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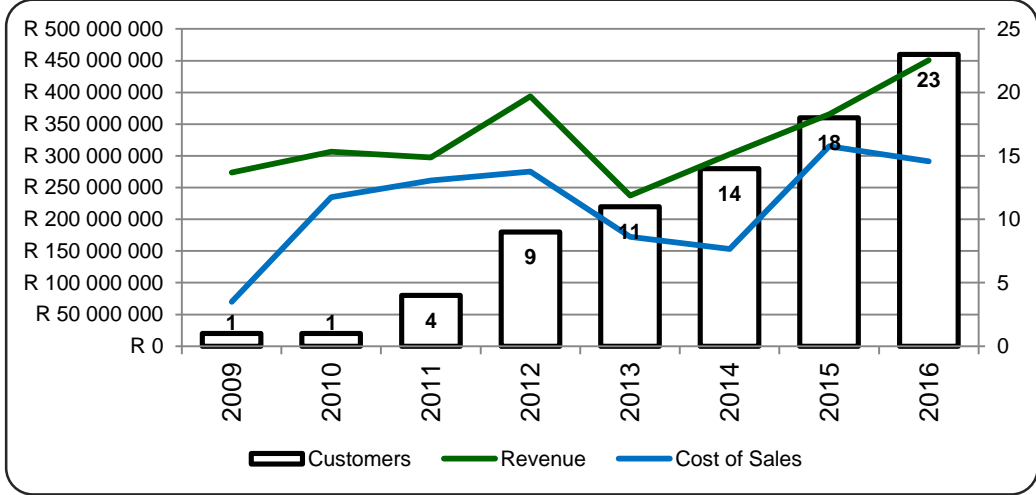
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- **Performance at a glance**
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Performance at a glance: Overall



Customers, Revenue and Cost of Sales and Capacity



What does each axis represent?

Customers

Growth of the customer base from 18 to 23 as at March 2016

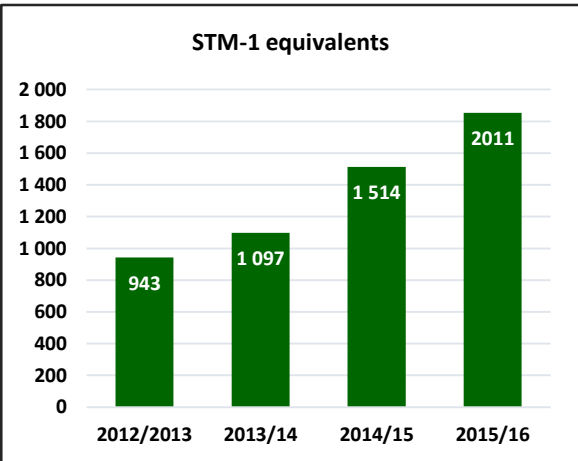
Revenue

Steady growth in year on year revenue from R366m to R451 which bodes well for placing the Company on a sustainable trajectory.

Cost of Sales

Broadband Infraco is realising the benefit of migrating new customers onto its own infrastructure; thereby reducing lease costs from third parties. The Company is also optimising its colocation; metro-lease and maintenance cost inputs continuously.

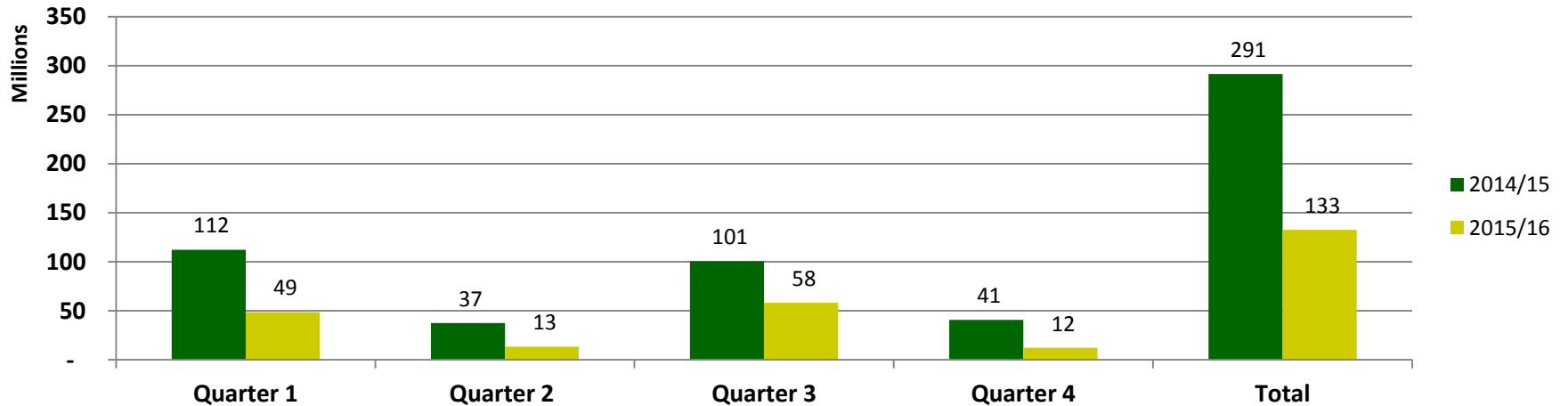
Province	POP	Fibre (Km)
Eastern Cape	19	1799
Free State	17	1471
Kwazulu Natal	21	2354
Limpopo	11	883
Mpumalanga	15	1422
North West	9	940
Northern Cape	27	2499
Gauteng	17	1407
Western Cape	20	1887
Totals	156	14661



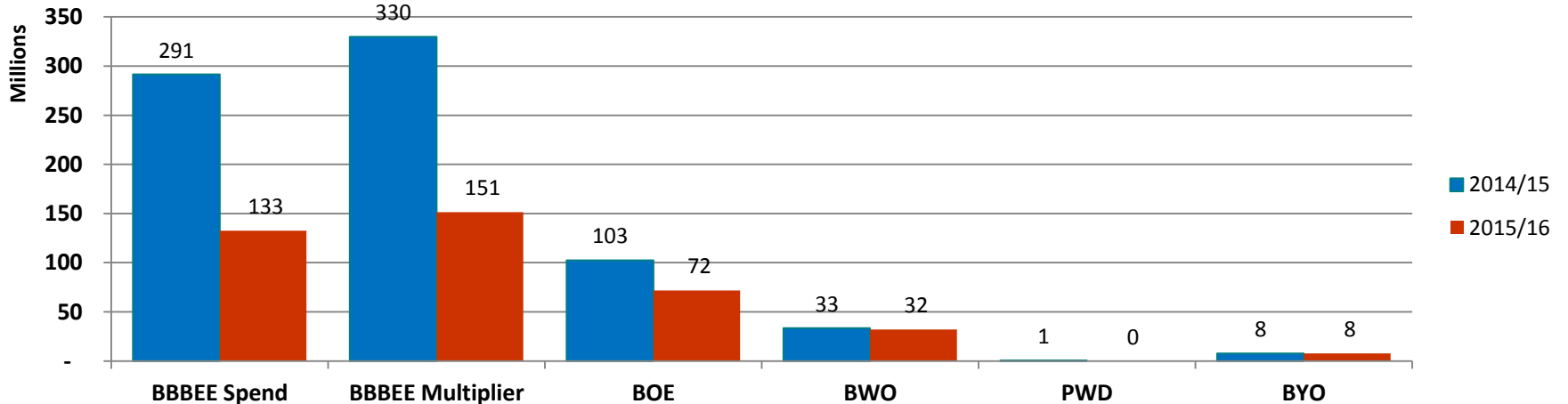
Performance at a glance: Procurement



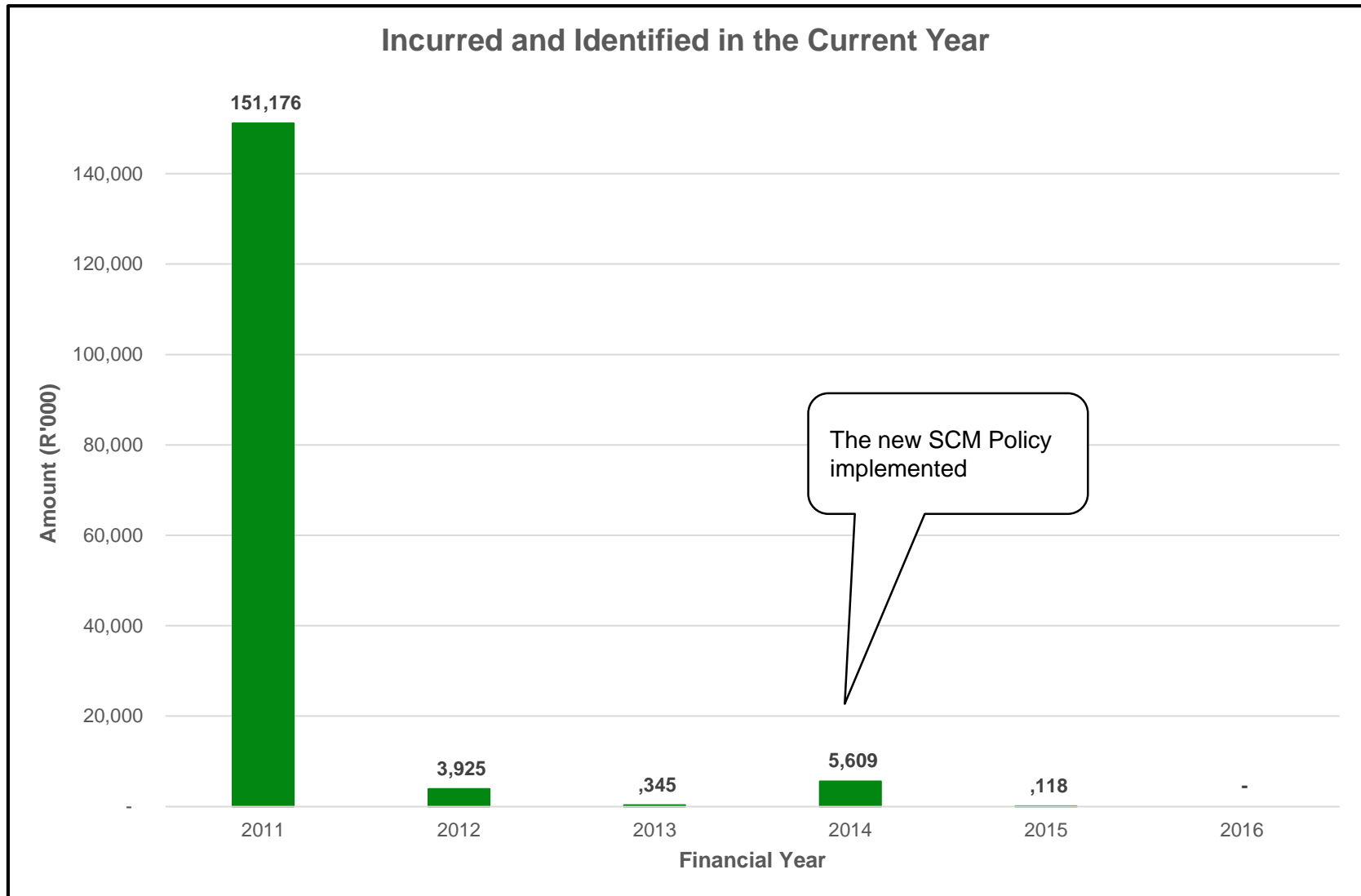
Annual Procurement Spend



Annual B-BBEE Spend



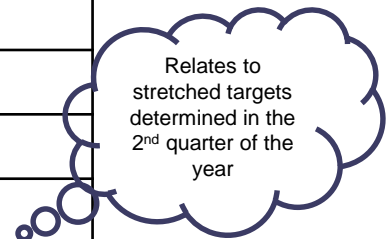
Performance at a glance: Irregular Expenditure



Irregular Expenditure

Performance at a glance: External Audit

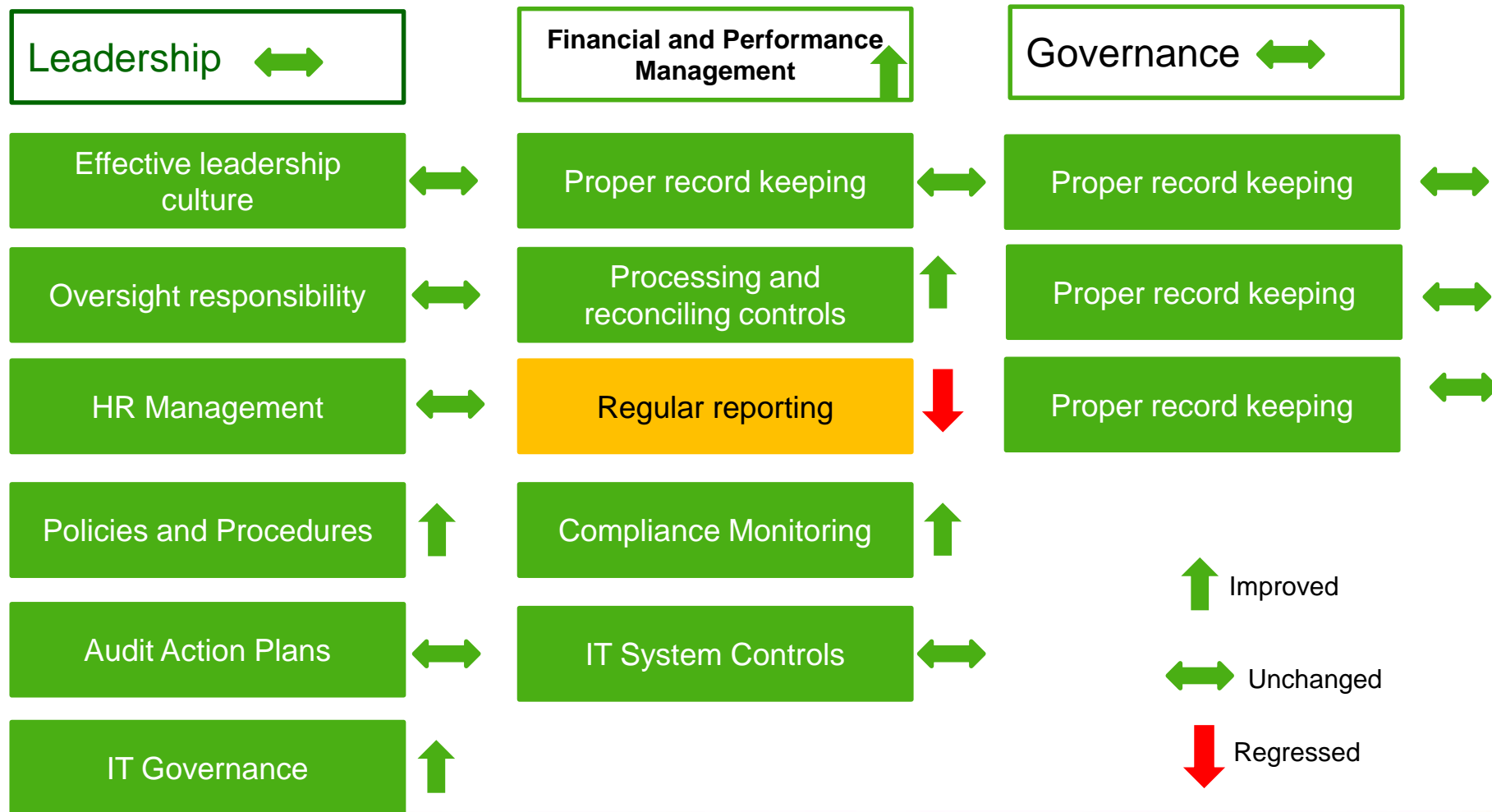
Department	Finding Category	Total number of findings 2013/14	Total number of findings 2014/15	Total number of findings 2015/16
Finance	Going Concern (Repeat)		1	1
	Compliance	3	4	
	Commitments; Provisions and Revenue	5	3	
	Property Plant and Equipment (Repeat)	6	6	
	Trade and other payables		1	
	Irregular, fruitless and wasteful expenditure		3	
SCM	Compliance	8		
HRM	Compliance	3		
CEO OFFICE*	Compliance :Performance Information	2		5
Shareholder	Compliance (Repeat) (MOI)	1	1	1
Sales & Marketing	Revenue			1
Total		28	19	8



Relates to stretched targets determined in the 2nd quarter of the year

*the audit points relate to reporting stretch KPI's only and not reflecting the original APP submission. This has been resolved and the Annual Report reflects both the original submission and the stretch on pages 18- 21

Governance: Status of the drivers of internal control



The turnaround strategy (BGE) as a driver of performance



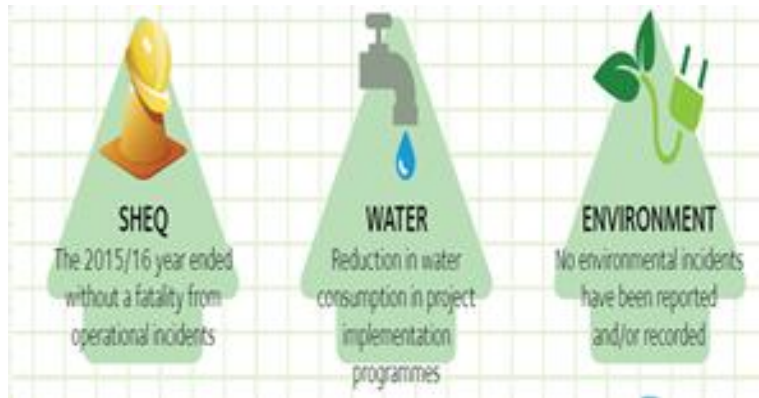
	2013/14	2014/15	2015/16
APP Achievements	89.47% of the Shareholder Compact	83% of the Shareholder Compact	87.50% of the Shareholder Compact
EBITDA	Negative	Negative	Positive
Proclamations	Presidential Proclamation signed on 19 September 2014, effectively transferring Broadband Infraco from the Department of Public Enterprises to the Department of Telecommunications and Postal Services		
Irregular Expenditure identified during the year	R6 535 000	R38 000	Zero irregular expenditure
Awards		Overall award and “A” in compliance, internal audit and internal control	NOSA Accreditation and ISO 18001 successful audit
Audit Opinion	Unqualified audit report	Unqualified audit report	Unqualified audit report

2014 restated as 926K was erroneously classified as irregular

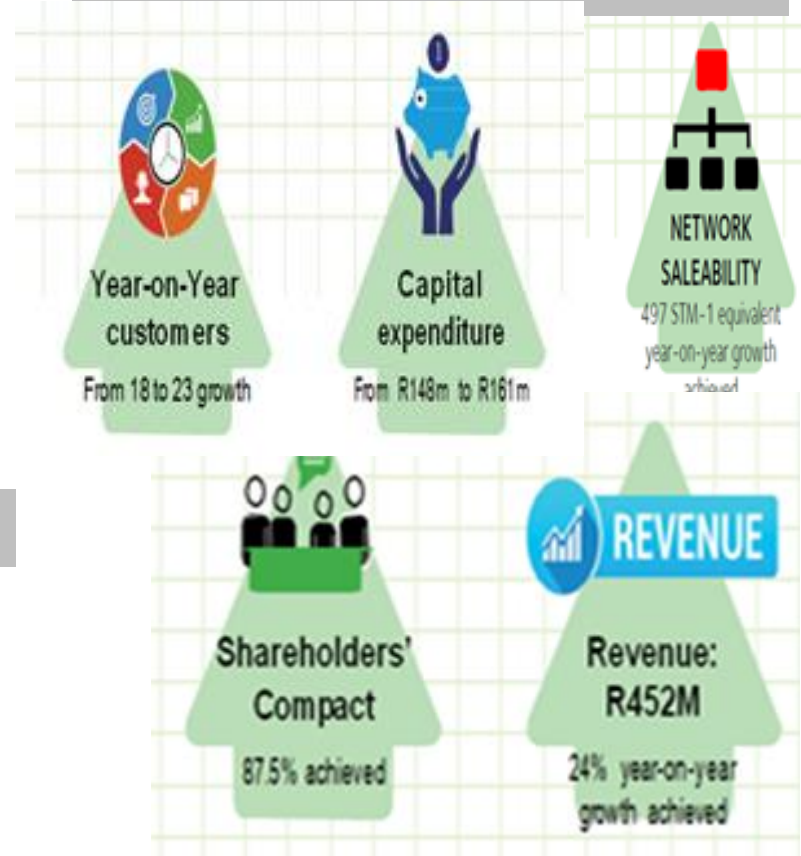
Integrated Reporting Highlights



Environment



Economic



Social



Customer-centric

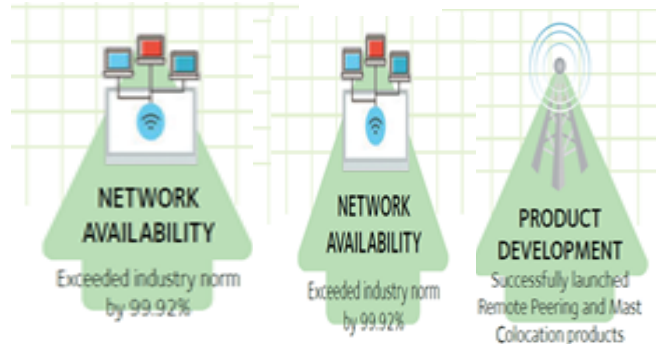


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Shareholder Compact Achievements



Key Performance Indicator	Target	Achieved	Results
Financial Sustainability			
Network Performance Rebates as percentage of gross revenue	≤3% of customer revenue	0.10%	✓
Percentage increase of actual revenue	28% increase in revenue	24%	✗
Percentage decrease of cost of sales excluding depreciation	10% decrease of CoS	(17.6%)	✓
Decrease amount of Operating Loss	(R133mil) decrease in operating loss	(R91.4 million)	
Network Saleability			
Overall increase in capacity at STM-1 Equivalent	160STM-1	497 STM-1	✓
Network Improvement			
Number of KM of fibre added to the Network	100 km by 31March 2016	420.05km	✓
Oberholzer to Ramatlabama Link Upgraded to DWDM	Link upgrade by end of Mar 2015	Link upgraded successfully	

Shareholder Compact Achievements



Key Performance Indicator	Target	Achieved	Results
Number of Points of Presence optimised	5 PoPs	33 PoPs optimised	✓
Economic Transformation			
Training spend as percentage of payroll	1%	1.33%	✓
Maximise socio-economic contributions			
Increase in number of direct jobs created	40 indirect jobs	686 indirect jobs	✓
Allocation of BBBEE budget discretionary spend	70%	114%	
Percentage increase on BOE spend	40% of BBBEE	54.1%	
Percentage spend of YOE	10% of 40% spend on BOE	10.7%	
Percentage spend on BWO	10% of 40% spend on BOE	44.5%	
Percentage increase spend on PWDOE	1%	0.1%	
Number of digital learning tools	60 tablets	60 procured and delivered	

Stretch Targets



		Stretch target	Achieved	Result
A higher target was set for the following KPI's				
Percentage increase of actual revenue	28%	32%	24%	✘
Percentage decrease of cost of sales excluding depreciation	10%	12%	(17.6%)	✔
Overall increase in capacity at STM-1 at STM-1 Equivalent	160	668	497	✘
Number of KM of fibre added to the Network	100km	250 km	420.05km	✔
To drive optimal cash management the following KPI's were added				
Number of days per outstanding customer invoices		45 days plus 15 days per contract	26 days	✔
Number of days for unallocated creditors		Unallocated creditors less than a week	Allocated within a week	✔
To drive actual project delivery the following KPI replaced the number of projects delivered KPI				
Number of points of presence optimised to facilitate customer connection points		41 POP's optimised	33 POPs optimised	✘

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Statement of Financial Performance



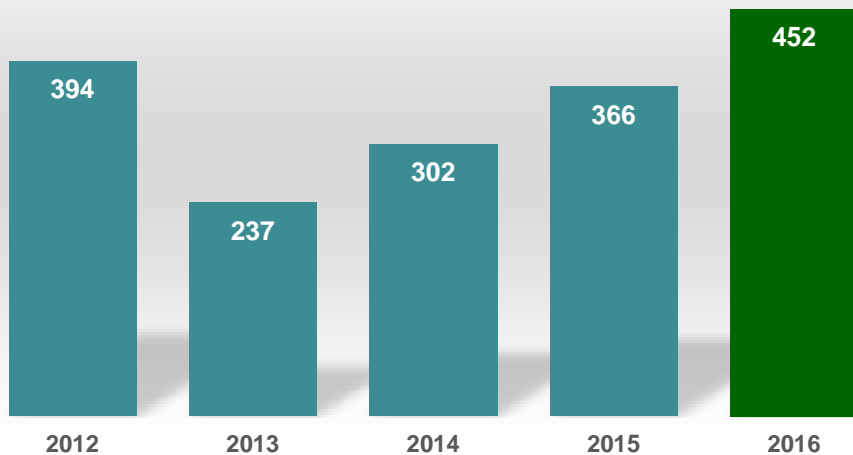
R'm	Audited March 2012	Audited Restated March 2013*	Audited March 2014	Audited March 2015	Audited March 2016
Revenue	394	237	302	366	452
Cost of sales	(276)	(172)	(153)	(314)	(260)
Gross profit	118	65	149	51	192
Operating expenses	(258)	(262)	(312)	(311)	(292)
Results from operations	(140)	(197)	(163)	(260)	(100)
Finance income	54	22	20	15	9
Finance costs	(9)	0	0	(2)	-
Profit/ (Loss) before taxation	(95)	(175)	(143)	(245)	(91)
Income tax expense	-	-	-	-	-
Profit/ (Loss) for the year	(95)	(175)	(143)	(245)	(91)
EBIDTA	(27)	(81)	(36)	(145)	30

- Revenue increased by 24% to R452 million.
- Cost of sales decreased by 18% to R260 million.
- Operating costs decreased by 6% to R292 million.
- Operating loss decreased from R245 million to R91 million.

* Review of useful life R6.7m restatement of depreciation

Revenue and Cost of Sales

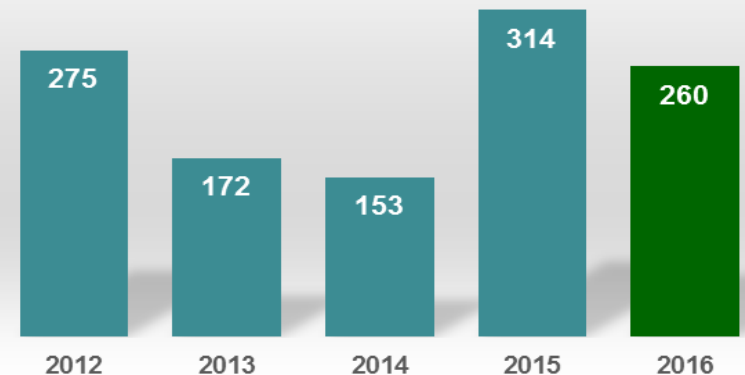
Revenue
R'm



Revenue increase resulted from:

- Additional revenue from key customers;
- New contracts (from new customers) concluded during the year; and
- Retention of existing customers

Cost of Sales
R'm



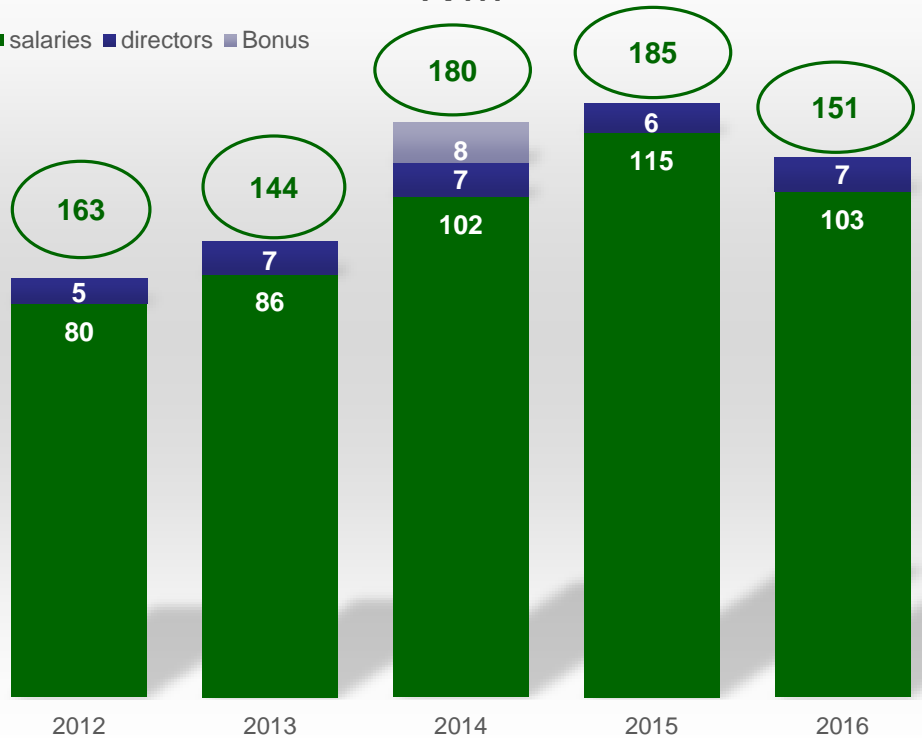
Lower cost of sales, mainly due to:

- Lower fibre lease and maintenance costs due to favourable negotiations with suppliers;
- Continual drive to optimise costs;
- Optimal designs; and
- Vigilant oversight on all financial outlays.

Operating expenses

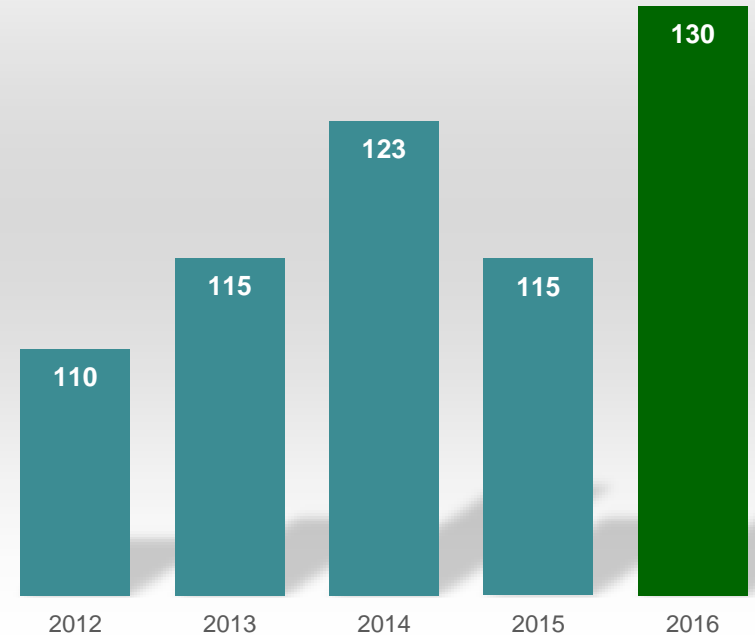
Employee Expenses R'm

■ salaries ■ directors ■ Bonus



- Reduction in costs due to natural attrition of employees
- Performance incentive paid for 2013: R8 mil

Depreciation and Amortisation R'm

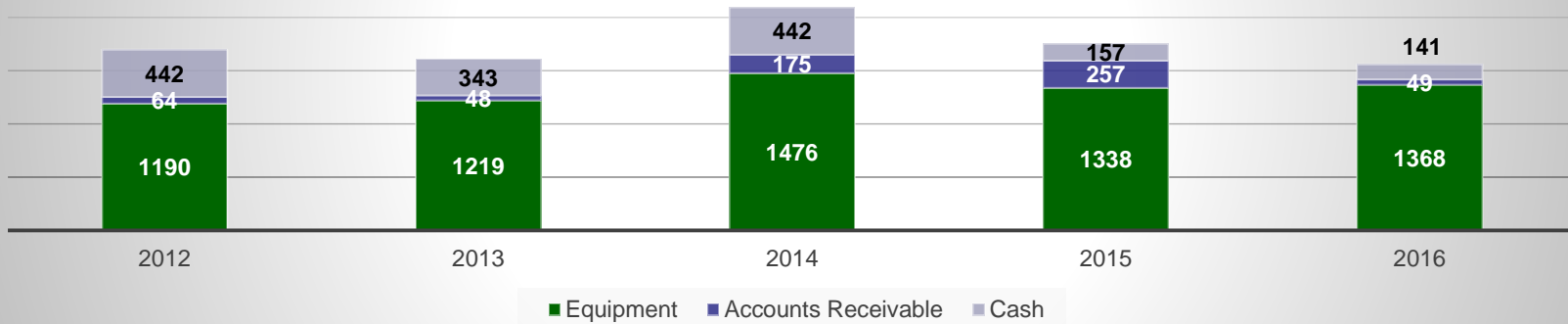


- Increase in asset base due to completed projects that increased depreciation
- Useful life review resulted in depreciation reduction in previous year

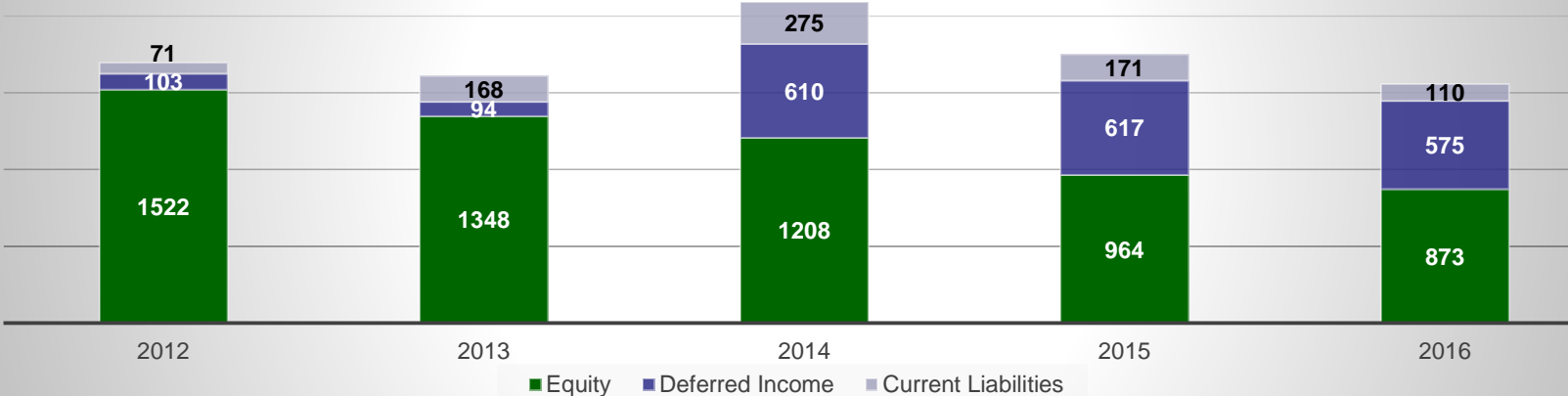
Financial Position



Assets R'm

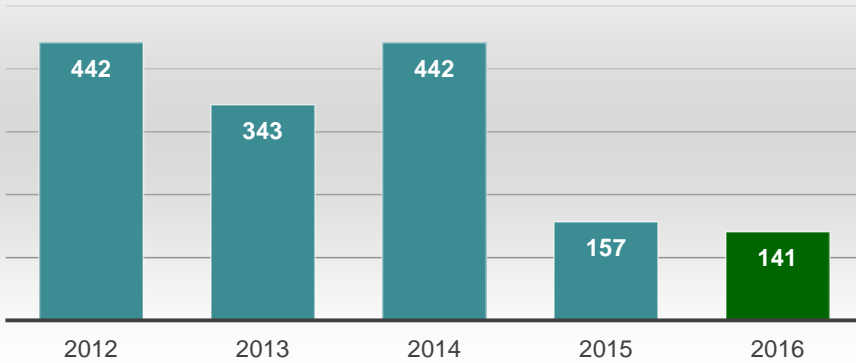


Equity and Liabilities R'm

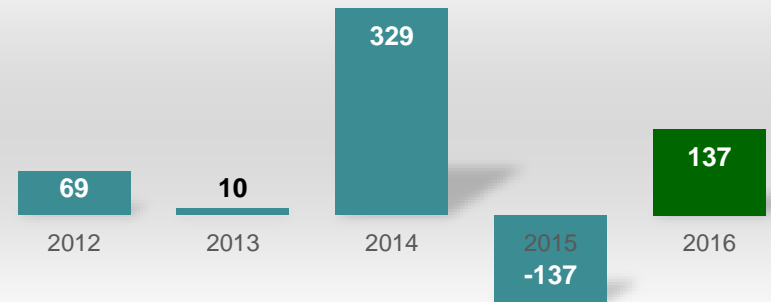


Cash Flow Position

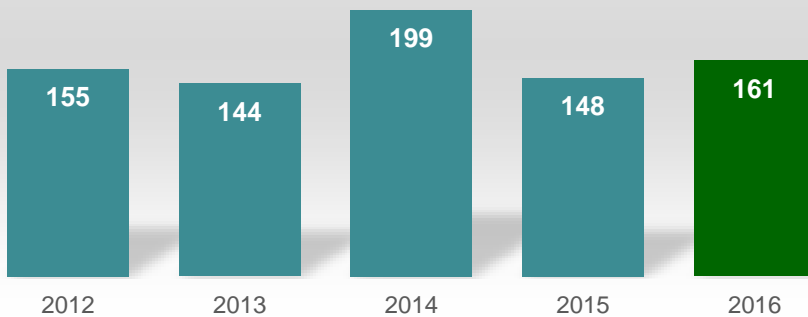
Cash and Cash Equivalents R'm



Cash from operations R'm



Cash used in investing activities R'm



Cash from financing activities R'm

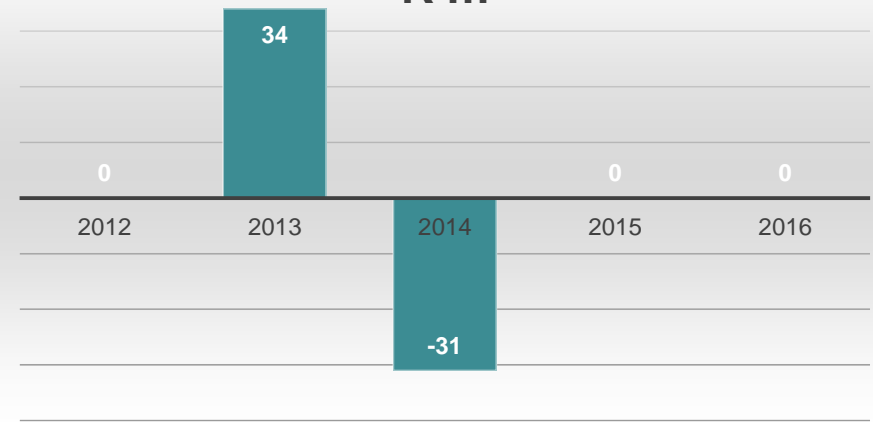


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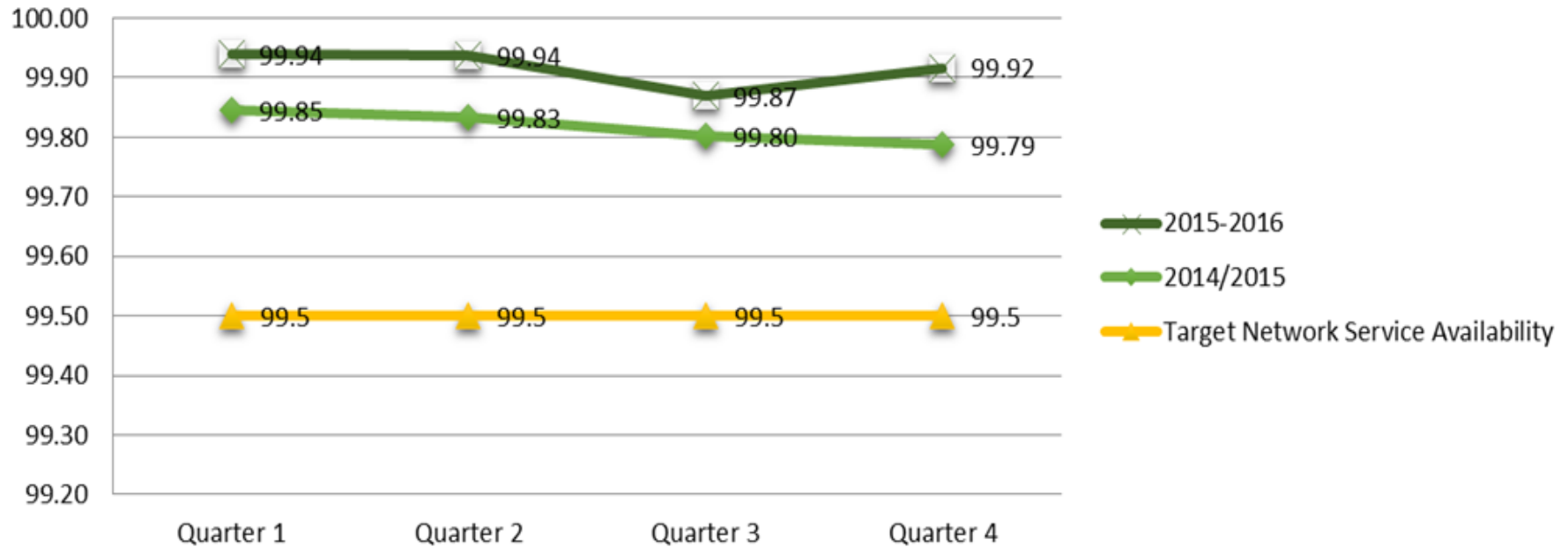
2015/16 Infrastructure Rollout Performance



Province	Fibre km completed	Fibre km in Progress	% Fibre roll-out completed	PoPs Completed	PoPs In Progress	% PoP/Site optimisation completed
Eastern Cape	88.6	24.5	78%	5	3	63%
Western Cape	320.3	10.5	97%	4	1	80%
Gauteng	253.6	0	100%	4	0	100%
Limpopo	69.3	0	100%	3	0	100%
Mpumalanga	123.9	8	94%	3	1	75%
North West	101.7	11.7	90%	3	1	75%
Northern Cape	7.9	3.5	69%	1	1	50%
KZN	147.2	0	100%	8	0	100%
Free State	5.3	4.9	52%	2	1	33%
National	1117.8	63.1	95%	33	8	80%

Customer services performance

Average Service Availability Per Quarter



Customers performance statistics

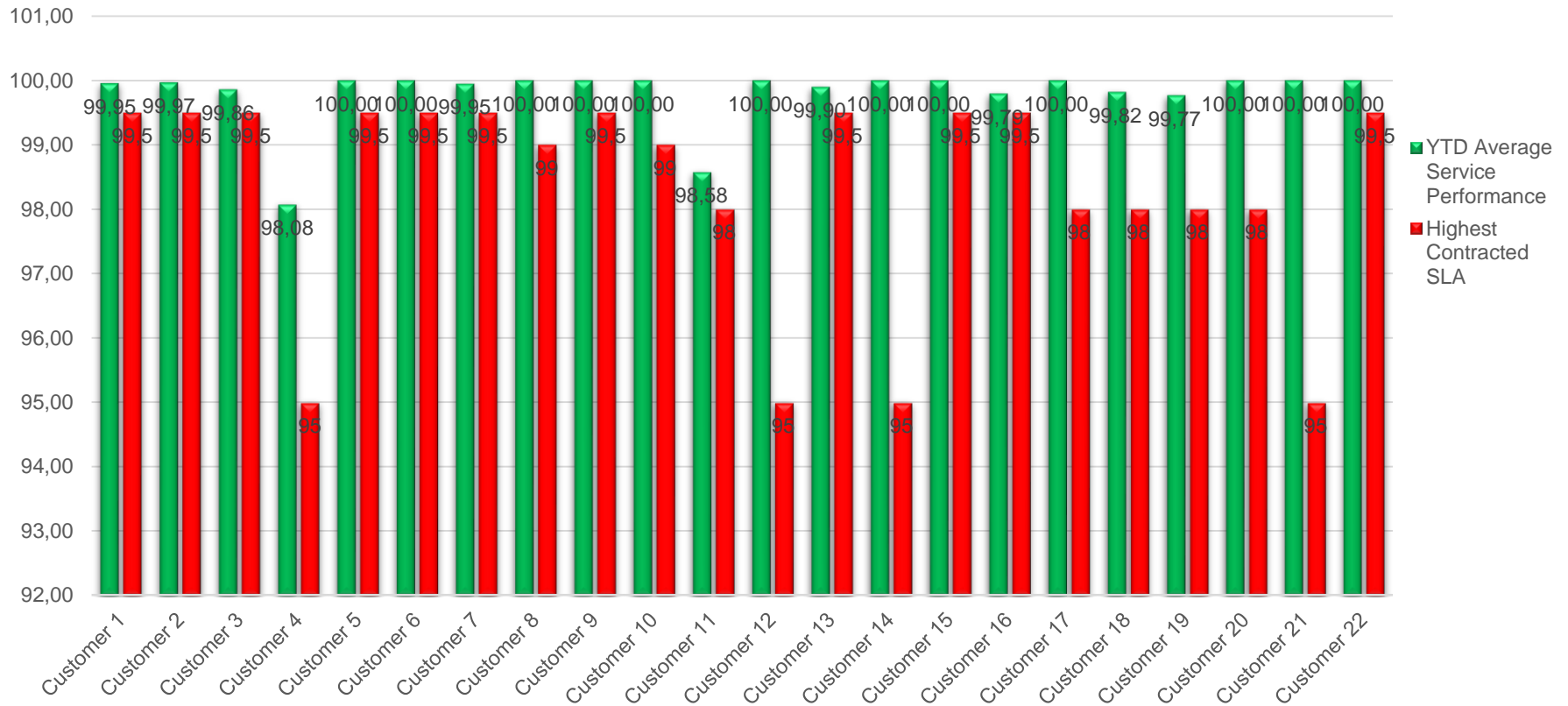


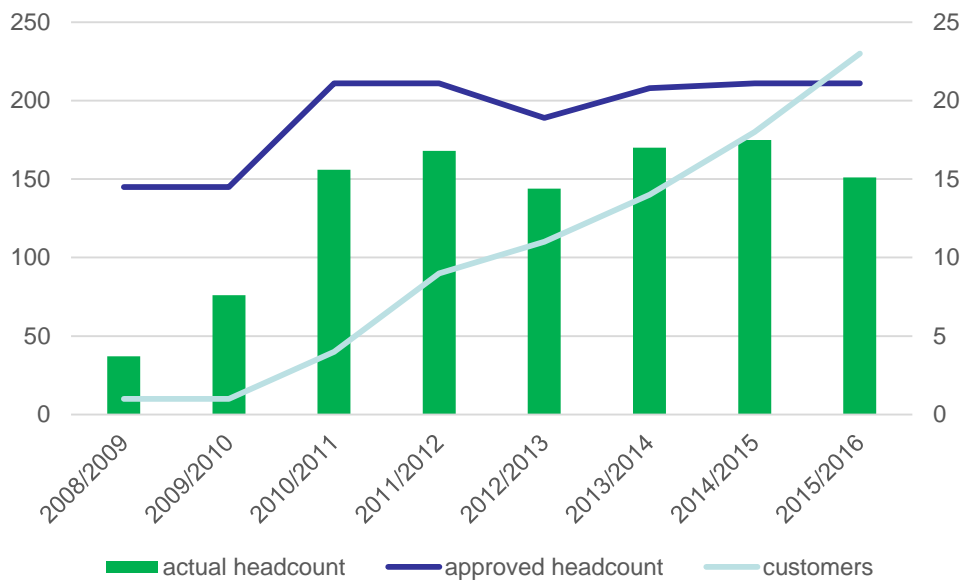
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Headcount Overview: Resourcing of the environment



Headcount Movement vs Customer Growth



Employment Equity Demographics (Inclusive of Interns)

Job Levels	2012	2012/13	2013/14	2014/15	2015/16
Executives	6	9	7	7	8
Senior Management	19	13	18	23	17
Professional Specialist & Middle Management	41	39	32	36	48
Supervisory & Junior Management	77	68	92	91	68
Support	14	15	21	19	10
Sub Total (Permanent)	157	144	170	176	150
Interns	11	2	11	10	1
GRAND TOTAL	168	146	181	186	151

- Broadband Infracore was licensed in the last quarter of 2009
- 49% growth human resources within the maintenance, sales and marketing environment for the 2010/2011 year
- 2011/2012 insourcing of the Network Operations Centre and integrating it into one environment to service all customers
- January 2012 marked the end of Rights of Use Agreement and instilling HR discipline in the organisation
- Refocus on acquisition of critical skills required for the growth of the organisation as well as optimisation of performance management
- Productivity analysis and HR Optimisation
- The split between core and support as at 31st March 2016 is as follows: Core = 72%, Support = 28%

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Top Strategic Risks

2015/2016	Mitigation	2016/2017
Inability to continue as a going concern	Auditors reassessed the going-concern principles and concluded the audit with emphasis of matter in the audit report	Likelihood not to continue as a going concern
Inability to resolve fulfilment value chain	Enterprise Project Management Processes, policy and methodology were	Limitations in resolving fulfilment value chain
Margin Pressure	Cost containment measures were implemented. Points of presence were optimised to obtain network autonomy that resulted also in the decrease of cost of sales	Margin pressure
Non ICT SOC's like Eskom and Transnet planning to provide dark fibre dark fibre telecoms services	Engagement with SOC's	The impact of Non ICT SOC's on the cost to communicate
Non – Payment of creditors	This risk has been retired	Lack of awareness for new imperatives in privacy and security of information
Inability to raise funds	Cost containment and increase in sales	Difficulty to raise Funds
Adversarial long term relationship with Neotel	This risk has been retired as Neotel is being treated as any other customer	Damage to the reputation of Broadband Infracore
Inability to break even by June 2016	Addressed as an operational risk	Slow evolution towards IP technology market services
Inability to attract and retain		Inability to retain and attract the required skills

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We continue to deliver on our mandate and drive a high performance institution grounded on sound governance

Liquidity continues to be a challenge and we will continue to work with our shareholders to resolve the problem