SENTECH

connecting You

ANNUAL REPORT

For the Year ended 31 March 2011

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Business Review

Company Overview

Sentech Limited ("Sentech") is a State Owned Enterprise (SOE) operating in the Broadcasting Signal Distribution and Telecommunications sector. The sole shareholder of the Company is the Government of South Africa as represented by the Minister of Communications.

Sentech began as a technical division of the South African Broadcasting Corporation (SABC) responsible for signal distribution services of the SABC. In 1992, the SABC corporatised the division as Sentech, a wholly owned subsidiary of the SABC. In 1996, the Sentech Act 63 of 1996 was amended, converting Sentech into a separate public company responsible for providing broadcasting signal distribution services as a 'common carrier' to licensed television and radio broadcasters.

In 2002, following the de-regulation of the Telecommunications sector, Sentech was awarded two additional licences allowing the Company to provide international voice-based telecommunications and multimedia services. These licences were subsequently converted into an Individual Electronic Communications Network Service (I-ECNS) and an Individual Electronic Communications Service (I-ECS) licences in terms of the Electronic Communications Act (ECA) No.36 of 2005.

Corporate Statements

Mandate

In terms of the Electronic Communications Act No. 36 of 2005 the main object of Sentech is *"...to provide electronic communications services and electronic communications network services in accordance with the Electronic Communications Act."*

Vision

Sentech will be a leader in providing broadband communications.

Mission

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 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 full potential by ensuring quality leadership, rewarding excellent performance and encouraging innovation.

The Company's current vision, mission and values statements have been surpassed by developments in the sector's policy, legislative and regulatory framework. The board of directors have since, adopted a new set of vision, mission and values statements that are aligned to the Company's public service mandate and shareholder priorities.

Board of Directors

MR LOGAN NAIDOO

Board Chairperson

Mr Logan Naidoo was appointed as a non-executive director and Board Chairperson with effect from 1 March 2011 for a three-year period. Mr Naidoo is a qualified quantity surveyor having graduated from the University of Natal in 1980 and is a Member of the Association of Quantity Surveyors and the Associate of the Association of Arbitrators. Mr Naidoo has over 30 years of commercial experience in the fields of 'turnkey hospital development', commercial property development, Information Technology (enterprise wide solutions) and medical trading interests.

DR SETUMO MOHAPI

Chief Executive Officer

Dr Setumo Mohapi was appointed as the Chief Executive Officer with effect from 1 November 2010. With vast experience in Information and Communications Technology (ICT) sector, Dr Mohapi has worked at various companies in the sector including his preceding position as the Chief Operating Officer of IWAYAFRICA, a subsidiary of the Telkom Group in Mauritius. He also served as the Chief Technical Officer of ICT-Works. Dr Mohapi's academic standing includes a Bachelor of Science degree in electrical engineering and computer science from the Massachusetts Institute of Technology (MIT), a Masters degree in electrical engineering also obtained from MIT and a PhD in electrical engineering (telecommunications) from Witwatersrand University.

MR PROTAS PHILI

Chief Financial Officer

Mr Protas Phili was appointed as the Chief Financial Officer with effect from 15 August 2011. Mr Phili is a Chartered Accountant with a Master's Degree in Commerce. His vast public and private sector experience in financial management, risk management, auditing, corporate finance, accounting and corporate governance, was gained from companies such as Deloitte & Touché, the Auditor General, Department of Public Enterprises and April 27 Corporate Finance (Pty) Ltd. He previously held the position of Chief Financial Officer and Deputy Director-General at the Department of Rural Development and Land Reform. Mr Phili has experience on various Boards and listed companies.

MR DINGANE DUBE

Acting Chief Operations Officer

Mr Dingane Dube was appointed as the Acting Chief Operations Officer with effect from 1 April 2010. Mr Dube is an admitted attorney and was employed at Sentech as Executive: Regulatory and Government Affairs from 17 April 2004 until his resignation. He holds B Juris and LLB degrees from the University of the North and LLM in Communications from Witwatersrand University. Mr Dube served as Information Officer for the Sentech Group, as required by the Promotion of Access to Information Act. Mr Dube resigned on 21 July 2011.

MR MESULI DHLAMINI

Non-Executive Director

Mr Mesuli Dhlamini was appointed as a non-executive director from 1 April 2010 for a three year period. Mr Dhlamini is a Chartered Accountant whose key academic qualifications include BCom Finance, Postgraduate Diploma in Management. Mr Dhlamini is in the final stage of his studies towards an MSc Economic Policy (Finance) with University of London. Mr Dhlamini is experienced in public finance, turnaround strategy and business transformation. He is currently the owner of Linkages Consulting CC, and has worked with leading accounting and auditing firms such as Ernst & Young and Deloittes. He also worked for Eskom (Rotek Industries).

MS LEAH KHUMALO

Non-Executive Director

Ms Leah Khumalo was appointed as a non-executive director from 1 June 2010 for a three year period. Ms Khumalo is the founder and managing director of Mngoma – Mlaba & Khumalo Inc. (MMK Inc.). Ms Khumalo has extensive experience and advanced knowledge in drafting and interpreting legislation as well as execution of various corporate and commercial transactions. Ms Khumalo holds a Bachelor of Luris, LLB, Project Management and Professional Legal Training.

MR PARIS MASHILE

Non-Executive Director

Mr Paris Mashile was appointed as a non-executive director from 1 March 2011 for a three year period. Mr. Mashile is the Programme Director: Digital Multimedia Management at Gordon Institute of Business Science (GIBS) and an independent consultant on broadcasting and telecommunications. He is a former CEO of Vunani Electronic Communications and Chairman of ICASA respectively. Mr Mashile holds a BSc (Hons) in Physics and Electronic Engineering (combined) from the University of Leeds in the UK and an M.Sc in Physics from Lancaster University. He also holds an M.Sc degree in Electronic Engineering (light current) from Washington University In-St-Louis MO USA. He is a member of Institute of Electrical and Electronics Engineers (IEEE).

MS ZANELE HLATSHWAYO

Non-Executive Director

Ms Zanele Hlatshwayo was appointed as a non-executive director with effect from 1 April 2010 for a three year period. Ms Hlatshwayo is the Executive Director of the Progressive Women's Movement of South Africa. Her work experience is in policy research to improve access to services. She holds an MSc in Policy and Planning in Developing Countries from London School of Economics UK, Management Advancement Programme from Wits Business School and a Post Graduate Diploma in Education and a BA Humanities; both from University of Botswana.

Chairperson's Report

Preamble

On behalf of the Sentech Board, I present the Sentech Annual Report for the period ended 31 March 2011 to the Executive Authority and National Treasury as prescribed in section 55 (d) of the Public Finance Management Act, No. 1 of 1999 (PFMA) and Treasury Regulation 28. In presenting the Annual Report, the Board notes that in the period under review the Company finds itself in the peculiar position of having to report against two strategic plans; namely the Corporate Plan for MTEF 2010 – 2013 and the one-year Business Plan for 2010/11 financial year.

When the Board was constituted on 1 April 2010, then it was made aware by the Department of Communications that its Corporate Plan was provisionally approved pending the Company making adjustments to the plan to ensure that its going concern status was maintained during the 2010/11 financial year. At the commencement of the financial year, the Company had not submitted a revised Corporate Plan, thus the Board developed a one-year Business Plan that supplemented the Corporate Plan by addressing specifically going concern issues. The Business Plan was approved by the then Minister of Communications, General (Ret.) Siphiwe Nyanda on 3 June 2010.The Minister acted with military precision in appointing a 'Ministerial Task Team ' to identify and recommend the measures to be adopted to bring the unsatisfactory performance of Sentech to rectitude .We commend his efforts .

It is in this context therefore, that the Company's performance for 2010/2011 financial year is measured against both the Corporate Plan Key Performance Index deliverables and the Business Plan financial turnaround indicators.

Business Review

The operational performance of Sentech is dealt with in more detail in the CEO's Report; however, I must thank the previous Board for their stewardship in leading the Company under quite challenging circumstances .The financial year under review was characterized by the departure of the entire 'executive committee' , breaches of corporate governance and a disregard for due process resulting in substantial ' irregular expenditure '. As far as Sentech is concerned, the year under review as a consequence thereof can best be described as 'annus horribilis'. I note that significant progress has been made in this regard; particularly, the restoration of positive cash flows, improved relationships with our customers and implementation of the key infrastructure projects. Whilst the 'haemorrhaging 'has stopped with the closure of loss making divisions, namely Carrier of Carrier and Multi-Media , some operational costs remain. These costs will be surgically excised from the business in the new financial year leading to a reduction in operating overheads and an increase in profitability.

Concentration risks as far as its 'revenue sources' are concerned are very apparent within the Sentech environment, largely, given its history. Sentech will attempt to dilute these risks in the operationalizing of our 'Corporate Strategy' as contained in MTEF 2011-2014.

In summary, Sentech is solvent, cash positive and profitable; and the financial statements will confirm that the Company has maintained its 'going concern' status and it has received an 'unqualified' audit report.

Our Future

Going forward, the Board and I believe that the strategic roadmap Sentech adopted for the MTEF 2011 – 2014 period will go a long way in the re-structuring of the Company as we prepare to enter the digital world. The Company's success will undoubtedly be measured on our efforts in ensuring:

1. Implementation of the infrastructure projects that the Shareholder has mandated Sentech to deliver, with particular focus on the:

FIFA Soccer World Cup Legacy Project: For the FIFA World Cup, Sentech was mandated to provide backup satellite infrastructure for the FIFA Confederations Cup (2009) and the 2010 FIFA World Cup as part of the Telecommunications Guarantees. I am pleased to mention that the Company fulfilled all requirements and the satellite back-up link was available throughout the event in accordance with the agreed service levels.

Digital Terrestrial Television: Digital Terrestrial Television (DTT) is but one of the projects that will enable the country to enhance the adoption of new communications technologies and to 'bridge the digital divide'. Following South Africa's adoption of DVB-T2 as the standard for digital broadcasting, Sentech is more than ready to ensure implementation of the DTT infrastructure rollout network to meet the December 2013 Analogue Switch-Off deadline.

Nonetheless, we believe that successful implementation of DTT, which will result in the country realising both Social and Economic dividend is dependent on clarity regarding the commercial launch of Digital Terrestrial Television services. We're however hopeful that during the course of this financial year, the Independent Communications Authority of South Africa (ICASA) would have finalised the Regulatory framework that would enable commercial launch of DTT services.

Low Power Transmitter Expansion: In terms of low power transmission, we expanded 16 FM and 48 SABC1, 2 & 3 services to 16 Low Power stations throughout the Country. We acknowledge, however, that more work must be done in the upcoming financial year to ensure that the agreed 300 sites are rolled out to meet the universal access and service mandate.

National Wireless Broadband Network: Sentech has a difficult history with regards to the National Wireless Broadband Network (NWBN) project. On 12 September 2007, Government, our Shareholder approved allocation of R500m to Sentech as an initial capital investment for the rollout of a NWBN. Since then, the Company has been unable to develop a business model acceptable to the Department of Communications (DoC) and National Treasury, resulting in these public funds being unused for more than three years. Whilst we acknowledge this legacy challenge, I'm glad to inform you that we are ready to implement the NWBN strategy that was presented to the Shareholder and Portfolio Committee on Communications as part of our Corporate Plan for MTEF 2011 – 2014. This strategy is based on a clear mandate and need for the provision of open access broadband services to rural and under-serviced areas in a cost-effective and sustainable manner. The NWBN rollout will be implemented over a three year period commencing in the current financial year.

2. Development of e-Applications to support National Initiatives
3. Operationalizing the ' Corporate Strategy '

The Marketplace

Dynamic conditions in the broadband marketplace make it imperative for Sentech to offer a single commercial proposition with a twin strategy in both 'wireless and fibre' to leverage fully, the opportunities presenting itself in the multi-media space. Here, I address specifically, the 'Smart City' concept alluded to by the Minister of Communications in his budget vote speech.

On Broadband: A market intervention in the marketplace where there is market failure is the basis upon which Sentech is active with the implementation of a 'NWBN' in rural South Africa. I must make the point that a case for intervention in the 'urban' areas also exists to reduce telecommunications costs which have been stubbornly high and inelastic from a pricing point of view, notwithstanding increased market competition. Increased 'broadband' penetration has a positive impact on Gross Domestic Product provided the costs are reasonable and is accompanied by a commensurately high 'take-up rate'. The 'Digital Migration' presents the industry with significant diversification opportunities for growth and innovation, and here, we will engage with industry players to promote the creation of a 'Digital Industry' for the production of 'Digital Content' across our new generation networks. The primary objective must be to:

1. Proximally, achieve network infrastructure convergence in the digital space in line with the Electronic Communications Act; and
2. Distally, create a common digital platform to propel innovation and increase productivity across all sectors of the economy generating economic growth and jobs.

Sentech will be at the epicentre of this technological revolution in knowledge production and delivery through its networks in television, radio and broadband to support National Objectives.

On Digital Terrestrial Television (DTT): The functional architecture of the 'set top box' is a critical dimension in the role it can play in our pursuit of equalization of the current differential in the levels of access to education, health, government services and entertainment in underserviced areas of South Africa. Sentech has a 'public service mandate'; and we have an obligation to focus on this key role. Affordability risks, present itself in the access to content for the underserved and underserviced areas of our country. To my mind, broadband must be made available to these areas 'free of direct charge' to guarantee maximum uptake and in the 'digital world', such access must be regarded as a 'basic human right'. An 'industrial strategy' to develop and produce locally, a single integrated device to view, receive and transmit content at a reasonable subsidized cost must be a preference and presents an enormous opportunity for major investment with significant job creation possibilities within the SADC market .

On the Regulatory Environment: On 15 June 2011, ICASA published a Discussion Paper on 'Broadcasting Signal Distribution'. The approach taken by the Authority is particularly disconcerting in the manner in which this debate is taking place with respect to the near monopolistic conditions operating in the 'signal distribution market'. For the consumption of the general public, I wish to categorically state that Sentech dances to the tune of a 'public service mandate'; and for the record, it has not leveraged its 'oligopolistic' position in a negative way. While the perception is that Sentech has 'Significant Market Power', it has never commercially leveraged such and its networks together with its current positioning, must remain an important national asset controlled by its Shareholder for 'public benefit'. The spectrum it holds will be deployed to a 'social mandate', as it should be, in a 'developmental state' for the benefit of a Social Dividend.

Sentech : the company

I look forward to engaging the Shareholder in a discourse, with respect to the 'Top Organizational Structure' of Sentech. I would favour the creation and a structure be imparted to a Chairperson's Office that exhibits qualities of a non-executive flavour having due regard to the principle of individual liability and collective responsibility of the Board within the context of the Companies Act No.71 of 2008. These qualities will be 'Internal Audit', Legal & Forensics', Company Secretariat' with Shareholder Relationship' and 'International Relations'. This

structure will have the effect of improving the visibility of the business operations below the level of the 'executive committee', increase confidence, improve oversight and governance and reduce the apprehension non-executive directors experience in their acceptance of service at Board level.

In conclusion, and on behalf of the Board, I take this opportunity to thank the Shareholder for the policy direction and maternal support. I further thank the Chief Executive Officer, Management and Staff for their perseverance during a challenging operating period. I am confident that going forward, we will continue with the smart work and operationalize the Corporate Plan's strategic objectives which will once again consolidate the Company's position as a leader in the ICT sector. Lastly, I thank our partners in the ICT sector and we further look forward to working with them in accelerating social and economic development in the sector by *bridging the digital divide* in producing a socio-economic dividend .

Logan Naidoo
Board Chairperson

Chief Executive Officer's Report

Having joined Sentech in November 2010, I must acknowledge that the 2010/11 operating period was a particularly difficult one for the Company. With a number of legacy and financial challenges, the task of Executive Management and staff, under the guidance of the Board, was to pull together and restore Sentech to its leading position in the Information and Communications Technology sector.

When the newly elected Board came into operation in April 2010, a one-year Business Plan, which served as the first part of the Company's turnaround strategy, was developed. The main purpose of the Business Plan was to restore operational and financial stability to ensure that the Company remained as a going concern.

Despite operating challenges, the Company was able to make significant progress in terms of its turnaround plan and is well placed to consolidate these gains in the current financial year.

Financial Results

In terms of financial results, the Company received an unqualified audit report and was able to maintain a healthy cash position with R363 million unencumbered cash as at 31 March 2011. This cash position meant that the Company would be able to operate as a 'going concern', one of the challenges that were highlighted by the External Auditors in the previous reporting period. The discontinuation of Carrier of Carriers (CoC), combined with a significant improvement in the billing process, have improved the debt collection rate by 36% from a worrying 70% by 30 September 2010 to 95% as at financial year end. The debtors' days, which represent the average number of days it takes the Company to get paid for services rendered, stood at 16 days, this exceeds the 30 day target that was set at the beginning of the financial year.

Total revenue decreased from R846 million to R826 million. The decrease of R20 million is largely attributed to the decrease in the dual illumination government grant income from R51 million to R36 million. Revenue by product improved from an average 14% in the year ended 2010 to 22% in the current year. This was mostly driven by analogue TV, FM, DTH, BTV and facility rentals which performed above the set revenue targets. The Company's SW and VSAT products remain a concern and plans have been put in place to reposition these services.

In respect of revenue growth, the set targets were not achieved for the DTH and BTV product lines mainly due to delays in implementing turnaround plan for the Company's satellite platform. The implementation of the satellite platform is being accelerated in the current financial year and should be completed by end of December 2011. With regards to Carrier of Carriers, all trade activities were ceased in August 2010; however, the full operating costs for the 2010/2011 financial year had to be accommodated, resulting in a net loss before tax of R26 million.

> From a service offering point of view this includes innovation in broadcasting and media services, broadband and content management and distribution

Business Review

Despite sluggish revenue growth, the SW, DTH and BTV product lines exceeded the set network performance targets in terms of the Service Level Agreements (SLA) with customers, whilst the TV, FM and MW performed above target during the current reporting period.

Whilst it is important to ensure that our products exceed set targets and we satisfy SLA requirements, it is even more crucial that our people – the Sentech employees – derive value and job satisfaction. During the period under review, adjustments for bargaining unit employees included a 12.7% basic salary increase, improved subsistence and travel allowance, four months fully paid maternity leave and an increase in family responsibility and study leave. An Employment Equity Plan was established to accelerate development and implementation of Human Resource initiatives such as the IPMS, skills audit, improved skills development and employee retention strategies.

During the period under review, the supply chain management function was placed under the direct supervision of the management committee due to the magnitude of problems in the Division. As at financial year-end the envisaged BEE level rating was not achieved and this has posed serious challenges for the Company, especially with our customers. Going forward the accreditation will be a priority activity to ensure that we achieve the required BBBEE contributor status.

The Year Ahead

In the context of our legacy challenges, it was imperative that the Company's strategy roadmap for the 2011 – 2014 MTEF period be aligned with Shareholder programmes, in particular, to enable the development of open access Government participation in the communications industry through infrastructure-based investment.

Looking forward, we will continue working together to realise the Government's ICT vision and goals. From a service offering point of view, this includes innovation in broadcasting and media services, broadband and content management and distribution. From a client perspective, our interventions will be centered on solutions that enhance the customer experience and are in line with the Government mandate of access to communication services for all citizens. In terms of social imperatives, we have taken a stern decision to repackage our social responsibility interventions and create CSI ICT programmes that improve lives, create value and are sustainable.

Though we celebrate the Company's clean financial audit and healthy cash position, we acknowledge that the turnaround is not complete. We are still at the early stages and will need to be prudent going forward to ensure that the Company does not retreat into the financial and operating status that will threaten its going concern status. This will be managed through an enterprise-wide risk management strategy to ensure that the Company policies, processes, systems and controls are in-place to improve efficiencies and corporate effectiveness.

Employee development and satisfaction will continue to be a pivotal part of the turnaround strategy. The divisional KPAs with first level management have been signed and the next step will be to cascade these down into individual performance agreements. Tied to the performance management system will be a recognition scheme which will ensure that employees whose performance exceeds requirements are properly incentivised.

Having said this, I take this opportunity to thank the Board for providing the strategic direction and leadership during this period. I also thank management and staff for the hard work and relentless efforts during an exceptionally difficult period. Finally, I thank the team for putting together the Annual Report and for ensuring that it is a true reflection of the activities that ensued in the 2010/11 financial year.

Dr Setumo Mohapi
Chief Executive Officer


Sound Byte
KU SPARE
KU MARAH
DTT 0800 3444 82
NTC STAFF 30/6/2010
DO NOT PLAY CD'S FOR EVISION/DUNNE
CLIENT WILL BRING NEW CD'S TOMORROW
01 JULY 2010 (ON REQUEST OF CLIENT (YOLANDA)
THANKS
0003
STUDER
PM5689 NICAM monitor
MULTICHOICE
DELTA 9000 PLUS
DELTA 9000 PLUS

Operational Review Contents

Report on Performance of Sentech

Performance Summary			
Key Performance Area	**Key Performance Indicators**	**Performance Forecast**	**Year-end Performance**
Terrestrial Analogue Television	Performance of network at SLA.	99.7%	Exceeded at 99.9%.
	Achieve revenue target: Retaining current customer base.	R 373 853 000	Exceeded at R 375 516 851.
	Rollout and switch on of low power transmitters.	9	Exceeded; installed 16.
Digital Terrestrial Television (DTT)	Performance of network at SLA.	99.8%	Exceeded at 99.9%; however, there was no SLA in place.
	Number of sites rolled out (cumulative based on ICASA frequency plan)	40	Rolled out 16 sites on DVB-T. The rollout project was stopped pending resolution of the DTT Technology Standard. In the proceeding financial year equipment at the existing sites will be upgraded to the DVB-T2 standard and 21 more sites are planned to be rolled out to achieve the targeted 74% population coverage.
	DTT Population coverage.	60%	Achieved 56%. The announcement of the standard change to DVB-T2 necessitated a change in the migration plan. Rollout on the new standard will be expedited during 2011/12 to achieve infrastructure and actual content coverage target of approximately 74% of the population by FYE 2011/12.
FM	Performance of network at SLA.	99.8%	Exceeded at 99.9%.
	Achieve revenue target: Retaining current customer base.	R 160 624 000	Exceeded at R 164 092 057.
	Profit growth: 3 new community radio broadcasters and 3 ad-hoc broadcasters per financial year.	R 191 000	Exceeded at R12 395 887.
Medium Wave (MW)	Performance of network at SLA.	99.5%	Exceeded at 99.6%.
	Achieve revenue target: Retaining current customer base.	R 5 163 000	Exceeded at R 5 299 864.
	Performance of network at SLA.	99.7%	Exceeded at 99.9%.
Short Wave (SW)	Performance of network at SLA.	99.5%	Exceeded at 99.6%.
	Achieve revenue target: Retaining current customer base.	R 27 676 000	Achieved below budget at R 27 007 189 largely due to the strength of the rand versus other currencies.
Direct-to-Home (DTH)	Performance of network at SLA.	99.8%	Exceeded at 99.9%.
	Achieve revenue target: Retaining current customer base.	R 26 083 000	Exceeded at R27 761 186.
	Profit growth: 2 new TV channels and 2 new audio channels per financial year.	R 306 000	R -1 881 502. Loss was due to the unavailability of decoders. A comprehensive business case for Vivid is included in the Corporate Plan.

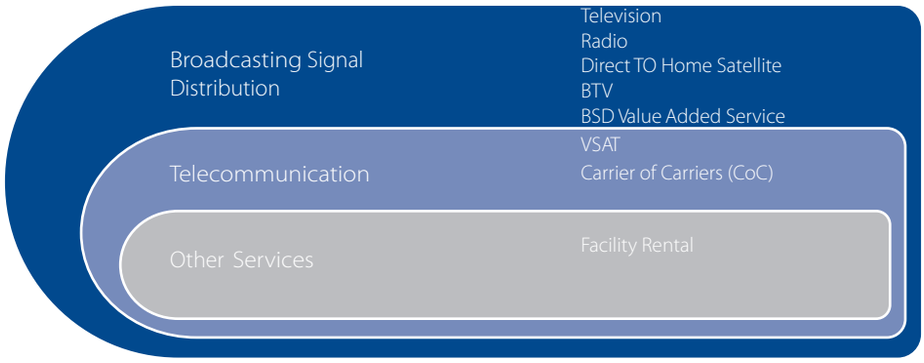
Performance Summary			
Key Performance Area	**Key Performance Indicators**	**Performance Forecast**	**Year-end Performance**
Business Television (BTV) and Radio (In-Store Radio)	Performance of network at SLA.	99.5%	Exceeded at 99.9%.
	Achieve revenue target: Retaining current customer base.	R 8 415 000	Exceeded at R 8 875 955.
	Profit growth	R 40 000	R -1 718 765. Loss was due to the unavailability of decoders.
Facility Rental	Achieve revenue target: Retaining current customer base.	R 24 994 000	Exceeded at R 26 940 192.
National Wholesale Broadband Network (NWBN)	Formulation, submission and approval of business plan and funding (As per recommendations in the Corporate Plan 2010/2013).	√	Compiled an NWBN Business Plan which outlines the company's participation in the Consolidated National Broadband Plan (CNBP). The plan was approved as part of the Corporate Plan for MTEF 2011/14.
	Rollout of NWBN	√	The current joint plan targets implementation of the NWBN in KZN in the financial year 2011/12. The details of Sentech's participation in the CNBP are incorporated in the Corporate Plan. The start of implementation is Q2 of the 2011/12 financial year.
VSAT	Performance of network at SLA.	99.8%	Not achieved at 99.6%.
	Achieve revenue target: Retaining current customer base (Baseline).	R 29 284 000	Not achieved at R25 003 459. A turnaround strategy for VSAT has been developed.
	Profit growth on baseline.	R 5 846 000	Not achieved at R -13 345 540 due to market conditions and product pricing. VSAT turnaround strategy has been developed to reposition the product.
Financial	Debtors collection (days)	30 days	Exceeded at 16 days.
Human Resources	Achieve employment equity targets as per the Employment Equity Plans.	√	Under-achieved due to the employment challenges in the ICT sector. An EE forum has been formed to develop and implement strategies to mitigate this risk.
	Achieve skills development targets as per the Skills Development Plans.	√	Only achieved 28% of the target due to cost-cutting measures instituted.
Broadbased Black Economic Empowerment (BBBEE)	BBBEE contributor status.	Level 4	No accreditation received due to the instability in SCM. In 2011/12, the Company will engage service providers to provide the accreditation service.

Product Performance

Sentech is the largest broadcasting signal distributor in the country and carries transmission signals for 98% of the radio broadcasters and 92% of television broadcasters. The company's product suite is built upon two pillars; namely,

1. Broadcasting Signal Distribution
2. Telecommunications

During the year under review, the Sentech product suite was as follows:



The Broadcasting Signal Distribution product portfolio has enjoyed success and accounts for 92% of the total company revenue. As the terrestrial infrastructure network is only capable of reaching 92% of the population, Sentech deployed a Direct-To-Home (DTH) Satellite infrastructure to ensure universal access to broadcasting services throughout the country. The DTH-S infrastructure is also used as a 'primary' transmission feeder to 'Low Power' and 'Self-Help' terrestrial sites.

The telecommunications portfolio products are:

- VSAT service which provides data services primarily to Public Institutions and Private Enterprises; and
- The Carrier of Carriers which provides incoming and outgoing telephony services to Licensed Carriers. The service was discontinued in August 2010.

Over the past few years, the telecommunications products have shown a decline and as such the Board of Directors took a decision that these products cannot continue in their current form and must be repackaged or discontinued. As at 31 March 2011 the Carrier of Carriers (CoC) soft exit was concluded and a turnaround strategy for VSAT was developed, repositioning the product as a supplementary service on the NWBN.

The past financial year was favourable for the overall Sentech product portfolio led by strong performance in the TV and Radio services. As at 31 March 2011, revenue achieved for the year was R 826 million. The budget forecast for 2010/11 was R 831 million. Actual revenue was 2% below budget for the year due to a number of reasons; including products that have underperformed and those that have been discontinued.

Broadcasting Signal Distribution Services

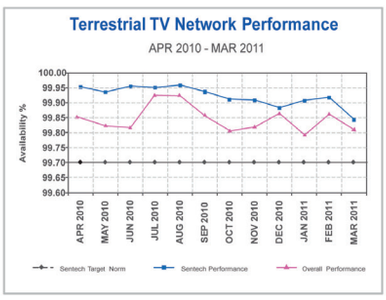
The Broadcasting Signal Distribution (BSD) portfolio which includes both television and radio; remains the core revenue driver for the Company. The portfolio performed well over the period and achieved budget for the year.

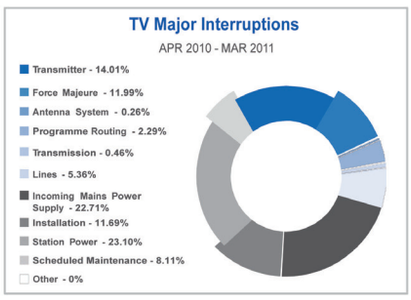
Analogue Television

Within this portfolio, Sentech has six customers namely; SABC, e.tv, Mnet, Soweto TV, Cape Community TV and Trinity Broadcasting Network. All these customers together cover approximately 92% of the population. During the period under review Sentech expanded SABC 1 and 3. Terrestrial Analogue TV revenue grew year-on-year by 7% mainly due to the rollout of low power sites for SABC. The portfolio continues to be highly profitable with a 49% operating profit.

In terms of the network performance over the past three years, Sentech has continued to exceed set targets. During the period under review, as depicted below, it was again possible to ensure overall network availability of the analogue terrestrial TV broadcast network. This is despite interruptions caused by mains power failures and inclement weather (rain fade).

Fig 1 - Terrestrial TV Network Performance





TV Network Performance - APR 2010 to MAR 2011

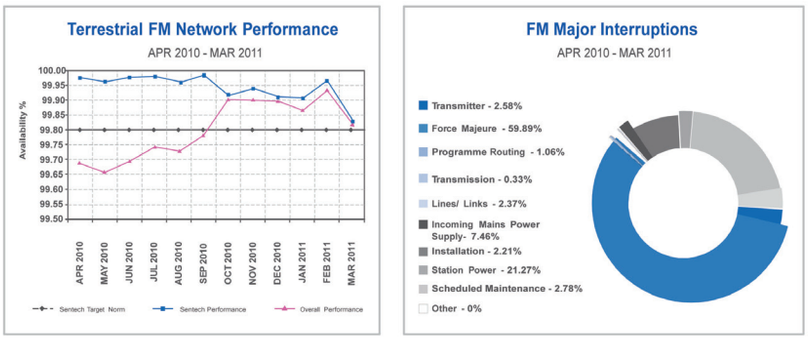
Total Transmit Hours	Sentech Target Norm %	Overall Interruptions	Overall Performance %	Sentech Interruptions	Sentech Performance %
5 938 126	99.700	8 989.91	99.849	4 819.30	99.919

Frequency Modulation (FM) Radio

Within this product portfolio Sentech transmits for all the 20 SABC public broadcasting stations, 17 commercial broadcasters and 61 community radio broadcasters. The FM portfolio showed a 6% year-on-year growth with a 46% profit margin. This growth was due to three new FM customers, six current FM customers expanding their coverage, a number of once-off events and the Low Power project for the SABC.

In terms of network performance, the FM product portfolio continues to be exceptional; performing above the set targets. During the period under review, the overall availability of the FM terrestrial radio network was adversely affected by extensive mains power interruptions, a *force majeure* situation and STG failures during mains power interruptions at certain transmitting stations. Despite these conditions, the availability achieved for the year under review exceeded Sentech's target norm as illustrated below:

Fig 2 - Terrestrial FM Network Performance



FM Network Performance - APR 2010 to MAR 2011

Total Transmit Hours	Sentech Target Norm %	Overall Interruptions	Overall Performance %	Sentech Interruptions	Sentech Performance %
7 118 040	99.800	14 051.39	99.803	4 276.21	99.940

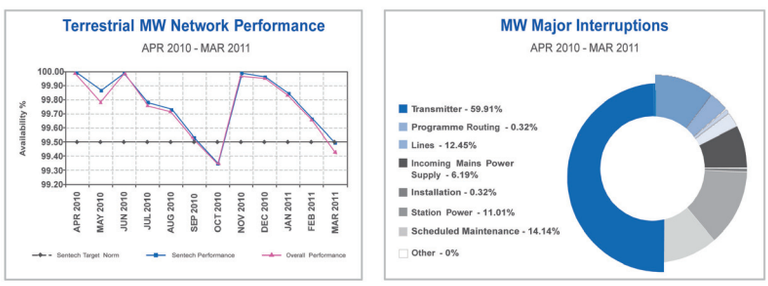
Medium Wave (MW) Radio

The usage of the medium wave platform is on the decline. The current market trend is for customers to migrate their services to the FM services platform and the product is likely to experience further customer churn in the forthcoming financial period. Sentech's current strategy is not to invest in upgrading this platform but rather to assist customers to migrate to FM where possible. Sentech will continue to maintain and operate the platform efficiently for the foreseeable future to ensure that services are available to those customers who require services on this platform.

In terms of network performance the three-year review reveals that the product has consistently performed above the set target norms for the period under review, the Medium Wave transmissions were adversely affected by two instances of lightning damage as well as STG failure during extended mains power interruption at the Nelspruit transmitting station.

The network performance for the financial year is depicted as follows:

Fig 3 - Terrestrial MW Network Performance



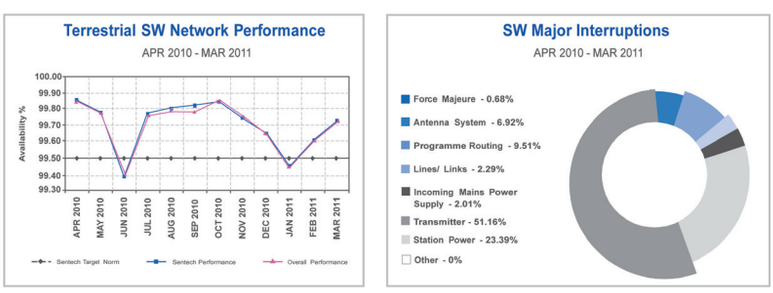
MW Network Performance - APR 2010 to MAR 2011

Total Transmit Hours	Sentech Target Norm %	Overall Interruptions	Overall Performance %	Sentech Interruptions	Sentech Performance %
61 320	99.500	154.52	99.748	144.95	99.764

Short Wave (SW) Radio

The year-on-year network performance for the SW product portfolio continues to be exceptional; with the portfolio performing above the set targets over the past three years. The exceptional performance 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. The dips in June 2010 and January 2011 respectively were caused by transmitter component failures and power distribution.

Fig 4 - Terrestrial SW Network Performance



SW Network Performance - APR 2010 to MAR 2011

Total Transmit Hours	Sentech Target Norm %	Overall Interruptions	Overall Performance %	Sentech Interruptions	Sentech Performance %
48 475	99.500	149.85	99.691	145.82	99.699

Vivid

The Vivid portfolio showed a negative growth of 7% year-on-year growth due to exchange rate variations. Although the product shows a negative growth year-on-year, it performed well within the set target, due to once off income received during the World Cup. It is, however, noted that in the absence of decoders there has been a considerable loss in current and prospective client growth. To mitigate this risk, plans are underway to upgrade the conditional access (CA) system to the more reliable MPEG-4 technology and thus regain the lost client base.

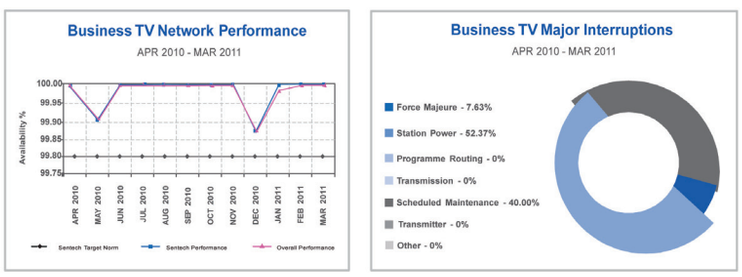
In terms of network performance, Sentech's average availability of Ku-Band satellite TV and Radio services was well above the target norm. The availability performances for both TV and Radio C-Band satellite linking were above the target norm all year round, resulting in average overall network performance close to 100%, against a target norm of 99,8%.

Business TV and Radio

The Business Television (BTV) portfolio showed a negative growth of 14% year-on-year due to various business challenges including uncertainty on the future of the product roadmap, decoder unavailability and increased external competition. With the decline in customer base the BTV portfolio has a negative profit margin of 24%.

In terms of network performance (depicted below) Sentech's average availability of Ku-Band satellite TV and Radio services was well above the target norm with Business TV networks 99,98% and Business Radio networks 99,98%.

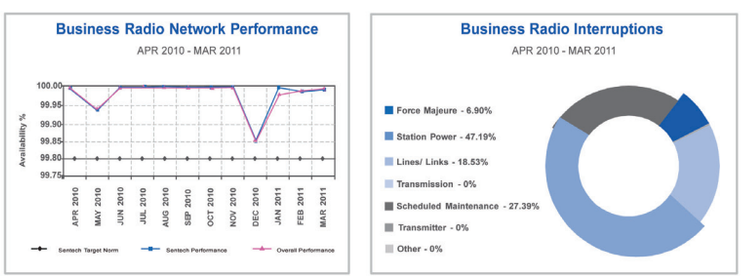
Fig 5a - Business TV Network Performance



Business TV Network Performance - APR 2010 to MAR 2011

Total Transmit Hours	Sentech Target Norm %	Overall Interruptions	Overall Performance %	Sentech Interruptions	Sentech Performance %
17 520	99.800	3.50	99.980	3.23	99.982

Fig 5b - Business Radio Network Performance



Business Radio Network Performance - APR 2010 to MAR 2011

Total Transmit Hours	Sentech Target Norm %	Overall Interruptions	Overall Performance %	Sentech Interruptions	Sentech Performance %
232 896	99.800	48.56	99.979	45.21	99.981

Telecommunication Services

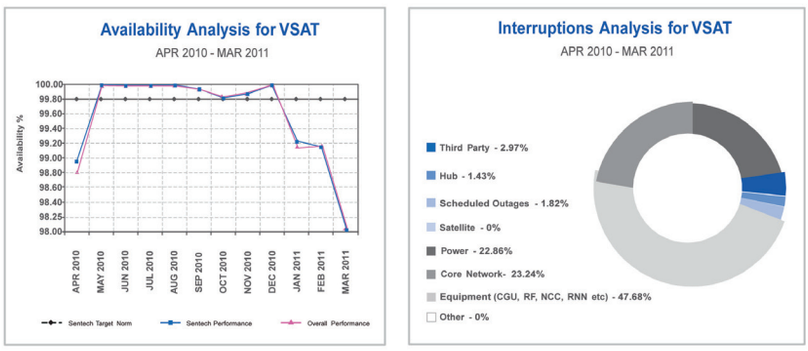
The telecommunications product portfolio consists of a VSAT service which provides data services to public institutions and private enterprises. In addition, the Carrier of Carriers (CoC) service provides incoming and outgoing telephony services to licensed Carriers. Sentech ceased all CoC commercial trading from August 2010 and it was fully terminated by 31 March 2011.

Very Small Aperture Terminal (VSAT)

Sentech provides internet and data connectivity using VSAT technology to Government institutions and agencies. This service was earmarked for an overhaul during the 2010/2011 financial year. Over the past year revenue was below budget by 38% mainly due to increased competition, new projects that did not materialise and the loss of certain key customers.

The performance of the VSAT network for the 2010/11 financial year was 99,6%, well below the target norm of 99,8%. As depicted in Fig 6, this was mainly due to interference between VSAT TDMA carriers and DTT carrier in April 2010, mains power failures in January and February 2011 and failure of the backup NCC2 in March 2011; although the latter did not affect service delivery.

Fig 6 - VSAT Network Performance



VSAT Network Performance - APR 2010 to MAR 2011

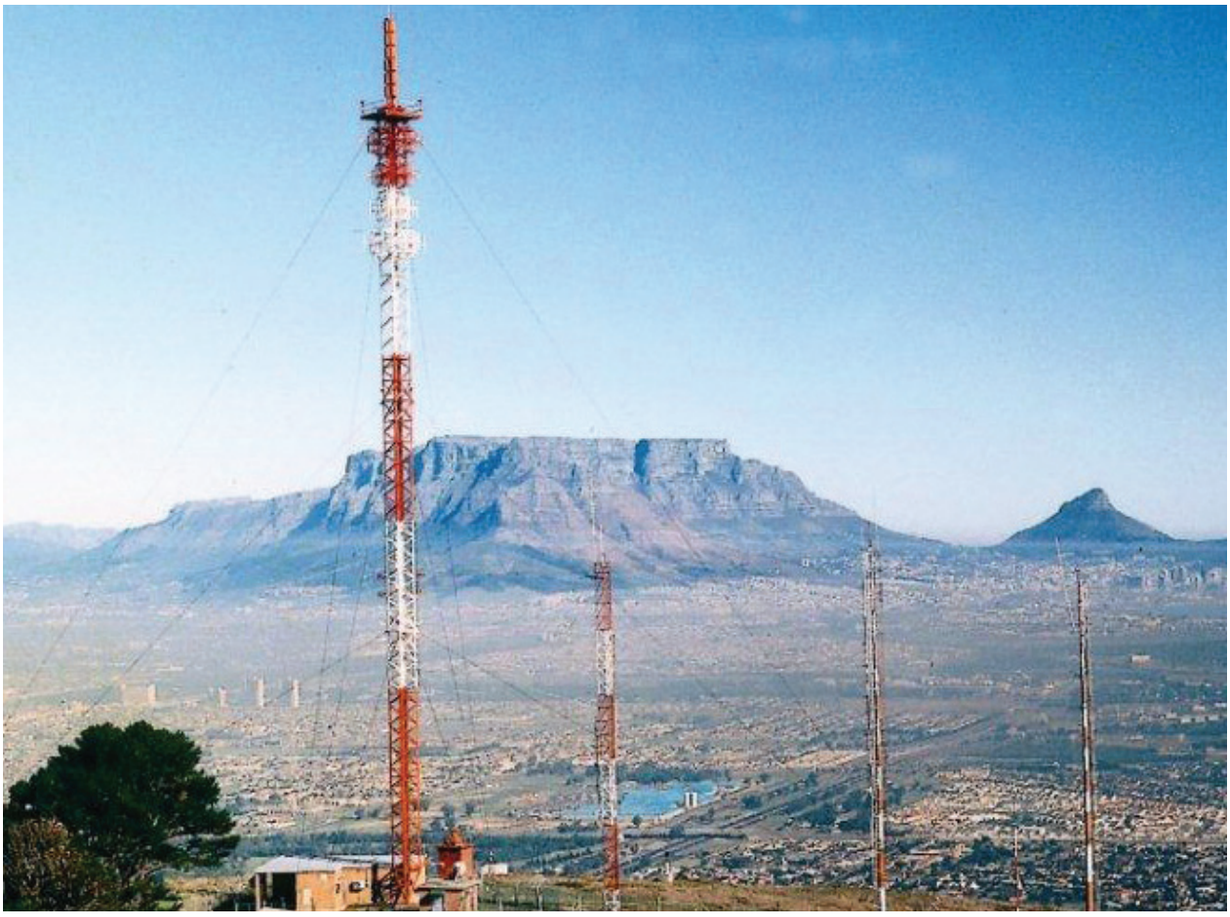
Total Transmit Hours	Sentech Target Norm %	Overall Interruptions	Overall Performance %	Sentech Interruptions	Sentech Performance %
3 390 120	99.800	13 521.48	99.601	12 926.52	99.619

Carrier of Carriers (CoC)

The Carrier of Carries business was discontinued in August 2010. The Board of Directors resolved that the Company must implement a soft exit strategy and reposition the product as a voice business leveraging the existing voice network infrastructure, non-geographic numbers, ECS and ECNS licensees.

Revenue of R 32.2 million was generated from the CoC business from 1 April 2010 to 13 August 2010, with a corresponding cost of sales of R 31.8 million. All trade activities relating to the CoC product were ceased in August 2010, but the full operating costs for the 2010/2011 financial year had to be accommodated. The local interconnect links were retained in order to provide internal corporate voice services. In terms of costs, the full operating costs of the CoC business were carried for the entire financial year. This resulted in an operating loss of R 9.67 million. Corporate overhead costs of R 16.4 million allocated to this business resulted in a net loss before tax of R 26.07 million.

Value-Add Services (VAS)



Facilities Rental

Sentech rents out some of its over 220 sites to more than 90 service providers (public and private sector) who use the infrastructure as an immediate link to their own network. The transmission facilities are classified into three categories, namely; country sites, metropolitan sites and the Sentech tower in Brixton. The facility rental service continues to enjoy market popularity as the facilities occupy attractive high sites that are particularly useful for transmission services. Revenue from Facilities Rental grew by 11% to R26.9 million (2010: R24.2 million) for the year ended 31 March 2011. This revenue oppportunity is expected to continue as the Company will roll out more infrastructure across the country for the DTT and Low Power projects.

Discontinued Retail Products

The Company resolved to terminate the MyWireless product by December 2009 and the BizNet and VAS services by March 2010. As at 31 March 2011, the decommissioning of all operational commercial equipment had been completed and the asset management process was finalised for obsolete equipment.

Flagship Projects

2010 World Cup Soccer (WCS)

In terms of the Telecommunications Guarantees for the 2010 WCS, Sentech was funded by Government with an amount of R204 million to provide backup satellite infrastructure for the FIFA Confederations Cup (2009) and the 2010 FIFA WCS event held from 11 June to 11 July 2010.

The integration, testing and commissioning was completed well on time and handed over to FIFA for the 2010 WCS. Sentech deployed equipment to the 10 stadiums and International Broadcasting Centre (IBC) for the 2010 WCS. At four of the stadiums (Loftus, Rustenburg, Bloemfontein and Ellis Park) the equipment was deployed since the 2009 FIFA Confederations Cup. The availability of the Satellite back-up link throughout the event was 99.9% as was agreed in the SLA between all stakeholders; being LOC, DOC and Sentech.

As initially planned and in accordance with the Satellite Infrastructure Agreement entered into between Sentech and the Department of Communications (DOC) in July/August 2008, the project made provision for:

- Meeting the government guarantees for the satellite backup links from the stadiums;
- International satellite links (on a commercial basis); and
- Legacy infrastructure to enable Sentech to create a 2nd Teleport as a backup for the satellite teleport in Honeydew.

As at 31 March 2011, the satellite backup infrastructure was decommissioned and is in storage. The teleport (Nasrec) building and satellite antennas acceptance test are outstanding as electronic equipment must still be installed. This will result in some payments rolling over into the 2011/2012 financial year. Financial information in respect of the 2010 FIFA World Cup is contained in the Financial Report.

Low Power Transmitter Sites

Sentech's broadcasting networks in South Africa primarily use high sites well spread across the country with high radiated powers resulting in large diameter coverage areas. A significant number of isolated rural communities are located outside of these larger coverage areas. In many instances, where it could be afforded, such communities paid for and erected "Self Help" facilities to provide themselves with access to especially public type broadcast services.

The installation of the planned 300 low-power transmitters by Sentech and the SABC is therefore a drive to provide broadcast services to these isolated areas and ensure that they have television and radio coverage.

Since the project's inception, Sentech has provided broadcasting signal through low power transmission to areas in all South African provinces save for North West and Gauteng. During the period under review Sentech expanded 16 FM and 48 SABC1 Television services to 16 Low Power stations. For the 2011/12 financial year the planned SABC Low Power Radio and Television Services expansion are 67 sites.

Digital Terrestial Television (DTT)

The DTT project is a critical project which not only seeks to ensure that South Africa migrates to digital television broadcasting within the International Telecommunications Union (ITU) and Government timelines, but most importantly, to ensure the future viability of Sentech as a public service enabler in the provision of broadcasting signal distributor services.

From the switch-on of the digital signal in October 2008, Sentech provided a test transmission on the DVB-T standard for SABC and e.tv. In January 2011, the Minister of Communications announced DVB-T2 as the country's adopted standard for digital migration. The pronouncement posed challenges; however, Sentech has reviewed its plans in order to comply with Government's new position on the DTT standard.

The population coverage on DVB-T at the time of the pronouncement was 56% and 16 sites had been rolled out. In line with the new standard, Sentech will expedite rollout of the DVB-T2 network during 2011/12 in order to achieve infrastructure and actual content coverage target of approximately 74% of the population by FYE 2011/12.

National Wireless Broadband Network (NWBN)

The Department of Communications (DoC) has mandated Sentech to provide broadband services to rural and under-serviced areas in South Africa in a cost-effective and sustainable manner. The broadband services will be provided by means of a National Wireless Broadband Network (NWBN) in terms of the Consolidated National Broadband Plan (CNBP). The provision of broadband services in rural and under-serviced areas is expected to improve the delivery of social services such as education and health and increase economic development in these areas.

Sentech will provide these services in consultation and collaboration with other Government entities, namely; USAASA, Broadband Infraco, local government entities and local Small, Medium and Micro Enterprises (SMMEs).

The broadband services to be provided will focus on enabling e-Learning, e-Health, e-Government, e-Agriculture and e-Safety to public schools, hospitals, clinics, farming communities and police stations in rural and under-serviced areas. Broadband service delivery is planned to begin within the 2011/12 financial year, however, activities for the period under review included:

- NWBN Business Plan – The NWBN business plan including the project plan has been drafted and presented to the DoC and the Parliamentary Portfolio Committee on Communications as part of the overall Corporate Strategy;
- Provincial NWBN Projects – Sentech has been invited to participate in three Provincial Broadband Projects in Kwa-Zulu Natal, Free State and Limpopo and project teams have been formed to participate in these initiatives; and
- Engagements with SoE partners – Partnership and MOU agreements are being discussed and drafted with USAASA, Broadband Infraco and other key role players in the public broadband environment.

Corporate Governance

Introduction

The Board recognises the need to conduct the enterprise with integrity and in accordance with generally acceptable corporate practices. As a State Owned Enterprise (SOE), Sentech is required to comply with Sentech Act 63 of 1996 (as amended), Public Finance Management Act 1of 1999 (as amended), Treasury Regulations, Companies Act and Government Protocol on Corporate Governance and the Shareholder Compact.

The company further supports and endorses the guiding principles of the Code of Corporate Practices and Conduct as articulated in King III, to the extent that it is not in conflict with the Company's primary legislative documents as stated above. The Company aims to enhance its corporate governance protocols with the new Companies Act that came into effect from 1 May 2011. The Company is continuing to design and implement the necessary governance systems to ensure compliance.

Ownership

In accordance with Sentech Act 63 of 1996 (as amended), ownership of the Company is vested in the State as the sole Shareholder, as represented by the Minister of Communications who is defined as the Executive Authority in terms of the PFMA.

Composition and Structure of the Board

In terms of the Sentech Act, the Board shall consist of three executive directors and at least four non-executive directors, who are appointed by the Minister. The three executive directors shall be the persons performing the functions of a Chief Executive Officer, Chief Operations Officer and Chief Financial Officer.

Composition

For the period under review and as at the date of this report, composition of the Company's Board was as follows:

NAME	POSITION	PERIOD AS DIRECTOR
Mr Quraysh Patel	Chairperson	1 April 2010 – 9 November 2010
Mr Logan Naidoo*	Chairperson	1 March 2011
Ms Beverly Ngwenya	Chief Executive Officer (Acting)	1 April 2010 – 6 July 2010
Dr Setumo Mohapi*	Chief Executive Officer	1 November 2010
Mr Dingane Dube#	Chief Operating Officer (Acting)	1 April 2010 – 21July 2011
Mr Siddique Cassim	Chief Financial Officer	1 April 2010
Mr Mesuli Dhlamini*	Non-executive Director	1 April 2010
Mr Thabo Leeuw	Non-executive Director	1 April 2010 – 31 May 2010
Ms Zanele Hlatshwayo*	Non-executive Director	1 April 2010
Dr Nompumelelo Siswana	Non-executive Director	1 June 2010 – 12 January 2011
Ms Leah Khumalo*	Non-executive Director	1 June 2010
Mr Paris Mashile*	Non-executive Director	1 March 2011
Mr Protas Phili**	Chief Financial Officer	15 August 2011

** Current Board Members*

 # Resigned post reporting period

*** Appointed post reporting period*

Role of the Chairperson and Chief Executive Officer

The roles and responsibilities of the Chairperson and Chief Executive Officer are separated. The Board is led by Mr Logan Naidoo, non-executive Chairperson who provides leadership and guidance to the Board. The Chief Executive Officer is Dr Setumo Mohapi who is responsible for implementing strategy and the day to day operational decisions.

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 63 of 1996 (as amended), Public Finance Management Act, Treasury Regulations, Shareholders Compact and Companies Act, Government Protocol on Corporate Governance, King III and other applicable legislation. The directors have unrestricted access to the Company Secretary and other officials in the Company Secretariat.

Board Charter

The Board is also governed by 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 Group 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;
- Prepare and approve corporate plans, annual budgets, annual reports and financial statements;

- Effectively lead, control and manage the Sentech business subject to the provisions of the Sentech Act; Sentech Amendment; Shareholder's Compact; Companies Act; PFMA 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 Shareholder's Compact;
- Ensure that the Group is managed effectively in accordance with corporate governance best practice and highest ethical standards;
- Responsibility for the risk management process, including the system of internal controls and ensuring that it is effective, efficient and transparent; and
- 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, committees of the Board and the chairpersons of the various committees.

Board Membership and Meeting Attendance

In terms of the Articles of Association, the Board shall meet at least four times per year. Additional meetings are convened as and when necessary. During the period under review, the Board held four scheduled board meetings, two strategic sessions and seven special meetings.

Membership and attendance at meetings											
Name		2010								2011	
	*01 Apr	*14 Apr	28 Apr	*10 May	*28 Jun	22 Jul	*20 Aug	*2 Oct	26 Nov	15 Jan	*16 Mar
Mr L Naidoo	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√
Dr S Mohapi	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	√
Mr D Dube	n/a	√	√	√	√	√	√	√	√	√	√
Mr M Dhlamini	√	√	√	√	√	√	√	√	√	√	√
Ms Z Hlatshwayo	√	√	√	√	√	√	√	√	√	√	√
Ms L Khumalo	n/a	n/a	n/a	n/a	√	√	√	√	√	√	√
Dr N Siswana	n/a	n/a	n/a	n/a	n/a	√	x	√	x	n/a	n/a
Mr Q Patel	√	√	√	√	√	√	√	√	n/a	n/a	n/a
Ms B Ngwenya	√	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a
Mr MS Cassim	√	√	√	x	√	n/a	n/a	n/a	n/a	n/a	n/a
Mr T Leeuw	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a

√ Present.
* Special Board meeting.
X Submitted apology.
n/a director resigned or not yet appointed.

External Auditors

The Shareholder, in consultation with the Auditor-General, approved the re-appointment of KPMG Inc. as the external auditors of Sentech Limited and its subsidiaries with effect from date of the Annual General Meeting held on 3 September 2010.

Code of Ethics

The Company has a consolidated Code of Ethics which addresses amongst aothers, the following matters:

- Behaviour and conduct;
- Fraud;
- Conflict of interest; and
- Declaration of gifts from suppliers and customers.

Directors Induction and Training

The Board has an approved Induction and Development Programme. New directors are given an induction which covers the following: Sentech's strategic objectives, financial and operational status and corporate governance practices. In addition, the Company secretary provides new directors with a 'Board Manual' which is a collation of applicable legislation, policies and regulations; business plans and other information relating to the Sentech business; and functions of the Board. During the year under review for their Training and Development Programme the directors were provided training on King III by Dr Mervin King, attended the IBC Conference and the International Conference on Communications.

Committees of the Board

In order to properly discharge its responsibilities and duties the Board have delegated certain responsibilities to various board committees. The creation of these committees however does not reduce the directors' overall responsibilities.

Board committees namely: Audit; Risk; Technology; Procurement; Human Resource, Affirmative action Remuneration and Nominations and the Turnaround (Ad hoc) committees have been established. These committees report directly to the Board.

Audit Committee

Purpose of the Committee

The Audit 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;
- Oversight of the risk management process; 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

There were various changes made to the membership of this committee during the year under review. Refer to page 60 for Audit Committee movements. As at the date of this report the membership of the Audit Committee was as follows: Ms Rene van Wyk (non director and Chairperson), Mr Mesuli Dhlamini, Ms Leah Khumalo and Mr Protas Phili.

Meetings

The Committee held two scheduled meetings and one special meeting during the year under review.

Membership and attendance at meetings			
Name	**2010**		
	17 May	21 July	*26 November
Ms Z Hlatshwayo	√	√	√
Ms L Khumalo	n/a	√	n/a
Mr M Dhlamini	√	√	√
Mr B Mwelase (non-director)	n/a	n/a	√
Mr T Leeuw	√	n/a	n/a
Dr N Siswana	n/a	√	X

√ Present
X Submitted apology.
n/a director resigned or not yet appointed.
* special meeting

The external and internal auditors attend committee meetings and have unrestricted access to the committee and its chairperson at all times.

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;
- Maintenance and operations of all Sentech networks; and
- Information technologies (IT) and information systems (IS).

Composition of the Committee

During the under review the committee comprised of three non-executive directors, one executive director and one non-director. As at the date of this report the Technology Committee comprised of Mr Paris Mashile (Chairperson), Ms Zanele Hlatshwayo and Prof Sunil Maharaj (non director).

Meetings

The committee met once during the year and each memberof the committee attended.

Membership and attendance at meetings	
Name	**2011**
	14 January
Ms Z Hlatshwayo	√
Mr M Dhlamini	√
Ms L Khumalo	√
Mr D Dube	√
Prof S Maharaj (non-director)	√

√ Present

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; and
- Recruitment of executive directors.

Composition of the Committee

Current members includes three non-executive directors, Chairperson of the Board and the Chief Executive Officer: Ms Zanele Hlatshwayo (Chairperson), Mr Mesuli Dhlamini, Mr Paris Mashile, Mr Logan Naidoo and Dr Setumo Mohapi. The Human Resources Executive and other Exeutives attend the meetings by invitation.

Meetings

The Committee held five meetings.

Membership and attendance of meetings				
Name	**2010**			**2011**
	5 May	20 July	30 October	15 January
Ms Z Hlatshwayo	√	√	√	√
Mr M Dhlamini	√	√	√	√
Ms Leah Khumalo	n/a	n/a	√	√
Ms B Ngwenya	√	n/a	n/a	n/a
Mr D Dube	n/a	√	√	√
Mr T Leeuw	√	n/a	n/a	n/a

√ Present
n/a director resigned or not yet appointed.

Risk Committee

Purpose of the Committee

Whilst the board is responsible for due overall governance of risk, it is assisted by the risk committee in discharging the responsibility.

The role of the Committee is to assist the board to ensure that:-

- The Company has implemented effective policies and procedures for risk management that will enhance the Company's ability to achieve its strategic objectives; and
- The disclosures regarding risk are comprehensive, timely and relevant.

Composition of the Committee

Current members are two non-executive directors and one executive director: Mr Mesuli Dhlamini (Chairperson), Ms Leah Khumalo and Dr Setumo Mohapi.

Meetings

The Committee held one meeting in the past financial year.

Membership and attendance of meetings	
Name	2010
	1 July
Ms L Khumalo	√
Mr M Dhlamini	√
Ms Z Hlatshwayo	√
Mr D Dube	√

√ Present

Turnaround Committee (Ad hoc)

Purpose of the Committee

The role of this Committee was to assist the Board to;

- Develop the Corporate Strategic Plan; Develop the associated Business Plans and Turnaround Strategies for Sentech;
- Prepare accompanying operational and capital expenditure budget; and
- Support on preparation of business operational plans necessary for the Corporate Plan and organisational review and restructuring.

Composition of the Committee

The membership of this Committee initially included one non-executive director, EXCO members and senior management. One meeting was held during this period. As at 28 April 2010 the compostion of the Committee was changed to comprise of one non-executive director and three executive directors:-

Mr Mesuli Dhlamini (Chairperson), Ms Beverly Ngwenya (Acting CEO), Mr Mohammed Cassim (CFO) and Mr Dingane Dube (Acting COO).

Meetings

The committee held two meetings during the year under review.

Membership and attendance of meetings		
Name	**2010**	**2011**
	30 October	26 January
Mr M Dhlamini	√	√
Ms Ngwenya	n/a	n/a
Mr MS Cassim	n/a	n/a
Mr D Dube	√	√

√ Present
n/a director resigned or not yet appointed.

Executive Committee

The executive committee is constituted in terms of the Sentech Act 63 of 1996 (as amended) and Articles of Association, which provides 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 executive management attend committee meetings by invitation, as and when required. The committee is chaired by the Chief Executive Officer.

During the year under review the entire Executive Committee left the employ of Sentech, therefore only one Executive Committee meeting was held for the period 1 April 2010 - 31 March 2011.

Going Concern

The going concern status of the Company is dealt with on page 55 of the Accounting Authority's Report.

Performance Report

Sentech is presenting the Annual Report which include a Performance Report against financial and non-financial Key Performance Areas and Indicators as agreed to between Sentech and the Shareholder in terms of the 2010 – 2013 Corporate Plan. The Performance Report has been audited by the external auditors in terms of the guidelines determined by the Auditor General.

The Performance Report is included on page 15 and 16 of the Annual Report.

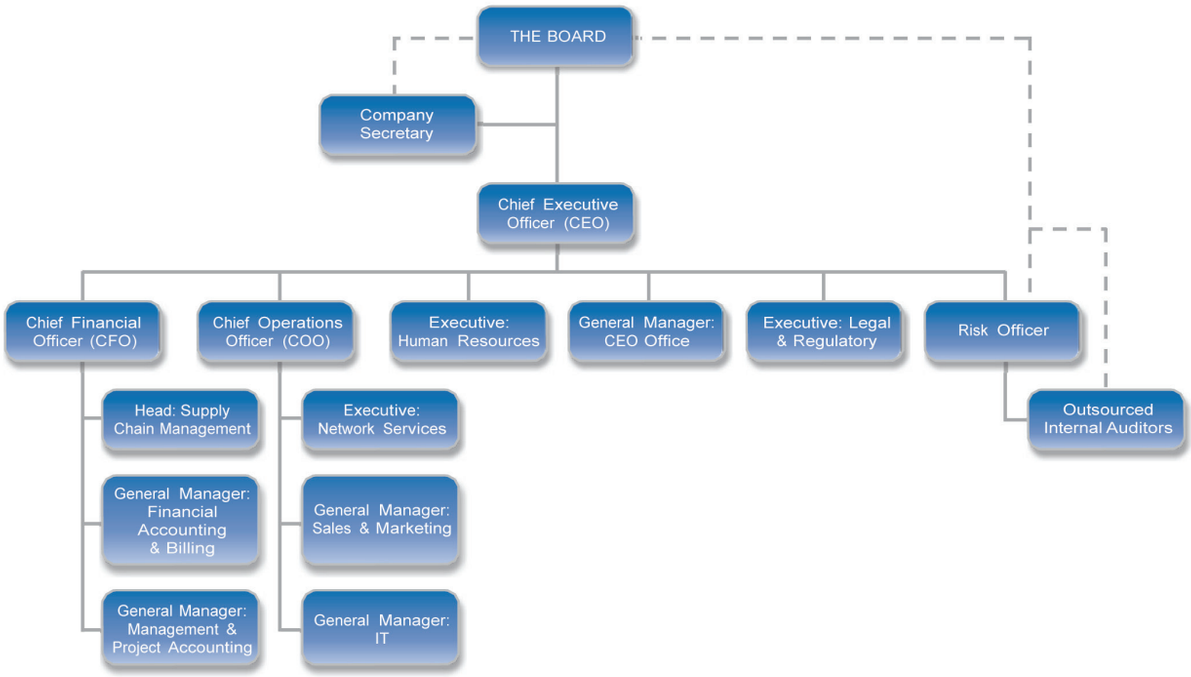
Human Resources Management

Introduction

People are the key component to any successful organisation. At Sentech we are proud to have dedicated staff members collectively committed to the task of providing quality ICT services to all South Africans. Sentech's "length of service" profile remains an indicator of staff loyalty with 21% of employees having more than 20 years service and contributing to 55.6% of the total number of years served in the company.

Organisational Structure

During the 2009/2010 financial year, the Sentech Board approved the below management structure.



There was a proposed structure in terms of the one-year Business Plan; however, no permanent appointments and structure was not implemented. During the first, second and third quarters of the 2010/2011 financial year the Board was operational and transitional structural reorganisation changes were made to the 2009/2010 approved structure. These transitional structure changes were necessitated by the need for Sentech to stabilise and maintain the stabilisation; however, did not officially replace the approved structure.

Employee Recruitment

The employment status as at 31 March for the each of the last three years is shown in the table below:

Financial year	Head count
2010/2011	**515**
2009/2010	550
2008/2009	538

Total head count per TCC and Province		Financial year		
TCC	**Province**	**2008/2009**	**2009/2010**	**2010/2011**
1. Upington TCC	Northern Cape	4	8	6
2. George TCC	Western Cape	47	48	45
3. Vredendal TCC				
4. Cape Town TCC				
5. Johannesburg TCC	Gauteng	361	359	331
6. Sender Technology Park (STP)				
7. Meyerton				
8. Head office (Fourways)				
9. Middelburg TCC	Eastern Cape	41	43	40
10. East London TCC				
11. Port Elizabeth TCC				
12. Durbun TCC & Regional Office	KwaZulu-Natal	34	39	39
13. Vryheid TCC				
14. Vryburg TCC	North-West	10	9	8
15. Bloemfontein TCC & Regional Office	Free State	18	23	25
16. Kroonstad TCC				
17. Polokwane TCC	Limpopo	13	11	10
18. Ermelo TCC	Mpumalanga	10	10	11
Total		**538**	**550**	**515**

Employment Equity

The Employment Equity approach of Sentech broadly aims to:

- Foster diversity in the workplace;
- Promote equal opportunity and fair treatment in employment through the elimination of all forms of unfair discrimination; and
- Prepare the ground for effective change through appropriate and ongoing investment in training and development.

The employment equity targets were reviewed in September 2010 in line with the 2010/11 Business Plan. These targets will be reviewed again in the first quarter of the 2011/12 financial year.

Employment Equity (EE) Targets for the period submitted to department of Labour

Employment Equity Targets as at 31 March 2011									
OCCUPATIONAL LEVELS	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	2	0	1	1	2	0	0	0	**6**
Senior Management	15	1	1	4	15	1	1	4	**42**
Professionally Qualified & Experienced Specialist & Mid-Management	22	6	2	14	22	6	2	15	**89**
Skilled technical & Academically qualified workers, Junior Management, Supervisors, Foremen & Superintendents	99	8	5	25	99	8	5	26	**275**
Semi-skilled & discretionary decision making	31	6	1	4	30	6	1	4	**83**
Unskilled & defined Decision making	24	3	0	0	24	2	0	0	**53**
Total Permanent Staff	**193**	**24**	**10**	**48**	**192**	**23**	**9**	**49**	**548**

As mentioned in the performance summary and as depicted above, the EE targets were not achieved due to the employment challenges in the ICT sector. An EE forum has been formed to, amongst others; focus on efforts of supporting an accelerated intake of female employees at Sentech, in particular at professionally qualified occupational levels. This approach will enhance buy-in and continuous support of such initiatives from TCC levels. Similarly the process of filling approved vacancies will give female applicants preference over all other applicants as per Sentech employment equity policy.

Skills Development

Sentech is committed to individual and organisational development in accordance with the National Skills Development Strategy (NSDS). The Company is a contributing member to the Information Systems Electronics and Telecommunications Technology Sector Education and Training Authority (ISETT SETA). As an ICT company, Sentech is also an Information Society and Development (ISAD) stakeholder and is committed to e-Skills development of all areas and levels in an effort to improve our nation's electronic abilities to stay abreast of an advanced technological world.

Training is provided to all employees across all levels, according to the established Workplace Skills Plan to address skills shortages. Sentech's training and development targets are driven by business needs within the available budget. For the financial year under review, the percentage of previously disadvantaged individuals trained was 81.8% (75.6% for 2009/10 and 75.3% for 2008/9) and the ratio of females trained was 33.7% (28.2% for 2009/10 and 31.8% for 2008/9) in a previously highly male dominated environment.

Training Interventions

Sentech trained 146 employees (386 for 2009/10 and 394 for 2008/9), who benefited from 264 course attendances totalling 765 training days at an average of 5.2 days per person as below:

In-house training is provided through The Sentech Advanced School of Technology to ensure that employees keep abreast of developments in all areas according to global trends. This includes four main focus areas to develop holistic employees:

- People and Management skills;
- Information Technology and Systems skills;
- Technical Broadcasting and Telecommunications skills; and
- Safety, health and environment.

Some relevant training is out-sourced and provided by tertiary institutions or ICT providers. Employees are also sent for specific training with suppliers and manufacturers. Knowledge attained from such exposure is shared amongst relevant staff and coordinated by the Human Resources department. The Company is the repository of unique specialist skills in the country and is highly rated by both local and international peer groups. These skills are core to the business requirements of the Company and are essential for continued performance in the ever-changing ICT world.

Skills Transfer Initiative

During the period under review, 24 staff members benefitted from 46 Skills Transfer interventions during a mentoring programme to help young Technicians gain exposure in Radio, Television and Radio Frequency from experienced staff members nearing retirement.

During the period under review, 30 summative assessments were done (some candidates completed assessments in two fields) with a pass rate of 80%.

Digital Terrestrial Television Training Interventions

One of the key focus areas of development during the year under review was the continued Digital Terrestrial Television (DTT) migration project. This training contributed to a highly successful project implementation to date.

Internship Programmes

Sentech has an Internship programme to assist graduates entering the ICT working environment and provide entry level staffing to the Company. Telecommunication Technicians and IT Support Technicians programmes were identified as a scarce and critical skill. As a result, 31 learners were placed on Internship programmes in close collaboration with ISETT SETA. These programmes are still in progress presently with a PDI ratio of 96.8% and a gender ratio of 54.8% female to facilitate a concerted growth effort in these areas.

Number of learners according to race and gender

Occupation	African		Coloured		Indian		White		Total
	M	F	M	F	M	F	M	F	
Broadcast Technicians (O&M)	9	14	0	0	0	0	1	0	**24**
IT Support Technician (I.T.)	2	2	0	0	0	0	0	0	**4**
NOC Support Technician (O&M)	2	1	0	0	0	0	0	0	**3**
Total	**13**	**17**	**0**	**0**	**0**	**0**	**1**	**0**	**31**
Percentage of total	41.9	54.9	0.0	0.0	0.0	0.0	3.2	0.0	100

Employee Bursaries

The Company offers bursaries for part time studies to employees who want to develop skills that are either relevant to their functional work or to enhance the work and service of Sentech as a whole. The Company awarded 31 bursaries to employees during the review period, in comparison to 39 in 2009/10 and 28 in 2008/9. This included bursaries for employees who are continuing with their studies as well as new applications. These bursaries apply across all the occupational categories.

An acceptable exam pass rate of 77.4% was achieved with 89 of the 115 exams written being successfully completed and five results still pending release.

Non-Employee Bursaries

- 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 in July 2005 as a joint venture.

Nine qualifications were successful in 2010 and distributed as one Masters degree, two BEng Hons and six BEng final year students completed their degrees. One of the BWMC students was selected for the best Telecomms and Signal Processing Design Project for 2010. For 2011, the Sentech BWMC Chair has to date awarded 11 financial grants for 2011 studies, which include three new entrants.

- The Sentech Educational Fund

The Sentech Educational Fund was established in 2006 to offer scholarships to assist disadvantaged students studying in the ICT field at various universities within South Africa. The Fund provides scholarships to a maximum of R50 000 a year inclusive of tuition, books and any sundry costs.

One programme was completed during the 2010 academic year, two students were awarded continued support and one student could not continue at the next level due to the required subjects not being passed.

Performance Management

Sentech intends to have a performance management system in place for corporate and divisional KPA's by the first quarter of the 2011/12 financial year and for the rest of the Company by the last quarter of the financial year. As at 31 March 2011, all divisional KPA's had been signed with Heads of Departments.

Trade Unions

The Communication Workers Union (CWU) is the only officially recognised trade union in the company. It enjoys a membership of 70% of the total bargaining unit.

Employee health and wellness

Employee Wellness is a strategic approach that is workplace based and directed towards improving the quality of life of employees and their families. The approach is facilitated by programmes providing a supportive system that alleviates the impact of everyday work and personal challenges. Sentech ensures that involvement in the programme does not jeopardise an employee's job security, compensation, promotional opportunities and reputation.

During the year under review Sentech participated in the "Discovery Walk the Talk" which was sponsored by the Company. This is one of the initiatives to encourage wellness as well as improved productivity.

Occupational Health and Safety

Sentech 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. Sentech regards the implementation and maintenance of health and safety standards and practices as an integral part of the business culture and activities. The Company fulfils this commitment by complying with Occupational Health and Safety Act, 1993 (Act 85 of 1993) and promoting all interventions and programmes required to achieve and sustain legal compliance status and to establish world-class best practices.

Disciplinary Action

Discipline is managed with due diligence in an effort to maintain good interpersonal working relationships. Resulting dismissals are tabulated as follows:

Dismissals	African		Coloured		Indian		White		Totals	
	M	F	M	F	M	F	M	F	M	F
	1	3	0	0	0	0	2	0	3	3

Supply Chain Management

Sentech is committed to the principles of Supply Chain Management (SCM) as promulgated in the Public Finance Management Act No. 1 of 1999, as amended.

During the year under review, SCM focus areas were as follows:

- *Demand Management:* Review current policy and align it to the revised company strategy; ensure that inventory management and fleet management procedures support SCM policy; and identify the gaps in the policy and benchmark the SCM policy.
- *Acquisition Management:* Ensure that TCO principle is applied; conduct market analysis and assessment; identify alternative sources of supply; and ensure efficient planning for acquisition management.
- *Competitive Bidding:* Ensure that the tender procedure in terms of competitive bidding as contained in the SCM policy is adhered to.
- *Supplier Management:* Maintain an approved supplier data base and an efficient supplier registration process; establish supplier valuation system; establish and maintain supplier accreditation, rotation, procedure and negotiations; ensure ongoing cost reduction initiatives; and conduct an annual public invitation of prospective suppliers for registration on the Sentech database.
- *Broad Based Black Economic Empowerment (BBBEE):* Target certain material / services and set aside for BBBEE suppliers; increase volume of preferential procurement transactions within projects, Regions and TCCs to BBBEE and SMME suppliers; ensure that Regions develop local SMME / BEE; and achieve BEE level 3 status.
- *Sole and Preferred Supplier Parameters:* Establish valid Sole / Preffered Supplier Database and formalise associated Contracts with the relevant suppliers.
- *Logistics Management:* Ensure uniform codification and identification of goods and services based on specifications; review inventory management procedures; collate list of maintenance material / regular stock requirements from regions; and ensure effficient and effective fleet & facilities management.
- *Disposal Management:* Compile the Disposal Management Committee's terms of reference and procedures; develop inventory pricing policy; calculate and monitor stock depreciation; maintain a redundant / obsolete stock database; and dispose of items in terms of approved disposal management policy.
- *Business Continuity:* Ensure that Regions and TCC's keep critical stock and report quarterly as stock on hand.
- *Risk Management:* Proactive identification of supply chain management risks; allocate risks to relevant Division; ensure risk control where the cost of transferring them is greater than retaining them; and ensure that proactive risk management is an integral part of SCM.

During the year under review and as part of the Business Plan stabilisation activities, the supplier database was updated on a continuous basis to ensure that suppliers contained therein are compliant. An interim tender committee was also constituted and it dealt with the day-to-day tender operations.

Going forward the Company will intensify its Enterprise Development efforts and works towards classification as a level 4 BBBEE contributor.

Corporate Social Investment

The advancement of technology has been identified as a contributor towards the upliftment and development of emerging communities and bridging of the socio-economic digital divide in disadvantaged communities. Recognising the inherent value of Information and Communication Technology (ICT) in the lives of young South Africans, Sentech supports several learning centres through its CSI programme. This is achieved by utilising the Company's core technology via broadband wireless and satellite broadcast technology thereby contributing to widespread education, health and social development.

Sentech'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 the life of previously disadvantaged communities. The key focus areas within CSI have been selected to meet the company's goal of improving the lives of people across South Africa through ICTs, and are aligned to national development imperatives as highlighted by Government.

CSI Beneficiaries

Mindset Health

Mindset Health was launched in 2003 and is a powerful partnership between Mindset Network, Department of Health and Sentech. The Mindset Health Channel delivers 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 provides the satellite connectivity that connects over 7,000 rural clinics and public hospitals to essential medical training and support material.

Sentech's technology enables the content to be delivered through satellite broadcast and is also datacast directly to users. The datacasting streams the content and stores it on PCs at hospitals where it can be viewed on demand. Furthermore, the Company's Vivid platform enables the multi-media satellite television network to broadcast the Mindset Health channel to over 307 hospitals and clinics in South Africa.

Mindset Learn

Sentech's partnership with Mindset enables the network to provide modern technology and training to teachers in disadvantaged communities. In a continuous effort to bridge the digital divide, Sentech uses its skills and infrastructure to empower communities with a better education. Mindset Learn is broadcast on the Vivid platform.

Sentech's involvement with Mindset is important in the context of the terms of its multimedia licence. A key condition is that Sentech uses its resources to provide internet connectivity to schools. Mindset content will ensure that schools not only have an internet connection, but worthwhile subject matter that enriches the learning experience across the entire primary and secondary school syllabus.

Dipalo School of Information and Technolology

The Dipalo School of Information and Technology was established in Pimville in Soweto as a social responsibility project with a view of making a contribution towards the eradication of the obstacles to IT training encountered by persons from historically disadvantaged backgrounds. Sentech's VSAT service has made it possible for Dipalo to provide email and internet training and spurred Dipalo to develop its own training manuals. Without internet connectivity, Dipalo would not be in a position to offer the online course in wireless technology..

Myeka High School, KZN

Myeka High School is located in a remote village, Ndwedewe, in KZN. Sentech's VSAT enables the transmission of educational resources to the school's computer centre using satellite technology to bypass the need for a traditional land-based communications infrastructure.

Thozamisa High School

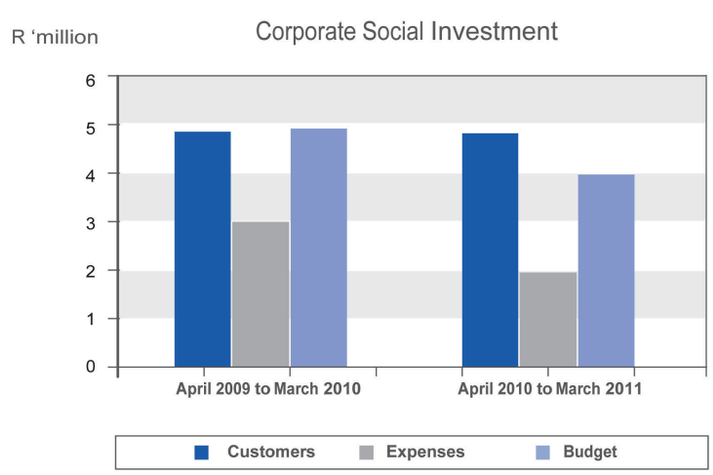
Thozamisa High School is situated in the rural area of Lady Frere at Zwartwater and has over 200 learners. The population is mainly poor and unemployed; and the majority depend on social grants and subsistence farming. Sentech provides broadband connectivity to the secondary school to add more value to the learning experience, to ensure that every learner is IT literate and to provide teachers with skills that enable them to use ICT as tools to enhance teaching and learning

Ponelopele High School

Ponelopele is a public high school in Ebony Park, Midrand. It was opened in 2006, and Sentech began sponsoring internet connectivity to its two computer laboratories in 2007. Ponelopele High School is equipped with the latest in e-schools technology and is designed to uplift and provide a sustainable education institute to learners and the local community. The computer laboratories have a total of 40 computers, as well as printing, fax, photocopying and projecting services. The school services a disadvantaged community, and 70% of the parents of learners at the school are unemployed.

Disbursements

During the period under review the following total CSI disbursements were as follows:



Going forward, corporate social investment projects will mainly be aligned to mandatory licence obligations, partnerships with other SOEs as well as Government programmes of action.


ENTECH

Annual Financial Statements
for the year ended 31 March 2011

Company registration 1990/011 791/06

Contents

Report of the Audit Committee

To the Sentech Executive Authority

The Audit Committee consists of 4 members of whom two are non-executive directors, one executive directors and one external consultant who was appointed for her financial expertise. For the year under review the Audit Committee was chaired by a non-executive director and external consultant. Other executives, the outsourced internal audit and external audit representatives are invitees to the Audit Committee.

The Audit Committee was guided in the execution of its role by an Audit Committee Charter which has been approved by the Accounting Authority.

In the conduct of its duties during the period under review, the Audit Committee has, inter alia:

- Reviewed accounting and auditing concerns identified as a result of the internal or external audits and considered significant transactions directly related to the Group's and Company's business as the Audit Committee, in its discretion, deemed appropriate.
- Reviewed the Annual Report and Annual Financial Statements for the year ended 31 March 2011 to ensure that they present a balanced and understandable assessment of the financial position, performance and prospects of Sentech Limited and its subsidiaries.
- Where the Company's external auditors are contracted to render any additional services which are not part of their audit activities, this is subject to the specific prior approval of the Audit Committee. This Audit Committee confirms that to the best of its knowledge, the external auditors have not been involved in any assignment that may impair their independence.

The Audit Committee has evaluated the annual financial statements of Sentech Limited and subsidiaries for the year ended 31 March 2011, the effectiveness and adequacy of the Company's internal controls and any pending litigation. The Audit Committee is of the opinion that the annual financial statements as presented, comply in all material respects with the relevant provisions of the Companies Act and the Public Finance Management Act.

The Audit Committee is also of the opinion that these financial statements as presented comply with International Financial Reporting Standards; that they fairly present the results of the operations, cash flows and financial position of the Group and Company, and that the adoption of the "going concern" premise in the preparation of the financial statements is appropriate. The Audit Committee accordingly has pleasure in recommending the adoption by the Accounting Authority of the Sentech Limited of the financial statements of the Group and Company for the year ended 31 March 2011.

Without qualifying its opinion on the fair presentation of the annual financial statements and its recommendation for the adoption of these financial statements, the Audit Committee highlights the breach in governance matters that occurred during the financial year ending 31 March 2011 that have been reported by the independent auditors in the Independent Auditor's Report and Accounting Authority's Report section 2.4.

On behalf of the Sentech Audit Committee

L Khumalo

23 August 2011

Accounting Authority's Responsibilities and Approval

The Group's Accounting Authority is responsible for the preparation and fair presentation of the Group's annual financial statements and the annual financial statements of Sentech Limited comprising the statements of financial position at 31 March 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Accounting Authority's Report, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act and the Public Finance Management Act.

The Accounting Authority is also responsible for such internal control as the Accounting Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The Accounting Authority has made an assessment of the Company and Group's ability to continue as a going concern and there is no reason to believe the business will not be a going concern in the year ahead.

The external auditors are responsible for reporting on whether the Group annual financial statements and Company annual financial statements are fairly presented in accordance with the applicable reporting framework.

Approval of group annual financial statements and company annual financial statements

The Group annual financial statements and annual financial statements of Sentech Limited, as identified in the first paragraph, were approved by the Accounting Authority on 23 August 2011 and are signed on its behalf by:

L Naidoo
Chairperson

MH Dhlamini
Non-executive director

Statement by the Company Secretary

In terms of section 268G (d) of the Companies Act, 1973, as amended, I certify that, to the best of my knowledge and belief, Sentech Limited has lodged with the Registrar of Companies for the financial year ended 31 March 2011, all such returns required in terms of the Companies Act, 1973, as amended, and that all such returns are true, correct and up to date.

MC Monyai
Company Secretary
23 August 2011

Independent Auditor's Report

To Parliament and the Shareholder for the year ended 31 March 2011

Report on the Annual Financial Statements

We have audited the Group Annual Financial Statements and Annual Financial Statements of Sentech Limited ("Sentech") which comprise the Accounting Authority's Report, the statements of financial position at 31 March 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which contain a summary of significant accounting policies and other explanatory notes, as set out on pages 53 to 115.

Directors' responsibility for the Financial Statements

The Accounting Authority, which constitutes the Board of Directors, is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the requirements of the Public Finance Management Act of South Africa (PFMA) and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Sentech at 31 March 2011, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Public Finance Management Act of South Africa and in the manner required by Companies Act of South Africa.

Report on Other Legal and Regulatory Requirements

In terms of the Public Audit Act of South Africa and *General Notice 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*, we report on the following:

Predetermined objectives

We are required to undertake a limited assurance engagement on the 'Performance against the predetermined objectives', as set out on pages 15 and 16 of the Annual Report in the section headed '*Report on performance of Sentech*', in which the actual performance of the Group for the year ended 31 March 2011 is compared with target key performance indicators (predetermined objectives), and report thereon to those charged with governance. In this Report we are required to report our findings from our engagement relating to non-compliance with regulatory requirements, where the reported information was inadequately presented or not received timeously, and where we have evaluated reported information to be not useful or reliable. We report that there are no material findings on the performance against the predetermined objectives.

Compliance with laws and regulations

We are required to report on compliance with laws and regulations in accordance with the guidance contained in the applicable R3: Reporting Guide of the Auditor-General. We report the following material findings on non-compliance with laws and regulations on the basis set out in the Guide.

1. Strategic planning and performance management

   1.1 Section 51(1)(a)(i) of the Public Finance Management Act of South Africa (PFMA), read with Treasury Regulation 27.2.1, requires Sentech to maintain an effective, efficient and transparent system of risk management. The Risk Committee was not operational during the financial year. The position of Chief Risk Officer was approved by the Accounting Authority in July 2010, however the Accounting Authority did not fill the position.

   1.2 Formal approved policies and procedures, prepared in terms of section 51(1)(a)(i) of the PFMA and describing how the entity's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organised and managed. These policies and procedures still need to be presented to and approved by the Accounting Authority. Subsequent to the approval, the policies and procedures need to be rolled out and embedded throughout the entity.

2. Internal audit

   2.1 Treasury Regulation 27.2.1, read with Treasury Regulation 27.2.7, requires the Internal Audit function, in consultation with the Audit Committee, to prepare a three year rolling internal audit plan. This plan should be risk based and should indicate the scope of each audit. The internal audit plan presented to the Audit Committee did not show a clear link between the top risks and the internal audit scope, as well as the budgeted hours per project.

Report on Other Legal and Regulatory Requirements *(continued)*

3. Audit committees

3.1 Contrary to the requirements of the Treasury Regulations 27.1.4 and of the Audit Committee terms of reference, the Audit Committee shall consist of non-executive members and the majority of persons serving on the Audit Committee must be financially literate. During the year, a member of the Audit Committee fulfilled an executive role and was therefore no longer acting as a non-executive director as well as the majority of the members were not financially literate which is in contravention of the Treasury Regulations and the Audit Committee terms of reference.

3.2 The Audit Committee terms of reference requires that the Audit Committee meet four times during the year. This was not complied with during the financial year as the Audit Committee only met twice during the year.

3.3 As a result of non-compliance matter 3.2 this resulted in a further non-compliance contrary to the requirements of Treasury Regulation 27.1.8 and of the Audit Committee terms of reference, the Audit Committee did not discharge all of its responsibilities in the following areas:

- The effectiveness of internal controls was not adequately monitored, as the internal audit reports were not consistently tabled at audit committee meetings to consider the impact of the findings and corrective action.
- Financial, compliance and performance information was not consistently evaluated by the Audit Committee throughout the year to assess the adequacy, reliability and accuracy of such information, which was used as a basis for strategic decisions. Quarterly financial and performance reports where not presented for consideration of the Audit Committee and the National Treasury Pack was submitted to National Treasury without review by the Audit Committee.
- Formal presentation on the status of the external and internal audit findings was made to the Audit Committee. Accordingly, corrective action on such audit findings was not regularly monitored by the Audit Committee.

4. Expenditure management

4.1 Section 51(1)(b)(ii) of the PFMA requires the Accounting Authority to take appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of Sentech. Sentech currently has policies and procedures in place which would assist with the prevention of these types of expenditures and losses, however, the current system to prevent these types of expenditures and losses was not always complied with during the first quarter of the financial year, and as such was not always effective in preventing instances of such expenditure.

Note 30 to the Financial Statements indicates instances of irregular expenditure and fruitless and wasteful expenditure incurred by Sentech as a result of ineffective operational practices.

4.2 Section 57(b) of the PFMA states that officials within Sentech are responsible for the effective, efficient, economical and transparent use of financial and other resources within their particular area of responsibility. As disclosed in note 30 to the Financial Statements, which indicates fruitless and wasteful expenditure, interest and penalties of R4 265 000 were incurred on late payment of taxes.

Report on Other Legal and Regulatory Requirements *(continued)*

5. Human resource management and compensation

5.1 Key management positions at senior management level are vacant and filled by employees in an acting capacity. Several senior management positions were considered vacant (not filled by permanent positions) at 31 March 2011. These positions include; Chief Financial Officer, Chief Operating Officer and Chief Risk Officer.

6. Annual financial statements

6.1 Section 55 (1)(a) of the PFMA requires the Accounting Authority to keep full and proper records of the financial affairs of the company and the annual financial statements should fairly present the state of affairs the company, its business, its financial results, its performance against predetermined objectives, and its financial position as at the end of the financial year concerned. Material misstatements were identified and were corrected during the audit.

Internal control

We considered internal control relevant to our audit of the financial statements, and the reports on predetermined objectives and compliance with laws and regulations, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies relating to leadership, financial and performance management and governance that resulted in the findings on the reports on predetermined objectives and compliance with laws and regulations, as included in this Report.

- No effective oversight responsibility was exercised during the year regarding reporting of performance against predetermined objectives, compliance with laws and regulations and the related internal controls. This is evidenced by the number of instances of non-compliance with the PFMA and Treasury Regulations identified in this Report and the findings on the effectiveness of the Audit Committee.
- Human resource management to ensure that adequate and sufficiently skilled resources were in place and that performance was monitored was not always effective. Staff in various departments within the company lacked capacity to perform their assigned roles and responsibilities, as monthly reconciliations were not performed timeously. In addition, delays were experienced in receiving critical audit information and, in certain instances, audit information received was erroneous.
- Although compliance with certain legislation is currently managed in various departments throughout the organisation, Sentech did not have a centralised compliance control or process in place during the year. Accordingly, Sentech did not have an effective process in place to review and monitor its overall compliance with applicable laws and regulations as required by Section 51(1)(h) of the PFMA.

Investigations

1. Investigations completed during the financial year as advised to us

   There were no investigations completed during the year advised to us.

2. Investigations in progress as advised to us

   Forensic investigation into the procurement of capital project relating to the Low power project has commenced as at the reporting date.

Other matters

The supplementary information set out on page 116 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly we do not express an opinion on it.

The matters contained in the Report on Other Legal and Regulatory Requirements are not considered to affect our opinion contained in our Report on the Annual Financial Statements.

KPMG Inc

Per M Rattigan

Chartered Accountant (SA)

Registered Auditor

Director

23 August 2011

KPMG Crescent

85 Empire Road

Parktown

Accounting Authority's Report

1. General

- Group revenue from continuing operations increased by 3% to R794 million.
- Decrease in group operating profit from continuing operations by 20% to R193 million.
- Strong cash generation with cash generated from operations increasing from R54 million to R309 million.
- Successful signal and satellite distribution for the World Cup 2010.
- Tracking agreed milestones on analogue to DTT migration.

The review provides a high level commentary on the financial position and performance of Sentech Limited and its subsidiaries ("the Group") for the year ended 31 March 2011. The review should be read together with the annual report.

2. Basis of preparation and principal accounting policies

The Group financial statements and Company financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa and the Public Finance Management Act ("PFMA") of South Africa.

2.1 IFRS

The application of IFRS by Sentech, a Schedule 3B entity is contrary to Chapter 28 of the Treasury Regulations which specifies that Statement of Generally Accepted Accounting Practice ("SA GAAP") should be used.

The Department of National Treasury has approved this departure from Treasury Regulation 28.1.6 pending the review of SA GAAP by the Office of the Auditor General and the Accounting Standards Board (ASB).

This approval is issued in terms of Section 79 of the PFMA and remains in effect until further notice or amendment to the Treasury Regulation.

The current period financial statements have been prepared on a basis consistent with the prior year financial statements save for the following:

2.1.1 Property, plant and equipment and deferred grant income

Work-in-progress grant funded assets have historically been included in property, plant and equipment until commissioning, whereafter they have been netted off against deferred grant income. For the current year, it has been agreed to set-off work-in-progress grant funded assets against the deferred grant income. There is no impact on the statement of comprehensive income for this change in presentation. Refer to note 28.2.

The statement of financial position impact for current and prior periods is as follows:

	2011 R'000	2010 R'000	2009 R'000
Property, plant and equipment			
As previously reported	**678 670**	846 405	741 451
Less: set off against deferred grant income	**(179 502)**	(277 026)	(103 322)
As restated	**499 168**	569 379	638 129
Deferred grant income			
As previously reported	**817 934**	978 903	850 918
Less: set off against work-in-progress grant funded assets	**(179 502)**	(277 026)	(103 322)
As restated	**638 432**	701 877	747 596

2.1.2 Post retirement medical obligation

The interest cost of post retirement medical obligation has historically been included in operating expenses. In the current period, it has been agreed to include the interest cost in finance costs. The statement of comprehensive income impact for this change in presentation is to increase operating income and to increase finance expenses. Refer to note 28.1

	2011 R'000	2010 R'000
Finance expenses		
As previously reported	**(9 513)**	(1 954)
Adjustment for interest on post retirement medical obligation	**(11 274)**	(10 251)
As restated	**(20 787)**	(12 205)

2.2 Interest earned on Government Grant Cash

The Group follows the accounting practice of recognising as income, interest earned on government grants that have been received. The basis for this practice was on the understanding that the grant documentation had been silent on the application of the interest.

The annual financial statements of Sentech for all periods up to 31 March 2010 has been prepared by the Accounting Authority and approved by the Minister of Communications (the sole shareholder) on the above-mentioned basis. The cumulative impact of interest earned on government funds net of taxation has been R 98 million (gross amount is R143 million) for all periods up to 31 March 2010.

The interest earned on government funds for the current period to 31 March 2011 net of taxation amounted to R37 million (gross amount is R52 million).The Accounting Authority has prepared the annual financial statements on the same basis as prior years, by recognising as income interest earned on grant funds.

The Accounting Authority has requested the sole shareholder to confirm this accounting policy to remove any uncertainty on the application of the interest earned on grant funds. However, the Accounting Authority has also taken the conservative approach and have included the cumulative interest earned net of taxation of R134 million in a restricted cash until the formal approval from the shareholder is received.

2.3 Companies Act

These financial statements have been prepared in compliance with the previous Companies Act. The new Companies Act, 71 of 2008 was promulgated with an effective date of 1 May 2011, which is subsequent to the Group's financial year-end.

The financial statement for 31 March 2012 will be prepared in according the requirements of the new Companies Act.

2.4 PFMA

2.4.1 The Company had challenges with the proper composition of the Accounting Authority during the period, as could be evidenced by the vacancy of the Chief Executive Officer (CEO) from July 2010 until November 2010, and of the Chief Financial Officer (CFO) from June 2010. As a result, the effective functioning of the Accounting Authority committees was hampered during the period, particularly the functioning of the Audit and Risk Committees.

2.4.2 The Accounting Authority is pleased to announce that the CEO was appointed on 1 November 2010 and the CFO on 15 August 2011. The Accounting Authority is in consultation with the Shareholder on the appointment of the COO. This will also assist with filling the vacancies at key management positions and senior management levels.

2.4.3 During the period under review, the company did not have an appointed Risk Officer. However an independent consultant was engaged as Risk Officer for the period 1 April 2010 to 30 August 2010. Also, the Audit and Risk Committee was separated and a new Risk Committee was formed with the mandate to focus more on risk management. The Committee met once during the period under review.

2.4.4 Formal approved policies and procedures, describing how the entity's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organised and managed, have been developed. These policies and procedures still need to be presented to and approved by the Board. Subsequent to the approval, the policies and procedures need to be rolled out and embedded throughout the entity.

2.5 Legal and regulatory environment

Licensing

The Electronic Communications Amendment Act, No 36 of 2005, was published on 8 January 2008 and came into effect on 2 February 2008.

Effective 1 April 2009, ICASA issued Sentech with the following licences in terms of the Electronic Communications Act (ECA):

Held directly by Sentech Limited

- Individual Electronic Communications Network Services (011/ECNS/JAN09)
- Individual Electronic Communications Services Licence (011/ECS/JAN09)
- Individual Electronic Communications Services Licence (0457/ECS/JAN/09)
- Individual Electronic Communications Network Services (0457/IECNS/JAN09)

Held by InfoSat (Proprietary) Limited

- Individual Electronic Communications Network Services (0282/IECNS/MAR09)
- Individual Electronic Communications Services Licence (0282/IECS/MAR09)

Subsequent to the year end the Company received a legal claim from ICASA. It is alleged that fees had not been paid on a certain licence class. The Group has sought legal advice. Legal counsel has advised that even if the claim is valid prescription will apply. Based on this opinion the Accounting Authority has raised a provision of R 8 million for this claim. Refer to note 31.

2.6 Key areas where the Accounting Authority's judgement has been applied

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments. The nature of these assumptions is inherently long-term and future experience may result in actual amounts differing from these estimates. The following accounting policies have been identified as involving particularly complex or subjective assessments:

- Valuation of property, plant and equipment;
- Depreciation rates;
- Impairment of assets;
- Measurement of employee benefits;
- Determination of provisions; and
- Deferred tax liability on revalued and grant assets.

3. Capital management

One of the key focus areas of the Accounting Authority is the optimal and most efficient use of the Group's capital. The primary objective of the Group's capital management strategy is to ensure that it maintains healthy capital ratios in order to support its core business and social mandate, whilst maximising stakeholder value.

The Group's aim is to ensure that it funds the maintenance and growth of its core business using internally generated funds, whilst using government grant funding for expansion capital expenditure requirements and government initiated programmes.

The Groups debt, equity and cash balances were as follows:

Statement of financial position	2011 R'000	2010 R'000
DBSA loan	**(64 731)**	(82 083)
Finance leases	**-**	(1 094)
Post retirement liability	**(130 813)**	(119 580)
Shareholder equity	**(745 648)**	(542 151)
Cash and cash equivalents	**1 135 800**	977 525

The Group has completed a detailed review of all operating assets (excluding analogue assets) in line with its maintenance and replacement asset programme. This exercise has determined that capital expenditure of R295 million is required over the next three years, which the Group intends funding with current and future internally generated cash flows.

The DTT project to migrate from analogue to digital transmission is funded entirely from government grant funds. The grant funds including VAT for capital expenditure and operating costs are as follows:

Grants	Capital R'000	Operating R'000
Approved	1 188 000	330 000
Requested	1 483 000	475 000
Received	(566 000)	(130 000)
Total grants to be received	917 000	345 000

Grant funded assets are currently recognised net of the Government funding. In the case of the DTT grant assets, it is anticipated that these will be fully funded by grant funding. Accordingly, these assets, in terms of the current accounting policy will be recorded at a zero cost. SARS has issued a practice note in December 2010 that allows the claiming of a wear and tear on grant funded asset. After the switch on of DTT in December 2013 the Group will earn revenue on these assets, benefiting from wear and tear deduction with no depreciation charge. This will distort the capital management of the Group, and it is therefore the intention of the Accounting Authority to review the current accounting policy on grant assets for the 31 March 2012 annual financial statements. Grant assets commissioned and included in capital work-in-progress amounted to R180 million.

Grant funding of R500 million has been received to date for the roll out of a national broadband network to; amongst others, schools. The Accounting Authority has submitted a proposal for a roll out, which is subject to Department of Communication's approval.

The Group has an unfunded post retirement medical aid obligation for employees who joined before 2005. This obligation is currently valued at R131 million and increases each year due to medical inflation and employees going on retirement. This obligation is viewed by the Accounting Authority as part of the Group debt.

The Group debt to equity ratio has improved from 37% to 26% at 31 March 2011.

4. Corporate activity

Carrier of Carrier business was discontinued in the current period in line with the strategy to exit all non-performing products and services. In the prior year Mywireless, Biznet and VAS products and services were discontinued. The Group results from discontinued operations is as follows:

	2011 R'000	2010 R'000
Revenue	**32 375**	75 781
Expense	**(41 201)**	(197 581)
Results from operating activities	**(8 826)**	(121 800)

The Group successfully delivered on its contractual obligations with the Department of Communication ("DOC") in providing signal and satellite services during the 2010 Soccer World Cup. A total under spend of R80 million was achieved.

5. Financial performance

Group revenue from continuing revenue increased by 3% over the prior year from R770 million to R794 million, achieved earnings before interest and depreciation ("EBITDA") margin of 37% whilst Group operating profit decreased by 20% from R242 million to R193 million.

The subdued revenue growth is mainly due to price increases limited to CPI and very little new sales activity in the period. The EBITDA margin is considered good whilst the perceived decrease is operating profit is due to the exceptional items impacting the results for both March 2010 and 2011. The normalised operating profit margin for both years is 22 % and 23 %, respectively.

A review of the operating profit after adjusting for once-off items is presented below:

	2011		2010	
	%	R'000	%	R'000
Operating income from continuing operations		**193 084**		242 066
Actual operating margin	**24**		31	
Adjustment for exceptional items				
Movement in provisions		**12 468**		(2 101)
Revaluation of retirement funds		**686**		(13 578)
Turn around committee expenditure		**8 364**		–
Write back of prescribed credits		**(4 895)**		–
DTT Illumination government grant income		**(36 260)**		(51 368)
Normalised operating income		**173 447**		175 019
Normalised operating margin	**22**		23	

Finance income of R60 million (2010 – R67 million) was earned on the Group's own cash and grant funds during the period. The decrease is due to the reduction in the money market interest rates. Consistent with prior year practise and as more fully detailed above, the Group accounts for all interest earned on grant funds for its benefit.

The finance cost of R21 million (2010 – R12 million) relates principally to interest on the DBSA infrastructure loan and the interest cost on the unfunded post retirement medical liability. The prior year finance cost benefited from a reversal of an over provision of an interest accrual of R9 million on the ICASA liability on licence fees.

The Group's effective tax rate reduced from 35% in the prior year to 23%. The higher tax rate in the prior was due to an under provision for tax for 2009 and significant costs incurred in the discontinued operations which were not considered deductible for tax purposes. In the current year, a lower tax rate has been achieved due to the reversal of an over provision for taxation for 2010, the taxation recovered from grant funds and a wear and tear deduction for government grant funded assets, as more fully explained in this report.

6. Cash flow

The Group has performed exceptionally in achieving strong cash generation. The Group achieved cash generated after working capital to EBITDA percentage of 107% compared to 25 % in the prior year. The cash generated amounted to R309 million (2010 – R54 million). The prior cash generation was impacted by the significant discontinued cash costs and the large settlement made with SARS for the late payment of VAT on grant funds received.

The current cash outflows included tax payments of R127 million and R67 million on capital expenditure on grant projects.

7. Capital commitments

The Group's capital expenditure will be funded from internal cash resources whilst all other capital expenditure will be funded by grant funds received and to be received. The Group has estimated the following capital commitments for 31 March 2012 financial year:

	2012 R'000
Capital expenditure	
Sentech internal funding	**154 000**
Government grant funds	**629 000**
DTT	**367 000**
Essay	**21 000**
National Broadband	**241 000**
	783 000

8. Going concern

The Accounting Authority has reviewed the corporate plan and prepared a cash flow forecast for the 12 months to 31 March 2012. The corporate plan concludes that the Group has through a number of austerity measures improved the profitability and cash generating ability to a satisfactory level. The corporate plan is premised on the fact that the government grants that have been approved and the additional funds that have been requested to complete the DTT rollout will be made available. On the basis of this review, and in light of the current financial position, approved grant funding, the Accounting Authority is satisfied that the Group and Company have access to adequate cash resources to continue in its operational existence for the foreseeable future and is a going concern, and have continued to adopt the going concern basis in preparing the financial statements.

9. Post balance sheet events

There have been a number of changes to the composition of the Accounting Authority which are reported below. The present Accounting Authority is not aware of any other matters or circumstances arising since the end of the financial year that would impact the reported results, save for the legal claim from ICASA, which is more fully disclosed in the contingent liability note 31.

10. Authorised and issued share capital

2 000 ordinary shares are held by the State, represented by the Department of Communications.

11. Borrowing limitations

In terms of the Company's Articles of Association, the Accounting Authority shall not have the power to incur borrowings without the prior approval of the shareholder. The Minister of Communications has approved a banking facility with ABSA for R74 million which includes an overdraft facility of R6.7 million. The facility has not yet been utilised and will only be used when required by the Company.

12. Dividends

No dividends were declared or paid during the year under review.

13. Directors

The Accounting Authority is represented by the board of directors, in terms of the Public Finance Management Act of South Africa. The directors of the Company during the year and to the date of this report are as follows:

	Designation	Appointment/resignation date
Non-executive directors		
L Naidoo	Chairperson	Appointed 1 March 2011
M Dhlamini		Appointed 1 April 2010
LT Khumalo		Appointed 1 June 2010
ZD Hlatshwayo		Appointed 1 April 2010
P Mashile		Appointed 1 March 2011
Dr N Siswana		Appointed 1 June 2010, Resigned 12 January 2011
Q Patel	Former Chairperson	Appointed 1 April 2010, Resigned 9 November 2010
T Leeuw		Resigned 31 May 2010
Executive directors		
Dr S Mohapi	Chief Executive Officer	Appointed 1 November 2010
TP Phili	Chief Financial Officer	Appointed 15 August 2011
D Dube	Acting Chief Operating Officer	Appointed 1 April 2010, Resigned 21 July 2011
B Ngwenya	Acting Chief Executive Officer (previously Chief Operating Officer)	Resigned 7 July 2010
MS Cassim	Chief Financial Officer	Resigned 27 August 2010

14. Audit Committee

The Audit Committee of the Company comprised as follows:

	Designation	Appointment/resignation date
Non-executive directors		
T Leeuw	Former Chairperson	Appointed 1 January 2009, Resigned 31 May 2010
M Dhlamini		Appointed 28 June 2010
LT Khumalo	Former Chairperson and current Member of the Audit Committee	Appointed 28 June 2010, Resigned 26 November 2010, Reappointed member on 4 June 2011
ZD Hlatshwayo		Appointed 28 June 2010, Resigned 4 June 2011
Dr N Siswana		Appointed 28 June 2010, Resigned 12 January 2011
Invitees		
B Mwelase (non director)	Former Chairperson	Appointed 26 November 2010, Resigned 3 March 2011
R van Wyk (non director)	Chairperson	Appointed 15 July 2011

15. Company Secretary

The secretary of the Company is Adv. MC Monyai.

The Company Secretary's business and postal addresses are as follows:

Business address
Augusta House
Fourways Golf Park
Roos Street
Fourways

Postal address
Private Bag X06
Honeydew
2040

16. External Auditors

KPMG Inc. will continue in office in accordance with section 270(2) of the Companies Act.

Statements of financial position *at 31 March 2011*

		Group		
			Restated	Restated
		2011	2010	2009
Assets	*Note*	**R'000**	R'000	R'000
Non-current assets				
Property, plant and equipment	*6*	**499 168**	569 379*	638 129*
Intangible assets	*7*	**–**	528	17 897
Employee benefits	*15*	**1 300**	1 600	2 200
Total non-current assets		**500 468**	571 507	658 226
Current assets				
Inventories	*9*	**7 315**	8 462	13 825
Current tax receivable		**11 476**	–	–
Trade and other receivables	*10*	**31 408**	74 385	77 219
Cash and cash equivalents	*11*	**1 135 800**	977 525	1 042 753
– Unrestricted cash		**363 311**	178 586	257 053
– Restricted cash		**772 489**	798 939	785 700
Total current assets		**1 185 999**	1 060 372	1 133 797
Total assets		**1 686 467**	1 631 879	1 792 023
Equity and liabilities				
Equity				
Share capital and premium	*12*	**75 892**	75 892	75 892
Reserves		**453 402**	422 824	433 465
Retained earnings		**216 354**	43 435	(61 692)
Total equity attributable to equity holder		**745 648**	542 151	447 665
Liabilities				
Non-current liabilities				
Loans and borrowings	*13*	**45 429**	65 825	92 709
Employee benefits	*15*	**130 813**	119 580	122 140
Deferred tax liabilities	*14*	**10 643**	9 583	20 944
Total non-current liabilities		**186 885**	194 988	235 793
Current liabilities				
Loans and borrowings	*13*	**19 302**	17 352	38 723
Deferred income – government grants	*16*	**638 432**	701 877*	747 596*
Current tax payable		**–**	47 391	19 012
Trade and other payables	*17*	**85 036**	128 120	299 234
Provisions	*18*	**11 164**	–	4 000
Total current liabilities		**753 934**	894 740	1 108 565
Total liabilities		**940 819**	1 089 728	1 344 358
Total equity and liabilities		**1 686 467**	1 631 879	1 792 023

** Amounts restated. Refer to note 28 for disclosure on the prior year restatement.*

Assets	Note	Company 2011 R'000	Restated 2010 R'000	Restated 2009 R'000
Non-current assets				
Property, plant and equipment	6	**499 168**	569 379*	638 129*
Intangible assets	7	**–**	528	17 897
Investment in subsidiaries	8	**	**	**
Employee benefits	15	**1 300**	1 600	2 200
Total non-current assets		**500 468**	571 507	658 226
Current assets				
Inventories	9	**7 315**	8 462	13 825
Current tax receivable		**11 476**	–	–
Trade and other receivables	10	**31 408**	74 338	76 788
Cash and cash equivalents	11	**1 135 682**	977 178	1 042 414
- Unrestricted cash		**363 193**	178 239	256 714
- Restricted cash		**772 489**	798 939	785 700
Total current assets		**1 185 881**	1 059 978	1 133 027
Total assets		**1 686 349**	1 631 485	1 791 253
Equity and liabilities				
Equity				
Share capital and premium	12	**75 892**	75 892	75 892
Reserves		**453 402**	422 824	433 465
Retained earnings		**216 440**	42 562	(59 950)
Total equity attributable to equity holder		**745 734**	541 278	449 407
Liabilities				
Non-current liabilities				
Loans and borrowings	13	**45 429**	65 825	92 709
Employee benefits	15	**130 813**	119 580	122 140
Deferred tax liabilities	14	**10 643**	9 583	20 944
Total non-current liabilities		**186 885**	194 988	235 793
Current liabilities				
Loans from group companies	27	**–**	156	277
Loans and borrowings	13	**19 302**	17 352	38 723
Deferred income – government grants	16	**638 432**	701 877*	747 596*
Current tax payable		**–**	47 391	19 012
Trade and other payables	17	**84 832**	128 443	296 445
Provisions	18	**11 164**	–	4 000
Total current liabilities		**753 730**	895 219	1 106 053
Total liabilities		**940 615**	1 090 207	1 341 846
Total equity and liabilities		**1 686 349**	1 631 485	1 791 253

** Amounts restated. Refer to note 28 for disclosure on the prior year restatement. ** Amounts below R1 000.*

Statements of comprehensive income *for the year ended 31 March 2011*

	Note	Group 2011 R'000	Group Restated 2010 R'000	Company 2011 R'000	Company Restated 2010 R'000
Continuing operations					
Revenue	19	**794 192**	770 454*	**794 216**	777 053*
Cost of sales	20	**(509 624)**	(437 290)*	**(509 624)**	(449 196)*
		284 568	333 164	**284 592**	327 857
Operating expenses	20	**(27 634)**	(32 611)	**(26 710)**	(34 101)
Selling expenses	20	**(5 175)**	(6 804)	**(5 175)**	(6 804)
Administrative expenses	20	**(58 675)**	(51 683)	**(58 675)**	(50 983)
Results from operating activities		**193 084**	242 066	**194 032**	235 969
Finance income	22	**60 088**	67 410	**60 082**	67 401
Finance expenses	22	**(20 804)**	(11 952)*	**(20 787)**	(12 205)*
Profit before income tax		**232 368**	297 524	**233 327**	291 165
Income tax expense	23	**(53 094)**	(103 653)*	**(53 094)**	(103 653)*
Profit from continuing operations		**179 274**	193 871	**180 233**	187 512
Loss for the year from discontinued operations, net of income tax	24	**(6 355)**	(88 744)*	**(6 355)**	(85 000)*
Profit for the year		**172 919**	105 127	**173 878**	102 512
Other comprehensive income:					
Revaluation/(devaluation) of property		**38 873**	(14 778)	**38 873**	(14 778)
Income tax related to other comprehensive income		**(8 295)**	4 137	**(8 295)**	4 137
Other comprehensive income for the year, net of tax		**30 578**	(10 641)	**30 578**	(10 641)
Total comprehensive income for the year		**203 497**	94 486	**204 456**	91 871
Profit attributable to:					
Owner of the Company		**172 919**	105 127	**173 878**	102 512
Total comprehensive income attributable to:					
Owner of the Company		**203 497**	94 486	**204 456**	91 871

** Amounts restated. Refer to note 28 for disclosure on the prior year restatement.*

Statements of changes in equity *for the year ended 31 March 2011*

	Attributable to equity holder of the Group							
Group	Share capital R'000	Share premium R'000	Share capital and premium R'000	Revaluation reserve [1] R'000	Other reserves [2] R'000	Total reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 1 April 2009	2	75 890	75 892	344 851	88 614	433 465	(61 692)	447 665
Total comprehensive income for the year	–	–	–	(10 641)	–	(10 641)	105 127	94 486
Profit for the year	–	–	–	–	–	–	105 127	105 127
Other comprehensive income								
Devaluation of property, net of tax	–	–	–	(10 641)	–	(10 641)	–	(10 641)
Balance at 31 March 2010	2	75 890	75 892	334 210	88 614	422 824	43 435	542 151
Total comprehensive income for the year	**–**	**–**	**–**	**30 578**	**–**	**30 578**	**172 919**	**203 497**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**172 919**	**172 919**
Other comprehensive income								
Revaluation of property, net of tax	**–**	**–**	**–**	**30 578**	**–**	**30 578**	**–**	**30 578**
Balance at 31 March 2011	**2**	**75 890**	**75 892**	**364 788**	**88 614**	**453 402**	**216 354**	**745 648**

[1] Revaluation reserve

Significant land and buildings are revalued to fair value annually and less significant land and buildings are revalued on a three year cycle. The last valuation was performed on 31 March 2011. See Note 6.

The revaluation reserve movement for the year on land and buildings is the gross revaluation amount of R38 873 000 (2010 – R14 778 000 (devaluation)) less the corresponding deferred tax amount of R8 295 000 (2010 – R4 137 000).

[2] Other reserves

The SABC, in terms of an agreement arrangement 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.

	Attributable to equity holder of the Company							
Company	Share capital R'000	Share premium R'000	Share capital and premium R'000	Revaluation reserve [1] R'000	Other reserves [2] R'000	Total reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 1 April 2009	2	75 890	75 892	344 851	88 614	433 465	(59 950)	449 407
Total comprehensive income for the year	–	–	–	(10 641)	–	(10 641)	102 512	91 871
Profit for the year	–	–	–	–	–	–	102 512	102 512
Other comprehensive income								
Devaluation of property, net of tax	–	–	–	(10 641)	–	(10 641)	–	(10 641)
Balance at 31 March 2010	2	75 890	75 892	334 210	88 614	422 824	42 562	541 278
Total comprehensive income for the year	**–**	**–**	**–**	**30 578**	**–**	**30 578**	**173 878**	**204 456**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**173 878**	**173 878**
Other comprehensive income								
Revaluation of property, net of tax	**–**	**–**	**–**	**30 578**	**–**	**30 578**	**–**	**30 578**
Balance at 31 March 2011	**2**	**75 890**	**75 892**	**364 788**	**88 614**	**453 402**	**216 440**	**745 734**

* Note 1 and 2 refer to the Group statement of changes in equity.

Statements of cash flows *for the year ended 31 March 2011*

	Note	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Cash flow from operating activities					
Cash generated from operations	25.1	**308 607**	53 645	**308 825**	53 899
Finance income received	22	**60 088**	67 410	**60 082**	67 401
Interest paid	25.2	**(8 618)**	(1 701)	**(8 601)**	(1 954)
Income tax paid	25.3	**(127 092)**	(49 442)	**(127 092)**	(49 442)
Net cash inflow from operating activities		**232 985**	69 912	**233 214**	69 904
Cash flows from investing activities					
Acquisition of property, plant and equipment – grant funded and owned assets	6	**(67 103)**	(269 865)	**(67 103)**	(269 865)
Proceeds from sale of property, plant and equipment	25.4	**–**	929	**–**	929
Net cash outflow from investing activities		**(67 103)**	(268 936)	**(67 103)**	(268 936)
Cash flows from financing activities					
Repayment of interest-bearing liabilities		**(18 446)**	(48 255)	**(18 446)**	(48 255)
Government grants received	16	**66 053**	232 434	**66 053**	232 434
Interest capitalised for the FIFA 2010 project	16	**5 606**	13 556	**5 606**	13 556
Utilisation of government grant funding excluding acquisition of property, plant and equipment	16	**(60 820)**	(63 939)	**(60 820)**	(63 939)
Net cash (outflow)/inflow from financing activities		**(7 607)**	133 796	**(7 607)**	133 796
Net increase/(decrease) in cash and cash equivalents		**158 275**	(65 228)	**158 504**	(65 236)
Cash and cash equivalents at beginning of the year	11	**977 525**	1 042 753	**977 178**	1 042 414
Cash and cash equivalents at the end of the year	11	**1 135 800**	977 525	**1 135 682**	977 178

1. Reporting entity

Sentech Limited (the "Company") is a company incorporated and domiciled in South Africa. The address of the Company's registered office is Augusta House, Fourways Golf Park, Roos Street, Fourways. The consolidated financial statements of the Company as at and for the year ended 31 March 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in signal distribution and has transmission stations across the country and provides broadcasting services.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act of South Africa (No. 61 of 1973, as amended) and the Public Finance Management Act (No. 1 of 1999, as amended by Act 29 of 1999) of South Africa.

The consolidated and separate annual financial statements were authorised for issue by the Accounting Authority on 23 August 2011.

2.2 Basis of measurement

The consolidated annual financial statements have been prepared under the historical cost basis, except for the following material items in the Statement of Financial Position:

- the defined benefit asset/liability is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation; and
- land and buildings are measured at the fair value, being the net replacement value at the date of revaluation.

2.3 Functional currency

These consolidated financial statements are presented in South African Rands, which is the Company's functional currency. All financial information presented in Rands has been rounded to the nearest thousand.

2.4 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in note 4 and the following notes:

- Notes 3.4 and 6 – valuation of property, plant and equipment;
- Notes 3.9 and 15 – measurement of employee benefits;
- Notes 3.15 and 14 – utilisation of tax losses; and
- Notes 3.10 and 18 – contingencies and provisions.

2.5 Changes in accounting policies

The Group has changed its accounting policies in the following areas:

IAS 24 (revised) – Related Party Disclosures

IAS 24 (revised) was adopted by the Group for the first time for its financial reporting period ended 31 March 2011. The standard has been applied retrospectively. IAS 24 (revised) addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities. The change in the definition of a related party has resulted in a number of new related party relationships being identified.

Government-related entities:

As Sentech is a Government-related entity it has to provide the following disclosures: name of the Government and nature of the relationship; nature and amount of each individually significant transaction and a qualitative or quantitative indication of the extent of other transactions that are collectively, but not individually, significant.

Government Grants

Previously, the work-in-progress assets were reflected on a gross presentation method. The deferred income relating to work-in-progress was disclosed under current liabilities. In the current year, the deferred income relating to the work-in-progress has been set-off against the work-in-progress costs to date for improved presentation.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment. The cost of an investment in a subsidiary is the aggregate of:

- fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company; plus any costs directly attributable to the purchase of the subsidiary.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, 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.

3.1.2 Transaction eliminated on consolidation

Inter-company transactions, balances and unrealised income and expenses on transactions between group companies are eliminated in preparing the consolidated financial statements.

3.2 Translation of foreign currencies

Foreign currency transactions

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, which are recognised directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.3 Financial instruments

3.3.1 Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statements of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has loans and receivables and non-derivative financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables and related party receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flows.

3.3.2 Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, trade and other payables and related party payables.

3.3.3 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3.4 Property, plant and equipment

Recognition and measurement

Land and buildings comprise mainly transmitter stations and offices. Significant land and buildings are revalued to fair value annually and less significant land and buildings are revalued on a three year cycle by external independent valuers. Land and buildings are carried at revalued amounts 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 in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific land and buildings, with any remaining loss recognised immediately in profit or loss.

Other items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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, directly attributable to borrowing costs and the costs of dismantling and removing the items and restoring the site on which they are located. The grant income is netted against these costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that 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 from disposal to the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings (accumulated losses).

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 Group and its cost can be measured reliably. The carrying amount of the replaced 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 calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less residual value.

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, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

Item	Average useful life
Land and buildings	
Land	Indefinite
Buildings	40 years
Improvements to leasehold premises	20 years
Motor vehicles	
Motor vehicles	5 years
Computer, technical and office equipment	
Technical equipment	10 to 20 years
Computer, network and office equipment	2 to 5 years
Monitoring equipment	5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.5 Intangible assets

Licences

Licences are measured at historical cost less accumulated amortisation and accumulated impairment losses. The historical cost is determined as the net present value of future discounted cash flows based on the original agreement for the purchase of the licences. Licences are amortised on a straight-line basis over their estimated useful lives, which is the period of the licences according to signed agreements, ranging from 15 to 25 years. In subsequent periods, should the terms and conditions of the licence be replaced or cancelled the licence will be derecognised and the amount will be expensed in profit or loss.

The directors assess the recoverability of the carrying value of each intangible asset annually and revisions are made where it is considered necessary (impairment testing), refer to 3.8. The corresponding licence obligation is calculated based on the present value of the future payments discounted at a market related interest rate at the reporting date and the applicable interest movements are accounted for in profit or loss.

Computer Software

Computer software is measured at cost less accumulated amortisation and accumulated impairment losses. Computer software 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 and adjusted if appropriate. The estimated useful lives for the current and comparative periods is two years.

Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

3.6 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Other leases are operating leases and the leased assets are not recognised on the Group's Statements of Financial Position

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.8 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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.

Individually significant financial assets are tested for impairment on an 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 recognised previously in equity is transferred to 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 other comprehensive income.

Non-financial assets

The carrying amounts of the 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 intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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 amounts of the other assets in the cash generating unit on a pro rata basis.

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.

3.9 Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised in profit or loss during the period in which services are rendered. Employee entitlements to annual leave and long service leave are recognised in profit or loss when they accrue to employees in respect of past services rendered up to the reporting date. This obligation is measured on an undiscounted basis.

An accrual is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which the services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans in personnel expenses in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, changes in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

3.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3.11 Revenue

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 activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group 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 bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Goods sold

The Group 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. 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. 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.

Services

The Group sells broadcasting and transmission services. These services are provided on a time basis or as a fixed price contract for a specific period.

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

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 profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Rental income

Rental income from the rental of premises is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

3.12 Government grants

Grants that compensate the Group for the cost of an asset are recognised initially as deferred income which is classified under current liabilities. Grants relating to completed and incompleted asset projects are deducted from the cost of the relevant asset (net presentation method). The depreciation expense recognised in profit or loss over the useful life of the asset is calculated from the net cost of the asset which is after deduction of the corresponding deferred government grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Government grants are only recognised when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Deferred income is classified as a current liability as uncertainty exists as to the timing of the release of the Government grants.

3.13 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.14 Finance income and finance costs

Finance income comprises dividend income, interest income on the Group's own cash and interest income on government grants invested, except where specified in the Government grant terms and conditions relating to the funds invested that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets that are recognised in profit or loss.

Borrowing costs that are not directly attributed to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis, as either finance income or finance expenses depending on whether the foreign currency movements are in a net gain or loss position.

3.15 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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 in respect of 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 assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; differences relating to investments in subsidiaries to the extent that 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 temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

3.16 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Statements of Comprehensive Income is re-presented as if the operation had been discontinued from the start of the comparative period.

3.17 Related parties

Related parties include the Department of Communications (100% shareholder) and fellow subsidiaries. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Company are also considered to be related parties. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

3.18 New standards and interpretations not yet adopted

In terms of International Financial Reporting Standards, the Group is required to include in its annual financial statements disclosure about the future impact of Standards and Interpretations issued but not yet effective at the reporting date.

At the date of authorisation of the financial statements of Sentech Limited and subsidiaries for the year ended 31 March 2011, the following Standards and Interpretations were in issue but not yet effective:

Standard/Interpretation		Effective date
11 individual amendments to 6 standards	*Improvements to International Financial Reporting Standards 2010*	Annual periods commencing on or after 1 July 2010
IFRS 7 amendment	*Disclosures – Transfers of Financial Assets*	Annual periods commencing on or after 1 July 2011
IFRS 9	*Financial Instruments*	Annual periods beginning on or after 1 January 2013
IFRS 9	*Additions to IFRS 9 Financial Instruments*	Annual periods beginning on or after 1 January 2013
IFRIC 14 amendment	*Prepayment of a minimum funding requirement*	Annual periods commencing on or after 1 July 2010
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*	Annual periods commencing on or after 1 July 2010

All standards will be adopted at their effective date (except for the effect of those standards that are not applicable to the entity).

The directors have reviewed the standards and interpretations not yet effective and are of the opinion that unless discussed below, the standards are not applicable to the business of the entity and will therefore have no impact on future financial statements.

The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IFRS 9

IFRS 9 will be adopted by the entity for the first time for its financial reporting period ending 31 March 2014. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The impact on the financial statements for the entity has not yet been estimated.

Improvements have been made to the following standards:

Additions to IFRS 9

The additions to IFRS 9 will be adopted by the Group for the first time for its financial reporting period ending 31 March 2014. The standard will be applied retrospectively, subject to transitional provisions.

Under IFRS 9, the classification and measurement requirements of financial liabilities are the same as per IAS 39, barring the following two aspects:

- Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, attributable to the changes in the credit risk of the liability will be presented in other comprehensive income. The remaining change is recognised in profit or loss. However, if the requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.
- Under IFRS 9 derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 incorporates, the guidances in IAS 39 dealing with fair value measurement, derivatives embedded in host contracts that are not financial assets, and the requirements of IFRIC 9 – Reassessment of Embedded Derivatives.

There will be no impact on the financial statements.

4. Critical accounting estimates, judgements and key assumptions

Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

The Group makes estimates, judgements and assumptions concerning the future. Those that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment

The valuation method used for the revaluation of land and building is the depreciation method. This method uses the replacement cost of the asset at the date of valuation and a depreciation factor is applied to arrive at the depreciated revalued cost. The comparable sales method of valuation is used, where relevant, to determine the market value of the property. This method entails the identification, analysis and application of recent comparable sales involving physical and legally similar properties in the general proximity of the subject property, to enable to valuer to arrive at a norm which will serve as a guide in estimating the market value of the subject property.

All valuations are performed by an experienced, qualified and objective valuer.

The residual values of property, plant and equipment are considered to be insignificant as the estimation of useful lives is equal to their economic lives.

Impairment of assets

The Group tests whether assets have suffered any impairment, in accordance with the accounting policy stated in note 3.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Estimates are based on management's interpretation of market forecasts.

Inventories

Impairment provisions are raised against inventory when it is considered that the amount realisable from such inventory's sale is considered to be less than its book value. In determining whether a particular item of inventory could be considered to be overvalued, the following factors are taken into consideration:

- Saleability;
- Excessive quantity;
- Age;
- Sub-standard quality and damage; and
- Historical and forecast sales demand.

Loans and receivables

Management identifies impairment of loans and receivables on an ongoing basis. Impairment adjustments are raised against loans and receivables when their collectability is considered to be doubtful. Management believes that the impairment write-off is conservative and there are no significant trade receivables that are doubtful and have not been impaired. In determining whether a particular debtor could be doubtful, the following factors are taken into consideration:

- Age;
- Credit terms;
- Customer current and anticipated future financial status; and
- Disputes with the customer.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk; and
- operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Accounting Authority has overall responsibility for the establishment and oversight of the Group's risk management framework. The Accounting Authority is responsible for developing and monitoring the Group's risk management policies.

5.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents held on behalf of the Group by financial institutions.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operates, has less of an influence on credit risk. There is concentration of credit risk in a single customer, South African Broadcasting Corporation (SABC) as more than fifty percent of the Group revenue comes from this customer. SABC is the national broadcaster and is supported by the Government to ensure that it meets its obligations when they fall due. Therefore, SABC does not pose a significant credit risk and has been settling its account on a timely basis.

The Accounting Authority has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepaid basis.

Cash and cash equivalents

Reputable financial institutions are used for investing and cash handling purposes.

5.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains an overdraft facility with ABSA Bank for R6 700 000. The facility utilisation has been disclosed in note 26.3.

5.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income of the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currency of the Group. The currencies in which these transactions are primarily denominated are, British Pound (GBP), Swiss Franc (CHF), United States Dollar (USD) and Euro (EUR).

The Group does not hedge foreign purchases and sales but matches foreign currency denominated cash inflows and outflows through the underlying operations of the Group. This provides an economic hedge and no derivatives are entered into. The Group's net exposure is kept at an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Interest rate risk

The Group addresses its interest rate risk by ensuring that all borrowings and investments are at market related rates. Within group entities, inter-group financing is also used as it is cheaper and subject to minimal interest rate risk. Certain long-term borrowings are entered into at fixed interest rates if the rates offered are favourable to the Group.

5.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each department. This responsibility is supported by the development of overall group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with group standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with management and the Audit Committee so that corrective action is taken.

5.5 Capital management

One of the key focus areas of the Accounting Authority is the optimal and most efficient use of the Group's capital. The primary objective of the Group's capital management strategy is to ensure that it maintains healthy capital ratios in order to support its core business and social mandate, whilst maximising stakeholder value.

The Group's aim is to ensure that it funds the maintenance and growth of its core business using internally generated funds, whilst using government grant funding for expansion capital expenditure requirements and government initiated programmes.

The Group is restricted in the use of debt funding and accordingly the optimising of the weighted average cost of capital is limited.

The philosophy is therefore to actively apply excess capital to growing and maintaining the core business and using government funding for significant mandated projects.

	Group	
	2011	2010
The core debt components of the Group is as follows:	**R'000**	R'000
Borrowings	**64 731**	83 177
Unfunded post retirement medical benefits obligation	**130 813**	119 580
	195 544	202 757

The unfunded post retirement medical benefits obligation relates to employees that joined the Group before 2005.This liability relates to the past and certain current employees who are entitled to post retirement medical aid contribution where they remain in employment with Sentech until retirement. This is a commitment that increases at medical initiation which approximates at least 2 percent above CPI.

	Group	
	2011	2010
Key capital structure data:	**R'000**	R'000
Shareholder Funds – Equity	**745 648**	542 151
Earnings before interest and tax (EBITDA)	**284 105**	204 562
Interest paid	**19 864**	20 607
– Borrowings	**8 590**	10 356
– Post-retirement medical	**11 274**	10 251
The Group benchmarks the following capital ratios:		
Debt to Equity ratio		
Target	**< 40%**	< 40%
Actual	**26%**	37%
Debt to EBITDA		
Target	**> 3**	> 3
Actual	**0,69**	0,99
EBITDA to interest paid cover		
Target	**> 10**	> 10
Actual	**14**	10

6. Property, plant and equipment

	Group and Company				
	Land and building R'000	Motor vehicles R'000	Computer, technical and office equipment R'000	Capital work in progress R'000	Total R'000
2011					
Opening carrying amount	368 633	469	171 710	305 593	846 405
Revaluation	38 873	–	–	–	38 873
Impairments	–	–	(2 854)	–	(2 854)
Additions	–	54	513	66 536	67 103
Disposals	(8)	–	(9 178)	–	(9 186)
Transfers	29 567	70	144 073	(173 710)	–
Government grant funded	–	–	(162 353)	–	(162 353)
Depreciation charge	(19 801)	(224)	(79 293)	–	(99 318)
Closing carrying value	417 264	369	62 618	198 419	678 670
Net presentation basis of Government grant funded assets – work-in-progress (note 16)	–	–	–	(179 502)	(179 502)
	417 264	369	62 618	18 917	499 168
Cost or valuation	581 168	2 606	777 637	198 419	1 559 830
Accumulated depreciation and impairment losses	(163 904)	(2 237)	(715 019)	–	(881 160)
Net presentation basis of Government grant funded assets – work-in-progress (note 16)	–	–	–	(179 502)	(179 502)
Carrying amount	417 264	369	62 618	18 917	499 168

	Group and Company				
	Land and building R'000	Motor vehicles R'000	Computer, technical and office equipment R'000	Capital work in progress R'000	Total R'000
2010					
Opening carrying amount	407 819	918	205 094	127 620	741 451
Devaluation	(14 778)	–	–	–	(14 778)
Impairments	–	–	(12 513)	–	(12 513)
Additions	–	263	13 493	256 109	269 865
Disposals	(48)	(168)	(736)	–	(952)
Transfers	10 626	–	67 510	(78 136)	–
Government grant funded	–	–	(54 069)	–	(54 069)
Depreciation charge	(34 986)	(544)	(47 069)	–	(82 599)
Closing carrying value	368 633	469	171 710	305 593	846 405
Net presentation basis of Government grant funded assets – work-in-progress (note 16)	–	–	–	(277 026)	(277 026)
	368 633	469	171 710	28 567	569 379
Cost or valuation	579 760	2 482	807 016	305 593	1 694 851
Accumulated depreciation and impairment losses	(211 127)	(2 013)	(635 306)	–	(848 446)
Net presentation basis of Government grant funded assets – work-in-progress (note 16)	–	–	–	(277 026)	(277 026)
Carrying amount	368 633	469	171 710	28 567	569 379

	Group and Company				
	Land and building R'000	Motor vehicles R'000	Computer, technical and office equipment R'000	Capital work in progress R'000	Total R'000
2009					
Opening carrying amount	545 782	6 299	245 864	84 313	882 258
Devaluation	(78 872)	–	–	–	(78 872)
Impairments	–	–	(45 869)	–	(45 869)
Additions	–	196	–	173 548	173 744
Disposals	(100)	–	(187)	–	(287)
Transfers	13 640	–	116 601	(130 241)	–
Government grant funded	–	–	(55 811)	–	(55 811)
Depreciation charge	(72 631)	(5 577)	(55 504)	–	(133 712)
Closing carrying value	407 819	918	205 094	127 620	741 451
Net presentation basis of Government grant funded assets – work-in-progress (note 16)	–	–	–	(103 322)	(103 322)
	407 819	918	205 094	24 298	638 129
Cost or valuation	610 139	6 358	783 283	127 620	1 527 400
Accumulated depreciation and impairment losses	(202 320)	(5 440)	(578 189)	–	(785 949)
Net presentation basis of Government grant funded assets – work-in-progress (note 16)	–	–	–	(103 322)	(103 322)
Carrying amount	407 819	918	205 094	24 298	638 129

The Group's land and buildings were revalued on 31 March 2011 by the directors in conjunction with Ubuntu Valuation and Appraisal Services. Details of the land and buildings are available for inspection at the Group's registered office.

Valuations were made on the basis of comparative land sales in each area and buildings based on the net replacement valuation method. The revaluation surplus/deficit, net of applicable deferred tax, was credited or debited to the revaluation reserve in shareholders' equity.

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

	Group and Company	
	2011	2010
	R' 000	R' 000
Cost	**217 879**	188 286
Accumulated depreciation and impairment losses	**(75 999)**	(68 567)
Carrying amount	**141 880**	119 719

7. Intangible assets

	Group and Company		
	Licences	Software	Total
2011	R'000	R'000	R'000
Opening carrying value	–	**528**	**528**
Amortisation charge	–	**(528)**	**(528)**
Closing carrying value	–	–	–
Cost	–	**15 671**	**15 671**
Accumulated amortisation and impairment	–	**(15 671)**	**(15 671)**
Carrying value	–	–	–
2010			
Opening carrying value	15 672	2 225	17 897
Derecognition	(15 672)	–	(15 672)
Amortisation charge	–	(1 697)	(1 697)
Closing carrying value	–	528	528
Cost	–	15 671	15 671
Accumulated amortisation and impairment	–	(15 143)	(15 143)
Carrying value	–	528	528

Derecognition of licences

In the prior year licences relating to Multimedia and Carrier of Carriers with a carrying value of R15 672 000 were replaced by the new Electronic Communications Act licences. The new licence fee is based on the gross profit for products utilising the licence. Therefore, the old licences have been derecognised as a result of the change in regulations.

Impairment tests for intangible assets

The Accounting Authority has assessed the carrying value of each intangible asset and a provision for impairment is not considered necessary.

8. Investments in subsidiaries

The Company's interest in principal subsidiaries, all of which are unlisted and registered in South Africa, are as follows:

Name of company	Held by	Holding	Carrying amount	
			2011	2010
Company		%	**R'000**	R'000
InfoHold (Proprietary) Limited	Sentech Limited	100	*	*
Vivid Multimedia (Proprietary) Limited	Sentech Limited	100	*	*
Sentech International (Proprietary) Limited	Sentech Limited	100	*	*
Available-for-sale financial assets			*	*

* amounts are below R1 000.

Infohold (Proprietary) Limited holds 100% of the shares of its subsidiary InfoSat (Proprietary) Limited.

InfoSat (Proprietary) Limited's business was discontinued in the previous year and is included in discontinued operations disclosures, see note 24.

Intercompany loans have been disclosed in Note 27.3.6.

9. Inventories

	Group and Company	
	2011	2010
	R' 000	R' 000
Consumables	**16 185**	9 462
Impairment	**(8 870)**	(1 000)
	7 315	8 462

The inventory held is not encumbered.

10. Trade and other receivables

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
Trade receivables	**34 847**	71 381*	**34 496**	70 962*
Less: Impairment	**(16 213)**	(22 779)	**(15 862)**	(22 407)
Net trade receivables	**18 634**	48 602	**18 634**	48 555
Other receivables	**4 298**	1 639	**4 298**	1 639
Deposits	**1 184**	1 155	**1 184**	1 155
Loan and receivables	**24 116**	51 396	**24 116**	51 349
Prepayments	**7 292**	22 989	**7 292**	22 989
Total trade and other receivables	**31 408**	74 385	**31 408**	74 338

* The prior year amounting to R71 381 000 for the Group and R70 962 000 for the company has been restated for presentation to combine third-party trade receivables of R52 139 000 for Group and R51 720 000 for Company and receivables from related parties of R19 242 000 for Group and Company. This was as a result of the early adoption of Revised IAS 24 – Related Parties. The definition applied regarding related parties is applied retrospectively, refer to note 27.3.3.

Receivables from related parties for both Group and Company included in trade and other receivables amounts to R774 000 (2010 – R997 000). Refer to note 27.3.3.

11. Cash and cash equivalents

	Group			Company		
	2011	2010	2009	**2011**	2010	2009
	R'000	R'000	R'000	**R'000**	R'000	R'000
Unrestricted cash						
- own cash	**363 311**	178 586	257 053	**363 193**	178 239	256 714
Restricted cash *	**772 489**	798 939	785 700	**772 489**	798 939	785 700
- Government grants cash	**638 433**	636 003	768 015	**638 433**	636 003	768 015
- Interest earned on government grant cash	**134 056**	162 936	17 685	**134 056**	162 936	17 685
	1 135 800	977 525	1 042 753	**1 135 682**	977 178	1 042 414

Restricted cash-government grants cash

The project and capital cash balances, net of VAT excluding the interest earned, which is currently managed on behalf of the DOC is as follows:

	Group and Company		
	2011	2010	2009
	R'000	R'000	R'000
Projects			
Digital Terrestrial Transmission	**92 484**	69 489**	101 901**
Broadband	**438 596**	438 596**	438 596**
Eassy – undersea cable	**18 421**	21 000**	21 000**
Community broadcasters	**8 480**	3 101**	20 562**
2010 World Cup Soccer	**80 452**	103 817**	185 956**
	638 433	636 003	768 015
Interest earned on Government grants cash	**134 056**	162 936	17 685
	772 489	798 939	785 700
At year-end, the Group and Company had issued the following guarantees:			
Eskom Enterprises	**984**	994	994
South African Revenue Services	**6 000**	6 000	6 000
Properties and related rates and taxes	**2 232**	2 223	1 126
	9 216	9 217	8 120

Government grant cash net of VAT and interest earned on government grant net of taxation are maintained in separate bank accounts. All expenditure related to these accounts are managed in terms of the agreed mandate with the Department of Communications ("DOC").

* The restricted cash has been split between the capital received and interest earned on the capital for improved presentation.

** In the previous year, the amounts were presented including interest earned on Government grants cash. The interest earned on Government grants cash has been separately disclosed to improve presentation and pending the outcome of an application submitted to the DOC the interest may be released to unrestricted cash. This will assist the Group in recapitalising the business.

12. Share capital and premium

	Group and Company	
	2011	2010
	R'000	R'000
Authorised		
100 000 ordinary shares of R1 each	**100**	100
Issued		
2 000 ordinary shares of R1 each	**2**	2
Share premium	**75 890**	75 890
	75 892	75 892

The shareholder (Minister of Communications) controls the unissued shares.

13. Loans and borrowings

	Group and Company	
	2011	2010
	R'000	R'000
Interest-bearing liabilities		
Held at amortised cost		
Development Bank of South Africa – Loan	**64 731**	82 083
Finance lease liabilities	**–**	1 094
Total loans and borrowings	**64 731**	83 177
Less: Short-term portion	**(19 302)**	(17 352)
Long-term portion	**45 429**	65 825

The loan from the Development Bank of South Africa was used to fund infrastructure development. The loan is for a period of 10 years ending on 31 March 2014 and is unsecured. Interest is charged at a fixed rate of 11,03% per annum and the loan is repayable in bi-annual equal instalments.

Contractual cash flows for loans and borrowings have been disclosed in note 26.2.

14. Deferred tax liabilities

Deferred 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 taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group and Company	
	2011	2010
	R'000	R'000
Deferred tax liabilities	**(77 215)**	(69 331)
Deferred tax assets	**66 572**	59 748
Deferred tax liabilities (net)	**(10 643)**	(9 583)
Movement in temporary difference during the year		
Beginning of year	**(9 583)**	(20 944)
Recognised in profit and loss (note 23)	**7 235**	7 224
Recognised in other comprehensive income	**(8 295)**	4 137
End of year	**(10 643)**	(9 583)

Deferred tax liabilities are attributable to the following:

	Group and Company		
	Property, plant and equipment	**Prepayments and deposits**	**Total**
	R'000	**R'000**	**R'000**
Balance at 31 March 2009	(74 197)	(3 419)	(77 616)
Recognised in profit and loss	4 695	(547)	4 148
Recognised in other comprehensive income	4 137	–	4 137
Balance at 31 March 2010	(65 365)	(3 966)	(69 331)
Recognised in profit and loss	**(1 709)**	**2 120**	**411**
Recognised in other comprehensive income	**(8 295)**	**–**	**(8 295)**
Balance at 31 March 2011	**(75 369)**	**(1 846)**	**(77 215)**

Deferred tax assets are attributed to the following:

	Group and Company		
	Provisions R'000	**Unearned income and deposits R'000**	**Total R'000**
Balance at 31 March 2009	46 837	9 835	56 672
Recognised in profit and loss	6 484	(3 408)	3 076
Balance at 31 March 2010	53 321	6 427	59 748
Recognised in profit and loss	**7 992**	**(1 168)**	**6 824**
Balance at 31 March 2011	**61 313**	**5 259**	**66 572**

	Group	
	2011	2010
	R'000	R'000
Unrecognised deferred tax assets and liabilities		
Deferred tax assets have not been recognised in respect of the following:		
Tax losses	**–**	18 273

The tax losses relate to InfoSat (Proprietary) Limited ("InfoSat"), a subsidiary of Sentech Limited. The tax losses expired in the current year as the subsidiary did not trade for a continuous period of twelve months. Deferred tax assets had not been recognised in the prior year in respect of the tax losses because it was not probable that future taxable profits will be available against which InfoSat could utilise the assets.

There are no other unrecognised deferred tax assets or liabilities.

	Group and Company	
	2011	2010
	R'000	R'000
The deferred tax accounted for in equity during the year is as follows:		
Revaluation reserve in other comprehensive income		
– property, plant and equipment	**(8 295)**	4 137

15. Employee benefits

	Group and Company	
	2011	2010
	R'000	R'000
The employee benefits assets and liabilities are made up as follows:		
Retirement pension benefits asset	**(1 300)**	(1 600)
Retirement medical benefits liability	**130 813**	119 580
	129 513	117 980

15.1 Retirement pension benefits

The Group 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 2011 by an independent actuary and will be evaluated again at the end of the 2012 financial year. The fund is a legal entity separate from the Group. 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 in profit and loss as they arise.

	Group and Company	
	2011	2010
	R'000	R'000
Present value of funded obligation	**(11 600)**	(9 000)
Fair value of plan assets	**12 900**	10 600
Net asset recognised at year-end	**1 300**	1 600
Change in the defined benefit funding obligation		
Present value of funded obligation at beginning of the year	**(9 000)**	(9 200)
Service cost benefits earned during the year	**(400)**	(300)
Interest cost on projected benefit obligation	**(1 000)**	(800)
Benefits paid	**–**	1 100
Actuarial (losses)/gains	**(1 200)**	200
Present value of funded obligation at end of the year	**(11 600)**	(9 000)
Change in plan assets		
Fair value of plan assets at the beginning of the year	**10 600**	11 400
Expected return on plan assets	**1 100**	1 000
Employee and employer contributions	**230**	200
Benefits paid	**–**	(1 100)
Actuarial gains/(losses)	**970**	(900)
	12 900	10 600
Fund surplus	**1 300**	1 600
Components of the retirement pension benefits recognised in profit and loss		
Current service cost	**400**	300
Interest cost	**1 000**	800
Actuarial losses recognised	**230**	700
Expected return on plan assets	**(1 100)**	(1 000)
Total included in employee remuneration costs	**530**	800
Movement in benefit fund asset		
Net asset at beginning of the year	**1 600**	2 200
Net amount recognised in profit or loss	**(530)**	(800)
Contributions paid to the fund	**230**	200
Net asset at end of the year	**1 300**	1 600
	%	%
Principle actuarial assumptions used		
Discount rate	**8,5**	8,8
Future salary increases	**7,0**	7,0
Expected return on plan assets	**10,6**	8,8
Future pension increases	**5,7**	5,2
Proportion of employees opting for early retirement	**41,8**	43,3

	Group and Company	
	2011	2010
Members of the fund		
Active members at beginning of the year	**5**	6
Exits during the year	**–**	(1)
Active members at end of the year	**5**	5

The investments of the fund are in unitised type of investments (insurance policies). The investments of the fund provided a return of 10,6% (2010 – 9,8%) for the year-end, which we derived from a "spectrum" of Government Bond Rates plus a small equity premium. 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 year ended 31 March 2012 financial year are R0,3 million (2011: R1,3 million).

	Group and Company		
Sensitivity analysis			
2011			
Change in liability	**8.5%**	**+0.5%**	**-0.5%**
0,5% change in discount rate and 0,25% change in future pension increase (R'000)	**(11 600)**	**(11 900)**	**(11 300)**
2010			
Change in liability	8.8%	+0.5%	-0.5%
0,5% change in discount rate and 0,24% change in future pension increase (R'000)	(9 000)	(9 300)	(8 700)

Historical information

	2011	2010	2009	2008	2007
	R'000	R'000	R'000	R'000	R'000
Retirement pension benefits					
Present value of the obligation	**(11 600)**	(9 000)	(9 200)	(7 400)	(25 700)
Present value of the plan assets	**12 900**	10 600	11 400	11 200	29 800
	1 300	1 600	2 200	3 800	4 100
Actuarial (gains)/losses recognised	**(1 200)**	700	2 000	1 100	7 800

15.2 Retirement medical aid benefits

The Group 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. Members employed on or after 1 July 2005, are not entitled to any post retirement subsidy of medical scheme contributions. The liability was actuarially valued at 31 March 2011 by an independent actuary, and will be evaluated again at the end of the 2012 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 in profit or loss.

	Group and Company	
	2011	2010
	R'000	R'000
Present value of unfunded obligations	**130 813**	119 580
Change in the defined benefit fund obligation		
Liability at beginning of the year	**119 580**	122 140
Benefits paid	**(3 409)**	(3 367)
Components of the retirement medical benefits recognised in profit and loss	**14 642**	807
Current service cost	**4 054**	4 134
Interest cost	**11 274**	10 251
Actuarial gains recognised	**(686)**	(13 578)
Liability at end of the year	**130 813**	119 580

	Group and Company	
	2011	2010
	%	%
Principle actuarial assumptions used		
Discount rate	**8,8**	9,5
Annual increase in health care costs	**7,3**	8,0
CPI inflation	**5,8**	5,6
Expected retirement age	**63 years**	63 years

The expected employee benefits to be paid for the 31 March 2012 financial year amount to R4,1 million (2011 – R3,5 million).

Projected expenses to the fund for the 31 March 2012 financial year amount to R15,2 million (2011 – R15,3 million).

	Group and Company		
Sensitivity analysis			
2011			
Change in liability	**7.25%**	**+1%**	**-1%**
1% change in health care cost inflation (R'000)	**130 813**	**152 281**	**113 380**
2010			
Change in liability	8%	+1%	-1%
1% change in health care cost inflation (R'000)	119 580	139 715	103 373

Historical information

	2011	2010	2009	2008	2007
	R'000	R'000	R'000	R'000	R'000
Retirement medical aid benefits					
Present value of the obligation	**130 813**	119 580	122 140	101 552	75 569
Actuarial (gains)/losses recognised	**(686)**	(13 578)	10 185	5 407	10

16. Deferred income – government grants

	Group		
	2011 R'000	Restated 2010 R'000	Restated 2009 R'000
Analysis of movements in deferred income			
Opening balance	**978 903**	850 918	579 743
Net funding received (see below)	**66 053**	232 434	307 017
Interest capitalised for the FIFA 2010 project (note 22)	**5 606**	13 556	14 607
Taxation paid on interest for FIFA 2010 project (note 23)	**(9 455)**	–	–
Utilisation recognised in profit and loss	**(60 820)**	(63 939)	(1 775)
– Community broadcasters	**(3 257)**	(3 118)	(1 475)
– SABC loan settlement	**–**	–	(300)
– 2010 Soccer World Cup operating expenses recovered	**(16 063)**	–	–
– Eassy project VAT paid	**(2 579)**	–	–
– Task team payments for ministerial investigation	**–**	(9 453)	–
– Interest paid for FIFA 2010 project recovered	**(2 661)**	–	–
– Dual illumination recovery of operating expenses	**(36 260)**	(51 368)	–
Acquisition of property, plant and equipment	**(162 353)**	(54 066)	(48 674)
	817 934	978 903	850 918
Less: Net presentation basis of Government grant funded assets included in property plant and equipment work-in-progress (note 6)	**(179 502)**	(277 026)	(103 322)
Closing balance	**638 432**	701 877	747 596
Net funding received			
Government grants received	**75 300**	264 858	350 000
Deemed VAT (14%)	**(9 247)**	(32 424)	(42 983)
	66 053	232 434	307 017

Government grants are received for the purchase and construction of property, plant and equipment and to compensate for the Group's operational expenditure related to Government projects. The deferred income relating to completed assets has been netted-off against the cost of the respective assets under property, plant and equipment. Deferred income relating to capital work-in-progress is set-off against costs incurred to date, on the net presentation basis. The asset will then be depreciated over its useful life based on the net carrying amount after taking Government grant funding into account as per the accounting policy, see note 3.12.

17. Trade and other payables

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
Trade payables	**34 979**	54 752	**34 957**	55 078
Amounts due to related parties (Note 27.3.4)	**1 229**	1 509	**1 229**	1 509
Accrued expenses	**13 578**	37 244 *	**13 396**	37 141*
Financial liabilities	**49 786**	93 505	**49 582**	93 728
Leave pay accrual	**17 838**	17 622	**17 838**	17 622
Unearned income	**4 803**	10 418	**4 803**	10 518
Customer deposits	**5 166**	2 272	**5 166**	2 272
Lease straight-lining	**7 443**	4 303	**7 443**	4 303
Total trade and other paybles	**85 036**	128 120	**84 832**	128 443

* In the prior year, accrued expenses were grouped together amounting to R43 819 000 for the Group and R43 716 000 for the company. The accrued expenses has been restated to present the customer deposits of R2 272 000 and straight-lining of leases of R4 303 000 separately to improve the presentation. The total of trade and other payables remains the same.

18. Provisions

	Group and Company			
Reconciliation of provisions	**Opening balance R'000**	**Additions R'000**	**Utilised during the year R'000**	**Total R'000**
2011				
Legal and other provisions	**–**	**11 164**	**–**	**11 164**
2010				
Fastcomm provision	4 000	–	(4 000)	–

The Accounting Authority has raised provision for legal and other provisions that are likely to be incurred. The analysis of the provisions is as follows:

	Group and Company	
	2011	2010
	R'000	R'000
Legal fees	**1 500**	–
ICASA signal distribution licence	**8 000**	–
Ex-employee claim	**1 664**	–
	11 164	–

19. Revenue

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
Terrestrial television services	**368 904**	345 641	**368 904**	345 641
Terrestrial FM radio services	**166 400**	156 776	**166 400**	156 776
Terrestrial MW radio services	**5 191**	4 910	**5 191**	4 910
Terrestrial short wave radio services	**27 146**	27 182	**27 146**	27 182
Terrestrial and satellite linking	**76 470**	76 322	**76 470**	76 322
Satellite direct-to-home	**32 104**	29 643	**32 104**	29 643
Business television	**1 513**	10 595	**1 513**	10 595
Facility rentals	**26 867**	24 262	**26 867**	24 262
Carrier of Carriers – Voice telephony services	**32 220**	68 414	**32 220**	68 414
VAS business	**–**	2 855	**–**	–
Sales of satellite decoders	**–**	235	**–**	235
VSAT	**25 029**	38 349	**25 029**	38 349
Biznet	**155**	2 270	**155**	2 270
2010 Soccer World Cup income	**16 063**	–	**16 063**	–
MyWireless	**–**	2 242	**–**	2 242
Dual illumination grant income	**36 260**	51 368	**36 260**	51 368
Other	**12 245**	5 171 *	**12 269**	11 770 *
Total revenue	**826 567**	846 235	**826 591**	849 979
Less: Revenue from discontinued operations (note 24)	**(32 375)**	(75 781)	**(32 375)**	(72 926)
– Carrier of Carriers	**(32 220)**	(68 414)	**(32 220)**	(68 414)
– VAS business	**–**	(2 855)	**–**	–
– Biznet	**(155)**	(2 270)	**(155)**	(2 270)
– MyWireless	**–**	(2 242)	**–**	(2 242)
Revenue from continuing operations	**794 192**	770 454	**794 216**	777 053

* The other revenue reported in the prior year was R12 351 000 for the Group and R18 950 000 for the Company. The other revenue has been further analysed into terrestrial FM radio services of R4 910 000 and Biznet of R2 270 000. Thus reflecting other revenue as R5 171 000 for the Group and R11 770 000 for the Company. Total revenue remains the same

20. Expenses by nature

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
Employee benefit expense (note 21)	**230 878**	225 479 *	**230 878**	225 479 *
Depreciation	**99 318**	82 599	**99 318**	82 599
Amortisation of intangible assets	**528**	1 697	**528**	1 697
Impairment of property, plant and equipment	**2 854**	12 513	**2 854**	12 513
Loss on derecognition of licences	**–**	15 672	**–**	15 672
Transportation expenses	**11 523**	12 112	**11 587**	12 112
Advertising costs	**5 175**	6 804	**5 178**	6 804
Operating lease payments				
– satellite rental	**86 476**	94 911 **	**86 476**	94 911 **
– premises	**11 266**	14 557	**11 266**	14 557
– other	**2 697**	5 217	**2 697**	5 217
Auditors remuneration				
– current year				
– audit fees	**2 400**	2 135	**2 400**	2 135
– other services	**101**	104	**101**	104
– prior year under provision				
– audit fees	**1 356**	500	**1 356**	500
Legal and consulting fees	**16 524**	10 117	**16 524**	10 117
Other cost of sales, selling, administration and operating expenses	**171 213**	241 552 **	**170 222**	247 649 **
Total cost of sales, selling, administration and other operating expenses	**642 309**	725 969	**641 385**	732 066
Less: Expenses related to discontinued operations (note 24)	**(41 201)**	(197 581)	**(41 201)**	(190 982)
	601 108	528 388	**600 184**	541 084
Disclosed as follows in profit or loss for continuing operations:				
Cost of sales	**509 624**	437 290	**509 624**	449 196
Operating expenses	**27 634**	32 611	**26 710**	34 101
Selling expenses	**5 175**	6 804	**5 175**	6 804
Administrative expenses	**58 675**	51 683	**58 675**	50 983
	601 108	528 388	**600 184**	541 084

* Refer to note 28 for the reclassification of interest on employee benefits from employee benefit expense to finance expenses amounting to R10 251 000.

** In the prior year, the satellite rental of R94 911 000 was included in other cost of sales, selling, administration and operating expenses. This has been separately disclosed to improve the disclosure.

21. Employees benefit expense

	Group and Company	
	2011	2010
	R'000	R'000
Wages and salaries	**183 130**	188 963 *
Statutory charges	**451**	1 885
Pension costs – defined contribution plans	**19 888**	21 509
Post-retirement pension benefits (note 15)	**530**	800
Medical aid contributions		
– current employees	**19 922**	18 698
– pensioners	**3 588**	3 068
– post-retirement obligations, excluding interest (note 15)	**3 368**	(9 444)
	230 878	225 479 **
Included in the above amounts are the following expenses relating to discontinuing operations:		
Wages and salaries	**5 291**	33 583
Statutory charges	**8**	352
Pension costs – defined contribution plans	**282**	2 827
	5 581	36 762
Total number of employees at year-end	**515**	550

* Refer to note 28 for the reclassification on interest on employee benefit expense to finance expenses amounting to R10 251 000.

** The amount previously disclosed was R210 729 000, to improve disclosure medical aid contributions to current employees of R18 698 000 and pensioners of R3 068 000 has been reflected separately.

22. Finance income and expenses

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
Recognised in profit and loss				
Finance income	**60 088**	67 410	**60 082**	67 401
Interest income – financial institutions	**58 119**	70 526*	**58 113**	70 517*
Dividend received	**7 575**	10 440*	**7 575**	10 440*
Interest income capitalised on government grants not recognised in profit or loss (note 16)	**(5 606)**	(13 556)	**(5 606)**	(13 556)
Finance expenses	**(20 804)**	(11 952)	**(20 787)**	(12 205)
Borrowings	**(8 590)**	(10 356)	**(8 590)**	(10 356)
Finance lease interest	**–**	(292)	**–**	(292)
Other interest expenses	**(940)**	8 947	**(923)**	8 694
Post retirement medical interest (note 15 and 21)	**(11 274)**	(10 251)	**(11 274)**	(10 251)
Net finance income	**39 284**	55 458	**39 295**	55 196

The finance income for discontinued operations is not significant and thus has not been separately disclosed. Expenses relating to discontinued operations have been included in other interest expenses.

Other interest expenses in the prior year included over provisions for the Independent Communications Authority of South Africa and South African Revenue Services obligations in respect of interest due to late payments.

* Refer to note 28 for the prior year reclassification of dividends received.

23. Income tax expense

	Group and Company	
	2011	2010
	R'000	R'000
Current tax expense		
Current period	**(77 699)**	(61 230)
Adjustment for prior periods	**10 386**	(16 591)
	(67 313)	(77 821)
Tax recovered from grant funds (note 16)	**9 455**	–
Deferred tax credit (note 14)	**7 235**	7 224
	(50 623)	(70 597)
Income tax expense from continuing operations	**(53 094)**	(103 653)
Income tax effect from discontinuing operations (note 24)	**2 471**	33 056
	(50 623)	(70 597)

	Group		Company	
	2011	2010	**2011**	2010
	%	%	**%**	%
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and effective tax rate:				
Applicable tax rate	**28.0**	28.0	**28.0**	28.0
Wear and tear on grant assets	**(5.2)**	–	**(5.2)**	–
Expenses not deductible	**0.4**	2.0	**0.4**	2.0
Dividend income exempt	**(0.9)**	–	**(0.9)**	–
Unrecognised tax losses	**0.1**	(1.0)	**–**	–
Prior year under provision	**4.8**	5.6	**4.8**	5.7
Capitalised interest income	**0.7**	2.0	**0.8**	2.0
Taxation recovered on interest capitalised	**(4.1)**	–	**(4.1)**	–
Tax benefit on discontinued operation	**(1.0)**	(1.8)	**(1.0)**	(2.1)
	22.8	34.8	**22.8**	35.6

The Company has claimed a wear and tear allowance of R43 million (2010: R28 million) in respect of Government grant funded assets in terms of SARS practice note issued in December 2010.
The prior year tax rate reconciliation has been restated to account for changes arising from prior year restated as detailed in note 28.

In the prior financial statements, it was reported that management identified possible errors on wear and tear tax allowances, however after further investigation it was confirmed that there were no errors on the wear and tear tax allowances.

24. Discontinued operations

In the previous financial year, the Accounting Authority discontinued all non-performing telecommunication products namely MyWireless, Biznet, and VAS. In the current year, the Carrier of Carrier business was discontinued in line with the strategy to discontinue all non-performing products and services. Thus the prior year's statements of comprehensive income has been restated to reflect the Carrier of Carrier business as discontinued. Discontinued loss of R6 355 000 was incurred in the final wind down of this business.

The assets and liabilities of the discontinued operations are set out below.

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
Trade and other receivables	**1 075**	16 199	**1 075**	15 891
Trade and other payables	**–**	(7 524)	**–**	(189)

The non-current assets have been fully impaired and are to be sold piecemeal, where possible.

Results of discontinued operations				
Revenue	**32 375**	75 781	**32 375**	72 926
Expenses	**(41 201)**	(197 581)	**(41 201)**	(190 982)
Results from operating activities	**(8 826)**	(121 800)	**(8 826)**	(118 056)
Income tax effect (note 23)	**2 471**	33 056	**2 471**	33 056
Loss for the year	**(6 355)**	(88 744)	**(6 355)**	(85 000)

Cash flows used in discontinued operation				
Results from operating activities	**(8 826)**	(121 800)	**(8 826)**	(118 056)
Adjust for non-cash items:				
Depreciation and impairment losses	**–**	27 616	**–**	27 616
Derecognition of licences	**–**	15 672	**–**	15 672
Net cash used in discontinued operation	**(8 826)**	(78 512)	**(8 826)**	(74 768)

	Note	Group		Company	
		2011	2010	**2011**	2010
		R'000	R'000	**R'000**	R'000
25. Notes to the statement of cash flows					
25.1 Cash generated from operations					
Results from operating activities		**193 084**	242 066	**194 032**	235 969
Adjusted for:					
– loss from discontinued operations	*24*	**(8 826)**	(121 800)	**(8 826)**	(118 056)
– depreciation of property, plant and equipment	*6*	**99 318**	82 599	**99 318**	82 599
– amortisation of intangible assets	*7*	**528**	1 697	**528**	1 697
– impairment of property, plant and equipment	*6*	**2 854**	12 513	**2 854**	12 513
– loss on disposals on property, plant and equipment	*25.4*	**9 186**	23	**9 186**	23
– loss on derecognition of intangible assets	*7*	**–**	15 672	**–**	15 672
– increase in provision for the impairment of inventories		**7 870**	456	**7 870**	456
– (decrease)/increase in trade and other receivables provision		**(6 566)**	1 443	**(6 545)**	1 405
– increase/(decrease) in provisions		**11 164**	(4 000)	**11 164**	(4 000)
– (decrease)/increase in provision for the impairment of loans to subsidiary		**–**	–	**(929)**	6 135
– movement in defined employee benefits funds, excluding interest		**259**	(12 211)	**259**	(12 211)
Cash generated from operations before working capital changes		**308 871**	218 458	**308 911**	222 202
Working capital changes, excluding movements in provisions		**(264)**	(164 813)	**(86)**	(168 303)
– (increase)/decrease in inventories		**(6 723)**	4 907	**(6 723)**	4 907
– decrease in trade and other receivables		**49 543**	1 391	**49 475**	1 045
– decrease in trade and other payables		**(43 084)**	(171 111)	**(43 611)**	(167 999)
– decrease/(increase) in loan from subsidiary		**–**	–	**773**	(6 256)
Cash generated from operations		**308 607**	53 645	**308 825**	53 899

	Note	Group		Company	
		2011	2010	**2011**	2010
		R'000	R'000	**R'000**	R'000
25.2 Interest paid					
Amount recognised in profit or loss		**(20 804)**	(11 952)	**(20 787)**	(12 205)
Interest on post-retirement medical aid		**11 274**	10 251	**11 274**	10 251
Interest paid to South African Revenue Services		**912**	–	**912**	–
Interest paid		**(8 618)**	(1 701)	**(8 601)**	(1 954)
25.3 Income tax paid					
Balance owing at 1 April		**(47 391)**	(19 012)	**(47 391)**	(19 012)
Current tax expense	*23*	**(67 313)**	(77 821)	**(67 313)**	(77 821)
Interest and penalty		**(912)**	–	**(912)**	–
Balance (receivable)/owing at end of year		**(11 476)**	47 391	**(11 476)**	47 391
Tax paid		**(127 092)**	(49 442)	**(127 092)**	(49 442)
25.4 Proceeds from sale of property, plant and equipment					
Carrying amount of disposals	*6*	**9 186**	952	**9 186**	952
Loss on disposal of property, plant and equipment		**(9 186)**	(23)	**(9 186)**	(23)
Proceeds on disposal of property, plant and equipment		**–**	929	**–**	929

26. Financial instruments

26.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
Cash and cash equivalents (note 11)	**1 135 800**	977 525	**1 135 682**	977 178
Loans and receivables (note 10)	**24 116**	51 396	**24 116**	51 349
	1 159 916	1 028 921	**1 159 798**	1 028 527

The maximum exposure for loans and receivables at the reporting date by geographic region was:

Domestic	**17 009**	35 795	**17 009**	35 748
Foreign	**7 107**	15 601	**7 107**	15 601
	24 116	51 396	**24 116**	51 349

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
Impairment losses				
The ageing of loans and receivables at the reporting date was:				
Not past due date	**17 303**	15 523	**16 952**	15 360
Past due 30 days	**5 580**	9 210	**5 580**	9 210
Past due 60 days	**(576)**	10 936	**(576)**	10 936
Past due 90 days and more	**18 022**	38 506	**18 022**	38 250
Gross loans and receivables	**40 329**	74 175	**39 978**	73 756
Impairment allowance	**(16 213)**	(22 779)	**(15 862)**	(22 407)
Net loans and receivables	**24 116**	51 396	**24 116**	51 349
The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:				
Balance at 1 April	**(22 779)**	(21 336)	**(22 407)**	(21 002)
Impairment loss reversed/(recognised)	**6 566**	(3 930)	**6 545**	(3 892)
Bad debts written-off	**–**	2 487	**–**	2 487
Balance at 31 March	**(16 213)**	(22 779)	**(15 862)**	(22 407)

The collectability of loans and receivables is assessed at reporting date and specific allowances are made for any doubtful loans and receivables based on a review of all outstanding amounts at year end. Doubtful debts are written-off during the year in which they are identified. The impairment loss at year-end relates to loans and receivables which have been outstanding for a long time and have not been settled subsequent to year-end. The Group does not hold any collateral as security for its loans and receivables.

26.2 Exposure to liquidity risk

Financial liabilities at year-end were as follows:

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
Trade and other payables (note 17)	**49 786**	93 505	**49 582**	93 728
Loans from group companies (note 27)	**–**	–	**–**	156
Loans and borrowings (note 13)	**64 731**	83 177	**64 731**	83 177
Carrying amount	**114 517**	176 682	**114 313**	177 061

The maturity of contractual financial liabilities, including interest payments and excluding the impact of netting agreements are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
1 year or less				
Trade and other payables	**49 786**	93 505	**49 582**	93 728
Loans from group companies	**–**	–	**–**	156
Loans and borrowings, including interest	**25 942**	27 036	**25 942**	27 036
2 – 5 years				
Loans and borrowings, including interest	**51 884**	77 826	**51 884**	77 826
Total contractual cash flows	**127 612**	198 367	**127 408**	198 746

26.3 The Group will be able to meet their contractual obligations as they become due.

Unutilised borrowing capacity				
Approved and unutilised overdraft facilities	**6 700**	73 170	**6 700**	73 170

26.4 Exposure to currency risk

Loans from group companies and loans and borrowings are denominated in South African Rand.

The exposure to currency risk was as follows based on carrying amounts for other financial instruments:

	Group and Company			
	Loans and receivables	**Trade and other payables**	**Cash and cash equivalents**	**Net exposure at year-end**
	R'000	**R'000**	**R'000**	**R'000**
2011				
GBP	**3 828**	**–**	**7 131**	**10 959**
EUR	**961**	**(3 557)**	**17 217**	**14 621**
USD	**2 318**	**–**	**9 669**	**11 987**
	7 107	**(3 557)**	**34 017**	**37 567**
2010				
GBP	3 961	–	1 582	5 543
EUR	2 568	(475)	2 366	4 459
USD	9 072	(921)	5 331	13 482
CHF	–	(499)	–	(499)
	15 601	(1 895)	9 279	22 985

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2011	2010	**2011**	2010
	R	R	**R**	R
GBP	**11,147**	12,305	**10,835**	11,111
EUR	**9,501**	10,898	**9,589**	9,913
USD	**7,171**	7,711	**6,763**	7,337
CHF	**7,154**	8,000	**7,593**	6,944

Sensitivity analysis

A 10 percent weakening of the Rand against the following currencies at 31 March would have (decreased) /increased profit or loss for the Group by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	Group and Company	
	2011	2010
	R'000	R'000
GBP	**789**	399
EUR	**1 053**	332
USD	**863**	971
CHF	**–**	(36)

A 10 percent strengthening of the Rand against the currencies at 31 March would have had equal but opposite effect in the above currencies to the amounts shown above, on the basis that all other variables remain constant.

26.5 Exposure to interest rate risk

The Group generally adopts a policy of ensuring that its exposure to change in interest rates is on a floating rate basis.

Profile

The interest rate risk profile of the interest-bearing financial instruments was:

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
Fixed rate instruments				
Development Bank of South Africa Loan	**(64 731)**	(82 083)	**(64 731)**	(82 083)
Variable rate instruments				
Government grants cash and cash equivalents	**772 489**	798 939	**772 489**	798 939
Own cash and cash equivalents	**363 311**	178 586	**363 193**	178 239
Finance lease liability	**–**	(1 094)	**–**	(1 094)
	1 135 800	976 431	**1 135 682**	976 084

Sensitivity analysis

A change of 100 basis points in interest rates would have increased or decreased profit or loss by R423 000 (2010 – R559 000) with all other variables held constant.

26.6 Fair values versus carrying amounts

The Group and Company carrying amounts for financial assets and liabilities approximate the fair values of the respective financial instruments at year end.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Interest bearing loans

Fair value calculated based on discounted expected future principal and interest cash flows.

Loans and receivables/payables including group balances

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Non-derivative financial assets and liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on prime rates at the reporting date plus an adequate credit spread.

Fair value hierarchy

At 31 March 2011 and 2010, the Group and Company did not have financial instruments carried at fair value, by valuation method, requiring the following fair value hierarchy classification:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

27. Related parties

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.

Related party transactions occurred between Sentech, Department of Communication (DOC), The Independent Communications Authority of South Africa (ICASA) and the South African Broadcasting Corporation (SABC).

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

Key management personnel have also been identified as related parties and their remuneration has been disclosed below.

Transactions with key management personnel

27.1 Loans to directors

There were no loans issued to directors during the year nor balances outstanding at the end of the year.

27.2 Key management compensation

Directors emoluments	Period of service (months)	Group and Company Basic salary	Expense and other allowances	Provident fund	Fees	Total
		R'000	R'000	R'000	R'000	R'000
2011						
Executive						
MS Cassim	**5**	**793**	**32**	**85**	**–**	**910**
D Dube	**12**	**1 074**	**207**	**–**	**–**	**1 281**
SJ Mohapi	**7**	**878**	**131**	**–**	**–**	**1 009**
B Ngwenya	**4**	**379**	**77**	**–**	**–**	**456**
Non-executive						
HM Dhlamini	**12**	**–**	**–**	**–**	**1 180***	**1 180**
ZD Hlatshwayo	**12**	**–**	**6**	**–**	**257**	**263**
LT Khumalo	**10**	**–**	**6**	**–**	**254**	**260**
T Leeuw	**13**	**–**	**7**	**–**	**265**	**272**
Q Patel	**8**	**–**	**6**	**–**	**234**	**240**
NP Siswana	**10**	**–**	**4**	**–**	**111**	**115**
L Naidoo	**–**	**–**	**–**	**–**	**–**	**–**
P Mashile	**–**	**–**	**–**	**–**	**–**	**–**
		3 124	**476**	**85**	**2 301**	**5 986**
2010						
Executive						
S Mokone-Matabane	12	3 190	915	421	–	4 526
MS Cassim	12	1 457	69	204	–	1 730
B Ngwenya	12	1 410	66	197	–	1 673
Non-Executive						
C Hickling	11	–	–	–	461	461
N Tshombe	11	–	–	–	261	261
D Konar	10	–	–	–	171	171
T Leeuw	12	–	–	–	272	272
N Sihlali	12	–	–	–	268	268
Y Muthien	10	–	–	–	171	171
T Mashigo	11	–	–	–	204	204
M Booi	12	–	–	–	31	31
		6 057	1 050	822	1 839	9 768

* From November 2010 to end of March 2011 Mr M Dhlamini received R84 972 for directors and meeting fees respectively. For the balance of the amount refer to note 27.3.7.

See Accounting Authority's report for movements (resignations and appointment) in directors during the year.

Other key management personnel

Key personnel are defined as the the Executive for Human Resources, General Manager for CEO's Office, Executive for Legal and Regulatory and the Risk Officer. Remuneration to key management personnel excluding directors' emoluments above is:

		Group and Company				
	Position	**Period of service (months)**	**Basic**	**Expense and other allowances**	**Pension Fund**	**Total**
			R'000	**R'000**	**R'000**	**R'000**
2011						
RN Ramokhufi	General Manager: Office of the CEO	**8**	**640**	**324**	**89**	**1 053**
NNN Shwala	Executive: Human Resource	**12**	**843**	**55**	**118**	**1 016**
			1 483	**379**	**207**	**2 069**
2010						
RN Ramokhufi	General Manager: Office of the CEO	12	794	41	103	938
NNN Shwala	Executive: Human Resource	12	746	36	104	886
			1 540	77	207	1 824

27.3 Government grants

Various transactions were entered into with the Department of Communication and National Treasury with respect to government grants. Government grants are accounted for in terms of IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance.

Government grants received and other related movements have been disclosed in note 16.

Entities within the National Sphere

The Group is controlled by the Government of South Africa which owns 100% of the Company's shares through the Department of Communications. The following transactions with related parties occurred during the year:

		Group and Company	
		2011	2010
		R'000	R'000
27.3.1	*Entities within the National Sphere*		
	SABC	**455 913**	440 715

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

	Group and Company	
	2011	2010
	R'000	R'000
27.3.2 Purchases of goods and services		
SABC	**140**	5 263
ICASA	**3 044**	41 017
	3 184	46 280

Transactions with related parties are on an arm's length basis.

27.3.3 Related party receivables		
SABC	**657**	852
DOC	**117**	145
	774	997

27.3.4 Related party payables		
ICASA	**1 229**	1 509

27.3.5 Transactions with subsidiaries		
Income from the provision of management services to InfoSat (Proprietary) Limited	**–**	6 600

	Company	
	2011	2010
27.3.6 Loans owing (to)/by subsidiaries	**R'000**	R'000
Loans to subsidiary	**52 202**	52 202
Impairment of loans to subsidiary	**(5 206)**	(6 135)
Loans owing to subsidiary	**(46 996)**	(46 223)
	–	(156)

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, 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 reporting date.

27.3.7 Other transactions with related parties

The Minister of Communication appointed a task team to evaluate the performance and management of Sentech during the prior year. Certain members of the task team were subsequently appointed as non-executive directors of Sentech Limited. Amounts paid to the entities, where these directors have an interest, for the work done by the task team were as follows:

In April 2010 Mr M Dhlamini was appointed Chairperson of the Turnaround (Ad hoc) Committee. As a result of this he performed certain executive responsibilities. During this period April to November 2010 he was remunerated as follows:

Group and Company		
Entity	**Director with relationship**	**2011 R'000**
Linkage Management Services CC	HM Dhlamini	1 095

Group and Company		
Entity	**Director with relationship**	**2010 R'000**
Russet Trading and Investment 74 (Pty) Ltd	Q Patel (appointed 1 April 2010)	446

Other transactions with related parties during the year were as follows:

	Group and Company	
	2011	2010
	R'000	R'000
Payments to ICASA		
Interest on late payments	–	8 964*
Settlement of licence obligation	–	27 000*
	–	35 964

* Where relevant, these amounts were accrued for in the prior year annual financial statements.

28. Prior year restatements

28.1 Reclassification of defined benefits fund interest cost

In prior years, the interest cost of the defined medical benefit fund was included in operating expenses in the profit or loss. The Group reclassified the interest cost to finance expenses to clearly indicate the financing cost of this obligation. The effects are as follows:

	Group and Company
	2010
	R'000
Profit or loss	
Decrease in operating expenses	10 251
Increase in finance expenses	(10 251)
Net effect on profit or loss	–

28.2 Reclassification of deferred income government grants

In previous periods, the deferred income on government grants relating to work-in-progress was disclosed under current liabilities. In the current year, deferred income relating to work-in-progress has been set-off against work-in-progress costs to date for improved presentation.

	Group and Company	
	2010	2009
	R'000	R'000
Non-current assets		
Decrease in property, plant and equipment	(227 026)	(103 322)
Current liabilities		
Decrease in deferred income government grants	227 026	103 322

28.3 Discontinued operations classification

The Carrier of Carriers business was discontinued in the current year and as a result the prior year profit and loss has been restated by reclassifying the results of Carrier of Carriers to discontinued operations. Refer to note 24 for discontinued operations disclosures. The comparative amounts reclassified from continuing operations to discontinued operations in respect of Carrier of Carriers business are as follows:

	Group and Company
	2010
	R'000
Revenue	68 414
Expenses	(108 562)
Results from operating activities	(40 148)
Income tax effect	11 242
Loss for the period	(28 906)

28.4 Reclassification of dividends

In the prior year, dividends of R10 440 000 were incorrectly disclosed as interests income. The amount has been reclassified as dividends received. There was no impact on profit or loss as it was a reclassification.

	Group and Company	
	2011	2010
	R'000	R'000
29. Commitments		
29.1 Capital commitments		
Capital expenditure contracted for at the reporting date but not yet incurred is as follows:		
Requested per corporate plan		
– Sentech funded assets	**154 000**	142 000
– Government grant funded assets	**629 000**	234 000
Approved but not contracted	**260 694**	347 592
Contracted	**18 628**	24 245

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

29.2 Operating lease commitments

The Group leases various facilities, offices, equipment and satellite capacity under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure recognised in profit or loss during the year is disclosed in Note 20.

Minimum lease cash payments due		
– within one year	**72 774**	76 151
– in second to fifth year inclusive	**276 404**	74 262
– later than five years	**745**	33 067
	349 924	183 481

30. Losses through criminal conduct, irregular, fruitless and wasteful expenditures

30.1 All losses through criminal conduct and any irregular expenditure

Section 1 of the Public Finance Management Act, No. 1 of 1999, as amended, defines irregular expenditure as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not incurred in accordance with a requirement of any applicable legislation.

The following amounts have been determined as being losses through irregular expenditure, in terms of section 55(2)(b)(i) of the Public Finance Management Act, No. 1 of 1999, as amended:

	Action taken	Losses identified	Losses recovered year to date	Losses written-off	Recovery outstanding
Group and Company		R'000	R'000	R'000	R'000
2011					
Irregular expenditure					
Intelsat	Application for condonation	**35 387**	–	**35 387**	–
Low power projects	Disciplinary action taken**	**956**	–	–	**956**
Sebenza	No action	**282**	–	**282**	–
African Union Communications	No action	**2 355**	–	**2 355**	–
Comscience	No action	**2 082**	–	**2 082**	–
Cinai	No action	**518**	–	**518**	–
Turnaround committee: Ntumba Consulting	No action*	**5 191**	–	**5 191**	–
Turnaround committee: S Lomasontfo	No action*	**720**	–	**720**	–
Turnaround committee: Intelligent Systems	No action*	**448**	–	**448**	–
Turnaround committee: K Masekela	No action*	**290**	–	**290**	–
Turnaround committee: Linkages Management	No action*	**961**	–	**961**	–
Turnaround committee: New Heights Training	No action*	**580**	–	**580**	–
Turnaround committee: D Dharmalingam	No action*	**173**	–	**173**	–
Turnaround committee: Q Patel	No action*	**1**	–	**1**	–
Njunju Security Services	No action	**573**	–	**573**	–
Nrb Risk Solutions	No action	**603**	–	**603**	–
Tnd Risk Management	No action	**298**	–	**298**	–
Transform Electrical Wholesalers	No action	**5**	–	**5**	–
T-systems	No action	**1 874**	–	**1 874**	–
Tritonsat	No action	**8 447**	–	**8 447**	–
Alexander Forbes	Condoned by the board of directors	**2 393**	–	**2 393**	–
Knowles, Husain, Lindsday	No action	**2 158**	–	**2 158**	–
Criminal misconduct					
Scharrer	Disciplinary action and dismissal	**83**	–	**83**	–
		66 378	–	**65 422**	**956**

* There is a resolution to approve R3 million of expenditure relating to the Turnaround Committee. This R3 million could not be attributed to any particular consultant.
** Due to ongoing investigation a more comprehensive report will be made with the next reporting period.

	Action taken	Losses identified	Losses recovered year to date	Losses written-off	Recovery outstanding
Group and Company		**R'000**	**R'000**	**R'000**	**R'000**
2010					
Irregular expenditure					
Intelsat	Application for condonation	70 422*	–	70 422	–
NagraVision	Civil matter pending	8 369	–	8 369	–
RentWorks Africa	Requested, condonation, declined	5 679	–	5 679	–
		84 470	–	84 470	–

* The amount was restated as the Intelsat contract was not previously included in error.

30.2 Material losses through fruitless and wasteful expenditures

Section 1 of the Public Finance Management Act, No. 1 of 1999, as amended, defines fruitless and wasteful expenditure as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

The following material losses, through fruitless and wasteful expenditure have been identified as being reportable in terms of the materiality framework approved by the Minister of Communications for the year under review:

	Action taken	Losses identified	Losses recovered year to date	Losses written-off	Recovery outstanding
		R'000	R'000	R'000	R'000
2011					
Group and Company					
South African Revenue Services					
– interest on second provisional tax 2010	Disciplinary action and dismissal	**474**	**–**	**474**	**–**
– interest on late payment of VAT	Disciplinary action and dismissal	**902**	**–**	**902**	**–**
– interest on company income tax return	Disciplinary action and dismissal	**276**	**–**	**276**	
– penalty on late payment of second provisional tax 2010	Disciplinary action and dismissal	**2 543**	**–**	**2 543**	–
Unfair dismissal	Settlement reached with employee to avoid further legal costs	**108**	**–**	**108**	**–**
Employee discharged	Settlement reached with employee to avoid further legal costs	**251**	**–**	**251**	**–**
Interest on late payment to vendors	No action	**70**	**–**	**70**	**–**
		4 624	**–**	**4 624**	–

2010	Action taken	Losses identified	Losses recovered year to date	Losses written-off	Recovery outstanding
		R'000	R'000	R'000	R'000
Group					
South African Revenue Services – interest on VAT InfoSat	No action	737*	–	737	–
Company					
South African Revenue Services					
– interest on second provisional tax 2009	No action	1 696	–	1 696	–
– interest on VAT payable Government Grants	Disciplinary action pending	18 749*	–	18 749*	–
ICASA – interest on licences	Disciplinary action pending	8 964*	–	8 964*	–
Misuse of company vehicle	Disciplinary action and dismissal	31	–	31	–
Misuse of company vehicle	Disciplinary action and dismissal	40	–	40	–
Misuse of company vehicle	Disciplinary action and dismissal	120	–	120	–
Unfair dismissal	No action	149	–	149	–
Unfair dismissal	No action	33	–	33	–
Alleged unfair labour practice	No action	516	–	516	–
Total company		30 298	–	30 298	–
Total group and company		31 035	–	31 035	–

* The losses disclosed represent payments made to settle liabilities in the current year. All relevant accruals or provisions were made in the prior year's annual financial statements.

The amount include interest and the settlement of the liability.

31. Contingent liability

Altech

The Group received a claim from Altech amounting to R 31 million relating to an order that was placed without the appropriate contract in place. The Accounting Authority cancelled the purchase order based on the fact that no contract had been signed. No provision has been raised as the outcome is not certain.

ICASA

The Group received summons from the High Court relating to unpaid signal distribution licence fees payable to ICASA. The total amount claimed is R84 million of which R43 million is the licence fee and the balance relates to interest on late payment. The Accounting Authority has obtained legal opinion that indicates that even in the event that ICASA is successful prescription will apply on the balance of the licence fees. Accordingly, Sentech has provided for R8 million at year-end, thus there is a contingent liability of R76 million which management is certain will be able to defend in court.

Detailed Analysis of World Cup Expenditure

The analysis below details the total expenditure by the Group on the 2010 FIFA World Cup. There have been no changes from the amounts that were disclosed in the prior year annual report.

	Quantity	R'000
2010		
Tickets acquired	96	1 067
Distribution of tickets		
Clients/Stakeholders	26	289
Accounting Authority		
– non-executive (Chairperson of the Board)	2	22
Senior Management (Executive, GM, HODs)	2	22
Other employees	33	367
Other government entities (DoC, Portfolio Orgs, PCC)	24	267
Audit Committee members (Board)	9	100
	96	1 067
Travel costs		
Other		
Car hire to transport delegates from Sentech tower to the matches and back for the duration of the World Cup	–	31
Purchase of other World Cup apparel		
T-shirts for staff	497	161
Beanies and scarves set	513	72
Vuvuzelas	450	16
2010 World Cup staff events	–	206
	1 460	455
Total World Cup expenditure		1 553

Glossary

ASB	Accounting Standards Board
BBBEE	Broad Based Black Economic Empowerment
BTV	Business Television
BWMC	Broadband Wireless Multimedia Communications
CFO	Chief Financial Officer
CHF	Swiss Franc
CoC	Carrier of Carriers
COO	Chief Operations Officer
CEO	Chief Executive Officer
CSI	Corporate Social Investment
CNBP	Consolidated National Broadband Plan
CPI	Consumer Price Index
CWU	Communication Workers Union
DBSA	Development Bank of South Africa
DoC	Department of Communications
DTH	Direct to Home
DTT	Digital Terrestrial Television
DTH-S	Direct to Home Satellite
DVB-T	Digital Video Broadcasting — Terrestrial
EBITDA	Earnings Before Interest & Depreciation
ECA	Electronic Communications Act No. 36 of 2005
EE	Employment Equity
EUR	Euro
FIFA	Fédération Internationale de Football Association
FM	Frequency Modulator
FYE	Financial Year End
GAAP	Generally Accepted Accounting Practice
GBP	British Pound
HOD	Head of Department
HRD	Human Resource Development
IAS	International Accounting Standards
ICASA	Independent Communications Authority of South Africa
ICT	Information & Communication Technology
I-ECS	Individual Electronic Communications Service
I-ECNS	Individual Electronic Communications Network Service
IFRS	International Financial Reporting Standards
IPMS	Integrated Performance Management System
ISAD	Information Society & Development
ISETT SETA	Information Systems Electronics &Telecommunications Technology Sector Education & Training Authority
ITU	International Telecommunications Union
KZN	KwaZulu Natal
LOC	Local Organising Committee
MTEF	Medium Term Expenditure Framework

MW	Medium Wave
NWBN	National Wireless Broadband Network
PCC	Portfolio Committee on Communications
PFMA	Public Finance Management Act No. 1 of 1999, as amended
PWMSA	Progressive Women's Movement of South Africa
RF	Radio Frequency
SABC	South African Broadcasting Corporation
SARS	South African Revenue Service
SHE	Safety, Health & Environment
SITA	State Information Technology Agency
SMME	Small, Micro & Medium Enterprise
SOE	State Owned Enterprise
SLA	Service Level Agreement
STG	Standby Generator
SW	Short Wave
TCC	Transmission Control Centre
TDMA	Time Division Multiple Access
TV	Television
USA	United States of America
USAASA	Universal Service & Access Agency of South Africa
USD	United States Dollar
VAS	Value Added Service
VSAT	Very Small Aperture Terminal
WCS	World Cup Soccer

Notes

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