Annual and Sustainability Report 2008

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'Sentech has transformed from the technical and broadcast arm of the SABC into a leader in converging communications technologies'

About Sentech

Sentech is a State-owned, fully commercial enterprise. Sentech was awarded Multimedia and Carrier of Carrier licences in 2002.

During the past few years, Sentech has reinvented itself, transforming from the technical and broadcast arm of the South African Broadcasting Corporation (SABC) into a leader in converging communication technologies.

Sentech connects its stakeholders to their world and connects the world to them through a wide range of communication solutions. It provides the sounds of radio and the pictures of television, and offers internet connectivity from anywhere, connecting customers to those overseas and providing virtual private networks for businesses. The Company's plan is to provide communications solutions such as voice, data and video on one, integrated digital internet protocol (IP) network.

Sentech's long-term growth is dependent on its success in markets traditionally served by telecommunications companies. Whilst its core business remains broadcasting signal networks, the broadband business is envisaged as a major element of the product mix in future.

Vision

Sentech will be a leader in providing broadband communications.

Purpose

Sentech is a broadband network business accommodating narrowband functionality on a common platform, supplying communication solutions and services to wholesale customers in chosen markets in South Africa and on the rest of the continent.

Values

- Integrity, honesty and fairness in dealings with all stakeholders;
- Quality customer service is the cornerstone of the Company's success and every customer; contact should be a pleasant experience; and
- Opportunities for Sentech people to develop to their fullest potential by ensuring quality leadership, rewarding excellent performance and encouraging innovation.

Board of Directors

Colin Hickling

Chairperson

Mr Hickling is the Chairperson of the Public Trustees and Trust Corporation. He is a former deputy chairperson of SABC.

Dr Sebiletso Mokone-Matabane

Chief Executive Officer

Dr Mokone-Matabane holds a PhD in educational administration and degrees in television, radio and political science.

Dr Len Konar

Non-Executive Director

Dr Konar is a chartered accountant with a BCom and postgraduate diploma in accounting from the University of Durban-Westville, a master of accounting sciences degree (Illinois, USA), and a certificate in tax law and a doctorate in commerce (accounting) from Unisa.

Mohammed Siddique Cassim

Chief Financial Officer

Mr Cassim is a chartered accountant, with an electricity pricing certificate from the University of Stellenbosch and a certificate in regulation and strategy of utilities from the University of Florida, USA.

Beverley Ngwenya

Chief Operations Officer

Mrs Ngwenya holds a BSc in electrical engineering from the University of Cape Town. Has extensive experience in the telecommunications sector gained with South Africa's leading ICT companies.

Thabo Leeuw

Non-Executive Director

Mr Leeuw holds an honours bachelor of accounting sciences degree from Unisa and a management advancement qualification from the University of Witwatersrand.

Adv Nonkumbulo Tshombe

Non-Executive Director

Adv. Tshombe is an admitted advocate of the High Court of South Africa, with an LLB degree and a higher diploma in taxation.

Mlamli Booi

Non-Executive Director (Resigned 25 July 2007)

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

Nandi Sihlali

Non-Executive Director

Ms Sihlali holds a BSc in electrical engineering (light current) and is a member of the South African Institute of Electrical Engineers.


SENTECH
connecting you
AUGUSTA
RECEPTION

Chairperson's Report

> Sentech is … a key pillar in the Government's desire to deliver an information society

Colin Hickling
Chairperson

By any measurement standard, the year under review was extremely challenging for the Board, management, employees and stakeholders of Sentech largely because of funding.

The broadcasting signal distribution business continues to perform exceptionally well and further details are included in the CEO's and Sustainability Report. A turnaround strategy for the telecommunication business has been formulated to enable Sentech to meet the objectives of sustained profitability, improved cash flows and essential business expansion. It is expected that this will not only reverse the loss situation, but transform the company into a strong and vibrant institution capable of withstanding external shocks and aggressively tackling new growth possibilities.

The success of this strategy is, however, dependent on the shareholder providing unwavering financial and policy support, as Sentech is repositioned as a key pillar in the Government's desire to deliver an "information society".

We were therefore heartened by the continued financial support for the migration from analogue to Digital Terrestrial Television (DTT); to successfully fulfil our role for the FIFA 2010 World Cup; and recent statement issued after the meeting of the South African Cabinet on 25 June 2008: "Cabinet noted and discussed Sentech's funding requirements and resolved that the Presidency, National Treasury and DoC would meet urgently to consider the funding requirements with a view to expediting the rollout of the wireless broadband infrastructure. This wireless broadband infrastructure is essential for improving broadband capability and access, particularly for rural communities and public facilities such as schools, clinics, courts, Thusong Service Centres and other government offices".

Our optimism was strengthened by a letter from the Minister of Communications, Dr Ivy Matsepe Casaburri, on 26 June 2008, in which she advised that "Cabinet yesterday once again confirmed that Sentech is a strategic asset and must be appropriately funded".

At the time of writing, we await confirmation that the necessary funding has been allocated. In the meantime, the Board is mindful of its fiduciary responsibilities and has put a stop to any further expenditure on key projects where binding and irrevocable funding commitments remain outstanding.

In February 2008, the Board was subjected to negative media attacks. In essence the questions were raised about Sentech's presence in the retail broadband market and Government reluctance to invest more public funds in Sentech.

The Board had already agreed at a strategic planning session in December 2007 to "migrate MyWireless and BizNet from the retail to the wholesale market; strengthen the Carrier of Carriers (CoC) and V-Sat offerings to ensure profitability, consider the impacts of the recent Electronic Communications

Transmitter Site, Durban Regional Office

Chairperson's Report

Act 36 of 2005 (ECA); and further review product opportunities and tariffs in the digital environment".

Early in 2008 the Department of Communications (DoC) clarified that Sentech's revised mandate is to construct and make wireless broadband infrastructure available on open access principles on behalf of the State, with the primary objective of bridging the digital divide, enabling development in the Information Communications Technology (ICT) sector and reducing the cost of communications. Sentech will therefore concentrate on increasing service delivery to schools, health centres, Government offices and the Thusong Post Offices.

Sentech's journey started in 1992 when the signal distribution division of the SABC was placed in a wholly-owned subsidiary. In 1996, the company became a State Owned Enterprise (SOE) reporting to the Minister of Communications. In terms of the Sentech Act of 1996, the company is to act as a "common carrier" for all broadcasters in South Africa.

In 1999, the DoC commissioned international consultants AD Little and Associates to report on the future and repositioning of Sentech. Their finding was that due to convergence of technologies, there was no long term future for Sentech operating purely as a broadcasting signal distributor. They recommended the company's entry into the broadband telecommunications space as an imperative. The steady convergence of the telecommunications and broadcast markets has subsequently confirmed the rationale of this recommendation.

> "The ECA provides us all with scope for innovative solutions in cost-effective communications, which is paramount in a developing country."

These major shifts in policy and shareholder commitment have been widely analysed and debated in the months since the financial year-end. While our supporters see an important developmental role for Sentech, some commentators have questioned our presence in the ICT arena. I am duty bound to describe the circumstances that have led to this impasse.

With the blessing of the Government and having acquired the necessary licences, Sentech entered the ICT market five years ago, making CoC and wireless broadband infrastructure and services available to both the private and public sectors.

After a profitable period in the late 1990s and early 2000s, Sentech's financial position deteriorated significantly. Notwithstanding the Government's initial support for Sentech's rollout plans for a national broadband wireless infrastructure, the anticipated funding did not materialise, which resulted in a decline in revenues from products under the telecommunications licences. This contributed to the company reporting losses (with a positive trend in the past three years) of:

- R73,3 million in 2004;
- R93,2 million in 2005;
- R85,3 million in 2006; and
- R17,6 million in 2007.

An analysis of the three main pillars of the business in November 2007 demonstrated the following:

Broadcast Signal Distribution (BSD):

The primary focus was to upgrade and maintain the signal infrastructure, digitise the Terrestrial Television (DTT) network and provide satellite services in time for the FIFA 2010 World Cup. Ensure greater focus in customer centricity and review product opportunities.

Multimedia:

Sentech was granted a multimedia licence in 2002 and was the first entrant to the broadband market with the 3G MyWireless product range in 2003. The multimedia licence did not allow the company to offer

An overarching three-year turnaround strategy has been formulated to enable Sentech to meet its objectives of sustained profitability, improved cash flows and essential business expansion.

Sci-Bono Centre, Newtown, JHB

voice and did not have public operator status, which would have allowed favourable tariffs similar to other operators in sourcing local and international capacity. Nevertheless, the product was initially very successful, but Sentech's efforts to secure State funding to roll out the necessary infrastructure were rebuffed. Over time, MyWireless lost ground to well-funded and aggressive competitors such as Vodacom, Telkom and MTN.

Carrier of Carriers (CoC):

In 2002, Sentech was also granted a CoC licence to provide an international traffic gateway for voice communications. The ECA has subsequently opened this market to telecoms operators that may want to build their own gateways and also made Voice over Internet Protocol (VoIP) legal. Numerous "grey" operators were providing a similar service, making it challenging to retain the high volumes essential for any low margin business.

Funding position

- In respect of DTT, Sentech applied for total funding of R955 million. Treasury allocated R650 million. Sentech will continue to motivate for the outstanding balance of R300 million, which will increase as a result of the exchange rate. In addition, the R917 million required for Dual Illumination

Chairperson's Report

costs, when analogue and digital signals will co-exist, has not yet been resolved.
- For the broadband rollout, Sentech's original budget request was for R3,1 billion. A Treasury allocation of R500 million has been provided in the current year but there is as yet no firm commitment to provide the balance. While Treasury has encouraged Sentech to seek alternative funding, the constraints of the Public Finance Management Act (PFMA) remain in place. The cost has increased to R3,8 billion since the original application and the amended rollout model has just recently been approved by the Board.
- Sentech applied for total funding of R224 million in both capital and operating funds to provide satellite services in support of South Africa's contractual obligations for the FIFA 2010 World Cup. Some R300 million has been allocated for the next two years. The additional amount allocated should cover unforeseen expenses, including the negative effects of the exchange rate as well as increases in satellite tariffs.
- In respect of Sentech's participation in the undersea cable project, an amount of R140 million was requested and R21 million has been allocated to date.

Given that the Company was not profitable and was unable to raise loan finance partly because of its Schedule 3 (b) status in terms of the PFMA, Sentech remains dependent on State funding for its capital expansion programmes. Frankly, our funding challenge is jeopardising our status as a going concern and affecting our attractiveness as an employer. Indeed, while we recognise the importance of legislation such as the PFMA, it must be recognised that the compliance requirements limit the flexibility and competitiveness of SOEs like Sentech. Furthermore, the costs of accumulating, recording and reporting are extensive. Reclassification of Sentech's listing as a Schedule 3 entity to a Schedule 2 entity would give it greater flexibility and the opportunity to be more responsive to opportunities within the ICT space. One may still ask whether the PFMA in its present form is appropriate for SOEs involved partly in commercial competition.

In the past financial year, a modest pre-tax profit of R28 million was attributable to interest earned on the funds allocated towards the costs of DTT rollout, Broadband rollout, contractual obligations in respect of FIFA 2010 World Cup and the undersea cable project as referred to later herein; and also cost cutting and delayed maintenance, none of which is sustainable.

A loss of R59 million is budgeted for the next financial year, as we will be forced to fund the revitalisation of outdated equipment and upgrade an infrastructure that has been neglected for too long.

We are hopeful that our shareholder, although reluctant to do so until now, will allow Sentech the ability to raise funds on the capital markets. We have demonstrated our ability to do so in the past.

The Electronic Communications Act (ECA) offers new opportunities and not insignificant threats. Even with the steady emergence of new competitors, the cost of communications in South Africa remains high and bridging the digital divide remains an elusive challenge. The ECA provides us all with scope for innovative solutions in cost-effective communications, which is paramount in a developing country such as ours.

Notwithstanding these difficulties, Sentech has certain valuable rights in the marketplace and the pleas of those calling for the re-allocation of Sentech's licensed spectrum on the basis of the "use it or lose it" principle should be treated with circumspection. While the importance of maximising the utilisation of the available broadband frequency spectrum cannot be overstated, the fact remains that commercial operators who are given access to this spectrum will "cherry pick" the profitable opportunities only.

It is highly unlikely that they will show any interest in delivering signal to sparsely populated or poor areas. In a nutshell, they are pursuing their legitimate commercial objectives whereas Sentech is expected to provide a "social dividend" to these areas, including e-health, e-education and services to the Post Office, Department of Home Affairs and the like. Clearly, we must also be allowed to compete on equal terms in the profitable broadband arena if we are to offer services to remote and poor areas.

I would like to take the opportunity to extend a special word of gratitude to my fellow directors over the years for their commitment and support. They have worked diligently in the interests of the Company and have had to unjustly endure frustration and criticism – the results of the company being underfunded.

The Board's appreciation goes to the chief executive officer Dr Sebiletso Mokone-Matabane, who keeps an informed and astute eye on all functions and activities. She has proved a leading light in South African business and it comes as no surprise that she was named winner of the 2007 CEO magazine award for most influential woman in ICT. This is the latest in a long line of honours that include ICT leader of 2006 and top ICT businesswoman in Africa in the same year.

I also want to thank the staff of Sentech for their diligence and forbearance over a long period that has seen many ups and downs. The debate surrounding Sentech's mandate, strategy and financial performance has at times been disheartening and unfair for employees.

We acknowledge the support of our Minister and officials of the DoC, important allies in the shared quest for affordable communications throughout South Africa,

Finally, I think it is necessary to state unequivocally that the directors and management of Sentech have endeavored at all times to fulfil their fiduciary duties, perform diligently and demonstrate corporate behaviour that is beyond reproach.

Colin Hickling
Chairperson

Chief Executive Officer's Report

Dr Sebiletso Mokone-Matabane
Chief Executive Officer

"The standard of our services remained high, with performance on or exceeding targets in most cases."

The past financial year has presented both strategic and operational challenges while at the same time offering significant achievements and excitement. The achievements and excitement have been that Government funding has allowed Sentech to complete successfully phase two of the migration from analogue to Digital Terrestrial Television (DTT); and has further improved the Company's financial position and resulted in a before tax profit as reported in this Annual Report.

Other significant achievements include the continued performance of the Sentech networks above customer service level target; finalisation of the business plan for the rollout of a National Wholesale Broadband Network (NWBN) and Dinaledi Schools project with the full support of the Department of Communications (DoC); the expansion jointly with the SABC of television and radio coverage with a view to achieving universal access; and Sentech for the third time receiving recognition for its corporate social investment (CSI) initiatives by being presented with the Black Business Quarterly CSI award.

We satisfied a major strategic objective for the year, which was to reduce the Company's financial losses to R16 million, and this continued the positive trend of the past three years. The Company has exceeded this objective by reporting a before tax profit of R28 million. This has mainly been due to the capital injection of R120 million for the migration to DTT; R21 million for participation in the East Africa Sub-marine System (EASSy); the last payment of R5 million towards settling the SABC loan; and R500 million for the rollout of a NWBN.

The allocations for EASSy and NWBN have, to date, not been utilised. In line with the directive from DoC, Sentech has withdrawn its participation in EASSy and will join the New Partnership for Africa's Development (NEPAD) undersea broadband cable (Uhurunet).

The R500 million allocation for NWBN has also not been utilised, pending the finalisation of the funding model.

The Sentech business operations continue to be negatively affected by the lack of adequate funding, which has limited the maintenance and expansion of the current business operations. In as much as the Government has allocated funding specifically for the migration to DTT and NWBN, there is still a gap in covering operational expenditure to conduct necessary, non-essential maintenance for the civil infrastructure; operation and maintenance of the telecommunications networks, especially CoC, and retention of key skills.

Despite the year-on-year upward trend in actual revenue of 11,8%, there was a 17,8% drop in actual versus budgeted revenue in the 2007/8 financial year. Further details on revenue trends are reported in the Sustainability Report. In line with the new business strategy, considering the improved financial position, the Company will invest in the necessary maintenance and upgrade projects to ensure that it achieves the budgeted revenue. We forecast growth in revenue in the next financial year.

The standard of our services remained high, with performance on or exceeding targets in most cases. An average 99,8% availability was recorded for all Sentech television networks against a target of 99,4%. The radio network achieved 99,9% against a target of 99,5%, with the telecommunications networks availability at 99,97%, slightly higher than the projected 99,8%. Specific detail on the network performance is included in the Sustainability Report.

Commencing in December/January 2008, the power load shedding implemented by Eskom and the municipalities had a significant impact on the performance of most of Sentech's broadcast signal distribution networks and services, as well as some telecommunications networks and services, as is evident from the graphs included in the Sustainability Report. The impact of power load shedding, the fuel price increases, as well as electricity tariff increases on the broadcast networks, was quantified during February 2008, and a plan to mitigate the risk was initiated for implementation in the next financial year (2008/9). This plan entails the provision of additional standby generators at most of Sentech's transmission sites where none exist, as well as an increase in power autonomy of some of the sites where standby generators have already been provided.

During the period under review, non-essential maintenance to Sentech's civil infrastructure

Chief Executive Officer's Report

was deferred due to the unavailability of funds. Only absolutely essential tasks were undertaken to maintain Sentech's infrastructure assets such as masts, roads and buildings. Priorities were determined based on the risk to human life, the risk of irreparable damage to Sentech's assets, and the demands of the business. The deferred infrastructure maintenance did not have any adverse impact on Sentech's network or service performance during the period under review. Subject to the availability of sufficient funds, the intention is to recover the backlog in planned infrastructure maintenance during the next two financial years.

The switch to DTT

The implementation of phase two of the DTT business plan was fully accomplished during the year under review and its completion was due to timeous payment by the Government of the allocated R120 million for the 2007/8 financial year.

Our ability to meet the Government's target date for the DTT switch-on date of 1 November 2008 is dependent on the allocation of timeous transfer of the required funds for the 2008/9 financial year for capital expenditure (CAPEX) and on Sentech being allocated the necessary radio frequency spectrum in good time.

All going well, South Africans should start to discover the benefits of DTT soon. Sentech has been working hard to ensure that this important

Analogue TV transmitter and digital transmitter.

milestone is reached and that the country keeps abreast of global trends in the interests of enhancing the quality of the viewers' terrestrial television signal and the efficacy of the medium.

DTT will also expand the television frequency spectrum to enable the Independent Communications Authority of South Africa (ICASA) to license additional channels to existing free-to-air broadcasters and to license new broadcasters. Increased licensing will provide an opportunity for broadcasters to offer more channels, thereby broadening the base to generate revenues.

Most importantly, the digital network will facilitate interactive services for entertainment as well as information services such as e-government, e-education and e-health, particularly in the under-serviced rural areas. It is here, where the lack of economic strength would render the prospect unattractive to most commercial operators, that Sentech has a particularly crucial and strategic role to play.

The DTT project has also been the start of a modernisation programme for Sentech's ageing analogue terrestrial television network.

Our budget for the first two years of the project was met by National Treasury, but the current shortfall, mentioned above in the Chairperson's Report, will limit the number of sites we are able to switch over on 1 November 2008. This is unfortunate given the success of phases one and two of the project.

Phase one, completed at the end of the previous financial year, saw the replacement of 58 high and medium power analogue transmitters to create space for DTT transmitters and of 13 broadcast antenna systems to increase bandwidth and power handling capability to support simultaneous transmission of analogue and digital television.

Phase two, undertaken during 2007/8, involved the establishment of a C-band satellite distribution system to feed DTT networks, and the installation of two DTT networks for metropoles and cities to achieve 56% population coverage by March 2009. As the full budget was not made available, fewer transmitter stations will be DTT-enabled by the target date of March 2009 and it is likely that we will achieve coverage of only about 40%.

As at 31 March 2008, we were still awaiting payment of the allocation by National Treasury, which was subject to the approval of the revised project plan, to launch phase three. This phase will cover infrastructure acquisition, commissioning of the network and testing. The first tranche from the R150 million 2008/9 allocation was transferred to Sentech in July 2008.

Sentech technicians working on a digital transmitter

Chief Executive Officer's Report

The delay in publishing the digital migration policy has also added to the challenge of the project.

Budget and policy constraints aside, we remain confident that we will achieve 80% digital coverage by 2010, in readiness for the analogue switch-off on 1 November 2011.

During the journey to blanket digital coverage, we are concentrating significant efforts on expanding the analogue TV footprint to ensure that all citizens, especially those in remote areas, have access to television broadcasts.

> ... we are concentrating significant efforts on expanding the analogue TV footprint to ensure that all citizens, especially those in remote areas, have access to television broadcasts

In the year under review, we expanded SABC 1 and 3 coverage in Sabie, Tshamavudzi, Ubombo, Tzaneen, Thabazimbi and Elands Heights, and have taken SABC 1, 2 and 3 to Prince Albert, Leeu Gamka, Merweville, Nelspoort and Hoedspruit.

The VIVID direct-to-home broadcasting platform is currently hosting SABC 1, 2 and 3; e-tv; CNBC Africa; SABC International; business and religious channels; and 25 radio stations.

VIVID uses a set-top box and smart card, and allows for free-to-air television and radio channels to be securely viewed. It is distinguishable from other satellite packages in that it is a once-off purchase with no monthly subscriptions.

The self-help stations concept is available for communities that choose not to go the VIVID route, but want to buy their own transmitters. Self-help stations, which are established, owned and operated by municipalities, farmers' associations, businesses and organisations, relay television and radio services in areas with insufficient coverage. The demand for this service is expected to continue, although the focus may shift to facilitating lower-cost communal reception. Still, there are communities that can afford neither VIVID nor self-help stations, but must be given access to communications and information services. Here, we are working closely with the SABC and DoC to identify areas and formulate action plans. Minister Matsepe Casaburri switched on the first of these collaborative ventures, in the Karoo, just after financial year-end. Several low-power transmitters were activated, introducing residents in a number of areas to television and radio broadcasts. Such initiatives are planned for another 300 sites over the next three years.

Another priority for Sentech is the continued provision of networks for radio stations licensed by ICASA. During the year, we ensured that three commercial regional radio stations took to the air – Radio NorthWest, based in Rustenburg and serving the North West province, Capricorn Radio in Mokopane, covering Limpopo, and M Power Radio, broadcasting throughout Mpumulanga from Nelspruit.

In addition, with funding from DoC, we assisted three community stations to start up, namely Alfred Nzo, Star FM and Izwilomzansi.

Broadband wireless

During her 2007/8 budget vote Minister Matsepe Casaburri decided to prioritise access to educational and health institutions, Thusong Post Offices, Government offices and the Thusong centres (previously known as multipurpose community centres) in the rollout of Sentech's electronic communications networks and services for the provision of wireless broadband communication.

Our performance indicator for the year under review was to finalise the broadband wireless business plan and obtain approval from DoC and National Treasury.

In spite of budget constraints, the advancement of broadband was a focus of attention in the past year, with the completion and submission of the NWBN business plan, with the rollout to Dinaledi Schools as one of the phases, was submitted to DoC and National Treasury. It was on this basis that Government allocated R500 million and National Treasury required a revised business plan that would consider alternative sources of funding to secure the additional funds. Full implementation of a network covering schools, hospitals, clinics and Thusong Post Offices was anticipated for completion by March 2009.

However, due to the delays in the Government approving the business and funding models, this objective will not be achieved. Much has been accomplished to date using Sentech's VSAT network, towards providing connectivity to schools, hospitals, clinics, Thusong Post offices, Thusong Community Centres and Government offices. By year-end, Sentech's VSAT range was active at 29 Post Office sites countrywide, providing for normal postage services in under-serviced areas. Discussions are under way with the South African Post Office (SAPO) on alternative connectivity such as wireless and on provision of in-store broadcast or advertising services for SAPO retail outlets.

The South African Weather Service (SAWS) continues to run VSAT to deliver important weather information to mission critical sites and partners such as Eskom. The Mpumalanga schools project is on track to equip 2 400 of the province's schools with Internet access using VSAT, over four years. By the end of the 2007/8 financial year we had 96 education sites, including circuit and district offices and schools, connected in the province. Subsequently, the province has released a further list of sites for VSAT installations.

The Department of Home Affairs project is also still under way and the number of fixed and mobile services has not increased. It is envisaged that only after the Home Affairs National Identification System (HANIS) and IT revamp project have been concluded, will we see any increase or revamp of the mobile and under-serviced areas connectivity being addressed by the department.

The project to connect community radio stations has to date not seen any growth since the initial 32 sites were connected. The Government Communication and Information System (GCIS) is currently looking into conducting a study to determine the impact of the project. The outcome of this study will determine the future rollout strategy. Increasing demand for Internet coverage indicates a positive future for VSAT. Comprising the VStar always-on Internet access service and the hubless VMESH, which connects remote sites via satellite, the range will be repackaged and its pricing strategy revised to take advantage of growth and to boost sales by 40% over the next year.

FIFA 2010 World Cup preparations

Our target for the year centred on preparations for building a second teleport and on establishing links between Sentech Sender Technology Park (STP) and the International Broadcast Centre (IBC), by finalising project process, securing key land contracts; specifying, issuing and adjudicating tenders for the appointment of contractors/service providers, procuring key elements and start building. This was subject to the Government allocating the required funding to Sentech at the scheduled time periods. This includes capex of R131,7 million for 2008/9 and operating expenditure of R64,4 million.

The Government has allocated to Sentech R200 million (2008/9) and R100 million (2009/10). This is adequate for Sentech to successfully achieve its role for the FIFA 2010 World Cup and to provide for the increases in capital costs for equipment procured in Europe and USA and satellite space segment, caused by unforeseen exchange rate fluctuations.

Sentech's primary role is to provide a redundant satellite based video feed based on a high-definition TV (HDTV) protocol to the Host Broadcasting Service (HBS) TV compound housed in the IBC at the National Exhibition Centre.

Chief Executive Officer's Report

Sentech is to provide 4,3 metre C-band uplink antenna at each stadium and one fixed 73 metre receiving antenna in the second teleport, transmitting signals to the IBC. There will be four 36MHz transponders carrying a high definition feed of up to 80 Mbps, 1080i/50.

In addition, three fixed uplink antennas will be installed, providing feeds to the Indian Ocean Region (IOR); Europe, Middle East, Africa (EMEA); and Atlantic Ocean Region (AOR) satellites respectively, and uplinking a number of multiplexes.

> Sentech's primary role for the FIFA 2010 World Cup is to provide a redundant satellite based video feed based on a high-definition TV (HDTV)...

Human Resources

Achievement of employment equity targets for the 2007/8 financial year in line with the targets set out in the 2005 to 2009 Employment Equity (EE) Plan submitted to the Department of Labour continues to be a challenge. The EE Equity Plan projected that by 2009, the Company would have 716 employees, which represented a 20% increase in staff complement. In addition, there would be an overall movement in the number of black females and people with disability across all occupational levels, including senior management level. As at the end of the year under review, compared with 2007, there was marginal improvement towards achieving the targets.

This challenge should be viewed against the backdrop of continuing lack of adequate funding, which has hampered business growth, and the overall skills shortage in the country, including the ICT sector.

A recent article in iWeek of 12 June 2008, titled "Pay up, skills shortage drives up ICT salaries", indicated that according to the National Master Scarce Skills List issued by the Department of Labour, there is an estimated skills shortage of 37 565 ICT workers. As a result, this has significantly increased the cost of attracting and retaining employees with the required skills, and made it even more difficult to recruit and retain males and females from previously disadvantaged groups.
At the same time we continue to lose key skills to our competitors. In the past financial year, the staff turnover was on average 20,74% and the rate of recruitment was slightly lower at an average of 19,45%.

In response to the internal and external environmental factors, we have formulated and implemented a strategy in a bid to attract and retain key skills. The key tenements of the strategy are not centred only around remuneration, but also on skills development and creating opportunities. Sentech also participates in the South African e-Skills Council Working Group, which is an initiative of the Presidential International Advisory Council.

Going forward, the Company has revised its EE strategy so that targets are driven by the country's demographics. The strategy also takes a conservative view on the growth of the Company's human capital requirements. Even as the human capital increases, recruitment will be linked to the EE strategy. See further details in the Sustainability Report.

We will also continue to play our part towards increasing and further developing the ICT skills specifically within Sentech and generally in the country. This includes the work that is being done in collaboration with ISETT-SETA to develop ICT skills through learnerships and internships with primary focus on blacks and women.
The Sentech School of Technology will also continue offering advanced training to employees, e.g. digital television training to prepare for maintenance and operation of

national digital television infrastructure. See further details in the Sustainability Report.

A significant milestone has been achieved in the negotiations with the Communications Workers Union (CWU), which have been on-going without success for the past five years. In events subsequent to the reporting period of this Annual Report, the Company has reached agreement with the CWU that the performance management system will be implemented with effect from 1 January 2009.

Broad Based Black Economic Empowerment

Work continued towards achieving the Broad Based Black Economic Empowerment (BBBEE) targets as set out in the Company's two-year plan, which is in line with the BEE codes of practice issued by the Department of Trade and Industry (DTI). Our objective for 2009 is to achieve level 4 rating in terms of Broad Based Black Economic Empowerment Act by 2014/15.

ITA for subscription television

The Invitation to Apply (ITA) for satellite subscription broadcasting service dealt with both broadcasting signal distribution and broadcasting components, and as Sentech has permission issued in terms of the Broadcasting Act No. 4 of 1999, this

CEO Breakfast session with employees, Sender Technology Park, Honeydew

Chief Executive Officer's Report

necessitated that the Company apply, to protect its existing revenue.

Sentech, with its partner SABC, eventually withdrew its bid for satellite subscription broadcasting service. Legal opinion had confirmed that, in terms of the ECA, which became operational on 19 July 2006, Sentech's multimedia service licence provides all the elements of triple play, video, audio and data, regardless of configuration of the solution. ICASA is currently converting the licences as required by section 93 of the ECA. The definition of broadcasting in the ECA is restricted to one-way communication. The definition of Electronic Communications Services (ECS) under the ECA allows for interactive services. The limitation to provide one-way communication is restricted to an entity with a broadcasting service licence and not an ECS licence. Sentech did not want to be in possession of a licence that is restricted to one-way communications service, where it has a multimedia service licence that is not restricted.

ICASA announced successful applicants for satellite subscription broadcasting service. Successful applicants were Telkom Media, On Digital Media (ODM), E-sat, Walking on Water (WoW) and Multichoice.

DVB-H licence

Sentech will apply for metropole network of frequencies together with multiple broadcasters when ICASA embarks on such process. The International Telecommunication Union (ITU) Regional Radio Communications Conference (RRC-06) held in Geneva, Switzerland from 15 May – 16 June 2006 made provision for two mobile metropole networks of frequencies for South Africa. Sentech, with its experience in broadcasting signal distribution, is the best entity to provide broadcasting signal distribution for multiple broadcasters.

Research and development

The Sentech Chair in Broadband Wireless Mobile Communications (BWMC) celebrates three years in operation since its inception in July 2005 at the University of Pretoria. The Chair has consistently strived to deliver engineers and undertake research (fundamental and applied) – the focus of the Department of Electrical, Electronic and Computer Engineering (DEECE). The mission of the BWMC Chair is to participate in forefront research activities in the field of broadband wireless multimedia communications and to deliver world-class research and educational outputs for the benefit of Sentech, the university and South Africa in general.

Through the financial support of Sentech and DTI's THRIP-programme, the Chair has been successful in recruiting students with high work ethic and great ambition, as well as attracting top-class staff and students to BWMC activities, to better equip the laboratories and to establish the Chair internationally.

This has enabled the Chair to make good progress in terms of student participation rate and publications over this short period, and hence see tangible outputs, with the first batch of master's students either graduating or completing their degrees in 2008.

The way forward

The expansion of analogue coverage will continue, with the rollout of SABC 1, 2 and 3 services in Klaarstroom, Schweizer-Reineke, Ngqeleni, Holy Cross and Burgersfort, and the supply of radio ad-splits to Ukhozi, Umhlobo Wenene, Motsweding, Lesedi and Radio Sonder Grense. This product allows for localised content as well as regional and local businesses to run radio advertising, thereby stimulating the economy in those areas.

We are set to achieve the 1 November 2008 deadline to switch on the digital broadcasting signal and provide 40% DTT coverage by 31 March 2009.

Our preparations for the FIFA 2010 World Cup will continue, especially as the Government has transferred the 2008/9 allocation.

By positioning ourselves in terms of the ECA to offer services to ISPs, VANs, USALs, Government bodies and businesses, the Company will ultimately contribute towards lowering the cost of communication and increase penetration in the rural and under-serviced areas.

The ECA has opened up the market and legalised VoIP, making competition keener and retention of high volumes essential for Sentech, as well as making this low-margin business more challenging. By fine-tuning our voice and data strategies, we hope to enhance the competitiveness of our product offerings in this market.

Ultimately, we would like to upgrade our systems to the point where we can explore the tremendous possibilities presented by converging information systems, telecommunications and broadcasting services. With the advent of technology, it can be a reality for South Africans to watch TV on a phone, make a telephone call on a computer and surf the Internet on a TV screen.

The potential of these ICT developments comes across loud and clear. We hope our calls for sufficient funding do too.

Appreciation

Heartfelt appreciation goes to my colleagues at Sentech. Everyone, including the executive directors, management, technicians and staff, has played a pivotal role in enabling the company to be the best it can be within its limitations. Yes, we have lost people in the recent past, and are well aware of the difficulties of attracting high-calibre people in an increasingly competitive market, but in the past year we have taken on new talent, which will help to steer us into the future skilfully and confidently.

To those long-serving staff members who have chosen Sentech as their employer of choice and have demonstrated their commitment to communications technology as an essential component of nation building, we thank you for your ongoing efforts.

The commitment and support of the Board of directors has been invaluable. Their accessibility and availability at short notice and solid guidance are greatly appreciated. Special thanks to the chairperson of the board, Colin Hickling, who has given leadership to the Board and the Company at a very crucial and difficult time.

Together, I have no doubt we will create the Sentech of our vision, well equipped and capable of contributing to the development of South Africa as an advanced information society in which ICT tools are key drivers of economic and social development.

SMokone-Matabane

Dr Sebiletso Mokone-Matabane
Chief Executive Officer

Thozamisa Secondary School, Lady Frere, Eastern Cape

Sustainability Report

CEO'S OPENING STATEMENT

Sentech introduced the concept of sustainability reporting in the 2007 Annual Report.

The principles of transparency, responsibility and accountability are increasingly being integrated into our operations and reporting processes. The objective for this year's integrated Annual and Sustainability Report (covering the period 1 April 2007 to 31 March 2008 and subsequent events up until the printing of the Annual Report in August 2008), is improved compliance with the Global Reporting Initiative (GRI) reporting framework at Application Level C. We remain committed to continuous improvement and ultimately to fully comply with GRI and AA1000.

Future reporting cycles will demonstrate a strong focus on stakeholder engagement to ensure materiality of information along with completeness and robustness of processes and systems to generate complete material information, and responsiveness to the needs and expectations of all stakeholders.

Sentech managers at all levels will undergo extensive training to integrate sustainability reporting into management processes and systems.

OUR BUSINESS

Sentech is a public company whose share capital is wholly owned by the State, as represented by the Minister of Communications.

Sentech was separated from the SABC in 1992 to form an entity that would be wholly dedicated to providing signal distribution to both public and private entities, on a fair and equitable basis.

Myeka High School, KZN

Sentech has three licences issued by the Independent Communications Authority of South Africa (ICASA):

- Broadcasting Signal Distribution (BSD)
- Carrier of Carriers (CoC)
- Multimedia

Through one of its subsidiaries, Infosat, Sentech also has access to a Value Added Network Services (VANS) licence.

The Company offers communications services to a wide range of clients, including the Government, corporations, communities, radio and television broadcasters and individuals.

Business Location and Points-of-Presence

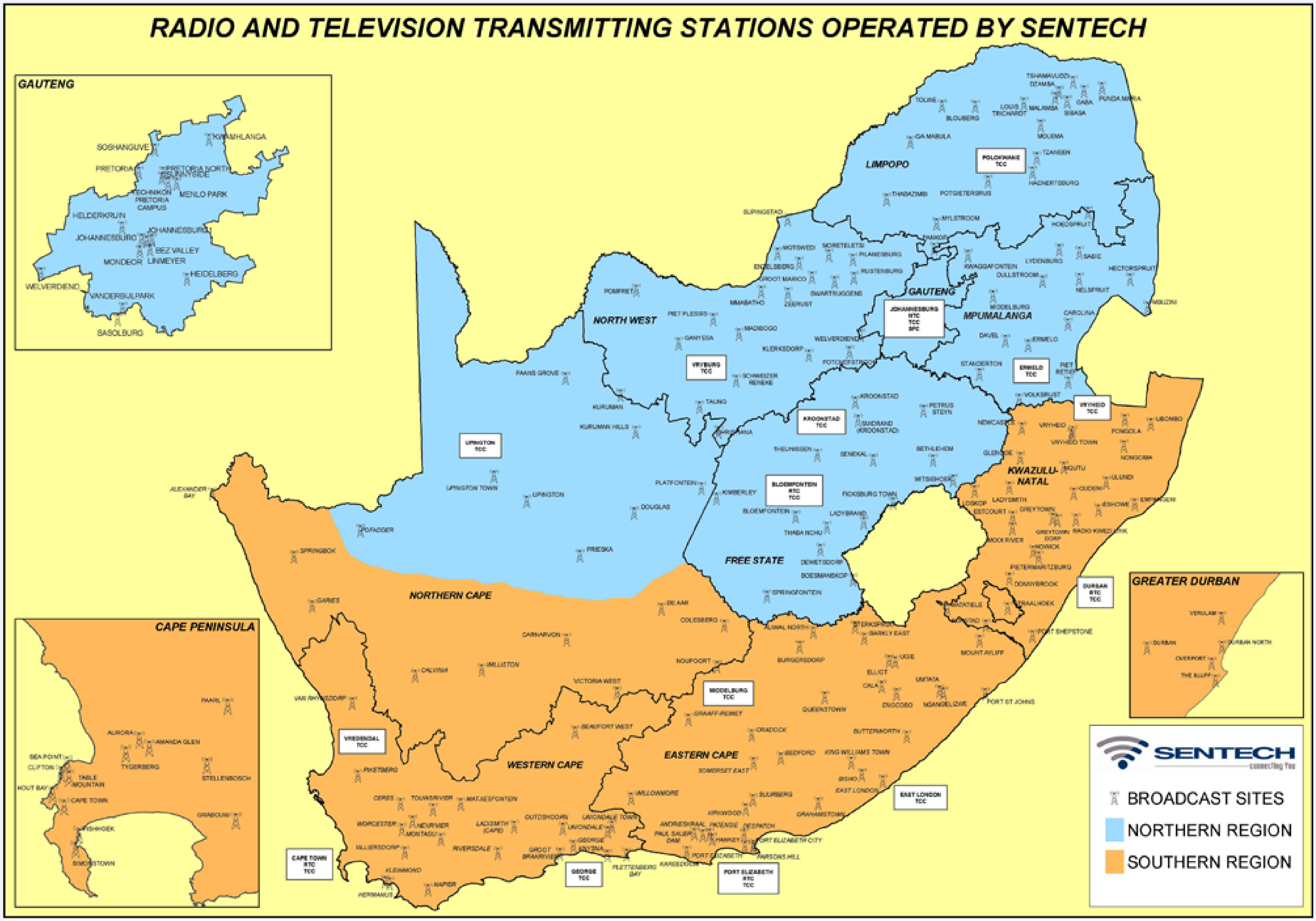
Sentech's corporate offices are in Fourways, Johannesburg. The company has its main technology offices at Sender Technology Park (STP) in Honeydew, Johannesburg and has 15 Transmitter Control Centre (TCC) offices in: STP, Polokwane, Ermelo, Kroonstad, Vryburg, Vryheid, Bloemfontein, Upington, Durban, Middelburg (Cape), East London, Port Elizabeth, George, Cape Town and Vredendal. In addition, there is an office at Meyerton (Bloemendal) dedicated to Medium and Shortwave broadcasts.

To provide broadcasting signal distribution, Sentech maintains a network of 220 radio and television broadcast sites throughout the country.


SENTECH

Radio and Television Transmitting Stations

Operated by Sentech



Sustainability Report

MyWireless service is an Internet service provided to retail users on a shared basis using wireless technology. The service has 58 base stations in Johannesburg, Pretoria, Durban, Nelspruit and Cape Town.

Markets served

Sentech mainly serves markets in South Africa and has the following international profile:

- The Sentech Short Wave station in Meyerton transmits radio signals into South Africa and the rest of the African continent;
- Sentech's VIVID platform transmits television signals into South Africa and some parts of the African continent. See maps below;
- Sentech has VSAT landing rights in South Africa, Botswana, Lesotho and Swaziland; and provides VMESH services into many African countries. See maps below.
- Sentech's Carrier of Carriers licence serves licensed fixed and mobile telephone operators in Africa (including South Africa), Europe, Asia and United States of America. The Company has a point-of-presence (POP) in Johannesburg and London.

Sentech uses three satellites: IS-4, 7 and 10, which have footprints in Africa and Europe.

1

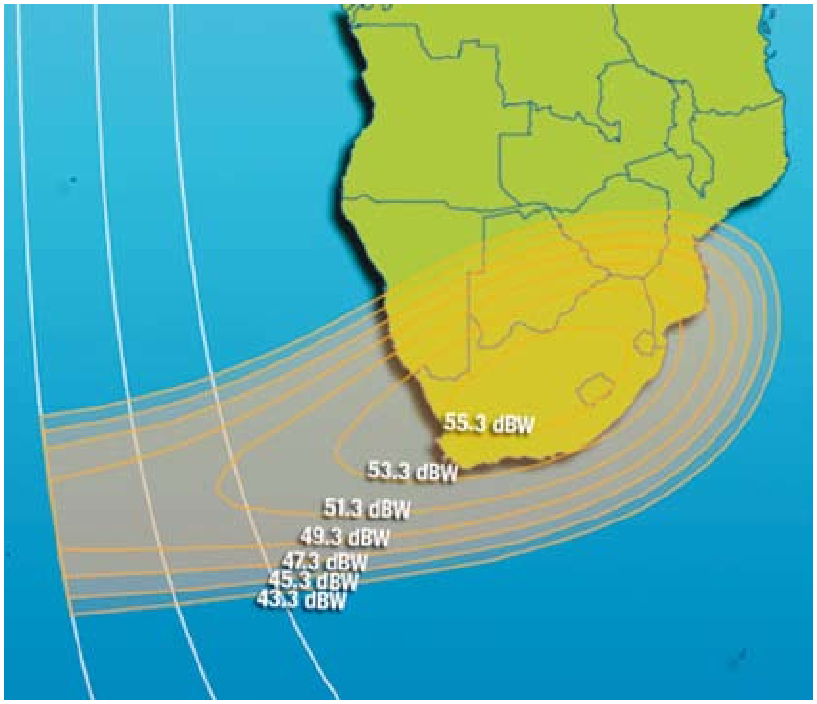
The IS-4 satellite is used for the following:

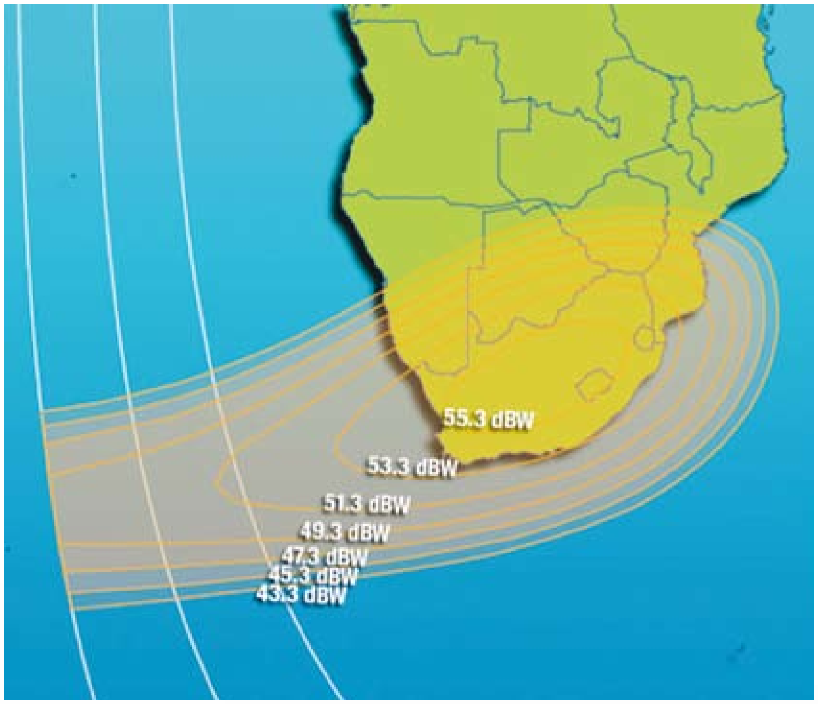
i) A secondary programme feed for e-tv (from e-tv studios to STP).
ii) A feed for international Internet traffic from Fuchstad in Germany
iii) The VSAT interconnect.

2

The IS-7 satellite is used for:

i) VIVID distribution
ii) Business television distribution
iii) Sentech VSAT interconnect

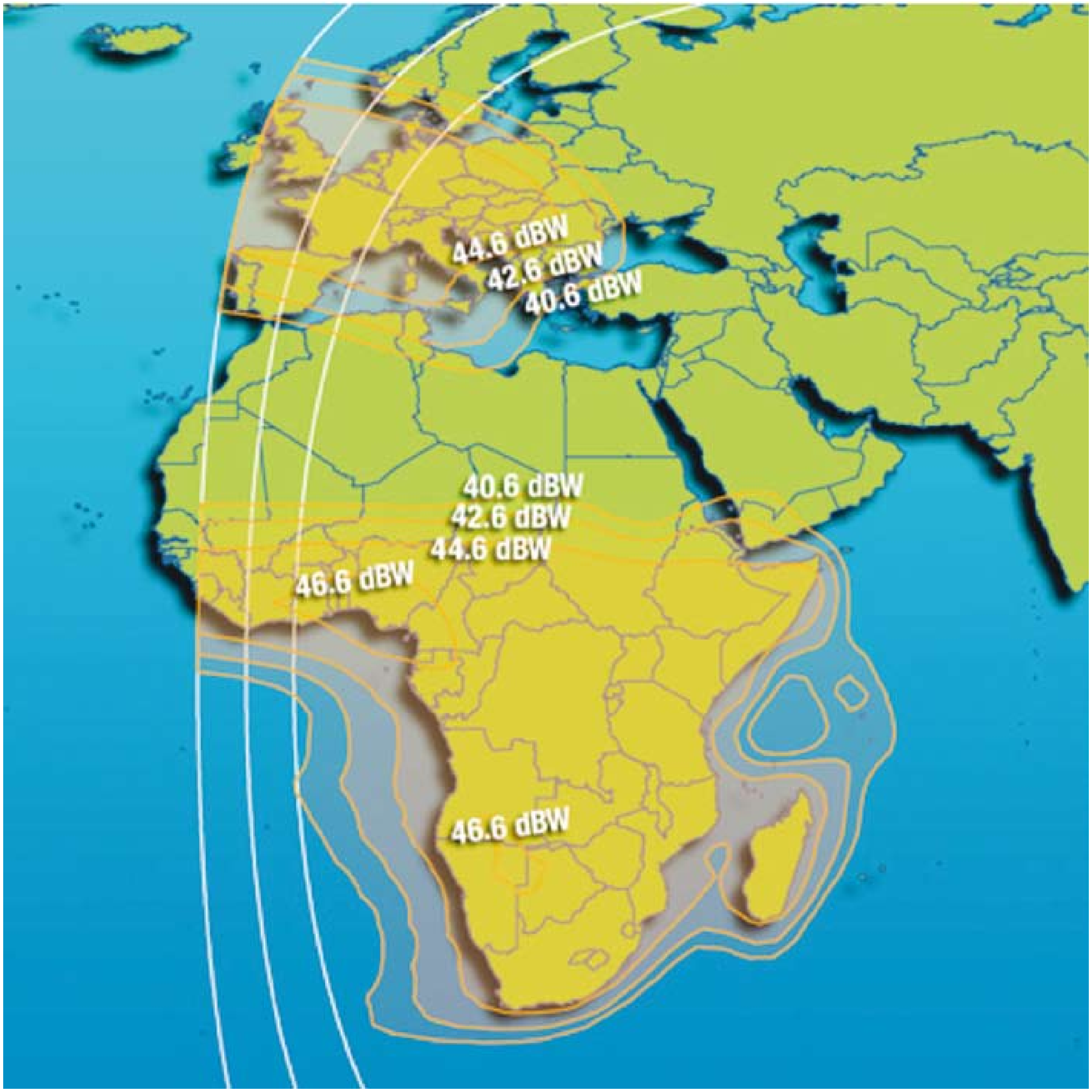




3

The IS-10 satellite is used for:

i) VIVID distribution.



Sustainability Report

Performance Summary

Strategic objective	Performance indicator	Status - challenges	Commitments for 2009
Profit/loss	Minimise financial losses to R16 million	The Company reported a pre-tax profit of R28 million. *See CEO's and Sustainability report.*	Loss of R59 million, to cater for critical maintenance and recruitment of key skills.
Revenue	Meet projected revenue target for 2007/8: R729 million	Budgeted and projected revenue targets not achieved. *See CEO's and Sustainability report.*	Exit retail broadband and focus on wholesale broadband 40% increase in VSAT sales Upgrade CoC network and increase market share by 6,4%
Quality of Service (QoS)	Meet 99,4% availability for all Sentech television networks. Meet 99,5% availability for Sentech radio networks. Meet 99,7% availability for Sentech telecommunications networks.	Performance of all networks achieved service level targets. *See CEO's and Sustainability report.*	Availability of signal distribution for television transmission, 99,9% Availability of signal distribution for radio transmission, 99,8% VSAT network performance, 99,6% CoC network performance, 99,6%

Strategic objective	Performance indicator	Status - challenges	Commitments for 2009
Digital Terrestrial Television (DTT)	Implementation of phase 2 of DTT business plan. This is subject to the Government timeously paying the allocated R120 million for the 2007/8 financial year.	Phase 2 of DTT successfully completed. *See CEO's report.*	Digital switch-on 1 November 2008 and 40% population coverage by 31 March 2009. Subject to timeous allocation and transfer of total funding requirements and allocation of requisite spectrum.
Broadband Wireless	Finalise the Broadband Wireless business plan and get approval (of the plan) from DoC and National Treasury. Formulate an implementation plan.	Business plan was finalised and submitted to DoC and National Treasury. R500 million allocation made with further requirement to consider alternative sources of funding, which also has implications for the business model.	Approval of appropriate business and funding model; Implementation of a national broadband wireless network that would focus primarily on schools, hospitals, clinics, Thusong Post Offices and the Government in urban, rural and under-serviced areas by 31 March 2009*; and Development of appropriate products and services for the wholesale market. Rollout to 233 Dinaledi Schools*. * subject to approval of business and funding model.

Sustainability Report

Strategic objective	Performance indicator	Status - challenges	Commitments for 2009
FIFA 2010 World Cup	Building second teleport; Establishing links between Sentech (STP) and IBC: - Finalise project process - Secure key land contracts - Issue and adjudicate tenders for appointment of contractors/service providers - Procure key elements - Start building This is subject to the Government allocating the required funding to Sentech at the scheduled time periods: [CAPEX: R159,7 million] 2008/9; and 2009/2010 [OPEX: R64,8 million]	Required funding allocated in the 2008 Budget Speech. As at 31 March 2008 and subsequently, 31 July 2008, the funds have not yet been transferred to Sentech. Agreement has been finalised and signed between Sentech and DoC regarding Sentech deliverables for the FIFA 2010 World Cup. *See CEO's report .*	Acquire land at Nasrec to build the second teleport; and finalise the detailed designs of the second teleport.

Strategic objective	Performance indicator	Status - challenges	Commitments for 2009
Human resources	Achievement of employment equity target for the 2007/8 financial year in line with the targets set out in the 2005 to 2009 EE Plan submitted to the Department of Labour, with specific focus on individuals with disabilities, technical staff and women at senior management level.	Employment Equity targets in the 2005 to 2009 plan were not achieved due to limited business growth, staff turnover and countrywide skills shortages, which have implications for Sentech.	Achieve revised Employment Equity targets, in line with South African population demographics. See page xx of sustainability report.
	Advance negotiations with the union to implement a performance management system.	In the 2008 wage negotiations, the Company reached settlement with the union on the discussions and implementation of the performance management system. *See CEO's and Sustainability report .*	Performance management system to be implemented from 1 January 2009.
Broad Based Black Economic Empowerment (BBBEE)	Work towards achieving BBBEE targets as set out in the Company's two-year plan, which is in line with the BEE Codes of Practice issued by DTI.	Achieved level 5 rating. *See Sustainability report.*	Achieve level 4 rating in terms of the BBBEE Act by 2014/2015.
Regulatory	Ensure that Sentech received grandfathered licence for subscription television, more specifically Business Television (BTV).	Sentech withdrew from the ITA for subscription television as services can continue to be provided under Multimedia licence. *See CEO's report.*	

Sustainability Report
Products and Services

Sender Technology Park (STP), Honeydew

Key developments in 2008

The major changes in the operating environment during the period under review were the strategic decision by the Government that Sentech should exit retail broadband (MyWireless) and provide wholesale broadband connectivity to hospitals, clinics, schools (primarily focusing on Dinaledi Schools), Thusong Community Centres and Post Offices and other Government offices and institutions in rural and under-serviced areas. In line with the 2008 to 2011 Corporate Plan, Sentech will phase out retail products in their current form during the 2008/9 financial year.

The Company will remain a strategic national asset of the Government, providing essential Broadcasting Signal Distribution, which includes migration from analogue to Digital Terrestrial Television (DTT); and providing services for FIFA 2010 World Cup.

PRODUCTS AND SERVICES OVERVIEW:

Television (TV)

Sentech provides television broadcast signal distribution. This service entails linking a broadcaster's TV studio to a Sentech transmission facility. A TV transmitter then radiates a signal in a predetermined area, which is received by the public using an aerial and a television set.

Sentech's TV transmitters broadcast a signal on the VHF and UHF frequency spectrum of 175MHz to 847MHz. This frequency spectrum offers signal integrity and is favoured by most broadcasters.

Different transmitter power configurations, from 1W to 20kW, can be used as defined by ICASA technical specifications. Every transmitter category has a unique tariff that is universally applied throughout Sentech's network.

FM radio

Sentech links a broadcaster's Frequency Modulation (FM) studio to a Sentech transmission facility. The transmitter then radiates a signal in a predetermined area, which is then received by the public using a radio. This allows the public to listen to radio stations licensed by ICASA on FM frequency spectrum.

Sentech's FM transmitters broadcast in the FM frequency spectrum of 88MHz to 108MHz. This frequency spectrum offers signal integrity and is favoured by most broadcasters.

Different transmitter power configurations, from 10W to 20kW, can be used as defined by ICASA technical specifications. Every transmitter category has a unique tariff that is universally applied throughout Sentech's network.

Microwave Multipoint Distribution System (MMDS)

Sentech provides MMDS broadcast signal distribution. This service entails linking a broadcaster's TV studio to a Sentech transmission facility. A MMDS transmitter then radiates a signal in a predetermined area, which is then received by the intended recipient.

MMDS transmitters are used by broadcasters to relay their broadcast in the microwave frequency spectrum of 2.5GHz to 2.7GHZ. This frequency spectrum offers signal integrity but is limited to line of sight applications. The product is usually used by a closed user group and special receive antenna installations are required.

Audio processors

The product offering consists of an audio-processing unit that is installed at the FM transmitter and its function is to increase/decrease certain frequencies in the audio spectrum, thus tailoring the sound of a

Operating Control Room, Meyerton Shortwave Facility

broadcaster to enhance the identity of the station. The broadcaster determines the make of equipment to be purchased as well as the level of processing.

Medium Wave (MW) radio

Sentech distributes Medium Wave (MW) radio broadcast signals. This service entails linking a broadcaster's MW studio to a Sentech transmission facility. An MW transmitter then radiates a signal in a predetermined area, which is then received by the public using a radio. This allows the public to listen to radio stations licensed by ICASA on the MW frequency spectrum.

Sentech's transmitter relays broadcasts in the MW frequency spectrum of 535.5kHz to 1606.5kHz, offering limited quality of signal integrity but suitable for talk show format broadcasters. This product is susceptible to adverse weather conditions.

Sentech's MW transmitters use different transmitter power configurations, from 1kW to 100kW, as defined by ICASA technical specifications. Every transmitter category has a unique tariff that is universally applied throughout Sentech's network.

Shortwave (SW) radio

Sentech provides SW radio broadcast signals. This entails linking a broadcaster's SW studio to a Sentech transmission facility which then radiates a signal in a predetermined area, which is then received by the public using a radio.

An SW transmitter is used by international broadcasters to relay their broadcast in the SW spectrum of the 11m, 13m, 16m, 19m, 22m, 25m, 31m, 41m, 49m, 60m, 75m, and 90m band. This medium of broadcast offers the opportunity to target remote areas with the use of very high power transmitters and high gain antenna systems. The signal is transmitted at a predetermined take off angle and bounced off the ionosphere. The antenna gain and transmitter's power will further determine what area is targeted. Sentech's infrastructure can be configured to reach as far as Europe.

Facility rental

Sentech rents out some of its 220 sites to service providers wishing to use Sentech infrastructure as an intermediate link in their own network. Sentech classifies its transmission facilities into three categories: country sites, metropolitan sites and the Sentech tower.

Transmitters Site, Tygerberg, Cape Town

Sustainability Report
Products and Services

Durban Regional Office

Studio Transmitter Links (STL)

A Sentech STL is used to link an audio or data source between a broadcaster's studio and Sentech's transmission facility. The product conforms to very high transmission specifications of mean time between failures (MTBF), resulting in very high reliability norms. The STL is usually connected to an Uninterrupted Power Supply (UPS) to prevent loss of power during power outages.

Business Television

Sentech's Business Television (BTV) is a satellite broadcasting information distribution service that can offer cost effective solutions for business communication, education and training. This is a point-to-multipoint, real-time communications tool, irrespective of distance and/or location, within the satellite footprint.

This service links a broadcaster's studio to a Sentech transmission facility and then uplinks the service to a satellite by remote facilities. It is typically used for business-to-business communication.

Satellite linking

Sentech has a number of infrastructure capabilities that can be used for linking local as well as international venues. The product offering can be a KU-band and C-band satellite offering or a Satellite News Gathering (SNG) solution.

Satellite linking is used by Sentech to distribute the broadcaster's signals to Sentech's transmission facilities, using C-band as the primary link and KU-band as the secondary link. Satellite linking is also used to link international feed to and from South Africa.

VIVID

VIVID is Sentech's satellite direct-to-home digital television home viewing system. VIVID is free to viewers - there is no monthly subscription. VIVID is, therefore, an alternative television entertainment solution that caters for the greater population in South Africa and Africa where the conventional terrestrial viewing is not possible due to current coverage.

VSTAR

VSTAR offers commercially-off-the-shelf (COTS) Internet bundles as well as total customisable solutions to connect remotely dispersed sites anywhere in the southern parts of Africa. The VSTAR VSAT hub is operated and maintained from Sentech's STP. Remote sites are connected to their head office via the satellite and the VSTAR hub. Space segment is leased from Intelsat's IS-7 satellite providing KU-band connectivity.

VMESH

Sentech's VMESH is used to connect remotely dispersed sites, from Cape to Cairo, or possibly the south-western parts of Europe. VMESH is a hubless VSAT network, allowing remote sites to connect directly to each other via the satellite, in this case NSS7's east hemi beam.

Value added services

This product portfolio consists of the following products:

Internet Home:

- Affordable Dial Up, a cost effective Internet dial up connection.
- Virtual Dial Up, a cost effective Internet dial up connection.
- SOLO is internet delivery via satellite and enhances Internet access for dial-up internet users.

Internet Business:

- Connect is an "always on" Internet access via a fixed line solution.
- Connect Plus is an asymmetrical internet access solution for business users, using a leased line for outgoing traffic and satellite as the return path.
- TopUP provides an asymmetrical satellite return path to customers with a fixed Internet line access via any ISP.
- Multiconnect is a transmission network that uses a shared satellite return path to distribute data to WAN networks.

Hosting:

- DNS hosting services for DNS, Mail, Web and Server entail the physical housing of equipment on Sentech's facilities.

Multimedia:

- MailLink is a full-featured e-mail hosting service.
- Multinet is a satellite point to multipoint data distribution service.

MyWireless

MyWireless is a wireless broadband access service that provides Internet connectivity to the end user by means of a wireless modem. The connection from the wireless modem is via radio frequency operating on a regulated and licensed 2.5GHz to 2.7GHz spectrum to a high-powered base station located within an approximate radius of 5km from the end user. The service operates on the UMTS –TDD standard, which is a true 3G network. The equipment, base station, core and customer premises equipment are supplied by IPWireless. The base stations communicate via the 3.5GHz radio frequency to the core network, which is coupled to an IP network that provides Internet access across the radio (air) interface.

Biznet

Biznet Xpress is a fixed wireless point-to-multipoint access solution. These technologies are not new to the global market, with point-to-point services having been available in South Africa in various forms for many years.

Carrier of Carriers (CoC)

Sentech sends and receives international voice traffic between licensed operators. This business is conducted in terms of interconnect agreements with fixed and mobile telephony operators and commercial agreements with other licensed operators.

Services

Termination of voice traffic from international origins to domestic carriers (Cell C, MTN, Vodacom, Telkom SA).

Termination of voice traffic from domestic carriers (Cell C, MTN, Vodacom) to international destinations.

Economic sustainability of Sentech products and services

Sentech is a licensed broadcasting signal distributor with common carrier status in terms of section 33 read with section 37 of the Independent Broadcasting Act 153 of 1993 (IBA), as repealed. As a common carrier, Sentech is obliged to provide broadcasting signal distribution for broadcasting services on a non-discriminatory and non-exclusive basis.

Sentech's relationship with its broadcasting signal distribution customers, as regulated by the IBA, is further governed by transmission contracts concluded at the commencement of service. The transmission contract has a prescribed duration in which the customer will use Sentech as its signal distributor.

Under the ECA, broadcasting signal distribution is no longer a licensed category. Broadcasting signal distribution will be offered as a service under an Electronic Communications Network Service (ECNS) licence. Any ECNS licensee can now also provide broadcasting signal distribution as common carrier if the regulator approves. Notwithstanding, Sentech still has binding contracts with its regulated broadcasting signal distribution customers and will ensure that relationship is sustained for the duration of the contract.

In view of the regulatory challenges raised by the ECA, as well as digitisation of its network, Sentech is reviewing its existing tariff regime and improving customer focus.
For unregulated broadcasting signal distribution services the focus is on cost effectiveness as customers are very price sensitive. A Customer Relationship Management (CRM) strategy is adopted to ensure that Sentech remains the supplier of choice in terms of affordability as well as delivery of professional services. Sentech has a good track record in maintaining this customer base, but the recent economic downturn has seen some cancellations, but not to competitors.

In the broadband market, customer retention is dependent on affordability factors, as this market is very price sensitive. Coverage and quality of services also plays a key part in retaining customers. A lack of coverage for MyWireless has resulted in cancellation of service by 50% in the last financial year.

Sentech's competitors in the VSAT market area are cross-subsiding their product and this has put pressure on the Sentech tariffs.

Sustainability in the CoC market will be ensured by providing:

- Premium (carrier grade quality) voice termination services, (i.e. with the number of completed calls higher than 60% of attempted calls and the average call duration longer than two minutes).
- Reliable, always-available carrier of carriers network with a variety of attractive routes with high availability.

The existing Sentech CoC network will need to be replaced with a modern-technology, carrier–grade network with the necessary redundancy, high availability and variety of routes to ensure the sustainability of this business.

Benefits of Sentech products and services to wider South African public

As a strategic national asset of the Government, Sentech 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.

Sentech's primary obligation is to provide a reliable signal distribution service to broadcasters in South Africa. Secondly, Sentech's mandate is to partner with the Government to develop a wireless broadband infrastructure that will bridge the digital divide and enable the creation of a "knowledge society" and "knowledge-based economy".

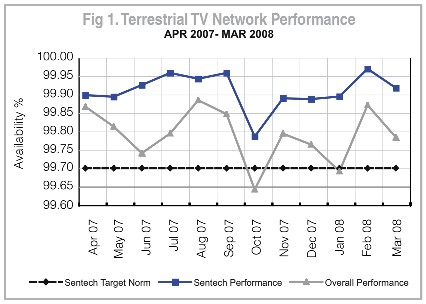
The NWBN will offer service to clinics, hospitals, schools, Thusong Centres (multipurpose community centres), post offices and other crucial Government agencies.

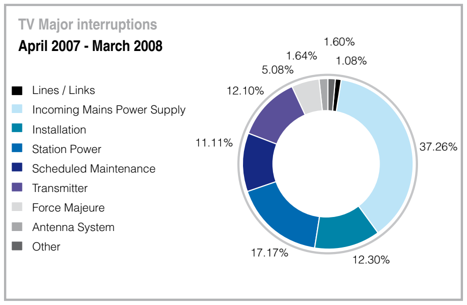
Sustainability Report

Performance of the Sentech Networks

Terrestrial Broadcast Networks

The availability of most terrestrial TV broadcast transmission networks dipped slightly in September/ October 2007 (see Figure 1), primarily due to simultaneous failures of both the incoming mains power supply as well as the standby generators at several large transmitting stations. Despite these interruptions, it was again possible to ensure that the average availability of the analogue terrestrial TV broadcast networks exceeded the agreed norms for the year (achieved 99,8% vs a target of 99,7%).



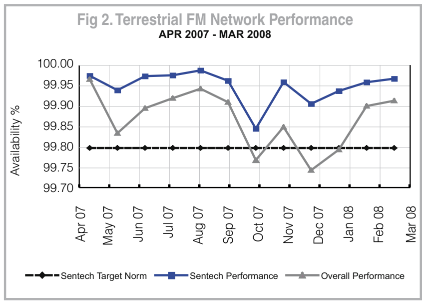


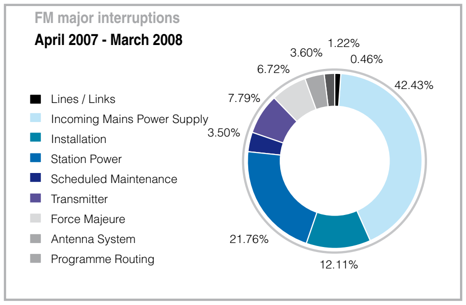
TV Network Performance APR 2007 to MAR 2008

Total Transmit Hours	Sentech Target Norm	Overall Interruptions	Overall Performance	Sentech Interruptions	Sentech Perfomance
5 407 640	99.700	11 480.18	99.788	5 207.44	99.904

Terrestrial Broadcast Networks

Performance of the FM terrestrial radio network was once again above Sentech's target norm of 99,8%, averaging more than 99,9% for the year under review, as illustrated in Figure 2.





FM Network Performance APR 2007 to MAR 2008

Total Transmit Hours	Sentech Target Norm	Overall Interruptions	Overall Performance	Sentech Interruptions	Sentech Perfomance
6 637 836	99.800	8 554.01	99.871	3 296.99	99.950

The Medium Wave transmissions were affected by the deteriorating performance of the obsolete Radio Pulpit and Metro transmitters. Nevertheless, the average availability of the MW broadcast network exceeded the agreed norm of 99,5% for the year, as illustrated in Figure 3. A new digital MW transmitter for Radio Pulpit has been installed for cutover in the new financial year (2008/9).

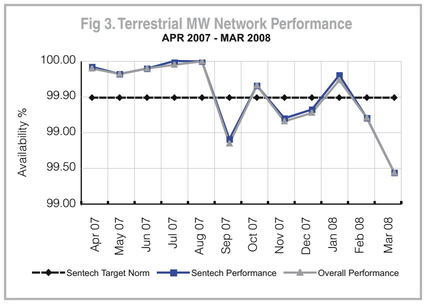
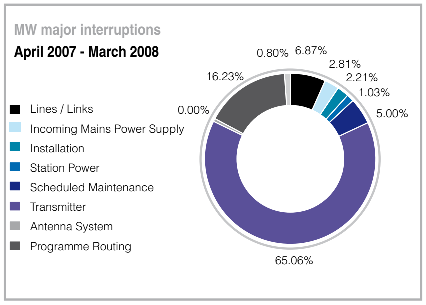


Fig 3. Terrestrial MW Network Performance


MW major interruptions

MW Network Performance APR 2007 to MAR 2008

Total Transmit Hours	Sentech Target Norm	Overall Interruptions	Overall Performance	Sentech Interruptions	Sentech Performance
64 416	99.500	309.62	99.519	294.10	99.543

As depicted in Figure 4, the continued satisfactory performance of Shortwave transmissions, over 99,7% availability vs a target of 99,5%, despite the advanced age of the transmitters, can again be attributed to the dedication and innovation of Sentech's technical staff at Meyerton transmitting station.

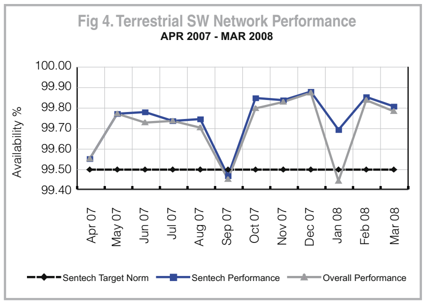
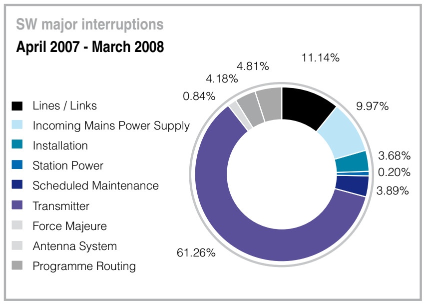


Fig 4. Terrestrial SW Network Performance


SW major interruptions

SW Network Performance APR 2007 to MAR 2008

Total Transmit Hours	Sentech Target Norm	Overall Interruptions	Overall Performance	Sentech Interruptions	Sentech Performance
50 287	99.500	147.28	99.707	127.89	99.746

Sustainability Report

Performance of the Sentech Networks

Satellite operations

The availability of most of Sentech's satellite services was lowered by the planned installation of a new system at the Encryption Facility Centre (EFC) in January 2008, bringing the average performance for that month down to 99,5%. Despite this, the availability achieved of 99,9% was still above the norm of 99,8% for all 12 months of the year, as illustrated in Figures 5a –5f. The availability performances for both TV and radio satellite linking were above the target norm all year round. In June/July 2007 dips occurred due to satellite antenna planned maintenance. The availability for the C-band satellite network was above 99,9%.

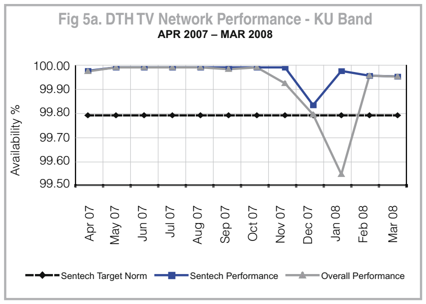
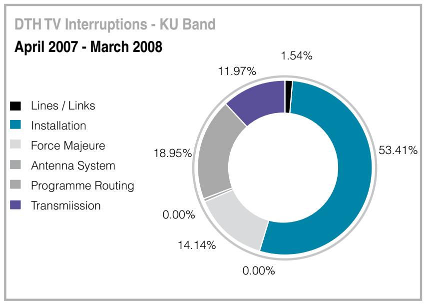


Fig 5a. DTH TV Network Performance - KU Band



DTH TV Interruptions - KU Band

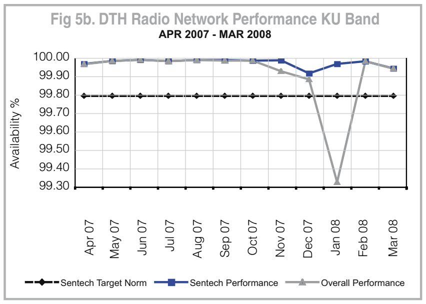
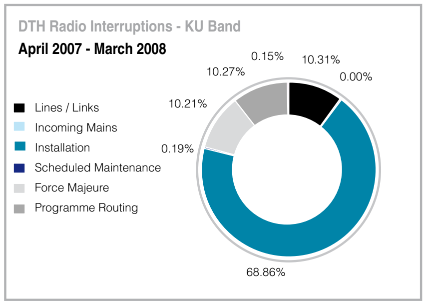


Fig 5b. DTH Radio Network Performance KU Band



DTH Radio Interruptions - KU Band

DHT TV Network Performance APR 2007 to MAR 2008

Total Transmit Hours	Sentech Target Norm	Overall Interruptions	Overall Performance	Sentech Interruptions	Sentech Performance
112 992	99.800	78.11	99.931	25.35	99.978

DTH Radio Network Performance APR 2007 to MAR 2008

Total Transmit Hours	Sentech Target Norm	Overall Interruptions	Overall Performance	Sentech Interruptions	Sentech Performance
261 360	99.800	205.15	99.922	42.93	99.984

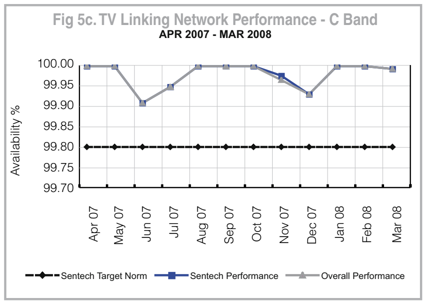
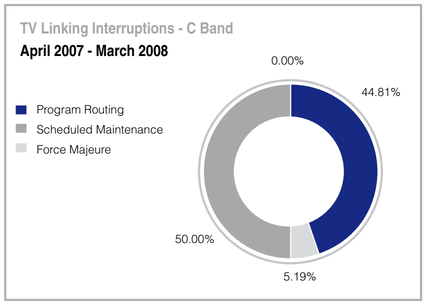


Fig 5c. TV Linking Network Performance - C Band



TV Linking Interruptions - C Band

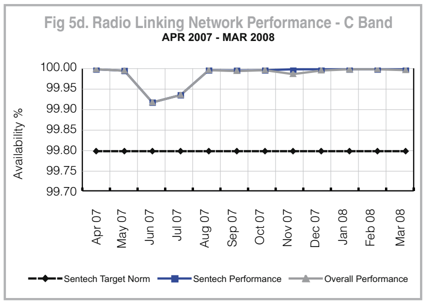
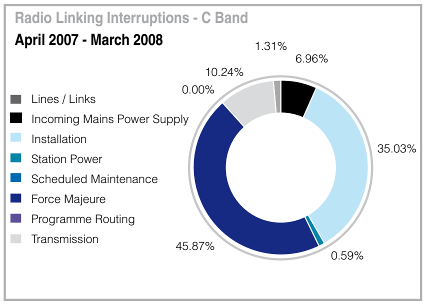


Fig 5d. Radio Linking Network Performance - C Band



Radio Linking Interruptions - C Band

TV Linking Network Performance - C Band APR 2007 to MAR 2008

Total Transmit Hours	Sentech Target Norm	Overall Interruptions	Overall Performance	Sentech Interruptions	Sentech Perfomance
61 488	99.800	12.97	99.979	12.44	99.980

Radio Linking Network Performance - C Band APR 2007 to MAR 2008

Total Transmit Hours	Sentech Target Norm	Overall Interruptions	Overall Performance	Sentech Interruptions	Sentech Performance
98 808	99.800	13.99	99.989	12.48	99.987

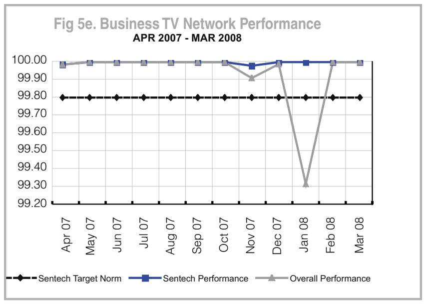
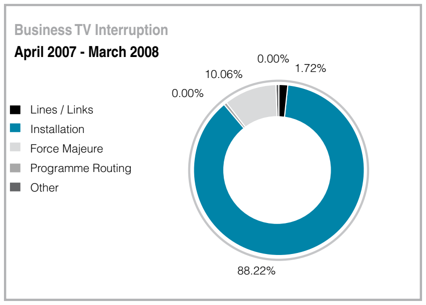


Fig 5e. Business TV Network Performance



Business TV Interruption

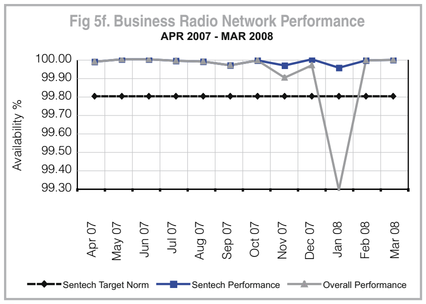
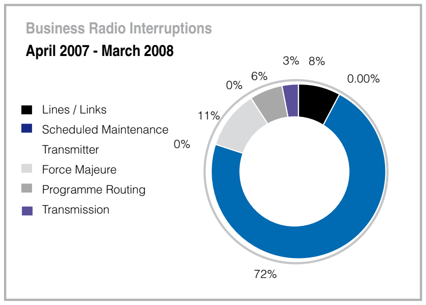


Fig 5f. Business Radio Network Performance



Business Radio Interruptions

Business TV Network Performance APR 2007 to MAR 2008

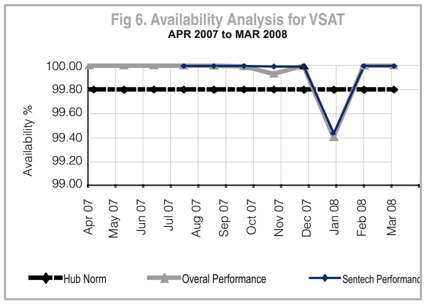
Total Transmit Hours	Sentech Target Norm	Overall Interruptions	Overall Performance	Sentech Interruptions	Sentech Performance
26 352	99.800	17.85	99.932	0.75	99.997

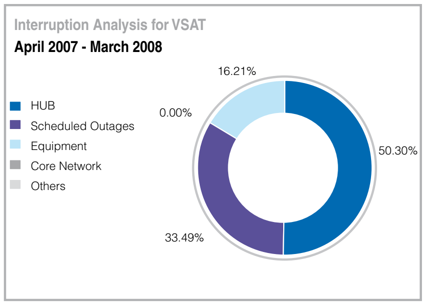
Business Radio Network Performance APR 2007 to MAR 2008

Total Transmit Hours	Sentech Target Norm	Overall Interruptions	Overall Performance	Sentech Interruptions	Sentech Performance
232 752	99.800	183.37	99.921	30.83	99.987

Telecommunications networks

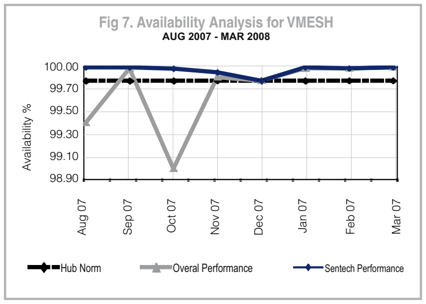
A concerted effort was made to effect a significant improvement in performance of the VSAT network for the 2007/8 financial year, resulting in almost 100% availability for the full 12 months, except for a single, rare hardware failure in January 2008, which resulted in an overall availability for the year of 99, 97% against a target of 99,8%. This is depicted in Figure 6.

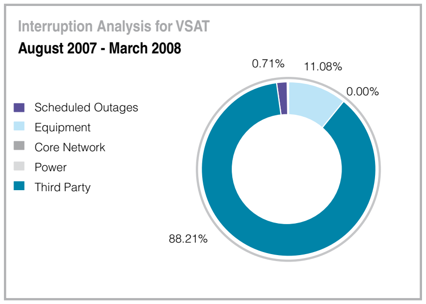




Total Hours	Target Norm	Overall Interruptions	Overall Availability	Sentech Responsibilty	Sentech Availability
15 279 744	99.800	4 240.73	99.97	3 582.17	99.98

As indicated in the Figure 7, the availability of the VMESH network exceeded Sentech's target norm for most of the period in consideration, with the exception of the period between August 2007 and October 2007. The decreased availability was due to hardware failures (remote terminals) and unavailability of spares on site. Both are classified as due to third parties since both the remote terminals as well as the on-site spares are the responsibilities of the clients.



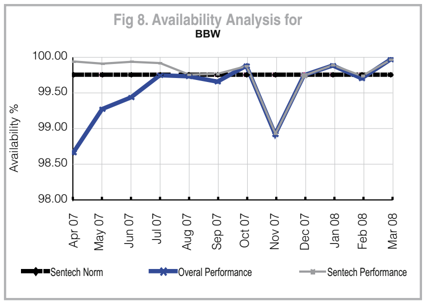


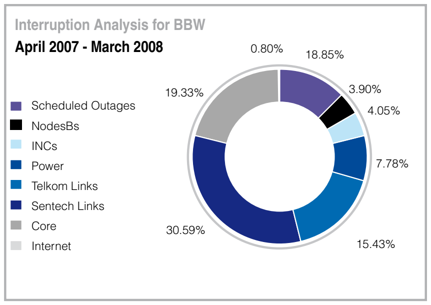
Total Hours	Target Norm	Overall Interruptions	Overall Availability	Sentech Responsibility	Sentech Availability
138 600	99.80	284.70	99.79	32.13	99.98

Sustainability Report

Performance of the Sentech Networks

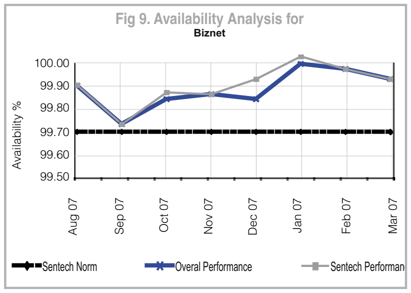
Performance of the MyWireless network suffered during the year under review, as illustrated in Figure 8. During the period April 2007 to July 2007, the decreased availabilities were due to prolonged mains power failures in Cape Town and around the country, as well as specific hardware breakdowns that affected all sites. In November 2007 availability problems were experienced during a software upgrade that affected the Sea Point site, which was compounded by the lack of access to Table Mountain site after hours or during inclement weather when the mountain is not accessible. Nevertheless, the average availability of 99,76% for the full year still exceeded the target of 99,70%, excluding incidents attributable to third parties.

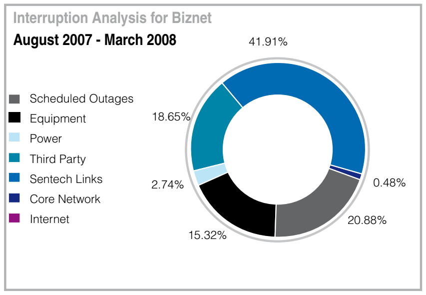




Total Hours	Sentech Norm	Overall Interruptions	Overall Availability	Sentech Responsibility	Sentech Availability
1 361 520	99.70	7 760.66	99.43	3 271.68	99.76

The average availability of Sentech's Biznet services exceeded the target norm for the entire period under review, as depicted in Figure 9.





Total Hours	Sentech Norm	Overall Interruptions	Overall Availability	Sentech Responsibility	Sentech Availability
329 280	99.70	405.33	99.88	356.86	99.89

As of July 2007, Sentech's CoC network performance started deteriorating through failures of the existing equipment reaching end-of-life and unavailability of replacement equipment. In January and March 2008 the poor availabilities of the network were mainly attributable to third party link failures. Mains power load shedding also had a negative effect on this network, hence the average availability achieved of 99,4% was below the target norm of 99,7% over the 12-month period. This is shown in Figure 10.

The availability of Sentech's Internet services was badly affected by intermittent core network failures in November 2007, December 2007 and February 2008, as well as mains power interruptions at the critical Rosebank aggregation site. The average availability of the Internet services was below the target norm of 99,7% for the year.

General notes

Force majeure – is a condition or event outside of Sentech's responsibility and consequently does not affect Sentech's performance; the most common event is "No access to site" due to bad weather and physical disaster.

Target norms are defined by the network design, specifically the level of redundancy provided, and by the Service Level Agreements (SLAs) signed with Sentech's clients.

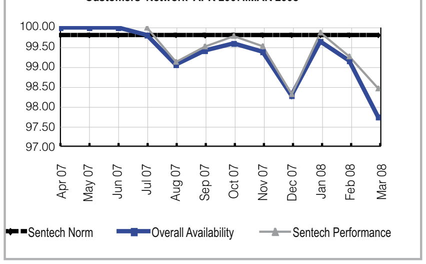
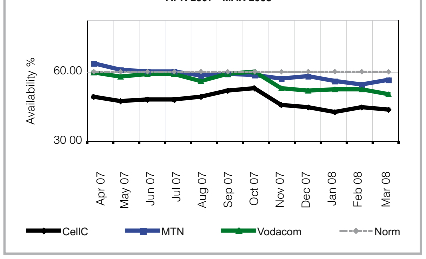
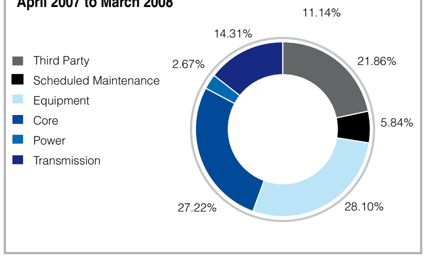


Fig 10. Availability Analysis for CoC
Customers' Network APR 2007..MAR 2008



ASR Trend Analysis
APR 2007 - MAR 2008



INTERRUPTION ANALYSIS for CoC Sentech's Network
April 2007 to March 2008

Total Hours	Sentech Norm	Overall Interruptions	Overall Availability	Sentech Responsibility	Sentech Availability
601 464	99.70	4 525.07	99.25	3 535.65	99.41

Sustainability Report

NET SALES PERFORMANCE

Revenue increased by 8,7% in 2007 due mainly to growth in CoC and Multimedia sales.

In 2008, revenue decreased against budget, mainly due to poor performance from the CoC and Multimedia product range. CoC revenue was 14% down. A tougher trading environment characterised by the strengthening of the Rand against the US Dollar in the first nine months of the financial year affected incoming traffic, as RSA termination tariffs had to be raised to avoid losses. Consequently, interconnect partners reduced general volumes as Sentech was pushed further down the routing priority. The delays in commissioning new interconnect partners also resulted in significant loss of potential revenue.

VSAT revenue decreased by R19,7 million mainly due to the termination of the Gauteng-On-Line (GOL) contract.

MyWireless revenue decreased by R8,5 million due to lack of funding to expand the network, increased competition, and the decision to move out of the retail market. The budgeted revenue for 2009 represents a 30,4% increase over 2008 actual. Included in the budget is the provision of uplink teleport services for some of the newly licensed pay television operators. The achievement of this revenue will be dependent upon the successful negotiation with the operators.

CoC revenue is budgeted to increase by 122% to R204 million compared to R92 million, actual for 2007/8. To achieve this, the network must be upgraded at an expected cost of R23,6 million.

Revenue (R'000)	Actual 2006	Actual 2007	Actual 2008	Budget 2008	Budget 2009
Revenue	665 470	723 224	724 076	881 037	944 549
Growth		8.7%	0.1%	(20.7%)	30.4%

Meyerton Short Wave Facility

Sustainability Report
Our Stakeholders

Stakeholders are defined as "those people, organisations and entities that impact on Sentech or who are impacted by Sentech activities". Based on that definition, the Sentech stakeholders are:

COMMUNITY

A key stakeholder is the general South African public, which is impacted daily by Sentech business through our transmission of information used to improve their quality of life, be it through radio and television content or Internet connectivity. The extent of this impact is realised when you consider that according to SAARF AMPS figures there are 7,7 million television households and 10 million radio households, which equates to 35,42 million South Africans with access to television and 46 million with access to radio (this is calculated at an average per household of 4,6).

The Government has taken a policy decision that Sentech should roll out a NBWN using Wimax technology that will provide connectivity to schools, hospitals, clinics, Thusong Community Centres, Thusong Post offices and Government offices in rural and under-serviced areas. Despite not having rolled out the NBWN, Sentech is providing connectivity to the abovementioned through its VSTAR product, either on a commercial basis or as part of the Company's corporate social investment strategy.

SHAREHOLDER: STATE (as represented by the Minister of Communications)

Sentech is a State Owned Enterprise (SOE) reporting to the Minister and Department of Communications. This relationship is governed by the Sentech Act, Sentech Amendment Act, Public Finance Management Act, Articles of Association and Companies Act and Government Protocol on Corporate Governance. On an annual basis, Sentech concludes a Shareholders Agreement with the Minister of Communications that sets out the governance principles that regulate the relationship between the parties; and the key performance targets for the year.
The Minister of Communications and the Sentech Board further interact through quarterly bilateral meetings attended by the Chairperson of the Board and Chief Executive Officer.

THE GOVERNMENT

Department of Communications

Sentech executive directors and employees interact with the Department of Communications' Director General, Deputy-Director Generals and other officials in their capacity as representatives of the shareholder and as policy formulator.

National Treasury

The interaction with National Treasury is governed by the PFMA and appropriation of funding in terms of the annual budget speech, by the Minister of Finance.

EMPLOYEES

Full-time and temporary staff constitute the chief stakeholders under the employee category. At the close of the financial year, March 2008, there were 545 full-time staff and 23 temporary employees. The tally for both categories was 568.

TRADE UNIONS

The Communication Workers Union (CWU) is the only officially recognised trade union in the Company. The union enjoys a membership of 187 persons from a Collective Bargaining Unit (CBU) of 394 persons. This constitutes 47,5% of employees within the CBU. In terms of the overall full-time employees of 545, union membership constitutes 34,3% of the total full-time staff complement.

There is good rapport with organised labour and the interaction is frequent and ongoing on an informal and formal basis.

CUSTOMERS

The relationship with customers is managed by account managers, who engage on both a formal and informal basis. On a formal basis this refers to regular meetings (monthly, quarterly and as when required) and informal refers to invitations to sporting events, e.g. golf days, and other Company functions.

Broadcasting

Terrestrial television broadcasting

Sentech has eight customers: SABC (SABC1, SABC2 and SABC3), e.tv , Multichoice (MNET and CSN), Soweto TV and Trinity Broadcasting.

Television broadcasting, VIVID:

Sentech has five customers transmitting on PAS-07: God TV, TCT, itv, SABC (SABC1, SABC2 and SABC3) and Fashion TV.

On PAS-10, Sentech also has five customers: Spirit World, e.tv, SABC (News International), CNBC Africa and Hope Christian television.

Public broadcaster (radio)

Sentech transmits all the SABC public broadcasting radio stations: 5FM, Ikwekwezi FM, Lesedi FM, Ligwalagwala FM, Motsweding FM, Munghana Lonene FM, Phalaphala FM, Radio 2000, Good Hope FM, Lotus FM, Metro FM, Radio Sonder Grense FM, SAFM, Thobela FM, Ukhozi FM, Umhlobo Wenene FM, Radio Ciskei FM and XK FM.

Commercial broadcasters (radio)

Sentech has 16 commercial radio customers: Algoa FM, Capricorn FM, Highveld FM, Igagasi FM, Jacaranda FM, M Power FM, Oranje FM, Radio 702 FM, Classic FM, P4 Cape Town FM, East Coast FM Radio, Kaya FM, KFM, Radio North West FM, Y-FM and Cape Talk FM.

Community broadcasters (radio)

Sentech has 40 community radio customers: Baberton Community Radio, FM, Bush Radio FM, CCFM, Durban Youth Radio FM, Eden FM, Fine Music Radio FM, Helderberg FM, Kangala FM, Khanya FM, Kovsie FM, Kragbron FM, Kwezi FM, Laeveld FM, Link FM, Maputaland FM, Mosupatsela FM, Naledi FM, Namaqualand FM, New Castle Community Radio FM, Nkqubela FM, Orange Farm FM, Pulpit FM, Qwa-Qwa FM, Radio KC FM, RAU Radio FM, Ripple FM, Setsoto FM, Soshanguwe Community Radio FM, Thembisa Community Radio FM, Radio Today MW/AM, Tshwane University FM, Tuks FM, Radio Tygerberg FM, Unitra FM, Vaal University FM, Vaaltar FM, Voice of the Cape FM, Vukani FM, West Coast FM, Wits FM.

In-Store radio

Sentech has 26 in-store radio customers, including major South African corporations in the transportation, retail clothing, homeware, furniture, banking and mining sectors.

Telecommunications

VSAT

Sentech has 104 customers, broken down into two categories:

Government departments, institutions and agencies

In line with its mandate, Sentech provides connectivity (using VSTAR technology) on a commercial basis to Government offices, institutions and agencies:

Department of Agriculture, Department of Education, Gauteng Department of Education, Mpumalanga Department of Arts and Land, Mpumalanga Department of Education, Moses Kotane Municipality, South African Post Office, South African Post Office Trust Centre, South African Weather Services, State Information Technology Agency (SITA), Universal Service and Access Agency of South Africa (USAASA), Goldfields FET College, Sekhukhune FET College and Dipalo Schools of Information.

Corporates

Sentech corporate customers range from small, medium to major corporations both locally and outside South African borders in the ICT, mining, banking, financial, construction, retail and education sectors.

CoC

The CoC has three types of customers

In-bound:

Bringing international voice traffic into RSA for termination locally via Sentech. In total, Sentech has 11 customers that are based in Belgium, India, England, United States of America (USA), Netherlands, Lesotho and Namibia: Belgacom, Bharti Airtel, British Telecom, Liquid Telecom, Gateway

Sustainability Report
Our Stakeholders

Communications, Global Voice Group, IDT Global, i-Basis, Lesotho Telecom, Telecom Namibia, Reliance and Telco214. Interaction with these customers is once or twice per year with further contact on a weekly or monthly basis via e-mail and telephone. The issues of discussion relate to traffic, rates and quality of service. The business relationships will continue into the future through the provision of bothway international voice traffic.

Out-bound:
Sending local voice traffic for termination to international destinations via Sentech, i.e. outside of the RSA. Currently, Sentech has three customers - Cell-C, MTN and Vodacom. Sentech meets with the customers at least five or six times per year, with regular contact by e-mail and telephone. The topics for discussion include traffic, rates and quality of service. The business relationships will continue as we work towards the provision of bothway international voice traffic.

Corporate Customers:
Currently Sentech has two corporate customers: NetBasket and Syrinx. Sentech meets with the customers at least five or six times per year, with regular contact through telephone and e-mail. Topics of discussion include traffic, rates and quality of service issues. Commitments for the 2008/9 financial year: in-bound voice traffic and bothway international voice traffic. The Company, as part of its 2008/9 business strategy, intends to grow its customer base in the corporate sector.

Universal Service and Access Agency of South Africa (USAASA)
USAASA was established under the ECA to promote the goals of universal access and universal service in the under-serviced areas of South Africa. Its mandate includes encouraging and facilitating the provision of universal access and service.

Sentech meets with USAASA at least six times a year to discuss and agree on how the agency can work with the Company in support of providing broadband connectivity to schools and Thusong Centres in under-serviced areas. The Company also jointly supports the Orange Farm Multipurpose Community Centre as a designated centre of excellence of the agency.

REGULATORS

Independent Communications Authority of South Africa (ICASA)
ICASA regulates the telecommunications and broadcasting industries in the public interest. This includes issuing licences to providers of telecommunication services and broadcasters; monitoring the environment and enforcing compliance with rules, regulations and policies; hearing and deciding on disputes and complaints brought by industry or members of the public against licensees; planning, controlling and managing the frequency spectrum, and protecting consumers from unfair business practices, poor quality services and harmful or inferior products.
Sentech holds regular meetings with ICASA officials to create an enabling environment to discuss essential factors challenging the continued existence of Sentech.

International Telecommunications Union (ITU)
This is a leading United Nations agency for information and communication technologies. As the global focal point for governments and the private sector, ITU's role in helping the world communicate spans three core sectors: radio communication, standardisation and development. ITU also organises telecommunication events. ITU is based in Geneva, Switzerland, and its membership includes 191 member states (including South Africa) and more than 700 sector members and associates. Sentech is a sector member of ITU. Sentech attends conferences organised by ITU on regulatory and policy matters affecting the Sentech business.

INDUSTRY BODIES

Sentech has corporate membership in a number of industry bodies in South Africa and internationally. Designated officials represent the Company in these bodies and participate in the work of these organisations.

National Association of Broadcasters (NAB)
is a national body that represents the interests of broadcasters and broadcast signal distributors. Sentech serves on the board and the technical committee of the NAB. Meetings are held at least quarterly.

Southern African Broadcasters Association (SABA) is a regional body representing public broadcasters and signal distributors. Other sector players may join as associate members. Sentech serves on the board of SABA and chairs its technical committee. For several years, Sentech representatives also chaired the gender committee. Sentech representatives attend the annual general meeting as well as committee meetings.

South African Communications Forum (SACF) is an industry body representing the information and communications technology sector. Sentech serves on the board, and policy and regulatory committee. Sentech attends at least three meetings annually in addition to several informal meetings with members of the organisation.

Commonwealth Broadcasters Association (CBA) is an international forum representing public broadcasters and publicly owned broadcast signal distributors. Meetings are held annually although there are regional workshops on various matters of interest to the membership. Sentech participates in at least one meeting annually.

Commonwealth Telecommunications Association (CTA) is an international body based in London. Sentech joined the organisation two years ago and participates in workshops organised regionally.

FINANCIERS

Formal and informal discussions are held with our financiers as and when required. Discussions revolve around interest rate and currency risks, investment of surplus cash, policies and procedures as well as operational issues such as Internet banking, electronic funds transfers (EFT) and authorisations. Key stakeholders include:

- Amalgamated Banks of South Africa (ABSA)

  ABSA is Sentech's banker with which it has current and cheque accounts as well as overdraft facilities.

- Development Bank of South Africa (DBSA)

  Sentech has a long-term loan facility with DBSA. The commitment for the 2009 financial year is R25,9 million, comprising a capital repayment of R14 million and interest of R11,9 million.

- RentWorks Africa (Pty) Ltd.

AUDITORS

Internal auditors

The internal auditors are appointed by the Board and provide an independent assurance and consulting services to the Company covering all departments within Sentech. In the year under review, the Board appointed PKF Inc. Going forward, the internal auditors will work closely with the external auditors to share results of work performed and to maximise the use of resources and prevent unnecessary duplication of efforts. In the current year, this relationship has already been developed.

The internal audit provides a report that identifies all risks from its audit work and makes recommendation thereto. Sentech's management recognises that long-term sustainability can be achieved only through implementation of, as far as possible, all the recommendations from the internal auditors. The credibility of this function is enhanced by discussing all these reports at the Audit and Risk Committee meetings, which are chaired by an independent non-executive director and consist of a majority of independent, non-executive directors.

The internal auditors who perform the field work are located at Sentech head office, which makes them easily accessible and ensures that issues are resolved promptly. Meetings between the internal audit management and Sentech management are held monthly.

The three-year internal audit plan approved by the Board, details the areas that the internal auditors will cover. Other areas will be determined by the risks identified by the Risk Steering Committee, which will also be addressed by internal audit.

External auditors

Sentech has external auditors that are appointed on a three-year cycle. The current external auditors are SizweNtsaluba vsp jointly with PricewaterhouseCoopers Inc. The external auditors attend the Audit and Risk Committee meetings throughout the year. From May to August each year, the external auditors audit the Group's Annual Financial Statements in terms of which they issue an audit report, which forms part of the Sentech Annual Report.

SUPPLIERS

Sentech has three categories of suppliers

The technology classification refers to all suppliers of technology used to build, operate and maintain the Sentech networks. Almost 90% of the technology suppliers are based in Europe, USA and the Far East. This classification of suppliers is engaged when the Company procures equipment as part of major projects such as DTT, FIFA 2010 World Cup and building of a NBWN. Technology suppliers are also engaged in the procurement of spare parts required to operate and maintain the Sentech networks. Due to international trends, especially in the manufacture of communications technology, it would appear that in the foreseeable future Sentech will continue to procure most of its infrastructure outside South Africa.

The support classification refers to suppliers who provide resources including time and knowledge to support the Sentech networks and ensure that they perform at the required level. Most of the suppliers are locally based.

The general classification refers to suppliers who provide resources that are used by the Sentech business on a day-to-day basis.

Sentech continues to apply the Preferential Procurement and Broadbased Black Economic Empowerment (BBBEE) legislation when procuring goods and services from suppliers, to ensure that a preferred and compliant local supplier base is established and monitored on an ongoing basis.

Existing suppliers who have not begun to transform their businesses, are encouraged and offered guidance towards compliance of their businesses to both Sentech's requirements and BBBEE compliance.

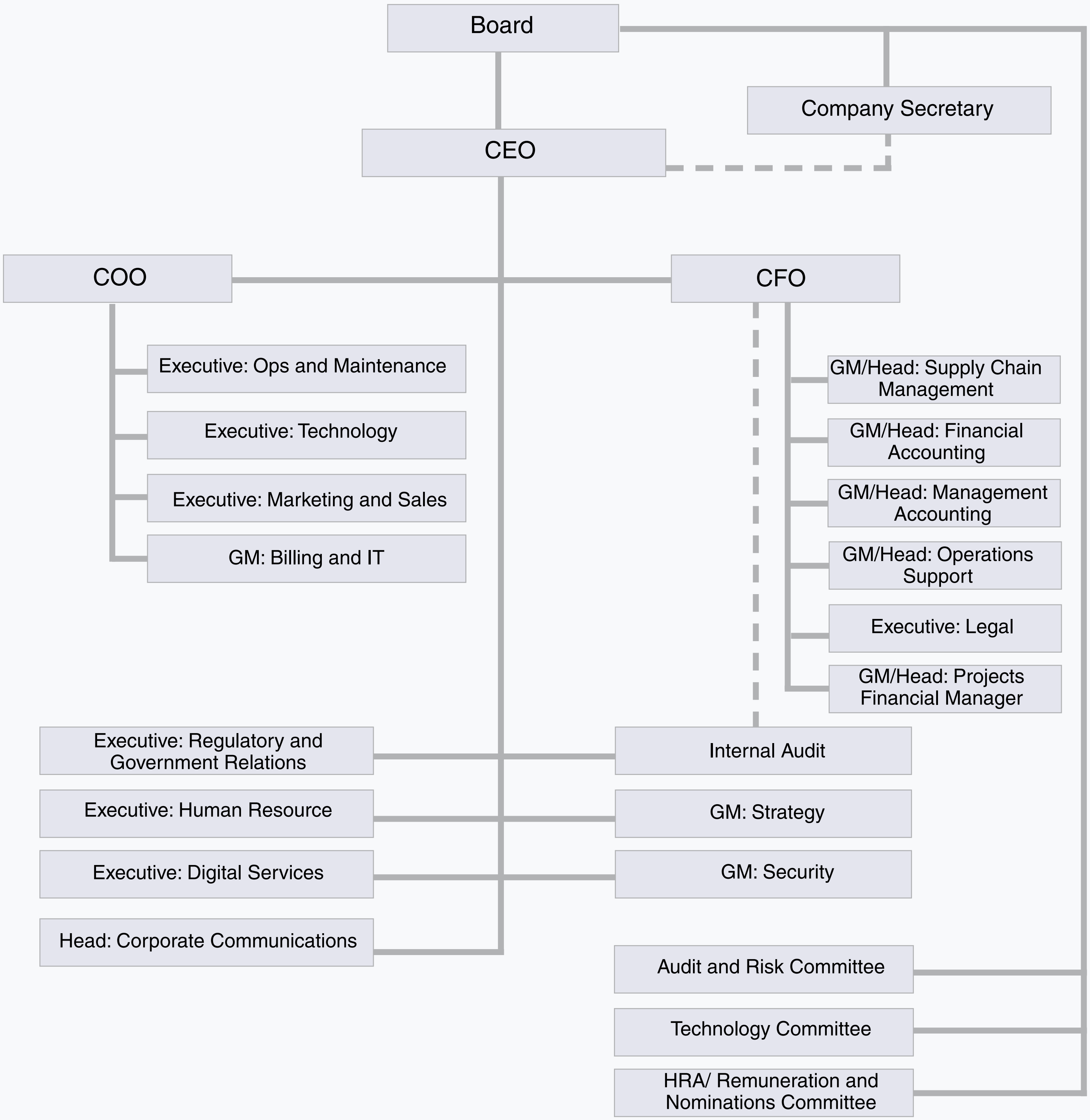
The process of engagement with the suppliers forms part of the tender process as well as the procurement process where generally, both formal and non-formal meetings are held at different intervals.

Topics of engagement: BBBEE, compliance requirements, general/specific Sentech requirements, lead times planning and improvement, and quality and total cost of ownership, including cost reduction initiatives. Monthly meetings are held with different suppliers as and when necessary. The Company's commitments for 2009:

- Ongoing overall efficiency improvement in all aspects of supply chain management;
- Procurement will continue to work towards increasing the level of BBBEE compliant suppliers on the database;
- Ongoing supplier evaluation process which targets strategic suppliers, address specific measured performance items based on SLAs, lead times, quality and cost competitiveness etc;
- Sentech will continue to use the information gathered from the tender process, to identify major players in the market, for various goods and services, from which the most suitable partners are then selected and utilised as preferred suppliers;
- In terms of enterprise development, Sentech will continue to facilitate the following non-monetary initiatives to support the exempted micro enterprises (EME) according to the BBBEE scorecard:

  a. Advance payment or shorter-term payments; and
  b. More set-aside, indirect spend items like stationery, refreshments, minor maintenance and other ad-hoc requirements.

Organisational structure



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Employees

The employment status as at the end of March 2008 is depicted in the table below. There were 545 full-time employees at the close of the 2007/8 financial year. Staff complement comparable for the past three financial years:

2004/5	1 June 2004 Employment Equity plan	2005/6	2006/7	2007/8
569	572	552	555	545

Employee demographics and gender composition

Level	African		Coloured		Indian		White		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	
Top Management	2	2	–	–	2	–	2	–	8
Senior Management	15	7	1	1	2	–	13	2	41
Professionally Qualified and Experienced Specialist & Mid-Management	26	9	8	2	5	2	58	6	116
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen & Superintendents	80	61	11	4	14	4	73	14	261
Semi-skilled and Discretionary Decision Making	37	14	5	5	1	2	4	8	76
Unskilled and Defined Decision-making	38	2	3	–	–	–	–	–	43
TOTAL PERMANENT	**198**	**95**	**28**	**12**	**24**	**8**	**150**	**30**	**545**

The distribution of employees is illustrated in the following tables:

Employee distribution per office

Office	Total
1.Upington TCC	6
2. George TCC	9
3. Vredendal TCC	6
4. Cape Town TCC	31
5. Johannesburg TCC	19
6. Sender Technology Park (STP)	221
7. Meyerton Shortwave Station	38
8. Gauteng Head Office (Fourways)	90
9. Middelburg Cape TCC	8
10. East London TCC	10
11. Port Elizabeth TCC	18
12. Durban TCC & Regional Office	23
13. Vryheid TCC	10
14. Vryburg TCC	11
15. Bloemfontein TCC & Regional Office	15
16. Kroonstad TCC	9
17. Polokwane TCC	11
18. Ermelo TCC	10
TOTAL	**545**

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Our People

Employee distribution per province

Office	Province	Total
1.Upington TCC	Northern Cape	6
2. George TCC		
3. Vredendal TCC	Western Cape	46
4. Cape Town TCC		
5. Johannesburg TCC		
6. Sender Technology Park (STP)		
7. Meyerton Shortwave Station	Gauteng	368
8. Gauteng Head Office Fourways		
9. Middelburg Cape TCC		
10. East London TCC	Eastern Cape	36
11. Port Elizabeth TCC		
12. Durban TCC & Regional Office		
13. Vryheid TCC	KwaZulu-Natal	33
14. Vryburg TCC	North-West	11
15. Bloemfontein TCC & Regional Office	Free State	24
16. Kroonstad TCC		
17. Polokwane TCC	Limpopo	11
18. Ermelo TCC	Mpumalanga	10
TOTAL		**545**

Human capital sustainability

Human capital is a key component of the Sentech business. The Company falls within the realm of ICT, which is a highly specialised technical arena. ICT skills are in demand and exceed the supply. Sentech highly values its employees and tries its best to recruit and retain the best skills in the market. Continuous improvements on compensation and benefits, skills development and creating opportunities are critical to attract and retain staff.

The 'deep pockets' of competitors leads to migration of ready-made skills, most of which have been developed at Sentech, which has a cyclical effect as these skills have to be replaced.

Sentech uses professional private sector companies to undertake general and sector specific salary surveys to benchmark staff remuneration. In general, Sentech remunerates on the 50th quartile.

The Company also effectively uses the retention bonus and career progression systems. Most Sentech staff have either critical or scarce skills, hence the application of a retention bonus. Retaining a known proven skill is a better opportunity cost than to recruit a new individual.

Sentech acknowledges by recognition the work service contribution of each employee. In recognition of the service, a monetary token is given to qualifying employees. During the last financial year, long-service awards were recognised as follows:

- two employees received 40 year long service awards;
- seven employees received 30 year long service awards;
- eight employees received 20 year long service awards, and
- 15 employees received 10 year long service awards.

POLICIES

Employment Equity

Sentech submitted a five-year Employment Equity Plan to the Department of Labour on 1 June 2004. Annually, on 1 October of each year, Sentech submits an Employment Equity Report to the Department of Labour to monitor progress on the meeting of targets initially set for the five-year period. The five-year plan was based on anticipated growth of the business. This plan will be revised in the coming financial year.

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CEO breakfast session with employees, Vryheid

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

Level	White		African		Coloured		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	–	195
Clerks	1	26	7	19	–	9	1	2	65
Service and sales workers	–	–	–	–	–	–	–	–	–
Skilled and agricultural and fishery workers	–	–	–	–	–	–	–	–	–
Crafts and related traders	14	–	17	1	8	–	–	–	40
Plant and machine operators	–	–	2	–	–	–	–	–	2
Elementary occupations	–	–	53	1	3	–	–	–	57
Total permanent	**190**	**55**	**180**	**73**	**22**	**17**	**26**	**9**	**572**

Initial five-year employment equity targets over and above the staff complement of 2004

Level	White		African		Coloured		Indian		Additional required employees
	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	–	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	–	–	–	–	–	–	–	–	–
Skilled and agricultural and fishery workers	–	–	–	–	–	–	–	–	–
Crafts and related traders	4	–	–	–	2	–	1	–	–
Plant and machine operators	–	–	–	–	–	–	–	–	–
Elementary occupations	–	–	2	–	2	–	1	–	1
Total permanent	**11**	**4**	**50**	**27**	**20**	**7**	**15**	**10**	**144**

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

Level	White		African		Coloured		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	–	–	–	–	–	–	–	–	–
Skilled and agricultural and fishery workers	–	–	–	–	–	–	–	–	–
Crafts and related traders	10	19	19	1	10	–	1	–	60
Plant and machine operators	–	2	2	–	–	–	–	–	4
Elementary occupations	–	–	51	1	5	–	1	–	58
Total permanent	**201**	**80**	**230**	**100**	**42**	**24**	**41**	**19**	**716**

Actual Employment Equity status (1 April 2007 to 31 March 2008)

Level	White		African		Coloured		Indian		TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	
Legislators, senior officials	57	9	29	11	6	3	8	1	124
Professionals	12	2	22	12	5	1	7	2	63
Technicians and associated professionals	70	10	71	43	4	3	8	–	209
Clerks	–	12	4	23	–	5	3	4	51
Service and sales workers	–	–	–	–	–	–	–	–	–
Skilled and agricultural and fishery workers	–	–	–	–	–	–	–	–	–
Crafts and related traders	7	–	37	–	10	–	1	–	55
Plant and machine operators	–	–	2	–	–	–	–	–	2
Elementary occupations	–	–	36	2	3	–	–	–	41
Total permanent	**146**	**33**	**201**	**91**	**28**	**12**	**27**	**7**	**545**

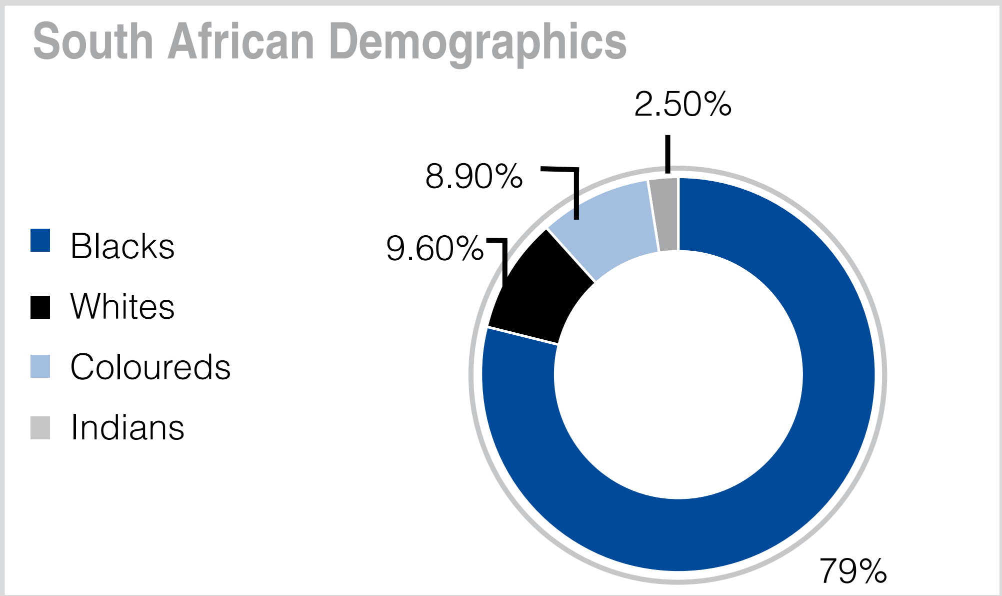
Sentech has met and exceeded the equity target for crafts and related traders category. Below is a table illustrating the Company's employment equity performance status as at 31 March 2008:

Level	Total initial target	Under achieved from target	% Off the mark
Legislators, senior officials	78	86	41%
Professionals	9	27	30%
Technicians and associated professionals	32	18	7,9
Clerks	23	37	42%
Service and sales workers	–	–	–
Skilled and agricultural and fishery workers	–	–	–
Crafts and related traders	1	(14)	(34)
Plant and machine operators	–	–	–
Elementary occupations	1	17	29,3
Total	**144**		

Due to problems associated with, among others, funding, which has somewhat stifled business growth, the organisation has had to revise the targets and set the new figure of 548 as the baseline from which to operate. This is the staff complement as at 1 January 2008. In view of the fact that the plan has been revised with new targets, the milestone measures cannot be used over a three month reporting period (January – March 2008). The policy has to be aligned to the new Employment Equity Plan.

Our People

The employment targets will now be based on recent South African demographics statistics:



The targets will be achieved through the filling of vacant positions created by natural attrition (resignations, retirements, discharges, promotions and deaths).

Sustaining the Employment Equity Plan will need vigorous recruitment, along set targets, as well as innovative retention strategies.

Compensation and benefits

Sentech has a remuneration policy and participates in market surveys to ensure that its remuneration structure is competitive. According to the remuneration policy, the Company's remuneration packages are structured on a total cash package and pitched at the median (or 50th quartile). For the period under review, the Company's actual remuneration cost was 2,07% above budget.

As part of the remuneration package, the Company offers such benefits as subsidised medical aid, pension, group life membership and cellphone allowance. Technical staff, who are on call 24 hours, are also entitled to a shift allowance.

Medical aid policy

Sentech makes a 75% contribution towards the monthly premiums for each employee who is a member of Discovery Health. The medical aid policy also makes provision for post-retirement medical aid subsidisation for those employed prior to 30 May 2005. Currently there are 87 employees on this post-retirement medical scheme. For the period under review, the Company's actual contribution to the medical aid was 2,75% above budget.

Retirement funds policy

When Sentech was separated from the SABC, employees had the option of being a member of either the pension or provident fund. The majority of the employees elected to join the provident fund.

According to the Sentech pension fund rules, the Company makes 21% contribution to the pension fund and the employee's portion can either be 3% or 6% and is obligatory. Membership to the pension fund was closed in 1997 and there are only seven members remaining, with the last retiring in 12 years.

According to the Sentech provident fund rules, the Company makes 14% contribution to the provident fund and the employee's portion can either be 3% or 6%, but is not obligatory. For the period under review, the Company's actual contribution to the provident fund was 3,61% below budget due to staff turnover.

Group life assurance policy

The Company provides for group life assurance with Sanlam and Momentum Life assurers as underwriters. The employer makes a contribution of 0,33% based on the employee's earnings per month. The Company's actual contribution to the group life assurance policy was 63,32% above budget.

Commission policy

Sentech has a commission's policy applicable to employees in the sales and marketing division. The remuneration is currently placed on a two-pronged approach; 80/20 and 70/30, i.e. 80% and 70% constituting the basic salary and the remainders meant for commission in terms of 'money in the bank'.

Performance management system

Sentech is committed to performance-linked remuneration over and above the normal basic remuneration. The performance management system has been in place over the years but has not been fully implemented and is not yet linked to remuneration. This has been in discussions with the Union and the parties have agreed that implementation will be effective from 1 January 2009.

Leave policy

The Company offers leave benefits that are relatively generous and by and large go above what is prescribed in the Basic Conditions of Employment Act. The leave as contained in the company policy consists of the following:

- **Annual leave:** legislation prescribes 15 days annually and the Company policy provides for leave days that vary from 22 - 34 days among employees and management. Employees may request to redeem some annual leave.
- **Study leave:** the Company offers 12 days' leave, which is not a legal requirement.
- **Family responsibility leave:** legislation prescribes three days annually and the Company policy stipulates five days, which gives an extra two days. This is 66,7% above the legal stipulation.
- **Sick leave:** legislation stipulates that the employee is entitled to 30 days' leave over a 36 month period (3 year cycle). Sentech complies with the legislation and policy is in line with this.
- **Special leave:** each case is treated on merit.

The table below illustrates the manner in which leave was utilised by staff in the last financial year:

Type of leave	No of days taken and % of leave overall	
Unpaid leave	23	*(0,22%)*
Special leave	12	*(0,08%)*
Study leave	399	*(2,75%)*
Injury on duty (IoD)	29	*(0,19%)*
Annual leave	9 861	*(67,2%)*
Sick leave	3 727	*(26,08%)*
Family responsibility	538	*(3,7%)*
TOTAL	**14 589**	

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Collective bargaining

The wage negotiations with the Communications Workers Union (CWU) for the 2007/8 period commenced on 21 February 2007 and culminated in the reaching of an agreement on 6 March 2007. The 'demands' from the union were as follows: a salary increase of 13-15% for the highest and lowest paid categories respectively; freedom of choice in relation to medical aid schemes; accessibility of pension fund for housing loans; labour representation on the Sentech board of directors; cellphone allowance for all technical staff; travel claims to be upgraded to R3,50 per km; Duo-tap system to be installed in all Sentech vehicles, not to a selective few; risk allowance to include antenna section; subsistence and travelling (S&T) allowance increase to R300; internet access for all staff: review of recruitment policy; social plan, and moratorium on retrenchments.

The parties reached the following settlement: 6% increase to the total cash package (basic remuneration) for all employees; one year moratorium on retrenchments; 5% S&T allowance increase as a result of adopting the Automobile Association (AA) rates; and training for employees on technological developments.

The following matters were subject to further investigative deliberations during 2007: freedom of choice in relation to medical aid schemes; access to retirement funds for housing loans; and addressing of wage anomalies. Subsequently, the freedom of choice in relation of different medical aid packages available with Discovery Health was implemented. Initially, Sentech employees could join only the classic comprehensive package.

OUR STAFF'S HEALTH AND SAFETY

Safety, Health and Environment (SHE) Policy

All our operations are governed by an integrated safety, health and environment (SHE) policy that emphasises the Company's total commitment to providing and maintaining a healthy and safe workplace.

The implementation and maintenance of health and safety standards and practices are integral parts of Sentech's business culture and activities. The Company complies with the Occupational Health and Safety Act (OHSAct), 1993 (Act 85 of 1993) and promotes all interventions and programmes required to achieve and sustain legal compliance status and to establish world-class best practices.

Various measures are taken to raise awareness on the nature of risks faced and measures necessary to avoid harm. This includes frequent communication through, for example, Intranet site, newsletter, communiqué and meetings.

Health and safety committees

Health and safety committees continue to function. During the year under review, the committee at Fourways and STP Honeydew were reconstituted. Meetings of health and safety committees are held quarterly as per the requirements of Section 18 of the OHSAct.

Injury, occupational diseases, lost days etc over the reporting period

Key performance parameter	2006/7	2007/8
Number of OHS incidents reported	4	8
Days lost due to injury on duty	1	33
Employee fatalities	1	–
Structural damages (masts)	2	1
Motor vehicle accidents	2	3

As indicated, the Company experienced a general increase in the total number of OHS incidents; days lost due to injury on duty and the motor vehicle accidents during 2007/8 over the previous financial year. These incidents are categorised as follows:

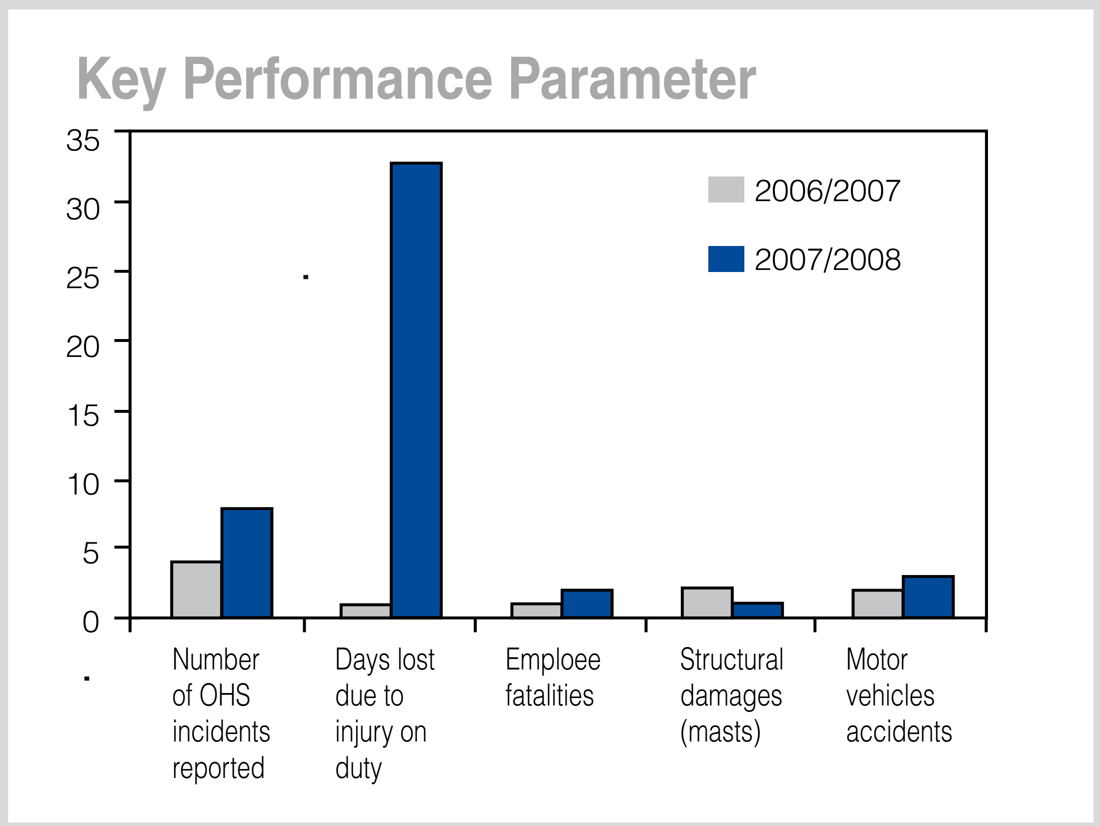
- Lacerations to employees' fingers;
- Electrocution to one employee's hand;
- Motor vehicle incident (two injuries);
- Struck by a cable ladder on the head (one employee), and
- Exhaustion and dehydration of one employee, while he was stuck on the mast for four hours.

Investigations into the root cause of these incidents were conducted and corrective measures were proposed for implementation by the responsible managers.

There were 33 days lost during the 2007/8 financial year. There was a major increase of 32 days on the comparative figure for the previous year. One employee was booked off duty for 19 days due to the injury he sustained. The other 14 days lost were shared among the other injured employees.

The increase in the number of incidents is a source of concern. These incidents have a severe impact and high cost on the Sentech business, as they attribute to delay in completion of projects and an increase in compensation claims.

We have also experienced an increase in motor vehicle accidents for 2007/8 financial year. The graph below depicts the year on year number of work related-injuries and number of days lost due to injuries on duty.



Targeting fewer incidents

As from the 2008/9 financial year, Sentech will implement a SHE management system where a target of 0,8% disabling incident frequency rate (DIFR) measure will be set to evaluate Sentech safety performance.

To reduce motor vehicle accidents, the intervention programme - defensive driving skills course - is currently being coordinated to ensure that employees are trained on behavioural changes associated with driving. Safety awareness campaigns will be intensified through internal communication media to encourage employees to change their behaviour to better their health and safety and that of their colleagues and to maintain low percentages of injuries.

Promoting improved safety performance

Numerous initiatives are undertaken as part of the safety improvement plan to promote health and safety within Sentech. These initiatives include:

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- Appointment of health and safety representatives to address health and safety issues at all of Sentech sites;
- Established health and safety committees where health and safety concerns and recommendations are addressed;
- Orientation of new employees on health and safety;
- Communicating health and safety through newsletters and communiqués;
- Coordination of health and safety training for management and employees, and
- Coordination of emergency readiness response exercises.

HIV/Aids

Sentech has an HIV/Aids policy and thereby promotes healthy lifestyle and living. An HIV/Aids awareness day is celebrated annually on 1 December of each year.

In the last financial year 120 Sentech employees were educated/trained on HIV and Aids awareness and prevention. In conjunction with the designated medical scheme service provider, Discovery Health, an employee wellness day is organised on a regular basis to ensure that employees are aware of their overall health status. Free HIV/Aids testing is also conducted on site and employees are encouraged to know their status. Continuity of the programme is guaranteed through management and the human resources unit: employee wellness programme.

Training and continuous development and sustainability

Sentech offers training to all employees, across all levels and on a non-discriminatory basis. In-house training is provided through The Sentech School of Technology to ensure that the Company's employees keep abreast of technology developments in the ICT sector.

Some training is out-sourced and provided by tertiary institutions or ICT equipment and software suppliers. Employees are also sent for training with suppliers who are mainly based in Europe and United States of America. Knowledge attained from such trips is shared among relevant staff and coordinated by the training department. The Company boasts many technical and technological skills in the country and is highly rated by other countries and competitors alike.

The Sentech School of Technology is mandated to maintain Sentech employees' skills and knowledge levels in line with global trends. This includes three main focus areas to develop holistic employees:

- People and management skills
- Information technology and systems skills
- Technical broadcasting and telecommunications skills

These skills are core to the business requirements of the Company and are essential for continued performance in a turbulent ever-changing world with high business demands. New technologies and advancements have required that Sentech focus on providing relevant training to remain a leading ICT company.

Sentech's training and development targets are driven by the budget made available. For the financial year under review, the number of trained employees increased by 17,6% compared to the previous year. The ratio of females trained increased from 45% to 54%; and the number of previously disadvantaged individuals (PDIs) trained increased from 80% to 92%.

Staff are encouraged to progress according to established criteria for career progression, particularly in the core technical areas, and skills gaps are constantly assessed and addressed through a variety of developmental interventions. These newly developed skills are then implemented in the workplace through a progression of supervised tasks until the employee is functioning as a full performer.

The training offered is related to the employee's personal development plans, which are based on discussions that the line manager and the employee have on a quarterly basis. This ensures that the training is relevant to the employees and the business. Our courses are also informed by a training committee and the strategic business needs.

The Sentech School of Technology's sustainability is secured through its comprehensive in-house training list of options, which ensures that most of Sentech's employees are multi-skilled particularly in the field of electronic communications.

The Company has taken great strides in the improvement of the skills of its employees but also in wider community projects, for example, internship and learnership programmes. Adequate funding remains the pillar-stone to ensure that the Company has the budget to sustain this training. The training statistics in terms of race and gender are illustrated by the following table:

Number of employees per population group

Occupation	African			Coloured			Indian			White			TOTAL		
	M	F	D	M	F	D	M	F	D	M	F	D	M	F	D
Legislators, senior officials, managers and owner managers															
Managers	17	4	–	3	–	–	2	1	–	10	1	–	32	6	–
Senior managers	5	3	–	1	1	–	3	–	–	4	2	1	13	6	1
Professionals															
Professionals	24	13	–	2	1	–	11	1	–	6	2	–	43	17	–
Technicians and associated professionals															
Technicians and associated professionals	78	40	2	4	1	–	5	–	–	38	–	–	125	41	2
Clerks and administrative workers															
Clerks and administrative workers	1	23	–	–	6	–	–	1	–	–	7	–	1	37	–
Labourers and elementary occupations															
Labourers and elementary occupations	27	–	–	6	–	–	2	–	–	8	–	–	43	–	–
TOTAL	**152**	**83**	**2**	**16**	**9**	**–**	**23**	**3**	**-**	**66**	**12**	**1**	**257**	**107**	**3**

M: Males; F: Females; D: Disabled;

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Sentech has also been actively involved in the following specific ICT initiatives:

- training for 71 community radio broadcasters on behalf of DoC;
- a six-day course on Coaching, leadership and management for the management team at Radio Nederland Wereldomroep in Madagascar;
- training as part of the National Electronic Media of South Africa (NEMISA) learnership programme and now Sentech is involved in moderating assessment procedures for the learnership; and
- Eight Sentech staff attended five days of training on DTT at the Rohde and Schwarz factory in Germany as part of the rollout of the Sentech Digital Network.

Sentech continues to make a marked contribution to the South African ICT realm at large by being part of the Telecommunications Skills Development Forum (TSDF). Such participation fosters training knowledge sharing and also ensures that Sentech training is synchronised and aligned to the other telecommunications companies' development programmes.

Sentech continues to be actively involved in the e-Skills Working Group by coordinating the Telecommunications Group in an effort to improve the general electronic skills level in South Africa. The Company also partners with the Joint Initiative on Priority Skills Acquisition (JIPSA) by assisting in the permanent placement of graduates.

End-user training

End-user training is the basic training requirement for computer users and includes word processing, Excel spreadsheets and PowerPoint presentations. This training is once-off, hence the number of trainees may dwindle or vary substantially comparatively over the years depending on requested training. Some 44 employees attended end-user training during the year compared to 56 in the previous year.

Number of learners per population group

Occupation	African		Coloured		Indian		White		TOTAL	
	M	F	M	F	M	F	M	F	M	F
Legislators, senior officials, managers and owner managers										
Managers	1	–	–	–	1	–	–	1	2	1
Senior managers	1	2	–	–	–	–	–	–	1	2
Professionals										
Professionals	4	–	–	–	–	–	–	–	4	–
Technicians and associated professionals										
Technicians and associated professionals	5	6	–	–	1	–	–	–	6	6
Clerks and administrative workers										
Clerks and administrative workers	1	5	–	1	–	1	–	1	1	8
Labourers and elementary occupations										
Labourers and elementary occupations	4	7	–	–	–	–	2	–	6	7
TOTAL	**16**	**20**	**–**	**1**	**2**	**1**	**2**	**2**	**20**	**24**

The internship programme

Sentech runs internships and learnerships to assist technical and technological students and other employees to come to terms with the workings of the ICT world. Some 24 learners were placed into the internship programme compared to 12 in the 2006/7 financial year. The learners were taken in at different times of the year in two different consignments of 12. Eight (66,7%) of the learners from the first consignment have been permanently placed at Sentech.

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CEO breakfast session with employees, Ermelo

Number of learners per population group

Occupation	African			Coloured			Indian			White			TOTAL		
	M	F	D	M	F	D	M	F	D	M	F	D	M	F	D
Telecommunications Technicians	7	9	1	1	2	–	–	–	–	3	2	–	11	13	1
TOTAL	**7**	**9**	**1**	**1**	**2**	**–**	**–**	**–**	**–**	**3**	**2**	**–**	**11**	**13**	**1**

M: Males; F: Females; D: Disabled;

Bursaries

The Company offers bursaries to deserving competent employees to develop skills that are either relevant to their day-to-day work or to enhance the work and service of Sentech as a whole. The Company awarded 29 bursaries to employees during the period in comparison to 23 in the previous year. The bursaries included those for employees who are continuing with their previous year studies and new applications. The bursaries apply across the remuneration categories and the following table illustrates the race and gender distribution:

Number of learners per population group

Occupation	African		Coloured		Indian		White		TOTAL	
	M	F	M	F	M	F	M	F	M	F
Legislators, senior officials, managers and owner managers										
Managers	1	–	–	–	1	–	–	–	2	–
Senior managers	1	2	–	–	–	–	–	–	1	2
Professionals										
Professionals	4	–	–	–	–	–	–	–	4	–
Technicians and associated professionals										
Technicians and associated professionals	3	7	–	–	1	–	–	–	4	7
Clerks and administrative workers										
Clerks and administrative workers	–	3	–	–	–	–	–	1	–	4
Labourers and elementary occupations										
Labourers and elementary occupations	4	1	–	–	–	–	–	–	4	1
TOTAL	**13**	**13**	**–**	**–**	**2**	**–**	**–**	**1**	**15**	**14**

M: Males; F: Females;

Sustainability Report
Our People

The Sentech Educational Fund

The Sentech Educational Fund was established to offer scholarships to the general public studying in the field of ICT. The Fund provides scholarships for at least two students from previously disadvantaged backgrounds, with each receiving R50 000 assistance per annum, which covers tuition, books and sundry costs. Five students have thus far benefited from the Fund, as follows:

Academic year	Beneficiary		Status
	Race	Gender	
2008	African	Female	Studies in progress
	African	Female	Studies in progress
2007	African	Female	Unsuccessful in studies
2006	Indian	Male	Unsuccessful in studies
	African	Female	Graduated




Sentech Chair in Broadband Wireless Multimedia Communications (BWMC)

The Sentech Chair in the Faculty of Engineering, Built Environment and Information Technology at the University of Pretoria was established on 12 July 2005. The chair has funded students in the faculty as illustrated in the following table.

Overview of student growth

Year	B Eng	B Eng (hons)	M Eng	PhD	TOTAL headcount
2006	6	2	1	–	9
2007	6	2	4	1	13
2008	8	3	5	2	18
TOTAL					**40**

Racial and gender profile

Year	White male	Black male	Black female	White female	Total
2006	3	4	1	1	9
2007	8	3	1	1	13
2008	11	5	1	1	18
TOTAL					**40**

Sustainability Report

THE ENVIRONMENT

Environmental management system

Sentech is considering adopting ISO (International Organisation for Standardisation) 14001 certification for all the Company's sites by the end of 2008/9 financial year. This is an internationally accepted standard for the development and implementation of environmental management systems. Certification to this standard entails regular audits by an independent, accredited third party.

Impact of Sentech masts, transmitters and base stations on the environment

Sentech is committed to the principle of biodiversity management, by ensuring a process of continual improvement towards supporting environmental sustainability.

The Company has masts that are situated in the nature conservation parks. Certain restrictions that can impact on the environment are observed within these areas such as littering, lighting of fires, use of non-biodegradable weed killers and disturbance of fauna and flora. The masts and transmitter buildings are painted green to harmonise with the environment and satellite dishes are painted in dark grey to blend with the surrounding mountains.

Diesel-powered generators are used to provide backup during power failures at transmitter sites. Because of the hazardous nature of diesel on the environment, diesel tanks are bunded to prevent diesel spillage. There are specific stringent procedures that are followed to transport diesel to the transmitter sites. Sentech has initiated measures to avoid harm to vultures, an endangered species, that collide with mast guy ropes. A metal spring coil was attached to the guy ropes to improve visibility.

Waste management

Sentech has a policy and procedure for the removal and disposal of waste. By its nature, Sentech business produces the following waste material:

- Components in radio and television transmitters (UHF and VHF Klystrons) (Television Amplifier Devices);
- Transistors and other solid-state devices that contain toxic beryllium, high voltage capacitors that contain toxic fluid (insulating oil), which contain mixtures of heavy hydrocarbons; refined mineral oil and performance additives, batteries and fluorescent tubes. These toxic fluids (insulating oil) can leak into groundwater under landfills, thus contaminating the groundwater;
- Redundant computer components;
- Paper waste; and
- Photocopier toner cartridges.

Sentech follows a waste management hierarchy to manage waste generated at its facilities. The hierarchy is based on the following principles:

- Waste prevention and avoidance - waste is not produced as far as possible;
- Waste minimisation - waste that is generated is kept to a minimum;
- Resource recovery - recyclable waste is recycled;
- Waste treatment - waste that cannot be avoided or recycled is treated to reduce possible environmental impact, and
- Waste disposal - after all the above, any remaining waste is landfilled in line with current legislation.

Waste management improvement projects

The disposal of the hazardous waste has been a challenge in the past. The components used in the radio and television transmitters were collected from different Sentech sites and stored in a container at Sender Technology Park (STP). Expired batteries were kept at different sites. Redundant computer components, paper waste, printer and photocopier toner cartridges and fluorescent tubes have been disposed in the office waste bins.

The Company has now taken initiatives to monitor and manage said risks associated with the disposal of Sentech waste:

- Fluorescent tube crushers have been purchased at relevant transmitter sites for the responsible disposal of spent fluorescent lighting tubes, which contain hazardous mercuric oxide;

- Some transmitter sites have replaced mercury-filled thermometers with digital thermometers, as mercury constitutes a considerable hazard to humans and animals, and

- Sentech and an external contractor, EnviroServ, are negotiating the safe disposal of certain components used in radio and television transmitters (UHF and VHF Klystrons) (Television Amplifier Devices), transistors and other solid-state devices. This is a once-off process as these components will be phased-out as Sentech digitises its television network.

The Company is also reviewing the current strategy for the responsible disposal of redundant computer components, paper waste, and printer and photocopier toner cartridges, to improve its environmental management system.

"Take a Girl Child to Work" visit, Meyerton

Twilight Children's Home, Hilbrow

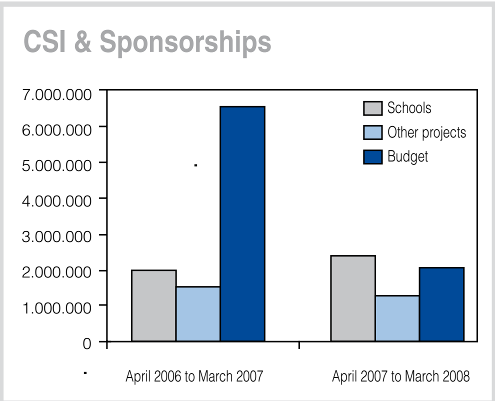
> "Sentech's corporate social investment programmes aim to provide skills and resources to the communities to ensure outcomes that are measurable as well as sustainable."
>
> **– Dr Sebiletso Mokone-Matabane: CEO**

Corporate Social Investment

In line with Sentech's business objective of empowering the communities it serves, the Company's Corporate Social Investment (CSI) programmes focus on bridging the technological divide through investment in education, health and other initiatives that have the potential to improve the quality of life of previously disadvantaged communities.

CHOC cheque handover 2008

Amount disbursed



Number and nature of beneficiaries

Mindset Health

Mindset Health operates in five languages targeting healthcare workers, patients and the general public.

The Mindset Health channel delivers health education materials via a satellite broadcasting platform to stream and store data onto on-site PC storage devices, creating an 'on demand' viewing service for users. In partnership with Mindset Network and the Department of Health, Sentech is providing the satellite connectivity that connects more than 307 rural clinics and public hospitals to essential medical training and support material.

Mindset Health reports that in the past year, it was able to reach more than 1 million members of the public through the public channel and an average of 4 500 health professionals with the health worker content.

Sustainability Report
Corporate Social Investment

Myeka High School, KZN

Mindset Learn (national)
Sentech is a founder member of Mindset Learn and the Company serves on the board of Mindset. Sentech supports Mindset Learn by providing satellite broadcasting services. The Company is pleased that this service is now in 18% of all high schools in South Africa, supporting the teaching of English, maths and science.

Sci-Bono Discovery Centre
The centre is the largest science centre in southern Africa and is a partnership between the Gauteng Department of Education and the private sector. Sentech is the centre's communications partner, providing an on-site FM radio station, wireless communications and role models. To date 103 schools from the Gauteng Province and beyond have visited the centre to participate in the programme and events, and 85% of such participants are from disadvantaged communities.

Twilight Street Children Shelter
The Company provides broadband connectivity to ensure on-going effective learning within the facility and among external stakeholders. The children are provided with IT skills and an environment that gives them hope and direction for the future.

Siyabonga Multi-Purpose Telecentre
This centre is collaboratively supported by Universal Service Access Agency of South Africa (USAASA) and Sentech. The Centre recently signed an agreement with Unisa, whereby its students will be able to use the centre and Unisa will reimburse the centre for services rendered. Sentech provides internet connectivity for the centre.

Dipalo
The Dipalo School of Information and Communications Technology, in Pimville, Soweto, provides IT training that is accredited by ISETT SETA. Sentech provides internet connectivity to the school at highly subsidised rates which enables the school to cater for young learners from the surrounding residential areas.

Myeka High School, KZN
The high school is located in a rural environment with no grid electricity. Sentech provides broadband connectivity to the school to bridge the digital divide in a rural under-serviced community.

NEPAD e-schools project
Bereng High School, Lesotho High School, St Cyprians High School in Lesotho and Ipetleng Senior Secondary School, Ponelopele, and Thozamisa Senior Secondary School in South Africa are currently in the demo phase of the NEPAD e-school project. Sentech is part of the Oracle consortium providing schools

Thozamisa Secondary School

with internet connectivity. Schools previously supported by the Oracle consortium in a demo phase were located in Egypt, Ghana, Gabon, Mali and Kenya.

Thozamisa Secondary School

Thozamisa Senior Secondary is situated in the rural area of Lady Frere at Zwartwater and has accommodated 200 learners for the last five years. The population is mainly poor and unemployed; the majority depends on social grants and subsistence farming. Sentech provides broadband connectivity to the school.

Perinatal HIV Research Unit (PHRU), Chris Hani Baragwanath Hospital

The PHRU is one of Africa's leading research centres in HIV/Aids. The unit undertakes relevant research for the South African community and provides HIV care and support services in Soweto and in disadvantaged areas in Limpopo, Mpumalanga and the Western Cape. The support from Sentech enables the unit to provide added internet connectivity for staff, building their skills and making their important work more efficient. Sentech VSTAR enables the unit to work more effectively to support programmes to prevent mother-to-child transmission of HIV for more than 200 000 women over the past seven years, support antiretroviral treatment for more than 17 000 people, and undertake some groundbreaking research on HIV prevention, vaccines and treatment.

Ponelopele High School

This Oracle-adopted school is located in Midrand. Sentech has partnered with Oracle to provide the school with the latest in e-schools technology designed to uplift and provide a sustainable education environment for learners and the local community. By investing in education, Sentech is ensuring that future generations of South Africans can benefit from education, motivation and passion. Ploughing back into education is part of the culture of the Company.

Women's Day celebration at Ikhaya Lothando Children's Home 'Show your hands, Show your heart'

Sentech has taken up the Women's Day challenge and adopted the Uitenhage Child and Family Welfare Centre, located in Uitenhage, Eastern Cape. The initiative formed part of Sentech's 2007 Women's Day campaign with the captivating theme, 'Show your hands, Show your heart'.

The Uitenhage Child and Family Welfare Centre looks after 3 000 to 4 000 children and families and takes care of abandoned, abused, orphaned, neglected as well as HIV-positive children. The centre provides facilities that include crèches, feeding schemes and craft groups.

Sentech's employees attended to urgent maintenance issues at the Uitenhage Child and Family Centre's as well as playing, reading and having fun with the children.

"Sentech is passionate about giving back to the community and we strongly believe that by enriching communities we build a strong sustainable nation," says Laetitia Vollmer, Sentech corporate social investment.

Action for Blind and Disabled Children

Action provides specific career training on computers to blind, partially sighted and disabled children from disadvantaged backgrounds. Blind children are trained to use computers that are specially designed for them (computers using Lookout synthesiser packages), enabling the computer to 'speak' the wording that appears on the screen. Sentech sponsored Yvonne Tebogo Motshegwe in 2007 and she has successfully completed her Microsoft computer education at Action and obtained Microsoft Word, PowerPoint and Excel certificates. She is currently working at Sizwe Medical Aid.

"If it wasn't for the sponsorship from Sentech to allow Yvonne to study and pursue computer literacy, she would not be where she is today. She is grateful to Sentech," says Jenny Busch, the fundraiser of Action for Blind and Disabled, who explains that Yvonne was a cleaner in a beauty salon prior to Sentech's intervention.

CHOC Childhood Cancer Foundation

CHOC Childhood Cancer Foundation brings together the parents of children who suffer from all varieties of cancer or life-threatening blood disorders. For the second consecutive year CHOC (Children's Haematology Oncology Clinics) received a cheque for R100 000 from Sentech. These funds are proceeds from the World's Biggest Company Golf Day that Sentech hosts annually. The funding provides ward upgrades, transport facilities and furnishings for the various CHOC houses. Some 800 children were CHOC beneficiaries in the year under review and 85% of the beneficiaries come from the previously disadvantaged communities.

"This is an exciting occasion for Sentech and we are extremely honoured to be associated with an organisation that brings joy to the lives of so many children debilitated by cancer," says Sentech's chief operations officer (COO), Beverly Ngwenya.

CHOC cheque handover, CHOC House - Houghton

Sustainability Report

Broadbased Black Economic Empowerment

Outcome of assessment for the period 1 April 2007 to 31 March 2008:

	Indicator Weighting	Achieved 2007 Score	Achieved 2008 Score	Target Score (2 years)
Equity Ownership	–	–	–	–
Management Control	15	12.83	12.00	16
Employment Equity	15	9.35	10.61	11.9
Skills Developmen	20	9.26	12.89	13.1
Preferential Procurement	20	2.32	8.85	15.2
Enterprise Development	15	–	–	6.7
Corporate Social Investment	15	12.03	15.00	15
Total	**100**	**45.79**	**59.35**	**77.8**

Sentech BBBEE policies and procedures are firmly entrenched in the overall BBBEE strategy as defined in the Codes of Good Practice. In terms of the strategy, BBBEE is defined as: "An integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities."

Part of pursuing this strategy entails ensuring that Sentech remains relevant, as a South African company that is sensitive to and promotes the transformation needs of this country. As an organ of the state, Sentech continues to engage in different and ongoing initiatives specifically designed to attract and support meaningful participation of BBBEE compliant individuals and enterprises as well as adherence to triple bottom-line accountability and fair labour practices through employment equity, skills development and CSI interventions.

The outcome of the 2008 assessment should be viewed within the following context:

- The general level of knowledge of the BBBEE Codes of Good Practice and its implications amongst both internal and external stakeholders is still very limited; This contributes to non-compliance with BBBEE requirements;
- The Company operates in a highly specialised skills field which makes it difficult to recruit and retain skilled employees. This becomes even more difficult when sourcing black, female employees and/or employees with disability;
- Communications technology is mainly manufactured and procured in the USA and Europe; and
- Slow transformation pace, very low sustainability of SMME's due to inadequate financial and other forms of support.

Equity Ownership

- Public institutions and other wholly-owned State entities cannot be evaluated on Black Ownership in terms of the BBBEE Scorecard.

Management Control

- The target was reached on both the exercisable voting rights of black board members and black executive directors using adjusted recognition for gender.
- The Company also reached the target of 40% for black independent non-executive board members.
- An improvement is still required in terms of women representation in black senior top management.

Employment Equity

- There was a slight improvement generally on the employment equity element due to the Company's bonus points for exceeding some of the EAP targets e.g. the Executive Committee (EXCO) constituted totally by Black employees.
- Sentech still needs to focus on the improvement of disabled representation, Black women representation at all levels of management, especially senior management.

Skills Development

- The target was reached and exceeded on skills development for Black employees as a percentage of leviable amount using adjusted recognition for gender.

- An improvement is still required on the percentage of Black employees participating in, in-service training programmes; and also on skills development for Black employees with disabilities.

Preferential Procurement

- There was some improvement generally on the preferential procurement based on an increased procurement spend from BBBEE compliant vendors.
- An improvement is required in suppliers that are 50% Black-owned and also in suppliers that are more than 30% Black women owned.

Enterprise Development

- Enterprise development still remains a big challenge due to the shortage of specialized skills in EME's and unavailability of potential candidates for enterprise development initiatives.

Corporate Social Investment

- The Company did extremely well on the CSI element as the scorecard target was exceeded and the total points achieved.

GRI INDEX SENTECH SUSTAINABILITY REPORT 2008

GRI disclosure number	Description	Page number
1.1	Statement from the most senior decision maker of the organisation about the relevance of sustainability to the organisation and its strategy.	24
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2.2	Primary brands, products and/or services.	34-40
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures.	55, 119
2.4	Location of organisation's headquarters.	25, 27
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	27, 29
2.6	Nature of ownership and legal form.	24, 118
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2.8	Scale of the reporting organisation	119
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GRI disclosure number	Description	Page number
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3.2	Date of most recent previous report (if any).	31 March 2007
3.3	Reporting cycle (annual, biennial etc).	Annual
3.4	Contact point for questions regarding the report or its contents.	186
3.5	Process for defining report content	24
3.6	Boundary of the report (eg countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	118, 119
3.7	State any specific limitations on the scope or boundary of the report.	118,119
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Sustainability Report

GRI Index

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3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	125, Note 2.1
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4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	102-111
4.2	Indicate whether the chair of the highest governance body is also an executive officer (and, if so, his or her function within the organisation's management and the reasons for this arrangement).	105
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	104
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4.14	List of stakeholder groups engaged by the organisation.	50-54

GRI disclosure number	Description	Page number
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EC 4	Financial assistance from the Government.	118
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LA 1	Workforce by employment type, employment contract, region.	56-59
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GRI disclosure number	Description	Page number
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SENTECH
connecting You
AUGUSTA

Financial Review

As at 31 March 2008

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 2008 R'000	Company 2007 R'000	Company 2006 R'000	Company 2005 R'000	Company 2004 R'000	Company 2003 R'000	Company 2002 R'000	Company 2001 R'000
Income Statement								
Revenue	724 076	723 224	665 470	610 150	530 317	437 542	410 993	582 116
Gross profit	181 773	193 494	190 555	136 999	128 365	106 036	113 202	145 380
Operating profit	18 433	2 821	(65 076)	(64 341)	(22 885)	19 986	47 413	64 800
Exceptional items	-	-	-	-	-	-	12 252	54 326
Net finance costs	9 981	(21 170)	(22 679)	(24 803)	(54 281)	(29 163)	(7 585)	(23 744)
Profit/(Loss) before taxation	28 414	(18 349)	(87 755)	(89 144)	(77 166)	(9 177)	27 576	95 382
Profit/(Loss) after taxation	18 336	(17 563)	(76 419)	(64 719)	(52 706)	(157)	17 078	80 545
Balance Sheet								
Non-current assets	857 273	911 767	771 898	815 218	686 759	607 716	430 491	413 770
Current assets	854 616	176 078	83 140	215 400	134 665	77 768	131 027	108 508
Total assets	1 711 889	1 087 845	855 038	1 030 618	821 424	685 484	561 518	522 278
Equity	525 038	479 000	394 665	464 470	401 287	434 612	288 865	261 851
Non-current liabilities	944 244	395 078	270 530	277 450	284 330	142 299	235 714	226 628
Current liabilities	242 607	213 767	189 843	288 698	135 807	108 573	36 939	33 799
Total liabilities	1 186 851	608 845	460 373	566 148	420 137	250 872	272 653	260 427
Capital expenditure	145 896	111 657	36 120	41 592	93 738	91 405	81 451	109 861
Net cash generated/(utilised in)by operations	60 267	103 320	(91 207)	115 464	(21 015)	(16 947)	94 215	114 046
Net cash increase/(decrease) for the year	620 293	78 546	(112 757)	101 248	(12 872)	(7 250)	6 165	(34 907)
Cash and cash equivalents at end of the year	713 584	93 291	14 745	127 500	26 252	39 124	46 374	40 209

Performance measures		Company 2008	Company 2007	Company 2006	Company 2005	Company 2004	Company 2003	Company 2002	Company 2001
Turnover growth	%	0.12	8.68	9.07	15.05	21.20	6.46	(29.40)	-
Gross profit growth	%	(6.06)	1.54	39,09	6.73	21.06	6.33	22.13	-
Operating profit growth	%	(553.42)	104.33	(1.14)	(181.15)	(21.51)	(57.85)	(26.83)	-
Return on equity	%	3.51	0.59	(16.49)	(13.85)	(5.70)	4.60	16.41	24.75
Return on operating assets	%	1.08	0.26	(7.61)	(6.24)	(2.79)	2.92	8.44	12.41
Gross profit margin	%	25.10	26.75	28.63	22.45	24.21	24.23	27.54	24.97
Operating profit margin	%	2.55	0.39	(9.78)	(10.55)	(4.32)	4.57	11.54	11.13
Debt equity	times	1.80	0.82	0.69	0.60	0.71	0.33	0.82	0.87
Gearing ratio	times	2.26	1.27	1.17	1.22	1.05	0.58	0.94	0.99
Interest cover	times	*	0.13	(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	Interest bearing liabilities divided by equity
Gearing ratio	Total liabilities divided by equity
Interest cover	Operating profit divided by finance cost

* No ratio calculated for the current year as the company is in a net interest received position

Financial Review

As at 31 March 2008

Comments on the financial highlights and key performance measures

Performance against budget

	COMPANY			
	Actual	Budget	Variance	Var %
	R' 000	R' 000	R' 000	
Revenue	724 076	881 037	(220 472)	(23.34%)
Expenditure	705,643	885 081	288,232	29.04%
Operating profit	18,433	(4 044)	68,359	136.92%
Net profit	18,336	(16 278)	77,505	130.99%

Although sales were below target, we surpassed our budgeted objectives through expenditure savings and the benefit of interest income on the Government Grants received. This resulted in a profitable situation for the first time since 2003.

Comments on the Income Statement are shown below.

Revenue

No growth has been experienced in the company's revenue mainly due to funding constraints and the regulatory environment the company operates in. A detailed breakdown of revenue is shown below.

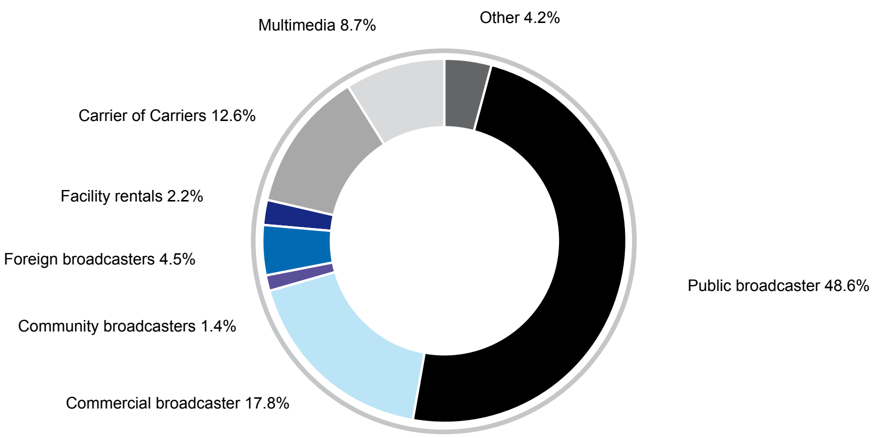
In order to sustain or increase the growth in revenue, it is imperative that the shareholder provides more funding for Sentech to roll out new infrastructure.

Revenue analysis

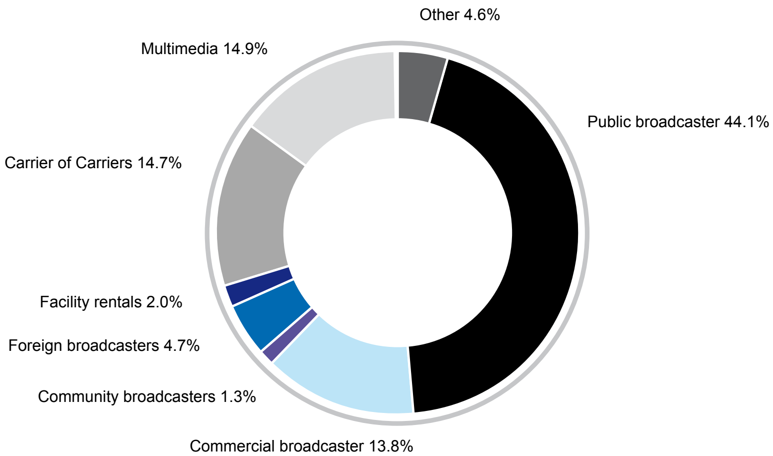
Revenue by customer class

	COMPANY				
	2008	2007		2008	2007
	R'000	R'000	% change	% of total	% of total
Public broadcaster	352 012	319 175	10.3%	48.6%	44.1%
Commercial broadcasters	128 728	99 661	29.2%	17.8%	13.8%
Community broadcasters	9 838	9 053	8.7%	1.4%	1.3%
Foreign broadcasters	32 570	34 001	(4.2%)	4.5%	4.7%
Facility rentals	16 244	14 209	14.3%	2.2%	2.0%
Carrier of Carriers	91 507	106 043	(13.7%)	12.6%	14.7%
Multimedia	62 644	107 968	(42.0%)	8.7%	14.9%
Other	30 534	33 114	(7.8%)	4.2%	4.6%
	724 076	723 224	0.1%	100.0%	100.0%

Revenue by Customer class 2008



Revenue by Customer class 2007



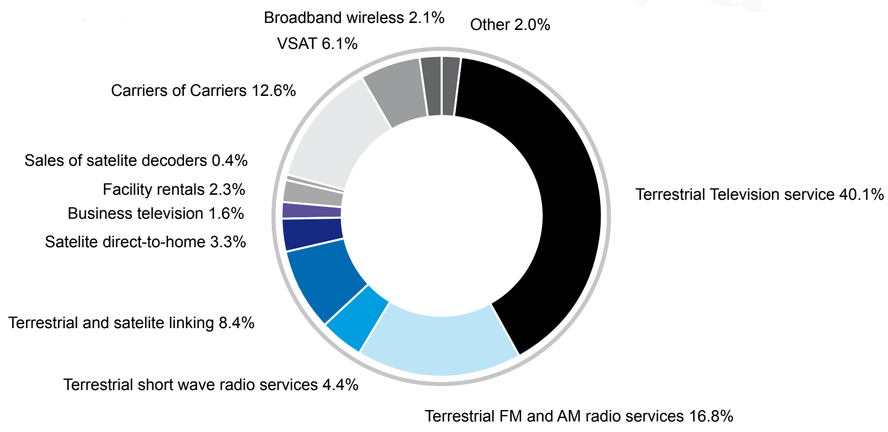
Revenue by product category

	COMPANY				
	2008 R'000	2007 R'000	% change	2008 % of total	2007 % of total
Terrestrial television services	290 049	263 495	10.1%	40.1%	36.4%
Terrestrial FM and AM radio services	121 430	118 459	2.5%	16.8%	16.4%
Terrestrial short wave radio services	31 640	32 195	(1.7%)	4.4%	4.5%
Terrestrial and satellite linking	60 494	54 105	11.8%	8.4%	7.5%
Satellite direct-to-home	23 600	18 826	25.4%	3.3%	2.6%
Business television	11 912	9 526	25.1%	1.6%	1.3%
Facility rentals	16 548	14 656	12.9%	2.3%	2.0%
Sales of satellite decoders	2 833	4 446	(36.3%)	0.4%	0.6%
Carrier of Carriers	91 507	106 083	(13.7%)	12.6%	14.7%
VSAT	44 294	63 954	(30.7%)	6.1%	8.8%
Broadband wireless	15 108	23 629	(36.1%)	2.1%	3.3%
Other	14 661	13 850	5.9%	2.0%	1.9%
	724 076	723 224	0.1%	100.0%	100.0%

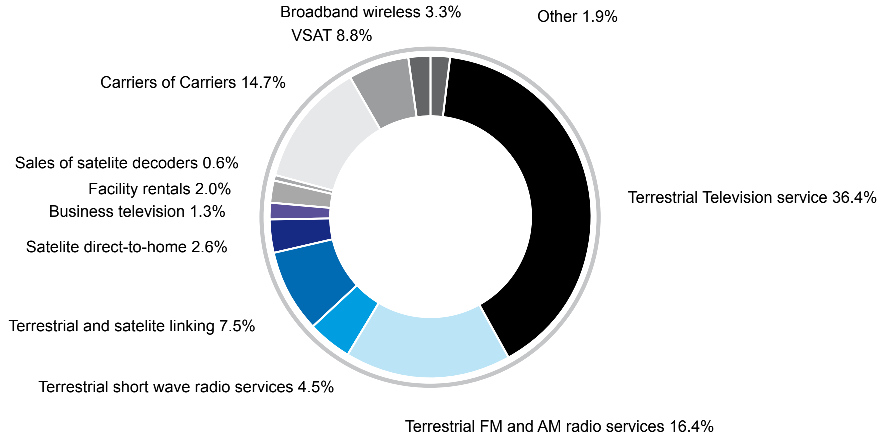
Financial Review

As at 31 March 2008

Revenue by product category 2008



Revenue by product category 2007

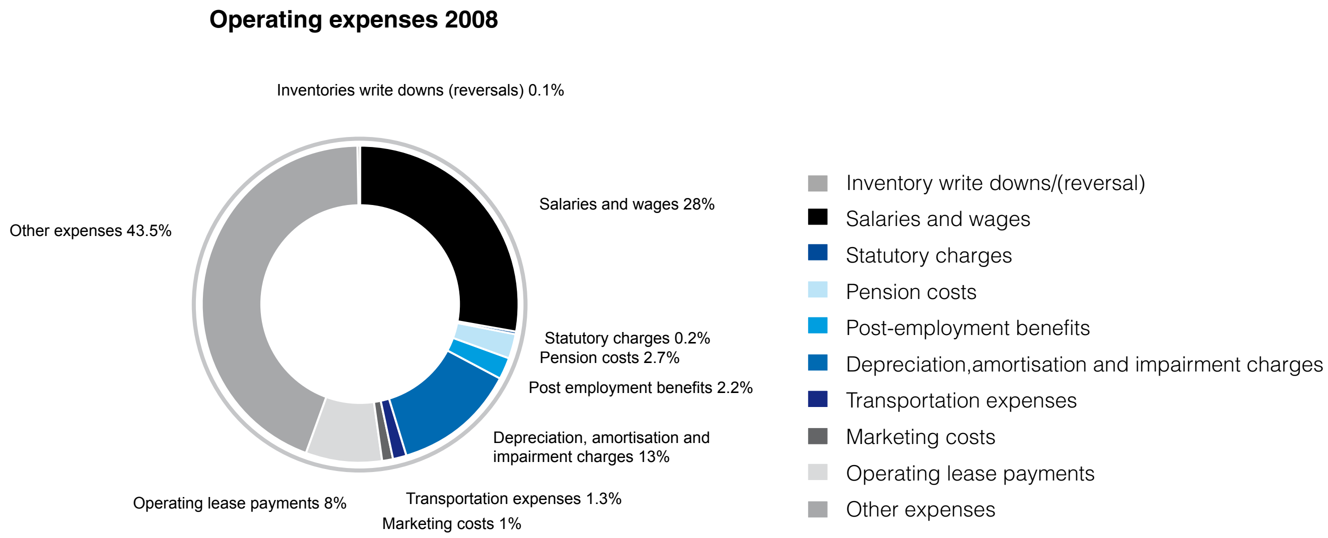


The company relies heavily on the public broadcaster for radio and television services. The company has to diversify this risk. With the introduction of Digital Terrestrial Television frequency will become available and this could assist the company in new services, although this is dependent on the issuing of licences by ICASA. The company is further constrained by lack of funding and staff shortages. The company will be in a position to improve its revenue diversification into the broadband area once the funding model is finalised by the Shareholder.

Operating expenses

Expenses are shown compared to prior year:

	COMPANY			
	2008 R'000	2007 R'000	Variance R'000	Var % R'000
Inventories write downs/(reversals)	(507)	3 052	3,559	116.6%
Salaries and wages	198 161	183 364	(14 797)	(8.1%)
Statutory charges	1 691	1 386	(305)	(22.0%)
Pension costs	18 786	14 503	(4 283)	(29.5%)
Post-employment benefits	15 525	8 100	(7 425)	(91.7%)
Depreciation, amortisation and impairment charges	91 905	91 804	(101)	(0.1%)
Transportation expenses	9 521	7 683	(1 838)	(23.9%)
Marketing costs	6 778	8 023	1 245	15.5%
Operating lease payments	56 530	71 793	15 263	21.3%
Other expenses	307 253	330 695	23 442	7.1%
Cost of sales, distribution costs and administrative expenses	705 643	720 403	14 760	



The company needs a capital injection from the Shareholders to address its maintenance needs. The government grants received are ring-fenced and cannot be utilised to improve the business. The Post Retirement Medical Aid liability grows annually at higher than inflation and would require the Shareholder to fund this liability to enable the company to buy out this benefit.

The company will have to expense funds in the following areas: Maintenance, personnel costs and advertising. These expenses are critical to the future sustainability of the business.

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

Finance income and costs

	COMPANY			
	2008	2007	Variance	Var %
	R'000	R'000	R'000	
Interest expense:				
- Borrowings	13 349	29 605	16 256	54.9%
- Finance lease	876	1 122	246	21.9%
Net foreign exchange losses on financing activities	3 661	-	(3 661)	
Finance costs	17 886	30 726	12 841	41.8%
Interest income	(25 138)	(5 722)	19 417	(339.4%)
Net foreign exchange gains on financing activities	(2 729)	(3 834)	(1 108)	28.9%
Finance income	(27 867)	(9 556)	18 309	(191.6%)
Net finance costs	(9 981)	21 170	31 151	147.1%

Financial Review

As at 31 March 2008

The interest expense is lower owing to the part-settlement of the DBSA Loan.

Interest income rose due to receipt of increased ring-fenced Government Grants. In the last quarter, the company was exposed to a buoyant Euro which led to net foreign exchange losses.

Cash Flow items

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

	COMPANY		
	2008	2007	Variance
	R'000	R'000	R'000
Net cash generated from/(utilised in) operating activities	60,267	103 320	(43,053)
Net cash generated from/(used in) investing activities	575 986	(3 845)	579 831
Net cash (utilised)/ generated in financing activities	(15 960)	(20 929)	4 969
Net increase/(decrease) in cash and cash equivalents for the year	620 293	78 546	541 747
Cash and cash equivalents at the end of the year	713 584	93 291	620 292

The company's operating cash flow for the year was positively influenced by stricter cost control. However, this was negated by a deterioration in our working capital, mainly due to accounts receivable & inventories. The net cash generated from investing activities includes the Government Grant of R 649m received for DTT, Broadband and Undersea cable (2007: R 95m).

Balance sheet items

	COMPANY		
	2008	2007	Variance
	R'000	R'000	R'000
Non-current assets	851 765	911 767	(60 002)
Current assets	854 617	176 078	678 539
Total assets	1 706 382	1 087 845	618 537
Equity	521 783	478 999	42 784
Non-current liabilities	941 992	395 078	546 913
Current liabilities	242 608	213 769	28 840
Total liabilities	1 184 600	608 846	575 753
Capital expenditure	145 896	111 657	34 239

Total assets has increased by R619 million, mainly attributable to increased cash holdings. Total liabilities have increased by R576m mainly due to the increase in deferred revenue (Government Grants).

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.

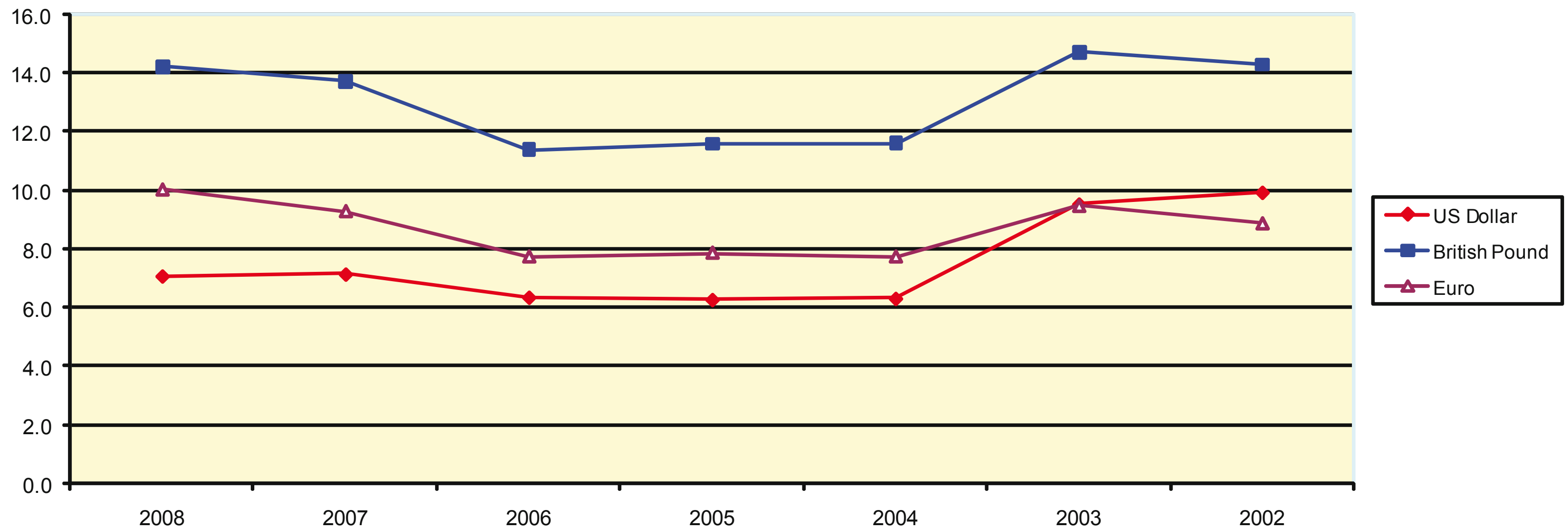
Management of the Groups financial risks are discussed in Note 3 of the financial statements. Additional comments on the Groups foreign exchange risks are noted below.

Foreign currencies

Average exchange rates

	2008	2007	2006	2005	2004	2003	2002
1 US Dollar = ZAR	7,09	7,16	6,37	6,29	6,33	9,55	9,95
1 British Pound = ZAR	14,24	13,74	11,38	11,59	11,61	14,75	14,33
1 Euro = ZAR	10,06	9,32	7,76	7,89	7,76	9,50	8,90

Foreign currency exchange rates



The company is heavily exposed to fluctuations in foreign currencies, viz. the US Dollar and Euro for its capital projects and satellite transponder capacity. 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.

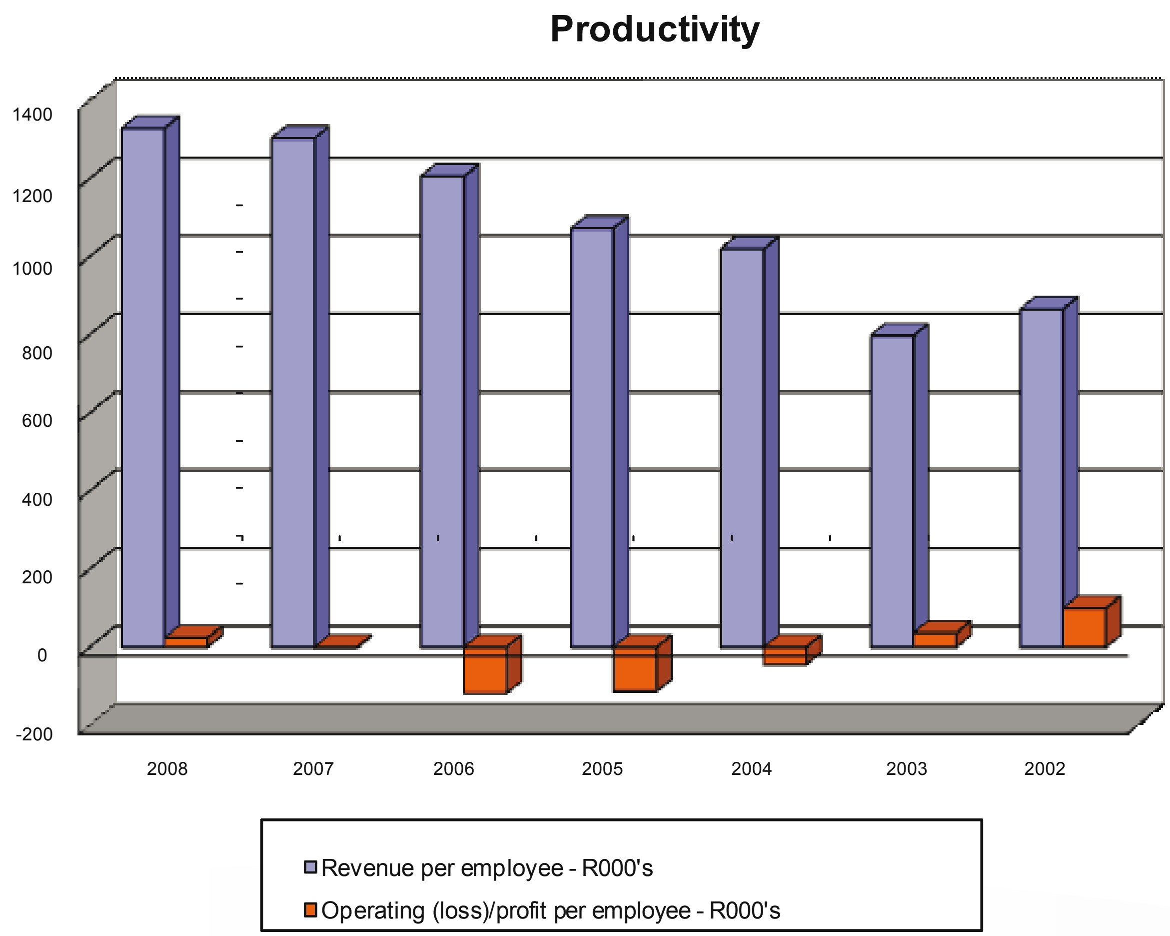
Financial Review

As at 31 March 2008

Productivity

	COMPANY						
	2008	2007	2006	2005	2004	2003	2002
Revenue per employee - R000's	1 329	1 303	1206	1072	1020	797	865
Operating (loss)/profit per employee - R000's	34	5	(118)	(113)	(44)	36	100
Number of employees	545	555	552	569	520	549	475

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



Future

The budget for the 2009 financial year is as follows:

Company	R'000
Revenue	944,548
Signal Distribution	643,553
Multimedia	100,995
Carrier of Carriers	200,001
Expenditure	994,475
Cost of sales	179,501
Satellite rental	113,571
Line rental	31,906
Hiring charges	81,521
Salaries	286,576
Maintenance	71,070
Depreciation	92,401
Other	137,928
Operating loss	(49,926)
Net finance costs	9,243
Net loss	(59,170)
Capital expenditure	410,484

The company will revert to a loss situation as the cost cutting exercise and the effects of positive cash flow is not sustainable. It will also have to expense funds in the following areas: Maintenance, personnel costs and advertising. These expenses are critical to the future sustainability of the business.

Corporate Governance

In order to achieve its national strategic objectives, Sentech has built sound corporate governance structures and processes in compliance with the Sentech Act 63 of 1996, Sentech Amendment Act 44 of 1999, Articles of Association, Government Protocol on Corporate Governance, Public Finance Management Act 1 of 1999 (as amended) and Treasury Regulations, that are regularly reviewed in line with changes in the regulatory and business environment. Sentech further supports and endorses the guiding principles of the South African Code of Corporate Practices and Conduct as included in King Report (King II).

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, as amended (PFMA) and Treasury Regulations.

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 (Minister), 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 official" of Sentech.

Board charter

The Board has adopted a charter, which provides a concise overview of the role, powers, functions, duties and responsibilities of the directors, both collectively and individually.

The Board has determined that based on the Articles of Association, Shareholder's Compact and applicable legislation, its main functions and responsibilities are as follows:

- Give strategic direction to the Company in line with Government's objectives and ensure that Sentech remains a sustainable and viable business. The strategic objectives are set out in the annual Corporate Plan submitted to the Department of Communications and National Treasury;

- Annually prepare and approve corporate plans, budget, annual report and financial statements.

- Effectively lead, control and manage the Sentech business subject to the provisions of the Sentech Act 63 of 1996; Sentech Amendment Act 44 of 1999; Shareholders Compact; Companies Act 61 of 1973; Public Finance Management Act 1 of 1999 and other applicable legislation;

- Monitor and evaluate implementation by executive management of the Board's strategies and performance objectives as set out in the Corporate Plan and Shareholders Compact;

- Ensure that the Company is managed effectively in accordance with corporate governance best practice and highest ethical standards;

- Responsibility for the total process of risk management, including system of internal controls and ensuring that it is effective, efficient and transparent;

- Regularly assess the performance and effectiveness of the Board as a whole and the individual directors, including the Chairperson of the Board and Chief

Executive Officer (CEO), committees of the Board and the chairpersons.

The structure, composition and size of the Board

Structure and size

In terms of Sentech Amendment Act, the Board shall consist of three executive directors and at least four non-executive directors. The three executive directors shall be the persons performing the functions of a Chief Executive Officer (CEO), Chief Operations Officer (COO) and Chief Financial Officer (CFO). In terms of the Shareholders Compact, the number of non-executive directors shall be limited to a maximum of seven directors.

The executive directors are appointed by the Minister on the recommendation of the Board. On the appointment of non-executive directors, the Board makes nominations which the Minister may consider for appointment.

As at 31 March 2008, the Board had a unitary structure comprised of a total of eight directors; three executive and five non-executive directors. The Board was balanced in terms of skills, expertise, gender and racial diversity. In terms of gender diversity there was an equal split with 87, 5% of the directors being historically disadvantaged South Africans.

Composition

For the period under review, the Board had three executive directors. The Minister extended the term of appointment of Dr. Sebiletso Mokone-Matabane, as Chief Executive Officer for a further two and a half years from 1 April 2008. Mr. Frans Lindeque acted as Chief Operations Officer (without being appointed as a director), until 11 June 2007 when Mrs. Beverly Ngwenya was appointed to the position.

The Board had at least four non-executive directors, including three who were appointed and resigned within the same period:

- Ms. Jacqueline Kilane was appointed 1 December 2006 and resigned on 28 May 2007;
- Mr. Bheki Langa was appointed 1 August 2007 and resigned on 22 January 2008; and
- Mr. Solly Mokoetle was appointed 1 August 2007 and resigned on 1 December 2007.

Furthermore, Mr. Mlamli Booi, who was appointed a non-executive director on 1 April 2005, resigned on 26 July 2007.

Adv. Nonkumbulo Tshombe, who has served on the Board since 1 December 2003, was reappointed as a non-executive director from 1 December 2007 to 31 December 2010.

Messers Colin Hickling (Chairperson of the Board), Len Konar and Thabo Leeuw, after their terms were extended twice until 30 August 2008, were reappointed as non-executive directors for a further three years from 1 September 2008. Mr. Colin Hickling was reappointed as non-executive chairperson.

During the year, the Board requested the Minister to appoint two additional non-executive directors, with financial accounting/corporate finance and ICT technical skills and expertise. It was this basis that additional appointments referred to above were made during this period. The Board has now requested the Minister to make new appointments for these portfolios.

Board membership and meeting attendance

The Board held nine meetings, including three special meetings convened to address urgent matters relating to the Sentech funding requirements, and one workshop.

Corporate Governance

Director's name	25/04/07	28/05/07 Workshop	18/07/07	1/08/07	30/10/07	13/12/07 Special	28/01/08	05/03/08 Special	25/03/08 Special
Mr. Colin Hickling	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Sebiletso Mokone-Matabane	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mrs. Beverly Ngwenya (1)	#	#	✓	✓	✓	✓	✓	✓	✓
Mr. Mohammed Siddique Cassim	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Mlamli Booi (2)	✓	✓	✓	X	X	X	X	X	X
Ms. Jacqueline Kilani (3)	*	X	X	X	X	X	X	X	X
Dr. Len Konar	✓	*	✓	*	✓	✓	✓	✓	✓
Mr. Bheki Langa (4)	#	#	#	#	*	✓	*	X	X
Mr. Thabo Leeuw	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Solly Mokoetle (5)	#	#	#	#	*	X	X	X	X
Ms. Nandi Sihlali	✓	✓	✓	✓	✓	✓	✓	✓	✓
Adv. Nonkumbulo Tshombe	✓	✓	✓	✓	*	✓	✓	✓	✓

✓ indicates attendance

* indicates absence with apology

# indicates that the director was not yet appointed

X indicates that the director had resigned from the Board

(1) Appointed 11 June 2008 (2) Resigned 26 July 2007 (3) Appointed 1 December 2006 and resigned 28 May 2007
(4) Appointed 1 August 2007 and resigned 22 January 2008 (5) Appointed 1 August 2007 and resigned 1 December 2007

Role of the chairperson and Chief Executive Officer

The role of the Chairperson of the Board and Chief Executive Officer does not vest in the same person. In terms of the Sentech Amendment Act 44 of 1999 and the Company's Articles of Association, the Minister has appointed a non-executive director as Chairperson of the Board. The Chief Executive Officer is an executive director of the Board.

Role of the Company secretary

The role of the Company secretary is to advise the directors, both individually and collectively on their powers, duties and responsibilities in compliance with the Sentech Act, Sentech Amendment Act, Public Finance Management Act and Treasury Regulations, Shareholders Compact, Companies Act, Government Protocol on Corporate Governance, King II and other applicable legislation.

The directors have unrestricted access to the Company Secretary and other officials in the Company Secretariat.

Director induction and training

New directors are taken through an induction programme which covers the following topics: Sentech's strategic objectives, financial and operational status; and corporate governance practices.

In addition, new directors receive an 'Induction Manual' which is a collation of applicable legislation, policies and regulations; business plans and other information relating to the Sentech business; and information from the Company Secretariat on Sentech as a corporate entity and the functioning of the Board.

Board evaluation

The Board conducts an annual evaluation of the performance of the Board as a whole and of the individual directors, including the chairperson of the Board. The evaluation assesses the Board's effectiveness and how the participation of each director can be improved and developed. As required by the Shareholder's Compact, the outcome of the evaluation is presented to the Minister.

Directors' Remuneration

The Minister determines the remuneration structure for non-executive directors. Following a review of the remuneration packages paid to non-executive directors of all State owned enterprises (SOEs) reporting to the Department of Communications, the Minister determined a new remuneration structure which would be effective from 1 January 2008. The new remuneration structure is as follows: Directors' remuneration is detailed on page XX of the annual financial statements.

Code of Ethics

The Company has a body number of policies that effectively constitute a Code of Ethics which regulates the behaviour and conduct of Board members, management and the general staff body. These policies address the following key components of Ethics:

Guidelines	Chairperson of Board	Other non-executive directors	Chairperson of Board Committees
Annual retainer	R250 000	R100 000	
Meeting fee:			
• Board	R8 000	R6 000	
• Audit and risk committee		R6 000	R8 000
• Human resources committee		R5 000	R6 000
• Technology committee		R6 000	R8 000
Other work outside Board and Committee meetings	R2 000/hour	R2 000/hour	

- Fraud;
- Human rights and discrimination;
- Employment Equity;
- Political activity;
- Stakeholder relations;
- Conflict of interest; and
- Declaration of gifts from suppliers and customers.

The Policies have been communicated to staff and are reviewed, as and when necessary, to ensure alignment to best business practices and changes in the legislative environment.

Committees of the Board of directors

The Board has three committees:

- Audit and Risk
- Technology
- Human Resources, Affirmative Action, Remuneration and Nominations

All committees have adopted terms of references 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 their terms of references.

Audit and Risk committee

Purpose of the Committee

The Audit and Risk committee is constituted in terms of sections 76 and 77 of the PFMA and regulation 27.1.1 of the Treasury Regulations. The purpose of the 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 the Committee

In line with the requirements of section 77(a) of the PFMA, the Audit and Risk committee includes at least three non-executive directors:

Directors	04/07/07	15/01/08	11/03/08
Dr. Len Konar	✓	✓	✓
Dr. Sebiletso Mokone-Matabane	✓	✓	✓
Mr. Mohammed Siddique Cassim	✓	✓	✓
Mr. Thabo Leeuw	✓	✓	✓
Adv. Nonkumbulo Tshombe	✓	✓	✓
Mr. John Saker (adviser)	*	✓	*
✓ indicates attendance	* indicates absence with apology		

Dr Len Konar (committee chairperson), Thabo Leeuw and Adv Nonkumbulo Tshombe, and two executive directors, the Chief Executive Officer and Chief Financial Officer. Mr. John Saker, has also been appointed to the committee as an independent adviser. The external and internal auditors attend committee meetings.

Meetings

The committee holds six meetings a year and special meetings as and when necessary. For the period under review, the committee held only three meetings and no special meetings.

Technology committee

Purpose of the 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 information systems (IS).

Composition of the Committee

The committee includes two non-executive directors: Ms. Nandi Sihlali (chairperson) and Mr. Thabo Leeuw, and two executive directors, namely the Chief Executive Officer and the Chief Operations Officer.

Ms. Nandi Sihlali was appointed chairperson of the committee following the resignation of Mr. Mlamli Booi on 26 July 2007.

Mr. Mlamli Booi was appointed an independent adviser of the committee on 30 October 2007. Messers. Bheki Langa and Solly Mokoetle were appointed as members of the committee on 30 October 2007.

The executives responsible for technology, operations and maintenance attend all meetings by invitation.

Meetings

The committee holds three meetings a year and special meetings as necessary. For the period

Directors	19/06/07	10/10/07	21/01/08
Mr. Mlamli Booi (1) (Adviser)	✓	X	✓
Ms. Nandi Sihlali (2)	✓	✓	✓
Dr. Sebiletso Mokone-Matabane	✓	✓	✓
Ms. Beverly Ngwenya	✓	✓	✓
Mr. Bheki Langa (3)	#	*	*
Mr. Thabo Leeuw	✓	✓	✓
Mr. Solly Mokoetle (4)	#	*	X

✓ indicates attendance * indicates absence with apology # indicates that the director was not yet appointed to the Board X indicates that the director had resigned from the Board

(1) Resigned from the Board 26 July 2007 and appointed as an independent member on XX

(2) appointed chairperson of the committee on 1 August 2007

(3) Appointed 1 August 2007 and resigned 22 January 2008

(4) Appointed 1 August 2007 and resigned 1 December 2007

Corporate Governance

under review, the committee held three meetings and no special meetings.

Human resources, affirmative action, remuneration and nominations committee

Purpose of the Committee

The committee reviews and provides the Board with recommendations on 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;
- Nomination of non-executive directors; and
- Recruitment of executive directors.

Composition of the Committee

The committee includes three non-executive directors: Adv Nonkumbulo Tshombe (chairperson), Mr. Colin Hickling and Ms. Nandi Sihlali, and two executive directors, namely the Chief Executive Officer and Chief Operations Officer.

The Human Resources executive attends all meetings by invitation.

Meetings

The committee holds three meetings a year and special meetings as and when necessary. During the year under review, the committee held two meetings and no special meetings.

Executive Committee (EXCO)

The Executive Committee (EXCO) is constituted in terms of the Sentech Amendment Act and Articles of Association, which provide that the day-to-day affairs of the Company shall be managed by the executive committee which consists of the executive directors of the Board: Chief Executive Officer, Chief Operations Officer and Chief Financial Officer. Other members of management are invited to attend, as and when required.

The committee is chaired by the Chief Executive Officer and twenty-seven meetings were held, of which four were special and one a workshop.

Going Concern

The going concern status of Sentech Limited is dealt with on page 118 of the Directors' Report.

Sustainability report

For the second year, Sentech is presenting

Directors	12/09/07	25/03/08
Adv. Nonkumbulo Tshombe	✓	✓
Dr. Sebiletso Mokone-Matabane	✓	✓
Mrs. Beverly Ngwenya	✓	✓
Mr. Colin Hickling	✓	✓
Ms. Nandi Sihlali	✓	✓

✓ indicates attendance * indicates absence with apology the Annual Report to include a Sustainability Report, which conforms to the principles of triple bottom-line reporting. The information focuses on the economic, social and environmental elements of the business. The Sustainability Report is included on page XX of the Annual Report.

RISK MANAGEMENT AND INTERNAL AUDIT

Risk Management objectives

The Sentech Board is responsible for:

- the process of risk management and the system of internal control, which is regularly reviewed for effectiveness and for establishing appropriate risk and control policies and communicating these throughout the company;
- that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the company, that has been in place for the year under review and up to the date of approval of the annual report and financial statements;
- that there is an adequate system of internal control in place to mitigate the significant risks faced by the company to an acceptable level. Such a system is designed to manage, rather than eliminate, the risk of failure or maximise opportunities to achieve business objectives. This can only provide reasonable, but not absolute, assurance;
- that there is a documented and tested process in place that will allow the company to continue its critical business processes in the event of a disastrous incident impacting on its activities;
- where material joint ventures and associates have not been dealt with as part of the group for the purposes of applying these recommendations. Alternative sources of risk
- management and internal control assurance applied to these activities should be disclosed, where these exist;
- that any additional information in the annual report to assist understanding of the company's risk management processes and system of internal control should be provided as appropriate; and
- where the board cannot make any of the disclosures set out above, it should state this fact and provide a suitable explanation.

Accordingly, in 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 an updated Risk Management Strategy and has been monitoring compliance thereto. Ongoing efforts are made to ensure that the Risk Management Strategy 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, as well the Control Objectives for Information and related Technology (CobiT) Framework. These Frameworks underpin the processes 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, effective, cost efficient and be applied to all areas of potential exposure to risk.

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 management 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

Corporate Governance

process on an enterprise-wide level.

Key Risks

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

1. Funding

   The Company lacks the approval authority to borrow in the private financial markets, to upgrade and expand its communications networks. The lack of adequate funding is a major factor inhibiting the Company's ability 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 expeditiously take advantage of business opportunities within and outside of South Africa.

2. Back-up facilities - Redundancy

   Mitigating strategies such as redundancy of infrastructure are important controls to ensure that the impact of failures is minimised. The Company continues to hold discussions with the Shareholder on this matter and it is reassuring that Cabinet approved the building of a second teleport as a back-up facility, primarily for purposes of 2010 FIFA Soccer World Cup.

3. Skills retention

   The human capital demand for technological and technical skills exceeds the supply countrywide. South African skills are held in high esteem internationally. Sentech is affected by the movement of skills to similar competitive markets which have 'deep remuneration pockets'.

   There is also a recognised need to place high emphasis on staff re-skilling to keep abreast of technological developments in the ICT arena. A number of initiatives are in place to address this challenge, the objective of which is to develop and retain talent across the Company.

4 Competition

   New players are increasingly entering the markets in which Sentech operates. Recent policy and regulatory changes have also resulted in the introduction of new competition in Sentech's traditional broadcast signal distribution business. This, in turn, requires Sentech to remain competitive and satisfy customer demand. Sentech realises that these competitors have deep pockets in terms of funding, advertising and marketing. The competition risk is exacerbated by the lack of funding and also staffing issues that Sentech is currently experiencing, including the enticement of staff away from Sentech by the new competitors.

   Sentech understands the needs of it's customers and addresses them at an operational level, but this risk remains an area of focus for Sentech.

5 Power Outages

   Like most other companies, Sentech has been hard hit by power outages, particularly as a result of deliberate load shedding by Eskom and the municipalities. It is anticipated that this practice will continue for the foreseeable future until such time as Eskom has built up its reserve margins. Sentech has deployed standby generators on our main transmitter sites for many years. However, to further mitigate this risk, Sentech is in the process of reviewing all other critical sites in conjunction with our customers. Based on the result of the review, Sentech will roll-out standby generators to those sites to ensure that the impact due to power outages is brought to a minimum.

   This will not only have the effect of increasing our capital expenditure in terms of cost of the generators but will also increase our maintenance & fuel costs.

Internal Audit

The Internal Audit activity provides the Board with independent assurance concerning its risk management, control and governance processes. Internal Audit reports functionally to the Chairperson of the Audit and Risk Committee, formatively to the Chief Executive Officer and administratively to the Chief Financial Officer. The role of internal audit is to provide support to management and the Audit and Risk Committee in discharging their responsibilities. The Internal Audit function is currently outsourced to PKF Inc, an independent audit firm, on a three year contract, having been appointed in November 2007 following a due tender process.

The scope of the internal audit function includes assessing the adequacy of internal controls, fraud prevention, risk management and the safeguarding of assets. Unrestricted consultation is encouraged between Internal Audit and the directors and management of Sentech. In the period under review Internal Audit conducted reviews of Human Resources and Payroll, Projects, the Information Technology Environment and Inventory as well as certain ad-hoc requests by management and approved by the Risk & Audit Committee.

Internal Audit Plan

The Audit and Risk Committee and Board have approved an Internal Audit Charter to help regulate and guide the Internal Audit function. Based on the Charter, the Board has approved a 3 (three) year Internal Audit Plan rolling plan has been developed and approved by the Board. The Board has delegated the authority to the Audit and Risk Committee to monitor Internal Audit performance against the approved plan. The Internal Audit Plan focuses 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 facility. 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 forwarded 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.

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 2007 to 31 March 2008. 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 2008, which appear on pages 118 to 182 were approved by the board or directors on 28 August 2008 and signed on its behalf by:

Mr CK Hickling
Chairperson

SMokone-Matabane

Dr S Mokone-Matabane
Chief Executive Officer

Report of the independent auditors

To the Honourable Minister of Communications

Report on the financial statements

We have audited the annual financial statements and group annual financial statements of Sentech Limited, which comprise of the Directors' Report, the balance sheet and the consolidated balance sheet as at 31 March 2008, the income statement, the statement of changes in equity, the cash flow statement for the year ended 31 March 2008, and a summary of significant accounting policies and other explanatory notes, as set out on pages 125 to 182.

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 Public Finance Management Act, No. 1 of 1999 and the Companies Act, No. 61 of 1973. 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.

Auditors' responsibility for the financial statements

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 616 of 2008, issued in Government Gazette No 31057 of 15 May 2008. 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. The audit was also planned and performed to obtain reasonable assurance that our duties in terms of sections 27 and 28 of the Public Audit Act, 25 of 2004, have been complied with.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement on 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 2008, and their financial performance and their cash flows for the year ended in accordance with International Financial Reporting Standards and in the manner required by the Public Finance Management Act, No. 1 of 1999 and the Companies Act, No. 61 of 1973.

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

Report on performance information

We have performed procedures of an audit nature on the performance information set out on pages 24 to 90.

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 616 of 2008, issued in Government Gazette No 31057 of 15 May 2008.

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
Johannesburg
28 August 2008

SizweNtsaluba VSP.

SizweNtsaluba VSP
Partner: A Mashifane
Registered Auditor
Johannesburg
28 August 2008

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

We are pleased to present our report for the financial year ended 31 March 2008.

The Audit and Risk Committee members and attendance are reflected on page 106 in the corporate governance statement.

Audit and Risk Committee Members and Attendance:

The Audit and Risk Committee consists of the members listed on the next page and meets 6 times per annum as per its approved terms of reference. During the current year 3 meetings were held.

Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the PFMA and Treasury Regulations 27.1.7 and 21.1.10(b) and (c).

s51(1)(a)(ii) of the PFMA states the following:

(a) The accounting authority must ensure that the public entity has and maintains–

(i) effective, efficient and transparent systems of financial and risk management and internal control;

(ii) a system of internal audit under the control and direction of an Audit and Risk Committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77, and

(iii) an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.

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

The effectiveness of internal control

The Audit and Risk Committee is of the opinion, based on the information and explanations given by management and the internal auditors and discussions with the independent external auditors on the results of their audits and the status in addressing the matters raised, that the internal accounting controls are operating satisfactorily, to ensure that the financial records may be relied upon for preparing the annual financial statements, and accountability for assets and liabilities is maintained.

Sentech's finance function was undercapacitated throughout the year under review, resulting in the engagement of several consultants to assist in the execution of the function. It is imperative that permanent appointments of technology, information systems and finance and accounting and support staff be made as a matter of urgency, so that stability and continuity in the operations of Sentech can take place in the new year.

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

The quality of in-year management and monthly and quarterly reports submitted in terms of the PFMA

The Audit and Risk Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the board of directors and Sentech during the year under review.

Evaluation of financial statements

The Audit and Risk Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the independent external auditors and the Board;
- Reviewed the independent external auditors' management letter and management's response thereto;
- Reviewed the appropriateness of accounting policies and practices, and
- Reviewed adjustments resulting from the audit.

The Audit and Risk Committee concurs and accepts the independent external auditors' conclusions on the annual financial statements, and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the independent external auditors.

DKonar

Dr D Konar
Chairman of the Audit and Risk Committee

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

Name of Member	Number of Meetings Held	Number of Meetings Attended
External		
Dr D Konar (Chairperson)	3	3
Nonkumbulo Tshombe	3	3
Thabo Leeuw	3	3
Internal		
Sebiletso Mokone-Matabane	3	3
Mohammed Siddique Cassim	3	3

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.

R Imasiku

Adv R Imasiku
Company Secretary

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 and SizweNtsaluba VSP, on a yearly basis.

The Sentech Board has pleasure in presenting the 2007\2008 audited Annual Financial Statements on page 118 to 182 which fully set out the financial position, the result of operations and cash flows of the group for the financial year ended 31 March 2008.

A high level financial review of the Company has been performed and included in page 92 to 101.

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, as repealed; 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 and telecommunications);
- successfully completing phase two of the migration from analogue terrestrial to Digital Terrestrial Television (DTT); and
- continuing discussions with Government on the rollout of a National Wholesale Broadband Wireless (NWBN) network, including Dinaledi Schools project.

Lack of adequate funding still remains a concern and is required to capitalise the business, successfully complete the migration from analogue terrestrial to Digital Terrestrial Television (DTT) and rollout a National Wholesale Broadband Wireless (NWBN) network.

Sentech initially required R3,1 billion which has now escalated to R3, 8 billion, to rollout the National Wholesale Broadband Network (NWBN). Government only allocated R500 million and prescribed that Sentech should consider alternative sources of funding to raise the additional funding. Sentech, Department of Communications and National Treasury are still working on an appropriate business and funding model.

Due to their continued poor performance, the current retail broadband services, MyWireless and Biznet, will be phased out in their current form.

Comments on the variances are included in the Financial Review.

For more information on the financial performance of the Group, refer to the Financial Review (page 92 to 101) and the financial statements (page 118 to 182).

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 R125million allocated in the 2007 Budget Speech to rollout phase two of the migration from analogue terrestrial to Digital Terrestrial Television (DTT) and part payment to settle the

Budget versus actual revenue and expenditure

	Budget 2008	Actual 2008	Variance
	R'000	R'000	R'000
Revenue	881,037	724,076	(156,961)
Operating expenditure	885,081	705,643	(179,438)
Operating loss	(4,044)	18,433	22,477
Net finance cost	(12,234)	9,981	22,215
Net loss before taxation	(16,278)	28,414	44,692

SABC loan; R21 million for participation in the East Africa Submarine system (EASSy); and R500 million to rollout a National Wholesale Broadband Wireless (NWBN) network. Given this, further funding allocations in the 2008 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 4 subsidiaries that constitute the Sentech Group:

Infohold (Proprietary) Limited
(Registered in terms of the laws of South Africa)

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

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

InfoSat (Proprietary) Limited
(Registered in terms of the laws of South Africa)

Infosat (Proprietary) 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) Ltd.

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

Vivid Multimedia (Proprietary) Limited
(Registered in terms of the laws of South Africa)

Vivid Multimedia (Proprietary) 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 (Proprietary) 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 sold its 70% shareholding in a Kenyan company called Trunking System Limited, to the minority shareholders.

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 R51,633 million (R106,791 million - 2007) and disposals totalled R52,11 million (R2,6 million - 2007).

Profits and losses of subsidiaries

Infosat Pty (Ltd) is the only active subsidiary in the Group and recorded the following results:

	2008	2007
	R000’s	R000’s
Loss after taxation	(686)	(196)

Directors' report

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	
Mrs. Beverly Ngwenya	Chief Operations Officer	appointed: 11 June 2007
Mr. Mohammed Siddique Cassim	Chief Financial Officer	
Mr. Mlamli Booi	Non-executive director	resigned: 26 July 2007
Ms. Jacqueline Kilani	Non-executive director	appointed: 1 December 2006, resigned: 28 May 2007
Dr. Len Konar	Non-executive director	
Mr. Bheki Langa	Non-executive director	appointed: 1 August 2007, resigned 22 January 2008
Mr. Thabo Leeuw	Non-executive director	
Mr. Solly Mokoetle	Non-executive director	appointed: 1 August 2007, resigned 1 December 2007
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

Balance Sheet

As at 31 March 2008

	Note	GROUP 2008 R '000	GROUP 2007 R '000	COMPANY 2008 R '000	COMPANY 2007 R '000
ASSETS					
Non-current assets					
Property, plant and equipment	4	834,178	879,692	834,178	879,692
Intangible assets	5	22,791	24,271	22,791	24,271
Investments in subsidiaries	6	-	-	1	1
Long term portion of trade receivables	8	463	7,963	303	7,803
		857,432	911,926	857,273	911,767
Current assets					
Inventories	7	17,793	11,359	17,793	11,359
Trade and other receivables	8	86,286	42,610	85,456	41,038
Loans to subsidiaries	24	-	-	37,783	30,390
Cash and cash equivalents	9	713,622	93,781	713,584	93,291
		817,701	147,750	854,616	176,078
Total assets		1,675,133	1,059,676	1,711,889	1,087,845
EQUITY					
Capital and reserves attributable to equity holders of the					
Ordinary shares	10	2	2	2	2
Share premium	10	75,890	75,890	75,890	75,890
Other reserves	11	467,259	439,557	467,259	439,557
Accumulated losses		(17,106)	(34,608)	(18,113)	(36,449)
Total equity		526,045	480,841	525,038	479,000
LIABILITIES					
Non-current liabilities					
Borrowings	13	130,506	168,752	130,506	168,752
Deferred income tax liabilities	14	60,154	46,349	60,154	46,349
Deferred income - government grants	15	668,389	96,258	668,389	96,258
Retirement benefit obligations	16	85,195	71,469	85,195	71,469
Long term portion of trade and other payables		–	12,250	0	12,250
		944,244	395,078	944,244	395,078
Current liabilities					
Trade and other payables	12	176,907	159,183	171,556	156,955
Loans from subsidiaries	24	-	-	43,114	32,238
Short term portion of long term borrowings	13	27,937	24,574	27,937	24,574
		204,844	183,757	242,607	213,767
Total liabilities		1,149,088	578,835	1,186,851	608,845
Total equity and liabilities		**1,675,133**	**1,059,676**	**1,711,889**	**1,087,845**

Income Statement

For the ended 31 March 2008

		GROUP		COMPANY	
		2008	2007	2008	2007
	Note	R '000	R '000	R '000	R '000
Revenue	27	723,500	723,224	724,076	723,224
Cost of sales		(542,576)	(529,664)	(542,303)	(529,730)
Gross profit		180,924	193,560	181,773	193,494
Selling expenses		(6,778)	(8,023)	(6,778)	(8,023)
Administrative expenses		(73,143)	(79,719)	(73,138)	(79,587)
Other operating expenses		(83,424)	(103,060)	(83,424)	(103,063)
Operating profit		17,579	2,758	18,433	2,821
Finance income	19	27,887	9,554	27,867	9,556
Finance costs	19	(17,886)	(30,713)	(17,886)	(30,726)
Profit / (Loss) before income tax		27,580	(18,401)	28,414	(18,349)
Income tax	20	(10,078)	786	(10,078)	786
Profit / (Loss) for the year		17,502	(17,615)	18,336	(17,563)
Attributable to:					
Equity holders of the Company		17,502	(17,615)	18,336	(17,563)
		17,502	(17,615)	18,336	(17,563)

Statement of changes in equity

For the year ended 31 March 2008

		GROUP					COMPANY				
		Share capital	Share pre-mium	Revalution and other Reserves		Total	Share capital	Share pre-mium	Revalution and other Reserves		Total
	Note	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Balance at 1 April 2006		2	75,890	337,660	(16,993)	396,559	2	75,890	337,660	(18,886)	394,666
Fair value gains as restated - net of tax:											
– land and buildings	11	-	-	101,897	-	101,897	-	-	101,897	-	101,897
Net income recognised directly in equity		-	-	101,897	-	101,897	-	-	101,897	-	101,897
Loss for the year as restated	28	-	-	-	(17,615)	(17,615)	-	-	-	(17,563)	(17,563)
Total recognised income and expense for 2007		-	-	101,897	(17,615)	84,282	-	-	101,897	(17,563)	84,334
Balance at 31 March 2007		2	75,890	439,557	(34,608)	480,841	2	75,890	439,557	(36,449)	479,000
Balance at 1 April 2007		2	75,890	439,557	(34,608)	480,841	2	75,890	439,557	(36,449)	479,000
Fair value gains / (losses) net of tax:											
– Reclassification to distributable reserves	11	-	-	-	-	-	-	-	-	-	-
– Disposal of revalued assets	11	-	-	(9,228)	-	(9,228)	-	-	(9,228)	-	(9,228)
– land and buildings	11	-	-	34,388	-	34,388	-	-	34,388	-	34,388
Change in tax rate		-	-	2,542	-	2,542	-	-	-	-	-
Net income recognised directly in equity		-	-	27,702	-	27,702	-	-	25,160	-	25,160
Profit for the year		-	-	-	17,502	17,502	-	-	-	18,336	18,336
Total recognised income and expense for 2008		-	-	27,702	17,502	45,204	-	-	25,160	18,336	43,496
Balance at 31 March 2008		2	75,890	467,259	(17,106)	526,045	2	75,890	464,717	(18,113)	522,496

Cash Flow statement

For the year ended 31 March 2008

	Note	GROUP 2008 R '000	GROUP 2007 R '000	COMPANY 2008 R '000	COMPANY 2007 R '000
Cash flows from operating activities					
Cash generated from operations	22	81,164	131,402	78,153	134,046
Interest paid	19	(17,886)	(30,713)	(17,886)	(30,726)
Net cash generated from operating activities		63,278	100,689	60,267	103,320
Cash flows from investing activities					
Purchase of property, plant and equipment					
- to maintain operations	4	(143,718)	(106,791)	(143,718)	(106,791)
Purchase of intangible assets					
- to maintain operations	5	(2,178)	(4,866)	(2,178)	(4,866)
Proceeds from sale of property, plant and equipment	22	44,908	2,739	44,908	2,739
Decrease in long term portion of trade receivables		7,500	7,541	7,500	7,700
Increase in loan to subsidiary	24	-	-	(7,393)	(7,183)
Interest received	19	27,887	9,554	27,867	9,556
Increase in government grants		649,000	95,000	649,000	95,000
Net cash generated from/ (utilised in) investing activities		583,399	3,177	575,986	(3,845)
Cash flows from financing activities					
Repayment of borrowings	13	(30,199)	(31,750)	(30,199)	(31,750)
Increase in loan from subsidiary	24	-	-	10,876	4,095
Increase / (decrease) in short term portion of long term borrowings		3,363	(5,524)	3,363	(5,524)
Increase in long term portion of trade and other payables		-	12,250	-	12,250
Net cash utilised in financing activities		(26,836)	(25,024)	(15,960)	(20,929)
Net increase in cash and cash equivalents		619,841	78,842	620,293	78,546
Cash and cash equivalents at beginning of the year	9	93,781	14,939	93,291	14,745
Cash and cash equivalents at the end of the year	9	713,622	93,781	713,584	93,291

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 28 August 2008.

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, except for the following:
- adoption of IFRS7 and the complementary amendment to IAS1
The principle effects of these changes are discussed below.

IFRS7 Financial Instruments: Disclosures and the complementary amendment to IAS1: Presentation of Financial Statement - Capital Disclosures

These standards are effective for annual periods beginning on or after 1 January 2007. IFRS7 supersedes disclosure in IAS32. All financial instruments disclosures will now be provided in terms of IFRS7. One of the main disclosure requirements added by IFRS7 is that an entity must group its financial instruments into classes of similar instruments, and when disclosures are required, make disclosures by class. IFRS7 also requires information about the significance of financial instruments and information about the nature and extent of risks arising from financial instruments. The impact of this standard is to expand on certain disclosures relating to financial instruments and requires certain additional disclosures (refer to note 3). The amendment to IAS1 introduces new disclosures relating to capital risk management.

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 judgment 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

Notes to the annual financial statements

For the year ended 31 March 2008

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

Standard or Interpretation	Title	Effective date
IAS 1	Presentation of Financial Statements (Revised)	1 January 2009
Amendments to IFRS 1 and IAS 27	Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standrards and IAS 27 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidary, Jointly Controlled	1 January 2008
IFRS 2	IFRS 2 Amendment - Share-based Payments: Vesting Conditions and	1 January 2009
IFRS 3	Business Combinations (Revised)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 23	Borrowing Costs (Revised)	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (Revised)	1 July 2009
IAS 32	IAS 32 Amendments – Financial Instruments: Presentation IAS 1 Amendments - Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation	1January 2009
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 - The limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008
IFRIC 15	Agreements for the construction of real estate	1 January 2009
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008
N/A	Improvements to IFRS	Unless otherwise specified the amendments are effective for annual periods beginning on or after 1 January 2009

2.2 Consolidation

(a) 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 de-consolidated 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.

Inter-company 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.

(b) 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 arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair values of the identifiable assets and liabilities of a subsidiary at the date of acquisition. 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:

a) fair value; or
b) 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 at 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. 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 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 classify 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.

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 are largely 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, i.e., 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 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.

(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 provision for impairment. A provision 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 deliquency in payments (more than normal days allowed in terms of company credit policy) are considered indicators that the trade receivables is impaired. The amount of the provision is the difference between the asset's carrying amount and present value of the 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 debtors 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 each fund 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 in the income statement.

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 recognises 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 bases 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 sells 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.

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 sells 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 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 toward 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 where 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 instruments and risk management

Exposure to continnuously changing market conditions has made mangement of financial risk critical for Sentech. Treasury policies, risk limits and control procedures are continuously monitored by Sentech's board of directors through its audit and risk management committee.

The company holds financial instruments to finance its operations, for the temporary investment of short-term funds and to manage currency and interest rate risks. In addition, certain financial instruments, for example trade receivables and trade payables, arise directly from our operations.

The company finances its operations primarily through grants and long term and short term loans. The company uses derivative financial instruments to manage its exposure to market risks from changes in interest and foreign exchange rates. The derivatives used for this purpose are principally forward exchange contracts. We do not speculate in derivative instruments.

The table below sets out the Group's classification of financial assets and liabilities

		Financial liabilities at amortised cost	Loans and receivables	Total carrying value	Fair value	Financial liabilities at amortised cost	Loans and receivables	Total carrying value	Fair value
	Notes	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
2008									
Classes of financial instruments per Balance Sheet									
Assets		-	777,069	777,069	777,069	-	814,090	814,090	814,090
Trade and other receivables *	8	-	63,447	63,447	63,447	-	62,723	62,723	62,723
Loans to subsidiaries	24	-	-	-	-	-	37,783	37,783	37,783
Cash and cash equivalents	9	-	713,622	713,622	713,622	-	713,584	713,584	713,584
Liabilities		(304,558)	-	(304,558)	(304,558)	(342,321)	-	(342,321)	(342,321)
Borrowings	13	(158,443)	-	(158,443)	(158,443)	(158,443)	-	(158,443)	(158,443)
Trade and other payables **	12	(146,115)	-	(146,115)	(146,115)	(140,764)	-	(140,764)	(140,764)
Loans from subsidiaries	24	-	-	-	-	(43,114)	-	(43,114)	(43,114)

	Notes	Financial liabilities at amortised cost R'000	Loans and receivables R'000	Total carrying value R'000	Fair value R'000	Financial liabilities at amortised cost R'000	Loans and receivables R'000	Total carrying value R'000	Fair value R'000
2007									
Classes of financial instruments per Balance Sheet									
Assets		-	136,388	136,388	136,388	-	164,823	164,823	164,823
Trade and other receivables *	8	-	42,607	42,607	42,607	-	41,142	41,142	41,142
Loans to subsidiaries	24	-	-	-	-	-	30,390	30,390	30,390
Cash and cash equivalents	9	-	93,781	93,781	93,781	-	93,291	93,291	93,291
Liabilities		(358,021)	-	(358,021)	(358,021)	(388,031)	-	(388,031)	(388,031)
Borrowings	13	(193,326)	-	(193,326)	(193,326)	(193,326)	-	(193,326)	(193,326)
Trade and other payables **	12	(164,695)	-	(164,695)	(164,695)	(162,467)	-	(162,467)	(162,467)
Loans from subsidiaries	24	-	-	-	-	(32,238)	-	(32,238)	(32,238)

* Net of prepayments and deposits

** Net of deferred revenue

Notes to the annual financial statements

For the year ended 31 March 2008

3.1 Fair value of financial instruments

Fair value of financial instruments noted in the balance sheet approximates carrying value except as disclosed below.

The estimated net fair values as at 31 March 2008, have been determined using available market information and appropriate valuation methodologies as outlined below. This value is not necessarily indicative of the amounts the Group could realise in the normal course of business.

The fair value of receivables, bank balances, and other liiquid funds, payables and accruals, approximate their carrying amount due to the short-term maturities of these instruments.

The fair value of the borrowings disclosed are based on quoted prices or, where such prices arre not available, the expected future payments discounted at market interest rates.

3.2 Market Risk

3.2.1 Interest rate risk management

The group is exposed to fluctuations in interest rates (i.e. cash flow interest rate risk) on its borrowings and investments. It does not at present hedge its exposure to adverse interest rate movements. The Group manages its interest cost through the utilisation of a mix of fixed and floating rate debt. Fixed rate debt represents approximmately 70% (2007 : 67%) of the total debt. There were no material changes in the policies and processes for managing and measuring interest rate risk in the 2008 financial year.

The table below summarises the variable interest bearing borrowings outstanding as at 31 March 2008:

		GROUP		COMPANY	
	Currency	Notional amount	Interest rate	Notional amount	Interest rate
		R'000		R'000	
2008					
Finance lease liabilities	ZAR	905	14.30%	905	14.30%
	ZAR	5,895	14.30%	5,895	14.30%
ICASA loan	ZAR	13,032	14.50%	13,032	14.50%
	ZAR	26,943	14.50%	26,943	14.50%

3.2.2 Foreign currency exchange rate risk management

The company is exposed to foreign currency purchases of:

- inventories
- capital equipment
- 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 and expenses.

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.

There were no material changes in the exposure to foreign currency exchange rate risk and its objectives, policies and processes for managing and measuring the risk during the current financial year.

Foreign trade receivables and payables on 31 March 2008 include aggregate net receivables of R 7,2 million (2007 : R18,2 million).

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

	$'000	R'000
0-12 months	8,874	72,057
1-2 years	8,829	71,691
2-3 years	4,392	35,663
	22,095	179,411
2007	31,794	231,142

The US Dollar commitments are translated into Rands at the year-end spot rate of R8.12 (2007 : R7.27). The table represents the company's rental commitments to Intelsat Corporation.

Notes to the annual financial statements

For the year ended 31 March 2008

A ten percent variance in the strenght of the Rand relative to the United States Dollar, with all other variables held constant, would have have the following effect on the table above:

	Effect on profit before tax increase / (decrease)	
	Rand appreciates	Rand depreciates
	R'000	R'000
0-12 months	7,206	(7,206)
1-2 years	7,169	(7,169)
2-3 years	3,566	(3,566)
	17,941	(17,941)

The Group has various monetary assets and liabilites in currencies other than the Group's functional currency. The following table represents the net currency exposure (net carrying amount of foreign denominated monetary assets and liabilities) of the Group according to the different foreign currencies.

	GROUP AND COMPANY		
	Euro	Pound Sterling	United States Dollar
2008	R'000	R'000	R'000
Net foreign currency monetary assets / (liabilities)			
Functional currency of company operation ZAR	(2,524)	3,493	15,476
2007			
Net foreign currency monetary assets / (liabilities)			
Functional currency of company operation ZAR	(6,663)	3,254	6,143

The following table illustrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, to the Group's and company's profit before tax:

	increase / (decrease) in foreign exchange currency	Effect on profit before tax increase / (decrease)
	%	R'000
2008		
Rand depreciates		
EURO	(10)	(252)
GBP	(10)	349
USD	(10)	1,548
Rand appreciates		
EURO	+10	252
GBP	+10	(349)
USD	+10	(1,548)
2007		
Rand depreciates		
EURO	(10)	(666)
GBP	(10)	325
USD	(10)	614
Rand appreciates		
EURO	+10	666
GBP	+10	(325)
USD	+10	(614)

	2008	2007
Exchange rate table (closing rate)		
1 EURO to ZAR	12.860	9.673
1 GBP to ZAR	16.145	14.224
1 USD to ZAR	8.120	7.270

3.2.3 Price risk management

The group is not exposed to price risk as its services are contractually delivered.

The sensitivity analysis below have been determined based on the exposure to interest rates for variable interest bearing borrowings at the balance sheet date. A 100 basis point increase or decrease is used when reporting interrest rate risk and represents management's assesment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, Sentech's profit for the year ended 31 March 2008 would decrease/increase by R0,47 million.

3.3 Credit risk management

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 control procedures are in place. New customers are first vetted by a credit checking agency and periodically thereafter. Customers may be called upon to pay in advance.

Our exposure to credit risk is influenced mainly by the individual characteristics of each type of customer. Management seeks to reduce the risk of irrecoverable debt by improving credit management through credit checks and limits.

Trade receivables comprise a large and widespread customer base, covering residential, business consisting of government, wholesale and global and corporate customer profiles.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets as well as expected future cash flows.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the currrent financial year.

The carrying amount of financial assets represents the maximum exposure.

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Broadcasters	26,645	30,456	26,645	30,456
Facility rental	1,500	1,510	1,500	1,510
VSAT	51,101	18,784	50,239	17,181
MyWireless	4,107	1,530	4,107	1,530
Impairment of trade receivables	(20,369)	(17,636)	(20,071)	(17,338)
	62,984	34,644	62,420	33,339
Other receivables *	23,765	15,929	23,339	15,502
Loans to subsidiaries	-	-	37,783	30,390
	86,749	50,573	123,542	79,231

** Other receivables are disclosed inclusive of long term portion*

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
The ageing of net trade receivables at the reporting date was:				
Not passed due / current	20,463	18,099	20,463	18,099
Ageing of past due but not impaired				
31 to 60 days	18,993	5,147	18,993	5,147
61 to 90 days	7,075	7,441	7,075	7,441
older than 90 days	16,455	3,957	15,889	2,652
	62,984	34,644	62,420	33,339

The credit quality of fully performing debtors is good, as the graph's revenue spread is mainly from broadcasting services.

The ageing in the allowance for the impairment of trade debtors at reporting date was:

Current defaulted trade receivables	8,916	8,904	8,618	8,606
31 to 60 days	6,339	3,176	6,339	3,176
61 to 90 days	3,646	1,494	3,646	1,494
older than 90 days	1,468	4,062	1,468	4,062
	20,369	17,636	20,071	17,338

High level negotiations are underway and the company will terminate services if no progress is made. The group's trade receivables' impairment loss increased to R20.3 million (2007 : R17.6 million) and the company's to R20 million (2007 : R17.8 million).

The movement in the allowance for impairment of trade receivables during the year is disclosed in note 8.

There were no material changes in the policies and processes for managing and measuring credit risk in the 2008 financial year.

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For the year ended 31 March 2008

3.4 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.

There were no material changes in the exposure to liquidity risk and its objectives, policies and processes for managing and measuring the risk during the current financial year.

The table below analysis the Group's financial liabilities which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows

		GROUP					COMPANY				
		Carrying amount	Contractual cash flows	0-12 months	1-2 years	2-5 years	Carrying amount	Contractual cash flows	0-12 months	1-2 years	2-5 years
	Note	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2008											
Non-derivative financial liabilites											
Finance lease liabilities	13	6,800	6,800	906	317	5,577	6,800	6,800	906	317	5,577
Interest bearing debt (excluding finance leases)	13	151,643	156,668	31,999	39,586	85,083	151,643	156,668	31,999	39,586	85,083
Trade and other payables	12	146,115	146,115	146,115	-	-	140,764	140,764	140,764	-	-
		304,558	309,583	179,020	39,903	90,660	299,207	304,232	173,669	39,903	90,660

		GROUP					COMPANY				
		Carrying amount	Contractual cash flows	0-12 months	1-2 years	2-5 years	Carrying amount	Contractual cash flows	0-12 months	1-2 years	2-5 years
	Note	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2007											
Non-derivative financial liabilites											
Finance lease liabilities	13	8,734	8,734	1,407	906	6,421	8,734	8,734	1,407	906	6,421
Interest bearing debt (excluding finance leases)	13	179,292	179,835	23,167	31,999	124,669	179,292	179,835	23,167	31,999	124,669
Trade and other payables	12	164,695	164,695	164,695	-	-	162,467	162,467	162,467	-	-
		352,721	353,264	189,269	32,905	131,090	350,493	351,036	187,041	32,905	131,090

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3.6 Capital management

Sentech manages share capital, share premium, accumulated profit / (loss) and fair value reserves as capital. The objective of capital management is to ensure that Sentech is sustainable over the long term.

There were no changes to Sentech's approach to capital management during the financial year.

The major items that impact the equity of Sentech include the following:

- the revenue received from sales
- the cost of funding the business
- the cost of operating the ICT business
- the cost of expanding the business to ensure capacity growth is in line with increasing the broadcast footprint

The tariff increases for the business is subject to contractual obligations in place.

The government as the sole shareholder has the responsibility to ensure that the company is adequately capitalised to ensure continuity of service.

Sentech's policy is to fund the capital expansion programme through its own resources and by means of government grants.

4. Property, plant and equipment

	GROUP				
	Land & buildings	Motor vehicles	Computer, technical and office equipment	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000
At 1 April 2006					
Cost or valuation	446,956	19,579	696,159	97,615	1,260,309
Accumulated depreciation	(143,669)	(8,000)	(389,748)	(8,300)	(549,717)
Carrying amount	303,287	11,579	306,411	89,315	710,592
Year ended 31 March 2007					
Opening net book amount	303,287	11,579	306,411	89,315	710,592
Revaluation	154,415	(130)	(10,204)	-	144,081
Additions	11,480	89	52,715	42,506	106,791
Disposals	(727)	(862)	(976)	-	(2,565)
Transfers	(69)	(1,485)	10,960	-	9,407
Depreciation charge (Note 17)	(23,540)	498	(59,067)	(6,504)	(88,614)
Closing carrying amount	444,846	9,689	299,840	125,317	879,692
At 31 March 2007					
Cost or valuation	611,189	15,756	743,329	140,521	1,510,795
Accumulated depreciation	(166,344)	(6,066)	(443,489)	(15,204)	(631,103)
Carrying amount	444,845	9,690	299,840	125,317	879,692

	GROUP				
	Land & buildings	Motor vehicles	Computer, technical and office equipment	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000
Year ended 31 March 2008					
Opening net book amount	444,845	9,690	299,840	125,317	879,692
Revaluation surplus (Note 11)	44,427	-	-	-	44,427
Additions	35,874	-	15,759	-	51,633
Disposals	(13)	(1,841)	(8,953)	(41,404)	(52,211)
Transfers	(14)	-	(1,606)	-	(1,620)
Depreciation charge (Note 17)	(24,736)	(1,550)	(52,457)	(9,000)	(87,743)
Closing carrying amount	500,383	6,299	252,583	74,913	834,178
At 31 March 2008					
Cost or valuation	691,085	12,101	735,785	84,313	1,523,284
Accumulated depreciation	(190,702)	(5,802)	(483,202)	(9,400)	(689,106)
Carrying amount	500,383	6,299	252,583	74,913	834,178

Notes to the annual financial statements

For the year ended 31 March 2008

	COMPANY				
	Land & buildings	Motor vehicles	Computer, technical and office equipment	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000
At 1 April 2006					
Cost or valuation	446,956	19,579	696,159	97,615	1,260,309
Accumulated depreciation	(143,669)	(8,000)	(389,748)	(8,300)	(549,717)
Carrying amount	303,287	11,579	306,411	89,315	710,592
Year ended 31 March 2007					
Opening net book amount	303,287	11,579	306,411	89,315	710,592
Revaluation	154,415	(130)	(10,204)	-	144,081
Additions	11,480	89	52,715	42,506	106,791
Disposals	(727)	(862)	(976)	-	(2,565)
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Depreciation charge (Note 17)	(23,540)	498	(59,067)	(6,504)	(88,614)
Closing carrying amount	444,846	9,689	299,840	125,317	879,692
At 31 March 2007					
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Carrying amount	444,845	9,690	299,840	125,317	879,692

	COMPANY				
	Land & buildings	Motor vehicles	Computer, technical and office equipment	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000
Year ended 31 March 2008					
Opening net book amount	444,845	9,690	299,840	125,317	879,692
Revaluation	44,427	-	-	-	44,427
Additions	35,874	-	15,759	-	51,633
Disposals	(13)	(1,841)	(8,953)	(41,404)	(52,211)
Transfers	(14)	-	(1,606)	-	(1,620)
Depreciation charge (Note 17)	(24,736)	(1,550)	(52,457)	(9,000)	(87,743)
Closing carrying amount	500,383	6,299	252,583	74,913	834,178
At 31 March 2008					
Cost or valuation	691,085	12,101	735,785	84,313	1,523,284
Accumulated depreciation	(190,702)	(5,802)	(483,202)	(9,400)	(689,106)
Carrying amount	500,383	6,299	252,583	74,913	834,178

Notes to the annual financial statements

For the year ended 31 March 2008

The Group's land and buildings were last revalued on 31 March 2008 by the directors in conjunction with Ubuntu Valuation & Appraisal Services. Details of the Group and Companies 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 R 69,506,000 (2007 : R 69,710,000) has been charged in cost of goods sold and R 20,859,000 (2007 : R 20,770,000) in other operating expenses.

Lease rentals amounting to R 56,530,000 (2007 : R 71,793,000) relating to the operating lease of machinery and property, are included in the income statement (Note 17).

During the current year computer software with a net book value of R7,416,000 were re-classified, and transferred from property, plant and equipment to intangible assets.

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2008	2007
	R'000	R'000
Cost	520,893	521,471
Accumulated depreciation	(208,251)	(171,953)
Revaluation	408,633	364,206
Carrying amount	721,275	713,724

With the exception of motor vehicles leased under finance leases [with a net carrying value of R5,924 million (2007: R9,200 million)], all land and buildings, plant and equipment are not encumbered.

5. Intangible assets

	GROUP			COMPANY		
	Licences	Software	Total	Licences	Software	Total
	R'000	R'000	R'000	R'000	R'000	R'000
At 1 April 2006						
Cost	24,833	9,054	33,887	24,833	9,054	33,887
Accumulated amortisation	(5,187)	(6,105)	(11,292)	(5,187)	(6,105)	(11,292)
Carrying amount	19,646	2,949	22,595	19,646	2,949	22,595
Year ended 31 March 2007						
Opening net book amount	19,646	2,949	22,595	19,646	2,949	22,595
Additions	-	4,866	4,866	-	4,866	4,866
Amortisation charge (Note 17)	(1,324)	(1,866)	(3,190)	(1,324)	(1,866)	(3,190)
Closing carrying amount	18,322	5,949	24,271	18,322	5,949	24,271
At 31 March 2007						
Cost	24,834	13,920	38,754	24,834	13,920	38,754
Accumulated amortisation	(6,512)	(7,971)	(14,483)	(6,512)	(7,971)	(14,483)
Carrying amount	18,322	5,949	24,271	18,322	5,949	24,271
Year ended 31 March 2008						
Opening net book amount	18,322	5,949	24,271	18,322	5,949	24,271
Additions	-	2,178	2,178	-	2,178	2,178
Disposals	-	(711)	(711)	-	(711)	(711)
Amortisation charge (Note 17)	(1,324)	(1,622)	(2,946)	(1,324)	(1,622)	(2,946)
Closing carrying amount	16,998	5,794	22,792	16,998	5,794	22,792
At 31 March 2008						
Cost	24,833	15,109	39,942	24,833	15,109	39,942
Accumulated amortisation	(7,836)	(9,315)	(17,151)	(7,836)	(9,315)	(17,151)
Carrying amount	16,997	5,794	22,791	16,997	5,794	22,791

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 fifteen to twenty-five years. The carrying amounts and remaining amortisation periods individually are R 6,41m (21 years) and R 5,08m (11 years) respectively.

Impairment tests for intangible assets

The directors have assessed the carrying value of each intangible asset and a provision for impairment is not considered necessary.

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6. Investments in subsidiaries

	COMPANY 2008 R'000	COMPANY 2007 R'000
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
2007						
Infohold (Pty) Ltd	Republic of South Africa	33,219	31,374	6,600	(192)	100%
Vivid Multimedia (Pty) Ltd	Republic of South Africa	-	-	-	-	100%
Sentech International (Pty) Ltd	Republic of South Africa	-	-	-	-	100%
		33,219	31,374	6,600	(192)	
2008						
Infohold (Pty) Ltd	Republic of South Africa	44,145	43,135	6,600	(686)	100%
Vivid Multimedia (Pty) Ltd	Republic of South Africa	-	-	-	-	100%
Sentech International (Pty) Ltd	Republic of South Africa	-	-	-	-	100%
		44,145	43,135	6,600	(686)	

7. Inventories

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Merchandise for resale	17,793	11,359	17,793	11,359
Inventory write-downs included above	5,118	5,618	5,118	5,618

The reduction of inventory write-down recognised and included in cost of sales amounted to R 0,5m (2007 : R 3.7m increase).

The inventory held is not encumbered.

8. Trade and other receivables

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Trade receivables	72,658	44,576	71,796	42,973
Less: impairment of receivables	(20,369)	(17,636)	(20,071)	(17,338)
Trade receivables – net	52,289	26,940	51,725	25,635
Prepayments and deposits	23,302	7,966	23,036	7,699
Long term loans	463	7,963	303	7,803
Receivables from related parties (Note 24)	10,695	7,704	10,695	7,704
	86,749	50,573	85,759	48,841
Less: non-current portion	(463)	(7,963)	(303)	(7,803)
Current portion	86,286	42,610	85,456	41,038
The fair values of trade and other receivables are as follows:				
Trade receivables	52,289	26,940	51,725	25,635
Prepayments	23,302	7,966	23,036	7,699
Receivables from related parties	10,695	7,704	10,695	7,704
	86,286	42,610	85,456	41,038
The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:				
Currency				
US dollar	18,130	6,912	18,130	6,912
UK pound	3,618	3,257	3,618	3,257
Euro	1,668	6,163	1,668	6,163
SA Rand	63,333	34,241	62,343	32,509
	86,749	50,573	85,759	48,841

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
At 1 April	17,636	18,001	17,338	17,821
Reversal of impairment of provision for receivables	-	(365)	-	(483)
Receivables provided for during the year as uncollectable	2,733	-	2,733	-
At 31 March	20,369	17,636	20,071	17,338

The creation and release of the provision for impaired receivables has 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 do not contain impaired assets. 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.

Refer to note 3 for detailed credit risk analysis.

9. Cash and cash equivalents

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Cash at bank and on hand	33,808	49,563	33,770	49,073
Short-term bank deposits	679,814	44,218	679,814	44,218
	713,622	93,781	713,584	93,291
Cash and cash equivalents include the following for the purposes of the cash flow statement:				
Cash and cash equivalents	713,622	93,781	713,584	93,291
	713,622	93,781	713,584	93,291
Cash and cash equivalents as at 31 March 2008 include funds that are ring fenced for the following projects (Refer to Note 15):				
Digital Terrestrial Television project	122,915	95,000	122,915	95,000
Broadband project	500,000	-	500,000	-
Under sea cable project	21,000	-	21,000	-
Community broadcasters project	24,474	1,258	24,474	1,258
	668,389	96,258	668,389	96,258

Interest received on these funds is included in the investment income and is available for use in the day to day operations of the business.

10. Share capital and share premium

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
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 Department of Communications) controls the unissued shares. The Company has one class of ordinary shares which carry no right to fixed income.

11. Other reserves

	GROUP			COMPANY		
	Gain on waiver of SABC loan	Revaluation of land and buildings	Total	Gain on waiver of SABC loan	Revaluation of land and buildings	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 1 April 2006	88,614	249,046	337,660	88,614	249,046	337,660
Revaluation as restated – net	-	101,897	101,897	-	101,897	101,897
Balance at 31 March 2007	88,614	350,943	439,557	88,614	350,943	439,557
Reclassification to distributable reserves	-	-	-	-		-
Disposal of revalued assets	-	(9,228)	(9,228)	-	(9,228)	(9,228)
Revaluation – net	-	34,388	34,388	-	34,388	34,388
Change in tax rate	-	2,542	2,542	-	2,542	2,542
Balance at 31 March 2008	88,614	378,645	467,259	88,614	378,645	467,259

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.

Land and buildings are revalued to fair value on a three year cycle, annually. The last valuation was carried out on 31 March 2008.

12. Trade and other payables

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Trade payables	66,291	61,495	60,754	60,649
Amounts due to related parties (Note 24)	10,010	14,692	10,010	14,692
Payroll and other taxes	290	5,853	607	4,613
Accrued expenses	69,524	82,655	69,393	82,513
Deferred revenue	30,792	6,738	30,792	6,738
	176,907	171,433	171,556	169,205
Less: Non-current portion	-	(12,250)	-	(12,250)
Currrent portion	176,907	159,183	171,556	156,955

During the year a grant received from the DOC amounting to R16,334,000, previously included in Trade payables and non-current portion of Trade payables, was re-classified as deferred income (Note 15).

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For the year ended 31 March 2008

13. Borrowings

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Interest bearing liabilities				
SABC loan	-	5,300	-	5,300
Liabilities under capitalised finance lease agreements	6,800	8,734	6,800	8,734
DBSA Loan	111,668	129,932	111,668	129,932
ICASA Licences	39,975	49,360	39,975	49,360
Total liabilities	158,443	193,326	158,443	193,326
Less: Payable before 31 March 2009 included in short-term liabilities	(27,937)	(24,574)	(27,937)	(24,574)
Total long-term liabilities	130,506	168,752	130,506	168,752
The liabilities under capitalised finance lease agreements are secured over the assets (motor vehicles) leased with a net carrying amount of	5,924	9,200	5,924	9,200

Additional information	Repayable	Instalments/ repayment	Effective Interest rate
DBSA Loan	2002-2008	14,000,000	11.03%
Liabilities under capitalised finance lease agreements	2002-2008	3,000,000	14.30%
ICASA	2007-2011	18,000,000	14.50%

At 31 March finance lease rentals are payable as follows:

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Within 1 year				
Capital repayments	905	1,407	905	1,407
Interest	759	891	759	891
Cash flows	1,664	2,297	1,664	2,297
Within 2 to 5 years				
Capital repayments	5,895	7,326	5,895	7,326
Interest	289	864	289	864
Cash flows	6,184	8,190	6,184	8,190
Total cash flows	7,848	10,487	7,848	10,487
Comprising:				
Capital	6,800	8,733	6,800	8,733
Interest	1,048	1,755	1,048	1,755

It is the Group's policy to lease motor vehicles under finance leases. The average lease term is 3-4 years. For the year ended 31 March 2008, the average effective borrowing rate was 14.3% (2007 : 12.3%). Interest rates are linked to the 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.

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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:

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Deferred income tax assets:				
– Deferred income tax asset to be recovered after more than 12 months	(48,067)	(70,439)	(48,067)	(70,439)
	(48,067)	(70,439)	(48,067)	(70,439)
Deferred tax liabilities:				
– Deferred income tax liability to be recovered after more than 12 months	108,221	116,788	108,221	116,788
	108,221	116,788	108,221	116,788
Deferred income tax liabilities (net)	60,154	46,349	60,154	46,349

The gross movement on the deferred income tax account is as follows:				
Beginning of year	46,349	4,952	46,349	4,952
Income statement charge (Note 20)	10,078	(786)	10,078	(786)
Tax charged to equity	3,727	42,183	3,727	42,183
End of year	60,154	46,349	60,154	46,349

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

	COMPANY			COMPANY		
	Property, plant & equipment	Prepayments and deposits	Total	Property, plant & equipment	Prepayments and deposits	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 1 April 2006	82,205	906	83,111	82,205	906	83,111
(Credited)/charged to the income statement	(9,535)	1,029	(8,506)	(9,535)	1,029	(8,506)
Charged directly to equity	42,183	-	42,183	42,183	-	42,183
Balance at 31 March 2007	114,853	1,935	116,788	114,853	1,935	116,788
(Credited)/charged to the income statement	(10,483)	(488)	(10,971)	(10,483)	(488)	(10,971)
Rate change	(1,273)	(50)	(1,323)	(1,273)	(50)	(1,323)
Charged directly to equity	3,727	-	3,727	3,727	-	3,727
Balance at 31 March 2008	106,824	1,398	108,221	106,824	1,398	108,221

Deferred tax assets

	Provisions	Unearned income and deposits	Government grant	Tax losses	Total	Provisions	Unearned income and deposits	Government grant	Tax losses	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
At 1 April 2006	28,626	2,030	597	46,906	78,159	28,626	2,030	597	46,906	78,159
(Credited)/charged to the income statement	(4,129)	677	4,140	(8,408)	(7,720)	(4,129)	677	4,140	(8,408)	(7,720)
At 31 March 2007	24,497	2,707	4,737	38,498	70,439	24,497	2,707	4,737	38,498	70,439
Charged/(credited) to the income statement	9,372	6,593	-	(36,620)	(20,655)	9,372	6,593	-	(36,620)	(20,655)
Rate change	(1,168)	(321)	(163)	(65)	(1,717)	(1,168)	(321)	(163)	(65)	(1,717)
At 31 March 2008	32,701	8,979	4,574	1,814	48,067	32,701	8,979	4,574	1,814	48,067

The deferred income tax charged to equity during the year is as follows:	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Fair value reserves in shareholders' equity:				
– Property, plant and equipment	3,727	42,183	3,727	42,183
	3,727	42,183	3,727	42,183

15. Deferred income - government grants

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Deferred income	**668,389**	**96,258**	**668,389**	**96,258**
Analysis of movement in Deferred income:				
Opening balance	96,258	2,059	96,258	2,059
Transferred from pre-payments (note 12)	16,334	-	16,334	-
New funding received	649,000	95,000	649,000	95,000
Utilised as follows:				
- Community broadcasters	(1,118)	(801)	(1,118)	(801)
- Acquisition of property, plant and equipment	(92,085)	-	(92,085)	-
Closing balance	668,389	96,258	668,389	96,258

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

16. Retirement benefit obligations

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
The employee benefit obligation is made up as follows:				
Retirement benefits	(3,800)	(4,100)	(3,800)	(4,100)
Retirement medical benefits	88,995	75,569	88,995	75,569
	85,195	71,469	85,195	71,469

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 2008 by an independent actuary and will be evaluated again at the end of the 2009 financial year. The fund is a legal entity separate from the company. The assets of the fund are invested according to statutory prescriptions and the investments policy of the fund.

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 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Present value of funded obligations	10,000	25,700	10,000	25,700
Fair value of plan assets	(13,800)	(29,800)	(13,800)	(29,800)
Net asset recognised in the balance sheet	(3,800)	(4,100)	(3,800)	(4,100)
Change in the defined benefit funding obligation:				
Present value of funded obligation at beginnig of year	25,700	21,600	25,700	21,600
Service cost benefits earned during the year	300	500	300	500
Interest cost on projected benefit obligation	1,600	2,300	1,600	2,300
Benefits paid	(18,600)	(300)	(18,600)	(300)
Actuarial loss	1,000	1,600	1,000	1,600
	10,000	25,700	10,000	25,700

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Change in plan assets:				
Fair value of plan assets at the beginning of the year	29,800	20,800	29,800	20,800
Expected return on plan assets	2,200	2,500	2,200	2,500
Employee and employer contributions	500	600	500	600
Benefits paid	(18,600)	(300)	(18,600)	(300)
Actuarial (loss)/profit	(100)	6,200	(100)	6,200
	13,800	29,800	13,800	29,800
Fund Surplus	3,800	4,100	3,800	4,100
Components of the retirement benefit obligation recognised in the income statement:				
Current service cost	300	500	300	500
Interest cost	1,600	2,300	1,600	2,300
Expected return on plan assets	(2,200)	(2,500)	(2,200)	(2,500)
Actuarial losses/(gains) recognised	1,100	(4,600)	1,100	(4,600)
Total included in employee remuneration costs	800	(4,300)	800	(4,300)
Movement in liability recognised in the balance sheet				
Net (asset) / liability at beginning of the period	(4,100)	800	(4,100)	800
Net amount recognised in profit or loss	800	(4,300)	800	(4,300)
Contributions paid to the fund	(500)	(600)	(500)	(600)
Net asset at end of the period	(3,800)	(4,100)	(3,800)	(4,100)
Principle actuarial assumptions used				
Discount rate	9.6%	12.0%	9.6%	12.0%
Future salary increases	7.0%	9.6%	7.0%	9.6%
Expected return on plan assets	10.6%	12.0%	10.6%	12.0%
Future pension increases	3.8%	7.6%	3.8%	7.6%
Proportion of employees opting for early retirement	43.3%	35.0%	43.3%	35.0%

Membership of the fund at 31 March were:

	Members	
	2008	2007
Defined benefit plan	7	10
	7	10

The investments of the fund are in unitised type of investments (insurance policies).

The investments of the fund provided at return of 11.44% for the year.

The investments are expected to provide a return similar to that assumed in determining the expected present value of the plan assets.

Projected contributions to the fund for the 2008/9 financial year are R0,5 million.

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 2008 by an independent actuary, and will be evaluated again at the end of the 2009 financial year.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.

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Present value of unfunded obligations	88,995	75,569	88,995	75,569
Liability recognised in the balance sheet	88,995	75,569	88,995	75,569

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Movement in the liability recognised in the balance sheet:				
Liability at beginning of the year	75,569	68,528	75,569	68,528
Movement for the year				
Benefits paid	(1,489)	(1,595)	(1,489)	(1,595)
Other expenses included in staff costs	14,915	8,636	14,915	8,636
Current service cost	3,522	3,208	3,522	3,208
Interest cost	5,986	5,418	5,986	5,418
Actuarial loss	5,407	10	5,407	10
Liability at end of the year	88,995	75,569	88,995	75,569

The expected employer benefits to be paid in 2009 amount to R1,853 million.

Principle actuarial assumptions used				
Discount rate	9.50%	8.00%	9.50%	8.00%
Annual increase in health care costs	8.00%	6.50%	8.00%	6.50%
CPI Inflation	9.70%	4.90%	9.70%	4.90%
Expected retirement age	63	63	63	63

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Sensitivities to Medical inflation rate

	Company and Group Central Assumption		
	8.00%	+1.00%	-1.00%
Accrued Liability (R'000)	88,995	105,833	75,553
% Change		18.92%	-28.61%
Current service cost + Interest Cost (R'000)	12,257	14,879	10,201
% Change		21.39%	-31.44%

Other comparative amounts

	Company and Group			
	2007	2006	2005	2004
	R'000	R'000	R'000	R'000
Retirement Benefits				
Present value of the obligation	25,700	21,600	25,400	28,596
Present value of the plan assets	(29,800)	(20,800)	(18,400)	(18,228)
Fund (Surplus) / Deficit	(4,100)	800	7,000	10,368
Retirement medical benefits				
Present value of the obligation	75,569	75,689	45,121	36,377

Projected contributions to the fund for the 2008/9 financial year are R12,3 million.

17. Expenses by nature

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Changes in inventories of finished goods and work in progress	(507)	3,052	(507)	3,052
Employee benefit expense (Note 18)	245,013	213,203	234,163	207,353
Depreciation and amortisation charges (Notes 4 and 5)	91,905	91,804	91,905	91,804
Transportation expenses	9,521	7,683	9,521	7,683
Advertising costs	6,778	8,023	6,778	8,023
Operating lease payments	56,530	71,793	56,530	71,793
Auditor's remuneration	-		-	
- Audit fees	1,677	1,507	1,677	1,507
- Fees for other services	73	203	73	203
Legal and consulting fees	4,551	4,833	4,551	4,833
Other expenses	290,380	324,966	300,952	324,152
Total cost of sales, selling, administration and other operating expenses	705,921	727,066	705,643	720,403
Disclosed as follows in the income statement:				
Cost of sales	542,576	529,664	542,303	529,730
Selling expenses	6,778	8,023	6,778	8,023
Administrative expenses	73,143	79,719	73,138	79,587
Other operating expenses	83,424	103,060	83,424	103,063
	705,921	720,466	705,643	720,403

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18. Employee benefit expense

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Wages and salaries	209,011	189,214	198,161	183,364
Statutory charges	1,691	1,386	1,691	1,386
Pension costs – defined contribution plans	18,786	14,503	18,786	14,503
Post-employment benefits (Note 16)	15,525	8,100	15,525	8,100
	245,013	213,203	234,163	207,353
Number of employees	545	555	545	555

19. Finance income and costs

Interest expense:				
Borrowings	13,349	29,591	13,349	29,604
Finance lease interest	876	1,122	876	1,122
Net foreign exchange losses on financing activities (Note 21)	3,661	-	3,661	-
Finance costs	17,886	30,713	17,886	30,726
Interest income	(25,158)	(5,720)	(25,138)	(5,722)
Finance income – net foreign exchange gains on financing activities (Note 21)	(2,729)	(3,834)	(2,729)	(3,834)
Finance income	(27,887)	(9,554)	(27,867)	(9,556)
Net finance (income) / costs	(10,001)	21,159	(9,981)	21,170

20. Income tax

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
South African Income Tax				
- Current	-	-	-	-
- Deferred (Note 14)	10,078	(786)	10,078	(786)
	10,078	(786)	10,078	(786)

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:

	Group 2008	Group 2007	Company 2008	Company 2007
(Profit) / Loss before tax	(27,580)	18,401	(28,414)	18,349
Tax calculated at domestic tax rates	35%	4%	35%	4%
Expenses not deductible for tax purposes	(5%)	25%	(5%)	25%
Rate change	(1%)	-	(1%)	-
Tax charge	29%	29%	29%	29%

21. Net foreign exchange gains / (losses)

Exchange differences credited / (charged) to the income statement are as follows:

	Group 2008	Group 2007	Company 2008	Company 2007
Finance costs – net (Note 19)	932	(3,834)	932	(3,834)

22. Cash generated from operations

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Profit / (Loss) before income tax	27,580	(18,401)	28,414	(18,349)
Adjustments for:				
– Depreciation (Note 4)	87,743	88,614	87,743	88,614
– Depreciation recovery on disposal of revalued property, plant and equipment	(4,387)	(3,967)	(4,387)	(3,967)
– Amortisation (Note 5)	2,946	3,190	2,946	3,190
– (Profit) / Loss on disposal of property, plant and equipment (see below)	1,023	174	1,023	174
– Government grants	(1,118)	(801)	(1,118)	(801)
– Deferred revenue	-	(263)	-	(263)
– Interest income (Note 19)	(27,887)	(9,554)	(27,867)	(9,556)
– Finance costs (Note 19)	17,886	30,713	17,886	30,726
- Adjustment to ICASA loan (Note 13)	(8,047)	-)	(8,047)	-)
Changes in working capital				
– Increase in inventories	(6,434)	(2,185)	(6,434)	(2,186)
– (Decrease) / increase in trade and other receivables	(43,676)	17,538	(44,418)	18,186
– Increase in retirement benefits	13,726	2,140	13,726	2,141
– Increase in trade and other payables	21,809	24,204	18,686	26,137
Cash generated from operations	81,164	131,402	78,153	134,046

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

Carrying amount (Note 4)	45,931	2,565	45,931	2,565
(Loss) / Profit on disposal of property, plant and equipment	(1,023)	174	(1,023)	174
Proceeds from disposal of property, plant and equipment	44,908	2,739	44,908	2,739

23. Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Property, plant and equipment	9,336	10,089	9,336	10,089
	9,336	10,089	9,336	10,089

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.

(b) Operating lease commitments

The Group leases various facilities, offices and equipment under non-cancellable operating leaseagreements. 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		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Not later than 1 year	131,791	118,146	131,791	118,146
Later than 1 year and not later than 5 years	237,788	226,976	237,788	226,976
Later than 5 years	30,770	769	30,770	769
	400,349	345,891	400,349	345,891

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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, Agricultural Research Council, 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	Basic salary	Expense allowances and other benefits	Pension contributions	Fees	Total
	R'000	R'000	R'000	R'000	R'000	R'000
	2008	2008	2008	2008	2008	2007
Executive						
- S Mokone-Matabane	1,820	1,568	33	219	-	1,754
- B Ngwenya	1,194	1,014	38	142	-	-
- M S Cassim	1,437	1,216	51	170	-	1,263
Non-executive						
- C Hickling	277	-	-	-	277	208
- N Tshombe	180	-	-	-	180	138
- L Konar	152	-	-	-	152	125
- T Leeuw	173	-	-	-	173	160
- M Booi *	56	-	-	-	56	175
- N Sihlali	187	-	-	-	187	79
- S Mokoetle **	48	-	-	-	48	-
- B Langa ***	48	-	-	-	48	-
	5,572	3,798	122	531	1,121	3,902

* Resigned 26 July 2007

** Appointed : 1 August 2007 ; Resigned : 1 December 2007

*** Appointed : 1 August 2007 ; Resigned : 22 January 2008

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).

SABC and DOC loan

The SABC loan was actually owed by the Department of Communications ("DOC") to the SABC. However, Sentech had recognised a liability due to SABC, and settled it in full during the financial year. Sentech was charged a market related interest rate on the loan by SABC (and paid 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.

	Group		Company	
	2008	2007	2008	2007
Outstanding loan amounts	R'000	R'000	R'000	R'000
- SABC loan	-	(5,300)	-	(5,300)
- DOC loan	300	5,300	300	5,300

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):

	Group and Company	
	2008	2007
	R'000	R'000
i) Sales of goods and services		
Sales of services:		
- Agricultural Research Council	466	548
- Air Traffic and Navigation Services Company	356	-
- SABC	406,260	318,746
- Gauteng Department of Education	-	32,439
- ISETT SETA	307	-
- Universal Service Agency	657	1,546
- Total Facilities Management Company (Pty) Ltd	4,307	-
- Department of Public Works	2,777	2,252
- ESKOM	733	556
- SA Post Office Limited	2,918	151
- SA Weather Service	293	274
	418,252	355,964

Services are rendered at market related rates in terms of the approved tariff book.

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	Group and Company	
	2008	2007
	R'000	R'000
ii) Purchases of goods and services		
- Compensation Fund	-	342
- Development Bank of Southern Africa	31,943	33,274
- ESKOM	16,571	13,213
- SABC	5,606	11,974
- South African Revenue Service	75,213	66,805
- Telkom SA Limited	29,628	20,514
- The Independent Communications Authority of South Africa	14,008	7,566
- Total Facilities Management Company (Pty) Ltd	2,763	-
- Unemployment Insurance Fund	1,623	1,563
	177,355	155,251

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

iii) Balances outstanding at year end		
Balances owing to Sentech		
- Agricultural Research Council	288	-
- Air Traffic and Navigation Services Company	33	-
- SABC	8,286	1,137
- Gauteng Department of Education	-	2,586
- ISETT SETA	89	-
- Department of Public Works	1,145	396
- ESKOM Ltd	30	69
- SA Post Office Ltd	1,088	172
- SA Weather Service	57	-
- South African Revenue Service	-	3,344
	11,016	7,704

	Group and Company	
	2008	2007
	R'000	R'000
Balances owing by Sentech		
- ESKOM Ltd	777	1,606
- SABC	-	6
- South African Revenue Service	2,959	9,724
- Telkom SA Ltd	4,650	3,233
- The Independent Communications Authority of South Africa	1,499	-
- Unemployment Insurance Fund	125	123
	10,010	14,692

iv) Transactions with subsidiaries

- Provision of management services to InfoSat (Pty) Ltd	6,600	6,600

v) Loans (from)/to subsidiaries

	Company	
	2008	2007
	R'000	R'000
Loans to subsidiary	37,783	30,390
Loans owing to subsidiary	(43,114)	(32,238)
	(5,331)	(1,848)

Both loans are of long term nature, non-interest bearing, and there are no terms of repayment. However, in terms of IAS1 - Presentation of Financial Statements (Revised), 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.

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25. Contingencies

At year end Sentech was involved in several pending legal cases. However, management does not anticipate that any material liablities will arise from these contingent liabilities.

26. Events after the balance sheet date

Subsquent to the balance sheet date the company has changed its intentions relating to its networks and related assets, and enteried into a finance lease obligation amounting to R40 million payable in 6 quarterly instalments over 24 months.

27. Revenue

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Revenue by product category				
Terrestrial television services	290,049	263,495	290,049	263,495
Terrestrial FM and AM radio services	121,430	118,459	121,430	118,459
Terrestrial short wave radio services	31,640	32,195	31,640	32,195
Terrestrial and satellite linking	60,494	54,105	60,494	54,105
Satellite direct-to-home	23,600	18,826	23,600	18,826
Business television	11,912	9,526	11,912	9,526
Facility rentals	16,548	14,656	16,548	14,656
Sales of satellite decoders	2,833	4,446	2,833	4,446
Carrier of carrier	91,507	106,083	91,507	106,083
InfoSat business solutions	6,024	6,598	-	-
VSAT	44,294	63,954	44,294	63,954
Broadband wireless	15,108	23,629	15,108	23,629
Other	8,061	7,252	14,661	13,850
	723,500	723,224	724,076	723,224

28. Prior year adjustment

The recovery of depreciation on the disposal of revalued property, plant and equipment in 2007 was incorrectly included in other reserves at 31 March 2007. The financial statements of 2007 have been restated to correct this error. The effect of the restatement on those financial statements is summarised below. There is no effect in 2008.

	Group			Company		
	Balance as at 31 March 2007	Effect on 2007	Restated balance as at 31 March 2007	Balance as at 31 March 2007	Effect on 2007	Restated balance as at 31 March 2007
	R'000	R'000	R'000	R'000	R'000	R'000
Decrease in administrative expenses	83,686	3,967	79,719	83,554	3,967	79,587
Income tax expense	-	-	-	-	-	-
Decrease in loss for the year	21,582	3,967	17,615	21,530	3,967	17,563
Decrease in accumulated losses	(38,575)	3,967	(34,608)	(40,416)	3,967	(36,449)
Equity	-	-	-	-	-	-

During the 2008 financial year software has been reclassified from property, plant and equipment to intangible assets. The financial statements of 2007 have been restated to take account of this. The effect of the restatement on those financial statements is summarised below.

Decrease in property plant and equipment	885,486	(5,794)	879,692	885,486	(5,794)	879,692
Increase in intangible assets	18,477	5,794	24,271	18,471	5,794	24,271
Equity	-	-	-	-	-	-

Acronyms

AA	- Automobile Association
ACD	- Average Call Duration
AFS	- Annual Financial Statements
AR	- Annual Report
ASR	- Answer Seizure Rate
BBBEE	- Broad-based Black Economic Empowerment
BBQ	- Black Business Quarterly
BEE	- Black Economic Empowerment
BSD	- Broadcast Signal Distribution
BWMC	- Broadband Wireless Multimedia Communications
BT	- Broadcast Television
CBU	- Collective Bargaining Unit
CEO	- Chief Executive Officer
CFO	- Chief Financial Officer
CHOC	- Children's Haematology Oncology Clinic
COC	- Carrier of Carriers
COO	- Chief Operations Officer
COTS	- Commercially Off The Shelf
CRM	- Customer Relationship Management
CSI	- Corporate Social Investment
CWU	- Communication Workers' Union
DIFR	- Disabling Incident Frequency Rate
DNS	- Domain Name System
DOC	- Department of Communications
DTH	- Direct to Home
DTT	- Digital Terrestrial Television
EASSY	- East Africa Submarine System
ECA	- Electronic Communications Act
ECNS	- Electronic Communications Network Service
EFC	- Encryption Facility Centre
EFT	- Electronic Funds Transfers
EMEA	- Europe, Middle East and Africa
ERP	- Enterprise Resource Planning
FIFA	- Federation International Football Association
FM	- Frequency Modulation
GRI	- Global Reporting Initiative
HBS	- Host Broadcast Services
HDTV	- High Definition Television
IBC	- International Broadcast Centres
ICASA	- Independent Communications Authority of South Africa
ICT	- Information Communication Technology
IP	- Internet Protocol
IS	- Information Systems
ISO	- International Organisation for Standardisation
ISP	- Internet Service Provider
IT	- Information Technologies
ITU	- International Telecommunications Union
JIPSA	- Joint Initiative on Priority Skills Acquisition
KU-band	- Kurtz-Under Band
MMDS	- Multichannel Multipoint Distribution Service
MPCC	- Multi Purpose Community Centres
MTBF	- Mean Time Between Failures
MW	- Medium Wave
NWBN	- National Wholesale Broadband Network
Nemisa	-National Electronic Media Institute of South Africa
NT	- National Treasury
OHS	- Occupational Health and safety
PFMA	- Public Finance Management Act
PHRU	- Perinatal HIV Research Unit
PMS	- Performance Management System
POP	- Point of Presence
SABC	- South African Broadcasting Corporation
SAPO	- South African Post Office
SAPS	- South Africa Police Service
SAWS	- South African Weather Service
SHE	- Safety, Health and Environment
SLA	- Service Level Agreements
SMS	- Short Messaging System
SNG	- Satellite News Gathering
SOE	- State Owned Enterprise
STL	- Studio Transmitter Link
STP	- Sender Technology Park
SW	- Short Wave
TCC	- Transmitter Control Centre
TSDF	- Telecommunications Skills Development Forum
TV	- Television
UHF	- Ultra High Frequency
UMTS –TDD	- Universal Mobile Telephone Service-Time Division Duplex
UNISA	- University of South Africa
VAN	- Value Added Network
VHF	- Very High Frequency
VoIP	- Voice Over Internet Protocol

Notes

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