Our vision

Sentech will be a leader in providing world-class broadband communications

Our purpose

Sentech is a BROADBAND NETWORK BUSINESS accommodating narrowband functionality on a common platform, supplying COMMUNICATION SOLUTIONS AND SERVICES to wholesale and retail customers in chosen markets in South Africa and the rest of the continent.

Our values

- We practise INTEGRITY, HONESTY and FAIRNESS in our dealings with all our stakeholders
- Quality CUSTOMER SERVICE IS THE CORNERSTONE of the success of our Company and we endeavour to make every customer contact a pleasant experience
- We provide OUR PEOPLE with opportunities to develop to their fullest potential by ensuring quality leadership, rewarding excellent performance and encouraging innovation

Products and services

Broadcast signal distribution services

Sentech is the largest broadcasting signal distributor in Africa. The Sentech tower in Brixton being the spectacular icon carrying 108 different signals more than any other high site in Africa.

Sentech maintains a network of 220 transmission stations that distributes the broadcasting signals for the SABC, e.tv, Multichoice and a variety of radio stations from the very large to those operating at community level. Sentech has extensive experience in broadcasting signal distribution, which is recognised as superior throughout the African continent and internationally.

Broadband multimedia services

As South Africa's first licensed provider of true broadband multimedia communications, Sentech has in a few years become an industry pacesetter with a global reputation. We provide a wide range of broadband wireless communications services – audio, data and video and direct-to-home. Our fast-growing broadband internet brands include VSTAR, VMESH, MyWireless and the recently launched Biznet.

Our flagship broadband multimedia brands include MyWireless – the first wireless broadband product launched in Southern Africa. This wireless broadband service is continually being improved and the Company is looking at increasing the current coverage by erecting new towers around South Africa, expanding the backbone of this offering to the market.

Part of the multimedia services are our VSTAR and VMESH broadband satellite products, which form part of another new range of services aimed at expanding our broadband coverage and bringing broadband offerings to anyone, anywhere within the satellite footprint, which extends across the entire African continent and some parts of Western Europe.

These products and services offer on-demand satellite capacity, hubless satellite connectivity anywhere in Africa, fully featured email hosting services and flexible, secure point-to-multipoint communication solutions. This new technology can go where no communication platform has gone before, taking information by satellite to under-resourced areas that previously had very limited connectivity to the world outside.

Sentech also hosts one of South Africa's biggest email platforms and provides various value-added services. In the pipeline are new variations of existing products for all our markets, including SMMEs and large corporations in Africa and global telecommunications operators. Convergence is also opening the way for exciting, brand new products like DVB-H (digital video broadcasting handheld) which combines television with a cellular handheld, and VoIP (voice over IP services).

In 2005 Sentech launched Biznet, a specifically designed business-grade alternative to traditional wired access media to provide access to corporate networks, interconnecting private networks, or even connecting to the internet. This comes with the added simplicity, functionality and convenience that comes standard with a wireless network.

Value-added services

Sentech brings to the market a wide range of telecommunication and information services for consumer, corporate and various business applications. Products include MailLink, a fully featured email hosting service and MultiNet, a flexible multicast service.

International wholesale services

Sentech provides alternative international telephony services to the three national cellular operators in South Africa, with direct connectivity to and from some of the major global telecommunication operators.

Board of directors

1 **Mr Colin Hickling**
Chairperson

Mr Hickling is the Chairperson of the Public Trustees and Trust Corporation. He is director of Pangbourne Properties, Paforma Property Finance and MR Trustees and Executors and a former Deputy Chairperson of SABC.

2 **Dr Sebiletso Mokone-Matabane**
Chief executive officer

Dr Mokone-Matabane holds a PhD in Educational Administration and degrees in Television, Radio and Political Science.

3 **Ms Beverly Ngwenya**
Chief operations officer

Ms Ngwenya holds a BSc Electrical Engineering from the University of Cape Town. She has extensive experience in the telecommunications sector gained from South Africa's leading ICT sector companies.

4 **Mr Mohammed Siddique Cassim**
Chief financial officer

Mr Mohammed Siddique Cassim is a qualified chartered accountant. He has an Electricity Pricing Certificate from the University of Stellenbosch and a Certificate for Regulation and Strategy of Utilities from the University of Florida.

5 **Mr Mlamli Booi**
Non-executive director

Mr Booi holds a BSc and MSc Electronic Engineering (UCT), Graduate diploma in Project Management (Damelin). Mr Booi is a registered professional engineer with experience in Telecommunications and Broadcasting.

6 **Dr Len Konar**
Non-executive director

Dr Konar is a chartered accountant and holds a BCom and Postgraduate Diploma in Accounting (University of Durban-Westville), a Master of Accounting Sciences degree (Illinois, USA), a certificate in Tax Law (Unisa) and a doctorate in Commerce (Accounting) (Unisa).

7 **Mr Thabo Leeuw**
Non-executive director

Mr Leeuw holds an Honours Bachelor of Accounting Sciences (Unisa) and a Management Advancement Programme (Wits).

8 **Ms Nandi Sihlali**
Non-executive director

Ms Sihlali holds a BSc in Electrical Engineering (Light Current). She is a member of South African Institute of Electrical Engineers and currently works as Operations Manager for Shilangane Engineering (Pty) Limited.

9 **Adv Nonkumbulo Tshombe**
Non-executive director

Adv Tshombe is a practising advocate of the High Court of South Africa with an LLB degree as well as a Higher Diploma in Taxation.

Chairperson's report

Colin Hickling
Chairperson

Information and Communications Technologies (ICTs) have been identified as the key in unlocking socio-economic development, especially in developing countries. Our Government has adopted this position and in line with this has identified key deliverables in the use of ICTs. One of the deliverables is to ensure the social appropriation of ICTs by the marginalised in our society. This vision remains a challenge.

Sentech continues to energetically and passionately fulfil its role in making this dream of accessible and affordable communications a reality for all members of society. Our television and radio network remains the foundation on which to disseminate information and ensure meaningful participation of all South Africans in creating an "information society" and "information-based economy".

Through the energetic and committed efforts of the Company's small but effective Board, management and staff, Sentech has been able to function by largely funding itself from revenues generated whilst maintaining ageing and mostly obsolete infrastructure.

I would like to thank my colleagues on the Board, management and staff for their support during this past financial year. It is their courage and commitment that has ensured that, notwithstanding the challenges, Sentech maintains its position as one of the truly converged communications companies in South Africa.

The Company's financial position has shown improvement. However, we continue to suffer from limited financial resources necessary to achieve our full potential. Our objective to roll out a national broadband wireless network remains affected until further funding is received.

Improved financial performance

We continued to make strides in turning the business around. These efforts have resulted in the Company's losses reducing to R21,530 million compared to R76,419 million in 2005/2006. Our cash flow improved year on year by 533%, mainly due to a R95 million Digital Terrestrial Television (DTT) Government grant received, a cost-cutting drive, which was started in 2005 and improved processes to collect long outstanding accounts receivable. Another factor that has contributed to the improved financial position of the Company is that we prioritised our capital spend to focus on critical projects. The capital budget was based on the assumption that the shareholder would inject capital into the Company.

The Company's debt equity ratio is currently standing at 0,8. As a result, the Company is constrained from borrowing more than it already has, unless it receives a capital injection from the shareholder.

Making a profit continues to be a challenge in the absence of a capital injection, and it is difficult for Sentech to achieve its role as a strategic asset of Government in creating an inclusive information society.

Digital Terrestrial Television (DTT)

The Minister of Communications, in her speech during the handover of the Digital Broadcasting Migration Working Group Report on 29 November 2006, highlighted four strategic imperatives of DTT for Government:

- that broadcasting services should be seen within the context of convergence of the Information and communications technologies;
- that digital migration should be driven by the need to expand services to all South Africans particularly the poor whilst ensuring market growth and socio-economic development;
- the migration to digital broadcasting regime will be a gradual transition of discontinuities of analogue technologies; and
- that digital migration should be a thoroughly managed process that creates consumer and investment confidence.

As a strategic asset, Sentech is committed to ensuring that Government achieves its stated imperatives. Our role is to ensure that South Africa successfully rolls out digital terrestrial television.

Sentech welcomes the funding of R405 million allocated by Government to migrate the television broadcasting infrastructure from analogue to digital. However, it is important to note that Sentech requires R960 million to provide coverage throughout South Africa. The Company continues to engage with Government on this matter, to provide additional funding.

Sentech is on track with its DTT rollout and is technically capable of ensuring that we take South Africa's TV industry into the digital age.

Sentech has met all the set migration targets for phase 1 and is confident that the upgrade and installation of new equipment will be completed on time. The digital rollout migration programme (DRMP) is currently in the second year of its upgrade phase, which entails upgrading old equipment such as antenna systems and air-conditioners to accommodate the new digital transmitters.

The Cabinet has announced that the migration should start as from 1 November 2008 with analogue switch over (ASO) scheduled for 1 November 2011. The period from 2008 to 2011 is referred to as the "dual illumination" phase as both the analogue and digital broadcasting infrastructure will be running concurrently. According to Cabinet, the digital penetration target should be 80% by 2011, and Sentech will be able to meet this target.

A three phase digital coverage schedule will be required to precede the digital penetration target. The three phases include, main metropolitan areas, followed by the towns/cities and the balance will be completed by 2011.

There are a number of important factors that will contribute to a successful switchover, including:

- the switchover process should be market driven, but at the same time broadcaster coordination is needed to achieve a smooth technical and commercial implementation (eg compatible timetables);
- creating certainty for market players supplying digital products and services which will therefore encourage them to stimulate demand. National switchover processes therefore benefit from well-focused coordination of all relevant players;

Chairperson's report continued

- the affordability and accessibility of set-top-boxes. A recent study concluded that 4,5 million South African households will not be able to afford a set-top box at any price, now and in the mid-term future. In order to ensure a smooth ASO within the set timelines, this will require Government to introduce a comprehensive subsidy scheme with a coordination procedure linked with the distribution of set-top-boxes mechanism to ensure that they are accessible and affordable to the majority television households in the country including the poor and the marginalised;
- an effective consumer education, protection and awareness programme to inform consumers about the DTT project and the equipment needed to receive the signal; and
- the inclusion of accessibility requirements in the user interface eg EPG (electronic programme guides) and receivers has the potential to contribute so that we better serve the specific needs of people with disabilities.

Technical challenges

The broadcasting protocol ie MPEG-4 on which the DTT multiplexes should run has not been confirmed yet. Currently, all DTT systems in the world, barring France's newly launched system, run on MPEG-2.

MPEG-4 is far more advanced in terms of encryption technology and can provide more channels per bandwidth. The downside, at the moment, is that there are only a few MPEG-4 set top boxes available globally and the price may run too high for the majority of South Africans.

Secondly, the technical specifications of the transmitters have to be finalised. These can only be finalised after Sentech has been allocated the required frequency spectrum.

Notwithstanding the above issues, this will not impact the Company's DTT rollout schedule.

Benefits

"…The Cabinet also approved that sufficient frequency spectrum be retained to provide new broadcasting channels. Today the world television services are relayed on an analogue platform. Due to technological advancement, this is set to change. Analogue signals, which use up a lot of frequency spectrum, will now be replaced by digital ones. This will free up enough frequency spectrum to provide for new television (TV) channels that could be used for specialised eg education, health, youth, etc. Given the vast variety of types of local content such as music, film, news etc there are a lot of job opportunities that present themselves…"

Minister of Communications, Matsepe-Casaburri: Information Society and Development (ISAD) Inter-Governmental Relations Forum (IGRF) (11/05/2007)

For broadcasters, digital television is critical. Not only are the operating costs lower than for analogue broadcasting, but digital broadcast TV channels use less radio frequency spectrum. Once the migration to DTT is complete, South Africa's airwaves will be able to support up to eight times as many standard-definition television channels using the same frequency that is currently needed to broadcast just one channel. Even broadcasters whose channels are already carried on satellite see over-the-air digital as a chance to broaden their audience.

For consumers, the benefit of DTT is that it provides clearer, sharper pictures, without the interference and ghosting that many residents of built-up areas or hilly terrain are accustomed. It also offers a wide screen format (such as we are used to seeing at the movies), different types of television viewing, multiple language offerings per channel and value-added services like e-commerce and interactivity. In effect, every television set in South Africa can become an Internet access point.

The DTT platform will also enable the extensive rollout of e-Government services making Government accessible to all people regardless of where they live in South Africa.

2010 Fifa Soccer World Cup

Sentech forms part of the ICT task team as coordinated by the DOC to ensure compliance with 2010 Fifa Soccer World Cup ICT requirements. The Company aims to provide the following during the 2010 Fifa Soccer World Cup: the provision of satellite and key broadband wireless services.

In providing these services, the Company is to establish a second teleport as back-up to the existing teleport at STP (Honeydew). On 21 February 2007, Cabinet took a decision that Sentech should build a second teleport to provide the satellite link as back-up to the telecommunications infrastructure required for the 2010 Fifa Soccer World Cup. Sentech welcomes and supports this decision as lack of back-up for its teleport at STP continues to be a major risk to the Company. The location of the teleport will be determined by that of the International Broadcast Centre (IBC). The decision on the location of the IBC will be determined by Cabinet.

As mentioned above, the digital migration rollout plan features a three-phased approach. We envisage that the first two phases will be completed prior to 2010.

This will mean that approximately 80% of the total South African population will have access to digital television transmissions by 2010 including all World Cup matches in host cities and surrounding areas.

Digital Terrestrial Television (DTT) – The dawn of a new and enhanced viewer experience

Sentech is committed to ensuring that Government achieves its stated imperatives. Our role is to ensure that South Africa successfully rolls out DTT. For consumers, the benefit of DTT is that it provides clearer, sharper pictures, without the interference and ghosting that many residents of built-up areas or hilly terrain are accustomed to. With time South African viewers could look forward to different types of television viewing, multiple language offerings per channel and value-added services like e-learning, e-health, e-Government and interactivity.

Chairperson's report continued

The Ministry of Communications of South Africa issued a guarantee to Fifa, stating that the international audio and video connections will provide fully reliable backup connections from the IBC to international cable networks and to the main satellites, including dual up linking facilities (at the IBC and fixed earth stations). Voice and data users at the 2010 Fifa Soccer World Cup will have state-of-the-art telecommunications technology at their disposal at all venues and offices, including but not limited to the team bases, Fifa headquarters, referees' headquarters, the VIP hotels, the IBC and other media centres.

Sentech is committed to providing, dual route secure networks, data and voice communications, wireless Internet as well as access to the IBC. In so doing, the Company will certainly be instrumental in assisting the Department of Communications to fulfil Fifa requirements.

Sentech will be ready for 2010 Fifa Soccer World Cup.

Multimedia and Carrier of Carriers (CoC)

Since 2002, when the Company was awarded the multimedia and carrier of carriers (CoC) licences, the Board has continuously raised the need for capital. Notwithstanding numerous announcements by Government that Sentech would be funded to rollout a broadband wireless network, no funding has been forthcoming nor an appropriate funding model finalised. In spite of various funding models and business plans submitted to the shareholder and Treasury, this continued lack of funding has and will continue to negatively impact the Sentech performance in that:

- The Company has since 2003 reinvested its financial resources to build both the broadband wireless (BBW) and CoC networks. We further invested borrowings of R250 million into the business. A BBW network was built with limited network coverage in parts of Gauteng, Cape Town, Durban and Nelspruit. Due to the lack of funding we are unable to extend the current coverage and especially focus on the rural areas.

  The BBW network continues to perform optimally as we have full confidence in the technology we selected at the time. However, with time there is a growing need to upgrade the network:

- The CoC network continues to out perform budget expectations. But, there is also a critical need to invest further resources in order to upgrade the network to carrier grade. The policy decision by the Minister of Communications for telecommunications operators to build infrastructure and carry their own international traffic makes it essential to upgrade the network if we are to compete; and

- To support the rollout of both networks, the Company acquired or invested in other resources. This included, but not limited to, recruiting staff with the requisite knowledge and expertise in telecommunications and the accompanying resources to accommodate growing staff count. The Company further entered into long-term agreements in anticipation of the rollout of a national broadband wireless network including the acquiring of satellite capacity.

The major risks to Sentech, as outlined in page 50 of the Corporate Governance Report continue to be a concern to the Board in ensuring that it effectively, economically and efficiently runs the business.

We still look forward to Government allocating funds to rollout a national broadband wireless network, in the midst of renewed commitments made by Government for Sentech to focus on the provision of wholesale broadband with its main customers being Government functionaries and agencies eg Government departments, hospitals, clinics, schools, Thusong Centres (multipurpose community centres) and the rural areas. A revised business plan to accommodate the change has been submitted to the Department of Communications (DOC) and National Treasury.

Acknowledgements

- The Minister and Department of Communications for their leadership. We value the contributions they have made and continue to make towards the success of Sentech.

- Independent Communications Authority of South Africa. It is through regulations that this sector thrives in the age of convergence and the policy decisions of Government are achieved fairly and equitably.

- Our customers for their support. It is through our customers that we realise our full potential in providing quality service.

- Our suppliers and business partners for their support to enable Sentech to achieve its business objectives.

- Finally, to Sebiletso Mokone-Matabane our Chief Executive Officer for her leadership in ensuring that the Company's strategies are implemented in the face of challenges; for driving the Sentech workforce in ensuring that they achieve and reach their full potential; upholding the highest levels of ethics in the organisation and ensuring that Sentech maintains its presence as a player within the ICT sector.

Colin Hickling
Chairperson

Sentech underpins provision of internet access to Mpumalanga schools

Sentech's satellite infrastructure will underpin the provision of internet access to 2 600 schools in Mpumalanga province over the next five years. Access to educational information and critical technology skills is vital for schoolgoers who will eventually become part of the South African economy. Sentech is committed to bridging the digital divide by providing internet services and therefore access to information and skills to schools, especially those in the province's most underserviced areas.

Chief executive officer's report

Dr Sebiletso Mokone-Matabane
Chief executive officer

"...Access to information plays a crucial role in creating conditions for meaningful participation of people in society..."

Minister of Communications, Budget Vote 2006/2007

Sentech, as a strategic national asset of Government, continues to make a significant contribution in the drive towards creating an inclusive information society where all South Africans, especially in the rural areas, have access to information.

Our primary objective, both from a business and corporate social investment (CSI) perspective, is to partner with Government to create a "knowledge society" and "knowledge-based economy". The Company's focus has been on clinics, hospitals, schools, Thusong Centres (multipurpose community centres), post offices and other crucial Government agencies, as we believe that these areas achieve the biggest impact.

As the ICT sector continues to liberalise and convergence brings more competition, the Company had to transform and align itself with the market. Reduced to the fundamentals, convergence combines new and old methods of distributing information. Even in the advent of digital technologies such as computers and mobile phones, television and radio still remain the primary base to creating an information society.

Broadcasting signal distribution

Sentech's radio and television broadcasting signal distribution network continues to transmit and deliver information to the homes of South Africans, which allows them to participate meaningfully in society. The penetration of both radio and television in terms of number of households in South Africa and the listenership statistics shows that across all mediums of communication (including print, outdoor, cinema, internet) television and radio are still the primary forms of distributing information.

Television

Our terrestrial television network carries SABC (1, 2 and 3), e.tv and MNet. The Direct-to-Home Vivid (satellite) platform carries eight channels (including SABC 1, 2 and 3) on PAS07; 6 channels (including e.tv and SABC 24-hour news channel) on PAS10; and 27 business radio and television channels for retail stores and Government agencies.

According to statistics from South African Advertising Research Foundation (SAARF), in 2002 there was an estimated 9 740 million households in South Africa, of which 7 500 million had television sets in their homes. By 2006, there was an estimated 10 969 million households in South Africa with 75% having television sets.

The analogue terrestrial television network continues to perform above norm, as shown in the Sustainability Report (page 18). During the year under review, the Company also embarked on a number of projects to expand the coverage and improve the availability of television stations: 7 new transmitters were rolled out for SABC 1, 2 and 3 expansion; and 1 C-band dish was installed to feed SABC 1, 2 and 3 in Cape Town. Thereby increasing the number of people able to access these television services.

Digitising the analogue terrestrial network is a key project within the broader objective of establishing an information society. The digitisation of the television terrestrial network will ensure increasing access, with the licensing of more channels that should offer programming in more official languages and also cover cultural diversity issues; deliver information quicker and therefore foster greater participation.

Radio

Our terrestrial radio network carries 64 FM radio stations, comprised of public, commercial and community radio stations (30); six MW radio stations and eight SW radio stations with one of the operators hosting a further seven stations. These radio stations cover all 11 official South African languages.

According to statistics from SAARF, in 2006 there was an estimated 10 969 million households in South Africa and 64% had radios.

The radio network continues to perform above the target norm, as shown in the Sustainability Report (page 18). During the past financial year, the Company also embarked on a number of projects to expand the coverage and improve the availability of radio stations:

- Six new transmitters were rolled out for radio expansion viz Lesedi (2), Lotus, Ukhozi and Umhlobo Wenene (2);
- Three radio transmitters were upgraded to increase coverage for Umhlobo Wenene in the Eastern Cape; and
- Primedia Project: 702 Talk Radio was successfully migrated from Medium Wave (MW) to Frequency Modulation (FM) in Johannesburg and Pretoria within budget and time.

Live news gets to community thanks to Sentech

In recognition of the role that radio plays in an information society, the Department of Communication (DOC) and the Government Communication and Information System (GCIS) are using Sentech's IP multicast and VSAT platform to provide 32 community radio stations countrywide with playout facilities and access to important live news events.

Chief executive officer's report continued

The service, which is provided free-of-charge, enables the radio stations to provide its listeners with up-to-the-minute information on some of the country's most important events such as parliamentary sessions, both at national and provincial level.

This project ensures that critical information reaches citizens and the DOC and GCIS will, in the near future, be expanding the streaming service to include all the country's community stations.

The DOC and GCIS also use the platforms to stream other relevant content and activity information to the 32 community radio stations.

Broadband

"…where modern and accessible communication channels are introduced, people operating businesses in rural areas are no longer reliant on middle men for information – they can use the communication links to check on the latest stock market prices and market intelligence, for example, and make the necessary adjustments to their production, sales and marketing strategies…"

The Sentech broadband business offers a platform, which has great potential in giving all South Africans, especially in the rural areas, access and wide dissemination of information. The full potential of this platform can be realised only with continued investment by the participation of Government. The rollout of a broadband wireless network to marginalised citizens both in the rural and urban areas will ensure that South Africa realises the full potential that broadband can play in the social and economic development of communities and young people.

The Company has entered into partnership with Government on key projects that use our broadband network in the delivery of services to the public:

Sentech and Home Affairs empower SA citizens with mobile services

The Department of Home Affairs has partnered with a consortium including Sentech and Mopalema to develop and disperse a mobile solution that extends home affairs services to the under-serviced areas of the country, enabling all South African citizens to gain access to crucial Home Affairs information.

The 103 mobile units (in the form of trucks) provide a one-stop-shop to citizens where they can verify their citizenship, obtain birth certificates, ID documentation, passports and obtain enabling documents that contain important information such as pension detail. These units are particularly aimed at those areas that don't have conventional infrastructure.

Equipped with Sentech's VSAT wireless access platform, the mobile units are complete "offices on wheels" that for example, can gain access to the Home Affairs database – the head office can also send print jobs directly to the units. These offices also feature voice services.

This information access infrastructure has also been extended to include 39 fixed remote sites that include border posts, which in turn improve information delivery efficiency and subsequent turnaround times.

Weather service warnings powered by Sentech

The South African Weather Service (SAWS) recently partnered with Sentech for the rollout of a project that will enable the delivery of important weather information to most of its mission-critical sites and partners such as Eskom and Telkom.

SAWS can now provide its sites and partners with all-important pre-warnings on lightening storms and other natural weather disasters, as well as satellite imagery, via Sentech's IP multicast platform.

Access to this information is critical for effective Government response to deal with the aftermath of storms and other weather disasters. For example by using this information, Eskom can rollout a contingency plan that will minimise the effect of these weather disasters and storms on the public. This access to information is especially critical in the light of the current reality of global warming that has drastically affected weather patterns throughout the world, including South Africa.

Sentech and SAWS have successfully completed the pilot and the distribution of information will now be rolled out in a phased approach to sites such as ACSA (Airports Company of South Africa).

Additionally, SAWS will be making use of Sentech's VSAT platform to collect data from remote sites as well as providing these sites with access to its enterprise services.

Gauteng Online Project

In 2004 Sentech was appointed by the Gauteng Department of Education and Gauteng Online to provide connectivity to schools in the Gauteng province. Through this project, Sentech has provided the following services to 1 180 schools:

- Satellite connectivity
- Email and internet services
- Server and software images
- Help desk including asset management, remote access and software distribution.

This project was not only targeted at learners but also provided training to teachers enabling them to use ICT as part of their teaching tools.

Mpumalanga Schools Project

"...If we have easy affordable access to technology it means children studying in rural communities with possibly no qualified mathematics teacher, can access – either through broadband wireless, fibre optic cable or TV – some of the best teachers available. They would not automatically be disadvantaged because of where they happen to live..."

Sentech's satellite infrastructure will underpin the provision of Internet access to 2 600 schools in the Mpumalanga province over the next year five years. Access to educational information and critical technology skills is vital for schoolgoers who will eventually become part of the South African economy.

In partnership with value-added service provider, Forty Two Technologies, Sentech has been awarded the contract for a five-year phased rollout of internet services to these 2 600 schools in the Mpumalanga province.

The solution is based on, among others, a customised VSAT wireless access solution. The Mpumalanga Schools project has already started rolling out to the first 600 schools that include primary and high schools in the province's most under-serviced areas. The implementation of equipment rollout will also include the respective schools' administrative offices.

The Mpumalanga Schools Project will upon its five-year completion be on par with or even bigger than the current GDE/GSSC Gauteng Online Project.

Reducing the cost of communications in South Africa

Since 2004, the President has raised concerns over the high cost of communications in South Africa and its impact on socio-economic development and the level of foreign direct investment in the country.

One of the Company's objectives has been to act as a catalyst, to reduce the cost of communications in our country. On 28 February 2007 Sentech launched the range of MyWireless Flexi products, starting at R99 a month.

The Company's launch of the new MyWireless Flexi options set the trend for cost-effective broadband services in South Africa with competitors quickly following suit. The timing of the launch of these products as well as its success to date is indicative of Sentech's strategic role as an ICT player in the African landscape despite the challenges.

Research and development

In our continuing effort to create, build knowledge and discover the full potential of how broadband can improve the quality of life of ordinary South Africans by building an information society, Sentech continues to sponsor the Chair of Broadband Wireless Multimedia Communications (BWMC) at the University of Pretoria.

The main aim of the BWMC is to promote relevant research of wireless broadband technologies and its practical applications in a developing country. Furthermore, it endeavours to support the objectives of Jipsa, especially with the country's current engineering skills shortage particularly in the field of wireless technology. This initiative is in its second year with nine students enrolled this year, of whom five are post-graduate; the initiative is undoubtedly going from strength-to-strength. Already one of 2006's successful students has joined Sentech on a permanent basis.

Importantly, with this partnership Sentech hopes to further the interaction between academic institutions and industry as well promote the Sentech brand and related products.

The research

The three-year research activities of the chair encompass two major categories, which are also in line with international trends: Multi-media applications and services (high data rate type development); and multiple input multiple output (MIMO) technology.

In the case of multimedia application research, it is anticipated that the need for Internet access, real-time conferencing, voice, telemedicine and tele-education will grow. Furthermore, last-mile broadband access for residential, SMMEs, business, schools, clinics, etc is becoming a major requirement in Africa and other developing countries.

Looking at the second tier of the research: to address this opportunity for broadband

Chief executive officer's report continued

wireless access, one of the most promising and exciting emerging technologies is the use of non-line-of-sight (NLOS) multiple input multiple output (MIMO) antennas. It has a key application in future high speed, high spectrum efficiency in emerging wireless access networks, including 3G and beyond.

Thrip

The Sentech Chair for BWMC also forms part of the Department of Public Enterprises' Thrip programme of the Foundation for Research Development. The programme allows research institutions to apply for funding on a "Rand for industrial participation Rand".

Restructuring

During the 2006/2007 financial year the Company reviewed the effectiveness of its organisational structure especially in light of changes in both the internal and external environment, including the Electronic Communications Act (ECA), lack of funding and the performance of the business. Based on the review, the Company had to outsource and consolidate certain functions in order to ensure that we effectively and efficiently responded to the market. This process affected a number of management positions, which ultimately resulted in retrenchments.

Acknowledgements

I would like to thank the Sentech staff in general for their commitment in implementing the Company's strategy and ensuring that the Company achieves its business objectives.

I would especially like to acknowledge Mr Frans Lindeque who acted as the Chief Operations Officer from April 2006 until June 2007; Mr Mohammed Siddique Cassim, the Chief Financial Officer appointed in May 2006, for their support and diligence; and to welcome the newly appointed Chief Operations Officer, Ms Beverly Ngwenya.

I would like to thank the Communications Workers Union (CWU) for their support and cooperation.

Finally, I would like to thank the Sentech Board, especially the Chairperson of the Board, for their support and strategic direction.

Looking ahead

Notwithstanding the challenges, I believe that Sentech has and will continue to make an impact in the ICT sector and contribute towards creating an inclusive information society.

For the 2007/2008 year we will continue our efforts to rollout a national broadband wireless network that will focus on Government and the rural areas. This objective will inform the projects and partnerships we pursue. We also look forward to being awarded a Subscription Television Licence by ICASA and applying for a Digital Video Broadcasting Handheld (DVBH) licence.

S Mokone-Matabane

Dr Sebiletso Mokone-Matabane
Chief Executive Officer

Live news gets to community thanks to Sentech

The Department of Communication (DOC) and the Government Communication and Information System (GCIS) are using Sentech's IP Multicast and VSAT platform to provide 32 community radio stations countrywide with playout facilities and access to important live news events such as the recent state-of-the-nation address.

Sustainability report

OUR BUSINESS

Performance and maintenance of the Sentech television and radio broadcasting network provide a reliable service to our customers.

Terrestrial broadcasting networks

The availability of all terrestrial broadcast transmission networks dipped significantly in November 2006, primarily due to power supply problems impacting on all aspects of South African life.There were extensive power supply (Eskom) outages in the Western Cape region during that month which affected most of the broadcasting (and telecommunications) services in the region. Despite these interruptions, it was possible to again ensure that the average availability of the terrestrial broadcast networks exceeded the agreed norms of 99,7% for the year.

Performance of the FM terrestrial radio network was once again above Sentech's targeted norm of 99,8%, averaging more than 99,9% for the year under review.

The continued satisfactory performance of shortwave transmissions, despite the age of the transmitters, can again be attributed to the dedication and innovation of Sentech's technical staff at Meyerton.

General notes

FORCE MAJEURE – is a condition or event outside of Sentech's responsibility and consequently affects Sentech's performance; the most common event is "No access to site" due to inclement weather or physical disaster, ie 702 Transmitter fire.

TARGET NORMS – are defined by the network design, specifically the level of redundancy provided, and by the Service Level Agreements signed with Sentech's clients.

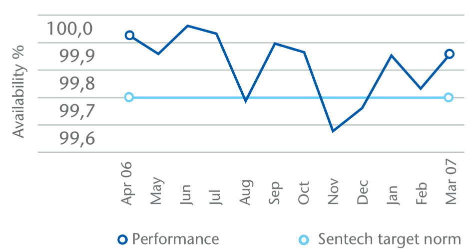
Satellite operations

The availability of all Sentech's satellite services was affected for the month of November 2006 by the power supply outages, which occurred at our NTC facility on 16 November 2006. Despite this, the availability was still above the norm of 99,8% for all 12 months of the year.

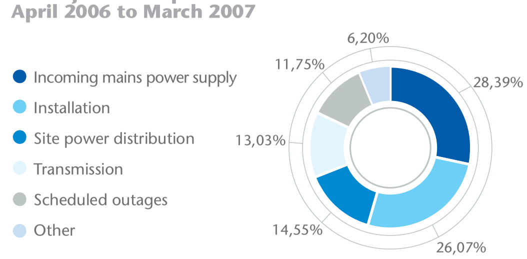
The availability performances for both TV and radio satellite linking were above the target norm, except in June 2006, when the availability was affected by C-Band satellite antenna planned maintenance on 14 June.

In February 2007, the satellite radio linking performance suffered a major setback, affecting Radio Lotus and Ukhozi FM services, when Sentech's facilities in Durban North were struck by lightning. Fortunately, the lightning protection measures in place limited the damage to equipment.

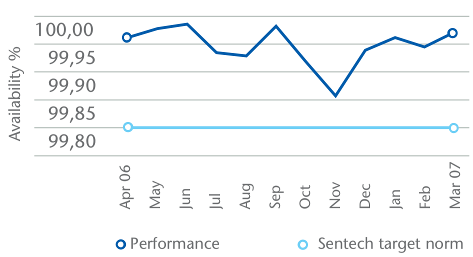
TV transmission performance April 2006 to March 2007



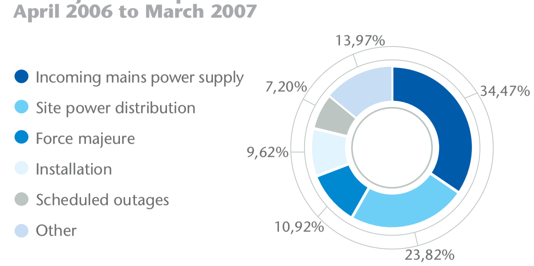
TV major interruptions April 2006 to March 2007



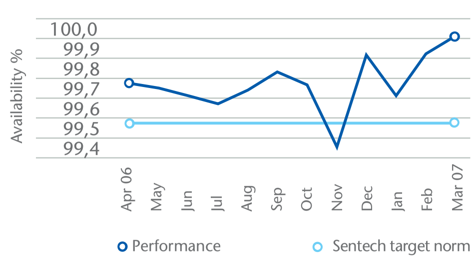
FM transmission performance April 2006 to March 2007



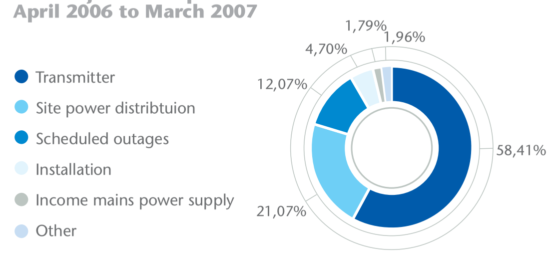
FM major interruptions April 2006 to March 2007



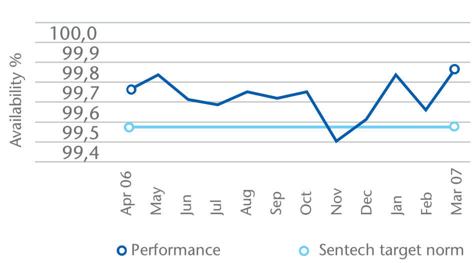
MW transmission performance April 2006 to March 2007



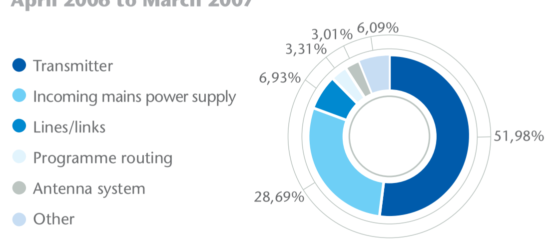
MW major interruptions April 2006 to March 2007



SW transmission performance April 2006 to March 2007

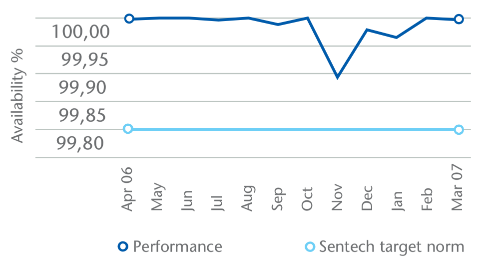


SW major interruptions April 2006 to March 2007

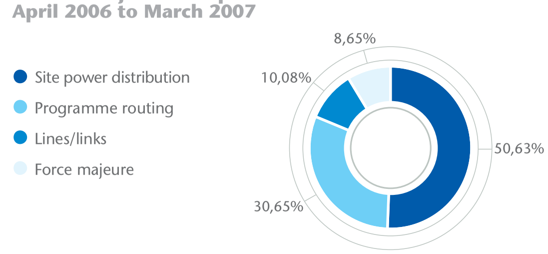


Sustainability report continued

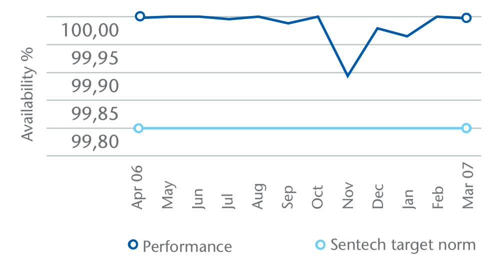
DTH TV performance April 2006 to March 2007



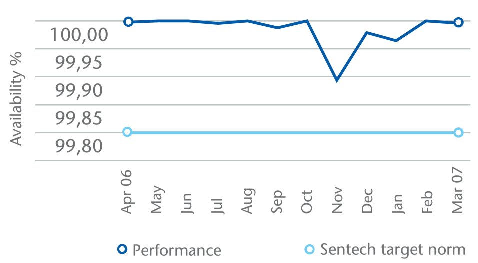
DTH TV major interruptions April 2006 to March 2007



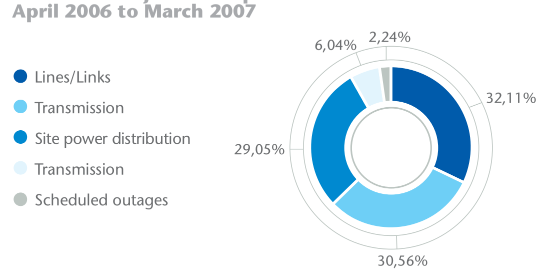
Business TV performance April 2006 to March 2007



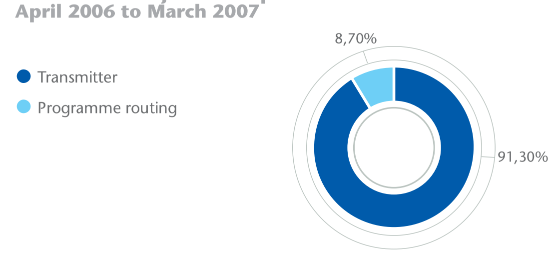
DTH radio performance April 2006 to March 2007



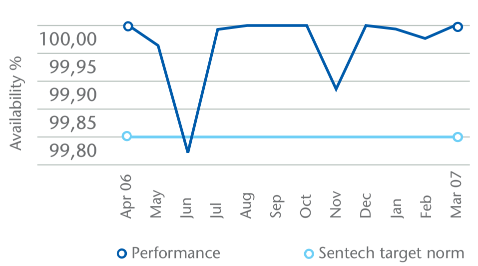
DTH radio major interruptions April 2006 to March 2007



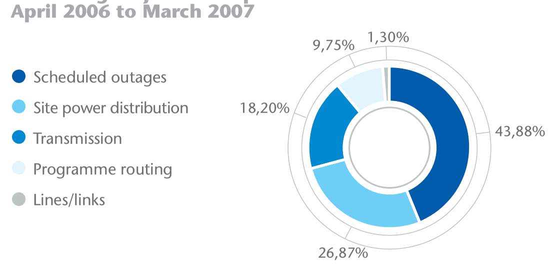
Business TV major interruptions April 2006 to March 2007



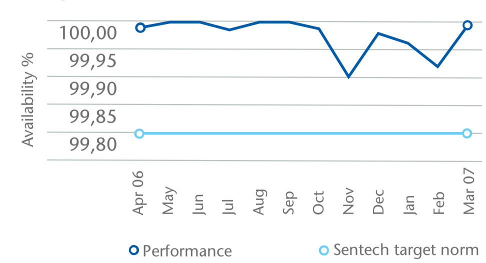
Television linking performance April 2006 to March 2007



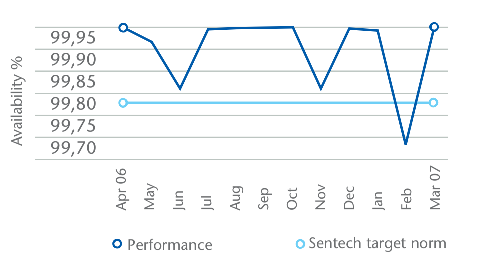
TV linking major interruptions April 2006 to March 2007



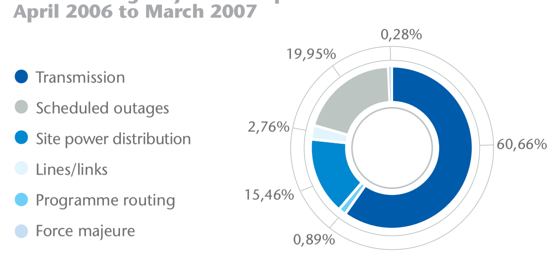
Business radio performance April 2006 to March 2007



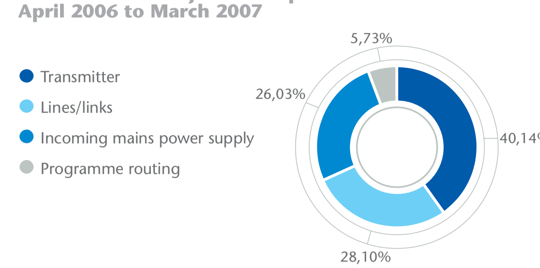
Radio linking performance April 2006 to March 2007



Radio linking major interruptions April 2006 to March 2007



Business radio major interruptions April 2006 to March 2007



Telecommunications networks

VSAT

The VSAT hub was unstable over the period August to October 2006. A concerted effort was made by Sentech technical staff, in cooperation with the supplier, to address the causes of the instability, resulting in a significantly improved performance for the balance of the year. In December 2006 inclement weather, resulting in rain outages, was responsible for the dip in availability.

MyWireless

As indicated in the graphs, the availability of the MyWireless network exceeded Sentech's target norm for most of the period in consideration, with the exception of October 2006 and March 2007. In October, the availability was impacted by delays in restoring services due to the inaccessibility of the Table Mountain site caused by bad weather and/or no cable car after hours. The March 2007 dip was due to hardware failure of equipment in Pretoria region which took long to repair and reconfigure.

Carrier of Carriers (CoC)

Sentech has Service Level Agreements (SLAs) with MTN, Vodacom and Cell-C on the performance of the CoC network:

CoC		MTN %	Vodacom %	Cell-C %
Percentage trunk group availability	**Actual**	**100**	**100**	**100**
(PTGA)	Target	99,90	99,90	99,90
Grade of service average	**Actual**	**92,43**	**89,13**	**80,07**
(GOS)	Target	99,90	99,90	99,90
Answer seizure ratio	**Actual**	**62,61**	**56,76**	**41,71**
(ASR)	Target	60	60	60

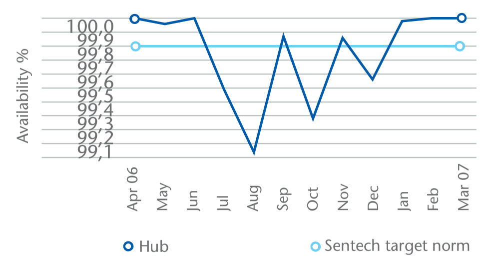
Overall, the performance of the network met the requirements of the SLAs. During November 2006, the network performance fell to 99,60% due to hardware and software problems. Interim measures were put in place to restore the stability of the network to above SLA levels. However, much of the existing equipment has reached end-of-life or end-of-support, and a significant investment is required to ensure continuous stability of the network.

Internet services

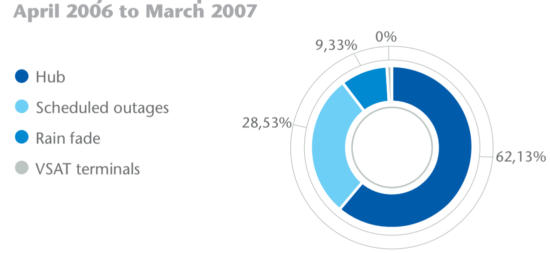
The availability of Sentech's internet services once again exceeded the target norm for the entire period under review.

The core IP – MPLS network performance was well above Sentech's 99,7% targeted norm with only two dips in August 2006 and January 2007. The first dip in August was due to core router and switch failure at an aggregation site in Johannesburg, and the second dip was caused by incoming mains supply failure at the Rosebank (Jhb) site on 31 January 2007.

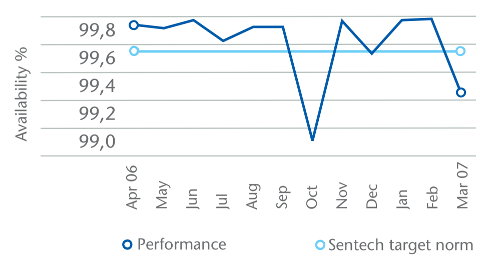
VSAT network performance April 2006 to March 2007



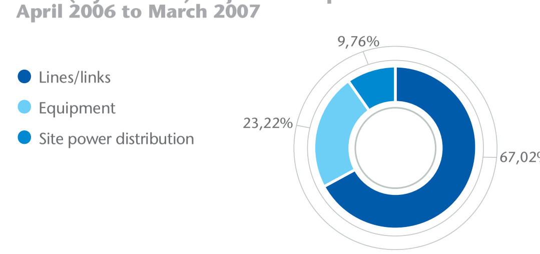
VSAT major interruptions April 2006 to March 2007



BBW (MyWireless) performance April 2006 to March 2007

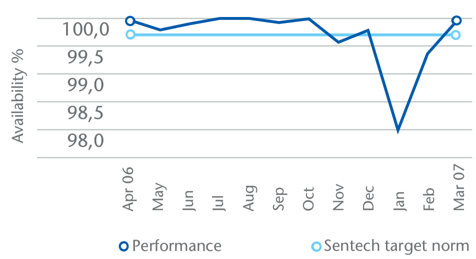


BBW (MyWireless) major interruptions April 2006 to March 2007

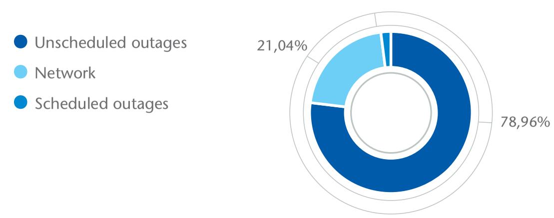


Sustainability report continued

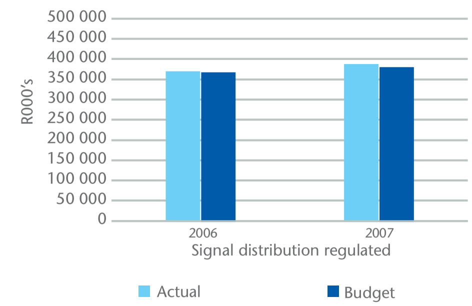
Carrier of Carriers network performance April 2006 to March 2007



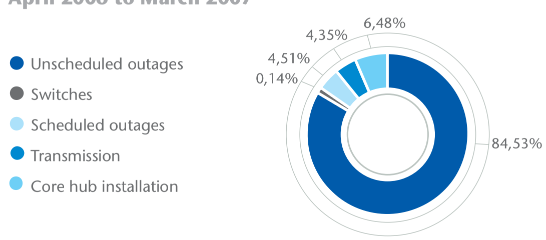
Internet services major interruptions April 2006 to March 2007



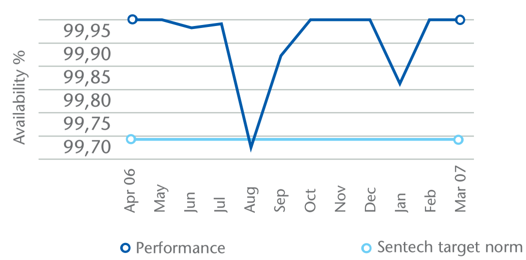
Revenue per product category 2006 vs 2007 (actual vs budget)



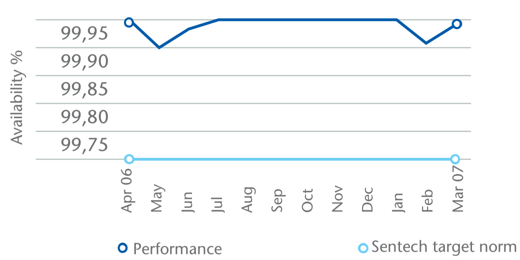
Carrier of Carriers major interruptions April 2006 to March 2007



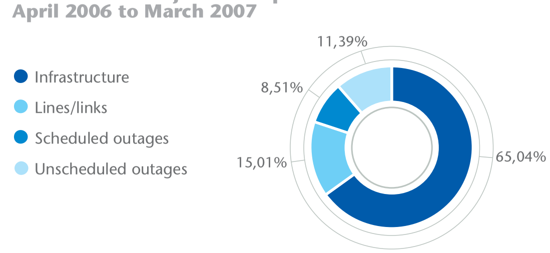
Core IP-MPLS network performance April 2006 to March 2007



Internet services network performance April 2006 to March 2007



Core IP-MPLS major interruptions April 2006 to March 2007



Revenue and budgetary objectives

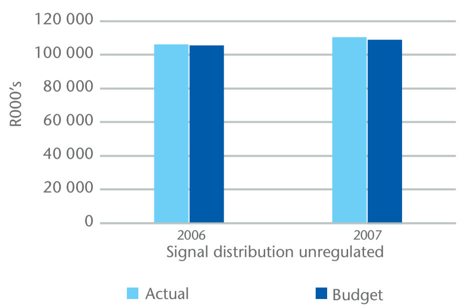
Broadcasting signal distribution (regulated)

Broadcasting signal distribution (regulated) comprises TV, FM, MW and multi-channel multi-point distribution service (MMDS) transmission as well as studio to transmitter linking and audio processing. In both years revenue was marginally higher than budget due to network expansion that was not planned for. Compared year on year, revenue increased by 4,7%. This is mainly due to the 4,4% annual tariff increase that was implemented in April. Growth in this business category has reached maturity and is dependent on broadcasters increasing their coverage as well as licensing of new operators by the Independent Communications Authority of South Africa (ICASA).

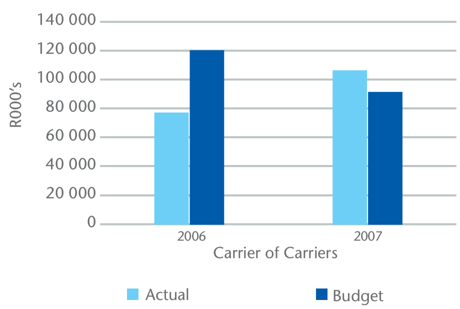
Broadcasting signal distribution (Unregulated)

Broadcast signal distribution (unregulated) comprises business television and radio, satellite linking, direct to home services using vivid decoders and shortwave transmission. In 2006 and 2007 revenue was in line with budget. Year on year, revenue increased by 4% and is subject to currency fluctuations.

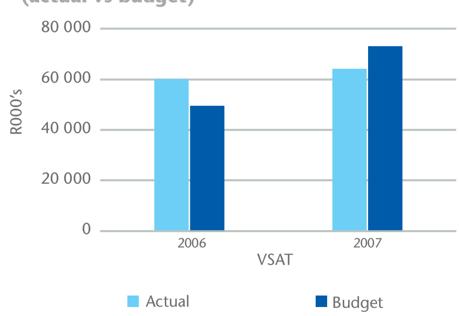
Revenue per product category 2006 vs 2007 (actual vs budget)



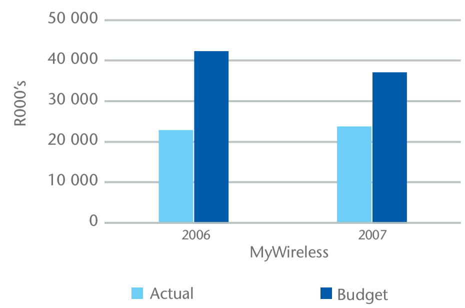
Revenue per product category 2006 vs 2007 (actual vs budget)



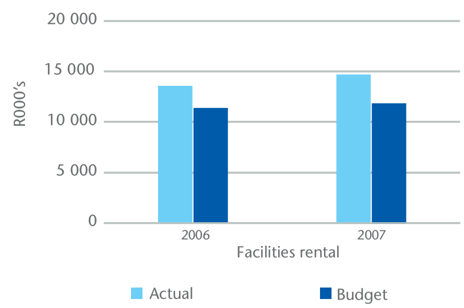
Revenue per product category 2006 vs 2007 (actual vs budget)



Revenue per product category 2006 vs 2007 (actual vs budget)



Revenue per product category 2006 vs 2007 (actual vs budget)



Carrier of Carriers (CoC)

Carrier of Carriers revenue refers to international voice traffic that Sentech carries for local and international operators. Revenue in 2006 was 36% below budget, mainly due to instability of the network as well as certain operators opting to use 'grey' routes due to better pricing. Access to cable to interconnect with London was only implemented in January 2006, which was later than planned. This has also impacted negatively on revenue. Revenue improved significantly in 2007 due to the stability of the network as well as interconnection with additional carriers. However, margins are being squeezed due to increased competition.

VSAT

Sentech offers three packages under the VSAT product range; VSTAR internet, VSTAR custom and VMESH. Revenue exceeded budget in 2006 due to once-off hardware sales. Revenue increased by 7% in 2007, which is mainly due to the launch of VMESH. However, revenue is below budget as a result of increased competition.

MyWireless

The MyWireless product range performed poorly against budget in both years. Growth in this business has been severely hampered due to insufficient national coverage as well as increased competition. Sentech was unable to expand its network due to lack of funding.

Facilities rental

Facilities rental exceeded budget in both years due to new customer growth that was not budgeted for. This also accounts for the increase in revenue from 2006 to 2007.

Sustainability report continued

OUR PEOPLE

HIV/Aids

Sentech is committed to educating its staff, ensuring an awareness of HIV/Aids and encouraging staff to know their status. A well-organised HIV/Aids day programme was hosted at STP (Honeydew) on 1 December 2006, and broadcasted via our Business Television platform to all the Sentech offices countrywide. Employees were afforded the opportunity to listen to presentations from HIV/Aids motivational and awareness speakers. Voluntary testing and counselling services were made available to employees at STP (Honeydew) on the day.

Performance management system

Sentech is still committed to implementing the performance management system in order to link performance to reward. Performance targets continue to be set and evaluated regularly. Some changes were introduced during the financial year in terms of which performance evaluations would be conducted twice a year as opposed to quarterly as was the case previously. Whilst no agreement has been reached as yet, discussions with the Communication Workers Union (CWU) are continuing regarding bringing the bargaining unit into the performance management process. Managers are encouraged to ensure that all employees are aware of departmental goals and that all employees, including those that belong to the union, are aware of the need to link all their activities to these goals.

Compensation and benefits

Sentech participates in market surveys to ensure that its remuneration structure is aligned with the ICT sector. We strive to attract, retain and recognise employees by offering market related salaries.

Employees are remunerated on a total cost to company basis. The Company offers medical aid, pension and group life, as part of employee benefits.

Long service awards

Sentech believes in recognising employees who have more than ten years service. Employees are given the recognition for their loyalty and continuous service with the organisation and as a token of appreciation, they are given a monetary award. During the last financial year:

- 12 employees received 10 year long service awards
- 5 employees received 20 year long service awards
- 8 employees received 30 year long service awards
- 1 employee received 40 year long service award

Retention of employees

Competitive pressures within the sector have brought about challenges with regard to retaining skilled and motivated staff – especially historically disadvantaged individuals. Sentech was therefore, like most other companies in the sector, negatively affected by the higher than normal staff turnover levels. Measures were implemented to address these challenges including implementing a retention bonus scheme aimed at keeping critical skills within the Company. In addition to its efforts in attracting critical Employment Equity (EE) skills as part of its recruitment efforts, the Company continues to train and develop skills from within.

Employment equity

On 1 October 2005, Sentech submitted a five-year employment equity plan to the Department of Labour. The five-year employment equity plan was based on anticipated growth as a result of the Broadband Wireless business, which includes MyWireless product range; VSAT; VMESH; and Biznet.

Actual staff composition as at the formulation of the five-year employment equity plan

Level	White		Black		Coloureds		Indian		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	
Legislators, senior officials	57	9	33	9	5	3	15	1	132
Professionals	32	10	13	15	2	1	2	6	81
Technicians and associated professionals	86	10	55	28	4	4	8	0	195
Clerks	1	26	7	19	0	9	1	2	65
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled and agricultural and fishery workers	0	0	0	0	0	0	0	0	0
Crafts and related traders	14	0	17	1	8	0	0	0	40
Plant and machine operators	0	0	2	0	0	0	0	0	2
Elementary occupations	0	0	53	1	3	0	0	0	57
Total permanent	**190**	**55**	**180**	**73**	**22**	**17**	**26**	**9**	**572**

Five-year employment equity targets

Level	White		Black		Coloureds		Indian		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	
Legislators, senior officials	33	6	18	7	4	1	6	3	78
Professionals	(12)	(8)	17	4	3	2	3	0	9
Technicians and associated professionals	(10)	(4)	10	13	7	2	3	3	32
Clerks	4	2	5	3	2	2	1	4	23
Service and sales workers	0	0	0	0	0	0	0	0	0
Crafts and related traders	(4)	0	2	0	2	0	1	0	1
Plant and machine operators	0	0	0	0	0	0	0	0	0
Elementary occupations	0	0	(2)	0	2	0	1	0	1
Total permanent	**11**	**4**	**50**	**27**	**20**	**7**	**15**	**10**	**144**

Sustainability report continued

Anticipated actual staff composition at the end of the five-year employment equity plan

Level	White		Black		Coloureds		Indian		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	
Legislators, senior officials	90	15	51	16	9	4	21	4	210
Professionals	20	2	30	19	5	3	5	6	90
Technicians and associated professionals	76	14	65	41	11	6	11	3	227
Clerks	5	28	12	22	2	11	2	6	88
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled and agricultural and fishery workers	0	0	0	0	0	0	0	0	0
Crafts and related traders	10	0	19	1	10	0	1	0	41
Plant and machine operators	0	0	2	0	0	0	0	0	2
Elementary occupations	0	0	51	1	5	0	1	0	58
Total permanent	**201**	**59**	**230**	**100**	**42**	**24**	**41**	**19**	**716**

Employment equity targets (1 April 2006 to 31 March 2007)

Level	White		Black		Coloureds		Indian		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	
Legislators, senior officials	8	2	5	2	1	1	2	1	22
Professionals	(3)	(2)	4	1	1	1	1	0	3
Technicians and associated professionals	(3)	1	3	3	2	1	1	1	9
Clerks	1	1	1	1	1	1	1	1	8
Service and sales workers	0	0	0	0	0	0	0	0	0
Crafts and related traders	(1)	0	1	0	1	0	1	0	2
Plant and machine operators	0	0	0	0	0	0	0	0	0
Elementary occupations	0	0	1	0	1	0	1	0	3
Total permanent	**2**	**2**	**15**	**7**	**7**	**4**	**7**	**3**	**47**

Sentech and Home Affairs empower SA citizens with mobile services

The Department of Home Affairs has partnered with Sentech and Mopalema to develop and disperse a mobile solution that extends home affairs services to the underserviced areas of the country, enabling all South African citizens to gain access to crucial Home Affairs information.

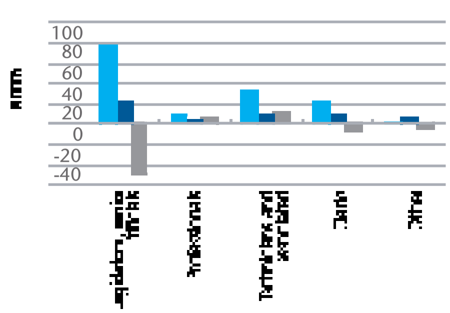
The 103 mobile units equipped with Sentech's VSAT wireless access platform, provide a one-stop-shop to citizens where they can verify their citizenship, obtain birth certificates, identification documents, passports and obtain enabling documents that contain important information such as pension detail. These units are particularly aimed at those areas that don't have conventional infrastructure.

Sustainability report continued

Actual staff composition (1 April 2006 to 31 March 2007)

Level	White		Black		Coloureds		Indian		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	
Legislators, senior officials	73	9	34	12	7	4	11	1	151
Professionals	13	2	14	8	4	1	5	2	49
Technicians and associated professionals	71	13	66	31	4	4	6	0	195
Clerks	0	18	5	19	0	7	1	3	53
Service and sales workers	0	0	0	0	0	0	1	0	1
Skilled and agricultural and fishery workers	0	0	0	0	0	0	0	0	0
Crafts and related traders	11	0	37	0	12	0	1	0	61
Plant and machine operators	0	0	2	0	0	0	0	0	2
Elementary occupations	0	0	38	2	3	0	0	0	43
Total permanent	**168**	**42**	**196**	**72**	**30**	**16**	**25**	**6**	**555**

Occupational categories



It is important that the statistics provided above (target versus actual comparison) should be considered within the following context:

- the Company did not achieve the anticipated business growth;
- Sentech operates in a highly technical area where there is a shortage of skills by the targeted employment equity candidates. As a result, skilled candidates are in high demand within the sector and this affects the Company's employment equity targets;
- our competitors also offered our employment equity employees higher salaries;
- the Company underwent a restructuring, which resulted in five executives and one senior manager being retrenched; and
- notwithstanding the fact that the Company did not meet set targets within certain of the occupational categories, there has been a positive movement (especially in the category of black males and females; coloured males and Indian males).

Legislators, senior officials/clerks/crafts and related traders/plant and machine operators

The Company did not achieve its targets. Over and above the targets, due to skills shortage within the sector, the Company was unable to retain some of the employment equity employees under the abovementioned occupational categories. The Company has put in place recruitment and retention strategies, which will ensure that we achieve set targets and also retain current EE employees.

Service and sales workers – Due to changes in the internal and external environment within the business, the Company has recruited one employment equity employee under this occupational category. Future business imperatives may result in more employees being recruited.

Skills development

A total of 312 employees attended training during period 1 April 2006 – 31 March 2007.

Number of learners per population group

	AFRICAN			COLOURED			INDIAN/ASIAN			WHITE			TOTAL		
			of which			of which			of which			of which			of which
Occupation	**M**	**F**	**D**	**M**	**F**	**D**	**M**	**F**	**D**	**M**	**F**	**D**	**M**	**F**	**D**
Legislators, senior officials, managers and owner managers															
Management	24	5	0	3	1	0	6	0	0	24	4	0	57	10	0
Professionals															
Professionals	7	6	0	4	1	0	3	2	0	7	0	0	21	9	0
Technicians and associated professionals															
Technicians and associated professionals	42	25	0	3	3	0	5	0	0	46	3	0	96	31	0
Clerks and administrative workers															
Clerks and administrative workers	2	13	0	0	5	0	1	3	0	0	6	0	3	27	0
Plant and machine operators and assemblers															
Plant and machine operators and assemblers	20	0	0	10	0	0	1	0	0	8	0	0	39	0	0
Labourers and elementary occupations															
Labourers and elementary occupations	16	1	0	2	0	0	0	0	0	0	0	0	18	1	0
Total	**111**	**50**	**0**	**22**	**10**	**0**	**16**	**5**	**0**	**85**	**13**	**0**	**234**	**78**	**0**

Sustainability report continued

Internship programme

A total of 12 learners were placed into the internship programme during financial period April 2006 to March 2007. 91% of the learners have been permanently placed at Sentech.

Number of learners

	AFRICAN			COLOURED			INDIAN/ASIAN			WHITE			TOTAL		
Occupation	M	F	of which D	M	F	of which D	M	F	of which D	M	F	of which D	M	F	of which D
Telecommunications technician	4	6	1	0	0	0	1	0	0	1	0	0	5	7	0
Total	**4**	**6**	**1**	**0**	**0**	**0**	**1**	**0**	**0**	**1**	**0**	**0**	**5**	**7**	**0**

M: Males F: Females D: Disabled

Bursaries

Bursaries were awarded to 23 employees, who had applied, during the period April 2006 to March 2007.

Number of learners per population group

	AFRICAN			COLOURED			INDIAN/ASIAN			WHITE			TOTAL		
Occupation	M	F	of which D	M	F	of which D	M	F	of which D	M	F	of which D	M	F	of which D
Legislators, senior officials, managers and owner managers															
Managers	0	1	0	0	2	0	0	0	0	1	0	0	1	3	0
Senior managers	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0
Professionals															
Professionals	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0
Technicians and associated professionals															
Technicians and associated professionals	0	3	0	0	0	0	1	0	0	1	0	0	2	3	0
Clerks and administrative workers															
Clerks and administrative workers	2	4	0	0	0	0	0	0	0	1	1	0	3	5	0
Labourers and elementary occupations															
Labourers and elementary occupations	4	0	0	0	0	0	0	0	0	0	0	0	4	0	0
Total	**8**	**8**	**0**	**0**	**2**	**0**	**1**	**0**	**0**	**3**	**1**	**0**	**12**	**11**	**0**

M: Males F: Females D: Disabled

End-user training

56 employees attended end-user training during the period April 2006 to March 2007.

Number of learners per population group

	AFRICAN			COLOURED			INDIAN/ASIAN			WHITE			TOTAL		
			of which			of which			of which			of which			of which
Sub major	**M**	**F**	**D**	**M**	**F**	**D**	**M**	**F**	**D**	**M**	**F**	**D**	**M**	**F**	**D**
Legislators, senior officials, managers and owner managers															
Managers	3	0	0	0	1	0	0	0	0	4	0	0	7	1	0
Professionals															
Professionals	0	0	0	0	0	0	0	1	0	1	1	0	2	2	0
Technicians and associated professionals															
Technicians and associated professionals	6	4	0	2	0	0	0	0	0	8	0	0	16	4	0
Clerks and administrative workers															
Clerks and administrative workers	0	6	0	0	3	0	0	1	0	0	5	0	0	15	0
Plant and machine operators and assemblers															
Plant and machine operators and assemblers	1	0	0	2	0	0	1	0	0	2	0	0	6	0	0
Labourers and elementary occupations															
Labourers and elementary occupations	4	0	0	0	0	0	0	0	0	0	0	0	4	0	0
Total	**14**	**10**	**0**	**4**	**4**	**0**	**1**	**2**	**0**	**15**	**6**	**0**	**34**	**22**	**0**

M: Males F: Females D: Disabled

Sustainability report continued

OUR COMMUNITY

Corporate social investment is the ideal vehicle through which to interact with stakeholder communities. As one of the Government's key delivery partners in the ICT sector, Sentech is able to leverage its skill and resource base towards CSI initiatives of both community and national significance.

The Company views its technology, products and services as developmental tools that it is able to use to support vital education and health requirements, while redressing previous inequalities and imbalances in our society.

Sentech's strategic business imperative is to establish a unified next generation broadband platform. Through its varied CSI initiatives, the Company is able to demonstrate that its technology can operate in remote environments while benefiting those to whom it has been deployed.

Empowering communities

Empowering previously disadvantaged communities goes to the heart of Sentech's CSI vision. One of its prominent upliftment projects has been as a partner to the Siyabonga Telecentre in Orange Farm in Gauteng.

The Telecentre was established in 1996 as an initiative by the Universal Service and Access Agency of South Africa (USAASA) 'the principle state agency responsible for ICT rollout to under-serviced areas' with the overall objective of becoming a skills development training centre.

Now its programmes include training women in baking, confectionery and catering. Training programmes will also provide leadership capacity building, skills training, income generating and job creation programmes as well as establishing small, micro, medium enterprises.
With an initial computer hardware investment from USAASA, Sentech provided free Internet connectivity to the centre and trained staff to use the software and to extend these skills to the community. In addition, Sentech provided expertise to assist in drawing up a business plan and also provided basic training in management and marketing to assist sustainability.

In addition, the Company has recently provided connectivity to the following new projects:

Sci-Bono: The largest science museum in the southern hemisphere, based in Newtown, Johannesburg. The museum aims to introduce children to the world of science and technology at an early age. Sentech provided a 1 kW radio broadcast transmitter to the centre, to demonstrate how radio signal distribution functions. In addition, the Company provided the museum with internet connectivity.

Twilight Children's Home: A home for street children's, based in Hillbrow. The home seeks to rehabilitate and educate street children and to produce responsible members of society.

Dipalo: A computer literacy and hardware-training institute in Pimville, Soweto. The project provides computer literacy and computer hardware skills training for school leavers to help prepare them for the job market. Dipalo also provides computer literacy for neighbouring schoolchildren and teachers.

Myeka High School: Sentech's satellite transmission has given this rural school unlimited access to valuable information on the internet, helping them to cross the digital divide.

Sentech is currently the proud sponsor of the World's Biggest Company Golf Day in which corporate companies participate. Proceeds of the event are donated to CHOC (Children's Haematology Oncology Clinics), further contributing to Sentech's CSI initiatives. This sponsorship has also positioned Sentech and the event organisers in the *Guinness Book of World Records*, a first for South Africa and for a South African company.

As we roll out these and other CSI programmes throughout the country, we are connecting previously marginalised people to knowledge and opportunities to build a more integrated future for our country. In addition, Sentech employees are encouraged to make personal contributions towards helping community projects through the Company's many internal events such as at World Aids Day and Employee Volunteer Week.

Mindset health and education

Since its involvement with Mindset Network, initially as a founder member of the Mindset Learn Channel launched in 2002, Sentech continues to provide connectivity, which has expanded both the reach and quality of the channel's content. This is achieved through the delivery of a broadcast signal that enables the channel to constantly beam educational content via its various transmission partners and platforms to classrooms across the country.

Mindset Learn is aimed at high school learners and educators in the Further Education and Training (FET) band (grades, 10, 11, and 12). The content meets the requirements of the curriculum for the subjects: English, Mathematics, Physical Science, Information Technology and Mathematical Literacy. Video content is broadcast to 1 000 high schools and over 1,5 million homes in southern Africa via South African Satellite Television (DStv channel 100). Financial Literacy content is also available and is distributed to schools around the country. Mindset's data cast solution supported by Sentech technology, will be rolled out to a further 600 schools in the period 2006 to 2007.

Sentech plays a vital role in HIV/Aids research at the Perinatal HIV Research Unit (PHRU) at Chris Hani Baragwanath Hospital in Soweto

Sentech supplies a VSAT link transporting vital research information on HIV/Aids generated in South Africa, to the international community. The PHRU at Chris Hani Baragwanath Hospital in Soweto is the source of this information supplying 16 000 to 20 0000 pages of data a month to research centres around the globe.

Sustainability report continued

Mindset Health

In partnership with the Department of Health and Mindset, Sentech was instrumental in establishing the Mindset Health Channel. The strength of this partnership is reinforced by the commitment of the Department of Health, a strategic link in the provision of content, which also contains essential medical training and support material. Sentech provides the satellite uplink, which enables the connection to over 7 000 rural clinics and public hospitals.

While serving patients who may watch a TV programme in the clinic's waiting area, this facility also allows a healthcare worker to explore in-depth material on a PC independently. The medium has the advantage of flexibility and can be interrupted and returned to at a time convenient for the healthcare worker.

Mindset prides itself on providing the highest quality of resource material, prepared in consultation with health care workers, nursing departments of various colleges and universities and content specialists.

The content is available in English, Afrikaans, isiZulu, isiXhosa and seSotho for easy assimilation by health care providers, workers and the public, dealing with HIV/Aids, tuberculosis (TB) and child survival. Information on malaria, injection safety and women's wellness will be added in the future.

Healthcare workers and nurses report that the programmes provide an invaluable resource of up-to-date information, which adds enormous value to their counselling and administrative efforts.

In a recent study compiled by the Medical Research Council (MRC) on the monitoring and evaluation of the Mindset Health Channel, patients in public healthcare facilities, Healthcare Professionals (HCPs) and lay health workers agreed that the Mindset Health Channel could aid significantly in the fight against HIV and Aids.

The overall rating of the channel by HCPs showed high scores for its clarity, understanding and pace of presentation, where 62,7% of HCPs and 37,5% of lay counsellors felt that the way they manage HIV+ patients had changed following viewing of the Health Channel.

The Mindset Health Channel aims to also broadcast to 4 000 public healthcare sites, hospitals and private clinics as well as prisons and community centres within the next three years, educating 97 000 nurses and 36 million South Africans.

Sentech plays vital role in HIV/Aids research

Sentech plays a vital role in South Africa's HIV/Aids epidemic with its VSAT link transporting vital research information on HIV/Aids generated in South Africa, to the international community.

The Perinatal HIV Research Unit (PHRU) at Chris Hani Baragwanath Hospital (Bara) in Soweto is the source of this information supplying 16 000 to 20 000 pages of data a month to research centres around the globe. An internet-linked email connection, provided by Sentech, ensures the incoming dataflow is directed to the appropriate study teams, locally and internationally.

Five clinics share the PHRU building at 'Bara' and 11 Soweto clinics in all collaborate on a range of studies and interventions.

Although primarily a research unit, the biggest of its kind in Africa, the demands of the epidemic are such that the PHRU is called to play a more direct role in serving the needs of the HIV/Aids affected community. According to Steven Whiting, Operations Manager, PHRU, "the unit now offers treatment programmes, essentially for adults, to get on to ARVs".

At the cutting edge of HIV/Aids research the PHRU has started on paediatric data assembly for the treatment of babies, and this is not happening anywhere else in the world.

The PHRU remains one of the world's primary sources of up to the minute information on HIV transmission, the spread of Aids, the social consequences of the pandemic and the efficacy of various types of intervention.

Broad-based black economic empowerment (BBBEE)

The BBBEE policy framework, as outlined in the Broad-based Black Economic Empowerment Act, provides a platform to accelerate the participation of black people in the economy. As a state-owned enterprise, Sentech has greater responsibility to support and promote the objectives of broadbased economic empowerment, which forms a cornerstone to creating an "information society" and "information based economy". At the same time, the Company acknowledges that compliance with the prescribed principles of BBBEE is a long-term process.

In order to kick start compliance with the BBBEE, Sentech engaged the services of National Empowerment Rating Agency (NERA) to conduct an assessment of the Company's current BBBEE status and provide recommendations on a short to medium term strategy.

The outcome of the assessment conducted as at April 2007:

	Indicator weighting	Achieved score	Two year target score
Equity ownership	0	0	0
Management control	15	12,83	16
Employment equity	15	9,35	11,9
Skills development	20	9,26	13,1
Preferential procurement	20	2,32	15,2
Enterprise development	15	0.0	6,7
Social corporate investment	15	12,03	15
Total	**100**	**45,79**	**77,8**

The outcome of the assessment should be viewed within the following context:

- The Company operates in a highly specialised field, which makes it difficult to find, recruit and maintain skilled employees. This is specially the case in recruiting Black employees with the required specialised skills. In recognition of this fact, the Company is participating in a number of projects that will ensure that we create specialised skills amongst this category. This includes: Learnership programme with ISETT SETA; operating the School of Technology; internship programmes which give preference to Black employees. The objective to create specialised skills is also a key consideration in the corporate social investment strategy, skills development plan and recruitment and retention strategy;
- Knowledge and understanding of the BEE Codes of Good Practice is limited within the Company. With the assistance of NERA, the Company will embark on a training campaign that will target all levels in the Company. Compliance with the BEE Codes of Good Practice now forms part of the Company's objectives and thus the key performance areas of both executive and senior management;
- Good recordkeeping systems are in place, especially with regards to human resources and skills development. However, these systems need to be coordinated in order to produce or extract the required BEE information.

Equity ownership
Public entities and other organs of State that are wholly owned by the State, cannot be evaluated on Black ownership in terms of Code 100 of the BEE Codes of Practice as issued by the Department of Public Enterprises.

Management control
- Black executive representation is at 100% with Black executive women representation at 50%;
- There are no Black women amongst the 13 senior top managers; and
- The Company has reached the 40% target for Black independent non-executive board members.

Employment equity
- Sentech is still below the scorecard targets for each of the five employment equity subcategories; and
- The biggest area of improvement is Black disabled representation and black women representation at senior and mid-management level.

Skills development
- Inhouse training is well formalised; and
- A total of 12 Black learners were taken onto learnerships across Sentech operations.

Preferential procurement
- Assessment was based on a total procurement spend of R319,4 million;
- A total procurement spend from overseas supplier of R110,4 million was excluded; and
- The Company has not put in place a process in terms of which suppliers provide their BEE certificates. Therefore, it was difficult to determine the total preferential procurement.

Enterprise development
- The Company has to put in place a strategy that would ensure monetary and non-monetary enterprise development initiatives. The principle of "enterprise development" has been incorporated into the tender process. One area that the Company has identified especially within the context of shortage of specialised skills, is to train SMME.

Corporate social investment (CSI)
- Significant CSI contributions were made during the year with a total of R804 661 being sport.

OUR ENVIRONMENT
The main activities performed under this discipline are guided by the following:
- Occupational Health and Safety Act, 85 of 1993 (OHS Act) and its accompanying regulations; and
- Other applicable legislation and codes of practices relevant to OHS.

Legal appointments
Section 16.2 Appointments
In terms of section 16.2 of OHS Act, the CEO delegates (assigns) some of her responsibilities to capable and knowledgeable employees under her control. The CEO can appoint such persons in writing to assist in the daily running of OHS matters in the

Sustainability report continued

Company. However, the CEO's responsibilities and accountability cannot be transferred to the delegated persons.

The CEO appointed six (6) Senior Managers as 16.2 appointees for the 2006/2007 financial year.

Section 8(2) Appointments
Transmission Control Centre (TCC) Managers appoint team leaders and competent persons in terms of section 8.2 (i) of the OHS Act.

The said appointments are a legal requirement of section 8.2 (i) of the OHS Act and all appointments must be confirmed in writing.

Four (4) team leaders were appointed for the said period.

Health and safety representatives
Section 17 of the OHS Act makes provision for the appointment of representatives in the workplace, whose main responsibilities are to review the effectiveness of health and safety measures, identify potential hazards and major incidents, conduct relevant OHS inspections and take active part and remedial actions in health and safety committee meetings.

The following number of OHS representatives were appointed from each region/office:

Region/Office	Number of health and safety representative
Southern and Western Region	3
Northern and Central Region	4
KU Band	1
Meyerton	6
Fourways	12
Jhb Support Services	1
Total	27

Health and safety committees
Section 19 of the OHS Act requires that OHS committees must be established and meetings must be held quarterly. Each region has established a health and safety committee.

Quarterly meetings were held in each region and the OHS specialist is a co-opted member of these committees. Minutes of all the meetings are signed, kept and copies sent to the responsible line manager to take corrective action. Records of the minutes are kept per the requirement of the OHS Act.

Training and awareness
Training, which included first aid training, fire, health and safety representative training, was conducted for all appointed OHS representatives. All twenty-seven (27) appointed representatives from the regions and offices were trained.

Health and safety induction training has been included as part of the Human Resources Development induction programme, for all newly appointed employees.

OHS legal compliance audit
The Occupational Health and Safety (OHS) legal compliance audit was conducted to determine the degree of conformance of Sentech's occupational safety systems and programmes with applicable legislation and to develop an action plan to address identified risks. The compliance audit was conducted at all Sentech TCC offices and transmitter sites. The audit started on 2 November 2006 and was completed on 7 February 2007.

A strategy has been put in place to address all the areas of non-compliance.

Incident reporting and investigation
Section 24 of the OHS Act requires that an incident occurring at work should be reported to the Inspector of the Department of Labour.

The OHS Specialist reports all incidents/accidents to the Department of Labour Compensation Commissioner within seven (7) days of occurrence. An investigation would be conducted where it warrants and a report compiled, containing all findings and appropriate recommendations.

The following incidents were reported:

Category of incidents	Number
Injury on duty	4
Fatal accident	1
Structural damage (masts)	2
Vehicle accident	2
Total	**9**

OHS site inspections
OHS inspections are conducted on sites as a measure to ensure occupational health and safety legislation compliance and to highlight non-compliance and make immediate recommendations were applicable. The inspection ensures that the relevant TCC Manager or team leader is aware of any non-compliance once the inspection is completed.

These inspections focus on the following health and safety issues:
- General condition of premises and housekeeping practices;
- Conditions of personal protective equipment used;
- Mechanical and electrical safeguarding;
- Fire prevention and protection;
- Waste management
- Hazardous waste removal; and
- Pollution.

Other OHS matters
Section 37(2) makes provision for written agreements between the employer and the mandatory (contractor or facility user) with regard to the occupational health and safety compliance by the mandatory.

A section 37(2) agreement was concluded between Sentech and Vodacom. Another agreement was signed between Sentech Cape Town TCC and City of Cape Town with regard to an annual lease agreement.

Sentech and Mindset Network deliver on health and education

Initially as a founder member of the Mindset Learn Channel launched in 2002. Sentech was also instrumental in establishing the Mindset Health Channel. The strength of this partnership is reinforced by the commitment of the Department of Health, a strategic link to the provision of content and the connection to over 7 000 rural clinics and public hospitals.

Financial review

The Group Financial Division again played a pivotal role in the functioning of the Group by providing key services, customer credit facilities and financial support to our other divisions.

Financial highlights and key financial performance indicators

Company		2007 R'000	2006 R'000	2005 R'000	2004 R'000	2003 R'000	2002 R'000	2001 R'000
Revenue		**723 224**	665 470	610 150	530 317	437 542	410 993	582 116
Gross profit		**193 494**	190 555	136 999	128 365	106 036	113 202	145 380
Operating (loss)/profit		**(1 147)**	(65 076)	(64 341)	(22 885)	19 986	47 413	64 800
Exceptional items		**–**	–	–	–	–	12 252	54 326
Net finance costs		**(21 169)**	(22 679)	(24 803)	(54 281)	(29 163)	(7 585)	(23 744)
(Loss)/profit before taxation		**(22 316)**	(87 755)	(89 144)	(77 166)	(9 177)	27 576	95 382
(Loss)/profit after taxation		**(21 530)**	(76 419)	(64 719)	(52 706)	(157)	17 078	80 545
Non-current assets		**911 767**	771 898	815 218	686 759	607 716	430 491	413 770
Current assets		**176 078**	83 140	215 400	134 665	77 768	131 027	108 508
Total assets		**1 087 845**	855 038	1 030 618	821 424	685 484	561 518	522 278
Equity		**478 999**	394 665	464 470	401 287	434 612	288 865	261 851
Non-current liabilities		**395 078**	270 530	277 450	284 330	142 299	235 714	226 628
Current liabilities		**213 768**	189 843	288 698	135 807	108 573	36 939	33 799
Total liabilities		**608 846**	460 373	566 148	420 137	250 872	272 653	260 427
Capital expenditure		**111 657**	36 120	41 592	93 738	91 405	81 451	109 861
Net cash (utilised in)/generated by operations		**104 103**	(91 207)	115 464	(21 015)	(16 947)	94 215	114 046
Net cash (decrease)/increase for the year		**78 546**	(112 757)	101 248	(12 872)	(7 250)	6 165	(34 907)
Cash and cash equivalents at end of the year		**93 291**	14 743	127 500	26 252	39 124	46 374	40 209
Performance measures								
Turnover growth	%	**8,68**	9,07	15,05	21,20	6,46	(29,40)	–
Gross profit growth	%	**1,54**	39,09	6,73	21,06	(6,33)	(22,13)	–
Operating profit growth	%	**98,24**	(1,14)	(181,15)	(214,51)	(57,85)	(26,83)	–
Return on equity	%	**(0,24)**	(16,49)	(13,85)	(5,70)	4,60	16,41	24,75
Return on operating assets	%	**(0,11)**	(7,61)	(6,24)	(2,79)	2,92	8,44	12,41
Gross profit margin	%	**26,75**	28,63	22,45	(24,21)	24,23	27,54	24,97
Operating profit margin	%	**(0,16)**	(9,78)	(10,55)	(4,32)	4,57	11,54	11,13
Debt equity	times	**0,82**	0,69	0,60	0,71	0,33	0,82	0,87
Gearing ratio	times	**1,27**	1,17	1,22	1,05	0,58	0,94	0,99
Interest cover	times	**(0,05)**	(2,87)	(2,59)	(0,42)	0,69	6,25	2,73

Definitions

Return on equity	Operating profit expressed as a percentage of the average ordinary shareholders' equity for the year
Return on operating assets	Operating profit expressed as a percentage of the average total assets for the year
Debt equity	Non-current liabilities divided by equity
Gearing ratio	Total liabilities divided by equity
Interest cover	Operating profit divided by finance costs

Comments on the financial highlights and key performance measures

Performance against budget

Company	Actual	Budget	Variance	Var %
Revenue	723 224	746 607	(23 383)	(3,1)
Expenditure	724 371	771 483	47 112	6,1
Operating loss	(1 147)	(24 876)	23 729	95,4
Net loss	(21 530)	(40 591)	19 061	47,0

Although sales were slightly below target, we achieved our budgeted objectives through expenditure savings This resulted in a reduction of the forecast loss. Comments on the income statement are shown below.

The operating profit has also been affected by items not normally incurred as part of the current business:

Operating loss adjusted for non-operating/ performance relating items

Operating loss	(1 147)
IFRS depreciation on revaluation	19 653
Depreciation – spares	4 340
Capital work-in-progress depreciation	6 504
Adjusted operating profit	29 351

This calculation shows that the Company has actually made an operating profit of R29,3 million rather than the stated loss. The loss is due to non-operating, non-cash items such as IFRS adjustments.

The IFRS depreciation relates to revalued land and buildings. Depreciation on spares relates to inventory reclassified as property, plant and equipment.

The project provision relate to abnormal write off of capital work in progress after an exercise where capital projects on the capital work-in-progress account were closed and revenue related costs were written off as expenditure (cost of sales mostly).

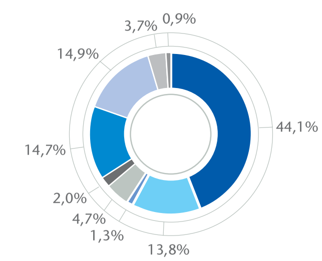
The adjusted operating profit is not sustainable unless funding is obtained for the telecommunication business. The cost-cutting drive has already resulted in optimal savings, and further cost cutting is not feasible.

Revenue

The Company's revenue increased by 8,7%. The increase is mainly due to growth in carrier of carrier and multimedia sales, partly offset by a decline in revenue from commercial broadcasters. A detailed breakdown of revenue is shown below.

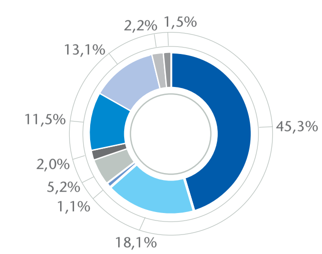
In order to sustain or increase the growth in revenue, it is imperative that the shareholder provides more funding for Sentech to roll out new infrastructure.

Revenue by customer class 2007



- Public broadcaster
- Commercial broadcaster
- Community broadcaster
- Foreign broadcaster
- Facility rentals
- Carrier of Carriers
- Multimedia
- Other
- InfoSat business solutions

Revenue by customer class 2006

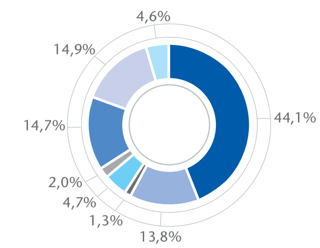


Revenue analysis

Company Revenue by customer class	2007 R'000	2006 R'000	% change	2007 % of total	2006 % of total
Public broadcaster	319 175	303 058	5,3	44,1	45,3
Commercial broadcasters	99 661	121 284	(17,8)	13,8	18,1
Community broadcasters	9 053	7 249	24,9	1,3	1,1
Foreign broadcasters	34 001	34 569	(1,6)	4,7	5,2
Facility rentals	14 209	13 688	3,8	2,0	2,0
Carrier of Carriers	106 043	76 843	38,0	14,7	11,5
Multimedia	107 968	87 698	23,1	14,9	13,1
Other	33 114	21 081	57,1	4,6	3,2
	723 224	665 470	8,7	100,0	100,0

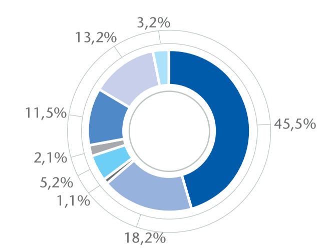
Company Revenue by product category	2007 R'000	2006 R'000	% change	2007 % of total	2006 % of total
Terrestrial television services	263 495	251 069	4,9	36,4	37,7
Terrestrial FM and AM radio services	118 459	111 692	6,1	16,4	16,8
Terrestrial short wave radio services	32 195	28 202	14,2	4,5	4,2
Terrestrial and satellite linking	54 105	54 926	(1,5)	7,5	8,3
Satellite direct-to-home	18 826	21 001	(10,4)	2,6	3,0
Business television	9 526	8 072	18,0	1,3	1,2
Facility rentals	14 656	13 550	8,2	2,0	2,0
Sales of satellite decoders	4 446	5 027	(11,6)	0,6	1,0
Carrier of Carrier	106 083	76 843	38,1	14,7	11,5
VSAT	63 954	59 880	6,8	8,8	9,0
Broadband wireless	23 629	24 853	(4,9)	3,3	3,7
Other	13 850	10 355	33,8	1,9	1,5
	723 224	665 470	8,7	100	100,0

Revenue by customer class 2007



- Public broadcaster
- Commerical broadcaster
- Community broadcaster
- Foreign broadcaster
- Facility rentals
- Carrier of Carriers
- Multimedia
- Other

Revenue by customer class 2006



Operating expenses

Expenses are shown compared to prior year:

Company	2007 R'000	2006 R'000	Variance	Var %
Inventories write-downs/(reversals)	**3 052**	(1 778)	(4 830)	272
Salaries and wages	**183 364**	182 521	(843)	0
Statutory charges	**1 386**	1 391	5	0
Pension costs	**14 503**	12 025	(2 477)	(21)
Post-employment benefits	**8 100**	(800)	(8 900)	1 113
Depreciation, amortisation and impairment charges	**91 804**	79 827	(11 977)	(15)
Transportation expenses	**7 683**	6 883	(799)	(12)
Marketing costs	**8 023**	24 180	16 157	67
Operating lease payments	**71 793**	72 431	638	1
Other expenses	**334 663**	353 864	19 201	5
Cost of sales, distribution costs and administrative expenses	**724 371**	730 546	6 175	

The increase in depreciation is due to capital additions of R112 million and IFRS depreciation on revaluation of land and buildings. The pension fund had a favourable revaluation variance of R8,1 million.

Marketing costs have been curtailed as a result of cuts in sponsorships and advertising expenditure.

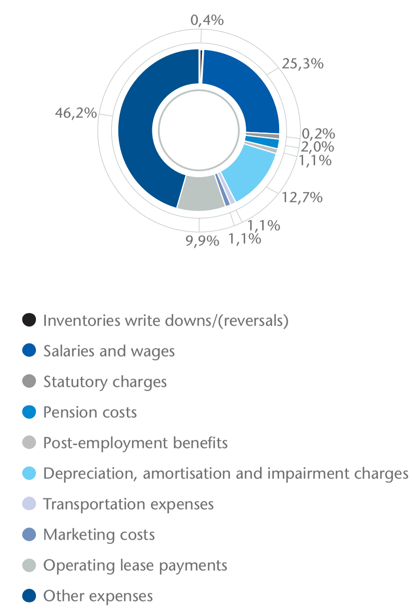
Finance income and costs

Company	2007 R'000	2006 R'000	Variance	Var %
Interest expense:				
– Borrowings	**29 605**	22 237	(7 368)	(33)
– Finance lease	**1 122**	1 096	(26)	(2)
Net foreign exchange losses on financing activities	**–**	2 862	2 862	100
Finance costs	**30 727**	26 195	(4 532)	(17)
Interest income	**(5 721)**	(3 516)	2 205	(63)
Net foreign exchange gains on financing activities	**(3 837)**	–	3 837	–
Finance income	**(9 558)**	(3 516)	6 042	(172)
Net finance costs	**21 169**	22 679	1 510	(7)

The interest expense is marginally higher as a result of increased interest rates over prior year.

Interest income and foreign exchange variances have improved due to better treasury management.

Operating expenses 2007



Financial review continued

Cash flows

Highlights from the Company's cash flow performance is shown below:

Company	2007	2006	Variance
Net cash generated from/(utilised in) operating activities	**104 103**	(91 207)	195 310
Net cash generated utilised in investing activities	**(3 844)**	(39 260)	35 416
Net cash (utilised)/generated in financing activities	**(21 713)**	17 710	(39 423)
Net increase/(decrease) in cash and cash equivalents for the year	**78 546**	(112 757)	191 303
Cash and cash equivalents at the end of the year	**93 291**	14 743	78 548

The 2006 operating cash utilised figure was influenced by a R116 million revenue prepayment received from the SABC in March 2005. The balance of the favourable variance is mainly due to the reduction of the operating loss.

The net cash utilised in investing activities includes the Government grant of R95 million received for DTT (2006: Nil) and the investment in property, plant and equipment of R112 million (2006: R36 million).

Cash used in financing activities is worse compared to 2006 due to repayment of the DBSA and SABC loans.

Balance sheet

Company	2007	2006	Variance
Non-current assets	**911 767**	771 898	139 869
Current assets	**176 078**	83 140	92 938
Total assets	**1 087 845**	855 038	232 807
Equity	**478 999**	394 665	84 334
Non-current liabilities	**395 078**	270 530	124 548
Current liabilities	**213 768**	189 843	23 925
Total liabilities	**608 846**	460 373	148 473
Capital expenditure	**111 657**	36 120	75 537

Total assets has increased by R233 million. This can mainly be attributed to:

- A net increase of R22 million in property, plant and machinery;
- Revaluation of assets – R144 million;
- Increase in cash (R79 million);

and is partially offset by a decrease in trade receivables.

Computer, technical and office equipment and work-in-progress (included in fixed assets – refer financial statements) additions are mainly due to the conversion of analogue terrestrial television equipment to digital. The revaluation mainly affects owned and leased land and buildings.

Intangible assets – the Company was granted two licences in May 2002. These licences are carried at a fair value of R18 million. Goodwill is tested for impairment on an annual basis. Goodwill arising on consolidation is amortised over a period not exceeding 20 years and is impaired when necessary (no impairment was necessary during the current financial year).

Trade receivables have decreased by R10 million compared to prior year mainly due to improved credit management. The debtors collection days has improved from 35 days to 29 days.

Cash resources have improved by R79 million mainly due to improved cash management and grants received from the Department of Communications.

Total liabilities have increased by R148 million mainly due to the increase in deferred revenue – Government grant (R95 million).

Financial risks

The Group has a clear and comprehensive treasury policy in place that is consistent with prior years. The treasury department is responsible for managing liquidity, interest rate, foreign currency and counterparty risks. In addition, all relationships and contract negotiations with banks and other lenders are centrally coordinated within the treasury function. An independent Treasury Risk workgroup monitors and evaluates the Group's exposure to the aforementioned risks and ultimately reports into the Audit and Risk Committee through the Treasury Risk management team. All exposures are managed within well-defined limits of authority and carefully monitored.

An overriding philosophy of Sentech's treasury operation is that derivative transactions will only be concluded for hedging purposes and no speculative trading is permitted.

Management of the Group's financial risks are discussed in Note 3 of the financial statements. Additional comments on the Group's foreign exchange risks are noted below.

Foreign currencies

Average exchange rates

	2007	2006	2005	2004	2003	2002
US Dollar	**7,16**	6,37	6,29	6,33	9,55	9,95
British Pound	**13,74**	11,38	11,59	11,61	14,75	14,33
Euro	**9,32**	7,76	7,89	7,76	9,50	8,90

The Company is heavily exposed to fluctuations in foreign currencies, mainly the US dollar. It paid R61 million to satellite lessors and has a total commitment of $32 million payable until year 2010. The Company hedges its exposure to currency fluctuations by purchasing forward exchange contracts. Capital and inventory imports are also significant. Capital imports are dependent on capital replacement and capital expansion programmes.

Credit management

The promulgation of the National Credit Act will have far-reaching implications for both credit grantors and consumers once effective in June 2007. We welcome the greater levels of protection as responsible credit granting practices will enhance the reputation of the consumer credit industry.

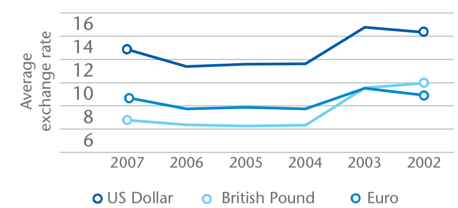
The requirements of the act will place a higher cost of compliance on all credit grantors. Sentech is well progressed in its preparations to comply in full with these new statutory requirements. We do anticipate that some provisions of the act may slow credit sales and impact negatively on customer services in the short term, as credit grantors will have to seek permission from customers to increase their credit limits.

Productivity

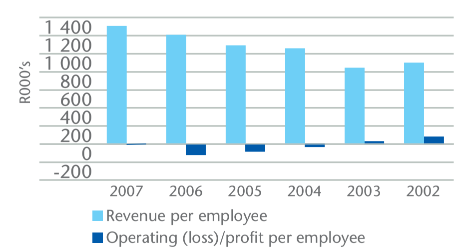
	2007	2006	2005	2004	2003	2002
Revenue per employee – R000's	**1 303**	1 206	1 072	1 020	797	865
Operating (loss)/profit per employee – R000's	**(2)**	(118)	(113)	(44)	36	100
Number of employees	**555**	552	569	520	549	475

Revenue per employee increased and the operating loss per employee has been significantly reduced. Executive management is looking at ways of providing incentives to employees as part of a programme of retaining skills and boosting productivity.

Foreign currency exchange rates



Productivity



Performance of subsidiary – InfoSat (Pty) Limited

The business of InfoSat (Pty) Limited was acquired on 1 January 2000 for R19,6 million. InfoSat provides broadband internet and communication solutions and specialises in satellite delivery. It has a strong technical team involved in developing new and innovative products and good marketing skills. Sentech acquired the remaining 30% of the equity from the minority shareholders during 2004 and now holds 100% of the shares, through Infohold (Pty) Limited which owns all the shares in InfoSat (Pty) Limited.

Financial review continued

The subsidiary's results for the last two years are as follows:

	2007 R'000	2006 R'000
Revenue	(6 600)	(9 962)
Expenditure	6 792	7 563
Net loss/(profit) before taxation	192	(2 399)

The loss/(profit) is included in the Group's results.

The business has important synergies for Sentech and will assist the Company's entry into the multimedia industry. During 2004, all employees of InfoSat were integrated into Sentech, together with all operational expenses. Sentech invoices InfoSat for expenses incurred on its behalf.

Future

The forecast for the 2008 financial year is as follows:

Forecast: 2007/2008

Company	R'000
Revenue	881 037
Signal Distribution	574 128
Multimedia	151 878
Carrier of Carriers	155 031
Expenditure	885 081
Cost of sales	130 601
Satellite rental	78 316
Line rental	41 014
Hiring charges	86 699
Salaries	286 274
Maintenance	68 321
Depreciation	69 137
Other	124 719
Operating loss	(4 044)
Net finance costs	12 234
Net loss	(16 278)
Capital expenditure	233 000

Weather service warnings powered by Sentech

The South African Weather Service recently partnered with Sentech for the rollout of a project that will enable the delivery of important weather information to most of its mission-critical sites. SAWS can now provide its sites and partners with all-important pre-warnings on lightning storms and other natural weather disasters, as well as satellite imagery, via Sentech's IP Multicast platform. Access to this information is critical for effective Government response to deal with the aftermath of storms and other weather disasters.

Corporate governance

Corporate practices and conduct

The Sentech Board is committed to corporate governance principles contained in the Corporate Practices and Conduct recommended by the 2002 King 2 Report (King II).

The Board believes that principles in King II are well aligned with the governance principles espoused in the Public Finance Management Act 1 of 1999 (PFMA) and Government Protocol on Corporate Governance.

Statement of compliance

The Board believes that for the 2006/2007 financial year it has complied with the Sentech Act 63 of 1996; Sentech Amendment Act 44 of 1999; Companies Act 61 of 1973 (as amended); Public Finance Management Act 1 of 1999 (PFMA); Treasury Regulations; Government Protocol on Corporate Governance and Shareholder's Compact.

Public Finance Management Act 1 of 1999

As a State-owned Enterprise (SOE), Sentech is required to comply with the Public Finance Management Act 1 of 1999 (PFMA).

In terms of the PFMA, Sentech is classified as a Schedule 3b National Public Enterprise reporting to the Department of Communications. The Minister of Communications, who is the sole shareholder of Sentech on behalf of the State, is defined as the "executive authority" and the Board of Directors is defined as the "accounting authority". The Chief Executive Officer is the "accounting officer" of Sentech.

Board of Directors

Board composition

The composition of the Sentech board is governed by the Sentech Act 63 of 1996, Sentech Amendment Act 44 of 1999, Articles of Association and Shareholder's Compact. According to which, the Board shall be constituted by at least 4 (four) non-executive directors and 3 (three) executive directors performing the function of Chief Executive Officer (CEO), Chief Operations Officer (COO) and Chief Financial Officer (CFO). The Shareholder appoints all the directors and the Chairperson of the Board.
The Company has a unitary board structure, constituted by a majority of non-executive directors. During the period under review the Board had 7 (seven) non-executive directors and 3 (three) executive directors, the Chief Executive Officer, Chief Operations Officer and Chief Financial Officer. The names of the directors appear under the section "Board Meetings".

During the period under review, the Chief Operations Officer, Mr Gladwin Marumo resigned with effect from 13 May 2006. Mr Frans Lindeque, the Executive Digital Services, was appointed acting Chief Operations Officer until 8 June 2007. In this acting position, Mr Frans Lindeque was not appointed a director of Sentech and attended all meetings by invitation, with no voting rights.

Appointment of directors

During the period under review, the Board was balanced in terms of skills and expertise. Due to the financial position and highly technical projects that the Company is currently involved in ie Digital Terrestrial Television, the Board required additional skills and expertise in the areas of financial management and technology. The Shareholder appointed 2 (two) additional non-executive directors:

1. Ms Jacqui Kilani. Due to work commitments, she resigned on 28 May 2007; and
2. Ms Mothibi Ramusi. Due to a potential conflict of interest, he did not accept his appointment by the Shareholder.

Ms Beverly Ngwenya was appointed the Chief Operations Officer with effect from 11 June 2007.

Chairperson and Chief Executive Officer

The role of Chairperson and Chief Executive Officer does not vest in the same person. In terms of the Articles of Association, the Chairperson of the Board should be a non-executive director and is appointed by the Shareholder. The Chairperson of the Board is Mr Colin Hickling, who has been appointed to the position for a three year period starting 1 April 2005 terminating 31 March 2008.

The Chief Executive Officer is appointed by the Shareholder. By virtue of such appointment, the CEO becomes a director of the Company. Dr Sebiletso Mokone-Matabane continues to act as the Chief Executive Officer.

Board meetings

The Board holds 4 (four) meetings and at least one strategic workshop per year. During the year under review the Board held 4 (four) ordinary meetings, 1 (one) strategic workshop and 2 (two) special meetings.

	18.04.06 (Special)	12.05.06	20.07.06	02.11.06 (Strat)	03.11.06	04.12.06 (Special)	24.01.07
Mr Colin Hickling	✓	✓	✓	✓	✓	✓	✓
Mr Mlamli Booi	✓	✓	✓	✓	✓	✓	✓
Ms Jacqui Kilani [1]	#	#	#	#	#	x	✓
Dr Len Konar	✓	✓	✓	✓	x	x	✓
Mr Thabo Leeuw	✓	✓	✓	✓	✓	x	✓
Ms Nandi Sihlali	✓	✓	x	✓	✓	✓	✓
Adv Nonkumbulo Tshombe	✓	✓	✓	✓	✓	✓	✓
Dr Sebiletso Mokone-Matabane (CEO)	✓	✓	x	✓	x	✓	✓
Mr Mohammed Siddique Cassim (CFO) [2]	*	✓	✓	✓	✓	✓	✓
Mr Gladwin Marumo [3]	✓	–	–	–	–	–	–

[1] Ms Jacqui Kilani was appointed as from 1 December 2006.
[2] Mr Mohammed Siddique Cassim was appointed as from 1 May 2006.
[3] Mr Gladwin Marumo resigned with effect from 13 May 2006.

✓ Attended meeting
x Absent from meeting, with apology
 # Not yet appointed
** Attended by invitation*

Committees of the Board of Directors

The Board has 3 (three) committees:
- Audit and Risk
- Technology
- Human Resources, Affirmative Action, Remuneration and Nominations

All the committees have adopted terms of reference which are reviewed as and when necessary to ensure that they continue to be relevant and also in compliance with applicable legislation. For the period under review, the Committees have complied with their responsibilities under this terms of references.

Audit and Risk Committee

Purpose of committee

The Audit and Risk Committee is constituted in terms of section 76 and 77 of the Public Finance Management Act 1 of 1999 and Regulation 27.1.1 of the Treasury Regulations. The purpose of the Audit and Risk Committee is to review the following:

- The effectiveness of internal control systems;
- The effectiveness of internal audit;
- The risk areas of the entity's operations to be covered in the scope of the internal and external audits;
- The adequacy, reliability and accuracy of financial information provided to management and other users of such information;
- Any accounting and auditing concerns identified as a result of internal and external audits;
- The entity's compliance with legal and regulatory provisions;
- The activities of the internal audit function, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
- The independence and objectivity of the external auditors.

Composition of committee

In line with the requirements of section 77(a) of the PFMA, the Audit and Risk Committee is constituted by at least 3 (three) non-executive directors: Dr Len Konar; Mr Thabo Leeuw and Adv Nonkumbulo Tshombe and 2 (two) executive directors: Chief Executive Officer (CEO) and Chief Financial Officer (CFO). The Board has appointed an independent advisor as a member of the Committee, Mr John Saker. The external and internal auditors attend committee meetings. The committee is chaired by Dr Len Konar.

Meetings

The committee holds 6 (six) meetings a year and any special meetings as and when necessary. For the period under review, the committee held 6 (six) meetings and no special meetings.

Corporate governance continued

Attendance of meetings: Audit and Risk Committee

	13.04.06	20.06.06	03.08.06	17.10.06	17.01.07	13.03.07
Dr Len Konar	✓	✓	✓	✓	✓	✓
Mr Thabo Leeuw	✓	✓	✓	✓	✓	✓
Adv Nonkumbulo Tshombe	✓	✓	✓	✓	✓	✓
Dr Sebiletso Mokone-Matabane (CEO)	✓	x	✓	✓	x	✓
Mr Mohammed Siddique Cassim (CFO)	#	✓	✓	✓	✓	✓
Mr John Saker	✓	x	✓	✓	✓	x

✓ *Attended meeting*
x *Absent from meeting, with apology*
\# *Attended by invitation, as his appointment as Chief Financial Officer was only effective from 1 May 2006.*

Attendance of meetings: Technology Committee

	05.04.06	14.07.06	03.10.06	16.01.07
Mr Mlamli Booi	✓	✓	✓	✓
Mr Thabo Leeuw	✓	✓	✓	✓
Ms Nandi Sihlali	✓	✓	✓	✓
Dr Sebiletso Mokone-Matabane (CEO)	✓	x	x	✓

✓ *Attended meeting*
x *Absent from meeting, with apology*

Technology

Purpose of Committee

The purpose of the Committee is to review and provide the Board with recommendations on the following:

- Technology (ies) to support the business objectives;
- Performance of all Sentech networks, including sales performance;
- Maintenance and Operations of all Sentech networks; and
- Information Technologies (IT) and Systems (IS).

Composition of Committee

The Committee is constituted by 3 (three) non-executive directors: Mr Mlamli Booi, Mr Thabo Leeuw and Ms Nandi Sihlali and two executive directors: Chief Executive Officer (CEO) and Chief Operations Officer (COO). During the period under review, Mr Frans Lindeque attended the Committee meetings by invitation. The Committee is chaired by Mr Mlamli Booi.

The Executives responsible for "Technology" and "Operations and Maintenance" attended the meetings, by invitation, as and when required.

Human Resources, Affirmative Action, Remuneration and Nominations Committee

Purpose of Committee

The purpose of the Committee is to review and provide the Board with recommendations on the the following:

- Human Resources issues in general, including HR Policies and Procedures, Retention of staff and Employment Equity;
- Remuneration and benefits of non-executive and executive directors, senior management; and
- Nomination of non-executive directors; and
- Recruitment of executive directors.

Composition of Committee
The Committee is constituted by 3 (three) non-executive directors: Adv Nonkumbulo Tshombe, Mr Colin Hickling and Ms Nandi Sihlali; two executive directors: Chief Executive Officer (CEO) and Chief Operations Officer (COO). During the period under review, Mr Frans Lindeque attended the Committee meetings by invitation. The Committee is chaired by Adv Nonkumbulo Tshombe.

The Executive responsible for Human Resources (HR) attended the meetings by invitation, as and when required.

Meetings
The Committee holds 3 (three) meetings a year, and any special meetings as and when necessary. During the year under review, the Committee held 3 (three) meetings and 2 (two) special meetings.

Attendance of meetings: Human Resource, Affirmative action, Remuneration and Nominations Committee

	17.03.06	10.08.06 (Special)	13.09.06	01.11.06 (Special)	13.03.07
Adv Nonkumbulo Tshombe	✓	✓	✓	✓	✓
Mr Colin Hickling	✓	x	✓	✓	✓
Ms Nandi Sihlali	✓	✓	✓	✓	✓
Dr Sebiletso Mokone-Matabane (CEO)	✓	✓	✓	✓	✓

✓ *Attended meeting*
x *Absent from meeting, with apology*

Directors' remuneration
The Shareholder is responsible for determining the remuneration structure for the non-executive directors. With effect from 2 October 2006, the Shareholder provided new guidelines on the remuneration of non-executive directors, which provide for the following:

Guidelines	Chairperson	Other non-executive directors	Chairperson of Board Committees
Annual Retainer	R200 000	R100 000	
Audit and Risk		R6 000	R7 500
HR		R5 000	R6 000
Technology		R5 000	R6 000
Board strategic workshop	R3 000	R3 000	
Committees workshop		R6 000	R8 000

Details on the Directors' remuneration are provided in page 87 of the Annual Financial Statements.

Code of Ethics
The Company has a Code of Ethics and other policies, which regulates the behaviour and conduct of Board members, senior management and the general staff body. Other policies referred to includes amongst others: Policy on Conflict of Interest; Fraud Prevention Plan; Gifts from Suppliers and Customers. The Code of Ethics and other policies have been communicated to staff.

The Company Secretary's office maintains a register, which records all conflicts of interest and gifts received from suppliers and/or customers, irrespective of the price value, received by the directors and senior management. Line managers are expected to maintain a record of all conflict of interests and gifts received by their staff.

All employees are expected to disclose any business interests in entities outside Sentech. This information is kept by HR in their personnel files.

Going concern
The going concern status of Sentech Limited is dealt with on page 58 of the Directors' Report.

Sustainability report
Sentech has structured the Annual Report to include a Sustainability Report, which conforms to the principle of triple bottom line. The information focuses on the economic, social and environmental elements of the business. The Sustainability Report is included on page 18 of the Annual Report.

Risk management
Risk management objectives
The Board is accountable while management is responsible for the total process of risk management implementation. Accordingly, in

Corporate governance continued

2005 the Board approved a Risk Management Strategy and Policy, which was communicated to all employees.

During the financial year under review, the Company continued its implementation of a risk management strategy and ensuring that it becomes part of the organisational culture.

Framework for the risk management process

Sentech's risk management process is based on the framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) called Enterprise Risk Management – Integrated Framework. The framework underpins the process of identifying, assessing and mitigating real and potential threats to the Company's key business objectives and strategic intent. The risk management process is designed to be practical and effective, and cost efficient.

The Company's approved risk management policy is documented in its comprehensive Risk Management Manual. The manual is available to all staff and managers on the Company's Intranet. This document gives practical guidance to staff on identifying, assessing, mitigating and reporting risks. It also defines roles and responsibilities for risk management procedures.

Roles and responsibility for risk management

The Board has delegated the task of monitoring the risk management process to the Audit and Risk Committee. The Executive Committee is responsible for ensuring that all significant risks facing the Company are managed in accordance with the Risk Management Policy Framework. Risk Champions in each business unit support their Executive and act as facilitators for the risk process in their area. Line management is responsible for managing and mitigating risks at the operational level. A Risk Steering Committee plays an oversight role in the design and implementation of the risk management process. The Company's Risk Manager facilitates the risk management process on an enterprise-wide level.

Key Risks

Key strategic risks identified and assessed in the previous financial year are still pertinent. The top five strategic risks facing the Company's achievement of its strategic business objectives are:

1. **Funding**
   The Company lacks funding, or the approval to borrow in the financial markets, to upgrade and expand its telecommunications services networks. The lack of adequate funding is a major factor to enable the Company to control and mitigate its other key strategic risks.
   It plays a major role in the quality of services currently offered to its customers. The Company cannot timeously take advantage of business opportunities within and outside South Africa.

2. **Back-up facilities (Redundancy)**
   The Company is significantly dependent on its single facility housing all its essential equipment for supplying broadcasting and telecommunications services throughout the country (and into other parts of the world). There is no back-up (redundant) facility for all the Company's networks.
   The Company has been unable to build or provide for back-up facilities due to lack of funding. A number of options had been identified to provide for back-up facilities. However, non of the options have been successfully implemented.
   The Company has been in discussions with the Shareholder on this matter and it is reassuring that Cabinet has approved that Sentech build a second teleport as a back-up facility primarily for purposes of 2010 Fifa Soccer World Cup.

3. **Laws, regulations and policy**
   Liberalisation and convergence of the South Africa's communications sector has resulted in major risks to the Sentech business. The Public Finance Management Act 1 of 1999 imposes restrictions with occasional long delays in obtaining the necessary approvals and this affects the Company's ability to timeously take advantage of opportunities in the market. The Company's telecommunications network may not be ready in time to meet the legal intercept regulatory requirements due to lack of funding.

4. **Skills**
   There is a countrywide shortage of technical skills especially in the area of telecommunications. This makes it difficult, and expensive, to fill certain key jobs. Staff trained by Sentech are poached, as the Company is unable to offer the same levels of remuneration as some competitors.

   The average age of staff in the broadcasting section of the business is high and valuable skills will be lost on retirement. Staff needs to be re-equipped with new skills due to the migration to more advanced forms of technology.

5. **Security**
   The Company's operational and information technology networks are vulnerable to attack, intrusion and misuse. A number of key servers are currently not backed up: equipment and data is vulnerable to loss or damage. There are security risks to premises and equipment.

The risks described above constitute a challenge to the Company's ability to meet its desired key strategic business objectives. The Board is optimistic that support in the form of funding will soon be forthcoming from the Shareholder in order to control and mitigate the Company's major risks.

Internal Audit

The Internal Audit activity provides the Board with independent assurance concerning its risk management, control and governance processes. The function reports functionally to the Chairperson of the Audit and Risk Committee and administratively to the Chief Executive Officer. During the period under review, the Board resolved to outsource the function with effect from the 2007/2008 financial year.

Internal Audit Plan

In 2005, the Board approved an Internal Audit Charter. Based on the Charter, the Board approved a 3 (three) year Internal Audit Plan that is reviewed annually. The Board has delegated to the Audit and Risk Committee the responsibility to monitor the implementation of the Internal Audit Plan. Accordingly, the Internal Audit function submits regular reports to the Audit and Risk Committee detailing its performance against the plan. The Internal Audit Plan focused on the following key areas:

- The information systems environment;
- The reliability and integrity of financial and operational information;
- The effectiveness of operations;
- Safeguarding of assets; and
- Compliance with laws, regulations and control.

Internal audits are conducted in accordance with standards set by the Institute of Internal Auditors.

Fraud Prevention Plan

In line with its Fraud Prevention Plan and Policy, the Company has established a whistle blowing service. The Company uses an independent whistle blowing service "Tip-Offs Anonymous" to receive and log complaints from Sentech staff and outsiders. This facility allows staff to anonymously record their concerns regarding potential fraud and ethics violations. These calls are passed on to the Chairperson of the Board and thereafter to the Chief Executive Officer for investigation. All calls received are investigated and action is taken where appropriate.

Investigations

For the period under review, the Company engaged the services of independent forensic consultants on a number of forensic audit assignments. Some of the outcomes of the investigations were addressed through the Company's Disciplinary Code and Procedures whilst others were reported to the South African Police Service (SAPS) as required in terms of the Prevention & Combating of Corrupt Activities Act 12 of 2004.

Report on the disciplinary actions taken against employees, as required in terms of section 51(1)(e) of the Public Finance Management Act 1 of 1999:

Charges	Outcome
1. Absence from work without authorisation	Dismissal
2. Gross-negligence	Final written warning
3. Insolence, abuse of language	Not guilty
4. Mishandling of the petty cash	Dismissal
5. Refusal to obey a lawful instruction	Not guilty
6. Inability to fulfill contractual obligations	Final written warning
7. Insubordination	Not guilty
8. Misappropriation of Company property	Final written warning
9. Gross insubordination	Dismissal
10. Fraud and insubordination	Final written warning
11. Unauthorised and misuse of Company property	Dismissal
12. Absence from work without authorisation	Final written warning
13. Gross insubordination	Dismissal
14. Absence from work without authorisation	Final written warning
15. Absence from work without authorisation	Written warning

Nepad sees learners benefit from Sentech's ICT delivery

The Nepad e-Schools Initiative is an ambitious undertaking with a widespread commitment embracing a diversity of countries and stakeholders to ICT skills to young Africans in secondary schools as a means to improving education. As a member of the Oracle Consortium, Sentech provides the VSAT technology used in the e-schools initiative in South Africa, Ghana, Lesotho, Kenya, Egypt, Gabon and Mali.

Annual financial statements

Contents

Directors' responsibility for financial reporting

The Public Finance Management Act (PFMA) requires the directors to prepare annual financial statements that comply with International Financial Reporting Standards.

The directors are responsible for the Group's system of internal control, which is designed to provide reasonable, but not absolute, assurance against material misstatement and loss. Internal control is broadly defined as a process, effected by a group's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- economical, efficiency and effectiveness of operations;
- internal financial controls; and
- compliance with applicable laws and regulations.

The directors have reviewed the Group's system of internal control for the period from 1 April 2006 to 31 March 2007. The directors are of the opinion that internal controls are adequate and that the financial records can be relied upon for preparing the annual financial statements. The directors are unaware of any significant breakdown in internal controls during the financial period reported on. They believe that the group will continue its operational activities for the foreseeable future, as a going concern.

The financial statements for the year ended 31 March 2007, which appear on pages 58 to 90 were approved by the board or directors on 18 July 2007 and signed on its behalf by:

Mr CK Hickling
Chairperson

Dr S Mokone-Matabane
Chief Executive Officer

Report of the independent auditors

To the Honourable Minister of Communications

Report of the financial statements

We have audited the annual financial statements and Group annual financial statements of Sentech Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 31 March 2007, and the income statement and consolidated income statement, statement of changes in equity and consolidated statement of changes in equity and the cash flow statement and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 64 to 70.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the Public Finance Management Act, 1999 (Act No 1 of 1999) (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and General Notice 645 of 2007, issued in *Government Gazette* No 29919 of 25 May 2007. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

Without qualifying our opinion, we draw attention to the director's report, where the going-concern issue is discussed in further detail.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group as of 31 March 2007, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the PFMA.

The transactions of Sentech and the group that had come to the auditors' attention during auditing were in all material respects in accordance with the mandatory functions of Sentech, as determined by law or otherwise.

Report on other legal and regulatory requirements

Reporting on performance information

We have performed procedures of an audit nature on the performance information set out on pages 18 to 36.

Directors' responsibility for the performance information

The Company's directors have additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

Auditor's responsibility

We conducted our engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No 25 of 2004) read with General Notice 646 of 2007, issued in *Government Gazette* No 29919 of 25 May 2007.

In terms of the foregoing our engagement entailed performing procedures of an audit nature to obtain an understanding of the internal controls relating to performance information, including the related systems, processes and procedures. Our procedures included conducting limited substantive procedures on the performance information. The procedures selected depend on the auditor's judgement.

We believe that the evidence we have obtained provides a basis for reporting material shortcomings in the process, systems and procedures of reporting against predetermined objectives that may come to our attention during the performance of our engagement and that may impact on the public interest, in the findings below:

Findings

There are no significant findings.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: I Reynolds
Registered Auditor
Private bag X2
Sunninghill
2157

SizweNtsaluba VSP

SizweNtsaluba VSP
Partner: A Mashifane
Registered Auditor
PO Box 2939
Saxonwold
2132

18 July 2007

Report of the Audit and Risk Committee

in terms of regulation 27(1)(10)(b) and (c) of the Public Finance Management Act, 1 of 1999, as amended

The Audit and Risk Committee reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, and has regulated its affairs in compliance with this charter, and has discharged all of its responsibilities contained herein.

In conducting its duties, the Audit and Risk Committee has, inter alia, reviewed the following:

- The effectiveness of the internal control systems.
- The effectiveness of the internal audit function.
- The risk areas of the entity's operations covered in the scope of internal and external audits.
- The adequacy, reliability and accuracy of financial information provided by management and other users of such information.
- Accounting and auditing concerns identified as a result of internal and external audits.
- The entity's compliance with legal and regulatory provisions.
- The activities of the internal audit function, including its annual work programme, coordination with external auditors, the reports of significant investigations and the responses of management to specific recommendations.
- The independence and objectivity of external auditors.

The Audit and Risk Committee is of the opinion, based on the information and explanations given by management and the internal audit function and discussions with the independent external auditors on the result of their audits, that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the annual financial statements, and accountability for assets and liabilities maintained.

Nothing significant has come to the attention of the Audit and Risk Committee other than the matters referred to in the directors' report to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Audit and Risk Committee has evaluated the annual financial statements of Sentech Limited and the Group for the year ended 31 March 2007 and, based on the information provided to the Audit and Risk Committee, considers that it complies, in all material respects, with the requirements of the Companies Act 61 of 1973, as amended, and the Public Finance Management Act 1 of 1999, as amended and International Financial Reporting Standards. The Audit and Risk Committee concurs that the adoption of the going-concern premise in the preparation of the annual financial statements is appropriate. At their meeting held on 4 July 2007, the Audit and Risk Committee recommended adoption of the annual financial statements by the board of directors.

Dr L Konar
Chairman of the Audit and Risk Committee

18 July 2007

Statement by Company Secretary

In terms of section 268(G)(d) of the Companies Act 61 of 1973, I certify that the Company has lodged with the Registrar of Companies all such returns as are required of a public Company in terms of the Act, and that all such returns are true, correct and up to date.

Rimasiku

Adv R Imasiku
Company Secretary

18 July 2007

Directors' report

Sentech is an enterprise wholly owned by the State of the Republic of South Africa, as represented by the Minister of Communications. As a State enterprise, Sentech is subject to the Public Finance Management Act, 1 of 1999 (PFMA) and Treasury Regulations.

In terms of the PFMA, the Sentech Board of Directors (referred to as the Accounting Authority), has the responsibility to prepare Annual Financial Statements and ensure that they are audited by the auditors, being PricewaterhouseCoopers Inc and SizweNtsaluba VSP, on a yearly basis.

The Sentech Board has pleasure in presenting the 2006/2007 audited Annual Financial Statements on pages 58 to 90 which fully set out the financial position, the result of operations and cash flows of the Group for the financial year ended 31 March 2007.

A high level financial review of the Company has been performed and included in pages 38 to 44.

The directors wish to highlight the following:

Business of Sentech

Sentech is engaged in the following business activities:

- As a common carrier, the distribution of broadcasting signals for South African broadcasting licensees in accordance with provisions of the Independent Broadcasting Authority 153 of 1993; and
- Since 2002, Multimedia and International Telephony services in terms of the Telecommunications Act 103 of 1996, as amended.

Performance review

The Company has invested available resources in:

- operating and maintaining the current networks (broadcasting, broadband wireless and international telephony);
- implementing phase 1 to replace the current analogue broadcasting network and migrating to digital terrestrial television;
- continuing to pursue alternatives to fund the expansion of the broadband wireless network; and
- evaluating and in some instances pursuing business opportunities within Africa.

The areas of concern still remains the lack of funding to capitalise the business and rollout a national broadband wireless network. The performance of the MyWireless network continues to be a major concern.

Budget versus actual revenue and expenditure (Company)

	Budget 2007 R'000	Actual 2007 R'000	Variance R'000
Revenue	746 607	723 224	(23 383)
Operating expenditure	771 483	724 371	47 112
Operating loss	24 876	1 147	23 729
Net finance cost	15 715	21 169	(5 454)
Net loss before taxation	40 591	22 316	18 275

Comments on the variances are included in the Financial Review.

Going concern status

The Board believes that the Company is a going concern despite the concern over current liquidity difficulties.

During the year under review, Government paid R95 million allocated in the 2006 Budget Speech to rollout phase 1 of the migration from analogue broadcasting infrastructure to digital and part payment to settle the SABC loan. Given this, further funding allocations in the 2007 Budget Speech and comments made in the recent months by Government, the Board is confident that the current liquidity difficulty will be addressed and resolved.

Subsidiaries and joint ventures

Sentech has four subsidiaries that constitute the Sentech Group:

Infohold (Pty) Limited

(Registered in terms of the laws of South Africa)

Infohold (Pty) Limited is the Holding Company for Infosat (Pty) Limited. Sentech owns 100% of the shares in Infosat (Pty) Limited.

The directors of the company during the year under review were Colin Hickling and Sebiletso Mokone-Matabane.

InfoSat (Pty) Limited

(Registered in terms of the laws of South Africa)

Infosat (Pty) Limited is a provider of value added business solutions, on an IP platform, to customers both within the borders of South Africa and to neighbouring states. The company is a wholly owned subsidiary of Infohold (Pty) Limited.

The directors of the company during the year under review were Colin Hickling and Sebiletso Mokone-Matabane.

Vivid Multimedia (Pty) Limited

(Registered in terms of the laws of South Africa)

Vivid Multimedia (Pty) Limited was established with the purpose of exploring the "Pay TV" market. The company is wholly owned by Sentech and still remains dormant.

The directors of the company during the year under review were Colin Hickling and Sebiletso Mokone-Matabane.

Sentech International (Pty) Limited

(Registered in terms of the laws of South Africa)

This subsidiary was established for the purposes of exploring broadcasting and telecommunications business opportunities in other parts of the African continent. The company is wholly owned by Sentech.

The directors of the company during the year under review were Colin Hickling and Sebiletso Mokone-Matabane.

The Company continues to hold 70% shareholding in a Kenyan company called Trunking System Limited, which had been issued with a telecommunications licence. TSL is currently not operational.

Dividends

No dividends have been declared or paid during the review period.

Share capital

There has been no movement in the share capital of the Company and the subsidiaries during the period under review.

Fixed assets

During the financial year under review fixed assets acquired amounted to R111 657 (R36 120 – 2006) and disposals totalled R2 565 (R2 218 – 2006).

Profits and losses of subsidiaries

Infohold Pty (Limited), holding company of Infosat Pty (Limited) is the only active subsidiary in the Group and recorded the following results:

	2007 R'000	2006 R'000
(Loss)/Profit after taxation	**(192)**	2 399

Directors, Company Secretary and auditors

The directors of Sentech Limited, during the year under review:

Mr Colin Hickling	Non-executive Chairperson
Dr Sebiletso Mokone-Matabane	Chief Executive Officer
Mr Gladwin Marumo	Chief Operations Officer (resigned: 13 May 2006)
Mr Mohammed Siddique Cassim	Chief Financial Officer (appointed: 1 May 2006)
Mr Mlamli Booi	Non-executive director
Ms Jacqui Kilani	Non-executive director (appointed: 1 December 2006; resigned 28 May 2007)
Dr Len Konar	Non-executive director
Mr Thabo Leeuw	Non-executive director
Ms Nandi Sihlali	Non-executive director
Adv Nonkumbulo Tshombe	Non-executive director

The Company Secretary of Sentech Limited and its subsidiaries, during the year under review:

Adv Rachel Imasiku

The auditors of Sentech Limited and its subsidiaries, during the year under review:

PricewaterhouseCoopers Inc

SizweNtsaluba VSP

External Auditors

In terms of the Public Audit Act 25 of 2004, the Auditor-General is responsible for conducting Sentech's annual financial audits. However, due to limited resources, the Auditor-General had agreed for Sentech to appoint new auditors or reappoint its current auditors for another year (2007/08 financial year). At the Annual General meeting held on 5 September 2006, the Shareholder reappointed SizweNtsaluba VSP and PriceWaterhouseCoopers Inc. for another year.

Audit Remuneration

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
Audit fees	**1 507**	202	**1 507**	202
Fees for other services	**203**	59	**203**	59

Balance sheets

as at 31 March 2007

		Group		Company	
	Notes	**2007 R'000**	2006 R'000	**2007 R'000**	2006 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**885 641**	713 541	**885 641**	713 541
Intangible assets	5	**18 322**	19 646	**18 322**	19 646
Investments in subsidiaries	6	**–**	–	**1**	1
Long-term portion of trade receivables	8	**7 963**	15 503	**7 803**	15 503
		911 926	748 690	**911 767**	748 691
Current assets					
Inventories	7	**11 357**	9 173	**11 359**	9 173
Trade and other receivables	8	**42 610**	60 149	**41 038**	59 224
Loans to subsidiaries	24	**–**	–	**30 390**	23 207
Cash and cash equivalents	9	**93 781**	14 939	**93 291**	14 745
		147 748	84 261	**176 078**	106 349
Total assets		**1 059 674**	832 951	**1 087 845**	855 040
EQUITY					
Capital and reserves attributable to the equity holders of the Company					
Ordinary shares	10	**2**	2	**2**	2
Share premium	10	**75 890**	75 890	**75 890**	75 890
Other reserves	11	**443 524**	337 660	**443 524**	337 660
Accumulated losses		**(38 577)**	(16 993)	**(40 417)**	(18 887)
Total equity		**480 839**	396 559	**478 999**	394 665
LIABILITIES					
Non-current liabilities					
Borrowings	13	**168 752**	194 191	**168 752**	194 191
Deferred income tax liabilities	14	**46 349**	4 952	**46 349**	4 952
Deferred income – government grants	15	**96 258**	2 059	**96 258**	2 059
Retirement benefit obligations	16	**71 469**	69 328	**71 469**	69 328
Long-term portion of trade and other payables	12	**12 250**	–	**12 250**	–
		395 078	270 530	**395 078**	270 530
Current liabilities					
Trade and other payables	12	**159 184**	134 978	**156 957**	130 819
Loans from subsidiaries	24	**–**	–	**32 238**	28 142
Short-term portion of long-term borrowings	13	**24 574**	30 884	**24 574**	30 884
		183 757	165 862	**213 768**	189 845
Total liabilities		**578 835**	436 392	**608 846**	460 375
Total equity and liabilities		**1 059 674**	832 951	**1 087 845**	855 040

Income statements
for the year ended 31 March 2007

		Group		Company	
	Notes	**2007 R'000**	2006 R'000	**2007 R'000**	2006 R'000
Revenue	27	**729 824**	668 831	**723 224**	665 470
Cost of sales		**(536 267)**	(475 599)	**(529 730)**	(474 915)
Gross profit		**193 556**	193 232	**193 494**	190 555
Selling expenses		**(8 023)**	(24 180)	**(8 023)**	(24 180)
Administrative expenses		**(83 685)**	(98 642)	**(83 554)**	(98 642)
Other operating expenses		**(103 060)**	(133 102)	**(103 063)**	(132 809)
Operating loss		**(1 212)**	(62 692)	**(1 147)**	(65 076)
Finance income	19	**9 556**	3 531	**9 558**	3 516
Finance costs	19	**(30 714)**	(26 195)	**(30 727)**	(26 195)
Loss before taxation		**(22 370)**	(85 356)	**(22 316)**	(87 755)
Income tax	20	**786**	11 336	**786**	11 336
Loss for the year		**(21 584)**	(74 020)	**(21 530)**	(76 419)
Attributable to equity holder of the Company		**(21 584)**	(74 020)	**(21 530)**	(76 419)

Statements of changes in equity

for the year ended 31 March 2007

	Note	Share capital R'000	Share premium R'000	Cash flow hedge revaluation reserve R'000	Revaluation and other reserves R'000	Accu-mulated funds R'000	Total R'000
GROUP							
Balance at 1 April 2005		2	75 890	(1 870)	332 915	57 027	463 964
Fair value gains net of tax:							
– land and buildings	11	–	–	–	4 745	–	4 745
Cash flow hedges net of tax	11	–	–	1 870	–	–	1 870
Net income/(expense) recognised directly in equity		–	–	1 870	4 745	–	6 615
Loss for the year		–	–	–	–	(74 020)	(74 020)
Total recognised income and expense for 2006		–	–	1 870	4 745	(74 020)	(67 405)
Balance at 31 March 2006		2	75 890	–	337 660	(16 993)	396 559
Balance at 1 April 2006		2	75 890	–	337 660	(16 993)	396 559
Fair value gains net of tax:							
– land and buildings	11	–	–	–	**105 864**	–	**105 864**
Net income recognised directly in equity		–	–	–	**105 864**	–	**105 864**
Loss for the year						**(21 584)**	**(21 584)**
Total recognised income and expense for 2007		–	–	–	**105 864**	**(21 584)**	**84 280**
Balance at 31 March 2007		**2**	**75 890**	–	**443 524**	**(38 577)**	**480 839**
COMPANY							
Balance at 1 April 2005		2	75 890	(1 870)	332 914	57 533	464 469
Fair value gains net of tax:							
– land and buildings	11	–	–	–	4 745	–	4 745
Cash flow hedges, net of tax	11	–	–	1 870	–	–	1 870
Net income/(expense) recognised directly in equity	11	–	–	1 870	4 745	–	6 615
Loss for the year		–	–	–	–	(76 419)	(76 419)
Total recognised income and expense for 2006		–	–	1 870	4 745	(76 419)	(69 804)
Balance at 31 March 2006		2	75 890	–	337 659	(18 886)	394 665
Balance at 1 April 2006		2	75 890	–	337 659	(18 886)	394 665
Fair value gains net of tax:							
– land and buildings	11	–	–	–	**105 864**		**105 864**
Net income recognised directly in equity		–	–	–	**105 864**	–	**105 864**
Loss for the year						**(21 530)**	**(21 530)**
Total recognised income and expense for 2007		–	–	–	**105 864**	**(21 530)**	**84 334**
Balance at 31 March 2007		**2**	**75 890**	–	**443 523**	**(40 416)**	**478 999**

Cash flow statements

for the year ended 31 March 2007

		Group		Company	
	Notes	**2007 R'000**	2006 R'000	**2007 R'000**	2006 R'000
Cash flows from operating activities					
Cash generated from/(utilised in) operations	22	**131 402**	(62 264)	**134 045**	(68 526)
Interest paid	19	**(30 714)**	(26 195)	**(30 727)**	(26 195)
Income tax	20	**786**	–	**786**	–
Net cash generated from/(utilised) in operating activities		**101 474**	(88 459)	**104 103**	(94 721)
Cash flows from investing activities					
Purchases of property, plant and equipment (PPE)					
– to maintain operations	4	**(111 657)**	(28 425)	**(111 657)**	(28 425)
Proceeds from sale of PPE	4	**2 739**	3 002	**2 739**	2 995
Decrease in long-term loan		**–**	2 484	**–**	2 484
Decrease in long-term portion of trade receivables		**7 540**	–	**7 700**	–
Increase in loan to subsidiary	24	**–**	–	**(7 183)**	(7 262)
Interest received	19	**9 556**	3 531	**9 558**	3 516
Increase/(decrease) in government grants		**95 000**	(9 052)	**95 000**	(9 052)
Net cash generated from/(utilised in) investing activities		**3 177**	(28 460)	**(3 844)**	(35 744)
Cash flows from financing activities					
(Repayment of)/proceeds from borrowings	13	**(31 749)**	3 547	**(31 749)**	3 547
Increase in loan from subsidiary	24	**–**	–	**4 096**	14 163
Decrease in short-term portion of long-term borrowings		**(6 310)**	–	**(6 310)**	–
Increase in long-term portion of trade and other payables		**12 250**	–	**12 250**	–
Net cash (utilised in)/generated from financing activities		**(25 809)**	3 547	**(21 713)**	17 710
Net increase/(decrease) in cash and cash equivalents		**78 842**	(113 372)	**78 546**	(112 755)
Cash and cash equivalents at beginning of the year	9	**14 939**	128 311	**14 745**	127 500
Cash and cash equivalents at the end of the year	9	**93 781**	14 939	**93 291**	14 745

Notes to the annual financial statements

for the year ended 31 March 2007

1. General information

Sentech Limited ('the Company') and its subsidiaries (together 'the Group') provides broadcasting, telecommunications and broadband services. The Company has transmission stations across the country and provides services mainly within the South African borders. The Company is a limited liability company incorporated and domiciled in South Africa. The address of its registered office is Augusta House, Fourways Golf Park, Roos Street, Fourways. These group consolidated financial statements and annual financial statements were authorised for issue by the Board of Directors on 18 July 2007.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The annual financial statements of Sentech Limited have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the South African Companies Act No 61 of 1973, as amended, and the Public Finance Management Act (No 1 of 1999 as amended by Act 29 of 1999). The Group and Company annual financial statements have been prepared under the historical cost basis, except for land and buildings which are measured at revalued amounts and available-for-sale financial assets and financial instruments (including derivative instruments) at fair value through profit and loss, which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements, are disclosed in note 2.3.

Interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorisation of these annual financial statements, the following standards and interpretations were in issue, but not yet effective:

IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006).

IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2;

IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on the Group's accounts.

IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006).

IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities have changed the terms of their contracts, IFRIC 9 is not relevant to the Group's operations.

IFRS 7 (AC 144), "Financial Instruments – Disclosure" This requires additional disclosures with respect to the Group's financial instruments and share capital.

AC 502 – Substantively Enacted Tax Rates and Tax Laws

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Goodwill
On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values. Goodwill represents the excess of cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss. The interest of minority shareholders is initially stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Goodwill arising on acquisition before the date of transition to IFRS has been retained at the previous GAAP amounts subject to being tested for impairment at that date.

The purchase method is used for all business combinations.

2.3 Critical accounting estimates and judgements

(a) Policies
In preparing the financial statements, management is required to make judgements about accounting policies, estimates and assumptions that affect the amounts represented in the financial statements and related disclosures.

(b) Estimates
The key assumptions concerning the future and other key sources of estimation of uncertainty at balance sheet dates, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Other than motor vehicles, all property, plant and equipment are assumed to have a minimal residual value as they will be used until the end of their economic life. The method used to calculate deemed cost is determined to be:

(i) fair value; or
(ii) cost or depreciated cost under IFRS, adjusted to reflect, for example, changes in a general or specific price index.

2.4 Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation, which are recognised in equity.

2.5 Property, plant and equipment

Land and buildings comprise mainly transmitter stations and offices. Land and buildings are stated at revalued amounts, based on periodic valuations by external independent valuers, less subsequent accumulated depreciation (see below) and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount and the net amount is restated to the revalued amount.

Increases in the carrying value arising on the revaluation of land and buildings (revaluation surpluses) are credited to other reserves in shareholders' equity. Decreases in the carrying value that offset previous increases are charged against other reserves in shareholders' equity. All other decreases in excess of revaluation surpluses are recognised directly in profit or loss. Each year, the difference between depreciation based on the revalued carrying value of the asset charged to the income statement and deprecation based on the asset's original cost is transferred from other reserves to retained earnings/(accumulated loss).

When revalued land and buildings are sold, the revaluation surpluses included in other reserves are transferred to retained earnings/(accumulated loss).

Other items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

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The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds on sale to the carrying amount, and are recognised within other (losses)/gains – net, in the income statement.

Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and/or the Group and its cost can be measured reliably. When parts are replaced, the carrying amount of the old part is derecognised and if the replacement part is capitalised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment to estimated residual value. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are currently as follows:

Expected useful lives of property, plant and equipment

	Years
Buildings	40
Improvements to leasehold premises	20
Motor vehicles	5
Computer, network and office equipment	2 to 5
Monitoring equipment	5 to 10
Technical equipment	10 to 20

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

2.6 Intangible assets

(a) Licences
Licences are showed at historical cost. Intangible assets are amortised on a straight-line basis over their estimated useful lives, which is the period of the licences, ranging from 15 to 25 years. The directors assess the carrying value of each intangible asset annually and revisions are made where it is considered necessary (impairment testing).

(b) Computer software
Expenditure associated with the development of identifiable and unique software products is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group or Company intends to and has sufficient resources to complete development and to use or sell the software product. The expenditure capitalised includes the cost of materials, direct labour and normal overhead costs that are directly attributable to preparing the software product for its intended use. Other development expenditure is recognised in profit or loss when incurred.

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives, which is currently two years.

The amortisation period, residual value and amortisation method are reviewed at each reporting period.

2.7 Financial assets

The Group and Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (note 2.11).

2.8 Impairment of financial and non-financial assets

(i) Financial assets
A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset (that is considered to be impaired), recognised previously in equity is transferred profit or loss.

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An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets
The carrying amounts of the Company's and/or Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.9 Financial instruments and hedging activities

Financial instruments

(a) Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, (except as described below). Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company and/or Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's and/or Group's contractual rights to the cash flows from the financial assets expire or if the Company and/or Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, ie, the date that the Company and/or Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's and/or Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are stated at fair value.

Available-for-sale financial assets
The Company's and/or Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 2.7), and foreign exchange gains and losses on available-for-sale monetary items (see note 2.4), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss. Investments at fair value through profit or loss.

Investments at fair value through profit and loss
An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company and/or Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other
Other non-derivative financial instruments (such as trade and other receivables and payables) are measured at amortised cost using the effective interest method, less any impairment losses.

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(b) Derivative financial instruments
The Company and/or Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair value hedges
Economic hedges
Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

Separable embedded derivatives
Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Offset
Financial assets and financial liabilities are offset only if the Company and/or Group currently has a legally enforceable right to set off the recognised amounts and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.10 Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business.

2.11 Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. A allowance for impairment of trade receivables is established when there is objective evidence that the Group or Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than normal days allowed in terms of company credit policy) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an impairment provision account, and the amount of the loss is recognised in the income statement within administration costs. When a trade receivable is uncollectible, it is written off against the impairment provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against accounts receivable recovered account in the income statement.

2.12 Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.13 Share capital
Ordinary shares are classified as equity.

2.14 Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group or Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Income tax expense
Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries and jointly controlled entities to the extent that the timing of reversal is controlled by the Group and it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

2.17 Employee benefits
(a) Short-term benefits
The cost of all short-term employee benefits is recognised during the period in which services are rendered. Employee entitlements to annual leave and long service leave are recognised when they accrue to employees in respect of past services rendered up to balance sheet date. This obligation is not discounted.

(b) Retirement benefits
The Company operates both defined benefit (Sentech Pension Fund) and defined contribution (Sentech Retirement Fund) plans for all its employees. The assets of both funds are held in separate trustee-administered funds located in South Africa. Both plans are funded from contributions made by employees and the Company.

Contributions to the defined contribution plan are expensed as incurred. The Projected Unit Credit Method is used to determine the present value of the defined benefit plan obligation, related current service cost and, where applicable, past service cost. An independent actuary performs annual valuations. This method recognises expected costs of providing benefits over the employee's period of service to the Company. Actuarial gains and losses are recognised in profit or loss. Past service costs are expensed on a straight-line basis until benefits become vested. Past service costs relating to vested benefits are recognised immediately.

The Company provides post-retirement healthcare benefits to its retirees and operates an unfunded defined benefit plan. The entitlement to post-retirement health care benefits is based on service to retirement age. The Projected Unit Credit Method is used to determine the present value of the defined benefit obligation, related current service cost and, where applicable, past service cost. An independent actuary performs annual valuations. Actuarial gains and losses are recognised in profit or loss. Past service costs are expensed on a straight-line basis until the benefits become vested. Past service costs relating to vested benefits are recognised immediately.

2.18 Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group or Company's activities.

The Group and Company recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group and Company base its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods
The Group and Company sell a range of broadcasting and telecommunication products. Sales of goods are recognised when a group entity has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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Customers have a right to return faulty products in the market. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with the market practice.

(b) Sales of services
The Group and Company sell broadcasting and transmission services. These services are provided on a time basis or as a fixed-price contract, with contract terms generally ranging from less than one year to three years.

Revenue from time and material contracts, is recognised at the contractual rates as labour hours are delivered and direct expenses incurred.

Revenue from fixed-price contracts for delivering design services is recognised under the percentage-of-completion (POC) method. Under the POC method, revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress towards completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

2.19 Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.20 Government grants
Government grants, including non-monetary grants, are recognised at fair value when there is reasonable assurance that the conditions attached will be complied with and that the grant will be received.

Two different type of grants exist:

- Grants that relate to the acquisition of assets, which are deducted from the related assets as the assets are completed and are recognised as a reduction of the amortisation charge.
- Grants that relate to specific projects, which are deferred and then recognised as income over the periods necessary to match them to the related costs.

3. Financial risk management
Derivative instruments
Objectives
The Company uses certain derivative instruments to manage its exposure to adverse movements in foreign currencies in order to reduce uncertainty over future cash flows. A treasury policy manual regulates all aspects of treasury operations. The treasury risk management team sets treasury strategy and monitors treasury operations.

Fair value
Financial instruments and other financial liabilities are carried at fair value, except for non-derivative financial liabilities and receivables carried at amortised cost.

Other financial instruments
Other financial instruments consist of trade payables and trade receivables and borrowings. Where applicable, the terms and conditions that could affect the amount, timing and certainty of future cash flows have been disclosed in each note.

Market risk
Market risk comprises the risk of increased costs and higher-than-planned cash outflows resulting from adverse movements in foreign currencies and interest rates.

Currency risk
The company is exposed to foreign currency purchases of:
- inventories;
- capital equipment; and
- satellite transponder capacity.

The use of financial instruments, to manage the risk of currency volatility, is limited at present to forward foreign exchange contracts. The Group's policy is to review all foreign currency liabilities and all satellite lease rental obligations for a period of up to one year. The Company also enters into forward foreign exchange contracts to hedge future foreign revenue.

At year-end only future satellite lease rental obligations were hedged with forward foreign exchange contracts. These transactions are accounted for as cash flow hedges. This has the effect that gains and losses on favourable or unfavourable contracts are deferred until the maturity of the contract when they are recognised in or charged against profit or loss.

Losses and gains arising from the restatement of forward foreign exchange contracts, are deferred until the underlying position is recognised. This will occur in the next financial period.

Foreign trade receivables and payables on 31 March 2007 include aggregate net receivables of R18,2 million (2006: R20,6 million).

The following US dollar satellite rental commitments exist at year end:

	$'000	R'000
0 – 12 months	9 084	66 041
1 – 2 years	9 084	66 041
2 – 3 years	9 084	66 041
4 years and longer	4 542	33 020
	31 794	231 142
2006	36 894	228 744

The US dollar commitments are translated into rands at the year-end spot rate of R7,27. The table represents the Company's rental commitments to Intelsat Corporation.

Interest rate risk
The Group is exposed to fluctuations in interest rates (ie cash flow interest rate risk) on its borrowings and investments. It does not at present hedge its exposure to adverse interest rate movements. The effect of a one percent movement in interest rates on current interest-bearing borrowings is R0,2 million per annum.

Counterparty risk
The Company is exposed to the risks of:
- default by issuers of derivative instruments purchased/sold; and
- cession of business activities by its major lenders and financial institutions with whom it has invested surplus funds.

Treasury Policy regulates the types of financial institutions the Group may deal with and limits the amount of funds that can be invested with any one bank. Derivative instruments are purchased from the major South African financial institutions. It is considered unlikely that the SABC, ICASA and DBSA, which is owed R5 million, R9 million and R130 million respectively, will cease business as they are also wholly owned entities of the South African Government, and thus force repayment of the loan.

Credit risk
Credit risk comprises the risk of customer default and the risk that conditions in foreign countries might adversely affect the ability of counter parties in that country to meet their obligations.

Credit controls are in place; new customers are first vetted by a credit checking agency and periodically thereafter. Foreign customers may be called upon to pay in advance.

The following debtors have been long outstanding and there is doubt regarding their recoverability. These debtors have been fully provided for.

	Group		Company	
	Overdue 2007 R'000	**Provided 2007 R'000**	Overdue 2006 R'000	Provided 2006 R'000
Facility rentals	**1 169**	**1 169**	6	6
Broadcasters	**11 916**	**11 916**	13 047	13 047
VSAT	**1 849**	**1 849**	1 793	1 793
MyWireless	**202**	**202**	523	476
Long-term loan	**2 500**	**2 500**	2 500	2 500
	17 636	**17 636**	17 869	17 822

High level negotiations are under way and the Company will terminate services if no progress is made. The Company's trade receivables' impairment allowance decreased to R17,6 million (2006: R18 million) and the Group to R17,3 million (2006: R17,8 million).

Liquidity risk
Liquidity risk constitutes the risk that there are insufficient funds or marketable assets to enable the group to settle its obligations in the ordinary course of business activities.

The Company monitors cash and ensures that it has sufficient credit facilities available to meet future cash requirements. New borrowings require approval from the Ministry of Communications with the concurrence of the Ministry of Finance.

			Company	
			2007 R'000	2006 R'000
Unutilised borrowing facilities				
– general			**59 000**	63 750
– derivative instruments			**18 175**	37 000
Maturity profile of debt	**1 year R'000**	**2 to 5 years R'000**	**>5 years R'000**	**Total R'000**
Interest-bearing debt	24 574	168 752	–	193 326
Operating rental commitments	118 146	226 976	769	345 891
	142 720	395 728	769	539 217

Group	Land and buildings R'000	Motor vehicles R'000	Computer, technical and office equipment R'000	Capital work in progress R'000	Total R'000
4. Property, plant and equipment					
At 1 April 2005					
Cost or valuation	435 373	17 282	704 288	98 925	1 255 868
Accumulated depreciation	126 549	7 830	360 477	–	494 856
Carrying amount	308 824	9 452	343 811	98 925	761 012
Year ended 31 March 2006					
Opening net book amount	308 824	9 452	343 811	98 925	761 012
Additions	11 874	6 311	17 935	–	36 120
Disposals (note 24)	(39)	(1 487)	(2 252)	(910)	(4 688)
Transfers	40	(47)	7	(400)	(400)
Depreciation charge (note 19)	(17 413)	(2 649)	(50 141)	(8 300)	(78 503)
Closing carrying amount	303 286	11 580	309 360	89 315	713 541
At 31 March 2006					
Cost or valuation	446 956	19 579	705 213	97 615	1 269 363
Accumulated depreciation	(143 670)	(7 999)	(395 853)	(8 300)	(555 822)
Carrying amount	303 286	11 580	309 360	89 315	713 541
Year ended 31 March 2007					
Opening net book amount	**303 286**	**11 580**	**309 360**	**89 315**	**713 541**
Revaluation surplus (note 12)	**154 415**	**(130)**	**(10 204)**	**–**	**144 081**
Additions	**11 480**	**89**	**57 581**	**42 506**	**111 657**
Disposals (note 24)	**(727)**	**(862)**	**(976)**	**–**	**(2 565)**
Transfers	**(69)**	**(1 485)**	**10 960**	**–**	**9 407**
Depreciation charge (note 19)	**(23 540)**	**498**	**(60 933)**	**(6 504)**	**(90 480)**
Closing carrying amount	**444 845**	**9 690**	**305 789**	**125 317**	**885 641**
At 31 March 2007					
Cost or valuation	**611 189**	**15 756**	**757 249**	**140 521**	**1 524 715**
Accumulated depreciation	**(166 344)**	**(6 066)**	**(451 459)**	**(15 204)**	**(639 074)**
Carrying amount	**444 845**	**9 690**	**305 789**	**125 317**	**885 641**

4. Property, plant and equipment (continued)

Company	Land and buildings R'000	Motor vehicles R'000	Computer, technical and office equipment R'000	Capital work in progress R'000	Total R'000
At 1 April 2005					
Cost or valuation	435 373	17 282	692 037	98 925	1 243 617
Accumulated depreciation	126 549	7 830	348 925	–	483 304
Carrying amount	308 824	9 452	343 112	98 925	760 313
Year ended 31 March 2006					
Opening net book amount	308 824	9 452	343 112	98 925	760 313
Additions	11 874	6 311	17 935	–	36 120
Disposals (note 24)	(39)	(1 487)	(1 553)	(910)	(3 989)
Transfers	40	(47)	7	(400)	(400)
Depreciation charge (note 19)	(17 413)	(2 649)	(50 141)	(8 300)	(78 503)
Closing carrying amount	303 286	11 580	309 360	89 315	713 541
At 31 March 2006					
Cost or valuation	446 956	19 579	705 213	97 615	1 269 363
Accumulated depreciation	(143 670)	(7 999)	(395 853)	(8 300)	(555 822)
Carrying amount	303 286	11 580	309 360	89 315	713 541
Year ended 31 March 2007					
Opening net book amount	**303 286**	**11 580**	**309 360**	**89 315**	**713 541**
Revaluation	**154 415**	**(130)**	**(10 204)**	**–**	**144 081**
Additions	**11 480**	**89**	**57 581**	**42 506**	**111 657**
Disposals (note 24)	**(727)**	**(862)**	**(976)**	**–**	**(2 565)**
Transfers	**(69)**	**(1 485)**	**10 960**	**–**	**9 407**
Depreciation charge (note 19)	**(23 540)**	**498**	**(60 933)**	**(6 504)**	**(90 480)**
Closing carrying amount	**444 845**	**9 690**	**305 789**	**125 317**	**885 641**
At 31 March 2007					
Cost or valuation	**611 189**	**15 756**	**757 249**	**140 521**	**1 524 715**
Accumulated depreciation	**(166 344)**	**(6 066)**	**(451 459)**	**(15 204)**	**(639 074)**
Carrying amount	**444 845**	**9 690**	**305 789**	**125 317**	**885 641**

The Group's land and buildings were last revalued on 31 March 2007 by the directors in conjunction with the Property Partnership. Details of the Group and Company's land and buildings are available for inspection at the Company's head office.

Valuations were made on the basis of comparative land sales. The revaluation surplus net of applicable deferred income taxes was credited to revaluation and other reserves in shareholders' equity (note 11).

Depreciation expense of R69 710 (2006: R60 072) has been charged in cost of goods sold and R20 770 (2006: R18 431) in other operating expenses.

Lease rentals amounting to R71 793 (2006: R73 431) relating to the operating lease of machinery and property, are included in the income statement (note 17).

Notes to the annual financial statements
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for the year ended 31 March 2007

	Company 2007 R'000	Company 2006 R'000
4. Property, plant and equipment (continued)		
If land and buildings were stated on the historical cost basis, the amounts would be as follows:		
Cost	**521 471**	412 379
Accumulated depreciation	**(171 953)**	(119 137)
Revaluation	**364 206**	220 125
Carrying amount	**713 724**	513 367

With the exception of motor vehicles leased under finance leases, all land and buildings, plant and equipment are not encumbered.

	Group Licences R'000	Company Licences R'000
5. Intangible assets		
At 1 April 2005		
Cost	24 833	24 833
Accumulated amortisation and impairment	(3 863)	(3 863)
Carrying amount	20 970	20 970
Year ended 31 March 2006		
Opening net book amount	20 970	20 970
Amortisation charge (note 25)	(1 324)	(1 324)
Closing carrying amount	19 646	19 646
At 31 March 2006		
Cost	24 833	24 833
Accumulated amortisation and impairment	(5 187)	(5 187)
Carrying amount	19 646	19 646
Year ended 31 March 2007		
Opening net book amount	**19 646**	**19 646**
Amortisation charge (note 25)	**(1 324)**	**(1 324)**
Closing carrying amount	**18 322**	**18 322**
At 31 March 2007		
Cost	**24 833**	**24 833**
Accumulated amortisation and impairment	**(6 511)**	**(6 511)**
Carrying amount	**18 322**	**18 322**

The licences relate to Multimedia and Carrier of Carriers and are amortised on a straight-line basis over their anticipated useful lives, for which the period ranges from 15 to 25 years.

The carrying amounts and remaining amortisation periods individually are R10 million (22 years) and R8,3 million (12 years) respectively.

Impairment tests for licences
The directors have assessed the carrying value of each intangible asset and impairment is not considered necessary.

	Company 2007 R'000	Company 2006 R'000
6. Investments in subsidiaries		
Beginning of year	1	1
End of year	1	1

The Group's share of the results of its principal subsidiaries, all of which are unlisted, and its share of the assets (including goodwill and liabilities) are as follows:

Name	Country of incorporation	Assets R'000	Liabilities R'000	Revenues R'000	Profit/ (loss) R'000	% interest held R'000
2006						
Infohold (Pty) Limited	Republic of South Africa	29 252	27 368	9 962	2 398	100
Vivid Multimedia (Pty) Limited	Republic of South Africa	–	–	–	–	100
Sentech International (Pty) Limited	Republic of South Africa	–	–	–	–	100
		29 252	27 368	9 962	2 398	
2007						
Infohold (Pty) Limited	Republic of South Africa	33 219	31 374	6 600	(192)	100
Vivid Multimedia (Pty) Limited	Republic of South Africa	–	–	–	–	100
Sentech International (Pty) Limited	Republic of South Africa	–	–	–	–	100
		33 219	31 374	6 600	(192)	

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
7. Inventories				
Merchandise for resale	11 357	9 173	11 359	9 173
Inventory impairment included above	5 679	1 950	5 618	1 888

The cost of inventory impairment recognised as expense and included in cost of sales amounted to R3,7 million (2006: R1,95 million).
No inventory has been encumbered.

Notes to the annual financial statements
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for the year ended 31 March 2007

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
8. Trade and other receivables				
Trade receivables	**44 576**	64 261	**42 972**	63 428
Less: allowance for impairment of receivables	**(17 636)**	(18 001)	**(17 338)**	(17 821)
Trade receivables – net	**26 940**	46 260	**25 634**	45 607
Prepayments and deposits	**7 966**	6 909	**7 700**	6 637
Long-term loans	**7 963**	15 503	**7 803**	15 503
Receivables from related parties (note 24)	**7 704**	6 980	**7 704**	6 980
	50 573	75 652	**48 841**	74 727
Less: non-current portion	**(7 963)**	(15 503)	**(7 803)**	(15 503)
Current portion	**42 610**	60 149	**41 038**	59 224
The fair values of trade and other receivables are as follows:				
Trade receivables	**26 940**	46 260	**25 634**	45 607
Prepayments	**7 966**	6 909	**7 700**	6 637
Receivables from related parties	**7 704**	6 980	**7 704**	6 980
	42 610	60 149	**41 038**	59 224
The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:				
Currency	**R**	R	**R**	R
US dollar	**6 912**	7 804	**6 912**	7 804
UK pound	**3 257**	2 765	**3 257**	2 765
Euro	**6 163**	7 870	**6 163**	7 870
SA rand	**34 241**	57 213	**32 509**	56 288
	50 573	75 652	**48 841**	74 727
Movements on the provision for impairment of trade receivables are as follows:				
At 1 April 2006	**18 001**	13 870	**17 821**	13 400
(Reversal of)/provision for receivables impairment	**(365)**	1 593	**(483)**	1 883
Receivables provided for during the year as uncollectible	**–**	2 538	**–**	2 538
At 31 March 2007	**17 636**	18 001	**17 338**	17 821

The creation and release of allowance for impairment of receivables have been included in administration costs in the income statement (note 17). Unwinding of discount is included in finance costs in the income statement (note 19).

The other classes within trade and other receivables are not impaired. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
9. Cash and cash equivalents				
Cash at bank and on hand	**49 563**	2 110	**49 072**	1 916
Short-term bank deposits	**44 218**	12 829	**44 218**	12 829
	93 781	14 939	**93 291**	14 745
Cash and cash equivalents include the following for the purposes of the cash flow statement:				
Cash and cash equivalents	**93 781**	14 939	**93 291**	14 745
	93 781	14 939	**93 291**	14 745
10. Share capital and share premium				
Authorised				
100 000 ordinary shares of R1 each	**100**	100	**100**	100
Issued				
2 000 ordinary shares of R1 each	**2**	2	**2**	2
Share premium	**75 890**	75 890	**75 890**	75 890
Total issued capital and premium	**75 892**	75 892	**75 892**	75 892

The shareholder (the Minister of Communications) controls unissued shares. The company has one class of ordinary shares which carry no right to fixed income.

	Group: Gain on waiver of SABC loan R'000	Group: Revaluation of land and buildings R'000	Group: Total R'000	Company: Gain on waiver of SABC loan R'000	Company: Revaluation of land and buildings R'000	Company: Total R'000
11. Other reserves						
Balance at 1 April 2005	88 614	244 300	332 914	88 614	244 300	332 914
Revaluation	–	4 746	4 746		4 746	4 746
Balance at 31 March 2006	88 614	249 046	337 660	88 614	249 046	337 660
Revaluation	–	**105 864**	**105 864**	–	**105 864**	**105 864**
Balance at 31 March 2007	**88 614**	**354 910**	**443 524**	**88 614**	**354 910**	**443 524**

The SABC, in terms of an agreement arranged by the shareholder, waived the interest-free portion of its long-term loan. The gain is reflected as a non-distributable reserve to increase the equity contribution from the shareholder.

On an annual basis, land and buildings are revalued to fair value.

Notes to the annual financial statements

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for the year ended 31 March 2007

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
12. Trade and other payables				
Trade payables	**61 495**	38 982	**60 650**	37 278
Amounts due to related parties (note 24)	**14 692**	11 331	**14 692**	11 331
Payroll and other taxes	**5 853**	3 648	**4 614**	1 362
Accrued expenses	**82 655**	74 017	**82 513**	73 848
Deferred revenue	**6 738**	7 000	**6 738**	7 000
	171 434	134 978	**169 207**	130 819
Less: non-current portion	**(12 250)**	–	**(12 250)**	–
Current portion	**159 184**	134 978	**156 957**	130 819
13. Borrowings				
Interest-bearing liabilities				
SABC loan	**5 300**	18 000	**5 300**	18 000
Liabilities under capitalised finance lease agreements	**8 733**	13 168	**8 733**	13 168
DBSA loan	**129 932**	151 628	**129 932**	151 628
Non-interest-bearing liabilities				
ICASA licences	**49 360**	42 279	**49 360**	42 279
Total liabilities	**193 326**	225 075	**193 326**	225 075
Less: payable before 31 March 2008 included in short-term liabilities	**(24 574)**	(30 884)	**(24 574)**	(30 884)
Total long-term liabilities	**168 752**	194 191	**168 752**	194 191
The liabilities under capitalised finance lease agreements are secured over the assets (motor vehicles) leased with a net carrying amount of	**9 200**	11 089	**9 200**	11 089

Additional information	**Repayable**	**Instalments/ repayment R'000**	**Effective interest rate pa %**
SABC loan	Note*	–	10,52
DBSA loan	2002 – 2008	19 000 000	12,03
Liabilities under capitalised finance lease agreements	2002 – 2008	600 000	12,30
ICASA	2007 – 2011	10 000 000	15,50

The full SABC loan is expected to be repaid in the next financial year.

Note: There are no fixed terms of repayment.*

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
13. Borrowings (continued)				
At 31 March finance lease rentals are payable as follows:				
Within one year				
Capital repayments	**1 407**	1 757	**1 407**	1 757
Interest	**891**	1 266	**891**	1 266
Cash flows	**2 297**	3 023	**2 297**	3 023
Within two to five years				
Capital repayments	**7 326**	8 578	**7 326**	8 578
Interest	**864**	1 567	**864**	1 567
Cash flows	**8 190**	10 145	**8 190**	10 145
Total cash flows	**10 487**	13 168	**10 487**	13 168
Comprising:				
Capital	**8 733**	10 335	**8 733**	10 335
Interest	**1 755**	2 833	**1 755**	2 833

It is the Group's policy to lease motor vehicles under finance leases. The average lease term is three to four years. For the year ended 31 March 2007, the average effective borrowing rate was 12,3% (2006: 10,32%). Interest rates are linked to prime rate.

No arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
14. Deferred income tax				
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.				
The offset amounts are as follows:				
Deferred income tax assets:				
– Deferred income tax asset to be recovered after more than 12 months	**(71 589)**	(78 159)	**(71 589)**	(78 159)
	(71 589)	(78 159)	**(71 589)**	(78 159)
Deferred tax liabilities:				
– Deferred income tax liability to be recovered after more than 12 months	**117 938**	83 111	**117 938**	83 111
	117 938	83 111	**117 938**	83 111
Deferred income tax liabilities (net)	**46 349**	4 952	**46 349**	4 952
The gross movement on the deferred income tax account is as follows:				
Beginning of year	**4 952**	14 250	**4 952**	14 250
Income statement charge (note 20)	**(786)**	(11 336)	**(786)**	(11 336)
Tax charged to equity	**42 183**	2 038	**42 183**	2 038
End of year	**46 349**	4 952	**46 349**	4 952

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	Group Property, plant and equipment R'000	Group Prepayments and deposits R'000	Group Total R'000	Company Property, plant and equipment R'000	Company Prepayments and deposits R'000	Company Total R'000
At 1 April 2005	89 210	2 187	91 397	89 210	2 187	91 397
Credited to the income statement	(9 043)	(1 281)	(10 324)	(9 043)	(1 281)	(10 324)
Charged directly to equity	2 038	–	2 038	2 038	–	2 038
At 31 March 2006	82 205	906	83 111	82 205	906	83 111
Credited/(charged) to the income statement	**(8 385)**	**1 029**	**(7 356)**	**(8 385)**	**1 029**	**(7 356)**
Charged directly to equity	**42 183**	–	**42 183**	**42 183**	–	**42 183**
At 31 March 2007	**116 003**	**1 935**	**117 938**	**116 003**	**1 935**	**117 938**

	Provisions R'000	Unearned income and deposits R'000	Government grant R'000	Tax losses R'000	Other R'000	Total R'000
14. Deferred income tax (continued)						
Deferred tax assets						
Group						
At 1 April 2005	5 017	12 612	–	44 730	14 788	77 147
Credited/(charged) to the income statement	23 609	(10 582)	597	2 176	(14 788)	1 012
At 31 March 2006	28 626	2 030	597	46 906	–	78 159
Credited/(charged) to the income statement	(4 129)	677	4 140	(7 258)	–	(6 570)
At 31 March 2007	**24 497**	**2 707**	**4 737**	**39 648**	–	**71 589**
Company						
At 1 April 2005	5 017	12 612	–	44 730	14 788	77 147
Charged/(credited) to the income statement	23 609	(10 582)	597	2 176	(14 788)	1 012
At 31 March 2006	28 626	2 030	597	46 906	–	78 159
(Credited)/charged to the income statement	(4 129)	677	4 140	(7 258)	–	(6 570)
At 31 March 2007	**24 497**	**2 707**	**4 737**	**39 648**	–	**71 589**

The deferred income tax charged to equity during the year is as follows:

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
Fair value reserves in shareholders' equity:				
– Land and buildings	**42 183**	2 038	**42 183**	2 038
	42 183	2 038	**42 183**	2 038
15. Deferred income – government grants				
Deferred income	**96 258**	2 059	**96 258**	2 059

Government grants are received in relation to the purchase of property, plant and equipment.
Uncertainty exists as to the timing of the release of this deferred income, therefore it is classified as non-current.

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	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
16. Retirement benefit obligations				
The employee benefit obligations are made up as follows:				
Retirement benefits	**(4 100)**	800	**(4 100)**	800
Retirement medical benefits	**75 569**	68 528	**75 569**	68 528
	71 469	69 328	**71 469**	69 328

Retirement benefits

The Company provides retirement benefits to all its employees and operates a funded defined benefit plan and a defined contribution plan governed by the Pension Funds Act of 1956. The defined benefit plan was actuarially valued on 31 March 2007 by an independent actuary and will be evaluated again at the end of the 2008 financial year.

The expected cost of these benefits are accrued over the period of employment, using the projected unit credit method. Actuarial gains and losses are recognised as they arise. This is a final-salary-defined benefit plan located in South Africa.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Present value of funded obligations	**25 700**	21 600	**25 700**	21 600
Fair value of plan assets	**(29 800)**	(20 800)	**(29 800)**	(20 800)
Net (asset)/liability recognised in the balance sheet	**(4 100)**	800	**(4 100)**	800
The amounts recognised in profit or loss:				
Current service cost	**500**	600	**500**	600
Interest cost	**2 300**	2 800	**2 300**	2 800
Expected return on plan assets	**(2 500)**	(2 300)	**(2 500)**	(2 300)
Actuarial losses/(gains) recognised	**7 800**	(1 900)	**7 800**	(1 900)
Total included in employee remuneration costs	**8 100**	(800)	**8 100**	(800)
Actuarial return on plan assets	**2 500**	2 300	**2 500**	2 300
Movement in liability recognised in the balance sheet				
Net liability at beginning of the period	**800**	7 000	**800**	7 000
Net amount recognised in profit or loss	**8 100**	(800)	**8 100**	(800)
Contributions paid to the fund	**(5 400)**	(5 400)	**(5 400)**	(5 400)
Net liability at end of the period	**3 500**	800	**3 500**	800
Principle actuarial assumptions used	**%**	%	**%**	%
Discount rate	**12,0**	12,0	**12,0**	12,0
Future salary increases	**9,6**	9,6	**9,6**	9,6
Expected return on plan assets	**12,0**	12,0	**12,0**	12,0
Future pension increases	**7,6**	7,6	**7,6**	7,6
Proportion of employees opting for early retirement	**35,0**	33,0	**35,0**	33,0

Membership of each fund at 31 March were:

	Members 2007	Members 2006
Defined benefit plan	**10**	11
	10	11

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
16. Retirement benefit obligations (continued)				
Retirement medical benefits				
The Company provides post-retirement benefits to its retirees in the form of contributions to the independent medical aid fund and operates as an unfunded defined benefit plan. The liability was actuarially valued at 31 March 2007 by an independent actuary. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Actuarial gains and losses are recognised as they arise.				
Liability recognised in the balance sheet	**75 569**	68 528	**75 569**	68 528
Amounts charged to income				
Current service cost	**3 208**	4 259	**3 208**	4 259
Interest cost	**5 418**	3 902	**5 418**	3 902
Actuarial loss	**10**	15 246	**10**	15 246
	8 636	23 407	**8 636**	23 407
Movement in the liability recognised in the balance sheet				
Liability at beginning of the period	**68 528**	45 121	**68 528**	45 121
Benefits paid	**(1 595)**	–	**(1 595)**	–
Net expense recognised charged to income	**8 636**	23 407	**8 636**	23 407
Liability at end of the period	**75 569**	68 528	**75 569**	68 528
Principal actuarial assumptions used				
Discount rate (%)	**8,00**	8,00	**8,00**	8,00
Annual increase in healthcare costs (%)	**6,50**	6,25	**6,50**	6,25
17. Expenses by nature				
Changes in inventories of finished goods and work in progress	**3 052**	(1 778)	**3 052**	(1 778)
Employee benefit expense (note 18)	**213 203**	201 060	**207 353**	195 138
Depreciation and amortisation charges (notes 4 and 5)	**91 804**	79 827	**91 804**	79 827
Transportation expenses	**7 683**	6 883	**7 683**	6 883
Advertising costs	**8 023**	24 180	**8 023**	24 180
Operating lease payments	**71 793**	72 431	**71 793**	72 431
Auditor's remuneration				
– Audit fees	**1 507**	202	**1 507**	202
– Fees for other services	**203**	59	**203**	59
Legal and consulting fees	**4 833**	3 875	**4 833**	3 875
Other expenses	**328 935**	344 783	**328 120**	349 728
Total cost of sales, selling, administration and other operating expenses	**731 036**	731 523	**724 371**	730 546

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	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
18. Employee benefit expense				
Wages and salaries	**189 214**	188 444	**183 364**	182 521
Statutory charges	**1 386**	1 391	**1 386**	1 391
Pension costs – defined contribution plans	**14 503**	12 025	**14 503**	12 025
Post-employment benefits (note 16)	**8 100**	(800)	**8 100**	(800)
	213 203	201 060	**207 353**	195 138
Number of employees	**555**	552	**525**	520
19. Finance income and costs				
Interest expense:				
Borrowings	**29 591**	22 228	**29 605**	22 237
Finance lease interest	**1 122**	1 096	**1 122**	1 096
Net foreign exchange losses on financing activities (note 21)	**–**	2 871	**–**	2 862
Finance costs	**30 714**	26 195	**30 727**	26 195
Interest income	**(5 719)**	(3 531)	**(5 721)**	(3 516)
Finance income – net foreign exchange gains on financing activities (note 21)	**(3 837)**	–	**(3 837)**	–
Finance income	**(9 556)**	(3 531)	**(9 558)**	(3 516)
Net finance costs	**21 158**	22 664	**21 169**	22 679
20. Income tax				
South African income tax				
– Current	**–**	–	**–**	–
– Deferred (note 14)	**(786)**	(11 336)	**(786)**	(11 336)
	(786)	(11 336)	**(786)**	(11 336)
The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:				
Loss before tax	**22 370**	85 356	**22 316**	87 755
	%	%	**%**	%
Tax calculated at domestic tax rates applicable to profits in the respective countries	**4**	13	**4**	13
Expenses not deductible for tax purposes	**25**	1	**25**	1
Prior year adjustment	**0**	15	**0**	15
Tax charge	**29**	29	**29**	29

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
21. Net foreign exchange gains/(losses)				
Exchange differences credited/(charged) to the income statement are as follows:				
Finance costs – net (note 19)	**3 837**	(2 871)	**3 837**	(2 862)
	3 837	(2 871)	**3 837**	(2 862)
22. Cash generated from operations				
Loss before income tax	**(22 370)**	(85 356)	**(22 316)**	(87 755)
Adjustments for:				
– Depreciation (note 4)	**90 480**	78 503	**90 480**	77 985
– Amortisation (note 5)	**1 324**	1 324	**1 324**	1 324
– Profit on disposal of property plant and equipment (see below)	**174**	784	**174**	603
– Revaluation of cash flow hedge	**–**	3 126	**–**	3 126
– Government grants	**(801)**	–	**(801)**	–
– Deferred revenue	**(264)**	–	**(263)**	–
– Interest income (note 19)	**(9 556)**	(3 531)	**(9 558)**	(3 516)
– Finance costs (note 19)	**30 714**	26 195	**30 727**	26 195
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):				
– Increase in inventories	**(2 184)**	(6 244)	**(2 186)**	(6 244)
– Decrease in trade and other receivables	**17 539**	26 156	**18 186**	24 890
– Increase in retirement benefits	**2 141**	17 207	**2 141**	17 207
– Increase/(decrease) in trade and other payables	**24 205**	(120 428)	**26 137**	(122 341)
Cash generated from/(utilised in) operations	**131 402**	(62 264)	**134 045**	(68 526)
In the cash flow statement, proceeds from sale of property, plant and equipment comprise:				
Carrying amount (note 4)	**2 565**	2 218	**2 565**	2 392
Profit on disposal of property, plant and equipment	**174**	784	**174**	603
Proceeds from disposal of property, plant and equipment	**2 739**	3 002	**2 739**	2 995

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
23. Commitments				
(a) Capital commitments				
Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:				
Property, plant and equipment	**10 089**	10 600	**10 089**	10 600
	10 089	10 600	**10 089**	10 600

The authorised capital expenditure for property, plant and equipment is planned to occur in the new financial year. It will be financed from internal cash resources and from government grants received. Funding will be obtained from the private sector for capital equipment for the new businesses.

(b) Operating lease commitments – Group company as lessee

The Group leases various facilities, offices and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to the income statement during the year is disclosed in note 17.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
No later than one year	**118 146**	78 859	**118 146**	78 859
Later than one year and no later than five years	**226 976**	177 344	**226 976**	177 344
Later than five years	**769**	12 902	**769**	12 902
	345 891	269 105	**345 891**	269 105

24. Related-party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence or joint control over the other party in making financial or operational decisions.

Due to the fact that Sentech is 100% owned by Government, this includes the Company as part of the national sphere.The Company transacts with various other companies within the national sphere and all significant transactions are disclosed below.

Related-party transactions occurred between Sentech and Telkom, Department of Public Works, Department of Agriculture, municipalities, Gauteng Department of Education, Eskom, Department of Communication (DOC), SABC as well as other government entities.

All transactions with government departments were on an arm's length basis and therefore these are considered to be normal dealings.

Directors' emoluments

	Total 2007 R'000	Basic salary 2007 R'000	Expense allowances and other benefits 2007 R'000	Pension contri-butions 2007 R'000	Fees 2007 R'000	Total 2006 R'000
Executive						
– S Mokone-Matabane	1 754	1 493	52	209	–	1 693
– MS Cassim	1 263	1 061	53	149	–	–
– GD Marumo*	240	204	7	29	–	1 455
– F Lindeque**	947	796	40	111	–	–
– AK Mohamed	–	–	–	–	–	300
Non-executive						
– C Hickling	208	–	–	–	208	402
– N Tshombe	138	–	–	–	138	182
– L Konar	125	–	–	–	125	135
– T Leeuw	160	–	–	–	160	115
– M Booi	175	–	–	–	175	158
– N Sihlali	79	–	–	–	79	–
– L Chakela	–	–	–	–	–	99
	5 089	3 554	152	498	885	4 539

** Resigned 13 April 2006*
*** Acting*

Key management compensation

	Total R'000	Basic salary and other benefits R'000	Pension contri-butions R'000
Executive management team and Exco office	16 380	14 436	1 944

Details of the key management team are disclosed in the body of the annual report.

Government grants

Various transactions are entered into with the Department of Communications with respect to government grants. Government grants are accounted for in terms of IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance).

Notes to the annual financial statements
continued
for the year ended 31 March 2007

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
24. Related-party transactions (continued)				
SABC and DOC loans				
The SABC loan is actually owed by the Department of Communications (DOC) to the SABC. However, Sentech has recognised a liability due to SABC. Sentech is charged a market related interest rate on the loan by SABC (and pays it) but the loan owed by DOC to SABC is interest free with no fixed repayment terms. Due to the different terms these loans have not been offset.				
Outstanding loan amounts				
– SABC loan	**(5 300)**	(18 000)	**(5 300)**	(18 000)
– DOC loan	**5 300**	13 000	**5 300**	13 000
Entities within the national sphere				
The Group is controlled by the Government of South Africa who owns 100% of the Company's shares. The following transactions were carried out with related parties (fellow national entities):				
(i) Sales of goods and services				
Sales of services:				
– SABC			**318 746**	307 660
– Gauteng Department of Education			**32 439**	35 839
– Universal Service Agency			**1 546**	1 125
– Telkom Facilities Management Company			**–**	2 217
– Department of Public Works			**2 252**	1 305
– Eskom			**556**	–
– SA Post Office Limited			**151**	–
– SA Weather Service			**274**	–
– Department of Agriculture			**548**	–
			356 512	348 146
Services are rendered at market related rates in terms of the approved tariff book.				
(ii) Purchases of goods and services				
– Development Bank of Southern Africa			**33 274**	37 812
– Eskom			**13 213**	13 906
– SABC			**11 974**	2 161
– Telkom SA Limited			**20 514**	17 105
– South African Revenue Service			**66 805**	70 139
– Unemployment Insurance Fund			**1 563**	1 280
– The Independent Communications Authority of South Africa			**7 566**	9 950
– Compensation Fund			**342**	–
			155 251	152 353

Goods and services are transacted at an arm's length basis.

	Company 2007 R'000	Company 2006 R'000
24. Related-party transactions (continued)		
(iii) Balances outstanding at year-end		
Balances owing to Sentech		
– SABC	**1 137**	1 604
– Gauteng Department of Education	**2 586**	5 240
– Department of Public Works	**396**	136
– Eskom	**69**	–
– SA Post Office Limited	**172**	–
– South African Revenue Services	**3 344**	–
	7 704	6 980
Balances owing by Sentech		
– Eskom	**1 606**	897
– SABC	**6**	12
– Telkom SA Limited	**3 233**	3 196
– The Independent Communications Authority of South Africa	**–**	7 226
– South African Revenue Service	**9 724**	–
– Unemployment Insurance Fund	**123**	–
	14 692	11 331
(iv) Transactions with subsidiaries		
– Provision of management services to InfoSat (Pty) Limited	**6 600**	6 600
(v) Loans (owing to)/to subsidiaries		
Loans to subsidiary	**30 390**	23 207
Loans owing to subsidiary	**(32 238)**	(28 142)
	(1 848)	(4 935)

Both loans are of long-term nature, non-interest-bearing and there are no terms of repayment. However, in terms of IAS 1 – Presentation of Financial Statements, the amounts owing to subsidiaries have been disclosed as current as there is not an unconditional right to avoid payment for more than 12 months after balance sheet date.

25. Contingencies

It is not anticipated that any material liabilities will arise from the contingent liabilities.

26. Events after the balance sheet dates

No events have occurred since balance sheet date that would materially affect the Group's financial statements.

Notes to the annual financial statements
continued
for the year ended 31 March 2007

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
27. Revenue				
Revenue by product category – Group				
Terrestrial television services	**263 495**	251 069	**263 495**	251 069
Terrestrial FM and AM radio services	**118 459**	111 692	**118 459**	111 692
Terrestrial short wave radio services	**32 195**	28 202	**32 195**	28 202
Terrestrial and satellite linking	**54 105**	54 926	**54 105**	54 926
Satellite direct-to-home	**18 826**	21 001	**18 826**	21 001
Business television	**9 526**	8 072	**9 526**	8 072
Facility rentals	**14 656**	13 550	**14 656**	13 550
Sales of satellite decoders	**4 446**	5 027	**4 446**	5 027
Carrier of Carrier	**106 083**	76 843	**106 083**	76 843
InfoSat business solutions	**6 598**	9 959	**–**	–
V-SAT	**63 954**	59 880	**63 954**	59 880
Broadband wireless	**23 629**	24 853	**23 629**	24 853
Other	**13 852**	3 757	**13 850**	10 355
	729 824	668 831	**723 224**	665 470

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