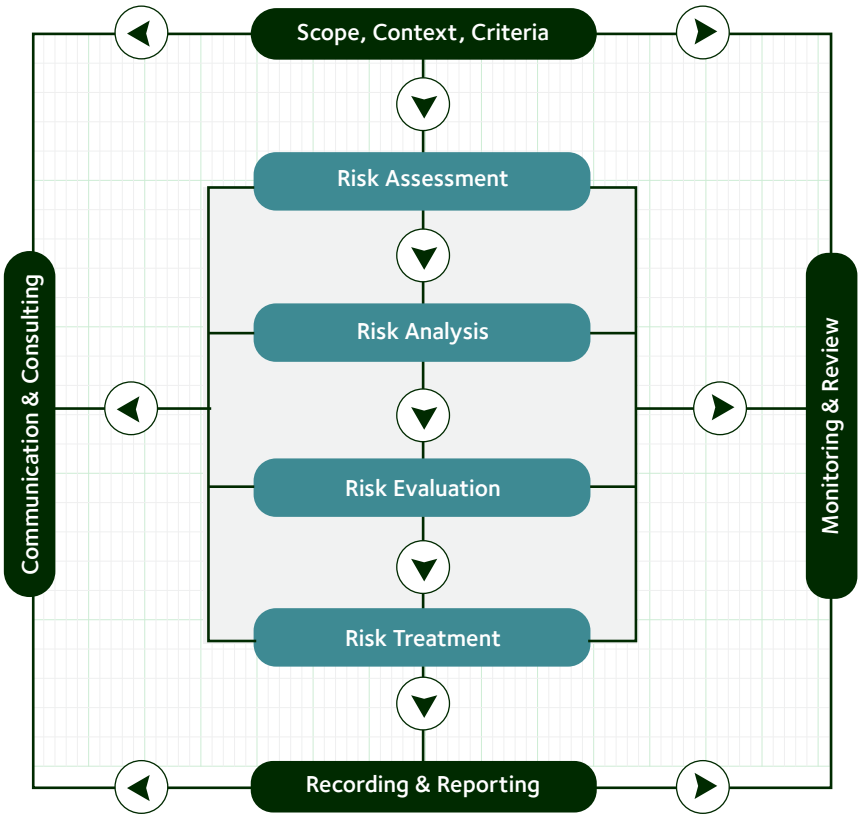


Figure 11: Risk Management Process

The annual assessment of strategic risks with Shareholders, Board, and Management was conducted during the third quarter of the year as an integral part of the strategic planning process. Operational risk registers for all the divisions were completed and sent to ARC for noting.

Achieving Best Practice Levels (King IV, P11)

To achieve best practice levels, the requirements of the guidelines of the King IV Report on Corporate Governance for South Africa, 2016 (King IV) and ISO 31000:2018 risk management standards are considered in our ERM approach. The strategic risk profile is based on our strategic objectives.

Adding Value Through ERM (King IV, P4 & 11)

The risk and compliance function participates in the remedial plan relating to reported audit findings to facilitate improvements in BBI's processes, and to integrate and map current assurance activities, and lines of assurance against each step in the procurement processes. The project risk monitoring assists in providing contingency reserves for programme and project risks. The opportunities identified in projects serve as a basis for value managing risks within projects.

Our Key Strategic Risk Movements

Most of our strategic risks have remained relatively unchanged over the last four financial years. However, the risk rankings have changed somewhat with the introduction of new risks during the year under review. These new risks talk to current challenges of the moratorium on filling of vacancies, delays in the conversion of the shareholders’ loans into equity, lack of access to state-owned fibre infrastructure, commercialisation of fibre infrastructure, and the last risk relating to the COVID-19 pandemic.

BBI ’s financial sustainability risk is described in the context of the root causes under capitalisation, and difficulty in securing short- to medium-term funding from external parties, as well as the difficulty in raising funds due the lack of a track record of historical debt, and risk adversity of banks to fund infrastructure projects due to a weak balance sheet.

For the past number of years, BBI has consistently faced the risk of the impact of non-ICT SOC’s on the cost to communicate and regulatory constraints impeding organisational agility. The company has explored different options to mitigate this with no success. These risks negatively impact BBI in terms of delayed project deliverables and revenue losses. This compromises the business sustainability of the organisation.

Risk Maturity

The risk assessment matrix is used to measure the size of risk, and to determine whether such risks have the appropriate controls or mitigations in place in order to minimise the realisation of the risk. The risk assessment matrix is a living, breathing document that needs to be monitored, reviewed, and maintained on an ongoing basis. Risks are constantly evolving, and the matrix should reflect these changes to the environment.

There are events that may trigger the need for a refresh, such as establishing an enterprise risk management (ERM) programme, a major merger or acquisition, or perhaps a significant deficiency or material weakness that arise within an internal control environment. Hopefully, it is not the case, but with a continuous risk assessment process and matrix, the Company should be equipped to – at the very least – heed any warning signs. The top risks remained constant over a period of three years, with minor changes from year to year.

The strategic risks remained constant with changes impacting mostly on management action plans and the risk status. The total number of risks have increased from top nine to 13 for the year under review. The three new risks identified are: possible loss of the Market Share; delays in conversion of the Shareholder loan to Equity; and the outbreak of COVID-19.

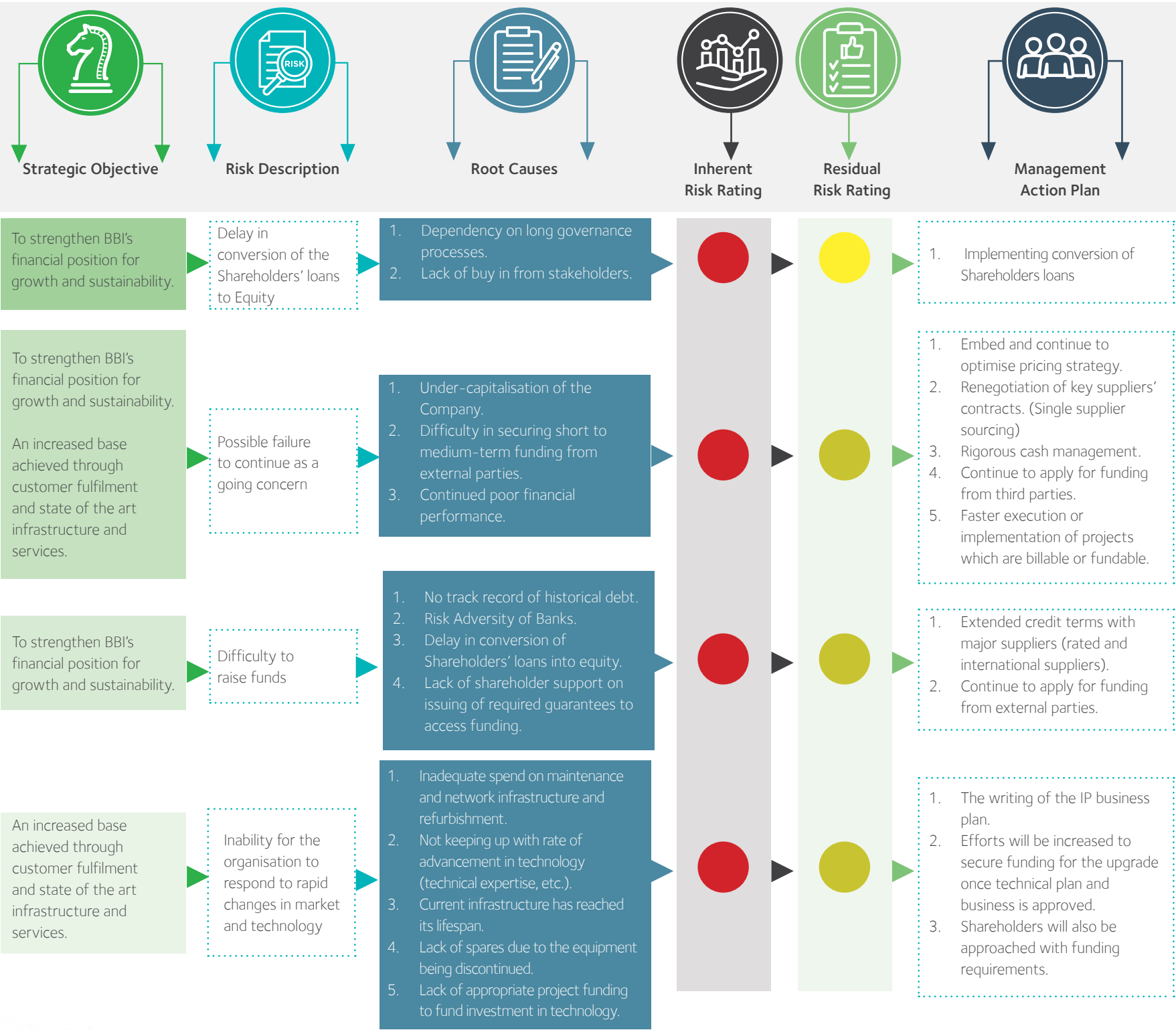
The following table details the strategic risks and provides the associated risk rating on the Risk Matrix. The impact on value-creation and the associated timeframe, as well as the treatment strategy is provided.

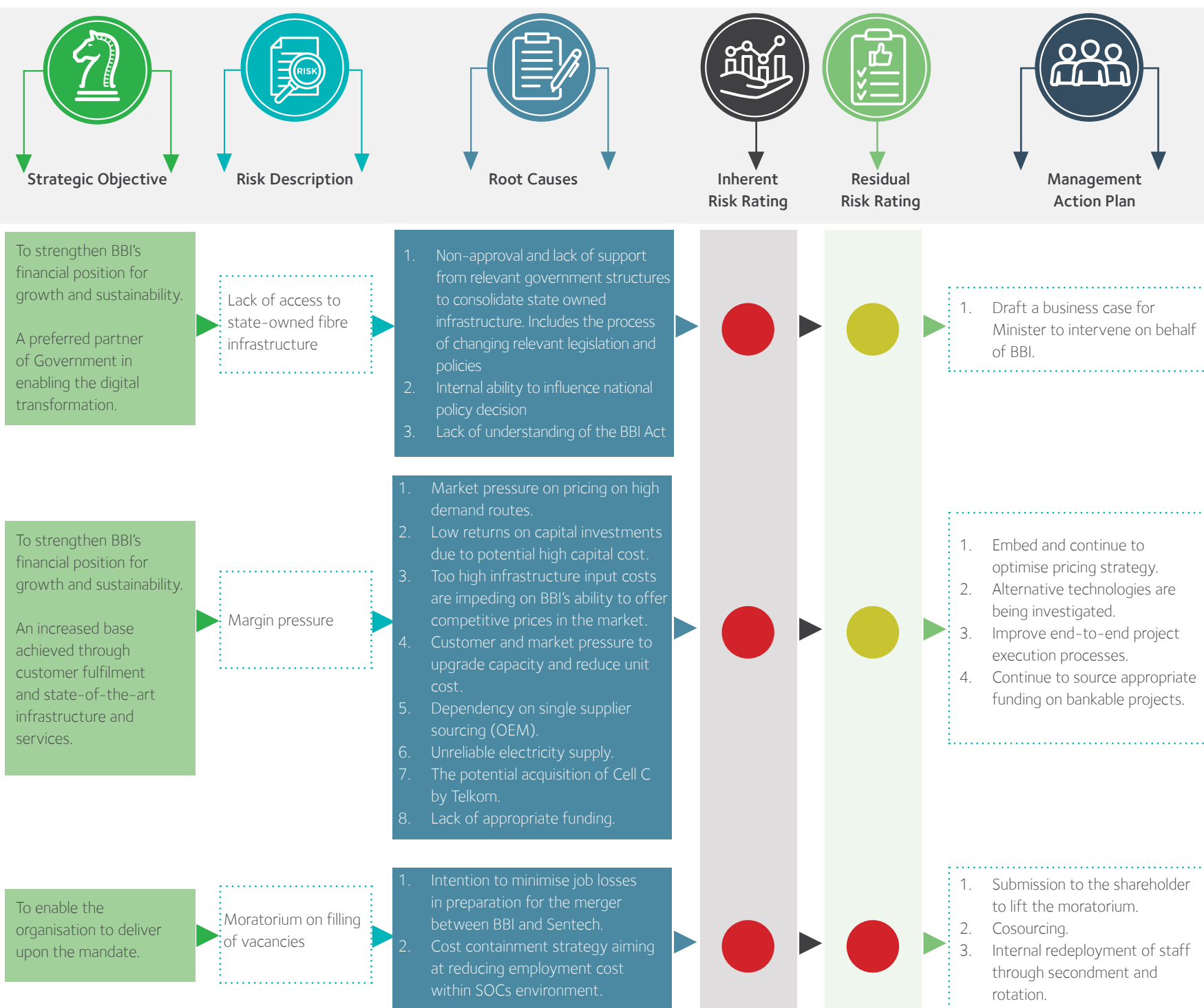
IMPACT	5 Catastrophic	MEDIUM 5	HIGH 10	VERY HIGH 15	VERY HIGH 20	VERY HIGH 25
	4 Critical	MEDIUM 4	HIGH 8	VERY HIGH 12	VERY HIGH 16	VERY HIGH 20
	3 Serious	MEDIUM 3	MEDIUM 6	HIGH 9	VERY HIGH 12	VERY HIGH 15
	2 Significant	LOW 2	MEDIUM 4	MEDIUM 6	HIGH 8	HIGH 10
	1 Minor	LOW	LOW	MEDIUM	MEDIUM	MEDIUM
	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

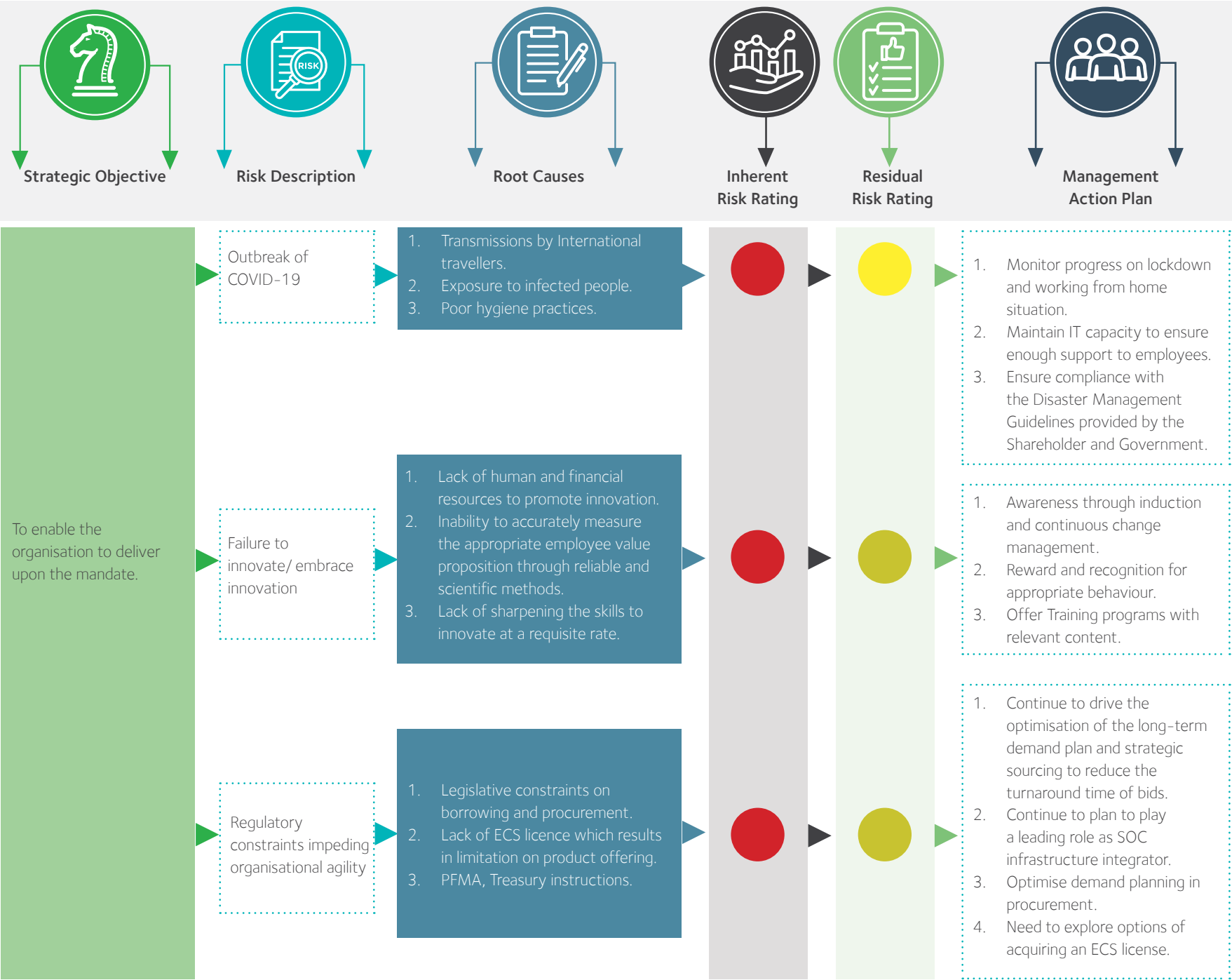
Table 5: Standard Strategic Risk Matrix



The diagram below depicts the mitigation strategies for BBI's top strategic risks:







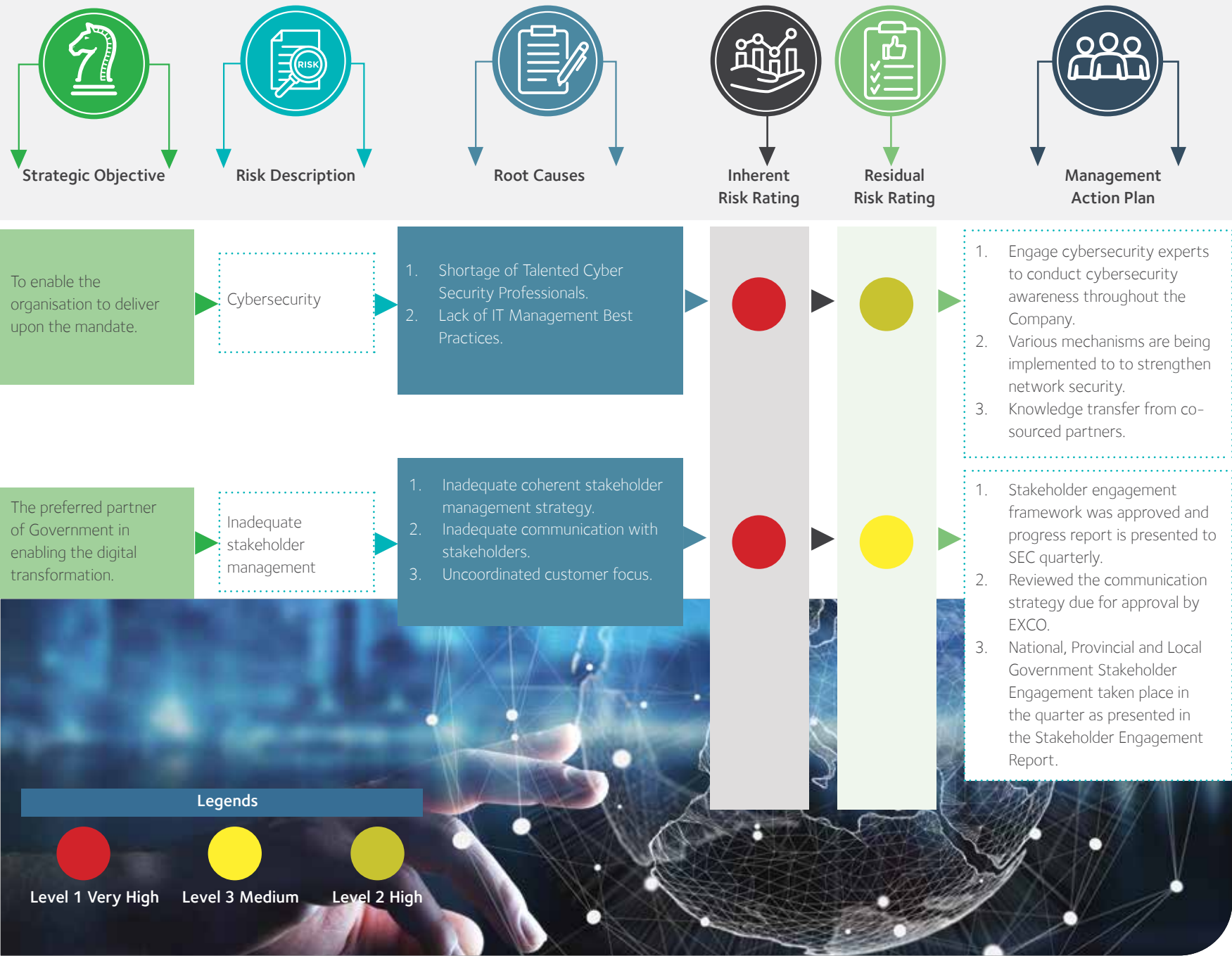


Diagram 2: Top Strategic Risks

Capital Project Risk Management

Capital Project Risk enables an organisation to get to the root cause of their problems and provides tailored solutions that assist in improving the delivery of capital projects, mitigating project risks, and ensuring project objectives are met. According to the Company's Enterprise-wide Risk Management Framework, BBI has adopted a risk assessment approach that is both top down and bottom-up.

Risk assessments are conducted at:

- Strategic level;
- Operational level; and
- Project level.

These risks are tracked and monitored by the Risk Manager during the project meetings, and from time to time a workshop is held to review and document progress on mitigating the risks.

SHEQ Risk Management

The responsibility for managing the effectiveness and efficiency of the SHEQ process rests with the Board, who adopts a proactive approach to risk assessment and professional remediation. The SHEQ rules are the most significant tools by which to measure the Organisation's commitment to safe operations. During the year, employees were in seven motor vehicle accidents with no major injuries, and no fatalities recorded. Eleven cases of COVID-19 infections were recorded during the period – 10 employees recovered while one employee, sadly, passed away.

To ensure relevance and proactive steps to the Company-wide policy and strategy, executive managers regularly review the SHEQ policy with a view to making improvements in monitoring techniques, investigations, and controls. The policy states that BBI will develop its SHEQ capabilities to world-class standards by marketing and provisioning quality services and products that are safe, and that do not pose a risk to employees, customers, or to the environment. The Company is committed to compliance with all external regulations, including ISO 14001 and OHS 18001.

Our Stakeholder Interests

In order to achieve the strategic objectives described in the vision and mission, the Company relies on the effective execution of all value-creation processes in its business model, which are interdependent of its material stakeholders' contributions. These stakeholder groups or individuals can be affected by BBI's actions and operations, or their processes can materially impact on the business.

Stakeholders are actively engaged throughout the year in attaining the Company's strategic aspirations, as well as with gaining an understanding of stakeholder needs, interests, and perspectives. Material matters arising from stakeholder engagements are managed as part of the risk management process. The review of material risks and opportunities include stakeholders' perspectives, and ensure alignment of the business model with those of the respective stakeholders.

Stakeholder Engagements for 2020/21 have predominantly been executed online, and driven by the limitations that the onset of COVID-19 has presented. This has resulted in many stakeholders opting to engage remotely, in a bid to support the call by the South African Government to stay safe, and stay home. A marked improvement in the general engagements, and a far more positive attitude towards the BBI brand has been noted. Deeper engagement was conducted with the Shareholder and more alignment was noted – driving the engagements of National Strategic importance.

More time was spent with customers and there was more Executive visibility in support of the Sales team's intensified retention strategy to develop stronger bonds with customers. This further aided in providing reassurance that customer service is central to achieving deliverables, and that BBI would by all means, deliver excellent service wherever possible. It was found that these engagements yielded positive results and were appreciated by the customers. More collaboration and positive alignment could be structured with other SOC's.





Stakeholder Group



REGULATORS

WHAT MATTERS TO THEM

- Compliance to Regulations
- Compliance to Licence
- Reporting

NATURE OF ENGAGEMENT

- Meetings
- Reporting
- Application

RESPONSES TO MATERIAL MATTERS

- Submission of half-yearly reports
- Compliance to licence obligations
- Application Universal Access amendment

IMPACT

Major



SHAREHOLDERS

WHAT MATTERS TO THEM

- Policy Directives
- Funding
- Sustainability
- Accountability
- Risk management
- Reporting
- Reputation

NATURE OF ENGAGEMENT

- Meetings
- Site Visits
- Application
- 4IR Forums

RESPONSES TO MATERIAL MATTERS

- Submission of quarterly and annual reports
- Application for Shareholders' loan conversion to equity

IMPACT

Major



FINANCIAL INSTITUTIONS

WHAT MATTERS TO THEM

- Funding
- Cash generation ability
- Sustainability

NATURE OF ENGAGEMENT

- Funding applications
- Meetings

RESPONSES TO MATERIAL MATTERS

- Funding applications
- Submit annual financial statements
- Improve liquidity

IMPACT

Major



EMPLOYEES
ORGANISED LABOUR
NON-UNIONISED EMPLOYEES

WHAT MATTERS TO THEM

- Job security
- Training and development
- Dispute resolutions
- Labour relations
- Health and safety
- Sustainability
- Performance management
- Remuneration, recognition, and rewards
- Fair treatment
- Job satisfaction
- Conducive working environment
- Information and feedback

NATURE OF ENGAGEMENT

- Quarterly Town Talk Sessions
- Management/Organised Labour quarterly and monthly formal meetings
- HR Employee Representative Committees:
 - Employment Equity
 - Skills Development
 - Pension Fund
 - Management/Employee Representative Teams

RESPONSES TO MATERIAL MATTERS

- Market-related remuneration
- Reward and recognition for excellent performance
- Substantive negotiations
- Training and development
- Equity and fair treatment practices

IMPACT

Major

BBI Stakeholder Engagement



GOVERNMENT

WHAT MATTERS TO THEM

- Policy implementation
- Availability of broadband infrastructure and services
- Job creation
- Socio-economic transformation
- National revenue contribution
- Skills development levies
- Compliance to regulations

NATURE OF ENGAGEMENT

- Consultations
- Workshops
- Partnerships

RESPONSES TO MATERIAL MATTERS

- Government to government interchange and collaborations

IMPACT

Medium



OTHER STATE-OWNED ENTITIES

WHAT MATTERS TO THEM

- Broadband infrastructure
- Collaborations and partnerships
- Competition

NATURE OF ENGAGEMENT

- Contract management
- SLAs
- Meetings

RESPONSES TO MATERIAL MATTERS

- Non-duplications of infrastructure
- Collaborations on usage of existing infrastructure
- Reduction of cost to deliver services
- Quick deployment of services

IMPACT

Catastrophic



CUSTOMERS

WHAT MATTERS TO THEM

- Sound relationships
- Availability of network and services
- Competitive pricing and service solutions
- Quality of service
- Timeous project execution
- Contract management
- Partnerships and collaborations

NATURE OF ENGAGEMENT

- Sales engagements
- Regular meetings
- Fault management
- Debtor management

RESPONSES TO MATERIAL MATTERS

- Regular meetings
- Events and working groups
- Service level agreements reviews

IMPACT

Catastrophic



SUPPLIERS

WHAT MATTERS TO THEM

- Market conditions
- Contract management
- Strategic partnerships
- Tender management
- Sustainability and growth

NATURE OF ENGAGEMENT

- Meetings
- Responses to tenders, RFQs, etc
- Negotiations
- Contract and service agreements
- SMME development
- Product and technology presentations
- Support CSI initiatives

RESPONSES TO MATERIAL MATTERS

- Timely payments
- Improved contract management
- Supplier evaluation
- Enterprise and supplier development
- Enquiries issued to the market

IMPACT

Major

Diagram 3: Key Stakeholder



OUR PERFORMANCE AND OUTLOOK

CFO Review

Amidst a tough economic trading year, during a worldwide pandemic, BBI was able to (by and large) maintain its operations. The Company's operating loss was slightly improved to R106 million, though revenue slightly reduced from 2020. The pressure on revenue was as a result of severe resource constraints that led to a constricted relationship with critical service providers.

Gross profit margins decreased slightly year-on-year (excluding depreciation) as cost of sales increased by 2% year-on-year, off the back of a decrease in revenue. Operating expenses remain lower year-on-year by 5% and this is largely attributable to lower employee remunerations, travel costs, as well as repairs and maintenance costs.

The Company maintained a positive Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of R71 million for the year. The Company, however, remains under cash constraints as no new cash upfront deals (IRU) were signed or received over the last 12 months due to the changes in market conditions that required shorter term agreements. As a result, all capital expenditure to provision services to customers is funded from own funds generated during the year. This, together with the lower revenue growth outside of SA Connect, places the Company under cashflow constraints. The management team closely monitored and managed these cash constraints - demonstrating the reliability of the Company to remain sustainable.

Significant progress was made on the conversion of the Shareholders' loans into equity. BBI received confirmation on 4 March 2021, that the IDC had received approval from their Executive Authority (on 3 March 2021) to convert their shareholder loan into equity. BBI now has the approval from both shareholders to convert their respective shareholders' loans into equity. Management has embarked in earnest with the conversion of the shareholders' loans into equity.

As a result of the approvals received, the shareholders' loans are shown as equity in the Annual Financial Statement. This approval has significantly improved the balance sheet and liquidity position.

Unfortunately, the long-outstanding matter of the Shareholders' loans conversion has significantly impacted the Company's ability to raise funding for the extension of the core network and provision of services during the year. As a result of this, the Company failed to meet the Sales and Revenue targets. With the approval now received, management is keenly optimistic that they will be able to source the appropriate funding and deliver on the strategic intent of the Company to expand its network and provide efficient customer service. This will positively impact upon BBI's sustained operations.

More details on the key financial drivers, i.e. Revenue, Cost of Sales, and Operational Costs are considered below:

Sales and Revenue

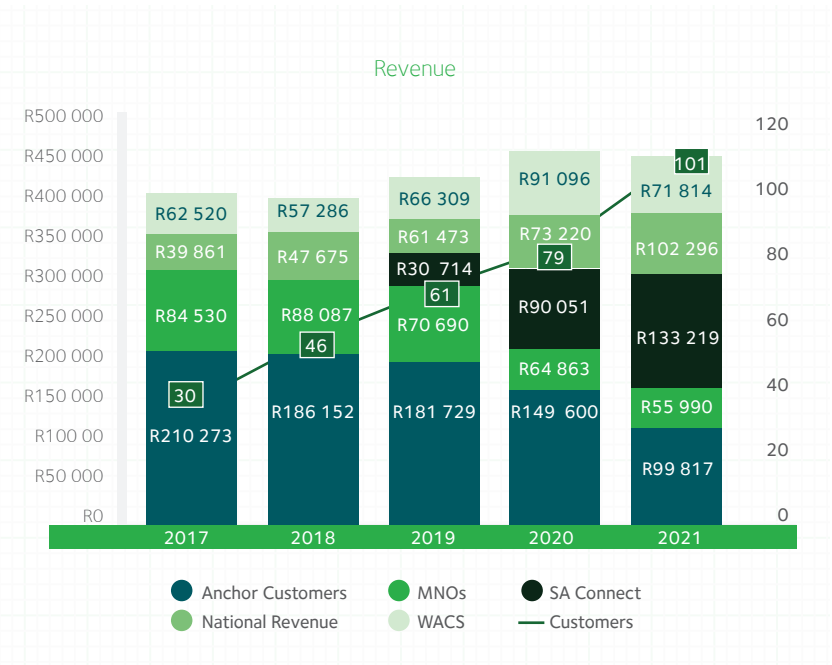


Figure 12: Revenue per customer segment

The Company increased the number of customers from 79 to 101 during the financial year. However, this increase in customers has not yielded positive results for sales volume and revenue.

Total sales in excess of R89.6 million were secured for the year to date, and additional pipeline opportunities are forecasted. The total benefits of these recordings will reflect in the financial reporting during the latter part of the year. Revenue was recorded as being 1% lower when compared to the same period in the previous financial year.

For nine months during the financial year, the Company was unable to source new equipment to provision customer orders. One customer cancelled a substantial order that could have increased sales volume and revenue. Revenue only declined by 1%, despite a reduction in the number of Key Accounts Managers within the Sales team. The Company could not replace these resources due to the moratorium on the filling of vacancies due to the pending merger with Sentech.

It is important to note that the decline in revenue remained at a minimum due to the concerted effort of ensuring the retention of customers in order to protect the base revenue.

Cost of Sales

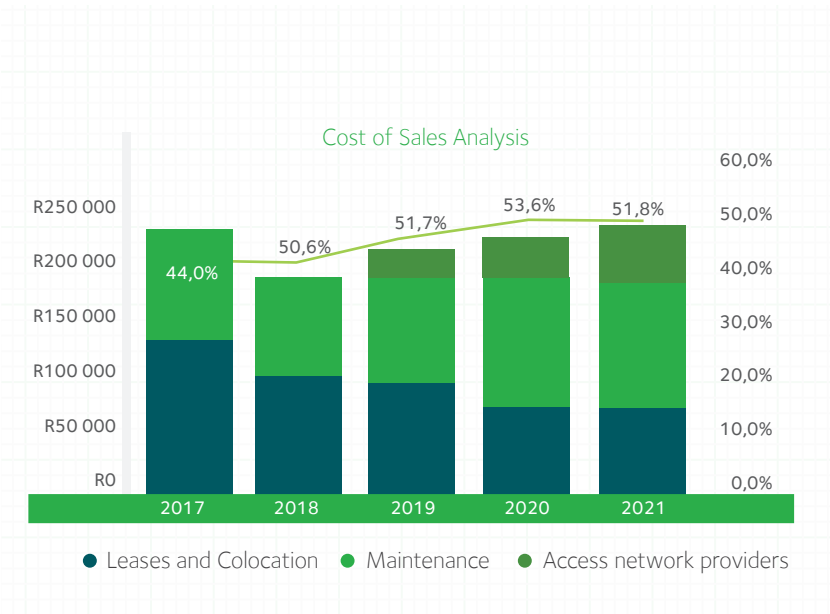


Figure 13: Cost of Sales

Cost of Sales (excluding depreciation) for the year is 2% higher than the previous financial year. This can be attributed to the increased cost to provision SA Connect, resulting from the increased number of sites connected, as well as the beginning of additional (significantly large) projects. This is offset by lower maintenance costs on the WACS connection.

This increase in Cost of Sales, together with the year-on-year decline in revenue, resulted in the slight gross profit margin decrease. Overall the Company did exceptionally well, under difficult trading conditions, to maintain margins.



Operating Costs

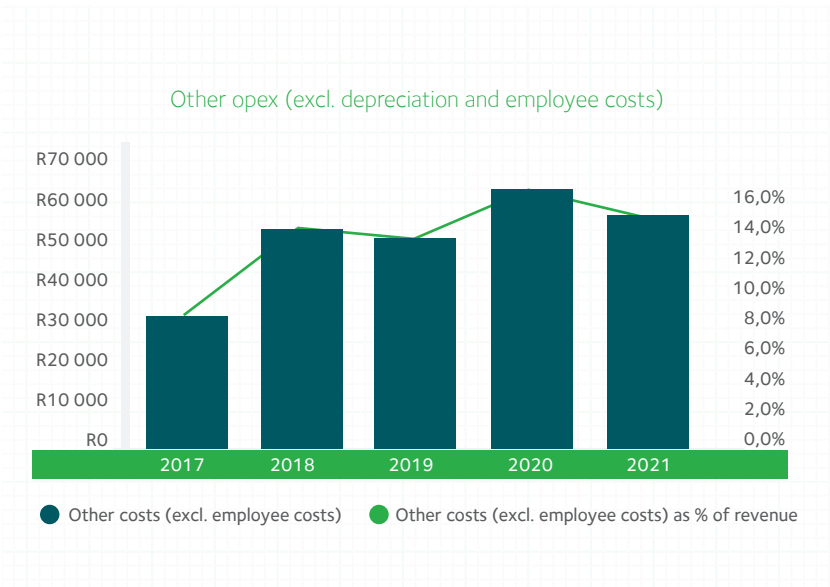


Figure 14: Operational costs

Operational expenses for the year are 5% lower than the previous financial year. This decrease can be attributed to the decrease in employee expenses. This is a result of the moratorium on the filling of vacant posts, and lowered need for repairs and maintenance. Management continues to drive the optimisation of various costs that have assisted the Company in achieving a positive EBITDA and ensuring its long-term sustainability.

EBITDA and Capex

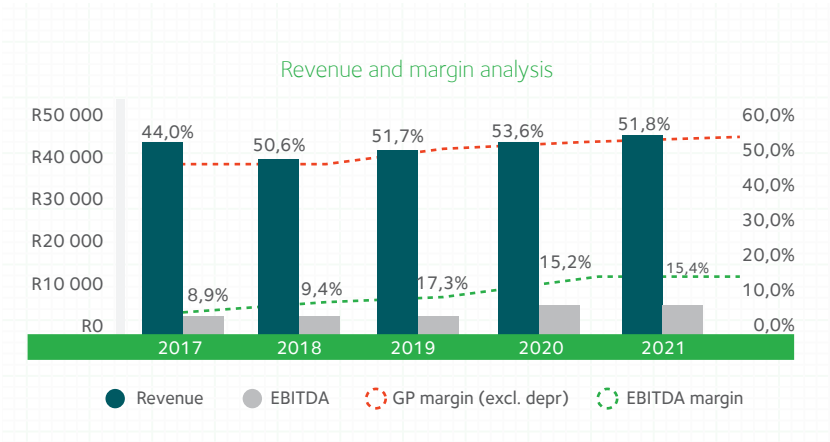


Figure 15: Cash Flow Analysis

The gross profit percentage was marginally reduced due to the low revenue numbers and the increase in Cost of Sales. The EBITDA margin, however, was maintained due to the operating costs being lower than the previous year. Although the Company had a positive EBITDA, and cash generated from its operations, it remained cash constrained. The Company was able to remain in a positive cash position throughout the financial year. This trading result is commendable under very testing conditions. The resilience of management and employees, driving a common goal and maintaining cost are clearly evident in the results.

The positive cash position deteriorated during the year as BBI was unable to raise funds over the past 18 months. This was due to the non-conversion of the Shareholder's loans into equity, and very few IRUs being secured. As a result, all capital expenditure (mainly to provision services to customers and maintain network operations) had to be funded from own funds that were generated from operations during the year. This, together with the lower revenue growth outside of SA Connect, placed the Company under cash flow constraints, to the extent that Shareholder support and intervention may be required in the short term to assist the Company in meeting all of its obligations.

As mentioned above, with the approval to proceed with the conversion of the shareholders' loans into equity now being received from both shareholders, management can commence the conversion process in all earnest which should enable access to desperately needed funding to expand the network and provision services to customers.

Capex

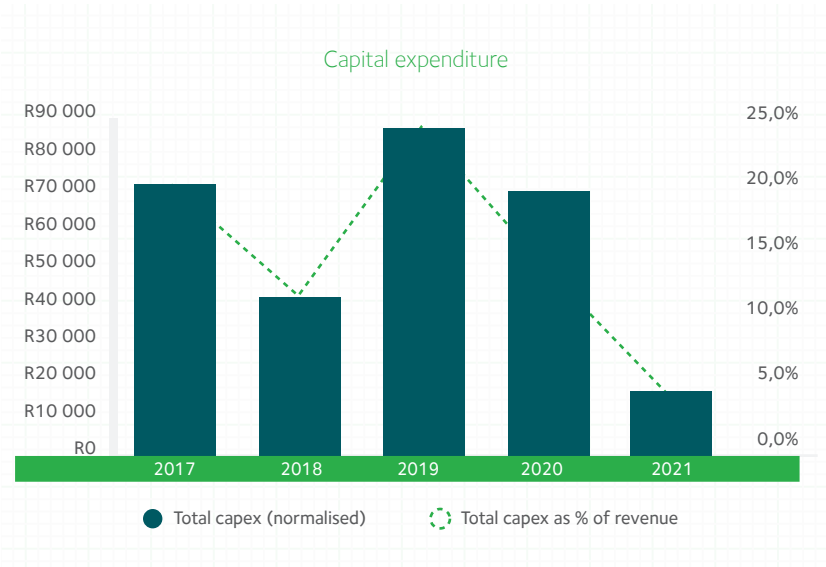


Figure 16: Capex

The total capital spend for the year was only R14 million. The majority of the capital spend was for the provisioning of specific strategic customers and rolling out of SA Connect.

The Executive and Senior Management teams continue to persistently drive sales growth and to focus on capacities that can be fully utilised. It is important to note that under these conditions, the extent of this initiative is limited. BBI is confident that this drive, together with the moves to secure funding, will ensure the sustainability of the Company and is reflected in the cash flow forecast for the next 12 months.

Cash Flow

The Company remained cash positive throughout the financial year. The Company retained a position of a net inflow of cash resources from operations realised in the current financial year, together with a positive EBITDA.

The Executives are optimistic that the conversion of the shareholders' loans into equity will mark the beginning of even greater success for BBI.

Funding

The Company's planned capital investment program is supportive of long-term financial sustainability, with four key priorities:

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

The funding strategy serves to source funds from various financial institutions, selective vendor financing alternatives, and other providers of medium-term debt financing. The 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.

The medium-term funders will also be expected to support the Company with long-term debt capital, whereas vendors will be sought to support the medium- and long-term balancing of operational costs with revenue, through financing of technology enhancements.

Management, continues to seek additional funding from Development Finance Institutions (DFIs) and commercial institutions for the expansion of the network to provision services for customers in line with its funding plan.

Management, however, remains optimistic that access to this much needed funding will be secured early in the next financial year, enabling the Company to improve upon its financial results, and ensure financial sustainability.



Operational Review

Sales and Marketing Review

As the country, and businesses operating within its borders, have dealt with the impacts of COVID-19, the ICT sector has been presented with positive growth opportunities. With the majority of organisations having to implement remote working measures and conduct business meetings online, the need for data traffic has substantially increased.

For BBI, 2020/21 financial year has been a particularly difficult year, ending at a performance of 26% to Sales target. BBI was not able to take advantage of these opportunities due to factors that were beyond the organisation's control. Challenges with the OEM supplier for core network equipment. For nine months during the financial year, the Company was unable to source new equipment to provision customer order.

This had a severely negative effect on sales, especially considering that the high capacities that could not be fulfilled for the major customers are essential to the gap and meeting the sales targets.

The focus remained on securing smaller capacities through the ISP segment which could be delivered without equipment sourcing. Whilst this assisted in keeping the momentum, it too came with its challenges as both large and small ISP segments of the market are accompanied by aggressive competitive pricing as well as short timelines, which BBI often times could not meet.

The sales volumes was only 6% lower than last year, marking the fact that the sales activity and productivity per Account Manager remained quite engaged. The sales Rand value, however, did not equate to the same, as ISPs predominantly buy smaller capacity. The implementation of the six-pillar strategy focused on the following:

Key Accounts: growth was stunted in this year due to capacity constraints in BBI's network. Whilst the focus will continue key accounts, it is key to understand that the commercially lucrative routes experience stagnation as these customers have focused on self-provisioning. Additionally, high-capacity requirements could not be fulfilled.

Acquisition Accounts: This is the area that experienced growth in this financial year, albeit in small capacities.

Strategic Partnerships: Strategic partnerships have become even more critical as the challenges of capacity availability are being an even significant contributors to meeting sales targets. The value of these relationships is the extension of the product range and enabling additional revenue streams.

SADC: SADC continues to be an area of opportunity, especially due to the long-established relationships through SATA, which have presented many opportunities for BBI. Funding remains a constraint to building high demand routes and to provide redundancy to the SADC routes.

Public Sector: The acquisition of the public sector business is key in securing the retention of the existing major public customers. Major developments have taken place in this financial year, which includes the completion of The Proof of Concept (PoC) with the KZN DoE. This initiative transpired because of a concerted effort put together to increase the market share in the public sector.

The PoC successfully translated into a Purchase Order (PO), which is an indication of the successful implementation of the Public sector strategy. There are several initiatives underway with different Provinces and Government departments.

The challenge with the public sector cycle is that the process is oftentimes long and the tender processes tend not to provide feedback on the outcome.

The figure below depicts the sales six-pillar strategy:

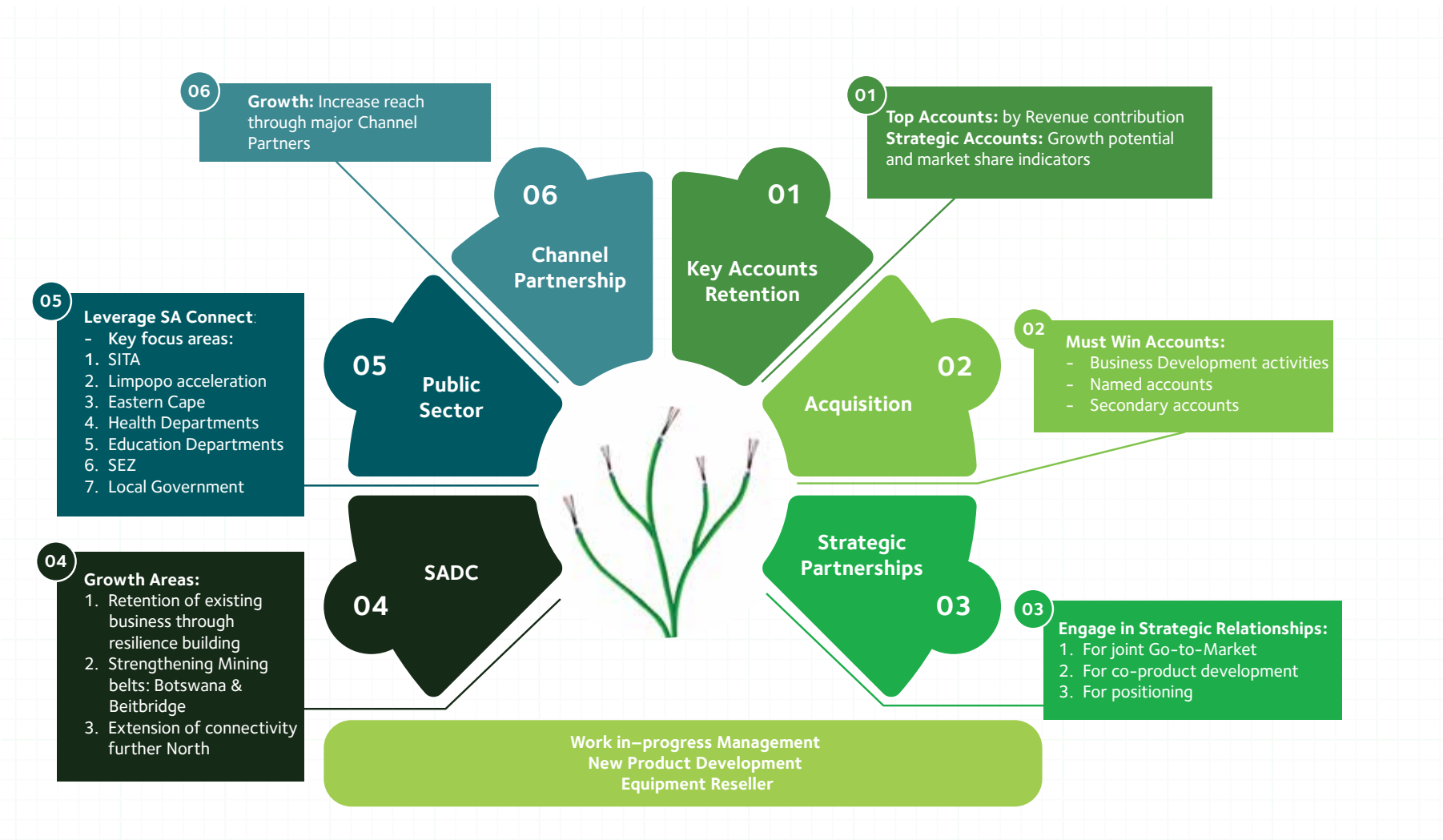


Figure 17: Sales strategy

Sales and Marketing

Sales

For the year under review, R89.6 million new sales volume were acquired, mainly made up of 71% in new services and 29% in upgrades and renewals. The gaps can mainly be attributed to significantly lower capacities sold when compared to the previous year, as well as highly contested pricing pressures. It is becoming increasingly difficult to compete in the market as customers are acutely aware of the available pricing, heavily weighing their options before committing to a purchase decision. Also, the major contributing factor to this performance was the inability to provision customer services due to challenges with the OEM supplier for core network equipment. For nine months during the financial year, the Company was unable to source new equipment to provision customer orders.

On the overall, market has been exposed to a continuous pressure from customers who are looking for competitive pricing and taking longer to respond to quotations. This is more evident in large enterprises like the mobile operators with the timing between quotation and feedback taking more than 30 days. Furthermore, the tenure has significantly decreased from long term leases to a mix of shorter-term leases, the lowest being leases of 6 months. The figure below details the two-year comparison:



Figure 18: Sales volumes

The actual performance compared to the previous financial year, in terms of actual sales, has declined by 60% and symbolised by lower capacities sold. In 2019/20 two major deals were closed shortly before year end, which significantly bolstered the ending position. This year, those deals could not be realised due to not being able to commit to delivery dates.

Revenue

BBI experienced base revenue erosion of about 25% driven mainly by renewals from the major operators came at the back of price renegotiations and very few major customers upgrading their networks with huge capacities. The below target revenue performance is largely because of the unattained sales target. The base revenue was also diluted due to renewals and a demand for lower negotiated pricing.

The figure below illustrates the four-year comparison:

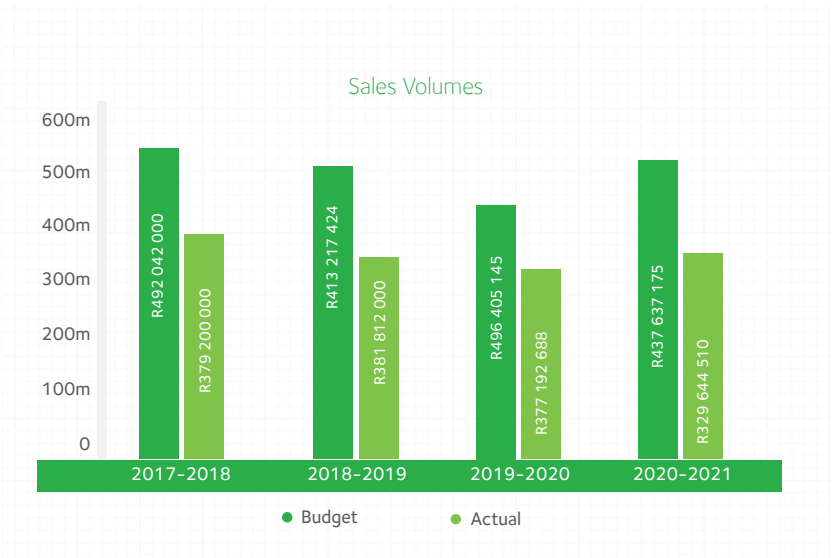


Figure 19: Year on year revenue



New Products Development

BBI's new products and services include the following:

Professional Services

BBI has introduced Professional Services as a value-added service to our current offering. Professional Services entails connectivity service which has seen an extension and move up the value-chain from purely connecting the WAN to including connecting to the customers LAN to enable end-to-end connectivity. This has yielded great success as it was met with a need in a market for accelerating connection on SA Connect sites.

Data Centre facilities

The Company has also, through a partnership, launched a white labelled data centre service as a product. The Product allows for co-location of rack space and servers with security, provided through closed biometric access, as well as rack specific access. The data centre facility is connected to a fast and reliable network backbone to ensure reliable connectivity and redundancy for servers at highly competitive pricing.

The rapid evolution of technology, coupled with the high consumption of Internet Protocol (IP) based services, has resulted in customers requesting high bandwidth services. A project to implement the next generation dense wavelength division multiplex (DWDM) technology that can carry 100Gbps 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.



Brand and Events

During the period under review there was a change in the manner in which marketing events were conducted, with most traditional events, conferences, and exhibitions being cancelled due to the COVID-19 pandemic. With this new shift came the introduction of online events. The Company swiftly acclimatised to the new normal by creating and adapting to new online opportunities that were presented by the industry partners. Participation was clinched in newly established online marketing platforms, ensuring that the Company is visible in relevant marketing and thought leadership platforms.

Below is a comparative outline of events that were attended during the year under review:

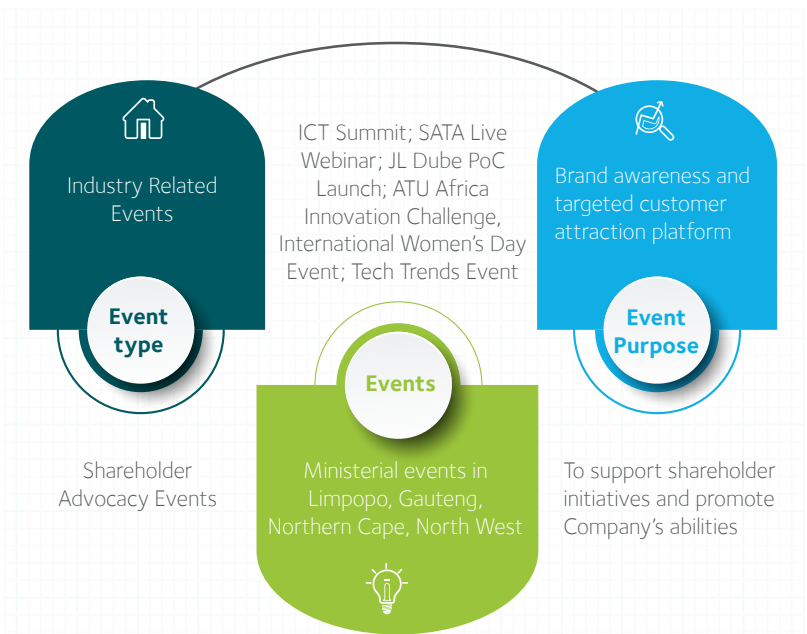


Figure 20: Events

- ICT Summit Webinar was addressed by the CEO to discuss the topic: Managing COVID-19 disruptions using E-Health, Digital Innovations and E-Learning Platforms. This bore the intention to highlight the importance of connectivity in powering the digital inclusivity.
- SATA Live Webinar was addressed by the Chief Technology Officer under the topic: Managing ICT Networks and Services – Mitigating the impact of COVID-19 on the business and lessons learnt. The highlight hereof was lesson sharing with regional stakeholders and leading the conversation on connectivity.
- ATU Africa Innovation Challenge: the highlight of which was showcasing the importance of celebrating home-grown talent, encouraging entrepreneurship and the development of new talent in the ICT industry.
- Basic Education E-Learning and Tech Summit: at which discussions focused on the impact of the country lagging on this important education element and how authorities can pursue connectivity and online learning avenue.
- Partnerships with CISCO: Hosted by BBI through the leadership of the CMSO.

- International Women’s Day Celebration – Hosted in partnership with CISCO to commemorate International Women’s Month and highlight initiatives and programmes that their organisations are working on to contribute to achieving an equal future for women in the sector.
- Tech Trends Roundtable Discussion involved technology as an enabler to an inclusive economic recovery. The keynote address was provided by the Deputy Minister Pinky Kekana and hosted renowned tech industry experts as panellists.

Internal Communications

There has been a notable increase in internal communications in an effort to increase morale and contribute towards harnessing team spirit. This has been particularly important for maintaining staff engagement and for providing a level of support while ensuring continuity. Employees have also been invited to participate in various webinars as led by the shareholder and senior leadership within the organisation.

The importance of internal communications could not have been over-emphasised, particularly during this challenging period.

The following internal events and initiatives were held during the year under review:

- Virtual Town Talk Session – Three sessions were hosted by EXCO to update employees on the Company’s operations during the pandemic. Attendance was at an all-time high and the meeting addressed robust issues between the leadership and employees. Some of the suggestions received were instrumental in assisting the Company in making highly beneficial financial and operational changes, which aided in positively pivoting the Company. Topics of discussion included the SOC rationalisation process, day to day HR issues, financial and internal operational matters. These sessions proved very informative and provided a two-way communication window that allowed for information sharing between management and employees.
- Virtual Women’s Day Celebration – A virtual celebration was held to shed light on the contribution of women in the Company’s operations. Discussions on this day resulted in a committee being formed to lead requests on how the Company can better support women within its employ. Ideas emanating from the forum will be presented to EXCO.
- Employee Surveys – Employees were encouraged to participate in various surveys including the BMIT SA Connect survey, internal workspace survey.

Media Relations

On the backdrop of the Company having undergone positive transformation from a technical, revenue, governance, and employee culture perspective, BBI has further undertaken to distinguish itself from other players in the market by taking advantage of the pandemic to showcase its achievements.

The Company has made great strides towards ridding itself of its previously negative reputation and fostering a reputation where – instead – BBI is considered an influential and a thought leadership contributor in the sector (and the industry at large). There was increased proactivity and creativity that led to new avenues of creating content and media attention.

Below is an outline of media coverage borne from media activities during the year:

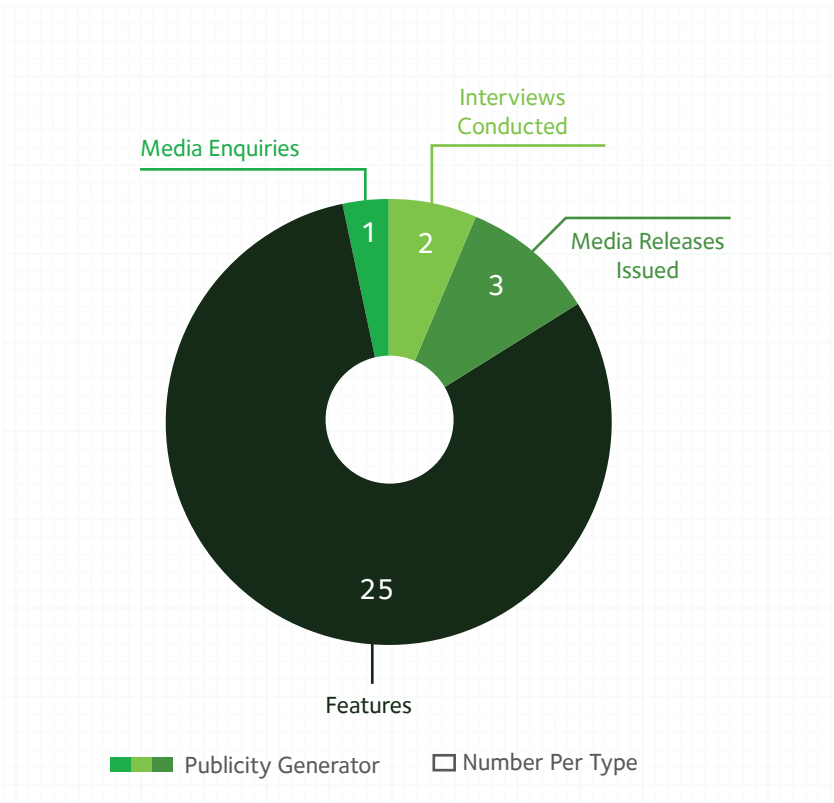


Figure 21: Media Coverage





Social Media

The onset of the pandemic had a negative impact on the volume of social media posts as these were previously associated with various events in which the Company participated. However, the platforms were continually utilised to showcase business agility, continuity, as well as Company products and services.

In addition to the internal communication, there was proactive usage of social media platforms to provide communication on Company operations and initiatives.

The social media platforms were continually used to showcase the Online Events, and to advertise tenders and vacancies, which has led to an increase in exposure and the number of applications received. The platforms are also used to support the shareholder's (DCDT) engagements, especially in cases where there is alignment with the Company's mandate.

The usage of these platforms has derived benefits that range from reduced advertising costs, wide sharing of information further than website usage, immediate viewing by stakeholders, increased number of tender and vacancy applications, etc. This with the downstream benefit in gained increase in stakeholder engagement and brand awareness.

Corporate Social Investment

BBI worked alongside the Eastern Cape Department of Basic Education, in finalising the process of implementing the CSI project at Byletts High school. During the year under review, 10Mbps Internet connectivity and installation of Telematics (distance learning from the university of Stellenbosch) equipment and training was provided.

Revisiting and completing Byletts in this financial year enabled BBI to improve the delivery of the Project and start building on the sustainability of the Project with the following:

- Extension of subjects offered on Telematics with a further six subjects;
- Provided a refresher training to the Teachers;
- Offer Regional support teachers can reach out to; and
- Carve a support plan for future implementations.

The outlined contributions are to assist the school with basic needs and potentially improve overall school results and open development opportunities. The project will be reviewed annually, with readjustments where possible.

We remain committed to ensuring that this Project achieves the milestones of improving the quality of education – especially for the STEM subjects.

Technical Review

In the financial year 2020/21, most of the projects were completed in good time, though there were some delays due to various factors, including the challenges with the OEM supplier.

During the year, the network service performance exceeded the planned goal. At network services availability rate of 99.46%, considerably exceeded the target availability of 98%. This performance was down slightly from the previous financial year, which achieved a rate of 99.76% – a level of performance that has been maintained over several years.

Network Build

There were various projects that were implemented in the year under review that focused on building or improving certain sections of the network to enable customer services. Network refurbishment requiring external resources was limited due to financial constraints. A brief description of completed projects follows below:

- A solution to protect the 2 x 100G services between Isando Data Centre and Rondebosch Data Centre for a major customer.
- 47 sites SA Connect phase 1B facilities were successfully installed and tested end-to-end.
- Botswana route to Kopfontein (Customer 13) project continued to be delayed due to non-approval of third-party fibre lease and funding availability. During negotiations for the renewal of the above-mentioned fibre lease contract, Eskom indicated to BBI that they will be willing to consider the application for the fibre needed for the link subject to outstanding debt being paid.
- Customer 1 Professional Services contract, 103 additional CPEs were installed, and 208 sites were activated, resulting in a total of 256 installations and 256 activated out of 256 sites.
- Access network instability issues contributed to delays in uMgungundlovu and the Client expressed serious concerns. BBI technical resources were assigned to assist the ANP and succeeded with 17 sites.
- Northern Ring Upgrade project services completed with Power and Rectifier, Aircons and EAS were upgraded and completed on 24 November 2020.
- Customer 10 services of 2 x 100G completed on 16 October 2020. Protection services to IDC – KMB and KMB-RDC were completed on 29 January 2021.
- Customer 4 connection of 49X Northern Cape Rural TVET College Business unit and Central link done, and services were provisioned successfully.
- The KZN Broadband Proof of Concept (PoC) launch was held successfully on 09 July 2020.
- KZN DoE Internet Connectivity to 38 education facilities was delayed due to Access Network Provider (ANP) internal challenges. Site surveys were completed with some delays. Factors raised by the ANP are rainy weather, access to the schools, vandalism to high sites, no power at the facilities, as well as service delivery protests in the areas where installations were scheduled to take place.
- Beitbridge PoP Site Relocation was successfully completed, and the old site demolished. Capitalisation is in progress.
- The DCN Migration implementation was delayed due to limited resources. The migration is approached in two phases where on Phase 1 analysis of the current DCN and new configurations were completed for all five segments in March 2021. Phase 2 started with analysis of the transmission equipment and the actual onsite changes has commenced on segment 30/route 7. The completion date is expected to be end of June 2021.

SA Connect

In preparation for Fourth Industrial Revolution (4IR), the South African Government determined that all Government facilities in rural and under-served areas should have access to broadband connectivity. The connection of Government facilities in remote areas is implemented as part of the National Development Plan (NDP), with the project being named South Africa Connect (SA Connect). This project ensures that Government facilities such as schools, clinics, hospitals, post offices, Thusong Centres, and police stations, are connected to the internet for the purpose of accessing Government services as well as general public empowerment. With this connectivity will come the empowerment of citizens in remote areas in preparation for the participation in the 4IR economy and the age of the Internet of Things (IoT).

The figure below shows the progress of the Phase 1B SA Connect project for the various phases that BBI is implementing:

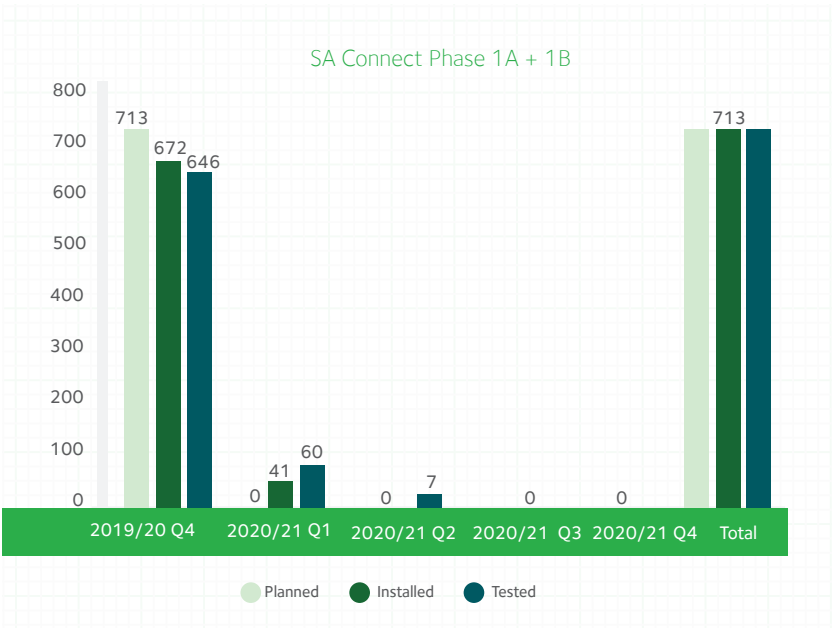


Figure 22: SA Connect Progress

Other Projects

Various projects are depicted in the table below:

#	Project name	Dates			2020/2021		Total Work		Status	Comments
		Start	End	Total Plan	Installed	Accepted	Installed	Accepted		
1	Northern Ring 600G	30-Apr-19	30-Apr-20	4	2	2	4	4	Completed	Capitalisation in progress.
2	Beitbridge Relocation	07-Feb-19	31-Jan-20	5	0	0	5	5	Completed	Capitalisation in progress.
3	Fixed Standby Generators	01-Mar-20	30-Apr-21	6	0	0	0	0	In progress with SCM	5 of 6 sites plinths completed and generator's installation will follow.
4	DCN Migration	01-Nov-20	30-Mar-21	5	5				Planning	Phase 1 analysis and configuration are done. Phase 2 in implementation.
5	ZTE Router replacement	01-Nov-20	30-Mar-21						Procurement	PR approved and commercial discussions ongoing

Table 6: Various Projects

Future Planned Projects

For the financial year 2021/22, there are more than 14 major projects for implementation. These projects range from customer provision, network expansion / upgrades, special projects, and network monitoring. The successful execution of some of these projects will be dependent on funding availability.

Network Operating and Maintenance

A slight increase of 74 failure incidents resulted in 765 network failure incidents reported for the year, compared to 691 reported in the previous financial year. The breakdown is indicated below:

- Fibre Optic Cable contributed: 75,9%
- Terminal Equipment related incidents accounted for: 5,5%
- Power related incidents (Facilities) contributed: 15,7%
- Clear While Localizing (CWL) accounted for: 2,9%

The main contributing factor for the 11% increase was Eskom load shedding that was implemented nationally, and which reached its peak in Q3 and Q4. Routes 1 and 9 experienced an increased number of network incidents caused by vandalism and the deterioration of the redundant ADLash overhead optical fibre cable infrastructure. The impact on customer service availability, both for primary and secondary routing, became severe when these two routes started to fail at the same time, causing dual failures.

The figure below provides five-years trends:

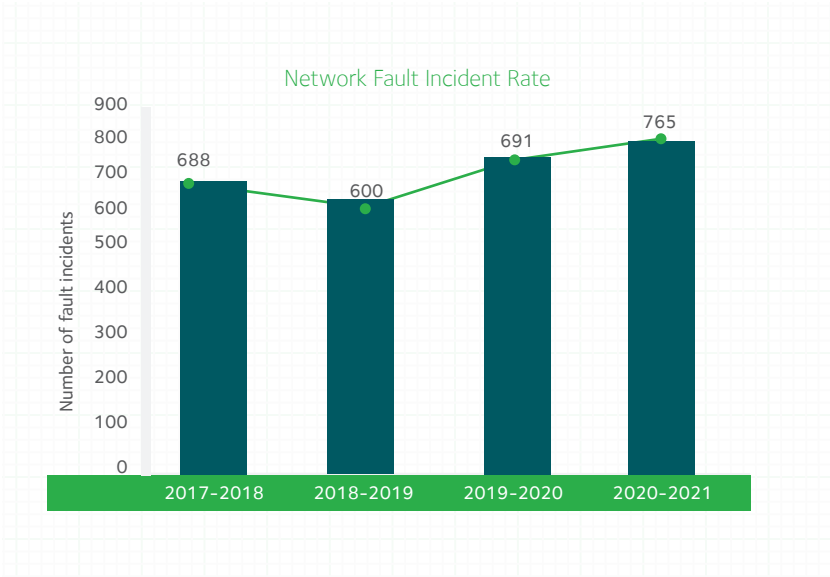


Figure 23: Number of faults



Mean Time to Restore (MTTR)

The Mean Time to Restore (MTTR) network failure incidents is the measure of the average total time it takes to restore network failure incidents, which includes administrative delays (fault logging, etc.), logistic delays, and actual fault repair time. Service restoration time is recorded as the fault failure incident end time. The MTTR remained within the target of 7:5 (07:30) hours at 6:90 (06:54) hours, compared to 5:78 (05:47) hours in the previous financial year.

47,3% of all network failure incidents were restored within the MTTR target of 7.5 hours, and 52,7% outside of the target, inclusive of deferred incidents.

Two hundred and nine incidents were deferred compared to 102 in 2019/20. The three main reasons contributing to this increase from 2019/20 were safety risk to staff not being granted access to private property (farms, game reserves, etc.) after hours, and incidents classified as force majeure.

The figure below summarises the YoY MTTR trends for the last five financial years:

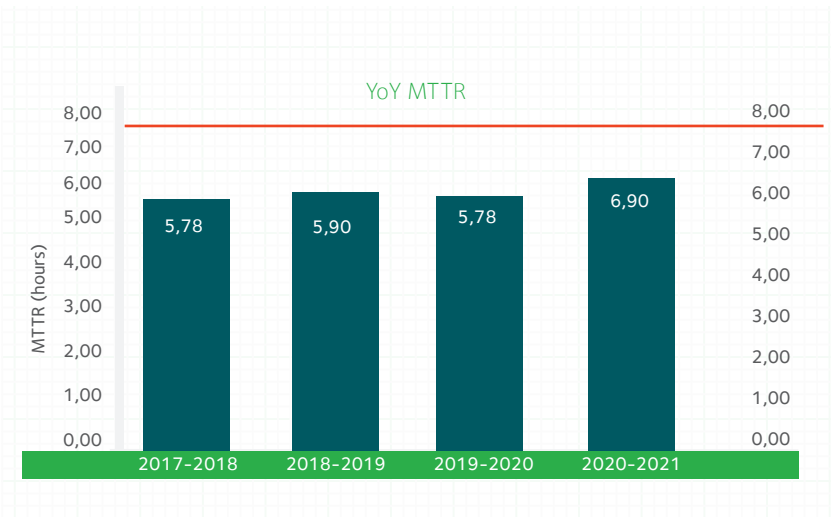


Figure 24: MTTR

International Routes Performance

The cross-border routes achieved a combined availability of 99.24% in 2020/21 compared to 99.71% in 2019/20, and therefore exceed the minimum combined availability of 99.00%.

During Q2, the Botswana and Swaziland cross-border routes were the most severely impacted by incidents caused as a result of seasonal veld fires, overhead cables damaged by fallen trees, and power outages linked to Eskom Stage 4 load shedding.

The Zimbabwe cross-border route was also greatly impacted during Q2 and Q3 as a result of Transnet conducting routine maintenance on the railway tracks, and the impact of the AC supply interruptions and fluctuations that caused the rectifier system to misbehave. This resulted in the misalignment of the rectifier modules and corrupt rectifier configurations that caused the improper charging of the standby batteries at site.

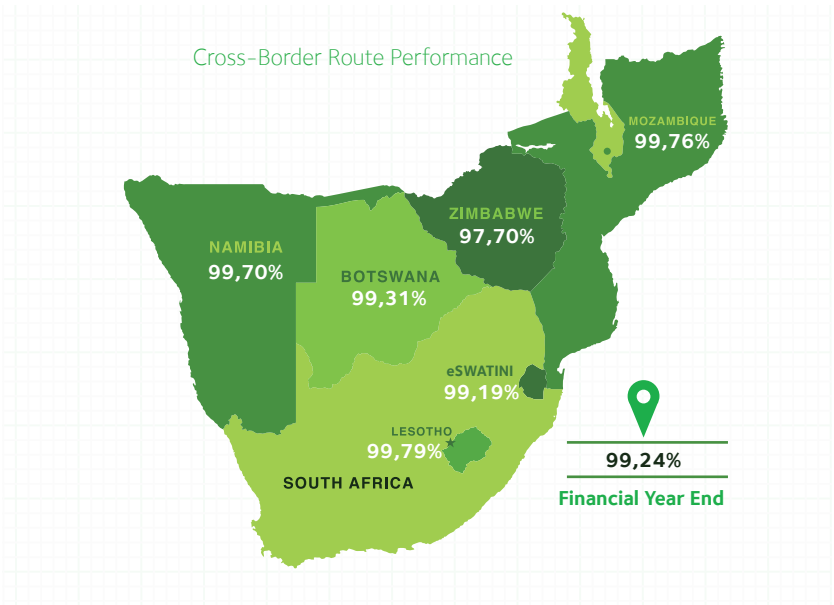


Figure 25: Cross-Border Route

Network Rebates

Some customer’s services did not meet the SLA requirements and resulted in rebates. The actual rebates invoiced totalled R1 1160 248. The actual averaged rebates provisioned were 0.23% of the yearly revenue which is within the Company target of 0.30%. The full annual comparison of the percentage of rebates paid is shown in the trend graph below:

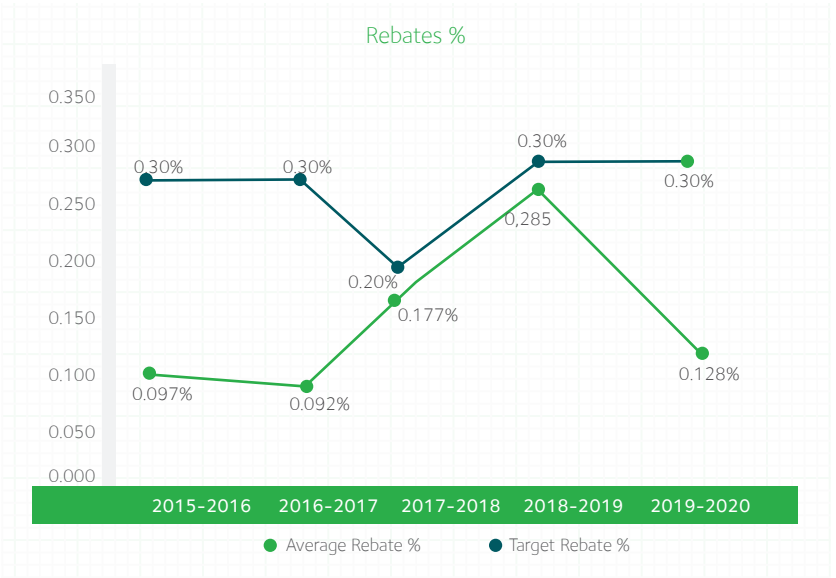


Figure 26: Average Network Rebates



Network Asset Management

Points of Presence

The number of operational sites increased to 150 compared 147 reported in the previous financial year as depicted in the table below:

Site Description	Number	3rd Party Access	
		Yes	No *
Infraco Owned LD Sites	58	57	1
SOC Co-location Sites	16	10	6
SOC Site Sharing Sites	48	43	5
SOC Microwave Sites	0	0	0
Liquid Telecom POPs	8	0	8
Open Access POPs	10	10	0
Private Lease	8	8	0
Private Co-location	2	0	2
Total Sites	150	128	22

Table 7: Points of Presence

Fibre Optic Network

The Fibre network snapshot reflects the distance (measured in kilometres) of optical fibre cable removed or added to the network over a period. The optical fibre distance added could be in a form of new fibre build (owned) or leased from third parties.

The optical fibre sheath kilometre remained the same as illustrated on in the figure below:

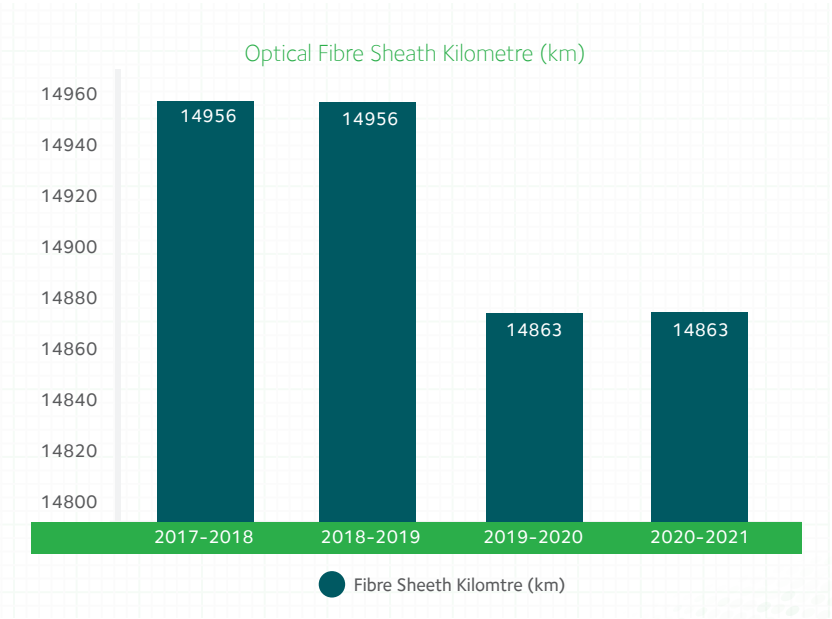


Figure 27: Fibre km

Total Site and Fibre Sheath Kilometre per Province

The Company operates and maintains 150 PoPs and 14 862km of fibre throughout the nine provinces. This is broken down per province as shown in the figure below:

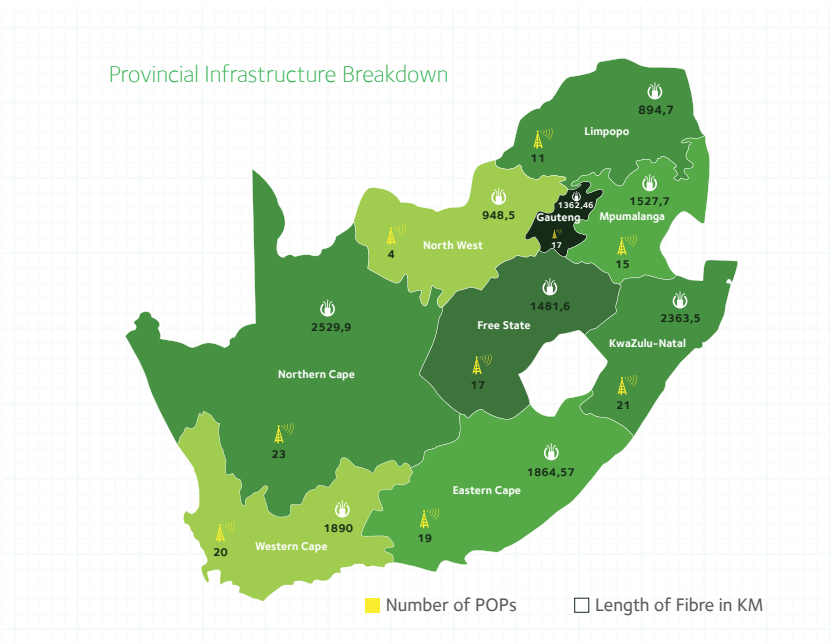


Figure 28: Provincial Infrastructure Breakdown

Human Resources Review

The financial year under review was the most challenging one due to a number of factors which had their roots in previous years. The announcement of the country-wide national lockdown due to the COVID-19 pandemic posed a number of challenges when it came to the effectiveness of the talent management function. BBI introduced new ways to adapt to the circumstances brought about by the COVID-19 regulations by ensuring the safety and well-being of employees executing their duties. Amongst other interventions, the division was also responsible for ensuring the adherence of the Internal Policies and Acts as prescribed by Law.

The dependency on interns and trainees (as well as insourced resources) was the only mechanism available to enable the organisation to execute its mandate. The Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA) approved a further recruitment of 15 interns and 30 graduates for the candidacy programme during the year, and 30 interns for the next financial year. This 12-months programme will no doubt positively contribute to the reduction of unemployment levels in the country.

How the organisation has been able to execute on its strategic objectives is a result of a culture of loyalty, a great sense of belonging, and shared ownership. Management tirelessly works at cultivating team spirit, leading by example, and being proactive in the resolution of any stumbling blocks in order to enable flow of process by whatever means available. The employees at all levels operate outside of their actual scope of work to compensate for areas where there is lack of capacity whenever required to so.

There were intense engagements with the majority organised labour representatives, Information Communication & Technology Union (ICTU), regarding challenges experienced by the Company. These challenges included performance, moratorium on filling vacancies, moratorium on Conditions of Services, and yearly cost of living adjustments.

Staff Movement

The number of permanent employees is dwindling yearly due to moratorium imposed by the Executive Authority in the wake of SOC Rationalisation as depicted in the table below:

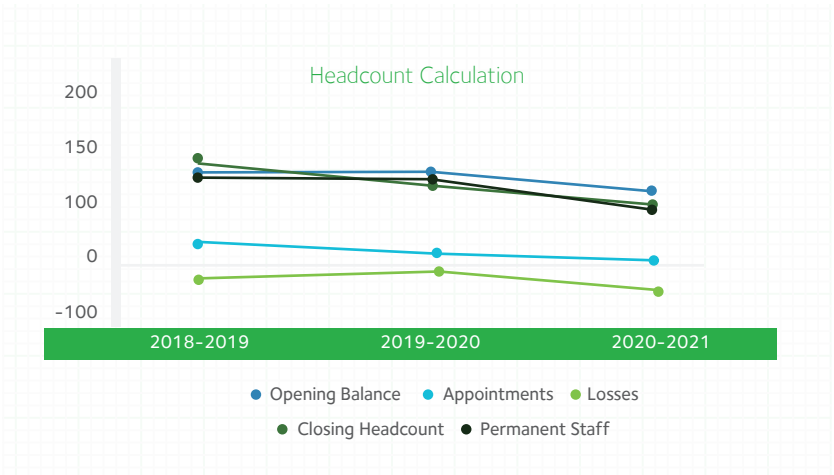


Figure 29: Head Count

The financial year opened with a total headcount of 129 permanent staff and ended with 121. The approved total employee complement is 155. We had 34 vacancies in total as at the end of the financial year. Some of the critical vacancies within the core environments were filled through the insourcing that reduces the financial capital.

Employment Equity

Due to the moratorium on filling any vacancies, there have not been opportunities to improve and meet the EE targets as per the approved plan. The table below depicts our employment equity statistics:














Employment Equity Demographics															
										 		 			
Job Levels		Male				Female				Foreign Nationals		Sub Totals		Totals	
		A	C	I	W	A	C	I	W	M	F	M	F		
	Executives	3	0	0	1	1	0	0	0	0	0	4	1	5	
		60%	0%	0%	20%	20%	0%	0%	0%	0%	0%	80%	20%	100%	
	Senior Management	5	1	0	1	2	0	0	0	1	0	8	3	11	
		45%	9%	0%	9%	18%	0%	0%	0%	9%	73%	73%	27%	100%	
	Professional Specialist & Middle Management	24	1	2	4	12	1	0	0	0	0	31	13	44	
		55%	2%	5%	9%	27%	2%	0%	0%	0%	0%	70%	30%	100%	
	Supervisory & Junior Management	11	0	0	2	4	0	0	0	0	0	13	4	17	
		65%	0%	0%	12%	24%	0%	0%	0%	0%	0%	76%	24%	100%	
	Operational	26	0	1	0	14	0	0	0	0	0	27	14	41	
		63%	0%	2%	0%	34%	0%	0%	0%	0%	0%	66%	34%	100%	
	Support	0	0	0	0	5	0	0	1	0	0	0	6	6	
		0%	0%	0%	0%	83%	0%	0%	17%	0%	0%	0%	100%	100%	
	Total Permanent and Fixed-term Contracts	69	2	3	8	38	1	0	1	1	1	83	41	124	
		56%	2%	2%	6%	31%	1%	0%	1%	1%	1%	67%	33%	100%	
Grand Total		69	2	3	8	38	1	0	1	1	1	83	41	124	

Table 8: Employment Equity

Internship Programme

The internship programme has been implemented on two levels over the past four years. There are candidates for Work Integrated Learning who require work experience in order to complete their study curriculum for National diploma qualifications. There is also a programme for graduates who need to acquire work experience in order to improve their chances of employability. After satisfactory completion of their practical workplace exposure and on obtaining their qualifications, the undergraduates are retained for an extended period of time in the event of opportunities for absorption into permanent positions presenting themselves, and such individuals would be appointed on the basis of a proper recruitment process. Interns are assessed and – if found suitable – are upgraded to Trainee level in their areas of learning (if not absorbed yet).

Fifteen interns were appointed in the technical environment during the year under review. Seven of the total number are females, which boosts BBI’s employment equity. In addition to the above, 10 trainees in the technical environment have been selected for a Candidacy Programme which is funded by the MICT SETA.

The Internship programme continues to be the Company’s flagship project on the basis of which the company aims to benefit not only the building of human resources capacity, but also to maximise benefits from the MICT SETA programme and increase the participation in the National youth employment drive. This will also result in the improvement of the Company’s B-BBEE rating. Applications for increased numbers of intern candidates to be allocated to contracted service providers rolling out infrastructure building projects for BBI were submitted to the SETA.

Employee Development

Even though the provision for training on an annual basis is only 1% of the salary bill due to lack of funds, management is always encouraged to focus on crucial skills development needs taking into consideration employment equity targets. This falls short for other significant imperatives and business continuity strategies such as succession planning with specialist professional assessment techniques to determine readiness of nominated candidates.

The table below illustrates the number of employees trained on soft and technical skills:

Quarterly Training Cost	No. of employees who received training			No. of Male & Female who received soft skills training			No. of Male & Female who received Tech training			Amount spent on training “R”			Salary Bill Total “R”	% of training spent against salary bill	Hours	Average hours spent per employee
	M	F	T	M	F	T	M	F	T	Soft-skills training	Technical training	Total				
Q1	9	14	23	7	13	20	2	1	3	112 722	74 025	186 746	25 332 408	0.74%	281	12
Q2	0	3	3	0	3	3	4	4	8	21 208	13 234	34 442	24 181 476	0.14%	186	62
Q3	24	16	40	20	12	32	4	4	8	188104	154534	342 638	23 650 631	1.45%	777	19
Q4	18	11	29	8	10	18	10	1	11	159 014	263 383	422 396	24 425 243	1.73%	832	29
Total	51	44	95	35	38	73	20	10	30	481 048	505 176	986 222	97 589 758	1.01%	2076	31

Table 9: Training spend

Training execution is based on the Workplace Skills Plan (WSP) that was submitted and approved by the MICT SETA in April 2020. The WSP was satisfactorily implemented amidst budget constraints and COVID-19. Due to the pandemic, most of the training programs were conducted virtually. The WSP comprised 97 different interventions which is slightly lower than 106 in the previous financial year.

On average, 31 hours were spent on training per employee. This is equivalent to four days of training per employee per annum, which is close to the standard average of 40 hours per employee per annum in companies where training spend is between 3% and 6% of the labour bill. The spend on technical skills was slightly higher than soft skills. Further, the Company’s demographics are predominantly male and as such there were more males who attended training compared to females. The table above indicated that the Company was able to spend 1.02% of the salary bill on training during the year under review.

Employee Study Assistance

Employee Study Assistance is one of the most important programmes that motivates employees to continuously improve their qualifications, which adds to competence enhancement. An amount of R265 960 was spent on Employee Study Assistance, 55% of which was allocated post-graduate studies at Master's levels.

The employees who are categorised as high-level investments are required to sign a retention undertaking over and above the normal working time equivalent to the study period paid for. The interest in Company financed formal studies had been reduced to seven new beneficiaries due to reluctance to sign a commitment to an extended stay. Of the 11 approved previously, three have completed their studies and eight are still busy with their studies.

Performance Management

Performance management remains the pillar of Organisational behaviour monitoring and appropriate culture cultivation. There is continuous compliance with the contracting on annual compact per employee, to ensure that everyone achieves a measurable contribution towards the achievement of the Company's objectives. Such monitoring initiatives are instrumental in confirming suitability for career mobility and readiness for succession. The performance management framework is fundamental for compliance to fair and equitable remuneration practices as a portion of annual salary adjustments is linked to the actual performance rating. It is also an indisputable method of awarding performance-based incentives when Company performance targets have been met. The automation of the performance management process was re-launched on a small scale during the current year to improve the effectiveness and management of the system. The paper-based process will slowly be phased out in the new financial year. The annual contracting was maintained at above 90%.

The figure above indicates the wide score distribution following the final performance reviews of the 2018/19 financial year. The 2019/20 employee performance results become available during the first quarter of the new financial year. There is an indication that the performance culture is changing towards high performance levels, and that there are fewer employees whose performance has been found to be below average. There is significant improvement when compared to the previous financial year.

Health and Safety

We value the safety and health of our employees, with emphasis on compliance and conformance to the Occupational Health and Safety Act 85 of 1993 and the OSHAS18001:2008 Management System (Health and Safety). Week long virtual wellness sessions were held during the year. The sessions provided professional advice and counselling services to facilitate the creation of a culture of improved productivity, as well as mental, physical, and financial wellness.

Different topics were shared with employees ranging from Financial Management, Fatigue, and Mental Health and Awareness.

BBI uses the Lost Time Injury Frequency Rate (LTIFR) to track the safety and health of employees, which is an international standard. The LTIFR is lost-time of work within

a given accounting period relative to the total number of hours worked in the same accounting period. The lower the number of incidents, the better the performance of the organisation with respect to health and safety issues. The LTIFR remained at 0.28 during the year. The figure below captures the LTIFR trends for the past five-years:

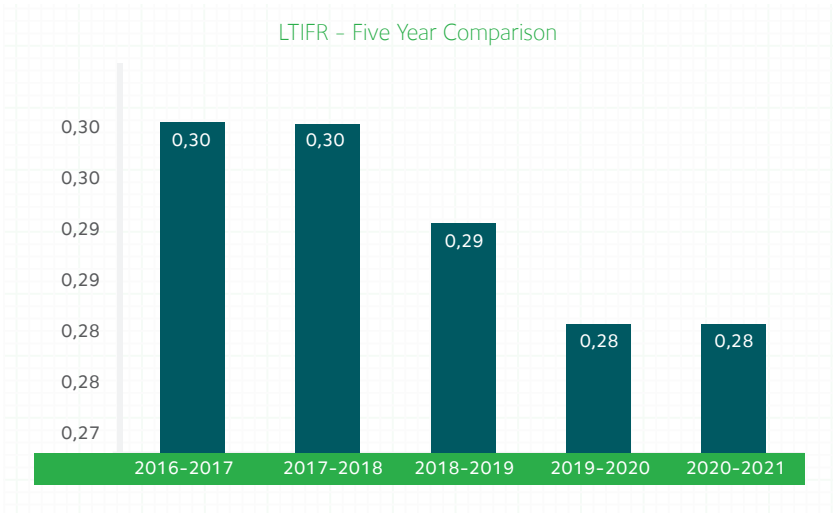


Figure 30: LTIFR

The main reason for the flat and stagnant rate is indicative of our zeal to prioritise the health and safety of the Company's most valuable asset: its employees. The Health and Safety Committee regularly meets with business units' representatives in order to focus on key objectives that advance the safety of employees.

COVID-19 Response

Despite the COVID-19 pandemic, operational activities continued as normal throughout the National lockdown period. A total of 11 employees tested positive for COVID-19 during the reporting period, with one fatality as illustrated in the figure below:

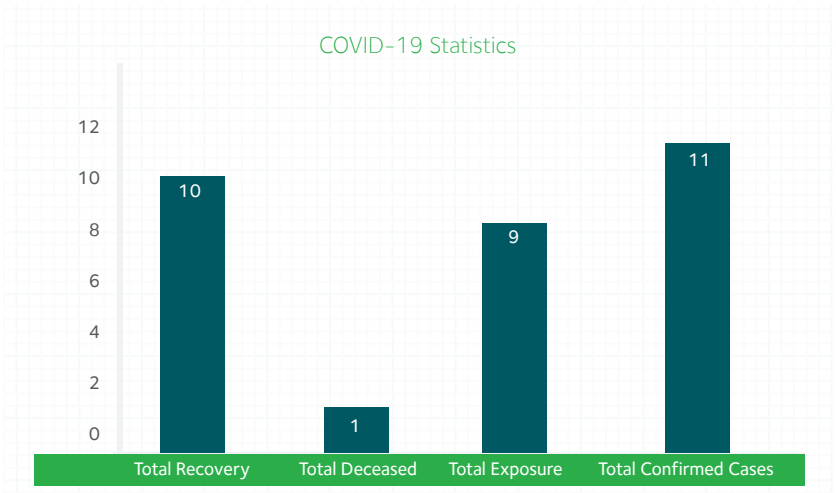


Figure 31: Number of COVID-19 Cases

The positivity rate remained low during the period because of a successful drive for employees to work from home, supported by a robust IT management system. Management was very effective in driving the key messages across the Organisation in order to mitigate the worst instances of the pandemic.

Employment Terminations

There has been a slight decrease in the employee turnover rate of eight as compared to 11 in the previous financial year. Interestingly, the resignations affected all levels, unlike previous years. The graph below depicts the employment terminations for the past three years:



Figure 32: Employee Terminations



5 YEARS PERFORMANCE REVIEW

Our key performance indicators (KPIs) are encapsulated in the Shareholder’s Compact and the Corporate Plan that informs our measurement and monitoring systems and provides information about our performance and direct future decision-making. For the past five years, the focus area has been financial sustainability, with 7 out of 19 KPIs. The Figure below depicts our performance over the past years including the year under review:

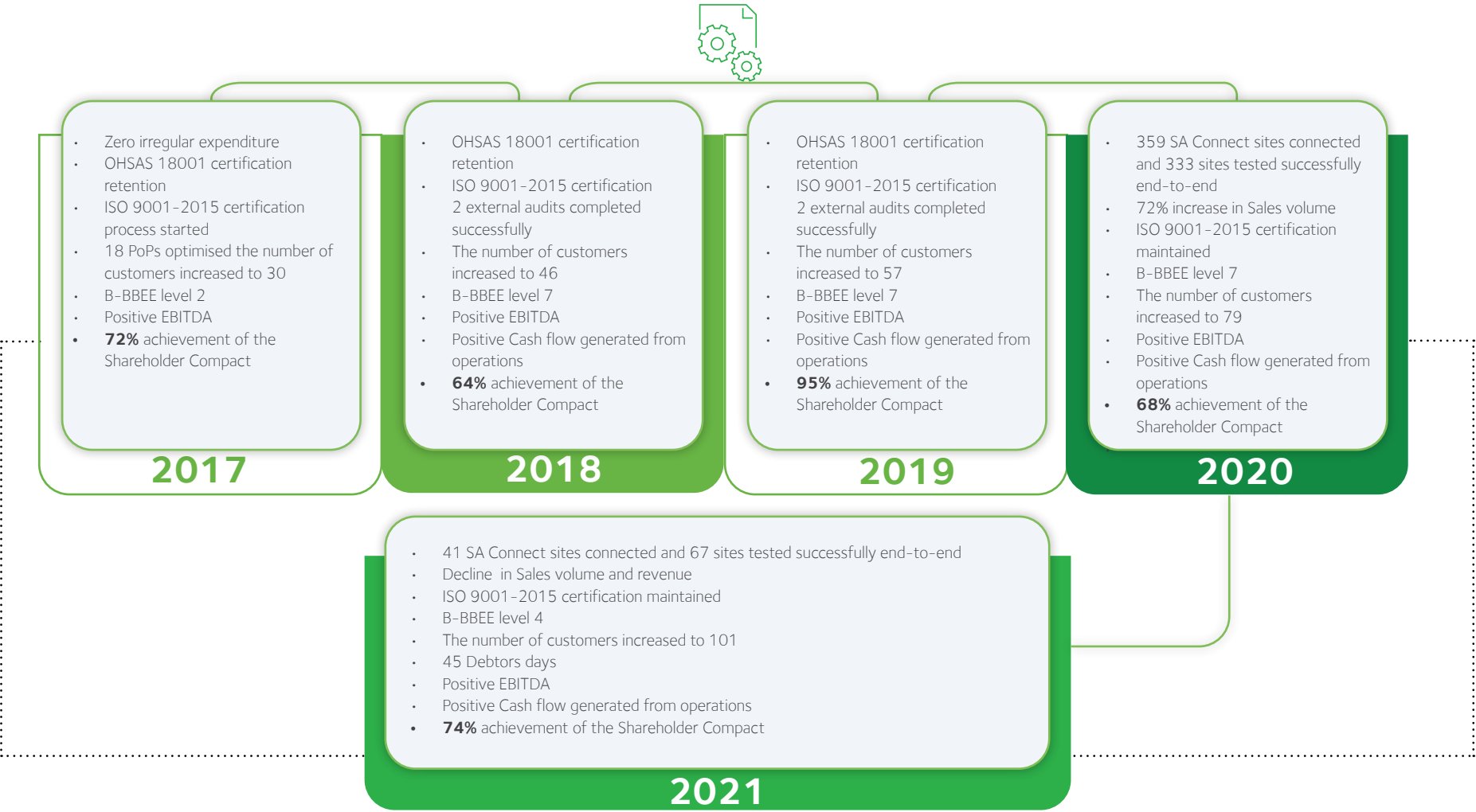


Figure 33: five year performance results

2020-2021 Performance review

During the year under review, we achieved 74% of our annual targets, which is an improvement from 68% achieved in the previous financial year.

Fourteen of the 19 targets were achieved, that comprises of four financial sustainability, one SOC Rationalisation, one skills development, three network resilience, and five socio economic development.

Five targets were not met which comprises of zero repeat external audit findings, one socio economic development and three financial sustainability targets were not achieved that includes new sales contracts, revenue increase year-on-year and improvement of the operating profit, which are interdependent.

The inability to raise capital funds in the market due to the weak balance sheet, which is a direct result of the non-conversion of the shareholders’ loans, contributed significantly to the non-achievement of the financial sustainability targets. The revenue is mainly impacted by dropping of contracted links, price pressure due to fierce competition in the industry, and self-provisioning by major players. The debtors’ collection period has regressed to 45-days compared to 28 days in the previous financial year. We were able to increase the targeted procurement through designated groups, thus achieving all the targets for B-BBEE. It is notable that the company achieved B-BBEE Level 4 against all odds.

Management continued to support the school adopted in the previous year amidst the outbreak of the pandemic. The lockdown severely impacted on the accessibility of schools and imposed travelling restrictions, thus impacting on the achievability of the target.

Please see the performance results on page 76-77.

2020-2021 Performance review

Outcomes	KPI	2020/21 Targets	2020/21 Actual	
1. A strengthened financial position for growth and sustainability	New sales contracts signed annually	R350 million sales contracts signed	R89.6 million new sales contracts signed	Not Achieved
	% Revenue year-on-year Growth (including SA Connect)	22% revenue year-on-year growth	1% revenue year-on-year reduction	
	# of days per outstanding Customer invoice per month	Debtors collection of 60 days per contract	Debtors' collection of 45 days	Achieved
	Gearing Ratio	212% Debt to Equity	11% Debt to Equity	
	Maintain Positive Cash Balance Monthly	R15 million cash and cash Equivalent available	R88 million cash maintained	Not Achieved
	Improve operating profit before depreciation after interest	Improve by R12 million	Improved by R3 million	
	# of days within which SMMEs invoices are paid	SMME invoice paid within 30 days	SMME invoices paid within 17 days	Achieved
2. An organisation enabled to deliver upon the mandate	Finalised Integration Plan for merger	Integration Plan finalised and signed-off by key stakeholders	The Post-Merger Integration Plan was delivered and presented to the Department	Achieved
	% of payroll spend on training per annum	1% of the salary bill spend on targeted training and development by end of year	Workplace Skills Plan and Annual Training Report submitted. 1.02% of the salary bill spent on training	
	# of repeat external audit findings reduced	ZERO repeat external audit findings	4 repeat external audit findings.	Not Achieved
3. An increased base achieved through customer fulfilment and state-of-the-art infrastructure and services	Improve Actual Time to Restore Core Network Faults	7.5hrs to Restore Core Network Faults	6.90 hrs to Restore Core Network Faults	Achieved
	% of gross revenue paid as Network performance rebates	≤0.3% of gross revenue	0.2% of quarterly gross revenue provisioned to pay rebates	

Outcomes	KPI	2020/21 Targets	2020/21 Actual
4. The preferred partner of Government in enabling the digital transformation	# of SA Connect Sites connected to Broadband Infraco network	Maintain 713 SA Connect Sites connected to Broadband Infraco Network	713 SA Connect sites connected to BBI Network maintained
	# of SMMEs allocated installation work	Three SMMEs allocated Installation work	6 SMMEs identified and issued with POs and allocated installation work
5. Facilitated Socio-Economic Transformation	% of total discretionary budget to be spend on BBBEE	70% of total discretionary budget to be spend on BBBEE	124% of total discretionary budget to be spend on B-BBEE
	% of total BBBEE spend to be spend on black-owned entities	40% of total BBBEE spend to be spend on black-owned entities	70% of total B-BBEE spend to be spend on black-owned entities
	% of total spend on BOEs to be spend on Black Women-Owned entities	10% spend of 40% spend on Women-Owned entities	64% spend of 40% spend on Women-Owned entities
	Improve B-BBEE Level	Level 4	Level 4
	# of Schools provided with broadband connectivity	One school adopted in DDM area of OR Tambo	Connectivity and training on the use of telematics conducted

Achieved

Not Achieved



Key Highlights and Challenges

Key highlights

- Customer base increased by 5% from the previous year.
- A total number of 15 customers were acquired in the year under review.
- An increase of 14% was realised on co-location services.
- Thirty-three percent increase in service upgrades from existing customers.
- Despite the lockdown measures imposed over the past year because of the COVID-19 pandemic, all operational activities continued as normal ensuring that most customers received services in accordance with their contracts.
- The implementation of key projects, including SA Connect, continued despite the challenges of the COVID-19 virus threat, albeit at a slower pace.
- Employees and technicians attended empowering courses like Certified Fibre Optic Design Specialist, CI-CCNA Implementing and Administering Cisco Solutions, Air Conditioner (Electrical), Air Conditioning and Refrigeration, and DC Power and Batteries training courses.
- Frequent power failures caused by AC supply interruptions, were mitigated by installing additional standby batteries to increase standby capacity.
- Five key planned works were executed during the third quarter to bury the cables underground on sections which were often affected by vandalism, namely:
 - Two on the Tzaneen-Gravelotte route.
 - Two of the Musina-Beitbridge route.
 - One on the primary optical fibre route to the Potchefstroom PoP by replacing a damaged handhole.
- Successfully migrated the DWDM link between East London PoP and Pembroke PoP from the volatile Liquid Telecom cable to the TFR cable after continued vandalism in the area led to a few customer service failures and poor performance.
- A security company has been appointed in East London to provide escort and guard services in the Bhisho area. This area has been affected by frequent acts of cable vandalism that had an impact on the services to SITA in the Eastern Cape. The routes proved to be more stable thereafter.
- The submission of the annual Workplace Skills Plan, Annual Training Report, and execution at a spend of 1.02% of salary bill and an average of 31 hours of training per employee were among significant achievements.
- Fifteen new interns were appointed.
- Seven employees were awarded Financial Study assistance – an increase of two when compared with the previous year. The programme is instrumental to the retention of skills as funded years are worked back.
- Three trainees were appointed for rotation in the NOC for 12-months.
- Submission of the Employment Equity report to the Department of Employment and Labour.
- MICT SETA funding for interns and Candidacy programme for trainees.

Challenges

- The threat linked to the COVID-19 pandemic remained a big challenge to the health of employees.
- Air conditioner repairs and compressor replacements at some PoP sites were delayed due to suppliers being closed during Level 5 of the lockdown announced in March 2020.

- During lockdown Level 5, challenges were experienced in completing end-to-end testing at some SA Connect project facilities such as schools, due to technicians not being granted site access.
- A vehicle accident involving one of the employees based at the Polokwane office occurred at night during April 2020, resulted in extensive damage to the vehicle which was written off by the insurance company. Fortunately, the employee sustained minor injuries during the incident.
- The occurrence of seasonal veldfires caused several overhead optical fibre routes to be impacted, and this affected some customer services negatively.
- The Zimbabwe cross-border route was impacted significantly due to Transnet conducting routine maintenance on the railway tracks, and the impact of the AC supply interruptions and fluctuations that caused rectifier systems at BBI PoPs to malfunction.
- The poor response to network faults by TFR staff nationally and showing no urgency to attend to reported fibre faults, especially along the NSB-Germiston and Western Cape areas, had a severe impact on affected customer services.
- Eskom Schedule 2 load shedding had a severe impact on the network reliability during Q4 of the reporting period. Twenty-four incidents were reported in January 2021, 18 incidents in February 2021, and 15 incidents in March 2021, which resulted in sites being isolated.
- The unavailability of ADLash cable to execute permanent repairs, is becoming more and more critical in maintaining a reliable and stable network.
- Flooding in the Vhembe District in February 2021 contributed to the surface instability of particular roads, posing a risk to the buried optical fibre cable as it was already exposed in some areas.
- During February 2021, the Namibia cross-border link (Schuitdrift-Onseepkans) was impacted by AC failure caused by severe strong winds that damaged four Eskom high voltage structures.
- There were several electricity supply interruptions at some sites as a result of the instability of supply (mostly due to cable theft at several Transnet railway stations). Some of the sites that were affected are Soekmekaar, Oberholzer, Potchefstroom, Klerksdorp, and Mafikeng. In the past, these interruptions have impacted negatively on the network availability of the Botswana and Zimbabwe cross-border routes, as well as further straining resources and operational cost expenditure.
- One of the key challenges planned to be urgently addressed, is the lack of available capacity on the network. Capacity is required both for redundancy as well as direct customer provisioning. Further investment in the actual capacity upgrade is required in order to ensure the smooth running of a resilient network.
- Lockdown and travelling restrictions due to COVID-19 pandemic.
- Inability to raise capital funding.
- An increase in the demands from some customers for lower prices and shorter contract time spans.
- The moratorium on the filling of vacancies that was imposed from January 2019 led to a shortage of human capacity in key areas, thus compromising the effectiveness of operations.
- Lack of financial resources and the moratorium on the filling of vacancies presented challenges in the implementation of mission critical aspects of the organisation's strategies. Among these are the improvement of the employment equity demographics, the limitations to provide upskilling, and recognition for excellent performance, and innovative ideas.
- Staff morale has been adversely affected by the Company's inability to afford the costs associated with payment of annual performance-based incentive for staff for the FY2018/19 when the overall performance was at 95%, as well as the moratorium on changes in conditions of services (including Cost of Living Adjustments).

Future Outlook

The outlook for BBI has improved significantly over the past two years. Whilst the SA Connect implementation has provided positive spin-offs and has been positively perceived by various stakeholders, there are areas of improvement which will receive special focus in the coming year. Despite this, an increased market interest in BBI continues to be noted. This is identified by the increase in the number of customers within the same period, as well as the growth of the organisation's opportunities pipeline.

The strategic outlook of BBI for the medium- to long-term will consider the impact of the rationalisation of SOEs. In December 2017, Cabinet approved the framework for the rationalisation of SOEs. This approved framework includes the formation of the State Digital Infrastructure Company (SDIC), which will be formed out of the merger of BBI and Sentech. The first Phase of this Project involved a Post-Merger Integration Plan as well as the valuation of the individual entities, both of which have been completed. The second Phase makes provision for the development of the strategy for the SDIC (due end February 2021).

SA Connect continues to be a strategic project for BBI. When the next phases of the SA Connect project are implemented, various models will be considered for the last mile of the network. This will create and maintain a balance that leverages the existing infrastructure (owned by both private and public entities), and the strategic need for the state to guarantee the availability of affordable services to underdeveloped and underserved areas. Some of these models have been discussed with current SA Connect service providers, who agree with the notion that a workable model can be achieved.

To support the above mentioned plan, and to minimise duplication of infrastructure on the back of a constrained fiscus, engagements with various provinces have begun. Engagements aim to align project goals and leverage the existing municipal infrastructure in the roll-out of essential network services to underserved areas.

BBI has an excellent Wide Area Network (WAN) infrastructure, spanning thousands of kilometres, and offers both Layer 2 and Layer 3 services. It is envisaged that this current strength will continue through the new SDIC, which joins BBI's robust fibre connectivity and expertise, and Sentech's sturdy terrestrial wireless network and expertise. A full end-to-end solution can thus be provided based on a wholesale model. This model is founded on the current SA Connect project, in which both these SOCs are participating. For BBI to take advantage of these opportunities, it requires funding to (amongst others) extend its network footprint, upgrade its core transmission network, and build a national IP/MPLS layer in its network. This will be achieved together with relevant SOCs, such as Sentech, and municipalities with ICT infrastructure. The rollout of SA Connect, the sales momentum, and effective cost containment measures, indicate positively that this will be provided. The implementation of SA Connect is expected to strengthen BBI's financial position in the short-term.

Building of requisite capacity for the implementation of BBI's strategic intent is essential. Significant investment is required to identify future skills and knowledge requirements, perform competency gap analysis and the execution of appropriate interventions, and to ensure the continued competency of BBI's human resources. The lack of financial resources needed to enhance organisational competence means that internal creativity is required to upskill and enable access to career advancement opportunities, establish a succession pipeline, and strengthen leadership effectiveness.

SOE collaborations can be used to borrow technical expertise, for job rotation and SETA offerings. Sponsored international seminars should be considered as opportunities for upskilling the organisation towards technological advancement trends, such as 4IR.

To be recognised as an employer committed to the transformational objectives of the country, the human resource management function continues to find ways of assisting the organisation to achieve affirmative action measures, which aim to eradicate any forms of discrimination associated with the injustices of our historical background. The lack of internal HR capacity and financial resources have hindered the company's ability to address the transformation agenda.





GOVERNANCE



Our approach to governance

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

Uniquely, the Company has two shareholders: the Government represented by the Minister (the Honourable Ms Stella Ndabeni-Abrahams) and the Industrial Development Corporation. As a State-Owned Company, the Executive Authority is the Minister, the Accounting Authority is the Board of Directors and the Accounting Officer is the Chief Executive Officer, in terms of the PFMA.

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, Mol, and other legal requirements within the domain of the Governance Framework.

BBI continued to evolve its governance structures and practices to ensure the achievement of its strategic objectives and to effectively, efficiently, and transparently deliver to its customers. The Company established new operational committees accountable to the Executive Management Committee (EXCO) to enhance its compliance and strategic deliverables which are aligned with the international best governance practices.

The Business is uniquely developmental as a state-owned and commercial one, which requires consideration of diverse aspects while managing the business in accordance with best practice that entails business processes, management, technology, environment, employment, relations with suppliers, customers, and society. Our integrated thinking and application of good corporate governance is embedded in our organisational culture and is exhibited in the way the oversight is provided (as depicted in the figure below).

Specifically, through governance principles and policies that are integrated into BBI's operations and reviewed frequently, BBI ensures continuous compliance and the application of best practice. A robust governance structure is in place, including the presence of a lead independent non-executive director.

Non-executive Directors are appointed by the shareholders, and approved by Parliament, for a period of three years, renewable annually at the Annual General Meeting. The executive directors are appointed by the Board with the concurrence of the Minister of Communications. The Board also appoints other executive managers with the assistance of the Chief Executive Officer.

The figure below depicts the Governance Framework, which regulates the Company's relationship with the shareholders and guides the way in which the Organisation conducts its business.

The framework glaringly depicts differentiated roles and responsibilities:

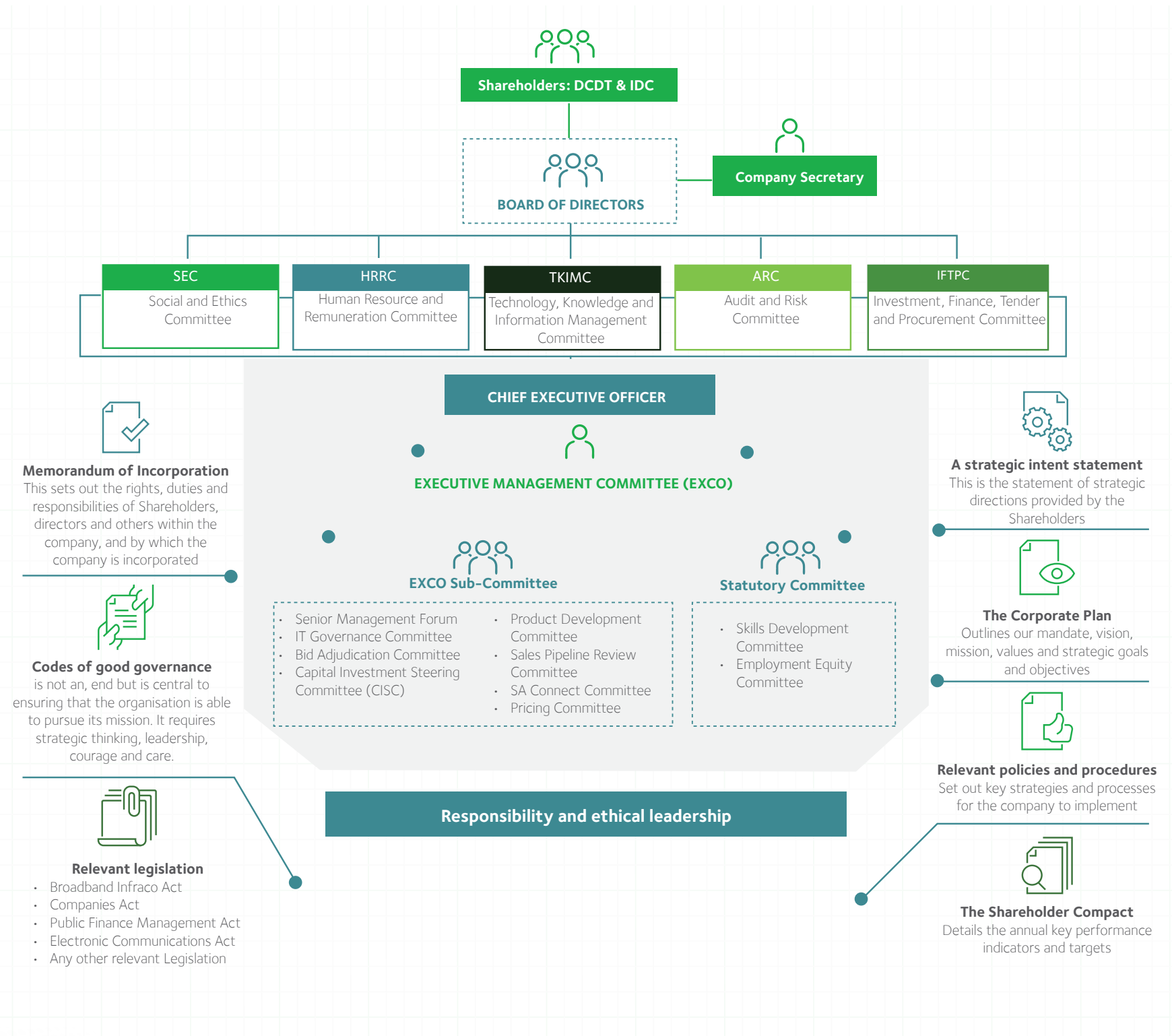


Figure 34: Roles and Responsibility

Our instruments of Governance

Memorandum of Incorporation

The Memorandum of Incorporation (MOI) indicates that the Board shall consist of nine Directors, of whom seven (including the Chairperson) should be independent non-executive directors, and two should be executive directors. The executive directors are the Chief Executive Officer and Chief Financial Officer. The MOI was revised and filed with the CIPC in October 2017. The mandates of the Board of Directors and its committees are aligned with the Company's MOI.

Compliance with laws, codes, rules, and standards

The Board governs and directs compliance within the applicable laws. The Company is identified as a major business entity and is listed under Schedule 2 of the Public Finance Management Act (PFMA). The Board ensures that the Company adheres to the requirements for the assessment of risk, corporate plan, annual budget submissions, and the annual conclusion of a Shareholder's Compact. The Board also ensures that the Company adheres to all procedures for quarterly reporting to the Executive Authority through the submission of quarterly reports to the Shareholders. 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 (King IV)]. 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, the Company is subject to the PFMA, and in instances of conflicts in legislation; the PFMA prevails, save for the Constitution.

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 Electronic Communication Act, No. 36 of 2005, the Companies Act, No. 71 of 2008 (as amended), Income Tax Act, No. 58 of 1962 (as amended) the Public Finance Management Act No. 1 of 1999 (as amended) and Treasury Regulations.

To effect laws and regulations, management has developed 57 policies across the enterprise that are monitored through a register to ensure that are kept relevant.

Corporate Plan and Shareholder Compact

The Shareholders provide the strategic intent that carves the strategic direction of the Company, thus forming the basis for developing the strategic objectives. 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 Corporate Plan encapsulates our mandate, vision, mission, values, as well as strategic goals and objectives. The Corporate Plan is submitted to Shareholders a month before the commencement of the financial year in terms of the PFMA.

Also, the Accounting Authority annually signs a Shareholder Compact with the Executive Authority detailing the annual key performance indicators, as well as targets that are extracted from the Corporate Plan

Delegation of Authority

The Company reviewed its Delegation of Authority Framework, and no changes were made. The mandates of the Board of Directors and its committees are aligned with the provisions of the Companies Act No. 71 of 2008 (as amended) and the Delegation of Authority. Similarly, the mandates of the Executive Committee and its subcommittees are aligned with the current Delegation of Authority and the mandates of the Board and its committees. 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.

Board and Board Committees

Composition of the Board

The Company, through the Shareholders, adheres to the prescribed requirements for the composition, election, appointment, and remuneration of the Board. Non-executive Directors are appointed by the Shareholders, and approved by Parliament, for a period of three years, renewable annually at the Annual General Meeting. The executive directors are appointed by the Board with the concurrence of the Minister of Communications. The Board also appoints other executive managers with the assistance of the Chief Executive Officer.

The seven independent directors are comprised of four black males, three black females and one white female – achieving a near50/50 gender representation ratio. The two executive directors are comprised of one black male and one white male. The Board is satisfied that the balance of power, gender representation, and objectivity on the Board is sufficient although it might be improved.



Board independence

The Board comprises an appropriate balance of knowledge, skills, experience, diversity, and independence – enabling it to discharge its duties objectively and effectively. In accordance with King IV Reporting standards, the Board is satisfied that the non-executive directors of the Company are independent.

The non-executive directors have diverse skills, experience, and backgrounds. They are principally free from any business relationship that could hamper their objectivity or judgement in terms of the business and activities of the Company. All the non-executive directors have unrestricted access to the Company’s information, documents, records, and property in the interest of fulfilling their fiduciary duties and responsibilities.

The Role of the Board of Directors

The Board is principally responsible for directing and overseeing the affairs of the Company, balancing the interests of stakeholders, and ensuring the Company’s long-term sustainability. The Board leads the Company in its achievement of strategic objectives by directing and approving the Company’s overall strategy and associated operational objectives.

It monitors the Company’s performance against targets outlined in the Shareholder’s Compact and ensures that adequate processes are in place for planning and allocation of resources to advance the Company’s mandate. This includes oversight of the Company’s socio-economic programmes.

The Board is tasked with ensuring that the Company can achieve its statutory and commercial mandate. The Board is engaged in extensive meetings with various stakeholders, ranging from financiers, customers, and shareholders.

The Chairperson and individual directors provide support for continued improvement in the Board’s efficiency and effectiveness. An annual independent evaluation is conducted to assess the effectiveness of the Board, its committees, the Chairperson, and the individual contributions of the directors.

Chairperson of the Board and Chief Executive Officer

The roles of the Chairperson and the Chief Executive are separate, with their individual responsibilities clearly defined.

The Chairperson is an independent non-executive director and is responsible for leading the Board and Board Committees, ensuring its effectiveness. The Chairperson monitors and evaluates the performance of the Chief Executive Officer in conjunction with the HRR Committee to ensure the achievement of the Company’s strategic and operational objectives.

The Chief Executive is responsible for the execution of the Company’s strategy, and the day-to-day business of the Company. He is supported by the Executive Committee, of which he is the Chairperson. The Board is satisfied that the Delegation of Authority Framework clearly records the nature and extent of the authorities delegated by the Board to the Chief Executive and specified governance structures and/or, in turn, by the Chief Executive to the members of the Executive Committee in order to implement certain actions by or on behalf of the Company.

It includes, to the extent necessary and/or incidental thereto, the authority to discharge all the duties, obligations and powers imposed upon the deemed authority under the Broadband Infraco Act.



Director Development and Evaluation

A Board evaluation was conducted during the year, the results are illustrated in the diagram below:

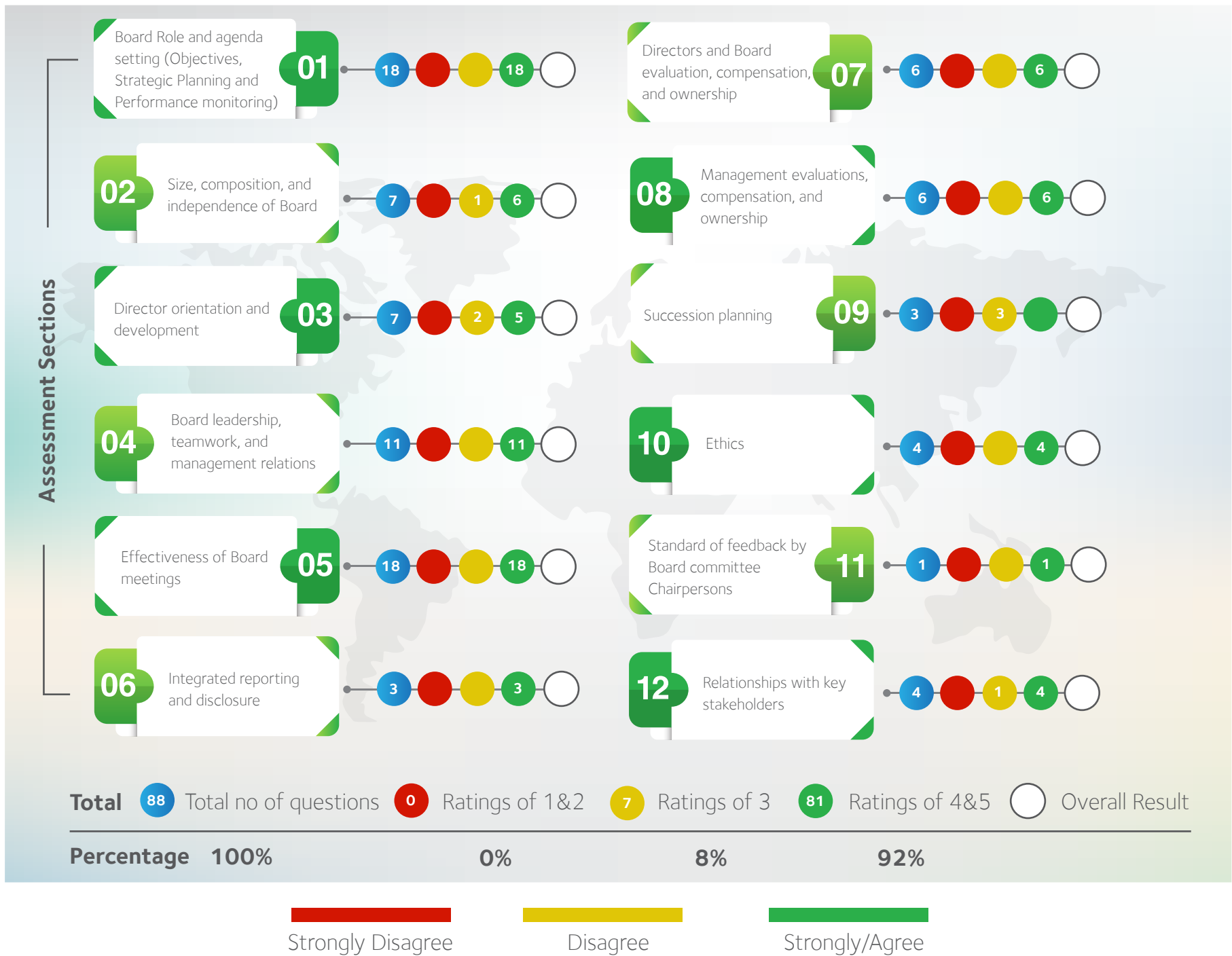


Diagram 3: Broadband Infracore Fibre

The evaluation reflected an overall positive result on the performance and the level of the Board as a whole in discharging their responsibilities and fiduciary duties.

Company Secretary

Due to the moratorium on filling vacancies, the Legal and Regulatory Senior Manager was appointed Acting Company Secretary. The division is resourced by the Manager who assists the Company Secretary, the Administrator, and an intern. The Company Secretary prepares Annual Work Plans for the Board and its committees as informed by the strategic direction of the Company.

The Audit and Risk Committee reviews the Annual Work Plans and makes recommendations to the respective Board committees for consideration. These Annual Work Plans are recommended to the Board (for approval by the respective Board committees) for implementation and are continually tracked to assess progress.

The Company Secretary also advises the Board on corporate governance issues, the requirements of the Companies Act, and other relevant legislation (both collectively and individually). Although the relationship between the Board and Company Secretary is kept at an arm's length, the Board has unfettered access to the services and advice of the Company Secretary.

The Company Secretary acts as the primary point of contact between the Board and the Company. In addition to various statutory functions, the Company Secretary provides individual non-executive directors and the Board with induction, guidance on duties, responsibilities, and the impact of regulatory developments.

In consultation with the Chairperson, the Company Secretary ensures that the contents of the agenda are relevant to the Board's decision-making, and communicates the Board's resolutions throughout the Company in a timely and appropriate manner. The Company Secretary is qualified to perform duties in accordance with applicable legislation and is considered by the Board to be fit and proper for the position. The Company Secretary does not fulfil an executive management function and is not a director.

The Acting Company Secretary, Phatang Nkhereanye, was appointed from 1 March 2021. Administration of the Board and its committees is conducted by the Manager, one trainee, and another contract employee. The Board is satisfied that the Company Secretary is appropriately qualified and experienced to carry out his/her duties and responsibilities diligently.

Management of potential conflicts of interest

The Companies Act categorised the fiduciary duties of directors, and prohibits the use of position, privileges, and/or confidential information for personal gain or to improperly benefit another person. The Board continuously improves the governance instruments to ensure ongoing adherence to the prescribed standards of ethical and professional conduct.

The Company has policies that govern business ethics and the management of personal interests of employees and Directors. These include the Code of Ethics and Business Conduct Policy, as well as the Conflict of Interest and Financial Disclosure Policy. All employees and Directors are required to disclose their external business interests, Directorships held in other entities, affiliations to professional bodies, and any related party interests on an annual basis, and to do so the moment in which there are any changes to previous declarations. This exercise was completed for the year under review.

In addition, at the beginning of all of the Company's official meetings, inclusive of meetings of the Board of Directors and its committees, Executive Committee and its sub-committees and all meetings dealing with procurement issues, participants are required to declare if they have any interests in any of the items on the agenda. Where there are any interests declared, the Chairperson of the meeting will make a ruling in line with the applicable policies of the Company.

Where it has been established that a director or employee has any direct or indirect personal or private business interest in a particular matter, that director or employee is recused from the proceedings when the matter is considered, unless the Board committees, or Executive Committee and its subcommittees, as the case may be, decide that the member's interest in the matter is insignificant or irrelevant.

The declaration of interest and related party disclosures registers are signed by the members and attendees at all formal meetings of the Board, the Executive Committee, and their committees. These registers are maintained by the Company Secretary. In addition, non-executive directors, the Executive Committee members, Senior Management Forum members, line management and any employee who has an interest, either directly or indirectly, are required to file an annual declaration of interest form with the Company Secretary at the beginning of each financial year or within 30-days from date of appointment.

Any changes in interests during the year necessitate the filing of revised declaration of interest forms, which are formally noted by the relevant governance structures. The Board and the Executive Committee note their respective annual declarations of interest registers. The Human Resource and Remuneration Committee (together with the Social and Ethics Committee) conduct annual reviews of the filed declaration of interest forms of the members of the Board and Executive Committee for oversight purposes.

The declaration of interest process is conducted through filing of forms, which is a manual system. In addition, the Company requires all employees to sign confidentiality and declaration of interest forms when adjudicating on procurement contracts, and this practice is strictly enforced. The declaration of interest and related-party disclosure policies for directors and employees are revised every five years, or as required, in line with the Company Policy Framework.

Approach to Compliance

Ethical Leadership

The Board accepts collective responsibility for defining how ethics and ethical behaviour should be implemented in BBI. This includes setting out the conduct of individual Board members to ensure that they act with integrity, competence, responsibility, accountability, fairness, and transparency. These characteristics set the tone in order to support an ethical culture within BBI. Ethical leadership is embedded in the Organisation, and this is witnessed in all the unqualified audits of the Company. The Board is committed to continue strengthening its governance regime to ensure that the Company is sustainable.

Transparency, accountability, and integrity

The Public Finance Management Act (PFMA) (Act 1 of 1999 – as amended by Act 29 of 1999), Companies Act No.71 of 2008 (as amended) and Protection of Personal Information Act, No 4 of 2013 (POPI Act) provide specific requirements pertaining to the Company’s records management practices; such as Annual Financial Statements that satisfy the International Financial Reporting Standards, and for the audited annual financial statements to be prepared within four months following the financial year end.

To that end, the Company finalised its Integrated Annual Report and the Annual Financial Statements within the legislated timelines and ensured that the Shareholder Minister has timely access to the audited Annual Financial Statements.

The Board acknowledges that lack of accountability has negatively impacted on institutions – both in public and private entities. The Board and Management accentuates accountability throughout the Company. Accountability underscores the basic aspects of responsible leadership, which is cascaded to the entire organisation. The collective efforts of the Board in promoting accountability has yielded positive results. BBI continued to operate without any funding from the fiscus. Austerity measures were introduced, and the Company had to make do under those conditions to keep ensure operations continued.

King IV Application

We are committed to the highest standards of business integrity, ethics, and professionalism. The Board subscribes to the principles of the King IV Codes insofar as is applicable to the Company. King IV advocates an outcomes-based approach, and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

The application of King IV is on an apply and explain basis and the practices underpinning the principles espoused in King IV are entrenched in many of our internal controls, policies, and procedures governing corporate conduct. We have applied the 16 principles set out in King IV, as detailed 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: Stakeholder relations	Applied

Table 10: King IV Principles

Companies Act

The Company reports on the extent of its compliance with the Companies Act No. 71 of 2008 (as amended) in the Directors’ Report in the 2021 Annual Financial Statements.

Refer to a detailed report of the Directors on page 106 – 107.

PFMA reporting

2017/18 audit findings: In terms of the PFMA, the Company is required to report the quantum of Irregular Expenditure incurred, which is expenditure that was incurred in contravention of procurement legislation, notwithstanding that value was received.

In the prior year, the audit opinion was not qualified but the Going concern remained a matter of emphases. We received 24 audit findings. A significant amount of irregular expenditure was reported that related to misinterpretation of conditions of service for the Executives and contracts entered in prior years.

2018/19 audit findings: In the year prior, the audit opinion was not qualified but the going concern remained a matter of emphases. Management made a significant efforts to improve and establish adequate controls with which to maintain complete and accurate records of irregular expenditure. The amount of irregular expenditure increased in this year due to contracts entered in prior years. We received 13 audit findings. The reduction in the number of audit findings is indicative of the improvement in our internal controls.

2019/20 audit findings. Management made a significant effort to improve and establish adequate controls to maintain complete and accurate records of irregular expenditure. Much of the irregular expenditure reported in the current year relates to contracts entered in prior years, which is indicative of the improvement in the procurement control environment that is now preventing new incidences of non-compliance.

2020/21 audit findings: During the year under review, the audit opinion is unqualified with findings. Management made a significant effort to improve and establish adequate controls to maintain complete and accurate records.

Board and Board Committees Meetings

Board of Directors

The Board is delighted that despite all the challenges it was able to fulfil its mandate.

The Board has provided the much-needed strategic direction in ensuring legislative and regulatory compliance during the seven meetings held during the financial year.

The key matters considered by the Board are detailed below:

- Quarterly Reports including Management Accounts and Strategic Risks
- Conflict of Interest Policy
- Code of Ethics and Business Conduct Policy
- Removal of Irregular Expenditure incurred with Transnet Freight and Rail SOC
- Limited for Co-location and Site Sharing and Eskom Holdings SOC for Leasing of specified 389.22km Optical Fibre Cores
- Integrated Annual Report
- Terms of Reference for Board sub-committees
- External Audit Report
- COVID-19 – Risks update (Potential Risk and Limitations)
- Proposed Loan Agreement from GNIC
- Term Sheet from Makwande Capital
- Corporate Plan 2021/22 to 2025/26
- State Digital Infrastructure Company Strategy

2021/22 Focus Areas

- SOC Rationalisation
- Capital projects funding.
- Monitoring the implementation of the 2030 Strategy.



Number of Meetings	2017/18		2018/19		2019/2020		2020/21	
Members	No	%	No	%	No	%	No	%
M Ngcobo*	7/8	85	7/8	85	7/7	100	7/7	100
Z Kabini	N/A	-	N/A	-	6/7	86	7/7	100
S Mabalayo	5/8	62	5/8	62	5/7	71	7/7	100
L Mabece	N/A	-	N/A	-	7/7	100	6/7	86
G Mphefu	N/A	-	N/A	-	7/7	100	6/7	86
N Selamolela	7/8	85	7/8	85	6/7	86	5/7	71
J Schreiner	N/A	-	N/A	-	6/7	86	6/7	86
A Matseke	2/2	100	2/2	100	7/7	100	7/7	100
I van Niekerk	8/8	100	8/8	100	7/7	100	7/7	100

* Chairperson

N/A – Not Members

Table 11: Board Meetings

Board Sub-Committees

In line with the requirements of the Companies Act, the Board of Directors established the Audit and Risk Committee (ARC), the Human Resource and Remuneration Committee (HRRC), the Investment, Finance, Tender, and Procurement Committee (IFTPC), Social and Ethics Committee (SEC) and Technology, Knowledge, and Information Management Committee (TKIMC). The Audit and Risk Committee's constitution, functioning and reporting, complies with the PFMA requirements.

Each committee acts within agreed and written terms of reference, legislation, principles of governance, and delegation of authority. The Board receives minutes of committee meetings and reports from the Chairperson of each Board-appointed committee at the scheduled Board meetings. The Chairperson of each Board-appointed committee is an independent, non-executive director and members are non-executive directors. Executive directors and other Executive Managers attend committee meetings by invitation.

Audit and Risk Committee (ARC)

At the Annual General Meeting (AGM) held on 16 October 2020, the shareholders approved the following Directors of the Committee in accordance with Section 94 (2) of the Companies Act:

- Ms N Selamolela (Chairperson and NED);
- Mr L Mabece (NED); and
- Ms Z Kabini (NED).

The overall objective of the Committee is to assist the Board of Directors to discharge their responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and control processes, the preparation of materially accurate financial and non-financial reporting information and statements in compliance with all applicable legal and regulatory requirements and accounting standards, and the oversight of the external and internal audit appointments and functions.

The Committee, in carrying out its duties, have due regard to legislation as well as principles of governance, and exercises its delegated authority as determined by the Board from time to time, subject to the provisions of the Companies Act No. 71 of 2008 as amended, MoI, the PFMA, and any other applicable legislation.

The Chief Executive Officer, Chief Financial Officer and the Executive Audit, Risk and Compliance attend all the meetings by invitation. The external auditors attend the ARC meetings.

During the period under review, the ARC assessed, considered, approved or recommended matters pertaining to financial, auditing and risk issues, such as but not limited to:

- The 2020/21 Internal Audit Plan and Internal Audit Charter;
- Strategic risks;
- Accounting and auditing concerns;
- The effectiveness of the internal audit function (IAF) including the compliance and risk departments;
- The adequacy, reliability and accuracy of financial and performance information provided by management;
- Financial statements and reporting for proper and complete disclosure of information;
- The new IFRS 16 requirements;
- Quarterly performance reports and management accounts.
- Cash flow forecasts on a quarterly basis to assess the liquidity of the Company.

Human Resource & Remuneration Committee (HRRC)

The Committee has been established to assist the Board in dealing with the human resources of BBI, remuneration of executives and non-executives and nomination of executives. The Committee has exercised its delegated authority as determined by the Board, subject to the provisions of the Companies Act No. 71 of 2008, the BBI Mol, the Shareholder Compact, the Public Finance Management Act No. 1 of 1999 as amended by Act 29 of 1999 (PFMA), and any other applicable legislation.

During the period under review, the HRRC assessed, considered, approved or recommended matters pertaining to human capital issues, such as but not limited to:

- Updated Terms of Reference;
- Extension of Executive Fixed Term Contracts;
- Substantive Negotiations Mandate 2020/21;
- Remuneration Strategy; and
- Proposed amendments to the Sales Commission Structure and Policy.

Investment, Finance, Tender & Procurement Committee (IFTPC)

The purpose of the Committee is to consider the finances, investments, and procurement processes. The Committee has been established to assist in the consideration and approval of investments and financially-related matters, as well as procurement process decisions on commercially-related matters for the benefit of BBI.

The Committee has exercised its delegated authority, as determined by the Board from time to time, subject to the provisions of the Companies Act No. 71 of 2008, Memorandum of Incorporation (Mol), PFMA and any applicable legislation.

During the period under review, the IFTPC assessed, considered, approved or recommended matters, reports and policies pertaining to financial, procurement, B-BBEE, capital projects and business development; (such as but not limited to):

- Annual Procurement Plan / Demand Plan;
- Capital Projects Status Reports;
- B-BBEE Policy;
- Business Development Plan;
- Status on 2019/20 Audit findings within scope of Committee;
- Financial Position of the Company; and
- Supply Chain Management Reports.

Social and Ethics Committee Report (SEC)

The Social and Ethics Committee is constituted as a committee of the Board of BBI and operates under the Companies Act 71 of 2008, PFMA and any other applicable legislation including King IV. The Committee is constituted as a statutory committee of the Company in respect of those statutory duties assigned to it in terms of section 72(4) of the Companies Act of 2008 (as amended), in conjunction with Regulation 43 of the Companies Regulations, 2011 and Part 5.3, Principle 8 paragraphs 668, 69 and 70 of King IV.

Mandate	Committee Feedback
Reviewing and approving the policy, strategy, and structure to manage social and ethics issues in the organisation.	1. Approved the Social and Ethics Terms of Reference.
Monitoring (to the best of its ability) significant investments by ensuring the development of policies, guidelines and practices, which are congruent with the Company's Social and Ethics policies.	2. Approved the Code of Ethics and Business Conduct Policy.
Reviewing the BBI broad-based economic empowerment performance disclosures.	3. Approved the Conflict of Interest Policy.
As appropriate, consulting and communicating with internal and external stakeholders with respect to social and ethics issues.	4. Approved Stakeholder Engagement Framework.
Reporting annual to shareholders at the Company's AGM on the Company's ethics responsible corporate citizenship, sustainable development and stakeholder relationships.	5. Received quarterly Transformation reports.
	6. Received quarterly SHEQ reports.
	7. Received quarterly Stakeholder Relations reports.
	8. Received quarterly Human Capital reports.
	9. Reviewed Stakeholder Relations Policy.

Table 12: Social and Ethics Committee Report

During the period under review, the SEC assessed, considered, approved or recommended matters pertaining to governance, strategic plans and quarterly reports, which included (but were not limited to):

- Terms of Reference;
- Conflicts of interest, ethics, and business conduct;
- The sales turnaround plan;
- The Integrated Annual Report; and
- Quarterly reports on human capital, transformation, SHEQ and, stakeholder engagement and relations.

Technology, Knowledge, and Information Management Committee (TKIMC)

TKIMC was established during the financial year, though it will only be operational in 2020/2021 financial year. The purpose of the Committee is to consider, review, advise, and approve all aspects of technology, knowledge and information management including – but not limited to – governance, strategy, operations, and major risks, in order to support its strategy and maximise growth.

During the period under review, the TKIMC considered matters pertaining to privacy and customer engagement platforms which included the following:

- WhatsApp Privacy Terms and Conditions.
- Information Technology and Cyber-Security Status.

Board and Committee Attendance

Names of Members	ARC	SEC	HRRC	IFTPC	TKIMC	Joint ARC & IFTPC
S.T. Mabalayo		4/4	3/3	4/4	1/1	5/5
N. Selamolela	5/5	3/4				5/5
G. Mphefu				4/4	1/1	4/5
Z. Kabini	5/5			3/4		4/5
J. Schreiner		4/4	3/3			3/5
L. Mabece	3/5	3/4	2/3		1/1	3/5
A. Matseke**	5/5	4/4	3/3	4/4	1/1	5/5
I. van Niekerk**	5/5	3/4		4/4		5/5
* Chairperson	*N. Selamolela	* J. Schreiner	* S.T. Mabalayo	*G. Mphefu	*G. Mphefu	*N. Selamolela
** Executives						

Table 13: Committee Attendance

Board Movement

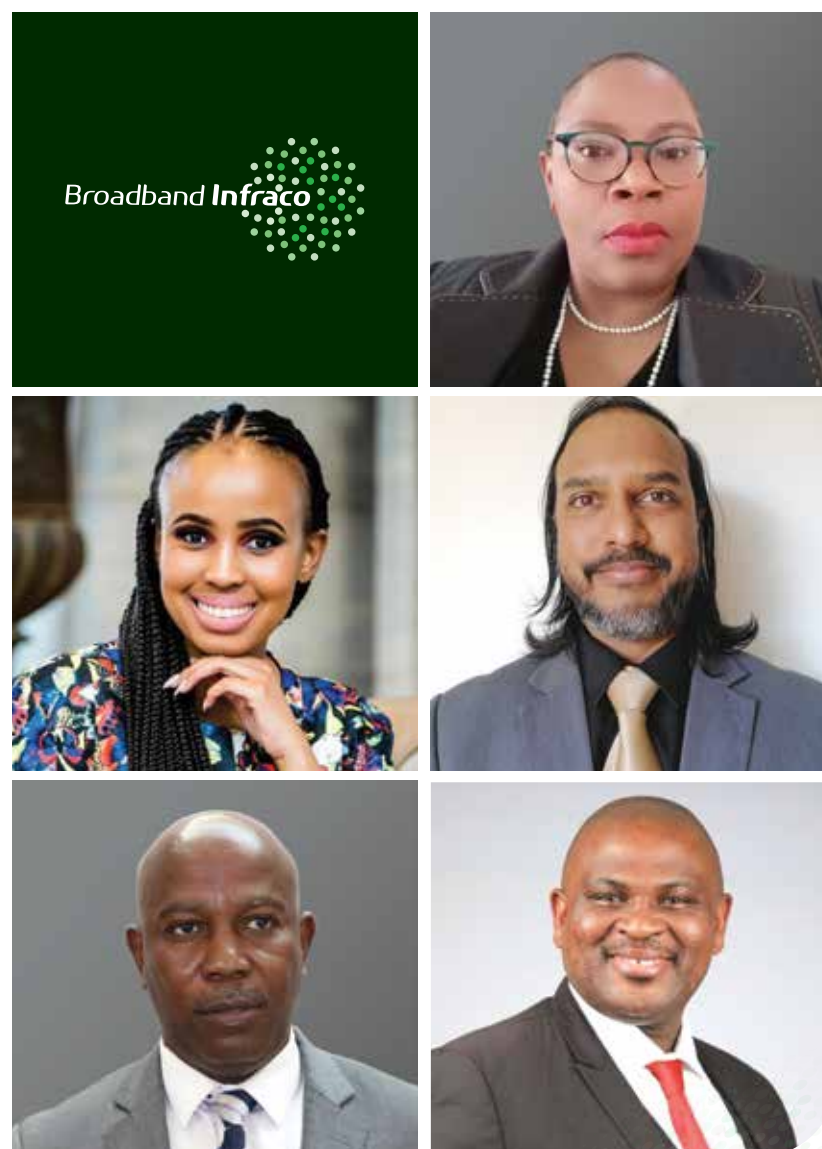
The term of office for the chairpersons of the Board and ARC ended on 31 March 2021. The Shareholders appointed new board members effective 24 May 2021. The previous Board consisted of seven non-executive directors that has been increased to eight in the new board.

The eight independent directors are comprised of four black males, three black females and one Indian male. The two executive directors are comprised of one black male and one white male. The Board is satisfied that the balance of power, gender representation, and objectivity on the Board is sufficient though it might be improved.

The table below also depicts the roles of new Board members

Names	Committee
Leah Khumalo (Non-Executive Director)	Chairperson: Board of Directors
Bojane Segooa (Non-Executive Director)	Chairperson: Audit and Risk Committee Member: Investment, Finance, Tender and Procurement Committee
Devesh Mothilall (Non-Executive Director)	Member: Social and Ethics Committee; Technology, Knowledge, and Information Management Committee Chairperson: Investment, Finance, Tender and Procurement Committee
Patrick Makape (Non-Executive Director)	Member: Human Resources and Remuneration Committee
Loyiso Tyira (Non-Executive Director)	Chairperson: Technology, Knowledge, and Information Management Committee Member: Investment, Finance, Tender and Procurement Committee

Table 14: New Board Member



Our Control Environment

The Company's control environment consists of various governance functions and operational management practices reported below:

Strategy execution and performance management

BBI's key performance indicators and targets are confirmed in the annually revised Corporate Plan. The performance is tracked on a monthly basis and reported to shareholders and broader stakeholders quarterly and annually.

Procurement management

- Optimally regulated infrastructure-related procurement and capital project management with Investment, Finance, Procurement, and Tender Committee Terms of Reference.
- Up-to-date compliance assurance for high-value tender processes.
- BBI Delegation of Authority.
- Efficient and effective contract management, with SCM Contract Management Procedures Manual and Procurement Procedure Manual.
- Supply Chain Management Policy and robust, independent complaints handling.
- Adherence to a strict set of laws, codes, rules, and standards, including (but not limited to):
 - ◊ Section 217(1) of the Constitution of South Africa and section 51(1)(a)(iii) of the PFMA;
 - ◊ Promotion of Administrative Justice Act, No. 3 of 2000, which was issued in terms of section 33 of the Constitution;
 - ◊ The Promotion of Access to Information Act, No. 2 of 2000;
 - ◊ The Preferential Procurement Policy Framework Act, No. 5 of 2000, and the regulations; and
 - ◊ National Treasury Regulations and Instruction Notes.

Internal Audit

In accordance with section 51 of the PFMA, BBI 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 provider to the Company 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.

In the previous financial year, a total of 15 audit external findings were raised. Eight of the findings have been successfully addressed and validated by Internal audit by end of March 2021. Of the seven findings not yet resolved, two will not be resolved.

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 for noting. 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.

The overall assessment of the internal control environment indicated an improvement compared to the previous year.



Enterprise Risk-Management

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.

The Company embarked on a concerted approach to analyse risks by assessing them on an inherent or pre-control basis, and 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 BBI’s business model requiring a shift in its strategic risks. The strategic risk register is a living document, and the identified risks were assessed in terms of impact and likelihood and results were approved by the Board.

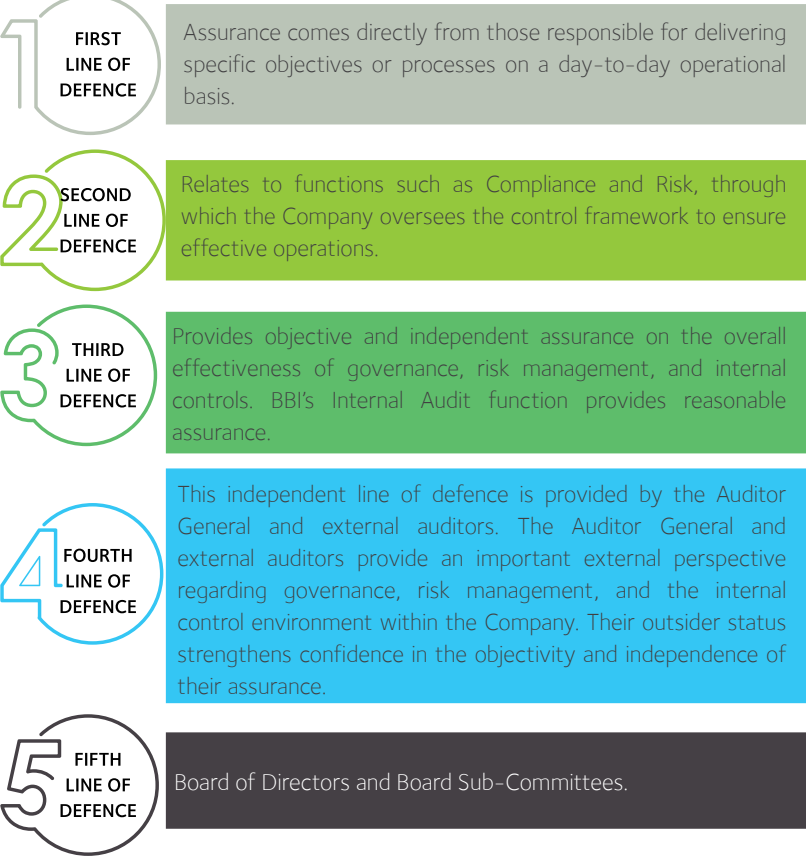
Material matters, opportunities, and risks: page 42

Integrated Assurance Model

The Company has adopted a guideline from King IV in reviewing a Integrated Assurance Model for managing risks and controls, which consists of five levels of assurance providers, namely: management representing the first line of defence, Risk and Compliance constituting the second line of defence, the third level of defence being comprised of Internal Audit, Independent External Assurance Providers making up the fourth line of defence, and the Board and its sub-committees forming the last line of defence.

The formal implementation of the Integrated Assurance Model was delayed. A process has, however, been put in place in order to ensure implementation in the new financial year as an improvement on the traditional Integrated Assurance model. The Integrated Assurance model assists the ARC and the Board by informing their view of the adequacy of risk management and internal control. To optimise external assurance, alignment, and coordination with the first (Management) and second (EXCO Sub-Committees) lines of defence are required.

Our Integrated Assurance Model is depicted below:



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 BBI’s 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.

The BCM Policy was reviewed awaiting finalisation of the BCM plan that incorporates the clause addressing pandemics such as COVID-19. It is envisaged that it will be approved in the new year. The company has separate BCM plans for key risk areas, such as: IT, Safety, Health, Environment and Quality (SHEQ), and the Network Operations Centre (NOC).

Ethics and Fraud Management

The Company is committed to zero tolerance to corruption in the Organisation and has developed the Fight Corruption Strategy that is premised upon the assumption that BBI could only be effective if the entire organisation is involved. The Company has carried out company-wide successful fraud awareness during the year under review where staff members were trained on fraud management principles and promotion of a fraud-free society. Staff members were also made aware of emerging new risks on social media platforms and cyber risk.

The Fraud Prevention and Investigation Policy was reviewed during the year and is still awaiting approval to ensure compliance with the National Treasury requirements.

Whistleblowing

This report details all types of calls received by the Company’s hotline services provider. It should be noted, however, that the priority to investigate focuses only on allegation calls received. For the year under review, only one allegation call were reported and investigated. The table below indicates the five-year cycle of the number of reported calls:

Type of call	2016/17	2017/18	2018/19	2019/20	2020/21
Follow up	0	0	1	1	0
Inquiry	0	0	0	0	0
Dropped or wrong calls	0	0	3	11	4
Test calls		0	3	6	5
Allegation reported calls	2	2	3	2	1
Total	2	2	10	20	10

Table 15: Whistleblowing

Stakeholder engagement management

The Board delegates authority to the Chief Executive who reports to the Board on all material stakeholder issues and takes responsibility for incorporating these into BBI’s strategy and risk management. Stakeholder engagement practices align with the Company’s Culture and values.

Engagement norms include inclusivity, accountability, and responsiveness. Stakeholder engagement performance is measured as a key performance indicator in the balanced scorecards of stakeholder relationship owners. Stakeholder engagement is decentralised, but the Board has overall responsibility for stakeholder engagement. The monitoring and evaluation of stakeholder engagement is reported to the Social and Ethics Committee and to the Board. BBI has adopted guidelines from the AA1000 standards (Accountability Principles Standard 2008 and the AA1000 Stakeholder Engagement Standard 2011).

ICT Management

The Board is responsible for information technology governance, risk, and compliance. In the year under review, the Board delegated the responsibility for the implementation of IT governance to the management team. The management team has developed an IT Governance Framework, which was adopted by the Information Technology Oversight Committee currently in place. The IT Oversight Committee plays a crucial role in driving IT programs across the Company to ensure it is effectively communicated and that all employees are informed of the framework and associated Information technology policies, such as the Information Security Policy and the use of allocated IT devices policy. In order to ensure that the technology function is properly equipped to support the growing business environment, 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 that are aligned with the IT framework. During the year, the Board established a committee to oversee Knowledge Management and Information Technology.

Regulatory Universe and Prioritised Regulatory Universe

The Regulatory Universe (RU) was reviewed during the year of reporting by Senior Management and EXCO. The RU was recommended for approval by the ARC and approved by the Board. The Board takes ultimate responsibility and accountability for the content and updating of the RU and implementation of compliance. The RU was filtered to top 16 pieces of legislation that are key to BBI and monitored closely.

Remuneration

Our Approach to Remuneration

The company has adopted the legislative guideline which advocates for equal pay for work of equal value. The underlying principle is non-discriminative or unjustifiable remuneration discrepancies. This philosophy is maintained through adherence to market benchmarking and follows the principle of remunerating at 50th percentile for the requisite skills, up to 75th percentile for exceptional performance and excessive performance for non-core position, and up to 90th percentile for critical core positions. This implicitly recognises the professional technical career stream and a management career stream.

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 (NED)

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). These Remuneration Standards were adopted by the DCDT and have been approved by cabinet. The HRRC has approved remuneration policies and practices that are aligned with the DPE Remuneration Standards that achieve the best value for the Shareholders and all stakeholders.

The Shareholder Compact for 2020/21 was signed between the Board of Directors and the Executive Authority (Minister). The Shareholder Compact established the basis for effective performance monitoring, evaluation, and corrective action. BBI has submitted quarterly performance reports to the Shareholders as required in Treasury Regulation 29.3, within 30 days of the end of each quarter of the financial year.

Executive Remuneration

The Executive Management 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 recommended by the HRRC and approved by the Board.

Employee Remuneration and Benefits Management

In order to incentivise the productive behaviour and motivate for increase in sales among the sales staff, a sales compensation structure was designed and has been implemented over the past two financial years. This has introduced another dimension to the remuneration practice where a category of employees are on a remuneration structure modelled in a pay mix of 70% guaranteed pay and 30% pay earned through commission. The scheme is still being run on a pilot to determine its appropriateness and whether any aspects thereof need modification to ensure fairness and achievement of intended purpose.

Although the usual preparations for the annual substantive negotiations with the recognised union to determine review of conditions of service for employees at bargaining level were initiated, the process was shrouded by several factors. Apart from benchmarking survey results analysis, attending workshops where employers get expert advice on pertinent issues, arranging training for the negotiation skills for the representatives the composition of a submission to request approval of the mandate by the HRRC is a critical imperative. This ensures that the management of labour cost receives attention at all monitoring levels and is kept within the cost efficiency ratio of 30% of revenue to remain affordable.





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Audit and Risk Committee Report



1. Audit and Risk Committee Report for the 2020/21 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 Public Finance Management, Act No.1 of 1999 (PFMA), as amended. 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 Nokuthula Selamolela (Chairperson and Non-Executive Director), Mr Lungile Mabece (Non-Executive Director) and Ms Zandile Kabini (Non-Executive Director). The Audit and Risk Committee was in place for the 2019/20 financial year and the members were re-appointed by the shareholders at the Company’s AGM on the 16 December 2020 as required in terms of section 94(2) the Companies Act 71 of 2008.

There were five (5) meetings held during the financial year ended 2020/21. 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.

No.	1	2	3	4	5	
Meeting Dates	23/04/2020	08/06/2020	28/08/2020	16/10/2020	22/02/2021	Total
Names of Directors						
N Selamolela**	✓	✓	✓	✓	✓	5/5
Z Kabini	✓	✓	✓	✓	✓	5/5
L Mabece	✓	✓	A	A	✓	3/5
Executives						
AD Matseke	✓	✓	✓	✓	✓	5/5
I Van Niekerk	✓	✓	✓	✓	✓	5/5

A Absent with apology
✓ Attendance
** Chair of Audit and Risk Committee

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Audit and Risk Committee Report (continued)

During the 2020/21 financial year, the Audit and Risk Committee:

- Approved the 2021/22 Internal Audit Plan and Internal Audit Charter;
- 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 (IAF), 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;
- Liaised with the Board Committees and met as required with the regulators and separately with internal and external auditors;
- Ensured that the Integrated Assurance model was applied to provide a coordinated approach to all assurance activities; and
- Ensured that the Integrated 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 and the Risk and Integrated Assurance Committee, 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 judgments 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 (APP) that was tabled in parliament and the shareholders approved stretch target.



Bojane Segooa
Chairperson Audit and Risk Committee

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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 Public Finance Management Act No.1 of 1999 and Financial Reporting Pronouncements issued by the Financial Reporting Standards Council. 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 and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments 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.

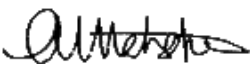
The directors have reviewed the Company's cash flow forecast for the year to 31 March 2022 and, in light of this review and the current financial position, they are satisfied that the Company has or had access to adequate resources to continue in operational existence for the foreseeable future.

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 102 to 105.

The Annual Financial Statements set out on pages 108 to 146, which have been prepared on the going concern basis, were approved by the board of directors on 30 July 2021 and were signed on their behalf by:



Leah Khumalo
Chairperson of the Board



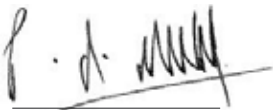
Andrew Matseke
Chief Executive Officer



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.



Phatang Nkhereanye
Acting Company Secretary

ANNUAL FINANCIAL STATEMENTS

Independent Auditor's report

Report on the audit of the financial statements

Opinion

1. We have audited the financial statements of the Broadband Infraco SOC Limited set out on pages 108 to 146, which comprise the statement of financial position as at 31 March 2021, the Statement of Profit or Loss and Other Comprehensive Income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to financial statements, including a summary of significant accounting policies.
2. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Broadband Infraco SOC Limited as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, 2008 (Act No. 71 of 2008) and the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis of opinion

3. 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 financial statements section of our report.
4. We are independent of the company in accordance with Independent Regulatory Board for Auditors' Code of Professional Conduct for Auditors (IRBA Code) and other independence requirements applicable to performing audits of 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 corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards).
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to financial sustainability

6. We draw attention to the matter below. Our opinion is not modified in respect of this matter.
7. We draw attention to note 28 to the financial statements, which indicates that the company incurred a net loss of R106 330 000 during the year ended 31 March 2021 and, as of that date the company's current liabilities exceeded its current assets by R256 171 000. As stated in note 28, these events or conditions, along with other matters as set forth in note 28, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Responsibilities of accounting authority for the financial statements

8. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act of South Africa and the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the company'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 company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

10. Our objectives are to obtain reasonable assurance about whether the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected outcomes presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.
13. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the company's approved performance planning documents. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures do not examine whether the actions taken by the company enabled service delivery. Our procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters. .
14. 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 outcomes presented in the company's annual performance report for the year ended 31 March 2021:

Outcomes	Pages in the annual performance report
Outcome 3: An increased base achieved through customer fulfilment and state-of-the-art infrastructure and services	76
Outcome 4 - The preferred partner of Government in enabling the digital transformation	77

15. We performed procedures to determine whether the reported performance information 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..
16. We did not identify any material findings on the usefulness and reliability of the reported performance information for these outcomes

Report on the audit of compliance with legislation

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the company's compliance with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.
18. The material finding on compliance with specific matters in key legislation is as follows:

Expenditure management

19. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R6,075 million as disclosed in note 29 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by goods/services not being procured through a procurement process and the irregular was identified in previous years

Other information

20. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' 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 and those selected outcomes presented in the annual performance report that have been specifically reported in this auditor's report.
21. Our opinion on the financial statements and my 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 on it.
22. 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 financial statements and the selected outcomes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
23. We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

ANNUAL FINANCIAL STATEMENTS

Independent Auditor’sreport

Internal control deficiencies

24. We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matter reported below is limited to the significant internal control deficiencies and the findings on compliance with legislation included in this report.
25. Management did not effectively monitor compliance with applicable legislation, which resulted in irregular expenditure.

Auditor tenure

26. In terms of the IRBA rule published in Government gazette number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditors of Broadband Infraco SOC Limited for 1 year.



Nexia SAB&T
C. Chigora
Director
Registered Auditor
31 July 2021

Annexure – Auditor’s responsibility for the audit

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

Financial statements

2. In addition to our responsibility for the audit of the financial statements as described in this auditor’s report, we also:
 - identify and assess the risks of material misstatement of the 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 our 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 the board of directors, which constitutes the accounting authority.
 - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Broadband Infracore SOC Limited to continue as a going concern. If we conclude that a material uncertainty exists, we are 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 our opinion on the financial statements. Our conclusions are based on the information available to us at the date of this auditor’s report. However, future events or conditions may cause a company to cease operating as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. We communicate with the accounting authority 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.
4. We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

ANNUAL FINANCIAL STATEMENTS

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 2021.

1. Review of financial results and activities

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards, the Public Finance Management Act 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 1.21% from R 469 million in the prior year to R 463 million for the year ended 31 March 2021.

Company cash generated from operations decreased from R123 million in the prior year to R50 million for the year ended 31 March 2021.

2. Share capital

Refer to note 9 of the Annual Financial Statements for detail of the movement in authorised and issued share capital.

3. Events after the reporting period

In 2016, Broadband Infraco SOC Limited embarked on a journey to have the shareholder convert its loan into equity in an effort to improve the entity's balance sheet position and improve its prospects of obtaining third party funding from both the private sector and the government sector. Subsequent to year end, the shareholder completed all the processes required and approved the conversion of its loan to equity on the 16th of April 2021.

Due to the most significant processes that were key to the transaction having been completed before the financial year ended 31 March 2021, management concluded that the conversion was an adjusting post balance event and therefore accounted for it as such. Refer to note 9 in the financial statements for the impact of this loan conversion to equity as well as the statement of changes in equity

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 of 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

Nexia SAB&T was appointed as auditors for the Company for the year ended 31 March 2021.

At the AGM, the Shareholders will be requested to reappoint Nexia SAB&T as the independent external auditors of the Company for the 2021/22 financial year.

6. Secretary

The Acting Company Secretary is Mr P Nkhereanye.

7. Approval of Annual Financial Statements

The Annual Financial Statements set out on pages 108 to 146, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 July 2021, and were signed on its behalf by:



Leah Khumalo
Chairperson of the Board



Andrew Matseke
Chief Executive Officer



ANNUAL FINANCIAL STATEMENTS

Statement of Financial Position as at 31 March 2021

	Note(s)	2021 R '000	2020 R '000
Assets			
Non-Current Assets			
Property, plant and equipment	3	880,437	991,883
Right-of-use assets	4	25,576	52,146
Intangible assets	5	63,676	77,095
Prepayments	6	7,784	10,062
		977,473	1,131,186
Current Assets			
Trade and other receivables	7	72,733	44,460
Prepayments	6	10,634	3,958
Cash and cash equivalents	8	87,636	109,630
		171,003	158,048
Total Assets		1,148,776	1,289,234
Equity and Liabilities			
Equity			
Share capital	9	1,829,530	-
Accumulated loss		(1,423,758)	(1,317,428)
		405,772	(1,317,428)
Liabilities			
Non-Current Liabilities			
Loans from Shareholders	10	-	1,472,699
Lease liabilities	4	-	27,046
Contract liabilities	11	315,530	373,476
Deferred gain	12	-	246,378
		315,530	2,119,599
Current Liabilities			
Trade and other payables	13	224,254	172,579
Lease liabilities	4	30,333	29,542
Contract liabilities	11	148,410	141,489
Provisions	14	2,013	1,785
Current portion of long term liability	15	-	17,621
Employee benefit obligation	16	22,164	13,595
Deferred gain	12	-	110,452
		427,174	487,063
Total Liabilities		742,704	2,606,662
Total Equity and Liabilities		1,148,476	1,289,234

ANNUAL FINANCIAL STATEMENTS

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2021 R '000	2020 R '000
Revenue	18	463,136	468,830
Cost of sales	19	(222,226)	(216,610)
Gross profit		240,910	252,220
Other operating income	20	3,417	109,077
Expected credit losses		(2,932)	(1,942)
Other operating expenses		(334,091)	(355,151)
Operating profit (loss)	21	(92,696)	4,204
Investment income	23	2,836	7,067
Finance costs	24	(16,383)	(122,272)
Loss before taxation		(106,243)	(111,001)
Taxation	25	(87)	-
Loss for the year		(106,330)	(111,001)
Other comprehensive income		-	-
Total comprehensive loss for the year		(106,330)	(111,001)

ANNUAL FINANCIAL STATEMENTS
Statement of Changes in Equity

	Share capital R '000	Accumulated loss R '000	Total equity R '000
Balance at 01 April 2019	-	(1,206,427)	(1,206,427)
Loss for the year	-	(111,001)	(111,001)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	-	(111,001)	(111,001)
Balance at 01 April 2020	-	(1,317,428)	(1,317,428)
Loss for the year	-	(106,330)	(106,330)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	-	(106,330)	(106,330)
Issue of shares	1,829,530	-	1,829,530
Total contributions by and distributions to owners of company recognised directly in equity	1,829,530	-	1,829,530
Balance at 31 March 2021	1,829,530	(1,423,758)	405,772

Note(s)

9

ANNUAL FINANCIAL STATEMENTS

Statement of Cash Flows

	Note(s)	2021 R '000	2020 R '000
Cash flows from operating activities			
Cash generated from operations	26	49,808	123,145
Interest income		2,836	7,067
Finance costs		(7,786)	(5,335)
Other non-cash item		-	(7,734)
Net cash from operating activities		44,858	117,143
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(13,919)	(66,111)
Sale of property, plant and equipment	3	-	455
Purchase of other intangible assets	5	(500)	-
Net cash from investing activities		(14,419)	(65,656)
Cash flows from financing activities			
Movement in long term payment arrangements		(17,621)	(14,393)
Payment of lease liabilities		(34,812)	(22,604)
Net cash from financing activities		(52,433)	(36,997)
Total cash movement for the year		(21,994)	14,490
Cash at the beginning of the year		109,630	95,140
Total cash at end of the year	8	87,636	109,630

ANNUAL FINANCIAL STATEMENTS

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 2021 were authorised for issue in accordance with a resolution of the directors on Monday, 30 July 2021.

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 No.1 of 1999 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 has 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 Company'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 Company's funding is acquired through government grants or other forms of financial assistance from government*
Broadband Infraco does not currently nor are there any indications that they will at any time in the future, receive any funding or financial assistance from government.

Based on the assessment, Management is 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 judgment 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.

Critical judgements in applying accounting policies

The critical judgments 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:

Recognition of deferred tax asset

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences (as applicable) to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be used. The Company applies judgment in assessing whether future taxable profits will be available.

Future taxable profits are determined based on business plans for individual subsidiaries in the Company and the probable reversal of taxable temporary differences in future.

Based on past experience of the financial performance of the entity, the deferred tax asset arising from accumulated tax losses incurred has not been recognised, as it is not probable that taxable profit will be available against which the loss can be utilised.

The cumulative estimated tax loss on which no deferred tax has been recognized is disclosed in note 17.

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.

ANNUAL FINANCIAL STATEMENTS

Accounting Policies (continued)

1.2 Significant judgements and sources of estimation uncertainty (continued)

Details of the considerations are detailed in note 28.

Impairment of financial instruments

The Company has elected the simplified approach to recognise lifetime expected losses for its trade receivables and contract assets as permitted by IFRS 9. The provision model will therefore not include economic environmental changes as assumptions applied in deriving the expected loss on its trade and other receivables. Impairment losses calculated using the simplified approach are calculated using a provision matrix. The provision matrix is a probability weighted model which applies an expected loss percentage, based on the net write-off history experienced on receivables, to each ageing category of receivables at the end of each month in order to calculate the total provision to be raised on the receivable balances. Receivables have been grouped together based on similar credit characteristics and a separate expected loss provision matrix has been calculated for each of the categories based on the net loss history associated to the specific category of receivable.

Twelve month expected credit losses are calculated for cash and cash equivalents using the general approach. Impairments of all other financial assets that are not measured using the simplified approach will be calculated as the difference between the carrying value of the asset and the present value of the expected cash flows, discounted at the original effective interest rate of the instrument.

Impairment of non financial assets

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 five 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 13.7%. The discount rate was independently calculated, taking into account independently gathered data to ensure that the rate is within an acceptable range.

Useful lives of property, plant and equipment and intangible

Management assesses the appropriateness of the useful lives and residual values of property, plant and equipment and intangibles 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 14.

Retention bonus

This 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 within the Company. The retention bonus is based on management estimates.

Long term liabilities

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

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 in 2020 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 was the intention of the shareholders to convert the loans to equity, hence the term of the obligation in 2020 is measured taking this into consideration.

Recognition of revenue

As revenue from broadband services and maintenance services are recognised over time, the amount of revenue recognised in a reporting period depends on the extent to which the performance obligation has been satisfied.

ANNUAL FINANCIAL STATEMENTS

Accounting Policies (continued)

1.2 Significant judgements and sources of estimation uncertainty (continued)

The Company recognises revenue when it transfers control of services to a customer. The Company opted to use the output method for recognising revenue and as such, revenue is recognised on the basis of direct measurement of the value of services transferred to the customer at the date relative to the remaining broadband services and operations and maintenance promised under each contract.

For irrefutable rights of use income, revenue is deferred over the period of the contract. The revenue is recognised on a monthly basis as the services are rendered.

1.3 Property, plant and equipment

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

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 similar 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.

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
Network Infrastructure – 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 depreciation charge for each year is recognised in profit or loss.

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. 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.

Network Infrastructure – Capital 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 at the time they are incurred, less any accumulated amortisation and any impairment losses.

Intangible assets consist of servitudes and licences 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.

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, for the conveyance or provision of telecommunication facilities. They are regarded as having an indefinite useful life because, based on all relevant factors, there is no foreseeable limit to the period over which they are expected to generate net cash inflows. Amortisation is not provided for servitudes, but they are tested for impairment annually and whenever there is an indication that they may be impaired.

For licences, amortisation is 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.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its continued use. 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.

ANNUAL FINANCIAL STATEMENTS

Accounting Policies (continued)

1.4 Intangible assets (continued)

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 amortised
Computer software	5-7 years

1.5 Financial instruments

Classification and reclassification

Classification depends on the business model of the Company as well as the cash flow characteristics of the instrument itself and takes place at initial recognition.

The Company classifies non-derivative financial assets into the following categories:

- Financial assets measured at amortised cost

The Company classifies non-derivative financial liabilities into the following categories:

- Financial liabilities measured at amortised cost

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Company are presented below.

Recognition and measurement

Trade and other receivables

Trade and other receivables comprise of trade receivables, trade receivables with related parties, retention debtors and other receivables. Trade and other receivables exclude, when applicable, VAT receivable and prepayments.

Trade and other receivables are classified as financial assets measured at amortised cost due to the Company's business model whose objective it is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company initially recognises trade and other receivables on the date that they are originated. The trade and other receivables are measured initially at their transaction price, if at initial recognition of the trade and other receivable the Company expects to receive payment within one year or less from date that the goods or services were transferred to the customer.

Trade and other receivables are subsequently measured at amortised cost.

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income in note 23.

Cash and cash equivalents

Cash and cash equivalents comprise of cash balance, cash on hand and short term deposits with maturities of three months or less, from date of acquisition, and that are subject to an insignificant risk of change in their fair value and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are initially measured at fair value and subsequently measured at amortised cost.

Non-derivative financial liabilities

Non-derivative financial liabilities comprises of trade payables, trade payables due to related parties. Non-derivative financial liabilities exclude, when applicable, VAT payable and amounts received in advance.

Non-derivative financial liabilities are recognised on the trade date when the Company becomes a party to the contractual provisions of the instrument. The Non-derivative financial liabilities are measured initially at fair value plus any transaction cost.

Non-derivative financial liabilities are subsequently measured at amortised cost.

Impairment

Trade and other payables

The Company recognise a loss allowance for expected credit losses on trade and other receivables at each reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses.

The Company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate. The customer base is diverse with significantly different loss patterns for different customer segments. The Company aggregates customer segments which share similar credit risk characteristics for purposes of determining the credit loss allowance. Details of the provision matrix, per grouping, is presented in note 7.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in profit or loss under operating expenses.

ANNUAL FINANCIAL STATEMENTS

Accounting Policies (continued)

1.5 Financial instruments (continued)

De-recognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Company derecognise financial liabilities when its contractual obligations are discharged or cancelled, or expired.

Derecognition gains and losses are included in profit and loss.

Long-term liabilities

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

The long-term liabilities are measured initially at fair value plus any transaction cost. The fair value used is an appropriate discount rate. Any differences between the fair value and the transaction prices, if applicable, is recognised in profit or loss.

Long-term liabilities are subsequently measured at amortised cost

1.6 Tax

Deferred tax assets and liabilities

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

A 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.

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:

1.7 Lessee

The Company recognises a right-of-use asset and lease liability in the statement of financial position at commencement of the lease.

The lease liability is measured at the present value of lease payments not paid at commencement date. The Company uses the rate implicit in the lease and if that cannot be determined the incremental borrowing rate at inception of the lease to discount lease payments. The Company generally uses the incremental borrowing rate. Lease payments include all fixed payments per contract.

The Company subsequently measures the lease liability using the effective interest rate method. The lease liability is remeasured if there is a change in the variable payments linked to an index or rate, if the Company changes its assessment of whether or not it will exercise the option to purchase or option to renew the agreement, or if there is a change in the estimated amount payable under a residual value guarantee. The right-of-use asset is adjusted with the corresponding adjustment to the extent that the balance is reduced to zero, thereafter the adjustments are recognised in profit and loss.

The lease liability is presented as a separate line in the statement of financial position.

The right-of-use asset is measured initially at cost which comprise of the initial amount of the lease liability plus any lease payments made on or before commencement date, plus any direct cost incurred and an estimate of cost to dismantle or restore the underlying asset, less any lease incentives.

The right-of-use asset is subsequently depreciated, on a straight-line basis, over the lease term. Depreciation is recognised in profit and loss and presented as part of other expenses. The right-of-use asset is annually assessed for impairment and adjusted for any re-measurements of the lease liability or modifications of the agreement.

ANNUAL FINANCIAL STATEMENTS

Accounting Policies (continued)

1.7 Lessee (continued)

Short-term leases and low-value assets

The Company has elected not to recognise a right-of-use asset and lease liability for all short-term leases with a lease term of 12 months or less and all low-value assets. The lease payments of these leases are recognised on a straight-line basis over the lease term.

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.

1.9 Share capital and equity

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

1.10 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 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.

The expected cost of 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.

1.11 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 the Company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

1.12 Revenue

Revenue from contracts with customers

The Company recognises revenue from the following major sources:

- Sale of broadband services
- Operations and maintenance and
- Co-location

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of services to a customer. The Company opted to use the output method for recognising revenue and as such, revenue is recognised on the basis of direct measurement of the value of services transferred to the customer at the date relative to the remaining broadband services and operations and maintenance promised under each contract.

For bundled packages, the Company accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it.

The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Company sells broadband services and maintenance services.

ANNUAL FINANCIAL STATEMENTS

Accounting Policies (continued)

1.12 Revenue (continued)

Sale of broadband services

The Company provides the sale of broadband services through its national and international backhaul network facilities. In addition the Company earns installation fees for installation services attached to the provision of the broadband services. The broadband service is highly dependent and interrelated with the installation services. The broadband service and installation services are therefore viewed as a single performance obligation. Customers either pay in advance for these services (see irrefutable rights of income below) or pay monthly in equal instalments over the contractual period.

Sale of maintenance services

The Company recognises revenue from these services as maintenance is performed. Revenue is recognised on the basis of direct measurement of the value of services transferred to the customer at the date relative to the remaining operations and maintenance promised under each contract over time.

Irrefutable rights of use income

Some contracts may require an upfront payment which is the typical payment terms of the industry in which the Company operates. The primary purpose of those payment terms may be to provide the customer with assurance that the Company will complete its obligations satisfactorily under the contract, rather than to provide financing to the customer, therefore no significant financing component exists.

Revenue is deferred over the period of the contract. The revenue is recognised on a monthly basis as the services are rendered.

Co-location

This is offered to customers that procure capacity from the Company. The customer will indicate the size of the equipment together with the power consumption to interconnect with the Company at the specific PoP.

The Company recognises revenue from these services as they are provided. Revenue is recognised on the basis of direct measurement of the value of services transferred to the customer at the date relative to the remaining broadband services and operations and maintenance promised under each contract.

1.13 Cost of sales

The related cost of providing services recognised as revenue in the current period is included in cost of sales. The cost of sales relate to the following revenue sources:

- Sale of broadband services
- Maintenance services

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.

1.14 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.

In circumstances where the Company receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the Company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, Company determines a date of transaction for each payment or receipt of advance consideration.

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.

ANNUAL FINANCIAL STATEMENTS

Accounting Policies (continued)

1.15 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.

1.16 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. Receivables for services provided to customers is off-set against amounts for services acquired from the same customer.

1.17 Contract liabilities

Contract liabilities 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.

1.18 Irregular expenditure

Irregular expenditure is recorded in the note 29 to the Annual 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. This is after the irregular expenditure is confirmed by the loss control steering committee as guided by the irregular expenditure framework issued by the National Treasury.

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.

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure 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. Note 29.

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.

1.20 Deferred gains

Gains representing the difference between the fair value of the financial liabilities at recognition and date and the transaction price, are recognised 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, are 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.

1.21 Prepayments made

Prepayments comprise Irrefutable Right of Use, insurance premiums and mostly rental expenses that are payable in advance.

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 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 April 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Classification of Liabilities as Current or Non-Current – Amendment to IAS 1	01 January 2023	Unlikely there will be a material impact
IFRS 17 Insurance Contracts	01 January 2023	Unlikely there will be a material impact
Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	01 January 2022	Unlikely there will be a material impact
Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022	Unlikely there will be a material impact
Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022	Unlikely there will be a material impact
Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022	Unlikely there will be a material impact
Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022	Unlikely there will be a material impact
Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	01 January 2022	Unlikely there will be a material impact

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

3. Property plant and equipment

R'000	2021			2020		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Motor vehicles	5,205	(4,774)	431	5,205	(4,549)	656
Office equipment	10,582	(8,395)	2,187	10,569	(7,886)	2,683
Computer equipment	19,872	(17,883)	1,989	18,800	(17,042)	1,758
Network Infrastructure	2,259,873	(1,515,611)	744,262	2,258,170	(1,394,626)	863,544
Spares and test equipment	42,220	(22,736)	19,484	41,673	(19,932)	21,741
Network Infrastructure - Capital Work in progress	112,084	-	112,084	101,501	-	101,501
Total	2,449,836	(1,569,399)	880,437	2,435,918	(1,444,035)	991,883

Reconciliation of property plant and equipment - 2021

R'000	Opening balance	Additions	Transfers	Depreciation	Total
Motor vehicles	656	-	-	(225)	431
Office equipment	2,683	13	-	(509)	2,187
Computer equipment	1,758	1,072	-	(841)	1,989
Network Infrastructure	863,544	1,213	490	(120,985)	744,262
Spares and test equipment	21,741	548	-	(2,805)	19,484
Network Infrastructure - Capital Work in progress	101,501	11,073	(490)	-	112,084
	991,883	13,919	-	(125,365)	880,437

Reconciliation of property plant and equipment - 2020

R'000	Opening balance	Additions	Disposals	Transfers	Other changes movements	Depreciation	Total
Motor vehicles	882	-	-	-	-	(226)	656
Office equipment	3,751	-	(13)	-	-	(1,055)	2,683
Computer equipment	2,563	990	(50)	-	-	(1,745)	1,758
Network infrastructure	931,944	4,759	(378)	48,643	(407)	(121,017)	863,544
Spares and test equipment	22,200	2,302	(14)	-	-	(2,747)	21,741
Network infrastructure - Capital Work in progress	92,398	58,060	-	(48,643)	(314)	-	101,501
	1,053,738	66,111	(455)	-	(721)	(126,790)	991,883

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.

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements

3. Property plant and equipment (continued)

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. Lease liabilities and Right-of-use assets

Details pertaining to leasing arrangements, where the Company is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

	2021 R'000	2020 R'000
Property	8,320	52,146
Fibre	17,256	-
	25,576	52,146
Additions to right-of-use assets		
Property	3,133	79,192

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 21), as well as depreciation which has been capitalised to the cost of other assets.

	2021 R'000	2020 R'000
Property	7,600	27,046
IT equipment Fibre	209	-
Fibre	22,187	-
	29,996	52,146

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

4. Lease liabilities and Right-of-use assets (continued)

	2021 R'000	2020 R'000
Other disclosures		
Interest expense on lease liabilities	6,313	7,734
Lease liabilities		
Non-current liabilities	-	27,046
Current liabilities	30,333	29,542
	30,333	56,588

Exposure to liquidity risk

Refer to note 31 Financial instruments and risk management for the details of liquidity risk exposure and management.

Exposure to currency risk

Refer to note 31 Financial instruments and financial risk management for details of currency risk management for lease liabilities.

5. Intangible assets

R'000	2021			2020		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Computer software	116,832	(65,867)	50,965	116,333	(51,949)	64,384
Servitudes	12,711	-	12,711	12,711	-	12,711
Total	129,543	(65,867)	63,676	129,044	(51,949)	77,095

Reconciliation of intangible assets - 2021

R'000	Opening balance	Additions	Amortisation	Total
Computer software	64,384	500	(13,919)	50,965
Servitudes	12,711	-	-	12,711
	77,095	500	(13,919)	63,676

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

5. Intangible assets (continued)

Reconciliation of intangible assets – 2020

R'000	Opening balance	Amortisation	Total
Computer software	78,309	(13,925)	64,384
Servitudes	12,711	–	12,711
	91,020	(13,925)	77,095

Intangible assets consist of servitudes and licences 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.

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, for 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.

6. Prepayments

	2021 R'000	2020 R '000
Insurance	2,559	2,424
Operating expenses	6,936	1,534
Irrefutable Right of Use	8,923	10,062
	18,418	14,020
Non-Current Assets	7,784	10,062
Current Assets	10,634	3,958
	18,418	14,020

7. Trade and other receivables

	2021 R'000	2020 R '000
Financial instruments at amortised costs:		
Trade receivables	81,022	50,681
Loss allowance	(10,225)	(7,293)
	70,797	43,388
Accrued interest	31	65
Non-financial instruments:		
VAT	880	–
Deposits	1,025	1,007
Total trade and other receivables	72,733	44,460

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

7. Trade and other receivables (continued)

Trade and other receivables pledged as security

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

Exposure to credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country, in which the customers operate, has a major influence on credit risk.

The Company has established a policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Exposure limits are established for each customer in accordance with the approved contracts and the Company's approval framework.

The majority of the Company's customers have had transactions with the Company over the years, and losses have occurred infrequently.

The Company does not require collateral in respect of trade and other receivables, as it mainly renders services to major companies in the industry in which the Company operates.

The Company established an allowance for impairment that represents its estimated and anticipated losses in respect of trade and other receivables.

The historical impairment loss rate has been defined as the historical impairment provision for each risk category of debtor as a percentage of total historical revenue. The previous financial year has been used as the period to assess. This decision was due to the Company never previously completely writing off any amounts owing. Therefore, the previous financial year was deemed a good base, as the number of customers increased during the financial year. The period used should be identical to the historical period used in calculating the historical write-off percentage.

The historical loss rate for foreign and local large customers were assessed at 0%. This is because the probability that any of the customers belonging to any of these categories being impaired is close to zero.

The creation and release of allowance for impairment has been included in the operating expenses in profit or loss. Trade receivables are generally written off when there is no expectation of recovering additional cash.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

7. Trade and other receivables (continued)

The following loss rates were adopted for local medium sized customers:

R'000	2021	2021	2020	2020
	Estimated gross carrying amount at default	Loss allowance (lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (lifetime expected credit loss)
Expected credit loss rate:				
Not past due: 2.4%	2,147	52	1,760	43
31 – 60 days past due: 3.6%	1,224	44	1,032	37
61 – 90 days past due: 5.1%	835	43	684	35
91 – 120 days past due: 9.1%	789	72	717	65
121 – 150 days past due: 22.5%	492	110	501	112
151 – 180 days past due: 46.8%	621	290	474	222
More than 181 days past due: 100%	9,614	9,614	6,779	6,779
Total	15,722	10,225	11,947	7,293

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

Credit risk

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Current accounts

Short-term deposits

2021 R'000	2020 R'000
3,675	13,761
83,961	95,869
87,636	109,630

Included in the short-term deposits balance is amounts received in advance from the Department of Communications and Digital Technologies. This is recognised when invoices are issued and is disclosed as a contract liability in note 11, for service not yet rendered as stated below:

Ultimate Holding Company

69,192	76,287
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Credit quality of cash at bank and cash and cash equivalents, excluding cash on hand

The credit quality of cash at bank and cash and cash equivalents, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counter party default rates given that the credit quality of the expected credit losses were determined to be immaterial.

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

8. Cash and cash equivalents (continued)

Fair value

The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturity of these financial assets.

9. Share capital

	2021 R'000	2020 R '000
Authorised		
Ordinary	1,000	1
Reconciliation of number of shares issued:		
Reported as at 01 April 2020	1	1
Issue of shares	999	-
	1,000	1
Issued		
Ordinary *	-	-
Industrial Development Corporation of South Africa	478,400	-
Department of Communications and Digital Technologies	1,351,130	-
	1,829,530	-

Shares are held as follows:

- 740,000 ordinary shares held by the State, represented by Department of Telecommunications and Digital Technologies.
- 260,000 ordinary shares held by the Industrial Development Corporation of South Africa.

* Amounts less than R1 000.

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

10. Loans from shareholders

	2021 R'000	2020 R '000
Department of Telecommunications and Digital Technologies	-	1,087,606
Industrial Development Corporation of South Africa	-	385,093
	-	1,472,699

The loans were unsecured, had no fixed terms of repayment, bore no interest and were subordinated by the Shareholders to the Company. The agreement stated that the loans may be repaid subject to the availability of funds from time to time, however this was based on a mutual agreement between the Shareholders and the Company. The nominal amount of the loans were R1,829,530, before being discounted and restated at the value above. The period and the interest rate used to discount the Shareholder loans were 15 years and 7.5% (Johannesburg Inter Bank Repo Rate plus one) respectively.

The conversion of the shareholders loan was completed on the 16th of April 2021. Management accounted for the conversion as an adjusting post balance sheet event. Refer to note 9 in the annual financial statements for more details.

11. Contract liabilities

Contract liabilities 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.

Non-current liabilities	315,530	373,476
Current liabilities	148,410	141,489
	463,940	514,965
Reconciliation of Contract liabilities		
Opening balance	514,965	559,177
Payments received	213,911	137,546
Revenue recognised in the reporting period that was included in the opening balance	(208,775)	(165,388)
Revenue recognised in the reporting period from new contracts concluded	(56,161)	(16,370)
Closing balance	463,940	514,965

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Notes to the Annual Financial Statements (continued)

12. 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.

The shareholders loan together with the related deferred gains were converted to equity during the period under review.

	2021 R'000	2020 R '000
Non-current Liabilities	-	246,378
Current Liabilities	-	110,452
	-	356,830
Reconciliation of deferred gain		
Opening balance	356,830	459,576
Recognised in profit and loss	-	(102,746)
Derecognised on conversion	(356,830)	-
Closing balance	-	356,830

13. Trade and other payables

Financial instruments:

Trade payables	214,470	162,812
Internal audit	-	266
Accrual for external audit	1,102	1,264
Deposits received	26	26

Non-financial instruments:

Accrued leave pay	5,931	4,820
PAYE	2,725	2,305
VAT	-	1,086
	224,254	172,579

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Notes to the Annual Financial Statements (continued)

14. Provisions

Reconciliation of provisions – 2021

R'000	Opening balance	Addition	Total
Legal proceedings	600	–	600
Other provisions	1,185	228	1,413
	1,785	228	2,013

Reconciliation of provisions – 2020

R'000	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Legal proceedings	600	–	–	–	600
Other provisions	3,611	808	(756)	(2,478)	1,185
	4,211	808	(756)	(2,478)	1,785

Legal proceedings

The provision relates to legal costs that are estimated to be paid by Broadband for the drafting of the loan facility agreement. The timing of the repayment is subject to Broadband Infraco being granted the loan facility, of which is uncertain.

Other provisions

The other provisions relates to provision for credit notes. These are for services that did not meet the service level agreements and rebates have to be issued.

15. Long term payment arrangements

	2021 R'000	20120 R '000
Current liabilities	–	17,621

This liability relates to the maintenance and fibre lease costs for the period November 2015 – 28 May 2018. Two agreements were reached to settle this interest free debt over the next 36 months. The liability was settled in full in the current year.

16. Employee benefit obligation

This represents a retention bonus provision that relates to reviews to be completed with the qualifying employees based on individual's and Company's current year performance. It is probable that the Board may approve a payout to qualifying employees in the following financial year, as an enabler to retain core skills within the Company. The retention bonus is based on management's estimate

Provision for Retention Bonus	22,164	13,595
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Notes to the Annual Financial Statements (continued)

17. Deferred tax

Deferred tax liability

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Reconciliation of deferred tax asset

Movement in temporary differences

Deferred tax assets not recognised

At end of the year

2021 R'000	2020 R '000
(13,370)	9,043
13,370	(9,043)
-	-

Recognised (cumulative balances)

IFRS 16 Right of Use Assets

IFRS 16 Liability

Capital allowances

Prepayments

Provision for bad debts

Leave pay accrual

Doubtful debt allowance

Bonus provision

Credit note provision

Variable remuneration

Other provisions

Unrealised foreign exchange differences

Contract liability

Deferred tax asset not recognised

(7,161)	(14,601)
8,493	15,845
41,256	3,331
(3,525)	(1,316)
2,863	2,042
1,661	1,350
(1,145)	(817)
(6,206)	3,807
396	332
8	82
168	168
219	152
129,903	144,190
(166,930)	(154,565)
-	-

The unused tax losses amount to R 900 693 383 (2020: R 842 056 865)

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Notes to the Annual Financial Statements (continued)

18. Revenue

Revenue from contracts with customers

Rendering of services

2021 R'000	2020 R '000
463,136	468,830

Disaggregation of revenue from contracts with customers

The Company disaggregates revenue from customers per type of service as follows:

Rendering of services

Co-location

Broadband services

Operations and maintenance

3,356	3,583
442,023	429,241
17,757	36,006
463,136	468,830

Local

Co-location

Broadband services

Operations and maintenance

2,434	2,886
415,030	410,899
4,781	26,002
422,245	439,787

Foreign

Co-location

Broadband services

Operations and maintenance

922	697
26,993	18,342
12,976	10,004
40,891	29,043

Timing of revenue recognition

Over time

Rendering of services

(463,136)	(468,830)
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ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

19. Cost of sales

	2021 R'000	2020 R '000
Rendering of services	222,226	216,610
Rendering of services		
Cost of broadband services	125,523	107,493
Maintenance	96,703	109,117
	222,226	216,610

20. Other operating income

Compensation from insurance claims	430	466
Recoveries	2,987	5,192
Deferred gain recognised	-	103,419
	3,417	109,077

21. Operating profit (loss)

Operating (loss) profit for the year is stated after charging (crediting) the following, amongst others:

Employee costs

Salaries	121,860	124,779
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Depreciation and amortisation

Depreciation of property, plant and equipment	125,365	126,790
Depreciation of right-of-use assets	29,996	27,046
Amortisation of intangible assets	13,919	13,925
Total depreciation and amortisation	169,280	167,761

Service Fees

Co-sourcing	8,743	9,712
Consulting and professional	2,129	1,813
External Audit fees	764	1,541
Internal audit fees	(153)	1,252
Legal fees	1,087	1,822
	12,570	16,140

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

21. Operating profit (loss) (continued)

	2021 R'000	2020 R '000
General and administrative expenses		
Membership fees	1,055	1,057
IT expenses	1,473	1,973
Insurance	2,936	2,050
Repairs and maintenance	4,151	10,046
Electricity	5,485	5,149
Training	617	1,493
Travel – local	1,351	3,972
Licence fees	3,244	3,108
Petrol and oil	2,103	1,836
Security	2,970	3,185
Telephone and fax	838	602
	26,223	34,471

22. Employee costs

Employee costs		
Basic salaries	111,266	115,336
Other payroll expenses	10,594	9,443
	121,860	124,779

23. Investment income

Interest income		
Investments in financial assets		
Bank	1,502	3,842
Trade and other receivables	39	1,696
Unrealised foreign exchange gains	1,295	1,529
Total interest income	2,836	7,067

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

24. Financial costs

	2021 R'000	2020 R '000
Realised loss on foreign exchange transactions	2,284	3,308
Lease liabilities	6,313	7,734
Interest paid	7,786	5,335
Discounted interest charge*	-	105,895
	16,383	122,272

*The interest is as a result of the present valuing of shareholders loans. Refer to Note 10 in the Annual Financial Statements for more detail.

25. Taxation

Major components of the tax expense

Current

Foreign income tax or withholding tax – recognised	87	-
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Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting loss	(106,243)	(111,001)
Tax at the applicable tax rate of 28% (2020: 28%)	(29,748)	(31,080)

Tax effect of adjustments on taxable income

International travel	-	96
WACS recovery	(75)	(188)
Deferred tax not recognised	29,823	31,172
	-	-

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

26. Cash generated from operations

	2021 R'000	2020 R '000
Loss before taxation	(106,243)	(111,001)
Adjustments for:		
Depreciation and amortisation	169,280	167,761
Interest income	(2,836)	(7,067)
Finance costs	16,383	122,272
Movements in provisions	228	(2,426)
Movement in contract liabilities	(51,025)	(44,212)
Movement in employee benefit obligation	8,569	7,149
Changes in working capital:		
Trade and other receivables	(31,239)	46,317
Prepayments	(4,398)	2,483
Trade and other payables	51,089	44,615
Movement in deferred gain	-	(102,746)
	49,808	123,145

27. Related parties

Relationships	
Ultimate holding party – Executive authority	The state, represented by the Department of Communication and Digital Technologies
Shareholder with significant influence	Industrial Development Corporation of South Africa
Departments	Department of Science and Technology
Major public entities	Eskom, Transnet, CSIR, Sentech, SITA, ICASA

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

27. Related parties (continued)

	2021 R'000	2020 R '000
Related party balances		
Loan accounts – Owing (to) by related parties		
Department of Communications and Digital Technologies	-	1,087,606
Industrial Development Corporation of South Africa	-	385,093
Shareholders Equity		
Department of Communications and Digital Technologies	1,351,130	-
Industrial Development Corporation of South Africa	478,400	-
Amounts included in Trade Receivables (Trade Payable) regarding related parties		
Eskom	93	31
Sentech	1,566	-
SITA	8,146	-
Transnet	2,942	3,053
CSIR	(948)	(1,984)
Eskom	(87,639)	(49,032)
Sentech	(6,054)	(409)
Transnet	(69,681)	(26,029)
Department Ultimate holding company	-	118
Contract liabilities		
Departments	15,683	17,556
Ultimate holding Company	76,649	75,000
CSIR	243,204	278,803
Related party transactions		
Purchases from (sales to) related parties		
CSIR	(39,805)	(54,547)
Sentech	(1,989)	(1,337)
SITA	(71,146)	(79,081)
Transnet	(2,322)	(2,721)
Eskom	71,008	92,597
ICASA	2,115	1,915
Sentech	9,559	3,790
SITA	-	441
Transnet	77,924	67,539
Departments	(7)	(107)
Ultimate Holding Company	(133,484)	(89,869)

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

27. Related parties (continued)

Compensation to directors and other key management

	2021 R'000	2020 R '000
Short-term employee benefits – Non-executive directors	2,895	2,966
Short-term employee benefits – Executive directors	5,317	5,317
Short-term employee benefits – Key management	8,488	8,722
	16,700	17,005

Refer to note 30 for breakdown.

28. Going concern

We draw attention to the statement of profit and loss and other comprehensive income, which indicates that the Company incurred a net loss of R106,330m during the year ended 31 March 2021 and, as of that date the Company's current liabilities exceeded its current assets by R256, 171m. The Company had accumulated losses of R 1,423,758m and that the Company's total assets exceed its liabilities by R 405,772m.

Although the liquidity position of the Company remains under pressure, the conversion of the shareholders' loans into equity during the year drastically improved the overall solvency of the Company, with total assets exceeding total liabilities for the first time in many years. This positive net asset base is expected to drastically improve the entity's prospects of raising funds from third parties which include the private sector and government entities. The Company will use this position to secure additional lines of credit to fund working capital and expand its national fibre network footprint to acquire new customers and improve sales. Furthermore, the conversion of the shareholder's loans will significantly decrease the finance cost expenditure in the future. These funds will be allocated to funding working capital needs, as the entity continues to obtain funding to improve the ageing infrastructure. This will contribute towards the liquidity position of Broadband Infraco.

The journey that has been embarked on since 2007, as a result of the ANC Conference general policy statement confirming the intent to rationalise State Owned Entities (SOEs), with the relevant stakeholders to enter into a merger agreement between Broadband Infraco SOC Limited and Sentech SOC Limited and the ultimate establishment of a State Digital Infrastructure Company ("SDIC") is expected to further strengthen the going concern position of the entity.

In 2019, the Minister of Communications and Digital Technologies formally announced the formation of the SDIC following on the 2017 Cabinet approval for the merger of Sentech and BBI. This process is now well underway with a corporate strategy process developed and management having already started working on a business model. At the date of preparing this Annual Financial Statements, the main shareholder has not given an indication that it will stop supporting the entity and therefore management is confident that the entity will remain a going concern in the near future.

The COVID-19 pandemic has developed rapidly since 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The Company has taken a number of measures during the past 18 months to monitor and mitigate the effects of COVID-19, which include safety and health measures for our employees, ensuring operations continue and cyber-risks are appropriately mitigated.

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. As we operate in the telecommunication sector, we have found an increased demand for our products and services, and we expect this to continue. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our employees. We will also continue to closely monitor our debtors ageing and payment routines, to determine the possible impact on collections and liquidity of the Company.

Broadband Infraco has prepared its financial statements for the year ended 31 March 2021 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 directors have reviewed the Company's financial performance forecast for the year 31 March 2022 as well as 31 March 2023 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 expected improvement in accessing some funding in the medium term.

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

29. Irregular, fruitless and wasteful expenditure

	2021 R'000	2020 R '000
Irregular Expenditure		
Opening balance	82,747	53,935
Incurred and Identified in the current year	298	21,420
Identified in previous years incurred in the current year	5,777	7,392
Amounts removed from register	(32,346)	-
Closing balance*	56,476	82,747

* Internal processes to resolve these matters are in progress.

Irregular expenditure

Irregular expenditure detail 2021

R'000	Action	Expenditure identified	Amounts condoned	Amounts removed from register	Remaining expenditure
Identified in prior years		82,747	-	(32,346)	50,401
Identified in previous years incurred in the current year					
The company continued to utilise the services of a critical contract which National Treasury did not approve. There was no financial loss to Broadband Infraco.	Condonation requested	4,984	-	-	4,984
The Company continued to utilise the services after the contract expired. There was no financial loss to Broadband Infraco.	Under investigation	793	-	-	793
Incurred and Identified in the current year					
The Company continued to utilise the services after the contract expired. There was no financial loss to Broadband Infraco.	Under investigation	247	-	-	247
The company continued to utilise the services of a critical contract which National Treasury did not approve. There was no financial loss to Broadband Infraco.	Condonation requested	51	-	-	51
		88,822	-	(32,346)	56,476

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

29. Irregular fruitless and wasteful expenditure (continued)

Irregular expenditure detail 2020

R'000	Action	Expenditure identified	Amounts condoned	Amounts removed from register	Remaining expenditure
Identified in prior years		53,935	-	-	53,935
Incurred in the previous years identified in the current year					
The Company awarded a contract to a service provider based on a tender document that was not advertised for the prescribed 21 working days. There was no financial loss to Broadband Infraco	Under investigation	7,392	-	-	7,392
Identified in current year					
The Company awarded a contract to a service provider based on a tender document that was not advertised for the prescribed 21 working days. There was no financial loss to Broadband Infraco.	Condonation requested	15,095	-	-	15,095
The company continued to utilise the services of a critical contract for site sharing which National Treasury did not approve. There was no financial loss to Broadband Infraco.	Condonation requested	858	-	-	858
The company continued to utilise the services without approval from National Treasury as previous expansion were not made to National Treasury. There was no financial loss to Broadband Infraco.	Condonation requested	272	-	-	272
The company continued to utilise the services of a critical contract for site sharing which National Treasury did not approve. There was no financial loss to Broadband Infraco.	Under investigation	3,068	-	-	3,068
The company continued to utilise the services of a critical contract for fibre lease which National Treasury have not provided approval for yet. There was no financial loss to Broadband Infraco.	Under investigation	2,127	-	-	2,127
		82,747	-	-	82,747

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure

	2021 R'000	2020 R '000
Opening balance	-	-
Identified in the current year	16	8
Written off	(16)	(8)
	-	-

Fruitless and wasteful expenditure in detail 2021

Action	Losses identified	Losses written off
Interest incurred from suppliers	16	(16)

Fruitless and wasteful expenditure in detail 2020

Interest incurred from suppliers	8	(8)
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Notes to the Annual Financial Statements (continued)

30. Directors' and prescribed officer emoluments

Executive

2021

R'000	Position	Service period in months	Directors fees	Cellphone allowance	Total
Il van Niekerk	Chief Financial Officer	12	2,454	30	2,484
AD Matseke	Chief Executive Officer	12	2,803	30	2,833
			5,257	60	5,317

2020

R'000	Position	Service period in months	Directors fees	Cellphone allowance	Total
Il van Niekerk	Chief Executive Officer	12	2,454	30	2,484
AD Matseke	Chief Executive Officer	12	2,803	30	2,833
			5,257	60	5,317

Non-executive

2021

R'000	Position	Service period in months	Directors' fees	Total
BMC Ngcobo	Board Chairperson	12	837	837
SD Mabalayo	Board member	12	388	388
N Selamolela	Board member	12	371	371
Z Kabini	Board member	12	321	321
G Mphefu	Board member	12	269	269
J Schreiner	Board member	12	328	328
R Mabece	Board member	12	381	381
			2,895	2,895

2020

BMC Ngcobo	Board Chairperson	12	867	867
SD Mabalayo	Board member	12	429	429
N Selamolela	Board member	12	371	371
Z Kabini	Board member	12	321	321
G Mphefu	Board member	12	269	269
J Schreiner	Board member	12	328	328
R Mabece	Board member		381	381
			2,966	2,966

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

30. Directors' and prescribed officer emoluments (continued)

Key management

2021

R'000	Position	Service period in months	Basic Salary	Allowance	Total
ME Mopeli	Executive: Human Resources	5	965	13	978
CI Mokgohloa	Acting Executive Human Resources	7	681	11	692
G Zowa	Chief Technical Officer	12	2,767	30	2,797
MM Mojapelo	Executive: Compliance Risk and Audit	12	1,547	30	1,577
P Dyani	Chief Marketing and Sales Officer	12	2,415	30	2,445
			8,375	114	8,489

2020

ME Mopeli	Executive: Human Resources	12	1,901	30	1,931
G Zowa	Chief Technical Officer	12	2,768	30	2,798
P Dyani	Chief Marketing and Sales Officer	3	2,415	30	2,445
MM Mojapelo	Executive: Compliance Risk and Audit	12	1,518	30	1,548
			8,602	120	7 550

31. Financial instruments and risk management

31.1 Categories of financial instruments

Categories of financial assets

2021

R'000	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	7	69,035	69,035	69,035
Cash and cash equivalents	8	87,636	87,636	-
		156,671	156,671	69,035

2020

Trade and other receivables	7	43,453	43,453	43,453
Cash and cash equivalents	8	109,630	109,630	-
		153,083	153,083	43,453

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

31. Financial instruments and risk management (continued)

31.1 Categories of financial instruments (continued)

Categories of financial liabilities

2021

R'000	Note(s)	Amortised cost	Leases	Total
Trade and other payables	13	220,288	–	220,288
Finance lease obligations	4	–	30,333	30,333
		220,288	30,333	250,621

2020

Trade and other payables	13	172,579	–	172,579
Finance lease obligations	4	–	56,588	56,588
		172,579	56,588	229,167

31.2 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 payment arrangements disclosed in note 15, Long- term payment arrangements 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.

31.3 Financial risk management

Overview

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Foreign currency risk

31.3.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. Refer to note 7 for more information credit risk management and policy.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

31. Financial instruments and risk management (continued)

The maximum exposure to credit risk is presented in the table below:

R'000	Note(s)	2021			2020		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	7	79,260	(10,225)	69,035	51,753	(7,293)	44,460
Cash and cash equivalents	8	87,636	-	87,636	109,630	-	109,630
		166,896	(10,225)	156,671	161,383	(7,293)	154,090

31.3.2 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.

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.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2021

R'000	Note(s)	Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	13	220,288	220,288	220,288
Finance lease liabilities	4	30,333	30,333	30,333

2020

Non-current liabilities				
Finance lease liabilities	4	27,046	27,046	27,046
Current liabilities				
Trade and other payables	13	172,579	172,579	164,363
Finance lease liabilities	4	29,542	29,542	29,542
		229,167	229,167	220,951

31.3.3 Foreign currency risk

The Company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currency in which the Company deals primarily is US Dollars.

The Company has investments denominated in foreign currency, whose net assets are exposed to foreign currency translation risk.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

31. Financial instruments and risk management (continued)

Exchange rates

Rand per unit of foreign currency

US Dollar

2021 R'000	2020 R '000
14,910	17,902

Foreign currency sensitivity analysis

The following information presents the sensitivity of the Company to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

R'000	2021 Increase	2021 Decrease	2020 Increase	2020 Decrease
Increase or decrease in rate				
Impact on profit or loss				
US Dollar 13,7% (2020: 8 %)	673	(673)	331	(331)
	673	(673)	331	(331)
Impact on equity				
US Dollar 13,7% (2020: 8 %)	673	(673)	331	(331)
	673	(673)	331	(331)

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

ANNUAL FINANCIAL STATEMENTS

Notes to the Annual Financial Statements (continued)

31. Financial instruments and risk management (continued)

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

R'000	2021 Increase	2021 Decrease	2020 Increase	2020 Decrease
Increase or decrease in rate				
Impact on profit or loss				
Bank 13,7%	612	(612)	307	(307)
Trade and other receivables 13,7%	1,339	(1,339)	136	(136)
	1,951	(1,339)	443	(443)
Impact on equity				
Bank 13,7%	612	(612)	307	(307)
Trade and other receivables 13,7%	1,339	(1,339)	136	(136)
	1,951	(1,951)	443	(443)

32. Capital commitments

	2021 R'000	2020 R '000
Capital commitments approved and contracted	-	40,525
Budgeted but not contracted	747,012	481,956

Capital commitments comprise commitments for property, plant and equipment and intangible assets.

Management expects these commitments to be financed by internally generated cash and borrowings.

List of ABBREVIATIONS & Acronyms

Acronyms	Description
3G	3rd Generation Mobile Telecommunications
4IR	Fourth Industrial Revolution
AGM	Annual General Meeting
ANP	Access Network Provider
APP	Annual Performance Plan
ARC	Audit and Risk Committee
ARPC	Average Revenue per Customer
B-BBEE	Broad-Based Black Economic Empowerment
BBI	Broadband Infraco
BCM	Business Continuity Management
BGE	Build, Grow and Expand
Capex	Capital Expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIPC	Companies Intellectual Properties Commission
CIPRO	Companies and Intellectual Property Registration Office
CISC	Capital Investment Steering Committee
CMSO	Chief Marketing Sales Officer
COSO	Committee of Sponsoring Organisations
CRA	Compliance, Risk and Audit
CRM	Customer Relationship Management
CSI	Corporate Social Investment
CTO	Chief Technology Officer
CWL	Clear While Localising
DCDT	Department of Communications and Digital Technologies
DFA	Dark Fibre Africa
DFIs	Development Finance Institutions
DoE	Department of Education
DPE	Department of Public Enterprise
DSL	Digital Subscriber Line
DWDM	Dense Wavelength Division Multiplexing
EBITDA	Earnings Before Interest, Taxation, Depreciation, and Amortisation
ECA	Electronic Communications Act No. 36 of 2005
ECS	Electronic Communication Services
EE	Employment Equity



ERM	Enterprise Risk Management
EXCO	Executive Management Committee
FTTH	Fibre to the Home
FTTX	Fibre to the Home/Business
FY	Financial year
Gbit/s	Gigabits per second
GBN	Gauteng Broadband Network
Gbps	Gigabits per second
HR	Human Resources
HRRC	Human Resources and Remuneration Committee
ICASA	Independent Communications Authority of South Africa
ICT	Information Communication Technology
ICTU	Information Communication & Technology Union
IDC	Industrial Development Corporation
I-ECNS	Individual Electronic Communications Network Services
I-ECS	Individual Electronic Communications Services
IFRS	International Financial Reporting Standards
IFTPC	Investment Finance Tender and Procurement Committee
IIA	Institute of Internal Auditors
IIRC	International Integrated Reporting Council
IIRF	International Integrated Reporting Framework
IOD	Injury-on-duty
IoD	Institute of Directors
IoT	Internet of Things
IP	Internet Protocol
IR	Integrated Reporting
IRU	Irrefutable Rights of Use
ISPs	Internet Service Providers
ISO	International Standards Organisation
IT	Information Technology
KAT-7	Karoo Array Telescope
KPIs	Key Performance Indicators
LAN	Local Area Network
LTIFR	Lost-Time Injury Frequency Rate
Mbps	Megabits per Second
MICT SETA	Media, Information and Communication Technologies Sector Education, and Training Authority
MoA	Memorandum of Agreement
Mol	Memorandum of Incorporation



MoU	Memorandum of Understanding
MPLS	Multi Protocol Label Switching
MTTR	Mean Time to Repair
NCOP	National Council of Provinces
NDA	Non-Disclosure Agreement
NDP	National Development Plan
NEDS	Non-executive Directors
NOC	Network Operations Centre
O&M	Operations and Maintenance
OH&S	Occupational Health and Safety
Opex	Operational Expenditure
OSI	Open Systems Interconnection
PFMA	Public Finance Management Act (Act No 1 of 1999- as amended by Act 29 of 1999)
PO	Purchase Order
PoC	Proof of Concept
PoP	Point of Presence
PPPFA	Preferential Procurement Policy Framework Act
PwC	PricewaterhouseCoopers
QMS	Quality Management Systems
RoU	Rights of Use
RU	Regulatory Universe
SA	South Africa
SA Connect	South Africa Connect
SABS	South African Bureau of Standards
SADC	Southern African Development Community
SALT	Southern African Large Telescope
SANReN	South African National Research Network
SATA	Southern African Telecommunications Association
SCM	Supply Chain Management
SCOPA	Standing Committee of Public Accounts
SDH	Synchronous Digital Hierarchy
SDIC	State Digital Infrastructure Company
SEC	Social and Ethics Committee
SEZ	Special Economic Zones
SHEQ	Safety Health Environment and Quality
SITA	State Information Technology Agency
SKA	Square Kilometre Array
SLA	Service Level Agreement



SMME	Small, Medium and Micro Enterprise
SMF	Senior Management Forum
SNG	Sizwe NtsalubaGobodo-Inc
SNO	Second National Operator
SOC	State-Owned Company
SOE	State-Owned Enterprise
SOF	Service Order Form
STEM	Science, Technology, Engineering, and Mathematics
Tbps	Terabits per Second
TDM	Time-division multiplexing
TKIMC	Technology Knowledge and Information Management Committee
WACS	West Africa Cable System
WAN	Wireless Area Network
WSP	Workplace Skills Plan
YoY	Year-on-year
ZAR	South African Rand



Table 19 ACRONYMS

Notes

Notes

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