ANNUAL REPORT 2009

Broadband Infraco

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Broadband Infraco is a state-led intervention in the telecommunications sector that is intended to rapidly normalise market efficiency by increasing available capacity and lowering the cost of those parts of the network infrastructure that impede private sector development and innovation in telecommunications services and content offerings.

CONTENTS

Our Vision

To provide affordable access to long-distance telecommunications network infrastructure and broadband telecommunications connectivity services in South Africa.

Our Mission

Broadband Infraco's mission is to:

- Expand the availability and affordability of access to electronic communications networks and services, including but not limited to underdeveloped and underserviced areas; and
- Ensure that bandwidth requirements for specific projects of national interests are met.

Our Values

Broadband Infraco's core values are:

- Customer satisfaction;
- Excellence;
- Innovation; and
- Integrity.

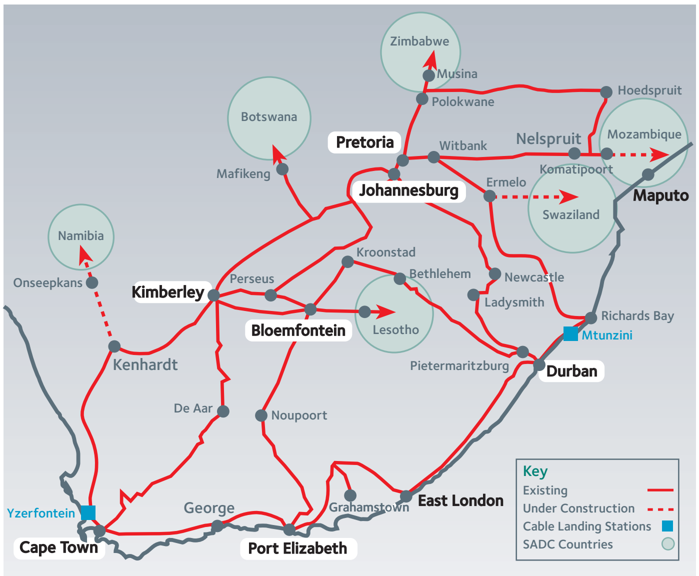
Our Strategy

Broadband Infraco has established strategic goals, in line with the mandate provided in the Broadband Infraco Act, Act 33 of 2007, which include:

- The development of the necessary long-distance telecommunications network infrastructure (inclusive of the international component) to increase access to broadband connectivity services in the South African market;
- Providing access to services at significantly lower but sustainable prices;
- Providing the enabling machanism for the Department of Science and Technology ("DST") projects of national importance from a telecommunications perspective; and
- Achieving the above strategic goals within a framework of good corporate governance and international best practice.

The long-distance connectivity provided by Broadband Infraco will be provided to the market at a significant discount compared to the prevailing retail rate for the equivalent capacity from the monopoly provider in the market today.

Company History and Who We Are



HISTORY

Eskom Telecommunications (a division of Eskom Enterprises (Pty) Limited) and Transtel (a division of Transnet Limited) originally designed and constructed telecommunications assets, both in the long-distance, metro and access environments of the network to underpin the Eskom and Transnet 30% equity stake in the Second Network Operator ("SNO"), now Neotel (Pty) Limited. Eskom Telecommunications and Transtel participated in the formation of the SNO and signed the Neotel shareholders' and subscription agreements.

In a parallel initiative, work performed under the SA National Superhighway project by the Department of Public Enterprises demonstrated two key findings with regard to broadband connectivity and the telecommunications environment in South Africa, namely:

- South Africa significantly lags behind its international counterparts in terms of Information Communications Technology ("ICT") penetration as well as rate of new technology adoption; and
- Broadband penetration relative to international benchmarks is low and significantly more expensive.

Investigations into why current broadband costs in South Africa are high compared to its international counterparts revealed that end-user broadband connectivity providers have a cost structure where a significant parentage of the costs are made up of costs attributable to:

(a) national long-distance connectivity; and

(b) international marine cable connectivity, both of which are supplied in South Africa on a monopolistic basis.

WHO WE ARE AND WHAT WE STAND FOR

Broadband Infraco is a new state-owned enterprise ("SOE") that is operating within a specific focus area of the telecommunications sector in South Africa. The focus is characterised by limited competition and significant barriers to entry because of regulatory, rights of way and high capital expenditure considerations. Broadband Infraco will not participate in those areas of the South African telecommunications market or value chain that are efficient and experience high levels of competition in terms of available services and pricing options.

Broadband Infraco is a state-led intervention in the telecommunications sector that is intended to rapidly normalise market efficiency by increasing available capacity and lowering the cost of those parts of the network infrastructure that impede private sector development and innovation in telecommunications services and content offerings.

The Broadband Infraco intervention comprises two key elements, namely:

- **The National Long Distance fibre optic network**, now expanded, based on the original fibre optic assets deployed by Eskom on power transmission lines and Transnet along railway infrastructure in anticipation of the licensing of the Second Network Operator (now Neotel); and
- **The International Marine Cable network** comprising a marine cable to be deployed between South Africa and the United Kingdom.

Board of Directors

Andrew Mthembu (53) South African
Chairman
BSc, MSc (Construction Management)
Skills: Business Development Advisor, Commerce
Appointed to the Board: 15 February 2007
Board committees: Tender and Procurement, Investment and Finance, Human Resources and Remuneration

David Smith (45) South African
Chief Executive Officer
MBL, BEng (Electrical)
Skills: Business and Infrastructure Development
Appointed to the Board: 15 February 2007
Board committees: Investment and Finance, Tender and Procurement

Suren Maharaj (37) South African
Chief Financial Officer
BCom (Hons), BCompt, CA(SA)
Skills: Chartered Accountant
Appointed to the Board: 25 August 2008
Board committees: Investment and Finance, Tender and Procurement

Tumi Magasa (44) South African
Non-Executive Director
BSc, MBA (Corporate Finance)
Skills: Telecommunications Equipment Provisioning, Business and Infrastructure Development
Appointed to the Board: 15 February 2007
Board committees: Tender and Procurement

Monica Singer Saul (48) South African
Non-Executive Director
BAcc, CA(SA)
Skills: Chartered Accountant
Appointed to the Board: 15 February 2007
Board committees: Audit and Risk, Human Resources and Remuneration

Cornelis Groesbeek (41) South African
Non-Executive Director
MSc, MBA (Technology Management)
Skills: Investment Services Advisor
Appointed to the Board: 15 February 2007
Board committees: Tender and Procurement, Investment and Finance

Nolo Letele (59) South African
Non-Executive Director
Honours degree in electronics
Skills: Business Leadership, ICT Service Provisioning
Appointed to the Board: 25 August 2008
Board committees: Tender and Procurement, Investment and Finance, Human Resources and Remuneration

Sydney Mabalayo (45) South African
Non-Executive Director
Skills: Electrical Engineer MBA (Wits)
Appointed to the Board: 25 August 2008
Board committees: Investment and Finance, Tender and Procurement

Shakeel Ahmed Unus Meer (47) South African
Non-Independent Non-Executive Director
Skills: BSc Engineering, MBL, MDP (London Business School)
Appointed to the Board: 25 August 2008
Board committees: Audit and Risk, Investment and Finance

Sindiswe Mabaso-Koyana (39) South African
Non-Executive Director
Skills: Chartered Accountant
Appointed to the Board: 25 August 2008
Board committees: Audit and Risk, Investment and Finance

Mamodupi Mohlala (35) South African
Non-Executive Director
Skills: BA, LLB, MBL, MBA (Telecommunications)
Appointed to the Board: 25 August 2008
Board committees: Tender and Procurement, Human Resources and Remuneration

Fahim Mohamed (33) South African
Company Secretary

Chairman and Chief Executive Officer's Report

Andrew Mthembu Chairman

David Smith Chief Executive Officer

OPENING REMARKS

We introduced Broadband Infraco in the previous annual report for the 2007/08 financial year and outlined the Broadband Infraco intervention to comprise of two key elements, namely:

- the **national** long-distance fibre optic network; and
- the **international** connectivity project comprising of a new high-capacity submarine cable to be deployed between South Africa and the United Kingdom.

During the 2008/09 financial year, Broadband Infraco focused on consolidating the national network expansion, operations, business process and organisational development that experienced rapid growth during the previous reporting period. Most notably, the Company made significant progress on the international connectivity project which culminated in the conclusion of the West African Cable System ("WACS") commercial agreement negotiations with numerous other telecommunications operators. Furthermore, the procurement process to select an international supplier for the WACS project was completed.

LEGISLATIVE AND REGULATORY ENVIRONMENT

Unfortunately, Broadband Infraco was not able to obtain the necessary operating licences during 2008 as envisaged during the previous reporting period, despite the Electronic Communications Amendment Act, Act 37 of 2007 that was specifically promulgated to provide for the licencing of Broadband Infraco being promulgated before the start of the financial year on 2 February 2008.

The draft Ministerial Policy Direction required in terms of the aforementioned amendment legislation was published for public comment on 29 October 2008. The final Ministerial Policy Direction that directed the Independent Communications Authority of South Africa ("ICASA") to conduct the necessary processes to accept and consider applications for an:

- electronic communications network service ("ECNS") licence; and
- an electronic communications services ("ECS") licence

to Broadband Infraco, was published on 6 February 2009. Furthermore, the Ministerial Policy Direction stated that ICASA should, after considering such applications, publish licence terms and conditions as contemplated in the Electronic Communications Act.

ICASA published the Invitation to Apply ("ITA") for Broadband Infraco's licences on 13 March 2009. Broadband Infraco is in the process of finalising its licence applications and is planning to submit it within the first two weeks of April 2009.

ICASA is then expected to publish Broadband Infraco's licence applications for public comment and to schedule public hearings, if required, during the first quarter of next financial year.

It is expected that the activities required to obtain the Broadband Infraco licences will be completed during the second quarter of the 2009/10 financial year.

Broadband Infraco will have to negotiate the licence terms and conditions with ICASA in terms of Chapter 3 of the Act once the public participation process has been completed. It is expected that the activities required to obtain the Broadband Infraco licences will be completed during the second quarter of the 2009/10 financial year.

BROADBAND INFRACO MARKET

During the year under review, the Company had one customer, namely Neotel (Pty) Limited, in accordance with the Right of Use and Operate Agreement between Broadband Infraco and Neotel, which has been in effect since 1 December 2007. Neotel established a much larger presence in the South African market during 2008 by making use of the Broadband Infraco national long-distance network.

Once Broadband Infraco has obtained the necessary operating licences, the Company will adopt a wholesale, carrier-of-carriers business model, which is consistent with its mandate, as the most effective way of making available the network and services to its future target market. This strategy is informed by the fact that the retail environment is well developed and efficient for distribution of services that wireless, fixed line operators and internet service providers ("ISPs") will provide to end-users. The focus for Broadband Infraco will be mainly on serving the following market segments:

- ECNS licenced operators, including fixed and wireless operators, as well as ECNS licenced ISPs and metro network operators;
- ECS licenced service providers, large corporate customers, large government institutions and multinational operators; and
- Underserviced Area licensees ("USALs").

It is the intention of Broadband Infraco to enable the overall telecommunications market through the key market players mentioned above, based on the urgent requirement for affordable, high-capacity long-distance and international connectivity.

BUSINESS REVIEW

Long-distance Infrastructure

Network Development

At the end of the last reporting period, the Broadband Infraco network assets comprised of approximately 11 250 kilometres of fibre optic cable routes and was able to provide connectivity from Gauteng to the major metropolitan centres of Bloemfontein, Kimberley, Cape Town, Port Elizabeth, East London, Durban, Nelspruit and Polokwane.

The transmission capacity of the Broadband Infraco network was expanded by 33% during the reporting period to meet the increased capacity requirements of Neotel. Furthermore, interconnects to Botswana and Mozambique were successfully completed, requiring the installation of an additional 105 kilometres of fibre network and associated long-distance repeater stations. The interconnections to Namibia and Zimbabwe are nearing completion, requiring the incorporation of an additional 350 kilometres of fibre network and the construction of three new repeater stations.

The quality of the network has also been continually enhanced with the objective of achieving service availability levels of 99,95%. The significant enhancement in this regard includes the implementation of a Fibre Management System ("FMS") to manage and monitor the integrity of the fibre optic cables on a continuous basis. The system also enables accurate fault location to reduce response times in the event of fibre cable breaks.

In summary, the Broadband Infraco network infrastructure now comprises of 11 765 kilometres of optical transmission links and 137 long-distance sites, with regional connectivity to three neighbouring states.

Network Operations and Maintenance

The operation and maintenance of the network was achieved through outsourcing arrangements during the reporting period. The primary service providers were:

- Neotel for the overall management of the operations and maintenance activities;
- Nokia Siemens Network for the 24 x 7 x 365 operations of the network; and
- Eskom Telecommunications and Transnet Freight Rail Services for the fibre and equipment maintenance and repairs contracts.

Operational and service excellence are key objectives of the Company and although significant improvement in these areas have been achieved, the overall availability of network elements still has to be improved to meet the required carrier class service levels in the future.

> We are therefore satisfied with the financial performance of the Company for the period under review because the results achieved are ahead of the projections provided for in the three-year business plan.

Operating Results for the Year

Operating revenue from the rendering of network infrastructure rental services for the year was R227,0 million (2008: R58,0 million over the four-month period of operations), excluding the amount of R46,7 million (2008: R54,3 million) which has been accrued to recognise the straight-lining of operating lease income over the period of the lease agreement with Neotel in terms of IAS 17 operating lease. Operating revenue was equal to the budget for the financial year.

Operating expenditure increased to R302,6 million (2008: R102,2 million (restated)). The increase is mainly attributable to the 12-month duration of the operating period, the cost of network operations, maintenance and repairs. Other income of R52,8 million relates to direct payments for maintenance services that was recovered from Neotel. Operating costs savings against the 2009 budget amount of R318,1 million were achieved mainly in the areas of staff costs, professional service fees, repairs and maintenance.

It has been necessary for the Company to restate some of the prior year results, most notably in the areas of fixed assets, depreciation, operating and maintenance costs. The main reasons for the restatements are the need to correctly recognise the value and categorisation of assets purchased, and work in progress completed during the prior financial year. The straight-lining of lease expenses in terms of the appropriate accounting standard also had an impact. Broadband Infraco has executed enhanced management controls and is in the process of implementing a new asset management process to ensure accuracy of financial reporting in future.

For the year under review, Broadband Infraco posted an after taxation profit of R0,1 million (2008: restated profit of R22,6 million). The results from operations for 2009 was a loss of R46,3 million (2008: restated loss of R5,8 million). The results from operations for 2009 would have been a loss of R93 million (2008: loss of R60,1 million) without the revenue accrual of R49,9 million described above. The actual results from operations after taxation loss for 2009 were both significantly better than the budgeted amounts of R181,5 million and R208,5 million respectively.

When evaluating the financial performance of Broadband Infraco for the 2008/09 financial year and, in particular, when comparing 2008 and 2009 results, it is important to recall that Broadband Infraco was only fully operational for one quarter of the previous reporting period. Moreover, at the end of the 2008/09 financial year, Broadband Infraco had been in operation for 16 months and therefore it is still reasonably early in the life cycle of the organisation. It is very typical for new startup telecommunications entities to experience negative earnings before interest, tax, depreciation and amortisation ("EBITDA") results for the first three to five years of operations. We are therefore satisfied with the financial performance of the Company for the period under review because the results achieved are ahead of the projections provided for in the three-year business plan.

FUNDING

Broadband Infraco received funding of R377 million from the Department of Public Enterprises during the financial year. This increased the government's total equity funding contribution to an amount of R1 004 million, which represents a shareholding in Broadband Infraco of 74%. The Industrial Development Corporation ("IDC") of South Africa contributed funds of R353 million in August 2008 to acquire a 26% shareholding in the Company.

Approximately 15% of the equity contributed was used to fund network capital expenditure and the working capital requirements of the organisation during the year. The remainder of the funding contributed was invested in market-linked investments in three different financial institutions in accordance with the Company's Investment Policy. Broadband Infraco earned interest totaling R55,3 million during the year.

In addition, Broadband Infraco continued with short-term and long-term debt raising activities during the reporting period and finalised a senior debt facility of R650 million with the Development Bank of South Africa ("DBSA"), with the particular view to fund the ongoing investment in national and international infrastructure.

Broadband Infraco had sufficient funding to meet all of its capital and operating expenditure obligations during the reporting period.

INTERNATIONAL CONNECTIVITY

In the previous annual report we announced that the African West Coast Cable ("AWCC") project had been launched as a developmental project in August 2007, together with 13 other interested parties in the sector, with the objective of being ready for service by mid-2010. Negotiations had commenced on the Construction and Maintenance Agreement ("C&MA") that would govern the ongoing commercial relationship between the parties after financial close of the project.




The AWCC C&MA was not concluded in its envisaged form during the reporting period because the parties could not reach consensus on various commercial issues. The AWCC development project was therefore suspended mid-year.

Broadband Infraco and the other major South African telecommunications operators then investigated new opportunities to co-operate and a Memorandum of Understanding ("MoU") was signed in September 2008 between Broadband Infraco, MTN, Vodacom, Neotel and Telkom, to jointly develop a new undersea cable project called the West Africa Cable System ("WACS"). Governance structures for WACS were established and the development of the C&MA and Supply Contract for the WACS project commenced in October 2008.

The commercial principles of participation were negotiated and agreed between the parties during the reporting period and the C&MA is scheduled to be signed by Angola Telecom, Broadband Infraco, Cable & Wireless, MTN, Telecom Namibia, Portugal Telecom, Sotelco, Tata Communications, Telkom SA, Togo Telecom and Vodacom early in April 2009. The Board of Broadband Infraco is satisfied that the economic and commercial principles embedded in the WACS legal agreements are in alignment with the mandate for the Company and approved a significant level of participation in the project. The amount that Broadband Infraco will invest in WACS will result in the organisation acquiring a 14% stake in the total capacity of the system and will be financed through a combination of equity and debt funding.

In addition, Alcatel Lucent was selected as the preferred bidder that will be contracted by the WACS consortium to supply the cable system with all associated landing points. The cable system is expected to be ready for service during 2011.

From a technical perspective, the West Africa Cable System is a high-capacity marine cable system that will link countries in Southern Africa, Western Africa and Europe, with at least 3.84 terabits per second of international bandwidth capacity. Planned landing points include South Africa, Namibia, Angola, the Democratic Republic of the Congo, the Republic of Congo, Cameroon, Nigeria, Togo, Ghana, Côte d'Ivoire, Cape Verde, Canary Islands, Portugal, and the United Kingdom.

The West Africa Cable System represents a significant telecommunications infrastructure investment through the joint effort of a number of African and global operators and will provide more than ample capacity to serve the region's international connectivity needs for many years into the future.

CORPORATE GOVERNANCE

Broadband Infraco made significant progress during the year towards establishing and implementing internal business processes, organisational controls and governance practices. The Company migrated from the Eskom Enterprises corporate governance processes previously employed to internal controls for its business activities, most notably in the areas of procurement, finance, enterprise risk management, company secretariat, compliance, and internal and external audit. The Eskom Enterprises financial accounting system that was used to process the Company's transactions until the end of August 2008 was also replaced by an internal financial accounting system.

The original Board of Directors appointed by the Minister of Public Enterprises in 2007 was expanded during the year with four new appointees. Four sub-committees of the Board, namely Audit and Risk, Investment and Finance, Tender and Procurement, and Human Resources and Remuneration continued to be fully operational during the year.

We are satisfied that appropriate corporate governance practices were applied by the Board of Broadband Infraco and the Company during the reporting period. More detailed information on this aspect of the business is included in the Corporate Governance report set out on pages 12 to 26.

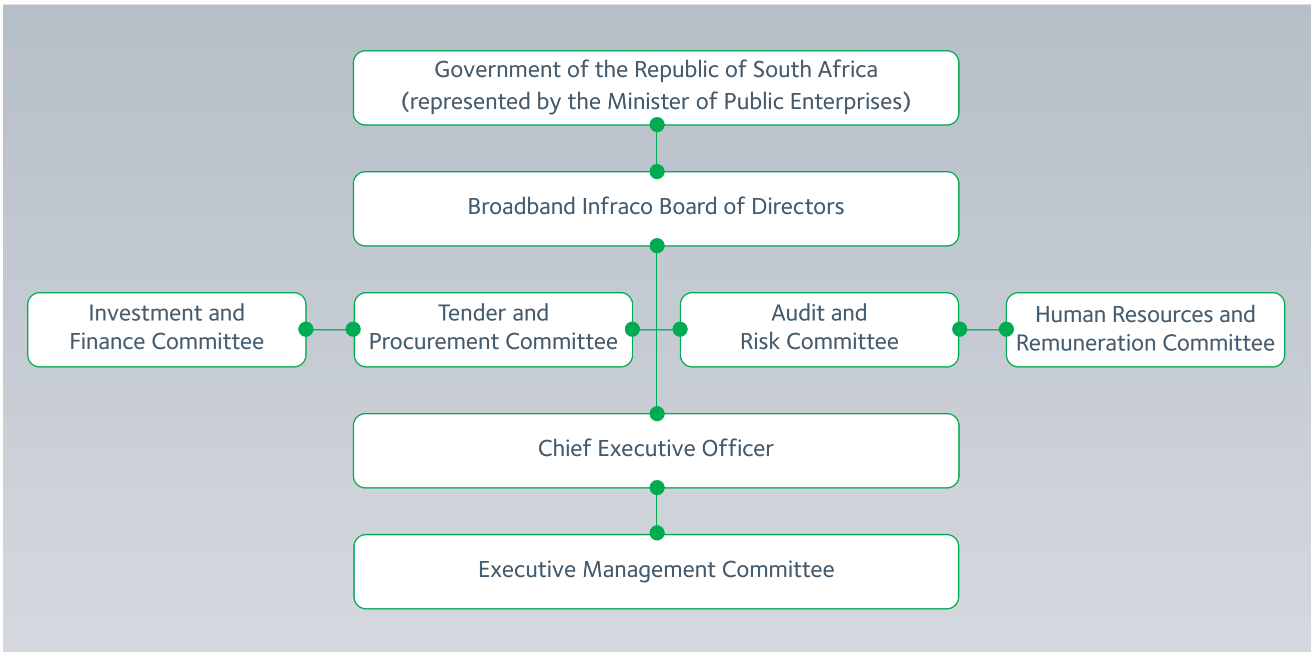
EMPOWERMENT

Broadband Infraco has adopted and implemented the necessary commercial processes to ensure that the Company complies with Broad-Based Black Economic Empowerment ("BBBEE") requirements for the procurement of goods and services for the organisation.

Broadband Infraco spending with companies meeting the BBBEE requirements was R69,3 million for the financial year ending 31 March 2009, constituting 70% of the total procurement spend for the year.

STAFF MATTERS

Broadband Infraco continued to in source human capital from Eskom Enterprises on a seconded basis during the first half of the year under review in order to execute the approved mandate of the Company. Recruitment of Broadband Infraco permanent employees commenced in June 2008 and 37 permanent staff members had joined the organisation by year end. Appointments were made



Broadband Infraco Board and Subcommittees

in all the positions of executive leadership and in the functional areas of business development, network engineering, project management and implementation, finance, commercial procurement, legal counsel, enterprise risk management, company secretariat and other business support functions such as health and safety.

Broadband Infraco promotes employment equity through its recruitment policies and procedures and racial equity and gender equity appointments equalled 73% and 43% respectively by year end.

The ongoing recruitment of the necessary human capital required for Broadband Infraco business operations in the future continues to gain momentum and it is planned to increase the staff complement threefold during 2009/10.

In addition, outsourcing contracts with original equipment manufacturers and external service providers ensured that the necessary skills and expertise were available to operate and expand the network infrastructure.

Significant progress was made during the year in relation to human capital management processes, including the finalisation of various human capital policies, procedures and guidelines, and the implementation of the Company payroll system.

Broadband Infraco also commenced with human capital development during the 2008/09 financial year and training was provided in the areas of finance, project management, safety, health and risk management. The Company also provided financial assistance to employees pursuing postgraduate studies in business leadership and administration. The total training and development expenditure incurred by Broadband Infraco during the reporting period amounted to 3% of the payroll, over and above the required contribution to the Skills Development Levy.

THE YEAR AHEAD

Obtaining the necessary operating licences for Broadband Infraco is one of the most important strategic priorities for the next financial year. The finalisation of the terms and conditions of these licences has now been delayed until the end of August 2009 due to the dates specified in the latest ICASA government gazette on the Broadband Infraco licence application.




The Company will also continue to improve network operational performance to meet and exceed customer service level needs.

Another strategic priority for Broadband Infraco for the next financial year is the business development necessary to transition the organisation from the current situation where it is an infrastructure provider to a long-distance wholesale telecommunications operation that is ready to serve multiple customers, including the following main aspects:

- Finalising the Broadband Infraco value proposition to the target wholesale and enterprise market and completing the product development and corporate branding process;
- Continuing with building the organisation so as to have full customer engagement and 24 x 7 x 365 network operations infrastructure and capability; and
- Ongoing expansion of its telecommunications infrastructure to provide for national research network requirements, regional interconnects and backhaul capacity for international traffic landing on the East Coast of South Africa. Broadband Infraco also plans to improve network service quality by deploying optical network protection functionality and switching equipment for the provisioning of internet protocol services to customers.

Development of the Broadband Infraco international business unit and ongoing participation in the WACS project development and governance structures will be key to realising the objectives of the Company's international connectivity mandate.

Finally, the Company will continue to focus on internal controls and best practice governance requirements and, the recruitment of additional human capital in support of the above initiatives and priorities.

We believe that the 2009/10 financial reporting period will be a watershed year in the growth and development of the organisation during which we will continue to establish and develop Broadband Infraco as a new entrant in the South African telecommunications arena. Our strategic goal remains for Broadband Infraco to become the wholesale supplier and service provider of choice for our existing and future customers' national and international long-distance connectivity needs.

CONCLUSION

Broadband Infraco has made significant progress since its inception and has established a comprehensive national long-distance network that is now fully operational and between all the main commercial centres in South Africa, as well as having the ability to serve the State Information Technology Agency and Tertiary Education Network long-distance connectivity requirements. Broadband Infraco has also established regional connectivity to the neighbouring countries and confirmed participation in a major international connectivity project along the West Coast of Africa to the United Kingdom.

Together with the strategic initiatives that are planned for the current financial year, Broadband Infraco will be well positioned to deliver on its mandate and support the government objective of lowering the cost of long-distance telecommunications services in South Africa.

APPRECIATION

We would like to thank the Board and committee members, management and staff for the contribution that each has made to Broadband Infraco during the 2008/09 financial year. Our thanks and appreciation to all our stakeholders and, in particular, the Minister and the Department of Public Enterprises and the Industrial Development Corporation of South Africa for their continued support.

AFB MTHEMBU
Chairman of the Board

RD SMITH
Chief Executive Officer

Corporate Governance Report

for the year ended 31 March 2009

INTRODUCTION

This report sets out the key governance principles adopted by the directors in governing Broadband Infraco (Pty) Limited.

The Board endorses the principles of accountability, integrity and transparency underlying the Code of Corporate Practices and Conduct as contained in the King Report on Corporate Governance for South Africa, 2002 (the "King Report 2002") and also endorses the principles contained in the Protocol on Corporate Governance for state-owned enterprises.

Sound corporate governance and processes are being applied by Broadband Infraco on an ongoing basis. They are regularly reviewed and adapted to accommodate internal corporate developments and take into consideration the rapidly changing environment which presents new and complex challenges. The Company is accordingly subject to ongoing disclosure, corporate governance and other legislative requirements such as those statutory duties and responsibilities imposed by the Companies Act as augmented by the Public Finance Management Act, Act 1 of 1999 (as amended).

The Board views corporate governance as integral to good performance. Broadband Infraco's systems and processes are regularly reviewed to ensure that compliance is monitored in this regard. The Board is responsible for the ongoing assessment of the Company's policies relating to:

- Strategic and business plans;
- Reviews of management performance against objectives;
- Ongoing assessment of policies, which include:
  - delegation of powers to Board committees;
  - responsibilities and terms of reference of Board committees; and
  - level of authority of Board committees.

In preparing the annual financial statements, the Company has used appropriate accounting policies supported by reasonable and prudent judgements and estimates, and has complied with all applicable standards. The directors are of the opinion that the annual financial statements fairly present the financial position of the Company as at 31 March 2009, and the results of its operations and cash flows for the year then ended.

Broadband Infraco has a dynamic Board with a variety of skills and experience required to take the Company forward. The Board has functioned as a collective whole since August 2008 and an independent Board evaluation for the period under review will be conducted during the next financial year. This will include a review of the relationship between the Board and management, a review of the committees, the agendas, documentation tabled at Board meetings and ongoing director training.

SHAREHOLDING AND SHAREHOLDER COMPACT

The Government of the Republic of South Africa (as represented by the Department of Public Enterprises ("DPE") and the Industrial Development Corporation ("IDC") of South Africa are Broadband Infraco's shareholders. A shareholder compact which outlined the performance objectives, measures and indicators in line with National Treasury Regulations issued in terms of the Public Finance Management Act, Act 1 of 1999 ("PFMA"), was developed for agreement between the shareholders and Broadband Infraco for the period under review.

The shareholder compact does not interfere with the normal principles of Company law and the relationship between the shareholders and the Board will be preserved. The shareholder compact promotes good corporate governance by helping to clarify the Board and shareholders' roles and responsibilities and ensure consensus on Broadband Infraco's mandate and key objectives. The Board will continue to ensure that proper internal controls are in place and that Broadband Infraco is effectively managed.

DELEGATION OF AUTHORITY

The Board has the authority to lead, control, manage and conduct the business of Broadband Infraco, including the authority to delegate. Its aim is to ensure that the Company remains a sustainable and viable business of global stature. Its responsibilities are facilitated by a well developed structure of Board committees, including the executive management committee ("Exco") and a comprehensive delegation of authority framework. This framework assists decision making without diluting director accountability and responsibility. A review of the current delegation of authority framework will be conducted by the Board and shareholders during the next financial year.

GOVERNING BODIES

Board of Directors and Executive Directors

The details of the Board of Directors and Executive Directors appear on page 3 of the annual report.

In preparing the annual financial statements, the Company has used appropriate accounting policies supported by reasonable and prudent judgements and estimates, and has complied with all applicable standards. The directors are of the opinion that the annual financial statements fairly present the financial position of the Company as at 31 March 2009.

The Company has a unitary Board structure comprising eight independent non-executive directors, one non-independent non-executive director and two executive directors. Messrs LN Letele, ST Mabalayo, SAU Meer, S Maharaj (executive director), Ms M Mohlala and Ms S Mabaso-Koyana were appointed to the Board on 25 August 2008. Mr MR Shuttleworth resigned from the Board on 21 October 2008. The directors, appointed by the Minister of Public Enterprises and by the Industrial Development Corporation ("IDC") respectively, bring a wide range of experience and professional skills to the Board.

The Board has adopted a Charter which provides a concise overview of:

- the segregation of roles, responsibilities, functions and powers of the Board, shareholders, individual directors, officers and executives of the Company;
- the terms of reference of the Board committees;
- matters reserved for final decision making or pre-approval by the Board; and
- the policies and practices of the Board for such matters as corporate governance, declarations of conflicts of interests, Board meeting documentation and procedures, and the nomination, appointment, induction, training and evaluation of directors and members of the Board committees.

Within the powers conferred upon the Board by the articles of association, the Board has determined its main functions and responsibilities as adding significant value to the Company by:

- retaining full and effective control over the Company;
- determining the strategies and strategic objectives of the Company;
- determining and setting the tone of the Company's values, including the code of ethics which cover the principles of ethical business practices; bringing independent, informed and effective judgement to bear on material decisions of the Company;
- satisfying itself that the Company is governed effectively in accordance with corporate governance best practice, including risk management and internal control systems; and
- monitoring implementation by Board committees and executive management of the Board's strategies, decisions, values, policies by a structured approach to reporting risk management and auditing.

The directors are appointed for a period of three years and are considered for re-appointment at each annual general meeting by the shareholders.

Board meetings are scheduled annually in advance. Special meetings are convened as and when required in order to address specific issues of strategic importance.

Attendance at Board meetings for the period ended 31 March 2009

	1	2	3	4	5	6	
Director	15 May 08	23 July 08	30 July 08	14 Oct 08	12 Dec 08	30 March 09	Total Meetings
AFB Mthembu[1]	√	√	√	√	√	√	**6/6**
C Groesbeek	*	√	√	√	√	√	**6/6**
LN Letele	√	•	√	√	√	•	**4/6**
S Maharaj[2 & 3]	–	–	–	√	√	√	**3/3**
WT Magasa	√	√	√	√	√	√	**6/6**
ST Mabalayo[2]	–	–	–	√	√	√	**3/3**
S Mabaso-Koyana[2]	–	–	–	√	√	√	**3/3**
M Mohlala[2]	–	–	–	√	•	√	**2/3**
SAU Meer[2]	–	–	–	√	•	√	**2/3**
MJ Singer Saul	√	√	•	√	√	√	**5/6**
RD Smith[4]	√	√	√	√	√	√	**6/6**
MR Shuttleworth[5]	*	•	*	•			**2/4**

√ Attendance • Absent with apology * Teleconference – Not appointed as yet
1 Chairman of the Board 2 New appointment: 25 August 2008 3 Executive Director (CFO) 4 Executive Director (CEO)
5 Resigned: 21 October 2008

BOARD COMMITTEES

The Board has established four permanent committees to assist in the execution of its responsibilities. These committees are the Audit and Risk Committee, Tender and Procurement Committee, Investment and Finance Committee, and the Human Resources and Remuneration Committee.

The committees are tasked with assisting the Board in carrying out its responsibilities. Their recommendations and reports to the Board ensure transparency and full disclosure of committee and business related activities. Each committee operates within a terms of reference that set out the composition, role, responsibilities, delegated authority and the requirements for convening meetings.

Committee meeting agendas, documentation and minutes are made available to all members of the Board on request.

Subcommittees may also be formed on an ad-hoc basis to deal with specific matters.

The executive management committee ("Exco") is not a formal subcommittee of the Board but meets on a regular basis to deal with issues of operational importance and recommends matters of strategic importance to the Board or its committees for consideration and approval. Regular reports of decisions taken by the Exco are submitted to the Board.

Audit and Risk Committee

The committee comprises two independent non-executive directors and one non-independent non-executive director together with Mr I Kajee, an external committee member who brings additional expertise to the committee. The committee previously had two non-executive directors, with one non-executive director, Mr WT Magasa, resigning from the committee on 28 November 2008. Mr SAU Meer and Ms S Mabaso-Koyana were appointed to the committee on 14 October 2008.

The Audit and Risk Committee is an important element of the Board's system of monitoring and control. All Audit and Risk Committee members have extensive experience and are financially literate. The Chief Executive Officer and the Chief Financial Officer as well as the Risk and Assurance Manager attend Audit and Risk Committee meetings by invitation.

The committee monitors and ensures that internal control is maintained to protect Broadband Infraco's interests and assets. The committee also reviews any accounting concerns raised by internal and external audit, the annual financial statements, the quarterly reports submitted to the shareholders, and any other financial information to be made public. It assists the Board in relation to the reporting of financial information, the appropriate application and amendment of accounting policies, the identification and management of risk, and governing external and internal audit.

The committee ensures that an effective internal audit function is in place and that the roles and functions of the external and internal audit are sufficiently clarified and coordinated to provide an objective overview of the operational effectiveness of the Company's systems of internal control, risk management, governance and reporting. The committee also has to assess the performance of the internal audit function, and the adequacy of available internal audit resources.

The Audit and Risk Committee approves the internal audit plan, the external auditor's engagement letter and terms, nature and scope and the audit fee. The internal audit charter, internal audit plan and internal audit conclusions are similarly reviewed and approved by the Audit and Risk Committee.

A report by the Chairperson of the Audit and Risk Committee is included on page 23.

Attendance at Audit and Risk Committee meetings for the period ended 31 March 2009

	1	2	3	4	5	6	
Committee Member	15 July 08	21 Aug 08	29 Sep 08	1 Dec 08	18 Mar 09	27 Mar 09	**Total Meetings**
MJ Singer Saul[1]	√	√	√	√	√	√	**6/6**
I Kajee[2]	√	√	√	√	√	√	**6/6**
WT Magasa[3]	√	•	•				**1/3**
SAU Meer[4]	–	–	–	√	√	•	**2/3**
S Mabaso-Koyana[4]	–	–	–	√	•	•	**1/3**

√ Attendance • Absent with apology – Not appointed as yet

1 Chairman 2 External Committee Member 3 Resigned: 28 November 2008 4 New: Appointed 14 October 2008

Investment and Finance Committee

The committee comprises five independent non-executive directors and one non-independent non-executive director and two executive directors. Messrs S Maharaj, SAU Meer, ST Mabalayo and Ms S Mabaso-Koyana were appointed to the committee on 14 October 2008. Mr MR Shuttleworth resigned from the committee on 21 October 2008.

The committee reviews the investment strategy and makes recommendations to the Board. It evaluates and approves business cases for new ventures and projects, approves criteria and guidelines for investments and approves investments within its delegated authority. Those investments outside of the committee's delegated authority are recommended to the Board for approval.

The committee monitors and oversees the financial health of Broadband Infraco, including the review of budgets, financial and business plans. Investment decisions are made within a framework of policies that guide such decisions and which are approved by the Board.

A report by the Chairperson of the Investment and Finance Committee is included on page 24.

Attendance at Investment and Finance Committee meetings for the period ended 31 March 2009

	1	2	3	
Committee Member	07 Oct 08	26 Nov 08	13 Mar 09	**Total Meetings**
LN Letele[1]	•	√	√	**2/3**
AFB Mthembu	√	√	•	**2/3**
C Groesbeek	√	√	√	**3/3**
RD Smith[2]	√	√	√	**3/3**
S Mabaso-Koyana	^	•	√	**1/2**
S Maharaj[3]	–	√	√	**2/3**
ST Mabalayo	^	√	√	**2/2**
SAU Meer	^	•	•	**1/3**
MR Shuttleworth[4]	*			**1/1**

√ Attendance • Absent with apology * Teleconference ^ Not appointed as yet 1 Chairman 2 Executive Director (CEO)
3 Executive Director (CFO) 4 Resigned: 21 October 2008

Tender and Procurement Committee

The committee comprises five independent non-executive directors, one non-independent non-executive director and two executive directors. Messrs ST Mabalayo, S Maharaj, SAU Meer and Ms M Mohlala were appointed to the committee on 14 October 2008.

The Tender and Procurement Committee assists the Board with procurement decisions and approves procurement policies, within its delegated authority.

With regards to tenders and contracts, the committee is responsible for:

- formulation of and maintaining procurement policies and processes that are fair, equitable, transparent, competitive, cost effective and subject to legislation regulating tender and procurement processes;
- making recommendations to the Board in respect of tenders and contracts exceeding its delegated authority; and
- ensuring that Broadband Infraco's procurement system, and associated policies and processes, are fair, transparent, competitive and cost effective, and adhered to.

A report by the Chairperson of the Tender and Procurement committee is included on page 24.

Attendance at Tender and Procurement Committee meetings for the period ended 31 March 2009

	1	
Committee Member	13 Feb 09	**Total Meetings**
WT Magasa[1]	R	**1/1**
LN Letele	√	**1/1**
C Groesbeek	√	**1/1**
AFB Mthembu	R	**1/1**
RD Smith[2]	√	**1/1**
S Maharaj[3]	√	**1/1**
M Mohlala	√	**1/1**
ST Mabalayo	√	**1/1**

√ Attendance • Absent with apology * Teleconference
R Recused – Resigned: 21 October 2008 ^ Not appointed as yet
1 Chairman 2 Executive Director (CEO) 3 Executive Director (CFO)
4 Resigned: 21 October 2008

Human Resources and Remuneration Committee

The committee comprises four independent non-executive directors. Ms M Mohlala was appointed to the committee on 14 October 2008.

The committee assists the Board to enhance business performance through guiding and influencing key human resources policies and strategies, monitoring compliance with the Employment Equity Act, guiding strategies to achieve equity in Broadband Infraco, and approving the principles regarding the reward and incentive schemes.

In consultation with the Board:

- the committee recommends the remuneration policy for executive and non-executive directors for approval by the shareholders;
- determines and approves the individual remuneration packages, benefits, bonuses, incentive schemes and adjustments to such packages of all executives of the Company, within the framework approved by the shareholders;
- evaluates the effectiveness of the executive remuneration policy and considers, if necessary, independent surveys;
- determines any criteria necessary to measure the performance of executive directors of the Company in discharging their functions and responsibilities;
- makes recommendations to the shareholders on matters pertaining to remuneration and other emoluments of executive and non-executive Board members;
- makes recommendations to the Board on matters pertaining to appointments, removals and resignations of executive and non-executive directors; and
- reviews the Board structure, size and composition, and makes recommendations to the Board with regard to any adjustments that are deemed necessary.

The committee is also responsible for identifying and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise, as well as put in place plans for succession, in particular for the Chairman and Chief Executive Officer, subject to the approval of the shareholders; ensures that the process of appointing executives is credible and transparent; and recommends executive appointments for approval by the Board.

A report by the Chairperson of the Human Resources and Remuneration Committee is included on page 25.

Attendance at Human Resources and Remuneration Committee meetings for the period ended 31 March 2009

	1	
Committee Member	27 Mar 09	**Total**
MJ Singer Saul[1]	√	**1/1**
AFB Mthembu	√	**1/1**
LN Letele	•	**0/1**
M Mohlala	•	**0/1**

√ Attendance • Absent with apology
1 Chairman

BOARD EVALUATION AND PERFORMANCE

In terms of the Board Charter and Shareholder Compact, the Board is required to evaluate its performance annually. The Board committees are also required to evaluate their performance annually. The first such evaluations will be performed during the 2009/10 financial year.

SHAREHOLDER COMPACT AND PERFORMANCE DASHBOARD

The shareholder compact and key performance areas was agreed to between the Department of Public Enterprises and Broadband Infraco for the 2008/09 financial year. The shareholders were provided with feedback on the Company's performance and targets on an ongoing basis and in the form of monthly and quarterly management reports.

Refer to pages 21 and 22 for the Company's performance dashboard for the financial year ended 2008/09.

COMPANY SECRETARIAT

Directors have unrestricted access to the advice and services of the Company Secretary. Directors may seek independent professional advice, at the Company's expense, should they deem this necessary.

The Company Secretary monitors the Company's compliance with the PFMA, Companies Act and other relevant and applicable legislation.

STAKEHOLDER ENGAGEMENT

Stakeholders are all people or groups who are important to Broadband Infraco, and who have an interest in our operations and are influenced by what we do. These include government and regulatory bodies, employees, key customers, suppliers, learners and educators, communities and the general public at large.

The Board endorses the principles of accountability, integrity and transparency underlying the Code of Corporate Practices and Conduct as contained in the King Report on Corporate Governance for South Africa, 2002 (the "King Report 2002") and also endorses the principles contained in the Protocol on Corporate Governance for state-owned enterprises.

Broadband Infraco recognises the importance of effective stakeholder management for its long-term business success. Central to the role of stakeholder engagement is its work to engage, inform and influence key stakeholders in a meaningful way while looking for opportunities to cooperate for mutual benefit.

INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT AND ASSURANCE

Internal Control

The control environment enhances the tone of risk management and provides the necessary discipline and structure for same. It is the foundation for all other components of risk management and internal control. The control environment includes factors such as the integrity, ethical values, organisational culture, competence of people, management's philosophy and operating style, delegation of authority and responsibility, the way in which people are organised and developed, as well as the intention and direction provided by the Board of Broadband Infraco.

The Board is responsible for establishing a framework of internal control and regularly reviewing its effectiveness, adequacy and relevance. Broadband Infraco has developed a framework of internal control in order to mitigate the significant risks faced by the organisation to acceptable levels. The framework is based on relevant codes of best practice that are implemented in an integrated manner to ensure that the organisation's scarce resources are pooled together in enhancing the control environment, thus adopting a systems approach to implementation of the framework. The controls are integrated into all business processes at every level in the organisation. In this system, roles and responsibilities are clearly defined and segregation of duties ensured. Implementation of the system is currently underway.

The Board has established a process to review the system of internal control for effectiveness and efficiency. To this end, an independent internal auditor was engaged in the year under review, to provide assurance on the processes of internal control and risk management.

Internal Audit

The Internal Audit function in Broadband Infraco is a value adding, independent and objective assurance and consulting function, designed to improve the organisation's operations. Its mandate is to give an independent assessment of reliability of financial reporting, validate control systems and give an oversight of management and overall business activities, bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of enterprise risk management, internal controls and corporate governance processes.

Broadband Infraco made a strategic decision to outsource the internal audit given the need for diversity of skills needed to carry out the function adequately and effectively. To this end, PricewaterhouseCoopers Inc. ("PwC") was appointed as an independent internal auditor for 2008/09. In order to provide a focused and industry-specific audit service, the internal audit function has a team of dedicated auditors and specialists that provide the internal audit service. The benefits of this structure are that industry-specific audit expertise is created and synergies can be explored.

To ensure the independence of the Internal Audit function, PwC reports functionally to the Chairperson of the Audit and Risk Committee and administratively to the Risk and Assurance Manager, with direct access to the Chief Executive Officer. In carrying out its duties, the internal audit team has unrestricted access to all Broadband Infraco's functions, records, property and personnel.

The internal audit team conducts audit work or any other task in accordance with the internal auditing standards set by the globally recognised Institute of Internal Auditing ("IIA"). This requires compliance with the Standards for Professional Practice of Internal Auditing ("SPPIA"), in particular, the codes of conduct and ethics that are promulgated from time to time by relevant professional bodies, and any other corporate governance initiatives.

During the 2008/09 financial year, the internal audit function conducted a number of compliance, financial, operational, governance and informational technology audits. The activities for the function were based on the results of risk assessments and reviews which had been undertaken continually throughout the year so as to identify not only residual or existing, but also emerging risks.

The internal audit reviews conducted, focused on both internal control design and operating effectiveness for specific focus areas reviewed. Where control inadequacies and/or inefficiencies were identified, these were reported to management. The team developed recommendations for improvement to the controls where deficiencies were reported and management actions have been agreed to adequately address and correct these deficiencies.

Enterprise Risk Management

Broadband Infraco views enterprise risk management as a management function, which has the objective of protecting assets (people, information and profits) by eliminating or minimising the potential for loss from risk and the provision of funds to recover from losses that do occur. It is also used to identify and realise opportunities. It is strategically employed to ensure that objectives set by Broadband Infraco are met. These objectives include strategic, financial, reporting, operational and compliance objectives. The efficacy of the risk management is regularly reviewed by internal and external assurance bodies.

The appropriate governance structures necessary for facilitation of risk management activities are in place. The Board of Broadband Infraco is accountable for the process of risk management and the system of internal control, which is regularly reviewed for effectiveness and for establishing appropriate risk and control policies. The executive management committee fulfils the role of a Risk Management subcommittee ("RMC"), while the Audit and Risk Committee of the Board has the overall oversight responsibility for the risk management process. The adopted philosophy is that risk management is an enterprise-wide process involving every employee and risk management is embedded into day-to-day activities of the organisation.

Broadband Infraco developed and implemented a risk management policy and strategy, a fraud prevention plan and a whistle-blowing policy in the year under review. These policies are communicated to all staff in the organisation's ongoing awareness and education programme on risk management. An ongoing process for identifying, evaluating and managing the significant risks faced by the Company was in place for the period and up to the date of approval of the annual report and accounts.

The risk management function works closely with internal audit to identify processes with inherent risks, enabling the audit function to assist management in improving the system of internal controls. Management retains the responsibility for effective and efficient systems of internal control to manage risks, ensure compliance with relevant legal and internal requirements, prevent fraud and corruption, detect these when they occur and deal with all reported cases accordingly. Internal audit provides independent assurance to the Board, Audit and Risk Committee and management on the effectiveness of these controls.

The internal audit function undertook a review of the risk management policy and strategy documents in order to give an objective opinion on their adequacy and relevance using the Treasury Guidelines issued by the Department of Public Enterprises and best practice, and provided management with comments on the technical content. The practical implementation of the policy strategy will be assessed in the ensuing year. The risk assessments performed by the Board and management were used as input into compiling the three-year strategic and one-year operational internal audit plans for Broadband Infraco.

Business Continuity

The operations and maintenance functions of Broadband Infraco are currently outsourced. The responsibility for this process is currently shared between the Company to which operations and networks are outsourced and the original equipment manufacturer. A documented and tested process which will allow the Company to continue its critical business processes in networks in the event of a disastrous incident impacting its activities, is in place. A comprehensive business continuity plan will be developed and tested in the ensuing year.

ETHICAL BUSINESS CONDUCT

A code of ethics has been developed for approval by the Board and implementation in the next financial year.

Broadband Infraco commits itself to the highest standards of ethical conduct and strives at all times to encourage trust, dependability and honesty. The Company believes that good ethics and professional business conduct together produce the best long-term results for all Broadband Infraco's stakeholders. The objective of this code of ethics and business conduct ("Code") is to strive to ensure that everyone involved with Broadband Infraco conducts business with the highest standards of ethics, desired business conduct and professional behaviour.

All employees, contractors and suppliers are encouraged to behave in a manner that is in line with international best practice and that the Company's business practices are conducted in a manner which is above reproach. Emphasis is placed on respecting client confidentiality, avoiding conflicts of interest, and conducting business with integrity and honesty.

There was no unethical behaviour reported for the period under review.

SAFETY, HEALTH AND ENVIRONMENT AND QUALITY ("SHEQ")

SHEQ Management System Implementation

The implementation of a SHEQ Management System based on Occupational Health and Safety Management System (OHSAS 18001:2007) and International Organisation for Standardisation 9001:2008 and 14001:2004 commenced in earnest in the year under review. The Company made a voluntary commitment to comply with the provisions of OHSAS 18001:2007 to ensure that international best practices in the management of SHEQ activities are achieved.

The development of SHEQ policy, procedures, standards, work instructions and specifications is an ongoing process with completion targeted for the next financial year.

All statutory appointments together with documentation supporting the appointments, and the constitution of SHEQ committees were all successfully completed. Training for SHEQ has been identified and 40% of these were completed in the period under review.

Risk assessment for current business activities and processes is 75% completed and the remainder will be completed during the course of the next financial year.

The SHEQ Management System was audited by independent internal auditors in March 2009 to conduct a gap analysis. This was considered to be an appropriate approach based on the maturity of the existing Occupational Health and Safety Management System at the time.

SHEQ Performance

Incident	2008/09	Year End Target
Lost Time Injury ("LTI")	0	0.2
Fatalities	0	0
Environmental Incidents	0	0

The Company is committed to ensuring that all aspects of its activities are managed without harm to persons or the environment, in a sustainable and conservative manner.

CORPORATE SOCIAL INVESTMENT

Broadband Infraco contributed towards the 16 Days of Activism Campaign led by the Department of Public Enterprises to generate increased levels of awareness amongst South Africans in fighting violence perpetuated against women and children. Contributions were used to support Non-Profit Organisations that provide various services to abused women and children.

COMMERCIAL

The Commercial Department is a vital support line function responsible for all supply chain related activities to ensure that Broadband Infraco procures goods, services and works in a manner that shall realise best value for money.

Value activities performed by the Commercial Department are guided by approved policies and procedures aligned with legislative requirements that need to be adhered to by state-owned enterprises. The primary commercial value chain activities include procure to pay, bid management, supplier management and contract management as depicted by the procurement value chain in Figure 1.

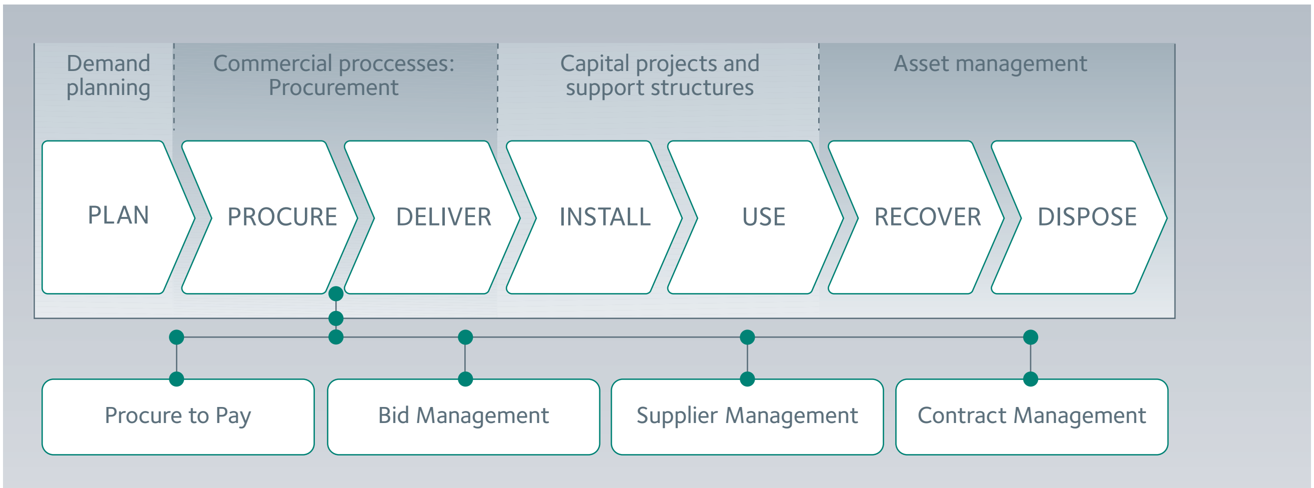


Figure1: Procurement Value Chain

In line with the request by the Department of Public Enterprises for state-owned enterprises to conduct BBBEE self-evaluation, Broadband Infraco achieved a Level 4 score in March 2009. This demonstrates commitment by Broadband Infraco to comply with the provisions of the BBBEE Act.

Broadband Infraco supported the competitive supplier development programme ("CSDP") for small suppliers by implementing procurement processes such as project set asides, early payment cycles and supplier development programmes to develop small suppliers in line with the Company's policies.

HUMAN CAPITAL MANAGEMENT

Broadband Infraco has been able to attract the requisite skills during its early years to bring its staff complement to 37 employees by March 2009. The number will increase substantially in the ensuing year for the Company to meet both its statutory mandate and its licence terms and conditions. The necessary framework in the form of conditions of service, policies and procedures governing employee relations are in place to guide future recruitment, performance and retention initiatives.

A skills development strategy was developed and approved over the reporting year for implementation in the next financial year. A combination of education, training and development ("ETD") interventions such as learnerships, internship programmes, learner pipelining and internal development are scheduled for implementation with immediate effect to address the present lack of skills within the telecommunications sector. This will be a joint initiative with Information Systems, Electronics and Telecommunications Technologies ("ISETT") Sector Education Training Authority ("SETA"). The target participants will include people with disabilities, women and young people.

Broadband Infraco supported the "take a girl child to work" initiative that took place on 28 May 2008 by hosting 12 Grade 10 and 11 learners from schools in Gauteng Province. The three-hour session was in the main used to showcase various telecommunications related careers that young girls can pursue and encourage interest for women to venture into technical fields where skills are in demand.

BUSINESS PROCESS DEVELOPMENT 2008/09

The Business Process Development ("BPD") functional area is responsible for creating end-to-end business processes for Broadband Infraco to align Company operations with customer requirements, promote business effectiveness, efficiency and agility, allow for continuous performance improvement and optimise the achievement of the Company's mandate as outlined in the Broadband Infraco Act, Act 33 of 2007.

In this financial year, BPD functional area successfully completed the development of the value chain and enterprise model for Broadband Infraco and mapped Level 2 business processes.

BROADBAND INFRACO PERFORMANCE DASHBOARD – FY 2008/09

KPA	KPI	Unit	Target	Actual	Exceeded/ Achieved/ Not Achieved	Comment
Customer	Network availability per protected route	%	99,0	98,2	Not Achieved	The performance of some of the individual network links was below target due to the occurrence of fibre optic cable faults in remote geographical areas which increased response and repair times. The network performance measures for FY2008/09 did not have any commercial implications for the Company because the maintenance and operations of the network was outsourced to Neotel for legal reasons during the entire pre-licensing period.
	Network availability per unprotected route	%	97,8	96,5	Not Achieved	
	Availability at the services level	%	99,5	99,6	Exceeded	Services delivered to the customer were not severely impacted although some of the individual links in the network did not perform to target. This was due to the robust design of the network with diverse routes being able to provide service to the customer under component failure conditions.
	Debtors' Days (average for the year)	days	45	112	Not Achieved	The average debtors' days for the year was higher than the target due to payment delays by the customer and required concerted effort by Broadband Infraco to ensure that overdue invoices were paid by Neotel by year end. As at 31 March 2009, debtors' days were 30 days.
	Planning and design for capacity provisioning	days	35	23	Exceeded	The average project development period of 23 days (as measured from the time of customer request for service until project approval and capital expenditure release) exceeded the contractual target of 35 days.
Financial	Revenue	Rm	227	274	Achieved	Revenue for the reporting period was equal to the budget of R227 million. However, R50 million of operating lease income has been recognised as additional revenue for the reporting period in terms of IAS 17, but not taken into consideration when evaluating performance against the target.
	EBITDA	Rm	(42)	53	Exceeded	Operating cost savings were achieved, mainly in the areas of human resources, network repairs and maintenance costs. (EBITDA = operating loss of R46 million plus depreciation of R99 million.)
	Net Profit/ (Loss)	Rm	(182)	1	Exceeded	
	Debt Funding	Rm	(350)	0	Achieved	The term sheet for a R650 million senior debt facility with the Development Bank of South Africa was concluded and approved in terms of the PFMA. Broadband Infraco did not draw-down any debt against the loan facility because no additional funding was required during FY 2008/09.
Capital Programme	Percentage of projects put into commercial operation against approved plan	%	100	83	Not Achieved	Two network infrastructure projects, namely, the establishment of fibre optic cable connectivity to Upington and Namibia were delayed due to difficulties in obtaining site access for construction purposes.
	Project time variance	%	5	32	Not Achieved	
	Project cost variance against approved budget	%	5	37	Not Achieved	Total capital expenditure on projects completed during the reporting period was 37% below the original budgeted amount due primarily to savings achieved on equipment purchased. In addition, capital projects with a total value of R400 million that were included in the original corporate plan were not implemented during FY 2008/09. These projects include the MeerKat project (demonstrator project for the Square Kilometre Array Telescope), the SAPS project (communications for the South African Police Services), the SANReN project (South African Research Network) and the increase in the network footprint. These projects did not proceed because they were not initiated by the Broadband Infraco customer.

BROADBAND INFRACO PERFORMANCE DASHBOARD – FY 2008/09 continued

KPA	KPI	Unit	Target	Actual	Exceeded/ Achieved/ Not Achieved	Comment
Business Enablers	Legal & Regulatory: Obtain licence in the 2008/09 financial year	%	100	70	Not Achieved	The late issue of the Ministerial Policy Direction (on 6 February 2009) and Invitation to Apply (on 13 March 2009) for the necessary licences in terms of the Electronic Communications Act (as ammended), has delayed the envisaged timeline for the issuance of the Broadband Infraco licences until the end of August 2009.
	HR: Recruitment efficiency – number of vacancies	%	10	8	Exceeded	37 staff members were appointed out of the 40 human resource positions approved for year end.
	Develop and implement business policies, procedures and processes	%	100	82	Not Achieved	37 out of 45 business policies, procedures and processes were developed and implemented during the year.
Safety, Health & Environment	Lost Time Incidents ("LTI")	Ratio	0,2	0	Exceeded	No work related incidents that resulted in lost time were reported.
	Fatalities	Number	0	0	Achieved	No work related fatalities were reported.
	Environmental incidents	Number	0	0	Achieved	No work related environmental incidents were reported.
Operations Maintenance	Actual time to restore core network faults for 80% of all reported faults	Hours	8	5,59	Exceeded	The average repair time for 80% of faults encountered on & the network was within the target.
	Actual time to restore core network faults for 20% of all reported faults	Hours	10	29,47	Not Achieved	The average repair time for 20% of faults encountered on the network was not within the target because of some extended outages resulting from difficult geographic terrain and inadequate repair processes and resources.
	Actual time to restore facilities related faults which are service affecting	Hours	4	3,82	Exceeded	The average repair time for network failures that affected customer service was achieved within target.
	Actual time to restore facilities related faults which are not service affecting	Hours	10	2,22	Exceeded	Non-service affecting failures of infrastructure and facility support systems were repaired timeously.
	Establishment of maintenance depots	Number	18	10	Not Achieved	The total number of maintenance depots required to achieve the necessary maintenance and repair response times, were not implemented because the commercial contract to govern the maintenance outsourcing arrangement was not concluded between Neotel and the service provider.

Board Committee Reports

AUDIT AND RISK COMMITTEE REPORT

As Chairperson of the Audit and Risk Committee of the Board, it is my pleasure to submit the Audit and Risk Committee report for 2009.

The committee is committed to the principles of integrity, transparency and accountability. The committee's terms of reference was approved by the Board in the previous financial year and is subject to annual review. The committee is an important element of the Board's system of internal control. The overall objective of this committee is to assist the Board in the discharge of its duties relating to corporate accountability.

The committee also assists the Board with the governing of risk management in accordance with corporate governance requirements. The principle objectives of the committee in this regard are:

- Providing the Board with assurance that significant business risks are systematically identified, assessed and reduced to acceptable levels; and
- Making risk identification and risk management an integral part of the daily activities of every employee in the organisation.

The meeting attendance for the 2008/09 financial year is reflected on page 14 above.

In addition, the Chief Executive Officer, Chief Financial Officer and other members of management, as appropriate, and representatives from the external and internal auditors attend meetings by invitation.

During the year under review, the committee has reviewed and considered various issues delegated to it by the Board. These included:

- Approval of the Internal Audit Charter;
- The Company's internal control and risk management systems, including the implementation of the accounting system;
- Internal Audit Plan and Operational Plan for 2008/09;
- Appointment of internal and external auditors;
- Insurance cover;
- Reporting framework;
- Financial reporting systems and controls;
- Establishment of an internal audit function;
- Public Finance Management Act review and training for directors;
- Management accounts and quarterly reports to the shareholders;
- Approval of the Risk Management Policy, Risk Management Strategy and Framework, Fraud and Corruption Prevention Policy, Fraud and Corruption Response Plan, Whistleblowing Policy, Fraud hotline;
- Risk identification, mitigation, and management;
- Risk appetite and tolerance levels for Broadband Infraco; and
- Corporate plan for Broadband Infraco.

The committee has no reason to believe that the external auditors have not at all times acted with unimpaired independence during the audit of the annual financial statements.

M SINGER SAUL
Chairperson: Audit and Risk Committee

INVESTMENT AND FINANCE COMMITTEE REPORT

As Chairperson of the Investment and Finance Committee, it is my pleasure to submit the Investment and Finance Committee report for 2009.

The overall objective of the committee is to assist the Board in relation to investment strategies, new projects, criteria and guidelines for investments and budgets and business plans.

The meeting attendance for the 2008/09 financial year is reflected on page 15 above.

During the year under review, the committee reviewed and considered various issues delegated to it by the Board. These included approval of:

- the committee's terms of reference;
- the Broadband Infraco Investment Policy;
- approval of the Company's new office premises;
- approval of capital expenditure to the value of R340 million for various projects, including:
  - network expansion for Neotel (SANReN);
  - international network connections to Botswana, Mozambique, Swaziland and Zimbabwe;
  - provisioning of a 10 Gbit/s network overlay for protection capacity, in order to meet the conditions of the Neotel Right of Use and Operate Agreement;
  - investment for the production equipment required to measure and test links on the long-distance network during commissioning, network upgrades and when performing network repair and maintenance;
  - expansion of the current network to provide the additional services for Seacom international cable connectivity; and
  - installation of duct fibre optic cable ("FOC") along the Transnet freight rail ("TFR") services rail servitude for the short-term leased fibre replacement.

The committee monitors the capital investments and feedback is provided to the Board on an ongoing basis.

LN LETELE
Chairperson: Investment and Finance Committee

TENDER AND PROCUREMENT COMMITTEE REPORT

As Chairperson of the Tender and Procurement Committee, it is my pleasure to submit the Tender and Procurement Committee report for 2009.

The overall objective of the committee is to assist the Board in relation to procurement decisions, procurement policies and tenders and contracts.

The meeting attendance for the 2008/09 financial year is reflected on page 15 above.

During the year under review, the committee reviewed and considered various issues delegated to it by the Board. These include:

- approval of the committee's terms of reference;
- approval to negotiate and conclude a contract for network expansion projects to the value of R300 million over a period of three years; and
- review of the Company's commercial processes.

WT MAGASA
Chairperson: Tender and Procurement Committee

HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

As Chairperson of the Human Resources and Remuneration Committee, it is my pleasure to submit the Human Resources and Remuneration Committee report for 2009.

The overall objective of the committee is to assist the Board in relation to human resources policies and strategies.

The meeting attendance for the 2008/09 financial year is reflected on page 16 above.

During the year under review, the committee reviewed and considered various issues delegated to it by the Board. These include:

- the committee's terms of reference;
- the remuneration for non-executive directors in accordance with the shareholder guidelines;
- the appointment and performance review of the Chief Executive Officer; and
- annual salary increase for employees for the 2009/10 financial year.

MJ SINGER SAUL
Chairperson: Human Resources and Remuneration Committee

Report of the Audit and Risk Committee

for the year ended 31 March 2009

REPORT OF THE AUDIT AND RISK COMMITTEE IN TERMS OF REGULATION 27.1 OF THE PUBLIC FINANCE MANAGEMENT ACT, ACT 1 OF 1999, AS AMENDED

The Audit and Risk Committee is pleased to present its report on the annual financial statements of the Company for the year ended 31 March 2009.

The terms of reference of the committee was approved by the Board in May 2008. Until then, the affairs of the committee were regulated by a draft terms of reference.

In the conduct of its duties, the Audit and Risk Committee has, inter alia, considered the following:

- Evaluating the independence and effectiveness of the external auditors;
- Determining the fees to be paid to the external auditors and the auditor's terms of engagement;
- Pre-approval of non-audit services performed by the external auditors;
- Reviewing the annual report and financial statements to ensure that they present a balanced and understandable assessment of the position, performance and prospects of the Company;
- Evaluating the Company's risks, the measures taken to mitigate those risks and the treatment of the residual risk;
- Maintaining a comprehensive and effective control environment in the Company;
- Maintaining adequate controls to ensure compliance with laws and regulations; and
- Monitoring the ethical conduct of the Company, its executives and senior officials.

As more fully set out in pages 17 and 18 of the Corporate Governance report, the Company's internal control systems, internal audit function and financial accounting and reporting systems are fully established and functional as at 31 March 2009.

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

The Audit and Risk Committee is satisfied with the independence and objectivity of the external auditors.

The Audit and Risk Committee is satisfied that the annual financial statements are based on appropriate accounting policies, generally acceptable accounting practice, and supported by reasonable and prudent judgements and estimates.

The Audit and Risk Committee has evaluated the financial statements of the Company for the year ended 31 March 2009 and, based on the information provided to the Audit and Risk Committee, considers that they comply, in all material respects, with the requirements of the Companies Act, Act 61 of 1973, as amended, and the Public Finance Management Act, Act 1 of 1999, as amended, and International Financial Reporting Standards ("IFRS"). The Audit and Risk Committee concurs that the adoption of the going concern premise in the preparation of the financial statements is appropriate. The Audit and Risk Committee has therefore recommended, at their meeting held on 4 June 2009, the adoption of the annual financial statements by the Board of Directors and shareholders.

MJ SINGER SAUL
Chairperson: Audit and Risk Committee

Annual Financial Statements

The reports and statements set out below comprise the annual financial statements presented to the members:

CONTENTS

Independent Auditor's Report

TO THE MEMBERS OF BROADBAND INFRACO (PTY) LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Broadband Infraco (Pty) Limited ("Broadband Infraco"), which comprise the balance sheet as at 31 March 2009, the income statement, the statement of changes in equity and cash flow statement for the year ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 38 to 57.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa and the Public Finance Management Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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 annual 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 annual 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 the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Broadband Infraco (Pty) Limited at 31 March 2009, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa and the Public Finance Management Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Performance Information

We have reviewed the performance information set out on pages 21 to 22.

Responsibilities of the Directors

The directors have additional responsibilities, required by section 55(2) (a) of the Public Finance Management Act, to ensure that the annual report and audited financial statements fairly present the performance against pre-determined objectives of the Company.

Auditor's Responsibility

We have conducted our review of the policies, systems and processes and procedures for the managing and reporting of the performance against pre-determined objectives, in accordance with section 13 of the Public Audit Act, 2004, read with General Notice 616 of 2008 issued in Government Gazette, Number 31057 of 15 May 2008. Our review was limited to inquiries of Company personnel and performing limited substantive procedures on the performance data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Findings

Based on our review, nothing has come to our attention that causes us to believe that Broadband Infraco (Pty) Limited's reporting against pre-determined performance objectives is not fairly stated as required by the Public Finance Management Act.

KPMG Inc.
Registered Auditor

KPMG Inc.

Per: M Rattigan
Registered Auditor
Chartered Accountant (SA)
Director

KPMG Crescent, 85 Empire Road, Parktown
18 June 2009

Directors' Responsibilities and Approval

The Company's directors are responsible for the preparation and fair presentation of the annual financial statements of Broadband Infraco (Pty) Limited ("Broadband Infraco") comprising the balance sheet at 31 March 2009, and the income statement, the statement of changes in equity and the cash flow statement 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 directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the Public Management Finance Act.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

This report is presented in terms of Treasury Regulation 28.1.1 of the Public Finance Management Act and is focused on the financial results and financial position of Broadband Infraco (Pty) Limited. The prescribed disclosure of emoluments in terms of Treasury Regulation 28.1.1 is reflected in note 24 of the annual financial statements.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements were approved by the Board of Directors on 18 June 2009 and are signed on its behalf by:

AFB MTHEMBU
Chairman

RD SMITH
Chief Executive Officer

Statement by Company Secretary

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

F MOHAMED
Company Secretary

18 June 2009

Directors' Report

The directors submit their report for the year ended 31 March 2009.

1. REVIEW OF ACTIVITIES

Main Business and Operations

1.1 Legal and Regulatory Environment Broadband Infraco Act:

The Broadband Infraco Act, Act 33 of 2007, was published on 8 January 2008 and came into effect on 1 February 2008. The Act primarily provides for:

- the establishment of a new State-Owned Enterprise, namely Broadband Infraco (Pty) Limited;
- the transfer of shares, loan accounts, liabilities and guarantees in Broadband Infraco (Pty) Limited from Eskom Enterprises (Pty) Limited to the State; and
- the transfer of the Full Services Network long-distance assets from Eskom Enterprises (Pty) Limited and Transnet Limited to Broadband Infraco (Pty) Limited.

In accordance with the Act, the main objects and powers of Broadband Infraco are:

- to expand the availability and affordability of access to electronic communications, including but not limited to, underdeveloped and under-serviced areas, in accordance with the Electronic Communications Act and commensurate with international best practice and pricing, through the provision of:
  (a) electronic communications network services; and
  (b) electronic communications services.

Broadband Infraco Licensing Process

The Electronic Communications Amendment Act, Act 37 of 2007, was published on 8 January 2008 and came into effect on 2 February 2008. The amendment provides for:

- Encouraging investment, including strategic infrastructure investment, and innovation in the ICT sector; and for
- The Minister of Communications, after obtaining Cabinet approval, to issue a policy direction to:
  - initiate and facilitate intervention by government to ensure strategic ICT infrastructure investment; and
  - provide for a framework for the licensing of a public entity (with state ownership of more than 25%) by the authority ("ICASA").

The draft ministerial policy direction required in terms of the legislation mentioned above was published for public comment on 29 October 2008 and the final ministerial policy direction was published on 6 February 2009. ICASA published the Invitation to Apply ("ITA") for Broadband Infraco's licence on 13 March 2009. In response to the ITA, Broadband Infraco submitted its licence application on 14 April 2009. Public comments will be heard on 29 June 2009, should ICASA deem them necessary.

1.2 Main business and operations during the year under review

To give effect to the requirements of the Broadband Infraco Act, the business of the Company comprises two key interventions, namely:

- The establishment of a national long-distance fibre optic network; and
- The establishment of an international marine cable network to be deployed between South Africa and the United Kingdom.

The main activity of the Company during the year under review was the operationalisation and expansion of the national long-distance network. In addition, the Company commenced with the project development activities relating to the international marine cable connection.

1.3 Customer

During the year under review, the Company had one customer, namely Neotel (Pty) Limited ("Neotel").

The Right of Use and Operate Agreement between Broadband Infraco and Neotel came into effect on 1 December 2007. The Agreement provides for:

- The right of use of Broadband Infraco's long-distance network infrastructure by Neotel before Broadband Infraco is licensed and the acquisition of telecommunications services by Neotel during the post licensing phase for a total period of four years;
- The immediate outsourcing arrangements for Broadband Infraco's real time operations and maintenance activities; and
- The requirements for the ongoing expansion and upgrade of Broadband Infraco's long-distance infrastructure to meet Neotel's business development needs.

Furthermore, the Agreement envisages that Broadband Infraco will continue to receive revenue from Neotel for the remaining period until 31 March 2011.

1.4 Outsourcing arrangements

Eskom Enterprises (Pty) Limited ("Eskom") provided human resources on a seconded basis to Broadband Infraco during the first half of the year under review to execute the approved mandate of operating and expanding the original long-distance network assets. Broadband Infraco commenced with its recruitment process and permanent employees were appointed from June 2008. Eskom's accounting system and processes were used to process the Company's transactions until Broadband Infraco had implemented its own systems in September 2008.

1.5 Financial results

Profit of the Company for the year ended 31 March 2009 amounted to R101 312 (2008: R22 560 302), after taxation of R915 827 (2008: R10 382 274). Revenue earned was R273 688 844 (2008: R112 316 212) and operating and other expenses amounted to R302 607 093 (2008: R102 238 561).

The operating results and state of affairs of the Company are fully set out in the accompanying annual financial statements.

1.6 Basis of preparation of financial information

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa and the Public Finance Management Act.

2. GOING CONCERN

Under the going concern assumption, an entity is ordinarily viewed as continuing in business:

- for the foreseeable future, which should be at least, but not limited to, 12 months from the balance sheet date;
- with neither the intention nor the necessity of liquidation, ceasing trading; or
- seeking protection from creditors pursuant to laws and regulations.

In evaluating the going concern assumption, the following factors were considered:

Financial

- Total assets exceed total liabilities by R1 376 636 610 as at 31 March 2009;
- Broadband Infraco has a retained income of R19 879 754 as at 31 March 2009;
- The profit after taxation for 2009 totalled R101 312 compared to a profit after taxation of R22 560 302 the previous year; and
- The cash flows are expected to be positive based on the approved budget for 2010 and should be sufficient for the Company to meet all its obligations in terms of operating expenditure, capital expenditure and working capital requirements and planned projects.

A substantial part of the Company's revenue will be derived from Neotel in terms of the Right of Use and Operate Agreement.

Once Broadband Infraco has obtained the necessary operating licences, the Company will adopt a wholesale business model, which is consistent with its mandate, as the most effective way of making available the network and services to its future target market.

Besides the abovementioned factors, there are initiatives to generate additional sources of revenue which will have a positive impact on the Company's profitability.

Operating

The Company is not aware of any factors that will negatively impact its operations.

The going concern assumption was used in the preparation of Broadband Infraco's annual financial statements.

Accordingly, assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Conclusion

The Audit and Risk Committee concluded that Broadband Infraco is a going concern.

3. POST-BALANCE SHEET EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year that would impact the reported results.

4. AUTHORISED AND ISSUED SHARE CAPITAL

During the year, Broadband Infraco issued 26 ordinary shares to the Industrial Development Corporation of South Africa ("IDC") and 74 ordinary shares are held by the State, represented by the Department of Public Enterprises ("DPE").

For the year under review, the IDC and the State (as represented by the DPE) contributed R352 756 756 and R377 000 000 respectively, disclosed as shareholders' loans. In terms of the loan agreement, the loans are interest free, subordinated and only repaid, when mutually agreed between Broadband Infraco and its shareholders.

5. BORROWING LIMITATIONS

In terms of the Company's articles of association, directors shall not have the power to incur borrowings without the prior approval of the shareholders.

6. DIVIDENDS

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

7. DIRECTORS

The directors of the Company during the year and to the date of this report are as follows:

	Changes
AFB Mthembu	
WT Magasa	
LN Letele	Appointed 25 August 2008
M Singer Saul	
C Groesbeek	
SD Mabalayo	Appointed 25 August 2008
SAU Meer	Appointed 25 August 2008
M Mohlala	Appointed 25 August 2008
S Mabaso-Koyana	Appointed 25 August 2008
RD Smith	
S Maharaj	Appointed 25 August 2008
MR Shuttleworth	Resigned 21 October 2008

8. COMPANY SECRETARY

The Secretary of the Company is Fahim Mohamed.

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

Business address
9 Simba Road
Sunninghill Place
Block B
Sunninghill
2157

Postal address
Postnet Suite 321
Private Bag X26
Sunninghill
2157

9. SHAREHOLDING

As at 31 March 2009, the Company's shares are held by the State and the IDC, as 74% and 26%, respectively.

10. EXTERNAL AUDITORS

KPMG Inc.
Registered Auditor

Will continue in office in accordance with section 270(2) of the Companies Act.

11. STATUTORY INFORMATION IN TERMS OF THE PUBLIC FINANCE MANAGEMENT ACT

In terms of section 55(2)(b) of the Public Finance Management Act ("PFMA"), the annual report and financial statements of the Company are required to include particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.

Irregular or fruitless and wasteful expenditure
No material irregular or fruitless and wasteful expenditure were incurred.

Losses through criminal conduct
No material losses through criminal conduct or network asset vandalism or theft were incurred.

During the year under review, the Company fully complied with all of the requirements of the PFMA and Treasury Regulations issued in terms of the PFMA. No significant instances of non-compliances were reported by the independent external auditors.

Balance Sheet

as at 31 March 2009

	Note(s)	2009	2008
ASSETS			
Non-current assets			
Equipment	2	**576 084 055**	586 885 107*
Intangible assets	3	**695 342**	–
		576 779 397	586 885 107
Current assets			
Trade and other receivables	6	**221 921 654**	147 569 359
Fixed term deposit – Eskom Holdings Limited	7	**–**	542 352 924
Cash and cash equivalents	8	**712 933 790**	51 019 316
		934 855 444	740 941 599
Total assets		**1 511 634 841**	1 327 826 706
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of parent			
Share capital and share premium	9	**100**	–
Retained income		**19 879 754**	19 778 442*
Shareholders' loans	10	**1 356 756 756**	627 000 000
Total equity attributable to equity shareholders of the Company		**1 376 636 610**	646 778 442
Liabilities			
Non-current liabilities			
Deferred tax liabilities	4	**10 161 849**	9 246 022*
Current liabilities			
Trade and other payables	11	**110 526 942**	671 802 242*
Provisions	12	**14 309 440**	–
		124 836 382	671 802 242
Total liabilities		**134 998 231**	681 048 264
Total equity and liabilities		**1 511 634 841**	1 327 826 706

* Amounts restated. Refer to note 22 for disclosure on the prior year restatement.

Income Statement

for the year ended 31 March 2009

	Note(s)	2009	2008
Revenue	13	**273 688 844**	112 316 212
Direct expenses	14	**(70 187 138)**	(15 919 019)*
Gross profit		**203 501 706**	96 397 193
Other income	15	**52 759 710**	–
Operating results before expenses		**256 621 416**	96 397 193
Operating expenses		**(302 607 093)**	(102 238 561)*
Results from operations	16	**(46 345 677)**	(5 841 368)
Finance income	17	**55 311 267**	61 356 271
Finance expense	18	**(7 948 451)**	(22 572 327)
Profit before tax		**1 017 139**	32 942 576*
Income tax expense	19	**(915 827)**	(10 382 274)*
Profit for the year		**101 312**	22 560 302*

* Amounts restated. Refer to note 22 for disclosure on the prior year restatement.

Statement of Changes in Equity

for the year ended 31 March 2009

	Share capital	Share premium	Retained income*	Shareholders' loans	Total equity
Balance at 01 April 2007	**–**	**–**	**(2 781 860)**	**–**	**(2 781 860)**
Shareholder loan raised from DPE	–	–	–	627 000 000	627 000 000
Profit as previously reported	–	–	40 783 194	–	40 783 194
Restatement of prior year adjustments	–	–	(18 222 892)	–	(18 222 892)
Balance at 01 April 2008	**–**	**–**	**19 778 442**	**627 000 000**	**646 778 442**
Shareholder loan raised from DPE	–	–	–	377 000 000	377 000 000
Shareholder loan raised from IDC	–	–	–	352 756 756	352 756 756
Profit for the year	–	–	101 312	–	101 312
Issue of shares	1	99	–	–	100
Total changes	**1**	**99**	**101 312**	**729 756 756**	**729 858 168**
Balance at 31 March 2009	**1**	**99**	**19 879 754**	**1 356 756 756**	**1 376 636 610**
Note(s)	9	9	22	10	

* Amounts restated. Refer to note 22 for disclosure on the prior year restatement.

Cash Flow Statement

for the year ended 31 March 2009

	Note(s)	2009	2008
Cash flows from operating activities			
Cash used in operations	20	**(2 716 425)**	(19 443 937)*
Interest received	21.1	**50 542 863**	61 356 271
Interest paid	21.2	**(1 728 617)**	(22 572 327)
Net cash from operating activities		**46 097 821**	19 340 007*
Cash flows from investing activities			
Purchase of equipment	2	**(88 509 044)**	(611 904 378)*
Purchase of other intangible assets	3	**(818 516)**	–
Net cash from investing activities		**(89 327 560)**	(611 904 378)*
Cash flows from financing activities			
Increase in fixed term deposit		**–**	(542 352 924)
Proceeds from fixed term deposit		**542 352 924**	–
Proceeds on share issue	9	**100**	–
Loan – Eskom Enterprises		**(566 965 567)**	558 936 611
Shareholders' loans received		**729 756 756**	627 000 000
Net cash from financing activities		**705 144 213**	643 583 687
Total cash movement for the year		**661 914 474**	51 019 316
Cash and cash equivalents at the beginning of the year		**51 019 316**	–
Total cash and cash equivalents at end of the year	8	**712 933 790**	51 019 316

* Amounts restated. Refer to note 22 for disclosure on the prior year restatement.

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

Reporting Entity

Broadband Infraco (Pty) Limited (the "Company") is a Company domiciled in South Africa. The address of the Company's registered office is 9 Simba Road, Sunninghill Place, Block B, Sunninghill, 2157. The Company primarily is involved in the establishment of a national long-distance fibre optic network and the establishment of an international marine cable network to be deployed between South Africa and the United Kingdom.

Basis of Preparation

(a) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa and the Public Finance Management Act.

The financial statements were approved by the Board of Directors on 18 June 2009.

(b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments are measured at fair value through profit or loss.

(c) *Functional and presentation currency*

These financial statements are presented in South African Rands, which is the Company's functional currency. All financial information presented are in South African Rands.

(d) *Use of estimates and judgements*

The preparation of 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.

In particular, 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 financial statements is included in the following notes:

Residual values and useful lives of equipment

Residual values and useful lives of equipment are assessed on an annual basis. Estimates and judgements in this regard are based on historical experience and expectations of the manner is which assets are to be used, together with expected proceeds likely to be realised when assets are disposed of at the end of their useful lives. Such expectations could change over time and therefore impact both depreciation charges and carrying values of plant and equipment in future.

Provisions

Best estimates, being the amount the Company would rationally pay to settle the obligation, are recognised as provisions at the balance sheet date. Risks, uncertainties and future events, such as changes in law and technology, are taken into account by management in determining the best estimate.

The establishment and review of the provisions requires significant judgement by management as to whether or not there is a probable obligation and as to whether or not a reliable estimate can be made of the amount of the obligation, which requires judgements to the likelihood of future payment. All provisions are reviewed at each balance sheet date.

Estimated impairment of assets

The Company tests whether assets have suffered any impairment. 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.

Trade and other receivables

Impairment provisions are raised against trade receivables when their collectability is considered to be doubtful. In determining whether a particular debtor could be considered to be doubtful, the following factors are taken into consideration:

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

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these annual financial statements.

Certain comparative amounts have been restated to correct errors in the prior year and to conform with the current year's presentation (refer to note 22).

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the Companies Act of South Africa and the Public Finance Management Act. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

1.1 Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the entity 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.

1.2 Equipment

Recognition and measurement

Items of equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised to the specific assets until the asset is brought into use.

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

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognised net within "other income" in profit or loss.

Subsequent costs

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

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of equipment.

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

Item	Average useful life
Optical transmission equipment:	
• Site infrastructure and servitudes	20 years
• Long-distance and operation centre equipment	10 years
• Operational and network management equipment	5 years
Fibre optic cables	15 years
Office equipment	10 years
IT equipment	3 years

The residual value and the useful life of each asset are reviewed at each financial period end.

The depreciation method of equipment is also reviewed at each financial period end.

Each part of an item of equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Work in progress
Work in progress ("WIP") refers to the network under construction. WIP is recorded at the cost price at the stage of completion and transferred to Equipment once the asset is put into operation.

1.3 Intangible Assets

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the costs of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. The amortisation period and the amortisation method are reviewed annually at each financial year end. The amortisation periods over the current estimated useful life are as follows:

Computer software	2 years

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 when incurred.

1.4 Financial Instruments

Non-derivative financial instruments
Non-derivative financial instruments comprise, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

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

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

Held-to-maturity investments
If the Company has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

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

Financial assets at fair value through profit or loss
An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Share capital
Ordinary shares
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.

Shareholders' loans
Shareholders' loans are classified as equity if the loan repayments are based on the company and shareholders having to mutually agree to the repayments terms. The shareholders' loan will be reclassified to debt if repayment terms are mutually agreed between the Company and shareholders.

Derivative financial instruments
The Company holds derivative financial instruments to hedge its foreign currency risk.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

1.5 Tax

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. 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 to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

1.6 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. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

1.7 Impairment of Assets

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. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

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 equity.

Non-financial assets
The carrying amounts of the Company's non-financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

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"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.8 Employee Benefits

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 when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company 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.

The accruals for employee entitlements to wages, incentives, salaries and annual leave represent the amount which the Company has a present obligation to pay as a result of employees' services provided to the balance sheet date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

1.9 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect is material, 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, where appropriate, the risks specific to the liability.

1.10 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at balance sheet date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
  - to the extent that it is probable that they will result in revenue; and
  - they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

1.11 Rental Income

Rental income received from the use of the Broadband Infraco's network for the purpose of Neotel providing ECNS, 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.

1.12 Other Income

This amount represents the recovery of repairs and maintenance from Neotel. The gross amount of the total repairs and maintenance is included in operating expenses.

1.13 Finance Income and Expenses

Finance expenses that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other finance expenses are recognised as an expense in the period in which they are incurred.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.14 Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or settle on a net basis, all related financial effects are offset.

	2009 Cost	2009 Accumulated depreciation	2009 Carrying value	2008 Cost	2008 Accumulated depreciation	2008 Carrying value
2. EQUIPMENT						
Optical transmission equipment	402 898 880	(92 737 259)	310 161 621	310 660 916	(22 066 834)	288 594 082*
Fibre optic cables	279 179 129	(37 790 639)	241 388 490	258 268 989	(9 256 182)	249 012 807*
Computer equipment	668 332	(102 002)	566 330	–	–	–
Office equipment	105 458	(3 212)	102 246	–	–	–
Work-in-progress	23 865 368	–	23 865 368	49 278 218	–	49 278 218*
Total	706 717 167	(130 633 112)	576 084 055	618 208 123	(31 323 016)	586 885 107*

Reconciliation of equipment – 2009

	Opening carrying value	Additions	Transfers	Depreciation	Closing carrying value
Optical transmission equipment	288 594 082	1 207 350	91 030 614	(70 670 425)	310 161 621
Fibre optic cables	249 012 807	–	20 910 140	(28 534 457)	241 388 490
Computer equipment	–	668 332	–	(102 002)	566 330
Office equipment	–	105 458	–	(3 212)	102 246
Work-in-progress	49 278 218	86 527 904	(111 940 754)	–	23 865 368
Total	586 885 107	88 509 044	–	(99 310 096)	576 084 055

Reconciliation of equipment – 2008

	Opening carrying value	Additions	Transfers	Depreciation	Closing carrying value
Optical transmission equipment	–	310 660 916	–	(22 066 834)	288 594 082*
Fibre optic cables	–	258 268 989	–	(9 256 182)	249 012 807*
Work-in-progress	6 303 745	42 974 473	–	–	49 278 218*
Total	6 303 745	611 904 378	–	(31 323 016)	586 885 107*

A fixed asset register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the Company.

* Amounts have been restated. Refer to note 22 for disclosure on the prior year restatement.

	2009 Cost	2009 Accumulated amortisation	2009 Carrying value	2008 Cost	2008 Accumulated amortisation	2008 Carrying value
3. INTANGIBLE ASSETS						
Computer software	818 516	(123 174)	695 342	–	–	–

Reconciliation of intangible assets – 2009

	Opening balance	Additions	Amortisation	Closing carrying value
Computer software	–	818 516	(123 174)	695 342

Reconciliation of intangible assets – 2008

	Opening carrying value	Additions	Amortisation	Closing carrying value
Computer software	–	–	–	–

	2009	2008
4. DEFERRED TAX LIABILITY		
Deferred tax liability		
Recognised deferred tax (assets) and liabilities		
Deferred tax (assets) and liabilities are attributable to the following:		
Straight-lining of lease assets	29 176 000	15 204 000
Straight-lining of lease liabilities	(307 244)	(460 865)
Capital allowances	2 023 425	6 049 532*
Tax loss carry-forwards	(20 087 012)	(11 546 645)*
Prepayments	(62 816)	–
Leave pay accrual	(312 264)	–
Credit note provision	(268 240)	–
Net tax (liabilities)/assets	10 161 849	9 246 022

Movement in temporary differences during the year:

	Balance at 1 April 2007	Recognised in profit or loss	Change in tax rate	Balance at 31 March 2008	Recognised in profit or loss	Balance at 31 March 2009
Straight-lining of lease assets	–	15 204 000	–	15 204 000	13 972 000	29 176 000
Straight-lining of lease liabilities	–	(460 865)	–	(460 865)	153 621	(307 244)
Capital allowances	–	6 049 532	–	6 049 532	(4 026 107)	2 023 425
Tax loss carry-forwards	(1 136 253)	(10 449 574)	39 182	(11 546 645)	(8 540 367)	(20 087 012)
Prepayments	–	–	–	–	(62 816)	(62 816)
Leave pay accrual	–	–	–	–	(312 264)	(312 264)
Credit note provision	–	–	–	–	(268 240)	(268 240)
	(1 136 253)	10 343 093	39 182	9 246 022	915 827	10 161 849

* Amounts restated. Refer to note 22 for disclosure on the prior year restatement.

	2009	2008
5. OPERATING LEASE INCOME RECEIVABLE		
The operating lease income receipts are subject to an escalation rate of 10% per year. Operating lease income is recognised as revenue in terms of IAS 17 Leases which requires the straight-lining of the total operating lease income over the period of the lease agreement. As a result, there exists a difference between revenue recognised and actual operating lease income invoiced for the year. The following table indicates the effect:		
Operating lease income recognised as revenue	276 900 000	112 316 212
Less: actual operating lease income received	(227 000 000)	(58 016 212)
Operating lease income receivable	49 900 000	54 300 000
Total minimum future operating lease income		
Not later than one year	288 000 000	227 000 000
More than one year but less than five years	370 000 000	658 000 000
	658 000 000	885 000 000
6. TRADE AND OTHER RECEIVABLES		
Trade and other receivables consist of:		
Trade receivables – Neotel (Pty) Limited	74 151 154	66 138 482
Provision for credit notes	(968 492)	–
Prepayments	224 342	–
Deposits	1 190 479	–
VAT	38 355 767	27 130 877
Operating lease income receivable (refer to note 5)	104 200 000	54 300 000
Interest accrued	4 768 404	–
	221 921 654	147 569 359
7. FIXED-TERM DEPOSIT		
Fixed-term deposit consists of the following:		
Eskom Holdings Limited	–	542 352 924
Terms and conditions: Interest is earned at a rate linked to prime less 2% per year. The effective interest rate for the year was approximately 11% and the interest earned was reinvested on the same terms. The term deposit cancellation is subject to a notice period of 14 days.		
These loans were reinvested with other financial institutions during the current financial year. Refer to note 8.		
8. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Current account	38 118 762	51 019 316
Short-term deposits – Standard Bank (Bearing interest at 9,2 – 11,30% pa)	260 582 982	–
Short-term deposits – Nedbank (Bearing interest at 9,0% – 10% pa)	207 273 088	–
Short-term deposits – First National Bank (Bearing interest at 9,40% – 9,85% pa)	206 958 958	–
	712 933 790	51 019 316

	2009	2008
9. SHARE CAPITAL AND SHARE PREMIUM		
Authorised		
1 000 Ordinary shares of 1cent each	**10**	–
Issued		
100 ordinary shares of 1cent each	**1**	–
100 shares issued at a share premium of 99 cents each	**99**	–
	100	–
Shares are held as follows: 74 ordinary shares held by the State, represented by the Department of Public Enterprises. 26 ordinary shares held by the Industrial Development Corporation of South Africa. Unissued shares are controlled by the Board of Directors. Shares are valued at R0.01 and are in the process of being changed to R1. Share certificates were issued, valuing the shares at R1. The difference is recorded as a share premium.		
10. SHAREHOLDERS' LOANS		
Subordinated loans:		
Department of Public Enterprises The loan has no fixed terms of repayment and it is interest free	**1 004 000 000**	627 000 000
Industrial Development Corporation of South Africa The loan has no fixed terms of repayment and it is interest free	**352 756 756**	–
	1 356 756 756	627 000 000
The shareholders' loan agreement states that the loan may be repaid subject to the availability of funds from time to time, however, this is based on a mutual agreement between the shareholders and the Company. Consequently, the loans are classified as equity.		
11. TRADE AND OTHER PAYABLES		
Trade and other payables consist of the following:		
Trade payables	**90 522 038**	38 712 065*
SARS – PAYE	**737 873**	501 457
Eskom Enterprises (Pty) Limited – salaries	**–**	16 680 140
Eskom Enterprises (Pty) Limited – loan	**–**	566 965 567
Eskom Enterprises (Pty) Limited – interest payable	**6 219 834**	–
Accrual: Transtel	**725 417**	34 859 780*
Accrual: Nokia Siemens Network	**3 650 142**	8 974 467
Accrual: Audit fees	**1 105 497**	721 095
Accrual: Performance bonuses and leave pay	**5 420 441**	–
Accrual: Straight-lining of leases	**2 145 700**	–
Accrual: Fibre lease	**–**	4 387 671*
	110 526 942	671 802 242

* Amounts restated. Refer to note 22 for disclosure on the prior year restatement.

	2009	2008
12. PROVISIONS		
Provisions consist of the following:		
Provision for expenses paid by Eskom Enterprises (Pty) Limited	14 309 440	–
13. REVENUE		
Rendering of rental services	273 688 844	112 316 212
The amount included in revenue arising from exchanges of goods or services included in revenue are as follows:		
Rendering of rental services	227 000 000	58 016 212
Rental Income (straight-lining of operating lease income)	49 900 000	54 300 000
Fair value of receivables	(3 211 156)	–
	273 688 844	112 316 212
14. DIRECT EXPENSES		
Direct expenses consist of:		
Managed service contract	32 247 707	11 531 348
Bandwidth lease costs	15 424 322	–
Co-location costs	181 322	–
Fibre lease costs	5 763 714	4 387 671*
Neotel outsource fee	16 443 157	–
Generator lease	126 916	–
	70 187 138	15 919 019
15. OTHER INCOME		
This amount represents the recovery of repairs and maintenance from Neotel. The gross amount of the total repairs and maintenance is included in operating expenses.	52 759 710	–
16. RESULTS FROM OPERATIONS		
Results from operations for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts	1 112 749	–
Equipment		
• Contractual amounts	46 011	–
Maintenance and repairs recovered – Neotel (Pty) Limited (Note 15)	(52 759 710)	–
Repairs and maintenance	149 193 127	51 703 425
Depreciation and amortisation	99 433 271	31 323 016*
Employee costs and directors' emoluments	23 962 049	12 593 963
Audit fees – internal	506 743	–
Audit fees – external	747 582	575 000
17. FINANCE INCOME		
Interest received on bank deposits	52 273 738	61 356 271
Deemed interest on trade receivables	3 037 529	–
	55 311 267	61 356 271

* Amounts restated. Refer to note 22 for disclosure on the prior year restatement.

	2009	2008
18. FINANCE EXPENSE		
Eskom Enterprises (Pty) Limited – interest	**7 948 451**	22 572 327
19. INCOME TAX EXPENSE		
Major components of the tax expense		
Deferred		
Deferred tax expense	**915 827**	10 382 274*
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	**1 017 139**	32 942 576*
Tax at the applicable tax rate of 28% (2008: 29%)	**284 799**	9 223 921
Tax effect of adjustments on taxable income		
Change in tax rate from 29% to 28%	**–**	39 181
Permanent differences	**631 028**	1 119 172
	915 827	10 382 274
No provision has been made for 2009 tax as the Company has no taxable income. The estimated tax loss available for utilisation is R71 739 334 (2008: R41 238 024).		
20. CASH USED IN OPERATIONS		
Profit before taxation	**1 017 139**	32 942 576
Adjustments for:		
Depreciation and amortisation	**99 433 271**	31 323 016*
Finance income	**(50 542 863)**	(61 356 271)
Finance expense	**7 948 451**	22 572 327
Movements in operating lease assets and accruals	**(49 900 000)**	(54 300 000)
Movements in provisions	**14 309 440**	–
Changes in working capital:		
Trade and other receivables	**(24 452 295)**	(92 316 098)
Trade and other payables	**(529 568)**	101 690 513
	(2 716 425)	(19 443 937)
21. INTEREST RECEIVED/PAID		
21.1 Interest received		
Interest received per income statement	**55 311 267**	61 356 271
Interest receivable	**(4 768 404)**	–
Interest received	**50 542 863**	61 356 271
21.2 Interest paid		
Finance expense per income statement	**7 948 451**	22 572 327
Interest payable	**(6 219 834)**	–
Interest paid	**1 728 617**	22 572 327

* Amounts restated. Refer to note 22 for disclosure on the prior year restatement.

	Equipment	
	Optical transmission equipment	Fibre optic cable
22. RESTATEMENT ON PRIOR YEAR		
Carrying amounts, as previously stated	**149 614 303**	**182 294 350**
Equipment purchased not previously recognised[22.1]	3 666 670	30 495 998
Depreciation on assets purchased not previously recognised[22.1]	(87 302)	(1 107 407)
Equipment completed in work-in-progress not capitalised[22.2]	132 168 133	25 955 272
Depreciation on equipment completed in work-in-progress not capitalised[22.2]	(7 340 467)	(673 535)
Reallocation of implementation costs[22.3]	11 538 959	13 377 601
Reversal of depreciation of implementation costs, and correction of depreciation recognised at appropriate depreciation rate[22.3]	(966 214)	(495 466)
Equipment incorrectly capitalised[22.4]	–	(866 083)
Reversal of depreciation on equipment incorrectly capitalised[22.4]	–	32 077
Repairs and maintenance costs incorrectly capitalised to work-in-progress[22.5]	–	–
Overcapitalisation of work-in-progress[22.6]	–	–
Under provision for lease expenses[22.7]	–	–
Straight-lining of lease liability not previously recognised[22.8]	–	–
Correction of the deferred tax calculation relating to the above adjustments[22.9]	–	–
Reclassification of other financial liabilities[22.10]	–	–
Restated balances at 31 March 2008	**288 594 082**	**249 012 807**
Retained income at 1 April 2007		
Restated balances at 31 March 2008	**288 594 082**	**249 012 807**

Implementation cost	Equipment WIP – equipment under construction	Total equipment	Profit or (loss) for the period	Trade and other payables	Deferred taxation
23 255 456	**244 466 381**	**599 630 490**	**40 783 194**	**(93 083 516)**	**(15 521 672)**
–	–	34 162 668	–	(34 162 670)	–
–	–	(1 194 709)	(1 194 709)	–	–
–	(158 123 405)	–	–	–	–
–	–	(8 014 002)	(8 014 002)	–	–
(24 916 560)	–	–	–	–	–
1 661 104	–	199 424	199 424	–	–
–	–	(866 083)	(866 083)	–	–
–	–	32 077	32 077	–	–
–	(10 267 576)	(10 267 576)	(10 267 576)	–	2 874 921
–	(26 797 182)	(26 797 182)	–	26 797 182	–
–	–	–	(2 741 726)	(2 741 726)	767 683
–	–	–	(1 645 945)	(1 645 945)	460 865
–	–	–	6 275 648	–	2 172 181
–	–	–	–	(566 965 567)	–
–	**49 278 218**	**586 885 107**	**22 560 302**	**(671 802 242)**	**(9 246 022)**
			(2 781 860)		
–	**49 278 218**	**586 885 107**	**19 778 442**	**(671 802 242)**	**(9 246 022)**

22. RESTATEMENT ON PRIOR YEAR continued

22.1 Equipment – purchased not recognised

In the prior year, equipment of R33 566 670 and spares of R596 000 were purchased from Transnet amounting to R34 162 670. Neither the equipment nor the related liability was previously recognised by the Company. The equipment has increased by R34 162 668 and the depreciation of R1 194 709 for the period that the equipment was utilised and adjusted for in the profit or loss for 31 March 2008.

22.2 Equipment – completed work-in-progress not capitalised

In the prior year, work-in-progress amounting to R158 123 405 was completed but not transferred to equipment. The depreciation amounting to R8 014 002 was not accounted for. The profit and loss has been restated increasing the depreciation charged by R8 014 002 relating to optical transmission equipment depreciation of R7 340 467 and fibre optic cable depreciation of R673 535. The work-in-progress was decreased by R158 123 405 and transferred to optical transmission equipment of R132 168 133 and fibre optic equipment of R25 955 272.

22.3 Equipment – implementation costs

In the previous year, the Company purchased equipment from Eskom for R377 509 385 and classified R24 916 560 it as implementation costs. However, these costs were interest costs calculated by Eskom. The Company did not incur the interest costs as the purchase price stated on the contract was R377 509 385 and these cost should have been capitalised directly to the equipment. The implementation costs were transferred to the appropriate category of equipment being optical transmission equipment of R11 538 959 and fibre optic cable of R13 377 601. The depreciation calculated on the implementation costs was recalculated based on the re-allocation of the equipment and reduced the depreciation cost by R199 422 as the depreciation on the implementation costs were R1 661 104 compared to the depreciation of R1 461 681on the optical transmission equipment and fibre optic cable.

22.4 Equipment – incorrectly capitalised

In the prior year, the Company incorrectly capitalised fibre optic cable of R866 083. The fibre optic cable was not sold to the Company by Eskom Enterprises and should not have been included. The fibre optic equipment amounting to R866 083 and accumulated depreciation of R32 077 have been derecognised. The profit and loss in the previous year has been decreased by R834 006.

22.5 Equipment – repair and maintenance costs incorrectly capitalised to work-in-progress

In the prior year, the Company capitalised repairs and maintenance costs amounting to R10 267 576 to the work-in-progress that should have been recognised in the profit and loss. The profit and loss for the previous year has been decreased by R10 267 576 and the deferred tax charge credit of R2 874 921 was recognised.

22.6 Equipment – over-capitalisation of work-in-progress

In the prior year, the Company over-capitalised the work-in-progress accrual by R26 797 182. The over-accrual of the project expenses has been reversed against the work-in-progress and accrual, reducing the balances by R26 797 182 respectively. There was no profit and loss effect.

22.7 Leases expenses – cut-off error on recognition of expenses

In the prior year, the Company did not recognise all the lease expenses that were incurred. The resulting lease expenses and accruals were understated by R2 741 726. The prior year profit and loss has decreased by R2 741 726 and the deferred tax charge was credited by R767 683. The lease accrual of R2 741 726 has been recognised.

22.8 Lease expenses – straight-lining of lease liability not recognised

In the prior year, a lease agreement was entered into for specific fibre optic cables with Transnet. The lease expense should have been recognised on a straight-line basis over the period of the lease agreement. No accrual was recognised for straight-lining of the lease accrual. The lease accrual amounting to R1 645 945 has been recognised and the related prior year expense has been increased by R1 645 945. The deferred tax charge has been credited by R460 865 in the prior year.

22.9 Deferred taxation liability – restated

The deferred taxation liability was incorrectly calculated in the previous year. Management recalculated the deferred taxation charge for the prior year and identified an over-provision of R2 172 181. The prior year, the deferred taxation charge in the profit and loss has been credited by R2 172 181 and the same for the deferred taxation liability.

22.10 Trade and other payables – Reclassification of the other financial liabilities

In the previous year, the Eskom Enterprises (Pty) Limited loan was disclosed separately on the balance sheet as "Other financial liabilities". The loan has been reclassified to be included in the trade and other payables increasing the liability by R566 965 567 and decreasing the other financial liabilities to Rnil.

	2009	2008
23. RELATED PARTIES		
Relationships		
Ultimate holding Company — The State, represented by the Department of Public Enterprises		
Shareholder with significant influence — The State, represented by the Department of Public Enterprises and Industrial Development Corporation		
Related parties that have the same shareholder (State) — Eskom Limited; Transnet Limited and Industrial Development Corporation		
Related party balances		
Loan accounts – owing to related parties		
Shareholders' loans		
Department of Public Enterprises	**(1 004 000 000)**	(627 000 000)
Industrial Development Corporation of South Africa	**(352 756 756)**	–
Other financial liabilities		
Eskom Enterprises (Pty) Limited	**(20 529 275)**	(566 965 567)
The amount owing represents set-up costs incurred by Eskom on behalf of Broadband Infraco during the Company's start-up period		
Fixed term deposit		
Eskom Holdings Limited	**–**	542 352 924
Related party transactions		
Interest paid to related parties		
Eskom Enterprises (Pty) Limited	**7 948 451**	22 572 327
Equipment purchased from related parties		
Eskom Enterprises (Pty) Limited	**–**	377 509 385
Transnet Limited *	**–**	34 162 670*
Rent paid to related parties		
Eskom Holdings Limited	**686 136**	354 970
Administration and management fees paid to related parties		
Eskom Enterprises (Pty) Limited	**–**	12 605 531
Lease of fibre optic cables		
Transnet Limited	**4 817 006**	2 748 400
Bandwidth lease – service agreement		
Transnet Limited	**15 517 308**	3 675 485
Co-location lease agreement		
Transnet Limited	**181 322**	119 311

* Amounts restated. Refer to note 22 for disclosure on the prior year restatement.

	2009	2008
24. DIRECTORS' EMOLUMENTS		
Non-executive		
For services as director		
AFB Mthembu	729 058	643 643
LN Letele	279 170	176 760
WT Magasa	254 475	176 251
C Groesbeek	213 802	160 418
M Singer Saul	289 627	168 697
S Mabaso-Koyana	115 908	–
SD Mabalayo	106 901	–
SAU Meer (paid to the Industrial Development Corporation of South Africa)	115 908	–
M Mohlala	106 901	–
	2 211 750	1 325 769
Executive		
RD Smith (Chief Executive Officer)	600 000	–
S Maharaj (Chief Financial Officer)	878 112	–
	1 478 112	–

RD Smith was appointed as Chief Executive Officer of Broadband Infraco on 01 December 2008 and salaries reflected above are from that date.

S Maharaj was appointed as Chief Financial Officer of Broadband Infraco on 01 July 2008 and salaries reflected above are from that date.

LN Letele acted as a proxy for JP Bekker until he was appointed to the Board on 25 August 2008 in his own capacity.

25. RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of Broadband Infraco's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the risk management policies. The committee reports regularly to the Board of Directors on its activities.

Broadband Infraco's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Accounting classification and fair values

Assets	Book value	Fair value
2009		
Current assets		
Trade and receivables**	**117 497 312**	**117 497 312**
Cash and cash equivalents	**712 933 790**	**712 933 790**
	830 431 102	**830 431 102**
Liabilities		
Current liabilities		
Trade and other payables***	**108 381 242**	**108 381 242**
2008		
Current assets		
Trade and receivables	93 269 359	93 269 359
Cash and cash equivalents	51 019 316	51 019 316
	144 288 675	144 288 675
Liabilities		
Current liabilities		
Trade and other payables	671 802 242	671 802 242

** Excluding prepayments and the straight-lining of leases

*** Excluding the straight-lining of lease accruals

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and cash and cash equivalents.

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

	2009	2008
Neotel (Pty) Limited	**74 151 154**	66 138 482

25. RISK MANAGEMENT continued

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2009 R	Impairment 2009 R	Gross 2008 R	Impairment 2008 R
Not past due	74 151 154	968 492	16 534 621	–
Past due 0 – 30 days	–	–	16 534 621	–
Past due 31 – 60 days	–	–	16 534 620	–
Past due more than 60 days	–	–	16 534 620	–
Total	**74 151 154**	**968 492**	66 138 482	–

The movement of the allowance for impairment in respect of trade receivables during the year was as follows:

	2009	2008
Balance at 01 April 2008	–	–
Increase in impairment provision	968 492	–
Balance at 31 March 2009	968 492	–

During the year under review, the Company had one customer, namely Neotel (Pty) Limited.

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:

	2009 R	2008 R
Loans and receivables	117 497 312	93 269 359
Cash and cash equivalents	712 933 790	51 019 316
	830 431 102	144 288 675

The maximum exposures to credit risk for trade receivables at the reporting date were domestic.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates, commodity prices and interest rates.

Interest rate risk

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, and loans receivable/payable. Interest received/paid on investments and loans are linked to the prime interest rate. The Company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on profit/(loss).

	2009 R	2008 R

25. RISK MANAGEMENT continued

Interest rate risk continued

At year end, financial instruments exposed to interest rate risk were as follows:

	2009 R	2008 R
Loan from Eskom Enterprises (Pty) Limited	**(20 529 275)**	(566 965 567)
Fixed-term deposit: Eskom Holdings Limited	**–**	542 352 924
Standard Bank current account	**38 118 762**	51 019 316
Investment: Standard Bank	**260 582 982**	–
Investment: FNB	**206 958 958**	–
Investment: Nedbank	**207 273 088**	–
Total	**692 404 515**	26 406 673

Interest rate risk – Sensitivity analysis

An increase of 50 basis points (bp) in interest rate or a decrease of 50 bp at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008:

	Profit/(loss)	Profit/(loss)
Cash and cash equivalents:		
50 bp increase	**3 564 669**	255 096
50 bp decrease	**(3 564 669)**	(255 096)

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient financial resources to meet its obligations when they fall due. The Company's risk to liquidity is a result of the funds available to cover future commitments. The Company manages liquidity risk through the ongoing review of future commitments and credit facilities.

The following are the contractual maturities of financial liabilities:

	Carrying amount R	Contractual cash flows R	6 months or less R	6 – 12 months R	2 – 5 years R	More than 5 years R
2009						
Non-derivative financial liabilities						
Trade and other payables	**108 381 242**	**108 381 242**	**108 381 242**	**–**	**–**	**–**
2008						
Non-derivative financial liabilities						
Trade and other payables	671 802 242	671 802 242	671 802 242	–	–	–

26. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of the financial statements of Broadband Infraco (Pty) Limited for the year ended 31 March 2009, the following Standards and Interpretations would be effective and applicable in 2010:

- IAS 23 Borrowing Costs – The Company will adopt the changes to the revised IAS 23 effective 2010.
- IAS Presentation of Financial Statements – The Company will adopt the changes to the revised IAS 1 effective 2010.

  The Company will present all non-owner changes in equity in a single statement of comprehensive income (which will include the current income statement) and owner changes in equity in the statement of changes in equity. Reclassification adjustments and income tax relating to each component of other comprehensive income will be disclosed on the face of the statement of comprehensive income.

Glossary of Terms

ADM	Add/Drop Multiplexer
ADSS	All Di-electric Self Supporting
ASON	Automatically Switched Optical Network
ATM	Asynchronous Transfer Mode
AWCC	Africa West Coast Cable
BAFO	Best and Final Offer
BEE	Black Economic Empowerment
BBBEE	Broad-Based Black Economic Empowerment
BOM	Bill of Material
BOQ	Bill of Quantity
BU	Branching Unit
CGT	Capital Gains Tax
CIF	Coming into Force
DAH	Double Armour Heavy
DBSA	Development Bank of South Africa
DCN	Digital Telecommunications Network
DDU	Delivered Duties Unpaid
DLS	Digital Line Section
DOC	Department of Communications
DPE	Department of Public Enterprises
DSF	Dispersion Shifted Fibre G.653
DST	Department of Science and Technology
DWDM	Dense Wavelength Division Multiplexing
EBITDA	Earnings Before Interest, Tax, Depreciation, and Amortisation
ECA	Electronic Communications Act
ECS	Electronic Communications Services
ECNS	Electronic Communications Network Services
EE	Eskom Enterprises
ETSI	European Telecommunications Standardisation Institute
ESCON	Enterprise Systems Connection
FEC	Forward Error Correction
FICON	Fibre Connectivity
FOC	Fibre Optic Cable
FSN	Full Services Network
GbE	Gigabit Ethernet
GMPLS	Generalised Multi-Protocol Label Switching
ICASA	Independent Communications Authority of South Africa
ICT	Information Communications Technology
I-ECNS	Individual Electronic Communications Network Services
I-ECS	Individual Electronic Communications Services
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
IP	Internet Protocol
ISP	Internet Service Provider
ITU	International Telecommunications Union
KAT	Karoo Array Telescope Project
KPA	Key Performance Area
KPI	Key Performance Indicator
MC	Maintenance Controller
MOU	Memorandum of Understanding
MPLS	Multi-Protocol Label Switching
MTS	Multi-wavelength Transport System
LD	Long-Distance
NMS	Network Management System
NT	National Treasury
NED	Non-Executive Director
NOC	Network Operations Centre
NPV	Net Present Value
NZDSF	Non-Zero Dispersion Shifted Fibre G.655
OADM	Optical Add/Drop Multiplexer
OCU	Optical Channel Unit
OEMs	Original Equipment Manufacturers
OSP	Out-Side Plant
PFE	Power Feed Equipment
PFMA	Public Finance Management Act
PGU	Power Ground Unit
POP	Point-of-Presence
POTS	Plain Old Telephone Service
POW	Plan of Work
PPE	Property, Plant and Equipment

RA	Rock Armour
RFPA	Ready for Provisional Acceptance
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Quotation
RSA	Republic of South Africa
SANReN	South African National Research Network
SDH	Synchronous Digital Hierarchy
SHE	Safety, Health and Environment
SIE	SDH Interface Equipment
SITA	State Information Technology Agency
SKA	Square Kilometre Array Telescope Project
SLTE	Submarine Line Terminating Equipment
SNO	Second Network Operator
SOE	State-Owned Enterprise
SOW	Scope of Work
SONET	Synchronous Optical Network
SPV	Special Purpose Vehicle
SSMF	Standard Single Mode Fibre G.652
TDM	Time Division Multiplexing
TENET	Tertiary Education Network
TFR	Transnet Freight Rail
TMN	Telecommunications Management Network
USALs	Under-Serviced Area Licencees
VANS	Value Added Network Service
VPN	Virtual Private Network
WACC	Weighted Average Cost of Capital
WACS	West Africa Cable System
WTTR	Regenerative Transponder
ZAR	South African Rand

General Information

DIRECTORS

Mr AFB Mthembu (Chairman)
Mr WT Magasa
Mr LN Letele
Ms MJ Singer Saul
Mr C Groesbeek
Mr ST Mabalayo
Mr SAU Meer
Ms M Mohlala
Mrs S Mabaso-Koyana
Mr RD Smith (CEO)
Mr S Maharaj (CFO)

REGISTERED OFFICE AND BUSINESS ADDRESS

9 Simba Road
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Block B
Sunninghill
2157

Postal address

Postnet Suite 321
Private Bag X26
Sunninghill
2157

BANKERS

Standard Bank

EXTERNAL AUDITORS

KPMG Inc.
Registered Auditor
Chartered Accountants (SA)

COMPANY SECRETARY

Fahim Mohamed

COMPANY REGISTRATION NUMBER

1989/001763/07

Broadband Infraco