

# SABC FY2014/15 – 2016/17 CORPORATE PLAN

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**4 July 2014**



- **INTRODUCTION AND STRATEGY**
- **FINANCIAL PLAN AND BUDGET FY2014/15**
- **PREDETERMINED OBJECTIVES FY2014/15 to 2016/17**



# **INTRODUCTION AND STRATEGY**



The SABC is mandated to deliver an unparalleled public value proposition of educating, informing and entertaining all South Africans in 11 languages, by means of 19 radio stations and 4 television channels. The ability to provide content in all official languages, in multiple genres ranging from children's and educational programmes, drama, documentaries and news & current affairs to the top-revenue-grossing soap operas, continues to position the SABC as the most trusted broadcast media group in South Africa.

As South Africa enters the digital age, the SABC is committed to driving the information economy by utilising the dividend that enables its TV platforms to evolve from linear to non-linear broadcasting, thus enabling both poor and wealthy South Africans alike to participate in accessing knowledge and interacting with specialised services in a meaningful and reasonable way.



The SABC inspires change through enriching, credible, relevant and compelling content that is accessible by all.

**VISION**

**MISSION**

**VALUES**

To educate, inform and entertain all audiences accessing SABC services.

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



Owing to the profound transformation that broadcasters are undergoing globally and taking into account the shifts in the world economy, new technologies, changes in audience behaviour and increasingly complex competitive environments, the SABC had to urgently review and revise its FY2012/13 – 2015/16 Corporate Plan. The organisation needs to reshape its future with a strategic plan that is guided by a very clear sense of direction and focus.

Furthermore, the previous Corporate Plan also had to be remodelled owing to the following reasons:

**Government Guarantee** - Owing to the above early settlement of the loan, the SABC could now remove a number of the predetermined objectives that was part of the Government Guarantee conditions.

**Disclaimer Audit** - As part of the implementation of the audit action plan, the format and information in the Corporate Plan as well as the drafting of the predetermined objectives in terms of the SMART criteria was adjusted to be in line with acceptable principles.



# SABC CORPORATE PLAN

# SABC BUSINESS CANVAS

## Strategic Partners

- Government departments
  - The Department of Communications
  - DTI
  - National Treasury
- Telecommunication suppliers
- Alternative platform owners
- Collecting societies
- The Portfolio Committee on Communications
- Content providers and aggregators
- External funders depending on funding model
- Advertising Agencies

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## Key Activities

- Skills
- Technology
- Organisational Structure
- Marketing
- Strategic alignment
- Funding
- Legislation
- Content
- Execution

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## Key Resources

- **Human Resources** - Focused, committed and skilled.
- **Funding and Finance** - Sustainable funding.
- **Technology** - Appropriate technology and skills
- **Leadership** - Visionary, Skilled, experienced, committed leadership
- **Content** - Better content development strategy, allow for piloting, testing etc.
- **Governance** - Clearly delineated roles and responsibilities between Board, Shareholder and Executives
- **Strategic Skills** - Well integrated and implementable strategy

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## Value Proposition

### SABC

#### inspiring change

The SABC inspires change through enriching, credible, relevant and compelling content that is accessible by all.

1

## Audience Relationships

- Credible
- Interactive
- Trusted
- Reliable
- Enriching
- Honest
- Respected

4

## Audience Segments

All South Africans and other audiences who can access our platforms and content.

3

## PLATFORMS

SABC will be platform agnostic.

2

## SOURCES OF REVENUE

- Public Funding
- Commercial Funding
- Government Funding
- Project Funding

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## FUNDING

- Public funding
- Commercial advertising
- Commercial exploitation of SABC IP, incl. VOD
- Channel syndication

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Sustaining and reinvigorating the SABC is important because it is now functioning in a digital world, in which information is delivered on increasingly diverse platforms and from increasingly diverse sources. Forces of globalisation within media are diluting national and local culture as never before.

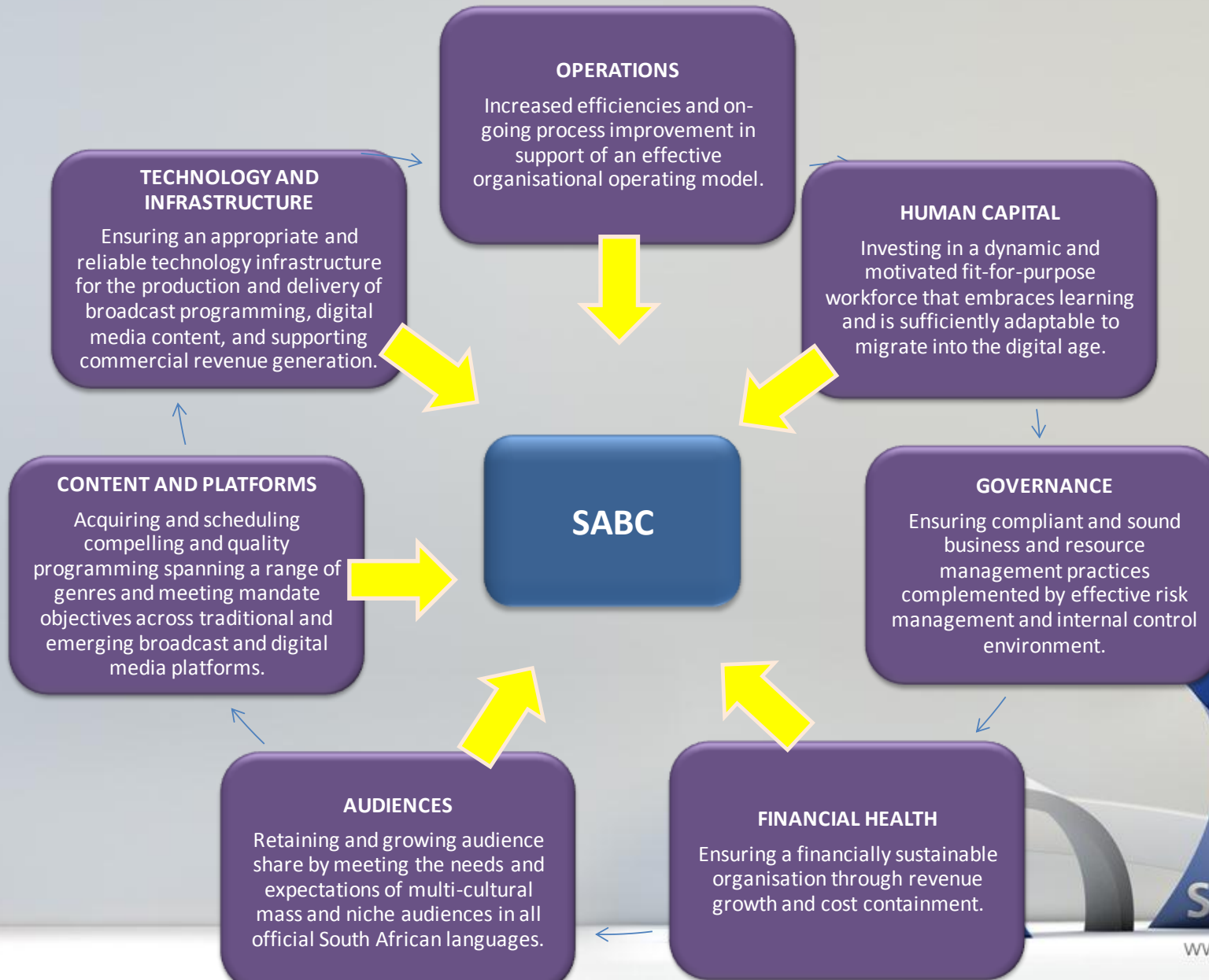
As a result of and in response to the changing media landscape, the SABC had to devise new pillars and goals in order to align itself to a digital world. As illustrated by the diagram, the strategic goals link up the SABC's new value proposition to *"Inspire Change"*.





# SABC CORPORATE PLAN

# PILLARS & GOALS



**Goal: Ensuring a financially sustainable organisation through revenue growth and cost containment.**

The SABC's main goal for the next number of fiscals is to ensure that it is a financially sustainable organisation, by growing its revenue through a number of traditional and innovative new sources whilst at the same time managing its cost prudently.

### **OBJECTIVE: GROW SABC REVENUE**

Commercial revenue will be increased through employing **market penetration** and **market development** tactics as well as **product development** tactics. **Concentric diversification initiatives, pricing strategies** and **inventory and yield management** are also key activities.

The **collection of television licence fees** is governed by *Section 27 of the Broadcasting Act, no 4 of 1999, as amended*. In order to enhance revenue from TV licence fees, the Corporation will **apply** to the Minister of Communications **for annual tariff increases**. Regular tariff increases are crucial if the SABC is not to fall behind – as happened in the past – in raising PBS funding to adequate levels.

The SABC's Business Development Unit, responsible for the **commercialisation of the public broadcaster's rich archives** through programme sales and channel provisioning for other platforms, will focus intensely on **content exploitation by increasing the distribution of SABC local content**.

### OBJECTIVE: MANAGE AND CONTAIN SABC EXPENDITURE

As the national public broadcaster the SABC embraces its mandate but also has to operate within the capacity limits of its funding model. During **FY2012/13 the SABC spent R3.4 billion** solely on **fulfilling its mandate obligations**.

There are high expectations that the SABC will deliver on all mandate obligations. Justifiable discretion is needed to **prioritise mandates that contribute the most value**, as well as the extent to which any particular mandate should be pursued (as it is not possible to execute all fully). Consideration is thus given to achieving the best mix of mandate and licence condition deliverables.

The SABC's **expenditure will therefore be monitored and managed very closely** in order to ensure that the Corporation's total operations are funded, including its onerous and ever-expanding mandate.

**Goal: Retaining and growing audience share by meeting the needs and expectations of multi-cultural mass and niche audiences in all official South African languages.**

For audiences, control and flexibility are crucial – especially when it comes to their digital TV services. They want to choose what they watch and when and how they watch it, whether that means using on-demand to stream movies, watching prime-time shows at 5am or storing an entire season of a show on a recording device.

Any effective strategy for the SABC must rely on the understanding of the swiftness and extent of changes in the market, society and the economy all around. The SABC's goal in this regard is the retention and growing of audience share by meeting the needs and expectations of multi-cultural mass and niche audiences in all official South African languages.

In developing the SABC's future-looking audience strategy, trends in the media sector and developments in the economy must be carefully considered.



### OBJECTIVE: CONTINUOUSLY GROW SABC AUDIENCE SHARE ON ALL PLATFORMS

The SABC is committed to growing its audience share on all platforms. This entails, *inter alia*, an all-encompassing drive **to reposition television channels and radio stations** by introducing new content that will respond to audience needs. On the Television side this would involve **unlocking the potential of the SABC's TV network** to generate mass audience appeal. Key activities include:

- Broadening the appeal of the three full-spectrum channels;
- Preparing the channels to 'divide' into DTT special interest channels in future;
- Using languages as a tool for greater social representation and reflection of South Africa's diversity.

**SABC Radio** will focus on the following critical initiatives to increase audiences: **music research** for PBS radio stations; **seasonal imaging**; music **scheduling improvements**; **re-branding** of radio stations with outdated corporate identities; **repositioning** of under-performing radio platforms; ensuring **proper music selection** as well as scheduling and rotation in line with the strategy and mandate.

***Goal:*** *Acquiring and scheduling compelling and quality programming, spanning a range of genres and meeting mandate objectives across traditional and emerging broadcast and digital media platforms.*

Delivering **high-quality programming and content**, spanning a **range of genres accessible across multiple platforms is a primary focus for the SABC**. The public broadcaster is one of the largest producers and commissioners of South African programming and content for television and radio and, in future, the aim is to include on-line in this range of services.

While audiences will connect with and consume SABC content in increasingly different ways over the next couple of years, what will remain unchanged is the **demand for high-quality, diverse, distinctive South African local content**.



### OBJECTIVE: DELIVERY OF COMPELLING AND ACCESSIBLE CONTENT

The following **undertakings relating to TELEVISION** are made by the SABC:

- **Serving diverse audiences** is at the core of public broadcasting and the SABC has to ensure that the demographics of all its services reflect those of the country.
- **Placing audiences at the centre of our business:** find out and give them what they want, when they want it and where they want it (digital innovation is the new licence to operate).
- To stand out in the clutter, the SABC aims to maintain **high quality content** distinct from commercial content: **content that is educational, editorially independent, universally accessible, culturally diverse, nation building, universal, and resonates with audiences.**
- The SABC must **connect and engage** with the viewer, through offering compelling content with long shelf-life that can live on multiple platforms.
- Delivering **credible, relevant and trustworthy** content at the right time.



### OBJECTIVE: DELIVERY OF COMPELLING AND ACCESSIBLE CONTENT (cont)

The SABC will give special attention in the coming fiscals to prepare itself towards delivering **more programmes with sign-language, procuring productions from companies owned by people with disabilities as well as procuring productions from people in the Provinces and in different languages.** This is in line with the National Development Plan that seeks to involve communities, the youth, workers, the unemployed and business in partnership with a capable state. **The aim is to develop the capabilities of individuals and of the country, creating opportunities for all.**

**RADIO** will deliver public value programming that supports the **Five National Priorities** set by the Government of SA and will respond to the **triple challenge of Unemployment, Poverty and Inequality.** Content will support the **National Development Plan** and will be delivered in the form of **Documentaries, Links, Talk Shows, Drama, Interviews and Narrations.**

Radio needs to be not only audio in order to remain relevant to the “techno-savvy” audiences, but through constant innovation the SABC will develop and maintain various digital platforms.





### OBJECTIVE: DELIVERY OF COMPELLING AND ACCESSIBLE CONTENT (cont)

**NEWS AND CURRENT AFFAIRS** provides content for **18 SABC radio stations, 4 TV channels** and **digital media outlets**.

**SABC Radio News** produces 1 255 news bulletins in 13 languages on 18 radio stations every week; and on a daily basis 14 Radio Current Affairs teams produce ±35 hours of live current affairs programmes in 13 languages.

**TV News** produces 12 daily news bulletins and 10 weekly current affairs shows on SABC1, 2 and 3. The SABC News Channel offers continuous hourly news updates, interspersed with current affairs programming.

**SABC Digital News** offers breaking stories and the best of radio and TV coverage on a variety of on-line and social media platforms, continuously updated 16 hours per day.



### OBJECTIVE: DELIVERY OF COMPELLING AND ACCESSIBLE CONTENT (cont)

#### *THE 2014 ELECTIONS & 20 YEARS OF DEMOCRACY*

SABC News will use all its **radio, TV and on-line platforms** to provide extensive coverage in the run-up, during and after the 2014 elections. Existing **news bulletin and current affairs** slots will carry ongoing coverage focusing on election preparations and issues as well as on political developments. **Special coverage**, some in special slots, will be provided during the campaign period.

During election week **extensive voting and results shows** will be offered, hosted from national and provincial election centres.



### OBJECTIVE: DELIVERY OF COMPELLING AND ACCESSIBLE CONTENT (cont)

SABC Sport aims to produce, at an affordable level, world-class content with innovative commercial elements that enhance audience delivery. This includes the acquisition of national sporting events of public interest on a free-to-air platform, as per ICASA requirements. SABC Sport will develop a broadcast rights portfolio that is sustainable yet compelling, as well as a cross-platform brand strategy to enhance brand, revenue and audiences. The future programming strategic priorities for Sport will be based on drivers of content acquisition - there will be three areas of focus namely:

- **Mandate:** Sports of National interest, Development, Minority;
- **Investment:** this section will consist of sporting codes that will be profitable within a short period of time.
- **Station or channel needs:** This category will consist of sporting codes that will drive audiences and station positioning.



### OBJECTIVE: DELIVERY OF COMPELLING AND ACCESSIBLE CONTENT (cont)

A corporate mind-set change to acknowledge the place of **DIGITAL** next to Radio and TV: **that the three platforms are interdependent for the success of the whole and that public service content across all platforms is the core business:**

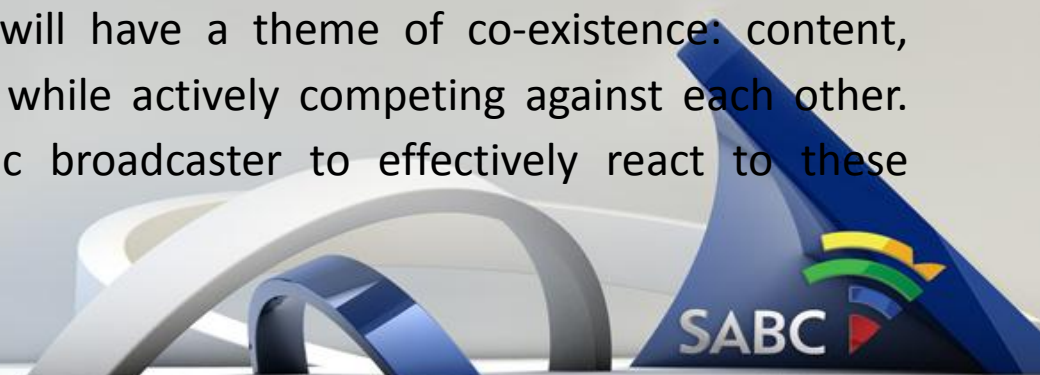
- Using digital platforms and services to extend radio and TV audiences, engaging with them, building mass appeal for SABC content and reaching new, niche and international audiences;
- Exploring collaboration and cooperative relationships with digital industry leaders, leveraging SABC content to become part of cutting-edge on-line and mobile initiatives and using a combination of internal and external resources to develop and manage digital services;
- Exploiting on-line/digital content in building DTT info streams.



***Goal: Ensuring an appropriate and reliable technology infrastructure for the production and delivery of broadcast programming, digital media content, and supporting commercial revenue generation.***

The Digital Age has redefined the paradigm of broadcasting services. Gone is the analogue broadcasting era with its one-way communication system; here now is the new digital media era, in which the communication pattern is rapidly changing and constantly improving the two-way communication system. The innovative development of broadcasting technology has caused a massive change in the existing broadcasting environment. The convergence phenomena between broadcasting and telecommunications have especially forced broadcasters to rethink the social value and function of broadcasting.

The broadcasting environment of the future will have a theme of co-existence: content, network and service providers will all co-exist, while actively competing against each other. Thus it is the SABC's challenge as the public broadcaster to effectively react to these environment changes.



### OBJECTIVE: EFFECTIVE UTILISATION OF APPROPRIATE TECHNOLOGY AND INFRASTRUCTURE IN SUPPORT OF DIGITAL MIGRATION (DTT/DTH)

The SABC's aim is to have its full broadcast value chain and distribution platforms digitized – with Radio broadcasting digitally from production to distribution, and TV Broadcasting conducted in full HD. At a later stage this will also include play-outs feeding to web broadcasting services integrated with social networks. This would result in an increase in expenditure; however, this expenditure is an investment as it impacts directly on revenue generation through audience attraction – thereby generating ROI and shareholder value, enabling the broadcaster to conduct world class broadcasts.

The main focus is on the SABC's audiences, with the emphasis on how viewers and listeners experience and respond to the Corporation's platforms.

Digital projects are classified into four categories:

- Traditional RF terrestrial broadcasting of digitally encoded signals (DTT/DMB/DAB);
- Satellite Broadcasting of digitally encoded signals (DTH);
- Internet Protocol streamed services, whether via push or pull technologies;
- Backend systems (Production, Administrative, Governance)

### OBJECTIVE: INCREASE UNIVERSAL ACCESS

Universal access to broadcasting services is enshrined in the South African Constitution. It is an expectation that the citizens of the country should receive basic radio services wherever they are. Currently, the overall radio penetration is estimated at 90% of total population. This does, however, not refer to first-language radio penetration – which is much lower for African-language population groups. In view of the above, it is the SABC's intention to expand its FM radio network in order for all South Africans to receive their first-language radio stations wherever they stay in the Republic.

In addition to the statutory mandate that SABC Radio has to deliver on, it needs to be noted that the frequency expansion will result in an increase in the audience market share. The higher audience market share will, in turn, contribute to achievement of SABC Radio's revenue market share.



**Goal: Increased efficiencies and on-going process improvement in support of an effective organisational operating model.**

For the SABC to meet its public service mandate efficiently and effectively, it is essential that the organisation is structured appropriately and that clearly defined, appropriate and distinct business processes, standard operating procedures and guidelines are documented for all areas of the business. The SABC's priority is delivery of distinctive, quality output and the public broadcaster is committed to bringing a broad and deep range of services to its audiences. The aforesaid can be achieved only once business processes and outputs have been refined and streamlined.





### OBJECTIVE: MAINTAIN EFFICIENT AND EFFECTIVE OPERATIONS

- The **stability of the broadcast schedule** is critical to the operations of the business, ensuring that both audiences and advertisers are aware and assured of the programming to be aired. However, as the public service broadcaster, the environment in which we operate sometimes necessitates schedule changes, in order to accommodate urgent and unplanned important public service events. The SABC is committed to streamlining its operational processes so ensure minimal disruptions to its schedule.
- The SABC **procure goods, services or works** from compliant vendors. It is important that the goods, services or works are appropriate and that they are procured at the best possible available means to meet the needs of the SABC. The SABC's improved procurement processes will be based on the applicable supply chain model.
- The SABC will further ensure that **continuous business reviews** take place throughout the year in order to examine and consider the quarterly performance and make certain that any challenges and risks are addressed.

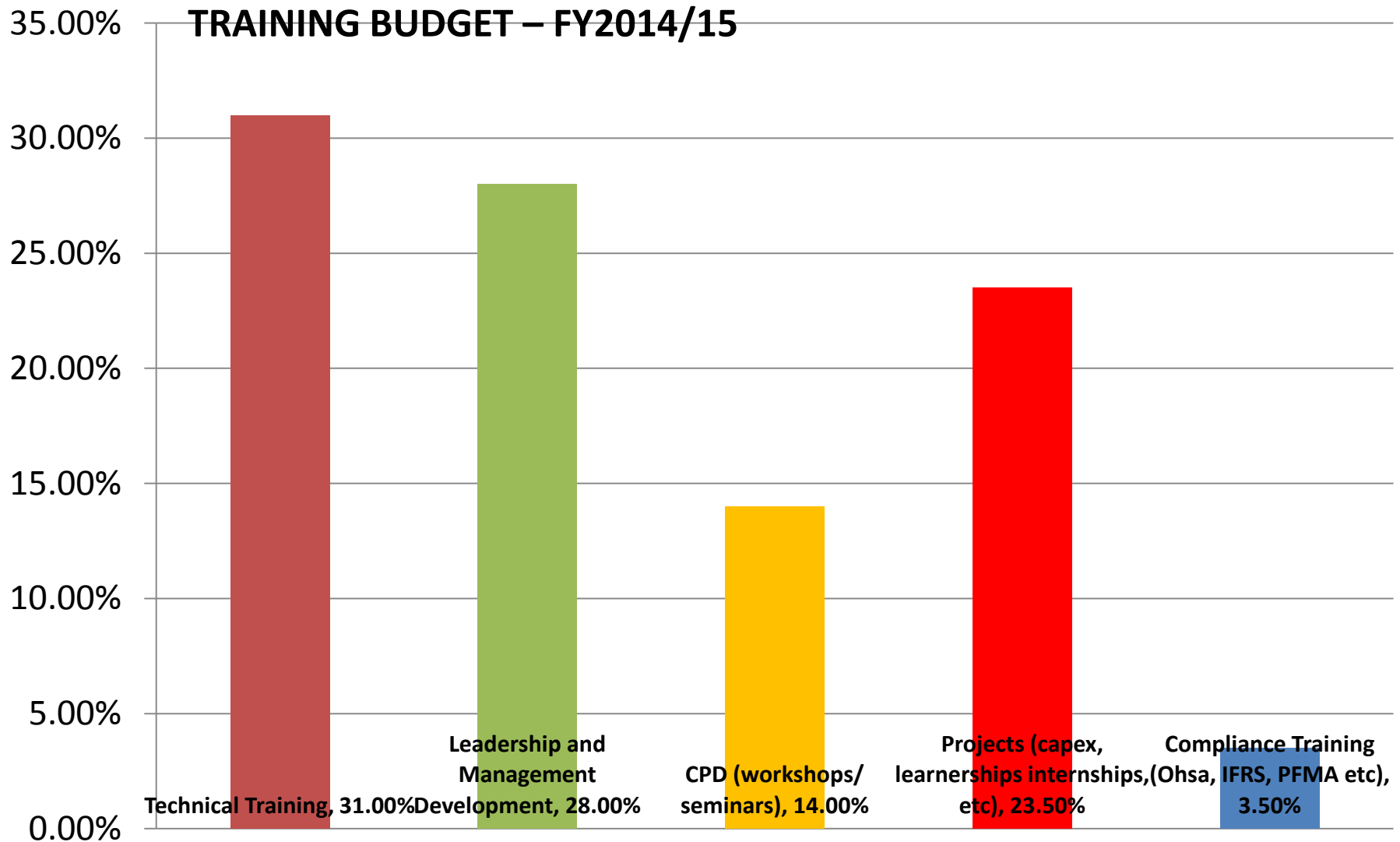


**Goal: Investing in a dynamic and motivated fit-for-purpose workforce that embraces learning and is sufficiently adaptable to migrate into the digital age.**

Human Capital Services will guide and drive the process of changing to a high performance organisation through key strategic programmes. To shift the SABC to high performance, there will be focus on best practice benchmarking and the alignment of our people strategies to business strategies.

Following a Skills Audit in 2013, the SABC will refocus its training and development strategies to address the critical skills requirements identified in the report. Although in the first year this will be achieved through engagement of external providers, in the ensuing years the SABC Learning Academy will deliver these interventions thereby creating strong internal capabilities to meet future digital challenges. A big focus will also be placed on leadership development to ensure stability going forward.





### OBJECTIVES FOR HUMAN CAPITAL

The SABC will focus on the following objectives to achieve its goal of a dynamic and fit-for-purpose organisation:

- Formulate and implement a workforce plan in which capable people perform the right work and have clearly defined role accountabilities and relationships
- Ensure talent attraction and retention
- Embedding high-performance culture through performance management.
- Optimise learning & development model to ensure sustainability and readiness for the digital age.
- Develop leadership capability and capacity to drive sustainable business success



**Goal:** *Ensuring compliant and sound business and resource management practices complemented by effective risk management and internal control environment.*



The integrated approach to managing risk, as adopted by the SABC, seeks to ensure the sharing of knowledge and experience and that risk management becomes embedded in day-to-day systems, processes and the way in which 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. Effective risk management reduces uncertainty and threats and provides more confidence in pursuing opportunities, thus enabling the SABC to be more decisive in pursuing its Vision, Mission, Goals and Objectives, whilst taking its risk appetite into account.

### OBJECTIVE: DEVELOPMENT AND MAINTENANCE OF AN EFFICIENT, EFFECTIVE AND TRANSPARENT SYSTEM OF RISK MANAGEMENT

The SABC's intent with regard to risk management includes:

- Bringing Enterprise-wide Risk Management (ERM) into the forefront of strategic decision making and execution, giving SABC Divisions and Provinces a competitive edge.
- Augmenting robust governance founded on decisions based on information, evidence and shared values; process that is fair and transparent, cultivating responsibility and accountability; and ensuring that strategic objectives are effectively, efficiently, ethically and equitably met.
- Ensuring that the SABC has effective, efficient and transparent systems of enterprise-wide risk management (**Risk Management**).



**OBJECTIVE: MOTIVATE AND DRIVE KEY POLICY AND LEGISLATIVE REVIEWS THAT AFFECT THE SABC'S ABILITY TO COMPETE WITHIN THE CHANGING BROADCASTING LANDSCAPE.**

It is imperative for the SABC to participate in the regulatory processes with a view to advancing the Corporation's interests and ensuring that ICASA Regulations enable the SABC to compete fairly in the broadcasting sector. Some of the main activities include:

- Participating in any amendment of the Must Carry Regulations, in order to ensure that such is beneficial for the SABC.
- Participating in the formulation of the DTT licensing framework (ICASA intends developing a new regulatory and licensing framework for broadcasting services in a digital environment).
- Participating in the review of the Local Content Regulations.
- Participate in the review of the Sports Broadcasting Regulations.
- Participating in the ICT Policy Review of the Department of Communications.



### OBJECTIVE: AN IMPROVED ORGANISATIONAL INTERNAL CONTROL ENVIRONMENT.

Internal controls are systematic measures (such as reviews, checks and balances, methods and procedures) instituted by the SABC to conduct its business in an orderly and efficient manner to:

- Safeguard its assets and resources;
- Deter and detect errors, fraud and theft;
- Ensure accuracy and completeness of its accounting data;
- Produce reliable and timely financial and management information; and
- Ensure adherence to policies and procedures.

The SABC aims to reduce its number of significant Internal Audit findings per annum.





# FINANCIAL PLAN AND BUDGET



## STATEMENT OF PROJECTED COMPREHENSIVE INCOME

	FY2013/14 - FY2015/16 CORPORATE PLAN					
	FY2013/14 Projection	FY2014/15 Requested Budget	FY2014/15 Pro/Request Variance	FY2014/15 Pro/Request Variance	FY2014/15 Proposed Budget	FY2014/15 Funding Gap
	R'000	R'000	R'000	%	R'000	R'000
<b>Revenue</b>						
Advertising	5 264 205	5 683 040	418 835	8	5 683 040	-
Sponsorships	492 591	492 401	(190)	-	492 401	-
Trade Exchange Revenue	161 873	156 891	(4 982)	(3)	156 891	-
TV Licences	930 526	1 060 491	129 965	14	1 060 491	-
Government Grants	154 319	159 765	5 446	4	159 765	-
Other	238 850	466 846	227 996	95	466 846	-
Special / Once-off Events	-	33 333	33 333	-	33 333	-
<b>Total Revenue</b>	<b>7 242 364</b>	<b>8 052 767</b>	<b>810 403</b>	<b>11</b>	<b>8 052 767</b>	<b>-</b>
<b>Less: Expenditure</b>	<b>(7 100 686)</b>	<b>(8 784 762)</b>	<b>(1 684 076)</b>	<b>24</b>	<b>(7 902 730)</b>	<b>882 032</b>
Amortised Local & Foreign Media Costs	(893 468)	(1 302 361)	(408 893)	46	(1 202 361)	100 000
Amortised Sport Rights & Productions	(549 691)	(933 852)	(384 161)	70	(418 000)	515 852
Broadcast Costs	(443 904)	(642 767)	(198 863)	45	(642 767)	-
Signal Distribution	(554 455)	(592 004)	(37 549)	7	(592 004)	-
Employee Compensation & Benefits	(2 580 821)	(3 037 438)	(456 617)	18	(2 787 438)	250 000
Productivity Gains	-	-	-	-	-	-
Marketing	(151 355)	(193 000)	(41 645)	28	(176 820)	16 180
Revenue Collection Costs	(995 161)	(1 101 521)	(106 360)	11	(1 101 521)	-
Professional and Consulting Fees	(82 556)	(86 624)	(4 068)	5	(86 624)	-
Other Opex Costs	(413 918)	(444 876)	(30 958)	7	(444 876)	-
Other Personnel Costs	(76 643)	(82 822)	(6 179)	8	(82 822)	-
Other Admin Costs	(60 553)	(61 121)	(568)	1	(61 121)	-
Other profits /(losses)	871	-	871	100	-	-
Other Impairments	-	-	-	-	-	-
Employee Benefit Re-evaluations	-	-	-	-	-	-
Depreciation of PPE & Software	(299 188)	(271 698)	27 490	(9)	(271 698)	-
Special / Once-off Events	156	(34 678)	-	-	(34 678)	-
<b>Operating profit before interest and tax</b>	<b>141 678</b>	<b>(731 995)</b>	<b>(873 673)</b>	<b>(617)</b>	<b>150 037</b>	<b>882 032</b>
<b>Less: Net Financing Loss</b>	<b>24 043</b>	<b>-</b>	<b>(24 043)</b>	<b>(100)</b>	<b>-</b>	<b>-</b>
Interest Received & Exchange Gains	64 723	20 000	(44 723)	(69)	20 000	-
Interest Paid & Exchange Losses	(40 680)	(20 000)	20 680	(51)	(20 000)	-
<b>Profit / (Losses) before Income Tax</b>	<b>165 721</b>	<b>(731 995)</b>	<b>(897 716)</b>	<b>(542)</b>	<b>150 037</b>	<b>882 032</b>
<b>Income Tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Current Year Income Tax	-	-	-	-	-	-
<b>Net Operating Profit / (Loss) after Tax</b>	<b>165 721</b>	<b>(731 995)</b>	<b>(897 716)</b>	<b>(542)</b>	<b>150 037</b>	<b>882 032</b>
Other Comprehensive Adjustments	-	-	-	-	-	-
<b>Total Other Comprehensive Income/(Loss)</b>	<b>165 721</b>	<b>(731 995)</b>	<b>(897 716)</b>	<b>(542)</b>	<b>150 037</b>	<b>882 032</b>

# SABC CORPORATE PLAN

# FINANCIAL PLAN & BUDGET

## STATEMENT OF PROJECTED FINANCIAL POSITION

	FY2013/14 Projection	FY2014/15 Requested Budget	FY2014/15 Proposed Budget
	R'000	R'000	R'000
<b>ASSETS</b>			
Property, Plant & Equipment, Computer Software	1 158 354	1 415 844	1 236 656
Investment Properties	-	-	-
Other	-	-	-
Pre-payment (LT Sports Right)	145 149	145 149	145 149
Pension Fund Surplus Asset	-	-	-
Available-for-sale Financial Assets (Sanlam Shares)	6 759	6 759	6 759
<b>Non-current Assets</b>	<b>1 310 262</b>	<b>1 667 752</b>	<b>1 388 564</b>
<b>Current Assets</b>	<b>3 165 500</b>	<b>2 385 542</b>	<b>3 267 574</b>
Foreign & Local Media Assets	602 247	856 347	790 594
Sports Rights & Productions	107 969	-	-
Pre-payments	101 164	18 015	18 015
Trade and Other Receivables	985 586	1 091 883	1 091 883
Other Current Assets	-	-	-
Restricted Cash	91 956	62 746	62 746
Short Term Investments	1 256 579	336 551	1 284 336
Cash	20 000	20 000	20 000
<b>TOTAL ASSETS</b>	<b>4 475 762</b>	<b>3 953 294</b>	<b>4 656 138</b>
<b>EQUITY</b>	<b>1 505 413</b>	<b>607 697</b>	<b>1 655 450</b>
Share Capital	1	1	1
Fair Value Adjustment Reserve	5 768	5 768	5 768
Insurance Reserve	(3)	(3)	(3)
Retained Earnings	1 499 647	601 931	1 649 684
<b>LIABILITIES</b>			
Perpetual Debt Instrument	27 390	27 390	27 390
Interest-bearing Loans and Borrowings	100 000	-	-
Deferred Government Grant (Technology)	346 764	326 664	326 664
Employee Benefits	1 080 066	1 097 818	1 169 049
Other Non-Current Liabilities	220	220	220
<b>Non-Current Liabilities</b>	<b>1 554 440</b>	<b>1 452 092</b>	<b>1 523 323</b>
<b>Current Liabilities</b>	<b>1 415 909</b>	<b>1 893 505</b>	<b>1 477 365</b>
Trade Payables	664 318	909 364	804 219
Other Payables	98 280	103 513	103 513
Current Employee Benefits	-	-	-
Deferred Income (TV Licence & Sponsorship)	115 370	115 370	115 370
Deferred Government Grant (Technology)	-	-	-
Current interest-bearing Loans and Borrowings	175 768	224	224
Taxation Payable	-	68 902	-
Provisions	268 409	134 205	134 205
Other current liabilities	93 764	561 927	319 835
Head Office Loan / Intercorp clearing	-	-	-
Bank Overdraft	-	-	-
<b>TOTAL LIABILITIES</b>	<b>2 970 349</b>	<b>3 345 597</b>	<b>3 000 688</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 475 762</b>	<b>3 953 294</b>	<b>4 656 138</b>



## PROJECTED CASH FLOW STATEMENT

	FY2013/14 Projected R'000	FY2014/15 Budget R'000	FY2015/16 R'000	FY2016/17 R'000
Cash Profit / (Loss)	2 161 410	2 298 489	2 016 266	2 046 669
Programme & Film Investment	(864 893)	(1 390 708)	(1 252 103)	(1 323 039)
Sport Rights & Production Investment	(637 361)	(310 031)	(420 000)	(420 000)
Working Capital Generated	<b>24 707</b>	<b>(73 659)</b>	<b>102 066</b>	<b>(147 587)</b>
- Trade Debtors	(121 533)	(106 297)	(43 989)	(56 120)
- All Pre-payments	(38 515)	83 149	145 149	-
- Trade Creditors	62 884	139 900	(7 648)	21 950
- Other Trade payables & Provisions	55 142	(170 311)	74 492	(63 342)
- Deferred Income	66 728	(20 100)	(65 938)	(51 075)
<b>Cash Generated (utilised) by Operations</b>	<b>683 863</b>	<b>524 092</b>	<b>446 229</b>	<b>156 044</b>
Capex Investments	(120 000)	(350 000)	(350 000)	(350 000)
9.5% Pension Fund Holiday extra cash needed	-	-	-	-
Investment & Equity Deals	-	-	-	-
Restricted Cash	(15 927)	29 210	62 746	-
<b>Cash needed for Investments</b>	<b>(135 927)</b>	<b>(320 790)</b>	<b>(287 254)</b>	<b>(350 000)</b>
Cash generated / (used) before Borrowings	547 936	203 302	158 975	(193 956)
Borrowings / Debt	(240 870)	(175 544)	(224)	-
<b>Cash generated / (used) (per model)</b>	<b>307 066</b>	<b>27 758</b>	<b>158 751</b>	<b>(193 956)</b>
Cash Opening Balance	969 513	1 276 579	1 304 336	1 463 088
<b>Cash Closing Balance (per model)</b>	<b>1 276 579</b>	<b>1 304 336</b>	<b>1 463 088</b>	<b>1 269 132</b>
Cash Closing Balance (Balance Sheet)	1 276 579	1 304 336	1 463 088	1 269 132
Cash & Cash Equivalents	20 000	20 000	20 000	20 000
Short-term Investments (Overdraft)	1 256 579	1 284 336	1 443 088	1 249 132
Less Cash Buffer	500 000	500 000	500 000	500 000
Available for other Investments (Assets or Loan Repayment)	<b>776 579</b>	<b>804 336</b>	<b>963 088</b>	<b>769 132</b>

## ASSUMPTIONS – BUSINESS RATIOS

	FY2013/14 Projected	FY2014/15 Requested	FY2014/15 Proposed	FY2015/16 Forecast	FY2016/17 Forecast
Commercial revenue collection cost	14.9%	14.7%	14.7%	15.0%	15.0%
TV Licence collection cost	15.0%	18.0%	18.0%	16.0%	16.0%
Marketing cost/Total sales	2.2%	2.5%	2.3%	2.3%	2.3%
Operating margin (EBIT)	2.0	-9.1%	1.9%	2.1%	2.3%
Net profit margin (NOPAT)	2.3%	-9.1%	1.9%	2.1%	2.3%
Return on assets	3.7%	-18.5%	3.2%	3.8%	4.1%
Net working capital (nn:1)	2.24	1.26	1.76	1.9%	2.1%
Quick Ratio (nn:1)	1.73	0.81	1.36	1.44	1.92
Number of days Stock (Local & Foreign)	246	240	240	220	200
Number of days Stock (Sport)	223	57	6	5	5
Number of days Debtors (after impairment provision)	60	60	60	60	60
Number of days Creditors	55	55	55	55	55
Fixed cost (Progr, Signal, HR, Depr)	76%	67%	63%	69%	70%
Variable cost	24%	33%	37%	31%	30%

## ECONOMIC ASSUMPTIONS

	FY2013/14	FY2014/15	FY2015/16	FY2016/17
<b>Inflation</b>	5.65%	5.33%	5.62%	<b>6.00%</b>
<b>Salary increase</b>	8.50%	6.50%	6.00%	<b>6.00%</b>
<b>Medical Inflation</b>	8.65%	8.33%	8.62%	<b>9.00%</b>
<b>Advertising revenue growth</b>	<b>6.4%</b>	<b>6%</b>	<b>5%</b>	<b>5%</b>

*The requested budget would result in negative surplus margins, negative return on assets (driven by Sport) and negative liquidity ratios. This is not sustainable hence the proposed budget that keeps the SABC financially stable and funded in the long term.*



## COMPREHENSIVE INCOME - REVENUE

Revenues are expected to grow by 11% on the projected revenues for FY13/14 in the following areas:

### **ADVERTISING**

TV advertising is expected to improve owing to the revised schedule and content strategy of Television. The revised schedules and content plans are aimed at recovering lost audiences. Improved audiences and content will result in improved revenues that will in turn allow for additional investments in other areas of the business. It is critical that the requested budget for content and commissioning staff be prioritised to ensure the schedule and content strategy is implemented early in the new year. Television needs to recover from the audience losses experienced during recent years. Failure to do so would result in media inflation and revenue declines.



**COMPREHENSIVE INCOME – REVENUE (cont)****TV LICENCES**

Revenue from TV licence fees is expected to grow by R130m (14%) following the tariff increase in the middle of FY2013/14. However, the recent negative publicity on SABC matters has resulted in many households enquiring about the cancellation of their TV licences.

**GOVERNMENT GRANTS**

Grants are based on the amounts approved by the National Treasury in the MTEF process. A once-off grant of R33m (after VAT) to fund the National Elections has been included.

**OTHER REVENUES**

Other revenues from the DSTV contract for the News channel (R72m) and the Entertainment channel (R65m) will contribute R137m of the growth in other revenues. The supply of the “Top 10” archive programmes to DSTV will yield another R100m. Revenue of R51m from the sub-licensing World Cup Soccer rights to DSTV has also been budgeted for.





## EXPENDITURE

Expenses are expected to grow by R1.68bn (24%) if the requested budget is approved. Main areas of requested growth include:

### ***TV PROGRAMME & FILM COSTS***

In order to increase audiences and revenues the investment in television programme (local and foreign) are requested to increase by R409m (46%). Owing to a number of internal and external factors, an increase of R309m would be more reasonable.

Proposed budget: It is recommended that a budget of R1.2bn be allowed. This investment must receive top priority and internal challenges need to be resolved as a matter of urgency. Failure to improve the quality of content on television will result in further audience losses once competitors launch their DTT TV channels.



## EXPENDITURE

### ***SPORT RIGHTS & PRODUCTION COSTS***

As part of its public service mandate the SABC must include sport programming in its list of broadcast offerings. The sport it offers is clearly defined as sport of national interest, as well as developmental and minority sports. These events are of national interest (popularity) and enjoy widespread public recognition (participation), with a particular focus on culture, nation building, the African agenda and restoring of human dignity.

Funding of these events remains a challenge for the SABC. In previous years the cash flow forecasts allowed for a certain amount that could be funded from internal cash funds, and not for the full amount required. Events that could not be funded were highlighted in the annual Corporate Plan, in order to emphasise the challenge of funding the sport mandate. This approach has had very little effect, since all attempts to obtain funds from Government via the MTEF process have failed. Discussions during July/August 2013 with the Department of Communications, the National Treasury and ICASA to change the regulations have also not yielded any results.

## SPORT RIGHTS & PRODUCTION COSTS

An analysis (see table below) of the cost of mandated events before and after the regulations came into effect shows that the rights fees increased by 49% after publication of the regulations. The rights fees for non-mandated sport events increased by only 8%.

	Sum of 2006	Sum of 2007	Sum of 2008	Sum of 2009	Total before Regulations	Sum of 2010	Sum of 2011	Sum of 2012	Sum of 2013	Total since Regulations	Increase	
	R	R	R	R	R	R	R	R	R	R	R	%
<b>SPORT</b>												
<b>Athletics</b>												
Comrades	747 198	824 173	2 403 569	2 165 000	6 139 940	2 381 500	1 493 191	3 018 708	2 000 000	8 893 399	2 753 459	31
Two Oceans	-	248 956	1 798 215	2 165 000	4 212 171	2 381 500	480 150	3 018 708	3 800 000	9 680 358	5 468 187	56
<b>Cricket</b>												
ICC T20	-	-	2 872 552	-	2 872 552	-	36 875 050	300 000	408 610	37 583 660	34 711 108	92
ICC Worldcup	8 305 961	28 879 808	15 862 316	1 920 600	54 968 684	32 313 630	53 948 462	1 682 833	-	87 944 925	32 976 241	37
<b>Games</b>												
All African Games	-	-	1 224 120	-	1 224 120	-	-	-	-	-	(1 224 120)	(100)
Commonwealth	4 108 980	-	-	-	4 018 980	-	13 634 411	-	-	13 634 411	9 615 431	71
Paralympics	-	-	-	644 160	644 160	-	-	-	731 597	731 597	87 437	12
Summer Olympics	-	-	-	90 856 975	90 856 975	-	-	-	130 459 644	130 459 644	39 602 669	30
<b>Rugby</b>												
Curry Cup	-	835 757	827 346	805 648	2 468 751	-	3 400 579	2 142 000	300 000	5 842 579	3 373 828	58
Super 14	-	-	250 965	-	250 965	1 198 080	1 928 975	685 714	721 715	4 534 485	4 283 520	94
World Cup	-	-	39 533 210	-	39 533 210	900 000	396 966	90 411 112	-	91 708 078	52 174 868	57
<b>Soccer</b>												
Afcon	5 203 407	771 500	6 747 697	21 006 758	33 729 361	78 816 582	7 850 724	21 937 700	65 182 000	173 787 006	140 057 645	81
CAF Champions League	-	-	-	2 781 276	2 781 276	29 088 512	-	3 139 739	17 779 382	50 007 633	47 226 358	94
CAF Confederations Cup	-	-	-	-	-	12 120 214	-	-	1 125 000	13 245 214	13 245 214	100
FIFA World Cup	1 901 369	67 820 213	2 386 299	2 655 025	74 762 907	21 589 078	87 971 971	3 291 883	2 503 602	115 356 534	40 593 628	35
PSL (incl Telkom, Nedbank & MTN Cups)	71 362 835	85 415 155	109 192 627	86 254 545	352 225 162	161 426 110	126 767 664	127 723 743	150 205 313	566 122 830	213 897 668	38
<b>Total mandated Sport</b>	<b>91 539 750</b>	<b>184 795 562</b>	<b>183 098 916</b>	<b>211 254 986</b>	<b>670 689 214</b>	<b>342 215 206</b>	<b>334 748 143</b>	<b>257 352 140</b>	<b>375 216 863</b>	<b>1 309 532 352</b>	<b>638 843 138</b>	<b>49</b>
<b>Total non-mandated Sport</b>	<b>67 227 386</b>	<b>71 060 578</b>	<b>147 077 538</b>	<b>117 476 745</b>	<b>402 842 248</b>	<b>194 614 890</b>	<b>105 015 405</b>	<b>79 085 788</b>	<b>59 929 826</b>	<b>438 645 910</b>	<b>35 803 662</b>	<b>8</b>
<b>TOTAL ALL SPORT RIGHTS</b>	<b>158 767 136</b>	<b>255 856 139</b>	<b>330 176 454</b>	<b>328 731 732</b>	<b>1 073 531 462</b>	<b>536 830 096</b>	<b>439 763 548</b>	<b>336 437 928</b>	<b>435 146 689</b>	<b>1 748 178 262</b>	<b>674 646 800</b>	<b>39</b>

## ***SPORT RIGHTS & PRODUCTION COSTS***

The SABC remains under pressure from both the public and Government to broadcast all of these events and the cash flow model for FY2014/15 and future years now includes the cost of all mandated events.

The requested budget for Sports of mandate totals R934m. Of this only R418m is available from own internal funds. The table on the next slide shows the detail of mandated events where rights have already been secured or committed and not secured. Many of the rights fees have not been secured yet and the final cost of these rights could be higher. Of concern is remarks made by SAFA's President to the portfolio committee of Sport (The New Age, 11 Feb 2014) that SAFA is looking at increasing the rights fees for soccer from R27m to more than R200m. The SABC would not be in a position to fund SAFA at this level.

The total value of rights secured amounts to R469m and rights not secured total R159m. Production costs for all the events would be R244m. Rights fees are based on the expected cost of the rights as supplied by the management of the Sport Division.



## BUDGET FOR MANDATED SPORT - LOCAL

Local Rights	Description	MANDATED			
		Rights not Committed	Rights Committed	Production	Total
Athletics	Athletics: ASA	11 000 000	-	6 775 458	17 775 458
	Mandela Marathon	-	-	-	-
Awards	National SPORTS Awards	-	-	-	-
Soccer	Champions league	-	1 650 000	2 500 000	4 150 000
	CAF Confederation Club	-	1 361 250	2 500 000	3 861 250
	Gauteng Cup	-	-	-	-
	PSL - Soccerzone	-	22 400 000	36 827 918	59 227 918
	PSL Season- TV	-	137 600 000	46 827 918	184 427 918
	Nelson Mandela Sports and Cultural Day	-	-	-	-
	SAFA Games	-	48 400 000	15 513 333	63 913 333
Cricket	Cricket Inbound Tour	-	38 500 000	7 500 000	46 000 000
	ICC Champions Trophy 2014	-	-	-	-
Rugby	Rugby: CASTLE Championship Inbound	-	-	-	-
	Super Rugby (Radio)	-	1 000 000	6 280 000	7 280 000
	Currie Cup season for Radio	-	878 460	6 280 000	7 158 460
	Currie Cup season for TV (Final)	1 320 000	-	800 000	2 120 000
	Castle Rugby Championship	-	-	-	-
	Vodacom Super Rugby 15 TV 2014 (Final)	1 650 000	-	800 000	2 450 000
Golf	Nedbank Golf Challenge	-	-	-	-
HorseRacing	Durban July	-	-	-	-
	J&B Met	-	-	-	-
Swimming	Swimming	-	-	-	-
Boxing	Boxing	-	-	-	-
<b>TOTAL</b>		<b>13 970 000</b>	<b>251 789 710</b>	<b>132 604 627</b>	<b>398 364 337</b>

## BUDGET FOR MANDATED SPORT - FOREIGN

Foreign	Description	Rights not Committed	Rights Committed	Production	Total
Cricket	Cricket Outbound Tour: Pakistan (Radio only) US\$ 40 000	-	438 378	3 000 000	3 438 378
	Cricket : ICC World Cup	131 944 444	-	22 500 000	154 444 444
	Cricket : CT/ Twenty20 (Radio only) US\$ 50000	-	600 000	4 800 000	5 400 000
Rugby	Springbok Tour: UK Radio	-	-	-	-
Soccer	CAF Orange Cup of Nations 2012-2015	-	27 118 613	7 000 000	34 118 613
	CAF Orange U-20 Youth Championships 2012-2015	-	1 303 783	2 000 000	3 303 783
	CAF Orange Champions League	-	12 516 288	4 000 000	16 516 288
	CAF Orange Confederations	-	5 215 119	5 000 000	10 215 119
	CAF: African National Champ( CHAN)	-	-	5 000 000	5 000 000
	CAF: WC Qualifier 500 000	-	-	3 000 000	3 000 000
	FIFA Licence 2014 World Cup docs	-	-	-	-
	FIFA Competitions 2014 World Cup	-	157 770 624	12 000 000	169 770 624
Special Event	Olympic Games - 2014 Sochi Winter Games US\$1,050,000	-	-	3 500 000	3 500 000
	Olympic Games - 2014 Youth Games US\$1,050,000	-	12 600 000	10 000 000	22 600 000
	Olympic Games - 2016 Rio Games US\$8,400,000	-	-	16 000 000	16 000 000
	Commonwealth Games Glasgow 2014 US\$1, 000 ,000	13 200 000	-	14 000 000	27 200 000
		145 144 444	217 562 805	111 800 000	474 507 249
<b>TOTAL</b>		<b>159 114 444</b>	<b>469 352 515</b>	<b>244 404 627</b>	<b>872 871 586</b>
	Trade exchange costs				61 780 804
					934 652 390

*Over and above the Sports of mandate another R83m was requested for other sporting events.*



## ***SPORT RIGHTS & PRODUCTION COSTS***

Proposed budget: As stated only R418m of SABC funds are available to fund mandated Sports events in the FY2014/15 financial year. Sport sponsorship revenue only contributes R134m of the proposed budget. The remaining R384m is cross subsidised from other internal revenue streams. These revenue streams are clearly not enough to cover the entire Sport request or the commitments that have already been made.

It is proposed that the available budget of R418m be allocated for reporting purposes during the year. The SABC would then need to report on the over expenditure during the year to focus the shareholder's attention on the financial impact the mandate has on the SABC. Allocating the full amount for reporting purposes would remove focus on this critical problem.



Capex is based on the long term Capex plan. Cash investments of R350m from internal funds were allowed for in the budget. This should be seen against the failure of recent years to invest more than R150m a year in new Capex projects. In addition to internal funding, Government funding is available for digital migration projects, and the company has access to asset based financing facilities with its bankers.

The available funding for the next five years is set out below:

LONG-TERM CAPEX PLAN	FY2014/15 R'000	FY2015/16 R'000	FY2016/17 R'000	FY2017/18 R'000	FY2018/19 R'000	TOTAL R'000
<b>FUNDING</b>						
Government: Technology Plan funding rollover of funds received in 2009/10	13 177	-	-	-	-	13 177
Government: Technology Plan funding rollover of funds received in 2010/11 (digital playout centre, SAW)	48 440	-	-	-	-	48 440
MTEF allocation for 2013/14 to 2015/16 digital migration project R76m R62m R64.9m (net of output VAT)	121 053	56 930	-	-	-	177 983
Asset based finance	101 504	20 000	20 000	20 000	20 000	181 504
Internal funding	350 000	350 000	350 000	350 000	350 000	1 750 000
<b>TOTAL</b>	<b>634 174</b>	<b>426 930</b>	<b>370 000</b>	<b>370 000</b>	<b>370 000</b>	<b>2 171 104</b>



The FY2014/15 budget is based on the stock day levels reflected below. The expected cash shortage does not allow for an increase in stock levels. This budget element requires more funds to allow for delivery of higher audience ratings and to drive revenue. The current stock shortage will only increase the expected cash flow shortage in future years.

	FY2013/14	FY2014/15	FY2015/16	FY2016/17
Number of days' stock (Local & Foreign)	209	240	220	200



Many of the rights have not yet been contracted, making it difficult to calculate future annual cash flows. Payments-in-advance are to be kept to a minimum, as part of a cash conservation strategy. In reality, the SABC can only afford to fund Sport from internal funds at the tune of R420m per year. Additional funds are required as follows:

	FY2013/14 Projected R'000	FY2014/15 Requested R'000	FY2014/15 Proposed R'000	FY2015/16 Proposed R'000	FY2016/17 Proposed R'000
Rights & production budget	637 361	825 883	683 993	723 993	753 993
Pre-paid	-	(83 149)	(145 149)	-	-
Own cash available	(400 000)	(310 031)	(420 000)	(420 000)	(420 000)
<b>Additional funds required</b>	<b>237 361</b>	<b>432 703</b>	<b>118 844</b>	<b>303 993</b>	<b>333 993</b>

### BUDGET RISKS

#### ITEMS NOT INCLUDED IN THE BUDGET

- Revenue from various envisaged strategic business partnerships – launch dates and/or contracts not finalised.
- Revenue losses on the expected ban on alcohol advertising – could be as high as R537m;
- Cost of the Sport Channel;
- Cost of the DTT network and dual illumination period;
- Posts currently in the recruitment process;
- Any new posts and structural changes;
- Foreign exchange gains/losses.





# **PREDETERMINED OBJECTIVES AND TARGETS**

**PLEASE REFER TO PAGES 26 TO 31 IN  
SABC FY2014/15 – 2016/17 CORPORATE PLAN**

