

SOUTH AFRICAN BROADCASTING CORPORATION (SOC) LTD

ANNUAL REPORT

FY2012/13

Presented by:

GCEO: SABC

12 September 2013

The SABC logo features a stylized graphic of a signal tower or broadcast tower with four colored segments (yellow, green, blue, red) and the letters 'SABC' in a bold, sans-serif font below it.

SABC

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OVERVIEW OF PERFORMANCE



The SABC Corporate Plan for the year under review is premised on ensuring that the SABC remains a going concern while still fulfilling its mandate. During the 2012/13 fiscal, despite facing considerable challenges, the national public broadcaster was able to ensure that this premise was met and exceeded. **In a broadcast environment characterised by increased competition, the SABC continues to deliver the most watched television channels and listened to radio services in the country.**

At the end of March 2013 the SABC Group of companies **showed a profit after tax of R330m.** This was R14m (4%) lower than the previous year's surplus.



Radio not only exceeded some of the targets set in the corporate plan – but increased listenership for nine key stations, including the nation’s largest, Ukhozi FM. The robust performance of the PBS Radio Stations is particularly noteworthy.

Television missed its overall audience targets for the year but **SABC2 and SABC3 increased audience share on a quarterly basis** and the fruits of a shift in the management of business operations is also being experienced.

Significant milestones were also met in the DTT journey, including **SABC’s first High-Definition Broadcast**, when an HD channel was trialed during the AFCON soccer tournament. Furthermore, the DTT Laboratory was implemented during the quarter, as was the Electronic Programme Guide and the development of trial interactive programmes for the DTT platform.



While **total revenue was R6.67 billion**, meeting overall revenue targets as specified in the Government Guarantee, however, remains a challenge. Increases in license revenue was premised on government approval of annual increases to the licence fee, the zero-rating of VAT on licence fees, government subsidies for low income and concessionary households and a levy on broadcast receiving equipment which have not been forthcoming.

The **decline in audience on television, together with the continued growth of alternative platforms, impacted negatively on advertising revenues.**



The environment within which the SABC operates is not only determined by the Broadcasting Regulatory Framework, but is also defined by the broader economic context and the constantly changing broadcast media and ICT environment. **The SABC is now operating in a market that is characterised by dynamic change; the migration from analogue to digital TV, the establishment of the internet as a global media platform and the emergence of new technologies and new players** have led to audience and revenue fragmentation as choice for the end user becomes a major factor.

In multi-channel homes, viewing habits have changed, due to increased video content, entertainment choice as well as time shifting technologies like the PVR resulting in audiences planning their viewing outside of the traditional schedule and flicking around the channels more. Children and young people in multi-channel homes, in particular, show diminishing loyalty to specific channels but the emphasis is placed more and more on specific programs and genres. **As a result viewing habits are becoming increasingly polarized in these homes – different groups tend to watch different sorts of programmes and it will become ever more difficult for any one broadcaster to reach a large proportion of the total audience over time.**



Numerous challenges were experienced during the fiscal, culminating in the disbandment of the SABC Board – however, the work done during the last quarter of 2012/13 **provides a basis for the national public broadcaster to deliver excellent public and public commercial broadcasting services** in the forthcoming financial year.

The Government Guarantee, as provided by National Treasury in 2009, continues to play a dominant role in the SABC's financial strategy. It is worthwhile noting that while afforded the ability to raise the R1.473 bn in bank loans, the SABC utilised only R1 bn through its Nedbank loan. In addition to the Company's trajectory of prudent financial management, the SABC has recognised the expense incurred through the interest rate payments attached to the loan. To mitigate this, **R833m of the capital portion and interest of R216m have been paid back to Nedbank to date.** The capital portion now remaining stands at R167m plus interest charges of R3m.



While the SABC remains cognisant of the current economic challenges which make investment decisions difficult, **the current Corporate plan presents innovative and creative solutions to deliver on our public service mandate and build public value.**

In order to restore SABC liquidity, the following will be actioned:

- **Increasing revenue through effective and efficient collection of TV license fees;**
- **Increasing the SABC's share of advertising spend through vigorous marketing to the Trade;**
- **Re-introducing calculations of commercial value prior to content being acquired;**
- **Liaising with advertisers when content is purchased, instead of after the event.**



Shareholder - Department of Communications



A review of the SABC's Organisational Structure that will enable the Business focus to be on improving the effectiveness and efficiency of Core Business Operations has been completed. This revision was also informed by discussions with the Group Executive on their respective Divisional Structures.

The fact that various positions are currently filled by members in an acting capacity provides the SABC with an opportunity to revise the structure before positions are filled. This revision is with aim of strengthening the Corporation and its core business to enable it to effectively execute against its legislative mandate.

DTT Readiness and Digitisation of Internal Broadcasting Value Chain.

Significant milestones were also met in the Corporation's DTT journey. The fiscal saw progress being made as follows:

- ✓ The development and testing of DTT set top box user interface;
- ✓ Implementation of DTT Electronic Programme Guide production system;
- ✓ Development of trial interactive programmes for the DTT platform;
- ✓ Finalisation of the Free to Air Rules of Operations Manual;
- ✓ Staffing and training of the DTT Technology project office;
- ✓ Upgrading of the DTT head end from 8 standard definition channels to 12 standard definition channels and a high definition channel;
- ✓ Request for information submitted for sub-tilting systems, and
- ✓ Workshops held with various internal and external stakeholders regarding DTT.

The DTT technology project office has also played a leading role in assisting the SABS in understanding and setting up their DTT conformance lab.



Universal Access for TV and Radio

In a broadcast environment characterised by increased competition, the SABC continues to deliver the most watched television channels and listened to radio services in the country. Broadcast content achievements include being the most listened to Radio Service provider in the country, with weekly audiences growing from 26.6 million in June 2011 to 28.2 million in June 2012.

The SABC's television channels remain the most watched channels in South Africa with an audience share of 57% (in Prime Time) of the 7 million analogue terrestrial households and approximately 3 million direct-to-home satellite households.



AUDITOR GENERAL AUDIT

The SABC report for the year under review until March 2013 saw disclaimer audit opinions by the Auditor General that had its root causes embedded in skills capacity, technical and legacy issues from 2008.

The incomplete migration from SA GAAP (Generally Accepted Accounting Practice) to IFRS (International Financial Reporting Standards) coupled with a significant lack of capacity and training among finance managers resulted in inadequate systems to maintain records. Consequently, the Auditor General was confronted with unsatisfactory financial reportage in some of the key areas of the business.

Under amortization and impairment, intangible assets were not tested for impairment in accordance with IFRS, as a result their value could not be verified. Assets that had come to the end of their useful lives, but was still in use, were recorded at a zero value without taking into account their useful life as per IFRS reportage.



AUDITOR GENERAL AUDIT

During the AGSA audit it was noted that TV licence revenue is accounted for **on a cash basis**.

The current accounting policy of the SABC for the recognition of license fees is as follows:

- Licence fee revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Company (**only when payment is received from a licence holder**). Based on past experience, the SABC does not consider economic benefits associated with television licences to be probable until the consideration is received, and therefore does not accrue for revenue on television licences. **Licence fee revenue is therefore recognised on a cash basis**, net of Value-Added Tax, as and when received.
- It is impossible to predict how many of an estimated 12 million households with TV sets will pay their licences in one year. It is therefore extremely problematic to apply an accrual accounting principle to this revenue stream.

The SABC has forwarded a motivation to National Treasury requesting approval to continue to recognise TV licence revenues on the cash basis for at least the next three years in view of the operational and financial burden the accrual basis will place on the SABC. Feedback is currently being awaited from National Treasury on the matter.



FINANCIAL PERFORMANCE



At the end of FY2012/13 total gross revenue was R400m (6%) lower than budget. Year-on-year revenue grew by R275m (4%).

Television advertising revenue was R406m lower than budget (FY2011/12 – R236m higher). This is as a result of a declining audience share from 57% in FY2011/12 to 53% (performance period). Schedule changes in view of Sport events, events of national interest and title changes also added to a decrease in revenue.

Compared to last year Television advertising decreased by R129m (4%). The decrease in audiences resulted in an increase in media inflation and the sales team had to adjust their sales tactics to reduce further losses.



Radio advertising performed better than budget by R75m owing to a stable radio audience share and effective trade marketing. PBS radio audience share was 58.2% against a target of 56%. Strategies were implemented to improve the performance of 6 underperforming stations. **Radio advertising grew by R176m (14%) compared to the previous year.**

Sponsorship revenue was R53m lower than budget as a result of declining television audience share, lack of compelling content. Late and protracted sport right negotiations made it difficult for the sales team to attract more sponsorship. **The growth on last year was R8m (2%).**

The **collection of TV licences was R10m lower than budget** owing to a decrease in the sale of television sets and difficult market conditions. Collections managed to grow by R21m (2%) from year on year.

Other revenues from mobile (SMS) services, merchandise sales and facility rentals were R41m lower than budget. Facility rentals included a budget of R38m for sponsored education programmes, the actual revenue of R17m was recorded under sponsorship revenues.



Total operational expenses were R135m (2%) lower than budget compared to the R451m lower than budget spending of last year. Expenses, however, grew by R331m (6%) from last year.

The amortised cost of Television film, programmes and sport rights was R103m (6%) underspent compared to budget. Last year the underspending was R90m compared to budget. Year-on-year investment in content reduced by R146m (11%). This is as a result of the review and re-calculation of current and previous year amortised costs as part of work done to clear the qualified audit.

Cash investment in new content was also lower than budget. The SABC did not publish a new 2012”RFP”-book for new programme proposals.



Permanent employee compensation and benefits were R113m higher than budget owing to the actuarial valuation of the defined benefit pension fund as recognised in profit and loss at R184m. This was not included in the budget.

Basic salaries also increased by R100m (11%) following a salary increase of 9.5%, a R26m salary parity exercise and medical aid contribution which increased by R8.7m (10%).

Arbitration awards increased by R4.9m.



Marketing costs were R87m lower than budget and virtually on par against the previous year's spending. The marketing/revenue ratio decreased slightly from 1.9% to 1.8% year-on-year. Although the SABC could not finalise the marketing agency tender, business units managed to maintain the level of marketing invested in revenue by using ad-hoc agency support and in-house publishing, printing & radio production facilities to produce advertising campaigns. The underspending on PCS radio marketing campaigns resulted in lower than targeted audience share.

Revenue collection costs now also include advertising agency fees. Advertising collection costs were R90m lower than budget owing to lower TV advertising & Sponsorship revenues. TV Licence collection costs were R40m lower than budget in view of revenue being lower than budget as well. Compared to last year advertising collection costs of R778m grew by R3m and TV Licence collection costs increased by R5m. As a ratio advertising & sponsorship collection costs were 17.3% of revenue (last year 17.5%). The TV Licence collection cost ratio also remained the same year-on-year at 14.6% of revenue.



Performance against Government Guarantee

At the end of FY2009/10 the SABC could not achieve the target loss of R283m as a result of limited time to implement the turnaround plan. During FY2010/11 the implementation gained speed and the actual loss of R117m was lower than the targeted loss of R228m. **At the end of FY2011/12 the SABC managed to return to a surplus position of R377m that was also higher than the target surplus of R228m.**

As projected since September 2012, the SABC was not able to meet the GG target surplus of R536m for FY2012/13. **Revenues were R604m (9%) lower and expenses R28m (0.5%) lower than target.** Depreciation was R183m (39%) lower and finance costs R206m (91%) lower than target. The targets did not include taxation or the impact of actuarial valuations of post retirement medical aid and the defined pension fund liabilities. The adjustment of the SABC's financial results for these valuations is therefore not included in the results reported here.



DELIVERY ON MANDATE



SABC RADIO

During the year under review, the audience loyalty to the 18 radio station brands remained high despite the entry of numerous new commercial and community players into the South African broadcasting landscape over the last decade.

According to the SAARF report, the estimated number of adults aged 15+ is said to be 34,935m. Radio reaches 31,108m adults aged 15+ on a weekly basis out of which **the SABC 18 radio stations claims a staggering 26,725m listeners. This translates to a 76.5% penetration into the adult population.**

The SABC further prides itself in the fact that two of its radio stations continued to deliver record audience numbers on a weekly basis during the 2012/13 financial year. **Ukhozi FM, the SABC's Public Broadcasting Service (PBS) reaches 7,132m adults per week while METRO FM, the Public Commercial Service (PCS), reaches 5,713m, with a combined weekly audience of 12,845m.** This is testimony to the power of SABC Radio. SABC Radio's success is unparalleled with **8 out of the top 10** list of favourite radio stations nationally emanating from the SABC stable.



RADIO PERFORMANCE ON SOUTH AFRICAN MUSIC

During the period under review, SABC Radio generally performed above ICASA’s minimum requirements for South African music. The Regulations require that the PBS radio stations broadcast a weekly average of 40% South African music with the exception of Lotus FM who has to deliver a minimum quota of 20%. The commercial stations are required to broadcast 25% South African music.

The list provides annual average music percentage per station for the fiscal 2012/13:

| % PCS and PBS Local Music | |
|---------------------------|----------------------|
| PCS | Average % FY 2012/13 |
| 5FM | 31% |
| Good Hope FM | 31% |
| METRO FM | 28% |
| PBS | Average % FY 2012/13 |
| SAfm | 71% |
| Tru FM | 60% |
| Lotus FM* | 23% |
| RSG | 86% |
| Munghana Lonene FM | 66% |
| Lesedi FM | 67% |
| Radio 2000 | 59% |
| XKFM | 90% |
| Umhlobo Wenene FM | 72% |
| Ligwalagwala | 71% |
| Motsweding FM | 64% |
| Phalaphala FM | 68% |
| Thobela FM | 66% |
| Ukhozi FM | 62% |
| Ikwewezi FM | 70% |

ICASA GENRE LICENCE CONDITIONS

ICASA Genre Licence Conditions

| | News (daily) | | | Curr Aff (daily) | | | IKB | Education | Children | Drama |
|-------------------|--------------|-----|-----|------------------|-----|-----|--------|-----------|----------|--------|
| | M-F | SAT | SUN | M-F | SAT | SUN | Weekly | Weekly | Weekly | Weekly |
| SAFM | 89 | 95 | 95 | 241 | * | * | 1410 | 300 | 60 | 260 |
| ICASA Quota | 60 | 60 | 60 | 60 | * | * | 180 | 240 | 60 | 150 |
| RSG | 109 | 60 | 60 | 173 | 60 | 60 | 1260 | 310 | 90 | 275 |
| MLFM | 80 | 80 | 70 | 115 | 60 | 60 | 1325 | 330 | 60 | 115 |
| Lesedi FM | 81 | 60 | 60 | 188 | 60 | 60 | 1015 | 295 | 85 | 205 |
| Ikwekwezi FM | 129 | 70 | 70 | 140 | 60 | 60 | 1070 | 360 | 130 | 255 |
| Ukhozi FM | 84 | 60 | 60 | 166 | 60 | 60 | 2495 | 305 | 180 | 180 |
| Phalaphala FM | 85 | 85 | 85 | 110 | 60 | 60 | 2610 | 300 | 150 | 220 |
| Ligwalagwala FM | 99 | 60 | 60 | 110 | 60 | 60 | 1870 | 355 | 405 | 250 |
| Motsweding FM | 95 | 60 | 60 | 99 | 60 | 60 | 1180 | 305 | 75 | 150 |
| Thobela FM | 208 | 110 | 80 | 96 | 60 | 60 | 1750 | 420 | 420 | 160 |
| Umhlobo Wenene FM | 84 | 80 | 80 | 137 | 60 | 60 | 890 | 305 | 385 | 140 |
| ICASA Quota | 60 | 60 | 60 | 60 | 60 | 60 | 180 | 300 | 60 | 150 |
| Lotus FM | 75 | 75 | 75 | 89 | 60 | 60 | 615 | * | * | 190 |
| ICASA Quota | 60 | 60 | 60 | 60 | 60 | 60 | 180 | * | * | 150 |
| X-K Fm | 80 | 50 | 50 | 110 | 55 | 55 | 1525 | 695 | 540 | * |
| ICASA Quota | 30 | 30 | 30 | 30 | 30 | 30 | 180 | 300 | 15 | * |
| TruFM | 74 | 60 | 60 | 53 | 30 | 60 | 1875 | 300 | 50 | * |
| ICASA Quota | 60 | 60 | 60 | 30 | 30 | 30 | 60 | 120 | 30 | * |

SABC TELEVISION

During the year under review, SABC Television continued to be the most watched TV channels in the country, effortlessly meeting their public service mandate and delivery of public value.

TV Performance for Local Content

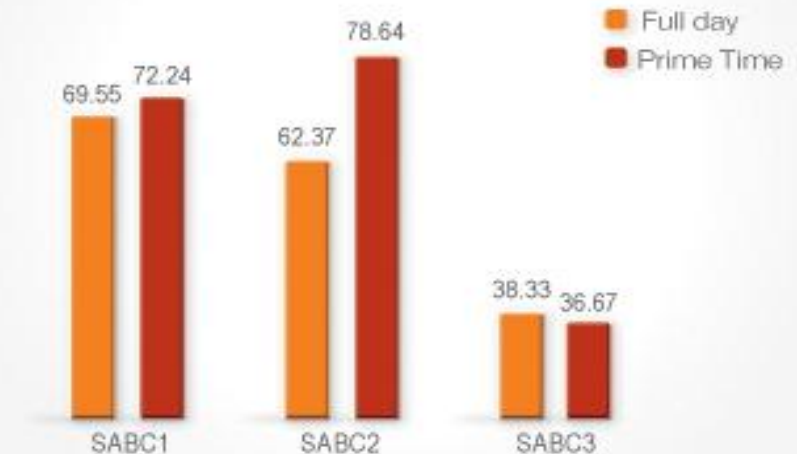
The channels generally complied with the licence conditions with **a notable over performance on local content by SABC1 and SABC2** during the period under review.

In terms of the licence conditions, the Corporation must provide the following information to ICASA, in respect of its television channels on an annual basis:

- The different genres;
- South African television content;
- The use of each official language;
- The extent of advertisements broadcast;

Local Content

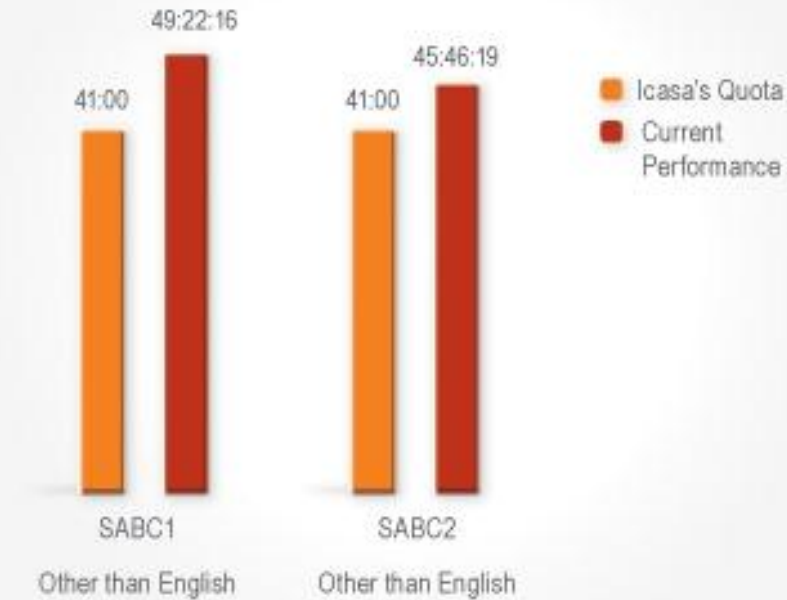
Icasa's overall local content quotas: 55% for PBS and 35% for PCBS



Source: Broadcast Schedules (2 April 2012 - 31 March 2013)

LANGUAGE ON TELEVISION

Language delivery during TV performance period



Source: Broadcast Schedules (2 April 2012 - 31 March 2013)

The language quotas for the PBS channels are four fold:

- A minimum number of hours of programming in languages other than English, excluding marginalized languages, in prime time;
- A minimum number of hours of programming in marginalized languages, in prime time;
- A minimum number of hours of programming in languages other than English, including marginalized languages, in prime time;
- A minimum number of hours of programming in languages other than English, including marginalized languages, in the performance period.



SABC NEWS AND CURRENT AFFAIRS

The News and Current Affairs Division is a content provider for all the 18 SABC radio stations, three TV channels and digital media. The Division has extensive news capabilities and resources with 9 bureau across South Africa and 3 international offices in Zimbabwe, Kenya and the United States of America. Massive investment in technology has given SABC News unparalleled news gathering capacity.

The News Division produces on a daily basis 12 Television News bulletins and 10 Television Current Affairs shows on SABC1, SABC2 and SABC3 every week. It also produces 1,255 Radio News bulletins in all the eleven official languages on 18 radio stations per week. In this regard, SABC News plays a critical role in providing high quality, reliable and unbiased news and current affairs services within South Africa.



SABC NEWS AND CURRENT AFFAIRS

The year under review also saw the **News and Current Affairs Division play a crucial role in bringing the centenary celebrations of the African National Congress to the public.** The celebrations were covered in line with the SABC's editorial policy which affirms our understanding that if South Africans are to meet the challenges of building a nation and a strong democracy, they must have access to relevant, reliable, and timely information of the best quality.

Therefore, in **covering the centenary celebrations, SABC News and Current Affairs aimed to ensure that South Africans were given what they require in order to strengthen their understanding of history and to engage meaningfully in the narrative of the future of the country.**

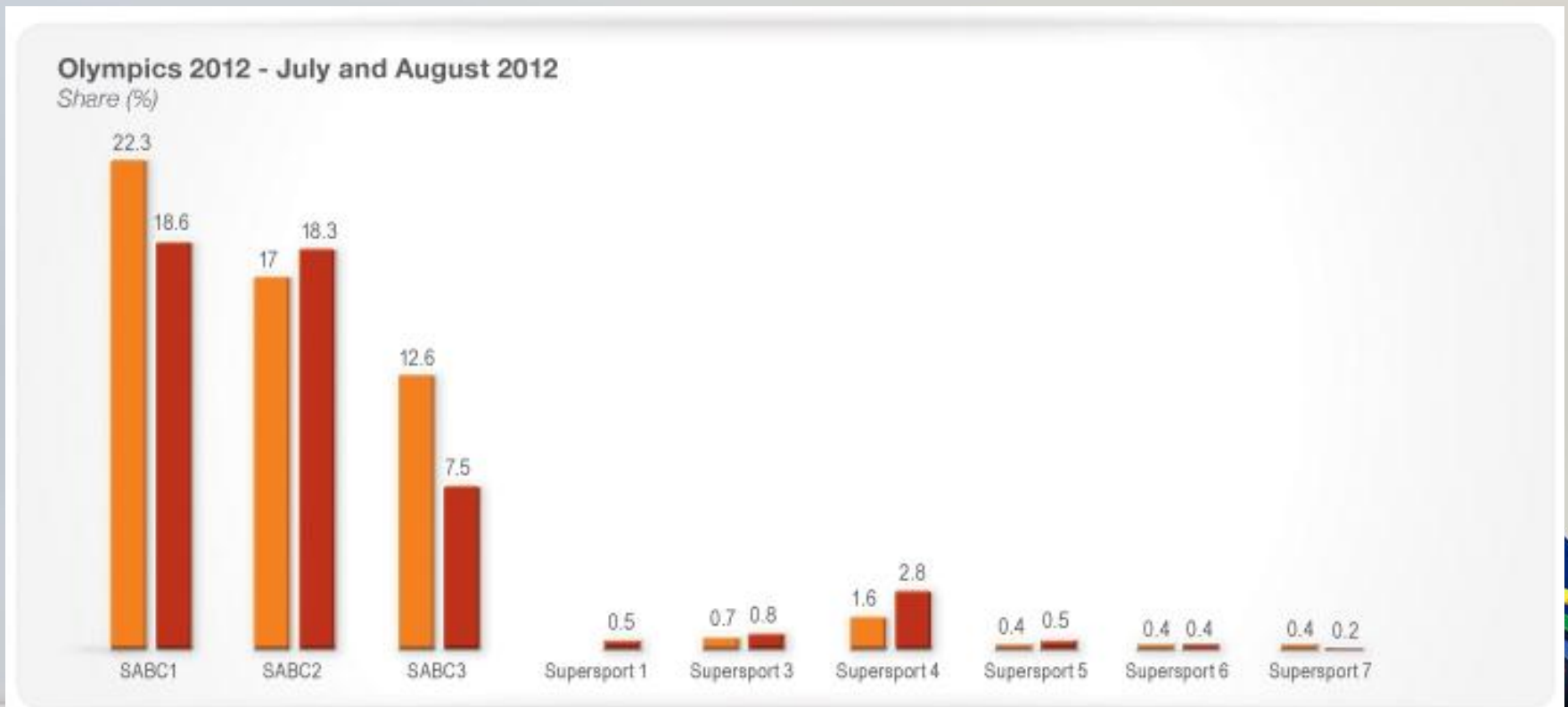
Within 7 months of its launch in May 2012, the **SABC News You Tube** channel generated more than a million views compared to the corporate channel which was established in 2005 and **celebrated 3 million views in March 2013.**

The Division also observed an increase in the reach of the Newsbreak bulletins via the web and experienced continued growth on the mobisite and apps, but also observed an increasing share of web access happening via mobile devices.



SABC SPORT

South African viewers found special inspiration in the successes of the country's Paralympic athletes, and the Paralympic Games were a highlight on SABC's sporting calendar. The SABC's broadcast of the 2012 London Olympic Games yielded a share of 20.4% for SABC1, 17.6% for SABC2 and 10.0% for SABC3. Below is a representation of the audience share during the 2012 London Olympic Games (July and August 2012).



SABC SPORT

The SABC covered twenty eight (28) live AFCON matches on SABC1 and four were scheduled on SABC3 when matches were played simultaneously. The South Africa vs. Mali quarter-final delivered on expectations, achieving 58.4% market share for LSM 5-7. As the host broadcaster and key stakeholder of the event, SABC Sport was complimented by FIFA, Confederations of African Football (CAF) and the Local Organising Committee (LOC) for the high standard of production delivery.

Soccer continued to be the most popular and dominant sport on SABC platforms. The Premier Soccer League season accounted for a further 118 matches.

In order to meet its mandate delivery of Sports and Events of National Interest, whilst retaining quality programming delivery in the short term, SABC Sport entered into negotiations with various sporting Federations. In June 2012, the negotiations culminated in the finalisation of a three year agreement between the SABC and SAFA to broadcast the national senior team matches from 2012 until 2015.

The SABC also entered into an agreement with Athletics South Africa (ASA) for the 2012 athletic season, to broadcast all track and field events including the three main marathons i.e. Comrades, Two Oceans and Soweto Marathon.

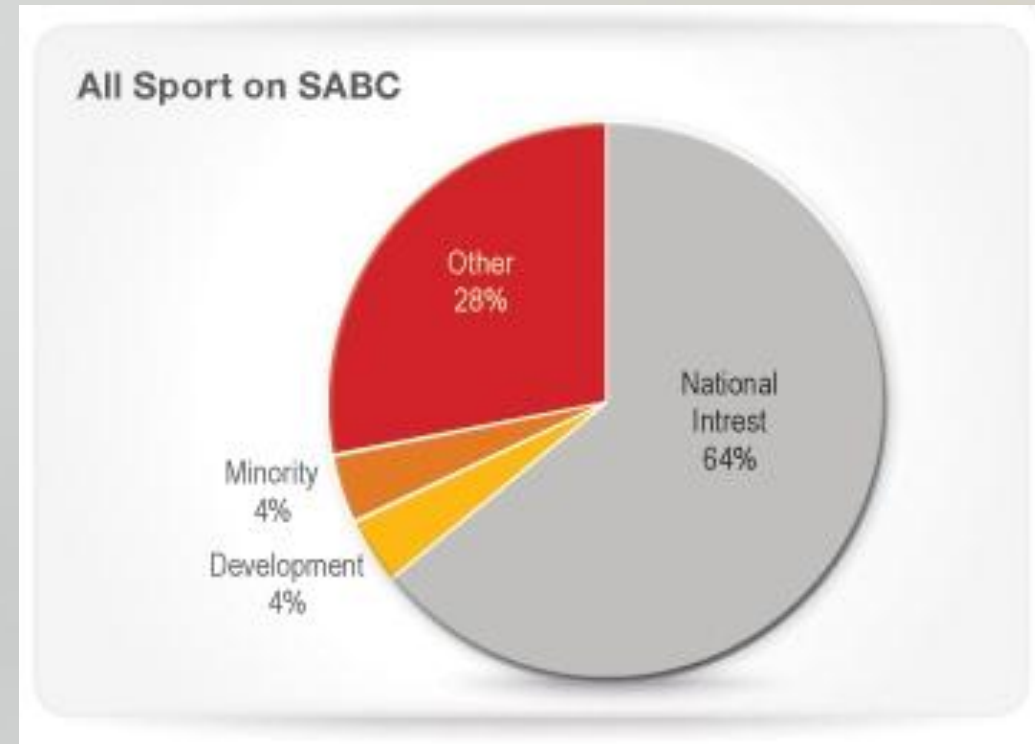


SABC SPORT

During the year under review, SABC Radio was the pillar in driving the broadcast of the Proteas' outbound tour which was broadcast from 19 July to 5 September 2012. The SABC also secured exclusive radio rights for the 2012 ICC T20 World Cup played in Sri Lanka.

The SABC further covered both the Gauteng Sports Awards and SA Sports Awards to honour and award South African sporting heroes for their achievements and excellence.

The diagram represents the broadcast of all sport on SABC television.



UNIVERSAL ACCESS

Low Power Transmitters (LPT) have provided a method of providing broadcasting services to the previously disadvantaged and marginalised communities in remote rural areas, in line with the SABC's universal access mandate.

Sentech has completed **46 new LPT sites during the 2012/13 financial year. This brings the total number of new LPT sites completed to date to 104.**

During the period under review, the SABC started to look into ways of maximising service delivery to all (geographic coverage) which adequately resolves the issue of pre 1994 definition of services per area in South Africa which was a remnant of the land areas act. The solution lay in DTH (Satellite services) as per the Cabinet approved BDM policy, The DTH service guarantees 100% availability of all services regardless of where the citizen resides in the country.





ACHIEVEMENTS AND AWARDS

SABC RADIO AWARDS

SABC Radio stations came up as the best performers in the period under review, **scooping 30 awards at the 4TH 2013 MTN RADIO AWARDS**. This also saw the over 7 million listenership station, Ukhozi FM bagging six awards including being declared as the Public Broadcasting Service (PBS) Station of the year once more. Umhlobo Wenene received the most votes as the Listener's favourite station.



Ukhozi FM team with the coveted Public Broadcast Station (PBS) of the Year award at the MTN Radio Awards.

SABC TELEVISION AWARDS

- **SABC3** was voted the **Best TV Station** by the Annual Star Readers' Choice Awards, ahead of eTV and DSTV.
- **SABC Marketing** was awarded "Best Directing" for the "Mama Africa Award" and "Best promo" not utilising programme footage for the 2012 London Olympics campaign.
- The SABC was awarded **three Silver awards** at the prestigious Promax/BDA Africa 2012 conference where it was the platinum sponsor. Throughout the world, the Promax/BDA Awards represent marketing excellence in the media marketing space. Collectively, through numerous regional and sector-specific competitions, the awards are regarded as the most prestigious for creative endeavour in this field.



CONTENT HUB

The SABC received numerous awards at the 2012 7th South African Film and Television Awards for its content on television programmes for Religion Programmes, Drama Programmes, Soapies, Comedy, Factual Educational Entertainment Programmes and Documentary Features.



7de Laan voted best Soap by the public at the SAFTAS

Entertainment

Two awards for 'Jam Sandwich' and 'Noot Vir Noot'.

Factual

Best Editors of a Documentary Feature are Andrew Wessels for 'Sobukwe: A Great Soul'.
 Best Director of a Documentary Feature is Mickey Dube for 'Sobukwe A Great Soul'.
 Best Documentary Feature is 'Sobukwe – A Great Soul' by Born Free Media
 Best Factual Educational Entertainment Programme is 'Sobukwe – A Great Soul' by Born Free Media.

Religion Programmes

Two episodes selected for 'I am Woman' in the Out in Africa Film Festival.
 'Issues of Faith: Jumu'a – The Gathering – Happily Ever After' selected at Encounters.
 'Sunday Sadhana' chosen to participate in an international on-line spiritual film festival-Spirit Enlightened-showcased to United Nations and Amnesty International.

Drama Programmes

Best DOP/Cinematographer of a TV Drama Series for 'Erfsondes'.
 Best Production Design of a TV Drama Series for 'Zone 14'.
 Best Sound Design of a TV Drama Series for 'Erfsondes'.

Soapies

Best Ensemble: Soap for 'Isidingo'.
 Best Actor TV Soap: for 'Isidingo'.
 Best Art Direction TV Soap for 'Isidingo'.
 Best Actress TV Soap for 'Isidingo'.
 Best TV Soap (Public Vote) for '7de Laan'.

Comedy

Best Actor: TV Comedy for 'Ses'Top La'.
 Best Actress: TV Comedy for 'Abo Mzala'

GOVERNANCE



The SABC ensures that its processes and practices are reviewed on an ongoing basis to ensure compliance with relevant legal requirements, the use of funds in an economic, efficient and effective manner, and adherence to good corporate governance practices that are continually benchmarked. **Processes and practices are underpinned by the principles of openness, integrity, and accountability and an inclusive approach that recognises the importance of all stakeholders with respect to the viability and sustainability of the SABC.**

Portfolio Committees

During the year under review, the SABC Board appeared four times before the Portfolio Committee on Communications. The key issues raised were as follows:

- The 2013/15 Corporate Plan;
- The Skills Audit;
- Special Investigations Unit Report;
- 1st Quarter Expenditure and Annual Reports.



Shareholder Compact

In terms of the Treasury Regulations issued in accordance with the PFMA, the SABC must, in consultation with its Executive Authority (the Minister of Communications) annually conclude a Shareholder Compact documenting the mandated key performance measures and indicators to be attained by the SABC as agreed between the Board of Directors (Board) and the Executive Authority.

The SABC Board held two meetings with the Ministry of Communications during the 2012/13 financial year. The following matters were addressed:

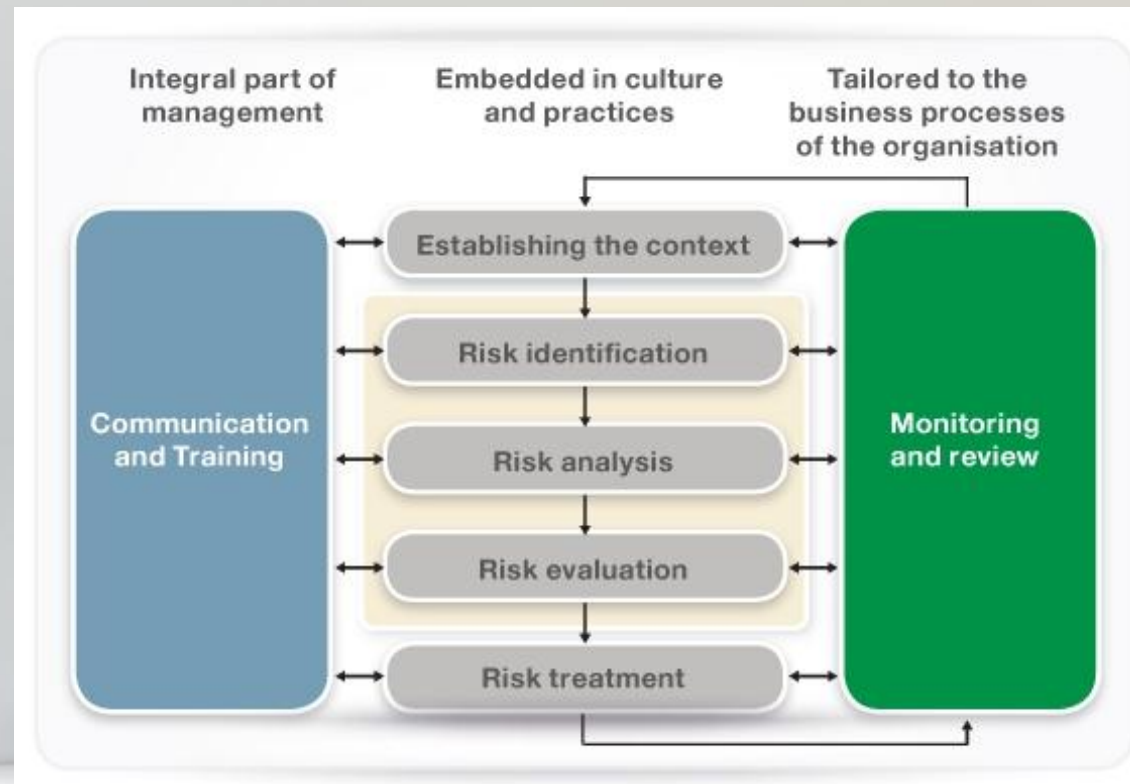
- 2012/15 Corporate Plan;
- Progress on Special Investigation Unit (SIU) Investigation;
- The collection of licences fees from Pay-TV operators;
- 2013 Medium Term Expenditure Framework (MTEF);
- Governance Challenges i.e. 2010/11 Audit Findings;
- Alignment of Planning Cycles between SOEs and DoC;
- Performance Report as at end of the First Quarter 2012/13;
- Progress on Establishment of the 24 Hours News Channel;
- Government Guarantee;
- Government Employee Fund (PIC) Case;
- Amount Owed by Government Departments to SABC;
- Launching of Phase One of DTT;
- Low Power Transmitters;
- Performance Report as at end of the 3rd Quarter 2012/13



RISK MANAGEMENT

The SABC has developed and implemented a common, systematic and integrated enterprise-wide approach to risk management (ERM). This approach will increase risk awareness, ensure appropriate management of risks, and make divisional risk profiles transparent, therefore enabling risks to be compared and aggregated and facilitating an integrated response to risks which will ultimately improve efficiency and effectiveness in risk management efforts.

The integrated approach to managing risk seeks to ensure that knowledge and experience is shared and risk management becomes embedded in day-to-day systems, processes and the way the organisation is run and that every key risk in each part of the organisation will be included in a structured and systematic process of risk management. **The risk strategy defines how the enterprise risk management process is implemented in the SABC. A brief summary of the risk management process has been outlined.**



INTERNAL AUDIT PERFORMANCE

The Group Internal Audit continued to **play its pivotal role in the governance pillar by executing audit projects against the Risk Based Annual Audit Plan as approved by the Audit Committee** whilst continuing to assist the organisation in managing the fraud risk exposures by conducting forensic investigations and reporting the findings to management accordingly. During the year, the department introduced continuous business monitoring in order to provide management with an alternative view on business risks and controls thereby assist in proactively monitoring of key risk areas within the organization to ensure the achievement of the business objectives. Data analysis through CAATS was conducted on critical transactions within Human Resource, Procurement, Payroll and Sales and Marketing.

The following table presents the summary of performance for the year:

| Details | 2011/2012 | 2012/2013 |
|------------------------------|-----------|-----------|
| Internal Audit Report Issued | 31 (72%) | 41 (82%) |
| Planned Audits Deferred | 12 (28%) | 9 (18%) |



SOCIAL RESPONSIBILITY

The role of the SABC extends beyond broadcasting and its mandate. As a good corporate citizen, **the SABC is actively involved in a range of developmental and social projects across the country.** Equally important is the alignment of the SABC CSI activities with those of its core business. This allows the Corporation to leverage its nation footprint, resources and expertise, when partnering with NGO's and other institutions.



SABC partnered with Habitat for Humanity where SABC staff members built three houses for the families of Orange farm.

Some of the highlights of SABC CSI initiatives in the past fiscal:

- Ukhozi FM changed lives of four families in KZN by building houses for them and also donated a large number of wheelchairs.
- Lotus FM went big on Global Diabetes Walk where they manage to raise R 120, 000.00 which was channelled towards assisting diabetic people.
- 2000 FM participated in the Breast Cancer awareness campaign which collected huge sum of money that was also used to assist cancer patients.
- Majority of SABC Radio Stations every year in January to March they embark on back to school campaigns by donating school uniform to destitute learners in rural areas This initiative raised well over R 500, 000.00 as we also use our Radio OB vans during these campaigns.
- Lesedi FM's focus was on disability. Last year the Station donated more than 100 wheel chairs to disabled people in the Free State and Gauteng.
- The SABC also followed monthly calendar themes based on Days of National Importance by getting experts on radio to talk about the awareness of the month or the day. This is to educate the public of the challenges our society face, e.g., health, drug abuse, poverty, education, abuse of women and children, etc.
- The SABC partnered with Habitat for Humanity where SABC staff members built three houses for the families of Orange farm, this was on Mandela Day.
- Learners in the Eastern Cape received learning material on June 16 2012. The SABC also bought 1000 referral books which were donated to two rural schools which do not have electricity and therefore they cannot have or use computers. However these books will help them to do research towards their studies.

**HUMAN
RESOURCES
MANAGEMENT**



Various industry related changes pose serious transformational challenges from the human resource division's viewpoint, for instance, updating of skills and talent profiles, identified training and development interventions as well as talent management strategies that need to be adopted at the SABC now and in the future. **There are also some human resource processes that need to be reviewed in order to enhance the readiness of the SABC human capital to face the new challenges that have been ushered by the digital migration and broadcasting global platform media.**

PERFORMANCE MANAGEMENT

During the 2012/13 financial year, the Performance Management Policy and System was developed and consulted with all the stakeholders in order to obtain buy-in at all levels.

SKILLS AUDIT AND WORKFORCE STUDY

A Skills Audit and Workforce Study Analysis commenced during the last quarter of the year under review and will be completed in the early part of the new fiscal in 2013/14. This study will provide the Human Capital Services (HCS) with valuable information regarding the nature of the capability (knowledge and skills) that the organisation has currently and what it will require in the future as well as gaps that need to be addressed.



NEW ORGANISATIONAL STRUCTURE

One of the main initiatives within the Turnaround Strategy of the SABC was the redesign of the organisational structure to support the SABC organisational strategy and vision. A new top structure was approved and implemented during June 2012. Further to this the divisional structures were developed and consulted with the relevant stakeholders, approved and signed-off.

EMPLOYEE WELLNESS

New trends and risks associated with the health and wellness of employees have been discovered and pose new challenges for the Employee Wellness Department within the SABC. This Department which looks after the Employee Wellness, Occupational Health and Employee Assistance Programme (EAP) nationally has identified the following health and wellness risks:

- Drug & Alcohol Abuse;
- High Sick Leave Absenteeism;
- Stress;
- Debt.



KEY TRAINING STATISTICS

| | |
|-----------------------------------|---|
| Workplace Skills Plan Achievement | 66.2% 4 277 interventions completed |
| Total Training Expenditure | Approximately R32m |
| Number of bursaries supported | 180 (R4.2m) SABC 14 SED bursaries |
| Employment Equity | 53% females trained 47 % males trained |

EMPLOYEE RELATIONS

The Special Investigation Unit (SIU) investigation covered a variety of aspects of misconducts such as declaration of interests, contravention of policy on additional work as well as DAF and procurement. The cases of declaration of interests were addressed through HR process pursuant to legal advice.

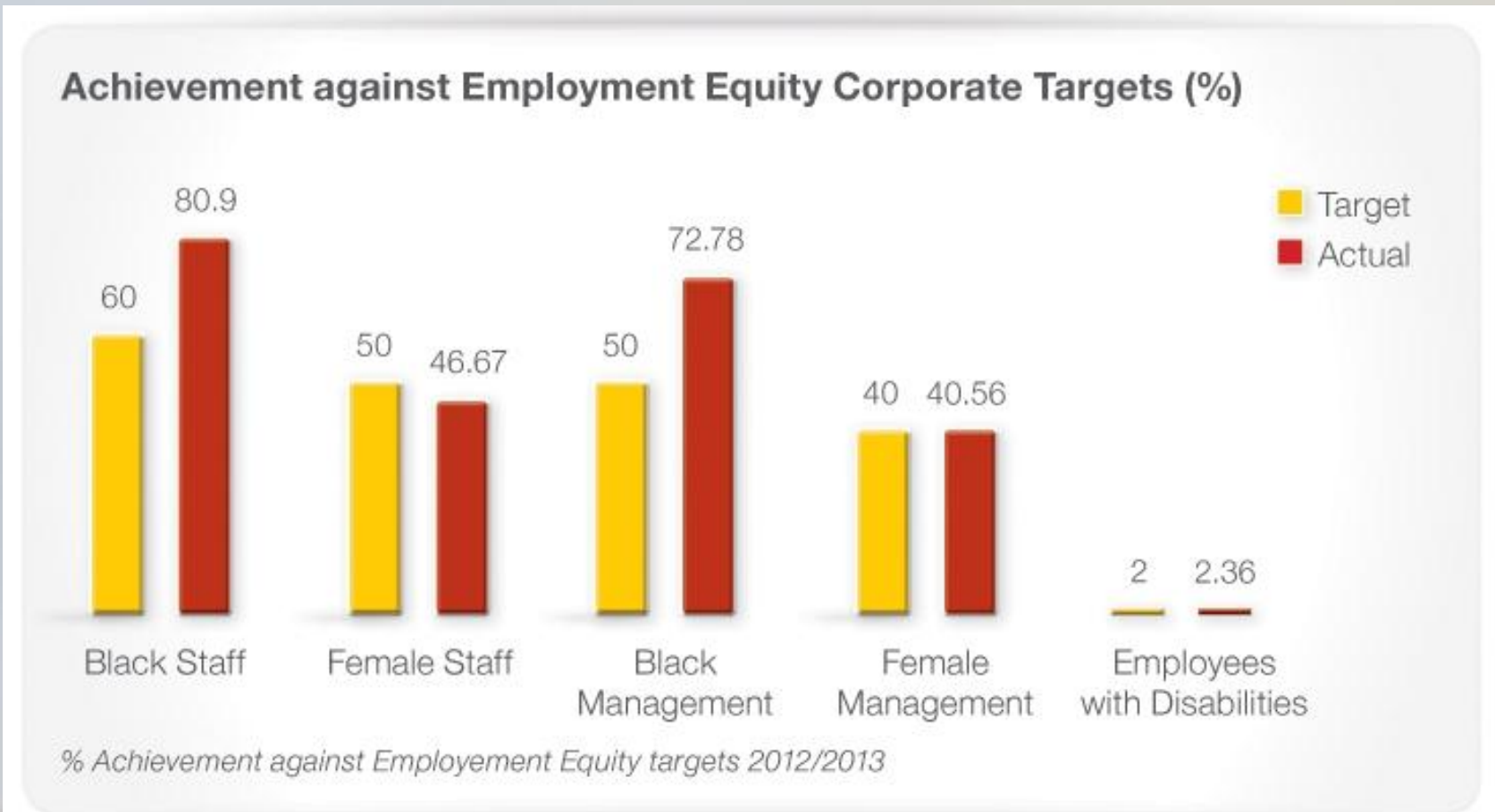
A total of 44 other internal disciplinary hearings were conducted during the period under review and the major categories of misconduct were:

- Dishonesty
- Negligence in the execution of duties
- Absence from the workplace
- Contravention of Rules & Regulations



EMPLOYMENT EQUITY

During the year under review, the SABC exceeded the employment equity targets for most of the categories of the designated groups as set out on the table below:



EMPLOYMENT EQUITY

Equity Target and Employment Equity Status

| Level | African | | Coloured | | Indian | | White | | All | |
|------------------------|---------|--------|----------|--------|---------|--------|---------|--------|---------|--------|
| | Current | Target | Current | Target | Current | Target | Current | Target | Current | Target |
| Male | | | | | | | | | | |
| Top Management | | | | | | | | | 0 | 0 |
| Senior Management | 3 | 2 | | | | | 1 | 1 | 4 | 3 |
| Professional Qualified | 181 | 178 | 14 | 19 | 22 | 20 | 67 | 58 | 284 | 275 |
| Skilled | 1 038 | 1 032 | 107 | 121 | 58 | 72 | 304 | 272 | 1 507 | 1 497 |
| Semi-skilled | 140 | 136 | 7 | 8 | | | | | 147 | 144 |
| Un Skilled | | | | | | | | | 0 | 0 |
| Grand Total | 1 362 | 1 348 | 128 | 148 | 80 | 92 | 372 | 331 | 1 942 | 1 919 |
| Female | | | | | | | | | | |
| Top Management | 1 | 1 | | | | | | | 1 | 1 |
| Senior Management | 1 | 1 | 3 | 3 | 1 | 1 | | | 5 | 5 |
| Professional Qualified | 109 | 106 | 20 | 30 | 15 | 25 | 46 | 40 | 190 | 201 |
| Skilled | 924 | 954 | 158 | 205 | 75 | 90 | 273 | 261 | 1 430 | 1 510 |
| Semi-skilled | 59 | 59 | 7 | 7 | 2 | 2 | 5 | 7 | 73 | 75 |
| Un Skilled | | | | | | | | | 0 | 0 |
| Grand Total | 1 094 | 1 121 | 188 | 245 | 93 | 118 | 324 | 308 | 1 699 | 1 792 |
| All | | | | | | | | | | |
| Top Management | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Senior Management | 4 | 3 | 3 | 3 | 1 | 1 | 1 | 1 | 9 | 8 |
| Professional Qualified | 290 | 284 | 34 | 49 | 37 | 45 | 113 | 98 | 474 | 476 |
| Skilled | 1 962 | 1 986 | 265 | 326 | 133 | 162 | 577 | 533 | 2 937 | 3 007 |
| Semi-skilled | 199 | 195 | 14 | 15 | 2 | 2 | 5 | 7 | 220 | 219 |
| Un Skilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grand Total | 2 456 | 2 469 | 316 | 393 | 173 | 210 | 696 | 639 | 3 641 | 3 711 |

• Figures as at 31 March 2013

• Targets as per the Department of Labour report on Employment Equity submitted in September 2012



GCEO CONCLUDING COMMENT

“My commitment on behalf of the SABC is to be the catalyst for positive change and social action, helping to transform the hearts and minds of the nation through the content that we provide, reflecting the rich fabric of our country, our people and their dreams and aspirations.

I would like to thank my leadership team and the committed people who are responsible for the creative rhythm of the SABC for their tireless effort and dedication to make this organisation a world class public broadcaster.”

