



**SENTECH PRESENTATION TO THE
PORTFOLIO COMMITTEE ON
COMMUNICATIONS ON ITS BUDGET
AND STRATEGIC PLAN FOR 2007/2009**

Date:

09 March 2007

OVERVIEW

1. Introduction by Mr. Hickling, Chairperson
2. Introduction of Sentech team
3. 3. Strategic programme
 - 3.1 Digital Migration
 - 3.2 2010 FIFA World Cup
 - 3.3 Sentech Broadband Wireless (BBW) Offerings
 - 3.4 Corporate Social Investment (CSI)
4. Human Capital
 - 4.1 Staff Profile
 - 4.2 Employment Equity (EE)
5. Black Economic Empowerment (BEE) Compliance
6. Financials
7. Closing remarks by Mr. Hickling

SENTECH TEAM

1. Colin Hickling : Chairperson
2. Dr. Sebiletso Mokone-Matabane : CEO
3. Mr. Siddique Cassim Mohammed : CFO
4. Mr. Frans Lindeque : COO (Acting)
5. Mr. Dingane Dube : Executive Regulatory
& Gvt Affairs





STRATEGIC PROGRAMME

STRATEGIC FOCUS 2007/2009

1. DTT migration.
2. 2010 FIFA World Cup
3. The Nepad Broadband infrastructure network
4. Broadband Wireless offering
5. Financial overview

CORE BUSINESS OF SENTECH

- Broadcasting Signal Distribution as a common carrier.
- Multimedia Telecommunications Services.
- Carrier of Carriers.
- ICASA is in the process of converting licences as required by the ECA. Sentech anticipates that there will be policy and regulation that will enable commercialisation of DVB-H, DVB-T and DMB-T standards, amongst others.



ITU POSITION ON DIGITAL TERRESTRIAL BROADCAST MIGRATION

1. Regional 1 according to ITU is the whole continent of Africa,
2. RRC – 06 ran parallel with two short conferences for the repeal of Stockholm 61 and Geneva 89.
3. The Final Acts deal with planning of the Digital Terrestrial Broadcasting Services in parts of Regions 1 and 3 only.
4. Entering into force, duration and provisional application according to Article 12 as follows:
 - The entire Agreement, which formed part of the Final Act shall enter into force from 17 June 2006.

ITU POSITION ON DIGITAL BROADCASTING MIGRATION

- Broadcasting stations in operation with frequency assignments which do not appear in the plans submitted by Member States or which are not in conformity with the Agreement and its associated plans, may continue to be operated so long as they do not cause unacceptable interference to assignments in conformity with the agreement and its associated plans.
- The Agreement shall remain in existence unless amended by a component Regional Radio Communications Conference (the Plenipotentiary Conference).
- Post 17 June 2015 analogue terrestrial TV broadcasting will not be protected.

SOUTH AFRICAN POSITION ON DIGITAL BROADCAST MIGRATION

- On 21st February 2007 cabinet decided as follows:
 - Digital TV signals will be switched on as of 1 November 2008 and the analogue TV signal switched off on 1 November 2011.
 - Sufficient frequency spectrum must be retained for digital broadcasting migration.



SENTECH DTT BROADCAST MIGRATION PROJECT PHASES.

- Phase 1 & 2 – Upgrade of current infrastructure which entails replacement of old analogue transmitters with digital-ready transmitters
- Installation of new, dedicated DTT transmitters to commence in 2007/ 2008.
- Phases three and onwards will include the installation of additional DTT transmitters to enable dual illumination. During this period digital and analogue services will be broadcast simulations.

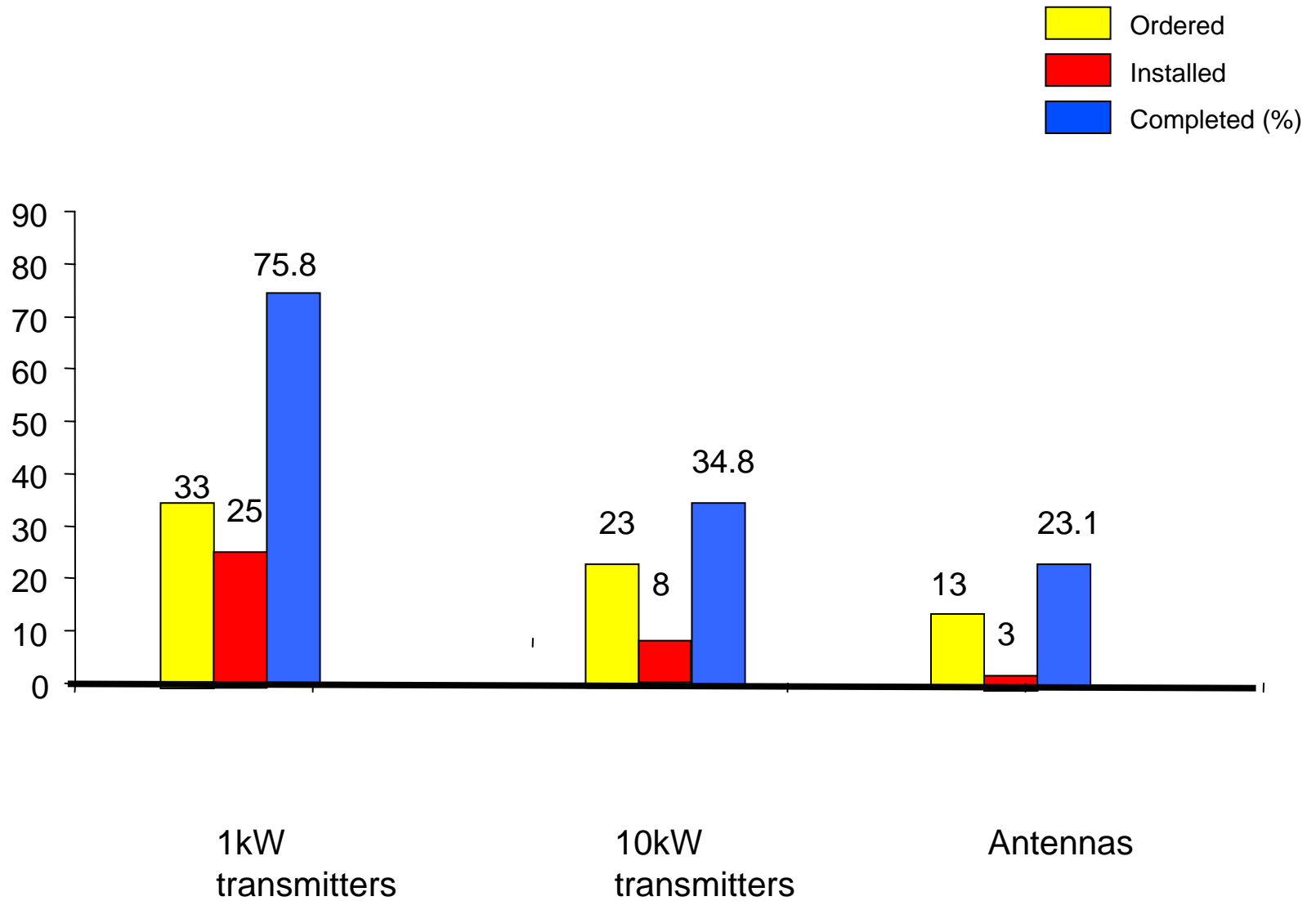


SENTECH DTT BROADCAST ROLL-OUT PROGRESS FOR PHASE 1

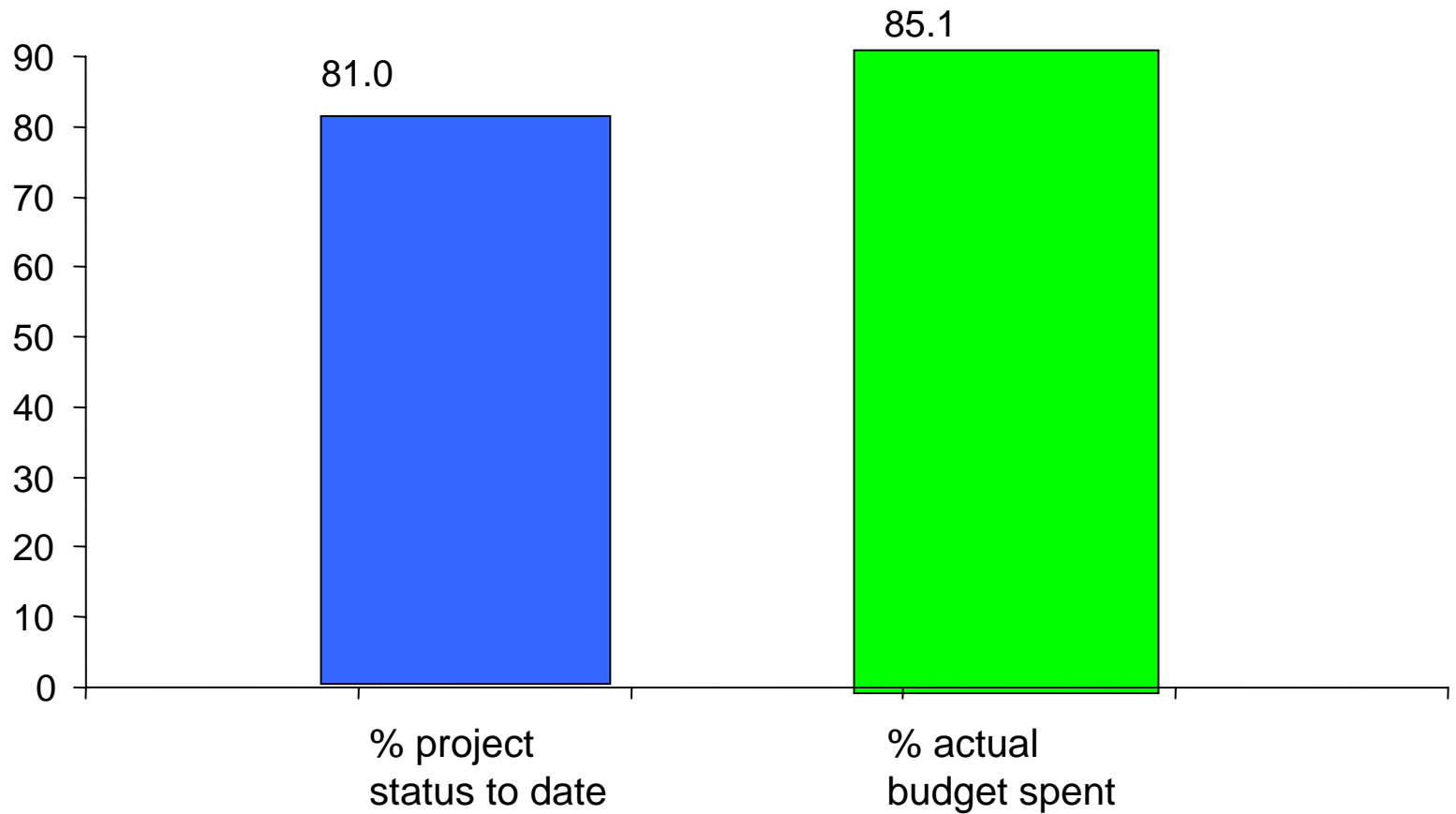
- Concluded supply contracts with various DTT transmission equipment manufacturers.
- Procured and currently replacing 58 high- and medium power analogue TV transmitters. (To release infrastructure capacity for DTT).
- Procured and currently replacing 13 broadcast antenna systems. (to increase bandwidth and power handling capability that will enable simultaneous transmission of analogue television broadcasting and digital television broadcasting).
- Procured digital TV planning systems.



DTT MIGRATION PROJECT STATUS (PHASE 1: 2006/7)

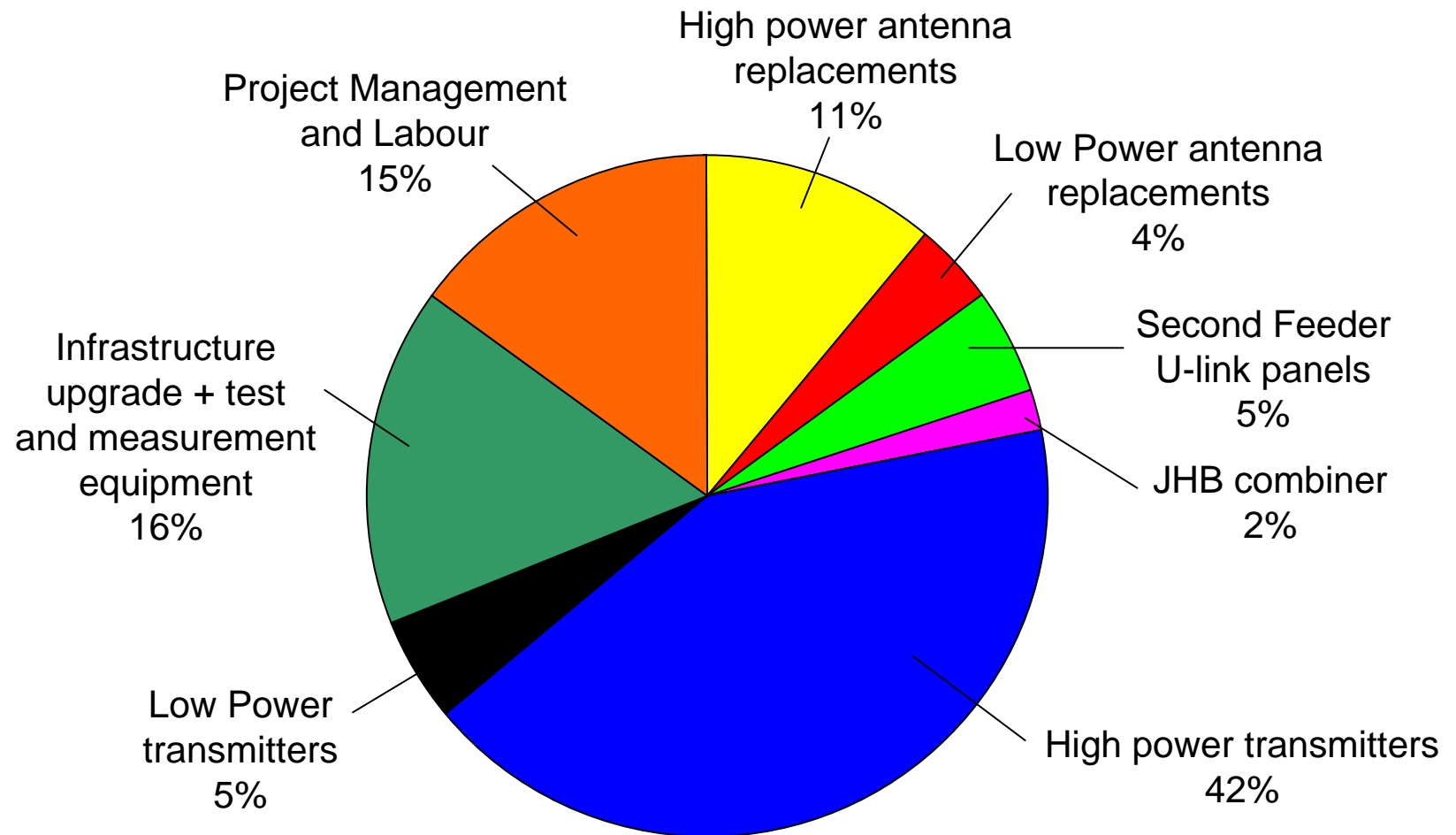


DTT MIGRATION PROJECT STATUS PHASE 1 (CONT)



DTT MIGRATION PROJECT STATUS PHASE 1 (CONT)

The budget allocated for the 2006/2007 fiscal year by DoC was R94,346,000.00 and utilised as follows:



DTT MIGRATION PROJECT: PLANS FOR PHASE 2: 2007/8.

- Establishing C-Band satellite distribution system to feed DTT networks in remote areas that cannot receive terrestrial signals off air.
- Procure and continue installing DTT networks to cover metropolises and cities
(Each network/multiplex could carry 6 TV programmes to achieve 56% population coverage by 2008, subject to budget)
- Prepare antenna infrastructure for third phase (2008/9) of DTT roll-out



2010 FIFA WORLD CUP

DOC GUARANTEES

1. Redundant (dual route), secure, high-speed, high availability links between venues, IBC and International Gateways
2. Provide data and voice communications to venues and surrounding areas
- 3.
4. Assist in setting up the IBC
5. Assist in setting up the Media Centres



SENTECH ASSIGNED ROLE

- Satellite Communications
- Broadband Wireless Coverage
- Back-Up Teleport
- Satellite feed(s) to fan parks (HD)
- Soccer channels (DTT)
- SNG services (Satellite News Gathering)



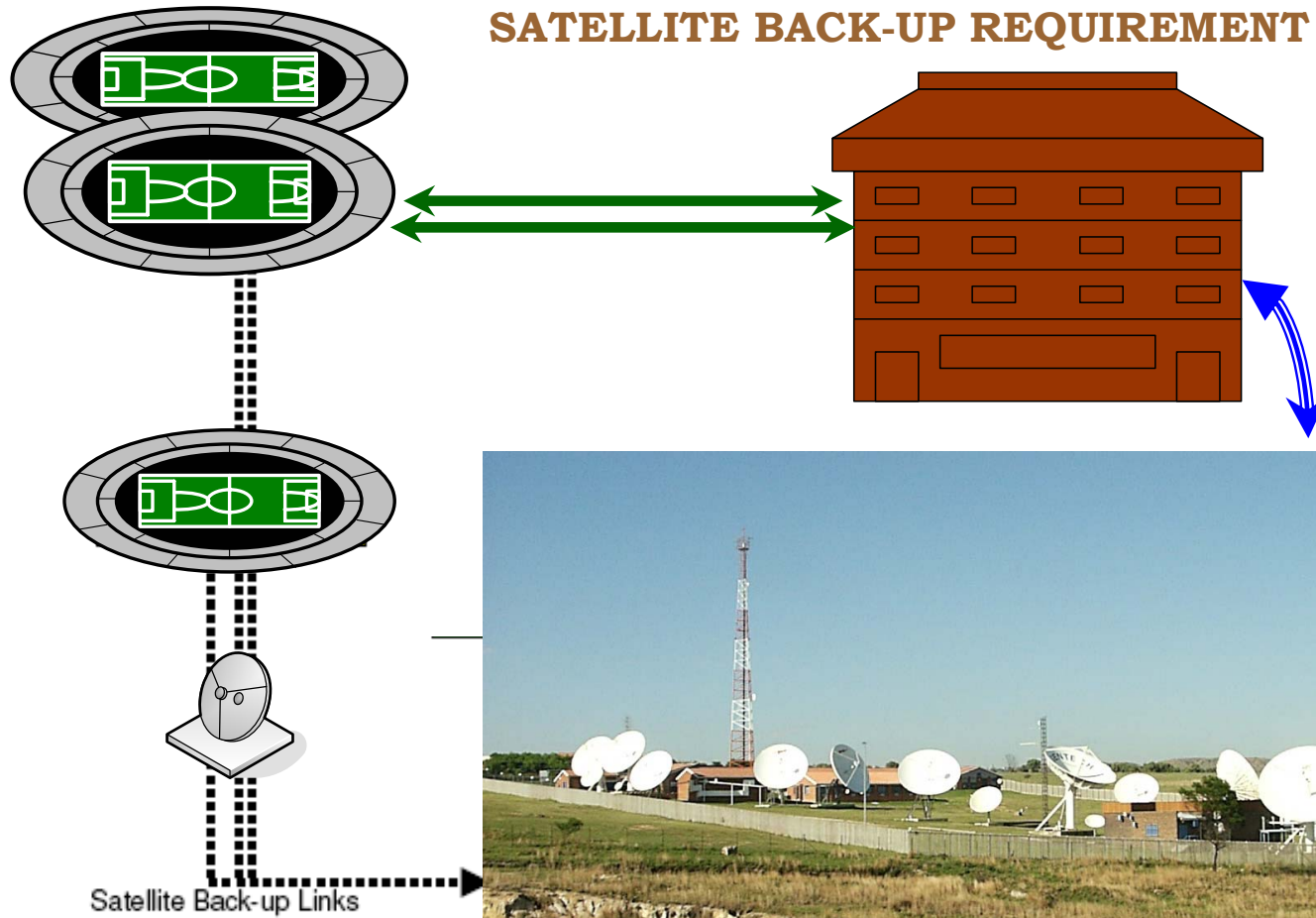
SATELLITE COMMUNICATIONS

- **All satellite links for broadcasting distribution and contribution:**
 - Uplink stadiums to IBC and back.
 - Back-up and distribution - IBC to international
- **Booking of space capacity for satellite links, for:**
 - Stadiums to IBC
 - IBC to international
 - SNG IBC to international
 - SNG non-venue to IBC



BACK-UP TELEPORT

NEW SENTECH TELEPORT TO PROVIDE THE SATELLITE BACK-UP REQUIREMENT BY FIFA



NEW TELEPORT

Stadium

LEGACIES OF 2010 WORLD CUP SOCCER

Broadband coverage in host Cities and around stadiums.

This will assist to allow:

- Quick roll out of services to other areas at minimal cost
- Fast tracking the modernization of infrastructure
- E-Services for development
- Provide good support broadcasting signal distribution infrastructure for entities which cannot self provide at low cost
- Skills development
- Catalyst for content development
- Teleport





THE NEPAD BROADBAND INFRASTRUCTURE NETWORK



FUNDAMENTALS

- Adhere to NEPAD principles
- Equity in ownership
- Predominant African ownership
- Contribute towards the socio-economic development and cultural integration of the continent
- Principle of open, non-discriminatory and affordable access.



COUNTRIES WHO COMMITTED

- All together 12 countries have signed the Protocol
 - South Africa,
 - Lesotho,
 - Madagascar,
 - Malawi,
 - Mauritius,
 - Rwanda,
 - Tanzania,
 - Uganda,
 - Botswana,
 - The DRC ,
 - and Zimbabwe.



NEPAD ICT Broadband Infrastructure Network for Eastern and Southern Africa.





SENTECH BROADBAND WIRELESS OFFERINGS

BROADBAND MULTIMEDIA OFFERINGS FOR DEVELOPMENT

Operating under a Licence to provide Multimedia Services.

Benefits to E-Services

- Tele Medicine
- E- Learning
- E - Government
- Connectivity to rural areas
- Connecting government offices and buildings
- Post Office



BROADBAND MULTIMEDIA OFFERINGS (Cont).

- Three new MyWireless products were launched on 1 March 2007
 - MyWireless *flexi*Plus
 - MyWireless *flexi*Lite
 - MyWireless *flexi*Family





CORPORATE SOCIAL INVESTMENT

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1. Meeting the national objective to bridge the digital divide

- Sentech's CSI programmes focus on education, health and other initiatives to uplift previously disadvantaged communities

2. Connecting classrooms to quality education

- Mindset Learn and Health - delivery of quality education reaching teachers pupils, clinics and hospitals across the country
- Myeka High – rural school in KZN with no electricity & running water, VSAT enables education to those who would have never previously been able to have access to it



CORPORATE SOCIAL INVESTMENT (Cont)

3. Empowering communities

- One of Sentech's prominent upliftment projects has been partnering with the Siyabonga Telecentre in Orange Farm.

4. Keeping HIV/Aids research fighting fit

- The Perinatal HIV Research Unit at Chris Hani Baragwanath Hospital, the world's primary source of information on HIV transmissions.
- A dedicated satellite link enables the research unit to cope with the increase in data volumes that meets the healthcare needs in helping to combat the scourge of Aids.

5. Investing in Africa

- Involvement with the NEPAD e-School initiative by providing Internet connectivity to 21 schools in seven African countries:- Lesotho, Ghana, Kenya, Uganda, South Africa, Mali and Gabon.

CORPORATE SOCIAL INVESTMENT (Cont.)

6. In addition Sentech provides connectivity to:

- **Sci-Bono:** a Science Centre project introducing children to the world of science and technology. Sentech provided a 1kW radio broadcast transmitter demonstrating radio signal distribution and internet connectivity making the centre a wireless hub.
- **Twilight Children's Home:** A street children's home in Hillbrow that rehabilitates and educates street kids into responsible members of society.
- **Dipalo:** A computer centre in Soweto providing computer literacy and computer hardware skills training for school leavers, neighbouring school children and teachers.

7. Sponsorships

- Sponsor of the World's Biggest Company Golf Day. Proceeds donated to CHOC (Children's Haematology Oncology Clinics).

BURSARY AND EDUCATIONAL ASSISTANCE

- The bursaries are available to Sentech employees, their children and external people.



SUMMARY OF BURSARIES FOR ACADEMIC YEAR 2006

	BLACK	COLOURED	INDIAN	WHITE	TOTAL
Total No of awarded bursaries:	25	3	2	6	36
Percentage % Race	70	8	5	17	100

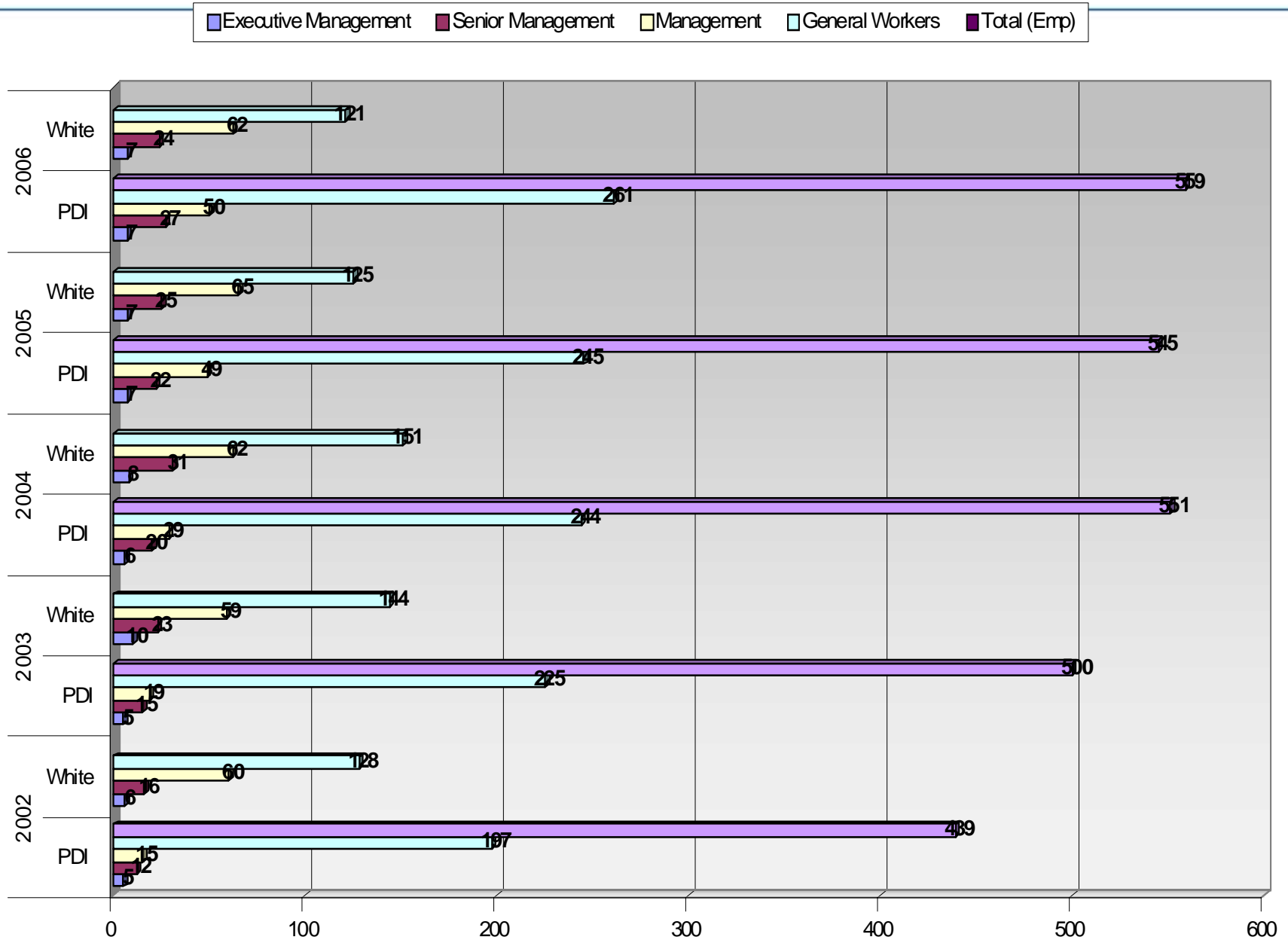
	MALES	FEMALES	TOTAL
Total No of awarded bursaries:	21	15	36
Percentage % Gender	58	42	100





HUMAN CAPITAL

SENTECH STAFF COMPLIMENT





BEE COMPLIANCE

Sentech Scorecard

Elements	Available Points	Sentech Current Score	Sentech Planned Score
Ownership	20	10.7	15.4
Management	10	9.0	11.0
Employment Equity	10	4.5	8.0
Skills Development	20	12.0	15.7
Preferential Procurement	20	15.0	17.0
Enterprise Development	10	0.0	5.0
Residual Element	10	2.4	5.0
TOTAL POINTS	100	53.7 Level 6	77.1 Level 3





FINANCIALS

BUDGET ASSUMPTIONS

Inflation 5%

Foreign Exchange Rates

Dollar/Rand 7.70

Pound/Rand 12.86

Euro/Rand 9.01

Average prime overdraft rate 12.30

Other

No funding for broadband expansion. Revenue and costs based on maximising capacity utilisation on existing network



INCOME STATEMENT

	Projection	Budget	Change
	2007	2008	
	R'000		%
Revenue	746,607	881,037	18%
Operating costs	771,483	885,081	15%
Cost of Sales	79,687	130,601	64%
Line rentals	46,445	41,014	-12%
Satellite rental	67,150	78,316	17%
Hiring costs	86,870	86,699	0%
Maintenance	66,476	68,321	3%
Personnel Remuneration	223,862	266,840	19%
Depreciation	61,893	69,137	12%
Other	139,100	144,153	4%
Operating Loss	-24,876	-4,044	-84%
Net Finance Cost	-15,715	-12,234	-22%
Loss before taxation	-40,591	-16,278	-60%

SUMMARIZED INCOME STATEMENT



	Projection	Budget	Projection	Budget
	2007	2008	2009	2010
	R'000			
Revenue	746,607	881,037	962,887	1,061,943
Operating costs	-771,483	-885,081	-962,905	-1,039,975
Operating Profit	-24,876	-4,044	-18	21,968
Net Finance Cost	-15,715	-12,234	-8,793	-7,049
Profit/(Loss) before tax	-40,591	-16,278	-8,811	14,919

BALANCE SHEET

	Projection	Budget
	2007	2008
	R'000	
Non current assets	814,777	1,067,507
Current assets	72,068	82,915
Inventory	9,173	9,540
Trade and other receivables	62,895	73,375
Total assets	886,845	1,150,422
Share capital	75,892	75,892
Revaluation and other reserves	387,165	435,608
Non-current liabilities	253,944	249,016
Borrowings	172,616	155,688
Retirement benefit obligations	81,328	93,328
Current liabilities	169,844	389,906
Trade and other payables	166,852	168,816
Cash and cash equivalents	2,992	221,090
Total equity and liabilities	886,845	1,150,422

CASHFLOWS

	Projection	Budget
	2007	2008
	R'000	
Cash from Operations	31,544	55,978
Property, plant and equipment acquired	-123,220	-322,446
Government grant received:	95,318	65,300
For DTT	90,318	60,000
For repayment of SABC Loan	5,000	5,300
Loans repaid	-21,575	-16,928
Net Increase/(Decrease) in cash	17,934	-218,096
Opening cash balance	14,939	-2,994
Cash at end of period	-2,994	-221,090



FUNDING REQUIREMENTS

Rand Million

Item	2007/8		2008/09	2009/10
	Requested	Allocated	Requested	Requested
Digitisation	85	120	159	137
Broadband	700	-	500	300
EASSy	100	21	40	-
Operating Capital	300	-	-	-
Post Retirement Liability	80	-	-	-
SABC Loan	5	5	5	-
Total	1,270	146	704	437





CLOSING REMARKS BY THE CHAIRPERSON