



**78th ANNUAL REPORT OF THE
SOUTH AFRICAN
BROADCASTING
CORPORATION**

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VISION

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

MISSION

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

VALUES

Conversations and Partnerships
 Restoration of Human Dignity
 Building a Common Future



AT A GLANCE

AT A GLANCE...



The SABC is more than just a Public Broadcaster, it is a daily companion to millions of South Africans, allowing audiences to watch, listen and engage, in their mother tongue, with news, public service programming, events of national importance and other moments shaping their lives.



moments shaping their lives

AT A GLANCE...



27.9m radio listeners per week



29,5m viewers on SABC1



27.6m viewers on SABC2



21,3m viewers on SABC3



2,1m viewers on SABC News



5,3m page views on SABC websites

69% local content during prime time over 3 TV channels

65% local music on public service radio stations

Broadcasting in all official languages on television and radio

12 TV News bulletins per day, 10 current affairs shows per week

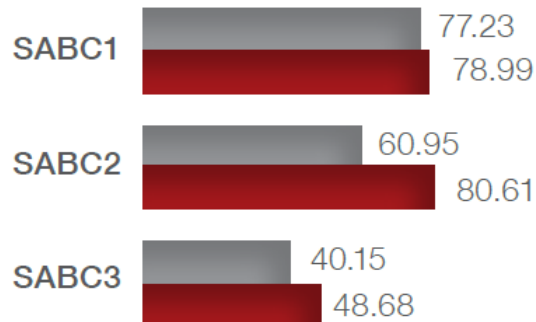
SABC News channel - 16 304 min of news and 6 336 min of current affairs p/w

AT A GLANCE...

SABC Local Content

■ Full Day
■ Prime Time

ICASA's overall local content quotas:
55% for PBS and 35% for PCS



Average %

ICASA Genre Licence Conditions:

The Performance of the SABC PBS Radio Stations against ICASA genre licence conditions

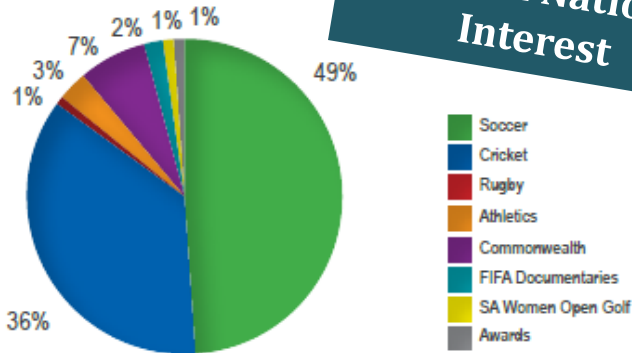
Station	News (Daily)			Current Affairs (Daily)			IKB	Education	Children	Drama
	Mon-Fri	Sat	Sun	Mon-Fri	Sat	Sun	Weekly	Weekly	Weekly	Weekly
ICASA Quota	60	60	60	60	60	60	180	300	60	150
RSG	106	64	60	201	63	63	1 678	358	81	239
Munghana Lonene FM	79	80	76	113	60	59	1 254	330 25	79	218
Lesedi FM	88	64	64	189	67	67	961	312	113	165
Ikwekwezi FM	132	69	70	127	60	60	1 505	351	131	268
Ukhozi FM	82	64	64	171	60	60	2 411	274	152	196
Phalaphala FM	81	80	79	115	62	65	2 405	320	121	220
Ligwalagwala FM	98	60	59	107	61	60	1 454	380	374	220
Motsweding FM	106	60	60	119	63	68	1 082	549	101	131
Thobela FM	184	110	80	86	60	60	1 750	420	420	160
Umhlobo Wenene FM	83	80	75	142	78	61	862	390	293	166
ICASA Quota	60	60	60	60	No quota	No quota	180	240	60	150
SAfm	99	99	90	333	-	-	419	109	212	184
ICASA Quota	60	60	60	60	60	60	180	No quota	No quota	150
Lotus FM	74	74	74	97	64	61	614	-	-	190
ICASA Quota	30	30	30	30	30	30	180	300	15	No quota
X-K FM	70	50	50	110	55	55	2 191	618	622	-
ICASA Quota	60	60	60	30	30	30	60	120	30	No quota
Tru FM	75	60	61	53	30	56	2 367	627	55	-

AT A GLANCE...



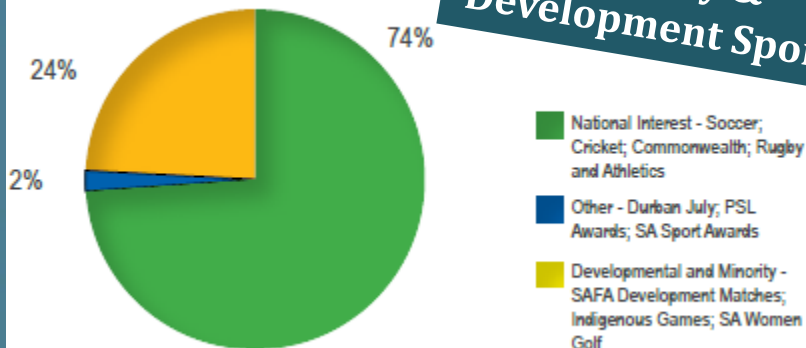
R516m investment in Sport

Sport Genres



Sport of National Interest

Sport Genres



Minority & Development Sport

R873m investment in Local Content

Looking after Provinces and People with Disabilities

33 local provincial news inserts per day

381 provincial programme inserts

3 additional programmes with sign language

91 programmes with subtitling

Content procurement from companies owned by People With Disabilities

AT A GLANCE...



Successful and wide-reaching broadcast of the National Elections

SABC ready for DTT switch-on: investment in systems and infrastructure

Skills development – 94% achievement on Workplace Skills Plan

**BBBEE Level 2 rating from a level 4 rating
81% total BBBEE procurement spent**

Top on-air talent, high quality production, well researched topics, entertaining and engaging presentation styles won the SABC close to 100 awards

Progressed from a disclaimer qualification in 2013 to a qualified audit with 8 findings in 2014 and ending with 3 findings at the end 2015



PERFORMANCE

AUDIENCES

The SABC performed very well in growing and meeting its audience share targets on **Radio**. Currently, SABC Radio stations are reaching a massive **27.9 million listeners per week**.

SABC **Television** exceeded audience share in prime time but not in the performance period. On average five out of twenty of SABC's weekly programmes are consistently ranked in the top five.

Audience Share: 69,5%

Audience Share: 49,3%

Constant review of stations' performance, implementation of research findings and continuous in-house training ensured that targets were met and exceeded.

The programme and schedule changes implemented on SABC1 and SABC2 marginally lowered the audience numbers. The SABC implemented corrective measures to recover and bring audience share closer to target for the year.

CONTENT AND PLATFORMS

Delivering high-quality programming and content, spanning a range of genres accessible across multiple platforms

The largest producer and commissioner of South African programming and content for television and radio

Expanding range of services to on-line platforms

Representation of all South African cultures and stories in its programming and provide programming to all including people with disabilities

Provided programme inserts from all 9 Provinces (33 News inserts per day, 381 programme inserts)

Sign language – all new programmes included sign language (91)

Procured content from 3 companies owned by PWD.

National Elections May 2014

Both SABC TV and radio covered the elections extensively

Voter education, awareness and build-up programmes were aired to enable the electorate to engage with political parties on key national issues

The elections, counting of ballots, pronouncement on results and the inauguration of the President were covered by the SABC

TECHNOLOGY & INFRASTRUCTURE

The main focus regarding technology and infrastructure, was the upgrading and/or implementation of internal systems and processes related to the digital migration.

The Corporation further enhanced its DTT readiness plans during the period under review.

The SABC has completed the installation and testing of technical elements in the broadcast value chain to ensure that the SABC can successfully broadcast at DTT switch-on.

TECHNOLOGY & INFRASTRUCTURE – UNIVERSAL ACCESS

The SABC is mandated to make its services available throughout the Republic. A significant number of South Africans depend solely on radio as a source of information. The Radio (FM) **expansion project's aim is to provide radio services to all South Africans in their preferred language wherever they live in the country.** During the period under review, the SABC submitted its radio frequency application to ICASA in order to deliver on this initiative.

Going forward, the SABC will be including all 18 radio stations on the DTT and DTH television platforms, to ensure that citizens, even in the most rural areas of South Africa are informed, educated and entertained.



EFFICIENCIES

EFFICIENCIES

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

PROCUREMENT

The SABC has progressed well with the development and implementation of its e-procurement system and related processes. Against a target of 50% the SABC is tracking at 69% at year-end.

ENHANCEMENTS

The system enhancements will enable automation of processes and improve procurement efficiencies, governance, risk, compliance and spent visibility.



Current Value Comprehensive Statement of Income for the Year Ended June 30, 2017

Reported Basis	FY Adjustments to Current Value	Current Value Comprehensive Basis
\$ 8,143		\$8,143
1,540		1,489
326		326
10,009	\$ (51)	9,958

Portfolio Diversification as of 3/31/2018

Asset Allocation



FINANCIALS

EXECUTIVE SUMMARY

- Although the economic downturn affected commercial revenues significantly and TV licence revenue did not yield the expected results, the SABC maintained a **positive cash position, with R1.017 billion in cash reserves**. This shows that the SABC is able to perform its operations effectively as the minimum cash required for the SABC to operate effectively is R600 million.
- The SABC also maintained a **good level of liquidity shown in the current ratio of 2.01 as well as the quick ratio of 1.39**. These ratios have shown a gradual improvement year on year; and this shows that the organisation will continue to expand and grow in the future in a sustainable manner.
- In addition to this there has been a **revenue growth of 4% year on year: mainly attributed to a 7% increase in advertising revenue**. This 7% increase was below budgeted revenues due to the contraction in the economy, and impact of TV schedule and programming changes during 2014.

EXECUTIVE SUMMARY

- The increase in advertising revenue was offset by difficulties encountered with licence fee collections; where licence fee revenue dropped by 2%.
- This was largely a result of the industrial action at the South African Post Office as TV licence renewal reminders could not be delivered. In addition, payment points at Post Offices were not accessible due to the industrial action.
- The loss in revenue was compounded by a decrease in sponsorships and mobile revenue where budgeted targets were not met.
- Operational expenses have increased by 19% with amortisation of programme, film and sports rights; and employee compensation and benefits comprising of the majority of this increase.
- Employee compensation and benefits increased due to the recruitment of critical skills in Technology, News and Human Resources.
- There was also the recognition of expenditure related to long service awards, as well as employee recognition awards to staff which were critical and overdue but not budgeted for.

FINANCIAL PERFORMANCE



STATEMENT OF FINANCIAL POSITION

	Note	GROUP			COMPANY		
		31-Mar-15	31-Mar-14	01-Apr-13	31-Mar-15	31-Mar-14	01-Apr-13
		R'000	R'000	R'000	R'000	R'000	R'000
		Restated*	Restated*		Restated*	Restated*	
ASSETS							
Property, plant and equipment	5	1 369 052	1 438 401	1 660 519	1 369 052	1 438 401	1 660 519
Investment property	6	9 126	9 220	9 437	9 126	9 220	9 437
Computer software	7	231 633	244 085	290 090	231 633	244 085	290 090
Defined benefit asset	8	75 435	155 657	69 202	75 435	155 657	69 202
Investment in subsidiaries	9	-	-	-	71	71	71
Available-for-sale financial assets	10	11 227	8 245	6 761	11 227	8 245	6 761
Prepayments	11	27 496	133 273	168 082	27 496	133 273	168 082
Deferred Tax	21	296 702	117 702	-	296 702	117 702	-
Non-current loans and receivables		-	-	-	-	-	-
Other non-current assets		112	-	-	112	-	-
Total non-current assets		2 020 783	2 106 583	2 204 091	2 020 854	2 106 654	2 204 162
Programme, film and sports rights	7	691 952	693 191	631 200	691 952	693 191	631 200
Property held for sale	12	8 541	8 541	-	8 541	8 541	-
Inventories	13	4 128	2 901	2 538	4 128	2 901	2 538
Trade and other receivables	14	979 188	939 364	839 780	984 043	944 763	840 386
Taxation	35	-	-	14 093	-	-	14 093
Prepayments	11	198 027	195 363	57 213	198 019	195 306	57 168
Cash and cash equivalents	15	1 016 965	1 424 843	1 077 151	1 014 249	1 419 772	1 063 104
Total current assets		2 898 801	3 264 203	2 621 975	2 900 932	3 264 474	2 608 489
Total assets		4 919 584	5 370 786	4 826 066	4 921 786	5 371 128	4 812 651
EQUITY							
Share capital	16	1	1	1	1	1	1
Fair value adjustment reserve	17	9 408	6 982	5 772	9 408	6 982	5 772
Retained earnings		1 925 612	2 329 230	1 771 523	1 912 027	2 313 585	1 757 530
Total equity		1 935 021	2 336 213	1 777 296	1 921 436	2 320 568	1 763 303
LIABILITIES							
Perpetual debt instrument	18	27 390	27 390	27 390	27 390	27 390	27 390
Loans and borrowings	19	-	230	343 058	-	230	343 058
Deferred government grant	20	356 485	364 054	347 219	356 485	364 054	347 219
Deferred tax	21	-	-	50 886	-	-	50 886
Employee benefits obligation	22	1 155 753	992 039	928 654	1 155 753	992 039	928 654
Other non-current liabilities		-	-	223	-	-	223
Total non-current liabilities		1 539 628	1 383 713	1 697 430	1 539 628	1 383 713	1 697 430
Trade and other payables	23	628 851	627 919	632 967	622 214	622 801	617 075
Employee benefits	22	164 932	160 621	152 713	164 932	160 621	152 713
Deferred income	24	93 037	182 431	69 501	93 037	182 431	69 501
Current portion of loans and borrowings	19	230	92 239	56 978	22 614	113 344	73 580
Tax payable	35	282 033	354 746	69 034	282 073	354 746	68 902
Current portion of deferred government grant	20	104 846	108 967	141 273	104 846	108 967	141 273
Provisions	25	171 006	123 937	228 874	171 006	123 937	228 874
Total current liabilities		1 444 935	1 650 860	1 351 340	1 460 722	1 666 847	1 351 918
Total liabilities		2 984 563	3 034 573	3 048 770	3 000 350	3 050 560	3 049 348
Total equity and liabilities		4 919 584	5 370 786	4 826 066	4 921 786	5 371 128	4 812 651

FINANCIAL PERFORMANCE



STATEMENT OF PROFIT AND LOSS

	Note	GROUP		COMPANY	
		31-Mar-15 R'000	31-Mar-14 R'000	31-Mar-15 R'000	31-Mar-14 R'000
			Restated*		Restated*
Revenue	26	7 441 982	6 994 558	7 441 982	6 994 558
Other income	27	44 967	179 258	44 967	182 777
Amortisation of programme, film and sports rights	7	(1 840 126)	(1 250 619)	(1 840 126)	(1 250 619)
Net impairment (raised)/reversed of programme, film and sports rights	7	(4 576)	(9 398)	(4 576)	(9 398)
Amortisation of computer software	7	(57 443)	(50 473)	(57 443)	(50 473)
Net impairment reversed/(raised) of trade and other receivables		(31 610)	48 860	(31 848)	48 860
Broadcast costs		(528 719)	(363 066)	(528 719)	(363 066)
Signal distribution and linking costs		(588 029)	(555 171)	(588 029)	(555 171)
Employee compensation and benefit expenses	28	(2 928 368)	(2 530 231)	(2 928 368)	(2 530 231)
Depreciation and impairment of property, plant and equipment	5	(211 129)	(279 658)	(211 129)	(279 658)
Marketing costs		(166 343)	(135 293)	(166 343)	(135 293)
Direct revenue collection costs		(1 022 409)	(972 021)	(1 022 409)	(972 021)
Mobile revenue collection costs		(21 692)	(22 519)	(21 692)	(22 519)
Professional and consulting fees	29	(70 696)	(68 531)	(70 070)	(69 158)
Other expenses					
- personnel costs other than employee compensation		(77 589)	(69 271)	(77 589)	(69 265)
- operational		(530 943)	(501 579)	(531 235)	(500 590)
Other profits/(losses)	31	(8 008)	(29 129)	(8 008)	(29 129)
Operating (loss)/profit before finance costs and tax		(600 731)	385 717	(600 635)	389 604
Net financing income/(expenses)	32	47 644	78 390	49 674	72 959
Finance income	32	83 138	125 959	82 741	125 037
Finance expenses	32	(35 494)	(47 569)	(33 067)	(52 078)
(Loss)/profit before income tax		(553 087)	464 107	(550 961)	462 563
Income tax	33	158 413	(105 683)	158 347	(105 791)
(Loss)/Profit for the year		(394 674)	358 424	(392 614)	356 772

FINANCIAL PERFORMANCE



IN SUMMARY...

Cash reserves: R1,017 billion

- **R1,4 billion at the end of 2014**

Total Revenue: R7,49 billion

- **7% below target**
- **4% growth year-on-year**

Total Expenditure: R8,087 billion

- **2% higher than budget**
- **19% higher year-on-year**

Loss: R395m

- **210% below budget**

UNPACKING THE LOSS

R395m loss for FY2014/15

Underperformance in TV licences and sponsorships. Economic downturn and programme and schedule changes also affected commercial revenues.

Expenses increased owing to amortisation of programme, film & sports rights. Employee compensation and benefits increased as a result of recruitment of critical skills. Payment of royalty fees to artists

Substantial investments in programme, film and sport rights in order to deliver on public service mandate.

FINANCIAL PERFORMANCE



UNPACKING THE LOSS (cont)

Underperformance mainly in TV licences and sponsorships. Economic downturn and programme and schedule changes also affected commercial revenues.

TV schedule disruptions (Sport, National Interest events) had a **R161.5m** impact on revenue

	2015	Movement	2014
	R'million	%	R'million
Advertising	5 545	7%	5 185
Trade Exchanges	136	23%	111
Business Enterprises and Facilities Revenue	44	5%	42
Sponsorships	438	(12%)	499
Licence Fees	913	(2%)	928
Government Grants	204	68%	121
Mobile Revenue	19	(44%)	34
Other Revenue	143	91%	75
Other Income	45	(75%)	179
Per Group Annual Financial Statements	7 487	4%	7 174

Revenue and Other Income (R'million)



UNPACKING THE LOSS (cont)

Expenses increased owing to amortisation of programme, film & sports rights, employee compensation and benefits payment of royalty fees to artists.

47% increase in amortisation of Programme, Film and Sports Rights. The amortisation expense is, however, a once-off expense caused by the change in accounting estimate where the first transmission of a programme is amortised at a more accelerated rate reflecting the consumption pattern of programmes based on recent audience figures.

Broadcasting costs increased mainly as a result of payment of royalties where R198 million was incurred in 2015 in comparison to 2013/14, where R47.4 million was incurred.

Employee compensation - Additional costs

- Recruitment of critical skills: R90.3m;
- Once-off bonus for 2013/14 performance: R55.7m;
- Annual salary increases (budgeted 6.5%, actual after union negotiations was 9%): R142m

FINANCIAL PERFORMANCE



Is the SABC a Going Concern?

YES

Does the SABC have cash in the bank?

YES

Is the SABC in a position to cover all its liabilities?

YES

Is the SABC delivering on its mandate?

YES

The SABC progressed from a disclaimer opinion in 2013 to a qualified opinion with 8 findings in 2014 and ending with 3 findings at the end 2015. A detailed audit action plan was put in place to deal with external audit findings and the SABC ensured that it cleared the majority of matters prior to the end of the financial year. Remaining matters are:

QUALIFICATION AREA	FINDING	ACTIONS TO DATE
Licence fee revenue and related receivable	SABC did not record revenue on an accrual basis as required by IFRS but on a cash basis.	<ul style="list-style-type: none">• Framework development to assist data mining in order to identify unlicensed TV households and businesses.• Review of accounting process in TV licence.• Position paper on accounting processes and treatment of activities to enable conversion to accrual accounting.• Assessment of tax risks.

QUALIFICATION AREA	FINDING	ACTIONS TO DATE
Deferred tax, tax payable and income tax	SABC did not include unpaid TV licence fees in its AFS (cash basis of accounting was done). Tax (VAT) implications of unpaid licence fees.	<ul style="list-style-type: none">Engagements between SARS, AGSA and SABC tax team to continue in conjunction with the TV licence accrual project.
Irregular fruitless and wasteful expenditure.	The completeness and accuracy of the disclosure was raised.	SABC continues to review the historical records to properly account for the expenditure.



HUMAN CAPITAL

HUMAN CAPITAL



People remain a priority of the SABC as it recognises that it is the talent, passion and commitment of each SABC employee that continues to drive success. Human Resources (HR) plays a strategic role in ensuring that the SABC is a rewarding, progressive and diverse workplace, that drives a culture of high performance, and is staffed with dedicated, innovative and highly skilled professionals.

EMPLOYMENT EQUITY

Level	African		Coloured		Indian		White		Disabled Staff	
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
MALE										
Top Management	-	-	-	-	-	-	-	-	-	-
Senior Management	7	6	1	-	-	0	-	1	-	-
Professional Qualified	220	170	23	16	29	23	63	60	3	5
Skilled	1197	1084	120	121	57	53	252	253	29	33
Semi-Skilled	70	51	5	5	-	-	-	-	2	2
Unskilled	-	-	-	-	-	-	-	-	-	-
Grand Total	1494	1311	149	142	86	76	315	314	34	40
FEMALE										
Top Management	-	1	-	-	-	-	-	-	-	-
Senior Management	2	2	2	2	1	1	-	-	-	-
Professional Qualified	133	115	23	20	16	14	54	42	3	5
Skilled	1064	996	164	164	76	73	259	232	44	61
Semi-Skilled	31	38	5	4	-	-	1	2	1	3
Unskilled	-	-	-	-	-	-	-	-	-	-
Grand Total	1230	1152	194	190	93	88	314	276	48	69

Some of the significant successes of the financial year under review include, but are not limited to the following:

- Appointment of six key executive positions, i.e. Chief Operating Officer, Chief Financial Officer, Group Executive: News and Current Affairs, Head of Sport, Group Executive: Stakeholder Relations and Provinces and Group Executive: Commercial Enterprises;
- Go-live of the HR Shared Services Centre enabling a best-practice one-stop HR facility;
- Reduction of the leave liability impacting positively on the SABC balance sheet;
- Finalisation of an Employee Reward and Recognition Programme to improve employee morale and motivation;
- Development and finalisation of the Performance Management Policy, tools and processes for implementation in the next fiscal;
- Investment of R22.7 million toward employee development which is an average investment of R14 000 per employee and achievement of 94% of Workplace Skills Plan (WSP) target;

HUMAN CAPITAL (cont)



- Commencement of a company-wide Competency Model to define key competencies to take SABC into the future;
- Commencement of a Career Progression Model to set the baseline for enhanced career paths and create job opportunities for all staff;
- Review of key Human Resources policies and procedures in partnership with social partners; and
- Significant improvement in Employment Equity (EE) targets which led the organisation submitting its nomination for the Employment Equity Award to the Department of Labour.

A photograph of two men in dark suits walking away from the camera down a modern, brightly lit hallway. The hallway has a high ceiling with a grid of recessed lights and large windows on the right side. The sun is shining brightly from the windows, creating a strong lens flare effect. A red rectangular box is overlaid on the bottom half of the image, containing white text.

**PERFORMANCE AGAINST
PREDETERMINED
OBJECTIVES**

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES



The SABC's performance against its predetermined objectives may be viewed in the Annual Report p28 - 32.



THANK YOU