

ANNUAL REPORT 2013







VISION

Broadcasting for Total Citizen Empowerment.

MISSION

To be a people centred, content driven, technology enabled, strategically focused and sustainable public service broadcaster.

VALUES

Conversations and partnerships.
Restoration of human dignity.
Building a common future.





www.sabc.co.za

This is the 76th Annual Report of the South African Broadcasting Corporation (SOC) Limited, referred to as 'SABC', 'the Corporation' or 'the Company' (Registration Number: 2003/023915/06). It is tabled in Parliament in terms of the Broadcasting Act, No 4 of 1999, as amended, and the Public Finance Management Act, No 1 of 1999, as amended.

REGISTERED OFFICE ADDRESS:
Henley Road, Radio Park,
Auckland Park, Gauteng, 2006

POSTAL ADDRESS:
Private Bag X1, Auckland Park,
Johannesburg, Gauteng, 2006

CONTACT DETAILS:
Tel: +27 11 714 9111 - Fax: +27 11 714 3219
Email: sabcinfo@sabc.co.za
Website: www.sabc.co.za

EXTERNAL AUDITORS:
Auditor General of South Africa,
300 Middel Street, New Muckleneuk,
Pretoria, South Africa.
P.O. Box 446, Pretoria, 0001

BANKERS INFORMATION:
ABSA Limited,
ABSA Towers East 3rd Floor
170 Main Street, Johannesburg

GROUP COMPANY SECRETARY:
Ms Theresa Geldenhuys
Tel: +27 11 714 3910
Fax: +27 11 714 3219
Mobile +27 83 376 8322
Email: GeldenhuysTV@sabc.co.za

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List of ACRONYMS

- ABC** – Australian Broadcasting Corporation
ABMP – African Broadcasters' Media Partnership
AFCON – Africa Cup of Nations
ANC – African National Congress
AGSA – Auditor General of South Africa
ASA – Advertising Standards Authority
ASASA – Advertising Standards Authority of South Africa
AUB – African Union of Broadcasters
BBBEE – Broad-Based Black Economic Empowerment
BBC – British Broadcasting Corporation
BCCSA – Broadcasting Complaints Commission of South Africa
BDM – Broadcasting Digital Migration
BIT – Broadcast Information Technology
BSA – Boxing South Africa
BRICS – Brazil, Russia, India, China, South Africa
CAATS – Computer-Aided Audit Tools
CCC – Customer Competency Centre
CCMA – Commission for Conciliation, Mediation and Arbitration
DA – Democratic Alliance
DAF – Delegation of Authority Framework
DISCOP – Discounted Programmes
DoC – Department of Communications
DPSA – Disabled People South Africa
DTH – Direct to Home (Satellite distribution)
DTT – Digital Terrestrial Television
EAP – Employee Assistance Programme
ECA – Electronics Communications Act
EE – Employment Equity
ER – Employee Relations
ERM – Enterprise Risk Management
EVS – Enumeration Verification System
FIFA – Federation of International Football Associations
FM – Frequency Modulation
FMPPI – Framework for Managing Programme Performance Information
GE – Group Executive
GG – Government Guarantee
HCS – Human Capital Services
HD – High Definition
HDTV – High Definition Television
IAS – International Accounting Standards
ICASA – Independent Communications Authority of South Africa
ICC – International Committee on Communication
ICT – Information Communications and Technology
IEC – Independent Electoral Commission
IFRIC – International Financial Reporting Interpretations Committee
IFRS – International Financial Reporting Standards
IMF – Information Management Framework
IPF – Independent Professional's Forum
IT – Information Technology
LOC – Local Organising Committee
LPT – Low Power Transmitters
LSM – Living Standards Measure
MAPPP-SETA – Media, Advertising, Publishing, Printing, Packaging – Sector Education Training Authority
MHEG – Multimedia and Hypermedia Information Coding Expert Group
MMF – Middle Managers' Forum
MTEF – Medium Term Expenditure Framework
NAB – National Association of Broadcasters
NCA – National Credit Act
NCC – National Consumer Commission
NEPAD – New Partnership for Africa's Development
NORM – National Organisation for Reproduction Rights in Music
NGO – Non-Governmental Organisation
NSF – National Skills Fund
OB – Outside Broadcast
ODI – One Day International
PAA – Public Audit Act No. 25 of 2004
PAYE – Pay As You Earn
PBI – Public Broadcasters International
PBS – Public Broadcasting Services
PCC – Portfolio Committee on Communication
PCS – Public Commercial Services
PEPFAR – The U.S. President's Emergency Plan for AIDS Relief
PFMA – Public Finance Management Act
PIC – Public Investment Corporation
PPE – Property, Plant and Equipment
PSA – Public Service Announcements
PSBF – Public Service Broadcasting Fund
PVR – Personal Video Recorder
RBF – Radio Broadcast Facilities
RFP – Request for Proposal
SAARF – South African Advertising Research Foundation
SABA – Southern African Broadcasting Association
SABC – South African Broadcasting Corporation SOC Limited
SABE – Southern African Bond Exchange
SABS – South African Bureau of Standards
SAFA – South African Football Association
SAFTA – South African Film and Television Awards
SAMRO – South African Music Rights Organisation
SAP – System Application and Products in Data Processing
SAP CCC – SAP Customer Competency Centre
SAPS – South African Police Services
SAQA – South African Qualifications Authority
SARRAL – South African Recording Rights Association
SATMA – South African Traditional Music Awards
SED – Socio Economic Development
SETA – Sector Education and Training Authority
SOC – State Owned Company
SOE – State Owned Enterprise
STB – Set-Top Box
TRO – Temporary Restraining Order
TV – Television
TVBMS – Television Broadcast Management System
TVIEC – Television Industry Emergency Coalition
USAID – United States Agency for International Development
WASPA – Wireless Application Service Providers Association
- A note on terminology**
- References in this Annual Report to the Broadcasting Act are to the Broadcasting Act, No 4 of 1999, as amended.
 - References to the Public Finance Management Act (PFMA) are to the Public Finance Management Act, No 1 of 1999, as amended.
 - References to the Companies Act are to the Companies Act, No 71 of 2008, as amended.
 - Reference to the SABC Board is to the SABC Board that was appointed in 2009 and dissolved in March 2013.
 - Reference to the Interim Board of the SABC is to the Interim Board that was appointed in March 2013.
 - Reference to King III is to the King III Code on Corporate Governance.



SABC
AT A GLANCE

SHOWCASING our platforms

The Communications landscape is ever evolving due to competition and convergence between broadcasting, telecommunications, new media and the anticipation of digital terrestrial television. Radio remains a critical source of information to a large majority of those who have little access to information technology and other platforms.

SABC's radio stations have remained relevant and its PBS radio stations remain a core tool to deliver its public service mandate.

SABC Radio Stations



Ikwekwezi FM is a home which provides relevant information that caters for the needs and tastes of the Ndebele speaking community. It is acknowledged by its listeners as their primary source of news and information.

Average weekly audience: 1.603 million adults (15+)



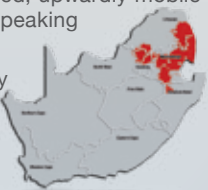
Lesedi FM caters for the Sesotho speaking communities. It is a needs driven participatory radio station that provides programming that touches on issues which have a direct bearing on the development of its listeners.

Average weekly audience: 3.584 million adults (15+)



Ligwalagwala FM seeks to reflect a more urban and aspirational lifestyle. It prides itself on being an upbeat radio station that speaks to young, motivated, upwardly mobile black siSwati speaking people

Average weekly audience: 1.216 million adults (15+)



Lotus FM's target market is the South African Indian community. The station caters for an audience, both young and old, across three religious denominations (Hinduism, Islam, and Christianity) in six languages.

Lotus FM offers an engaging mix of information, education and entertainment driven programmes which serve to reflect the strong value system of our dynamic audience whilst promoting a proudly South African radio brand within the context of Total Citizens Empowerment.

Average weekly audience: 323 000 adults (15+)



Phalaphala FM's programming philosophy is underpinned by a desire to inspire its listeners, especially women and emerging entrepreneurs. Listeners are given a platform to share knowledge and expertise across a range of subjects and issues. It broadcasts from Polokwane, and talks to the young aspirant and upwardly mobile black people living in the Northern Province.

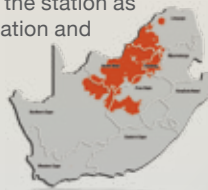
Average weekly audience: 969 000 adults (15+)



Motsweding FM's core philosophy is the personal empowerment and development of its listeners. It is an aspirational station that embodies the ambitions of being worldly and cosmopolitan. It broadcasts from Mmabatho in Setswana and its listeners depend on the station as their source of education and entertainment.

Motsweding FM's core philosophy is the personal empowerment and development of its listeners. It is an aspirational station that embodies the ambitions of being worldly and cosmopolitan. It broadcasts from Mmabatho in Setswana and its listeners depend on the station as their source of education and entertainment.

Average weekly audience: 3.182 million adults (15+)



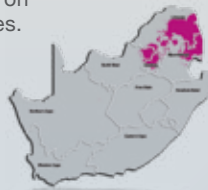
Radio 2000 is a cosmopolitan adult contemporary national radio station that broadcasts in English. It is the haven for live sports broadcast of all sporting codes with emphasis on soccer, cricket and rugby. The station provides a public service necessary for the maintenance of a South African identity, equality, unity and diversity.

Average weekly audience: 857 000 adults (15+)



Munghana Lonene broadcasts in Xitsonga and supports the aspirations of its listeners whilst ensuring contemporary norms and values. The station places much emphasis on listener participation, and actively seeks expert opinion, commentary and advice on various topical issues.

Average weekly audience: 1.106 million adults (15+)



RSG is a contemporary radio station that represents the modern all inclusive Afrikaans audience. RSG provides for a progressive, forward thinking, loyal and strong family orientated audience that are proudly Afrikaans in the New South Africa.

Average weekly audience: 735 000 adults (15+)





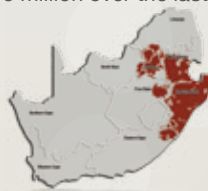
SAfm aims to deliver credible and up-to-the-minute news coverage alongside relevant, informed analysis of current affairs. In accordance with its Public Broadcasting Service mandate, SAfm also explores broader themes and subjects relevant to its target market and delivers the information in a manner that benefits all South Africans. The station targets discerning, mature and sophisticated listeners nationally. The focus is primarily on decision makers seeking insightful and enabling information to keep themselves informed.

Average weekly audience: 516 000 adults (15+)



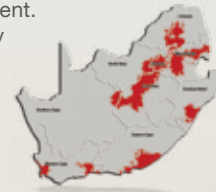
Ukhozi FM is the nation's largest radio station. Its focuses on edutainment and infotainment and it is guided by its philosophy that prioritises upliftment, growth and development. Broadcasting in IsiZulu, Ukhozi FM is a leading ALS station with audiences in excess of over 6 million over the last decade.

Average weekly audience: 6.889 million audiences (15+)



5FM: The entertainment powerhouse for South African youth, offering the most popular contemporary music and entertainment.

Average weekly audience: 2.176 million adults (15+)



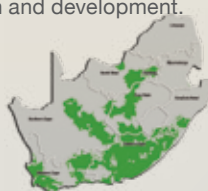
Thobela FM dedicates its programming to promoting the growth of its listeners, the modernisation of culture and enhancing individual economic development. It broadcasts in Northern Sotho.

Average weekly audience: 3.119 million adults (15+)



Umhlobo Wenene FM broadcasts in isiXhosa and seeks to serve its listeners with honour and integrity by continuously providing global entertainment, education and information that inspires a culture of personal growth and development.

Average weekly audience: 4.114 million adults (15+)



Good Hope FM encapsulates the fun, energy and funkiness of urban Cape Town. It entertains and actively engages Capetonians through music, relevant lifestyle news and events. It is well positioned to meet the lifestyles needs of its audience through showcasing events and public concerns.

Average weekly audience: 496 000 adults (15+)



Tru FM views youth and youthfulness as an opportunity and young people as a resource. It broadcasts in IsiXhosa and English and creates a platform for young people to express themselves. Tru FM empowers its listeners, the youth, to improve their quality of life as well as focusing on their self-development.

Average weekly audience: 359 000 adults (15+)



X-K FM targets the San people of Platfontein in the Northern Cape. This community, consists of the !Xu who make up 64% of listeners, and the Khwe, who fall into LSM 1-6. Just under a third of listeners are aged 16-24, 34% are 25-34, 15% are 35-49 and 30% are over 50. 59% of households in the area earn under R500 per month, 32% earn between R500 and R899, and 5% earn between R900 and R1 399.

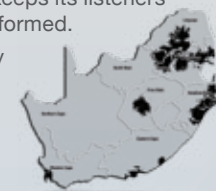
Average weekly audience: 6 000 adults (15+)



METRO FM

METRO FM has a strong influence over youthful urban adults that embrace a pragmatic and successful lifestyle. It is the largest commercial station in South Africa with listeners in excess of 6 million. Though primarily a music station, METRO FM also delivers credible and unbiased news reporting that keeps its listeners involved and informed.

Average weekly audience: 6.13 million adults (15+)



SABC Television Channels



Full spectrum free-to-air channel that represents youthful dreams, and their aspirations, reflecting a society that is currently in motion and progressive.

Broadcast in English, isiZulu, isiXhosa, siSwati and isiNdebele.

Coverage via terrestrial transmitter network: covering 91.2% of the population.

Available via satellite on the DStv and Vivid direct-to-home (DTH) digital satellite platforms.

Average weekly audience: 27.0 million (15+).



Full spectrum free-to-air channel defined by cultural customs and traditions. Community, culture and family are very important to the channel.

Broadcasts in English, Afrikaans, Sesotho, Setswana, Sepedi, Xitsonga and Tshivenda.

Coverage via terrestrial transmitter network: covering 92.5% of the population.

Available via satellite on the DStv and Vivid DTH digital satellite platforms.

Average weekly audience: 24.8 million adults (15+).



Full spectrum free-to-air channel.

Entertainment and information format for cosmopolitan viewers.

Broadcasts in English with 10% of other languages.

Coverage via terrestrial transmitter network: covering 82.1% of the population.

Available via satellite on the DStv and Vivid DTH digital satellite platforms.

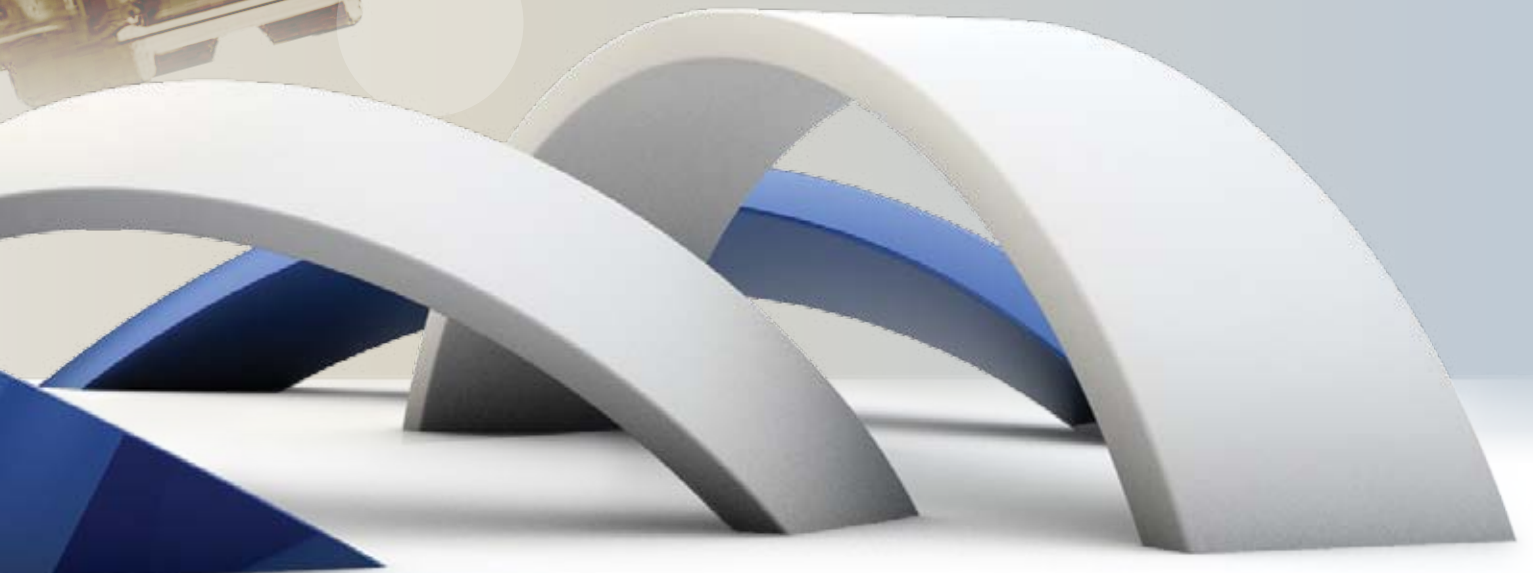
Average weekly audience: 20.1 million adults (15+).





OVERVIEW

OF THE SABC



STRATEGIC

Overview

The 2012/2015 Corporate Plan was premised on the strategy of ensuring that the corporation remains a going concern whilst it fulfils its public mandate. The financial year ending March 2013, represented both an era of stability and sustainability.

The Corporation continued to focus on creating content for linear television and linear radio that is relevant to its core audiences, while identifying potential opportunities for exploiting content on new media platforms that will deliver additional value in terms of audiences and revenues, as the media market continues to evolve.

The SABC participated in multiple-platforms for the provision of its compelling content designed to attract and retain key audiences whilst delivering on its public mandate. This provided citizens with access to broadcasting services in a language of their choice in every part of the country. Exciting opportunities lie ahead for the SABC as it looks at new opportunities provided by Digital Terrestrial Television (DTT), Mobile TV and the ITA for subscription broadcasting services licences issued by Independent Communications Authority of South Africa (ICASA), as well as the roll-out of the SABC 24-Hour News Service.

Vision

Broadcasting for Total Citizen Empowerment.

Mission

To be a people centred, content driven, technology enabled, strategically focused and sustainable public service broadcaster.

Values

- Conversations and partnerships
- Restoration of human dignity
- Building a common future

Strategic Outcome Orientated Goals

In the context of the current environment and meeting the requirements of public broadcasting in a multi-channel environment, the SABC Board defined the following goals for the Corporation:

- Restoring SABC liquidity status to that of a going concern i.e. Government Guarantee (GG) issues;
- Operations that ensure sustainability;
- DTT readiness and digitisation of the internal broadcasting value chain;
- Universal access for TV and Radio; and
- Maintain average TV and Radio audience market share.

The Corporation's achievement against these goals is reported on pages 27 to 28.

LEGISLATIVE

and Other Mandates

The South African Broadcasting Corporation (SABC) Limited ('The SABC') is a Schedule 2 (Major Public Entity) in terms of the Public Finance Management Act 1 of 1999, as amended (PFMA).

Founding, Current Legislation and Policies

The SABC was established through an Act of Parliament in 1936, which replaced the previous state-controlled African Broadcasting Corporation. In 1999, the Broadcasting Act by way of Section 7, established the incorporation of the SABC to a limited liability company. This meant that the affairs of the SABC must be run in accordance with the Companies Act.

The business of the SABC is further defined by the Broadcasting Act into two distinct services - the Public Broadcasting Services (PBS) and Public Commercial Services (PCS), which are administered separately. The Corporation continues to explore methods to configure its accounting systems to account for each group of services (PBS 15 radio stations and 2 TV channels; PCS 3 radio stations and 1 TV channel) according to sound International Financial Reporting Standard (IFRS) accounting principles.

Both PBS and PCS are required to adhere to the SABC Charter and the Public Broadcasting Service Mandate, as further defined through licence conditions accorded to each radio station and television channel.

Public Broadcasting Service Mandate

The mandate of the SABC, as a public broadcaster, is embedded in the legislations, regulations, policies, codes of conduct and licence conditions, amongst others:

- The Constitution of the Republic of South Africa 108 of 1996 as amended;
- Broadcasting Act 4 of 1999 as amended;
- Independent Communications Authority of South Africa Act 13 of 2000 as amended (ICASA); and
- The Electronic Communications Act 36 of 2006 as amended (ECA).

The obligations arising from the aforementioned Broadcasting Act are encapsulated in the ICASA Regulations, which determine the licence conditions for the SABC's 3 television channels and 18 radio stations. The Act also spells out the Legislative Charter wherein the SABC is charged with meeting the broadcasting needs of all South Africans. The SABC is therefore mandated to do the following:

- Ensure access of its services to all citizens throughout the country;
- Inform, educate and entertain;
- Make services available in all official languages;
- Reflect both the unity and diverse cultural and multilingual nature of South Africa and all of its cultures and religions to audiences;
- Provide programming for children, women, youth and people with disabilities;
- Broadcast national, developmental and minority sports;
- Develop talent and showcase South African content; and
- Provide independent news of high quality standards.

In executing its mandate, the SABC is also guided, amongst others, by:

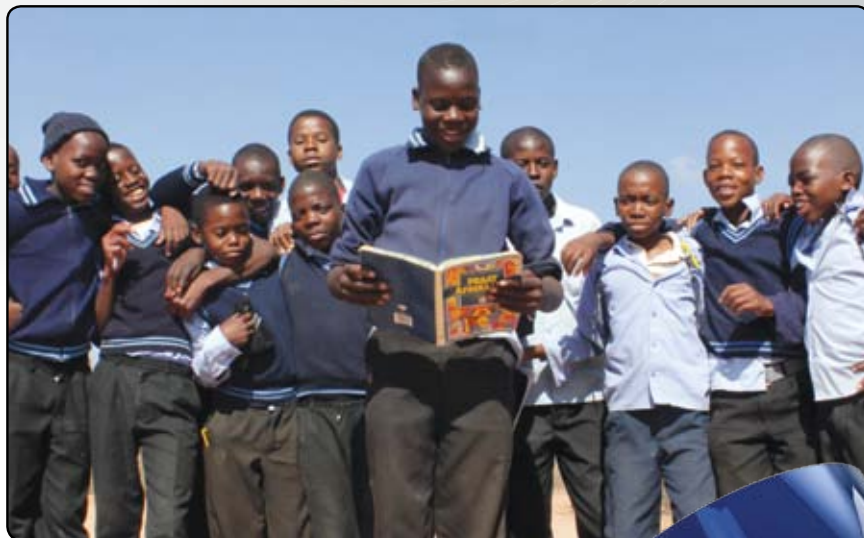
- Public Finance Management Act (PFMA), 1999 as amended;
- The Companies Act 71 of 2008 as amended;
- The King III Code on Corporate Governance for South Africa;
- South African National Treasury Regulations; and
- The SABC's Delegation of Authority Framework.

In addition to the legislative and regulatory requirements, the SABC Board is charged with control and direction of the affairs of the Corporation, as defined by the company's Memorandum of Incorporation (MOI) and codified in the shareholder compact incorporating a materiality framework. This ensures that the Corporation complies with the statutory and public policy prescripts.

The SABC Charter

The mandate of the SABC is encapsulated in legislative and regulatory prescripts and the prevailing operating environment. Its broad objectives are set out in the SABC Charter contained in section 8 of the Broadcasting Act. These are:

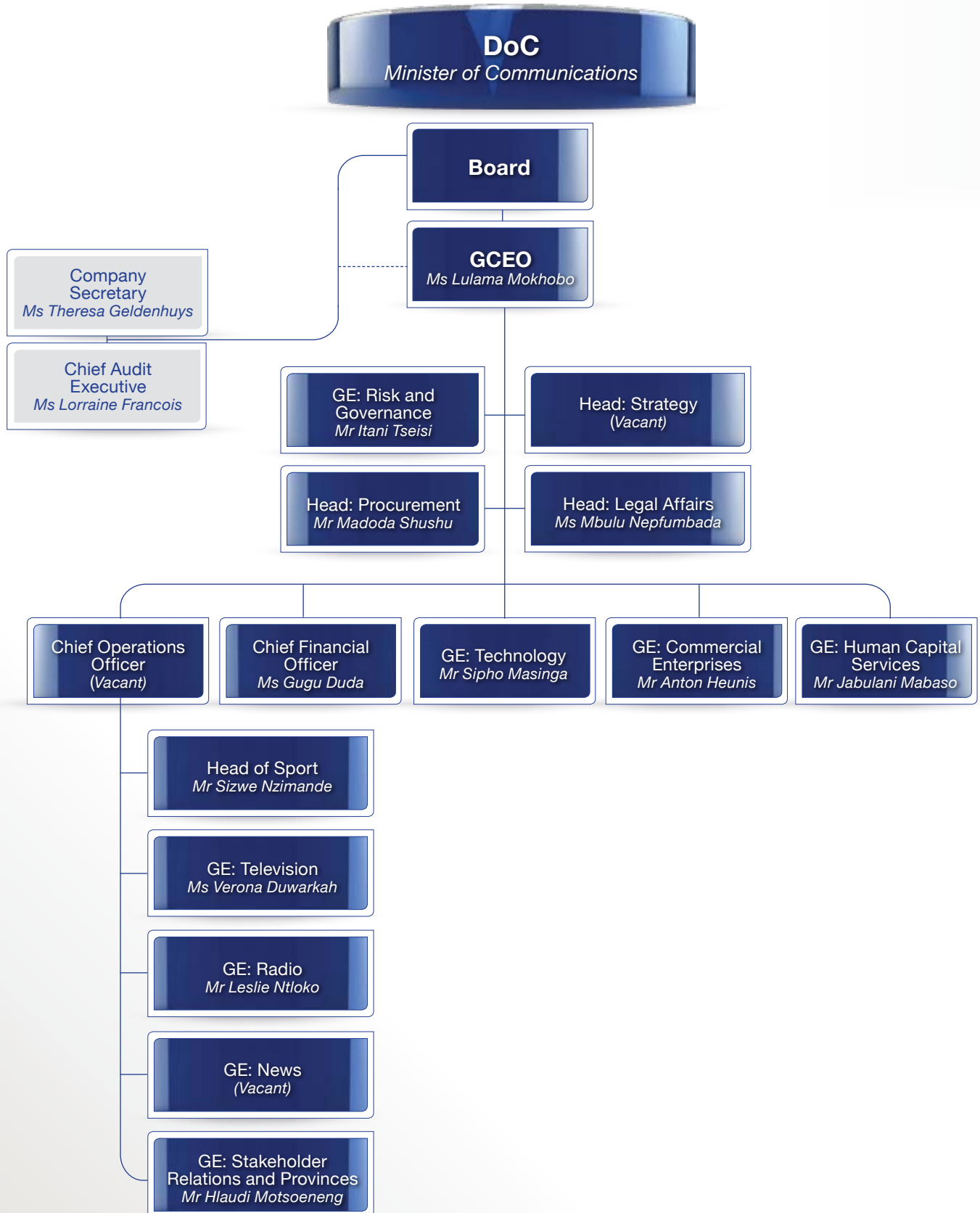
- To make its services available throughout the Republic;
- To provide radio and television broadcasting services, whether by analogue or digital means, to provide radio and television programmes of information, education and entertainment, funded by advertisements, subscriptions, sponsorships, licence fees and/or any other means of finance;
- To acquire from time to time a licence or licences for such period and subject to such regulations, provisions and licence conditions as may be prescribed by ICASA;
- To provide, in its public broadcasting services, radio and television programming that informs, educates and entertains;
- To be responsive to audience needs including the needs of the deaf and the blind and to account on how to meet those needs;
- To provide other services, whether or not broadcasting or programme supply services, such services being ancillary services;



True to our mandate, Radio 2000 donates books and stationery to children at Selowe Primary School, during their SED Education initiatives.

- To provide radio and television programmes and any other material to be transmitted or distributed by the common carrier for free-to-air reception by the public subject to section 33 of this Act;
- To provide to other bodies by such means and methods as may be convenient, services, programmes and materials to be transmitted or distributed by such bodies and to receive from such other bodies, services, programmes and materials to be transmitted by stations of the Corporation for reception as above;
- To commission, compile, prepare, edit, make, print, publish, issue, circulate and distribute, with or without charge, such books, magazines, periodicals, journals, printed matter, records, cassettes, compact disks, video tapes, audio-visual and interactive material, whether analogue or digital and whether on media now known or hereafter invented, as may be conducive to any of the objects of the Corporation;
- To establish and maintain libraries and archives containing materials relevant to the objects of the Corporation and to make available to the public such libraries and archives with or without charge;
- To organise, present, produce, provide or subsidise concerts, shows, variety performances, revues, musical and other productions and performances and other entertainment whether live or recorded in connection with the broadcasting and programme supply services of the Corporation or for any purpose incidental thereto;
- To collect news and information in any part of the world and in any manner that may be thought fit and to establish and subscribe to news agencies;
- To carry out research and development work in relation to any technology relevant to the objects of the Corporation and to acquire by operation of law, registration, purchase, assignment, licence or otherwise copyright and designs, trademarks, trade names and any other intellectual, industrial and commercial property rights;
- To nurture South African talent and train people in production skills and carry out research and development for the benefit of audiences;
- To develop, produce, manufacture, purchase, acquire, use, display, sell, rent or dispose of sound recordings and films and materials and apparatus for use in connection with such sound recordings and films;
- To develop and extend the services of the Corporation beyond the borders of South Africa.

Organisational STRUCTURE



GROUP Executives



↳ **Ms Lulama Mokhobo**
Group Chief Executive
Officer



↳ **Mr Hlaudi Motsoeneng**
Acting Chief Operations
Officer



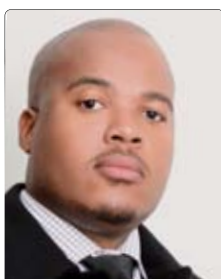
↳ **Mr Tian Olivier**
Acting Chief Financial
Officer



↳ **Ms Theresa Geldenhuys**
Company Secretary



↳ **Ms Lorraine Francois**
Chief Audit Executive



↳ **Mr Siphon Masinga**
Group Executive:
Technology*



↳ **Mr Vincent Tsoenyane**
Acting Group Executive:
Stakeholder Relations and
Provinces



↳ **Mr Jabulani Mabaso**
Group Executive:
Human Capital Services*



↳ **Mr Anton Heunis**
Group Executive:
Commercial Enterprises



↳ **Mr Itani Tseisi**
Group Executive:
Risk and Governance*



↳ **Mr Leslie Ntloko**
Group Executive:
Radio



↳ **Ms Verona Duwarkah**
Group Executive:
Television



↳ **Mr Jimi Mathews**
Acting Group Executive:
News



↳ **Ms Mbulu Nepfumbada**
Head: Legal Affairs



↳ **Mr Philly Moliwa**
Acting Head: Strategy*



↳ **Mr Madoda Shushu**
Head of Procurement*



↳ **Mr Sizwe Nzimande**
Head of Sport

PROVINCIAL Offices and Leadership



↳ **Mr Vincent Tsoenyane**
PGM: Free State and Northern Cape



↳ **Ms Nada Wotshela**
PGM: Western Cape



↳ **Mr Zola Yeye**
PGM: Eastern Cape



↳ **Ms Zamambo Mkize**
PGM: Kwazulu Natal



↳ **Mr Quinton Lenyai**
PGM: Mpumalanga



↳ **Mr Alwyn Kloppers**
PGM: Hatfield and Gauteng



↳ **Mr Leuba Ramakgolo**
Acting PGM: Limpopo*



↳ **Mr Tlotlo Seru**
PGM: North West

The SABC Provincial Offices represent the Corporation in their geographical areas of operation. Many SABC activities are present in these 'mini-SABC's' which are managed by the eight Provincial General Managers (PGM).

The Provinces are a mirror of the national Head Office in terms of structure and operations. However, they bring about regional relevance and feel in news, programming on life and culture of the people of different geographical areas. SABC services in the Provinces substantively address the needs of its stakeholders.

The majority of the SABC's PBS Radio Stations are housed in the Provinces, which provide a technical and operational platform for the stations, as well as for an extended news gathering operation.

The Provinces are generally acknowledged as important communication hubs centrally and also in the remotest areas of South Africa.

The Corporation's drive towards Citizen Empowerment permeates throughout the country through the Provinces. Nation building activities are enhanced and supported, while many SED activities make a real difference in the lives of those who are less fortunate.

* Appointed after year end

Foreword by the SABC CHAIRMAN

On behalf of the Interim Board of the SABC, I have pleasure in presenting SABC's 76th Annual Report covering the period ended 31 March 2013. This has been a challenging year for SABC especially from a corporate governance perspective, given the full rotation of the SABC Board that has taken place and our appointment as the Interim Board at the Public Broadcaster from 25 March, 2013.

Despite all the challenges, the Interim Board is focused in ensuring that the SABC delivers on its mandate in terms of the Broadcasting Act through implementing a broadcasting policy that is in public interest, for the purpose of contributing to democracy, the development of society, gender equality, nation building, provision of education and strengthening the spiritual and moral fibre of society. We understand that the SABC has to deliver on this core mandate whilst fully embracing and complying with the Governance Legislation and Regulations applicable to the organisation.

During the 2012/13 financial year, 30 awards were scooped by our Radio Stations at the 4th MTN Radio Awards 2013 and our Television channels received numerous awards both locally and internationally. The number of complaints that were finalised by the Broadcasting Complaints Commission of South Africa (BCCSA) during the 2012/13 financial year was 143 and we are pleased that 140 were dismissed with the remaining 3 upheld with a reprimand and no fines were imposed. This gives us pride in that it provides living proof of our ability to deliver on our core mandate. We are however not complacent and the SABC is continuously striving to ensure that we improve on our positioning.

When it comes to stakeholder relations, which is one of the core elements of the SABC's Sustainability, SABC tentacles were well spread not only nationally but also across Africa and internationally. The Portfolio Committee on Communications (PCC) and the Shareholder Ministry were engaged on numerous occasions as we take our accountability role very seriously.

Even though we are proud of the profit before tax of R348m generated this financial year compared to R377m last year, there is still room for improvement as we missed the Government Guarantee target by R188m if we include the impact of abnormal items on our profit before tax figure. The variance is R107m if abnormal items are excluded. The SABC budget for 2013/14 financial year is meant to address this gap and we have reason to believe that our financial performance by the end of the coming financial year will be aligned to the Government Guarantee expectations.

We are sad to have missed most of our Key Performance Area targets set for the 2012/13 financial year and management have come up with various strategies to address all the areas of under performance. As the Interim Board we have placed this on our radar screen to ensure that strategies in place are monitored and improvement in next year's performance areas is visible in all respects. Our focus will be on the following key strategic objectives:

- Strategic Objective 1 – Restoring SABC liquidity status to that of a going concern;
- Strategic Objective 3 – DTT readiness and digitisation of internal broadcasting value chain;
- Strategic Objective 4 – Universal access;
- Strategic Objective 5 – Maintain average TV audience market share;



Ms Ellen Zandile Tshabalala

- Strategic Objective 6 – Maintain average Radio audience market share; and
- Strategic Objective 7 – Maintain average TV and Radio audience market share through local and foreign content investment.

The key challenges that we are faced with are:

- Corporate governance is maintained at the SABC;
- Financial and internal controls and risk measures are entrenched and maintained;
- The culture of fruitless and wasteful expenditure is totally eradicated within the Corporation;
- The cost to income ratio is reversed as cost growth has far outpaced revenue growth;
- Content procurement practices are aligned to the attraction of advertising spend; and
- Government Guarantee Conditions are continuously addressed.

We are concerned that the internal control environment at the SABC needs serious and significant improvements following the external audit. The disclaimer audit opinion from the Office of the Auditor General is not taken lightly. As the Interim Board we will be monitoring the management effort that is being made in ensuring that for the next financial year, most of the challenges experienced in this year's audit, both by internal and external auditors will not be experienced again.

We are pleased with the progress on the transformation front as 4 277 skills development interventions were achieved at a cost of R23m and in addition to that more than R4m was spent on bursaries. The gender spread of employees who received intervention leaned more towards females at 53%.

Employment Equity targets were exceeded for all categories except for Female staff as follows:

- Black staff 80.9% against a target of 60%;
- Black management 72.78% against a target of 50%;
- Female management 40.56% against a target of 40%;
- Employees with disabilities 2.36% against a target of 2%; and lastly
- Female staff 46.67% against a target of 50%.

Overall the SABC maintained a Level 3 BEE rating which we are pleased with, and we do acknowledge that there are areas for improvement in ensuring that we play a significant role in transforming the economic landscape of our society.

Looking Forward to the Next Fiscal

The work done during the last quarter of 2012/13 provides a basis for the National Public Broadcaster to deliver excellent public and commercial broadcasting services in the forthcoming financial year.

Rapid and fundamental changes will take place in the media landscape during the 2013 to 2016 period; the most significant will be the launch of DTT. This is and will continue to pose significant challenges to the Corporation in terms of DTT project readiness and its funding. Over the medium term, the Corporation will focus on rebuilding the organisation, with the strategic thrust being the re-alignment of the operating model with the imperatives of digital broadcasting.

In order to ensure that the SABC has the required staff to deliver against its mandate, the finalisation of the Skills Audit will assist the Board in implementing a structure that is aligned to the Strategy of the Corporation. The revised structure will improve operational efficiencies and accountability, with an improvement in monitoring and reporting to the Board.

Exciting opportunities lie ahead for the SABC as it looks at new opportunities provided by DTT, as well as the rollout of the SABC 24-Hour News Service on DTT, DTH and analogue platforms during the 'dual illumination' period, and a dedicated 24 Hour Sports Channel.

The contribution of the previous Board in bringing the SABC through a difficult time is acknowledged and the Interim Board and Management and Staff at the SABC thank them for their accomplishments.

I would like to also take this opportunity to thank my fellow Interim Board members, the PCC, the Shareholder, the National Treasury and most importantly, the men and women of the SABC under the leadership of our GCEO, who make sure that the Corporation continues to function despite all the daily challenges they experience.



Ms Ellen Zandile Tshabalala
Chairman of the SABC Interim Board

GROUP CHIEF EXECUTIVE OFFICER'S Overview

Be the change you want to see in the world - Mahatma Gandhi

The year under review saw multiple initiatives including the implementation of a Turnaround Strategy to ensure that the SABC continues to improve the stewardship of its resources and increase its operational effectiveness while addressing the capacity and capability of our Human Capital.

The highlight of the year is the approval of the organisation's Corporate Plan 2013 to 2016 by Parliament. This plan focuses on key strategic areas in the Organisation, as we operate in a digital broadcasting environment. In its 76 years of existence, the SABC has played a critical role to the nation in its profound educational, edutainment and information outreach and has undergone a fundamental change in accordance with its purpose, mission and mandate.

Despite some challenges, the SABC has remained largely resilient ensuring that viewers remained untouched by any reputational fallout. Any major corporation faces internal and external challenges at some cyclical point in their existence. Globally one has to understand the interplay between government and market failure in shaping the lives of public broadcasters around the world. The BBC, ABC and several others have all experienced this cycle and the SABC is no different. Our journey to become a world class public broadcaster differentiates us from the norm as we deliver, through our programmes and activities, much needed social cohesion and the conscious aspirations of our nation. This is especially relevant with the forthcoming elections of 2014. We will be highly visible in promoting democracy, tolerance, national pride and we will report balanced issues of national importance that reflect a world class public broadcaster.

In a broadcast environment characterised by increased competition we continue to deliver a robust performance of PBS programming as well as taking cognisance of our commercial imperatives. Our television and radio channels are the most watched and listened to respectively by millions of South Africans. SABC's 18 radio stations alone deliver in the region of 26 million adult listeners, far exceeding set targets. There is also a marked escalation of listenership for nine key stations, including the nation's largest, Ukhozi FM.

We have also developed projects that have significant positive impact on society. During the year, we had become broadcasting partners on initiatives such as Eskom's 49M initiative, which is about creating awareness on energy efficiency. We understand that one of our roles is to mobilise South Africans towards creating positive behavioural change and uplifting national consciousness.



↳ *The Group CEO, Ms Lulama Mokhobo, with Prof Mervyn King after addressing SABC Executives on corporate governance.*

Providing South African citizens access to our radio and television platforms remains a critical function of our public service mandate. On several occasions during the course of the financial year, the SABC, along with the Department of Communications (DoC) and Sentech, the signal distributor, have partnered to provide access to communities who previously had no radio or television services, through the installation of Low-Power Transmitters (LPT). This initiative has seen that the communities of Dry Harts and Louwna in the North West province, Askam in the Northern Cape and the Mhinga community in Limpopo were given much needed access. Several LPT sites were also upgraded across the country.

On the sporting front, a key highlight for the SABC was being the Host Broadcaster of the Africa Cup of Nations (AFCON) 2013. This was also the SABC's first High-Definition (HD) broadcast, when an HD channel was trialed during the AFCON tournament. This reaffirmed the SABC's position as the leading broadcaster for major sporting events of national importance. We were able to provide other African broadcasters on the continent and local broadcasters the feed for the tournament. South Africans were treated to world-class African football and commentary in the language of their choice. We also entered into an agreement with Athletics South Africa to broadcast all their major track and field events.

As we make our way towards recovery and revitalisation, the SABC had repaid a capital amount of over R833m of the R1bn government guarantee loan received from Nedbank. This is a significant milestone as it indicates that the measures that were put in place to turn the organisation around have yielded positive results in a relatively short space of time.

Digital Terrestrial Television (DTT): Into The Future

The year under review sees the SABC once again in pole position poised to roll out DTT channels that are universally available throughout the country from the start of the digital switch on.

The role and impact that DTT will have on the SABC when it is launched cannot be emphasised enough. This is due to the fact that there will be more channel availability, enabling the public service broadcaster to deliver on its mandate effectively.

Preparations for migration from analogue to digital broadcasting have long been underway. In the past financial year our Technology division was successful in establishing the infrastructure for the SABC's first ever HD broadcast. This achievement is a significant step towards narrowing the digital divide between the Public Broadcaster and the competition and I am proud to state that our digital studios are ready to commence broadcast. The DTT Technology project office has also played a leading role in assisting the South African Bureau of Standards (SABS) in understanding and setting up their DTT conformance lab. There are now only a few matters to be resolved before the launch of DTT.

Technology

In line with the SABC's turnaround strategy, the highlight for the year was the approval of the new Technology structure that fully geared the division for digital delivery. The structure aligns the strategy with the operating model. It presents a root cause solving approach that will address the major symptoms, whilst assisting with the speed up of the turnaround time for deliverables and clearing digitisation program backlogs.



Ms Lulama Mokhobo

The SABC had an unfortunate fire incident on the 13th of June 2012 which damaged some of its production studios and parts of the administrative block adjacent to the studio block. This had an impact in delaying the SABC's digitisation program, as restoration of the studios became a fulltime project in its own right, so as to secure the current business of the SABC as a going concern.

Technology's achievements include oversight over a number of successful productions that included but not limited to: Former President Mandela's birthday celebrations, ANC Elective Conference, Bafana Bafana matches in SA, Brazil, Poland and Kenya, Durban July, the 2012 London Olympics and Paralympics, the Waterkloof Airshow, Host Broadcaster for the AFCON tournament and the Soweto Marathon.

Human Capital Matters

By the latter part of 2012 the SABC had made strides in stabilising the headcount through natural attrition and the non-filling of non-essential vacant positions. However to prepare the SABC for digital migration, meant that there was a need for a review of the current skills and their relevance to this digital era. To that extent a comprehensive skills audit was commissioned during the fiscal and will be finalised early in the next fiscal.

In order to create the desired stability at the top echelons of the SABC there was a need to deal with all bottlenecks to recruitment of senior executives. As a result, the Corporation managed to fill some of the key positions such as Group Executives for Television, Radio, Legal, Risk, Technology, and the Head of Strategy some of whom assumed duties in the new financial year.

To create standardisation of processes within the SABC, a number of Human Resources Policies have been reviewed and some have been discussed with Organised Labour and still require full implementation which will be achieved in the 2013/14 financial year. Of particular interest has been the performance management policy and system that would assist the SABC to achieve high performance culture and workplace accountability.

The learning and development interventions are being aligned to the current and future critical skills needs of the SABC so that the Organisation trains for impact and not activity.

Governance

The SABC is committed to good corporate practice and governance in all its endeavours. A change management process saw Professor Mervyn King address the executive team on King III, the PFMA and good corporate governance, identifying the various challenges of compliance among state owned entities.



High Rollers a local TV production featured on SABC3.

The intended outcome of this interaction should yield improved controls and risk management integration across all business units. Together with the SABC's guidelines and compliance manuals, the culture of good governance, ethics, integrity and integrated risk management should permeate throughout the fabric of the organisation.

Social Responsibility

The soul of the SABC is our determination to make a difference in the lives of those less fortunate and to make a positive contribution towards the improvement of social conditions in the country. Our role extends far beyond our mandate and as a good corporate citizen we are involved in a range of developmental and social projects across the country. Our SED vehicle, Touching Lives, has already made a significant impact to many of those in dire need as we leverage our national footprint, resources and expertise when partnering with NGO's and other institutions. Our contribution in the areas of health, education, disability, poverty alleviation and the environment has had a significant impact on the communities we serve. We also gave voice to the voiceless by providing critical airtime that creates top of mind exposure for worthy causes that are in the interest of the public at large. Community organisations and institutions were beneficiaries of exposure and given the opportunity to make Public Service Announcements (PSA) at no cost on both Radio and Television. We have recently appointed Ms Iris Francis, as Chief Executive Officer of the SABC Foundation.

Health and Safety

The SABC's health and safety measures were put to the test during the Henley studio fire. Areas of improvement from the learnings injected new energy in dealing with health and safety across the business. Noise, air quality and light surveys have been conducted in Auckland Park and most provinces to determine compliance with legislation. Water tests are done regularly to ensure that the tap water in SABC buildings is clear of algae and cholera. Waste is disposed of according to classification and smoking within SABC buildings is restricted to designated areas.

The financial year therefore saw an effective implementation of the occupational health and safety programme, health and safety

policies as well as awareness initiatives that assisted in keeping injuries on duty low and only 12 were reported, with no fatalities. The Compensation Commissioner issued the SABC with a Letter of Good Standing for the 2012/13 financial year. Fire equipment for the complex has been serviced as per safety legislation and live evacuation drills were undertaken in November and December 2012 with Emergency Management Services. Forums took place to address disability and safety.

Nurturing the Industry

One of the major announcements made by the SABC, was that it had committed to invest over R1bn in local and international content commissioning and acquisition in the 2012/13 fiscal, of which over R800m was earmarked for local content commissions, as part of our key role in reviving and further developing our local production industry.

This re-investment is despite the fact that the SABC receives only 3% of its revenue from the fiscus (Government funds). The organisation will be using revenue received from payment of television licences as well as our advertising revenue.

Conclusion

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 making this organisation a world class public broadcaster.



Ms Lulama Mokhobo
Group Chief Executive Officer

CHIEF OPERATIONS OFFICER'S

Overview

The broadcasting landscape has become more competitive and new players have joined the industry. Players in the industry have heightened their competitive edge with aggressive marketing, launch of new products or satellite bouquets and hiring of top talent.

SABC has restructured in such a way that it realizes maximum synergy amongst the core business divisions. To extract maximum efficiencies from the synergy, the following divisions have been reconfigured to report to the COO:

- TV Division;
- Radio Division;
- Sports Division;
- News Division; and
- Provinces and Stakeholders.

The restructure of the core business required that vacancies in critical areas be filled as soon as possible. My office swiftly filled vacancies in these divisions. SABC also secured the services of a former AGSA Senior Manager, Mr James Aguma, as General Manager: Strategic Support, who brings a wealth of knowledge on accounting, auditing and corporate governance, to assist with audit related matters, which has been a challenge for the SABC over a period of time. He commenced work at the beginning of March 2013.

Highlights

The following are highlights of the achievements of my office during the year:

- Successful alignment of the reporting structure of core business divisions to extract synergy and cost savings;
- Met and exceeded delivery on local content quotas on TV channels and radio stations;
- The approval for implementation of the 24 Hour News Channel;
- AFCON 2013 funding to secure broadcast rights;
- Successful broadcasting of the London Olympics and Para Olympic games;
- Delivery of Sports of national interest e.g. Cricket, Rugby and Soccer;
- PSL Radio rights on Trade Exchange;
- Finalisation of plans to launch the 24 Hour News Channel;
- Increase in Radio listenership. SABC Radio achieved the highest audience share in five years with Ukhozi FM breaking the 7 million mark for the first time;
- Establishment of a Task Team to look into audit matters, and subsequent recruitment of former AGSA senior manager; and



Mr Hlaudi Motsoeneng

- Was very instrumental championing the repayment of the Nedbank loan.

Lastly, SABC boasts nine Provincial offices, which fulfil a critical delivery mandate. They have continued to offer provincially based news and other content, thus reflecting communities and their issues in their own areas, as envisaged by the Broadcasting Act. These offices have during the year hosted the Portfolio Committee on Communication (PCC), and have cemented their relevance to the broader SABC.

As SABC's core business, we are committed to support its meeting broadcast mandate.

A handwritten signature in black ink, appearing to read 'Hlaudi Motsoeneng'.

Mr Hlaudi Motsoeneng
Acting Chief Operations Officer