



MEDIA STATEMENT

SABC TABLES 2019/20 ANNUAL REPORT

Johannesburg, Tuesday, 17 November 2020 - The South African Broadcasting Corporation's (SABC) 2019/20 Annual Report was tabled in Parliament on Tuesday, 17 November 2020. As detailed in the Annual Report, the public broadcaster continues to deliver on its extensive public service mandate despite very challenging conditions.

While the Corporation faced another difficult year that was further compounded by depressed economic activities that particularly affected revenue generation, the public can be reassured that the building blocks to stabilise the Corporation are now in place.

At the end of March 2020, the Corporation reported a net loss of R511 million, a 6% decline compared to the previous year, but a 20% better performance against budget.

In a challenging economic environment, total revenue declined by 12% year-on-year to R5.7 billion. The decline can be attributed primarily to a decrease in advertising spend across the industry and the delay in finalising commercial partnerships on digital platforms. TV licence revenue has also come under pressure under difficult economic conditions for our audiences.

TV licence revenue declined by 18% year-on-year to R791 million due the delayed use of Debt Collection Agencies in this period. This resulted in only 24% of the total licence fees billed being realised as revenue, compared to 31% for the year ended 31 March 2019. As part of an overall policy review, the SABC is currently finalising proposals to government on the future collection of a public broadcasting levy, taking into account differing public views on this issue as well as international best practice.

Total expenses were under budget by 23% or R1.8 billion. While the Corporation actively pursued cost containment measures, the underspend in expenditure was as a result of the

cash flow constraints that led to a significant decline of investment in content; infrastructure; repairs and maintenance; and marketing. There was a resultant 28% decline in content investment and a 16% decline in other operational expenditure. Despite this, the Cost-to-Income ratio of 110%, remains completely unsustainable.

The settlement of long outstanding creditors reduced Trade and Other Payables by nearly 50%, with creditor payment days closing the year at 51 days, which was at 143 days as at 31 March 2019. The Cash on Hand as at 31 March 2020 amounted to R2.1 billion, a marked improvement from the R73 million as at 31 March 2019.

During the year under review, the SABC continued its journey to improve its internal controls and ensure that governance is restored in the organisation. Key to this was the monitoring and oversight by the Board, IT Governance, Risk Management, Internal Audit, and record keeping.

The Corporation was once again encouraged by the decline in year-to-year irregular expenditure of 40%, amounting to R202 million, compared to R336 million for the year ended 31 March 2019. The Corporation's Supply Chain Management environment still requires strengthening and actions in this regard are underway.

Year-on-year fruitless and wasteful expenditure decreased by 87% to R27 million, with R26 million of that incurred from interest and penalties due to late payments caused by cash flow constraints.

Of significant importance is that the Corporation's Audit Opinion was maintained as Qualified with Findings, from a similar opinion for the 2018/19 financial year. Only one qualification area remains from two years ago.

The SABC continues to implement its Turnaround Plan with purpose and commitment. While the pandemic will have a significant impact on the broadcaster's financial sustainability in the short term, the Corporation remains confident that it is on track to deliver on its objectives, taking into account:

- the emerging revenue-generating opportunities, including commercial partnerships;
- the anticipated investment in exciting, compelling and cutting-edge content;
- the migration to digital platforms;
- the implementation of a new operating mode; and

- continued efforts to reduce major cost drivers.

During the year under review and despite its severe liquidity challenges, the SABC performed well in meeting its content obligations for nation-building and social cohesion by acquiring and scheduling content that reflects the South African story on both its radio and television platforms.

The SABC's radio stations complied with the Independent Communications Authority of South Africa's (ICASA) regulations, which state that as of 26 September 2018, all Public Broadcasting Services (PBS) radio stations had to increase the South African music quota played from the previous 60% to the revised 70%, and Public Commercial Services (PCS) stations from 25% to 35%.

Similarly, all the SABC's three free-to-air television channels exceeded the South African content requirements. SABC 1, in terms of full-day coverage, exceeded the target at 72.92%. Approximately 75.52% of content broadcast during SABC 1's prime time was local. SABC 2, which shares SABC 1's 65% target, delivered 75.61% South African content for full-day coverage and 86.31% on prime time. SABC 3, as the PCS channel, has a South African content quota of 45% but delivered 60.39% for full-day and 61.35% for prime time.

Other highlights for the period under review include:

- Widely praised news coverage of the 2019 National Elections;
- Development of the SABC News App and Elections Website;
- SABC 1 and SABC 3 started broadcasting in High Definition (HD) on DStv and DTT in June 2018. The introduction of HD ensured that audiences enjoy a picture quality that is clearer and crisper than was the case with normal Standard Definition. The conversion of SABC 1 was completed in time for the 2018 FIFA World Cup. SABC 2 followed suit in early July 2018;
- The SABC was also recognised through a variety of awards including the Liberty Radio Awards, Promax Awards, Afrikaans Media Awards, as well as the South African Traditional Music Awards.

The SABC has taken bold and decisive steps in implementing the approved Turnaround Plan. Notwithstanding difficult economic conditions, the SABC remains on track to achieve

financial sustainability sustainability and will continue to fulfil its public mandate of educating, entertaining and informing the nation for generations to come.

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