INTERSITE
ASSET INVESTMENTS

Business Plan

INTERSITE ASSET INVESTMENTS SOC LTD

The annual business plan is the performance plan for the entity for the period 2020/21.

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1. Intersite-Mandate and Objectives

1.1 Mandate

The PRASA mandate is derived from the following legal Acts:

- Legal Succession to the South African Transport Services Act, (Act 9 of 1989) Act;
- Legal Succession to the SATS Amendment Act (Act 38 of 2008).

The primary mandate of Intersite is derived from the secondary mandate of PRASA.

PRASA has two mandates, primary and secondary.

The primary mandate of PRASA is detailed as follows:

- To ensure that, **at the request** of the National Department of Transport **rail commuter services** are provided within, to and from the Republic in the public interest;
- Provide, in consultation with the Department of Transport, for **long haul passenger rail and bus services** within, to and from the Republic in terms of the principles set out in section 4 of the National Land Transport Transition Act, 2000 (Act No. 22 of 2000).

The secondary mandate of PRASA is as follows:

- The second object and secondary business remains that PRASA shall generate income from the exploitation of assets acquired by it.

These mandates shall have due regard for key government objectives:

- Social objectives;
- Economic objectives;
- Transport objectives.

The secondary mandate of PRASA is in line with mandates and operations of rail companies across the globe where their non-rail income generates a significant portion of their profits and assists in subsidising their passenger transportation mandates.

2. Strategic Objectives

Intersite Strategic Objectives	Key Focus Areas
1. Grow PRASA revenue through exploitation of PRASA assets	• Real Estate Investments • Renewable Energy generation, distribution, storage & efficiency. • ICT/Telecoms infrastructure commercialisation (Fibre, towers, datacenters etc.). • ICT/Telecoms services (value added services) • Advertising (digital and static)
2. Strategic partnerships for exploitation of assets with both public and private partners	• Identify and secure new business opportunities for the exploitation of the PRASA assets. • Enter into strategic partnerships that deliver shareholder value and benefit other PRASA stakeholders (Government, SOC's, Commuters, Municipalities, etc.). • Build win-win and beneficial relationships with our stakeholders in order to deliver value to the shareholder.
3. Manage and develop a high performing team	• Ensure that the Intersite team is resourced and empowered to deliver on its mandate efficiently and effectively.
4. Realize value for the Commuters and other key stakeholders	• Contribute to the enhancement of the travelling experience and needs of the commuters, and other key stakeholders through the Value Added Services partnership with Vodacom.
5. Business excellence in ensuring optimum return on assets	• Inculcate a compliance culture with applicable laws, government prescripts internal policies and procedures. • Recapitalise Intersite to achieve sustainable growth, and delivery of the value proposition of the Shareholder.
6. Effective Leadership	• Ethical leadership. • Enhance governance processes and ensure alignment with the shareholder.

Table 1: Intersite Objectives

2.1 Intersite's support of PRASA's Strategic Objectives

In the execution of its mandate, Intersite will support PRASA strategic objective as follows:

PRASA' Objectives	Intersite's Support
1. Improve the customer experience	a) Roll out Free Wi-Fi at Top 40 stations b) Ticket Vending Machines at Stations c) Advertising (digital and static) d) ICT services
2. Improve rail system performance	a) ICT Value Added Services(VAS) rollout b) Telecoms Infrastructure (fibre, GSM towers & data centres) c) Modernisation Projects d) Renewable energy programme
3. Re-align support functions to archive an efficient rail business	a) ICT Value Added Services b) Ticket Vending Machines at Stations c) Roll out of Wi-Fi at Top 40 stations d) Risk Management aligned to the Business Plan; e) Good Corporate Governance in line with Governance framework; f) Ethical Business Conduct in line with the Code of Conduct and best practice; g) Corporate Social Investment Initiatives
4. Modernise the rail system through the R 173 Billion capex investment programme	a) Deployment, Maintenance & Monitoring of Fibre
5. Expand PRASA rail networks and services through regional/provincial corridor expansions and introduction of new services	a) Transit Orientated Developments (TOD) b) Corridor densification (Commercial, Residential, Retail & mixed use)
6. Driving the secondary mandate through the exploitation of assets to support primary mandate.	a) Commercialisation on stations b) Leveraging of the acquired managed development portfolio and developmental leases as transferred to Intersite c) Developments on PRASA land and properties d) 3rd Party Real Estate Development and Investment e) Station capital Improvement and Upgrades f) Leasing of Optic Fibre (dark optic fibre) g) Commercialisation of Telecoms Towers h) ICT Value Added Services (VAS) i) Wi-Fi Solutions j) Renewable Energy k) Advertising (digital & static)

Table 2: Intersite's Support of PRASA Objectives

3. Vision, Mission and Values

The Vision

To be a premier asset investment company focusing on both tangible and intangible assets of PRASA for the benefit of South African Commuters and other stakeholders.

Mission

To effect a rail revolution through the development of opportunities in and around rail infrastructure and commuters.

Our Values

Values	Traits	Value Statements
Integrity	Accountability, responsibility, fairness and consistence.	We honor our commitment guided by trust, reason and fairness
Excellence	Competence, advancement, achievement and personal development.	A skilled team driven by passion and diligence.
Responsibility	Reliability, ownership and quality.	Going beyond the call of duty to deliver our promises on time and own up to actions
Caring and recognition	Health, happiness and inner harmony.	We strive to be an employer of choice.
Teamwork	Co-operation, understanding and supportive.	Working together to deliver our promises to our clients, stakeholders and each other.
Innovation	Passion, imaginative and authentic.	We turn every unutilized possession into a fortune.

Table 3: Intersite Values

4. Business Overview

The five (5) areas below represent the core focus areas of Intersite.

1) Real Estate Investments
2) Information and Communications Technology (ICT)/Telecommunication Infrastructure
3) ICT/Telecommunication Services
4) Renewable Energy
5) Advertising (digital and static)

The investment and business philosophy of Intersite is to commercially exploit opportunities around the focus areas and PRASA assets and are primarily based on strategic partnerships with entities that have the appropriate entrepreneurial insights, knowledge, experience, skills, and access to equity investment funding into the particular opportunity. This is to ensure that Intersite can generate income for the PRASA Group and at the same time mitigate risks.

4.1 Intersite Operating Model

An operating model makes it possible to deliver on the business strategy. Operational design follows strategy and consequently the operating model as depicted overleaf is under pinned by the approved Intersite strategy.

To respond to the secondary mandate of PRASA, Intersite requires a new operating model that is based upon international best practice, adapted to meet PRASA's mandate requirements and local conditions.

Five key delivery areas (core functions) have been identified and are defined. Each delivery area identified is linked to the respective enabler. The support functions required are defined accordingly. The core business areas as indicated provide the operational focus. The model is designed to enable Intersite to implement the required strategies in order to execute the mandate as articulated earlier in the document.

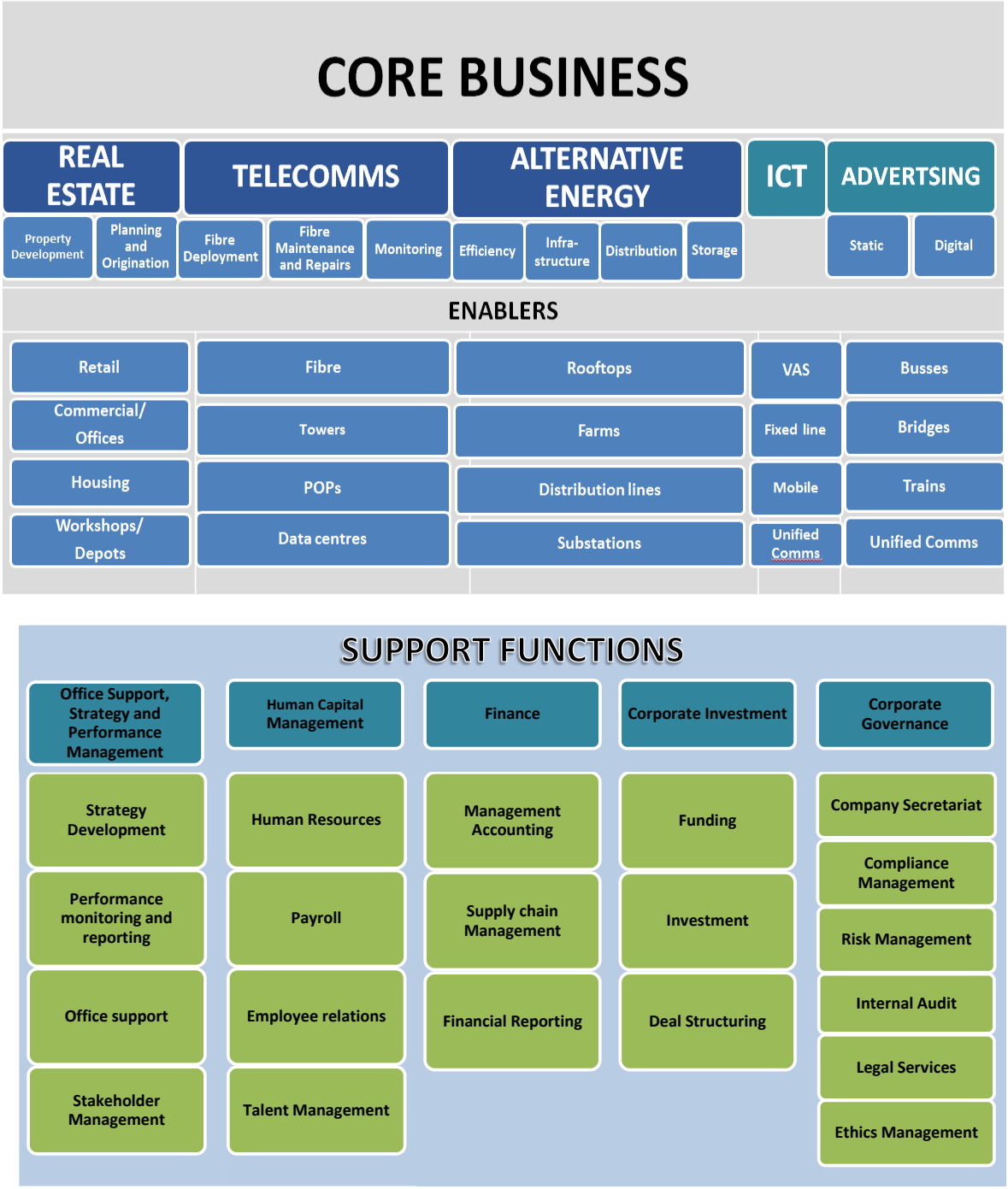


Figure 1: Intersite Operating Model & Support Functions

4.2 Intersite Management Structure

The management structure derived to support the operating model to be implemented builds upon the Intersite approved strategy but elevates the following key functions of:

- Human Resources
- Information and Communications technology
- Risk
- Legal and Compliance: and
- Internal Audit

These will be in-sourced from PRASA out of the Shared Services Model to address the critical vulnerability areas that have been identified in the transformation process, those being skills acquisition and development, so necessary to transition to an asset investor company and the imperative to develop the critical skill base to underpin the move towards being an asset owner and investor through the application of the asset investment structure.

The level of organizational maturity will evolve over time and linked with the refocused strategy will inform the organizational structure responses in the future.

Intersite Organisational Structure 2020 - 2021

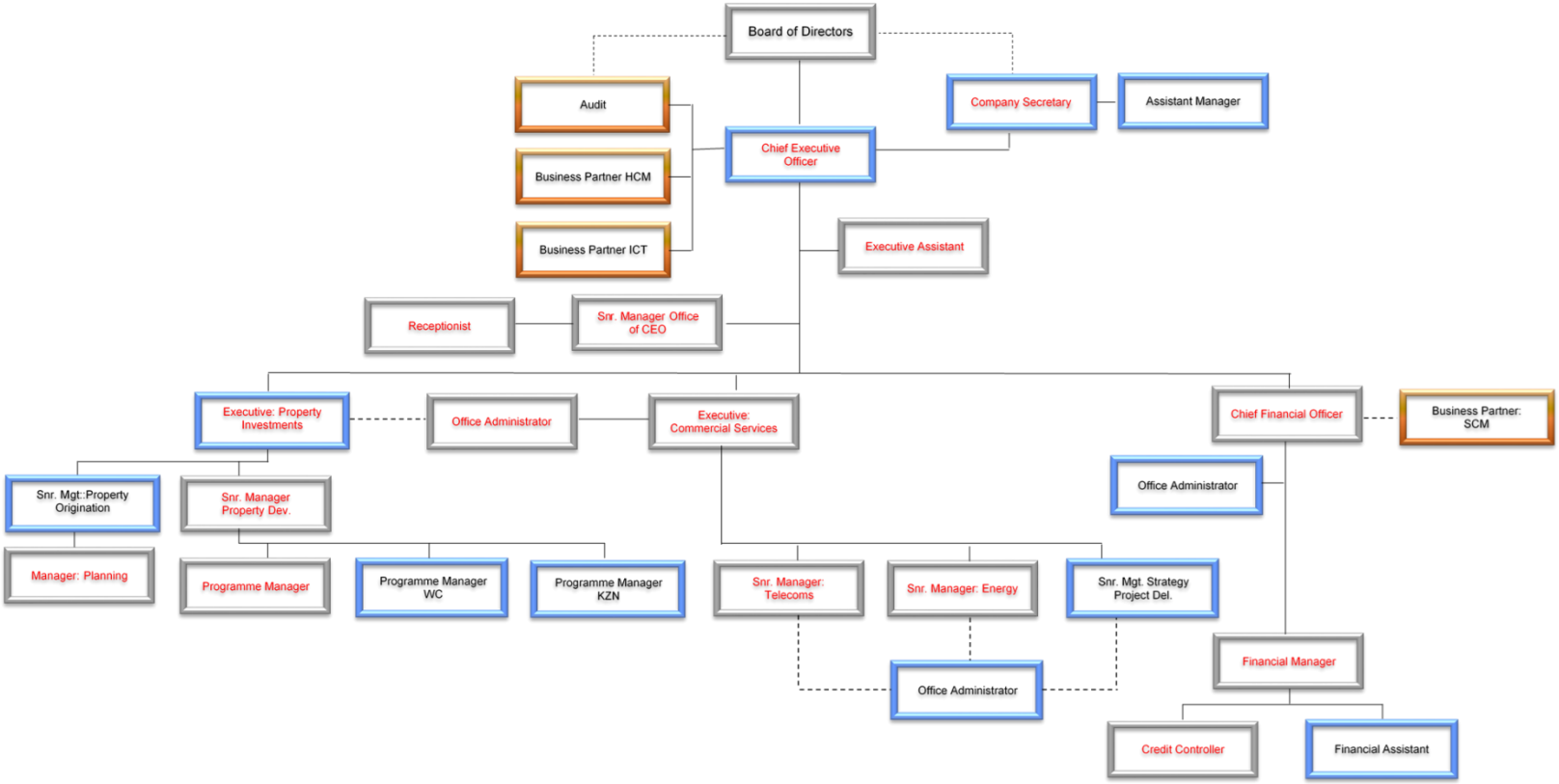


Figure 2: Intersite Organisational Structure

4.3 Funding Structure

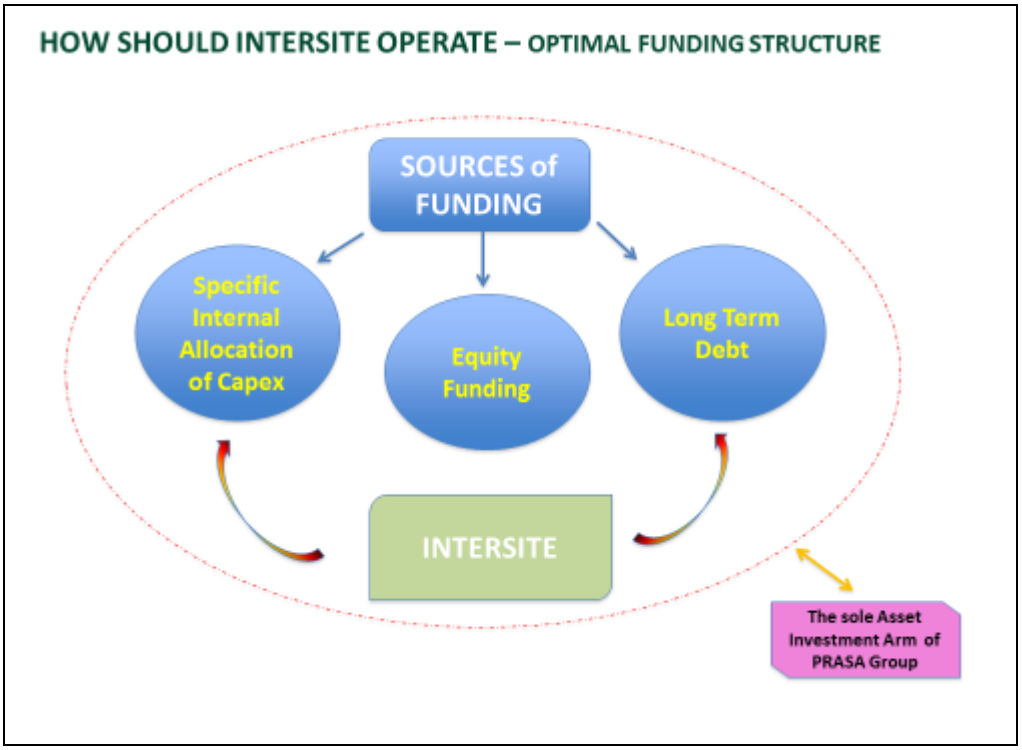


Figure 3: Intersite Proposed Funding Model

Intersite currently does not have any access to both internal Capital allocations from the Shareholder nor has it any approved borrowing powers. The current model adopted by Intersite permits funding via Public Private Partnerships but this limits investment participation by PRASA which is not the ideal model.

The asset base currently resides with PRASA. To initiate the level of investment to support both the property and telecoms strategy requires the transfer of an appropriate asset base to Intersite to ensure that such an asset base is within the ambit of Intersite' s control. This is currently not the case.

The first and most cost effective source of funding on any property developments or infrastructure investments is an internal allocation of Capital from PRASA as the cost of capital is zero. The second option is accessing debt funding from external funding institutions. In order to prepare for accessing the debt market it is strategic that an adequate balance sheet is in order to enable the required gearing.

Such a balance sheet should be populated with the relevant investment grade assets that has an adequate track record going back in time and as well as forward. Such a position is commensurate with the current fiscal constraints forecasted.

In summary, the funding sources are as follows:

- PRASA Capex
- Debt funding (On or off balance sheet)
- Public Private Partnerships (Equity)

4.4 Sustainability Model

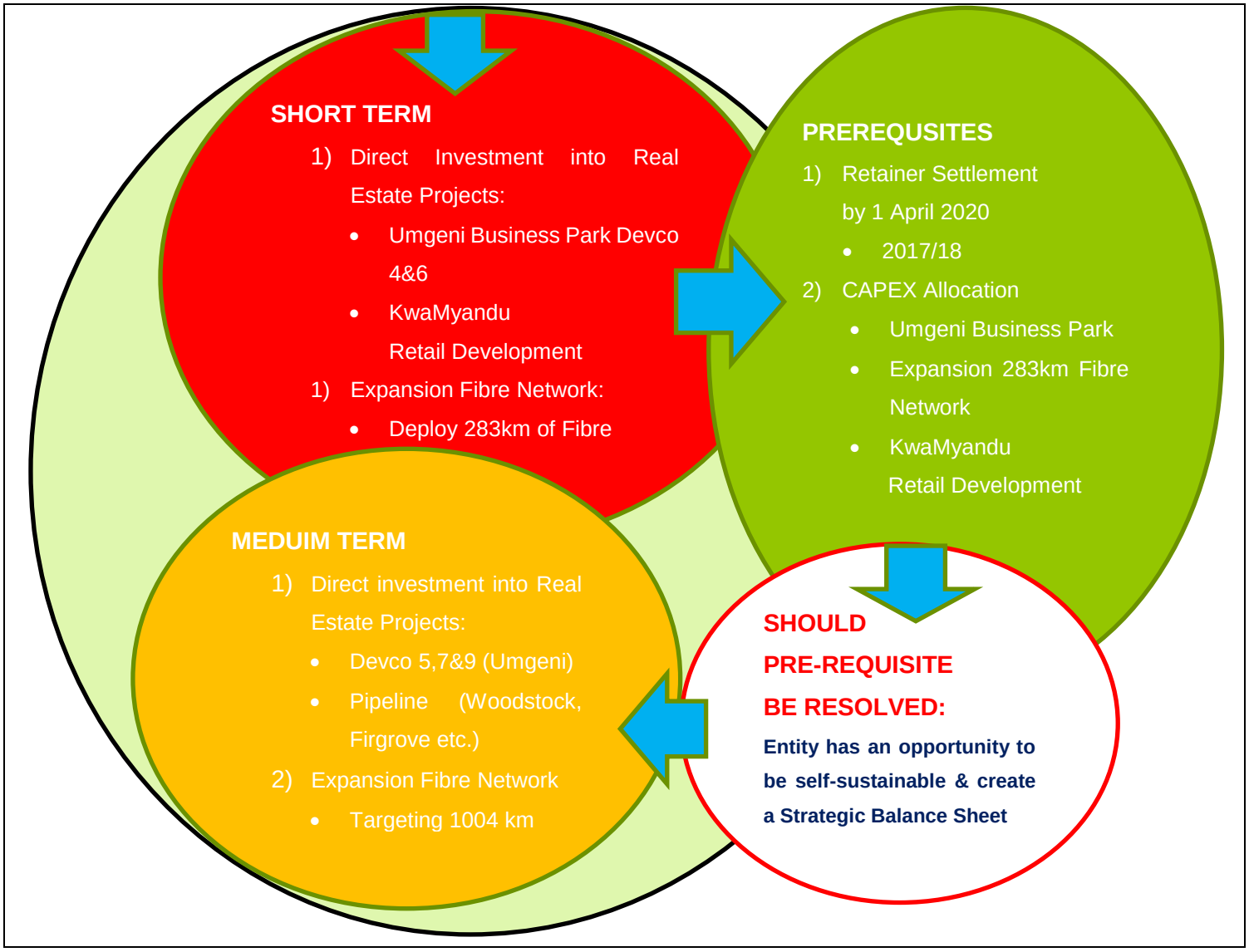


Figure 3: Intersite Sustainability Model

The sustainability model is based on three actions, which if implemented will ensure that Intersite's going concern, sustainability and growth are realised within the MTEF period 2019 -2022. Should the prerequisites be adhered to.

ACTION 1 – Payment of Retainer

PRASA should settle all outstanding approved retainer payments as per the shareholders compact for the 2017-18 financial year. The view is that if this were done in conjunction with the remaining two Actions the sustainability and profitability of Intersite would be secured.

ACTION 2 – Investment in Umgeni Business Park Development

The KwaZulu-Natal project was launched in November 2016 and will realize in excess of 67 000 m^2 over two phases of the development at an estimated cost of R 1.5 billion over five (5) years. Construction of Phase 1 comprising of 35 000 m^2 commenced with earthworks in November 2017 for two tenants CTM and Zebbies. Zebbies reached practical completion in December 2018 and CTM is due for completion in April 2019.

Intersite takes up a participation in the development of Devco 4 & 6 short term and 5,7 & 8 medium term on top structure investments for the Umgeni Business Park Phase II Development. The nature of the participation is through a capital injection into the developments to acquire a 50% undivided share in the lease agreements.

Intersite will receive its participation before tax, which is tax free by virtue of it being tax exempt. Participation will not require National Treasury approval as its profit participation and not an equity transaction.

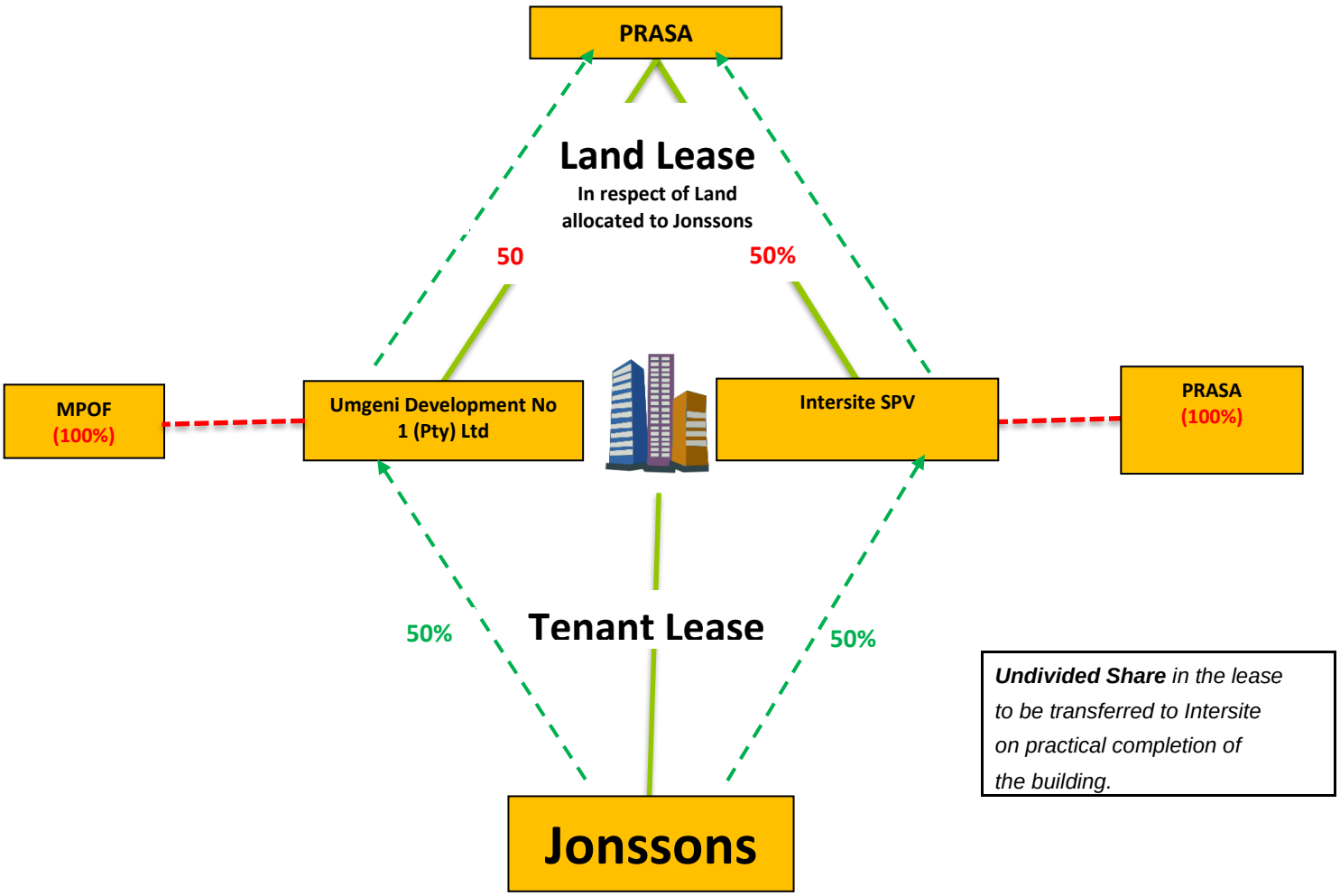
PRASA and Intersite will receive cash flows as soon as the construction is completed and leasing commences.

- Participation capital cost, of the development companies Devco 4,5,6,7 & 8 will require an estimated R97,6 million from Intersite:

    - Devco 4 (Workwear depot) will required an estimated capital of R13.75 million at an estimated initial yield of 8, 47%.

- Devco 5 (Wearcheck) will required an estimated capital of R19.2 million with an estimated initial yield of 8,46%
- Devco 6 (Cash connect) will required an estimated capital of R21.75 million with an estimated yield of 8.46%
- Devco 7 (Retail corner) will required an estimated capital of R28.35 million with an estimated yield of 8.46%
- Devco 8 (Ashley Homestore) will required an estimated capital of R14.55 million with an estimated initial yield of 8.33%

Investment structure: undivided share base:



This Investment Structure must be housed in a separate legal entity

Figure 5: Investment structure

ACTION 3 – Investment into expanding Fibre network reach and capacity for commercial leasing UPDATING

The PRASA rail network provides the opportunity for Intersite to deploy and or commercialise large-scale fibre optic networks along the railway tracks which are 1004 km and extend through all the country's provinces, most major cities, towns and townships.

Utilising this capacity is attractive as well as competitive as it enables Intersite to avoid the major expenses inherent in civil works and obtaining rights of way for network expansion through servitudes.

- PRASA provides capex funding required for the 282 km deployment at R65m for the short term fibre build program.
- The calculations are based only on existing and signed lease agreements.
- Build program for selected routes is completed on time.
- Lead time to rollout the fibre is 6 months minimum and maximum 24 months.
- Phase 1 - 3: 282km of fibre deployed in KZN and WC within the 2020/21 FY. *(Key proviso to realise this target is the available of capex timeously).*

4.5 Asset Base

Currently the entire PRASA asset base resides with PRASA and there are no assets that reside with Intersite. To facilitate a consolidated approach for development in both the property and asset infrastructure will require an asset base to be within the ambit of Intersite's control. This is currently not the case.

- Technology Development

  The focus on the telecoms, energy, built and public space environments will require a specialised knowledge of intelligent systems and the technologies that are supportive of them. Intersite currently does not have sufficient internal capability in this area yet these specialised

areas are fundamental to delivering sustainable building environments, particularly in the development of the flagship stations.

- Statutory Plan Integration

  The development of integrated transit oriented developments is dependent upon proactive engagement with the relevant spatial and transport-planning authorities linked with supportive land use policies at all three levels of government. While limited interaction has occurred within PRASA through the Strategic Network Planning Department, intensified liaison is necessary which will assist in spatial planning, land use zoning and land use density requirements necessary to support transit-oriented developments around railway stations. The integrated development plans and associated land use planning frameworks can be positively influenced by intensive liaison through formal structures. This concerted effort is required to ensure integrated plans and to secure strategic land parcels along new planned corridors.

4.6 Transformation Enablers

The Intersite strategy needs to be elevated to a top strategic priority. Property strategy needs to be effected in line with the "rail plus property strategy" employed by successful rail companies around the world such as MTR in Hong Kong, Japanese Rail in Japan, to mention but a few.

The Telecoms strategy needs to receive the requisite focus so that it can harvest opportunities around the commuter base and infrastructure to provide significant immediate returns. Both property and telecoms initiatives have the required support from the Group and the Shareholder and is recognised as a significant contributor to growing the asset base and the need to develop funding streams to sustain the long term interests of the Group.

It should be noted that these initiatives are in line with best practice benchmarks research and expectations from the Department of Transport. The transitional "enablers" that have been identified, are to be managed aggressively to enable the transformation to occur within the required period.

Immediate Initiatives:

- Transfer of relevant Assets to the Intersite Balance Sheet
- Conversion to a schedule 2 entity (for ease of doing business with respect to Private Public Partnerships, borrowings and S54 exemptions)
- Approved borrowing plans
- Internal Capital allocation as the first funding option
- Asset condition assessment
- Debt funding options
- Investments into pipeline projects
- Appointment of transaction advisors
- Transfer of relevant investment grade properties

4.7 Asset Transfer Process to Intersite from PRASA

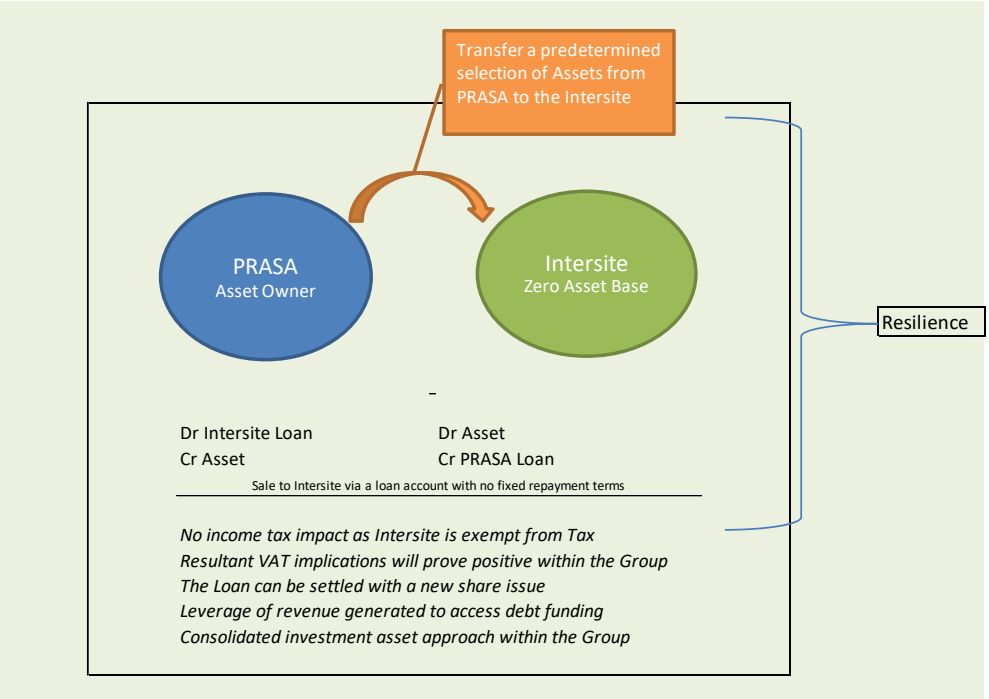


Figure 6: Transfer of Assets Process (via sale)

The most significant critical success factor for Intersite to deliver on the mandate is the transfer of the relevant assets to the balance sheet of Intersite. The above diagram provides a succinct approach envisaged to transfer select assets to Intersite from PRASA. This mechanism applies to both investment property and infrastructure assets. (Refer to Financials depicting the scenario with an asset base).

The approach is not new within the public sector space with the most recent restructure on a similar basis being by Telkom with the formation of Gyro a subsidiary of Telkom. The transfer of assets from Telkom Group to each entity (including Gyro) was effected through a sale transaction. Each entity is independent, focused on a specific industry sector, has its own balance sheet, & has autonomy to make decisions within that sector. Telkom envisages that this will enable focused sector strategies; agility to respond to market; & improved performance (revenues & profits).

4.8 Business imperatives critical for Intersite

4.8.1 A conducive economic climate to facilitate:

- the investment by strategic partner/s in the development of properties and assets;
- capital raising for the funding of Intersite/PRASA participation into PRASA properties/assets investments;
- capex allocation from PRASA to Intersite via grant funding;
- the commercialisation of PRASA telecommunication infrastructure, including Dark Fibre and Telecoms towers leasing;
- the implementation of the Value Added Services offering;
- the growth and development of the property portfolio and assets of PRASA/ Intersite; and
- Harvesting renewable energy opportunities around PRASA assets.

4.8.2 Funding for the required strategic and defined planning and asset identification cost;

4.8.3 Regulatory approvals from the relevant authorities;

4.8.4 Available select and approved investment assets and properties ready to be taken to market;

4.8.5 Approval for the implementation of the approved Investment Strategy by PRASA Group;

4.8.6 Transfer to Intersite or purchase by Intersite of the select rights and assets from PRASA;

4.8.7 Experienced, technically qualified and competent personnel as may be required to supplement existing skills; and

5. National Strategic Objectives: National Development Plan

The National Development Plan's ("NDP") objective is to eliminate poverty and reduce inequality. In order to achieve this, the NDP identified six interlinked priorities as follows:

- Uniting all South Africans around a common programme to achieve prosperity and equity;
- Promoting active citizenry to strengthen development, democracy and accountability;
- Bringing about faster economic growth, higher investment and greater labour absorption;
- Focusing on key capabilities of people and the state;
- Building a capable and developmental state; and
- Encouraging strong leadership throughout society to work together to solve problems.

5.1 In order to deliver on the above priorities, the NDP has also devised a set of critical action plans as follows:

- **A strategy to address poverty** and its impacts by broadening access to employment, strengthening the social wage, improving public transport and raising rural incomes;
- **Steps by the state to professionalise the public service**, strengthen accountability, improve coordination and prosecute corruption;
- **Boost private investment** in labour-intensive areas, competitiveness and exports, with adjustments to lower the risk of hiring younger workers;
- **An education accountability chain**, with lines of responsibility from state to classroom;
- **Phase in national health insurance**, with a focus on upgrading public health facilities, producing more health professionals and reducing the relative cost of private health care;
- **Public infrastructure investment** at 10 percent of gross domestic product (GDP), financed through tariffs, public-private partnerships, taxes and loans and focused on transport, energy and water;
- Interventions to ensure environmental sustainability and resilience to future shocks;

- **New spatial norms and standards** – densifying cities, improving transport, locating jobs where people live, upgrading informal settlements and fixing housing market gaps;
- **Reduce crime** by strengthening criminal justice and improving community environments.

5.2 The PRASA Group in delivering on its primary and secondary mandate seeks to contribute to many of the interlinked priorities and action plans above, but Intersite specifically in delivering on the secondary mandate is effecting change in the following interlinked priorities:

- Bringing about faster economic growth, higher investment and greater labour absorption;
- Focusing on key capabilities of people and the state;
- Building a capable and developmental state;

In addition, the following action plans:

- **Steps by the state to professionalise the public service**, strengthen accountability, improve coordination and prosecute corruption;
- **Boost private investment** in labour-intensive areas, competitiveness and exports, with adjustments to lower the risk of hiring younger workers;
- **Public infrastructure investment** at 10 percent of gross domestic product (GDP), financed through tariffs, public-private partnerships, taxes and loans and focused on transport, energy and water;
- Interventions to ensure environmental sustainability and resilience to future shocks;
- **New spatial norms and standards** – densifying cities, improving transport, locating jobs where people live, upgrading informal settlements and fixing housing market gaps.

5.3 Linkages between SIPs and Intersite initiatives: Below is a list of Intersite initiatives that respond to the various Government SIP.

Strategic Integrated Programme (SIPS)	Focus Area	Intersite Initiatives
SIP 6	Integrated Municipal Infrastructure Programme	**Yes.** Urban network strategies and plans (corridor strategy); and, Intermodal transport facilities
SIP 7	Integrated Urban Space and Public Transport Programme	**Yes.** Transit Oriented Developments (TOD); and, mixed used developments that support corridor densification on PRASA land
SIP 8	Green Energy in Support of the South African Economy	**Yes.** Solar PV energy generation using PRASA rooftops and vacant land holdings; and, Energy storage and distribution using PRASA energy infrastructure
SIP 15	Expanding Access to Communication Technology	**Yes** Fibre leasing, Tower leasing & ICT services provision. Examples: Utilise PRASA's fibre to fulfil the objectives of SENTECH Towers Fibre Connectivity, SA Connect & Gauteng Province Broadband projects

Table 4: Intersite Role in SIP's

The secondary mandate of PRASA therefore has a very important role to play in contributing towards very important programmes for the country and its people and it is vital that this mandate is rolled out effectively and efficiently.

6. Market Analysis

6.1 The South African Economic Outlook

Economic growth is projected to grow at 0.5% in 2020/21, 1.7% in 2022, due to various impediments such as load shedding, trade union unrest, and a dire lack of investment in the high impact areas of the country's economy. Private consumption will also expand marginally on the back of moderate wages increase. Unemployment will remain high, however weighing on consumer demand of goods and lack investment confidence notwithstanding the dynamics in the sphere of governance.

Investment is set to recover as policy uncertainty is assumed to ease gradually. High oil prices and the weak currency will drive inflation to the upper levels of the 4.1% target range. Monetary policy will need to address upward pressures on inflation while growth is low. It should remain accommodative to support growth, but tighten moderately in case inflation continues to rise.

The government budget deficit is set to remain high relative to GDP. Credible structural policy reforms are necessary to broaden competition and economic opportunities in order to support growth.

Subdued domestic demand has weakened growth:

The economy slowed in 2019 as indicated the section above. A temporary boost in business and consumer confidence at the beginning of the year gave way to growing policy uncertainty that weakened investment. Private consumption has been constrained due to recent tax changes and slow credit growth.

Despite a stabilisation of food prices and moderate wage growth, household consumption is being held back by higher oil prices. Job creation has been insufficient, and unemployment remains high at almost 28% of the labour force, contributing to persistent inequalities in income and economic opportunities.

Progress on structural reforms is needed

High oil prices and a weak exchange rate following the emerging market sell-off are pushing inflation to the upper levels of the 3-4.1%% target range of the Reserve Bank.

Monetary policy is operating in a difficult environment of low growth and upward inflationary pressures. While monetary policy remains accommodative to support investment, the Reserve Bank is committed to gradual increases in the policy interest rate if price pressures increase.

Fiscal space is tight. Additional revenues from broadening the tax base have been offset by higher public sector wages, investment in free higher education and social benefits, and decreased tax collections. Within the budget, a reprioritisation of spending towards job creation and infrastructure was announced in the economic stimulus and recovery plan in September 2018.

To strengthen employment, inclusiveness and tax revenues in the medium to long term, job creation needs to be accompanied by investments that increase productivity, such as improving the quality of education. This is particularly important as 39% of the 15-34 year olds are in neither education, training nor employment, contributing to severe skill shortages.

Advancing structural reforms and reducing policy uncertainty are necessary to support growth in the medium to long term. The economic stimulus and recovery plan includes important structural reforms proposed in the budget, such as reducing barriers to competition in several network sectors. Timely implementation would increase investor confidence and investment.

Growth will remain fragile

Growth is projected to pick up slowly, but will remain vulnerable to policy uncertainties and external shocks. Exports will be the main driver of growth on the back of a weak exchange rate. Investment is expanding, albeit only moderately due to policy uncertainties around the land reform debate and the governance of state-owned enterprises.

Stronger investment growth could provide a positive stimulus if policy uncertainties ease and structural reforms progress. Stronger-than-expected job creation.

Source: *OCED Economic outlook 104 database and Statistics South Africa*

With the market share of approximately 13%, PRASA transports about 480 million people to places of employment and education on an annual basis[1]. This affirms PRASA/Intersite's contribution to the economy by virtue of operating rail and non-rail services in South Africa. In 2019, Intersite further aims to leveraging on its market share and continue to contribute to South Africa's socioeconomic development in areas of Housing, Transport, Telecoms, ICT and Real Estate.

[1] PRASA Corporate Plan, 2018

Coupled with increased consumer spending, revived investor confidence and lower interest rates, 2019/20 has more tailwinds than headwinds. With PRASA capex spend expected to commence because of the rail recapitalization, Intersite has an opportunity to leverage on the current and projected economic outlook in order to effect meaningful change in the South African economy and spatial pattern.

6.1.1 Understanding Property Markets Trends of 2019 and beyond

Looking forward to 2020 and beyond, the real estate investment industry will find itself at the centre of rapid economic and social change, which is transforming the built environment.

By 2020, real estate managers will have a broader range of opportunities, with greater risks and new value drivers. As real estate is a business with long development cycles – from planning to construction takes several years – now is the time to plan for these changes." (PwC Real Estate 2020 Report: pg. 4)

Although South Africa experienced a low economic growth in 2019 especially the second and third quarter where the economic experienced threat of a downgrades, the property market trends have also showed a slower performance outlook as expected. However, according to the study by PwC in 2016 (PWC Real Estate Report 2020), the general trends in the property sector are expected to shift from the mainstream economy to open up opportunities in the specialised and gap market segment that will shape and transform urban environments. The report further states that due to the increasing rate of urbanization, increased population will increase demand for specific types of real estate.

The Urban Real Estate Institute Research Unit (University of Cape Town) which argues that the real estate market going forward, will be disrupted by the following factors ("STEEP") substantiates the above prediction:

SOCIAL	TECHNOLOGICAL	ENVIRONMENTAL	ECONOMICAL	POLITICAL
• **Urbanisation** • **Middle-Class** • **Demographics**	• **Internet of Things** • **Big Data** • **TOD**	• **Smart Buildings** • **Sustainability (Energy)** • **Construction**	• **Digitization** • **Black Middle-Class** • **Informality**	• **Grass-Route Politics** • **Declining Local Government** • **Smart Cities**
It is estimated that by 2020, 550million people will be living in African urban areas compared to 700million people living in rural areas. However, it is further estimated that by 2035, the number of people living in urban areas will begin to exceed those living in rural (PwC Report 2020). The increase in middle-class and increase in population are also projected to contribute positively to the cities' buying power.	It is said that technology will disrupt real estate economies, making some types of real estate obsolete (e.g. online shopping will create vacancies in the retail (malls) and increase uptake in the light industrial market. Other types of real estate are said to enjoy the benefits of being located near train/intermodal zones creating the need for Transit Oriented Developments.	The highest overhead cost in any real estate operation is the cost of energy especially in commercial property sector. High-energy prices, climate change and government regulation are already pushing sustainability up the real estate agenda.	The PwC report argues that new wealth from emerging economics (e.g. TOD) will intensify competition for prime assets for attractive returns. By 2020, developing assets in fast-growing but higher risk emerging economies, or specialize in the fast growing subsectors driven by digitization.	In order to leverage on new markets, collaborating with governments will become more crucial to increase the real estate market especially for emerging and previously disadvantaged real estate players in order to mitigate risk of schemes that might otherwise be uneconomic/non-viable. Therefore, government should take up a lead and present opportunities in real estate development and infrastructure.

Table 5: Disruptions in the Real Estate Market (Steep Approach)[2]

According to the UREIU the above factors are likely to influence the way in which business take up space or buy real estate in the retail, office, industrial and residential market. With the South African economy currently experiencing stagflation, low GDP growth below 2%, increasing inflationary

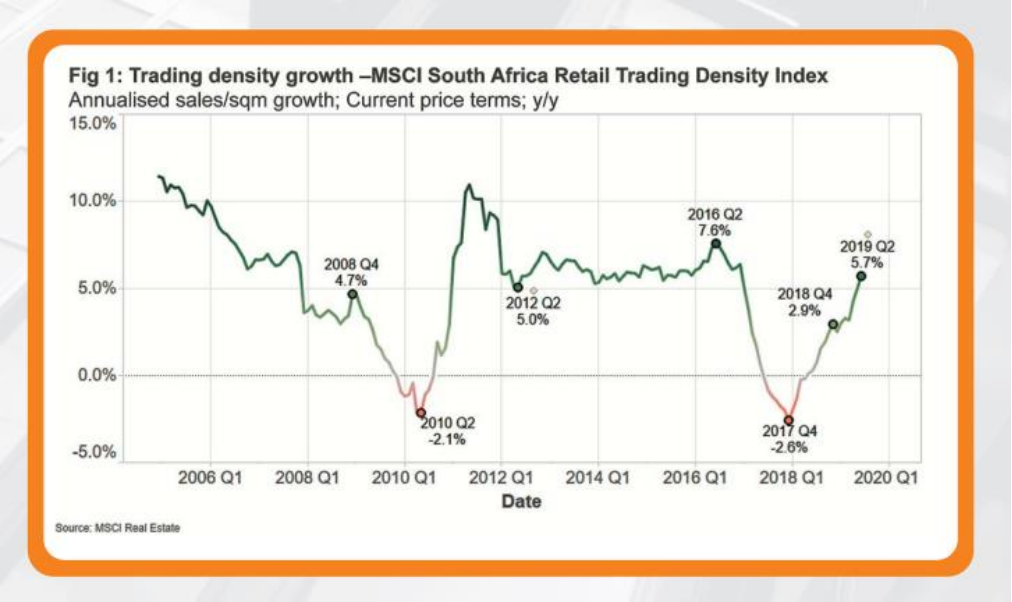
[2] Source: *Disruptors in the real estate Market Urban Real Estate Institute Research Unit (UREIU) François Viruly University of Cape Town 10 May 2018 WCPDF & PwC Real Estate Report 2020*

pressures, high unemployment rate, low business and consumer confidence, high household debt over disposable income, the real estate market outlook remains bleak.
(https://www.property360.co.za)

Retail Market

According to SAPOA Retail Trends Report September 2019, retail trade densities increased by 5.3% y/y in June 2019. Compared to 2.5% y/y increase released in August 2018 as well as a growth of sales at 6,3% attributed to a positive foot count of 1.4% as well the uptake by the health and beauty stores which has had an impact in the tenant mix for shopping centres.

On the other hand, transit oriented shopping centres like Kwa-Mnyandu Station Mall, at Umlazi in Durban, have experienced less than 1% vacancy rate at the same time planning an expansion of almost 1500m². This can be attributed to the captive market that rail has over motorized transport. As mentioned above, it is expected that TODs will in the future disrupt the retail sector by providing a more convenient and affordable alternative to conventional shopping malls.



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Potential growth areas in the property market

Despite the economic and retail sector challenges, South Africa continues to see an increase in retail supply in the form of a development pipeline. This is due to retail under construction around railway station/intermodal hubs (by private developers in collaboration with City of Tshwane), primarily the Tshwane Regional Mall situated in Denneboom Station east of Pretoria estimated at 60 000m² of GLA and more space uptake at Johannesburg Park Station.

This trend should be harnessed further by ensuring that improvement in the rail service and infrastructure is expedited. It would allow more efficiency and increase rail patronage thereby doubling trading densities for new retail, industrial and residential opportunities along the high performing rail corridors.

6.1.2 The South African Energy Policy Framework

Significant expansion of the South African economy during the past few decades has resulted in a consequent and substantially increased growth in electricity demand as well as access to electricity without the corresponding growth in the supply side.

In 1994, the White Paper on Energy Policy was released. In 1997, as part of the Kyoto Protocol, South Africa was not mandated to reduce emission levels, but rather encouraged to review its environmental policies to consider global environmental concerns. The White Paper on Renewable Energy was subsequently published in 2003 with the aim of encouraging renewable energy use and setting a target of facilitating the production of 10 000 Gigawatt Hours (GWh) of renewable energy by 2013. In 2010, the Department of Energy (DoE) started to create an enabling environment for IPPs to participate in the electricity sector.

The recent announcements by the Govt. of its intention to unbundle the electricity utility ESKOM and split it into three distinct entities i.e. generation, transmission and distribution entity, is intended to isolate costs, allow ESKOM to raise funding in the markets, and create more transparency in pricing in the energy market[3].

[3] State of The Nation Address (SONA), 2019. Eskom to be restructured.

In addition, the Govt. has stated the intention to review the rates that were concluded in the first window of the Renewable Energy Independent Power Producer's Programme (REIPP) market is likely to stabilize or drive down energy costs from this sector[4]. This proposed approach, however, is likely to be challenged by the renewables industry sector, which has expressed its public concerns in this regard.

Key South African Energy Drivers of Renewable Energy

Government recognises that Eskom alone does not have the financial and technical capacity to meet the country's electricity demand and ensure energy security on its own, leading to the development of a renewable energy sector primarily driven by IPPs.

Government, through the DoE, took a decision to encourage private sector investment in the generation of electricity and to ensure that other energy technologies, including renewable energy, become part of the energy mix with the objective of up to 30% of new generation coming from IPPs by 2030 while maintaining Eskom as the dominant electricity market player.

The development of low carbon growth in the electricity sector is dependent on the competitiveness of technologies as cost effective alternatives to traditional fuel types. South Africa is the twelfth largest emitter of carbon dioxide (CO_2) in the world, responsible for nearly half the CO_2 emissions for the entire African continent and about 1.6% of global greenhouse gas emissions. South African greenhouse gas emissions in 2010 amounted to almost 580 million tons[5] of CO_2-equivalent, excluding land-use change and forestry.

This represents an approximate 25% increase in emissions since 2000 and is 50% above 1994 levels. CO_2 accounts for around 80% of South Africa's emissions, driven primarily by coal-based electricity production. The energy sector, including electricity generation, petroleum refining, and transportation was responsible for more than 85% of the emissions.

[4] Renewables industry challenges Gordhan on contract re-negotiation, 2019. IT Web, 18 February 2019.
[5] Environmental Defence Fund, 2014

The creation of a renewable energy industry is expected to contribute to local economic development objectives. A key priority for government is the creation of sustainable employment along with the development of domestic manufacturing capacity.

As indicated above, the unbundling of ESKOM is likely to have a major significant impact on the energy market in South Africa.

The South African Energy Landscape

The Country's Integrated Resource Plan (IRP) guides new generation capacity in South Africa. The IRP is an electricity capacity plan, which aims to provide an indication of the country's electricity demand, how this demand will be supplied and what it will cost. In 2011, the then Department of Energy (DoE) released the Integrated Resource Plan 2010-2030 (IRP 2010) in respect of South Africa's forecast energy demand for the 20-year period from 2010 to 2030. The IRP 2010 was intended to be a 'living plan' that would be periodically revised by the DoE.

In August 2018, the then Minister of Energy published a draft IRP which was issued for public comment (Draft IRP). This public participation and consultation process has culminated in the issue of the IRP 2019, which updates the energy forecast from the current period to the year 2030.

The IRP2019 allocates 500MW per annum for "Other (Distributed Generation, Co-Gen, Biomass, Landfill)" commencing in 2023. For the period 2019-2022, there is no prescriptive MW allocation and instead the IRP2019 simply provides for an 'allocation to the extent of the short term capacity and energy gap.' The short-term capacity gap for the period 2019 -2022 is estimated at 2,000MW.

The MW allocation in the IRP2019 of 500MW commencing from 2023 for other distributed generation in the manner prescribed is an increase from what was previously put forth in the Draft IRP and is a welcome development aimed at stimulating the growth of the own generation and captive power market in South Africa.

Renewable Energy IPP Procurement Programme

The REIPPP is a public-procurement program that allows Independent Power Producers (IPPs) to submit competitive bids to design, develop and operate large-scale renewable energy power plants across South Africa. With an abundance of land, significant wind resource and high levels of solar radiation, the country is well positioned to take advantage of renewables.

To date, 102 IPP projects have been procured from four bidding round windows with further windows expected to be announced in the future. They use a variety of renewable energy technologies including biomass, landfill gas, hydro, solar (concentrated solar power (CSP) and photovoltaics (PV)) and onshore wind.

Private Sector Investment

The current electricity industry in SA and the REIPPP framework are structured around Eskom as the single buyer of electricity.

However, in the last decade the development of a unique business model, trading in electricity has emerged facilitating a 'willing-buyer, willing-seller' model. This alternative model, based on a small voluntary market for renewable energy, has been made possible through a partnership within municipal structures, allowing the connection of IPPs and industrial customers by a private sector trading entity called Amatola Green Power (AGP)[6].

AGP is based in Amatola District Municipality in the Eastern Cape and the first privately owned electricity trader operating in the Distribution part of the electricity value chain. In this role, they buy electricity from Renewable Energy IPPs, which are based within the locality and then use the Municipal Distribution System to "wheel" or distribute it within the Municipal boundaries to private sector buyers of green electricity. They pay the Municipality or Electricity Distribution Company the "wheeling" charge.

Key issues for the sustainability of AGP's business model are the competitive pricing of the renewable energy (as IPPs remain unable to compete with Eskom's special pricing agreements to large electricity users) and the partnerships with municipal institutions, which make trading possible. Demand for renewable energy from industrial customers (i.e. outside of the REIPPP programme) and competitively priced supply have enabled the development of this market on a small scale. Even though this

6 http://www.kznenergy.org.za/download/forum_meetings/workshop_on_wheeling_agreeements/Amatola%20The%20Green%20Power%20Trading%20Platform.pdf

alternative model remains limited to a single company at this stage, it does open up the opportunity for IPPs to sell to customers directly and demonstrates the potential for a voluntary market, especially in partnership with local governments, to further develop renewable energy in SA (Mont Masson-Clair et al, 2014). This area becomes an opportunity for PRASA to potentially explore should there be instances where excess generation can be produced.

South African Rooftop Solar Market

Renewable, off-grid energy installations and distributed energy systems have emerged as a global trend on the back of rising electricity costs, rapid technology advances and price improvements in alternative energy options. In South Africa, a further driver is security of supply within the electricity supply system. With the continuing sharp decline in technology costs, Solar PV offers an attractive option for private building owners and is increasingly expected to make noticeable contribution to the renewable energy capacity in the country.

A Solar PV baseline study completed in 2013 as part of the South African Solar PV technology roadmap which, considered current trends and different penetration rates; predicted that the combined commercial, industrial and residential installations of rooftop PV in the country is likely to be between 3.5GW and 11.6GW by 2035[7]. A voluntary database of small-scale, typically rooftop, Solar PV installations in the country which was first published in January 2015 with an installed capacity of 19MW had more than doubled by May 2015, recorded 43.8MW. Among those listings that were specified, the majority of installations were recorded in the commercial, agriculture, industrial and mining sectors. The figure below shows the distribution across the country.

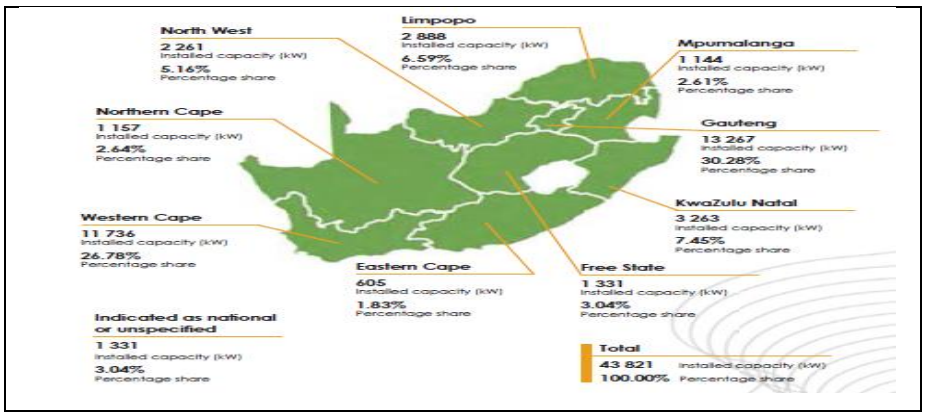


Figure 8: Solar distribution

7 State of Renewable Energy in South Africa, DoE, 2015

6.1.3. South Africa's telecommunications market overview

Major local trends in the Telecoms/ICT industry – 2018 and beyond

6.1.3.1 **Principle of open access for core networks and the last mile:** The National Integrated ICT Policy White Paper ("the ICT Whitepaper") envisages the building of core networks that are based on principles of open access including fairness, transparency and non-discrimination. In addition, it is envisaged that the last mile infrastructure (connectivity to the home or business or premises) will also be built on the same principles of open access. It is envisaged that such an arrangement will compel industry players to compete based on content and service as opposed to infrastructure, thus stimulate competition, which has tended to be stifled due to the use by the incumbent dominant players of infrastructure to block market access to new players. The flipside to the White paper is that the major players see no incentive for them to invest in new infrastructure and technology, which they are compelled to share and thus derive little or no strategic benefit from such investments.

6.1.3.2 **Decline in traditional revenue sources (including voice, video and data):** The local marked by declining growth in the Business to Consumer (B2C) sector, reducing average revenue per user, and fall on traditional revenue sources e.g. voice, video and data. Even though the data prices have fallen, the average data consumed per user has continued to increase. Some of the steepest competition in this sector for the traditional Telco's comes from Over the Top (OTT) operators, who do not have the burden or obligation to make fixed infrastructure investments yet are able to generate massive revenues through the exploitation of third party (traditional Telco's) owned infrastructure. Included in this category are entities like Facebook, WhatsApp, WeChat, Instagram, Twitter, etc.

6.1.3.3 **Cloud storage and computing:** Cloud storage and computing will take stronger hold in the local market going forward. Recently, there have been major announcements made in this regard by leading global players in this regard including Microsoft and Amazon (US); and Alibaba (China). These entities are

investing in the setting up of data centres in the country to support expected future growth in this sector that will be driven primarily by big data and is underpinned by the major global Telecoms/ICT mentioned above.

6.1.4 Major Global trends in the Telecoms/ICT industry – 2018 and beyond

Industry experts indicate that the major trends that will affect the Telecoms/ICT industry include the following, namely 5G network infrastructure and services; artificial intelligence; internet of things; Data explosion and; increasing demand for safe & reliable transmission mediums and particularly.

6.1.4.1 **5G network services:** 5G networks provide superfast and high capacity data connectivity to smart mobile devices that support and in turn lead to data explosion. Beginning 2020, 5G networks will gradually replace the 4G and earlier generation mobile technologies, which are becoming obsolete. 5G is 10 times faster than 4G and allows for download speeds of up to 10GBPS. Key to realizing value out of 5G is the licensing and availability of spectrum to support this technology.

6.1.4.2 **Artificial Intelligence (AI):** the nascent AI technologies means that devices will play an increasingly more sophisticated and active role, in the lives of end users. These include augmented reality, autonomous driving vehicles, speech recognition, personal assistants (e.g. Siri and Alexa), which will vastly improve the user experience. Deep learning, a subset of AI, whereby networks are capable of learning on their own without human intervention, is also going to be a major emerging feature of AI going forward.

6.1.4.3 **Internet of Things (IOT):** This ongoing theme foresees devices connected and communicating directly with each other. Included under this category are machine to machine (M2M) communication, telemetry and machine learning. The convergence between various technologies and an increasingly connected world using various technologies will support IOT.

6.1.4.4 **Data explosion and big data analytics:** the amount of data traffic transported through the networks will continue to grow exponentially for the near future driven mainly by 5G networks and IOT. It is estimated that by 2020, more than 20.8 billion devices will be connected to the Internet. This growth is over and above existing traditional traffic growth and will require high capacity transmission mediums including optic fibre and 5G.

6.1.4.5 **Demand for optic fibre:** The growth in data traffic needs to be supported by high capacity and high-speed transmission medium. In this regard, optic fibre will continue to provide

such a core backbone and transmission platform and existing fibre networks will need to be supplemented by additional ones to cope with increased demand.

The demand for optic fibre is driven by many factors including 5G and its high capacity & high transmission speed requirements; Internet of things and increased connectedness of things; data explosion and big data analytics from streaming of massive files and content.

6.1.4. Top Predictions for 2019

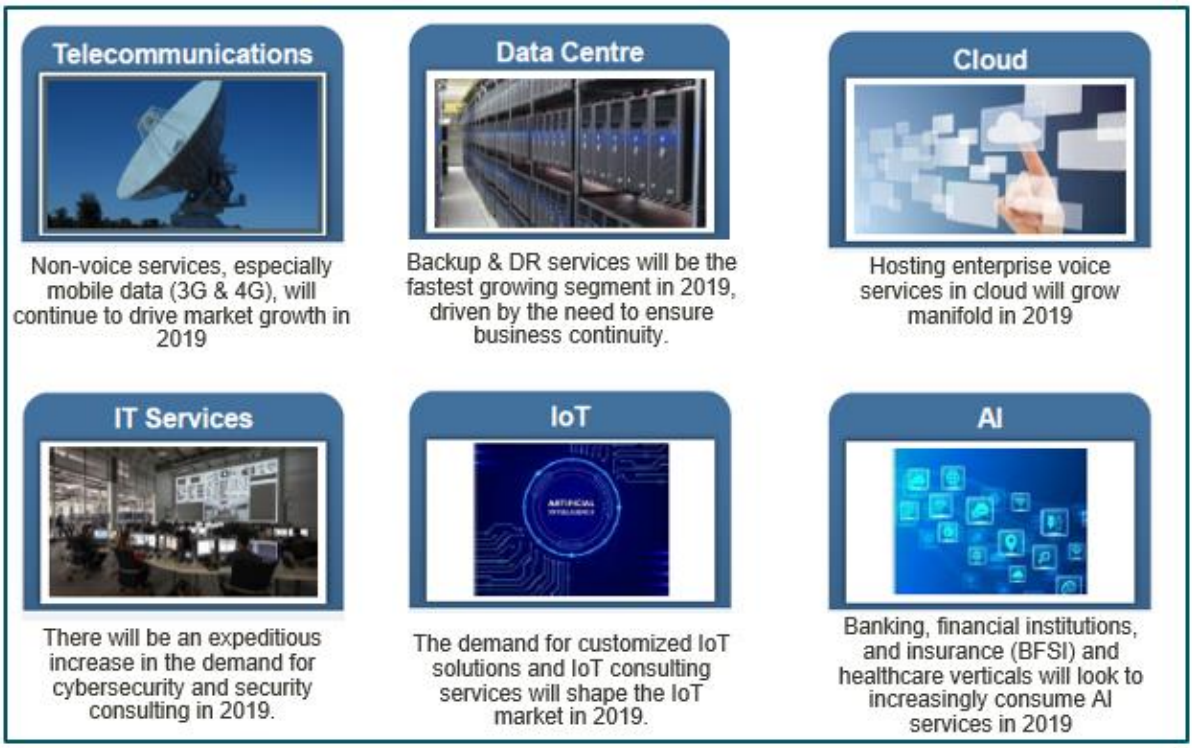


Figure 9 Top predictions 2019

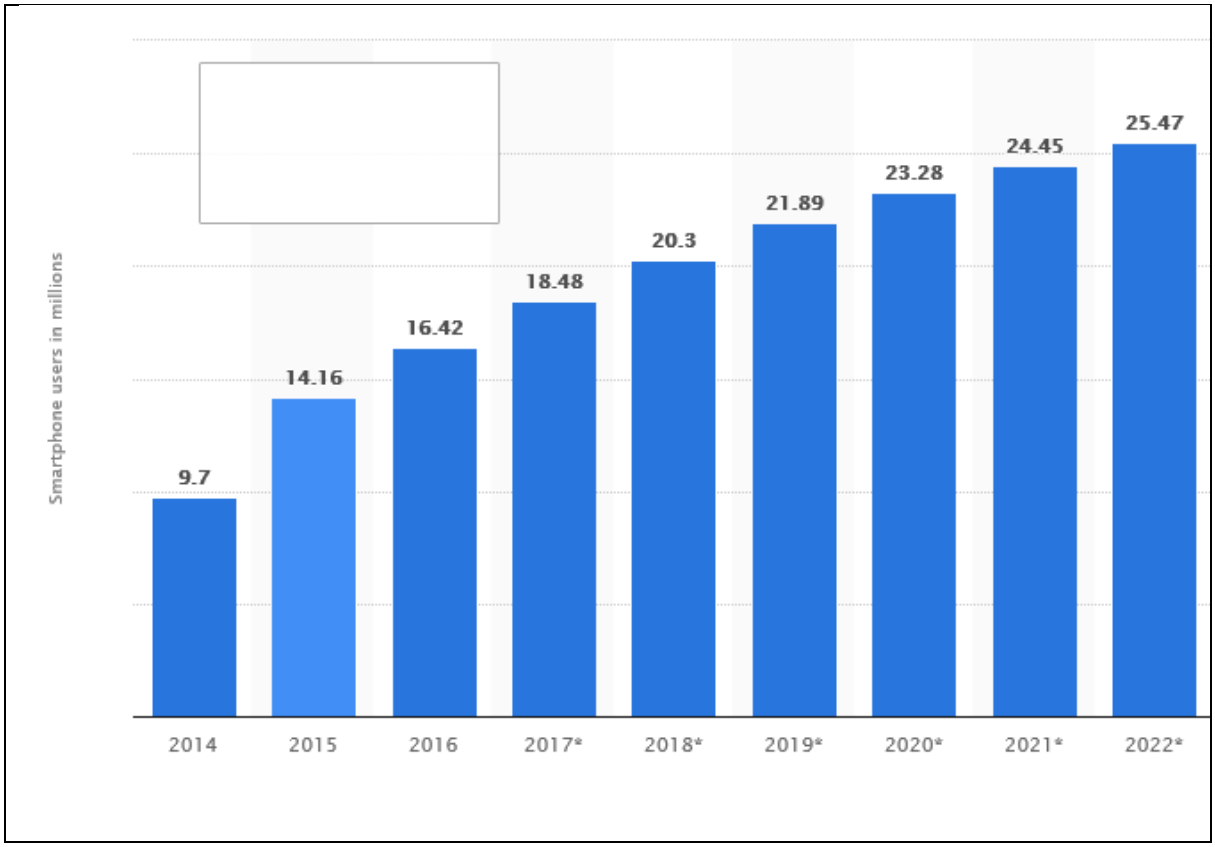


Figure 10. Smartphone penetration in South Africa in millions (2014 – 2022)[8]

South African market overview:

The ICT industry and more specifically the connectivity infrastructure in South Africa has improved significantly over the last decade, particularly in terms of the quality and reach of the infrastructure. The key improvement areas include:

- The influx of undersea cables that connect South Africa to the rest of the world
- National and regional data backhaul networks being built
- Increasing satellite coverage
- Significant growth of mobile networks
- Metro and access fibre roll-out

South Africa currently has approximately 186,720km of terrestrial fibre installed of which Telkom has more than 157,400km (78.7% Telkom share). The graph below indicates the percentage share of various network owners in South Africa, denominated in kilometers of fibre optic cable.

[8] Statistica.com. The number of smartphone users in South Africa from 2014 to 2022 (in millions)

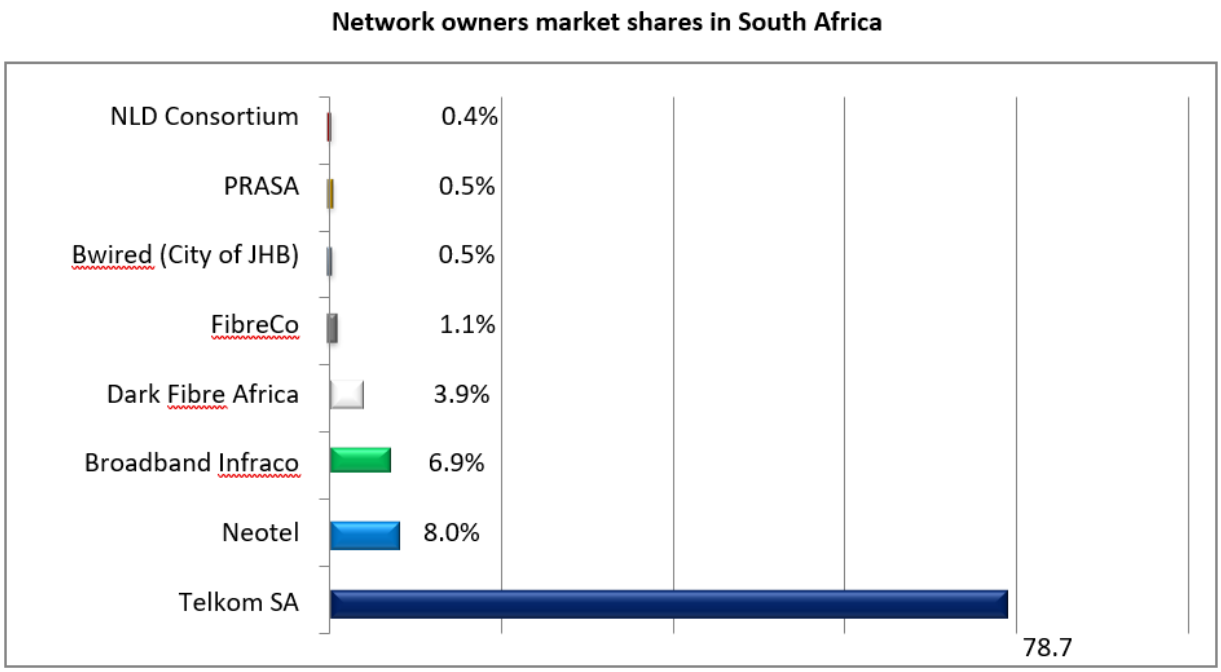


Table 7: Network owners

However, even though there has been growth and development in the ICT industry, this has not translated into affordable access to the full range of communication services to all. The broadband penetration in South Africa remains relatively low compared to other lower-middle- income countries. Furthermore, due to the slow deployment of fixed broadband services, mobile broadband became the primary means of broadband access over the past 5 years.

These trends are confirmed in the statistics depicted in the table below, which indicates that approximately only 34% of South Africans have access to the Internet and of these, 88% are accessing the Internet via a mobile phone. Furthermore, according to Statistic South Africa's annual household general survey, 10% of South African households had access to the Internet at home in 2014 and that situation still prevailed in 2018. Access to the Internet at home is highest in the Western Cape (23, 8%) and Gauteng (17, 3%), but just over 5% of the households in KwaZulu-Natal (KZN) had access to the Internet.

Mobile, fixed, and Internet penetration rates in South Africa

Penetration Statistic	2010	2014	2020
Mobile telephony	99.7%	171.3%	>165%
Fixed telephony	8.7%	8.2%	<5%
Internet access	13.6%	34%	50%

Table 8: Mobile, fixed & Internet access

There is a growing shift towards data intensive services and products as Internet penetration increases and due to on-going technological changes that bring improvements in speed and quality of data transmission. In 2010, the average revenue per user (ARPU) in South Africa was close to $15 per month. However, since then, voice-based ARPUs have shown a steady decline and are likely to taper away as packages increasingly move to databased billing.

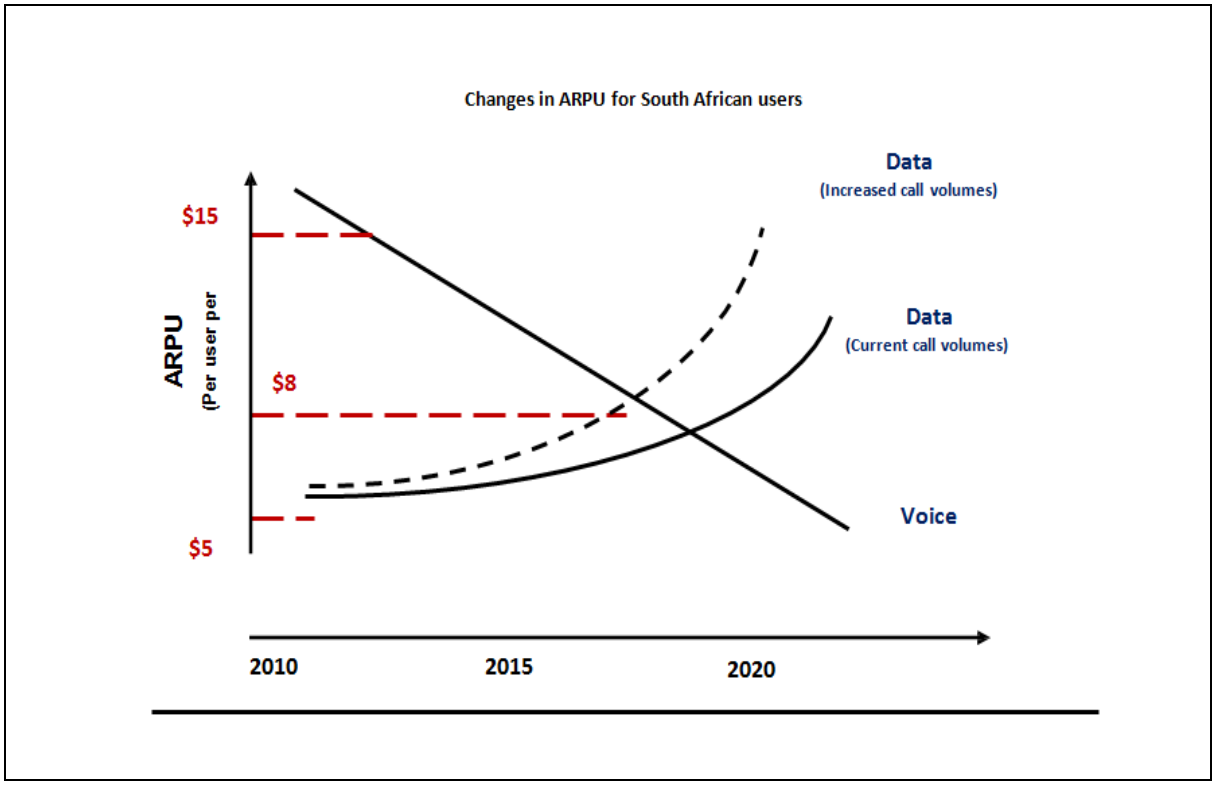


Figure 11: Apu SA users

The key trends that are driving the transformation in the ICT landscape in South Africa include the drive from consumers, regulatory development, and technology development. The lack of competition and high cost of connectivity restraints the growth in the market. Furthermore, municipalities are already pursuing fibre infrastructure and this constrains the opportunities in

terms of fibre infrastructure sharing and market development.

Drivers	1–2 Years	3–4 Years	5–6 Years
Consumer and enterprise drive: • Consumers and enterprises are increasingly adopting emerging technologies and favoring providers who are able to offer bandwidth- intensive communication services. • Mobile data traffic in South Africa is forecast to grow with an annual compound growth rate of 53% from 2014 – 2018.	H	H	H
Regulatory development: • Broadband access has been recognised as a catalyst for broader socioeconomic development. • SA connect, the national broadband policy, was developed with the goal to ensure universal access to reliable, affordable and secure broadband Services by all South Africans, prioritising rural and under-serviced areas.	H	H	H
Technology development: • Alternative means of acquiring fast, reliable, and affordable connectivity are required, notably last-mile networks such as fibre (FTTX), mobile (4G), or Wi-Fi access, and particularly in remote locations. • By 2020 it is estimated that Fibre, LTE and LTE+ technologies will carry more than 60% of total data traffic on the mobile networks in South	H	H	M

Restraints	1–2 Years	3–4 Years	5–6 Years
Lack of competition and high cost of connection • The competition of the major national routes has led to decreasing prices; however, the limited competition on other routes and the cost to connect remote locations remains high. • Currently, there is insufficient infrastructure competition, particularly outside very dense and high demand urban areas.	H	H	M

Municipality and operator initiatives: • Municipalities are in the process of building their own fibre networks to connect their buildings and provide connectivity to citizens. • In South Africa the majority of the operators own and manage their own infrastructure as in the past outsourcing/infrastructure sharing was Considered to have a negative impact on the competitive advantage to offer superior coverage.	H	H	M

Table 9: Infrastructure drivers

Market Structure

It is critical to understand the position of various players in the telecommunications market in South Africa when trying to position a new entrant. The following diagram provides a synopsis of the critical components of the market and who the participants are in each sector.

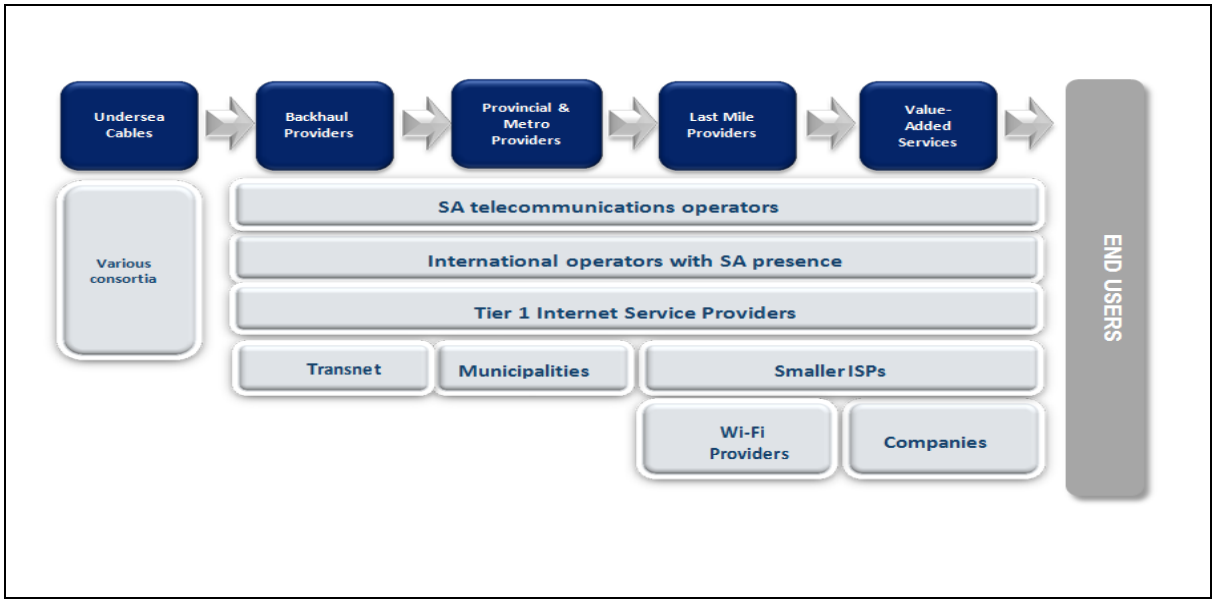


Figure 12: Value chain broadband services

The value chain above demonstrates the route to the End Consumer of broadband services. It all begins with the undersea cables that connect South Africa with other main internet connections around the world. The increase in the number of undersea cables landing in South Africa has led to lower prices for all participants in the broadband value chain, including the End Consumer.

Backhaul Providers create the network to link the undersea cables to different networks on either a national, provincial or a local level. They are the vital link to enable Metropolitan area networks to offer broadband connectivity to their End Consumers in cities or concentrated areas. Provincial or

Metro Providers include municipalities, provincial governments, and some companies like Dark Fibre Africa (DFA). The last mile is the final leg of connectivity to the premises of the end consumers and VAS refers to the services provided on top of these networks.

Dark fibre market

Dark fibre is used to describe fibre optic cable that is provided as infrastructure without any services being offered across it. The supplier with the largest infrastructure and fastest growing open-access dark fibre infrastructure in South Africa is DFA. Other players in the dark fibre market include Intersite, Liquid Telecoms (Neotel), and metros like Cape Town, Durban, and Johannesburg. The City of Cape Town has signed eight third-party agreements with service providers who have taken up the spare infrastructure capacity generated via the City's broadband network. The City of Johannesburg has 940 km of fibre optic network and offers dark fibre; however, the uptake has been slow.

DFA Case Study

Head Office	Centurion, South Africa
Key products	Metropolitan, last mile, and long-haul fibre
Revenue	R 468 million (six months ended Sep 2014)
Target Market	Telecommunication companies, ISPs, Enterprise, Public Sector

Company overview

DFA was established to build a carrier-neutral, dark fibre infrastructure for the transmission of metro and long-haul telecommunications traffic. DFA constructs the infrastructure and provides fibre for customers who are responsible for "lighting" the fibre and for the on-selling of the capacity to customers.

Fibre infrastructure

DFA has network rings located in Johannesburg, Cape Town, Durban (expanding to Pietermaritzburg), Midrand, Centurion, and Pretoria. DFA's network was expanded to another 17 smaller metros, including East London, Polokwane, Tlokwe, Emalahleni, and George.

DFA's long-haul routes include the Durban to Seacom landing station in the Mtunzini link, the long-haul route to link Cape Town to the West African Cable System undersea cable landing station at Yzerfontein, and a route to link the North-West province to Gauteng.

By the end of 2014 DFA had just under 8,000 km of fibre across South Africa and DFA's network is currently valued at R4.7 billion.

Recent developments

DFA acquired the open access fibre optic infrastructure provider, Conduct, in March 2014 in an attempt to also position itself a last mile provider. This acquisition enables DFA to provide access to its enterprise customers without having to invest in its own networks. In March 2015 DFA had more than 1 700 enterprise market links and aims to establish 20,000 fibre-to-the-business connections by March 2016.

DFA is part of a consortium that will provide fibre connectivity to the Gauteng provincial government as well as surrounding schools. Furthermore DFA initiated the deployment of proof of concept FTTH projects in selected suburbs in Johannesburg.

Figure 13: Managed / Lit fibre market

Managed / Lit fibre market

The major players in the managed fibre market in South Africa are Telkom, Liquid Telecom, Broadband Infraco, Dark Fibre Africa, Vumatel & Fibre Co.

Service Provider	Total fibre in SA (km)
Telkom	157 400
Liquid Telecom	16 000
Broadbank Infraco	15 000
Dark Fibre Africa	13 000
Vumatel	8 000
FibreCo	4 000

Source: https://mybroadband.co.za/news/fibre/272491-telkoms-massive-fibre-network-versus-the-rest.html

Last Mile market

The last mile market refers the final leg of connectivity to the premises of the End Consumer. This is achieved through fixed-line, Wi-Fi, mobile broadband (3G, 4G, and LTE), microwave, or fibre optic cable access to the residence, office or area.

Apart from certain parts of KwaZulu-Natal, the North West, and the Eastern Cape, fibre backbone coverage reaches within approximately 10km of most communities in South Africa. However, there is a significant gap in the last-mile or local loop infrastructure; for instance, high demand metropolitan areas are experiencing duplication of infrastructure, but outside of these areas, connectivity is limited.

Telkom is the biggest player in the South African fibre market by far and remains the dominant player in last mile access, but other key players include:

- Dimension Data / Always-On / Internet Solutions
- MTN
- MWEB
- Vodacom
- Liquid Telecoms

The critical determinant of being able to offer last mile access is:

1. Having the ECS and ECNS licenses,
2. Having access to the necessary exchange or fibre optic network in close proximity to the point

of service delivery.

There is significantly increased investment in Wi-Fi locations, both as a primary means of connectivity and for mobile carrier offload, offered as a free public service or paid for by end consumers. A BMI-T survey (mid-2016) estimated that are approximately 900 000 unique Wi-Fi hotspots in South Africa. Most of these are in the large cities of Cape Town, Durban and Johannesburg. Service providers mostly target restaurants, coffee shops, hotels and airports for their hotspots where Wi-Fi keeps people in a target location and encourages them to consume other services and products while utilising the Wi-Fi connectivity.

A new player in the fibre market is Vumatel, who is rolling out fibre-to-the-home (FTTH) in suburbs across the country. Vumatel offers high-speed broadband connectivity to homes, installs, and operates an open access fibre network. Vumatel has selected high-demand suburbs where it intends on installing its fibre, and then these communities can express their interest to become the next "VUMA Fibrehood". Parkhurst was one of the first suburbs in South Africa to get fibre when Vumatel, in partnership with Vox Telecom, launched FTTH in October 2014. Since then various other suburbs received FTTH as a result of resident's associations expressing their interest, including Greenside, Parktown North, Killarney, Fairlands, Midrand, Riviera to mention but a few.

Recent months have seen increased interest in fibre-to-the-premises with enterprises and consumers driving the extension of last-mile connections to their businesses or homes. For instance, residents from Constantia in Cape Town launched an RFP a while ago as part of a drive to get FTTH in the neighborhood. This initiative received 11 RFP responses from service providers, including Telkom, Vodacom, MTN, and 123Net, which underlies the market interest in this sector. Furthermore, there are opportunities to expand the fibre rollout beyond the Constantia area, and neighboring residents from Tokai, Bergvliet, Doordrift, and Meadowridge have shown interest.

VAS market

VAS describes an offering type that uses internet connectivity to provide services that create value to the End Consumer. This includes solutions like VoIP[9] telephony, video conferencing, and media streaming. Another VAS that is gaining popularity across the world and especially in South Africa is e-

[9] VoIP – Voice over Internet Protocol

Services.

This is when businesses and government attempt to use the internet to offer customers easier access to information and the ability to initiate service requests. The enterprise and particularly the consumer market in South Africa are maturing resulting in a shift towards downloaded content and broadband-enabled services. The uptake of smartphones is still relatively low with a smartphone penetration of only 30% in 2014. In 2017, the smartphone penetration in the country had marginally increased to 32% (Statistica.com)[10]. However, it is anticipated that new, low-cost smartphones should lead to rapid uptake in the market. Furthermore, the ongoing development of high capacity networks, more reliable video calling platforms, and increasingly personalised applications have all accelerated the uptake of VAS from both consumers and enterprises. A counterbalance in this regard will be the economy, which has underperformed over the recent years.

Recently many companies have investigated media streaming for the South African market similar to Netflix. Video content can then be purchased on a per-use or subscription based model and viewed by consumers either in-transit or from their homes and offices. Rich media content is subject to broadcasting licensing from ICASA and also needs to be licensed for regional distribution from the content owner/agent. Recently even established satellite television providers like Multichoice have begun to offer streamed and downloaded content, partnering with Telkom for large data bundles and ADSL lines to residences.

[10] www.Statistica.com, 2017. Smartphone penetration in South Africa in millions

Noteworthy competitors who offer VAS in South Africa include Vodacom, Viber, WhatsApp, and Trumpet.

Selected VAS providers in South Africa

Company	VAS solution	Description	Comment
Vodacom	Voucher cloud (Mcommerce)	Retailers and merchants display their products on the application in the form of vouchers or coupons and in turn customers are able to download it for free.	Launched in 2014, but uptake has been slow.
Viber	Instant messaging and VoIP calls	Free calls, text, and picture sharing.	Pure consumer applicability.
WhatsApp	VoIP	Voice calling capability on the application.	Launched in 2015 as a mobile-only service. Competing against the likes of Viber and Skype.
Trumpet	VoIP, Ecommerce	Mobile application offering VoIP, instant messaging, and an online vouchering system.	Being offered as a white-labelled offering for other brands to adapt and use as a mobile application.

Table 10: VAS providers

Base stations market

Base stations are used to receive and transmit radio signals from mobile devices to the network. The main base station owners in South Africa are Telkom, Vodacom, and MTN.

Company	Number of base stations
Telkom	2,592
Vodacom	+/- 10,000
MTN	+/- 10,000
COMMCO **(PRASA)**	90 (28)

*Table 11: Base station owners in South Africa (*https://www.news24.com/SouthAfrica/News/vandalism-could-destroy-sa-mobile-networks-warn-vodacom-and-mtn-20200206)

There is a growing trend in Africa that towers are owned and managed by tower companies who lease their facilities to operators.

Passive infrastructure/tower sharing is also becoming more prevalent in South Africa as major operators are looking to reduce costs and focus their attention on customer service. Other key drivers include the pursuit of leaner business models, increasing competition, and ever-changing technology developments.

Regulatory overview

Telkom's role as the monopoly telecommunications provider in South Africa was disrupted when the Independent Communications Authority of South Africa (ICASA) issued a carrier-of-carriers license to Sentech, another state owned organisation, in 2002. Later on licenses were granted to Neotel as the second fixed-line provider in South Africa, signaling the end of another key offering that used to be a Telkom monopoly. ICASA went one-step further and allowed any company or individual to apply for a license in voice and/or data transmission.

Many Electronic Communication Services (ECS) and Electronic Communication Network Services (ECNS) licenses were granted as a result of the ICASA process. Banks and other large companies who were successful applicants now have the authority to operate as a telecommunications provider in South Africa. Most of these licenses were acquired in the potential hope that these companies could provide their own telecommunications services but few have actually utilised them in this way. Most companies do have both types of licenses but for new entrants in the telecommunications space it is critical that adequate provision is made for the expansion of their offerings. The implication is that new entrants should automatically apply for both the ECS and ECNS licenses and be aware of the potential need for a Broadcasting Services license as well.

An all-inclusive statement is in the license requirements list where any service that may have a significant impact on socio-economic development may need to be licensed by ICASA. These services could include anything at all if ICASA could prove it was related to some form of communication technology. This is particularly important in the context of SA Connect – the National Broadband Policy, the strategy to give all South Africans access to broadband connectivity by 2030.

South Africa's broadband targets, SA connect

Target	Penetration2016 measure		2020	2030
Broadband access in Mbps user experience	% of population	50% at 5Mbps	90% at 5Mbps; 50% at 100Mbps	100% at 10Mbps; 80% at 100Mbps
Schools	% of schools	50% at 10Mbps	100% at 10Mbps; 80% at 100Mbps	100% at 1Gbps
Health facilities	% of health services	50% at 10Mbps	100% at 10Mbps; 80% at 100Mbps	100% at 1Gbps
Government facilities	% of government	50% at 5Mbps	100% at 10Mbps	100% at 100Mbps

Table 12: Broadband targets

South Africa has ambitious broadband targets, including 90% broadband access at 5Mbps in 2020. It is expected that the Internet penetration will only reach approximately 50% in 2020. The regulatory framework in South Africa remains uncertain and there is no clear implementation plan to reach these targets.

The strategy has seen a few Ministers of Communication come and go but remains in the planning stages. It is only in 2015 that there seems to have been progress towards the implementation thereof with the announcement by the then Minister of Telecommunications and Postal Services, Honorable Siyabonga Cwele, who appointed Telkom as the Lead Agency for SA Connect in his address to Parliament in 2014. In 2019, the Government was expected to sign into law the Electronic Communications Amendment Bill, which is aimed at regulating infrastructure sharing in the telecoms sector. That bill has recently been withdrawn to enable greater consultations with the industry sector given some of its contentious proposals, which include the Wireless Open Access Network whose stated aim was to drive down infrastructure costs through sharing.

Telkom and the Ministry have yet to define the full ambit of this Lead Agency role but the title implies that it has a coordination and enablement role to deliver SA Connect, rather than a sole mandate. Telkom needs to find viable partnerships to create this solution for the country especially in areas where it is economically unfeasible to provide a sustainable service from either a cost-to-implement or a revenue-recovery point of view. Whomever Telkom partners with will probably require an ECS and ECNS license as a minimum in order to participate in SA Connect. An updated estimate puts the cost at R98 billion to give nationwide access to broadband connectivity.

The primary driver of SA Connect is therefore the proximity of fibre optic cables to rural or suburban areas. PRASA, with only 0.5% of the kilometers of fibre in South Africa, is very favorably positioned in the key metro areas. This puts it in a unique situation in the SA landscape when considering the various services that it can offer to the market.

6.2 Porter's Five Forces Model

The Porter Five Forces Model has been adopted to analyse Intersite's operating environment. This tool entails the analysis of the environment, key stakeholders (suppliers and customers) and the external environment (potential threats of competitors).

The table below presents a high-level analysis of the operating environment.

QUADRANT	RISK (H/M/L)	COMMENTS
Bargaining power of customers	H	The developments are given impetus by commuter base, even though the greater South African communities are also buyers of products and services offered by Intersite and the PRASA Group. Should the commuters and indirect communities boycott PRASA Rail services, Intersite developments will suffer because of the low patronage leading to lower income.
Bargaining power of suppliers	H	Intersite cannot compete in the sector without strategic partnerships that will realize feasible and bankable projects. These strategic partnerships or suppliers are those of skill and expertise equity, loan financiers, property developers, professional services, etc. The most vital being the development partners, equity partners and debt financiers. Should these suppliers be unavailable to Intersite, critical projects will be severely jeopardized. Reliance on the developers due to lack of expertise, and funding.
Threat of substitute services or products	M	Should PRASA Group feel that Intersite cannot meet their mandate requirements, PRASA may elect to utilize Intersite' s competitors to implement the income generation mandate. In addition, development of properties adjacent to PRASA land poses a threat to Intersite's potential development projects. Investors may choose to invest in mature property markets. The growth of online shopping which may move consumers from shopping malls.

QUADRANT	RISK (H/M/L)	COMMENTS
Threat of new entrant or changes to market players	M	Transnet is one of the major 'new entrants' threats for Intersite. The common ancestry is the main threat for Intersite. Some key properties are earmarked for transfer into the PRASA Group are held by Transnet, which if delayed could result in late or no implementation of developments and therefore no development income. In addition, Transnet may elect to transform its property arm, Transnet property, into a similar entity to Intersite. This will reduce the market share for Intersite.
Extent of Competitive Rivalry	M	Notwithstanding the exclusive mandate to leverage PRASA Group asset base, PRASA's competitors are matured property developers and entities. These developers and entities are entrenched in the market, PRASA may be seen as a growth fund, and the inclination will be to demand higher than market returns for the perceived risks in investing in PRASA Group assets. Although PRASA stations have a captive market based on the commuter numbers, the owners of land adjacent to PRASA stations represent significant competition and a viable alternative for commuters. Certain of the developers have experience of developing alongside rail station.

Table13: Porters Model

6.3 Strength Weakness Opportunity Threat Analysis

SWOT ANALYIS	
STRENGTHS: a. Access to the huge and diverse PRASA asset base. (e.g. real estate, energy assets & telecoms network, advertising assets, etc.). b. National asset base and network footprint (e.g. presence in GP, KZN, WC & EC). c. Tax exempt status. d. Focused strategy of select asset investments and exploitation (real estate, energy, telecoms, advertising, etc.). e. Lower cost of entry as infrastructure is already in place f. Preferential access to Govt. and Govt. entities and markets g. Small and focused professional and technical team h. Access to capital grant funding (parent company PRASA)	**WEAKNESSES:** a. Zero asset base b. Zero borrowing powers c. Zero capital base/funding d. Reduced cash flow generative ability e. Restrictive PFMA schedule (3B) f. Heavily regulated (PFMA, Company's Act, PPP & S54). g. Cash deficit & non-going concern status h. Poor state of asset maintenance & repairs i. Instability at senior management levels (7 CEOs in 8 years) j. PRASA-Intersite relationship and negative public perceptions k. Weak and unclear Internal structuring arrangements l. Currently no access to capital grant funding for Intersite & borrowing restrictions on both PRASA and Intersite
OPPORTUNITIES: a. Strategic land & property holdings in prime locations. b. Huge commuter base that supports mixed used developments (retail, residential & commercial). c. High growth industry sectors (e.g. Transit Oriented Developments [TODs], ICT, telecoms and renewable energy) d. Partnerships with other Govt. entities (e.g. Dept. of Human Settlements & DBSA) to deliver joint programmes e.g. Transit Oriented Developments around PRASA station precincts. e. Digital terrestrial TV migration & increased demand for high capacity bandwidth telecoms network f. Schools & Govt. facility broadband connectivity needs and requirement for telecoms network g. PFMA scheduling change (3B to 2) resulting in ease of doing business and access to debt market h. Exemptions from S54 & PPP by National Treasury i. Telecoms infrastructure, Real Estate, Energy and Advertising rollout jointly with strategic partners j. Unbundling of Eskom in-terms of renewable energy	**THREATS:** a. Reduced rail market share & attractiveness of rail related assets & opportunities. b. Slow economic growth. c. Sovereign credit risk downgrades & risk of further downgrades. d. Capital scarcity. e. High rate of unemployment & reduction in consumer buying power. f. High levels of consumer/commuter indebtedness and reduction in disposable incomes. g. Administered prices increasing at rates far above that of inflation (CPI). h. Increased costs of borrowing. i. Slowdown in foreign direct investments (FDI). j. New entrants into the Intersite focus market areas e.g. competitor developments; competitor network deployments; etc. k. Loss of investor interest and appetite for PRASA assets. l. Devolution of rail services to the metros (loss of all assets) m. Increased cost of doing business within PRASA environment due to vandalism and acts of sabotage on the PRASA network

Table 14: SWOT Analysis

6.4 Value Drivers

- Access to capital for investments in the form of grant funding or borrowing powers to Intersite;
- Obtaining the development rights;
- Creation of attractive transit oriented development property portfolio and growing its value;
- Commercially sound strategic partnerships with equity investment capital third parties who have the credentials and are market leaders;
- Transfer to Intersite / purchasing by Intersite of the select rights and assets from PRASA;
- Intellectual capital within Intersite;
- Services obtained from PRASA or outsourced from credible entities;
- Exclusive rights from PRASA to develop its assets & properties;
- PRASA commuter base to access;
- Good relationship with the Cities where the sites are located; and
- Urbanisation

6.4.1 Intersite Competitive Advantage

Similarly, the competitive environment conditions are consistent within all the business departments with a few anomalies where issues are industry specific. These conditions are as follows:

Real Estate:

- The property development industry is a mature and competitive environment in South Africa, which is dominated primarily by listed and unlisted property players. These major players include Growthpoint, Liberty, Old Mutual, PIC, Redefine, Hyprop, Rebosis, etc.
- The major players are focused primarily on retail and commercial properties, although a few residential property funds have also recently been established.
- PRASA stations have a captive market based on the commuter numbers. This will likely to have a positive impact and makes PRASA property portfolio desirable with time as market experiences increased competition.
- Strengthening internal processes, leasing and development policy will ensure that necessary governance bottlenecks are address
- Easing of barriers of entry especially for new players in the transit oriented property space will expand the transformation status of the organisation

Commercial Services

- The PRASA rail network provides the opportunity for Intersite to large-scale fibre optic networks along the existing rights of ways. By running along railway tracks, has access to over one thousand kilometers, which extends over all the country's provinces, including most major cities. Utilising this capacity is attractive as well as competitive as it enables Intersite to avoid the major expenses inherent in civil works and obtaining rights to network expansion through servitudes.
- The growth of rooftop grid-connected Solar Photovoltaic (PV) systems has exploded in South Africa, and the rest of Africa is likely to follow shortly. Once considered an expensive way to generate electricity, solar PV systems deployed onto commercial and industrial rooftops and landholdings, can now generate electricity that is cheaper than that provided to customers by the national electricity provider Eskom. PRASA has a number of properties (rooftops and landholdings) that can be utilised to generate energy. Intersite can quickly deploy and tap into Solar PV and other energy generation technologies since PRASA has a large footprint of traction and non-traction energy assets throughout the country along with its own distribution system via the traction network. These aspects alone alleviate the space constraint that is normally associated with the deployment of solar PV as well as the limitations around the distribution of power generation. This provides Intersite with a competitive advantage to deliver electricity both internally within PRASA and externally to clients within close proximity of these assets.
- Future growth opportunities include new developments on PRASA land, where opportunities for telecoms, renewable energy and advertising exists. These include developments like Umgeni, Cape Town, Firgrove, Woodstock, to mention but a few.

7. The Investment Framework

The investment framework guides Management and the Board when dealing with Intersite investment transactions, and it is benchmarked against the regulatory environment, in particular the PFMA. In order to augment the governance processes, the organization is currently reviewing its Investment and Development Policy, which will ensure that the legislative and regulatory processes are streamed line across all operational units (i.e. The PFMA, Leasing and Investment policy and Framework).

7.1 Key risks and uncertainties

Intersite has developed a risk register indicating the top key risks to the business and the attendant mitigation plan for each identified risks**.** A review will be undertaken upon this Business Plan having been approved by the Board.

The following are the top 11 risks that might influence the effective implementation of the Intersite strategy and the realization of the 2018/19 business plan

Category	Risk identified	Mitigation control
Governance risk	Lack of shareholder support for the secondary mandate	Clarification of the mandate and an adequate operating model of the Group company
	Conflict of mandates within the Group company and an inadequate Group Operating Model	
Performance risk	Lack of resources and funding by the Shareholder	- Transfer of assets - Borrowing powers granted to Intersite - Direct investments into development projects
	Delays in obtaining development rights	
	Inability by the developers to raise the necessary capital to implement the approved developments	
Financial sustainability risk	Inability to commercialise the PRASA assets to generate adequate income due to the poor state of the assets and other operational dependencies on the shareholder	- Transfer of assets - Capital allocations via grant funding
Business Risk	Unavailability and inappropriateness of information prior to market engagement and at contracting stage to the satisfaction of the developers and their investors	- Property Asset register of PRASA to be co- managed with Intersite - Procurement records affecting the property development to be kept at Intersite
	Evolution of the white paper on decentralized rail services	- Intersite to be distinct rail infrastructure and an asset investment company from the rail operations.
Reputational risk	Non-operationalization of the development agreements as well as strategic partnerships.	- Adequate asset base - Grant funding - Real Estate Investments to be under the custodianship of Intersite
	Investors losing confidence on Intersite/PRASA	
Human Resources risk	Lack of staff retention strategy	- Strategic direction and effective leadership - Staff retention strategy - Effective implementation of the approved HCM policy
	Staff leaving the organization due to lack of strategic direction and/or non-implementation of the strategy	

Table 14: Risk

8. Legal and Operating Framework of the PRASA Group

The PRASA legal operating structure comprises of the Board of Control, a Corporate Head Office (PRASA), three divisions (PRASA Rail Operations, PRASA Technical and PRASA Corporate Real Estate Solutions) and two subsidiaries (Autopax and Intersite)

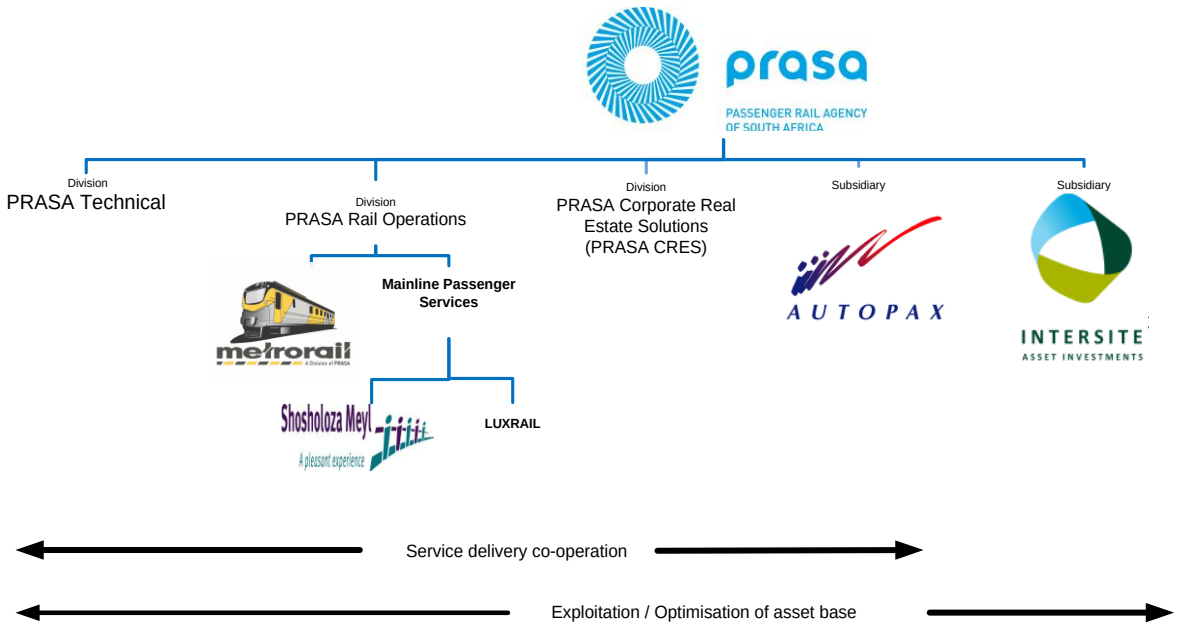


Figure 14: PRASA Operating Structure

8.1 Structure of Intersite

Intersite Assets Investments (SOC) Ltd is a wholly owned subsidiary of PRASA, established under the Companies Act 71 of 2008 ("Companies Act"), as amended and regulated under the PFMA.

The Directors on the Board are appointed in accordance with the Companies Act and in accordance with best practice. Intersite's strength lies in the make–up of its core staff members who possess and have developed the required skills and expertise to execute the mandate.

The team has a diverse mix of built environment specialists [qualified engineers, town planners, quantity surveyors, project management skills], deal makers, strategists, chartered accountant, qualified finance graduates, secretariat. The post of investment specialist is vacant and will receive consideration to be filled on rollout of the Intersite mandate.

It is anticipated that the organizational structure will be re-organised to meet the implementation of the approved strategic plan.

9. Core Functions

9.1 Real estate

The Real Estate function as fully mandated is structured to assist in infrastructure modernization, station upgrades and improvements in addition to its primary focus on leveraging investment and associated revenue from the land and property investment opportunities. Intersite is presented with an opportunity to assist in revenue generation reduction of operational deficit of the shareholder as contemplated in the primary mandate.

The Real Estate department therefore, focuses on unlocking property development and investment opportunities in and around PRASA stations and surrounds in order to grow PRASA's property portfolio. Intersite thus seeks to:

- Obtain development rights for existing and future development pipeline within the transit oriented space
- Leverage, partner to Develop and Commercialise PRASA assets, through co-investment and profit share option together with the private sector.
- Undertaking project management services related to mixed-use developments including housing and related mega projects on PRASA land in collaboration with the third party developers and investors.
- Leveraging PRASA telecommunication infrastructure to enhance real estate project marketability (e.g. Wi-fi provision in retail dominant station and residential development 0.

- Real Estate development initiatives with the private sector essentially Entail: Growth and development of the property portfolio and assets of PRASA.
- Capital/investment funding to enable Intersite's participation in PRASA properties/assets investment opportunities.
- Supporting government catalytic and housing mega projects in pursuance of corridor densification around rail stations.

9.1.1 Type income generated

Real Estate department looks to generate the e long-term annuity income that ensures:

- Return on investments in commercially viable and income generating assets / developments
- Rental income stream from the leasing of new and refurbishment of existing commercial and residential space
- Fees from facilitation of public and private developments on PRASA Land

9.1.2 Potential income generation

- **Income from Capital Investment**

  Intersite requires a minimum of R704.4 million (made up of R168m for KwaMnyandu, R97.6m for Umgeni, R339m for Cape Town, R28m for Umlazi, R24m for Firgrove and R65.9m for Tembalihle)) in the MTEF for investment in six (6) commercial projects. This capital injection is expected to generate over R 64.2 million over the MTEF for Intersite/PRASA. Commercial developments will realise exponential revenue on developments as they reach full trading potential.

  Intersite Real Estate Projected Income from Capital Investment over the MTEF:

	2020/21			2021/22			2022/23		
	Capex	%	Income	Capex	%	Income	Capex	Income	%
Umgeni	45	50	2.89	90.0	50	11.5	112.6	59	19.9
Umlazi	23	35	0	0		0	0		7.2
CTS	40	12	0	100	29.4	0	200	31.5	58
KwaMnyandu	168	33.3	22.6m	0	0	24,2	0	25,9	0
Total	276		25,49	190	79.4	26	312.6	105.4	

Table 15: Projected income capital investments

Table 15: Projected income capital investments

NOTE:

Refer to annexure A & B

*The projected 50% participation above for Umgeni is based on an undivided share.

*The revenue for Umgeni is based on Devco's 3 to 7 only. The total budget required for Umgeni is R1.5 billion over the next 5 years, and the project is expected to yield more Devco's.

- **Rental Income**

  Intersite seeks to generate a first year cash return or yield on average of 9.50% of the value of the capital outlay from the net income stream. This means that the quantum of investment made directly drives the ability to generate the quantum of rental income.

  The potential for rental income rests in the co-development of the new property portfolio, optimisation of the current lease space, and ensuring that regular maintenance is completed on the key income generating property portfolio. It is estimated that only 25% of the PRASA property portfolio is lettable (according to the Real Estate Strategy 2012). The current pipeline of projects (*table below*) looks to leverage on this growth potential by growing PRASA's portfolio by at least an additional 182 000m² of Gross Lettable Area that's constrained by the pending resolution of business imperatives as outlined in 4.3 above.

Project	Type	GLA m² (estimated)	Units	Cost R (estimated)	Stage
Umgeni	Light Industrial	67 000		1.5 bn	Leasing & Construction
Umlazi	Retail	13 000		195 m	Planning & Design
Cape Town Station	Commercial	42 000	120	1.2 bn	Design
Goodwood	Residential		1080	220 m	Construction
Heideveld	Residential		200	80 m	Construction
Firgrove (portion A & C)	Mixed use	20 000		535 m	Planning
TOTAL		**142 000m²**	**1280 units**	**R 3.7 billion**	

Table 16: Cost & Rental Income opportunities identified for development

9.1.3 Investment potential and horizon

Intersite is currently working on approximately R3.7 billion of investments on properties with external developers that include co-investment options for Intersite. That portfolio excludes the potential that can be realised through recently concluded master planning exercise over major stations, with an investment potential in excess of R10 billion over the next decade. This means that where investment and capital is secured, there will most certainly be further investment opportunities and growth for Intersite.

9.1.4 Master planning

Master planning seeks to create an integrated and co-ordinated approach to planning future as follows:

- Aims for integrated Overlay zone responsive to short, medium and long term development vision of a defined TOD zone;
- Aligned to current and future *City's strategies and plans;*
- Potentially shortens regulatory approval durations;
- Involves all relevant stakeholders and takes into account the station modernisation plan, national rail plan, the PRASA corporate plan and other stakeholders institutional plans;
- Joint development approach and partnership – with Intersite leading from inception through to construction; and
- Contributes to inter-modality.

This function therefore plays an integral role in the property lifecycle and needs to be positioned to enable proper planning of the property strategy and rollout to achieve investment returns through strategic partnerships.

Funding for station master planning will provide a rollout plan to be able to effect R13 billion worth of investments on Johannesburg Park, Cape Town and Pretoria stations. To extract

value from the masterplans, they must be advanced to the stage where development rights are obtained. On having obtained the requisite developments rights, the properties are enabled for development in partnership with the private sector. Funding for masterplans and development rights are to be provided by PRASA as the landowner. The services of a transaction advisor is seen as critical to rollout this significant opportunity. It needs to be noted that the master plans in its current form are void of development rights.

9.1.5 Assets to be transferred

The following are the asset types that need to be transferred to Intersite and which can be leveraged to obtain investment capital are:

- Managed portfolio (development lease buybacks); (see table 17)
- Development leases;
- Prasa House.
- Current investment property lease portfolio over identified stations and precincts.

This will enable Intersite to effect an integrated approach to developing the respective properties.

Managed Portfolio:

Portfolio	Est. Revenue generate 2019/20 (Nett) Rm	Est. Value as at 2018 ('Rm)
Managed Portfolio (Lease Buybacks)		
Lot 421 and 422	2,223,022	20,500,000
Dendovect	1,754,046	15,500,000
The Bridge	11,246,580	140,100,000
Emperial	3,195,921	38,400,000
Detroit Plaza	1,884,953	40,900,000
Rapiprop	18,337,690	156,000,000
Intersite 11 & 17	10,100,441	90,700,000
28 Intersite	1,119,902	9,900,000
40 Intersite	2,062,548	17,900,000
Eastern Blue	9,043,375	57,700,000
35 Intersite	11,799,769	80,600,00
Total	**72,768,247**	**668,200,000**

Table 17: Value and revenue estimates Managed Portfolio

In a typical Real Estate entity, property investment and development initiatives are funded from three main sources:

- Through Capex
- Debt funding or combination of Debt and Equity): - Commercial and relevant development banks
- Equity investments

Through the MoU signed between GTAC and Intersite, management is in the process of ensuring that Intersite obtains all the regulatory approvals necessary to obtain borrowing powers and certain exemptions, which should ease the process of doing business for the entity.

9.1.6 Requirements to realize Real Estate opportunities

The following ought to be in place to achieve the desired investment and development and strategic outcomes of real estate, i.e.:

- Implementation of the Real Estate Strategy Adopted in 2012
- Ownership over property / assets
- Capital injection into viable projects by Intersite Shareholder PRASA
- Approved budget for master plans and obtaining of development rights and all other requisite approvals
- Efficient asset management system
- Ability to borrow funds for investment opportunities into bankable development projects

9.1.7 Capital

The availability or access to capital is critical for near term projects as these may progress without Intersite having the opportunity to participate or not at all. Capital requirements need to be put in place for the MTEF period and beyond to invest and generate income for Intersite.

9.1.8 Benchmarking

Property as a non-core income contributor:

- Passenger Rail Agency of South Africa (PRASA)
- Deutsche Bahn Germany (DB)
- Mass Transit Railway Corporation (MTR Hong Kong)
- Airports Company South Africa (ACSA)

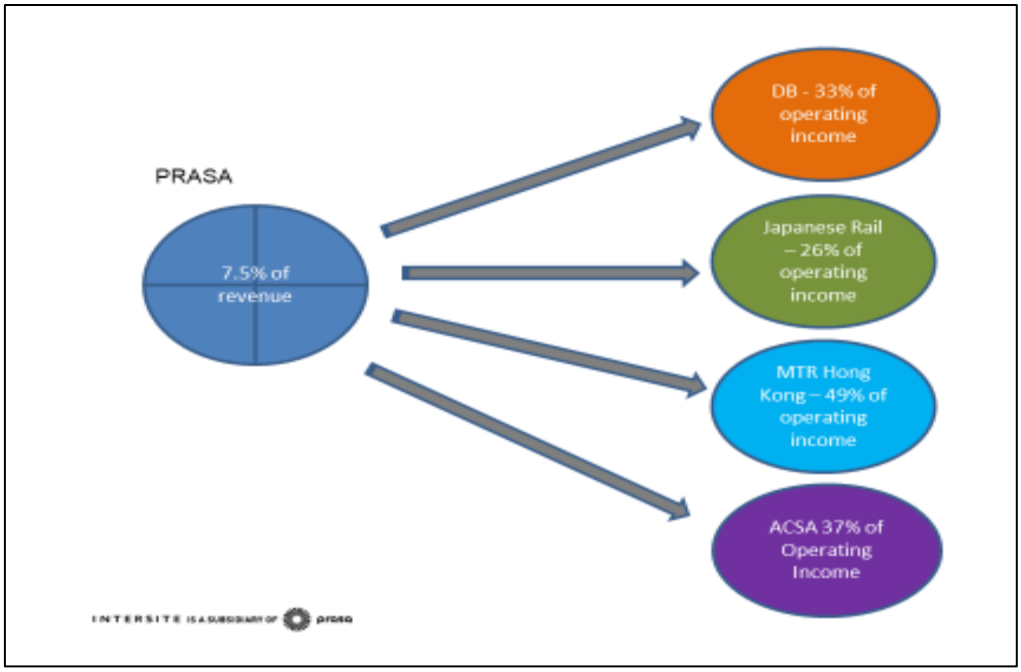


Figure 15: Property Revenue Contributor benchmark

Developing Countries

Similarly, to South Africa, India is classified as a developing country due to its challenges in the railway sector that are similar to those facing South Africa i.e. in terms of over dependency on state's subsidy and other traditional revenue streams and loss-making commuter & passenger train service offering.

Indian Railways has introduced non-fare revenue initiatives in an attempt to reduce its dependency on government subsidy by selling and optimizing on among others:

- Developing and leasing out spaces for retail and other purposes;
- Land monetisation;
- Selling outdoor advertising spaces;
- Selling branding rights on trains and station;
- Providing radio and video content through WI-FI in stations and trains;

The implementation of a non-fare revenue strategy by the Indian Railways saw it increase its revenue base by 72% in 2017 compared to 2015.

Developed Countries

The Kings Cross St. Pancras Station in London represents the best practice in terms of Transit Oriented Development (TODs) wherein it has successfully implemented a Master Plan that saw the railway entity unlocking value through infrastructure investment. Investments to the value of GBP 2.0 Billion packaging close to 850 000m2 of mixed-use development potential (offices, retail and residential) have been implemented. The returns within 10 years were (in 2010) estimated at a net present value of GBP 11 Billion.

Current recapitalization programmes in rolling stock and station modernization within PRASA gives South Africa a competitive advantage over many developing countries, which reiterates the importance of the secondary mandate as key in revenue generation. Other developed countries have successfully implemented similar commercialization models and these include (Japan, China, and Hong-Kong); NSPOOR (The Netherlands); SNCF (France), to mention but a few.

9.2 ICT/Telecoms services

Intersite has entered into the Technology Partnership Agreement (TPA) commonly referred to as the Value Added Services (VAS) Agreement with Vodacom. The focus of this agreement is the provision of value added ICT/Telecoms services by Intersite, supported by Vodacom, to third party customers. This partnership with Vodacom that has enabled Intersite to provide ICT/Telecoms services to potential customers, including the PRASA Group.

The ICT/Telecoms services is focussed on harvesting opportunities that present themselves around the ICT/Telecoms infrastructure, with the PRASA Group as the first customer and external entities that are in close proximity of PRASA's ICT/Telecoms infrastructure as the next target customers. Intersite has a strategic partnership with Vodacom that has the required expertise and credibility in the provision of ICT/Telecoms Value Added Services (VAS). An indication of the current opportunities that are available for exploitation include:

- Mobile phones & data cards (RT15-2016 Transversal Contract);
- Connectivity - IP platform (and enablement cabling);
- Office Automation Equipment (desktop/laptops, audio visual, printers);
- Automated Ticketing System;
- Unified Collaborations & Communications;
- ICT Service Continuity Management (servers/storage/DC);
- Document Management;
- Executive Info Management (Big Data).

9.2.1 Type of income generated

ICT/Telecoms services looks to generate revenues for Intersite through a rebate structure. In addition, the services are expected to generate savings for PRASA Group based on the current PRASA Group spend on ICT/Telecoms services and establish a medium term revenue sharing arrangement from the services provided to PRASA and third parties. This type of income will generally be of a 3 to 5-year nature.

9.2.2 Income generated

ICT/telecoms services will generate cash returns in the form of discounts to be applied to the current ICT spend by PRASA Group as well as cash income generated from exploiting same opportunities with third parties.

9.2.3 Potential for income generation

The revenue potential from internal PRASA business is estimated at about R48m per annum. This is expected to improve over the next couple of years as contracts with PRASA's other service providers come to an end and more business is channeled via the VAS partnership. The income generation potential from delivering services to other tiers within Government are there but will be quantified once market analysis has been completed.

ICT Income	2020/21 Rm	2021/22 Rm	2022/23 Rm
1) UCC (Telephony & Call Centres)	2.5	2.5	2.65
2) Office Automation	2.5	2.5	2.65
3) MLPS	2	3.75	3.95
4) RT15-2016	0.3	0.3	0.32
5) Datacentres upgrade	2	3.75	3.95
6) Automated Ticket System	16	16	16.8
7) Big Data	2	2	2.1
8) Modernization	7	7	7.35
9) Business process management	0	0	0
10)ERP SAP	10	10	10.5
11) ICT Security management	0.7	0.7	0.735
TOTAL	**45.0**	**48.5**	**51.01**

Table 18: Income ICT Services (Inflation adjustment of 5%)

9.2.4 Investment potential and horizon

At present, there is minimal capital investment required as all the capital requirements are being supplied by Intersite's strategic partner.

9.2.5 Requirement to harvest opportunities in ICT/Telecoms

For the Technology Partnership Agreement (TPA) or VAS between Intersite and Vodacom to take effect, two conditions precedent had to be met:

- The signing of the Managed Services Agreement between Intersite and PRASA, which has now been concluded.
- Receipt of Ministerial approval for Intersite to enter into a significant unincorporated joint venture with Intersite, which approval has also been granted
- Concurrence of the National Treasury, which has recently been received.

9.3 ICT/Telecommunications Infrastructure

Telecoms Infrastructure is focused on harvesting opportunities that present themselves in and around the PRASA stations, station precincts, railway reserve and land. The opportunities that are available for exploitation are focused on:

- Fibre (Primarily Dark Fibre);
- Towers;
- Data Centres;
- Point of Presence (POPs).

9.3.1 Type of income generated:

ICT /infrastructure looks to generate a long-term rental income from the leasing of the PRASA assets, including excess capacity on PRASA telecoms network (fibre and mobile towers). Provided good maintenance and repairs undertaken on a regular basis to the telecoms network, this type of infrastructure & related income has a useful life of 10 years (aerial fibre) and 15-20 years (underground fibre) before the infrastructure requires upgrading. However, if fibre is not properly maintained, as has been the case with the PRASA fibre network, the useful life reduces drastically. For instance, the

PRASA aerial fibre network needs to be overhauled in certain sections as its quality has drastically deteriorated and suffers from huge transmission losses at the current state.

9.3.2 Income generated:

ICT/Telecommunications Infrastructure seeks to generate cash income on a monthly basis from the leasing of these assets. The leases also lead to an enhancement in the value of the leased assets, which can be used as security for funding and will be recognised in the balance sheet through the income statement. The fibre and tower leasing agreements that Intersite has entered into with clients for fibre and tower leasing are for an average of 15 years.

9.3.3 Potential for income generation:

Currently there are three signed fibre leases with three lessees (operators) namely Vodacom, Railcell & Tech Tele Data and two potential additional fibre off-takers. Intersite commissioned a report by Frost and Sullivan 3 years ago, that indicated the lucrative potential of the dark fibre leasing market. To estimate the market potential from fibre leasing, one has to take into account the entire PRASA railway network that has fibre coverage and the rate per kilometer per fibre pair per month, which is calculated as follows:

- Annual Addressable Dark Fibre Market = (Total No. of KM) x (No. of Dark Fibre Pairs) x (Monthly Rate/month) x (12 months).
- Annual Addressable Dark Fibre Market = (1004km) x (48 fibre pairs) x (R2200/km/fibre pair/mt) x (12mts)
- Annual Addressable Dark Fibre Market = R1.27bn/annum

NB: The baseline dark fibre-leasing rate of R2 200 is subject to an annual inflationary adjustment, which has not been applied in this case for ease of calculation.

The major advantage for Intersite Telecoms is that the supporting infrastructure for aerial and underground deployment of fibre is already in place throughout the PRASA Rail network. By focusing fibre deployment on using existing infrastructure and PRASA servitudes this gives Intersite Telecoms a major cost advantage when compared to other pure play fibre network operators.

With regard to mobile towers, the revenue potential from the rollout of towers on PRASA land is approximately R62m over a three-year period. The major driver of the tower business is the number of mobile towers (cell masts) plus the number of mobile antennas that each tower hosts.

9.3.4 Investment potential and horizon:

Intersite Telecoms Infrastructure has significant investment potential when considering the income generation opportunities. Typically, telecoms assets are leased for a period of 15 years at a fixed price per annum. Co-investment options are already in place and further are possible within the telecoms arena and Intersite needs to follow this to exploit the potential that this sector presents.

9.3.5 Requirements to harvest opportunities in Telecoms Infrastructure:

The following are issues that require urgent attention to in order for the ICT/telecoms infrastructure business to execute its strategy & realize its potential:

- Telco grade fibre availability. Clients are currently experiencing severe problems with the availability of telco grade fibre (in line with quality standard measurements agreed to in the SLA) to commission to the lessees. This is currently a challenge given the poor state of PRASA's optic fibre in certain sections due to poor maintenance and repairs over the years leading to unacceptably high transmission losses. This is delaying the ability of Intersite to commission the fibre and generate the expected income.
- The proposed solution is for Intersite, together with its strategic partner Broadband Infraco SOC Ltd (BBI), to overhaul, deploy and take ownership of the new fibre in sections of the network, which are not properly maintained, as the current fibre does not seem repairable. In return, Intersite takes responsibility for maintaining & repairing the fibre network assets of PRASA at a telco grade, in line with industry standards SLAs and ensuring that they are actively monitored on a 24/7/365 basis.
- It is recommended that the current lease for Fibre between Intersite and PRASA be cancelled and the existing Fibre Assets be transferred to Intersite. This solution would enable Intersite to assist PRASA with the deployment, monitoring, and maintenance of the dark optic fibre network through the Memorandum of Agreement (MoA) signed between Intersite & Broadband Infraco (BBI). Prior to implementing the contract with BBI, Intersite will seek the approval of National Treasury to ensure that the contract complies with the applicable PFMA regulations.

- It is proposed that the current fibre lease between PRASA and Intersite be cancelled and also that all future network expansions be implemented through Intersite and that Intersite owns the underlying asset.

9.3.6 Capital

Capital is required to be able to invest or co-invest in opportunities available for exploitation. As Intersite seeks to take ownership of certain fibre assets it is also essential that the budget for its deployment, monitoring, and maintenance be allocated to Intersite by PRASA. PRASA's capital spend on ICT and telecoms needs to be objectively reviewed to identify opportunities in addition to fibre that may arise from GSMR towers, Data Centres, etc.

Intersite has already received written requests for co-location on the GSM-R towers where the potential investment partner COMMCO will contribute some of the capex for the overhaul of the tower infrastructure and share in the revenue generated. The strategy is to commercialize 1004km of fibre, currently 106km is active and generating revenue. There is confirmed demand and uptake of 282km, this require will capital investment of R 65M to deploy. The remaining 600km will be deployed as and when customer demands are received.

9.3.7 Benchmarking

- Gyro Group (Telkom) South Africa

LOCAL BENCHMARKING & CASE STUDY:

Gyro a Telkom SA LTD Subsidiary Company

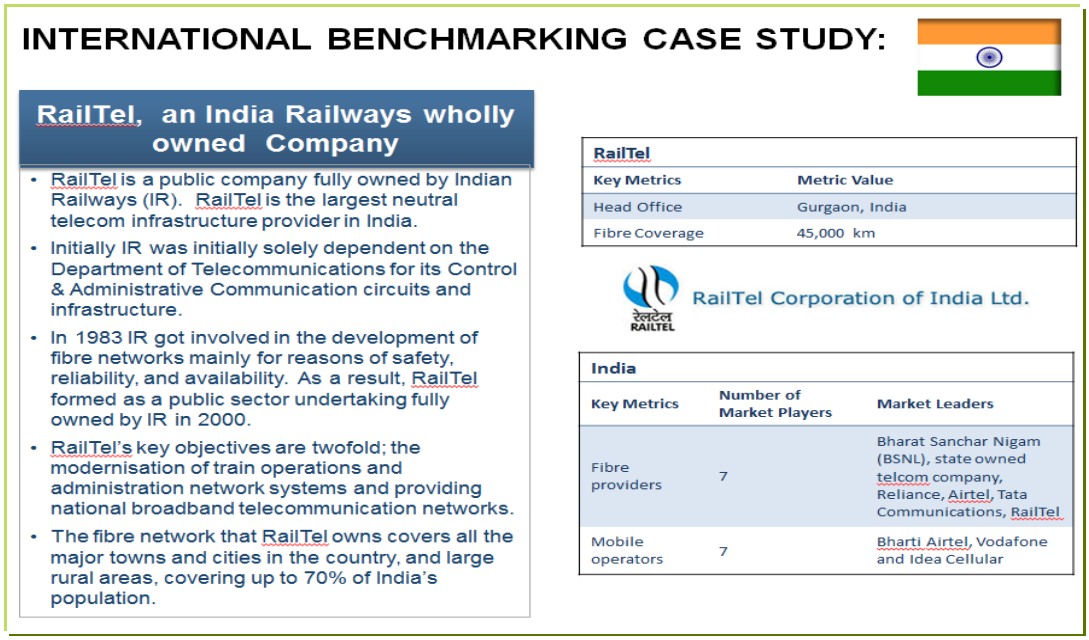
- Telkom SA LTD recently restructured to create 5 wholly owned subsidiaries. These are:
- **Telkom Retail** (consumer business);
  Business Connection (IT services);
  Openserve (wholesale broadband);
  Gyro Group (towers & masts, offices, exchanges, etc.)
- Gyro Group's mission is to "***commercialize the Telkom property portfolio & ensure that value is extracted from all existing excess building capacity***."
- All these companies have their own boards & own balance sheet.
- The transfer of assets from Telkom Group to each entity (including Gyro) effected through a sale transaction.
- Each entity is focused on a specific industry sector & has autonomy to make decisions within that sector.
- Telkom envisages that this will enable focussed sector strategies; agility to respond to market ; & improved performance (revenues & profits).

Gyro Group	
Key Metrics	**Metric Value**
Head Office	Centurion, RSA
Towers owned	6 500
Land owned	20m square km
Properties under management	1 400
Properties (initial list for development through 39 SPVs)	39

Gyro Group's mandate	
Mandate 1	Masts & Towers services
Mandate 2	Property management services
Mandate 3	Property Development & Investments

Figure 16: local Benchmarking Gyro

- Rail Tell India



INTERNATIONAL BENCHMARKING CASE STUDY:

RailTel, an India Railways wholly owned Company

- RailTel is a public company fully owned by Indian Railways (IR). RailTel is the largest neutral telecom infrastructure provider in India.
- Initially IR was initially solely dependent on the Department of Telecommunications for its Control & Administrative Communication circuits and infrastructure.
- In 1983 IR got involved in the development of fibre networks mainly for reasons of safety, reliability, and availability. As a result, RailTel formed as a public sector undertaking fully owned by IR in 2000.
- RailTel's key objectives are twofold; the modernisation of train operations and administration network systems and providing national broadband telecommunication networks.
- The fibre network that RailTel owns covers all the major towns and cities in the country, and large rural areas, covering up to 70% of India's population.

RailTel

Key Metrics	Metric Value
Head Office	Gurgaon, India
Fibre Coverage	45,000 km

RailTel Corporation of India Ltd.

India

Key Metrics	Number of Market Players	Market Leaders
Fibre providers	7	Bharat Sanchar Nigam (BSNL), state owned telcom company, Reliance, Airtel, Tata Communications, RailTel
Mobile operators	7	Bharti Airtel, Vodafone and Idea Cellular

Figure 17: International India Benchmarking

9.4 Advertising

PRASA has a valuable asset in its commuters from an advertising perspective; with 380 million passenger trips in 2016/17, people going through the stations are invaluable. In addition, PRASA has a huge asset base of moveable (trains and busses) and immoveable (real estate portfolio) assets.

The current advertising portfolio is performing at less than its full potential when regard is had to the PRASA asset base being exploited of over 600 stations. This contrasts with ACSA and Gautrain, which are generating substantially more revenues from their respective advertising portfolios. Intersite as the custodian of the secondary mandate proposes an integrated advertising strategy and implementation plan across all of the PRASA Group to be driven by a single advertising business unit to be based at Intersite. Such an approach would require a transfer of the advertising portfolio and related resources to Intersite in order to provide the base for aggressively pursuing advertising opportunities as part of the secondary mandate.

Intersite has identified the following opportunities for implementation:

- Station Concourse areas
    - Billboards, Posters, Elevators, PA systems, digital, back lit boards, seating, lifts
    - Billboards next to roads, railway lines, bridges

- Platform areas
    - Wall posters, murals, PA systems, benches, bins, staircases, column wrap
- Trains & Buses
    - On board screens, interior & exterior
- Tickets & Timetables
- Buildings
    - Wall wraps, hoarding in construction area
- Promotions & Activations
- Wrapping of Construction Sites
- New Advertising:

  - Umgeni Development

  - Firgrove Development

  - Other new developments

ACSA Benchmark

The Airports Company of South Africa (ACSA) has 8 airports and generates a total of over R200m pa from advertising. The Gautrain has 8 major stations and generates over R40m per annum from advertising. PRASA on the other hand has over 560 train stations and yet generates just over R25m per annum.

There is therefore potential to refocus the advertising portfolio to start generating revenues that are more in line with the large commuter and asset base that makes use of PRASA train stations and trains. The major limitation in the growth of the advertising portfolio has been the current legal challenges by losing bidders from the 2012 tender process, which has adversely affected the revenue generating potential of this asset. A speedy resolution of these long outstanding legal challenges is a pre-requisite in unlocking the underlying value of the portfolio

9.5 Renewable Energy Programme

Energy is the second highest cost line item for the PRASA Group. For the 2018/19 financial year, this cost will be in excess of one billion rand. There are interventions that Intersite can implement for PRASA to save on energy costs and in the long term to reduce its energy bill. This can be done with existing PRASA assets and infrastructure.

The PRASA Group has a number of properties (rooftops and landholdings) that can be utilised to generate energy. The focus of the renewable energy programme is in four main areas namely:

- Energy Efficiency
- Energy Infrastructure
- Energy Generation
- Energy Distribution
- Energy Storage

A high-level assessment of the land available from PRASA indicated that at least 350 MW of solar Photovoltaics (PV) could potentially be developed in the short to medium term and in part through commercial use and leveraging of assets by Intersite. Advanced energy storage can also be deployed in order to provide security of supply with flexibility and dispatch ability of intermittent renewable energy based generation.

Intersite's energy programme will focus on providing energy security and energy efficiency to support critical PRASA infrastructure, which includes the rail transport network system, stations, depots, and other PRASA facilities, which assist PRASA with effectively fulfilling its primary mandate. The approach will be a combination of the deployment of solar PV, advanced energy storage (AES) systems, distributed power systems, energy efficiency measures and micro grid systems all enabled by intelligent controls and smart-metering.

9.5.1 Type of income generated

Energy looks to generate long-term renewable energy savings and income generation for the Group as follows:

- Generate additional revenues for Intersite from energy supply internally within PRASA (primarily) and externally outside of PRASA (secondarily);
- Reduce operational costs through the use of sustainable energy sources;
- Reduce greenhouse gas emissions (GHG) and carbon footprints (carbon credit/offset potential);

9.5.2 Nature of income generated

The energy programme will generate cash savings for PRASA and income for Intersite resulting in a net positive effect for the PRASA Group. Depending on the configuration and system parameters, alternative energy sources such as solar PV can generate power at a level cost of electricity (LCOE) that is less than or equal to the price of purchasing power from the electricity grid through Eskom or some municipalities. Intersite seeks to establish an energy programme for the PRASA Group as a whole where it can serve as an internal independent power producer (IPP) to the PRASA Group. As an IPP it is envisaged that Intersite can offer Power Purchase Agreements (PPAs) to the Group and allow a PRASA to make use of reduced electricity costs, lower carbon emissions and fixed tariff increases below Eskom and municipal average increases.

9.5.3 Potential for income generation

Currently the average cost of a 1kW load of power results in a blended tariff of approximately 80 cents per kWh during the hours of sunlight based on Eskom's Megaflex tariff.

As an IPP Intersite could provide a portion of the PRASA Group's energy requirements through rooftop and ground-mounted PV at the Eskom Megaflex / Transflex or applicable municipal rate minus a discount. Over the 20-year lifespan of the system, the tariff provided to the group by Intersite will escalate at consumer price index (CPI) inflation versus the unpredictable escalation rates of Eskom and the municipalities.

It should be noted that over the 10-year period between 2007 and 2017, Eskom's electricity prices increased by about 356%, whilst inflation over the same period was 74%. This means that electricity prices have increased 4 times faster than inflation over this period. As energy is the second highest cost within the PRASA Group, this initiative could have a huge positive impact on the business in terms of costs savings, revenue generation and improving the reliability of supply.

There's potential for renewable energy revenue generation in new PRASA developments including the likes of Umgeni, Cape Town, Firgrove, Woodstock, to mention but a few.

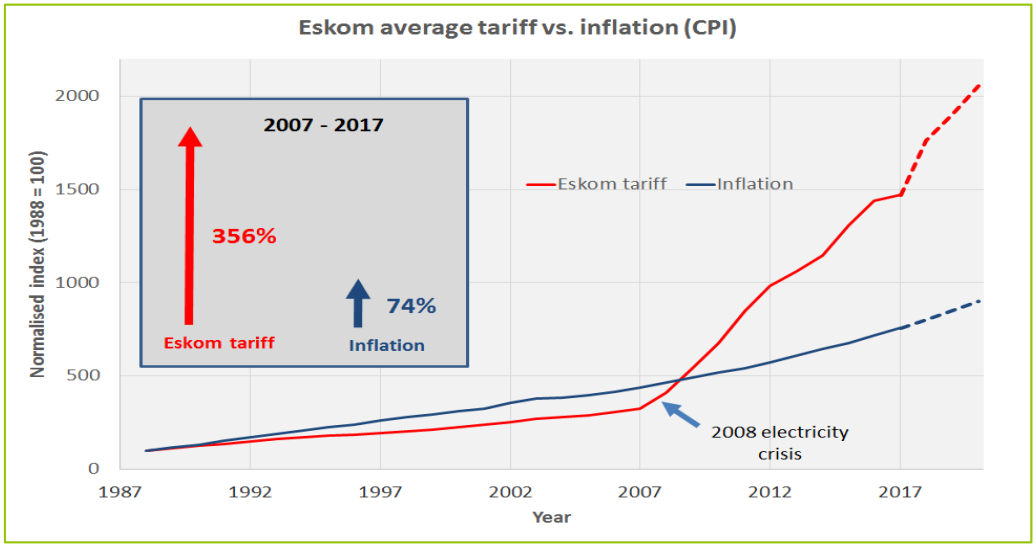


Figure 17: Eskom tariff vs CPI

Source: http://www.poweroptimal.com

9.5.4 Investment potential and horizon

A high-level desktop study has shown that there is potential to develop approximately 350 MW of generation capacity off PRASA assets using solar PV technology. It is estimated that the capital cost is between R18-20 million per megawatt installed.

The graph below gives a representation of the cost savings potential for PRASA while generating revenues for Intersite, which can be used to increase investment in further expansion of self-generation of electricity. The graph is based on a programme of 350 megawatts of solar PV generation.

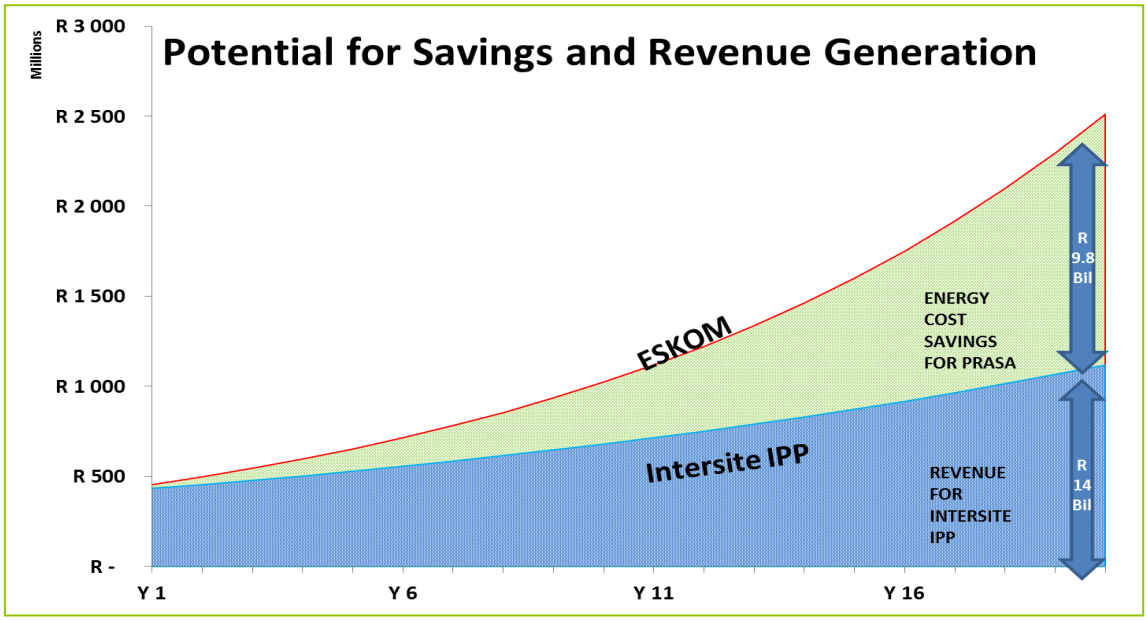


Figure 18: Savings and Revenue Generation

9.5.5 Requirement to harvest opportunities in energy

The next step towards the realisation of the Intersite Energy Programme is to evaluate specific energy opportunities that are based on strategic need within the PRASA operational environment. It is envisaged that the costs of developing and designing the program will be supported by the project preparation funding sought from DBSA through the Infrastructure Investment Programme of South Africa (IIPSA) and the United Nations Framework Convention on Climate Change Green Climate Fund (GCF).

With assistance from the DBSA and the GCF Intersite can take the following approach:

- Detailed Business Case: This will delve deeper into the topics highlighted in the high-level business case completed in March 2016. It is based more on quantitative measures and values calculated through the desktop studies and on-site visits, which will be performed in order to derive what is required in terms of energy efficiency measures as well as renewable energy options.
- Pilot Project Implementation: This step is taken because of the decisions made based on the outcomes illustrated in the detailed business case.
- Monitoring and Evaluation of Pilot Project(s): For duration specified as part of the project, the pilot project implementations need to be monitored and the results evaluated.

The reason for this is to ensure that all issues are resolved on the first implementation before rolling out the project to the rest of the planned areas.

- Assessment of All Other Potential Sites: Once the team is satisfied with the outcome of the implementation, monitoring, and evaluation of the pilot site, all other potential sites need to be assessed and analysed using the same process and principles as that which was used for the Pilot Project.
- Nationwide Rollout: After the completion of the site studies, using the information and learnings from the pilot project, the team can now roll out the entire project to the rest of the country where the PRASA is located.

Intersite will work closely with the PRASA Group divisions and subsidiaries to identify projects based on geographical location, site-specific load profiles, infrastructure availability and renewable energy resource availability.

9.5.6 Capital

Capital will be required for the pilot studies and it is expected that funds could be made available from PRASA, the DBSA, and/or the Green Climate Fund.

The initial capital required for this program will be used for the implementation of pilot projects. As the pilot projects come online, the monitoring and evaluation will follow in order to demonstrate the validity of the business case. As explained in the section regarding income and investment potential, these projects will generate savings/revenue for the next twenty years.
Although the revenue generation potential is fixed at CPI inflation, the potential savings to the PRASA group could be exponential depending on the tariff increases administered by Eskom.

10. Value Added Tax Structuring

There is significant potential in structuring transactions and activities correctly within a Group of companies to provide relief to primary and secondary taxes. PRASA is exempt from income tax and therefore is not subject to a primary tax, but as it delivers a service that is considered exempt (passenger fares) in terms of value added tax (VAT) it cannot claim an input tax credit like normal companies do on this secondary tax.

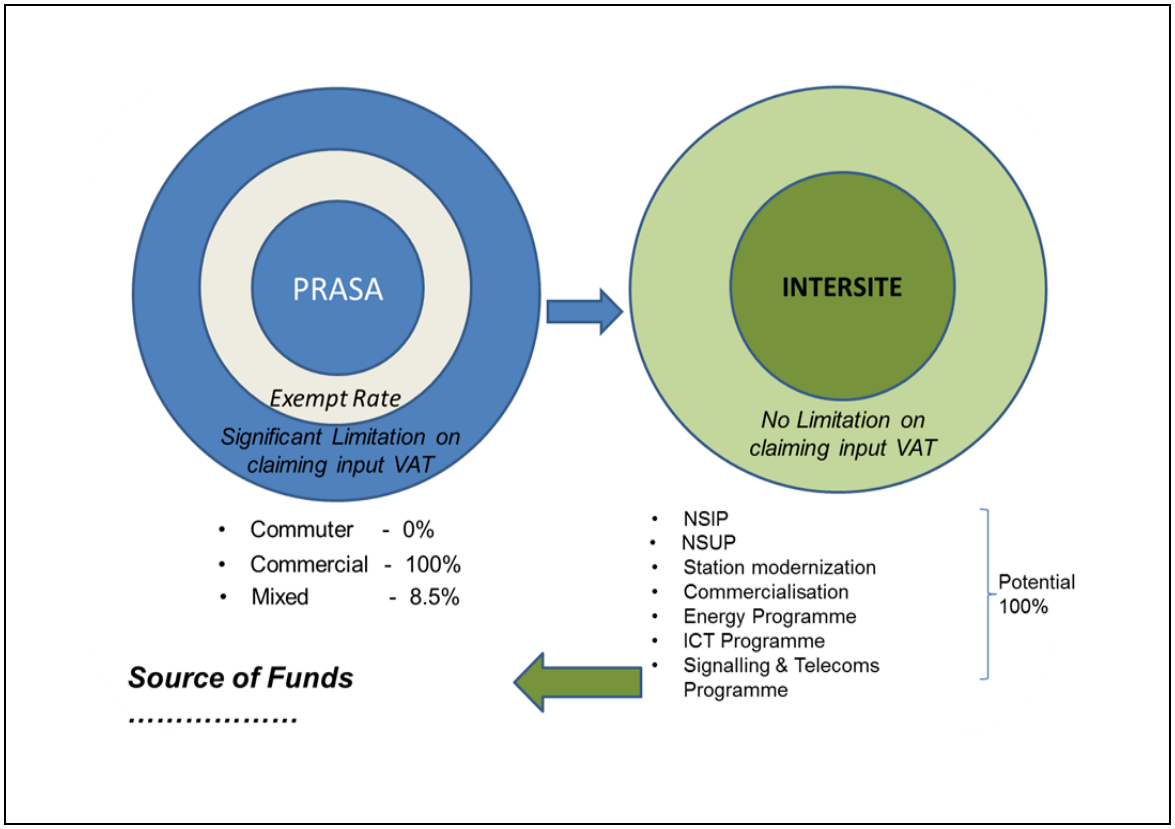


Figure 19: Proposed VAT Structuring

This has a significant impact on the entities cash flows as about 40% of its operational costs and 95% of its capital costs are subject to VAT.

The effect of this on the business is estimated to amount to hundreds of millions per annum and could potentially cover the cash losses being experienced in the business at present.

Intersite obtained a legal opinion regarding the potential structuring of capital projects through Intersite to enable it to claim the input tax credits and then pass these on to PRASA to provide cash relief to the business. This sort of activity is allowable in terms of the tax laws and it is recommended that Intersite further examine the potential for this as a cash recovery mechanism for PRASA.

11. Human Capital Management Strategic Direction

11.1 HUMAN CAPITAL MANAGEMENT DIVISION STRATEGIC INTENT

The strategic intent of Intersite's Human Capital Management (HCM) is to ensure that the business performs in a stable environment that is conducive to the achievement of its objectives, through the relevant guidance, policymaking, standard setting, facilitation and leadership.

This can be achieved, amongst others, by recruiting, developing, nurturing and rewarding a model Intersite employee with the necessary attributes, who will be able to rise to the challenges of a modern organisation capable of discharging its primary responsibilities.

- To achieve these objectives, the human capital function will effectively implement the organisation's human capital requirements, taking into account the economy, state and labor laws and regulations, ethical business practices and net cost, in a manner that maximizes, as far as possible, employee motivation, talent attraction, capacity building, employee wellbeing, commitment and productivity.

- HCM will align the supply of skilled and qualified individuals and the capabilities of the current workforce, with the organisations ongoing and future business plans and requirements to maximise return on investment and secure future survival and success.

11.2 Analysis

- Develop retention strategy and establishment of clear career pathing for technical personnel;
- Train and develop technical skills to meet the demands of new technology;
- Accelerate strategic recruitment that includes headhunting for critical skills;
- Train employees on organisation vision, mission, policies and labor relations;
- Ensure parity on salaries within the Group to avoid unnecessary competition for skills;
- Undertake continuous benchmarking within asset investment industry;
- Interpret and ensure compliance with all relevant labor legislation as prescribed by Government;
- Modernise benefits to attract and sustain best talent; and
- Inculcate the culture of performance throughout the company.

11.3 Current Challenges

Operational	***Ensuring that the proper day-to-day operational functioning of HCM occurs within Intersite, that is, a "Back-to-Basics" approach.*** e.g. *To ensure that all positions are profiled, evaluated and filled expeditiously.*
Strategic	***Ensuring that Intersite pursues and implements HCM best practices.*** e.g. *Ensuring that a strategic HCM Plan for Intersite exists, which informs HCM processes (recruitment, reskilling etc.)*
Transformation	***Ensuring that HCM strategies and initiatives, aimed directly at addressing transformation towards consolidating the entity, are addressed*** e.g. *A change management programme to facilitate the complete repositioning of Intersite. This will be complemented by a HCM strategy that addresses issues of ring fencing, employee transfers, organisational design and systems support.*

Figure 20: Three Tiers of Challenges

In developing a Strategic HCM Plan, there will be a separate focus on each of these tiers. Each tier demands different and specific priority interventions, internal and external expertise and supporting structures.

12. Corporate Governance

12.1 Intersite Corporate Governance Framework

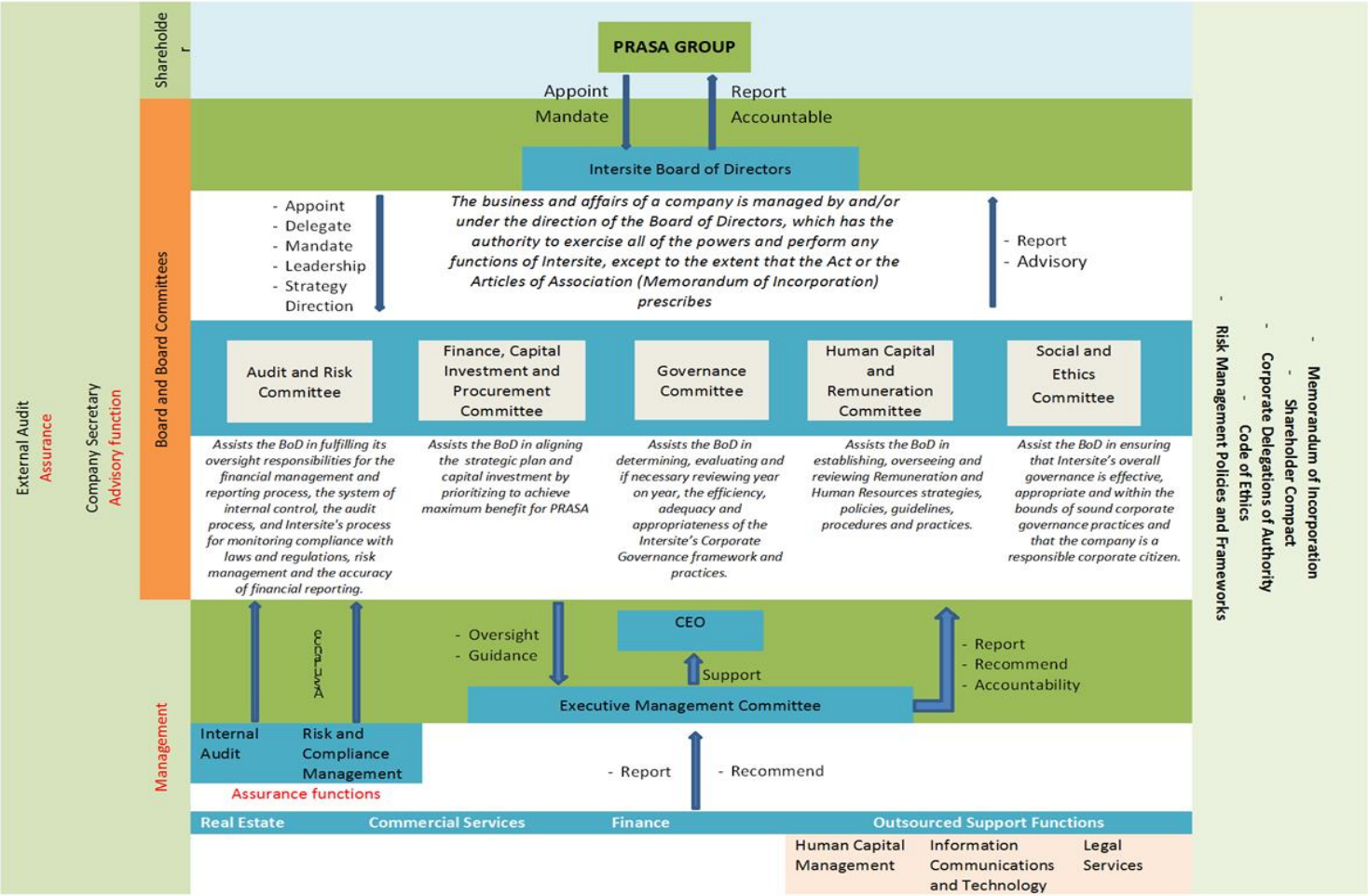


Figure 21: Governance Framework

In 2016, the Board of Directors approved a Corporate Governance framework that focuses on effective governance and management of risk in the organisation.

The framework provides a guide for rules and procedures by which the decisions in organisation are made, and how those responsible are held accountable for their decision.

The framework seeks to ensure accountability, fairness, and transparency in a company's relationship with its all stakeholders (financiers, customers, management, employees, government, and the community).

It also gives a guide to the following parties jointly responsible for the governance of risk:

- The board of directors, who are responsible for oversight and setting the tone at the top;
- Executive management, who are responsible for driving governance and risk practices throughout the organization;
- The functions that provide a line of defence to ensure an effective combined assurance approach to the organisation
- The departments and/or business units and supporting functions, which are where the risk activities occur and ownership lies. These same parties have critical roles in the overall governance programs as well; however, the responsibilities may not be clear to all involved.

The following areas are aimed at ensuring good corporate governance citizenship and the governance of risk within Intersite:

12.2 Ethical Leadership

The Board of Directors and the Executive Management of Intersite provide responsible leadership to ensure performance of Intersite with regard to the agreed strategy and business goals; and to ensure proper discharge of Intersite's mandate.

The Board approved and adopted reviewed values for Intersite that are the cornerstone for ethical leadership and ethical behavior for Intersite.

In 2017, the Code of Business Ethics was reviewed in line with the Values however; this process was put on hold due to the anticipated restructuring of PRASA's Operating Model and the governance challenges facing Intersite.

12.3 Risk Management

The Board of Intersite ensures that there are processes in place for the management of risk in Intersite. The Board together with Management identifies the strategic risks and determines the risk appetite of the company. Risk Management is the integral part of corporate governance to ensure the organisations sustainability.

The Board as the cornerstone for the governance of risk has approved the following model setting out the roles and responsibilities:

ROLE	ACCOUNTABILITY	SOURCE
Identify	Executives: Risk Owner/Action Owner	Job profiles
Measure	EXCO	Enterprise Risk Management Framework and ERM Plan
Monitor	EXCO	PFMA, regulations, King III
Control	Executives, Senior Manager: Risk and Compliance, EXCO Audit and Risk Management Committee (ARM) and Board	PFMA, regulations, ARM Charter and King III
Rating and validation	Senior Manager: Risk and Compliance	Enterprise Risk Management Framework and ERM Plan
	Group Risk Department	Enterprise Risk Management Framework and ERM Plan
Mitigate	Executives: Risk Owner/Action Owner, EXCO	PFMA, regulations, ARM Charter and King III
Communicate and report	EXCO to ARM	PFMA, regulations, ARM Charter and King III
	ARM to Board	
Review of the effectiveness	Internal/ External Audit and report to the Board and PRASA	Combined Assurance Model; Enterprise Risk Management Framework and ERM Plan
Oversight	EXCO	PFMA, regulations, ARM Charter and King III
Identify	ARM / Board	PFMA, regulations, ARM Charter and King III
Measure		Job profiles
Monitor		Enterprise` Risk Management Framework and ERM Plan

Table20: Risk Model

12.4 Compliance Management

Compliance is one of the key pillars of governance. The Board has approved a Compliance Management Framework as well as a Regulatory Universe comprising of the relevant regulations and prescripts. It is therefore imperative for Intersite to comply with all tools that are in place as the base of governance in order to be a good corporate citizen.

The following approach has been adopted by Intersite:

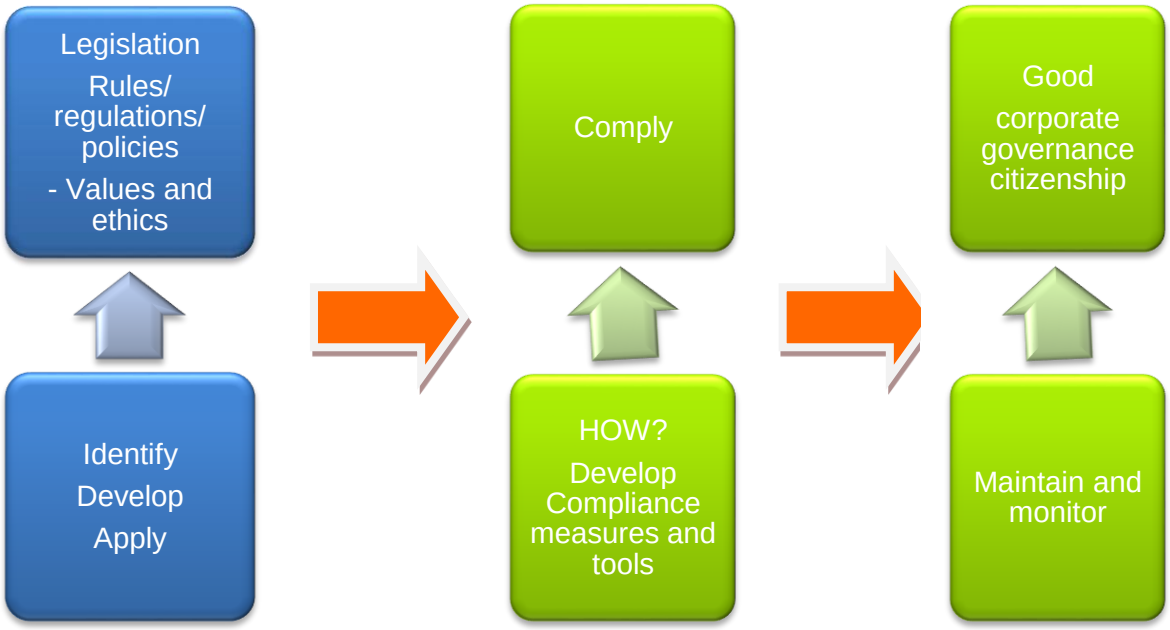


Figure 22: Compliance Model

12.5 Legal Services

Legal services have been identified as a third line of defence in the governance of risk within Intersite. This function is outsourced to PRASA Group.

12.6 Company Secretariat and Corporate Governance Advisory Services

The Company Secretariat function is the integral source of guidance on corporate governance to the Board and to the organisation as the whole.

The Company Secretary is the gatekeeper for governance and is responsible for developing systems and processes, which enable the Board to discharge its functions.

The Board has approved policies, processes and frameworks that are the base for governance in the organisation.

12.7 Internal Audit

The Internal Audit function is outsourced to the PRASA Group Internal Audit. The function independently audits the adequacy and effectiveness of Intersite's risk management, controls and governance processes. The function reports to the Audit and Risk Committee.

12.8 Assurance levels

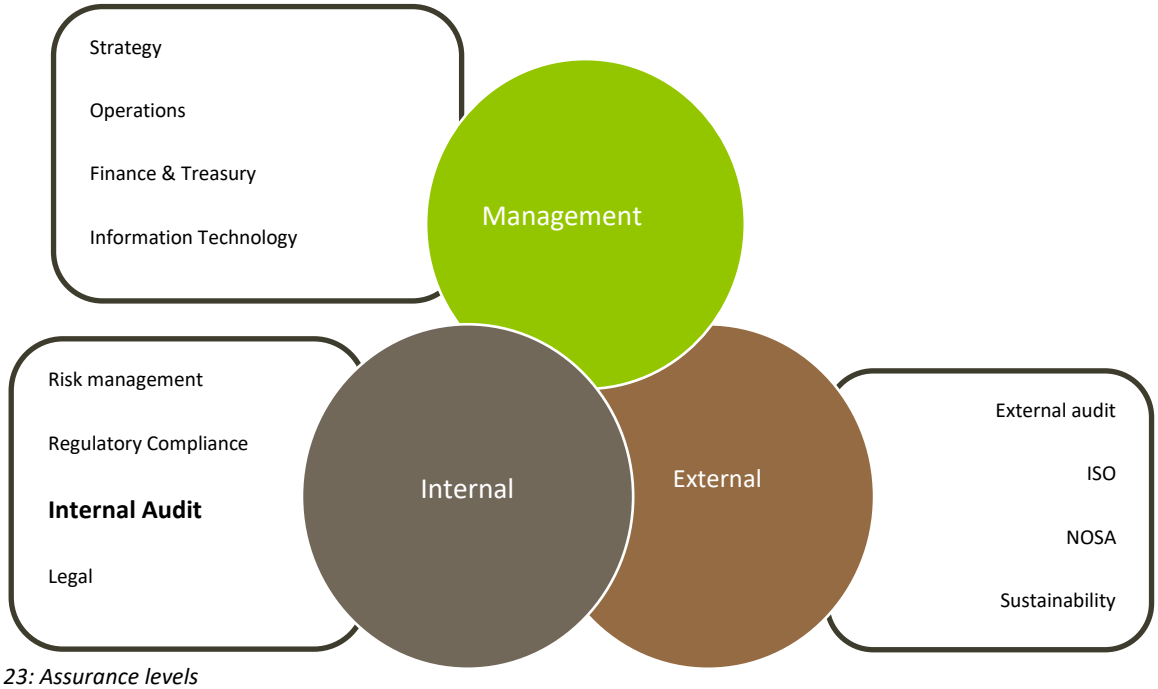


Figure 23: Assurance levels

Combined assurance is, simply, ensuring that a co-ordinated (combined) approach is applied in receiving assurance on whether key risks are being managed appropriately within an organisation. Therefore, it is a very logical and simple concept. Like Risk Management, it is something that has been applied within every successful organisation for many years.

Firstly, the backbone of a Combined Assurance model is a commonly accepted view of the risks facing the organisation. An organisation looking to apply this model effectively and efficiently is setting itself up for failure if it does not have a robust, mature Risk Management process. Conversely, an organisation that has a Risk Management process, but no Combined Assurance model, is missing a vital piece of this puzzle.

The next concept is the so-called "lines of defence".

Understanding Assurance – the 3 Lines of Defence

First Line of Defense	Second Line of Defense	Third Line of Defense
Management Oversight	Management of Risk	Independent Assurance
Nature of Assurance: Line management is accountable and responsible for the management of risk and performance. A key element of this activity is the extent of management reviews and the actions that follow. Management can establish a system of self assessment/audits to inform them on the adequacy of risk management activities	*Nature of Assurance:* Corporate functions provide support to line management in executing their duties. These include functions such as HR, procurement, compliance, risk management, quality assurance, Health and Safety, SOX, Tax, Engineering, Forensic (Fraud Risk Management), OEMs, Insurance, Actuaries.	*Nature of Assurance:* Internal audit, Certifications, Regulator reviews, External Audit, Technical Audit, Forensic Investigations, external asset management reviews (e.g. Matrix), valuators, culture climate surveys, assessment of ore/ mineral reserves (SRK)
Reporting lines: Executive Management Committees and Operational Committees providing direction, guidance and oversight over the focus the areas.	*Reporting lines:* Risk Committees, Compliance Committee, Audit Committees, Regulatory Forums, HR Forums, Health and Safety briefings.	*Reporting lines:* Regulators, Board and Audit Committees, (objectivity is a key criteria), C Suite

Figure 24: Understanding Assurance

Different lines of defence offer gradually increasing levels of assurance, from management, who are in fact paid to manage risks, to an external assurance provider, such as the external audit function, who are being measured and regulated by parties external to the organisation.

12.9 Stakeholder Management

The Board adopted a Stakeholder Management Framework in December 2016 and the stakeholder relation is an ongoing process, which is reported biannually to the Board.

The following issues were identified during the 2016/17 financial year:

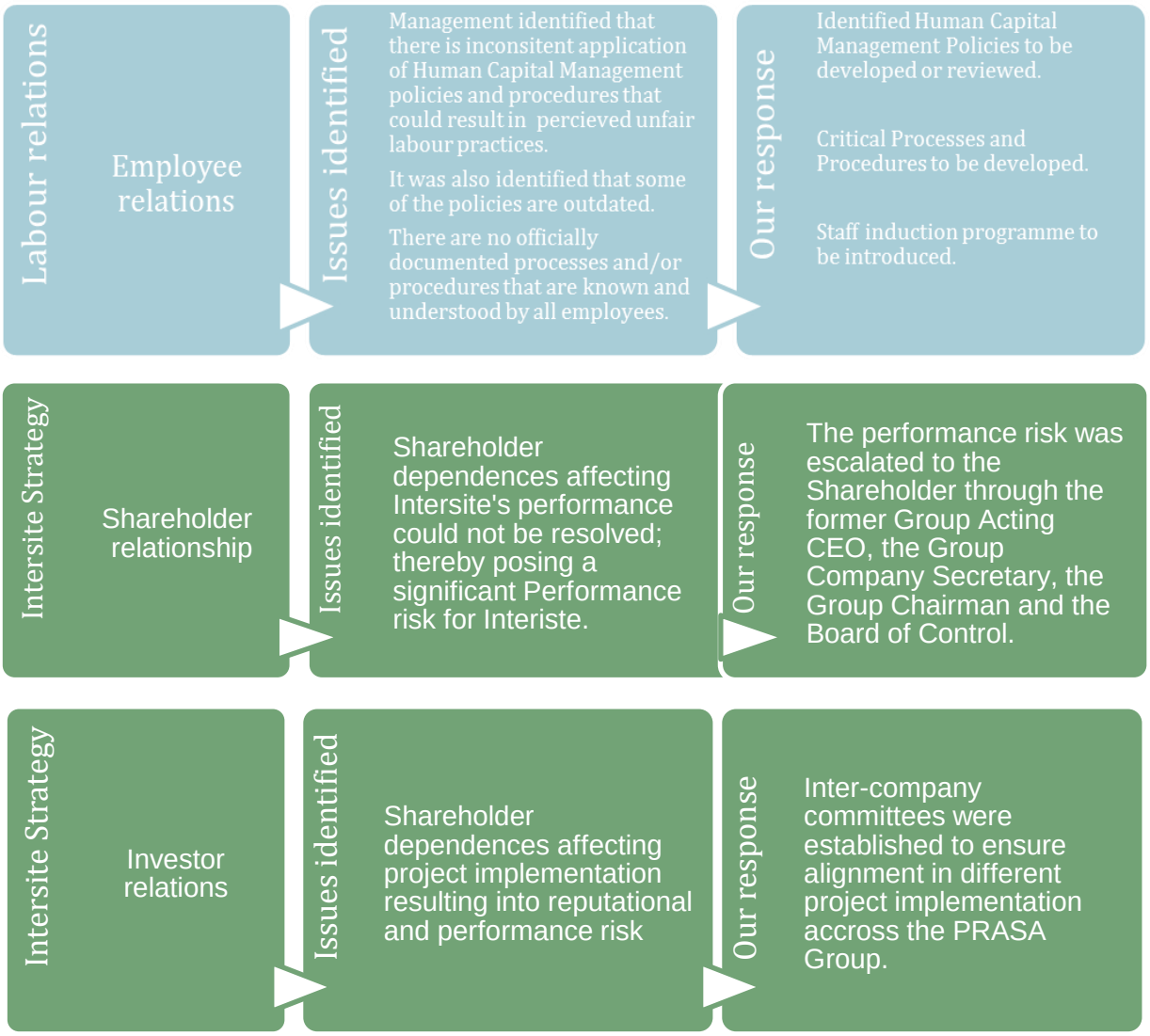
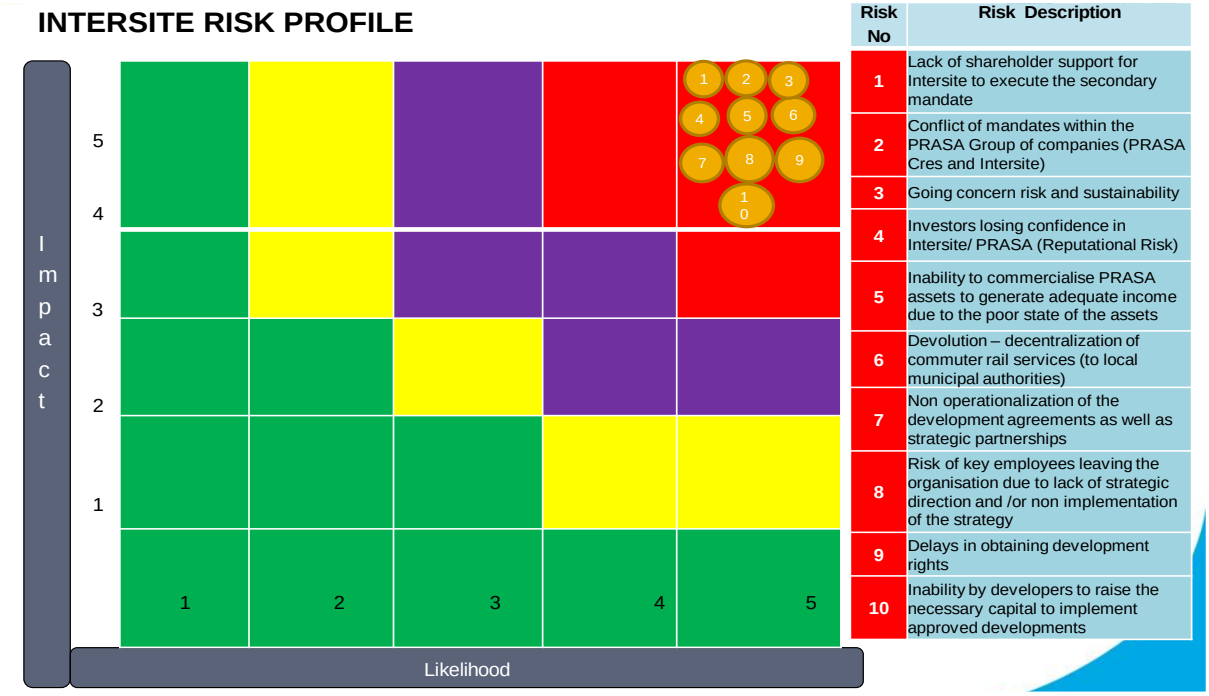


Figure 25: Stakeholder Engagement Framework

13. Intersite Risk Assessment

13.1 Risk Profile



Risk No	Risk Description
1	Lack of shareholder support for Intersite to execute the secondary mandate
2	Conflict of mandates within the PRASA Group of companies (PRASA Cres and Intersite)
3	Going concern risk and sustainability
4	Investors losing confidence in Intersite/ PRASA (Reputational Risk)
5	Inability to commercialise PRASA assets to generate adequate income due to the poor state of the assets
6	Devolution – decentralization of commuter rail services (to local municipal authorities)
7	Non operationalization of the development agreements as well as strategic partnerships
8	Risk of key employees leaving the organisation due to lack of strategic direction and /or non implementation of the strategy
9	Delays in obtaining development rights
10	Inability by developers to raise the necessary capital to implement approved developments

Extreme Risk | **High Risk** | **Moderate Risk** | **Low Risk**

13.1 Risk Assessment

Risk Score	INTERSITE RISKS AND RISK SCORE RATING	Impact	Likelihood	Score Post Controls
R 1	Lack of shareholder support for Intersite to execute the secondary mandate	5	5	25
R 2	Conflict of mandates within the PRASA Group of companies (PRASA Cres and Intersite)	5	5	25
R 3	Going concern risk and sustainability	5	5	25
R 4	Investors losing confidence in Intersite/ PRASA (Reputational Risk)	5	5	25
R 5	Inability to commercialise PRASA assets to generate adequate income due to poor state of its assets	5	5	25
R 6	Devolution - decentralization of commuter rail services (to local municipal authorities)	5	5	24
R 7	Non operationalization of development agreements and strategic partnerships	5	5	25
R 8	Risk of key employees leaving the organisation due to lack of strategic direction and /or non implementation of the strategy	5	5	23
R 9	Delays in obtaining development rights	5	5	25
R10	Inability by developers to raise the necessary capital to implement approved developments (Market Risk)	5	5	25

14. Financials

Preamble to Financials

The PRASA Group Board of Control ("PRASA BOC") has delegated to Intersite Asset Investments SOC Ltd ("Intersite") its secondary mandate that is the commercial exploitation and leverage of assets acquired by the PRASA Group. The focus areas of the Intersite strategy and business plan going forward are:

- Real Estate developments and investments;
- ICT/Telecoms assets commercialization (dark optic fibre, mobile towers and data centres);
- ICT/Telecoms services provision (value added services);
- Renewable energy (efficiency, generation, distribution, and storage); and
- Advertising (digital and static).

To date Intersite has operated with an unsustainable business model and the current status quo can be summed up as follows, namely:

- the entity has a zero asset base,
- the entity has no access to internal funding (capital grant allocations from PRASA),

- the entity has no access to external funding (no borrowing powers), and
- the entity is a Schedule 3B in terms of the PFMA similar to its parent PRASA.

All of the above factors, individually and collectively, have limited and/ or constrained the ability of Intersite as a Company to grow its balance sheet, grow its bottom line, and create sustainable shareholder value over time for itself and its shareholder PRASA. The 2020/21 Intersite business plan as prepared currently reflects the opportunities available to turn the business around if these realities are reversed.

As part of its turnaround strategy, Intersite is putting concerted efforts to address each of the above stated limitations that restrict the Company from fully executing the PRASA secondary mandate and creating sustainable shareholder value. Each of these limitations, once successfully addressed, will have a significant positive impact on the Financials of Intersite including its balance sheet, income statement and cash flow position and those of PRASA Group on consolidation. Whilst the above reflects an Intersite perspective, a mutual perspective is also considered whereby it is indicated what the potential impact of addressing each of the above stated limitations are beneficial for both Intersite and the PRASA Group.

Asset base limitations: With regards to assets, the Intersite Board and Management has tabled with the PRASA Group Board of Control ("PRASA BOC") the recommendation that certain select assets get transferred from PRASA to Intersite. That would be a cut and paste from the PRASA balance sheet to the Intersite balance sheet. However, the net effect of transferring assets from PRASA Group's balance sheet to Intersite's balance sheet would be positive for Intersite's balance sheet and income statement and on consolidation will have **zero** impact for the PRASA Group as a whole.

Assets that have been earmarked for transfer include but are not limited to those that are noncore to PRASA (e.g. managed property portfolio, development leases, advertising portfolio, commercial gross lettable areas, rooftops and vacant landholdings); and assets that are core to PRASA but have excess capacity that can be commercialized (e.g. excess capacity in optic fibre & GSM towers).

Examples of potential assets to be transferred include the managed property portfolio (portfolio of property assets outside the PRASA stations) and the commercial gross lettable areas (properties physically linked to PRASA stations that can be transferred by means of sectional title).

If all future telecoms network capex programmes are rolled out (fibre and mobile towers) and are undertaken at Intersite with the asset on the Intersite balance sheet, and assuming the rollout of fibre over 1004 km of PRASA network, the impact from an Intersite balance sheet would be significant from both an income statement and balance sheet perspective.

Currently, there's zero revenue generated by PRASA from the leasing of excess capacity in its telecoms network. Therefore, the transfer of this portfolio plus its associated capex budget programme to Intersite would have a positive impact for the PRASA Group as a whole.

There are three additional benefits from the transfer of the telecoms capex programme from PRASA to Intersite include the benefit to PRASA that Intersite will take full responsibility for the deployment, maintenance & repairs, and active monitoring of the network. This is a benefit for PRASA, as the issue of opex is not currently provided for from a PRASA perspective. The second benefit is the ability of Intersite to claim back input VAT at 15%, which can be reinvested back into the business. The third benefit is the provision of network redundancy (backup) in case of network disruptions where additional fibre can be blown into the spare PRASA underground duct capacity. Such an arrangement (redundancy route provision) will make the PRASA network more robust and more attractive for both internal requirements (meeting PRASA's operational needs) and from the external requirements (meeting the requirements of the telecoms and ICT industry).

Similarly, the impact from a renewable energy programme perspective of undertaking all renewable energy capex programmes at Intersite would result in an increase in the balance sheet and revenue of Intersite.

Access to internal capital grant funding: Intersite can utilize the funds to incur direct property investments into current pipeline projects on an undivided share basis. Currently an opportunity has surfaced to make such investment into all the Umgeni Development Projects. The budget has been prepared on the basis that grant funding is made available to Intersite to investment directly into five top structure developments over the MTEF period.

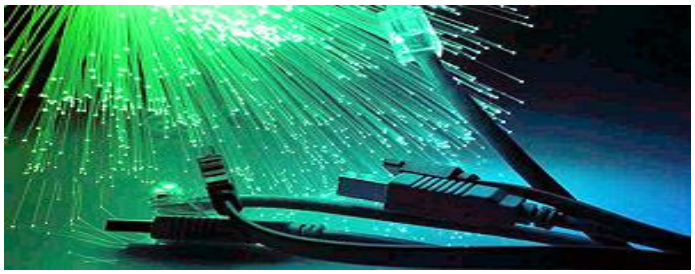
Intersite can utilize the funds to incur direct telecommunications investments into fibre expansion. The budget has been prepared on the basis that grant funding is made available to Intersite to investment directly into an expansion of 283km in year one of the MTEF period.

Access to borrowing powers: Intersite has signed an MOU with the National Treasury's Government Technical Advisory Centre ("GTAC"). Amongst the issues that GTAC is assisting Intersite to address is the issue of access to borrowing powers; PFMA schedule review; advisory regarding the transfer of select assets from PRASA to Intersite; exemptions from certain PFMA provisions including S54(2) and PPP requirements. It is envisaged that by addressing these matters, Intersite as a Company would be better positioned to execute PRASA's secondary mandate and to compete in the market place against private sector entities.

Income Tax Exemption: Intersite is currently exempt from income tax hence the past concerns of cash leakage via income tax dues is no longer applicable.

Claiming input VAT: Intersite is currently in a position to claim the full 15% on all qualifying expenditure. This poses as an added advantage to Intersite when compared to PRASA Group, as PRASA is currently on an exempt basis for VAT purposes and consequently is not able to claim the full 15% of VAT on qualifying expenditure. The ability to claim the full 15% input VAT is secured by the very nature of business Intersite intends pursuing

With Asset Base



15. Financial Budgets 2021 – 2022, Depicting Scenario of an Asset Base

15.1 Income Statement

	FORECAST 2019/20	BUDGET 2020/21	% Change	BUDGET 2021/22	BUDGET 2022/23
OPERATIONAL INCOME					
	4,492,834	21,489,570		39,519,732	70,145,113
INTEREST	257,863	0	-100%	0	0
REAL ESTATE	720,582	16,020,699	2123%	28,977,281	58,970,116
COMMERCIAL SERVICES	3,514,389	5,468,871	56%	10,542,450	11,174,997
TOTAL INCOME	4,492,834	21,489,570	378%	39,519,732	70,145,113
OPERATIONAL EXPENDITURE					
PERSONNEL COSTS	18,465,987	26,990,780	46%	27,815,319	29,151,747
TRAVEL COSTS	443,772	425,616	-4%	446,897	469,242
PROFESSIONAL SERVICES COSTS	593,554	2,000,000	237%	2,099,500	2,206,375
Other OPERATIONAL COSTS	1,748,314	2,051,209	17%	3,326,962	3,485,443
	21,251,628	31,467,604	48%	33,688,678	35,312,807
NET (LOSS)/PROFIT BGF	(16,758,793)	(9,978,033)		5,831,053	34,832,306
GRANT FUNDING	-	332,849,500		0	0
NET PROFIT ABCG	(16,758,793)	322,871,467		5,831,053	34,832,306

Table 21 Income Statement

15.2 Balance Sheet

	FORECAST		
	2020/21	2021/22	2022/23
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	281,429	301,455	318,900
Operating Lease Receivable	2,358,242	2,358,242	2,358,242
Property & Asset Investments	309,045,152	309,045,152	309,045,152
Current Assets	18,935,585	24,631,410	59,934,755
Holding Company Loan	0	0	0
Trade and Other receivables	1,968,164	3,574,865	7,038,588
Cash and Cash equivalents	16,967,421	21,056,545	52,896,167
Total Assets	330,620,409	336,336,259	371,657,049
EQUITY AND LIABILITIES			
Capital and Reserves	329,074,550	334,905,603	369,737,908
Share Capital	375	375	375
Share Premiun	88,211,186	88,211,186	88,211,186
Retained earnings	240,862,989	246,694,042	281,526,347
Non-current liabilities	0	0	0
Holding company loan	0	0	0
Deferred Tax Liability	0	0	0
Current Liabilities	1,545,858	1,430,656	1,919,140
Trade and other payables	1,240,143	1,124,941	1,613,425
South African Revenue Service - Taxation	0	0	0
Provisions	305,715	305,715	305,715
Total Equity and Liabilities	330,620,409	336,336,259	371,657,049

Table 22: Balance Sheet

15.3 Cash Flow Statement

	FORECASTS		
	2020/21	2021/22	2022/23
Cash flows utilised in operating activities	-13 484 369	4 223 224	31 942 621
Cash (utilised in)/generated from operating activities	-13 484 369	4 223 224	31 942 621
Cash flows from investing activities	23 519 348	-134 100	-103 000
Expenditure to maintain operations	-309 045 152		
Investments acquired		0	0
Equipment Acquired	-285 000	-134 100	-103 000
Grant Funding	332 849 500	0	0
Cash flows from financing activities	0	0	0
Holding company loan (advanced)/raised	0	0	0
Proceeds on share issue	0	0	0
Increase in cash and cash equivalents	10 034 979	4 089 124	31 839 621
Cash and cash equivalents at beginning of the year	6 932 442	16 967 421	21 056 545
Cash and cash equivalents at end of the year	16 967 421	21 056 545	52 896 167

Table 23: Cash Flow Statement

15.4 Financial Ratios

DESCRIPITION	FORECAST 2019/20	BUDGET 2020/21	2021/22	2022/23
Total Revenue excl. Grants	4 492 834	21 489 570	39 519 731	70 145 113
Total Expenditure	21 251 628	31 467 605	33 688 678	35 312 808
NPBT	**(16 758 793)**	**(9 978 034)**	**5 831 053**	**34 832 305**
Cost drivers				
Personnel	86,9%	85,8%	82,6%	82,6%
Travel	2,1%	1,4%	1,3%	1,3%
Marketing	0,0%	0,0%	0,0%	0,0%
Professional Service	2,8%	6,4%	6,2%	6,2%
Office Accomodation	8,2%	6,5%	9,9%	9,9%
Head Count	13	16	16	16
Key Ratios				
Revenue per head per annum	345 603	1 343 098	2 469 983	4 384 070
Cost per Head per annum	1 634 741	1 966 725	2 105 542	2 207 050
Cost Coverage	0,2	0,7	1,2	2,0
Personnel Cost per Head p.a.	1 215 847	1 482 021	1 556 122	1 630 816
Current ratio	Exceeds 2:1	Exceeds 2:1	Exceeds 2:1	Exceeds 2:1
Growth				
Revenue		378,3%	83,9%	77,5%
Costs		48,1%	7,1%	4,8%
Cash and Cash Equivalents		144,8%	24,1%	151,2%
Operational Capital Expenditure		285 000	134 100	103 000
Investment Capital Expenditure		332 849 500	0	0

Table 24: Financial Ratios

16. Performance Plan

16.1 Definition of Performance Matrix

Term	Definition
Strategic plan	Strategic objectives and corporate targets, for a three rolling year period.
Business plans	The operational plans of each business department that provides the resources and responsibilities that aligns to the approved business plan. The business plans may contain additional indicators with targets that support the indicators and targets set in the Corporate Plan of PRASA.
Operational plans	The action plans at departmental level at businesses to achieve the aims set in the business plans.
Accountability documents	These documents need to be submitted to the Shareholder (PRASA and ultimately to the Department of Transport (DoT)) that is used to report to Parliament. This includes annual plans, budgets, in-year reports and annual reports.
Indicator	This specific measurement tracks progress of performance in achieving an objective.
Input	The resources (finance, personnel, equipment, infrastructure etc.) that contributes to our service delivery or investment in infrastructure.
Outputs	The services produced or assets delivered by the business to achieve its mandate for generating income from exploitation of assets.
Activities	The processes and actions that utilize the inputs to produce or deliver the outputs that result in the services we deliver or assets we acquire or develop.
Outcomes	This is the consequence of achieving specific results for our outputs such as improved service delivery, breakeven budget or higher levels of customer satisfaction. It is a measure of how successful we are.
Impact	The result of achieving these outcomes – our vision.
Month	Calendar month. The majority of reporting aligns with calendar months.

Quarter	Period of three months. Quarters for Intersite: April – June July – September October – December January – March
Financial year	Period from 1 April to 31 March. All reporting on performance and finances covers this period per annum.
NSPDP	National Station Precinct Development Programme, being a selection of properties / sites identified for property development which properties are along railway stationed owned, utilized or identified for transfer to PRASA; consisting of 2 phases, 1 and 2
Development Leases	Refers to the property developments established on PRASA land by third party developers on a lease basis
Acquisition of Development Leases	Refers to the programme for the acquisition of the Development Leases Phase I is being implemented by PRASA Cres
Strategic Partnerships	The unincorporated joint partnering with third parties
Key Developments	The Key Developments to be pursued by Intersite
Transport Oriented Development	Refers to project management services provided to third parties related to the establishment of a transport related development for e.g. establishment of a bus/taxi rank facility by any Government
Government	Refers to any tier of Government which Intersite contracts as the owner or facilitator of public projects services
Performance Management	The individual performance management measuring the performance of all employees of Intersite against the agreed targets
Property Development Strategy	The property development framework or strategy of Intersite approved by the Board from time to time
Board	The Board of Directors of Intersite
Service Level Agreement	The service level agreement to be concluded by Intersite and PRASA Corporate for certain services required by Intersite
FDP	Refers to the final development proposal being the final proposal submitted by a developer in respect of amongst others the financial offer to PRASA, Intersite and the development
National Treasury Framework	Refers to the National Treasury Framework for Managing Programme Performance Information

SMART	The criteria utilized to measure performance targets in accordance with the National Treasury Framework, which denotes: S = Specific M = Measurable A = Achievable R = Relevant T = Time-bound
Commitment Agreement	Refers to the Development Entitlement and Commitment Agreement concluded between a preferred developer and Intersite pursuant to which the developer is given an entitlement to proceed with the planning for the development leading to the FDP
RFP	The Request for Proposal issued through a procurement process
FTE	Full time employee of Intersite
PFMA	Public Finance Management Act, 1 of 1999, as amended from time to time

Table 25 Performance matrix

- As a wholly subsidiary of PRASA, Intersite aligns its performance reporting in line with PRASA Group performance policy, which in turn is aligned, to The National Treasury, Framework for Managing Programme Performance Information.
- The **SMART criteria** were utilized in development and defining for the Performance Targets for the various business departments.

16.2 Real Estate

PERFORMANCE REPORT

Objective 1

Intersite Objective	Key Performance Areas	Key Performance Indicator/s	Annual Performance Target			Key Activities			Key Assumption / Critical Success Factors	Risk/ Dependencies	Responsibility
			2020/21	2021/ 22	2022/ 23	2020/ 21	2021/ 22	2022/ 23			
Grow PRASA revenue through exploitation of PRASA assets.	Real Estate development and investment	New Real Estate Investment Developments	Invest in 5 top structure developments Umgeni (Devco 4 to 8); invest 29.77% into KwaMnyandu existing development and Finalise the development agreement on Cape Town Station.			Secure - funding -Amend Head Lease -Conclude 2 Development agreements (Devco 4 & 6) -Finalise the undivided share agreement regarding KwaMnyandu. -Conclude development agreement with Eris	Conclude 3 development agreements (Devco's 5,7 & 8)		Obtain the required funding from PRASA for co-investment opportunities	No Capital allocation from PRASA Group to Intersite for Investment Capital allocation made available late PRASA Group (dependency)	CEO, Executive Real Estate Investments and Shareholder.

Table 26: Commercial Performance Report

16.3 Commercial Services

PERFORMANCE REPORT
Objective 1

PRASA Programme	Intersite Objective	Key Performance Areas	Key Performance Indicator/s	Annual Performance Target			Key Activities			Key Assumptions/ Critical Success Factors	Risk / Dependencies	Responsibility
				2020/ 21	2021/ 22	2022/ 23	2020/ 21	2021/ 22	2022/ 23			
Driving the secondary mandate through the exploitation of assets to support the primary mandate	Grow PRASA revenue through exploitation of PRASA assets.	ICT/Telecoms Infrastructure commercialisation (Fibre, towers, datacentres etc.)	Expansion of fibre optic network for Commercial purposes.	Additional 163 km of fibre deployed, operated and maintained by Intersite for commercial use	120 km of fibre deployed, operated and maintained by Intersite for commercial use	-	Identify & prioritise strategic areas to deploy fibre Engage strategic partners to deploy fibre Acquire funding to deploy fibre Deploy the fibre	Identify & prioritize strategic areas to deploy fibre Engage strategic partners to deploy fibre Acquire funding to deploy fibre Deploy the fibre	Identify & prioritize strategic areas to deploy fibre Engage strategic partners to deploy fibre Acquire funding to deploy fibre	Availability of Capital to deploy fibre Funding made available on time Strategic partner available to deploy the fibre	No Capital allocation from PRASA Group to Intersite for deployment of fibre. Capital allocation made available late PRASA Group (dependency)	CS Executive Chief execu officer and C Financial officer
			Increase in revenue growth generated from the commercialization of fibre.	Generate R5,468,871 in Revenue from commercialisation of fibre	Generate R10,542,450 in Revenue from commercialisation of fibre	Generate R11,174,997 in Revenue from commercialisation of fibre	Invoice for fibre used Receive funds for fibre used	Invoice for fibre used Receive funds for fibre used	Invoice for fibre used Receive funds for fibre used	Able to invoice correctly & as per contract	Fibre not deployed or deployed late PRASA Group or Strategic partner	

Table 27 Commercial Performance Report