EARNINGS RELEASE

GATEWAY TELECOMMUNICATIONS - SECOND QUARTER 2007 RESULTS

London, August 24, 2007 – Gateway Telecommunications SA (pty) Limited ("Gateway" or the "Company"), a leading provider of voice and data connectivity to the rapidly growing African telecommunications and corporate market, announces its unaudited IFRS consolidated results for the three months ended June 30, 2007. Highlights are as follows:

Highlights (1)

- **Successful acquisition of GS Telecom in May 2007, a leading provider of data connectivity services to corporations and telecommunications operators in Africa**
- **Revenue of $57.2 million for Q2 2007, up 30.6% compared to comparable period in prior year**
- **EBITDA of $10.0 million for Q2 2007, up 47.2% compared to comparable period in prior year**
- **EBITDA margin increased by 2.0 percentage points from comparable period in prior year to 17.5%**
- **Carrier service revenue up 31.9% to $47.8 million respectively compared to comparable period in prior year**
- **Business services revenue up 24.1% to $9.4 million compared to comparable period in prior year**

	For the three months to June 30,		For the six months to June 30,	
	2006	**2007**	**2006**	**2007**
Financial Highlights (1)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue ($ in thousands)	43,814	57,209	86,179	109,911
Revenue growth		30.6%		27.5%
EBITDA ($ in thousands)	6,813	10,031	13,471	19,163
EBITDA growth		47.2%		42.3%
EBITDA margin	15.5%	17.5%	15.6%	17.4%
Operational Highlights				
Number of voice minutes (thousands)	191,081	248,768	375,170	471,038
Average voice revenue per minute (cents)	15.0	15.0	15.0	15.0
Average carrier data bandwidth (Mbps)	549	711	494	699
Carrier data revenue per average Mbps provided ($)	13,823	14,776	28,973	29,664
Monthly average number of business VSAT sites	627	958	597	944
Business VSAT revenue per average number of VSAT sites ($)	5,349	5,542	10,765	10,376

(1) The figures in the highlights, financial highlights, and the operating and financial review section of this earnings release include the proforma results of Gateway's restricted subsidiaries assuming that GS Telecom was purchased on January 1, 2006.

Further analysis showing the split of Gateway's restricted and unrestricted subsidiaries for the three and six months ending June 30, 2007 is shown in table 1 on page 7. A reconciliation of the unaudited IFRS results of Gateway's restricted subsidiaries to the unaudited proforma results of Gateway's restricted subsidiaries for the three and six months ending June 30, 2006 and 2007 is shown in tables 2 and 3 on pages 8 and 9.

Commenting on the results, Julian McIntyre, Gateway's President and Chief Treasurer, said:

"The second quarter of 2007 has been another excellent quarter. The acquisition of GS Telecom has consolidated our leading position in the rapidly growing African communications market. We have continued our trends of sustained quarterly revenue growth while improving our gross margins through a focus on growing our higher margin services. Most importantly we grew our EBITDA, while increasing EBITDA margin and driving free cash flow."

"The market outlook remains positive as our customers, predominantly African mobile operators and multinationals based in Africa, continue to benefit from the rapid growth in their markets. As such we have benefited from consistent growth in demand for services in our carrier services division and business services division, which have grown 31.9 % and 24.1% respectively compared to the second quarter in 2006."

"This has resulted in revenue growth of 30.5% for the quarter. In addition, we have successfully focused on growing our higher margin outbound voice and data services provided to mobile operators and as a result we have increased gross margins by 2.7% percentage points to 34.2%. This has resulted in a 47.2% increase in EBITDA and an increase in EBITDA margins of 2.0 percentage points in each case compared to the second quarter in 2006."

About Gateway

Gateway is a leading provider of voice and data connectivity services to telecommunications operators, in particular mobile telecommunications operators, in the rapidly growing African telecommunications market. We also offer a range of connectivity services to multinational corporations and large and medium-sized businesses operating in Africa.

Additional Information

Additional information on Gateway and its products can be obtained from www.gatewaycomms.com. Further information regarding the operating and financial data presented herein, including the full report for the year ended December 31, 2006, can be downloaded from the investor relations pages of our website.

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<u>Information Regarding Forward Looking Statements</u>

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in the forward-looking statements made in this document. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "will likely result," "are expected to," "will continue," "believe," "anticipated," "estimated," "intends," "expects," "plans," "seek," "projection" and "outlook." These statements involve estimates, assumptions and uncertainties, which could cause actual results to differ materially from those expressed in them. Among the key factors that have had and we expect to continue to have a direct bearing on our results of operations are: the development of the African telecommunications market; our relationship with the Celtel group and other key customers; our operations in the Democratic Republic of Congo, Congo Brazzaville and Gabon; our ability to manage growth and expansion of our business; our ability to obtain sufficient satellite capacity; the reliability and performance of satellite systems and other key components of our network; our dependence on Intelsat, Ltd for satellite bandwidth; our ability to attract and retain key executives, employees and other qualified personnel; competition from new market entrants and existing operators; changes in the prices of our carrier services; the development of terrestrial networks; changes in political, economic and social conditions within Africa; our ability and our customers' ability to obtain new licenses or renew existing licenses; changes in law and government regulations; our ability to borrow and spend funds to finance our operations within South Africa; and our ability to identify other risks to our business.

Because these risk factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this document, you should not place undue reliance on any of these forward-looking statements. Furthermore, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible for us to predict such factors. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

The unaudited interim financial statements for the periods indicated in this document include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim period. The interim results are not necessarily indicative of the results that may be expected for any other period of or for the full year.

OPERATING AND FINANCIAL REVIEW [1]

	For the three months ended June 30,		For the six months ended June 30,	
	2006	2007	2006	2007
	($ in thousands, except for operating data)		($ in thousands, except for operating data)	
Selected Financial Data:				
Carrier services revenue	(unaudited)	(unaudited)	(unaudited)	(unaudited)
- Outbound voice services revenue	8,386	15,775	16,161	28,331
- Inbound voice services revenue	20,265	21,532	40,164	42,415
- Leased line, data services and other revenue	7,589	10,506	14,313	20,735
Total carrier services revenue	36,240	47,813	70,638	91,481
Total business services revenue	7,574	9,396	15,541	18,430
Total revenue	43,814	57,209	86,179	109,911
Gross profit	13,795	19,572	26,626	37,208
Operating and administrative expenses	(9,695)	(11,982)	(18,444)	(23,165)
Operating profit	4,100	7,590	8,182	14,043
EBITDA[2]	6,813	10,031	13,471	19,163
Net profit	1,887	2,402	3,883	4,208
Operational Highlights				
Number of voice minutes (thousands)	191,081	248,768	375,170	471,038
Average voice revenue per minute (cents)	15.0	15.0	15.0	15.0
Average leased line and data bandwidth (Mbps)	549	711	494	699
Average leased line and data revenue per average Mbps provided ($)	13,823	14,776	28,974	29,664
Average number of business VSAT sites	627	958	597	944
Business VSAT revenue per average number of VSAT sites ($)	5,349	5,542	10,765	10,376

(1) *The figures in the highlights, financial highlights, and the operating and financial review section of this earnings release include the proforma results of Gateway's restricted subsidiaries assuming that GS Telecom was purchased on January 1, 2006.*

Further analysis showing the split of Gateway's restricted and unrestricted subsidiaries for the three and six months ending June 30, 2007 is shown in table 1 on page 7. A reconciliation of the unaudited IFRS results of Gateway's restricted subsidiaries to the unaudited proforma results of Gateway's restricted subsidiaries for the three and six months ending June 30, 2006 and 2007 is shown in tables 2 and 3 on pages 8 and 9.

(2) EBITDA is defined as net profit plus income tax expense (or minus benefit), plus net interest expense, plus loss (or minus gain) on disposal of property and equipment, plus depreciation of property, plant and equipment and amortization of intangible assets and plus non-cash share-based payments

Revenue

Revenue increased 30.6% from $43.8 million in the three months to June 30, 2006 to $57.2 million in the three months to June 30, 2007. The increase in revenue was principally due to a 31.9% increase in carrier services revenue and a 24.1% increase in business services revenue during the three months ended June 30, 2007 compared to the first quarter in the previous year.

During the three months to June 30, 2007, the total number of minutes switched by our Carrier Services Division was 248.8 million, an increase of 30.2% compared to 191.1 million in the three months to June 30, 2006, while our average revenue per minute was unchanged at 15.0 cents per minutes in the three months to June 30,2007 compared to the three months to June 30, 2006.

Carrier services. The increase in carrier services revenue during the three months ended June 30, 2007 was principally due to significant increases in outbound voice services and leased line and data services.

Outbound voice services revenue increased 88.1% from $8.4 million in the three months to June 30, 2006 to $15.8 million in the three months to June 30, 2007. Outbound voice services revenue as a proportion of total revenue increased from 19.1% in the three months to June 30, 2006 to 27.6% in the three months to June 30, 2007. The increase in outbound voice services revenue during the three months ended June 30, 2007 was primarily due to a 128.9% increase in outbound minutes switched from 37.4 million to 85.7 million compared to the comparable period in the previous year. The increase in outbound minutes switched was because we started serving a number of new clients during 2006 and 2007, and because of growth in traffic generated by existing customers. The increase in outbound minutes switched more than offset a 17.8% decline in average revenue per outbound minute in the three months to June 30, 2007 compared to the three months to June 30, 2006. This decline in average revenue per outbound minute primarily reflected changes in our customer mix and price reductions negotiated with our major customers to benefit from price elasticity.

Inbound voice services revenue increased 6.3% from $20.3 million in the three months to June 30, 2006 to $21.5 million in the three months to June 30, 2007. Inbound voice services revenue as a proportion of total revenue decreased from 46.3% in the three months to June 30, 2006 to 37.6% in the three months to June 30, 2007. The increase in inbound voice services revenue during the period was primarily due to a 6.1% increase in minutes switched from 153.6 million to 163.1 million during the period, reflecting volume growth in the market. The average revenue per minute was unchanged in the three months to June 30, 2007 compared to the three months to June 30, 2006.

Leased line, data services and other revenue increased 38.4% from $7.6 million in the three months to June 30, 2006 to $10.5 million in the three months to June 30, 2007. Leased line, data services and other revenue as a proportion of total revenue increased from 17.3% in the three months to June 30, 2006 to 18.4% in the three months to June 30, 2007. The increase in leased line and data services during the period was primarily due to a 29.5% increase in average data bandwidth from 549 Mbps to 711 Mbps provided during the period and an increase of 6.9% in average revenue per Mbps during the period.

Business services. Business services revenue increased by 24.1% from $7.6 million in the three months to June 30, 2006 to $9.4 million in the three months to June 30, 2007 Business Services revenue as a proportion of total revenue decreased from 17.3% in the three months to June 30, 2006 to 16.4% in the three months to June 30, 2007. The increase in business service revenue was primarily due to increases in revenue from the provision of VSAT networks for multinationals and pan-African corporations which increased 59.7% from $3.4m in the three months to June 30,2006 to $5.4m in the three months to June 30, 2007.

Gross Profit

Total gross profit increased 41.9% from $13.8 million in the three months to June 30, 2006 to $19.6 million in the three months to June 30, 2007, reflecting the increase in total revenue and an increase in total gross margin from 31.5% to 34.2% during the period. Carrier services gross margin increased from 26.9% in the three months to June 30, 2006 to 30.3% in the three months to June 30, 2007, and business services gross margin increased from 53.7% to 53.9% during the period. The increase in carrier services gross margin during the period was principally driven by a change in services mix, with an increased proportion of total carrier services revenue generated from relatively higher-margin outbound voice services and leased line and data services in the three months to June 30, 2007 compared to the three months to June 30, 2006.

Operating and Administrative Expenses

Operating and administrative expenses increased 23.6% from $9.7 million in the three months to June 30, 2006 to $12.0 million in the three months to June 30, 2007, and as a percentage of revenue decreased from 22.1% in the three months to June 30, 2006 to 20.9% of revenue in the three months to June 30, 2007. The increase in operating and administrative expenses in the three months to June 30, 2007 compared to the three months to June 30, 2006 principally reflected a 49.6% increase in employee costs from $4.0 million to $6.0 million and a 5.1% increase in other costs from $5.7 million to $6.0 million.

The increase in employee costs during the period was primarily as a result of the expansion of the sales and marketing team and an increase in the discretionary performance bonuses paid to employees as a result of the increasing profitability of the business. We employed an average of 334 full time employees in the three months to June 30, 2007 compared with 309 in the three months to June 30, 2006.

EBITDA, Operating Profit, and Net Profit

EBITDA increased by 47.2% from $6.8 million in the three months to June 30, 2006 to $10.0 million in the three months to June 30, 2007. EBITDA margin increased from 15.5% in the three months to June 30, 2006 to 17.5% in the three months to June 30, 2007

Operating profit increased by 85.1% from $4.1 million in the three months to June 30, 2006 to $7.6 million in the three months to June 30, 2007.

Net finance expense increased by 213.3% from $1.3 million in the three months to June 30, 2006 to $4.2 million in the three months to June 30, 2007. The increase in net financing costs is principally due to higher interest expense on the existing borrowing facilities compared to the previous year.

The net profit in the three months to June 30, 2007 was $2.4 million compared to a net profit of $1.9 million in the three months to June 30, 2006. The increase in net profit during the period was principally driven by the increased operating profit.

Cashflow and Liquidity

Total cash generated from restricted subsidiaries in the three months to June 30, 2007 was $5.6 million. Capital expenditure by restricted subsidiaries for the three months to June 30, 2007 was $1.2 million, compared to $0.6 million in the three months ended June 30, 2006. In the three months to June 30, 2007 net cash used in investing activities includes $34.2 million for the acquisition of GS Telecom Limited. Cashflow from investing activities for the restricted subsidiaries in the three months to June 30, 2007 includes $33.2 million from the issuance of senior secured notes. The company's restricted subsidiaries at June 30, 2007 had a positive cash balance of $12.8 million.

TABLE 1 : ANALYSIS OF UNAUDITED IFRS RESTRICTED AND UNRESTRICTED GROUP

	For the three months ended 30 June 2007			For the six months ended 30 June 2007		
	Restricted Group	Unrestricted Group	Group	Restricted Group	Unrestricted Group	Group
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Revenue	51,555	44	51,599	93,641	44	93,685
Cost of sales	(34,993)	(469)	(35,462)	(64,644)	(469)	(65,113)
Gross profit/(loss)	**16,562**	**(425)**	**16,137**	**28,997**	**(425)**	**28,572**
Operating and administrative expenses	(9,192)	(3,732)	(12,924)	(16,341)	(5,287)	(21,628)
Operating profit/(loss)	**7,370**	**(4,157)**	**3,213**	**12,656**	**(5,712)**	**6,944**
Financial income	188	134	322	372	138	510
Finance expenses	(3,947)	(608)	(4,555)	(7,398)	(608)	(8,006)
Profit /(loss) before taxation	**3,611**	**(4,631)**	**(1,020)**	**5,630**	**(6,182)**	**(552)**
Taxation	(1,169)	639	(530)	(1,803)	1,102	(701)
Profit /(loss) for the period	**2,442**	**(3,992)**	**(1,550)**	**3,827**	**(5,080)**	**(1,253)**
Other financial information						
EBITDA	9,386	(4,136)	5,250	16,411	(5,691)	10,720
Cash generated from / (used in) operations	5,577	(5,843)	(265)	13,750	(5,842)	7,908
Capital expenditure, net of government	1,216	524	1,785	1,492	860	2,352
Net (decrease)/ increase in cash and cash equivalents before transfer to unrestricted group.	(8,454)	31,788	23,334	336	28,752	29,088
As at June 30, 2007						
Cash and cash equivalent	12,755	35,074	47,829	12,755	35,074	47,829

TABLE 2 : RECONCILIATION OF THE UNAUDITED IFRS RESTRICTED GROUP RESULTS TO THE PROFORMA RESTRICTED GROUP RESULTS [1]

FOR THE THREE MONTHS ENDED 30 JUNE

	2006			2007		
	Restricted Group [2]	GS Telecom [3]	Proforma	Restricted Group [4]	GS Telecom [5]	Proforma
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Revenue	35,130	8,684	43,814	51,555	5,654	57,209
Cost of sales	(25,862)	(4,157)	(30,019)	(34,993)	(2,644)	(37,637)
Gross profit	**9,268**	**4,527**	**13,795**	**16,562**	**3,010**	**19,572**
Operating and administrative expenses	(5,883)	(3,812)	(9,695)	(9,192)	(2,790)	(11,982)
Operating profit	**3,385**	**715**	**4,100**	**7,370**	**220**	**7,590**
Financial income	175	-	175	188	-	188
Finance expenses	(1,082)	(438)	(1,520)	(3,947)	(455)	(4,402)
Profit/(loss) before taxation	**2,478**	**277**	**2,755**	**3,611**	**(235)**	**3,376**
Taxation	(803)	(65)	(868)	(1,169)	195	(974)
Profit/(loss) for the period	**1,675**	**212**	**1,887**	**2,442**	**(40)**	**2,402**
Other financial information						
EBITDA	5,277	1,536	6,813	9,386	645	10,031

Notes

(1) Proforma restricted group results assume that GS Telecom was acquired on 1 January 2006

(2) Restricted group results for the three months to 30 June 2006 are prepared in accordance with IFRS and do not include any results from GS Telecom

(3) Results for GS Telecom Limited for the period 1 April 2006 to 30 June 2006, excluding any expense or income relating to its jointly controlled assets in Benin and its associate, ACCAT Nigeria Limited, that were not acquired by Gateway

(4) Restricted group results for the three months to 30 June 2007 are prepared in accordance with IFRS and include the results of GS Telecom from the date of acquisition on 15 May 2007 to 30 June 2007

(5) Results for GS Telecom Limited for the period 1 April 2007 to 14 May 2007

TABLE 3 : RECONCILIATION OF THE UNAUDITED IFRS RESTRICTED GROUP RESULTS TO THE PROFORMA RESTRICTED GROUP RESULTS [1]

FOR THE SIX MONTHS ENDED 30 JUNE

	2006			2007		
	Restricted Group [2]	GS Telecom [3]	Proforma	Restricted Group [4]	GS Telecom [5]	Proforma
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Revenue	68,866	17,313	86,179	93,641	16,270	109,911
Cost of sales	(51,111)	(8,442)	(59,553)	(64,644)	(8,059)	(72,703)
Gross profit	**17,755**	**8,871**	**26,626**	**28,997**	**8,211**	**37,208**
Operating and administrative expenses	(11,274)	(7,170)	(18,444)	(16,341)	(6,824)	(23,165)
Operating profit	**6,481**	**1,701**	**8,182**	**12,656**	**1,387**	**14,043**
Financial income	323	-	323	372	-	372
Finance expenses	(2,131)	(850)	(2,981)	(7,398)	(1,069)	(8,467)
Profit /(loss) before taxation	**4,673**	**851**	**5,524**	**5,630**	**318**	**5,948**
Taxation	(1,514)	(127)	(1,641)	(1,803)	63	(1,740)
Profit /(loss) for the period	**3,159**	**724**	**3,883**	**3,827**	**381**	**4,208**
Other financial information						
EBITDA	10,199	3,272	13,471	16,411	2,752	19,163

Notes

(1) Proforma restricted group results assume that GS Telecom was acquired on 1 January 2006

(2) Restricted group results for the six months to 30 June 2006 are prepared in accordance with IFRS and do not include any results from GS Telecom

(3) Results for GS Telecom Limited for the period 1 January 2006 to 30 June 2006, excluding any expense or income relating to its jointly controlled assets in Benin and its associate, ACCAT Nigeria Limited, that were not acquired by Gateway

(4) Restricted group results for the six months to 30 June 2007 are prepared in accordance with IFRS and include the results of GS Telecom from the date of acquisition on 15 May 2007 to 30 June 2007

(5) Results for GS Telecom Limited for the period 1 January 2007 to 14 May 2007

FINANCIAL STATEMENTS OF GATEWAY TELECOMMUNICATIONS SA (PROPRIETARY) LIMITED INCLUDING UNRESTRICTED SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

	For the three months ended June 30,		For the six months ended June 30,	
	2006	**2007**	**2006**	**2007**
	$ ’000 (unaudited)	**$ ’000 (unaudited)**	**$ ’000 (unaudited)**	**$ ’000 (unaudited)**
Revenue	35,130	51,599	68,866	93,685
Cost of sales	(25,862)	(35,462)	(51,111)	(65,113)
Gross profit	**9,268**	**16,137**	**17,755**	**28,572**
Operating and administrative expenses	(5,883)	(12,924)	(11,274)	(21,628)
Operating profit	**3,385**	**3,213**	**6,481**	**6,944**
Financial income	175	322	323	510
Finance expenses	(1,082)	(4,555)	(2,131)	(8,006)
Profit/(loss) before taxation	**2,478**	**(1,020)**	**4,673**	**(552)**
Taxation	(803)	(530)	(1,514)	(701)
Profit/(loss) for the period	**1,675**	**(1,550)**	**3,159**	**(1,253)**

GATEWAY TELECOMMUNICATIONS SA (PROPRIETARY) LIMITED
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE

	For the three months ended June 30,		For the six months ended June 30,	
	2006	2007	2006	2007
	$ '000 (unaudited)	$ '000 (unaudited)	$,000 (unaudited)	$'000 (unaudited
Foreign exchange translation differences	75	140	147	214
Net income recognised directly in equity	75	140	147	214
Profit/(loss) for the period	1,675	(1,550)	3,159	(1,253)
Total recognised income and expense for the period	1,750	(1,410)	3,306	(1,039)

GATEWAY TELECOMMUNICATIONS SA (PROPRIETARY) LIMITED
CONSOLIDATED BALANCE SHEET

Assets	December 31, 2006 $ '000 (audited)	June 30, 2007 $ '000 (unaudited)
Non current assets		
Intangible assets	46,518	66,675
Property, plant and equipment	7,221	27,777
Deferred tax assets	-	3,010
Other non current assets	1,067	2,339
Total non current assets	**54,806**	**99,801**
Total current assets	35,122	89,128
Inventory	-	1,413
Trade and other receivables	16,411	39,886
Cash and cash equivalent	18,711	47,829
Total assets	**89,928**	**188,929**
Equity and liabilities		
Capital and reserves		
Share capital	**-**	**-**
Capital redemption reserve	(47,372)	(47,372)
Shareholders' loans	905	905
Other reserves	2,299	2,443
Retained earnings	6,270	5,039
Total equity	**(37,898)**	**(38,985)**
Non current liabilities		
Long term liabilities	1,000	4,238
Long term borrowings	105,812	176,319
Deferred taxation	799	1,054
Total non current liabilities	**107,611**	**181,611**
Total current liabilities	**20,215**	**46,303**
Trade and other payables	17,903	44,330
Current tax payable	2,312	1,973
Total liabilities	**127,826**	**227,914**
Total equity and liabilities	**89,928**	**188,929**

GATEWAY TELECOMMUNICATIONS SA (PROPRIETARY) LIMITED
CONSOLIDATED CASH FLOW STATEMENT

	For the three months ended June 30,		For the six months ended June 30,	
	2006	**2007**	**2006**	**2007**
	$ '000	**$ '000**	**$ '000**	**$ '000**
Cash flows from operating activities	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Operating profit	3,385	3,213	6,481	6,944
Adjusted for:				
Depreciation of tangible assets	547	802	1,035	1,298
Amortisation of intangible assets	1,209	1,231	2,411	2,456
Other movements	(13)	(172)	(13)	(148)
Equity settled share-based payment expense	136	4	272	22
Increase in inventory	-	(316)	-	(316)
Decrease/ (Increase) in trade and other receivables	42	(9,543)	502	(11,410)
Increase in trade and other payables	53	4,516	654	9,062
Cash generated from operations	5,359	(265)	11,342	7,908
Net interest paid	(661)	(4,854)	(1,235)	(4,668)
Taxation paid	(170)	(2,228)	(170)	(2,183)
Net cash from/ (used in) operating activities	**4,528**	**(7,347)**	**9,937**	**1,057**
Cash flows from investing activities				
Acquisition of property, plant and equipment	(551)	(1,695)	(855)	(2,630)
Acquisition of intangible assets	(75)	(90)	(125)	(379)
Prepaid programme rights	-	(1,145)	-	(2,858)
Deferred consideration for the acquisition of subsidiaries	(1,000)	(1,000)	(1,000)	(1,000)
Consideration for the acquisition of GS Telecom	-	(34,175)	-	(34,175)
Government Grant	-	-	-	657
Net cash used in investing activities	**(1,626)**	**(38,105)**	**(1,980)**	**(40,385)**
Cash flows from financing activities				
Issuance of long term borrowing	-	73,150	-	73,150
Payment of finance raising costs	-	(4,364)	(75)	(4,734)
Net cash from/(used in) financing activities	**-**	**68,786**	**(75)**	**68,416**
Net increase in cash and cash equivalents	2,902	23,334	**7,882**	**29,088**
Cash and cash equivalents at period start	15,096	24,448	**10,001**	**18,711**
Exchange rate movements	(44)	47	**71**	**30**
Cash and cash equivalents at period end	**17,954**	**47,829**	**17,954**	**47,829**

1 Reporting entity

Gateway Telecommunications SA (Proprietary) Limited (the “company”) is a company domiciled in South Africa. The condensed consolidated financial statement of the company as at and for the six months period ended June 30, 2007 comprises the company and its subsidiaries (together referred to as the “group).

The consolidated annual financial statements of the group as at and for the period ended December 31, 2006 are available upon request from the companies registered office:

Building 12
Harrowdene Office Park
Western Service Road
Johannesburg
South Africa

2 Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statement of the group as at and for the period ended December 31, 2006.

3 Significant accounting policies

The accounting policies applied by the group in these condensed consolidated financial statements are the same as those applied by the group in its consolidated financial statements as at the period ended December 31, 2006.

4 Property, plant and equipment

During the six month period ended June 30, 2007 the group purchased property, plant and equipment relating to installed networks amounting to $2,630,000 (2006 : $855,000)

5 Reconciliation of changes in shareholders’ equity

	Share Capital	Capital Redemption Reserve	Shareholder Loans	Other reserves	Retained earnings	Total
	$ ’000	$ ’000	$ ’000	$ ’000	$ ’000	$ ’000
Balance at January 1, 2007	-	(47,372)	905	2,299	6,270	(37,898)
Total recognised income and expense	-	-	-	214	(1,253)	(1,039)
Equity settled transactions	-	-	-	-	22	22
Balance at June 30, 2007	-	(47,372)	905	2,443	5,039	(38,985)

Included within retained earnings is $1,448,000 (2006: $1,480,000) of share based payment equity.

6 Acquisition of subsidiaries

On May 15, 2007, Gateway acquired 100% of the issued share capital in GS Telecom Limited for a total consideration of $37.7 million.

The goodwill recognised for period ended June 30, 2007 was provisionally calculated as follows:

	$ ’000
Net assets acquired (excluding fair value of intangible assets)	15,535
Goodwill	22,118
Purchase consideration	37,653

The Purchase Price Allocation will be completed during the second half of the 2007 year. Goodwill has not been tested for impairment as the accounting is provisional, and has not been allocated to the various cash-generating units.