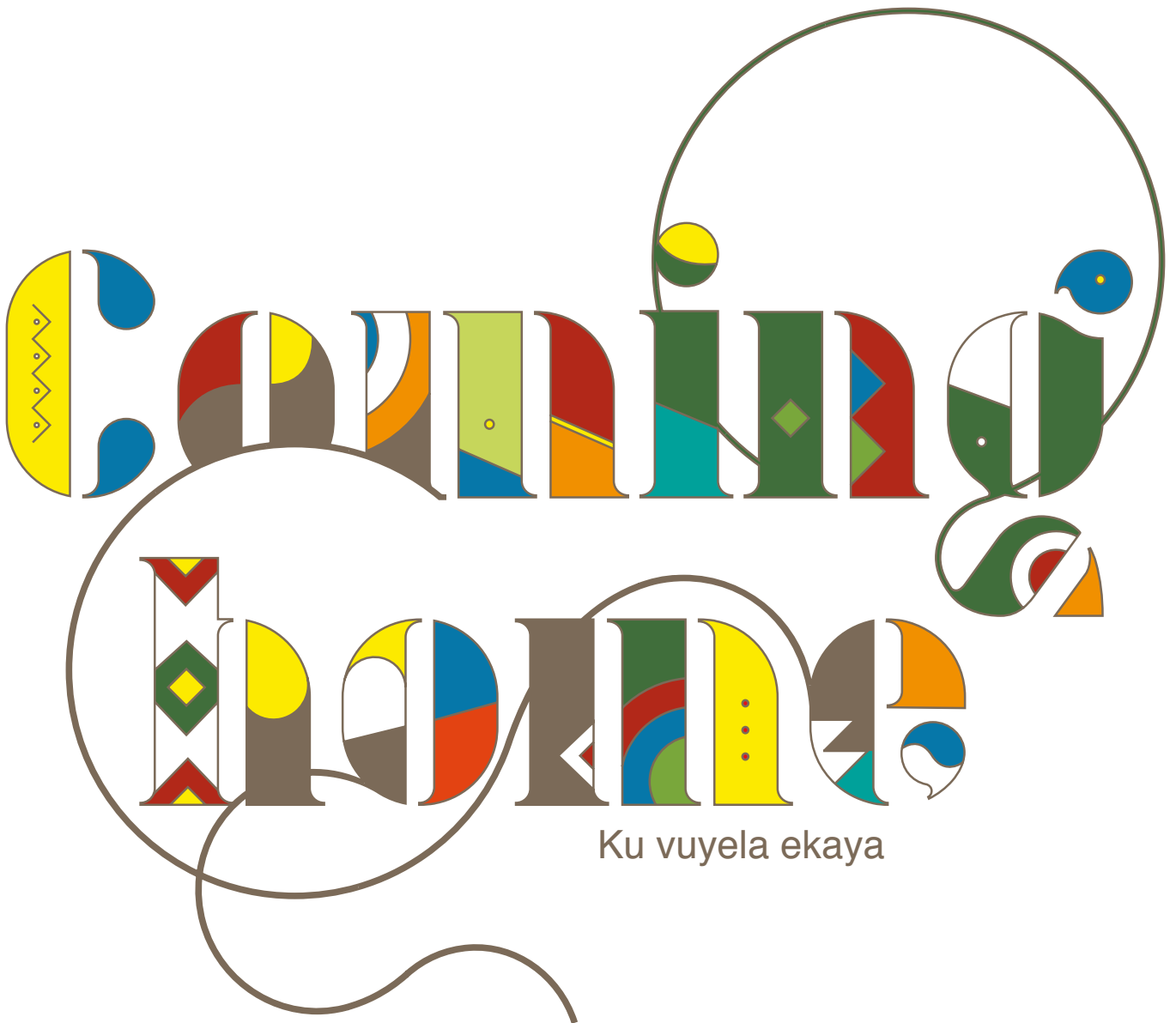


27 October 2020
Version 25





Vision

To become the leading, credible voice and face of the nation and the continent.

Mission

A high-performing, financially sustainable, digitised national public broadcaster that provides compelling informative, educational and entertaining content via all platforms.

Values

TRUST:

To always demonstrate honesty and consistent dependability in our interactions in and outside the organisation.

RESPECT:

To respect the public mandate we are entrusted with, and conduct ourselves respectfully in all our engagements internally and externally.

INTEGRITY:

To always conduct ourselves ethically and in the interest of the organisation, in the decisions we make in executing our responsibilities.

QUALITY:

To aspire to, and provide the highest standard of quality in the work we produce and experiences we exchange.

This is the 83rd Annual Report of the South African Broadcasting Corporation (SABC) Limited, referred to as 'SABC', 'the Corporation' or 'the Company' (Registration Number: 2003/023915/30).

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.

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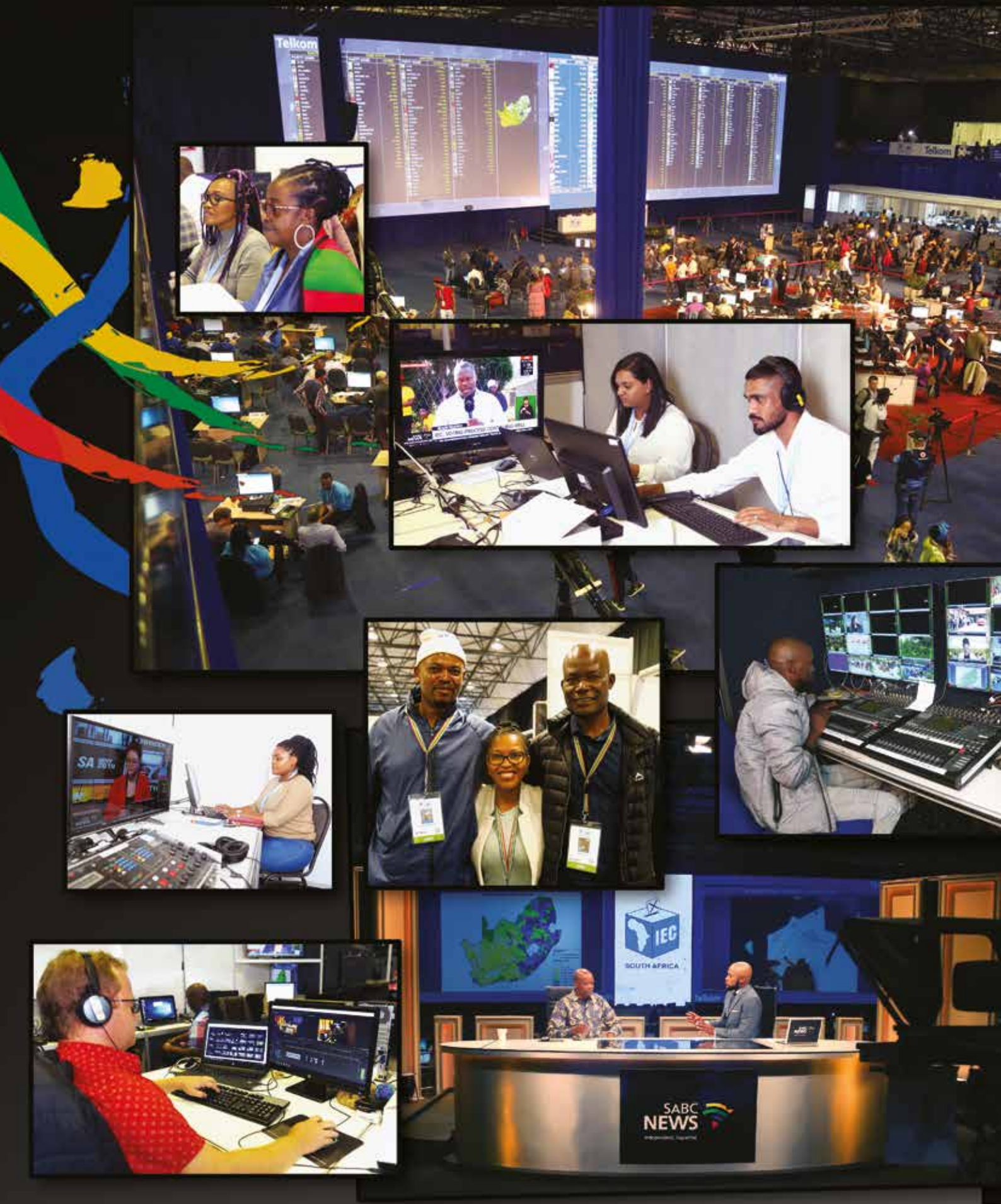
| | | | |
|------------|---|--------|--|
| 4IR | Fourth Industrial Revolution | DSB | Digital Sound Broadcasting |
| 15+ | Over 15 years of age | DSAT | Digital Satellite |
| ACA | Association for Communications and Advertisements | DStv | Digital Satellite Television |
| ADHD | Attention Deficit Hyperactivity Disorder | DTH | Direct-to-Home |
| AFCON | Africa Cup of Nations | DTI | Department of Trade and Industry |
| AFS | Annual Financial Statements | DTPS | Department of Telecommunications and Postal Services |
| AGM | Annual General Meeting | DTT | Digital Terrestrial Television |
| AGSA | Auditor-General of South Africa | DW | Deutsche Welle |
| ALS | African Language Stations | EAP | Employee Assistance Programme |
| AL | Artificial Intelligence | EBAF | Enterprise Broadcast Architecture Framework |
| AMPS | All Media Products Survey | ECA | Electronics Communications Act |
| ANC | African National Congress | ECS | Executive Committee Senate |
| AR | Audience Rating | ED | Economic Development |
| ARA | Association for Responsible Alcohol Use | EE | Employment Equity |
| ARB | Advertising Regulatory Board | EFC | Extreme Fighting Championship |
| ATKV | Afrikaanse Taal en Kultuur Vereniging | EMC | Executive Management Committee |
| ASA | Athletics South Africa | EMS | Emergency Management Services |
| ASASA | Advertising Standards of South Africa | EPG | Electronic Programme Guide |
| AU | African Union | ENPS | Electronic News Production System |
| BA | Broadcasting Act | ESS | Employee Self Service |
| BAC | Bid Adjudication Committee | EVP | Employee Value Proposition |
| BATSAA | British-American Tobacco Southern Africa | EXCO | Executive Committee |
| BBC | British Broadcasting Corporation | FAMSA | Family and Marriage Society of South Africa |
| B-BBEE | Broad-Based Black Economic Empowerment | FCC | Final Control Centre |
| BCCSA | Broadcasting Complaints Commission of South Africa | FET | Further Education and Training |
| BEE | Black Economic Empowerment | FIFA | Fédération Internationale de Football Association |
| BEN-AFRICA | Business Ethics Network of Africa | FIPCOM | Finance, Investment and Procurement Committee |
| BES | Broadcast Engineering Services | FM | Frequency Modulation |
| BRC | Broadcast Research Council | FPB | Film and Publication Board |
| BRICS | Brazil, Russia, India, China and South Africa | FY | Financial Year |
| BYOD | Bring Your Own Device | FTA | free-to-air |
| CAATS | Computer Aided Audit Tools | GCEO | Group Chief Executive Officer |
| CAE | Chief Audit Executive | GCIS | Government Communication and Information System |
| CAF | Confederation of African Football | GE | Group Executive |
| CAGR | Compound Average Growth Rate | GIA | Group Internal Audit |
| CANSA | Cancer Association of South Africa | GIBS | Gordon Institute of Business Science |
| Capex | Capital Expenditure | GTAC | Government Technical Advisory Centre |
| CAPS | Curriculum Assessment Policy Statement | HCT | HIV Counselling and Testing |
| CCC | Complaints Compliance Committee | HD | High Definition |
| CCMA | Commission for Conciliation, Mediation and Arbitration | HDTV | High Definition Television |
| CDN | Content Delivery Networks | HR | Human Resources |
| CEO | Chief Executive Officer | IAAF | International Association of Athletics Federations |
| CFO | Chief Financial Officer | IAJ | Institute for the Advancement of Journalism |
| CI | Corporate Identity | IASB | International Accounting Standards Board |
| CIO | Chief Information Officer | IBA | Independent Broadcasting Association |
| CoJ | City of Johannesburg | ICASA | Independent Communications Authority of South Africa |
| COO | Chief Operations Officer | ICC | International Cricket Council |
| CPRP | Chartered Public Relations Practitioner | ICMA | Inkomati Catchment Management Agency |
| CRL | The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities | ICT | Information Communications and Technology |
| CSA | Cricket South Africa | IDZ | Industrial Development Zone |
| CSI | Corporate Social Investment | IEC | Independent Electoral Commission |
| CTV | Cape Town Television | IFRS | International Financial Reporting Standards |
| DA | Democratic Alliance | IIA | Institute of Internal Auditors |
| DAB | Digital Audio Broadcasting | IIASA | Internal Auditors South Africa |
| DAF | Delegation of Authority Framework | IKB | Information Knowledge Building |
| DEAFSA | Deaf Federation of South Africa | IMPRA | Independent Music Performance Rights Association |
| DEL | Department of Employment and Labour | IMT | International Mobile Telecommunications |
| DoA | Delegation of Authority | IOC | International Olympic Committee |
| DOC | Digital Operations Centre | IODSA | Institute of Directors |
| DCDT | Department of Communications and Digital Technologies | IOD | Injury on Duty |
| DoH | Department of Health | IP | Internet Protocol |
| DRC | Democratic Republic of Congo | IRBA | Independent Regulatory Board of Auditors |
| DRM | Digital Radio Mondiale ¹ | ISO | International Organization for Standardization |
| 4 DRM | Digital Rights Management ² | ISP | Internet Service Provider |
| | | IT | Information Technology |
| | | ITIL | Information Technology Infrastructure Library |

| | | | |
|-----------|---|------------|--|
| ITSM | Information Technology Service Management | PWD | People with Disabilities |
| ITU | International Telecommunication Union | QoS | Quality of Service |
| JOSHCO | Johannesburg Social Housing Company | QSE | Qualifying Small Enterprises |
| KPI | Key Performance Indicator | RAMS | Radio Audience Measurement Survey |
| KZN | KwaZulu-Natal | RAU | Rand Afrikaanse Univesiteit |
| LAN | Local Area Network | RBF | Radio Broadcast Facilities |
| LPT | Low Power Transmitters | RIA | Regulatory Impact Assessment |
| LTD | Limited | ROI | Return-on-Investment |
| LTO | Linear Tape Open | RSG | Radio Sonder Grense |
| LSM | Living Standards Measure | SAARF | South African Audience Research Foundation |
| MAM | Media Asset Management | SAB | South African Breweries |
| MBA | Master of Business Administration | SABC | South African Broadcasting Corporation SOC Limited |
| MCC | Media Credit Coordinators | SABS | South African Bureau of Standards |
| MCR | Main Control Room | SADC | Southern African Development Community |
| MDM | Mobile Device Management | SAFA | South African Football Association |
| ME | Metro Ethernet | SAFTA | South African Film and Television Awards |
| MEC | Member of Executive Council | SAG | Strategy Architecture Group |
| MEGA | Mpumalanga Economic Growth Agency | SAICA | South African Institute of Chartered Accountants |
| MEX | Music Exchange Conference | SALGA | South African Local Government Association |
| MGP | Mpumalanga Gambling Board | SAMA's | South African Music Awards |
| MHz | Megahertz | SAN | Storage Area Network |
| MICT SETA | Media, Information and Communication Technologies Sector Education and Training Authority | SANBS | South African National Blood Services |
| MMA | Media Monitoring Africa | SANEF | South African Editor's Forum |
| MMA | METRO FM Music Awards | SANYO | South African National Youth Orchestra |
| MMSR | Member of the Mapungubwe Society of Researchers | SAP | System Application and Products in Data Processing |
| Mol | Memorandum of Incorporation | SATMA | South African Traditional Music Awards |
| MoU | Memorandum of Understanding | SEVA | SABC Education Virtual Academy |
| MSL | Mzansi Super League | SAWID | South African Women in Development |
| MTEF | Medium-Term Expenditure Framework | SCM | Supply Chain Management |
| MTI | Media, Technology and Infrastructure | SCOPA | Standing Committee on Public Accounts |
| MTPA | Mpumalanga Tourism and Parks Authority | SEM | Socio-Economic Measure |
| MWASA | Media Workers' Association of South Africa | SNF | Single Frequency Network |
| NAB | National Association of Broadcasters | SITA | State Information Technology Agency |
| NBA | National Basketball Association | SIU | Special Investigating Unit |
| NCA | National Credit Act | SLA | Service Level Agreement |
| NCC | National Consumer Commission | SOC | State Owned Company |
| NDP | National Development Plan | SOE | State Owned Enterprise |
| NGO's | Non-Governmental Organisations | SONA | State of the Nation Address |
| NEMISA | National Electronic Media Institute of South Africa | SOP's | Standard Operating Procedures |
| NSFAS | National Student Financial Aid Scheme | SOPA | State of the Province Address |
| NFVF | National Film and Video Foundation | SRSA | Sports and Recreation South Africa |
| NKP | National Key Point | STB | Set Top Box |
| NQF | National Qualifications Framework | TAMS | Television Audience Measurement Survey |
| NYDA | Youth Development Agency | THE "ACT" | The Broadcasting Act |
| OB | Outside Broadcast | The "Bill" | The Copyright Amendment Bill 13B of 2017 |
| ODA | Optical Disk Archiving | TGRP | Total Guaranteed Remuneration Package |
| ODI | One Day International | TOR | Terms of Reference |
| OHS | Occupational Health and Safety | TV | Television |
| OTT | Over-The-Top | TVBMS | Television Broadcast Management System |
| OVP | Online Video Platform | TVBR | Television Broadcast Resources |
| PAA | Public Audit Act No. 25 of 2004 | TVET | Technical and Vocational Education and Training |
| PAC | Pan Africanist Congress | UL | University of Limpopo |
| PanSALB | Pan South African Language Board | UCT | University of Cape Town |
| PBS | Public Broadcasting Services | UN | United Nations |
| PCC | Portfolio Committee on Communications | UNESCO | United Nations Educational, Scientific and Cultural Organization |
| PCS | Public Commercial Services | UNISA | University of South Africa |
| PDO's | Predetermined Objectives | UNIN | University of the North |
| PEB | Public Election Broadcast | UK | United Kingdom |
| PFMA | Public Finance Management Act No. 1 of 1999 | US | United States |
| PGM | Provincial General Manager | USA | United States of America |
| PIFSA | Printing Industries of South Africa | UWC | University of Western Cape |
| PIC | Public Investment Corporation | VAT | Value Added Tax |
| Projourn | Professional Journalism body | VHF | Very High Frequency |
| POWA | People Opposing Women Abuse | VOD | Video on Demand |
| PPPF | Preferential Procurement Policy Framework | VOV | Voice of Vietnam |
| PR | Public Relations | WAN | Wide Area Network |
| PRISA | Public Relations Institute of South Africa | WASPA | Wireless Application Service Providers Association |
| PSA | Public Service Announcement | WIL | Work Integrated Learning |
| PSL | Premier Soccer League | WITS | University of Witwatersrand |
| PTY | Propriety | WSP | Workplace Skills Plan |



At a Glance







25 YEARS INTO DEMOCRACY, SABC IS THERE EVERY STEP OF THE WAY



SABC's Legislative Framework, Mandate and Objectives

The South African Broadcasting Corporation (SOC) Limited ("The SABC") is a Schedule 2 ("Major Public Entity") entity in terms of the Public Finance Management Act No. 1 of 1999 ("PFMA"), as amended. The Corporation is subject to a list of legislation in the course of its operations.

The Broadcasting Act

The Broadcasting Act (The Act) is the SABC's founding statute. In terms of the Act, the SABC's obligations are captured in the Independent Communications Authority of South Africa ("ICASA") Regulations and license conditions of the Corporation's five television channels and 18 radio stations.

The business of the SABC is further defined by the Act into two distinct services namely; the Public Broadcasting Services ("PBS") and Public Commercial Services ("PCS"), which are to be administered separately. Each SABC radio service and television channel is licensed independently by ICASA, and each is required to adhere to its respective license conditions and the provisions of the Broadcasting Act, including the SABC Charter. The SABC has advanced the view that the Broadcasting Act should not contain a distinction between the two services, because in practice it has a unitary model that governs its services. Due to this arrangement, the SABC is unable to account separately for each group of services (PBS 15 radio stations and two TV channels; PCS three radio stations and three TV channels).

Public and Commercial Broadcasting Service Mandate

The mandate of the SABC, as a public broadcaster, is embedded in a range of statutes, regulations, policies, codes of conduct and license conditions. The SABC's statutory framework includes:

- The Constitution of the Republic of South Africa No. 108 of 1996, as amended;
- Broadcasting Act No. 4 of 1999, as amended;
- Independent Communications Authority of South Africa Act No. 13 of 2000, as amended;
- The Electronic Communications Act No. 36 of 2005, as amended; and
- The Companies Act No. 71 of 2008, as amended.

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

- The Public Finance Management Act ("PFMA") No.1 of, 1999, as amended;

- The King IV Report on Corporate Governance for South Africa";
- South African National Treasury Regulations;
- The SABC's Delegation of Authority Framework;
- Basic Conditions of Employment Act No. 75 of 1997, as amended;
- Labour Relations Act No. 66 of 1995, as amended;
- Employment Equity Act No. 55 of 1998, as amended;
- The Competition Act 89 of 1998, as amended;
- The Preferential Procurement Policy Framework Act No. 5 of 2000, as amended;
- The Skills Development Act No. 97 of 1998, as amended; and
- SABC Editorial Policies

The Objectives of the SABC

The objectives of the Corporation, as set out in Section 8 of the Broadcasting Act are:

- To make its services available throughout the Republic;
- To provide sound and television broadcasting services, whether by analogue or digital means and to provide sound and television programmes of information, education and entertainment funded by advertisements, subscription, sponsorship, license fees or any other means of finance;
- To acquire from time to time a license or licenses for such period and subject to such regulations, provisions and license conditions as may be prescribed by the Authority;

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Creating awareness about our SABC Editorial policies.



Go on to our website at www.sabc.co.za/editorialpolicies

Follow the conversation and find information on our social media platforms by using the #SABCEditorialPolicies



- (d) To provide, in its public broadcasting services, radio and television programming that informs, educates and entertains;
- (e) To be responsive to audience needs, including the needs of the deaf and the blind and account on how to meet those needs;
- (f) To provide other services, whether or not broadcasting or programme supply services, such services being ancillary services;
- (g) To provide television and radio 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;
- (h) 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 a reception as above;
- (i) 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, videotapes, 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;
- (j) 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;
- (k) 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;
- (l) 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;
- (m) 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, license or otherwise copyright and designs, trademarks, trade names and any other intellectual, industrial and commercial property rights;
- (n) To nurture South African talent and train people in production skills and carry out research and development for the benefit of audiences;
- (o) 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; and
- (p) To develop and extend the services of the Corporation beyond the borders of South Africa.



Showcasing SABC Platforms

SABC RADIO STATIONS

SABC-owned and licenced 18 radio stations offer the most consumed content across the country, while Channel Africa services audiences beyond the South African borders. This is due their reach and immediacy, as well as contextual relevance in terms of socioeconomic and politico-cultural resonance. Their adherence to the public mandate is prominent and comprehensive in delivering cradle-to-grave richly varied programming. They continue to bring unparalleled thought-provoking, educational, and entertaining programming to their respective audiences. The social relevance of the public broadcaster's radio stations and their role in enhancing participatory democracy took a centre stage in the year under review, as they provided spaces for public engagement on matters of governance and national importance. Commanding an unrivalled 73.2% share of the radio market, the stations remain very central to the daily lives of the majority of the country's population. Similarly, Channel Africa continued to be a vital connection between South Africa and its audiences on the continent, taking the story of the country beyond its borders, while bringing the African experience to domestic audiences.

[Source: Broadcast Research Council (BRC) Radio Audience Measurement Survey (RAMS) April 2019-March 2020].

Public Broadcasting Services (PBS)



Ikwekwezi FM is a contemporary radio station catering to diverse needs and preferences of the IsiNdebele linguistic community. The station serves the young and old, offering news, entertainment and educational programming. Ikwekwezi FM works closely with the community in shaping, developing and preserving its heritage.



Average weekly audience: 1 090 000 adults (15+)



Lesedi FM For almost six decades, the station has delivered high-quality content for Sesotho speaking South Africans. The station broadcasts from Bloemfontein in the Free State, with Gauteng as its second stronghold. Its programming delves deep into issues that serve the developmental needs of its listeners, from news to the latest music.



Average weekly audience: 3 346 000 adults (15+)



Ligwalagwala FM As an effervescent radio station, it resonates with the young and young at heart, motivated, and upwardly mobile SiSwati-speaking people. It expresses an urban and aspirational lifestyle, while remaining deeply committed to serving the needs of its traditional countryside audiences.



Average weekly audience: 1 090 000 adults (15+)



Lotus FM caters primarily to the South African Indian community that is firmly rooted in three main religions (Hindu, Islam and Christianity). It delivers its programming using a variety of languages, that is, Hindi, Tamil, Urdu, Gujarati and Telegu. The station offers a mix of informative, educational and entertaining programmes reflecting the colourful lifestyle and traditions of its dynamic audience. Lotus FM promotes a proudly South African Indian media brand.



Average weekly audience: 185 000 adults (15+)



Motsweding FM The station's core philosophy is informed by the need for empowerment and development of its listenership. It broadcasts in Setswana from Mahikeng. Gauteng is its secondary audience base, while it has a spill over listenership into Botswana. As an aspirational station, Motsweding provides news and entertainment that strives to be worldly and cosmopolitan.



Average weekly audience: 2 755 000 adults (15+)



Munghana Lonene FM broadcasts in XiTsonga and supports the aspirations of its listeners, while promoting and preserving their culture and heritage. The station proactively provides listener participation opportunities, and deliberately seeks diverse expert opinion and commentary on various topical issues.



Average weekly audience: 1 208 000 adults (15+)



Phalaphala FM inspires its listeners to dream, act and succeed, and provides a platform for sharing knowledge, experience and expertise across a range of subjects. The station broadcasts from Polokwane in Limpopo, and targets young aspirant and upwardly mobile Tshivenda speaking listeners while keeping the old informed about developments in their world.



Average weekly audience: 804 000 adults (15+)



Radio 2000 broadcasts in English, is available countrywide and reflects South Africa's diverse cultures. The station's programming mix consists of adult crossover music, magazine and talk. Radio 2000 content engages audiences in vibrant insightful and empowering conversations on a variety of subjects.



Average weekly audience: 751 000 adults (15+)



RSG is a contemporary Afrikaans radio station representing a modern inclusive way of life. The station is home to progressive, forward-thinking, loyal and family orientated Afrikaans speaking audiences. Among some of the station's programming drivers are arts and sports.



Average weekly audience: 1 329 000 adults (15+)



SAfm is a platform for robust and insightful conversations on topical issues, and delivers credible up-to-the-minute news coverage. In accordance with its PBS mandate, SAfm explores broader nation-building themes that resonate with the needs of its audiences through its talk format. It appeals to the discerning, mature and sophisticated listeners nationally.



Average weekly audience: 192 000 adults (15+)

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Behind the scenes with some of our DJs from Lesedi FM, Phalaphala FM and Thobela FM.



Thobela FM's programming is geared towards enhancing personal development and growth of its listeners, and preserving their culture in a fast-modernising world. The station broadcasts in Sepedi from Polokwane, and appeals to the young and old alike. Its programming includes news and current affairs, drama, education, music, religion and culture.



Average weekly audience: 2 925 000 adults (15+)



Tru FM views youth and youthfulness as an opportunity, and young people as a resource. Broadcasting from the Eastern Cape, the station carries a blend of isiXhosa and English programming and is a platform for young people of the Eastern Cape to express themselves. Tru FM provides content that enables its listeners to improve their quality of life as well as to focus on self-development.



Average weekly audience: 187 000 adults (15+)



Ukhozi FM is the largest radio station in the country focusing on public service content that is educational, informative and entertaining. Broadcasting in isiZulu, the station strives to preserve the heritage of its audiences while providing developmental content. Among others, strong traditional, choral and spiritual music genres set this station apart from its competitors. For the past five consecutive years the station has attracted and retained audiences in excess of seven million.



Average weekly audience: 7 607 000 adults (15+)



Umhlobo Wenene FM broadcasts in isiXhosa from Port Elizabeth in the Eastern Cape and boasts a national footprint, making it the second largest radio station in the country. The station is widely known for its interactive quality programming including sports, riveting dramas and captivating traditional music genres.



Average weekly audience: 5 850 000 adults (15+)



XK FM is a public service community radio station which caters to the needs and preferences of the San people in Platfontein. The station broadcasts in Xunthali and Khwedam languages from Kimberley in the Northern Cape. It plays an essential role in preserving the cultures of the indigenous communities in the area, and provides content that seeks to uplift, inform and develop them.



Average weekly audience: 3 000 adults (15+)

Public Commercial Services (PCS)



5FM is an entertainment powerhouse for South African youth, offering popular music and entertainment on radio. Daring to walk on the wild side, the station encourages freedom of expression as core to its values. The station boasts one of the largest social media following in South African media with more than a 1,4 million Facebook and Twitter followers combined.



Average weekly audience: 607 000 adults (15+)



Good Hope FM encapsulates the fun, energy and funkiness of Cape Town. It entertains and actively engages Capetonians through music, relevant lifestyle news and events. The station is well-positioned to meet the lifestyle needs of its audience by highlighting issues of public concern and high-profile events.



Average weekly audience: 468 000 adults (15+)



METRO FM is the most influential radio brand for the young in mind urban adults, who embrace a pragmatic and progressive worldview and lifestyle. It is the largest commercial radio station in South Africa with listeners in excess of 4 million. While primarily a music station, METRO FM also delivers credible and impartial news content that keeps its listeners engaged and informed. Owing to its reach, the station plays an important role in developing and promoting musical talent in South Africa.



Average weekly audience: 4 331 000 adults (15+)

Administered for Department of Communications and Digital Technologies (DCDT)



CHANNEL AFRICA is a radio station managed by the SABC for the Department of Communications and Digital Technologies (DCDT). The station broadcasts on the shortwave spectrum to the Southern, Eastern and Western African audiences in six languages, that is, English, French, Chinyanja, Portuguese, Silozi and Swahili. The station's mandate is to promote South Africa's foreign policy to the rest of Africa and the world.



One of our best performing TV properties, 'Generations The Legacy' broadcast on SABC1.

SABC TELEVISION CHANNELS

The SABC owns and operates three free-to-air (FTA) television channels, and two others carried on a subscription satellite network. The channels deliver a compelling local and international content offering in all South Africa's languages countrywide, with a footprint that extends beyond borders. FTA channels SABC1, SABC2 and SABC3 attract on average 28.7 million South African viewers in a typical month.

[Source: Broadcast Research Council (BRC) Television Audience Measurement Survey (TAMS) covering the period of 1 April 2019 - 31 March 2020]

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PBS

SABC1 is a free-to-air channel that provides public service programming which caters to content needs and preferences of the youth, as defined by age, attitude or aspiration. It reflects a society that is in motion, evolving and progressive. Offering factuality and entertainment programming, the channel broadcasts in indigenous South African languages of the IsiNguni group, such as, IsiNdebele, Siswati, IsiZulu and IsiXhosa, as well as English. Its coverage via analogue and Digital Terrestrial Transmitter (DTT) networks reaches 91.2% of the population. It is also available via satellite on the DStv and Vivid Direct-to-Home (DTH) digital satellite platforms.



All-adult prime time audience share: 26 222 301 South African viewers in a typical month.



SABC2 is a full public service free-to-air channel which places family, community and culture at the centre of its programming and activities. The channel provides educational, informative and entertainment content in Sesotho, SeTswana, Sepedi, Tshivenda, Xitsonga, as well as Afrikaans and English. The coverage is via analogue and DTT networks, reaching 92.5% of the population. It is also available via satellite on the DStv and Vivid DTH digital satellite platforms.



All-adult prime time audience share: 24 814 799 South African viewers in a typical month.



PCS

SABC3 is a public commercial television channel, offering its diverse viewership content that presents a kaleidoscope of views and experiences. It broadcasts primarily in English and carries 10% of its programmes in indigenous South African languages. The channel's coverage is via analogue and DTT networks, covering 82.1% of the population. It is also available via satellite on the DStv and Vivid DTH digital satellite platforms.



All-adult prime time audience share: 20 256 166 South African viewers in a typical month.

Digital Satellite Network Channels



SABC ENCORE is a retro channel showcasing and celebrating SABC programming from the 1980s and 1990s. Carried on the subscription digital satellite network, DStv, the channel boasts a rich repertoire of compelling archived content.



All-adult prime time audience share: 5 841 621 South African viewers in a typical month.

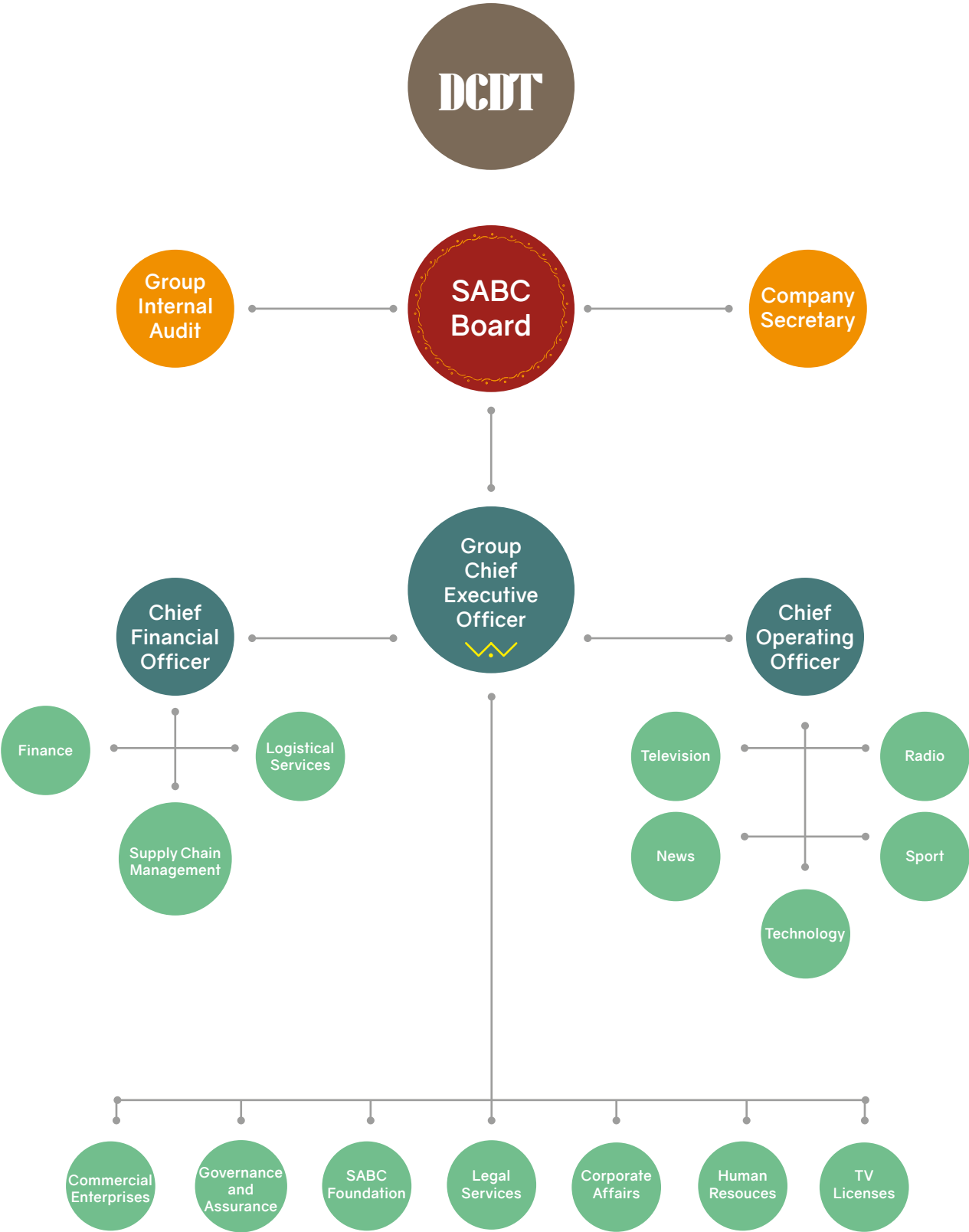


SABC News Channel is a full spectrum factuality platform which carries news and current affairs programming. It is the national market leader in the South African 24-hour news domain. Broadcast on the DStv network (404), the channel offers rolling news, in-depth coverage and current affairs programming. It broadcasts in English and reaches 51 African countries, as it aspires to be a distinguished Pan African public news service. The channel continues to record impressive growth, and boasts 18 hours of live coverage daily.



All-adult prime time audience share: 1 542 087 South African viewers at the end of March 2020.

Organisational Structure





Foreword by the **Chairperson**



"The children of any nation are its future. A country, a movement, a person that does not value its youth and children does not deserve its future."

- OR Tambo



In a year when the education of our children and youth became uniquely challenged by the global COVID-19 pandemic, I am proud to report that the SABC played a significant role in helping preserve the 2020 school year.

We not only expedited the launch of a dedicated Educational Channel on multiple platforms but also interrupted scheduled free-to-air programming to bring #WozaAfrica to millions of Matric households.

With the widely trusted SABC News services and SABC TV channels carrying the top entertainment shows by audience - reaching tens of millions of South Africans - the public broadcaster cemented its place in our democracy during a time of national crisis.

The 2019/20 financial year began in very uncertain conditions. The SABC Board was still inquorate in March 2019 and the organisation urgently needed a financial injection in order to implement a lasting and sustainable

Turnaround Plan. A combination of unfilled vacancies and five resignations in the previous fiscal had left the board inquorate with only four non-executive directors remaining. The SABC also faced the challenge of covering the national elections in May 2019 without the Board being able to take decisions as the accounting authority.

Thankfully, the SABC was able to overcome these challenges and turn an important corner. In April 2019 the Board was freshly-constituted with the addition of eight new non-executive members, thus restoring stability to the institution. One month later SABC News was widely-praised for delivering highly balanced radio, television and digital coverage of the national elections in May 2019.

In an age of rampant disinformation, the importance of a credible, independent public broadcaster cannot be overstated. An informed citizenry is fundamental to the strength of a nation's democracy and the development of its people. As South Africa grows into a global democratic player, there is an undeniable need for more trusted, quality public service content.

By the end of the year under review, the SABC News Channel led the 24-hour television news market in the country with an improved market share performance of 42% and 40% in the free-to-air and pay-tv news markets, respectively. This phenomenal growth has proved that our audiences want credible news they can trust from a broadcaster they can believe in. Despite years of editorial interference at the SABC as reported by Independent Thloloe Commission in August 2019, our management has gone a long way to rebuilding public and employee trust. It is also noteworthy that SABC News Online is also the 2nd most accessed online news source in the country.

The SABC Board's central purpose is to guide the institution in fulfilling its public mandate in a self-sustaining manner and without any undue influence and interference.

With two years left of this Board's term of office it is possible to discern three distinct phases in restoring the SABC to long term sustainability, namely:

- The Stabilising Phase;
- The Sustaining Phase; and
- The Growth Phase.

During the Stabilising Phase, beginning in 2017, the Board and management started the tough process of dealing with legacy governance failures by implementing the recommendations of the Public Protector, the Parliamentary Ad Hoc Committee, the SIU, the Auditor-

General, the SABC's own forensic investigations as well as the recommendations of the independent commissions into sexual harassment and political interference in the newsroom. In this regard, management has been tasked with driving tough consequence management and dealing with irregular contractual and human resource decisions.

After years of turbulence and reputational damage it was also important to fill vacancies in the top executive team, press the reset button with key stakeholders, renegotiate contracts and develop a lasting turnaround that included a financial injection and fundamental legislative and regulatory reforms.

The vulnerability of the SABC to its current funding model was evident in its revenue performance during the year under review. Amid lacklustre economic activity and due to internal challenges, revenue collected for the year under review was R5.7bn which was 23% under budget. While the Corporation recorded a R511m loss for the year, this was 20% better than the budgeted loss.

A vital building block in this Stabilising Phase was the approval by the Board of a National Treasury-supported Turnaround Plan in September 2019. This Turnaround Plan followed a lengthy collaborative process with the Department of Communications and Digital Technologies (DCDT) and the Government Technical Advisory Centre (GTAC).

The SABC met all of Government's Preconditions for the recapitalisation of the organisation and received a R3.2bn bailout in two tranches – R2,1bn in October 2019 and R1.1bn in March 2020.

While the SABC's initial application was for a government guarantee, the receipt of this funding in the form of bailout was welcome and the impact of the funding relief was immediate. The Corporation moved swiftly to settle some long standing debt, which in turn improved relations with our service providers. The funding also made it possible for the SABC to start commissioning compelling content to retain and bring back audiences to our platforms. Unfortunately, the seven months delay in receiving the funding directly impacted on the timing of the turnaround after stalling the necessary investment in content – which is a key revenue driver.

The Board is very appreciative of the quality and comprehensive work by our executives in achieving this funding milestone. With strong governance at its core and expertly led by GCEO Madoda Mxakwe, the SABC now has a comprehensive roadmap for the future, taking into





account international best practice, the demands of our public mandate obligations and the need to transition the SABC to digital platforms for all our audio and audiovisual content.

A significant part of the Turnaround Plan centres on addressing the SABC's employee compensation. This includes key actions aimed at developing a new Target Operating Model, complete with a new organisational structure, and its implementation. The Board is encouraged by the progress as reported by executive management and we expect the restructuring to be finalised within the second half of the next financial year.

The appointment by the SABC Board of Mr Ian Platjies as the Corporation's Chief Operations Officer (COO) from 1 November 2019 marked the culmination of the Stabilising Phase. Mr Platjies joined an already strong executive director team headed by Mr Mxakwe, with Ms Yolande van Biljon as CFO.

The SABC is now in the second phase of developing long term sustainability, namely the Sustaining Phase, as we expand our revenue generation base, cut costs, embed the turnaround, implement a new operating model and fulfill our public mandate with distinction.

The Turnaround Plan and efforts to restructure the public broadcaster are necessary but not sufficient conditions for the sustainability of the public broadcaster. The SABC

AT A GLANCE

operates in an extremely restrictive, anti-competitive and outdated regulatory environment, which directly impacts on the public broadcaster's sustainability. As the Board, we continue to guide and support executive management's efforts in engaging with various policymakers and regulatory bodies in order to achieve fundamental changes to the framework.

Sentech transmission fees are the SABC's second biggest cost driver after salaries and over the past five years Sentech has cost the SABC over R3.2 billion.

Historical policy and contractual terms have prejudiced the SABC, negatively impacting on its finances and making it more difficult for the public broadcaster to compete with more agile privately-owned broadcasters. Reducing transmission costs is therefore a mission critical goal of the Turnaround Plan and discussions on this issue are continuing with Sentech and Government.

The SABC Board believes that the migration to digital platforms are key to ensuring the long term sustainability of the SABC and the Turnaround Plan envisages a far greater deployment of DTH satellite by the SABC in the digital migration process.

The SABC Board has a fiduciary duty to take decisions that will be in the long-term interest of the public broadcaster. It is therefore vital that the SABC is able to independently decide on which platforms will be in the SABC's best long term interests. This will allow the public broadcaster to control its own technology destiny.

After years of underinvestment, the SABC has lagged behind on the technology side.

The SABC Board has therefore approved an Over-the-Top (OTT) streaming strategy with the short term goal that the SABC will leverage online and mobile platforms to allow customers to access ALL SABC content and services anywhere, anytime and on any device.

The creation of fresh, compelling content is the key part of any broadcasting and media business, and, by necessity, it is the cornerstone of the SABC's Turnaround Plan. The SABC must create, commission and licence relevant content that is exciting and relevant to all our audiences.



SABC Board Chairperson
Mr Makhathini interviewed
on SAfm.



In the creation and distribution of this content we must be guided by strong policy.

Therefore the approval by the SABC Board of new Editorial Policies in February 2020 was a bright landmark for the public broadcaster after the culmination of an extensive public consultative process. The Editorial Policies – which were only launched in August 2020 due to the COVID-19 pandemic – now apply to all programming output by the public broadcaster. They deal extensively with News and Editorial content but also include policy and guidelines for digital media platforms, languages, local content, violence, children’s, religious and educational programming, and set out the various complaints procedures available to the public. The policies will be enforceable and binding on our Board, management and employees and will also guide our stakeholders as to what is expected from the SABC.

By adopting these Editorial Policies, we have set ourselves the highest of editorial standards, incorporating the values and principles of our Constitution, the requirements of the law and the expectations of our audiences. There is now an opportunity for the SABC to lead the way and set an example, not just for public media worldwide, but for all media. While the SABC will make mistakes and at times we may stumble, the public broadcaster will at least have these best practice, Editorial Policies to guide our management and staff on the difficult and complex issues in programming today.

These policies were last amended in 2004 – in a very different media and content environment. Their revision and publication is a noteworthy milestone for this Board. It is our view that the SABC Editorial Policies will set the benchmark for news and content organisations in South Africa and across the continent.

As the public broadcaster, the SABC has a duty to create more youth-orientated programming and to more fully reflect the lives and interests of the 28,8% of South Africa’s population that are younger than 15 years. This means creating compelling programming for our children and youth. Youth unemployment has been identified as one of the biggest challenges facing our society and the SABC wants to play its part, working with all stakeholders including independent producers, government and educational institutions. Our children and the youth of this country must find content that educates, informs and entertains across our television, radio and digital platforms.

The Growth Phase – the third phase in our journey – should be our focus over the last two years of this Board’s term which ends in October 2022. We remain confident that management’s focus on new commercial partnerships and a sustainable cost structure will bear fruit, notwithstanding the impact of the COVID-19 pandemic which gripped South Africa and the world as the financial year drew to a close. While the impact of the pandemic will be fully reported in the 2020/21 financial year, on behalf of the Board, I want to thank the SABC management for calmly guiding us through this national crisis. In particular, our gratitude goes to all our employees and frontline staff, including all journalists and crew who went beyond the call of duty in the public interest.

The impact of the COVID-19 pandemic will be severe and navigating this challenge is going to demand a lot from the Board, the executive management, and employees of the SABC.

But our resolve as the Board to see the SABC achieve financial sustainability is unwavering and we stand ready to take the necessary decisions - no matter how difficult or unpopular - to achieve the turnaround this organisation needs.

There is certainly light at the end of the tunnel. If we bring about significant changes in the regulatory and legislative framework, a negotiated reduction of signal distribution costs and a fit for purpose structure, the SABC will meet its target of becoming financially sustainable and grow. Being bold and decisive in implementing the approved Turnaround Plan is one of our critical success factors. Clarity of roles and holding each other accountable at all levels is of paramount importance.

With committed and highly engaged employees, a supportive Shareholder, enthused and loyal audiences, satisfied clients, a courageous Executive team and a fully supportive Board, the SABC has a bright future ahead!

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Mr Bongumusa Makhathini
Chairperson of the SABC Board

Board



1. Mr Bongumusa Makhathini
Chairperson



2. Ms Mamodupi Mohlala-Mulaudzi
Deputy Chairperson



3. Prof Sathasivan Cooper



4. Adv Benjamin Motshedi Lekalakala



5. Mr David Maimela



6. Mr Michael Markovitz



7. Mr Dinkwanyane Mohuba



8. Ms Bernedette Muthien



9. Ms Jasmina Patel



10. Mr Jack Phalane



11. Ms Mary Papayya



12. Dr Marcia Socikwa



13. Mr Madoda Mxakwe
Group Chief Executive Officer



14. Ms Yolande van Biljon
Chief Financial Officer



15. Mr Ian Plaatjes
Chief Operations Officer

Composition of the Board

The SABC has a unitary Board structure, which in terms of the Broadcasting Act No. 4 of 1999, as amended, is made up of 12 Non-Executive Directors and three Executive Directors.

In accordance with the Act, the SABC is governed and controlled, by the Board of Directors. In line with the prescripts of the Act, and following months of the Board being inquorate and unable to make any decisions, eight Non-Executive Directors were appointed on 12 April 2019, resulting in a fully functional oversight structure. The appointments resulted in the Board being constituted as reflected below.

NON-EXECUTIVE DIRECTORS

1. Mr Bongumusa Emmanuel Makhathini

Chairperson

Appointed on 16 October 2017

MCom in Business Management and Economics (University of Johannesburg); Hon in Geography (University of Zululand); BEd (University of Zululand); Diploma in HR Management (University of Zululand); General Management Program (Harvard Business School); SABMiller Executive Development Programme (University of Cambridge).

Mr Makhathini is the Chairperson of the SABC Board and a member of the Ekurhuleni World Outreach Centre Advisory Board. He has served and continues to serve on various bodies. These include being an Executive Board member of British American Tobacco Southern Africa (BATSAA); Executive Board member of the South African Breweries; member of the SAB Thrive Fund; Board member of The Sports Trust; Board member of the Industry Association for Responsible Alcohol Use (ARA) where he chaired the Board Committee on Responsible Drinking and Advocacy; the President of Convocation at the University of Zululand and a Member of the University of Zululand Council. Mr Makhathini held a senior management position at Accenture, where he spent eight years in business consulting and strategy, handling complex IT and business transformation projects.

2. Ms Mamodupi Mohlala-Mulaudzi

Deputy Chairperson

Appointed on 12 April 2019

B.A. (LAW) (University of Swaziland); L.L.B (University of Witwatersrand); L.L.M (University of Witwatersrand); Mini-MBA Telecommunications (Telecoms Academy- London United Kingdom); World Bank Training Program on Utility Regulation and Strategy (University of Florida Gainesville Campus Florida, United States of America); Senior Executive Programme - Advanced Executive Management Programme (University of London- United Kingdom).

Ms Mohlala-Mulaudzi currently serves as the CEO of the Estate Agency Affairs Board; director of Mohlala Attorneys;

Independent Expert to the Supervisory Committee of the Department of Correctional Services; Chairperson of the Gauteng Rental Housing Tribunal; Board member of the South African Diamond and Precious Metals Regulator Board; Audit Committee member of the Department of Transport; Chairperson Appeal Authority of the Emfuleni Municipality Land Planning and Chairperson of Tshwane Mental Health Review Board.

She was Acting Judge of the Gauteng Local Division of the High Court, Johannesburg; Director-General of the Department of Communication; Pension Fund Adjudicator (Chief Executive Officer/Specialist Judge) at the Office of the Pension Funds Adjudicator; National Consumer Commissioner of the Office of the National Consumer Commissioner; Councillor of the Independent Communications Authority of South Africa (ICASA) and Lecturer at the University of South Africa (UNISA).

Ms Mohlala-Mulaudzi has written six articles, namely 'Sequestration: is it a real solution' – CODICILUS – June 2000-UNISA Publication; 'Marriage and its consequences' – Tribute-August 1999; 'Affirmative Action: is it a real contributor in the reconstruction and development process' – unpublished; 'Land redistribution –why?' – unpublished; 'Lessons to be learnt from the ethnic contact' – unpublished; and 'Sins of the Father visited upon the Daughter' – Black Lawyers Association Bulletin.

3. Prof Sathasivan Cooper

Appointed on 12 April 2019

PhD, MA (Boston University: Fulbright Scholar); BA Hons (University of the Witwatersrand); BA (University of South Africa).

A Fellow of the British, Indian, Irish, and South African Psychological Societies, he is Extraordinary Professor at the University of Pretoria and Visiting Professor at the University of Johannesburg. He spent nine years in apartheid prisons, serving five years in the same Robben Island cell block as the late Former President Nelson Mandela. He was Vice-Chancellor of the University of Durban-Westville and has served in leadership roles in different sectors in South Africa and abroad. He is also President of the Pan-African Psychology Union, immediate Past President of the International Union of Psychological Science, and Governing Board Member of the International Science Council.

4. Adv Benjamin Motshedi Lekalakala

Appointed on 12 April 2019

BA (Law), LLB, HDIP (CO. Law) (Wits University); LLM (Tax) (RAU), Executive Development Programme (Wits Business School); Executive Development Programme (University of Reno, Nevada); Executive Development Programme (Stanford University, California) Post Graduate Certificate - Broadcasting (Wits Business School).

Adv Lekalakala practised both as an attorney and an advocate, worked for the public service as Director, Chief Director and Chief of Staff. He previously worked for Telkom as an Executive

responsible for Public Policy and Legislation. He was also appointed as Chief Executive Officer for the Gauteng Gambling Board and Secretary to Council, City of Johannesburg and City of Ekurhuleni.

5. Mr David Maimela

Appointed on 12 April 2019

MA (Politics) - Cum Laude, (University of Johannesburg); BA. Hons (International Relations); B.PolSci (University of Pretoria).

Mr Maimela is an International Relations and Foreign Policy specialist, a writer, researcher, public speaker, manager and public policy strategist. He has more than 10 years of experience as a professional straddling the public, research and academic, civil society and consultancy sectors. His previous work experience includes serving as Chief of Staff: Office of the Commissioner at the Competition Commission SA, as a Researcher: Political Economy Faculty at MISTRA and as Deputy Director: Policy and Governance, in the Office of the Premier, Gauteng.

He is currently Head of Office (Chief of Staff) in the office of the Member of Executive Council for Gauteng Health, and notably a member of the University of Limpopo Council, as well as, a Member of the Mapungubwe Society of Researchers (MMSR).

6. Mr Michael Grant Markovitz

Appointed on 16 October 2017

LLB (Wits); MA in Southern African Studies (University of York); BA (Hons) in African Studies (Rhodes University); BA Journalism and Media Studies (Rhodes University).

Mr Michael Markovitz has over two decades of experience as an executive and consultant in the media, technology and entertainment sectors. During this period, he headed up Primedia's Digital Division, served on the company's Group Executive Committee, and chaired five Group Company Boards over a period of eight years. Mr Markovitz has expertise in regulation, and participated in drafting South Africa's new broadcasting legislation in 1993 at the Multi-Party Negotiation Process. He also served as the Special Adviser to the Independent Broadcasting Authority (IBA), and thereafter to ICASA's Chairperson, Mr Mandla Langa from 1999 to 2005.

In July 2018, Mr Markovitz was appointed by the Minister of Communications, to serve on the Digital Migration Advisory Council. As an active angel investor, Mr Markovitz has taken investment stakes in digital start-up businesses across South Africa. His other interests are in the hospitality industry where he is the Board Chairperson of the independent hotel group, V & A Hotel (Pty) Ltd.

7. Mr Dinkwanyane Kgalema Mohuba

Appointed on 16 October 2017

BA Paed, B.Ed (UNIN now UL); Management Development Programme (Unisa SBL); Higher Education and Leadership and Management (Wits School of Governance); Executive Management Programme (Turfloop Graduate School of Leadership, UL); Executive Development Programme (University of Stellenbosch Business School); Master of Business Administration (Regenesys Business School); Certificate in Theology and Diploma in Ministries (Teamwork Bible College International).

Mr Mohuba is Chartered Public Relations Practitioner (CPRP) of Public Relations Institute of Southern Africa (PRISA) and

also an Individual Member of both Institute of Directors South Africa (IODSA) and The Business Ethics Network of Africa (BEN-Africa). Mr Mohuba is former Executive Director: Marketing and Communication, and served as Acting Dean of Student Affairs at the University of Limpopo from February 2017 until November 2018. He served amongst others in the following governance and management structures, i.e. Council, Audit Committee of Council, Risk Management Committee, Senate, Executive Management Committee (EMC), Executive Committee Senate (ECS). He served as Director of Endecon Ubuntu (PTY) Ltd for ten years and also Chairperson: Board of Trustees for Mpumalanga Department of Agriculture, IDC, and UL Nguni Cattle Development Project. He has recently been appointed by the City of Johannesburg to serve as former Board Member of Johannesburg Social Housing Company (JOSHCO) Development Committee. Mr Mohuba has a passion for community development programmes and has an excellent track record of serving two terms (six years) as Chairperson of the School Governing Body at Pietersburg English Medium Primary School in Polokwane. He is currently serving as Director: Strategic Partners Africa (Pty) Ltd.

8. Ms Bernadette Muthien

Appointed on 12 April 2019 (resigned on 1 June 2020)

Postgraduate degrees in Political Science (University of Cape Town and Stellenbosch University) Fulbright-Amy Biehl fellow (Stanford University).

Ms Muthien serves on various international advisory boards, including the international journals Human Security Studies, and Journal of Human Security the International Institute on Peace Education. She also serves on the Steering Committee of South African Women in Development (SAWID) in the Western Cape, and was recently appointed to the Board of the Pan South African Language Board (PanSALB). She served part-time on South Africa's Constitutional Commission for Cultural, Religious and Linguistic Rights (CRL). She was Deputy Director-General: Social Transformation and Economic Empowerment in the Presidency and also served in the high-level Economic Cluster. She was on the Executive Council of the International Peace Research Association, was the convener of the Global Political Economy Commission and was Co-Founder of the African Peace Research and Education Association. Ms Muthien held various Executive and senior management positions in academia, civil society and the public sector locally and abroad. She is an accomplished facilitator, researcher and poet who designs, implements and evaluates projects for diverse institutions locally and internationally. She has over 200 publications and conference presentations, some of which have been translated from English into at least 16 other languages.

9. Ms Jasmina Patel

Appointed to the Board on 11 April 2019

Diploma in Municipal Governance (Rand Afrikaans University); Bachelor of Accounting Science (University of South Africa); Certificate in Control Self-Assessment (Institute of Internal Auditors); Certification in Risk Management Assurance (Institute of Internal Auditors); Master of Business Leadership (UNISA - School of Business Leadership).

Ms Patel is currently the Chief Audit Executive at the University of Limpopo responsible for performing advanced-level and managing assurance and consulting services for projects as per the risk-based audit plan. She provides training, coaching and supervision to internal audit team members. She has been

a member of the Institute of Internal Auditors South Africa (IIASA) since 2000. Ms Patel served as the Regional Governor at the IIASA Limpopo Region. She was a Senior Manager at PwC Risk Advisory Services. She gained extensive experience at PwC in internal controls and corporate governance through her involvement in internal audit assignments for both public and private sector clients, ranging from local government, parastatals, tertiary institutions and banks. In 2016 she was awarded a national award on Excellence in Internal Audit Leadership by the Institute of Internal Auditors South Africa.

10. Mr Jack Howard Phalane

Appointed on 16 October 2017

BA, LLB, LLM and MBA (Wits); MCom (SA and International Tax) (North West University); Certificate in Advanced Corporate Law and Securities (UNISA) and Teachers Diploma (Dr CN Phatudi College of Education).

Mr Jack Phalane has been practising as a commercial attorney for over 17 years, specialising in Company Law. He is experienced in drafting and advising clients on various commercial transactions, including mergers and acquisitions, company law, corporate governance, telecommunications and broadcasting law.

11. Ms Mary Bernadette Papayya

Appointed on 12 April 2019

Master's degree in Journalism (Stellenbosch University); Bachelor's degree in Journalism; Post-graduate Management Diploma, and an Advanced Diploma in Human Resources Management (UKZN).

Ms Papayya is currently an Executive Director of Papayya Media, a social enterprise entity, dedicated to the personal and economic growth of women, youth in media and journalism. Ms Papayya is an award-winning journalist and news leader. She is a media, journalism trainer and consultant (broadcast, print and online), coach, analyst, seminar and webinar speaker and convener of dialogues across the public, private and academic sectors. Ms Papayya is the founder Editor of the SA National Editor's Forum (SANEF) and has served in a range of leadership positions for nearly 25 years including Secretary-General (three terms) and Deputy Chair and Convener (two terms). She is currently a Council member and Chairperson of the Media Freedom Sub-Committee. Ms Papayya also serves on other professional bodies, including the South African Press Council. Also, she sits on the oversight committee of the environmental media entity, Roving Reporters and the Professional Journalism body (Projournal). Ms Papayya is the convener for the Nat Nakasa Bringing Home a Hero Project and is a judge on various journalism awards including the Vodacom Journalist of the Year, G-sport Women in Sports Awards and the Standard Bank Sikuville Awards.

12. Dr Marcia Socikwa

Appointed to the Board on 12 April 2019

Doctor of Philosophy (University of Stirling, UK); MA in International Communication (City University, UK); Bachelor of Arts and Honours (Wits); Certificate Program in Innovation for Economic Development (Harvard Kennedy School, US); Utility Regulation and Strategy (University of Florida, US); Diploma in Applied Telecommunications Studies (Cable and Wireless College, UK).

Dr Socikwa is currently the Vice-Principal: Operations and Facilities at UNISA.

She previously served as a Board Member of the Printing Industries Federation of South Africa (PIFSA) till 29 August 2019, the Executive: Government Relations at Cell C and was an

ICASA Councilor for two terms. She was the Acting Executive Director: Corporate Affairs at UNISA. She was appointed as a Senior Lecturer and later Deputy Head of Department in the Department of Communication Science at UNISA. She has also served as a Member of the ICT Policy Review Committee and Broadband Policy Review Committee. She serves in the technical committee of a global consortium of online learning.

EXECUTIVE MEMBERS OF THE BOARD

13. Mr Madoda Mxakwe

Group Chief Executive Officer (GCEO)

Appointed on 1 July 2018

MA (Global Political Economy) (Sussex University, UK); MA and BA (Hons) (University of Cape Town); Executive Leadership Development Certificates (London Business School); Post Graduate Diploma in Business Administration (Gordon Institute of Business Science); BA (Education) (Central University of Technology).

Mr Mxakwe is the Group Chief Executive Officer for the South African Broadcasting Corporation. His extensive experience comprises of a broad range of skills and expertise derived from senior executive positions he held in business leadership and management, strategy, sales and communications, both in the public and private sectors, at national and global levels. He has a proven track record of turning businesses around. Mr Mxakwe has successfully managed businesses and led diverse teams in Southern Africa, East Africa, West Africa and Europe in the fast-moving consumer goods industry. Prior to joining the SABC, he was Nestlé's Country Head responsible for Mozambique, Namibia, Botswana, Swaziland and Lesotho. In this role, he provided strategic, commercial and financial leadership with a focus on driving sustainable profitable growth. Mr Mxakwe's strong leadership and results-oriented approach ensured solid growth under difficult economic conditions for Nestlé Nigeria, where he served as the Head of Sales in Lagos. He also worked as Deputy Vice-President for Corporate Affairs at Nestlé's headquarters in Switzerland, where he was responsible for strategically positioning the company, building global partnerships as well as reputation management.

14. Ms Yolande van Biljon

Chief Financial Officer (CFO)

Appointed on 25 June 2018

MCom (Taxation); BCom (Hons) (University of Pretoria); BCompt (Hons) (University of South Africa); BCom (Accounting) (Rand Afrikaans University); CA (SA).

Ms van Biljon is the Chief Financial Officer of the South African Broadcasting Corporation. She gained in-depth and broad experience in Finance Departments of a number of small, medium and larger companies she served in previous years. Her career, which spans more than 20 years, depicts her skills and contribution to transformation, turnaround and growth strategies and the implementation thereof. In 2014, Ms van Biljon was appointed as the Chief Financial Officer of the Road Accident Fund where she contributed to the successful turnaround of the organisation. This is evident in the institution's achievement of four consecutive clean audits and the scores achieved against its Annual Performance Targets. Ms van Biljon's career also includes seven years she spent in strategic positions at Denel Dynamics a division of Denel SOC

Ltd. She joined this company as Manager: Finance Accounting in 2007 before being appointed Chief Financial Officer in 2008. As a member of the Executive team, she contributed to the transformation of Denel Dynamics from an organisation that was faced with insurmountable sustainability challenges, to be able to tick off all indicators of medium to long-term sustainability including, amongst others, industry acceptable financial results, strong internal controls, exceptional client relations and a healthy order book, in seven years. Following the completion of her articles, she had a brief stint at a Private Investment Bank in London.

15. Mr Ian Plaatjes

Chief Operations Officer (COO)

Appointed on 1 November 2019

MBA, BA, Higher Diploma in Management Practice (Nelson Mandela University); Diploma in Electronics (Telkom Technical College: Port Elizabeth); Diploma in Project Management (Newport University).

Mr Plaatjes has more than 30 years' experience in various industries, including telecommunications, mining, banking and the financial services' sector.

Prior to joining the SABC, Mr Plaatjes held the position of Chief Digital Officer at the South African Bureau of Standards (SABS). Previously, Mr Plaatjes held the senior executive positions of Group Chief Information Officer (GCIO) at SBV and Chief Operating Officer (COO) for Absa Group Payments, respectively.

PREVIOUS MEMBERS OF THE BOARD

17. Ms Sylvia Tladi

Acting Chief Operations Officer (Acting COO)

Appointed on 30 August 2019 to 31 October 2019

B.Proc. University of North West (Mahikeng), Certificate in Compliance Management: the University of JHB, Management Advancement Programme (MAP): Wits Business School (MM1).

Ms. Sylvia Tladi joined the SABC in 2004 as Manager Business Accounts TV Licences and became Compliance Manager: Business & Retailer Accounts (TV Licences) in 2011. In 2012, she was appointed in an acting capacity as Head: TV Licences and was formally appointed in the role on 1 May 2013. Her career in collections began in 1998 when she was appointed as Recoveries Negotiator by Mutual & Federal Insurance Company. Whilst at Mutual & Federal, she assumed the roles of Section Head in 1999 and Assistant Manager in 2003. She has 21 years of experience in collections, 15 years of which were in management positions. Her experience includes overseeing collection litigation processes, management of operational processes, compliance management and customer services management.

Dr Craig van Rooyen

Acting Chief Operations Officer (Acting COO)

Appointed on 30 April 2019 to 29 August 2019

PhD, (Management of Technology); MBA, (Milpark); MMP, (GIBS); National Technical Diploma (Telecommunications Technology); Senior Management Programme (University of Stellenbosch); Converged Network Strategy Program (University of the North West); Management of Innovation (University of the North West); Member of SA Institute of Electrical Engineers.

Dr van Rooyen was responsible for the Technology operations management of the SABC, which included developing and executing key strategies to support the SABC's corporate strategy, which included the Enterprise Broadcast Architecture, driving the Digital Strategy and the Information Technology and Systems, till his resignation on 6 September 2019. During his career, he held several Senior Management and Executive positions in Telkom and Vodacom, across various functions which include Operations Management, Credit Management, Marketing and Sales, Wholesale and Technology, over a career of more than 28 years. During his tenure at Vodacom, he held the position of Executive for the Group's Technology Efficiency and Transformation, establishing and driving Effectiveness Programs in South Africa, Mozambique, Democratic Republic of Congo, Lesotho, Kenya, Tanzania and most recently Ghana. He is a part-time lecturer at the Wits Business School on Digital Business.

Mr Bandlalenkosi Chris Maroleni

Chief Operations Officer (COO)

Appointed on 1 February 2018 to 23 April 2019

BA, (UCT); BA Hons (International and Comparative Politics), (UCT); Master of Arts (UCT).

Mr Maroleni has extensive experience in strategic leadership and providing direction and leadership to multifunctional teams during times of crisis and in driving and coordination of engagements with stakeholders both locally and internationally.

His success as the founding Africa Editor and Head of Department of the highly successful eNews Africa Service serves as a testimony to this. Mr Maroleni also has extensive experience in recruiting and training competent technical and editorial teams, the establishment of content channels and development of comprehensive broadcast scheduling and distribution plans. He possesses in-depth knowledge of change management, strategy, sound operational performance and pragmatic financial planning and execution. His media experience as Head of Department and Africa Editor of eNCA and Executive Producer and Anchor of the current affairs show Africa 360 has given him a unique experience and insight into running the workings of an active broadcasting operation.

SABC Leadership



Mr Madoda Mxakwe
Group Chief Executive Officer



Ms Yolande van Biljon
Chief Financial Officer



15. Mr Ian Plaatjes
Chief Operations Officer



Ms Lindiwe Bayi
Company Secretary



Ms Gugu Ntuli
GE: Corporate Affairs and Marketing



Mr Merlin Naicker*
GE: Television



Adv Ntuthuzelo Vanara
GE: Governance and Assurance (acting)
and Head: Legal



Dr Mojaki Mosia*
GE: Human Resources



Ms Nada Wotshela
GE: Radio



Ms Phathiswa Magopeni
GE: News



Mr Reginald Nxumalo*
GE: Commercial Enterprises



Mr Lungile Binza*
GE: Media Technology Infrastructure



Mr Gary Rathbone*
GM: Sport



Ms Irene Marutla
Head: Supply Chain Management
(acting)



Ms Sylvia Tladi
Head: TV Licences

* Started working in their leadership role after the reporting period.

Provincial

Offices and their Leadership



Mr Phumzile Mnci
PGM: Eastern Cape (*acting*)



Mr Hosea Jiyane
PGM: Free State, Northern Cape
and Tshwane (*acting*)



Mr Busani Mthembu
PGM: KwaZulu Natal (*acting*)



Mr Freddy Sadiki
PGM: Limpopo (*acting*)



Mr Raymond Makgopa
PGM: North West (*acting*)



Mr Vusi Mabunda
PGM: Mpumalanga (*acting*)



Ms Lynda Smith
PGM: Western Cape (*acting*)

The SABC comprises of nine provincial offices across the country, each headed by a Provincial General Manager (PGM).

The provincial offices perform some of the functions of the Head Office, albeit on a much smaller scale. The offices serve as hubs for news gathering and processing, host radio stations, and provide diversity to SABC's content by reflecting the lives and cultures of the people in their respective locales. They also provide support for TV License revenue collections.



Group Chief Executive

Officer's Overview

When I assumed the role of Group Chief Executive Officer in July 2018, I had no illusions about the magnitude of the task that lay ahead.

As I started, however, the true depth of the challenges bedevilling the SABC became clearer. What also became evident is that the post-democratic era of this institution has had enough examples of leaders who have made honest attempts to improve its fortunes. Unfortunately, the pattern appears to have been erratic as successive changes at leadership level saw the emergence of poor governance and maladministration that have plagued the institution for decades, and continue to haunt it.

The year under review, like the preceding one, remained extremely challenging. Tough trading and depressed economic conditions persisted. All the same, the collaboration achieved with the Government Technical Advisory Centre (GTAC), the DCDT and National Treasury in bolstering our Turnaround Plan helped in instilling sound business fundamentals in order to fulfil our public mandate. During the year under review, the SABC received a R3.2 billion bailout from National Treasury with strict conditions. The bailout was provided primarily to pay creditors, procure compelling content, and acquire broadcast-critical infrastructure. In fact, the moment the R3,2 billion



"A river cuts through rock not because of its power, but because of its persistence."

- James N. Watkins



bailout reached our accounts, over R2,2 billion of the funds went to paying off our historic debts. In the month that we received the final tranche of the bailout, the country, like the rest of the world, found itself in the grip of the deadly COVID-19 pandemic.

The delay in receiving the bailout had the unfortunate, though predictable, impact on our ability to implement key actions necessary to turn the organisation around, such as the timeous acquisition of the much needed fresh content to attract audiences back to our platforms, and investing in aggressively marketing our existing offerings. Despite this, the leadership and employees of the SABC, under the guidance of the Board, continued to work diligently to keep the organisation operational and delivering on our mandate.

With regard to financial performance, although the R5.7 billion revenue achieved for the year was 23% under budget, exceptional financial management saw the SABC end the year with a lower loss before interest and tax than expected (R534 million loss recorded against a projected loss before interest and tax of R639 million). Furthermore, the work done to enhance the cost allocation model has afforded the SABC an enhanced view of the true financial performance of each of the radio stations and television platforms. This has enabled us to devise more appropriate interventions to address the challenges identified.

The operating model continued to present challenges relating to disproportionate employee compensation costs, high signal distribution costs and a lack of required skills for a digitally-enabled broadcasting environment. The SABC Turnaround Plan contains key actions aimed at addressing all these challenges. In line with this, the critical work to turn the SABC into a self-sufficient entity requires tough decisions and decisive action.

Additionally, the work begun in the previous year to develop a Target Operating Model required a rethink. I can confidently say that the SABC is a few months away from an operating model, the successful implementation of which will reposition the organisation to survive in the continuously evolving digital broadcasting landscape.

In the midst of all the persistent challenges, the Corporation continued to serve the information, education and

entertainment needs of the citizens. This was achieved through the provision of appealing and relevant content, in line with the various platform licence conditions. Local content targets were exceeded on all SABC platforms. The year also saw the continued rise in the emergence of SABC News as the premier source of incisive journalism in the country and on the continent. The public news service's ethos, 'Independent and Impartial' continues to be its moral and ethical compass in the ongoing efforts to affirm it as the number one news source in the country. The positive endorsement of the SABC's coverage of the 2019 National Elections by the watchdog, Media Monitoring Africa, provided the added reassurance that the organisation is on the right path. We are determined to provide even better coverage of the upcoming local government elections.

In implementing the Turnaround Plan, it has become clear that the establishment of a stable, ethically unquestionable and technically competent leadership team is a critical prerequisite for any reasonable chance of succeeding in achieving the SABC's objectives. With the support of the Board, by the end of the year under review, we had filled the positions of Chief Operations Officer and Group Executive: Corporate Affairs & Marketing. Suitable candidates had also been identified for the positions of Group Executive: Television, Group Executive: Commercial Enterprises, Group Executive: Media Technology Infrastructure, and Group Executive: Human Resources. This was a significant achievement with regard to the establishment of a stable leadership team to lead our turnaround efforts.

As we continue to strengthen and preserve this institution that is so vital to our democracy, I wish to assure all stakeholders that all the SABC's decisions are aimed at resuscitating this 84-year old institution, for the sole benefit of the citizens and future generations.

Thank you to all the loyal SABC audience, customers, content and service providers who stood with the SABC and continued to support the organisation during these most trying times. Thank you to the millions of South Africans who continue to pay their TV licences to enable the SABC to offer you valuable content.

I also wish to thank the SABC Board for its invaluable guidance, my fellow Executive Committee members for their diligence, and all SABC employees for their steadfast commitment to our organisation in delivering on our mandate. I am honoured to serve you.

.....
 Mr Madoda Mxakwe
 Group Chief Executive Officer

Staff and the GCEO interactions.



Strategic

Overview

The SABC, as Africa's leading and largest public service broadcaster, firmly demonstrated its value to South African citizens during the period under review, comprehensively delivering on its mandate to provide informative, educational and entertaining content to all the citizens.

Consistent with its public interest obligation, the SABC's programming reflected the multiplicity of South African attitudes, opinions, ideas, values, and the richness and depth of talent and artistic creativity. During the period under review, which also saw the election of the country's sixth administration, the public broadcaster continued to offer comprehensive compelling coverage reflecting a variety of views and analyses, while providing entertainment that showcased South Africa's diverse cultural heritage.

While the broadcasting environment became increasingly competitive as fueled primarily by rapid changes in technology and developments in innovation, the SABC initiated a process to increase its investment in local content, which has always been the selling point and a trusted source of competitive advantage for the Corporation. The value of investing in local content extends beyond the SABC and its audiences, to benefit local producers as well.

Typical of the unpredictability which characterises the operating environment, a confluence of internal and external factors were felt throughout the year impacting our ability to deliver on our mandate. Among the key challenges are:

- The financial pressures experienced by the organisation as it delivered a significant public obligation relying only on commercially-generated revenue;
- The deterioration of global economic performance indicators, leading to industry-wide declines in advertising spend over the last three years;
- A regulatory environment that has not kept pace with the technological changes that have seen the increasing convergence in the media, technology and telecoms telecommunications sectors;
- The challenges presented by the requirement that the SABC competes with commercial broadcasters for advertising revenues, while unlike them, it has to do so while adhering to onerous and restrictive public sector operating guidelines, policies and regulations;
- A weak financial position that affected our ability to invest sufficiently in more content and the required technology infrastructure to continue to cater for the changing needs of our audiences; and
- The challenges to address the legacy of systemic collapse of governance and pervasive maladministration that eroded accountability, sound financial systems and the integrity of the Corporation.

With these abiding challenges, the management took decisive steps and made significant strides in rehabilitating the institution. Efforts to strengthen governance and restore



The SABC headoffice in Auckland Park.

accountability and rebuild public trust and confidence in the SABC were enhanced, as well as initiatives to stabilise leadership and turnaround the dire state of the Corporation's finances.

The first half of the year under review saw the SABC's leadership team devote vast amounts of time and effort to developing the Turnaround Plan which supported the organisation's request for government funding. Crafted jointly with GTAC and DCDT, the plan was successful, with the first tranche of the bailout being received in the third quarter, while the balance was paid out during the last month of the financial year. The receipt of the bailout enabled the activation of content acquisition and capital expenditure investment plans, that are aimed at putting the SABC on a firmer financial position in the medium to long term.

The strategic focus for the year under review centred around these main areas:


- Meeting the preconditions set out by National Treasury to secure much-needed funding support from the government;
- Protecting audience shares on radio and television from further decline;
- Fulfilling the mandate and meeting ICASA license conditions;
- Acquiring and commissioning fresh content for television;
- Implementing capital expenditure projects aimed at developing a robust digital offering; and
- Making progress in developing of a fit-for-purpose organisation.

Notwithstanding its current constraints, the SABC continued to strive for optimum delivery of content to South African citizens who depend solely on its platforms for information, education and entertainment.

Performance

Thank you to the
Springboks
for bringing home
the victory that united
and inspired us.





The Turnaround Plan is significantly improving the financial position of the SABC.

Auditor

General's Report

Situational

Analysis

Reference must be made to the paragraph in the Auditor General's report (Reporting on other legal and Regulatory requirements) published as Part E (AFS) of the Annual Report.

The Operating Environment

The South African media landscape, like elsewhere in the world, continued to undergo changes with the evolution in underlying technologies. These included the continuing fragmentation of audiences as more disintermediated platforms entered the market. Content consumption patterns continued to evolve as content becomes easily accessible with more convenience and immediacy. The competition for audiences intensified as new players entered the market and existing players increased their investments in efforts to grow audiences.

The increase in competition in the industry is undoubtedly a good thing for South Africans as it increases the variety of content available. However, for the SABC the increased competition creates yet another challenge as the playing field remains uneven. With the barrier to entry lowered through digitisation and a lack of regulation, the burden on the public broadcaster to provide a comprehensive offering at a huge cost continues to put pressure on the financial stability of the organisation.

License conditions for television channels and radio stations require the SABC offers programming that, while being of value to the public, does not necessarily generate revenue. Among these are sports of national interest that the SABC must broadcast. However, the exorbitant

cost of sports rights and the limited potential for revenue generation are prohibitive, and lead to guaranteed losses. The widely publicised matter regarding the Premier Soccer League (PSL) during the year under review, related to attempts to reduce such losses. It was about trying to find an acceptable balance between fulfilling the mandate and ensuring financial sustainability of the SABC.

Efforts to implement innovative airtime selling models achieved mixed results. While some were successful, one model that would have brought in considerable revenues for the SABC encountered some opposition from the competition authorities. The model will be reconsidered once an assessment of the impact of addressing the concerns raised is made.

Despite the daunting challenges, the SABC continued to provide appealing content to its radio listeners and television viewers. In terms of listenership, SABC radio recorded a combined weekly average of 37.5 million adults who tuned in in a typical month. With regard to television viewership, the SABC's free-to-air channels continued to attract significant audiences. SABC1, SABC2 and SABC3 garnered average audiences of 26.2 million, 24.8 million and 20.2 million adults in a typical month, respectively. The SABC News channel and SABC Encore channels, which are delivered through satellite broadcast, reached an average of 1.5 million and 5.8 million viewers in a typical month, respectively. As an indication of the universal appeal of SABC content, at least 13 of the nation's Top 20 most watched television programmes were SABC programmes.

Organisational Environment

The SABC commenced the year under enormous financial strain. Strategic and operational plans were developed with the assumption that financial assistance from the government would reach the SABC close to the beginning of the fiscal. It was not until the third quarter that the first tranche of the funding was received and the remainder in the last month of the fiscal. The challenges faced organisationally due to the delay in receiving the funding included the following:

- An adverse effect on the Corporation's ability to fully implement strategic and operational plans.
- Strained relationships with some service providers, as the organisation struggled to pay them in full, on time, or pay them at all. This adversely impacted the delivery of services and content.
- Lengthened duration of procurement processes as some tenders had to be advertised more than once due to the low response rate, owing to trust deficit issues.
- Halting plans to stem audience losses across television channels, as there was no funding to invest in fresh content.
- Given the time between content being commissioned and being ready for transmission (12 to 18 months), any positive result of efforts to regain lost audiences will only start showing from the second half of the next fiscal.
- Suspension of most maintenance and infrastructure development projects. This resulted in further delays in the SABC's plans to significantly strengthen its digital presence and start generating revenues.

- All these compounded into reputational damage that will take some time for the SABC to overcome.

Furthermore, due to a difference in opinion regarding the appropriate approach, initial efforts to right-size the organisation encountered internal and external challenges. As a key focus of the Turnaround Plan, this initiative received continuous attention from management and the Board throughout the period under review. Agreement on an approach was eventually reached, and implementation commenced. This will continue into the next fiscal. Amid an environment characterised by increased competition and diminishing revenues, optimising the staff compliment of the SABC remains a key focus of the turnaround and sustainability efforts.

During significant periods of the year under review, the SABC also had to contend with operating without permanent employees in key positions. These included the Chief Operations Officer, Media Technology Infrastructure, Television and Commercial Enterprises Group Executives, as well the Head of Supply Chain Management. As a result of not having permanent employees in such key roles, performance suffered as implementation momentum could not be sustained. The available skilled resources had to assume additional roles to ensure that the required level of performance was achieved.

Key Policy Developments and Legislative Changes

During the period under review, Parliament published several important Acts and Bills which (if passed into law), will impact the SABC to various degrees.

The Critical Infrastructure Protection 2019 (Act No. 8 of 2019): Continued Application of the National Key Points Act 102 of 1980

On 20 November 2019 the President assented to the Critical Infrastructure Protection Act 8 of 2019 ("the Act"). In terms of Section 32 of the Act, it comes into operation on a date determined by the President by proclamation in the Government Gazette.

The Act creates a Critical Infrastructure Protection Council which must be appointed by the Minister in accordance with the process set out in Part A of Chapter 2 of the Act. This process is yet to commence. Secondly, section 27(6) of the Act requires that Regulations must be promulgated to coincide with the coming into operation of the Act. In terms of section 27, these Regulations must be published for public comments and tabled in Parliament for scrutiny.

In the meantime, the National Key Points Act 102 of 1980 remains in operation until the coming into operation of the Critical Infrastructure Protection Act, 2019. New applications for declaration in terms of the National Key Points Act, 1980 must therefore be dealt with in terms of that Act.

The Copyright Amendment Bill 13B of 2017

The Copyright Amendment Bill 13B of 2017 ("Bill") was deliberated on by both the National Assembly and the National Council of Provinces in 2019. The Bill seeks to amend the Copyright Act No. 98 of 1978 that is 41 years old, by providing for measures that protect the economic interests of the authors and creators of work against infringement through the promotion of the progress of science and useful creative activities. The Bill also



seeks to make copyright consistent with the digital era, developments at a multilateral level, international standards and introduce improved exceptions and limitations into Copyright Law. The Bill is currently waiting to be signed into law by the President of the Republic of South Africa.

In consideration of the impact of the Bill on the SABC, some of the proposed provisions will result in the SABC not being able to recoup financial returns on commissioned works. The underlying fundamental proposal is that despite the assignment of copyright in literary, musical and audio-visual works, the author and performer of such will be entitled to receive indefinite royalties. The implementation of the Bill may therefore force the SABC to decide not to repeat most of its commissioned programmes to avoid grave financial implications resulting in indefinite payment of royalties to all performers in television or radio programmes owned by the SABC.

In the meantime, the SABC made written and oral representations to the Parliamentary Trade and Industry Committee highlighting the possible impact of the Bill on the working relationship between the SABC and the creative industry in relation to the commissioning of content.

The SABC was also involved in various ongoing policy and regulatory processes that are intended to culminate into new legislation, which will have implications on the SABC's revenue generation and business operations in future years. These include:

Local Content Regulations published by ICASA:

To increase local content quotas for TV and Radio services, 50% of annual independently produced programmes

budget must be spent on previously marginalised local African language and/or programmes from regions outside the Durban, Cape Town and Johannesburg metropolitan cities with effect from 23 March 2018. There are steep penalties for non-compliance (fines up to R5 million). To this end, the SABC has engaged ICASA on the challenges presented by this new regulatory requirement. However, ICASA has since requested that the TV industry complies with the prescripts of the regulations.

Broadcasting Amendment Bill

It is anticipated that proposed amendments to the Bill will be published for public comment after the completion of the Audio and Audio-Visual Policy process. Provisions related to the cross-subsidisation, TV license and funding model will be advanced. The SABC will participate in the public consultation process.

Review of Must-Carry Regulations

There is an obligation for Pay TV services to carry SABC channels free of charge in line with the regulations. This obligation disregards the value of SABC channels and gives Pay TV services undue leverage of growing their services through the SABC content. The SABC Board has engaged ICASA on the must-carry challenges, and as a result, an ICASA review is underway. Final draft regulations will be published for public comment.

Review of Sports Broadcasting Rights Regulations

There is an obligation to broadcast listed sports events in line with these regulations. The SABC has submitted to ICASA the adverse effects of the 2010 Sports Regulations which yielded unintended consequences of commercialisation of sports rights, inaccessibility of premium sports content, and unreasonable sub-licensing conditions of sports rights. The SABC submitted written and oral representation to ICASA. The next step is to submit written representation on the final draft regulations and participate in further public hearings in the 2020/21 financial year.

Other regulations in progress include the following:

- Subscription broadcasting services regulations;
- Digital Terrestrial Television – Broadcasting Digital Migration;
- FPB Online Content Regulation/Policy;
- Draft Code for Persons with Disabilities;
- Digital Sound Broadcasting (DSB) Regulatory Framework Inquiry;
- Review of Advertising Sponsorships and Infomercials Regulations;
- Audio and Audio-visual Policy;
- ICASA licensing process for International Mobile Telecommunications (IMT);
- ICASA Digital Licensing Framework; and
- The Basic Conditions of Employment Act no.75 of 1995.

PERFORMANCE





SABC2's *Giyani*, first Xitsonga soapie, which is part of the mandate to provide entertainment to all South Africans in their respective languages.



Strategic

Outcome Orientated Goals

As part of the SABC's Strategic Roadmap, the Corporation set out to deliver against six core pillars in its turnaround endeavours to become a relevant, accessible, financially sustainable organisation, committed to providing a range of compelling informative, educational and entertaining programmes, via television, radio and digital platforms.

Financial Sustainability

Goal 1: A Financially Sustainable Organisation



With only 3% of the SABC's income received from a government grant, the organisation's funding model is mainly based on the generation of commercial revenue. A critical priority is therefore to ensure that the SABC is financially sustainable, by growing its commercial revenue base through various traditional and innovative new sources whilst prudently managing its costs.

Despite our efforts to enhance commercial revenues through the introduction of innovative trading and pricing models for radio, television and digital media sales, and measures to enhance television license revenues, the SABC generated R5.7 billion in total revenue for the financial year.

This figure was 23% (R1.7 billion) below budget and 12% (R790 million) below the prior year revenue generated. The decline was impacted by the late delivery of the bail out funds resulting in below budget advertising revenues, impacted by a combination of declining television audiences owing to insufficient levels of fresh and compelling content, and the generally depressed national and global economic performance.

Nonetheless, efforts to achieve alignment of improved policies, procedures and internal controls to ensure cost containment, prudent use and allocation of resources and reduction where possible, continued.

Key actions, as outlined in the SABC's Turnaround Plan, were initiated. Included in these were efforts to reduce the utilisation of freelancers, the decommissioning of non-performing programmes, the better negotiation of content rights, reviewing of signal and distribution costs, the filling of vacancies only by way of a Vacancy Committee, reduction in the use of consultancy services, and strict management of legal costs. These were all done to reduce the Corporation's costs. The efforts paid off. Despite the reduced revenue for the reporting period, costs were significantly reduced, yielding a 19% better than the budgeted year-end position.

By the end of the financial year, the average creditors' days stood at 51 days against a target of 60 days. Outstanding accounts were settled from the first tranche of the bailout funding received in October 2019. Average debtors' days

ended the year at 38 days, also against a target of 60 days. Cash reserves closed off the year at R2 billion.

This strengthened the financial position of the SABC, as evidenced by the resultant current ratio of 2.37. Solvency of the SABC also ended the year in a much healthier position with a 2.51 coverage ratio. The sustenance of this healthy financial position is dependent on future profitability, prudent working capital management and an enabling legislative environment.

Content and Platforms

Goal 2: A Competitive and Innovative Multi-channel Portfolio.



As part of strengthening the content offering across radio, television and digital services, new telenovelas, educational content and digital news in indigenous languages were introduced. This also included the extension of podcast and streaming services.

The launch of *Giyani*, the very first Xitsonga telenovela was well received by the public as we offered a variety of content to all language groups in South Africa. Such efforts ensured that our television and radio services were consumed in significant numbers across a wide range of genres, with no less than 15 of the nation's Top 20 television programmes being carried by the SABC in any given month during the financial year. This we achieved while exceeding the license conditions of local content broadcast by the SABC across television and radio stations.

Thirteen (13) of fourteen (14) public service radio stations were fully compliant with genre quotas. One station had failed to meet two genre quotas during the third quarter of the financial year, however, ended the year with the quotas being resolved.

The absence of content hampered television's compliance with marginalised language quotas due to a combination of suboptimal levels of investment in content in prior years, a lack of marketing and the delayed receipt of the bailout funding. Even so, SABC 2 was able to exceed its quota target. The performance will be improved in the new fiscal as the newly commissioned programmes reach transmission stage.

The SABC remained committed to providing a wide variety of high-quality local programmes that not only reflect the diverse cultures, languages, life experiences, interests and needs of its audiences, but some were generated by production houses that are domiciled outside Gauteng. During the year, 25 such programmes were broadcast on SABC television channels.

Digital

Goal 3: Content Everywhere for Everyone



The SABC fully recognises that the move from being a traditional analogue broadcaster into a multimedia, multiplatform organisation is the only way to ensure

relevance in the continuously evolving broadcasting environment. Digital convergence is happening at a rapid pace, and the SABC recognises that it must catch up and transform its services.

Some key planned projects were completed in the period under review. Perhaps one of our greatest feats lies in the digital savviness of successfully covering the national elections. This mammoth task required flexibility and the integration of the SABC News App, into the SABC elections website and television news facilities. Rather than simply grouping editorial content concerning elections under one banner, the SABC election category was a collection of the news, election manifestos, the Democracy Gauge election-specific programme, and subject-specific shows such as *The Big Debate*. Both the SABC National Elections website and SABC app were delivered in time for the elections. The upgrade of the Studio 9 video wall was completed in the financial year, as was the commissioning of Studio 11 and the completion of the *Dira!* rollout in the Western Cape. The installation and configuration of the Linear Tape Open (LTO) storage system was also completed during the year.

The TV Studio Digitisation Plan was developed and approved as part of the Long Term Capex Plan.

Human Resources

Goal 4: A Competent, Dynamic Workforce that is Fit for Purpose



The performance of any organisation is dependent on its Human Capital, performing in a manner as to ensure that the organisation meets its strategic objectives and targets. As part of the ongoing efforts to ensure that the SABC attracts and retains a competent and dynamic workforce that is fit for purpose, the organisation engaged in several significant projects.

Work on a new Target Operating Model and the accompanying organisational structure commenced but could not be completed during the year under review. The magnitude of the task required an iterative approach and should be completed during the first half of the next financial year.

Further progress was made in the establishment of performance management throughout the SABC. A commendable 68% of all employees had signed performance contracts by the end of the financial year.

The planned implementation of the training interventions was hampered by the combination of unavailability of funding during the first half of the year and internal supply chain management challenges during the second half of the year. Of the planned 80% target, only 10% was achieved.

The organisation continued to drive the Cultural Revitalisation Journey plan, which aims to be a catalyst for an employee-centred culture change that will result in a purpose-driven, values-based SABC. Measures to share the plan across the organisation were put on hold when the COVID-19 pandemic resulted in restricted movement due to lockdown.

Governance

Goal 5: Compliant Governance Practices, Risk Management and Sound Internal Controls



The SABC continued in its efforts to strengthen its governance practices, risk management and internal controls.

With regard to the strengthening of internal controls, 61% of the previous year's external audit findings had been resolved by the end of the year, against a target of 50%. Challenges relating to the migration to the SAP-based tracking tool resulted in only 35% of internal audit findings being reported as resolved. Efforts continue to better this performance and ensure continuous improvement of the internal control environment.

The year also ended with a poor level of performance concerning the implementation of risk treatment plans. This was due to Divisional risk assessments suffering from the knock-on effects of the delay experienced in the approval of the SABC Corporate Plan and the completion of the Strategic Corporate Risk Register. This is an area that will also receive prioritised attention in the new fiscal, which should result in an improvement in the implementation of risk treatment plans.

The COVID-19 pandemic that began in the last month of the financial year resulted in a test of the business continuity capabilities of the Corporation. While continuous broadcasting was achieved, employee productivity suffered some initial disruption as a result of the initial

Level 5 lockdown restrictions. This was, however, resolved as employees working from home were incrementally equipped with the necessary tools of trade.

Partnerships

Goal 6: Strategic and Sustainable Partnerships



In response to greater competition within the industry, State-Owned Entities are increasingly exploring collaboration and partnership opportunities as a means of reducing costs of operation. The SABC pursued such partnerships during the year. In addition to the many events and campaign-related partnerships, the year saw the SABC return as a corporate member of Proudly South African. The SABC was a founding member of Proudly South African when it was formed in 2001. Its return as a member represents a new partnership, where the national broadcaster is demonstrating its corporate citizenship by constantly expanding its local production content on platforms while supporting many jobs in the creative industry in the process. Also concluded during the year there were partnerships with the Commission for Gender Equality and Gift of the Givers.

DELIVERY ON THE PREDETERMINED OBJECTIVES

The graph below is a simplified illustration of the SABC's performance against the 2019/20 Corporate Plan PDOs:

GRAPH: Percentage of achieved 2019/20 Corporate Plan targets by Pillar

Delivery Against Predetermined Objectives

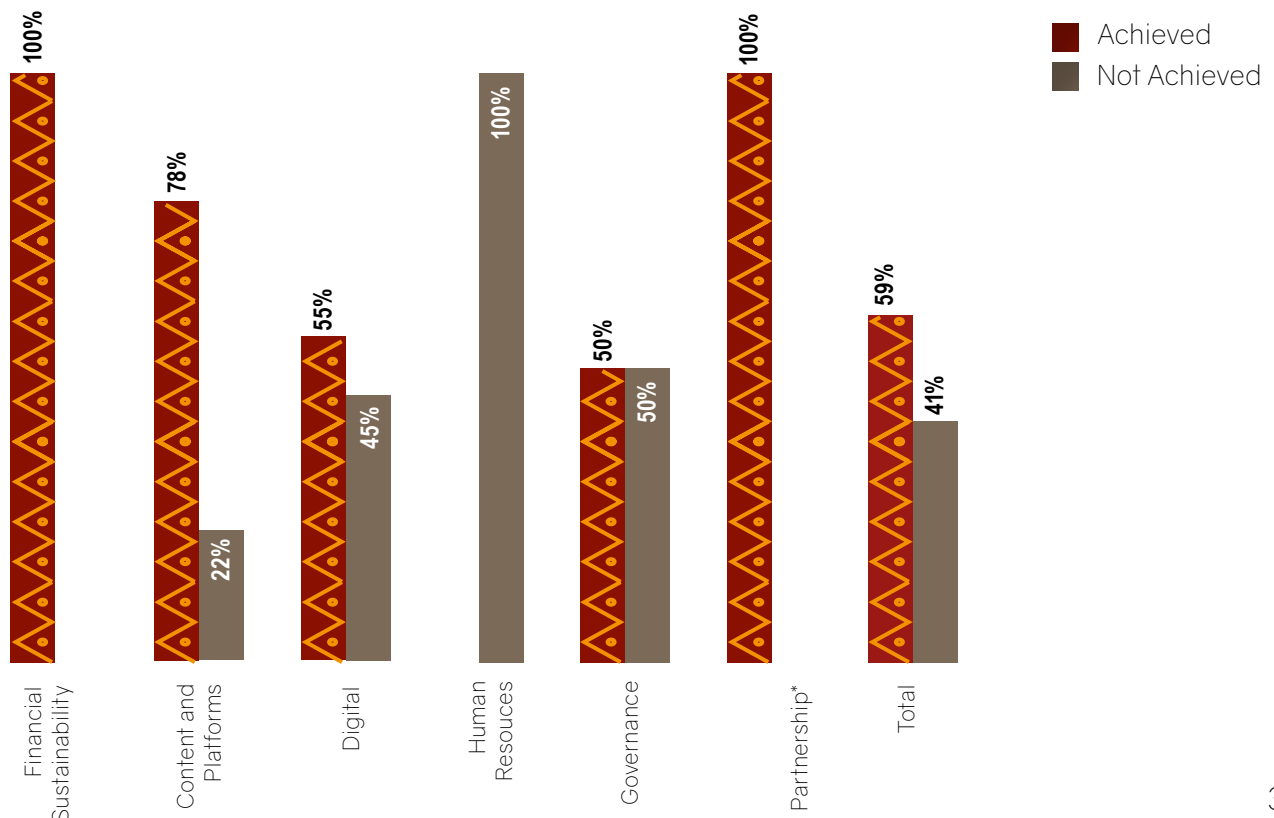


TABLE: Detail the performance against the 2019/20 Corporate Plan PDOs by Pillar:

| Strategic Objective | Key Activities | Performance Indicator(s) | Targets | Performance | | |
|---|---|--|---|---|---|--|
| | | | 2019/20 | Actual Performance | Comments | |
| FINANCIAL SUSTAINABILITY | | | | | | |
| Goal: To be a financially sustainable Organisation. | | | | | | |
| Ensure that the SABC is Financially Sustainable through Revenue and Cost Management | Manage revenue and expenditure in accordance with the approved budget. | Net profit before interest and tax. | R648m loss | R534m loss | Achieved | |
| | | Average creditors' days | 60 days | 51 days | Achieved | |
| Ensure that the SABC is Able to Meet its Financial Obligations through Adequate Cash Management. | Maximise working capital management in response to the operating environment. | Average debtors' days. | 60 days | 38 days | Achieved | |
| | | Delivery Against Financial Stability Objective | | | | |
| CONTENT AND PLATFORMS | | | | | | |
| Goal: To Acquire and Schedule Compelling and Quality Programming, Spanning a Range of Genres, in All Official South African Languages, and Exceeding Mandate Objectives Across Traditional and Digital Media Platforms. | | | | | | |
| Be Responsive to Audience Needs through Diversity In Language and Origin of Broadcast Content. | | Percentage of local content broadcast on PBS channels during performance period | SABC 1: 65% | 68% | Achieved | |
| | | Percentage of local content broadcast on PCS channels during performance period | SABC 2: 65% | 76% | Achieved | |
| | | Percentage of local music broadcast on PBS radio stations during performance period | SABC 3: 45% | 52% | Achieved | |
| | | Percentage of local music broadcast on PCS radio stations during performance period | PBS Stations: 70% | 73% | Achieved | |
| | | Percentage of local music broadcast on PCS radio stations during performance period | PCS Stations: 35% | 38% | Achieved | |
| | | Number of PBS radio stations (excluding Radio 2000) that achieved full compliance with ICASA-specified genre quotas. | 14/14 radio stations | 13/14 | Not achieved - One station (Thobela FM) underachieved in terms of its Saturday Current Affairs quota during Q1. Although this was corrected in the subsequent quarters, the magnitude of the underperformance in Q1 adversely affected its total annual performance for this genre. | |
| | | Source content from provinces outside Gauteng. | Number of provincial programmes broadcast across SABC TV channels. | 12 programmes | 24 | Achieved |
| | | Meet ICASA marginalised language targets on PBS platforms | Hours of marginalised language content broadcast on SABC's TV channels during prime time. | SABC1: 1 hour 48 minutes | 52 minutes | Not achieved - SABC 1 failed to meet the marginalised language quota due to the unavailability of budget to acquire relevant content. Full compliance in this regard should be evident in the next fiscal. |
| | | SABC2: 1 hour 54 minutes | 2 hours 41 minutes | Achieved | | |
| Delivery Against Content & Platforms Objectives | | | | | | |
| DIGITAL | | | | | | |
| Goal: to avail sabc content everywhere, anytime, for everyone | | | | | | |
| Implement Digital-Related Capex and Opex Projects | To develop, approve and implement an OTT (Over-The-Top) Solution | Planned milestones achieved | Deliver and maintain a functional SABC News Mobile App | Complete | Achieved | |
| | | | Deliver a functional SABC Elections Website | Complete | Achieved | |
| | To develop, approve and implement TV studio digitisation plan | Upgrade Studio 9 Video Wall | Complete | Achieved | | |
| | | Upgrade Studio 10 and 12 Audio Consoles | Not complete | Not achieved - The project is running behind schedule. Revised anticipated completion is in the next fiscal. | | |
| | | Approved TV Studio Digitisation Plan | Complete | Achieved - the TV Studio Digitisation Plan was incorporated into the approved Long Term Capital Expenditure Plan. | | |
| Delivery Against Digital Objectives | | | | | | |



| Strategic Objective | Key Activities | Performance Indicator(s) | Targets | Performance | |
|--|--|--|---|--|---|
| | | | 2019/20 | Actual Performance | Comments |
| DIGITAL | | | | | |
| Goal: to avail sabc content everywhere, anytime, for everyone | | | | | |
| Implement Digital-Related Capex and Opex Projects | Develop and implement digital storage workflows and infrastructure for SABC content | Planned milestones achieved | Radio Digital Production System (Dira!) installation roll out – All radio stations in the Western Cape and Durban | Western Cape - Complete | Achieved |
| | | | Installation and Configuration Digital Operations Centre (DOC) | Not complete | Not achieved - The project is running behind schedule. Revised anticipated completion is in the next fiscal. |
| | | | Installation and configuration of Digital Media Asset Management System | Not complete | Not achieved - The project is running behind schedule. Revised anticipated completion is in the next fiscal. |
| | | | Installation and configuration of Corporate Storage Area Network (SAN) | Not complete | Not achieved - The project is running behind schedule. Revised anticipated completion is in the next fiscal. |
| | | | Installation and configuration of LTO Storage System | Complete | Achieved |
| Delivery Against Digital Objectives | | | | | |
| HUMAN RESOURCES | | | | | |
| Goal: a competent, dynamic workforce that is fit for purpose | | | | | |
| Enhance Organisational Effectiveness and Efficiencies in Operations | Align the SABC operating model and structures to the SABC vision and mandate. | Board approved structure captured on SAP | Approval of the SABC structure | Review of the operating model and structure is still ongoing | Not achieved - the review is scheduled for completion during the first half of the next fiscal. |
| | | Completed organisation-wide skills audit | Conduct skills audit | The skills audit is still ongoing | Not achieved - The skills audit process is underway, and is scheduled for completion during the first half of the next fiscal. |
| | Institutionalise Performance Management | Percentage of permanent employees with signed performance contracts and quarterly reviews. | 100% Organisation-wide | 68% | Not achieved - while 100% was achieved for Top and Senior Management, and 78% was achieved for Middle Management, extra focus will be placed on getting unionised employees to sign performance contracts in the next fiscal |
| Optimise Learning and Development to Ensure Sustainability and Readiness for the Digital Age | Implement the portion of the Workplace Skills Plan (WSP) that is aligned to digital migration requirements | Percentage of digital migration training needs addressed through WSP | 80% | 10% | Not achieved - Implementation of the WSP suffered from a combination of availability of funding during the first half of the year, and SCM challenges. A concerted effort will be made to perform better in this regard during the next fiscal. |
| Delivery Against Human Resource Objectives | | | | | |
| GOVERNANCE | | | | | |
| Goal: compliant governance practices, risk management and sound internal controls | | | | | |
| Ensure Compliant Governance Practices through Effective Risk Management and a Sound Internal Control Environment. | Track progress relating to resolution of audit findings | Percentage of internal audit findings resolved. | 50% | 35% | Not achieved - some challenges were experienced with the migration to the SAP-based tracking tool. Efforts in the next fiscal will focus on monitoring and reporting discipline. This will result in an improved level of performance. |
| | | Percentage of previous financial years' Auditor General findings resolved. | 50% | 61% | Achieved |
| | Monitor the status of compliance with legislation and internal policies | Number of Compliance Reports issued | 4 | 4 | Achieved |
| | Implementation of Enterprise-wide risk management | Percentage of risk treatment plans that have been implemented | 30% | 17% | Not achieved - Divisional Risk Assessments suffered from the knockon effects of the delay in the approval of the SABC Corporate Plan and the completion of the Strategic Corporate Risk Register |
| Delivery Against Governance Objectives | | | | | |
| PARTNERSHIPS | | | | | |
| Goal: to establish strategic and sustainable partnerships | | | | | |
| To Formalise Strategic Partnerships that will Facilitate Revenue Generation and Cost Reduction | Finalise partnership agreements with strategic partners | Number of strategic partnerships concluded | 3 | 3 | Achieved |



Summary

of Financial Information

The SABC finalised its Turnaround Plan at the end of the financial period, which led to the SABC receiving the final tranche of the R3.2 billion recapitalisation funding from the National Treasury.

The Turnaround Plan is aimed at bringing on financial stability amongst other initiatives. However, the end of the financial year brought with it the global COVID-19 pandemic. Consequently, this has brought significant operational and financial challenges the impact of which will be dire and long lasting for the Corporation. The positive results of the Turnaround Plan are thus delayed and are only expected to be seen in the medium term.

The funding from National Treasury brought stability to the SABC's operations and provided management with breathing room to institute long term planning. Management further reiterates its gratitude to the National Treasury, the Department of Communications & Digital Technologies and the South African public for the recapitalisation funding received. The funding enabled the Corporation to settle long outstanding debts, commit to a content investment programme and improved its cash flow position.

Key achievements against the Corporate Plan:

- Ensured the Corporation was able to meet its financial obligations through adequate Cash Management. By March 2020, Creditors days were 51, well within the set target of 60, concurrently Debtors collection period was 38 days against a set target of 60.
- The Corporation managed its expenditure in accordance with the Approved budget, with R1, 8 billion budgetary saving in expenditure. This was a result of the Corporation taking a measured approach of conserving the available cash resources by delaying and in some cases deferring spending. However, this was offset by the revenue results being R1, 7 billion less than budgeted.



Various production activities were halted towards the end of the financial period with sporting and cultural events cancelled or postponed. The Corporation has had to evolve to accommodate new ways of working with staff working from home. The pandemic will negatively impact on revenue growth projections going forward, even beyond the next financial year. However, new initiatives and strategies are being developed and already showing signs of potential revenue growth.

Summary Group Income Statement

SABC Group Income Statement (R'm)

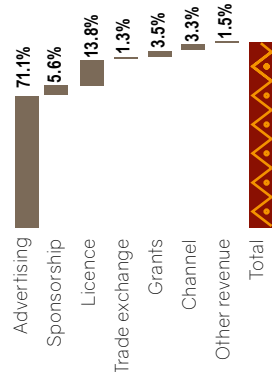
| | 2016 | 2017 | 2018 | 2019 | 2020 | 5 Year Graph | PY change (R'm) | PY change % |
|---|----------------|------------------|----------------|----------------|----------------|--------------|-----------------|---------------|
| Advertising | 5 999,4 | 4 710,5 | 4 780,9 | 4 583,7 | 4 086,6 | | (497,1) | -10,8% |
| Sponsorship | 469,3 | 383,8 | 392,6 | 403,0 | 322,7 | | (80,3) | -19,9% |
| TV Licence Fees | 986,4 | 915,1 | 941,4 | 968,2 | 791,3 | | (176,9) | -18,3% |
| Other | 637,2 | 561,9 | 512,3 | 510,7 | 472,7 | | (38,1) | -7,5% |
| Total Revenue | 8 092,2 | 6 571,3 | 6 627,2 | 6 465,6 | 5 673,3 | | (792,3) | -12,3% |
| Programme, film and sports rights (PFSR) Amortisation | (1 741,9) | (1 950,1) | (1 741,3) | (1 753,0) | (1 270,0) | | 483,0 | -27,6% |
| Employee Cost | (3 264,8) | (3 188,5) | (3 114,9) | (2 823,5) | (2 829,7) | | (6,2) | 0,2% |
| Signal and Distribution | (632,4) | (671,5) | (718,1) | (740,2) | (769,8) | | (29,6) | 4,0% |
| Other | (3 046,2) | (1 904,7) | (1 810,0) | (1 592,7) | (1 337,6) | | 255,1 | -16,0% |
| Operating (Loss) before interest and tax | (593,1) | (1 143,4) | (757,1) | (443,8) | (533,9) | | (90,1) | 20,3% |

- The cost to income ratio of **110%** remains unsatisfactory
- Cost containment initiatives achieved **75%** on a target of R390 million
- Increase of employee cost contained to only **0.2%** through a considered approach on staff replacement from natural attrition changes
- Reduction of content inventory by **28%**
- **R103 million** worth of capital expenditure was invested in the current year

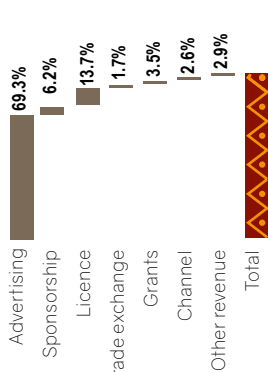
Revenue Performance

SABC has been struggling with declining revenues over the past five years. The table below indicates the proportionate percentage shares of the various revenue streams to the total revenues of the SABC.

GRAPH: 2020



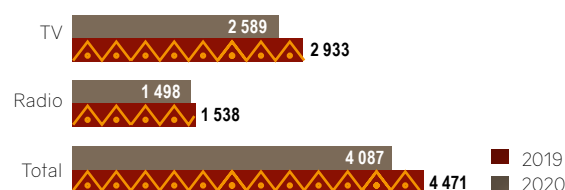
GRAPH: 2019



*Other revenue includes Mobile, Content Exploitation, Facilities, and other Income

Advertising Revenue:

GRAPH: Advertising Revenue (R'm)

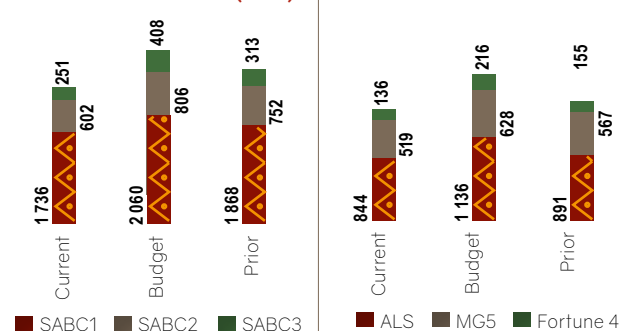


Advertising revenue declined by **11%** (2019: **6%**) due to market pressures, constrained investments in content leading to declining audiences, limited marketing initiatives as well as the general economic decline which led to clients reducing their overall advertising spend.

Advertising revenue from radio stations declined across all the platforms, with the Commercial Stations (MG5) declining by R48 million, Fortune 4 (Radio 2000, Lotus FM, SAFM, and Radio Sonder Gense – RSG) declining by R19 million and African Language Stations (ALS) regressing by R 46 million.

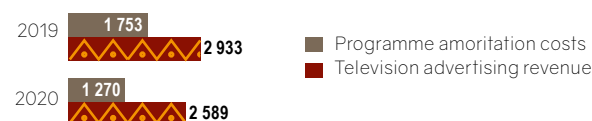
Below is the further split of advertising revenue between different television and radio platforms:

GRAPH: Television (R'm)

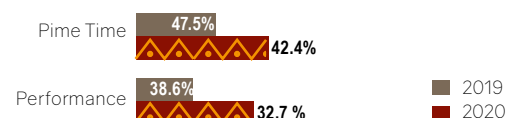


Financial difficulties resulted in reduced investment in television program content. This negatively impacted the audience share and put further downward pressure on advertising and sponsorship revenue.

GRAPH: TV Advertising Revenue Performance (R'm)



GRAPH: Audience Share



Programme amortisation costs were 49% (2019: 60%) of total television advertising revenue. The SABC is working on reviewing the return on investments of all its television programmes. This review will see the broadcasting of commercial programmes being reviewed considering set performance metrics.

The SABC audience share was consistent during the financial period. Innovative ways will be explored to improve the commercial revenue stream. The shareholder recapitalisation funding will greatly assist in the acquisition of new content. The new content will in the medium to long term result in audience growth, which later will be translated to revenue growth.

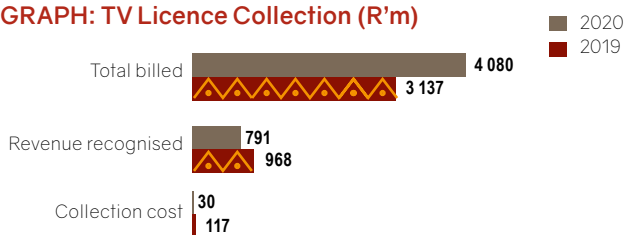
Digital media advertisement:

The advertising industry is progressing towards digital media more so with the COVID-19 pandemic resulting in the lockdown of country during March 2020. As a result, this impacts negatively on the traditional linear broadcasting advertising. The SABC managed to generate R9m (2019: R14m) from digital and mobile platforms. SABC is working on refining its OTT strategy with progress expected in the short-term.

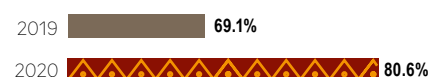
Revenue Collection – TV Licence:

Licence fee revenue recognised decreased by 18% (R177 million) from the prior financial year.

GRAPH: TV Licence Collection (R'm)



GRAPH: TV Licence Fee Evasion Rate

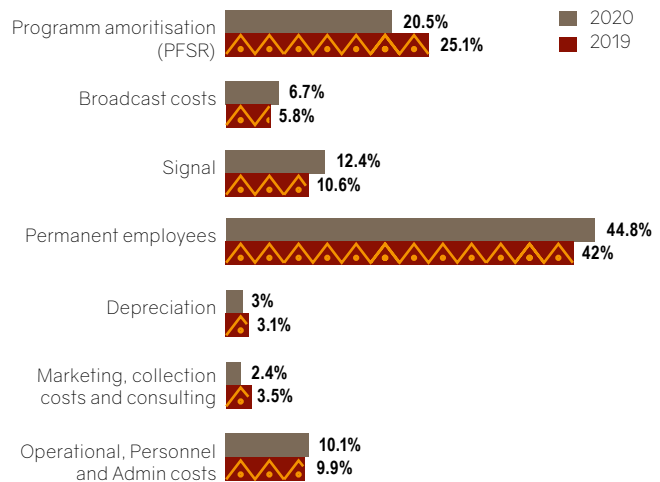


The SABC was able to realise only 19% of the total licence fees billed during the 2019/20 financial year, lower than the previous period of 31%. Collection cost rate was lower at 4% (2019: 12%). The lower collection cost was due to the absence of Debt Collection Agencies (DCA's), only contracted in October 2019, as there were delays in the implementation. The absence of the DCAs also contributed to the marked decline in licence fee revenues. Socio-economic and political factors prevent the SABC from collecting substantial licence fee revenue through the application of legislative prescripts of imprisonment and payment of fines for non-compliance.

A total of 68 093 (2019: 401 321) new television licence holders paid for their first licence during the period under review. Overall, 2.5 million (2019: 2.9 million) licence holders managed to settle their television licence fees in full or in part against a known database of 9.5 million (2019: 9.4 million) television licence holders. The licence fee collection rates indicate an evasion rate of 81%.

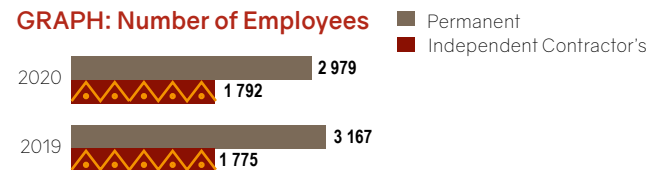
Expenditure

GRAPH: Expenditure analysis (% of total expenses)



The amortisation of content (Amortisation refers to how much of SABC content assets are written off during a given period) as well as employee costs account for 65% of the SABC's total expenditure.

GRAPH: Number of Employees



The 6% (2019: 9%) decrease in permanent employee count is as a result of a reduction in the permanent workforce through retirement, resignations and normal attrition of 188 (2019: 243) employees.

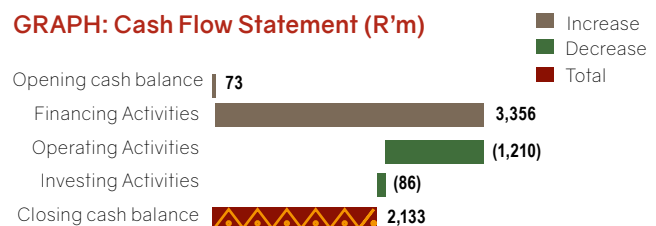
Working Capital Management:

GRAPH: Debtors Collection and Payables Payment Days



Recapitalisation of the Corporation by the Shareholder improved the cash position to R2 133 million. The company had a net current asset position of R1 810 million and current ratio of 1.9:1.

GRAPH: Cash Flow Statement (R'm)



Implementation of Capital Expenditure (Capex) Plan

The SABC invested R103 million in capital infrastructure during the financial year. Below are some of the significant projects which were executed during the financial year:



Members of the cast of SABC1's Educational Drama 'Skeem Saam'.

Projects (R'000)

| | Approved Budget | Previous Years Spend | Current Year Spend | Total spent |
|---|-----------------|----------------------|--------------------|-------------|
| Henley Digital Media Integration | 33,327 | 29,901 | 5 781 | 35,682 |
| Henley Broadcast Storage | 15,852 | - | 12 429 | 12,429 |
| RBR Outside Production Equipment | 8,328 | - | 7 236 | 7,236 |
| UPS Dual Supply Solution (RP & TVC) | 118,019 | 26,333 | 17 255 | 43,588 |
| Henley MCR Air Conditioning System Installation | 9,361 | - | 5 300 | 5,300 |

The SABC spent R16.2 million (2019: R17.7 million) on maintenance of buildings.

Annual Capex spend over 5-year period (R'm)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 5 Year Graph | ▼ | ▼% |
|--------------------------|-------|-------|-------|-------|-------|--------------|--------|------|
| Annual Capex Expenditure | 300,7 | 310,3 | 147,0 | 138,7 | 102,2 | | (36,4) | -26% |
| AUC as % of Total Assets | 4,2% | 2,0% | 5,1% | 5,0% | 4,7% | | 24,3 | 9% |

The SABC plans to spend a minimum of R300m in the coming three years with funding ring-fenced from the National Treasury recapitalisation cash injection received.

Cost containment strategies implemented

Total expenses before interest and tax declined by 10% (R702 million) to R6 207 million from prior year levels. A significant portion of the decrease was due to deliberate and targeted cost saving initiatives. The following are the key cost saving initiatives implemented during the year:

| Costs | Strategies |
|---|--|
| Broadcast costs | <ul style="list-style-type: none"> - Renegotiated major sports contracts - Optimised the use of freelance staff in production of sporting events - Optimised the use of translators and assistant researchers' positions on drama costs - Efficient transmission technologies adopted for Channel Africa |
| Non-permanent employees | <ul style="list-style-type: none"> - Minimised travel costs by utilizing local freelancers in the provinces for sporting events. - Reduction of radio independent contractor's costs by introducing automation on the midnight slot for some radio stations |
| Permanent employee cost | <ul style="list-style-type: none"> - Moratorium on vacancies and a deliberate and structured hiring process through a vacancy committee |
| Other expenses (Personnel and Administrative) | <ul style="list-style-type: none"> - Optimised the use of after-hour transport services - Printing management (quota on pages being printed, print release, costing per person). - Control of use of sponsored cellphone billing |
| Direct revenue collection costs | <ul style="list-style-type: none"> - Utilisation of internal campaigns and e-billing |
| Professional & consulting fees | <ul style="list-style-type: none"> - Effective monitoring of legal services and enhanced scrutiny of legal invoices (some are even sent for taxing by the Master) - Close monitoring of all consultancy services and encouraged usage of internal resources rather than outsourcing services |

Abridged Annual Financial Statements

Summary of Statement of Comprehensive Income

| For year ended 31 March 2020 | | | | |
|-----------------------------------|---|--------------|--------------|---|
| Classification | What is it? | 2020 R'm | 2019 R'm | Reasons for the movement? |
| Advertising Revenue | Commercial revenue | 4,086 | 4,584 | ▼ 11% Decrease due to market pressures and constrained investments in content leading to declining audiences. |
| Sponsorship income | Commercial revenue | 323 | 403 | ▼ 20% Decrease due to constrained economic performance. |
| Licence fee income | The total of licence fees recognised | 791 | 968 | ▼ 18% Decrease due to absence of DCA's as there were delays in the procurement process. |
| Other Income | Other commercial revenue and Government Grant | 473 | 511 | ▼ 7% Decrease due to constrained economic performance. |
| Total income | | 5,673 | 6,466 | |
| Amortisation | The cost of broadcasting content | (1,270) | (1,753) | ▲ Liquidity issues in the first half of the year resulted in an undesirable budget savings and lower spending than prior year. This negatively affected audience share. |
| Employee cost | Employee costs of the SABC | (2,830) | (2,823) | ◀▶ Moratorium on vacancies which counteracted salary increases of 5.2%. |
| Other Operating costs | Other costs of running SABC | (2,107) | (2,333) | ▲ Decreased due to cost containment measures. |
| Operating deficit | | (534) | (444) | |
| Net financing (income) / costs | The net interest on the SABC's investment | 23 | (39) | ▲ Increase due to the interest earned from the unutilised ring-fenced funding and financial instrument valuations. |
| Taxation | The net tax liability of the SABC on its | (0) | 0 | |
| Group deficit for the year | | (511) | (482) | |

PERFORMANCE

Members of the cast of SABC2's Soap '7de laan'.



7de laan

SABC 2
you belong.

Report of the Auditor General

| | 2019/20 | 2018/19 | 2017/18 | 2016/17 |
|---------------------------------|------------------|------------------|-------------------|----------------|
| Overall audit opinion | Qualified | Qualified | Disclaimer | Adverse |
| Financial statements | | | | |
| Going concern | | | X | X |
| Property, plant & equipment | | X | X | X |
| Programme, film & sports rights | | | X | |
| Trade & other payables | | | X | X |
| Irregular expenditure | X | X | X | X |
| Taxation | | | X | |
| Deferred government grants | | | | X |
| Expenditure | | | | X |
| Performance information | | X | X | X |
| Compliance | X | X | X | X |

The SABC received a qualified audit opinion. This is similar to the previous financial period. The basis of qualification was on Irregular Expenditure. There was, however, an improvement in the audit results as the qualification on property, plant and equipment was resolved.

The 2018/19 external audit (previous financial year audit process), saw the Auditor General raise 127 (2018: 218) findings. Total findings raised for the 2019/20 audit are 97. Even though internal controls require improvement, the audit results do show an encouraging improvement. Out of 127 2018/19 findings, 85% (108) were resolved by the reporting period. The outstanding findings relate mainly to Policy and Procedure reviews that were still in the process of being implemented.

Going concern

The SABC had operating losses of R511 million and negative cash flows from operations for the financial reporting period

to 31 March 2020 amounting to R1 210 million. However, due to R3.2 billion recapitalisation funding from the shareholder, the working capital position remained healthy with a net current asset position of R1 810 million. It remains uncertain when the Company will return to profitability and positive cash flows from operations. Together with the impact of the COVID-19 pandemic, these uncertainties cast significant doubt on the SABC's ability to continue as a going concern. Various measures are in place and continue to be put in place to manage this risk.

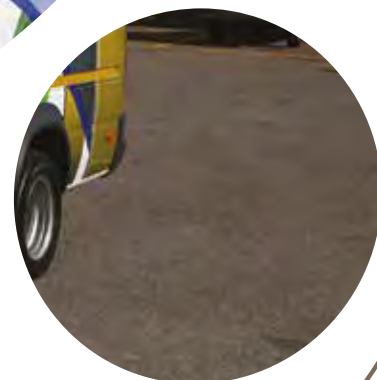
Since the COVID-19 outbreak, we have identified several cost savings plans, including a moratorium on vacancies. Staff that have tools of trade and are non-essential are allowed to work from home. We will continue to monitor the global pandemic and how it affects the SABC financially and will review and update our strategic plans accordingly.

Contestants of SABC3's reality show 'The Longest Date'.





Investment in OB Vans for outside broadcasts.



Revenue

Collection: Commercial Revenue

Business Environment

The SABC is funded primarily by commercial revenue. The revenue is generated through the sale of classic advertising, programme and sports sponsorships across SABC Television, Radio and digital platforms. In the period under review, alternative revenue streams were introduced, Mobile and Merchandising revenue streams were resuscitated and a new revenue stream called Media for Equity revenue was initiated.

The media advertising spend growth for the fiscal was projected at 3.9% for radio and 4.8% for television (PWC 2019/20). Despite the efforts, none of these targets could be met due to declining television audiences, aggressive competitors and the rise of new media, which posed a substantial immediate and long-term threat to the SABC, in competing for the already low projected growth. A study conducted on our inventory evaluation demonstrated that revenue growth is inherently linked to our audience and hence the reliance on the operational strategies to attract and retain audiences on both mediums. To compound

matters, both direct and indirect competitors continue to strengthen, particularly growing audience share in prime time.

The repeat strategy, particularly on SABC2 and SABC3, further diminished viewer numbers, which in turn had a direct impact on revenue. Sports Sponsorship also saw negative returns as most planned events (ICC Cricket World cup, Rugby World Cup) were acquired late, resulting in the inability to commercialise timeously. In the last month of the financial year, live sports events and live magazine programmes were either suspended or cancelled due to the COVID-19 pandemic, affecting revenue generation negatively.

While radio continues to deliver healthy audience growth, the proliferation of new digital audiences and new formats of outdoor advertising pose a measure of risks to the radio revenue. Encouraging though is the confidence that the market has shown in the new content conversations, and there have been some positive negotiations concluded for

the new financial year. It is a certainty that new content and marketing campaigns will be crucial in attracting audiences back to the SABC network. The teams will however have to continue to maximise the sale of classic advertising on both Television and Radio as these are the dominant revenue streams that drive the entire organisation.

The commercialisation of digital media offers opportunities to generate revenue as a growth area across the business. Revenue potential will be determined once all the envisaged digital platforms are operational, achieving critical mass and concluding the pricing of digital platforms to sell to the market.

Industry Development

With the rise of digital media, a large part of the market has shifted from platform buys to the consumer journey. The SABC remains the market leader on both Television and Radio. With powerful digital assets, the SABC has the potential to create an unrivalled cross-platform solution. Deeper consumer insights combined with innovative solutions will become the standard for advertisers looking for breakthrough campaigns on SABC platforms.

TV Licenses Collections

There are 9.9 million accounts on the TV License database that are serviced on an on-going basis. Television license fees are collected via new licenses (compliance at the point-of-sale); renewals (collections from existing active accounts on the TV Licenses database) and debt collection (collections on overdue accounts by legal firms and registered debt collection agencies).

For the period under review, the SABC collected cash revenue of R756.2 million which was R443.8 million (37%) below budget and a decrease of R247.4 million (24.7%) compared to the previous financial year. The shortfall on cash was mainly from debt collection on accounts that are in arrears. External Debt Collection Agency services were not utilized, which resulted in a shortfall of R319.2 million on cash from this revenue stream compared to the previous year.

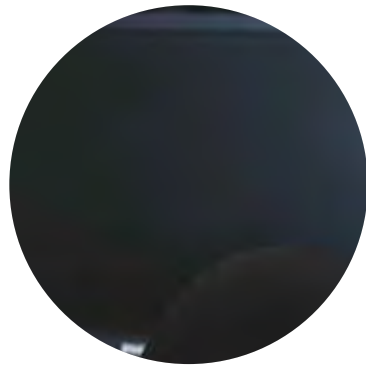
The multi-pronged business model in collecting television license fees comprises of; 67% from internal collections, 15% from debt collectors and 18% from retailers. The decline in debt collection led to increased non-compliance by license holders, unavailability of compelling recourse at the SABC's disposal, high outstanding balances and reduced marketing budgets.

Technology has further transformed the collections landscape operations. The current industry standard of the layout and technology in place is far advanced compared to that existing in TV Licenses and requires substantial capital setup costs and annual costs.

Technology requirements have been identified to transform operations in digital and value-based collections. These are aimed at propelling TV Licenses into new-age collections. There is a great need to use analytics and apply machine-learning algorithms, to move to a deeper, high degree of understanding of our license holders. Customers can be classified into microsegments, and more targeted and effective interventions can be designed for them. These will include client demographics, information on financial activities, employment history and affordability. The compliance and governance procedures to acquire the abovementioned technology in the next financial year is under way.



Capital Investment into our SABC News Studio's.



Radio 2000 behind the scenes.

Performance

Information by Platform

SABC RADIO

From the performance of audience listenership, SABC radio stations could not have demonstrated any more clearly the immense public appetite that listeners have for their stable brands, programming and host personalities on popular shows. On average all adults (15+ years) spend 3 hours and 36 minutes listening to radio across all stations, translating to a weekly reach of 92% (37.5 million), and 73% daily reach of 29.9 million on weekdays. At 66.5%, PBS Radio contributed the lion's share towards the overall SABC radio share performance and has increased by 1.6% year on year. Ukhozi FM maintains the biggest share within the SABC and across all national radio stations.

The Top 5 PBS radio share is as follows:

| Radio Station | Apr 19 – Mar 20 |
|-------------------|------------------------------------|
| Ukhozi FM | 18.4% (65% exclusive listenership) |
| Umhlobo Wenene FM | 14.2% (67% exclusive listenership) |
| Thobela FM | 7.2% |
| Lesedi FM | 7.4% (59% exclusive listenership) |
| Motsweding FM | 5.5% (55% exclusive listenership) |

PCS Radio commands 6.7% of all adult share. The share is stable year-on-year with an upward trend.

| Radio Station | Apr 19 – Mar 20 |
|---------------|-----------------------------------|
| METRO FM | 5.4% (32% exclusive listenership) |
| Good Hope FM | 0.6% (39% exclusive listenership) |
| 5FM | 0.7% (28% exclusive listenership) |

Compliance with Licence Conditions

To comply with licence conditions, each commercial radio station has delivered the mandatory 30 minutes of news each per day.

| Commercial Broadcasting Service | Language and News | Format |
|---------------------------------|---|---------------------------------|
| 5FM | <ul style="list-style-type: none"> Broadcast predominantly in English Provide 30 minutes of news programming each day | Contemporary Hit Radio |
| METRO FM | <ul style="list-style-type: none"> Broadcast predominantly in English Provide 30 minutes of news programming each day | Urban Contemporary |
| Good Hope FM | <ul style="list-style-type: none"> Broadcast predominantly in English and Afrikaans Provide 30 minutes of news programming each day | Contemporary Hit Radio Rhythmic |

ICASA Local Content Obligations

To remain compliant with the 2016 ICASA Regulations on South African Music, our 15 Public Sound Licencees radio stations each had to increase their quota of South African music played on the station up to 70%, following Government Gazette No. 39844, which came into effect on September 23, 2018. By contrast, our Public Broadcasting Commercial Licencees were obliged to meet a minimum of 35% of local music, up from 25% local South African music.

South African Music (PCS AND PBS)

Local Music Quota

| Broadcaster | Previous Quota | Current Quota |
|-------------------------|----------------|---------------|
| SABC - Public Radio | 60% | 70% |
| SABC - Commercial Radio | 25% | 35% |

South African Music Report (2019/2020 FISCAL)

| PBS Radio Stations | (Average %) | ICASA Quota |
|--------------------|-------------|-------------|
| SAfm | 68 | 70 |
| Tru FM | 74 | 70 |
| Lotus FM | 38 | 70 |
| RSG | 75 | 70 |
| Munghana Lonene FM | 78 | 70 |
| Lesedi FM | 75 | 70 |
| Radio 2000 | 72 | 70 |
| XK FM | 84 | 70 |
| Umhlobo Wenene FM | 90 | 70 |
| Ligwalagwala FM | 85 | 70 |
| Motsweding FM | 73 | 70 |
| Phalaphala FM | 74 | 70 |
| Thobela FM | 70 | 70 |
| Ukhozi FM | 72 | 70 |
| Ikwewezi FM | 81 | 70 |
| PCS Radio Stations | (Average %) | ICASA Quota |
| 5FM | 42 | 35 |
| Good Hope FM | 39 | 35 |
| METRO FM | 59 | 35 |

*In the period between April 2019 and March 2020, the SABC PBS Radio Portfolio was required to deliver 70% of local music.

*These figures exclude the format factor points which are acquired through the promotion of new artists, interviews and coverage of live music. However, Lotus FM's data includes format factors points due to the shortage of South Indian Music. Lotus FM applied to ICASA for reduction of the local music quota. ICASA granted Lotus FM a reduced quota 35%, same as commercial radio stations.

TABLE: On Performance Against ICASA Genre Quotas

| Station | News (Daily) | | | Current Affairs (Daily) | | | IKB Weekly | Education Weekly | Children Weekly | Drama Weekly |
|--------------------|--------------|-----|-----|-------------------------|------|-----|------------|------------------|-----------------|--------------|
| | Mon-Fri | Sat | Sun | Mon-Fri | Sat | Sun | | | | |
| ICASA Quota | 60 | 60 | 60 | 60 | 60 | 60 | 180 | 300 | 60 | 150 |
| Ikwewezi FM | 79 | 65 | 65 | 152 | 60 | 60 | 971 | 347 | 143 | 238 |
| Munghana Lonene FM | 85 | 75 | 75 | 117 | 60 | 60 | 1279 | 328 | 135 | 204 |
| Thobela FM | 94 | 75 | 75 | 109 | 91 | 91 | 978 | 292 | 265 | 203 |
| Phalaphala FM | 103 | 75 | 75 | 119 | 60 | 60 | 1858 | 326 | 60 | 200 |
| Ukhozi FM | 98 | 65 | 65 | 172 | 60 | 60 | 1535 | 296 | 89 | 178 |
| Lesedi FM | 88 | 63 | 63 | 161 | 62 | 62 | 581 | 312 | 99 | 170 |
| Umhlobo Wenene FM | 82 | 77 | 77 | 169 | 60 | 60 | 725 | 360 | 259 | 163 |
| Ligwalagwala FM | 88 | 60 | 60 | 122 | 60 | 60 | 1687 | 397 | 244 | 150 |
| Motsweding FM | 84 | 64 | 64 | 109 | 61 | 61 | 2099 | 309 | 80 | 170 |
| ICASA Quota | 60 | 60 | 60 | | | 60 | 180 | 240 | 60 | 150 |
| SAfm | 90 | 80 | 80 | 128 | 1340 | 336 | 60 | 175 | | |
| ICASA Quota | 60 | 60 | 60 | 60 | 60 | 60 | 180 | 300 | 60 | 150 |
| RSG | 103 | 60 | 60 | 180 | 60 | 60 | 1186 | 330 | 70 | 271 |
| ICASA Quota | 60 | 60 | 60 | 60 | 60 | 60 | 180 | - | - | 150 |
| Lotus FM | 68 | 66 | 66 | 96 | 66 | 66 | 618 | - | - | 158 |
| ICASA Quota | 30 | 30 | 30 | 30 | 30 | 30 | 180 | 300 | 15 | - |
| XK FM | 68 | 50 | 50 | 106 | 53 | 53 | 226 | 640 | 600 | - |
| ICASA Quota | 60 | 60 | 60 | 30 | 30 | 30 | 60 | 120 | 30 | - |
| Tru FM | 65 | 65 | 65 | 84 | 44 | 44 | 2968 | 496 | 60 | - |

Official Languages

| PBS Station | Language |
|--------------------|---|
| RSG | Principal language Afrikaans |
| Munghana Lonene FM | Principal language XiTsonga |
| Lesedi FM | Principal language Sesotho |
| Ikwewezi FM | Principal language IsiNdebele |
| Ukhozi FM | Principal language IsiZulu |
| Phalaphala FM | Principal language TshiVenda |
| Ligwalagwala FM | Principal language Siswati |
| Motsweding FM | Principal language Setswana |
| Thobela FM | Principal language Sepedi |
| Umhlobo Wenene FM | Principal language IsiXhosa |
| SAfm | Principal language English |
| Lotus FM | Principal languages English with specialist programmes in Hindi, Tamil, Urdu, Gujarati and Telegu |
| XK FM | Principal languages !Xunthali and Khwedam |
| Tru FM | Principal languages English (60%) and isiXhosa (40%) |
| Radio 2000 | a balanced range of official languages |
| PCS Station | Language |
| METRO FM | Principal language English |
| 5FM | Principal language English |
| Good Hope FM | Principal languages English and Afrikaans |

ICASA Genre License Conditions

During the 2019/20 financial year, PBS radio stations delivered well above the minimum requirements as stated in the ICASA licence conditions. On the news front, PBS Radio delivered well against ICASA licence conditions with the majority of the radio stations exceeding weekly targets of news and current affairs, drama, children's programming, education as well as Information Knowledge Building (IKB).



ukhozi
FM

luhamba phambili!

Ukhozi FM DJ's.

Delivery on Public Value

SABC radio stations continued to deliver public value by broadcasting innovative programming that advocates social cohesion, nation-building, promotion of democracy and empowerment of South African citizens. To observe these themes, stations utilised a variety of public service programming genres that incorporate drama, talk-back show formats, pre-recorded inserts, interviews and magazine shows as well as highly entertaining but informative commercial programming and content.

The year under review was a significant one for SABC Radio, as the country celebrated 25 years of democracy. All radio stations took listeners down memory lane reminding them of the price of our freedom, while encouraging them to make their mark in the national elections in May 2019. SABC Radio was also there when the captain of South Africa's National Rugby Team Siya Kolisi hoisted the Webb Ellis Cup in the much deserved 2019 Rugby World Cup victory in Japan.

This was also a very disturbing period for the country as the scourge of Gender-based violence reared its ugly head again, claiming the lives of many women. All SABC radio stations undertook to educate and support the nation through this dark moment. During the period under review, and to deliver on its mandate, Radio based its programming on monthly themes that focused on special events and days of national importance. These included:

In celebration of Freedom month (April), SABC Radio reflected on the heroes and heroines who sacrificed their lives to ensure that South Africa is set free from the chords of oppression. SABC radio stations' programming worked tirelessly to ensure listeners are aware of the strides made thus far and how these translate in the lived experiences of the citizens.

The plight of workers received special attention when Worker's Day was commemorated in May. SABC Radio continued to celebrate the African continent and promote the African Renaissance through the annual Africa Day celebrations. The essence of Africa month is mainly to celebrate the achievements made in the development of Africa. The events culminated in Africa Day on May 25, which is a day declared by the African Union and celebrated in Africa. Notably, during the month, centenary celebrations of Albertina Sisulu, Oliver Tambo and Nelson Mandela continued to dominate radio programming content.

In June SABC Radio championed various projects such as empowerment sessions aimed at encouraging the youth

to carve a new path for themselves in the economic and socio-political streams. To complement this, commerce and finance content was offered to listeners to keep them vigilant on matters relating to savings, entrepreneurship, investments and the trap of escalating debt.

In July, SABC Radio joined the nation and embarked on initiatives to remember the universal icon, Nelson Mandela, through deeds reminiscent of his love for humanity, education and children.

In August, SABC Radio content reflected Women's Day celebrations and paid tribute to women and their role in the liberation struggle. The 2019 Women's Day theme was aligned to the nation's celebration of 25 years of freedom and democracy. African Languages Radio stations promoted and covered Women's month activities in various on and off-air forms. On-air content and digital imaging were aligned to promote Women's month.

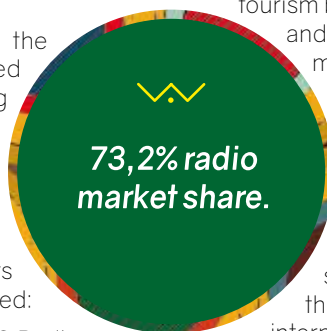
South Africans celebrated their heritage in September with tourism being amplified to attract visitors to our country and encourage domestic tourism during this first month of spring. The stations encouraged listeners to take pride in their heritage, celebrate the richness of our languages, enrich their African identity through clan names, and the passing on of indigenous games to children.

Exporting our culture and showcasing it on the world stage was also emphasized by some stations. Phalaphala FM once again lived up to this vision by embarking on another successful international tour. During the period under review, the station took 102 listeners to Vietnam between 20 and 28 September 2019. This was part of the station's annual overseas adventures which have been happening for the past 24 years.

As part of Heritage month celebrations, all African language radio stations participated in and promoted the South Africa African Traditional Music Awards (SATMAs). This is an important partnership for SABC Radio as our African language radio stations are the main vehicle for traditional music genres to be showcased and popularized.

Health matters were at the heart of SABC Radio's focus during October. Conditions such as Attention Deficit Hyperactivity Disorder (ADHD); Bone Marrow Stem Cell therapy, Leukemia Awareness; Eye Care Awareness; Breast Cancer Awareness; and Mental Health Awareness are some of the topics that were covered. Some of the other important days that were supported include:

- International Day of Older Persons;
- National Down Syndrome Day;





Lotus FM presenters.

- World Polio Day; and
- National Stroke Week.

During November, SABC Radio joined the entire country in marking 16 days of Activism of no violence against women and children. This was done through various programming elements, including promos and talk shows. With the scourge of gender-based violence escalating in South Africa, our radio stations partnered with various NGOs to deliver content that seeks to promote awareness and prevention of gender-based violence in society.

Other programming themes for the month were aligned to the following special days:

- Disability Rights Awareness Month
- National Children's Day
- World Head Injury Awareness Day
- SADC Malaria Day
- World Diabetes Day

As a build-up to the festive season, the stations helped to promote the inaugural MZANSI Super League T20, to which SABC Sport was the official media partner. Stations launched their Seasonal Imaging and Summer Campaigns from AWEH at Good Hope FM to Ukhozi FM's NYUS'IVOLUME. Radio stations also created special features and messaging to encourage listeners to party responsibly during the festive season. Stations also highlighted World Aids Day with special broadcasts and interviews to highlight the developments in the fight against HIV/AIDS.

Road safety was promoted through outside broadcasts in partnership with the relevant stakeholders, as well as various on-air elements. With devastating floods hitting parts of KZN and other parts of the country, service delivery and infrastructure issues were covered extensively. Over and above the popular festive season public holidays, the stations also took cognizance of the following important days:

- World AIDS Day
- International Day for the Abolition of Slavery
- International Day of Persons with Disabilities
- International Human Rights Day
- Day of Reconciliation

World Radio Day is a day to celebrate radio as a medium of information and news and is celebrated annually on February 13. SABC radio stations supported the initiative by discussing the various milestones in radio broadcasting including the UNESCO theme of sports commentary in Radio and its relevance today. This topic resonated very well with SABC Radio as leaders in vernacular sports commentary.

Human Rights Day in South Africa is commemorated on March 21 every year. Radio programming analyzed the meaning of this day, including the commemoration of the Sharpeville massacre as a key event in the history of our country. International Women's Day was also covered by radio stations and key messages by UN WOMEN were discussed.

Against all the odds, radio listening in South Africa continues to increase especially for SABC radio stations. As a medium, radio is still seen as a trusted friend who knows how to lift listeners' spirits and keep them informed and entertained at all times. While radio is still a preferred medium amongst South Africans, Ukhozi FM remains the most dominant radio station on the African continent, commanding an audience of 7,6 million in the period under review. Similarly, Some SABC radio stations, particularly those that had previously experienced sustained losses, such as Radio 2000 and Lotus FM witnessed significant gains in audiences. Others managed to stabilise their audience movements.

The Future of Radio on Digital platforms

SABC Radio has embraced the digital revolution and uses its digital and social media platforms as new opportunities to extend its reach and to expand its content lifespan. SABC radio understands that 'content is king', and thus packages content for consumption through different digital platforms and successfully uses these platforms as a powerful audio/visual extensions of the radio brands. SABC radio's digital content is tailor-made to add depth and to complement the radio experience while supporting various marketing activities.

Over the past few years, SABC radio has built a compelling podcast offering that continues to grow. The award-winning radio drama podcasts remain extremely popular with audiences. Similarly, some of the SABC's radio brands have a considerable existence on major video content distributors such as YouTube. SABC radio live streaming remains a tactical instrument to reach a mobile audience who access radio through their mobile and digital devices, as well as expatriates who want to keep a connection with home.

SABC radio intends to continue investing in digital platforms to enhance our online content offering, accessibility and customer experience while keeping our diverse customers (different Socio-Economic Measures) in mind. SABC radio, therefore, aims to offer niche digital content to its consumers ranging from the low-end device and to high-end devices shortly. This would be achieved by building strategic and mutually beneficial partnerships with both developing and leading digital content distributors to continue to expand the reach and distribute the SABC's unique content as widely as possible.

SABC TELEVISION

Strategic Focus Areas

The key focus of the financial year 2019/20 for SABC Channels' turnaround strategy was to stabilise and grow the network while ensuring delivery against all content license quotas and mandates. The introduction of fresh content in key strategic slots was key towards the increase in audience ratings as well as revenue growth. The cash flow challenges, however, contributed towards the drop in audience ratings due to increased repeats in prime time.

TV's focus was on new innovative initiatives that included internal and external partnerships. Crucial to this was the balancing of the budget between mandated content, development and commercially viable content while ensuring that we retain our core reason for existence as a public broadcaster. The key objective was to protect the performing slots and platforms and build the brands further through aggressive and innovative marketing activities.

The planned development and growth of non-performing and struggling slots could not be implemented. Thus, stringent channel budget management and cost containment activities were implemented to minimise revenue losses.

The key objective for the year was to rebuild the credibility and brand reputation of the SABC TV Channels and grow audience viewership figures by retaining good flagship content that is loved including soaps such as 'Uzalo', 'Generations: The Legacy', 'Skeem Saam', '7de Laan' and 'Muvhango', as well as to introduce fresh content that appeals to the core channels target audience that forms part of the majority of South Africans. SABC TV focused on a complete turnaround of SABC2 and SABC3. Market Intelligence analysis became crucial in informing the channels on the type of relevant content required by the target audience.

Local Content Quotas

TV Channels strive to deliver in all ICASA quotas and broadcast mandate. The delivery of regional content and marginalised language content representing diversity is also paramount. The delivery on local content is on the table on subsequent pages.

Broadcast Stability

Reduce schedule changes and repeat ratio, ensuring a 95% schedule stability that contributes towards positive revenue growth.

Digital

Implement the DTT expansion strategy by adding one channel per bouquet and ensure diverse digital content distribution models for revenue generation and increased footprint.

Partnerships

Key to our strategy was to partner with the internal and external commercial and public partnership to deliver quality content as well as to reduce expenditure by sharing the risk. We continued with the National Film and

Video Foundation (NFVF) partnership for the delivery of developmental content broadcasts on Friday nights. SABC1 also procured some titles as pre-sales partnering with other brands such as Disney and the British Broadcasting Corporation (BBC) sharing content such as Disney's Cook About.

Highlights

SABC TV programmes routinely deliver the largest audiences numbers in the country, additionally SABC content not only meets the developmental and public service requirements of the SABC's mandate even under financial challenges but also manages to provide a balanced portfolio of entertainment content. The SABC channels hosted several top-rated shows with SABC TV productions being recognised on various platforms.

The most-watched top 20 television programmes throughout the year were SABC programmes with an average of 75% of the content within terrestrial broadcast being SABC content and an average of 65% on the DStv platform being SABC content. 'Uzalo' managed to break audience records by reaching and exceeding 10 million viewers for a long-running series.

In the second quarter, SABC1 introduced a new Drama 'uMakoti' that shot immediately into the top 10 most-watched terrestrial programmes after a few weeks.

SABC TV continued delivering on strong social reality programmes such as 'Nyan Nyan' and 'Khumbul' ekhaya' that never fail to attract more audiences than most pay-tv reality programmes that trend on social media weekly.

Strong flagship programmes such as 'Noot vir Noot'

SABC3's Expresso Morning show team.



were refreshed with a new presenter, and '7de Laan' and 'Muvhango' were taken through editorial workshops to improve the quality of the content being offered to the viewers.

Throughout the year under review, SABC2 covered most of the days of national importance, including the key national addresses such as the State of the Nation Addresses (SONA) as well as the budget speeches. The first quarter, saw the launch of the first Tsonga telenovela on SABC2, 'Giyani'.

The focus of the first quarter was on SABC2 as it also carried content that supported the National Elections as well as carrying the elections broadcast on SABC2 together with SABC News. The election content was also driven through youth programming and supported by the 'My vote campaign' geared towards motivating South Africans to vote with a key focus on the youth.

SABC focused on supporting the editorial of the key soap's storylines with marketing campaigns such as '#SiyenzaKwenzeka', 'Skeem Saam' wedding and SAFTA winner's support.

SABC2 also held a successful family picnic to bring the Channel's stars closer to the fans while building the brand and bringing it closer to the viewers so that they can touch and feel them.

The network launched and ran a campaign against women and child abuse during the 16 Days of Activism against Women and Children abuse. In response to the country's challenges against femicide and xenophobia in 2019, the content carried on the talk shows covered the editorial on these themes. SABC1 ran a docu-reality series, Orange Couch.

Marketing and once-off special events became the focus for the festive season. The SABC channels broadcast several entertainment offerings during the period; namely 2019, SA Hip Hop Awards 2019, SA Sports Awards, Sjava's One Man Show, Come Duze 2020, Afro Punk and Mzansi Super League was the key highlight on SABC3.

Performance Against Licence Conditions

Network Audience Performance against set targets

| Channel | SABC1 | | |
|-------------------|-------|-----------|----------|
| Day Part\Variable | AMR % | AMR | TSUSHR % |
| 05:00:00-22:59:59 | 4.33 | 1 55 725 | 20.74 |
| 18:00:00-21:59:59 | 10.62 | 3 812 427 | 30.80 |
| 05:00:00-17:59:59 | 2.57 | 920 597 | 15.11 |
| Channel | SABC2 | | |
| Day Part\Variable | AMR % | AMR | TSUSHR% |
| 05:00:00-22:59:59 | 1.75 | 627 461 | 8.37 |
| 18:00:00-21:59:59 | 3.26 | 1 170 206 | 9.45 |
| 05:00:00-17:59:59 | 1.33 | 478 215 | 7.85 |
| Channel | SABC3 | | |
| Day Part\Variable | AMR% | AMR | TSUSHR% |
| 05:00:00-22:59:59 | 0.75 | 269 692 | 3.60 |
| 18:00:00-21:59:59 | 0.85 | 303 751 | 2.45 |
| 05:00:00-17:59:59 | 0.73 | 261 984 | 4.30 |

SABC1's TV drama cast from Tjovitjo.





SABC2's local drama 'Melody'.

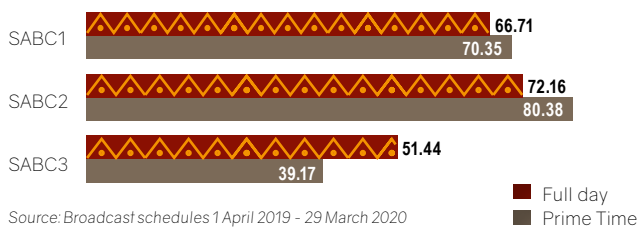
SABC1 achieved an average of 30% share in prime time against the target of 35% underperforming by 5%.

SABC2 achieved an average of 10% share in prime time against the target of 14%, missing target by 4%.

SABC3 underperformed with an average of 3% against the target of 5% in primetime.

GRAPH: SABC Local Content

ICASA's overall quotas: 65% for PBS and 45% for PCS - Average%



Source: Broadcast schedules 1 April 2019 - 29 March 2020

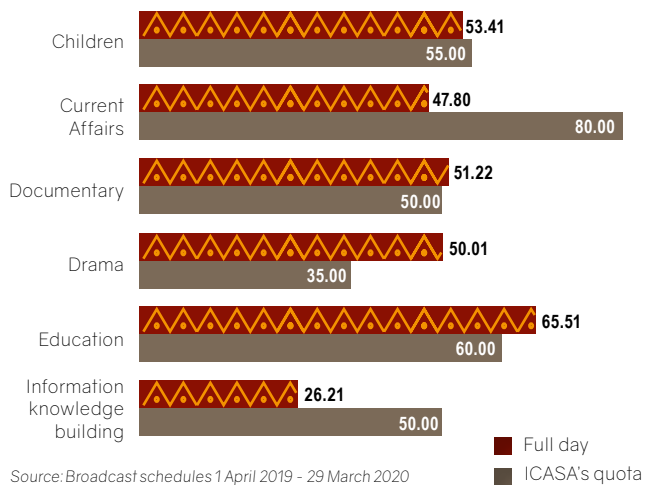
While the channels experienced challenges on the delivery of fresh local content, the PBS channels continued to deliver against the target of 65% for the delivery of Local Content. In comparison, SABC3 underperformed against the 45% quota for local content in prime time due to the replacement of some local content with foreign licenced content. However, SABC3 managed to deliver against the target during the performance period, with 51% against the target of 45%.

The graphs that follow demonstrates the delivery of content per genre against the Licence quotas and what is clear is that for SABC1, delivery of children's content was affected because YoTV was repeated for most of the fiscal. Local informal knowledge building as well, and current affairs delivery was below target due to the change in calculation post the plans being finalised as well as the non-delivery of fresh content due to cash flow challenges.

In 2019 some content with negative historical performance could not be broadcast. As more time and cash was required to procure new content, the channels were forced to repeat old content. The combination of the high repeat ratio together with the new method of calculating the programme hours contributed to the under-delivery within the represented genres below for all three channels.

GRAPH: SABC1 as PBS Channel

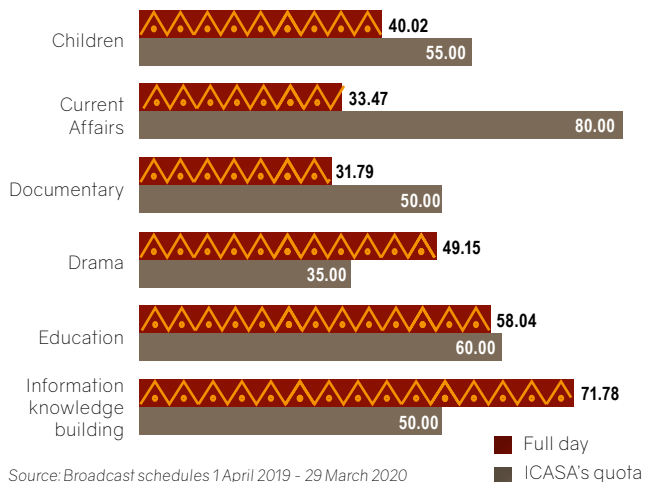
% local content per genre - minutes



Source: Broadcast schedules 1 April 2019 - 29 March 2020

GRAPH: SABC2 as PBS Channel

% local content per genre - minutes



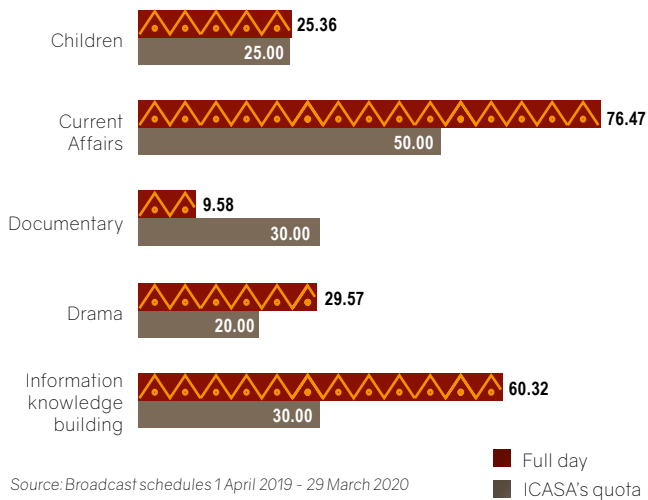
Source: Broadcast schedules 1 April 2019 - 29 March 2020



Presenters and the crew of SABC2's nature programme Voetspore.

GRAPH: SABC3 as PCS Channel

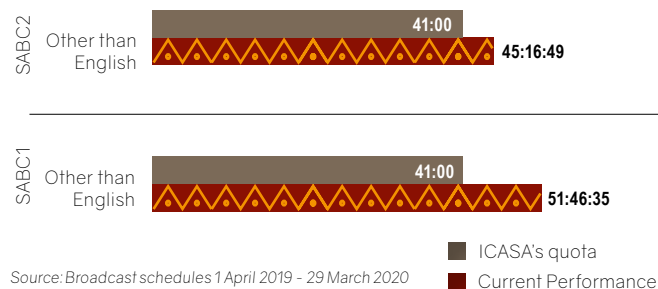
% local content per genre - minutes



Source: Broadcast schedules 1 April 2019 - 29 March 2020

GRAPH: Language Delivery During Prime Time

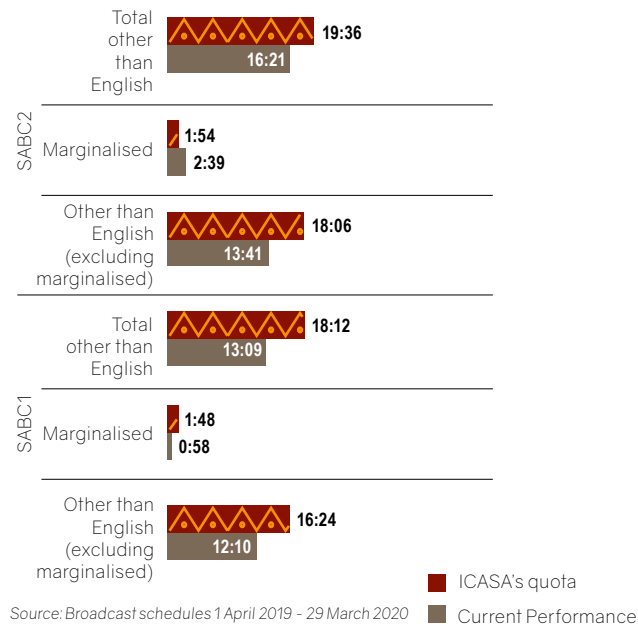
Average hours/min per week



Source: Broadcast schedules 1 April 2019 - 29 March 2020

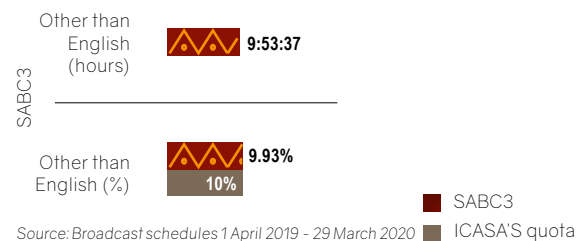
GRAPH: Language delivery during prime time

Average hours/min per week



Source: Broadcast schedules 1 April 2019 - 29 March 2020

GRAPH: Language delivery during TV performance period



Source: Broadcast schedules 1 April 2019 - 29 March 2020

SABC3 delivered against language quotas for the fiscal and does not have a marginalised language quota like PBS channels. The new calculation of language performance on the channels has contributed towards the non-delivery of local languages other than English and marginalised languages on SABC1 and SABC2. The poor language performance is directly linked to all the reasons provided under the delivery of local content within certain genres.

Delivery on Public Value

In addition to delivering public value through meeting its licence conditions, SABC Television fulfilled its public service role through programming and special event content. During the period under review, the following public value related activities which are at the centre of the Division's activities were delivered:

- Six (6) productions covering people with disabilities (PWD);
- Twenty-six (26) productions with content and inserts reflecting areas outside of metropolitan Gauteng were broadcast;
- Six (6) programmes providing sign language to deaf audiences;
- All SABC's popular soap operas provide wall to wall subtitling;
- The Division also provided programming that met the needs of the people with disabilities through PWD and Talkability; and
- The Division launched Life Begins after Coffee, a heart-warming actuality series which explores ableism in society.

A milestone in broadcasting was achieved with the premiere of Giyani, Land of Blood, the first telenovela in XiTsonga based and filmed in Limpopo, delivering on minority language.

A further milestone in South African broadcasting was achieved by the popular soap opera Uzalo, recording 10,129,851 viewers in June 2019 according to the Television Audience Measurement Survey (TAMS). Despite the financial challenges faced by the organisation, its content remained the top most-watched programmes in the country on all platforms during the period under review. With Uzalo leading followed by Generations: The Legacy, and then the youth soap Skeem Saam.

During the COVID-19 crisis in March 2020, the SABC used its popular programming and talent to communicate with more than 24 million South Africans focusing on hygiene, social distancing and information on the global crisis.

SABC Education

SABC Education is charged with the responsibility to deliver on the educational and children's mandates of the SABC. Its purpose is to share, in true South African style, compelling educational, and children's content that contributes to a rich South African identity. Its competitive advantage is that it reaches most South Africans through SABC's radio and television services.

High School Career EXPO...your future starts here

SABC partnered with The High School Career Expo recognising the importance of further education, information, and knowledge. The EXPO is South Africa's national public exhibition that is designed to provide both primary school kids looking for a high school, and prospective university students who are still in high school, with the necessary tools to succeed in high school, and tertiary education. The Expo took place over two days in

shopping malls. This enabled the SABC Education brand to be visible not only to students but also to people who visited the mall.

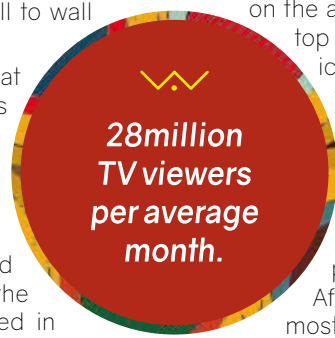
SABC Education covered issues in various categories as follows:

Children @ Home

- Programming for Early Childhood Development. For example, Takalani Sesame, Nali Bali, Inside the Baobab Tree, etc.
- Programming for Tweens and Teens. For example, Hectic Nine 9, YOTV, Hectic on 3, Behind the Rainbow, and others.

For the period under review, achievements in this category include:

- SABC Education, through Nali Bali, formed a partnership with the "World Read Aloud Day Project" which is the biggest literacy drive to encourage South Africans to read and seeks to draw attention to the importance of reading aloud to children in their mother tongue. The World Read Aloud Project on February 5, 2020, reached more than 2 million kids countrywide.
- YOTV premiered its 30th season on March 6 2020. It is an incredible feat for a children's programme to have been on the air for such a long time and to have remained top of mind to its viewers. YOTV is South Africa's iconic television academy, as many sought after television practitioners of today (on-camera and behind-the-scenes) cut their teeth in the television industry, working in this production. YOTV has become synonymous with the aspirations of a democratic South Africa, multicultural and pregnant with possibility. YOTV is etched in most South Africans' childhood memories as one of their most cherished programmes. As the television landscape continues to change, YOTV continues to reinvent itself and continues to be a much-loved companion and lifeline for many young South Africans. The show has a notable presence on social media with 194700 Facebook followers, 93600 Twitter followers and 35900 Instagram followers with a launch of a TikTok channel to stay in touch with its viewers 24/7 during the period under review. Evidence shows that YOTV programming is the most viewed local children's show.



Formal Education

This category produces content which motivates audiences to do better in life by encouraging them to actively participate in education from reception year through to adult education and training phases.

For the year under review, Highlights in this category include:

- The Epic Hang Out: The programme is geared at helping children between the ages of 4 and 10 years, teachers, as well as parents. Content is aimed at imparting and affording learners with skills about various areas in the Intermediate Phase with greater emphasis on Maths, Science, Technology, English, and Arts and Craft. The series was also born out of a broadcast partnership with the Department of Basic Education, National Spelling BEE, an initiative aimed at addressing literacy in South Africa and encourage reading by learners in grades 4 to 6.
- TOMZ (Teenagers on a Mission) is a multimedia project aimed at providing content for teenagers who want to fulfil their scientific and technology curiosity playfully through experiments, demonstrations, and participation. The series was also nominated for a SAFTA 2020 award in the Youth Category, and an episode was scheduled for

screening online at the 2020 Prix Jeunesse International Festival in Germany.

- **Khetha Radio Series:** The series is produced in partnership with The National Department of Higher Education and Training. Every year the Apply Now campaign is launched to encourage school leavers to apply on time for enrollment at institutions of higher learning.
- **Words and Numbers:** This is a quiz show which aims to provide educational support to learners in grades 4 to 6 in the areas of numeracy, literacy, and life skills. The content of the games is based on various topics and outcomes of the Curriculum Assessment Policy Statements (CAPS) curriculum for English (Language) and Mathematics for learners in the intermediate phase. This initiative received a SAFTA 2020 Nomination in the Category Best Children's Programme.
- **Geleza Nathi:** Is a magazine show that aims to provide curriculum support to learners in grades 10 to 12. The show incorporates elements of animation, and a gameshow to enrich the content and make learning fun. The series also covered the preliminary examinations for Grade 12's. It was designed to ensure that learners understood the purpose of their trial exams, the format of the exam papers and the types of questions that would be asked. Geleza Nathi's expert teachers worked through a range of questions from previous Prelim exam papers to demonstrate how best to answer each type of question. Facebook as a medium of instruction: Learners were encouraged to go onto the Geleza Nathi Facebook page between 19:00 and 20:00 to get one-on-one subject assistance from the online teachers on the night of each broadcast. Some of the subjects covered in the Prelim Series were Mathematics, Physical Sciences, English First Additional Language, Life Sciences, and Accounting."

Youth Development

Programming for young people in a youthful country which promotes youth involvement and empowerment. For the period under review, highlights in this category include:

- **One Day Leader,** a reality show that searches for the best young leaders in South Africa by putting their leadership skills and abilities to test. This series is annually sponsored by the National Youth Development Agency (NYDA) with prizes worth R500 000.
- **Skeem Saam:** Explores the thrilling and enlightening journey to adulthood. Skeem Saam can confidently be described as a disruptor in the South African television landscape. Never before has a show in the early Prime Time slot of 18:30 reached 7 million viewers. Skeem Saam has achieved that!

The programme is made even more remarkable given the fact that it is a predominantly Sepedi show, on SABC1 which has historically done well with mainly Nguni based shows. Skeem Saam has also won numerous awards both from the Industry insiders and the viewer's alike. Notably has also been the recognition bestowed by the PANSALANG Language Board where it scooped the award for the most multi-lingual soapie. In any given episode, the characters can be heard speaking Sepedi, Ndebele, TshiTsonga, TshiVenda, IsiZulu in a seamlessly integrated manner – more reflective of the South African landscape.

Public Education and Social Development

This category is the social scientist of strong editorially driven creative content that sheds LIGHT, brings HOPE, rejuvenates VALUES and restores the DIGNITY of our people.

For the period under review, highlights in this category include:

- **Life Begins After Coffee:** A ground-breaking actuality format on ableism featuring main characters driving the narrative, some of whom have down-syndrome, have impaired hearing or have an intellectual disability. Life Begins After Coffee was selected by INPUT SA to be submitted for selection in the international submission for INPUT Germany. The series was also screened at the Women's Humanity Arts Festival in Cape Town. It was an insightful experience to view the show amongst both non-disabled and persons with disabilities discussing how the series and episode were designed. It was wonderful to observe their expressions and reactions as the narrative unfolded and how they could appreciate the characters for who they were and their life dreams, looking beyond their disabilities. Life Begins After Coffee series was supported by the SABC 360 Disability Campaign, Down Syndrome South Africa, and the Deaf community from the Western Cape.
- **Daily Thetha:** This is a fearless mid-morning talk show designed to get the youth taking charge of their lives. Its editorial direction is edgy and responsibly provocative seeking unheard voices and highly opinionated thoughts aimed at inspiring and engaging its diverse viewers through a multi-platform offering. The show remains in the top 15 revenue generating shows on SABC1, and it continues to deliver on the SABC's sign language mandate. The Daily Thetha outreach events, reaffirm the care and support the public broadcaster exposes on the ground to the audience. It was well-received, and the interactivity was high.
- **1000 Lives:** It is the first-ever medical series on organ donation, thus saving lives. It offered great public broadcasting value for the South African audience in terms of caring for lives and how we all can help save a life. At one point, the show was in the top 25 for SABC2. The production quality was well received, and the high point being able to film heart, lung, and kidney transplants. Each week the numbers on the Organ Donor Foundation



Presenters of YOTV.





SABC Education's .No Means No' campaign against femicide.

increased due to the broadcast of the shows, reaching over thousands of viewers. This revealed an impact the series made in audience behaviour.

SABC Education Digital Media

SABC Education has transformed and established several online platforms such as the SABC Education portal, mobile app, programme sites and social media networks on platforms such as Facebook, Twitter, YouTube, and Google Plus.

The following are projects which SABC Education has implemented during the year under review:

- The SABC Education Virtual Academy (SEVA): A self-help e-learning management platform that was developed primarily to support the quality of education and Technical and Vocational Education and Training (TVET) in South Africa. The functional role of SEVA is to take SABC Education TV programmes and convert them into online learning material for the benefit of the public based on the following:

Video lessons (extracted from the SABC Education TV programmes);

- Notes;
- Revision flashcards;
- Task and activities;
- Self-assessments;
- Progress report;
- Gamification;
- Virtual community support (viz. Social Media); and
- Other customisable needs and designs.

- Matric Results released through our MatricsMate App, SMS and USSD lines: SABC Education in partnership with the Department of Basic Education (DBE) released the 2019 National Senior certificate results on the mid-night of 07 and 08 January 2020. The MatricsMate App reached number 1 on the top 100's free most downloaded educational apps.

- e-Funza, Digital Literacy campaign: SABC Education launched an online reading campaign that is informed by the newly established SABC Education i-Store, with more than 46 000 free titles to choose and read from, all available for download. The SABC Education i-Store offers catalogues ranging from fiction to non-fiction, curriculum, non-curriculum, and free e-books.

- Raise Your Hand campaign: An on-going SABC Education initiative that calls on all South Africans to take part in the education of our country's children. It is based on the premise that each of us can make a difference in our communities, no matter how small, and once that action gathers momentum, the country's outlook will improve, one future leader at a time. It could be donating books or devoting a few hours a month to someone who needs help, to understanding something that can be grasped easily, for example, painting a blackboard, or fixing part of a broken school bus. There are thousands of ways to help, not all of them are academic, but all are invaluable.

- SABC Education Custom i-Store: SABC Education entered into a partnership with Digital Teaching Technologies (ITSI) to launch the Online Custom i-Store for users, boasting more than 350,000 e-books. The Online Custom i-Store contains a wide variety of titles and genres, including academic books as prescribed by the CAPS curriculum, with 45,000 e-books available for free. The app is an interactive e-reader that enhances users' reading and studying experience and enables users to add notes and sketches to specific sections of an e-book.

Achievements and Performance

The SABC TV network kept an average of 93% of its network schedule stability with most unplanned schedule disruptions as a result of newsworthy content of national importance and sporting events. While the channels struggled to achieve some of the ICASA license quotas, channels worked towards delivering content of national interest and mandate editorially.

SABC1 still leads as the single South African Channel to achieve an average of 30% share in prime time and 65% of content featuring in the top 20 terrestrial TV's most-watched content. The channel covered key special days such as Youth Day, Human Rights Day, Heritage Day and celebrations of 25 years of democracy a few of the special broadcasts carried on the channels per quota.

After a successful run of 'Giyani' on SABC2 as the first Xitsonga long-running drama series in the fourth quarter, a new Sotho series called 'Lithapo' was introduced in the 21:30 slot in an attempt to grow the performance of this slot.

SABC2's Programme Manager, Ms. Jacqueline Hlongwane, at the invitation of the NHK (Japan's Public Broadcaster) travelled to Tokyo, Japan in November 2019, to participate as a Jury member and Chairperson of the Audiovisual Division at the annual Japan Prize International Contest



Behind the scenes with SABC News.

for Educational Media. The Japan Prize competition was established in 1965 by NHK and has given people who are involved in educational broadcasting all over the world an opportunity to compete, develop and learn within an established globally recognised children's and educational forum.

Looking Forward

Plans for SABC Education for the next financial year include the launch of Ditshomo a fun and entertaining educational children's series about traditional African folktales, told through the magical medium of shadow puppetry. This series will also demonstrate the SABC's passion for innovation and how it is embracing Fourth Industrial Revolution (4IR), while also showcasing authentic stories which carry lessons and values for young South African audiences.

SABC NEWS AND CURRENT AFFAIRS

Compliance to the mandate

During the period under review, SABC News distinguished itself in upholding its mandate as a public news service, whose total allegiance is to the citizens of South Africa. The character of its content demonstrated editorial decisions and journalistic practice that respects the public's right to know, and adherence to the prescripts of the SABC Editorial Policies. Doing this during the period under review was of essence as the 2019 National Elections were happening in the second month of the financial year. The news service continued to provide unrestrained News and Current Affairs programming on all SABC's PBS and PCS radio, television and digital platforms, in all official languages.

During the 2019/20 financial year, the SABC News executed its public interest obligation through compelling, incisive and robust coverage of the 2019 National Elections, carried live and through streaming services. Thorough planning for the launch of political party manifestos and extensive coverage of the campaigns leading up to the voting day generated extensive audience participation. Notably, outside broadcasts that were held in different provinces, hosted by television and radio crews and broadcast on digital platforms drew record audiences.

#SADecides was central editorial campaign that drove SABC News' 2019 elections coverage. The campaign became so popular that even South Africans in the diaspora were using it the period leading to voting day. SABC News' Independent and Impartial approach to the National Elections coverage provided citizens with untrammelled information that empowered them make informed choices in shaping their individual and collective futures and the country's democracy.

SABC News also adhered to its mandate by offering a plurality of views and a variety of news, information and analysis from a South African point of view, through its large footprint which is spread across all provinces, with bureaus in Kenya and the United States, as well as international news agencies and correspondents across the globe.

Despite the political and public pressure that normally affects SABC News journalists during election periods, the public news service continued to provide credible, accurate and informative news and robust current affairs content, and did so independently and impartially. No complaint or ruling of unfair coverage was recorded against SABC News for the 2019 National Elections coverage. Consequently, the public news service was applauded widely for carrying its mandate with demonstrable respect for the citizens' right to know. However, there were instances where SABC News journalists were exposed to unwarranted cyberbullying, physical attacks, threats and intimidation, not only by politicians but members of the public too. The Corporation considers such conduct unfortunate and lamentable, and a threat to the very democracy project it seeks to advance by creating opportunities for public engagement.

Performance

SABC news offerings, in line with the 'Independent and Impartial' brand pledge, have been very well received by audiences through the multiplatform coverage of news of national importance. During the 2019/20 financial year, SABC News services on terrestrial platforms contributed 60% of the top ten news broadcasts on free-to-air television nationally. This was consistent with the previous year's performance.

SABC News bulletins on terrestrial channels SABC1, SABC2 and SABC3 commanded between 12% and 14% of all viewing by free-to-air audiences. The performance of current affairs programming was consistent at 8% of all



television viewing with the youth programme, Expressions, being the most popular actuality show.

Audience ratings increased markedly during the National Elections period, as the nation relied on the credible information delivered by the public news service. The trend continued throughout the period under review on different platforms as displayed in the performance of the SABC News Channel, as it asserted its market leadership in the national market.

Digital

The SABC News digital platforms performed exceptionally well during the period under review. The SABCnews.com website displayed phenomenal growth with views exceeding 3 million at the end of the financial year, a significant increase year-on-year. On social media, YouTube it gained 272% more subscriptions, up to 832 800 subscribers and in March Twitter followers increased to 1.425 million on average with Facebook likes increasing to 1.071 million on average.

The most significant development was the launch of the SABC News App which served as the Corporation's first and important step into the OTT environment. The App is the first in the continent to carry a live news channel, the SABC News Channel. It offers complete convenience and immediacy for those who prefer to consume their news content on-the-go. The App also carries the SABCnews.com website as well the Corporation's 18 radio stations. It is a comprehensive suite of SABC offerings that provides anywhere, anytime consumption convenience.

Also worth noting are the changes that were effected on SABCnews.com which saw the publishing of news content going full 24 hours, and making SABC News the first news entity in the country to provide active digital news coverage around the clock.

Programming Highlights

The 2019/20 financial year presented the SABC with several opportunities to keep South Africans informed. The period was full of breaking stories which were covered impartially. Among the significant programming highlights were:

- The successful coverage of the 2019 National Elections;
- The Presidential inauguration which was most popular SABC actuality broadcast in May;
- The extensive coverage of the State Capture Commission of Inquiry;
- The Commission of Inquiry into the Public Investment Corporation;
- The resignations of former Cabinet Ministers as ANC Parliamentarians ahead of President Cyril Ramaphosa's State of the Nation Address;
- The deaths of Bosasa Chief Executive Officer, Gavin Watson, founder of Ladysmith Black Mambazo, Dr Joseph Shabalala, and the former leaders of Zimbabwe; Tunisia and France; Robert Mugabe, Zine El-Abidine Ben Ali and Jacques Chirac;
- The xenophobic and gender-based violence incidents that dominated the country;
- South Africa's win of the Rugby World Cup and trophy tour;
- The Ndlovu Youth Choir from a Limpopo village warmed the hearts of South Africans by reaching the finals in America's Got Talent show and Miss South Africa, Zozibini Tunzi was crowned Miss Universe;
- Eskom implementing various stages of load-shedding including stage 6, the highest since 2008;

- South African Airways going into business rescue following a strike by workers;
- The impeachment of the American President, President Donald Trump by the House of Representatives on charges that he had abused the power of his office for domestic political advantage;
- Matric results special broadcast;
- The 30th anniversary of Mandela's release; and
- The outbreak of the novel coronavirus in China and other parts of the world before infections were detected in South Africa.

Key Achievements

The following are some the key achievements for the 2019/20 financial year:

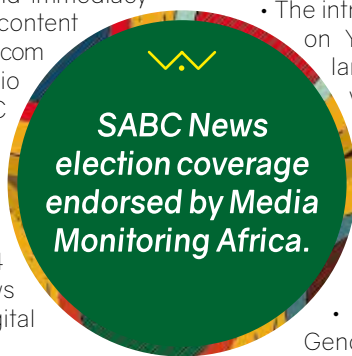
- The successful coverage of the National General Elections, the Inauguration of President Cyril Ramaphosa and the State of the Nation Address
- The launch of Democracy Gauge, an SABC News multi-platform programme which commemorated the 25 years of democracy, with stories told from the perspective of citizens. The programme was recognised as the best citizen-centred offering dedicated to Elections;
- The launch of the SABC News App;
- The introduction of the IsiNguni news micro-channel on YouTube in IsiZulu and IsiXhosa with both languages recording more than 15 000 video views in the first month;
- Morning Live show which is simulcast on SABC News Channel and SABC2 reached a two-decade milestone and celebrated 20 years of being the longest-running breakfast show in South Africa representing people from all walks of life; and
- During the 16 days of Activism against Gender-Based Violence, SABC News successfully promoted the #ItEndsWithMe campaign, a theme which mobilised all South Africans to be active participants in the fight against violence, by expanding a sense of accountability beyond the justice system and encouraging each citizen to be responsible in teaching themselves and others of the importance of protecting women and children.

Another key achievement was the release of the findings of the Independent Commission of Inquiry into interference in the decision making in the SABC Newsroom between the years 2012 and 2017 by the SABC Board in August 2019. The Commission was set up in 2018 and led by veteran journalist Dr Joe Thloloe. This process was critical to identifying areas of editorial vulnerability and putting in place appropriate measures to ensure that the public mandate is upheld at all times and reaffirm the editorial independence of the newsroom.

Looking Forward

In the coming financial year, the Division will focus on the following:

- Elevating efforts to deliver credible, incisive, inquisitive and compelling watchdog journalism covering the country in all official languages as well as the continent;
- Prepare and deliver Local Government Elections coverage.
- Enhance storytelling quality across platforms and focus on themed coverage for in-depth treatment of issues.
- Continue to cover issues of national interest including COVID-19; and
- Intensifying efforts to ensure the digital presence of African Languages news and current affairs content



SABC SPORT

Compliance with Licence Conditions

The 2019/20 sports calendar was a bumper sports year globally, unfortunately, due to the challenging financial situation, the SABC was unable to secure rights to all these events and was therefore unable to deliver on the ICASA mandate. Where possible, the SABC endeavoured to secure some of these rights for relevant matches including rights for the 2019 Rugby World Cup and 2019 Cricket World Cup.

The biggest cost driver for the public broadcaster remains the exorbitant cost of TV sports rights, however as the South African team advanced in the 2019 Rugby World Cup, negotiations were concluded for the Bronze Match Final and the historic live final match between South Africa and England, which ignited unity and national pride.

The 2019 Rugby World Cup Radio Rights were secured to ensure that all South Africans had access to Rugby's centrepiece event. Initially, only Radio 2000 and RSG were to cover the matches live with reports from Umhlobo Wenene FM. As the Springboks progressed further other ALS stations covered the match which became the highlight on SABC's sporting calendar.

Radio forms the backbone of live rugby broadcasts for the SABC due to the minimal exposure on television, and both the 2019 Currie Cup Tournament and 2019 Super Rugby Tournaments were secured fulfilling listeners needs as well as delivering on the public broadcast mandate.

Before the 2019 Rugby World Cup, the Springboks played only two home Tests in 2019, both Test matches were broadcast live on Radio and delayed on SABC2, the first Test against Australia in July 2019 and the 2nd Test against Argentina in August 2019.

Rights were also acquired for the live and delayed broadcast of eleven 2019 World Cup Cricket matches, which included all South African matches, a semi-final and the final. Later in the year, a full-ball-by-ball coverage of the England and Australian Inbound Tour to South Africa was broadcast on both Radio and Television from December 2019 to March 2020, which followed the 2nd Mzansi Super League tournament where our viewers were treated to 32 first-class cricket matches.

PSL Soccer remains the consistent pillar of SABC's delivery on soccer. The five-year long term agreement has ensured SABC's delivery on its public mandate of serving South Africa's football-loving fans. Although the number of seasonal matches of the various tournaments within the PSL has been reduced for television coverage, the viewing public continued to have access to the PSL semi-finals, finals and all derbies. The PSL Radio Rights cover all matches on all radio stations for the next five years.

A five-year long-term deal was also concluded with SAFA for all Bafana-Bafana and Banyana-Banyana home and away matches as well as the semi-finals and finals of SAFA's domestic competitions on Radio and television. Included in the agreement was the SAFA's Women's League, a new League which launched on SABC1 in August 2019. Approximately 19 matches were broadcast during the reporting period, supporting SAFA's initiative to foster a sporting culture encouraging and promoting the involvement of women in soccer. The matches attracted an average of 1.351 million viewers per match.

The African Cup of Nations (AFCON), the premier men's international soccer competition in Africa was broadcast from June 21 to July 19 2019, and the final between Algeria and Senegal achieved 3.4% AR, 11.8% share and 1,2 million viewers in (ARs 000). However, the match which attracted

the highest number of viewers (the highest recorded for the platform - SABC3) was between Nigeria vs. South Africa, which achieved 9.1% AR, 28.2% share and 3,2 million viewers in (ARs 000). This tournament significantly contributed to enhancing the SABC3 audience ratings as it was rated among the top three performing shows on SABC3 overall.

Three marathons were broadcast live in 2019, namely the Comrades Marathon, South Africa's largest and oldest ultra-marathon race, the Cape Town Marathon which has achieved an IAAF Gold label status and the Soweto Marathon, popularly known as the "People's Race".

Public interest matches included the Shell Helix Cup, an annual exhibition match between Mamelodi Sundowns and Kaizer Chiefs and the Carling Black Label Cup, a once-off Derby between Orlando Pirates and Kaizer Chiefs.

During the soccer off-season and before the start of AFCON 2019, four matches were broadcast on SABC1. The final match between Botswana and Zambia achieved 3.5% AR, 14.2% share and 1.2 million viewers (ARs 000).

The SABC acquired the Premier League (PL) games for Saturday on SABC3 as part of the brand-building initiatives for the channel. The Premier League match between Manchester City and Brighton in May 2019 was the final of the weekly live match broadcasts on SABC3 which showcased some of the greatest teams in one of the most popular leagues in the world. The acquisition of the two semi-finals and the final of the FA Cup further complemented SABC3's offering of international soccer.

Extreme Fighting Championship (EFC), which included a weekly magazine show and a monthly live tournament featuring mixed martial arts, offered an alternative offering on SABC3, which attracted a young and diverse audience.

The SABC broadcasted the SA Sports Awards live. The Awards recognise outstanding performance and showcase the excellence and achievements of South Africa's sporting icons for various sporting codes.

Similarly, at the end of the PSL season, the SABC covered the PSL Awards at which South African football players, coaches and officials who had contributed to the beautiful game, were recognised.

Extreme Fighting Championship on SABC3.



TABLE: Program Audience Performance

| Programmes | Date | AR | % Share | AR 000s |
|--|----------|------|---------|-----------|
| Marathons | | | | |
| Soweto Marato | 3/11/19 | 1.1 | 8.1 | 389 785 |
| 2019 Comrades Marathon | 9/6/19 | 2.5 | 12.6 | 881 754 |
| Sanlam Cape Town Marathon | 15/9/19 | 1.1 | 7.9 | 398 683 |
| 2019 Rugby World Cup | | | | |
| New Zealand vs Wales | 1/11/19 | 2.2 | 11.3 | 808 937 |
| England vs South Africa | 2/11/19 | 11.1 | 41.9 | 3 979 807 |
| 2019 Africa Cup of Nations (AFCON) | | | | |
| Egypt vs Zimbabwe | 22/6/19 | 3.9 | 14.5 | 1 401 448 |
| Nigeria vs Burundi | 23/6/19 | 3.4 | 12.9 | 1 210 881 |
| Guinea vs Madagascar | 23/6/19 | 3.4 | 11.4 | 1 203 881 |
| Tunisia vs Angola-R | 26/6/19 | 0.7 | 8.6 | 236 594 |
| Mali vs Mauritania-R | 26/6/19 | 0.4 | 10.5 | 145 139 |
| Mali vs Mauritania-R | 27/6/19 | 0.3 | 10.7 | 124 500 |
| Ghana vs Benin-R | 27/6/19 | 0.3 | 11.5 | 120 263 |
| South Africa vs Namibia | 29/6/19 | 3.5 | 14.2 | 1 243 983 |
| Cameroon vs Ghana | 30/6/19 | 3.3 | 13.7 | 1 185 518 |
| Benin vs Guinea-Bissau | 30/6/19 | 3.7 | 13.9 | 1 338 435 |
| Guinea-Bissau vs Ghana-R | 3/7/19 | 0.6 | 7.8 | 225 444 |
| Benin vs Cameroon-R | 3/7/19 | 0.4 | 7.3 | 128 869 |
| Benin vs Cameroon-R | 4/7/19 | 0.3 | 8.8 | 122 320 |
| Angola vs Mali-R | 4/7/19 | 0.3 | 8.0 | 93 551 |
| Namibia vs CoteD'Ivoire | 6/7/19 | 3.3 | 12.7 | 1 176 369 |
| Carling Black Label Cup | | | | |
| Shell Helix Cup - Kaizer Chiefs vs Mamelodi Sundowns | 27/07/19 | 11.5 | 40.2 | 4.1m |
| SA Sports Awards | | | | |
| 2019/20 Mzansi Super League | 12/10/19 | 10.3 | 37.4 | 3.4m |
| SA Sports Awards | | | | |
| 2019/20 Mzansi Super League | AVG | 0.9 | 3.5 | 331,779 |
| Stars vs Blitz | 8/11/19 | 0.9 | 2.5 | 314,837 |
| Rocks vs Blitz | 10/11/19 | 0.9 | 4.1 | 339,315 |
| Spartans vs Giants | 13/11/19 | 0.6 | 1.6 | 200,240 |
| Blitz vs Stars | 14/11/19 | 1.0 | 2.6 | 343,638 |
| Stars vs Giants | 16/11/19 | 1.0 | 4.5 | 345,901 |
| Heat vs Blitz | 17/11/19 | 1.2 | 5.2 | 418,335 |
| Rocks vs Spartans | 17/11/19 | 1.0 | 3.6 | 368,157 |
| Giants vs Blitz | 20/11/19 | 1.1 | 2.8 | 383,944 |
| Spartans vs Heat | 21/11/19 | 0.7 | 2.1 | 268,858 |
| Rocks vs Stars | 22/11/19 | 0.9 | 2.8 | 333,209 |
| Giants vs Heat | 23/11/19 | 1.0 | 4.4 | 354,148 |
| Blitz vs Rocks | 24/11/19 | 1.3 | 5.7 | 450,738 |
| Stars vs Spartans | 24/11/19 | 1.0 | 3.6 | 374,296 |
| Giants vs Rocks | 27/11/19 | 0.8 | 2.5 | 301,939 |
| Blitz vs Heat | 28/11/19 | 0.8 | 2.4 | 296,147 |
| Spartans vs Rocks | 29/11/19 | 0.9 | 3.2 | 340,478 |
| Heat vs Giants | 30/11/19 | 0.8 | 3.6 | 270,510 |
| Stars vs Rocks | 1/12/19 | 1.1 | 5.7 | 400,860 |
| Blitz vs Spartans | 1/12/19 | 1.2 | 5.2 | 442,054 |
| Giants vs Spartans | 3/12/19 | 0.7 | 1.9 | 241,628 |
| Rocks vs Heat | 4/12/19 | 1.0 | 2.7 | 371,999 |
| Spartans vs Stars | 5/12/19 | 0.6 | 2.5 | 23,266 |
| Blitz vs Giants | 6/12/19 | 0.8 | 3.4 | 272,210 |
| Rocks vs Giants | 8/12/19 | 1.0 | 5.4 | 342,604 |
| Heat vs Stars | 10/12/19 | 0.6 | 3.0 | 229,273 |
| Play Off - Spartans vs Giants | 13/12/19 | 0.9 | 3.1 | 320,705 |
| Final - Spartans vs Rocks | 16/12/19 | 1.1 | 3.5 | 400,747 |
| ICC Cricket World Cup 2019 | | | | |
| South Africa vs England | 30/5/19 | 2.0 | 7.8 | 699,405 |
| South Africa vs Bangladesh | 2/6/19 | 1.9 | 7.6 | 694,589 |
| South Africa vs India | 5/6/19 | 0.5 | 3.9 | 157,339 |
| South Africa vs West Indies | 10/6/19 | 0.5 | 3.4 | 163,566 |
| South Africa vs Afghanistan | 16/6/19 | 0.9 | 4.5 | 328,107 |
| New Zealand vs South Africa | 19/6/19 | 0.5 | 3.5 | 193,544 |
| Pakistan vs South Africa | 23/6/19 | 0.8 | 5.8 | 272,605 |
| Sri Lanka vs South Africa | 23/6/19 | 1.7 | 9.2 | 597,966 |
| Australia vs South Africa | 7/7/19 | 1.1 | 5.0 | 408,839 |
| 1st SFinal-India vs New Zealand | 10/7/19 | 0.4 | 9.3 | 152,279 |
| Final-New Zealand vs England | 14/7/19 | 0.3 | 5.4 | 83,278 |

PERFORMANCE

South African Broadcasting Corporation [SABC] Ltd | SABC Annual Report 2019 - 2020

Radio

Sports programmes performed reasonably well and saw an increase in the number of audiences, especially on the following Radio Stations:

- Umhlobo Wenene FM: Saw an overall increase of 6.7% during the SABC's Wednesday Sports Show (19:00 to 20:00), an overall increase of 6.4% during our weekend sports slot on Saturdays (15:00 to 18:00) followed by an increase of 5.2% on Sunday (15:00 to 18:00);
- Lesedi FM: Achieved the following numbers during the above-mentioned slots: 5.9% on Wednesday and an overall 3.2% increase on Saturday, followed by an increase of 0.1% on Sunday;
- Ukhozi FM: The SABC's biggest and leading radio station in the country achieved an overall increase of 1.1% on Wednesdays, 0.7% on Saturdays and 1.0% on Sundays;
- Ligwalagwala FM: Is among the stations that saw an increase in their audiences, and it achieved a 4.6% increase on Wednesdays, 3.7% on Saturdays and 2.1% on Sundays; and
- Motsweding FM: Is one of the stations that deserve mentioning as it also performed well during this period.

Amongst the stations that did not perform well during this period under review is the Polokwane Combo:

- Phalaphala FM: Achieved a mixed bag of misfortunes with decreases on all days. This can be attributed to the station losing two of their powerful sports presenters who were unfortunately lured by different government departments in the Limpopo Province;
- MLFM: Achieved increases on Wednesdays and Saturdays and a decrease of 0.4% on Sundays; and
- Thobela FM: Suffered a decrease on Wednesdays while achieving increases on Saturdays and Sundays.

Programming Highlights

The programming highlights include the following:

- The live broadcast of the 2019 Rugby World Cup match between South Africa and England was the highlight of the sporting calendar and achieved an audience share of 41.9%. The final match of the event on Saturday, November 2 2019 (match and wrap-up) came second and third on the list of Top 20 programmes. The final attracted 3,979,807 viewers (All Adults / 41.9% Share) and 1,939,779 (LSM 7-10 / 42.5% Share).
- In 2019, SAFA launched the National Women's League, and the SABC partnered with SAFA to broadcast the tournament on SABC1. This turned out to be a successful acquisition as the Women's League maintained a positive audience share during the Saturday and Sunday broadcasts; and
- The annual Carling Black Label Cup and the Shell Helix Cup were highlights as these two events are key revenue and audience pillars for the SABC.
- Cricket: SABC TV hosted the Cricket World Cup as well as AFCON on SABC3. The England and Australia tours were successfully executed on three Radio Platforms. Radio 2000 covered this event by way of live commentary (ball-by-ball) whilst RSG, and Umhlobo Wenene FM did reports and live crossings.
- Super Rugby Matches: Only three stations are scheduled to cover Rugby for SABC Radio. Radio 2000, RSG and

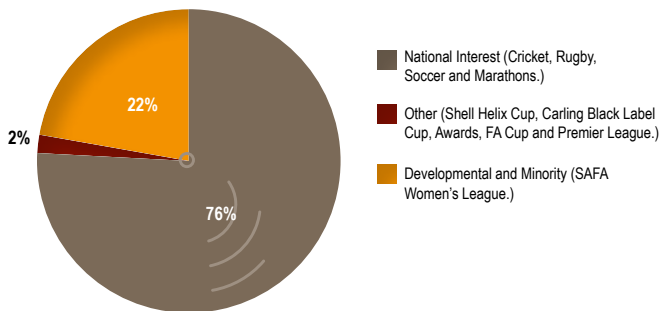


Sport presenter Vaylen 'Nkosazana' Kirtley, from Morning Live on SABC2.

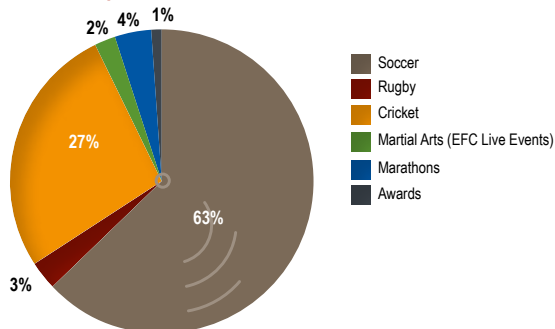
Umhlobo Wenene covered the Super Rugby matches from January 31 until all the sporting activities were halted when the lockdown was imposed due to the COVID-19 pandemic.

- PSL Matches: These matches were broadcast on all SABC Radio platforms (PBS). The PSL fixtures covered include the much anticipated and world-famous Soweto derby between Orlando Pirates FC and Kaizer Chiefs. The PSL season was suspended following the lockdown being imposed.
- Nedbank Cup: This professional Soccer cup competition was entering the semi-final stage with the four teams for this stage already confirmed when the lockdown was announced and all sporting activities halted.

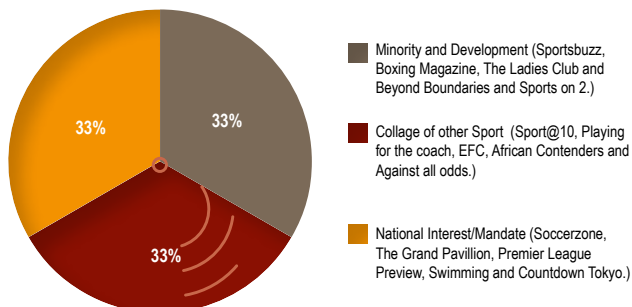
GRAPH: Sport of National Interest



GRAPH: Sport Genres



GRAPH: Sport Magazine



Key Achievements

- Radio productions were structured to curtail costs by producing high-quality broadcasts through off-tube commentary from regional studios and mezzanine in Johannesburg.
- Radio experienced audience growth with a limited production budget.

Looking Forward

- Negotiations were concluded with Athletics SA for the live broadcast of five marathons, namely the Two Oceans, Comrades, Mandela Day, Cape Town and Soweto Marathon in 2020 as well as selected track and field events and city marathon highlights. Rights renewal will continue with ASA and CSA for future Athletics and Cricket rights for domestic events. Negotiations for the 2020 Paralympic games will resume in July 2020. The event has been postponed to 2021 and will take place after the Summer Games.
- The SABC has rights from the International Olympic Committee (IOC) for the 2022 Youth Games, the 2022 Winter Games as well as the 2020 and 2024 Summer Games. Due to the COVID-19 pandemic, the 2020 Games were postponed and rescheduled for 2021. The programming plan for the 2020 Olympic Games has already been finalised and communicated to all relevant role players.
- Plans are underway for the return of Boxing which will include local boxers and tournaments as well as boxing tournaments from the continent. The Boxing Strategy is still under review, and the broadcast of Boxing should ideally commence in the latter part of 2020.
- Considerations to extend rugby productions to other radio stations outside the three core-ones are being made.
- Rights permitting, the SABC intends to cover other development sporting codes like netball which is currently receiving limited coverage through news bulletins.
- Budget permitting the SABC will venture into school sports genres like Varsity Rugby and School soccer, which in the past produced international stars.

Transformation

SABC's Broad-Based Black Economic Empowerment (B-BBEE) Compliance

- In order to redress the imbalances of the country's past, the SABC is committed to Black Economic Empowerment (BEE). All business activities are aligned with the national transformation agenda and thus complying with the B-BBEE Act 2003 and the Information Communications Technology (ICT) sector B-BBEE Codes.
- For the 2019/20 fiscal, the SABC achieved a Level 3 B-BBEE status against the set targets of the B-BBEE ICT Sector Codes. The previous status was a Level 2. The drop in status was as a result of underperformance in skills development which is being addressed in the new financial year. The drop in status around Management Control was another contributing factor. That too, is being addressed.
- In the previous fiscal, the SABC had black female Executive Directors. In the current scorecard there are none and this has resulted in a decrease on the scorecard. The notable improvements in the number of Black People Living with Disabilities employed at the SABC is notable. The institution is working to increase this further in coming years.
- Strategic initiatives across the Corporation were implemented for each element of the scorecard and this contributed to the attainment of the B-BBEE contribution Level 3.

- All Supply Chain Management (SCM) activities are subjected to the Preferential Procurement Policy Framework (PPPF) Act No. 5 of 2000. The latest Preferential Procurement Regulation 2017 effective 1 April 2017, with the introduction of the pre-qualification criteria based on B-BBEE levels of contribution (Regulation 4), made it possible to pre-qualify for SCM opportunities where black owned, black women, exempted and qualifying small enterprises are earmarked.
- Preferential Procurement Regulation 2017 (Regulation 9 – subcontracting as a condition of tender) made it possible for SABC to identify tenders, where it is feasible to subcontract a minimum of 30% of the contract value for contracts above R30 million to historically disadvantaged groups. This allows for the provision of opportunities to EMEs or QSEs which are 51% owned by Blacks, Black Youth, Black Women, Black people with disabilities, Black people living in rural or under developed areas or townships, cooperatives owned by Black people as well as Black people who are military veterans.

These preferential procurement initiatives were implemented across the Corporation and contributed positively to the performance against the set targets of the scorecard.

TABLE: Preferential Procurement Performance

| Indicator | Compliance Target | Achievement |
|---|-------------------|-------------|
| B-BBEE Procurement Spend from all Suppliers | 80% | 132.88% |
| B-BBEE Procurement Spend from all Qualifying Small Enterprises | 15% | 22.27% |
| B-BBEE Procurement Spend from all Exempted Micro-Enterprises | 15% | 24.11% |
| B-BBEE Procurement Spend from Suppliers that are at least 51% Black owned | 40% | 60.22% |
| B-BBEE Procurement Spend from Suppliers that are at least 30% Black Women owned | 12% | 21.70% |

TABLE: Scorecard against the ICT Sector B-BBEE Codes

| B-BBEE Element | Weighting Points | Company Score |
|-------------------------------------|------------------|---------------|
| Management Control | 20 | 18.82 |
| Skills Development | 25 | 9.92 |
| Enterprise and Supplier Development | 50 | 50.45 |
| Socio-Economic Development | 12 | 12 |
| Overall Score | | 91.19 |
| B-BBEE Level | | 3 |

SABC achieved the overall score of 91.19 for the verification and audit for 2019.

PERFORMANCE

South African Broadcasting Corporation [SABC] Ltd | SABC Annual Report 2019 - 2020



SABC's Virtual Academy online portal.



Behind the scenes during Morning Live broadcasts.



Technology

Technology is central to the SABC's ability to deliver on its mandate.

The Technology Division is responsible for ensuring that the organisation is provided appropriate and reliable technology infrastructure for the production and delivery of broadcast programming, digital media content, and supporting commercial revenue generation.

The rise of digital technology has resulted in audiences expecting to consume content anywhere, anytime, and on any device. While the impact of this change is felt throughout the business, its effect is most profoundly felt on the technology and infrastructure of the organisation. With a reliable technology infrastructure suited to the digital age, the SABC is confident that it will once again lead and compete with new digital broadcasting entrants, and address evolving needs in content consumption patterns.

The SABC's Technology Business Model has considered the impact of the Fourth Industrial Revolution (4IR) developments, and focusses on three key foundations, namely, enterprise broadcast architecture, "SABC Anytime, Anywhere on any platform" and IT Security and Governance.

Digital technology is enabling consumers to access and engage with content in new ways, and operators are positioning themselves to take advantage of the opportunity. The SABC is moving into an environment where international and local Content Delivery Networks (CDN) link the content provider and the consumer by offering bespoke individualised solutions through key strategic partners. This includes Artificial Intelligent (AI) systems which aid the value proposition individualised by the different suppliers.

For the SABC to leverage off the various offerings, it is essential to partner with different providers to leverage market capabilities. This is likely to include international role players in this arena.

Currently, the SABC has a digital media presence across the Internet, including social media, online video, podcasts

and streaming media, with television channels, shows, radio stations, news, education and other brands having some of the most popular, most engaged audiences in the South African social media landscape. The public broadcaster's radio stations also offer live audio streaming via their dedicated websites as well as via the SABC portal. They also offer podcasts of their most popular shows, while SABC News publishes hourly news bulletin podcasts.

All SABC television channels have YouTube channels (SABC1, SABC2, SABC3 and SABC News). All SABC radio stations and television channels, as well as SABC News, Sport and Education have dedicated websites, consolidated under the SABC Corporate portal.

The SABC also hosts the SABC Virtual Academy, an online portal that provides learners with support in critical learning areas such as Mathematics, Accounting, Life Skills, English and Physical Science.

All brands are active on social media, especially Facebook and Twitter, where they are amongst the most popular social media platforms in the country.

MILESTONES

Radio Broadcast Resources (RBR)

RBR is a provider for radio content creation, production and broadcast of both studio-based and outside broadcast-based productions of all 19 SABC radio stations across the country.

The main objective for RBR was the implementation of the Radio Payout and Scheduling System for the 19 radio stations. This project was rolled-out successfully for the Auckland Park-based stations which are METRO FM, 5FM, SAfm, RSG, Radio 2000 and Channel Africa, as well as at Goodhope FM in Sea Point. The implementation at each site included the roll out to radio station content providers which include Radio Sales and News.

A revised Radio Payout and Scheduling System (Diral) roll-out plan which seeks to fast-track the Diral! implementation in the provinces as part of finalising the outstanding Radio Stations has been approved. Sites earmarked for migration to the Diral! system include George and Parliament to complete the Western Cape Province roll-out. This will be followed by Ukhozi FM and Lotus FM in Kwazulu-Natal as part of the revised and approved roll-out plan.

Television Broadcast Resources (TVBR)

TVBR is responsible for the provision and support of television facilities both in-house and outside broadcasts. The main facilities provided are television production studios, provincial contribution studios, News and Sport production systems, newsgathering facilities, outside broadcast facilities, satellite links, post-production and master and final control centres. In the reporting period the Technology division successfully managed the changeover to High Definition (HD) on Sentech's DTT and DTH and on DSTV platform in time to broadcast 2019 National Elections in HD. This brought the total number of HD channels to five, namely SABC1, SABC2, SABC3, SABC News and SABC Sport (available on DTT only). The result of the migration was the delivery of the most successful elections to date. This was the first time that elections were covered end to end in HD, from HD cameras right through to HD transmissions on DSTV as well as Sentech's DTT and DTH platforms. There were 54 remote units deployed throughout the country that enabled comprehensive live coverage of the elections.

Also, the TVBR infrastructure was also instrumental in facilitating a highly successful Mzansi Super League T20 Cricket broadcast of all 32 matches at the six venues.

The Preservation of Legacy Material Project for converting analogue content on tapes to digital format delivered over 127 146 digitised SP tape hours, 20 849 digitised C-Format hours and 4 846 digitised U-matic hours. Additionally, digital storage (Linear Tape-Open) for Television was successfully implemented, and this process completed the end-to-end media asset management in a file-based and tapeless environment.

When COVID-19 hit the country's shores as the year under review drew to a close, TVBR put in place an action plan that enabled broadcast continuity during the lockdown. The main actions included the capability to access critical broadcast systems remotely, ensuring key employees have the necessary tools to work remotely and continue to deliver their broadcast task and set up a SABC broadcast DR Site at Sentech's Nasrec premises.

Information Technology (IT)

The SABC's information technology continues to ensure provisioning of IT systems, applications, infrastructure assurance, and IT Service continuity. Further they oversee IT contracts management, Software Asset Management and the IT disaster recovery plan (Includes Corporate IT and Cybersecurity).

The IT unit's plan was to establish digital platforms which enable the business to be more efficient and more effective. This journey required specific software development skills, good governance, implementation of cybersecurity initiatives, 24/7 systems/application support, adoption of cloud computing and ensure IT Service continuity that will assist BIT to enable tools that would assist the organisation to meet its strategic objectives. The project is ongoing and progress made will yield a safer more efficient digitised working environment within the SABC.

Broadcast Engineering Services (BES)

The SABC's Broadcast Engineering Services unit is responsible for the designing and development of the Broadcast Enterprise Architecture Framework as well as the management and implementation thereof through the Strategy Architecture Group (SAG). BES oversees Project Management and System Integration competencies, Corporate Capex budget and long-term Capex Plan. The long-term Capex Plan aimed at assisting the business with financial forecasting is strategically linked to the Enterprise Broadcast Architecture Framework (EBAF) whose objective is to have a shared or unified blueprint of the current and future technology infrastructures, architectures and the processes influencing them.

With the defined current technological and operational architectures, new trends and best practices can be factored in to envision strategies for the future Target Technologies and Architectures. Setting future architectures identifies gaps and migrations required to accommodate their systematic phased implementations and hence define the strategies required for future investments.

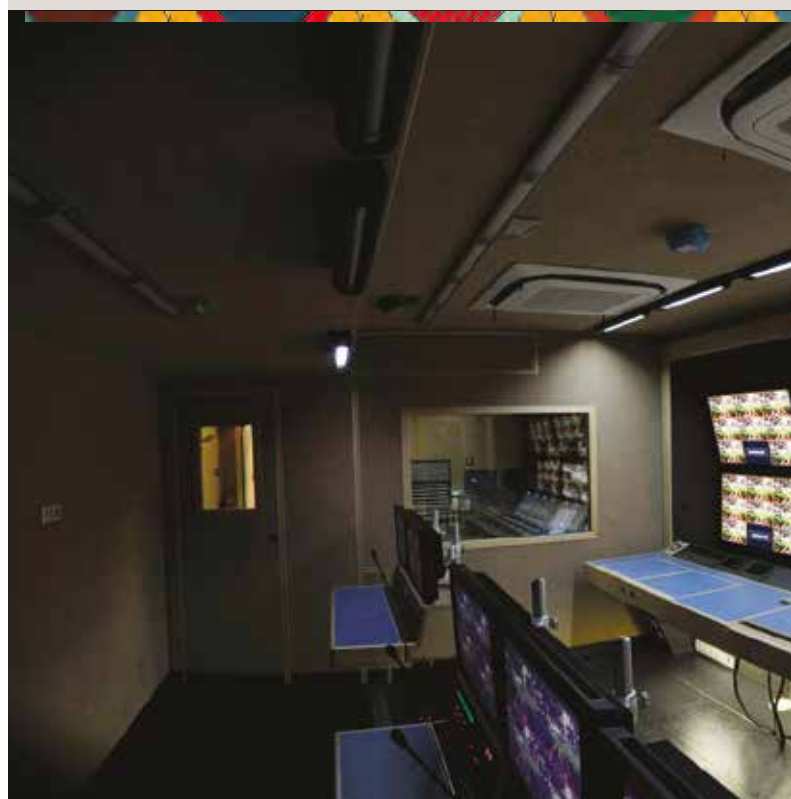
BES completed 17 CAPEX projects during the fiscal which included initiatives to replace the broadcast automation system in the Final Control Centres, to implement a Linear Tape-Open content storage system, and to replace the Video Walls in two of the News Studios.

Broadcast Critical Capex Projects

Through technology, the SABC is aggressively pursuing key projects such as the Digital Library, SABC Player for Over-The-Top (OTT) services, Parliament studio, Outside Broadcast (OB) vehicles, Newsroom Computer Systems and Newsroom Productions Systems, to transform the SABC. Furthermore, the intention is to transform television, radio and digital OB facilities, many which are being used for broadcast 24hrs a day and are critical for broadcasts.

The Capital Expenditure needs to consider significant investment in maintaining the SABC's large property portfolio and to sustain the building infrastructure of the public broadcaster. It is critical to ensure that the SABC's buildings are fully compliant with the requirements of the Department of Labour which, in many instances, is no longer the case.

Inside the SABC Outside Broadcast vehicles.



UNIVERSAL ACCESS

The SABC has several critical focus areas for technology but one of the most pressing is the provision of Universal Access, which in respect of technology means SABC Anywhere, Anytime. The Corporation's 182 DTT transmitters cover about 87% of the population. There is also 100% DTH population coverage in the country providing 100% access to the digital television signal. The SABC has all its services on the DTT platform.

SABC's IP based delivery platforms (streaming) enabled it to meet its universal service obligations with the 200 low power combined FM and TV transmitter sites providing radio and Television access to most of our marginalised communities.

With a proliferation of new entrants into the content provision sector, the SABC's urgent focus on OTT cannot be overemphasized. OTT is a streaming media service offered directly to viewers via the Internet. OTT bypasses cable, broadcast, and satellite television platforms that traditionally act as a controller or distributor of such content.

In the future, the SABC will identify its unique value proposition to offer its clients. As the public broadcaster, the content will reflect local tastes and preferences in local languages. The SABC will fully exploit potential revenue streams afforded by the provision of quality content on the OTT platform. Different platforms, models and offerings will be considered.

LOOKING FORWARD

- With regard to future plans, the SABC aims to roll out the radio playout and production system to all stations in the provinces. The current timeframe for the completion of the project is the end of 2021.
- Additionally, RBR is pursuing a Digital Library that will assist centralised digital archive for the SABC Radio Archives and Record Library. This will enable the SABC Radio to exploit its existing content assets for repurposing over multiple platforms and for further streamlined, unified content production processes.
- From a television perspective, the aim is to complete the acquisition and roll-out of IP technology in outside broadcast

facilities and studios. This will enable SABC to move away from renting telephone lines and being reliant on Telkom for communication from live broadcasts at venues.

- Also, there will be an enhancement of Digital News production systems and extension of innovative technology in Hybrid Electronic News Gathering (ENG) to Radio outside broadcast vans.
- The introduction of robotic cameras for SABC News and SABC Sport will assist in cutting back on the number of operators used for studio productions.
- Network services will be extended to the studios and visitors for wireless access to the SABC considering its National Key Point status. The upgrading of the Wide-Area-Network (WAN) through the Metro Ethernet project is also planned for the future.
- There will also be an upgrade the network infrastructure (Firewall and Switches) to improve connectivity and speed transfer of data/ information via the Local-Area-Network (LAN).
- Analogue switch-off plans will be prioritised while supporting the implementation of a digital-to-digital migration project to release the digital dividend bands for national interest, and align the radio frequency spectrum with International Telecommunication Union's World Radio Communication Conference 2019 recommendations.
- Critically, the SABC will implement the OTT platform and content delivery network transmissions and continue to facilitate the Digital Audio Broadcasting (DAB+) trial with NAB, Sentech and broadcasting industry players.





"I was once interviewed on bullying by the SABC, the interview has helped other children as well. The daily programs I watched were educating, they taught me about news around the world and taught me how to become the person I am."

Inspired guest and viewer of SABC programmes, Ms Njabulo Zulu. Now a motivational speaker, violin player, drama and sign language student, preacher and anti-bullying activist."



Corporate Marketing

Building the SABC Brand

Building the SABC's corporate image is a function of several and collective efforts by all platforms across the organisation.

Throughout the year, we have driven a variety of initiatives to position the SABC more favourably, and restore its corporate brand image and reputation. The projects were aimed at enhancing brand awareness and building brand affinity through targeted through-the-line marketing campaigns, sponsorships, brand experiences, publicity and digital media interventions, to name a few. Some of these included the promotion and celebration of days of national importance and strategic events and marketing partnerships.

To mark the days of national importance celebrated across the country, the SABC through a mix of channels and communication touch points ran successful campaigns around Human Rights Day, Freedom Day, Mandela Day and Women's Day.

As the country celebrated 25 years of democracy, Mandela Day was particularly significant. Through the #celebratinghislegacy campaign, brands across the SABC activated on-air, digital, social, and on-the-ground messaging to encourage citizens not only to celebrate Madiba, but to continue his work. The SABC also partnered with various companies and NGO's to help the needy in various communities across South Africa. Through this campaign the public broadcaster's impact on the communities it serves was aptly demonstrated.

Strategic partnerships were vital to meeting the Corporation's objectives for this reporting period. One of the highlights for the 2019/20 fiscal was the partnership between the METRO FM and the Durban ICC for the TD Jakes Leadership Summit, a leading event on the social calendar. It has become essential for marketing to assist not only with the achievement of revenue and audience targets but also with rebuilding the reputation of the SABC corporate brand. With this aim in mind, the Leadership Summit partnership not only derived revenue for the SABC, but

enabled audience engagement through a mix of above-the-line and below-the-line activities. The public broadcaster was able to interact with millions of viewers at home and the more than 5000 attendees creatively and innovatively. An exclusive one-of-a-kind brand experience was created for the SABC audience through interactive on-air competitions.

2019/20 saw the SABC becoming the silver sponsor of PromaxBDA Africa, the world's premier celebration of outstanding achievement in entertainment marketing and design. Across eleven regional and global competitions, the PromaxBDA Awards honour the teams harnessing passionate fandom to drive audiences, create value, and build the biggest brands in entertainment. The annual Global Excellence competition showcases the best in the business from every region. It recognises innovation and excellence in North America, Europe, Latin America, Asia, Africa, India, Australia and New Zealand, the U.K., local broadcasting, and game marketing.

This partnership has been instrumental in supporting growth, creativity and excellence while building a healthy competitive broadcast media industry in South Africa together. The event offered a unique opportunity for the SABC to position itself positively to the more than 500 industry peers in attendance through interactive brand experience. It afforded the public broadcaster the chance to reaffirm itself as an industry leader in the creative space through the Promax Africa three-month digital campaigns. The SABC also formed part of the adjudication panel recognising the best and most creative work produced.

Furthermore, the SABC entered into a partnership with Mirror PR for the title sponsorship of the Crown Gospel Awards. Research suggests that gospel music is the most popular musical genre in South Africa. The exclusive partnership enabled the SABC to position itself favourably in the minds of the citizens and offered a plethora of opportunities to gain brand recognition to remain relevant and visible. The event provided significant publicity across not just television but online, print, outdoor and radio. The SABC also derived significant media exposure through pre-event and post-event publicity. Much of this is passive advertising with attendees posting event information, images and videos that went viral and increased awareness for the brand.

The exclusive broadcast is a sought-after screening and saw a 3.91% increase in audience numbers as compared to periods of regular programming. Also, the SABC generated 305138 SMS entries generating a 28% increase in revenue year-on-year.

To position the SABC positively in the marketplace and among key opinion leaders in the technology space, the organisation hosted the CxO Series. The CxO Series is an established and exclusive network of highly influential C-level leaders with the mission to direct, influence and leverage the digital transformation market through collective buying power and knowledge sharing to enable and solve business challenges. The series also plays a crucial role in influencing the market in South Africa and the continent with regard to trends in strategic digital transformation. The event explored the theme "Demystify 4IR and the impact on people/jobs". The Chief Operations Officer of the SABC, Mr Ian Plaatjes, along

with other key speakers such as Professor Tshilidzi Marwala shared insights on the 4th Industrial Revolution and its impact on people and jobs. The event offered the SABC a platform to share knowledge with more than 100 influential industry captains, and to position the public broadcaster in the thought-leadership domain.

The SABC also partnered with the annual South African Sports Awards, the annual South African Traditional Music Awards and the South African Film and Television Awards, recognising excellence in all areas.

The might of the SABC radio portfolio, which commands a share of over 73.2% of the radio market means that our stations can provide a compelling mix of promotional opportunities to optimise the marketing efforts. As part of the sales promotion strategy, the radio division hosted approximately 100 clients at the inaugural Radio Connect held in July 2019. Industry leaders, radio legends and broadcast veterans were in attendance to share insights and best practice on the SABC Radio offering. As a result of the event, radio sales personnel were able to directly access potential clients to share information about the SABC's 19 Radio services offering, answer any questions and close sales. Furthermore, the intervention resulted in healthy, sustainable relationships being enhanced with existing and new clients alike.

Other strategic partnerships such as The Royal Heritage Festival with Phalaphala FM; the South African Traditional



Phalaphala FM Traditional Dance Competition.

Music Awards (SATMAs); the Siyabalanda campaigns, BuyeleKhaya Pan African Music Festival in East London, 5FM Mid-Year Break in Sun City, the Val de Vie Polo and the annual Thabo Mbeki lectures with SAFm, were all instrumental in bringing the radio brands closer to the listeners. This was part of Radio Marketing's strategy to be more client-centric and create an experience like no other.

Radio 2000's Royal tour of the North West and Limpopo, visited and interviewed traditional leaders to highlight the Kings and Queens time channel on the platform. The station in partnership with the SABC Foundation and Gift of the Givers visited Kings and Queens to pay our respect and to appreciate the role that their nations (Isizwe Sakho/Setjaba Sahoo) are playing in the growth of Radio 2000. The visits also formed part of the back-to-school activations in January, where Gift of the Givers donated over 250 school shoes as well as groceries to the Chiefs.

The power of SABC Sports with its association to highly reputed teams, celebrity players and sports, assisted in building equity and awareness for the Corporate brand by leveraging off the equity of the various sports events and teams.

The highlight for the year under review was the marketing execution of the Mzansi Super League across most radio stations. The goal was to further entrench SABC Sports' offering, and making sport more accessible to all South Africans. The partnership enables the brand to create activation campaigns that allowed consumers to take part and interact with their favourite radio brand, further increasing their emotional connection. Sponsorship activation in this way was found to be a more powerful way of communicating than a passive message. It enables stronger, more measurable marketing effectiveness.

In support of the live broadcast of the 2019 Rugby World Cup final between former champions England and the Springboks, SABC Sport created an effective campaign which lived across both radio and television. The results thereof were 4.7 million viewers tuning into SABC2 to watch the game.

During the year under review, an increase was measured in terms of viewers sourcing content from the SABC digital offerings (the SABC online portal - www.sabc.co.za; the SABC social media platform on Facebook, the Twitter platform -

www.twitter.com/SABCPortal as well as the SABC Portal on YouTube - www.youtube.com/sabc). Events of national interest were streamed live on these platforms.

From a television perspective, the SABC focused on brand-building initiatives at channel level, network level and across all platforms. The following brand activities were implemented by the television network:

- In the 3rd Quarter SABC TV ran a successful summer campaign supported by special broadcasts, SABC1 ran with "Your Summer stories" supported with the On-Air campaign, Coast to Coast, fill up Royal Bafokeng, one night with Sjava and SABC2 had Soul session specials, Family Picnic and Gospel Specials;
- SABC3 ran with On-Air Summer campaigns driven primarily with the Cricket content as well as Specials such as Afro Punk and The Johannesburg Comedy Festival.

DISCOP markets bring together buyers, sellers and independent producers of film, television and digital content. Although this year's market was not as busy and as dynamic as in previous years, SABC2 held several key meetings with various suppliers such as Cake, A&E, MGM, Millimages, Voice of America and NHK.

Across the organisation, the sub-brands' initiatives continued to portray the SABC in a positive light. SABC Education celebrated South African heroes from all walks of life with varying levels of influence. Some were prominent figures whilst others were unsung South African heroes. They included Miriam Makeba, Hamilton Naki, the medical assistant of Dr Christian Barnaard, who prepared the research leading to the first human heart transplant which took them years before the historic moment, and Teboho "Tsietsi" MacDonald Mashinini, the primary student leader of the Soweto Uprising that began in that area and spread across South Africa in June 1976. Other heroes celebrated were Nkosinathi Nkomo, a Soweto-born University of Cape Town (UCT) student who invented a water purification system, aimed at helping the drought crisis before his death at 24 years of age, Teboho Mahlatsi who is the co-creator and a director of the three seasons of the South African television phenomenon, Yizo Yizo, a youth drama series that garnered the highest ratings in the history of South African television. At the Cinema Tout Ecran Awards, Yizo Yizo won best

SABC Education's Unsung heroes campaign.

Unsung HEROES

FOR THE MONTH OF JULY, SABC EDUCATION WILL BE CELEBRATING SOUTH AFRICAN HEROES - SOME OF WHICH YOU MIGHT KNOW AND OTHERS MIGHT BE THE UNSUNG HEROES OF THIS COUNTRY. WE WILL PROFILE SOUTH AFRICANS FROM VARIOUS WALKS OF LIFE AND SPHERES OF INFLUENCE.



Teboho Mahlatsi

Teboho Mahlatsi is the co-creator and a director on the three seasons of the South African television phenomenon, Yizo Yizo, a youth drama series that garnered the highest ratings in the history of South African television. At the Cinema Tout Ecran Awards, Yizo Yizo won best International series.



Ahmed Timol

Ahmed Timol was a teacher and freedom fighter whose life was cut short when he reportedly jumped out of a window at the notorious John Vorster Square police station in Johannesburg. Police officers say that Ahmed Timol committed suicide, when actually a police officer pushed him out the window of a 10-story building. He was arrested after being found in possession of banned ANC literature. His capture spawned a string of subsequent arrests, with many others being detained and brutally beaten and tortured.



International series, as well as Ahmed Timol, a teacher and freedom fighter whose life was cut short when he reportedly jumped out of a window at the notorious John Vorster Square police station in Johannesburg. He was arrested after being found in possession of banned ANC literature. His capture spawned a string of subsequent arrests, with many others being detained and brutally beaten and tortured.

SABC Education participated at the 14th annual Mama Magic EXPO between 28 November and 1 December 2019 to build brand awareness by educating and entertaining visitors. The SABC stand was visited by more than 1000 people and it was one of the most popular stands especially among children who were attracted by activities including interacting with clowns, face painter and balloon sculpture.

SABC Education launched a brand campaign called "Education is..." in February 2020. The campaign answers the question to the "What is the Key to Success?" campaign which was launched in 2017. This will be an extension of the SABC Education pay-off Line: "Enriching minds. Enriching lives." The campaign will be a long-term effort to solidify the identity of the department and its programmes.

In February 2020, SABC Education launched No Means No campaign. The campaign raises awareness and drives public education, focusing on the scourge of Femicide and Rape, which continues to haunt our country.

Our SABC News Channel is, by virtue of its leadership role in news and current affairs in the country, an extraordinary marketing tool for the SABC. Despite this success, through SABC News, the Corporation embarked on several marketing campaigns during the period under review.

In preparation for the National Elections in May 2019, the SABC ran a pre-election campaign which was rolled out on internal and external platforms. The SABC #SADecides was trending the eve of elections as well as on the day of elections. An aggressive marketing campaign was also generated to support the SABC News App which was launched in April 2019.

A weather team campaign was also activated as an extension of #IamSABCNews campaign to drive more awareness of the operations of the Weather Team and the processes behind presenting the weather to audiences. The campaign

introduced the presenters who are also meteorologists and the unique aspect of SABC Weather which is offering information to all South Africans in all 11 languages.

#WomenInNews celebrated women's achievements and the important role that women of all races and religions have played and continue to play in South African society. The campaign highlighted women in the SABC newsrooms and their different roles in making sure South Africans received credible news.

As part of the drive to increase revenue collection through TV license fees, Phase 1 of the #MadePossiblebyYou campaign was reactivated. It was first launched in April 2017, but has been renewed and is still running today. Brand Ambassadors were used to tell SABC TV Licenses Stories including using the SABC on-air talent across television and radio to support and encourage payment of TV Licenses by making consumers aware of the value of the TV License fees to the SABC. The campaign was also extended to an internal campaign utilising our staff to promote the campaign internally. With the aim to extend the campaign into consumer journeys across SABC radio and television, in March 2020, Phase 2 of the campaign was launched. This phase highlighted TV Licenses Stories by South African Citizens who drew inspiration from the SABC. This phase will be implemented throughout the 2020/21 financial year.

Miriam Makeba

Miriam Makeba was a South African singer who dedicated her life to fighting for civil rights. She was born in South Africa sixteen years before the official start of apartheid. In 1960 she was exiled from South Africa. She was not able to return until 1990 as the apartheid system started to collapse. Miriam Makeba began her music career singing for her cousin's band, the Cuban Brothers, but it was only when she began to sing for the Manhattan Brothers in 1954 that she began to build a reputation.

Hamilton Naki

Hamilton Naki was the medical assistant of Dr. Christian Barnard, the doctor who performed the world's first heart transplant at Groote Schuur Hospital in 1967. Not much has been told about the life and work of Naki. His contribution was in the preparation and research of the big transplant which took them years before the historic moment.



Complaints

Complaints Management

During the period under review, the SABC continued to receive, respond and refer complaints from members of the public, regulators, Chapter 9 institutions, etcetera. Complaints are classified into two main categories, namely, direct and indirect complaints. Direct complaints are those that are received by the SABC without the involvement of regulators, whereas indirect complaints are received from regulators including ICASA, BCCSA, and ARB.

Broadcasting Complaints Commission of SA (BCCSA) matters

Of the 107 cases against SABC services finalised by the Commission this quarter, six were upheld. The upheld complaints can be summarised as follows:

- METRO FM's DJ Fresh for using unsavoury language on air;
- SABC2's Special Assignment for not having afforded FNB an adequate right of reply;
- Morning Live's unconfirmed statistics on crime;
- SABC2's Fokus programme found not to have afforded opposing views;
- SABC1's Cutting Edge for not affording a sufficient right of reply; and
- SABC News' failure to present news item accurately and factually. The SABC was fined R10 000 and apologised.

Direct Complaints

The SABC received 589 direct complaints which were referred to the relevant departments for their attention.

ICASA Matters

Two ICASA public complaints were dismissed. The first one related to the Democratic Alliance's complaint about the broadcast of a sponsored feature on Ukhozi FM. In the second matter, the Democratic Alliance had alleged that Munghana Lonene FM afforded the ANC free airtime to campaign during the Xitsonga Music Awards.

The SABC appeared before ICASA's CCC on 16 October 2019 to account for contravention of election broadcast regulations. Four SABC radio stations, namely; Radio 2000, Ligwalagwala FM, Tru FM and SAfm were duly charged. The outcome was still pending at the end of the reporting period.

Advertising Regulatory Board (ARB) Matters

The ARB dismissed a complaint about a 'misleading' advertisement on Munghana Lonene FM promoting Thomas Chauke's performance at Giyani Stadium.

Press Ombudsman

Three complaints were received from the Press Ombudsman relating to two articles published on the SABC's News website. They were both resolved amicably.

Other

The case of Hlaudi Motsoeneng vs SABC relating to a demand for ACM's manifesto to be carried live. This High Court matter arose during the election period and the outcomes represented a defining moment for SABC News' editorial independence.



SABC partnered with Independent Electoral Commission (IEC).



Collaboration and regular interaction with key stakeholders are important to form long lasting partnerships.

Stakeholder Engagement

The SABC works with and through stakeholders to deliver on its mandate.

The SABC understands that stakeholder relationships impact its responsiveness, sustainability and corporate reputation. In this regard, collaboration and regular interaction was undertaken with key stakeholders with the aim of forging lasting partnerships.

In the year under review, the organisation targeted key stakeholder groupings when identifying relevant partners to collaborate with. Among these are government institutions; private sector; international bodies' civil society and SABC staff.

The SABC partnered with Independent Electoral Commission (IEC) to conduct roadshows across all nine provinces. These were aimed at educating political parties and their constituencies about the upcoming National Elections, and to share the SABC's coverage plans. Simultaneously, the roadshows provided an opportunity for the targeted stakeholders to address concerns and questions regarding the allocation of news coverage provided to the political parties.

The SABC further engaged numerous government departments such as the Government Communication and Information System (GCIS); various Gauteng Provincial government departments; Ekurhuleni Metropolitan Municipality; Constitutional Hill; Gauteng Safety and Security, in an effort to improve relations and bolster revenue generation efforts. Additionally, the SABC hosted two government open-day workshops and a total of 30 senior representatives

from various government departments and entities were in attendance. These workshops were aimed at communicating and increasing awareness of SABC's product knowledge and offering, address stakeholder concerns and generate revenue leads for the Commercial Enterprise Division.

The SABC's ongoing partnership with the Department of Basic Education ensured that matriculants, through live broadcasts on SABC radio and television have access to their matric results regardless of where they live. The broadcast for the class of 2019 took place on 7 January 2020 with the SABC Board Chairperson, Mr Bongumusa Makhathini representing the SABC and giving a welcome address at the event.

The SABC's stakeholder relations remain key to maintaining sound relationship with Parliament and the Portfolio Committee of Communications (PCC). Through these relations, Board Members and Executives were kept abreast of all procedures relating to presentations made to the PCC and other accounting structures of Parliament.

SABC collaborations expanded beyond government institutions to include private sector partnerships with organisations such as Avon/Justine. The collaboration comprised of staff activation aimed to heighten the awareness about breast cancer. With breast cancer affecting 1 in 26 South Africans, (Cancer Association of South Africa (CANSA), 2017) the staff activation focused on education and awareness and to promote the annual The Avon Justine iThemba Walkathon, the largest breast cancer awareness event in the calendar, with over 30 000 participants at Marks Park in Johannesburg. Through the facilitated partnership with Avon / Justine, the

SABC realised an investment of R1.6 million by in radio and television platforms.

Civil society organisations are a critical stakeholder grouping for the broadcaster. For this reason, partnerships with the Nelson Mandela Foundation and the South African Council of Churches proved invaluable for connecting with communities that the public broadcaster serves. Other partnerships with civil society saw the SABC engage in workshops with the Limpopo Artist movement and the ANC Youth League. The purpose of the workshop was to explain the working of the SABC and give context to the memorandum submitted to the SABC by the ANC Youth League Peter Mokaba Branch and the Limpopo Artist Movement, calling for the reinstatement of terminated contracts of on-air personalities. We also engaged with a team from the SAN community, the SACP, SANCO and North West Provincial Task Team, whose purpose was to discuss the issues around Motswedding FM. This resulted in another successful engagement where the SABC was able to allay concerns of stakeholders regarding the state of affairs at Motswedding FM.

Our interactions expanded to stakeholders outside our borders. We interacted with various stakeholders ranging from diplomats to business representing stakeholders domiciled in Asia, Europe, Sub-Saharan and the Caribbean.

The list below details the engagements that were concluded:

- The engagement was premised on the Deutsche Welle (DW), SABC Television and Channel Africa exploring opportunities to share content, while simultaneously forging strategic relations that are intended to culminate in tangible benefits that encompass training opportunities as well as a staff exchange programme;

- The Ambassador of the Republic of Turkey presented a proposed Memorandum of Understanding (MoU) to the GCEO for consideration of a collaborative partnership;
- The IA office received delegations from Voice of Vietnam (VOV) where a proposed MoU was presented by the President of VOV. The deliberations culminated in an invitation to the SABC by the President of VOV to reciprocate the visit where by costs of travel will be shared;
- A meeting with the Embassy of the Republic of South Korea HE Dr Ambassador Jong to explore strategic areas of co-operation;
- Facilitated a visit to the Embassy of the Republic of Korea accredited to South Africa intending to introduce the Commercial division of the SABC to the Ambassador HE Dr Park Jong;
- A media tour under the auspices of SADC Media Awards was hosted in conjunction with GCIS;
- Facilitated and hosted the newly posted Ambassador of the Russian Federation to the Republic of South Africa HE Mr LL Rogachev. The meeting which was held in the office of the GCEO focused on preliminary introductions as well as presenting two MoU's pertinent to Sputnik radio and Russia Today;
- Hosted the Editor and CEO of PR Times Africa at the SABC premises; and
- Facilitated a visit to the SABC by a newly formed Botswana-based Youth Television channel under the Ministry of Communication for a benchmarking exercise envisaged covering the following areas, scheduling, sales and marketing, TV licenses as well as production.



Tru FM presenter, Makhosandile Mpunzi receives Bright Star Award.



Leefwêreld van die gestremde's Jacqui January and her colleagues at RSG after she received a special award from the National Council for and of Persons with Disabilities.

Achievements and Awards

The activities of the SABC as the public broadcaster are fuelled by a deep commitment to execute the mandate exceptionally.

While the SABC is not motivated by honours, it is always encouraging to be recognised for excellent effort. This section highlights achievements, awards and recognition bestowed upon the SABC, its platforms, programmes and employees.

Radio

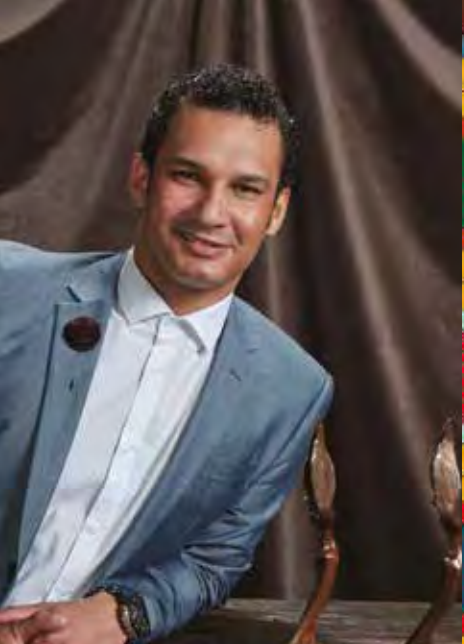
SABC Radio Stations dominated the 2019 Liberty Radio Awards held in April 2019. The Stations scooped 22 awards and had four inductees in the 2019 Hall of Fame. The SABC's recognition at the Liberty Radio Awards reaffirmed SABC Radio as the leading hub of entertainment, news and information to the millions of South Africans and audiences outside South African borders.

The SABC's radio programmes, along with its on-air and behind the scenes talent, were recognised in various categories for excellence in radio programming and these wins speak volumes of the credibility and sustainability for SABC radio brands.

The list of radio awards are

- Inductee - Hall of Fame: Rev. Prince Zulu, Tru FM.
- Bright Star: Makhosandile Mpunzi, Tru FM.

- Music Show: Tru FM Top 30.
- Station of the Year: Radio 2000.
- Station Imaging: Radio 2000.
- Content Producer: Timmy T Maranda - The touchline show, Radio 2000.
- Day Time Show: Kings & Queens, METRO FM.
- Weekend Radio Show: The Weekend Favour, Radio 2000.
- Sports Show: The Touchline Show, Radio 2000.
- My Station – Most Votes: Ligwalagwala FM.
- Afternoon Drive Presenter: Lucky "LTK" Komanisi, Motsweding FM.
- Breakfast Show: Di Rage, Motsweding FM.
- Afternoon Drive Show: Rea kubeletsa afternoon drive show, Lesedi FM.
- Breakfast Show Presenter: O'neil Nair, Lotus FM.
- Night Time Show: Umxholo Kumhlobo, Umhlobo Wenene FM.
- Promotion Stunts/Events: Moswa le Bokamoso, Thobela FM
- Community Project: Ditlalemeso, Thobela FM.
- News Bulletin Reader: Jwalane Thulo, SAfm.
- News Bulletin Reader: Relebogile Mabotja, METRO FM.



RSG presenters with their ATKV Mediaveertjie awards.

Umhlobo Wenene FM, Lavuth'iBhayi, wins a SATMA award.

The list below reflects awards won at the ATKV Mediaveertjies awards which took place on 10 May 2019. Radio Sondergrens (RSG) dominated the awards, while our African Language radio stations dominated the SATMA Awards in September 2019.

- Best Presenter of a Journal Program: Ivor Swartz - Middag op RSG.
- Best Insert in a Journal Program: Kanarie se musiek tref emosionele note, RSG.
- Best Presenter of a News/Actuality Program: Praat saam: Hannah Cornelius-uitspraak, RSG.
- Best Insert in a News/Actuality Program: Monitor: Ramaphosa-termyn, RSG.
- Best Journal Program: Middag op RSG.
- Best News/Actuality Program: Praat saam: Nageboorte-depressie, RSG.
- Best Documentary: Atlantis: Verlore, gevind, RSG.
- Best Insert in an Educational Program: Monitor: Skenk jou lyk, RSG.
- Best Radio Drama Script: Springgety, RSG.
- Best Radio Drama Producer: Kolskoot Visagie, RSG.

The list below reflects awards won at the South African Traditional Music Awards which took place on 26 September 2019:

- Best Cultural Electronic Media Journalist: Zimkhitha Macingwane, SABC News.
- Best Traditional Music Radio Program of the year: Lavuth'iBhayi, Umhlobo Wenene FM.
- Best Traditional Radio Presenter of the Year: Monwabisi "Gudla" Bangi, Umhlobo Wenene FM.

Television

SABC TV productions won 21 Golden Horn Awards at the 2019 SAFTAs:

- Best TV Soap;
- Best TV Reality Show;
- Best Youth TV Programme;
- Best Children TV Programme;
- Best TV Game Show; and
- Best Factual TV and Best Direction in a TV Drama.

SABC News

SABC News journalists continued to be recognised for their excellence. Two SABC News Radio journalists, Noma Bolani and Digital News Editor at the time of the award, Izak Minnaar received a United Nations journalism fellowship and national editors' award respectively. Other notable achievements include RSG Radio Current Affairs winning three ATKV Mediaveertjies.

In the Responsible Drinking Media Awards, SABC News had two finalists; TV Current Affairs' Wandile Mofokeng in the Best TV and Best Upcoming Journalist categories, and Northern Cape Radio Reporter Reginald Witbooi, also in the TV category. Zimkhitha Macingwane won the Satma Award for the Best Cultural Electronic Media Journalist.

Other awards were the YouTube Award which the SABC News YouTube Channel received for reaching 100 000 subscribers and the Bookmarks 2019 Award received by SABC News YouTube Channel for Online News Videos.



One of our best performing TV properties with 11 million views, 'Uzalo' broadcast on SABC1, winning the Golden Horn for the Best Soap at the 2019 SAFTA's.

Regional Vodacom Journalist of the Year Awards was won by seven Northern Cape team members: Neria Hlakotsa, Thapelo Kgomotshwane, Jabulani oa Afrika, Keith Sayster, Buyani Mthembu, Mpho Masela and Tumelo Sethlabitsi, for investigative and CSI/Sustainability journalism.

National Vodacom Journalist of the Year Awards was won by five team members – Olwetu Matsipane, Krivani Pillay, Deidre Uren, Hazel Friedman and Ridwaan Ismail.

RSG Radio Current Affairs Presenter/Producer Suzanne Paxton won the SAB Environmental Long Form Audio Media Award and together with Anita Visser were profiled on Media24's Afrikaans lifestyle DSTV channel, Via, in an N3 Toll Road festive season campaign, and an Afrikaans women's magazine

Northern Cape Radio Reporter Reginald Witbooi received the "Consumer Choice Award" for the most public votes on Facebook at the Responsible Drinking Media Awards in Johannesburg while SABC employees voted TV Senior Reporter Chriselda Lewis as the most Inspiring Woman of Worth.


The Media Monitoring Africa (MMA) report on the analysis of coverage by media institutions for the 2019 national and provincial elections commended the SABC for the manner in which it carried out its mandate, ensuring the reflection of views and challenges faced by all South Africans. When compared with other South African media institutions in terms of overall elections rating, the SABC dominated the top 10, with five of its platforms/and or programmes being featured. These were namely Democracy Gauge (SABC 3) taking the first position, SABC 1's Siswati/Ndebele News, Thobela FM, Lesedi FM and Motsweding FM.

SABC Sport

The 39th Annual SAB Sports Media Awards recognizing the country's best in the business was held at the Wanderers' Club and as is now becoming the norm, SABC Sport Radio journalists, presenters and commentators once more lifted the Corporation's banner high.

The list below reflects the awards won at the 39th Annual SAB Sports Media Awards:

- Sports Commentator of the Year: Johan Le Roux, Radio 2000.
- Best Sports Programme Presenter of the Year: Thabiso Mosia, SAFm.
- Sports Content Producer of the Year: Jody Hendricks, RSG
- Inductee - SAB Sports Hall of Fame: Mthuthuzeli Scott, Umhlobo Wenene FM.



Esther Mahlanqú
Bringing home the
French Order of Arts
and Letters for her artistic
excellence.

Governance





SABC staff and management interactions through Rediffusions.

Governance

and Accountability

GOVERNANCE South African Broadcasting Corporation [SABC] Ltd | SABC Annual Report 2019 - 2020

The Directors of the SABC regard corporate governance as fundamental to the success of the business. It is their primary objective to ensure that good governance is adhered to, for the viability of the Corporation to be achieved and sustained.

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

Compliance, with not only the letter but also the spirit of relevant governance codes, remains a priority for the Corporation. As a state-owned company, the SABC is guided by the principles of King IV Report on Corporate Governance for South Africa™ (King IV™), as well as the Protocol on Corporate Governance in the Public Sector 2002. In keeping with these principles, the SABC has implemented the requirements of King IV™, which came into effect on 1 April 2017. Furthermore, the statutory duties, responsibilities and liabilities imposed on the Directors of the SABC by the Companies Act No. 71 of 2008, as amended, are augmented by those contained in the Public Finance Management Act (PFMA), No. 1 of 1999, as amended.

PORTFOLIO COMMITTEES

Portfolio Committee on Communications

During the year under review, the SABC Board appeared before the Portfolio Committee on Communications on three occasions:

- 3 July 2019;
- 28 August 2019; and
- 15 October 2019.

Standing Committee on Public Accounts (SCOPA)

During the year under review, the SABC appeared before SCOPA on 18 September 2019.

EXECUTIVE AUTHORITY

Shareholding

The Government of the Republic of South Africa is the sole shareholder of the SABC. The shareholder representative is the Minister of Communications and Digital Technologies.

Shareholder Compact

In terms of the Treasury Regulations issued in accordance with the PFMA, the SABC must, in consultation with its Executive



Authority (the Minister of Communications and Digital Technologies), annually conclude a Shareholder Compact documenting the mandated key performance measures and indicators to be attained by the SABC as agreed between the Board and the Executive Authority

The Compact is not intended to interfere in any way with normal company law principles. The relationship between the Shareholder and the Board is preserved, as the Board is responsible for ensuring that proper internal controls are in place as well as the effective management of the SABC.

The SABC Board attended five meetings with the Ministry of Communications and Digital Technologies during the 2019/20 financial year on the following dates:

- 23 April 2019;
- 30 April 2019;
- 11 June 2019;
- 21 June 2019; and
- 17 December 2019

THE ACCOUNTING AUTHORITY/SABC BOARD

Role and Function of the Board

The Board is the Accounting Authority of the SABC in terms of the PFMA and constitutes the fundamental base of corporate governance in the SABC. Accordingly, the SABC must be headed and controlled by an effective and efficient Board, comprising Executive and Non-Executive Directors, of whom the majority must be Non-Executive Directors to ensure independence and objectivity in decision-making. The Board of the SABC has absolute responsibility for the performance of the entity and is accountable for such performance.

The Board Charter sets out the roles, duties and responsibilities of the Board as well as salient corporate governance principles.

The role of the Board includes the following activities:

- The appointment of the three executive directors of the Board namely; Group Chief Executive Officer (GCEO), Chief Operations Officer (COO) and Chief Financial Officer (CFO);
- Providing strategic direction and leadership;
- Determining the goals and objectives of the company;
- Approving key policies including investment and risk management;
- Reviewing the company's goals and strategies for achieving its objectives;
- Approving and monitoring compliance with corporate plans, financial plans and budgets;
- Reviewing and approving the company's financial objectives, plans and expenditure;
- Considering and approving the annual financial statements and notices to the shareholder;
- Ensuring good corporate governance and ethics;
- Ensuring that the Shareholder's performance objectives are achieved and that this can be measured in terms of the performance of the SABC;

- Ensuring that the SABC complies with and is operating in accordance with all applicable laws, regulations, government policies and codes of business practice, regulations and instructions prescribed in terms of legislation;
- Monitoring and reviewing performance and effectiveness of controls;
- Ensuring effective, prompt and open communication with the Shareholder and relevant stakeholders with substance prevailing over form;
- Liaising with and reporting to the Shareholder;
- Guiding key initiatives;
- Retaining full and effective control over the SABC and monitor management in implementing Board decisions, plans and strategies; and
- Approving transactions beyond the authority of management.

The President approved the appointment of the Board with effect from 16 October 2017 for a period of five years.

Delegation of Authority (DoA)

The Board has the authority to lead and control the business of the SABC including the authority to delegate its powers. The Board aims to ensure that the SABC remains a sustainable and viable business.

The Board's responsibilities are supported by a well-developed governance structure of Board Committees and a clear and comprehensive Delegation of Authority Framework. The Board delegates the management of the day-to-day operations of the Corporation to the GCEO. The GCEO is assisted by the Group Executive Committee (Group EXCO). The Delegation of Authority Framework, which annually undergoes an extensive review, assists in the control of the decision-making process and does not dilute the duties and responsibilities of the Directors.

Directors Induction and Orientation

All new Directors are taken through an induction programme that is designed to enhance their understanding of the SABC's legislative framework, its governance processes and the nature and operations of its business. Continuous training is also provided on request to meet the needs of Directors.

Board Evaluation

The performance of the Board and individual Directors will be evaluated annually. The performance of Board Committees will be evaluated against their Terms of Reference (TOR). An evaluation measurement tool was procured during the latter part of the period under review and Board and sub-committee evaluations will be conducted in the initial period of the new financial year. Performance Contracts were finalised with Executive and Senior Management. The Governance and Nomination Committee is responsible for the evaluation of Executive Management. Performance Contracting is being implemented throughout the SABC.



Report of the SABC Board for the Financial Year Ending on 31 March, 2020

The Board of Directors is pleased to present the 83rd Annual Report of the South African Broadcasting Corporation SOC Limited for the financial year ended 31 March, 2020.

The Annual Financial Statements comprise the consolidated annual financial statements of the Corporation and its subsidiaries, (together referred to as the group), and of the Company for the year ended 31 March 2020.

These Annual Financial Statements are presented in accordance with the Companies Act No. 71 of 2008 (as amended), the Broadcasting Act No. 4 of 1999 (as amended), the Public Finance Management Act. No. 1 of 1999 (as amended), and in accordance with International Financial Reporting Standards.

Due to resignation of some of the Board Members, from 6 December 2018 to 10 April 2019 the Board was inquorate with the following Non-Executive Directors remaining in the Board (Mr B E Makhathini ; Mr M G Markovitz, Mr J H Phalalane and Mr D K Mohuba).

During the 2019/20 year the following changes were made to the Board.

- Ms M Mohlala-Mulaudzi, a non-executive director and a deputy chairperson of the Board was appointed on 11 April 2020;
- Prof S Cooper, a non-executive director was appointed on 11 April 2019;
- Adv M B B Lekalakala, a non-executive director was appointed on 11 April 2019;
- Mr M D Maimela, a non-executive director was appointed on 11 April 2019;
- Mr B Muthien, a non-executive director was appointed on 11 April 2019 resigned with effect from 1 June 2020;
- Ms J Patel, a non-executive director was appointed on 11 April 2019;
- Ms M B Papayya, a non-executive director was appointed on 11 April 2019;
- Dr M Socikwa, a non-executive director was appointed on 11 April 2019;
- Mr B C Maroleni, a Chief Operations Officer was released from his duties as of 23 April 2020;
- Dr C van Rooyen, a Group Executive: Media Technology and Information was appointed as Acting COO from 30 April 2019 to 29 August 2019;
- Ms S Tladi, Head TV Licences was appointed as Acting COO from 30 August 2019 to 31 October 2019; and
- Mr I Plaatjes was appointed as COO from 1 November 2019.

The contribution of acting Executives and the resigned Non-Executive Directors in bringing the SABC through a difficult time is acknowledged and we thank them for their accomplishments. During their tenure, they continued to eliminate those actions, which led to the financial crisis and ensuring that the lapses in the governance do not recur. The Board will continue to ensure that the following, among other things, are achieved:

- Ensure SABC fulfill its mandate which is to educate, inform and entertainment of millions of South Africans;
- Ensure we embed a new culture of high performance, and performance management;
- Ensure the full implementation of the turnaround plan, new operating model and compliance with all the preconditions of the bailout;
- 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; and
- Content procurement practices are aligned to the attraction of advertising spend.

.....
Mr Bongumusa Makhathini
Chairperson of the SABC Board

ATTENDANCE AT BOARD MEETINGS

Board meetings are scheduled annually in advance. Special meetings are convened as necessary to address specific issues. Directors or external committee members who, on an exceptional basis, cannot physically attend meetings may communicate electronically. Meetings of the Board consist of In-Committee meetings which are attended by Non-Executive Directors. Executive Directors attend on an invitation basis. The record of attendance is provided for both In-Committee and Board meetings and is reflected below.

Board

| Board | Total |
|-----------------------|-------|
| Mr B Makhathini | 9 |
| Ms M Mohlala-Mulaudzi | 9 |
| Prof S Cooper | 9 |
| Mr DK Mohuba | 10 |
| Mr J Phalane | 10 |
| Mr M Markovitz | 10 |
| Ms M Papayya | 10 |
| Ms B Muthien | 10 |
| Ms J Patel | 10 |
| Adv Lekalakala | 9 |
| Dr D Maimela | 9 |
| Dr M Socikwa | 10 |
| Mr M Mxakwe | 10 |
| Ms Y van Biljon | 10 |
| Dr C v Rooyen (1) | 3 |
| Ms S Tladi (2) | 3 |
| Mr I Plaatjes (3) | 2 |

1. Appointed on 30 April 2019 and resigned on 29 August 2019

2. Appointed on 30 August 2019 until 31 October 2019

3. Appointed on 1 November 2019

| In-Committee Meetings of the Board | Total |
|------------------------------------|-------|
| Mr B Makhathini | 10 |
| Ms M Mohlala-Mulaudzi | 7 |
| Prof S Cooper | 9 |
| Mr DK Mohuba | 10 |
| Mr J Phalane | 9 |
| Mr M Markovitz | 9 |
| Ms M Papayya | 8 |
| Ms B Muthien | 9 |
| Ms J Patel | 8 |
| Adv Lekalakala | 9 |
| Dr D Maimela | 7 |
| Dr M Socikwa | 10 |

Board Committees

Several Board Committees exist to assist the Board in discharging its responsibilities. This assistance is rendered in the form of recommendations, reports and minutes submitted to Board meetings whereby transparency and full disclosure of Committee activities is ensured. Each Committee operates within the ambit of its defined Terms of Reference that set out the composition, role, and responsibilities, delegated authority and meeting requirements of each Committee.

Audit and Risk Committee

With regard to the legislative and governance requirements for the compulsory establishment of Audit Committees for State-Owned Entities, the responsibilities of the Audit Committee are briefly set out below. The SABC Board has elected to combine the roles of the Risk Committee with the Audit Committee. The

Committee comprises of three Independent Non-Executive Directors, who are appointed by the Shareholder in terms of the requirements of Section 94 of the Companies Act. The Committee is chaired by an Independent Non-Executive Director. Members collectively have a sufficient qualifications and experience to fulfil their duties and have a sufficient understanding of financial reporting; internal financial controls; external audit process; internal audit process; corporate law and information technology governance.

The roles and responsibilities of the Committee include:

- Serving as the Audit and Risk Committee for the SABC Group;
- Recommending the appointment of the External Auditors and overseeing the external audit process;
- Monitoring the internal control system to protect the SABC's interests and assets;
- Reviewing the accuracy, reliability and credibility of financial reporting and recommends the annual financial statements and the Annual Report, as presented by management, together with the External Auditors' report, for approval by the Board;
- Reviewing any accounting and auditing concerns raised by Internal and External Audit, the annual financial statements and the various reports to the Shareholder;
- Ensuring that an effective Internal Audit function is in place and that the roles and functions of External Audit and Internal Audit are clear and co-ordinated to provide an objective overview of the operational effectiveness of the Corporation's systems of internal control, risk management, governance and reporting;
- Reviewing the activities of the Internal Audit Department, the effectiveness thereof and the adequacy of available Internal Audit resources;
- Evaluating the independence, objectivity and effectiveness of the External Auditors;
- Ensuring that the Corporation has implemented an effective policy and plan for risk management that will protect the Corporation's ability to achieve its strategic objectives;



SABC News camera crew behind the scenes.



Broadcasting behind the scenes.

- Ensuring that a combined assurance model is applied;
- Obtaining assurance for information technology (IT) as it relates to the management of IT assets, governance and controls, risks and disaster recovery;
- Monitoring the SABC's compliance with statutory and legislative obligations and fiduciary responsibilities;
- Confirming that the SABC has appropriate controls in place to identify, and implement legislative and regulatory changes, which will affect its operations;
- Monitoring that management and administration of the products and services are conducted in accordance with relevant legislation, regulation, governing rules and within the terms of any delegation;
- Reviewing significant breaches, or potential breaches, of regulation and the steps taken to ensure that the underlying root causes of any regulatory control failures are being addressed;
- Assisting in identifying, evaluating, mitigating, and monitoring the business risks that the Group faces during its operations, its exposure to significant risk, and the adequacy of the identification of risk;
- Reviewing the SABC's risk appetite and future risk strategy, particularly for economic (i.e. risk-based) capital, liquidity and reputation, but also for operational risk, and to make recommendations on risk appetite to the Board; to review the principal risk policies for consistency with the Group's risk appetite and to approve any material changes to these policies;
- Reviewing the risk profile against its risk appetite and strategy and review the drivers of the changes, if any, in the risk profile and their implications for liquidity and going concern status;
- With input from the Audit and Risk Committee, as appropriate, reviewing the adequacy of the Group's processes and the effectiveness of controls over the determination of the compliance with the requirements of the Government Guarantee;
- Reviewing the design, completeness, and effectiveness of the risk management framework relative to the enterprise-wide risk management policy, and plans for management of the significant risks activities;
- Reviewing the adequacy and quality of the risk management

function and the effectiveness of risk reporting (including timeliness and risk events);

- Evaluating the risk of exposure to fraud, review policies and procedures in place to minimise, or detect fraud, and make recommendations to the Board to enhance such policies and procedures; and
- Developing and refining the SABC's enterprise-wide appetite for risk, in conjunction with the full Board.

Refer to pages 102 and 103 for the report of the Audit and Risk Committee detailing how it carried out its functions.

Five Committee meetings were held during the financial year. These were attended by External Auditors, the GCEO, CFO, COO, Chief Audit Executive and other relevant corporate officials. The Chief Audit Executive and the External Auditors have unrestricted access to the Chairperson of the Committee and the Chairperson of the Board. The attendance of Members at Committee meetings was as follows:

| Audit and Risk | Total |
|--------------------------|-------|
| Ms J Patel (Chairperson) | 5 |
| Adv M Lekalakala | 5 |
| Dr M Socikwa | 4 |
| Ms M Mudau (1) | 4 |
| Mr M T Mxakwe | 5 |
| Ms Y van Biljon | 5 |
| Dr C van Rooyen (2) | 2 |
| Ms S Tladi (3) | 2 |
| Mr I Plaatjes (4) | 1 |

1. Appointed on 18 July 2019 as an Independent Advisor
 2. Appointed on 30 April 2019 and resigned on 29 August 2019
 3. Appointed on 30 August 2019 until 31 October 2019
 4. Appointed on 1 November 2019.

Digital Technology Committee

The Digital Technology Committee comprises five independent Non-Executive Directors and is chaired by an Independent Non-Executive Director. The Committee was to assist and advise the Board in fulfilling its obligations and, in certain instances, by acting on behalf of the Board through its mandate, on matters relating to digital technology. 'Digital Technology' is defined by the Committee to mean all known (and yet to be developed and commercialised) digital technology platforms,

including but not limited to, Digital Terrestrial Television (DTT), direct to home digital satellite broadcasting (DTH) and mobile and web channels, with a strategic focus on the successful distribution of all SABC content over such platforms.

The Committee's formation has been motivated by the massive impact of digital technology on all of the SABC's core services and how the successful implementation of strategies in this regard will impact on the sustainability of the Corporation in the future.

The roles and responsibilities of the Committee are as follows:

- Report to the Board on the progress of all Digital Technology projects within the Corporation;
- Report to the Board on the extent to which the Corporation has achieved its objectives during the relevant period;
- Ensure that the Corporation employs technology, which enables it to fulfil both its commercial and public mandates in line with its statutory mandate;
- Ensure digital transformation in the SABC workplace so that SABC management and staff have access to innovative technology and an information systems platform that will enable the Corporation to deliver on its mandate and enable major business improvements such as enhancing audience experience, streamlining operations or creating new business models;
- Ensure that the technology employed by the Corporation is appropriate and able to support the strategic objectives of the Corporation;
- From time to time, receive and evaluate Management's analysis of the digital technology systems and relevant controls within the Corporation and advise the Board on their suitability to support the implementation of the planned strategy of the SABC;
- Recommend to the Board the approval of policies, which fall within its mandate;
- Identify, evaluate and report to the Board on any risks associated with the technology of the Corporation; and
- Specifically, consider the digital technology challenges posed by the evolving broadcasting needs for major national or international events and advise the Board on the necessary actions to be taken to ensure that the SABC can deliver on its broadcasting objectives.

Three Committee meetings were held during the financial year. These were attended by the GCEO, CFO, COO and other relevant corporate officials. The attendance of Members at Committee meetings was as follows:

| Digital Technology | Total |
|---------------------------|-------|
| M Markovitz (Chairperson) | 3 |
| Mr J Phalane | 3 |
| Ms M Papayya | 3 |
| Mr D Maimela | 3 |
| Dr M Socikwa (1) | 1 |
| Mr M T Mxakwe | 3 |
| Ms Y van Biljon | 3 |
| Dr C van Rooyen (2) | 1 |
| Ms S Tladi (3) | 1 |
| Mr I Plaatjes (4) | 1 |

1. Effective from 31 October 2019

2. Appointed as Acting COO on 30 April 2019 and resigned on 29 August 2019

3. Appointed as Acting COO on 30 August 2019 until 31 October 2019

4. Appointed as COO on 1 November 2019

Finance Investment and Procurement Committee

The Finance, Investment and Procurement Committee comprises four independent Non-Executive Directors and is chaired by an Independent Non-Executive Director.

The roles and responsibilities of the Committee include:

The Committee shall be responsible for:

- Review the long-term and short-term funding plan, for submission to the Board;
- Monitor the current funding plan of the Corporation to enable it to fulfil both its commercial and public mandates in line with the corporate goals;
- Review and recommend the annual capital and operating budget to the Board for approval;
- Monitor the financial performance of the Corporation against its budget quarterly;
- Consider and approve the Treasury Manual for approval by the Board;
- Recommend the limits applicable to counter-parties to the Board, and monitor and review all borrowings made by the Corporation, and the guarantees and sureties issued on behalf of the Corporation;
- Review funding and solvency implications of transactions and make recommendations to the Board;
- Review the capital investment process, monitor total Group capital expenditure;
- Review and approve any capital project, or the procurement of any capital or the commencement of any capital project item included in the approved budget of the SABC, above R100 million up to R200 million;
- Review and recommend to the Board the commencement of any capital project or the procurement of any capital item the cost of which exceeds R200 million;
- Review and approve new projects not included in the approved annual budget, as well as the funding thereof, the total costs of which shall not exceed R50 million;
- Review and recommend to the Board, an increase in estimated total costs of projects included in the approved budget, the increase in the cost of which shall not exceed R20 million or 10% of the original cost;
- Review acquisitions and decisions made by EXCO in accordance with the authority granted to it by the Board through the Delegation of Authority Framework;
- Review and recommend to the Board, acquisitions and investments of the Group above R200 million;
- Review the performance of all investments and acquisitions made;
- Review and recommend to the Board the opening of new offices or new regional offices within the borders of the Republic of South Africa;
- Review and recommend to the Board for approval the opening of new offices or new regional offices outside the borders of the Republic of South Africa;
- Review and make recommendations to the Board regarding the SABC's investment strategy;
- Evaluate and make recommendations to the Board regarding business cases for new ventures or projects;
- Approve the criteria and guidelines for investments and approve investments within its delegated authority;

- Review and make recommendations to the Board regarding the selection and appointment of Banks within the Republic of South Africa and Internationally; and
- Group Budget
 - Review the budgetary processes adopted by management for effectiveness, integrity and adherence to the objectives of the Board and the Public Finance Management Act No. 1 of 1999 (PFMA);
 - Ensure that the reporting and budget submission deadlines set by the SABC are complied with; and
 - Perform regular reviews of the Corporation's financial performance against the budgeted financial performance and ensure that material deviations and measures to be taken to redress these deviations are reported by the Group Chief Executive Officer.
- Bid Adjudication Committee
 - Review the BAC processes for effectiveness and integrity and ensure group-wide adherence thereto having regard to the principles of the Group's procurement policies;
 - Review the appropriateness of the BAC's processes to the needs of the individual entities within the Group having due regard to the operational dynamics of each entity and to implement such measures as are deemed necessary to ensure the functional effectiveness of these processes; and
 - Review the effectiveness of the BAC and implement such measures as are deemed necessary to ensure that this structure is functionally effective.
- Disposal/Write-Off of Assets and Bad Debts
 - Consider and approve the write-off resulting from the impairment of assets, up to an amount of R50 million, and recommend for approval by the Board of any amount over R50 million;
 - Review disposals made by EXCO in accordance with the authority granted to it by the Board;
 - Review and recommend to the Board for approval the writing off of assets above R50 million (at book value) to remove them from the asset register;
 - Review and recommend to the Board for approval the writing off of stock (at book value) above R50 million to remove them from the asset register;
 - Review and recommend to the Board for approval the sale of moveable assets at book value from R10 million to R16 million and for Board to recommend approval by the Shareholder for assets above R16 million;
 - Subject to the provisions of the PFMA, review and approve any sale or disposal of assets, the cost of which shall not exceed R50 million per item;
 - Review and recommend to the Board for approval the write-off of bad debt(s), above R50 million; and
 - Review and recommend to the Board for approval the entering into any agreement for the lease/hire/rental of property, where the cumulative value and the term are above R50 million per annum/5 (five) years.

Three Committee meetings were held during the financial year. The GCEO, COO, CFO and other relevant corporate officials attended the meetings by invitation. The attendance of Members at the Committee meetings was as follows:

| Finance Investment and Procurement | Total |
|------------------------------------|-------|
| Mr J Phalane (Chairperson) | 3 |
| Mr M Markovitz | 3 |
| Ms B Muthien (1) | 1 |
| Dr M Socikwa | 2 |
| Mr M T Mxakwe | 3 |
| Ms Y van Biljon | 3 |
| Dr C van Rooyen (2) | 1 |
| Ms S Tladi (3) | 1 |
| Mr I Plaatjes (4) | 1 |

1. Appointed on 31 October 2019
2. Appointed as Acting COO on 30 April 2019 and resigned on 29 August 2019
3. Appointed as Acting COO on 20 August 2019 until 31 October 2019.
4. Appointed as COO on 1 November 2019

Governance and Nominations Committee

The Governance and Nominations Committee comprises five independent Non-Executive Directors and is chaired by an Independent Non-Executive Director (Chairperson of the Board).

The roles and responsibilities of the Committee include:

NOMINATIONS

- In carrying out its remit, the Committee shall have regard to requirements and recommendations contained in Legislation and other related guidance.

The Committee will:

- Regularly review the size, structure and compositions of the Committees of the Board, with due regard to the legal requirements, skills and expertise required for the effective performance of each Committee;
 - Ensure that appropriate succession planning is in place for both Executive and Non-Executive Directors of the Board;
 - Evaluate succession-planning arrangements for Executive Directors of the Board to ensure that these are orderly and calculated to maintain an appropriate balance of diversity, skills, knowledge and experience;
 - Annually review the key data indicators of listed successors for direct reports of the Group Chief Executive Officer to determine their status on the succession plan and readiness to assume a role as the need arises. Such data should include the performance evaluation outcomes and outputs of management conversations;
 - Supervise the administration of the Corporation's policies relating to actual or potential conflicts of interest affecting Members of the Board;
 - Be responsible for preparing a description of the role and capabilities required for particular appointments to the Board and for identifying and nominating candidates for the approval of the Board for recommendation to the Minister of Communications and the President;
 - Make recommendations to the Board for the continuation (or not) in service of any Director as an Executive or Non-Executive Director.
- Recruitment of Executive Directors
 - Before embarking on steps listed below, the Committee shall ensure compliance with the provisions of the SABC's Recruitment Policy;

- In terms of Clause 12.5 of the Mol, the Committee shall, on behalf of the Board:
- Identify, interview, assess and appoint Executive Search Companies to assist with the recruitment of the Executive Directors [Group Chief Executive Officer (GCEO), Chief Operating Officer (COO) and Chief Financial Officer (CFO)];
- Identify, interview, assess and recommend candidates to the Board for the appointment as Executive Directors being the GCEO; COO or CFO of the Corporation giving full consideration to succession planning and the leadership needs of the Corporation;
- Recommend to the Board the shortlist of at least three preferred candidates, who are suitable to hold the contemplated position.
- Under the Mol the appointment of the GCEO; COO or CFO (as the case may be) shall be made by the Non-Executive Directors and the Minister shall be informed accordingly.
- Conditions of Employment and Benefits
 - The Committee shall, on behalf of the Board approve conditions of employment and all benefits applicable to the GCEO; COO or CFO and the terms and conditions of the severance of employment of such individuals.
- Remuneration
 - Committee Members
 - The SABC will remunerate Members of the Committee according to the rates determined by the Minister of Communications.
 - Executive & Non-Executive Directors
 - The remuneration in respect of the following categories of employees will be considered by the Committee and recommended to the Board for approval;
 - Subject to a mandate from the Board, determine and recommend to the Board the remuneration for the Executive Directors, on the appointment, having regard to the remuneration policy;
 - Subject to a mandate from the Board, the Committee shall make recommendations in respect of the fees and/or remuneration of the Non-Executive Directors to the Board from time to time, which Directors' fees and/or remuneration shall be subject to the approval of the Minister of Communications;
 - The Committee will assist the Board in its oversight of:
 - the Remuneration Policy and its specific application to the Executive Directors;
 - the adoption of annual and longer-term incentive plans;
 - the annual evaluation of the performance of the GCEO, COO and CFO;
 - The determination of levels of reward to the Executive Directors.
 - The Committee will recommend to the Board for its approval, appropriate Key Performance Indicators (KPIs) for the Executive Directors at the beginning of each Financial Year;
 - The Committee will at the end of each Financial Year recommend to the Board for approval, the performance levels for the Executive Directors against the KPIs set at the beginning of the year.

- Remuneration

- The Committee will determine and agree with the Board on the remuneration of the Executive Directors. No Director or Executive shall be involved in any decisions as to their own remuneration;
- The Committee will advise the Board as to the Shareholder approvals required in respect of all elements of remuneration;
- In determining remuneration packages and arrangements of the Executive Directors, the Committee will give due regard to any relevant legal requirements, the provisions and recommendations in the Labour Relations Act (as amended); Employment Equity Act (as amended); PFMA (as amended); King IV (as amended); Shareholder Compact and the Mol.
- In determining the policy, the Committee will take into account all factors, which it deems necessary.

The objective of the policy will be to:

- provide competitive rewards to attract, motivate and retain highly skilled executives;
- apply demanding KPIs including financial and non-financial measures of performance;
- link rewards to the creation of value to the shareholder; and
- limit severance payments on termination to pre-established contractual arrangements that do not commit the Group to making unjustified payments in the event of non-performance;
- The Committee will review the ongoing appropriateness and relevance of the Remuneration Policy in relation to the Executive Directors;
- The Committee shall be provided with all the information it requires to make its determinations and recommendations. Consideration shall be given both to external and internal sources of comparative information on remuneration;



Lesedi FM welcomes home the celebrated 'Ndlovu Youth Choir'.

- The Committee shall be provided with external market information to enable comparisons between the reward structures and levels applicable to Executive Directors of the Corporation and those applicable to their counterparts in organisations of a similar size and complexity in comparable business sectors;
- The Committee may seek independent legal or other professional advice at the Corporation's expense, to secure the attendance of external advisors at its meetings if it considers necessary, and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help fulfil its obligations;
- The Committee shall consult with the GCEO, CFO, COO and the GE: Human Resources;
- When appropriate, the Committee shall request and consider reports and presentations by the Audit & Risk Committee; or the Social & Ethics Committee;
- Information on the remuneration of Executive and Non-Executive Directors shall be disclosed in the Annual Report in accordance with statutory requirements and generally accepted codes of corporate governance.

• GOVERNANCE

The Committee will:

- Develop, evaluate and review the corporate governance structures, policies, practices and procedures of the Corporation and ensure that such structures, policies, practices and procedures are aligned with the tenets of good corporate governance and are implemented;
- Review and evaluate regularly the balance of skills, knowledge and experience and performance and effectiveness of the Board and its Committees, make recommendations to the Board with regard to any adjustments that it considers appropriate, and approve the section in the Annual Report dealing with the performance of the Board;
- Receive periodic reports on membership, and review Annual Reports on the effectiveness, of the Boards of subsidiaries within the Group;
- Establish and ensure implementation of an induction programme for new appointees to the Board;
- Approve a performance and evaluation measurement framework to monitor the effectiveness of the Board, Board Committees, individual Directors, the GCEO, CFO and COO;
- Review and, where appropriate, make recommendations to the Board about actual or potential conflicts of interest affecting any Member of the Board, carry out an annual review of declarations of conflicts of interest by the Board, and approve a report to the Shareholder on how the Corporation's Policy on Conflicts of Interest has been applied during the year;
- Prevent any Human Capital practices that will result in unauthorised, irregular, fruitless and wasteful expenditure and losses from criminal conduct and expenditure not complying with legislation;
- Ensure compliance with the relevant and applicable labour-related legislation;
- Facilitate the formulation and monitoring of the Corporation's transformation agenda, strategy and policies in line with guiding regulatory frameworks and related industry standards, the Corporation's mandate and approved strategies.

- The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities. These functions should serve as a guide, with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee's responsibilities should remain flexible, to best react to changing conditions and to be in the best position to assure the Board and stakeholders of the Corporation that the Corporation's governance principles, policies, standards and practices optimally assist the Board and the Corporation's management to effectively and efficiently promote the best interests of the Corporation by appropriately balancing the interests of its stakeholders:

- the Board's relevant knowledge and proficiency to be effective in its role;
- the Board's independence from management and other stakeholders and its accountability to the Shareholder;
- the Board's empowerment to make decisions and act independently of management and other Corporation stakeholders;
- the Board's diligence and attentiveness in applying governance best practices and responding to the requirements of the business;
- the Board's involvement in setting the Corporation's strategy and monitoring its execution;
- the Board's oversight and monitoring of management, and planning for management succession;
- the Board's focus on strategic critical success factors (the most critical issues and risks);
- the appropriateness and clarity of allocated roles and responsibilities between the Board and management;
- the adequacy and quality of access to valid information, employees, experts and witnesses, the Shareholder, and other stakeholders, promptly;
- the structure of the Board and the definition of its Committees;
- the effectiveness of the Board's structure and business processes;
- the ongoing evaluation of the appropriateness of each of the Committees' Terms of Reference (TOR);
- the performance of the Committees relative to their TOR;
- the Board's performance;
- the annual assessment of the Committee's performance by the Board and any self-assessments;
- the improvements based on findings from all Board and Committee performance assessments; and
- new or special Committees of the Board that may be necessary to properly address ethical, legal and/or other matters that may arise.

• Strategy Oversight

The Committee will:

- Ensure that there is rigorous probing of strategic plans and investment proposals, by asking 'what if' and 'why not' questions, and by challenging the assumptions underlying strategy;
- Ensure that a proper strategic planning process is implemented;

- In conjunction with the Board set the parameters within which Management develops strategy, which may include ensuring that short-term and longer-term strategies are balanced and that it provides a platform for sustainability;
- Ensure that the strategies are aligned with the purpose of the business, the prevailing culture and ethics and the interests of the SABC's stakeholders; and
- Institute regular and formal Board strategy reviews or strategy audits and examine progress towards the predetermined objectives and evaluate current performance in the light of these predetermined objectives.

Six Committee meetings were held during the financial year. The attendance of members at the Governance and Nominations Committee meetings was as follows:

| Governance and Nominations | Total |
|-------------------------------|-------|
| Mr B Makhathini (Chairperson) | 6 |
| Ms M Mohlala-Mulaudzi | 5 |
| Adv Lekalakala | 5 |
| Prof S Cooper (1) | 2 |
| Ms M Papayya (2) | 2 |
| Mr D Maimela (3) | 1 |
| Mr DK Mohuba (4) | 1 |

1. Effective from 9 October 2019
2. Effective from 9 October 2019
3. Attended by special invitation
4. Attended by special invitation

Human Resources and Remuneration Committee

The Committee comprised four independent Non-Executive Directors and was chaired by an Independent Non-Executive Director.

The roles and responsibilities of the Committee include to:

- Ensure that the structure, size, composition, skill sets and performance of the Corporation is regularly reviewed and maintained at appropriate levels;
- Ensure that appropriate succession planning is in place for the Group Executives;
- Monitor the extent to which Human Resources practices and conditions of employment are being adhered to; and
- Evaluate succession-planning arrangements for Group Executives, to ensure that these are orderly and calculated to maintain an appropriate balance of diversity, skills, knowledge and experience.
- Conditions of Employment and Benefits
- The Committee shall, on behalf of the Board:
 - Approve conditions of employment and all benefits applicable to the Group Executives and Employees of the Corporation, and the terms and conditions of the severance of employment of such individuals;
 - Approve the general material terms and conditions of employment to be applied for all employees of the Group.

REMUNERATION:

- The SABC will remunerate Members of the Committee according to rates determined by the Minister of Communications.
- The remuneration in respect of the following categories of employees will be considered by the Committee:
 - Review the specific application of the Remuneration Policy with regard to Group Executives and make a recommendation to the Board for approval;



Springbok captain, Siya Kolisi, interviewed on SAfm.

- The remuneration of the General Managers and Heads of Business Units will be determined by the Group Chief Executive Officer, within the ranges laid down by the Committee and recommended to the Committee for approval;
- The Committee will assist the Board in its oversight of:
 - the Remuneration Policy and its specific application to the Group Executives and its general application to all Group employees;
 - the review of the remuneration philosophy and strategy of the Group;
 - the adoption of annual and short-term incentive plans;
 - the determination and approval of levels of reward to the Group Executives;
 - the Group's compliance with applicable legal and regulatory requirements associated with remuneration matters;
 - the preparation of the Remuneration Report to be included in the Group's annual report; and
 - the communication to the Minister of Communications on the Remuneration Policy and the Committee's work on behalf of the Board.
- Management information:
 - The Committee shall be provided with all the information it requires to make its determinations and recommendations. Consideration shall be given both to external and internal sources of comparative information on remuneration;
 - The Committee shall be provided with external market information to enable comparisons between the reward structures and levels applicable to Executives of the Corporation and those applicable to their counterparts in organisations of a similar size and complexity in comparable business sectors.
- Remuneration Policy
 - The Committee will determine and agree with the Board the policy for the remuneration of the Group Executives;
 - In determining remuneration packages and arrangements,



the Committee will give due regard to any relevant legal requirements, the provisions and recommendations in the Labour Relations Act (as amended); Employment Equity Act (as amended); Public Finance Management Act (as amended); the Shareholder Compact and the Mol.

- In determining the policy, the Committee will take into account all factors, which it deems necessary;

The objective of the policy will be to:

- provide competitive rewards to attract motivate and retain highly skilled employees;
- apply demanding key performance indicators (KPIs) including financial and non-financial measures of performance;
- link rewards to the creation of value to the Shareholder;
- ensure remuneration arrangements are equitable and facilitate the deployment of human resources around the Group;
- limit severance payments on termination to pre-established contractual arrangements that do not commit the Group to making unjustified payments in the event of non-performance;
- The Committee will review the ongoing appropriateness and relevance of the Remuneration Policy;
- The Committee will review and note annually the remuneration trends across the Group and in particular, compare the trends in base pay for senior management to that of all Group employees; and
- The Committee will oversee any major changes in employee benefit structures throughout the Group.
- Retirement Benefits

- Recommend to the Board the approval of general retirement policies of the Group and any changes in such policies or to the rules of the retirement funds.

• Human Resources Policies

- Consider and recommend to the Board the Human Resources Policies and review the prevailing industrial relations policies and the Corporation's strategies in respect thereof in order to ensure that the appropriate policies are applied.

Three Committee meetings were held during the financial year. The GCEO, COO, CFO and other relevant corporate officials attended the meetings by invitation. The attendances of Members at the Committee meetings were as follows:

| Human Resources and Remuneration | Total |
|---|-------|
| Ms M Mohlala-Mulaudzi (Chairperson) (1) | 1 |
| Mr DK Mohuba | 3 |
| Ms J Patel | 3 |
| Adv M Lekalakala (Chairperson) (2) | 2 |
| Mr D Maimela (3) | 1 |
| Mr M T Mxakwe | 3 |
| Ms Y van Biljon | 3 |
| Dr C van Rooyen (4) | 1 |
| Ms S Tladi (5) | 1 |
| Mr I Plaatjes (6) | 1 |

1. Appointed Chairperson until 31 October 2019
2. Appointed Chairperson on 31 October 2019
3. Mr Maimela appointed on 31 October 2019
4. Appointed as ACOO on 30 April and resigned on 29 Aug 2019
5. Appointed as ACOO on 30 August 2019 until 30/1 October 2019
6. Appointed as COO on 1 November 2019

Public Broadcasting Services Committee

The Public Broadcasting Services Committee comprises seven independent Non-Executive Directors. The Committee is chaired by an Independent Non-Executive Director.

The role of the Committee is to ensure that the SABC delivers on its obligations as provided for in the Public Broadcasting Service Charter of the Corporation. Public Services must:

- Be made available to South Africans in all the official languages;
- Reflect both the unity and diverse cultural and multilingual nature of South Africa and all of its cultures and regions to audiences;
- Strive to be of high quality in all of the languages served;
- Provide significant news and public affairs programming, which meets the highest standards of journalism, as well as fair and unbiased coverage, impartiality, balance and independence from government, commercial and other interests;
- Include significant amounts of educational programming, both curriculum-based and informal educative topics from a wide range of social, political and economic issues, including, but not limited to, human rights, health, science, early childhood development, agriculture, culture, technology, religion, justice and commerce and contributing to a shared South African consciousness and identity;
- Enrich the cultural heritage of South Africa by providing support for traditional and contemporary artistic expression;
- Strive to provide a broad range of services targeting, particularly, children, women, the youth and the disabled;
- Include programmes made by the Corporation as well as those commissioned from the independent production sector;



Miss Universe, Zosi Tunzi, interviewed on Ukhozi FM.

- Include national sports programming as well as developmental and minority sports;
- Review the Sports Broadcasting Rights;

Seven Committee meetings were held during the financial year. The GCEO, COO, CFO and other relevant corporate officials attended the meetings by invitation. The attendance of Members at these meetings is reflected below:

| PBS | Total |
|-------------------------------------|-------|
| Ms M Papayya (Chairperson PBS) (1) | 7 |
| Ms M Mohlala-Mulaudzi | 5 |
| Prof S Cooper (Chairperson PBS) (2) | 4 |
| Mr M Markovitz | 7 |
| Mr DK Mohuba | 7 |
| Ms B Muthien | 7 |
| Mr D Maimela (3) | 3 |
| Mr M T Mxakwe | 6 |
| Ms Y van Biljon | 5 |
| Dr C van Rooyen (4) | 3 |
| Ms S Tladi (5) | 1 |
| Mr I Plaatjes (6) | 3 |

1. Chairperson until 31 October 2019

2. Appointed Chairperson from 31 October 2019

3. Appointed on 31 October 2019.

4. Appointed as ACOO on 30 April 2019 and resigned on 29 August 2019

5. Appointed as ACOO on 30 August 2019 until 31 October 2019

6. Appointed as COO on 1 November 2019

Public Commercial Services Committee

The Public Commercial Services Committee comprises seven independent Non-Executive Directors. The Committee is chaired by an Independent Non-Executive Director. The role of the Committee is to ensure that the SABC delivers on its obligations as provided for in the Public Commercial Service Charter of the Corporation. Commercial Services must:

- be subject to the same policy and regulatory structures as outlined in the Act for commercial broadcasting services;
- comply with the values of public broadcasting service in the provision of programmes and service;
- commission a significant amount of their programming from the independent sector;
- subsidise the public services to the extent recommended by the Board and approved by the Minister; and
- be operated efficiently to maximise the revenues provided to its shareholder.
- Report to the Board on the extent to which the commercial service division has achieved its objectives during the relevant period;
- Ensure that the public broadcasting services provided by the Corporation, comply with the provisions of Section 11 of the Broadcasting Act, in that they:
- Are operated efficiently to maximise the revenue provided to its shareholder;
- Subsidise the public broadcasting services to the extent recommended by the Board and approved by the Minister of Communications;
- Account separately from the public broadcasting division and keep proper and accurate books and records of the financial affairs of the commercial service division as required by the Broadcasting Act;
- Prepare audited annual financial statements in respect of the commercial service division, separately from those of the public broadcasting services, in accordance with international financial reporting standards;

- Commission a significant amount of programming from the independent production sector to, inter alia, encourage the development of the local industry;
- Comply with the overall values of a public broadcasting service in the provision of programmes and service, and comply with the values set out in Section 10(1) of the Broadcasting Act, notwithstanding the fact that the PCS division exists as a commercial division of the Corporation;
- Identify key performance indicators and effectively monitor the PCS division's implementation of these agreed indicators;
- Consider and recommend to the Board the approval of any transaction (business plan; work plan or policies) which falls within its authority and which has been submitted to it for consideration by the Group Executive Committee (EXCO);
- Ensure that all transactions recommended by it to the Board for approval are in line with the corporate goals, that they fulfil the Broadcasting Act objectives to maximise revenue and increase shareholder value, that they comply with the values of public broadcasting service and have been budgeted for;
- Consider and approve any transaction (business plan; work plan, sports programming and production rights), which falls within its authority, above R100 million to R200 million, and which has been submitted to it for consideration by the EXCO;
- Convey to the Board immediately any concern or issue of significance which in the view of the committee may impact negatively on the broadcast operations of the public commercial services and provide guidance to the Board on the most appropriate manner in which to resolve the matter;
- Consider the impact of all transactions presented to it on the financial viability of the Corporation, including but not limited to whether the transaction has been provided for in the budget;
- Request the Executives to provide any information if the Committee believes that such information will assist it in making a judicious decision on behalf of the Corporation;
- Recommend to the Board the approval of the PCS scheduling and programming strategy;
- Review the ICASA reports, in conjunction with FIPCOM (Finance, Investment and Procurement Committee) and make necessary recommendations to the Board; and Advise the FIPCOM (Finance, Investment and Procurement Committee) on purchasing decisions which relate to PCS in accordance with the Delegation of Authority Framework (DAF).

Seven Committee meetings were held during the financial year. The GCEO, COO, CFO and other relevant corporate officials attended the meetings by invitation. The attendance of Members at these meetings is reflected below:

| PCS | Total |
|---|-------|
| Ms M Mohlala-Mulaudzi (Chairperson PCS) | 5 |
| Prof S Cooper | 4 |
| Mr DK Mohuba | 6 |
| Mr M Markovitz | 7 |
| Ms M Papayya | 7 |
| Ms B Muthien | 7 |
| Mr D Maimela (1) | 3 |
| Mr M T Mxakwe | 6 |
| Ms Y van Biljon | 5 |
| Dr C van Rooyen (2) | 3 |
| Ms S Tladi (3) | 1 |
| Mr I Plaatjes (4) | 3 |

1. Appointed on 31 October 2019.

2. Appointed as ACOO on 30 April 2019 and resigned on 29 August 2019

3. Appointed as ACOO on 30 August 2019 until 31 October 2019

4. Appointed as COO on 1 November 2019

News and Editorial Committee

The News and Editorial Committee comprises four independent Non-Executive Directors and is chaired by an Independent Non-Executive Director.

The primary role of the Committee is to assist the Board in setting the editorial policies of the Corporation, having regard to the need to ensure the editorial integrity of news and current affairs programming presented by the Corporation. The Committee must ensure that the SABC produces accessible, accurate, compelling, professional and authoritative news, current affairs and other programming that is fair, balanced and in line with its editorial policies and regulations. Defend the editorial independence of the News Division and encourage the pursuit of excellence of the highest professional standards.

The duties and responsibilities of the Committee are: Report to the Board on the extent to which the News Division has achieved its objectives during the relevant period;

- Oversee a consultative process to develop policies for consideration by the Board on news and current affairs, programming, which aim to ensure that the news and current affairs programming, presented in all official languages, promotes the values of democracy, non-racialism, nation-building, and empowerment, for approval by the Board.
- Assist the Board to guide the editorial direction of the Corporation and to set editorial policies in line with the corporate goals.
- Assist the Board to preserve the Corporation's editorial independence and integrity and ensure that the Corporation does not allow advertising, commercial, political or personal considerations to influence its editorial decisions.
- Oversee the review of editorial policies of the Corporation from time to time to ensure that they remain appropriate to the operational needs of the Corporation and the fulfilment of the statutory and regulatory obligations and mandates of the Corporation.
- Acquaint itself with its role as set out in all the Corporation's relevant governance instruments and provide clear direction to the Board and the News Division.
- Identify key performance indicators and effectively monitor management's implementation of these agreed indicators.
- Consider and recommend to the Board the approval of any matter (e.g. work plan or policies) which falls within its authority and which has been submitted to it for consideration by the Group Executive committee.
- Ensure that all transactions recommended by it to the Board for approval are in line with the corporate goals, that they fulfil the public broadcasting mandate set out in 10 of the Broadcasting Act and comply with the values of a public broadcasting service.
- Convey to the Board immediately any concern or issue of significance, which in the view of the committee may impact negatively on the operations of the public broadcasting service and provide guidance to the Board on how it must be dealt with.

The News and Editorial Committee was established on 9 October 2019. Two Committee meetings were held during the financial year. The GCEO, COO, CFO and other relevant corporate officials attended the meetings by invitation. The attendance of Members at these meetings is reflected below:

| News and Editorial | Total |
|----------------------------|-------|
| Ms M Papayya (Chairperson) | 2 |
| Mr DK Mohuba | 2 |
| Mr M Markovitz | 2 |
| Ms B Muthien (5) | 1 |
| Dr M Socikwa (1) | 1 |
| Mr M T Mxakwe | 2 |
| Ms Y van Biljon | 2 |
| Dr C van Rooyen (2) | 0 |
| Ms S Tladi (3) | 1 |
| Mr I Plaatjes (4) | 1 |

1. Appointed on 31 October 2019

2. Appointed as Acting COO on 30 April 2019 and resigned on 29 August 2019

3. Appointed as Acting COO on 30 August 2019 until 31 October 2019

4. Appointed as COO on 1 November 2019

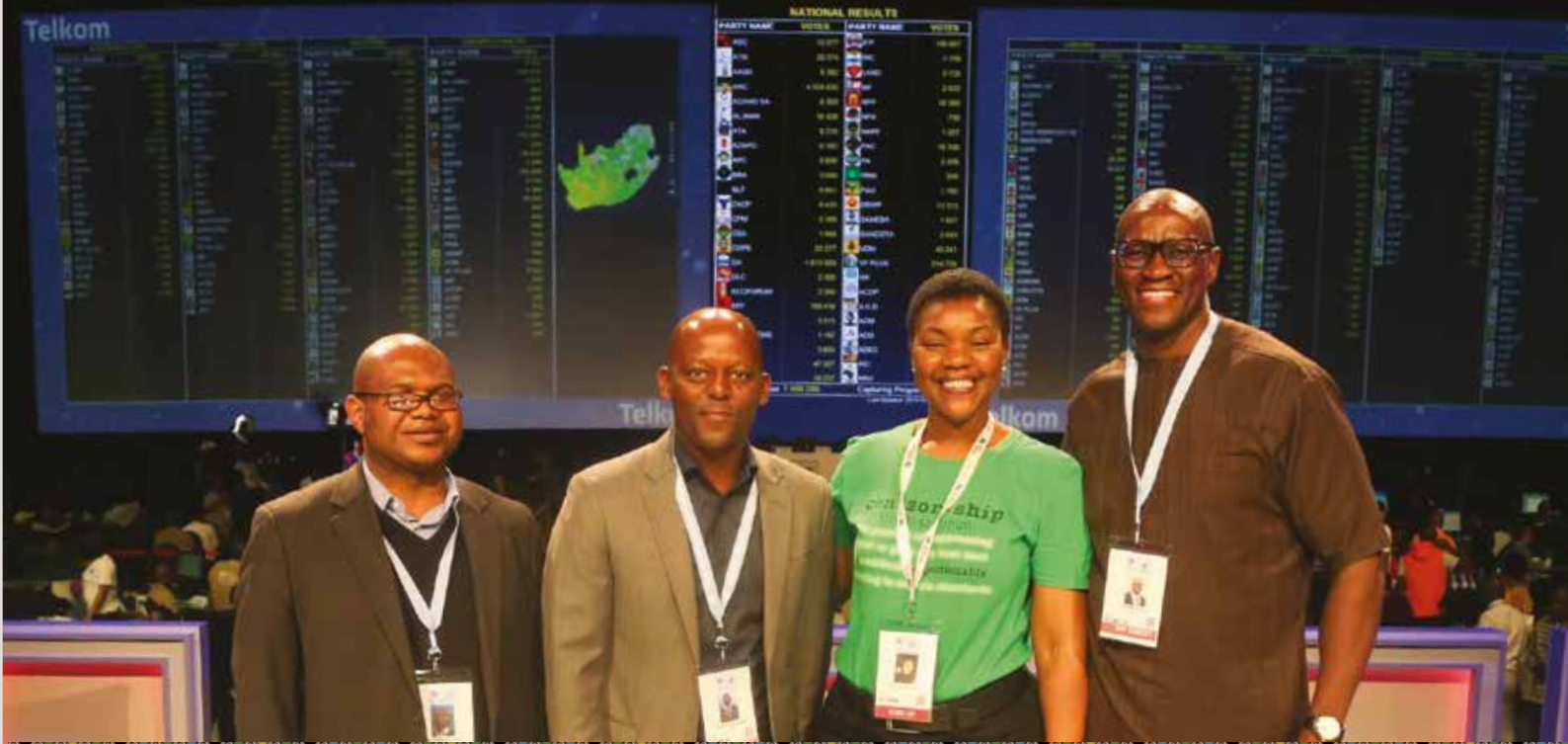
5. Attended by invitation

Social and Ethics Committee

The Social and Ethics Committee comprises of five independent Non-Executive Directors and is chaired by an Independent Non-Executive Director.

The role and function of the Committee is to monitor/oversee the Corporation's activities, having regard to any relevant legislation, other legal requirements, or prevailing codes of best practice, concerning matters relating to the following functions:

- The Social and Economic Development goals of the Corporation, including the Corporation's standing in terms of the goals and purposes of the ten principles set out in the United Nations Global Compact Principles are an integral part of the business strategy, day-to-day operations, and organisational culture;
- The United Nations Global Compact Principles are incorporated in the decision-making processes of the Board;
- The Corporation advances the United Nations Global Compact Principles and the case for responsible business practices through advocacy and outreach to peers, partners, clients, consumers, and the public at large;
- Reviewing and making recommendations to the Board with respect to the Corporation's Social Economic Development;
- Monitoring Social Economic Development Initiatives;
- The Committee has the mandate to assist the Board in discharging its responsibility to ensure that Broad-Based Black Economic Empowerment (B-BBEE) is pursued and implemented throughout the SABC;
- The Committee shall review the Corporation's standing in terms of the goals and purposes of the promotion of equality and the prevention of unfair discrimination;
- The Committee will review the SABC's standing in terms of its support of the four strategic objectives in respect of the International Labour Organization Protocol on decent work and working conditions;
- Monitoring the SABC's employment relationships, and its contribution toward the educational development of its employees;
- Reviewing recommendations on ethical matters made by Management or other external sources and to make recommendations to the Board whether, and if so, to what extent, these should be applied to the SABC;



SABC leadership visiting ROC during National Elections.

- In conjunction with the Audit and Risk Committee, the Committee oversees and reviews the anti-corruption and bribery practices;
- Reviewing the policies and processes for managing non-financial risks affecting the business, including relationships with stakeholders (principally colleagues, partners, customers, local communities, non-governmental organisations, regulators, shareholders and suppliers), and the impact of the SABC's activities on its general business reputation;
- The Committee shall promote environmental policies that relate to the activities where the SABC has its most significant environmental impacts in respect of energy management and climate change, water quality, resource productivity (including leakage and waste); and
- In conjunction with the Audit and Risk Committee review and make recommendations to the Board with respect to the SABC's Health and Safety Policies and review the procedure for reporting and investigating accidents, incidents and accidents at work.

Three Committee meetings were held during the financial year. The GCEO, COO, CFO and other relevant corporate officials attended the meetings by invitation. The attendance of Members at these meetings is reflected on the following page:

| Social and Ethics | Total |
|---|-------|
| Ms M Mohlala-Mulaudzi (Chairperson) (1) | 1 |
| Prof S Cooper (Chairperson) (2) | 3 |
| Mr DK Mohuba | 2 |
| Mr J Phalane | 3 |
| Ms B Muthien | 3 |
| Mr M Mxakwe | 3 |
| Ms Y van Biljon | 3 |
| Dr C v Rooyen (3) | 1 |
| Ms S Tladi (4) | 1 |
| Mr I Plaatjes (5) | 1 |

1. Chairperson from 31 October 2019
 2. Chairperson until 31 October 2019
 3. Appointed as Acting COO on 30 April 2019 and resigned on 29 August 2019
 4. Appointed as Acting COO on 30 August 2019 until 31 October 2019
 5. Appointed COO on 1 November 2019

Directors' Remuneration

Non-Executive Directors receive fees for their contribution to the Board and the Committees on which they serve. The Shareholder determines the rate. Non-Executive Directors are also reimbursed for out-of-pocket expenses incurred on the Corporation's behalf.

Further information on Directors' remuneration appears on pages 165 to 166.

Company Secretarial Function

Directors have unrestricted access to the advice and services of the Company Secretary as well as the Secretariat Department. The Directors are entitled to obtain independent professional advice at the SABC's expense should they deem this necessary.

The Company Secretary together with other assurance functions monitors the SABC's compliance with the requirements of the PFMA, Companies Act and other relevant legislation.

Reporting to Stakeholders

To present a balanced and understandable assessment of its position, the SABC continuously strives to ensure that reporting and disclosure to stakeholders are relevant, clear and effective. It places great emphasis on addressing both positive and negative aspects to demonstrate the long-term sustainability of the organisation. The King IV™ Report is used in compiling the annual report.

Stakeholder Relations

In addition to the interests of the government as a shareholder, the SABC recognises the legitimate interest of specific government departments, employees, consumers, suppliers, the media, policy and regulatory bodies, trade unions, non-governmental groups and local communities in its affairs. Communication and interaction with stakeholders are ongoing during the year and are addressed through various channels depending on the different needs of the various stakeholders.

RISK MANAGEMENT

SABC has a risk management methodology that is based on best business practice and in line with the risk management framework issued by National Treasury. SABC has further adopted the ISO 31000 Risk Management Standard that provides principles and guidelines of risk management.

In managing risk, the SABC complies with The Public Finance Management Act (PFMA). PFMA was enacted in 1999 with the primary purpose of securing sound and sustainable management of the financial affairs of government bodies. Responsibilities of the SABC's Group Chief Executive Officer, as the Accounting Officer, specifies, that he is responsible for managing the financial administration of the SABC. Included in this duty is the maintenance of an effective, efficient and transparent system of risk management.

Furthermore, the King IV Code of Corporate Governance for South Africa™ (King IV™) states that risk management should be practised throughout the organisation by all staff in their day-to-day activities.

Risk Management is about identifying and assessing key risks, designing and implementing strategies and processes by which those risks can be managed, and finally, continual review of processes to ensure that risks identified have been mitigated to a level acceptable to the relevant stakeholders. The SABC Risk Management approach is based on preventative risk management program which provides a deep understanding of risks that are facing the corporation.

Strategic risks and their mitigation strategies are evaluated and monitored at both Board and Executive level.

INTERNAL CONTROL

The Board has the ultimate responsibility for determining the nature and extent of the significant financial risks that the SABC is willing to take to achieve its strategic objectives and to maintain sound financial risk management and internal control systems. An effective Internal Control environment is a linchpin to assure that the organization can reliably achieve objectives while addressing uncertainty and acting with integrity.

The SABC has taken an approach to internal control management that has defined intersections with Risk Management, Compliance, and Internal Audit processes and use a set of standards to implement Internal Controls.

The controls throughout the SABC focus on those critical risk areas identified by strategic risk management, confirmed by executive management and endorsed by the internal auditors. The controls are designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

Organisational policies, procedures, structure and approval frameworks provide direction, accountability and segregation of responsibilities and contain self-monitoring mechanisms.

GROUP INTERNAL AUDIT (GIA)

In line with the PFMA and the King IV requirements, the internal audit department provides the Audit and Risk, Social

and Ethics Committees and management with assurance that internal controls are adequate and effective. This is achieved using an independent objective appraisal and evaluation of the risk management processes, internal controls, and governance processes as well as by recommending corrective actions and suggested enhancements to the controls and processes. GIA carried out its activities following the risk-based internal audit plan for the year ending 31 March 2020 and regularly submitted its quarterly reports to the Audit and Risk and the Social and Ethics Committees for oversight. GIA is fully supported by the Board and the Audit and Risk and Social and Ethics Committees and has full and unrestricted access to all Corporation activities, records, property and personnel.

Performance year 2019/20 highlight

Group Internal Audit (GIA), like any other division within the SABC, was affected by the vacancy freeze and as a result opted to deliver on the annual plan based on prioritised selection, consulting engagements and conducting of high impact audit for the 2019/20. The delays in rolling out the Work Skills Plan had a negative impact on ensuring that our staff adhered to the requirements of continued professional development and are provided with the training identified in their personal development plans and prevents the unit from dealing directly with equal employment opportunities for our female colleagues by delaying them in obtaining the required Certifications. GIA reported some internal control weaknesses identified during the performance of audits, conducted follow-up audits and highlighted management's progress in the resolution of both internal and external audit findings. The system of internal controls designed to provide cost-effective assurance that assets are safeguarded, liabilities and working capital are efficiently managed, and there are compliance with applicable legislation are still weak but improved compared to the 2018/19 financial year, this is evidenced by the reduced number of audit findings in general. GIA provided risk assurance on the high risks identified during risk assessments by prioritising these areas in the risk-based internal audit plans.

GIA further tabled quarterly forensic disposition reports to the Social and Ethics Committee, from the Group Forensics Investigations Unit, on the investigations conducted, nature of the incidents, and outcomes of the investigations. The anonymous fraud hotline was introduced during the year under review and has enhanced incident reporting and detection and enabled the reporting of incidents by internal and external parties who want to remain anonymous. As a result of the introduction of the centralised whistle-blowing hotline, there has been an increase in the number of reported incidents. The Unit has also put particular emphasis on breakdown in internal controls, fruitless and wasteful expenditure, irregular expenditure and supply chain management issues.

Group Internal Audit Performance

Establishment and mandate of the GIA are outlined the PFMA section 50(1) (a) (ii) and in operating the GIA complies with section 76 and 77 of the Act. For the 2019/20 financial year, the GIA operated in line with the ARC approved Internal Audit Charter to perform its functions while maintaining its accountability, authority and independence.

GIA was able to deliver 79% (45 out of 57 planned projects) of the planned and ad-hoc requests projects for the 2019/20 financial year. At the same time, a total of 26 forensic audit reports were issued and 41 forensic matters were closed off.

The table below details the GIA performance for the year:

| Performance Against the Plan | 2019/20 | | | | |
|--|-----------|-----------|-----------|---------|-------------|
| | Q1 | Q2 | Q3 | Q4 | Annual |
| Total Audit Projects | 18 | 18 | 14 | 7 | 57 |
| Total Completed Audit Projects | 17 | 13 | 11 | 4 | 45 |
| Percentage of projects completed | 94% | 72% | 79% | 57% | 79% |
| Audit hours | | | | | |
| Planned project hours | 5 030 | 4 910 | 3 381 | 3 345 | 16 666 |
| Actual hours spent on the project (Planned projects) | 4 097 | 4 754 | 2 736 | 3 341 | 14 928 |
| Variance | 933 hours | 156 hours | 645 hours | 4 hours | 1 738 hours |
| % variance | 18% | 3% | 19% | 0% | 10% |

The table below illustrates the forensic audit performance for the year:

| | Q1 | Q2 | Q3 | Q4 | Acc Total |
|--|-----|----|----|----|-----------|
| In progress | 15 | 15 | 15 | 15 | 15 |
| Reports issued | 5 | 7 | 7 | 7 | 26 |
| Preliminary investigations (Closed off and Referred to Management) | 6 | 12 | 7 | 16 | 41 |
| Outsourced | - | 1 | - | 0 | 1 |
| Planning | 849 | 64 | 70 | 53 | 53 |
| Total | 75 | 99 | 99 | 91 | 136 |

There has been a visible improvement in the internal audit outcomes when comparing the number of findings raised in 2019/20 to those raised in 2018/19 as there was a 22% decrease in the number of findings (excluding provincial audit outcomes).

Graph below demonstrates the improvement in the number of findings raised:

GRAPH: Number of findings per year and finding rating



From the 2019/20 provincial audits, a total of 194 audit findings were raised, 98 (51%) were new findings and 96 (49%) were repeat findings. A total of 157 findings were followed up during provincial audits and 39% (61 findings) were resolved.

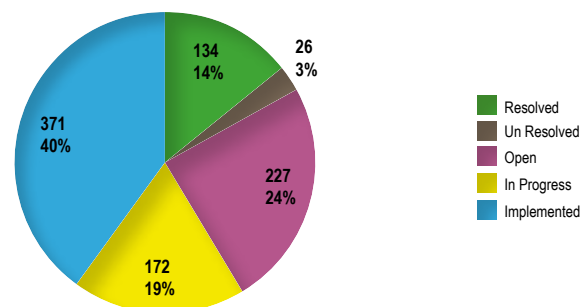
Monitoring of implementation of GIA recommendations

During the second quarter of the 2019/20 financial year, SABC introduced SAP Audit Management system for tracking internal audit findings. The system allows for the findings (including recommendations and management action plans) to be captured by GIA. Management is required to update the implementation status of the action plans and attach the requisite supporting evidence for completed action plans. GIA verifies the status and if satisfied with the supporting evidence, GIA updates the status of the finding to resolved and only once marked as resolved by GIA the finding is closed.

The analysis of the implementation of internal audit recommendations indicates an improvement in the pace of implementation of internal audit findings. As illustrated in the chart below, management actions have been implemented to address 505 (63%) of 796 findings raised by GIA. Of the 160 findings verified by GIA 134 (84%) were confirmed as resolved and 26 (16%) were not resolved.

Graph below depicts the status of previously reported findings including the outcome of follow-ups performed during the financial year 2019/20:

GRAPH: Status of Previous Audit findings and outcome of follow-ups (excluding provinces)



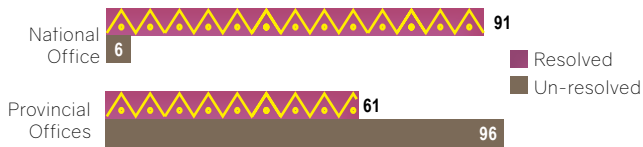
Description of the status:
Resolved; Action Plans that have been verified by Internal Audit as resolved through follow up audits.
Implemented; Action Plans that have been reported as resolved by management but yet to be verified by internal audit
In Progress; Action Plans that have been reported by management as in progress or partly implemented
Not Implemented; Action Plans that are open and those confirmed by GIA as unresolved



SABC2's 'Thakalani Sesame' characters.

There has also been an improvement in addressing of internal audit findings by the provincial offices from 32 findings resolved in 2018/19 to 61 resolved in 2019/20 financial year. The bar graph below shows the status of findings followed-up by GIA during the year (2019/20):

GRAPH: Analysis of followed-up findings per office



Ad-hoc or management requests

A total of six ad-hoc or management requests could not be honoured for the 2019/20 financial year. This is mainly due to resource constraints and the assessment of the potential impact of the services required in the independence of GIA. There appears to be improved understanding of GIA role and mandate and growth in confidence towards GIA value add.

Internal Audit Overall Assessment of the Internal Control Environment

In the execution of the 2019/20 Annual Internal Audit Plan, some significant internal control deficiencies were observed. In GIA's opinion, the deficiencies identified are pervasive which leads to a conclusion that the system of internal control does not provide reasonable assurance over the achievement of objectives, reliability and integrity of financial and operational information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations and contracts. Majority of the deficiencies identified during the year can be attributed to factors such as outdated policies and procedures that are not in line with best business practices, leadership instability, some critical leadership positions were left vacant for long periods, inadequate and ineffective risk management processes, inconsistent or lack of consequence management amongst others.

There has been some improvement in other areas of the organisation such as the updating of outdated policies and procedures, where we observed several policies and procedures that were revised and updated during the year under review with a further number of others in the process of being updated. Governance and Assurance Division has identified the policies that need to be reviewed and a plan to update the policies has been crafted and is being rolled out. There was also an improvement in the supply chain management processes and these have resulted in a decrease in the Irregular Expenditure amount reported from R336 million in 2018/19 financial year to R109 million in 2019/20 financial year. (This analysis was based on the provisional amount before the finalisation of the external audit by AGSA). The other improvement was in the Risk Management processes which saw the development of the strategic risk registers toward the end of the 2019/20 financial year.

There appear to be some improvements in the internal control environment of the organisation when comparing the number of audit findings of 156 (148 significant and 8 less significant) raised in the current financial year (2019/20) to the 208 audit findings (197 significant and 11 less significant) findings raised in 2018/19 financial year. The number of new findings raised at the provincial offices has decreased from 147 findings in 2018/19 to 98 findings in the 2019/20 financial year.

GRAPH: Control Ratings



COMPLIANCE WITH LAWS AND REGULATIONS

As a public entity, adherence to sound governance principles is of utmost importance. To this effect, regular measurement against the Public Finance Management Act and King IV Code of Corporate Governance for South Africa™ (King IV™) is carried out to ensure that deficiencies are identified and corrective measures are implemented.

Public Finance Management Act (PFMA)

The PFMA focuses on financial management with related outputs and responsibilities. The Directors, as the Accounting Authority, comply with their fiduciary duties as set out in the PFMA. In terms of the PFMA, the responsibilities of the Board include taking appropriate action to ensure that:

Economic, efficient, effective and transparent systems of financial and risk management and internal controls are in place;

- A system is maintained for properly evaluating all major capital projects before a final decision on each project;

- The implementation of appropriate and effective measures to prevent unauthorised, irregular or fruitless and wasteful expenditure, expenditure not complying with legislation, or losses from criminal conduct; and
- All revenues due to the SABC are collected;
- The economic and efficient management of available working capital; and
- The definition of objectives and the allocation of resources in an economic, efficient, effective and transparent manner.

In terms of Section 28.3.1 of the Treasury Regulations to the Public Finance Management Act No.1 of 1999 (PFMA), the SABC's Accounting Authority is required to develop and agree on a framework of acceptable levels of materiality and significance in consultation with the relevant executive authority as stipulated in sections 54(2) and (55) of the PFMA.

In terms of Section 52 of the PFMA, the Accounting Authority for a public entity must submit to the Accounting Officer for a Department designated by the Executive Authority for that public entity, and to the relevant treasury, at least one month, or another period agreed with the National Treasury, before the start of its financial year, a corporate plan in the prescribed format covering the affairs of the public entity for the following three financial years. In terms of TR 29.1.1 (f) such a corporate plan must include a materiality/significant framework.

The principles of the King IV™ require that disclosure be made on matters of significance, interest and relevance to shareholders and a wide range of stakeholders. The Accounting Authority should establish guidelines of materiality for disclosure by the Corporation.

This framework will be reviewed and updated annually.

The materiality and significance framework for the financial year under review, which is determined and annually reviewed by management, is as follows:



Ester Mahlangu
celebrated by
Ikwewezi FM.

| Requirement | Material/Significant |
|--|--|
| Section 50(1) | |
| The accounting authority for a public entity must – (c) On request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way may influence the decisions or actions of the executive authority. | The SABC submits quarterly reports to the Executive Authority, which includes all relevant information, which may influence the decisions or actions of the Executive Authority. These reports cover all information that is considered relevant to the Executive Authority. |
| Section 54(2) | |
| Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction : | The SABC will inform the National Treasury of individual transactions covered by this section which are more than R50 million. |
| (a) Establishment or participation in the establishment of a company; | |
| (b) Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement; | |
| (c) Acquisition or disposal of a significant shareholding in a company; | |
| (d) Acquisition or disposal of a significant asset; | |
| (e) Commencement or cessation of significant business activity; and | |
| (f) A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement. | |

KING IV™ Report

The SABC has applied King IV™ principles and practices. As a state-owned company, some of these cannot be applied. In other instances, the SABC has adopted alternative practices to those recommended by King IV™. Explanations are presented in the table below. Where there are not approved policies, processes or procedures yet, these are reflected as areas for improvement. Draft documents do exist, and these will be approved by the relevant governance structures in the next reporting cycle.

Applying the King IV™ principles and practices:

| Principle | Section | Explanation | Status |
|-----------|--|---|---|
| 1 | Leadership | The accounting authority should lead to ethically and effectively. Recommended Practice Characteristics of effective and ethical leadership include integrity, competence, responsibility, accountability, fairness, and transparency. | Applied |
| 2 | Organisational Ethics | The accounting authority should govern the ethics of the organisation in a way that supports the establishment of an ethical culture. Recommended Practice The social and ethics committee provides direction on ethics through an ethics management approach which works systemically to instil a culture of ethics throughout the business operations | Applied Code of Business Conduct and Ethics Policy in place. |
| 3 | Responsible corporate citizen | The accounting authority should ensure that the organisation is and is seen to be a responsible corporate citizen. Recommended Practice Practice public service mandates | Applied |
| 4 | Strategy and organisational performance | The accounting authority should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process. Recommended Practice The board approves the strategy after considering the factors that affect its delivery. The board oversees and monitors the execution of the strategy by management, ensuring that the company delivers on its strategic objectives. The board holds an annual strategy review session with management to interrogate the suitability of the strategy and guides the way forward. | Applied As determined by the Corporate Plan. |
| 5 | Reporting | The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects. Recommended Practice Reports should communicate meaningfully with its stakeholders and informing them about the organisation's performance. | Applied Consideration is being given to the preparation of the integrated report. |
| 6 | Role and responsibilities of the governing body | The accounting authority should serve as the focal point and custodian of corporate governance in the organisation. Recommended Practice The leadership of any governing body is expressed by: • Steering the organisation and setting its strategic direction; • approve policies and planning that give effect to the direction given; • overseeing and monitoring of implementation and execution by management; and • Ensuring accountability of organisational performance utilising, among others, reporting and disclosure | Applied Board committed by setting an unequivocal tone from the top that requires all directors and employees to embrace transparency and accountability in the performance of their duties. |
| 7 | Composition of the governing body | The accounting authority should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively. Recommended Practice The accounting authority and executive authority should be transparent in the processes followed for the nomination, election, and appointment of governing body members. | Applied The board has a mix of diverse skills, knowledge, and experience to objectively discharge their governance responsibilities. |
| 8 | Structure Committees | The accounting authority should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties. Recommended Practice To ensure that there is no duplication of roles and responsibilities in structure committees. | Applied The board constitutes of different committees that attend and report on each committee's duties. |

| Principle | Section | Explanation | Status |
|-----------|---|---|--|
| 9 | Performance Evaluation | The accounting authority should ensure that the evaluation of its performance and that of its committees, its chair, and its members, support continued improvement in its performance and effectiveness. Recommended Practice Appoint a lead independent director if there is no one to lead the evaluation of the Board and its committees. | Applied The performance evaluation was done just for the Board only by an external party. The process was led by one Non-Executive Director. Going forward the performance evaluation will be done for the Board, Committees, and individuals. |
| 10 | Appointment and delegation of management | The accounting authority should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities. Recommended Practice To facilitate structured decision-making processes at all levels and promote efficiency and effectiveness of governance in the organisation. | Applied Delegation of Authority Framework (DAF) is in place. |
| 11 | Risk governance | The accounting authority should govern risk in a way that supports the organisation in setting and achieving its strategic objectives. Recommended Practice Oversee the risk management including assessment of risks, threats, and opportunities. | Applied ERM Policy and ERM Framework in place. |
| 12 | IT governance | The accounting authority should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives. Recommended Practice Oversee effective, efficient, and secure management of technology, networks, and information throughout the organisation. | Applied IT Governance Framework in place but outdated. |
| 13 | Compliance governance | The accounting authority should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen. Recommended Practice Oversee compliance management so that it is understood and is responsive to changes and developments following continuous monitoring of the regulatory environment and encourages a compliance culture throughout the organisation. | Applied Compliance Policy is in place. Compliance Charter in Place. Policy Management Framework in place. Conflict of Interest Policy in place. |
| 14 | Remuneration | The accounting authority should ensure that the organisation remunerates fairly, responsibly, and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. Recommended Practice The remuneration policy in such a way to attract and retain human capital, promote the achievement of strategic objectives, positive outcomes, an ethical culture. | Applied Remuneration Policy is in place |
| 15 | Combined Assurance Model | The accounting authority should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organisation's external report. Recommended Practice Ensure a combined assurance model is applied that covers the significant risks and material matters through a combination of the organisation's assurance providers - risk, governance and internal controls and compliance functions and internal audit function. | Not applied Combined Assurance Model is being drafted. |
| 16 | Stakeholders | In the execution of its governance roles and responsibilities, the accounting authority should adopt a stakeholder-inclusive approach that balances the needs, interests, and expectations of material stakeholders in the best interests of the organisation over time. Recommended Practice Oversee the management of stakeholder relationships including methodology for identification, material stakeholders, management of stakeholder risk, formal mechanisms for engagement and communication, and measurement of quality of stakeholder engagement. | Not applied Stakeholder Engagement Policy is being drafted. |

FRAUD AND CORRUPTION Forensic Investigations

The Board is responsible for ensuring that an integrated crime prevention plan is implemented to minimise the risk and opportunity for crime and irregularities, in particular, fraud.

To support the strategic intent and business objectives of the SABC, the Board or its Committees, at its discretion, may, request a forensic audit where there is prima facie evidence that this is justified.

MINIMISING CONFLICT OF INTEREST

A revised Conflicts of Interest Policy was approved by the Board on 30 April 2020 for immediate implementation. Board members are required to declare their interests before the commencement of each meeting and on annual basis and as and when there is a change in their status of interests.

CODE OF CONDUCT

The Corporation has a Code of Business Conduct and Ethics in place, which aims to ensure that every employee of the Corporation shares the same values and levels of accountability.

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The SABC is committed to ensuring that its employees work in a safe and healthy environment. This is not an option, but a minimum requirement as stipulated in the Occupational Health and Safety (OHS) Act, 85 of 1993.

The SABC is continuously striving to implement the highest safety measures for its employees, contractors, and visitors

in all its premises. This was evident in the efficient manner in which incidents were handled.

During the period under review, a total of seventeen incidents occurred at the Auckland Park offices and ten in the provincial offices. Out of all the incidents, none resulted in a fatality – all the controls were implemented, and lives were saved. That indicates the high level of emergency preparedness and an understanding of the evacuation procedures by the employees.

The organisation also exhibited high levels of incident management. All incidents were reported to the Department of Employment and Labour (DEL) as required by section 24 of the OHS Act. The DEL inspectors conducted their investigation in Auckland Park, and there was no charge brought against the SABC. The employees who were affected were all assisted, and their cases were reported to the Workmen's Compensation Commissioner. The provincial offices also manage this function well through the assistance of HRBPs.

As outlined in the Auckland Park OHS Audit report as well as in the Provincial OHS Audit reports, the SABC needs a Safety Management System that can be used across the organisation so that across the organisation, the SABC can operate similarly. The SMS will provide a clear direction that the organisation needs to take to ensure that all the outputs can be standardised, measured, and documented.

There is a great need to improve occupational health and safety hazard identification and risk assessment. The COVID-19 pandemic exposed our long-standing shortcomings in terms of competent persons to conduct occupational health and safety risk assessment. Even in the offices where employees are trained in Hazard Identification and Risk Assessment (HIRA), those employees are inexperienced. The majority of them have never conducted a risk assessment outside the classroom.

OHS has played a vital role in the fight against the COVID-19 by working with other departments to ensure that employees of the SABC are safe and free from the COVID-19.

Deficiencies that were identified in the Safety Policy were addressed by reviewing and amending the policy. The process of reviewing the policy has reached the level of consultation with the Organised Labour, as required by the law. To ensure that contractors safety compliance is monitored effectively, the Construction Work Policy was developed and is currently going through the consultation process. Further, on the list for consultation, are the Procedures to Appoint Health and Safety Representatives.

The main challenges remain to be a shortage of OHS practitioners in the organisation, especially in the Provincial Offices where there is no person dedicated to OHS function or with the necessary know-how.

REPORT BY THE COMPANY SECRETARY

In my opinion, as Company Secretary, I hereby confirm that, in terms of the Companies Act No. 71 of 2008, for the year ended 31 March 2020, the South African Broadcasting Corporation SOC Limited, has lodged with the Registrar of Companies all such returns as required of a public company in terms of the Companies Act, and all such returns are true, correct and up to date.

Johannesburg
26 October 2020

GOVERNANCE



Health and Safety protocols enforced during COVID-19.



"We, around here in the rural areas are not well informed on certain things in life. I learned about registering an NPO in one of the shows on TV. Then we started one here in our area, which takes care of the elderly by retrieving their medication from the clinic, cooking for them and washes their laundry. This has improved our lives a lot as we were unemployed. Thanks to SABC for the wonderful programs that teaches us how to live"

Inspired by SABC programmes, Ms Sindiswa Mpuzela, chairperson of a NPO.



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Social Responsibility

During the period under review, our SABC platforms in partnership with the SABC Foundation participated in various nation-building initiatives that made an impact in the lives and livelihoods of the SABC audiences and South Africans in general.

SABC Television

With millions of impoverished learners across our nation, SABC initiated an annual carefully orchestrated activation that takes place in the last quarter of the financial year with the purpose to give to learners. Unfortunately, drastic budget cuts towards the end of the current fiscal didn't allow for the implementation of the project. However, on Mandela month, the channels together with some of the celebrities took part in supporting schools through existing initiatives to do good and spend time with their fans.

16 Days of Activism

Our channels partnered with the SABC Foundation and Woman INpowered to launch the installation of '16 Days of Activism against Women and Child Abuse', which took place on 23 November 2019 at the M1 Studios, SABC Auckland Park. Woman INpowered's purpose is giving women the tools they need to empower themselves in a situation where they feel physically threatened. It is designed to provide them with the mental and physical capacity to choose a threatening situation which often gets overlooked. The master class hosted viewers that were selected through a viewer competition. Also, our SABC Employment Equity ran a competition for employees, based in Johannesburg, to attend the launch and to broadcast the master class to our SABC Provinces through the internal (Rediffusion) channel. The TV network had partnered with SAfm (with a live broadcast) and Lesedi FM (doing live crossings).

SABC3 partnered with Sun International for the annual 2020 Sun Met. The campaign launched in December 2019 and ran till the end of January 2020 culminating into a live broadcast of one of our flagship lifestyle shows 'Afternoon Express'.

Part of the campaign involved viewer competitions where they won grand prizes which included return flights, a two-night stay at Table Bay Hotel and VVIP tickets to the Sun Met Lounge. The competition ran on television as promos, on radio and was also punted on the 'Afternoon Express' show.

SABC Radio

Munghana Lonene FM gave 77 households food parcels worth R550 each while ten learners received support for full school

uniforms during the Mandela day charity drive. The gesture went a long way in restoring dignity to these families and scholars.

The station also partnered with clients to paint a two-roomed house and handed over furniture and food parcels to a listener from Nghezimani Village.

Our premier Afrikaans radio station, RSG founded Winterhoop/Hope for Winter in 2000, a campaign run in conjunction with various charity organisations, churches and the media to address the need in our country during winter. RSG encouraged listeners to donate clothes, blankets and non-perishable food to as many people in need during the winter, and especially to those living on the streets. It's a nation-wide project with collection and distribution points in all the provinces.

RADIO 2000's, Kings and Queens Royal Tour focuses on visiting chieftaincies in respective rural settings and through them, invite surrounding schools as beneficiaries of the back to school donations. Kgosi Moefi Mabalane of the North West Bakwena Royal Council Community invited 8 schools from the surrounding area to attend the event. Radio 2000 and The SABC Foundation partnered with Gift of the Givers and donated 250 stationery packs and 250 food parcels to the learners in the area.

On 15 January 2020, Phalaphala FM donated school books and sanitary towels to Malilele Secondary School in Shakadza, Musina in Limpopo Province. The station converted one of the classrooms into a Library as well as donating books to inculcate the culture of reading. The station will support the school and assist them to start a vegetable garden. This campaign continues to help needy school pupils who reside in deep rural areas. The station also revisited Malilele Secondary school and donated study guides for Grade 12 Learners in partnership with SABC Foundation and SABC Education.

METRO FM commemorated Mandela Day, by partnering with the SABC Foundation, SABC Education and Flutter By LKG, to donate Study guides and sanitary towels to Hammanskraal Secondary School, a non-fee paying school that is in the disadvantaged area of Hammanskraal. The station together with the SABC Foundation and SABC Education also donated Study guides to Mpheti Mahlatsi secondary school, a non-fee paying school that is in the disadvantaged area of Orange Farm.

Audit and Risk Committee Report



*“Real change, enduring change,
happens one step at a time.”*

-Ruth Bader Ginsburg



The SABC's Audit and Risk Committee (the Committee) presents its report in respect of the financial year ended 31 March 2020 in terms of its obligation as set out in Section 51(1)(a)(ii) of the PFMA and Section 27.1 of the Treasury Regulations.

The Committee comprises of three non-executive directors who were appointed by the shareholder at the Annual General Meeting held on 19 September 2019. The Committee thought it would be prudent to have a financial expert commensurate with the complexity of SABC and opted for an Independent Advisor to be appointed to serve on the Committee.

The Committee discharges its responsibilities as outlined below.

Committee Members and Attendance at Meetings

The composition of the Committee complies with the requirements of section 77 of the PFMA. The Committee consists of three independent, non-Executive Directors and an Independent Advisor. The Committee meets quarterly as per its Terms of Reference. The Group's Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Group Company Secretary, Head of Legal; GE: Governance and Assurance attend committee meetings by invitation. Furthermore, the Chief Audit Executive, the Auditor-General of South Africa (Auditor-General) and other assurance providers of the SABC are invited to every meeting.

Details on the meetings held for the financial period together with members' attendances are set out on page 84. Page 84 provides detail on members of the Committee.

Roles and Responsibilities

The Committee's roles and responsibilities include its statutory duties as per the relevant provisions of the PFMA, Companies Act, 2008 as amended and the responsibilities assigned to it by the Board. The Committee has adopted formal Terms of Reference approved by the Board, which is reviewed annually by the Committee and the Board.

The Committee is satisfied that it has adequately discharged its responsibilities in accordance with its mandate, statutory responsibilities and revised terms of reference during the year under review. The Committee recognizes that the areas of IT Governance and predetermined objectives requires improvement.

The Committee was satisfied with the contents and quality of the quarterly reports submitted by management. To ensure proper oversight the Committee request for information on performance management to also be included in the quarterly reports.

The Committee complied with the vast majority of the requirements of the Terms of Reference for the year ended 31 March 2020 and will be addressing compliance with the remaining items.

The Committee agendas provide for confidential meetings between committee members and the internal and external auditors.

Risk Management

The risk management system for identifying, managing and reporting on risk has improved. There are still many areas of improvement that are required in order to build an effective risk management system.

A risk assessment workshop was held where strategic risks were identified and prioritized. Mitigating action plans were formulated for the prioritized risks and assigned to risk owners. All risks including emerging risks are considered through the Committee.

Internal Controls

Based on audit findings submitted by both internal audit and external audit during the 2019/2020 financial year it is evident that though the overall control environment has improved the needs for further improvements are undisputed. Particular focus needs to be placed on internal controls relating to supply chain management. While there is a need for significant improvement in supply chain management and other areas the Committee concluded that there was no complete breakdown of internal controls. Incidences of irregular, fruitless and wasteful expenditure were mainly due to legacy processes, outdated and a lack of awareness of policies, multi-year contracts that were concluded prior to this financial period but impact this period, tax clearance certificates, poor contract management and non-compliance to policies. A sustainable improvement in supply chain management controls continues to be affected by insufficient resources and a serious skills gap and instability in key leadership positions amongst others.

To ensure that the accountability element is addressed, the Committee monitors progress made on consequence management.

The Committee is optimistic about ongoing initiatives to enhance internal controls as already evidenced by improved internal and external audit outcomes and in addition, management has revived Project Qinisa which focusses solely on improving internal controls.

With regard to Information Technology controls the internal audit reports and management letter highlight areas requiring improvement. The Committee monitors whether this is addressed.

Internal Audit

SABC has an established in-house internal audit function. The Chief Audit Executive (CAE) has direct access to the Committee, primarily through its Chairperson. There is continuous interaction between the CAE and the Committee. The Committee reviews and approves the Internal Audit Charter annually. The internal audit function plays an integral role in the governance of risk and controls by providing feedback on internal control systems and performance of processes.

The Committee approved the three-year rolling internal audit plan and was satisfied that there is a clear alignment with the major risks, adequate information systems coverage and a good balance between different categories of audits, i.e., risk-based audits, mandatory and follow-up audits.

The execution of the plan was hampered due to staff being seconded and vacant positions not been filled. The audits that were not conducted were rolled over to the following financial year. Over and above the planned audits conducted, a number of ad hoc audit requests were also completed by internal audit.

The internal audit function is also responsible for executing forensic investigations. Due to limited resources and the requisite for enhanced skills and tools, forensic investigations are outsourced when necessary. The Committee is committed to identify and eradicate all fraudulent activities and elements within the SABC. The forensic audit protocol was approved by the Committee.

Internal audit participated in an awareness campaign during Fraud Awareness Week and took advantage of International Internal Audit Month (May) to promote internal audit to the SABC community.

External Auditors

The Committee has satisfied itself that the Auditor-General was independent of the SABC. The Committee approved to the engagement letter, audit strategy and budgeted audit fees for the 2019/20 financial year.

The Committee meets with the Auditor-General to ensure that there are no unresolved issues of concern.

Combined Assurance

Even though the combined assurance framework is still in the process of being developed there was a co-ordinated approach to all assurance activities.

Whistleblowing

The Committee is briefed by Internal Audit on progress made on incidences reported through the anonymous Whistleblowing line.

The Audit of Predetermined Objectives

Through the guidance of AGSA, the Committee commits to support the organisation in its efforts to improve controls regarding development, implementation and reporting on predetermined objectives.

Evaluation of the Chief Financial Officer

ARC is satisfied that the experience and expertise of the Chief Financial Officer is appropriate to meet the requirements of the position. There has been an extensive cost containment initiative to address the financial pressure being experienced. The Chief Financial Officer was instrumental in motivating for a bailout that was received from National Treasury and provided reports on the status of the utilisation thereof. The reports from the Chief Financial Officers included progress made in addressing the turnaround strategy.

One of the qualification areas related to Asset under construction in 2018/2019. The opinion on this area has since improved.

Report of the Auditor General

| | 2019/20 | 2018/19 | 2017/18 | 2016/17 |
|---------------------------------|------------------|------------------|-------------------|----------------|
| Overall audit opinion | Qualified | Qualified | Disclaimer | Adverse |
| Financial statements | | | | |
| Going concern | | | X | X |
| Property, plant & equipment | | X | X | X |
| Programme, film & sports rights | | | X | |
| Trade & other payables | | | X | X |
| Irregular expenditure | X | X | X | X |
| Taxation | | | X | |
| Deferred government grants | | | | X |
| Expenditure | | | | X |
| Performance information | | X | X | X |
| Compliance | X | X | X | X |

Financial Statements and Accounting Practices

The annual financial statements of the SABC for 2019/20 have been audited and, in reviewing these, the Committee has:

- Confirmed that there were no changes in accounting policies and practices
- Confirmed that no adjustments resulted from the audit.
- Discussed the financial statements with the Auditor-General and the Board; and
- Reviewed the Auditor-General's management letter and management response.

The Committee acknowledges the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the statements be accepted and read together with the report of the Auditor-General.


Having evaluated the annual report for the year ended 31 March 2020, the Committee is of the opinion that the report complies in all material respects with the requirements of the PFMA and International Financial Reporting Standards. The Committee concurs with the adoption of the going concern premise in framing the annual financial statements.

Going Concern

As at 31 March 2020, the Committee was not aware of any major risks that would threaten the sustainability of the SABC. However, events that occurred after the reporting date brought about by the COVID-19 pandemic in March 2020 has had a negative effect on the SABC's sustainability outlook compared to the previous financial year. Based on forecasts and facilities the Committee is satisfied that SABC is able to continue its operations for the foreseeable future in support of the going concern assumption.

The Committee remains committed to ensuring that there are enduring changes in SABC processes and systems complimented by committed efforts to address the outcomes of reviews by assurance providers to ensure the organisation remains on its chosen path of rehabilitation towards financial sustainability and being the respected and chosen Public Broadcaster for all South Africans

.....
Ms Jasmina Patel
Chairperson of the Audit and Risk Committee



Zozibini Tunzi
Bringing home the Miss
Universe 2019 crown
while focusing the world's
attention on creating equal
opportunities for women.

Human
Resources





"I'm able to realize the greatness of other people living with a disability like me, through radio. People like Black Coffee, Lucas Sthole and Nonhlanhla. I learn about their achievements through radio and get inspired."
 Inspired of listener of SABC radio stations, Mr Dumisani Zulu.

TV Licences
 Pay yours. Make a difference.
 #MADEPOSSIBLEBYYOU

Human Resource Management

HUMAN RESOURCES South African Broadcasting Corporation [SABC] Ltd | SABC Annual Report 2019 - 2020

During the 2019/20 financial year, Human Resources (HR) focused on driving a culture of integrity and high performance throughout the Corporation.

A strong organisational culture drives sustainable performance and empowers effective decision making, which in turn strengthens ethics and prevents mismanagement. Various initiatives have been implemented to drive a positive organisational culture and reinforce an understanding of the SABC values, and create clarity and employee connectivity, in order to improve accountability and ethical behaviour across all levels.

Under the sponsorship of the Group Chief Executive Officer, the Culture Revitalisation Journey was launched within the SABC.

This is a programme whose strategic impact is aligned to the organisational strategy, to further the greater vision and mission of the SABC. The programme aims to entrench a culture of accountability and high performance.

The Operating Model of the SABC is being reviewed to ensure alignment between the new strategic direction of the Corporation and its structure. In addition, a Skills Audit is currently underway to guarantee that the SABC has the right skills to deliver on the demands of the 4th Industrial Revolution.

To drive organisational and individual performance, Human Resources has focused on all employees signing a performance contract. The leaders of the Corporation support performance management, which is closely monitored by Human Resources.

The SABC has implemented various strategies, including the Total Reward Strategy, to reduce headcount, to improve

the Employee Value Proposition of the SABC while retaining core skills. Through these initiatives, the SABC will be able to manage and retain its talent more productively.

Human Resources remains committed to delivering on the strategic direction of the SABC. During the 2019/20 financial year, Human Resources (HR) focused on driving a culture of integrity and high performance throughout the Corporation.

A strong organisational culture drives sustainable performance and empowers effective decision making, which in turn strengthens ethics and prevents mismanagement. Various initiatives have, therefore, been implemented to drive culture and reinforce the understanding of the organisation's values, creating clarity and employee connectivity in order as well as improve accountability and ethical behaviour across all levels.

Under the sponsorship of the Group Chief Executive Officer, the Culture Revitalisation Journey was launched within the SABC.

This initiative is a programme with a strategic impact that is aligned to the organisational strategy to further the greater vision and mission of the organisation. The aim of this programme is to entrench a culture of accountability and high performance.

The Operating Model of the SABC is being reviewed to ensure alignment between the new strategic direction of the Corporation and the structure. In alignment with this initiative, a Skills Audit is currently underway to ensure the SABC has the right skills to deliver on the demands of the 4th Industrial Revolution.

Human Resources remains committed to delivering on the strategic direction of the SABC.

PERFORMANCE AGAINST CORPORATE PLAN

Priorities

Operating Model and Structure Review

The SABC embarked on a review of its operating model and structure to ensure that the Corporation would be able to deliver on its revised strategic direction and Turnaround Plan. The revised operating model will ensure an agile organisation, able to respond to challenges of the broadcasting environment. The organisational structure is being adapted to ensure alignment to the new operating model and will be implemented in alignment with the outcomes of the Skills Audit currently underway.

Performance Management

The Performance Management campaign was a focus area for Human Resources. A positive response was received from employees at all levels. The dispute lodged by Organised Labour against the implementation of Performance Management is being addressed while Human Resources is driving the signing of performance contracts from the top down.

Workplace Skills Plan – Digital Training

Being prepared for 4IR is very important. A significant effort has gone into training employees in this regard. However, due to various challenges, the Corporation could not achieve its target of completing 80% of its identified digital training needs.

Framework and Strategy to Attract and Retain the Desired Workforce

To once again become an Employer of Choice, it is essential to retain core skills and talent as well as attract new talent. Human Resources has, therefore developed a Total Reward Strategy encompassing a variety of initiatives to be implemented over the next five years. These programmes will provide a setting within which employees can grow and realise their potential within a nurturing work environment.

Wellness Programmes

The SABC has made a wide range of wellness services available to employees. Each of the SABC offices has a wellness clinic that provides basic health services.

This assists in reducing sick leave taken. An external service provider has also been contracted to provide services such as wellness counselling and health screenings, Employee Assistance Programmes (EAP), mental health counselling and group wellness. Wellness initiatives are aligned to the National



Management interaction with staff through Rediffusions.

Health Calendar and are presented throughout the year by HR.

Policy Development

Human Resources is currently reviewing all HR policies to ensure alignment with best practice and legislation. During the past financial year, certain policies were found to be irrelevant to the current environment. Permission was obtained to declare these policies obsolete. The Recruitment and Selection policy was successfully reviewed, updated and socialised with the relevant stakeholders.

Achievements

The SABC participated in the Gauteng Disability Rights Excellence Awards which was launched by the Gauteng Office of the Premier. This platform is dedicated to recognising outstanding leadership, inspiration, vision, and innovation in organisations and individuals that have stepped up and shaped disability rights roles within the private and public sectors. The SABC won a Silver Award for Disability Best Practice in November 2019.

Challenges

Due to sourcing constraints challenges were experienced with the delivery of training programmes. This was partially addressed through the development of in-house training programmes and technical training having been conducted with the assistance of internal Subject Matter Experts. E-learning programmes were also developed to address training needs.

Looking Forward

HR will endeavour to implement initiatives that will assist with repositioning the SABC as an employer of choice. The focus will be to provide effective and efficient HR services to all internal clients. Retention and development of talent at all levels within the organisation will remain a priority. Human Resources will actively rebuild its brand as a quality service provider within the organisation.

Human Resource Oversight Statistics

Personnel Cost by Division

| Division | Total Expenditure (R'000) | Permanent Employee Compensation and Benefits Expenditure (R'000) | Permanent Employee Compensation and Benefits Expenditure as % of Total Expenditure | No. of Employees | Average Employee Compensation and Benefits Expenditure per employee (R'000) |
|------------------------|---------------------------|--|--|------------------|---|
| Commercial Enterprises | 199 652 | 170 780 | 85,5% | 218 | 783 |
| Group Services | 1 020 945 | 517 327 | 50,7% | 667 | 776 |
| News | 810 133 | 618 421 | 76,3% | 767 | 806 |
| Provincial Operations | 224 838 | 103 376 | 46,0% | 135 | 766 |
| Radio | 880 251 | 243 430 | 27,7% | 303 | 803 |
| SABC Sport | 457 723 | 48 027 | 10,5% | 52 | 924 |
| Technology | 791 680 | 464 381 | 58,7% | 606 | 766 |
| Television | 1 864 472 | 191 589 | 10,3% | 231 | 829 |
| Grand Total | 6 249 692 | 2 357 330 | 37,7% | 2 979 | 791 |

* Items like Leave and PRMA are reflected under Group Services for total company

Personnel Cost Level

| Level | Permanent Employee Compensation and Benefits Expenditure (R'000) | Permanent Employee Compensation and Benefits Expenditure as % of Total | No. of Employees | Average Employee Compensation and Benefits Expenditure per employee (R'000) |
|--------------------|--|--|------------------|---|
| Top Management | 31 278 | 1,3% | 8 | 3 910 |
| Senior Management | 58 020 | 2,5% | 27 | 2 149 |
| Middle Management | 461 577 | 19,6% | 374 | 1 234 |
| Junior Management | 487 895 | 20,7% | 489 | 998 |
| Supervisory Levels | 1 119 392 | 47,5% | 1 652 | 678 |
| Rest of Staff | 199 169 | 8,4% | 429 | 464 |
| Grand Total | 2 357 330 | 100,0% | 2 979 | 791 |

Performance Rewards

| Level | Performance Rewards | Employee Compensation and Benefits Expenditure (R'000) | % of Performance Rewards vs Total Employee Compensation and Benefits Expenses |
|--------------------|---------------------|--|---|
| Top Management | - | 31 278 | 0,0% |
| Senior Management | - | 58 020 | 0,0% |
| Middle Management | - | 461 577 | 0,0% |
| Junior Management | - | 487 895 | 0,0% |
| Supervisory Levels | - | 1 119 392 | 0,0% |
| Rest of Staff | - | 199 169 | 0,0% |
| Grand Total | - | 2 357 330 | 0,0% |

Training Costs

| Level | Permanent Employee Compensation and Benefits Expenditure (R'000) | Training Expenditure (R'000) | Training Expenditure as % of Permanent Employee Compensation & Benefits Expenses | No. of Employees Trained | Average Training Cost per Employee (R'000) |
|------------------------|--|------------------------------|--|--------------------------|--|
| Commercial Enterprises | 170 780 | 544 | 0,32% | 78 | 6 973,87 |
| Group Services | 517 327 | 1 123 | 0,22% | 161 | 6 973,87 |
| News | 618 421 | 928 | 0,15% | 133 | 6 973,87 |
| Provincial Operations | 103 376 | 551 | 0,53% | 79 | 6 973,87 |
| Radio | 243 430 | 907 | 0,37% | 130 | 6 973,87 |
| SABC Sport | 48 027 | 77 | 0,16% | 11 | 6 973,87 |
| Technology | 464 381 | 1 590 | 0,34% | 228 | 6 973,87 |
| Television | 191 589 | 851 | 0,44% | 122 | 6 973,87 |
| Grand Total | 2 357 330 | 6 569 | 0,28% | 942 | 6 973,87 |

Employment and Vacancies by Division

| Division | 2018/2019 No. of Employees | 2018/2019 Vacancies | 2019/2020 No. of Employees | 2019/2020 Vacancies | % of Vacancies |
|------------------------|----------------------------|---------------------|----------------------------|---------------------|----------------|
| Commercial Enterprises | 221 | 12 | 230 | 33 | 12,5% |
| Group Services | 727 | 31 | 679 | 58 | 7,9% |
| News | 941 | 23 | 842 | 21 | 2,4% |
| Provincial Operations | 161 | 6 | 147 | 14 | 8,7% |
| Radio | 348 | 14 | 322 | 17 | 5,0% |
| SABC Sport | 67 | 1 | 53 | 1 | 1,9% |
| Technology | 695 | 31 | 651 | 26 | 3,8% |
| Television | 254 | 9 | 243 | 14 | 5,4% |
| Grand Total | 3 414 | 127 | 3 167 | 184 | 5,5% |

Employment and Vacancies

| Division | 2018/19 Number of Employees | 2018/19 Vacancies | 2019/20 Number of Employees | 2019/20 Vacancies | % of Vacancies |
|--------------------|-----------------------------|-------------------|-----------------------------|-------------------|----------------|
| Top Management | 11 | 2 | 8 | 4 | 33,3% |
| Senior Management | 34 | 5 | 27 | 27 | 50,0% |
| Middle Management | 412 | 43 | 374 | 36 | 8,8% |
| Junior Management | 522 | 23 | 489 | 27 | 5,2% |
| Supervisory Levels | 1762 | 34 | 1652 | 65 | 3,8% |
| Rest of Staff | 426 | 13 | 429 | 25 | 5,5% |
| Grand Total | 3167 | 120 | 2979 | 184 | 5,8% |

Employment Changes

| Division | Employment at Beginning of Period | Appointments | Terminations | Employment at Beginning of Period | Level Movements |
|--------------------|-----------------------------------|--------------|--------------|-----------------------------------|-----------------|
| Top Management | 11 | 2 | 5 | 8 | -3 |
| Senior Management | 33 | 2 | 8 | 27 | -6 |
| Middle Management | 406 | 6 | 38 | 374 | -32 |
| Junior Management | 516 | 2 | 29 | 489 | -27 |
| Supervisory Levels | 1763 | 2 | 113 | 1652 | -111 |
| Rest of Staff | 438 | 31 | 40 | 429 | -9 |
| Grand Total | 3167 | 45 | 233 | 2979 | -188 |

Reasons for Staff Leaving

| Reason | Number | % of Total number of staff leaving |
|--|------------|------------------------------------|
| Death | 8 | 3,4% |
| Resignation | 100 | 42,9% |
| Dismissal | 21 | 9,0% |
| Retirement (Including Early Retirements) | 82 | 35,2% |
| Ill Health | 1 | 0,4% |
| Expiry of Contract | 21 | 9,0% |
| Other | - | 0,0% |
| Grand Total | 233 | 100,0% |

The highest number of staff leave the SABC on the grounds of normal and early retirements.

The SABC currently has an ageing workforce, therefore the number of retirements. These positions are filled with emerging talent.

Employment Equity Targets and Status

| Level | African | | Coloured | | Indian | | White | | Disabled Staff | |
|------------------------|-------------|-------------|------------|------------|-----------|--------|------------|------------|----------------|-----------|
| | Current | Target | Current | Target | Current | Target | Current | Target | Current | Target |
| MALE | | | | | | | | | | |
| Top Management | 1 | 1 | - | - | - | - | - | - | - | - |
| Senior Management | 6 | 1 | 1 | 1 | 2 | - | 1 | 1 | - | - |
| Professional Qualified | 212 | 16 | 24 | 24 | 13 | - | 44 | 44 | 4 | 5 |
| Skilled | 1191 | 16 | 120 | 120 | 15 | - | 226 | 226 | 4 | 33 |
| Semi-Skilled | 56 | 61 | 5 | 5 | 33 | - | - | - | 18 | 2 |
| Unskilled | - | 21 | - | - | 1 | - | - | - | 6 | - |
| Grand Total | 1466 | 116 | 150 | 150 | 64 | | 271 | 271 | 32 | 40 |
| FEMALE | | | | | | | | | | |
| Top Management | 4 | - | - | - | - | - | 1 | - | - | - |
| Senior Management | 6 | 5 | 2 | 2 | 2 | - | - | - | - | - |
| Professional Qualified | 108 | 149 | 13 | 24 | 12 | - | 38 | 55 | 4 | 5 |
| Skilled | 158 | 1112 | 26 | 171 | 12 | - | 54 | 249 | 8 | 61 |
| Semi-Skilled | 645 | 31 | 89 | 5 | 42 | - | 86 | 1 | 32 | 3 |
| Unskilled | 185 | - | 25 | - | 9 | - | 4 | - | 7 | - |
| Grand Total | 1106 | 1297 | 155 | 202 | 77 | | 183 | 305 | 51 | 69 |



Ndlovu Youth Choir

Bringing home
America's Got Talent
glory with their soul-stirring,
uniquely South African
performances that won
hearts and minds
around the world.

Annual
Financial
Statements





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Statement

of Responsibility and Confirmation of the Accuracy of the Annual Report

The Directors of the South African Broadcasting Corporation SOC Limited (SABC) are responsible for the preparation and presentation of the annual financial statements of the Corporation, to maintain a sound system of internal control and to safeguard the shareholder's investment and the SABC's assets.

The annual financial statements presented for the year ended 31 March 2020 have been prepared in terms of International Financial Reporting Statements as issued by the International Accounting Standards Board (IASB), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants (SAICA) Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, Public Finance Management Act of 1999 (PFMA), as amended and the requirements of the Companies Act of 2008, as amended. In preparing the financial statements, management has made appropriate accounting policy choices which are consistently applied and are supported by reasonable and prudent judgements including estimates. The annual financial statements have been prepared on a going concern basis. The Directors believe that the SABC will be in existence for the foreseeable future based on forecasts and interventions being pursued. The Directors have further made appropriate disclosures (refer to note 42) on pages 168 to 169 on why the SABC will be a going concern and that there is neither an intention to liquidate the group nor to cease operations.

The consolidated annual financial statements presented on pages 118 to 169 have been audited by the Auditor General South Africa. The Auditor General South Africa was given unrestricted access to all financial records and related data, including minutes of meetings of shareholders, the Board and committees of the Board. The Directors believe that all representations made to the independent auditors during their audit were valid and appropriate. The report of the auditors is presented on pages 114 to 117.

The Directors are also responsible for the SABC's system of internal controls. Such systems can provide reasonable, but not absolute, assurance against material misstatement or loss. The Directors meet periodically, primarily through the Audit and Risk Committee, with the external and internal auditors and executive management to evaluate matters concerning accounting policies, internal controls, auditing and financial reporting.

The SABC's internal auditors independently evaluate the internal controls and coordinate their audit coverage with the external auditors. Both external and internal auditors have unrestricted access to all records, property, personnel and systems as well as to the Audit and Risk Committee. Based on the information and explanations given by management and the internal auditors, and on comments by the external auditors on the results of their audit conducted for expressing their opinion, the Directors are of the opinion that the internal accounting controls have improved but still require further enhancement. Major Improvements are required in supply chain management and monitor and curb irregular, fruitless and wasteful expenditure.

The Directors of the Corporation accept responsibility for the annual financial statements, which were approved by the Board of Directors on 26 October 2020 and are signed on its behalf by:

.....
Mr Bongumusa Makhathini
Chairperson of the SABC Board

.....
Mr Madoda Mxakwe
Group Chief Executive Officer

Report of the Auditor-General to Parliament on the South African Broadcasting Corporation SOC LTD (SABC)

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Qualified Opinion

1. I have audited the consolidated and separate financial statements of the SABC (SOC) Ltd and its subsidiaries (the group), set out on pages 118 to 169 which comprise the consolidated and separate statement of financial position as at 31 March 2020, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effect of the matter described in the basis for qualified opinion section of this auditor's report, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the SABC (SOC) Ltd and its subsidiaries as at 31 March 2020, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Basis for Qualified Opinion

Irregular expenditure

3. The public entity did not include particulars of all irregular expenditure in the notes to the consolidated and separate financial statements, as required by section 55(2)(b)(i) of the PFMA. The irregular expenditure incurred was the result of payments made in contravention of supply chain management legislation and regulations. The public entity did not implement adequate internal control systems to identify and record all instances of irregular expenditure in both the current and prior years. The full extent of the misstatement identified could not be quantified and I was unable to confirm the amount of irregular expenditure to be disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure disclosure stated at R5 398 766 000 (2019: R5 220 726 000) in note 41 to the consolidated and separate financial statements.

Context for the Opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.
5. I am independent of the group in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes), as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material Uncertainty Relating to Going Concern

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.
8. I draw attention to note 42 to the consolidated and separate financial statements, which indicates that the public entity incurred a net loss of R511 million and net cash outflows from operations of R1,2 billion for the financial reporting period to 31 March 2020. As stated in note 42, these conditions, along with other matters set forth in note 42, indicate that a material uncertainty exists that may cast significant doubt on the public entity's ability to continue as a going concern.

Emphasis of Matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant judgement: TV licences

10. As disclosed in note 24 to the consolidated and separate financial statements, the public entity has recognised TV licence revenue of R791,2 million (2019: R968,2 million) of the total licence fees billed of R4,08 billion (2019: R3,137 billion). The public entity has not recognised licence fees to the amount of R3,2 billion (2018: R2,2 billion). In management's judgement it is not probable that the economic benefits associated with these transactions will flow to the public entity to meet the recognition criteria.

Significant uncertainties

11. As disclosed in note 38 to the financial statements, the public entity is a defendant in a number of lawsuits. The ultimate outcome of these matters could not be determined currently, and no provision for any liability that may result was provided for in the financial statements.

Material impairment: trade and other receivables

12. As disclosed in the statement of profit and loss, material impairment of R76,4 million was incurred as a result of long outstanding trade and other receivables. This was primarily related to TV licence debtors.

Responsibilities of the Accounting Authority for the Consolidated and Separate Financial Statements

13. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the PFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
14. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor-General's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

15. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.
16. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and Scope

17. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
18. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
19. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the public entity for the year ended 31 March 2020:

| Strategic objective | Pages in the annual performance report |
|-----------------------|--|
| Content and platforms | 38 |

20. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

21. I did not identify any material findings on the usefulness and reliability of the reported performance information for the strategic objective: content and platforms.

Other Matters

22. I draw attention to the matter below.

Achievement of planned targets

23. Refer to the annual performance report on pages 37 to 39 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of content and platforms. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and Scope

25. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
26. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, annual performance information and annual report

27. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA and section 29(1)(a) of the Companies Act.

Material misstatements of the cash flow statement and disclosure items identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatement of irregular expenditure resulted in the financial statements receiving a qualified opinion.

Procurement and contract management

28. Tender requirements for a contract above R30 million did not include a condition for mandatory subcontracting to advance designated groups, as required by the 2017 Preferential Procurement Regulation 9(1).
29. Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act (PPPFA) of South Africa, 2000 (Act No. 5 of 2000) and the Preferential Procurement Regulations.

Consequence management

30. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular, fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA.

Report of the Auditor-General to Parliament on the South African Broadcasting Corporation SOC LTD (SABC) continued

Expenditure management

31. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the qualified opinion the value disclosed in note 41 of the financial statements does not reflect the full extent of the irregular expenditure. The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance with the requirements of the 2017 Preferential Procurement Regulations.
32. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R27 398 000, as disclosed in note 41 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest on late payment of supplier invoices.

Strategic planning and performance management

33. The corporate plan submitted to the director-general of the Department of Communications, designated by the executive authority, did not include the affairs of the SABC Foundation as required by section 52(b) of the PFMA.

OTHER INFORMATION

34. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
35. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
36. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

37. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
38. The public entity did not effectively implement and monitor action plans during the year to effectively address prior year audit findings on the prevention, detection and reporting on irregular expenditure.

39. Management did not adequately implement review and monitoring controls to prevent non-compliance with applicable laws and regulations relating to supply chain management. In addition, the lack of related internal controls on certain of these items were also highlighted to management as potential fraud risk indicators.
40. In addition, where controls did not prevent non-compliance with supply chain management legislation, detection controls were also deficient as not all irregular expenditure was disclosed.
41. The public entity did not implement adequate consequence management processes for transgressions against applicable policies, laws and regulations.
42. Management did not adequately review the consolidated and separate financial statements and the annual performance report prior to submission for audit.

MATERIAL IRREGULARITIES

43. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

44. The material irregularity identified is as follows:

Security contract awarded to a bidder that did not score the highest points in the bid evaluation process

45. In August 2017, the public entity made an award of R185 million for the provision of security services to a bidder that did not score the highest preference points, in contravention of section 2(1)(f) of the PPPFA, without objective criteria to justify the decision. The non-compliance is likely to result in a material financial loss as the price of the security service procured from the successful bidder was higher than the price submitted by the bidder that scored the highest preferential points. The likely loss results from the difference between these two bids incurred over the duration of the security contract awarded. As at 31 March 2020, R112 million has been paid on the contract. The public entity will not be able to recover the likely financial loss from the supplier as the supplier is delivering the service in line with the signed contract.
46. I notified the accounting authority of the material irregularity on 7 July 2020 and invited them to make a written submission on the actions taken, or that will be taken to address the matter. The accounting authority plans to take appropriate action to recover the financial loss and prevent any further losses depending on the outcome of the court case referred to in paragraph 47 of this report.
47. In December 2017, one of the losing bidders instituted a court application for review of the decision by the public entity. In June 2019 the Special Investigating unit (SIU) concluded an investigation of this award as per proclamation R29 of 2017 and amended by proclamation R19 of 2018. The SIU joined the case initiated by the losing bidder with a motion to set aside the contract.
48. I will follow up on the implementation of the planned actions during my next audit.

Pretoria
26 October 2020



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with respect to the selected subject matters.

Financial Statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
- conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors, which constitutes the accounting authority, in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the SABC (SOC) Ltd and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those Charged with Governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Statement of Financial Position

as at March 31, 2020

| Figures in R' 000 | Note(s) | Group | | Company | |
|--------------------------------------|---------|------------------|------------------|------------------|------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Assets | | | | | |
| Property, plant and equipment | 4 | 1,485,928 | 1,542,918 | 1,485,928 | 1,542,918 |
| Investment property | 5 | 9,930 | 9,930 | 9,930 | 9,930 |
| Intangible assets | 6 | 63,411 | 84,414 | 63,411 | 84,414 |
| Defined benefit asset | 7 | 775,103 | 2,049,940 | 775,103 | 2,049,940 |
| Investments in subsidiaries | 8 | - | - | 1,761 | 1,761 |
| Other financial assets | 9 | 7,319 | 10,567 | 7,319 | 10,567 |
| Prepayments | 10 | 58,088 | 21,730 | 58,088 | 21,730 |
| Operating lease asset | | - | 60 | - | 60 |
| Right-of-use assets | 36 | 28,856 | - | 28,856 | - |
| Total non-current assets | | 2,428,635 | 3,719,559 | 2,430,396 | 3,721,320 |
| Programme, film and sports rights | 6 | 493,833 | 519,668 | 493,833 | 519,668 |
| Consumables | 11 | 4,279 | 4,161 | 4,279 | 4,161 |
| Trade and other receivables | 12 | 843,325 | 888,516 | 843,325 | 888,408 |
| Prepayments | 10 | 17,708 | 88,257 | 17,708 | 88,257 |
| Contract assets | 24 | 262,416 | - | 262,416 | - |
| Cash and cash equivalents | 13 | 2,132,866 | 72,613 | 2,129,579 | 69,360 |
| Total current assets | | 3,754,427 | 1,573,215 | 3,751,140 | 1,569,854 |
| Total Assets | | 6,183,062 | 5,292,774 | 6,181,536 | 5,291,174 |
| Equity | | | | | |
| Share capital | 14 | 3,200,001 | 1 | 3,200,001 | 1 |
| Fair value adjustment reserve | 15 | 6,412 | 8,932 | 6,412 | 8,932 |
| Retained earnings | | (212,960) | 1,446,633 | (213,936) | 1,445,161 |
| Total equity | | 2,993,453 | 1,455,566 | 2,992,477 | 1,454,094 |
| Liabilities | | | | | |
| Government debt instrument | 16 | 14,913 | 14,913 | 14,913 | 14,913 |
| Loans and borrowings | 17 | 4,499 | 16,188 | 4,499 | 16,188 |
| Deferred government grant | 18 | 150,146 | 189,940 | 150,146 | 189,940 |
| Employee benefits obligation | 20 | 1,038,668 | 1,132,131 | 1,038,668 | 1,132,131 |
| Other non-current liabilities | 21 | 20,064 | 35,749 | 20,064 | 35,749 |
| Lease liabilities | 36 | 17,110 | - | 17,110 | - |
| Total non-current liabilities | | 1,245,400 | 1,388,921 | 1,245,400 | 1,388,921 |
| Trade and other payables | 22 | 819,386 | 1,635,236 | 818,836 | 1,635,084 |
| Contract liabilities | 24 | 363,287 | 82,845 | 363,287 | 82,869 |
| Employee benefit obligation | 20 | 209,632 | 232,768 | 209,632 | 232,768 |
| Government debt instrument | 16 | - | 2,488 | - | 2,488 |
| Loans and borrowings | 17 | 13,231 | 13,231 | 13,231 | 13,231 |
| Current tax payable | 34 | 69,491 | 96,937 | 69,491 | 96,937 |
| Deferred government grant | 18 | 153,281 | 128,466 | 153,281 | 128,466 |
| Provisions | 23 | 302,412 | 256,316 | 302,412 | 256,316 |
| Lease liabilities | 36 | 13,489 | - | 13,489 | - |
| Total current liabilities | | 1,944,209 | 2,448,287 | 1,943,659 | 2,448,159 |
| Total Liabilities | | 3,189,609 | 3,837,208 | 3,189,059 | 3,837,080 |
| Total Equity and Liabilities | | 6,183,062 | 5,292,774 | 6,181,536 | 5,291,174 |

Statement of Profit or Loss

for the year ended March 31, 2020

| Figures in R`000 | Note(s) | Group | | Company | |
|---|---------|------------------|------------------|------------------|------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Revenue | 24 | 5,652,481 | 6,412,017 | 5,652,481 | 6,412,017 |
| Other income | 25 | 20,820 | 53,605 | 20,320 | 69,316 |
| Amortisation | 6 | (1,270,009) | (1,753,020) | (1,270,009) | (1,753,020) |
| Net impairment reversed/(raised) of programme, film and sports rights | 6 | 1,844 | (333) | 1,844 | (333) |
| Amortisation of computer software | 6 | (22,229) | (45,414) | (22,229) | (45,414) |
| Impairment of trade receivables | 12 | (76,374) | (96,804) | (76,374) | (143,176) |
| Depreciation and impairment of property, plant and equipment | 4 | (147,356) | (168,143) | (147,356) | (168,143) |
| Depreciation of right-of-use assets | 36 | (15,705) | - | (15,705) | - |
| Broadcast cost | | (398,621) | (414,152) | (398,621) | (414,152) |
| Signal distribution and linking costs | | (769,831) | (740,208) | (769,831) | (740,208) |
| Marketing | | (47,805) | (26,560) | (47,805) | (26,560) |
| Direct revenue collection cost | | (29,815) | (116,904) | (29,815) | (116,904) |
| Professional and consulting fees | 27 | (78,417) | (86,202) | (78,417) | (89,466) |
| Employee costs | 26 | (2,829,701) | (2,823,465) | (2,829,701) | (2,823,465) |
| Personnel costs other than employee compensation | | (52,378) | (63,227) | (52,378) | (63,227) |
| Operational | | (476,706) | (572,264) | (475,641) | (567,645) |
| Profits/(losses) on disposal of assets | 29 | 5,925 | (2,690) | 5,925 | (2,690) |
| Operating loss before finance costs and tax loss | | (533,877) | (443,764) | (533,313) | (473,070) |
| Investment income | 30 | 64,931 | 11,162 | 64,883 | 11,098 |
| Finance costs | 30 | (41,935) | (49,764) | (41,935) | (49,527) |
| Loss before taxation | | (510,881) | (482,366) | (510,365) | (511,499) |
| Taxation | 31 | (497) | 11 | (497) | - |
| Loss for the year | | (511,378) | (482,355) | (510,862) | (511,499) |

Statement of Comprehensive Income

for the year ended March 31, 2020

| Figures in R'000 | Note(s) | Group | | Company | |
|--|---------|--------------------|------------------|--------------------|------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Loss for the year | | (511,378) | (482,355) | (510,862) | (511,499) |
| Other comprehensive income: | | | | | |
| Items that will not be reclassified to profit or loss: | | | | | |
| Actuarial gain/(loss) on long service awards | 20 | (29,919) | 6,512 | (29,919) | 6,512 |
| Actuarial gain on PRMA | 20 | 184,638 | 92,048 | 184,638 | 92,048 |
| Other financial assets | 9 | (3,248) | (1,653) | (3,248) | (1,653) |
| Recognition of Pension surplus/(deficit) | 7 | (1,298,967) | 1,161,995 | (1,298,967) | 1,161,995 |
| Income tax relating to items that will not be reclassified | | - | 370 | - | 370 |
| Total items that will not be reclassified to profit or loss | | (1,147,496) | 1,259,272 | (1,147,496) | 1,259,272 |
| Other comprehensive income for the year net of taxation | | (1,147,496) | 1,259,272 | (1,147,496) | 1,259,272 |
| Total comprehensive (loss) income | | (1,658,874) | 776,917 | (1,658,358) | 747,773 |

Statement of Changes in Equity

for the year ended March 31, 2020

| Figures in R`000 | Share capital | Fair value adjustment reserve | Retained earnings | Total equity |
|---|------------------|-------------------------------|--------------------|--------------------|
| Group | | | | |
| Balance at April 1, 2018 | 1 | 10,215 | 668,433 | 678,649 |
| Loss for the year | - | - | (482,355) | (482,355) |
| Other comprehensive income | - | (1,283) | 1,260,555 | 1,259,272 |
| Total comprehensive Loss for the year | - | (1,283) | 778,200 | 776,917 |
| Balance at April 1, 2019 | 1 | 8,932 | 1,446,633 | 1,455,566 |
| Loss for the year | - | - | (511,378) | (511,378) |
| Other comprehensive income | - | (2,520) | (1,147,496) | (1,150,016) |
| Total comprehensive Loss for the year | - | (2,520) | (1,658,874) | (1,661,394) |
| National Treasury funding | 3,200,000 | - | - | - |
| Total contributions by owners of company recognised directly in equity | 3,200,000 | - | - | 3,200,000 |
| Balance at March 31, 2020 | 3,200,001 | 6,412 | (212,960) | 2,993,453 |
| Note(s) | 14 | | | |
| Company | | | | |
| Balance at April 1, 2018 | 1 | 10,215 | 700,999 | 711,215 |
| Loss for the year | - | - | (511,499) | (511,499) |
| Other comprehensive income | - | (1,283) | 1,260,555 | 1,259,272 |
| Total comprehensive Loss for the year | - | (1,283) | 749,056 | 747,773 |
| Transfer of subsidiary net assets | - | - | (4,801) | (4,801) |
| Total contributions by owners of company recognised directly in equity | - | - | (4,801) | (4,801) |
| Balance at April 1, 2019 | 1 | 8,932 | 1,445,161 | 1,454,094 |
| Loss for the year | - | - | (510,862) | (510,862) |
| Other comprehensive income | - | (2,520) | (1,147,496) | (1,150,016) |
| Total comprehensive Loss for the year | - | (2,520) | (1,658,358) | (1,660,878) |
| National Treasury funding | 3,200,000 | - | - | 3,200,000 |
| Total contributions by owners of company recognised directly in equity | 3,200,000 | - | - | 3,200,000 |
| Balance at March 31, 2020 | 3,200,001 | 6,412 | (213,936) | 2,992,477 |
| Note(s) | 14 | | | |

The accounting policies on pages 123 to 134 and the notes on pages 135 to 169 form an integral part of the audited annual financial statements.

Statement of Cash Flows

for the year ended March 31, 2020

| Figures in R'000 | Note(s) | Group | | Company | |
|---|-----------|--------------------|------------------|--------------------|------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Cash flows from operating activities | | | | | |
| Cash receipts from customers | | 5,673,623 | 6,394,594 | 5,672,991 | 6,444,333 |
| Cash paid to suppliers and employees | | (6,905,080) | (6,455,571) | (6,904,404) | (6,505,042) |
| Cash used in operations | 32 | (1,232,366) | (60,977) | (1,232,413) | (60,709) |
| Interest income | | 64,444 | 14,492 | 64,396 | 14,428 |
| Dividends received | | 487 | 455 | 487 | 455 |
| Finance costs | | (41,935) | (28,132) | (41,935) | (28,132) |
| Tax(paid)/refunded | 34 | (497) | - | (497) | - |
| Net cash from operating activities | | (1,209,867) | (74,162) | (1,209,962) | (73,958) |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | 4 | (102,233) | (138,677) | (102,184) | (138,677) |
| Sale of property, plant and equipment | 33 | 16,410 | 5,334 | 16,422 | 5,334 |
| Purchase of other intangible assets | 6 | (9) | (11,895) | (9) | (11,895) |
| Net cash from investing activities | | (85,832) | (145,238) | (85,771) | (145,238) |
| Cash flows from financing activities | | | | | |
| National Treasury Funding | 14 | 3,200,000 | - | 3,200,000 | - |
| Repayment of government debt instrument | | (2,488) | (3,397) | (2,488) | (3,397) |
| Repayment of loans and borrowings | 17 | (11,689) | (15,228) | (11,689) | (15,228) |
| Repayment of lease liabilities | 36 | (13,417) | - | (13,417) | - |
| Proceeds from government grants | 18 | 183,546 | 180,123 | 183,546 | 180,123 |
| Net cash from financing activities | | 3,355,952 | 161,498 | 3,355,952 | 161,498 |
| Total cash movement for the year | | 2,060,253 | (57,902) | 2,060,219 | (57,698) |
| Cash at the beginning of the year | | 72,613 | 130,515 | 69,360 | 127,058 |
| Total cash at end of the year | 13 | 2,132,866 | 72,613 | 2,129,579 | 69,360 |

Accounting Policies

for the year ended March 31, 2020

CORPORATE INFORMATION

The South African Broadcasting Corporation SOC Limited is a state-owned company, listed as a Schedule 2 entity in terms of the PFMA, and holding company of the group. It is incorporated and domiciled in South Africa. The consolidated financial statements of the group as at, and for the year ended 31 March 2020 comprise the company and its subsidiaries (together referred to as the 'group' and individually as 'group entities'). The group is South Africa's national public broadcaster providing a free-to-air service. Information on group entities of the group is provided in note 8.

1. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated and separate audited annual financial statements are set out below.

1.1 Basis of Preparation

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board, and in the manner required by the Companies Act of South Africa, 2008, the Public Finance Management Act, No. 1 of 1999, as amended, and the Broadcasting Act, No. 4 of 1999, as amended. The SABC adopted Directive 12 - The Selection of an Appropriate Reporting Framework by Public Entities issued by the Accounting Standards Board in 2015. Management made the assessment that applying IFRS is the appropriate reporting framework as the group provides services on a commercial basis in a competitive market. The group also receives insignificant funding from the government and has limited dependence on government funding. The recapitalisation government funding is a once-off and does not create continued dependency on government funding. Reporting using IFRS framework is therefore still appropriate.

The consolidated and separate annual financial statements are presented in South African Rands, rounded to the nearest thousand, and have been prepared on the historical cost basis, except for certain financial instruments and defined benefit asset and liability which are measured at fair value.

The preparation of the group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies, reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 1.3.

The financial statements have been prepared on a going concern basis that assumes the group would be able to continue operating as a going concern in the foreseeable future. The accounting policies set out below have been applied consistently for all periods presented in the consolidated annual financial statements, except where an amendment was required as a result of a change in IFRS.

1.2 Consolidation

Basis of consolidation

The consolidated audited annual financial statements incorporate the audited annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use of its power over the entity.

The results of subsidiaries are included in the consolidated audited annual financial statements from the effective date of acquisition to the effective date of disposal.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in subsidiaries in the separate financial statements

In the company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of audited annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Accounting Policies for the year ended March 31, 2020 continued

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

1.3.1 Revenue recognition

Probability of licence fee revenue

The group believes the probability assessment used as a basis for estimating the licence fee revenue to be recognised is a significant judgement. It requires management to make professional judgements and assumptions about the probability of receiving licence fees from TV licence holders on renewal date. The probability of receiving licence fee revenue from licence holders is based on assessed ability to pay the TV licence fees and the assessed willingness of the licence holder to pay the statutory annual TV licence fee (refer to note 24).

Where it is assessed that the collection of television license fees will not be probable based on predetermined criteria, such television licence fees are not recognised. Probability is assessed on each renewal date for all active licence holders user accounts registered on the SABC's database.

1.3.2 Useful lives and residual values of property, plant and equipment

The group calculates depreciation of property, plant and equipment on a straight-line basis so as to write off the cost of the assets over their expected useful lives (See note 4). The useful life of an asset is determined on existing physical wear and tear, economic and technical ageing, legal or other limits on the use of the asset and obsolescence. If some of these factors were to deteriorate materially, impairing the ability of the asset to generate future cash flows, the group may accelerate depreciation charges to reflect the remaining useful life of the asset or record an impairment loss. The expected useful lives of assets is determined by considering the components identified in the asset hierarchy and by considering the inputs from knowledgeable representatives within the departments within the SABC per component identified based on their past experiences and knowledge. In determining the expected useful lives of the assets, the current asset register was analysed to determine the average age of the assets per component where applicable. The remaining useful life of assets is informed by two parameters, age based remaining useful life and condition based remaining useful life. The final remaining useful life is determined with reference to an algorithm, which takes into account both parameters.

The residual value has in most cases been taken as zero, as the SABC has adopted the approach of utilising their assets beyond their economical useful life, considering the environment in which the SABC functions where technological advancements can render certain assets obsolete and also on the assertion that none of the assets have material residual values at the end of the expected useful life.

The useful lives of items of property, plant and equipment have been estimated as follows

| Item | Depreciation method | Average useful life |
|------------------------|---------------------|---------------------|
| Security equipment | Straight line | 5 - 10 years |
| Buildings | Straight line | 10 - 65 years |
| Plant and machinery | Straight line | 3 - 20 years |
| Furniture and fittings | Straight line | 3 - 20 years |
| Motor vehicles | Straight line | 5 - 20 years |
| Office equipment | Straight line | 5 - 15 years |
| Computer equipment | Straight line | 3 - 5 years |
| Musical equipment | Straight line | 1 - 30 years |
| Broadcast equipment | Straight line | 3 - 40 years |
| Artwork | Straight line | Indefinite useful |

1.3.3 Amortisation and impairment of programme, film and sports rights and computer software

The group believes that the accounting estimates relating to the amortisation and impairment of programme, film and sports rights are significant accounting estimates because they require management to make assumptions about future audiences and revenues, and a change in the pattern of amortisation or potential impairment in programme, film and sports rights may have a material impact on the value of these assets reported in the Company's statement of financial position. See accounting policies 1.6 and note 6. The recoverable amount of the rights is considered zero once the licence period is expired.

The group believes that the accounting estimates relating to the amortisation and impairment of computer software are significant accounting estimates because they require management to make assumptions about the useful life of an asset. The useful life of an asset is determined on existing economic and technical ageing, legal or other limitations on the use of the asset and obsolescence. If some of these factors were to deteriorate materially, impairing the ability of the asset to generate future cash flows, the group may accelerate the amortisation charge to reflect the remaining useful life of the asset or record an impairment loss. See accounting policy 1.6 and note 6.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows

| Item | Amortisation method | Average useful life |
|------------------------------------|---------------------|---------------------|
| Computer software | Straight line | 2 - 10 years |
| Programme, film and sports rights* | Straight line | Accelerated basis |

* Amortisation of programme, film and sports rights is charged to profit or loss on an accelerated basis where the first transmission is expected to be more valuable than submission transmission and on a straight - line basis based on the estimated number of future showings if each showing is expected to generate similar audience.

1.3.4 Fair value determination

Determining the fair value of investment properties

An external, independent valuation company, having appropriate recognised professional qualification and recent experience in the location and category of property, has been involved in determining the fair value of the properties for disclosure purposes. The values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Valuations reflect, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit worthiness; the allocation of maintenance and insurance responsibilities between the lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated revisionary increases, all notices and, where appropriate, counter notices have been served validly and within the appropriate time. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Determining the fair value of financial instruments

Where the fair value of the financial assets and liabilities recorded in the statement of financial position cannot be derived from the active markets, they are determined using valuation techniques including the discounted cash flow model (Level 2) The inputs of these models are taken from observable markets where possible, but where this is not possible, a degree of judgment is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about the facts could affect the reported fair value of the affected financial instrument. The different valuation levels are identified as follows by IFRS 13:

- Level 1 - Quoted prices (unadjusted) in active, markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

1.3.5 Useful lives and residual values for investment properties

The group calculates depreciation of investment properties on a straight-line basis so as to write off the cost of the assets over their expected useful lives. The estimates useful lives of rental properties is based on the physical condition of the property. The useful lives of items of investment properties is as follows:-

| Item | Depreciation method | Average useful life |
|-----------|---------------------|------------------------|
| Land | Straight line | Indefinite useful life |
| Buildings | Straight line | 20 - 40 years |

Investment property was not depreciated, as the depreciation charge against investment properties now equals the residual value.

The group's approach to determining the residual value of property includes consideration of the conditions in the property market, ability of the property to generate rental income, and other economic factors.

1.3.6 Pension assumptions

The group's pension fund is a funded defined benefit pension fund that provides pension fund benefits for all of the group's permanent employees. The latest statutory valuation of the fund was performed at 31 December 2017, in which the valuator reported that the fund was in a sound financial position subject to the continuation of the current contribution rates, and its assets exceed its liabilities. Annually the defined benefit pension plan is valued on 31 March using the Projected Unit Credit Method for the financial statements certified by the actuaries. The cost of the defined benefit pension plan as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates of in-service members and pensioner mortality rates and future pension increases, withdrawal of members in the service and family statistics. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of quality corporate bonds in the respective country, (i.e. yield on South African Government Bonds). The mortality rate is based on public available mortality tables for the specific country (i.e. PA (90) mortality table). Future salary increases and pension increases are based on expected future inflation rates. Further details about the assumptions used are given in note 7.

1.3.7 Post employment medical aid assumptions

The group provides a subsidy of medical aid contributions payable by those employees who elect to remain on the medical aid scheme after retirement. The group provides for these post-employment medical aid benefits using the Projected Unit Credit method prescribed by IAS 19 - Employee Benefits. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over their expected working lifetime. The liability is calculated by considering some key actuarial assumptions such as the rate of healthcare cost inflation, discount rate, percentage members continuing after retirement and average retirement age of members. The key actuarial assumptions made are disclosed in note 20. Any change in these assumptions could result in a material adjustment to the post-employment medical liability stated on the group's statement of financial position as well as a material impact on the group's profit. A one percentage point change in the rate of health care cost inflation would have the following effects

| | One percentage point increase | One percentage point decrease |
|--|-------------------------------|-------------------------------|
| Effect on the post-employment medical aid liability: | R1050 m | R850 m |

1.3.8 Legal matters

The group is involved in legal disputes through its normal course of business. The outcome of these legal claims may have a material impact on the group's financial position and results of operations. Management estimates the potential outcome of these legal claims based on the most objective evidence on hand from internal and external legal advisors until such time that ultimate legal resolution has been finalised. Due to the uncertain nature of these issues, any changes in these estimates based on additional information as it becomes available could result in material changes to the financial statements in subsequent periods. See note 23 and 38.

Accounting Policies for the year ended March 31, 2020 continued

1.3.9 Impairment of trade and other receivables and credit notes

Doubtful accounts are reported at the amount likely to be recoverable based on the historical experience of customer default. As soon as it is learned that a particular account is subject to a risk over and above the normal credit risk (e.g. lower creditworthiness of customer, dispute as to the existence of the amount of the claim, no enforceability of the claim for legal reasons etc.), the account is analysed and written down if circumstances indicate the receivable is uncollectable.

1.4 Investment property

Investment property are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent to initial recognition, investments properties are measured at cost or deemed cost less accumulated depreciation and impairment.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gains and losses arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are included in the profit and loss in the period in which the property is derecognised.

1.5 Property, plant and equipment

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments, where appropriate. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to a working condition in the manner intended by management.

Office artwork represents assets that are held primarily for their decorative use in the business. Artwork is considered to have an infinite useful life and are held at cost less impairment costs.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised. Refer to accounting policy note 1.3 for estimated useful lives of property, plant and equipment.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.6 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Originated programme, film and sports right

Originated programme, film and sports rights, including work commissioned from independent producers, are intangible assets with finite useful lives and are stated at cost less accumulated amortisation and accumulated impairment losses. Cost comprises

direct costs, including cost of materials, artist fees and production overheads. The amount initially recognised for originated asset is recognised from the date when the intangible asset first meets the recognition criteria listed below.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An originated asset arising from the development phase of an internal project is recognised if, and only if, all the following have been demonstrated: a) the technical feasibility of completing the intangible asset so that it will be available for use or sale, b) the intention to complete the intangible asset and use or sell it, c) the ability to use or sell the intangible asset, d) how the intangible asset will generate probable future economic benefits e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Acquired programme, film and sports rights

Acquired programme, film and sports rights are intangible assets with finite useful lives and are stated at cost less accumulated amortisation (refer to note 6) and accumulated impairment losses. Cost comprises actual acquisition cost plus language dubbing, where applicable.

Acquired programme, film and sports rights are generally recognised when the license period begins, the cost of the right is known or reasonably determinable, the material has been accepted by the Group in accordance with conditions of the license agreement, and the material is available for its first transmission. If at the date of signing, a substantial degree of uncertainty exists about the availability of the material, particularly if a license agreement is signed for programme material that does not yet exist, the asset is only recorded once the uncertainties are eliminated and the programme is received and available for broadcast. Payments made to negotiate and secure the broadcasting of sports events are expensed as incurred.

Where arrangements have been executed for the future purchase of programme, film and sports rights, but the recognition criteria above have not been met or broadcasting commenced, the arrangements are disclosed as Commitments (refer to note 38). Where payments have already been made, these are disclosed as prepayments.

Programme, film and sports rights are classified as current assets as they are expected to be realised in the Group's normal operating cycle.

Cost and accumulated amortisation of originated programme, film and sports rights are derecognised after the estimated number of showings. Cost and accumulated amortisation of acquired programme, film and sports rights are derecognised at the earlier of the expiry of the license period or allowed number of showings.

Other intangible assets

Other intangible assets, including computer software not considered an integral part of property, plant and equipment, are initially measured at cost and subsequently measured at cost less accumulated amortisation (refer to note 6) and impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Other intangible assets are retired when no future economic benefits are expected from the assets. The gain or loss on retirement of other intangible assets is recognised in profit or loss. Gains and losses on the retirement of items of other intangible assets are determined by comparing the proceeds on retirement with the carrying amount of the other intangible assets retired.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end. Refer to accounting policy note 1.3 for estimates of amortisation useful lives.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

1.7 Financial instruments

From 1 April 2018, the SABC classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The SABC reclassifies debt investments when and only when its business model for managing those assets changes.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the SABC commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Note 35 Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

At initial recognition, the SABC measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instrument

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/



Accounting Policies for the year ended March 31, 2020 continued

(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair Value through Other Comprehensive Income (OCI):

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

Fair Value through Profit / Loss (FVPL):

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 12).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

From 1 April 2018, the SABC assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Measurement and recognition of expected credit losses

For trade receivables, the SABC applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rates. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on other financial assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provision attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired other financial asset (FVOCI) increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired other financial assets classified as fair value through other comprehensive income is recognised in other comprehensive income.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the group has a legal right to offset the amount and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The group's investments are recognised at amortised cost which is calculated as the present value of estimated future cash flows,

discounted at the original effective interest rate (i.e. the effective interest computed at initial recognition of these financial assets). Receivables with a short duration are not discounted where the effect is not material.

Calculation of impairment

Impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment is the difference between the asset's carrying amount and its fair value, being the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment is recognised in profit or loss.

Reversals of impairment

An impairment loss in respect of financial assets carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and other financial assets that are debt securities, the reversal is recognised in profit or loss. An impairment loss in respect of an investment in an equity instrument classified as other financial assets is not reversed through profit or loss.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 12) and the financial instruments and risk management note (note 35).

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 9. They are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the group may make an irrevocable election, on an instrument by instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The designation as at fair value through other comprehensive income is never made on investments which are either held for trading or contingent consideration in a business combination.

Recognition and measurement

Investments in equity instruments are recognised when the group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in profit or loss or in other comprehensive income (and accumulated in equity in the reserve for valuation of investments), depending on their classification. Details of the valuation policies and processes are presented in note 35.

Dividends received on equity investments are recognised in profit or loss when the group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in investment income (note 30).

Trade and other payables

Classification

Trade and other payables (note 22), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 35 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts shown within the loans and receivables category of financial instruments. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash which is subject to restrictions on its use is stated separately at carrying value in the statement of financial position. Government grants received for capital expenditure are restricted to capital projects relating to the migration of analogue infrastructure to digital.

Accounting Policies for the year ended March 31, 2020 continued

Loans and borrowings

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost using the effective interest rate method.

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

1.9 Leases

The group assesses whether a contract is, or contains a lease, at the inception of the contract.

Lease agreements normally entered into by the group include; office space, office printers, and motor vehicles. Terms and conditions of agreements are negotiated on an individual basis, and there are no covenants associated with these agreements.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the group recognises the lease payments as an operating expense (note) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the group has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the group is a lessee are presented in note 36 Leases (group as lessee).

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position. Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

1.10 Leases (Comparatives under IAS 17)

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.11 Consumables

Consumables are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of consumables comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the consumables to their present location and condition.

The cost of consumables of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of consumables is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When consumables are sold, the carrying amount of those consumables are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The SABC's entire operations are considered to all comprise one cash generating unit as no division is capable of generating revenues independently.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.13 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. 131



Accounting Policies for the year ended March 31, 2020 continued

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the group is demonstrably committed to curtailment or settlement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post-employment benefit obligations

The Group provides a subsidy for medical aid contributions payable by those employees who elect to remain on the medical aid scheme after retirement. The entitlement to these benefits is usually conditional on the employee remaining in service up to normal retirement age or the completion of a minimum service period in the event of early retirement. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for the defined benefit pension plan. This liability relating to post-employment medical benefits is valued annually by independent qualified actuaries. This practice of post-retirement medical aid contributions was discontinued for all new employees after 1 July 2002. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in other comprehensive income.

1.15 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

1.16 Government grants

Government grants are recognised when there is reasonable assurance that:

- the group will comply with the conditions attaching to them; and
- the grants will be received.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the profit or loss (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.17 Revenue from contracts with customers

The group recognises revenue from the following major sources:

- Advertising revenue
- Trade exchanges (non-monetary exchanges)
- Sponsorship revenue
- Licence fee revenue
- Programme rights exploitation and channel carriage fees

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it satisfies its performance obligations and transfers control over services to a customer.

Advertising revenue

Advertising revenue is recognised at the time the related advertisement or commercial is broadcast on our television and/or radio platforms to the public. The amount recognised is net of Value-Added Tax and trade discounts.

Trade exchanges (non-monetary exchanges)

When broadcasting airtime is exchanged for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the estimated stand-alone selling price of the services subject to the specific customer contract.

Sponsorship revenue

Sponsorship revenue is recognised at the time sponsored programmes are aired, net of Value-Added Tax and trade discounts. The consideration in sponsorship agreements containing more than one identifiable component, such as promotional advertising time and sponsorships, is allocated to underlying components based on their stand-alone prices and accounted for in accordance with the substance of the underlying component.

Licence fee revenue

Management has developed its own accounting policy for TV licence fee revenue as there is no specific standard under IFRS dealing with specifically with this revenue transaction. TV licence fees revenue arises when television licence fees are due in accordance with legislation at each renewal date. Management recognises that the SABC has an obligation to provide a broadcasting service to the TV licence holder in exchange for the licence fee received. This is deemed as a performance contract and principles of IFRS requirements on similar transactions were applied. Management considered the principles of both IFRS 15 on Revenue from Contracts with Customers and IAS 20 on Government Grants. Under both accounting standards, the revenue recognition criteria would not be materially different.

As the SABC has no performance obligations remaining after renewal date, revenue is recognised when it is probable that the SABC will collect the licence fees to which it is entitled to. Where it is assessed that the collection of television licence fees will not be probable based on predefined criteria, such as television licence fees are not recognised. Probability is assessed on a monthly basis for all active television licence holders user accounts registered on the SABC's database.

Programme rights exploitation and channel carriage fees

The group's obligation in terms of the contract is to provide a broadcasting licence on agreed conditions for the customer to access the content material in its current state. Revenue from commercial licences for specific rights associated with television programmes and licences is recognised when there has been technical acceptance of the content material by the customer and collection of the receivable is probable, and the revenue associated with delivered and undelivered elements can be reliably measured.

Channel carriage fees licence presents a performance obligation that is satisfied over time within the contracted licence period. Progress is measured based on the time that the SABC channels are carried on the contracted platforms and billed on a monthly basis on accrual basis.

Other revenue

Other revenue associated with the sale of goods, use of SABC media facilities and services such as mobile revenue is recognised in profit or loss when performance obligations are met and the goods or services are transferred to the buyer. Other revenue associated with the provision of services is recognised in profit or loss in proportion to the services performed to date as a percentage of total services to be performed. Other revenue/income also includes rental income, which is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

1.18 Translation of foreign currencies

Functional and presentation currency

Items included in the audited annual financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

Accounting Policies for the year ended March 31, 2020 continued

The consolidated audited annual financial statements are presented in South African Rand which is the group functional and presentation currency.

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous audited annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.19 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading

Expected to be realised within twelve months after the reporting period.

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

1.20 Related parties

The group operates in an environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all the three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties.

Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the Company. All individuals from the level of Executive Management up to the Board of Directors are regarded as key management per the definition of IFRS.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management individuals in their dealings with the group.

Other related party transactions are also disclosed in terms of the requirements of IFRS. The objective of IFRS and the annual financial statements are to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

1.21 Irregular, Fruitless and Wasteful Expenditure

Irregular Expenditure

Irregular expenditure: means expenditure, incurred in contravention of or that is not in accordance with the requirement of any applicable legislation. Such expenditure is recorded in the notes to the annual financial statements. It is recorded at the value of the irregular expenditure incurred unless it is impracticable to determine the value thereof. Where such impracticality exists, the reasons therefore are provided in the notes. Irregular expenditure is removed from the notes when it is either (a) condoned by the National Treasury or the relevant authority; (b) it is transferred to receivables for recovery; or (c) it is not condoned and is irrecoverable. A receivable related to irregular expenditure is measured at the amount that is expected to be recovered and is de-recognised when the receivable is settled or subsequently written off as irrecoverable.

Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. When confirmed, fruitless and wasteful expenditure is recorded in the notes to the financial statements. This includes particulars of fruitless and wasteful expenditure that occurred during the financial year and any disciplinary steps taken as a consequence of such fruitless and wasteful expenditure.

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020

2.Changes in Accounting Policy

The audited annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 16 Leases

In the current year, the group has adopted IFRS 16 Leases (as issued by the IASB in January 2016) after its effective date which is for years beginning on or after 1 January 2019. The date of initial application is April 1, 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the group's audited annual financial statements is described below.

The group has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at April 1, 2019. The group assessed the effect of IFRS 16 and determined that no adjustment to retained earnings is required.

Leases where group is lessee

Leases previously classified as operating leases

The group undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the rate implicit in the lease at the date of initial application.
- recognised right-of-use assets measured on a lease by lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The group applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

As an exception to the above, no adjustments were made on initial application of IFRS 16 for leases previously classified as operating leases:

- for which the underlying asset is of low value. From the date of initial application, these leases are accounted for in accordance with paragraph 6 of IFRS 16 by recognising the lease payments on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;

The group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis:

- when a portfolio of leases contained reasonably similar characteristics, the group applied a single discount rate to that portfolio;
- leases which were expiring within 12 months of April 1, 2019 were treated as short term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;
- initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application.
- hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

Leases previously classified as finance leases

For leases that were classified as finance leases applying IAS 17, the group measured the carrying amount of the right-of-use asset and the lease liability at the date of initial application as the carrying amount of the leased asset and lease liability immediately before that date measured applying IAS 17. For those leases, the group accounts for the right-of-use asset and the lease liability applying IFRS 16 from the date of initial application. These right-of-use assets (motor vehicles) have been sustained in the property, plant & equipment.

Reconciliation of previous operating lease commitments to lease liabilities under IFRS 16

| | April 1, 2019 |
|--|----------------------|
| Operating lease commitment at March 31, 2019 as previously disclosed | 29,785 |
| Discounted using the incremental borrowing rate at April 1, 2019 | 34,127 |
| Less: Future finance charges | (3,528) |
| Lease liabilities recognised at April 1, 2019 | 30,599 |

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the group are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

The effective date of the standard is for years beginning on or after January 1, 2019.

The group has adopted the standard for the first time in the 2020 audited annual financial statements. The impact of the standard is set out in note 2 Changes in Accounting Policy.

3.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after April 1, 2020 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|--|--|
| • Presentation of Financial Statements: Disclosure initiative | January 1, 2020 | Unlikely there will be a material impact |
| • Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative | January 1, 2020 | Unlikely there will be a material impact |

4. Property, Plant and Equipment

| | Group and Company | | | | | |
|----------------------------|-------------------|--------------------------|------------------|------------------|--------------------------|------------------|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| | 2020 | | | 2019 | | |
| Land | 82,402 | - | 82,402 | 82,402 | - | 82,402 |
| Buildings | 941,912 | (468,388) | 473,524 | 949,999 | (455,430) | 494,569 |
| Motor vehicles | 187,717 | (142,443) | 45,274 | 193,361 | (131,806) | 61,555 |
| Broadcast equipment | 1,328,094 | (891,173) | 436,921 | 1,272,402 | (816,024) | 456,378 |
| Other equipment | 768,751 | (608,876) | 159,875 | 764,124 | (579,717) | 184,407 |
| Capital - Work in progress | 287,932 | - | 287,932 | 263,607 | - | 263,607 |
| Total | 3,596,808 | (2,110,880) | 1,485,928 | 3,525,895 | (1,982,977) | 1,542,918 |

Reconciliation of property, plant and equipment

| | Group and Company | | | | | |
|----------------------------|-------------------|----------------|-----------------|----------------|------------------|------------------|
| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
| | 2020 | | | | | |
| Land | 82,402 | - | - | - | - | 82,402 |
| Buildings | 494,569 | 77 | (7,652) | - | (13,470) | 473,524 |
| Motor vehicles | 61,555 | 661 | (99) | 2,500 | (19,343) | 45,274 |
| Broadcasting Equipment | 456,378 | 28,188 | (2,390) | 37,527 | (82,782) | 436,921 |
| Other equipment | 184,407 | 4,701 | (344) | 2,872 | (31,761) | 159,875 |
| Capital - Work in progress | 263,607 | 68,606 | - | (44,281) | - | 287,932 |
| | 1,542,918 | 102,233 | (10,485) | (1,382) | (147,356) | 1,485,928 |
| 2019 | | | | | | |
| Land | 82,402 | - | - | - | - | 82,402 |
| Buildings | 504,271 | 696 | (56) | 3,575 | (13,917) | 494,569 |
| Motor vehicles | 79,282 | - | (775) | 5,656 | (22,608) | 61,555 |
| Broadcasting Equipment | 483,676 | 27,042 | (764) | 23,031 | (76,607) | 456,378 |
| Other equipment | 216,261 | 19,091 | (6,429) | 10,495 | (55,011) | 184,407 |
| Capital - Work in progress | 216,303 | 91,848 | - | (44,544) | - | 263,607 |
| | 1,582,195 | 138,677 | (8,024) | (1,787) | (168,143) | 1,542,918 |

Property, plant and equipment encumbered as security

The following assets have been encumbered as security for the secured long-term borrowings :

| Figures in R`000 | Note(s) | Group | | Company | |
|--|---------|--------|--------|---------|--------|
| | | 2020 | 2019 | 2020 | 2019 |
| Motor vehicles | | 20,466 | 32,736 | 20,466 | 32,736 |
| Motor vehicles financed through ABSA instalment sale | | | | | |

Changes in estimates

The group reassesses the useful lives and residual values of items of property, plant and equipment at the end of each reporting period, in line with the accounting policy and IAS 16 Property, plant and equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information.

The depreciation methods and average useful lives of group have been assessed and based on this analysis, the useful lives of items of property, plant and equipment have been revised. The impact of the change is considered to be significant. The net effect of the changes in estimate results in a reduction in the annual depreciation charge for the current year of R20.3 m. There was no change in the estimate of useful lives in 2019.

Assuming assets are held until the end of their estimated useful lives, depreciations over the next 2 years will decrease by R10.17 m per annum.

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

5. Investment Property

| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
|---------------------|---------------------|-----------------------------|-------------------|---------------------|-----------------------------|-------------------|
| | 2020 | | | 2019 | | |
| Group | | | | | | |
| Investment property | 19,631 | (9,701) | 9,930 | 19,631 | (9,701) | 9,930 |
| Company | | | | | | |
| Investment property | 19,631 | (9,701) | 9,930 | 19,631 | (9,701) | 9,930 |

| Reconciliation of investment property | Opening balance | Total |
|---|--------------------------|--------|
| Fair value of investment properties | Group and Company | |
| | 2020 | |
| Investment property | 9,930 | 9,930 |
| | 2019 | |
| Investment property | 9,930 | 9,930 |
| Fair value of investment properties | - | - |
| Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the Group. | 68,150 | 68,150 |

Details of valuation

The effective date of the valuations was Thursday, May 31, 2018. Valuations were performed by an independent valuer, Broll Valuation and Advisory Services (Pty) Ltd. The independent valuer is not connected to the group and has recent experience in the location and category of the investment property being valued. The SABC's accounting policy requires an independent valuation to be performed every three years. In the current year, management has assessed the fair values as still reasonable and do not require material adjustments. The next valuation will therefore be conducted in the following financial year.

The valuation was based on open market value for existing use.

Amounts recognised in profit and loss for the year

| Figures in R'000 | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Rental income from investment property | 9,005 | 9,731 | 9,005 | 9,731 |
| Direct operating expenses from rental generating property | - | (156) | - | (156) |
| | 9,005 | 9,575 | 9,005 | 9,575 |

Investment properties comprise a commercial property leased to a third party, vacant buildings and vacant land. Information in respect of investment properties is contained in the register of fixed property which is available for inspection at the registered office of the group.

6. Intangible Assets

6.1 Computer software

| | Group and Company | | | | | |
|--|------------------------|-----------------------------|-------------------|------------------|-----------------------------|-------------------|
| | Cost | Accumulated amortisation | Carrying value | Cost | Accumulated amortisation | Carrying value |
| | 2020 | | | 2019 | | |
| Computer software | 429,160 | (365,749) | 63,411 | 432,025 | (347,611) | 84,414 |
| Reconciliation of Computer software | Opening balance | Additions | Disposals | Transfers | Amortisation | Total |
| | 2020 | | | | | |
| Computer software | 84,414 | 9 | (159) | 1,376 | (22,229) | 63,411 |
| | 2019 | | | | | |
| Computer software | 116,400 | 11,895 | (256) | 1,789 | (45,414) | 84,414 |

6.2 Programme, film and sports rights

| | Group and Company | | | | | |
|--------------------------------------|-------------------|--------------------------|----------------|------------------|--------------------------|----------------|
| | Cost | Accumulated amortisation | Carrying value | Cost | Accumulated amortisation | Carrying value |
| | 2020 | | | | | |
| Acquired programme and film rights | 540,343 | (454,704) | 85,639 | 506,251 | (359,691) | 146,560 |
| Acquired sports right | 966,956 | (913,251) | 53,704 | 1,278,689 | (1,207,407) | 71,282 |
| Originated programme and film rights | 5,102,666 | (5,033,837) | 68,829 | 4,266,247 | (4,251,005) | 15,242 |
| Work-in-progress | 302,841 | (17,180) | 285,661 | 304,407 | (17,827) | 286,579 |
| Total | 6,912,806 | (6,418,972) | 493,833 | 6,355,594 | (5,835,930) | 519,663 |

Reconciliations of Programme, film and sports rights

| | Group and Company | | | | | | |
|--------------------------------------|-------------------|------------------|---|-------------|--------------------|-----------------------------------|----------------|
| | Opening balance | Additions | Cost adjustment relating to derecognised assets | Transfers | Amortisation | Net impairment reversed/ (raised) | Total |
| | 2020 | | | | | | |
| Acquired programme and film rights | 146,560 | 112,648 | - | - | (174,125) | 557 | 85,639 |
| Acquired sports right | 71,282 | 294,834 | - | - | (312,411) | - | 53,704 |
| Originated programme and film rights | 15,242 | - | (6,175) | 842,598 | (783,473) | 640 | 68,829 |
| Work-in-progress | 286,579 | 841,032 | - | (842,598) | - | 647 | 286,661 |
| | 519,663 | 1,248,514 | (6,175) | - | (1,270,009) | 1,844 | 493,833 |
| | 2019 | | | | | | |
| Acquired programme and film rights | 145,290 | 234,385 | - | - | (230,213) | (2,903) | 146,560 |
| Acquired sports right | 93,944 | 479,563 | - | - | (502,226) | - | 71,282 |
| Originated programme and film rights | 2,637 | - | (2,699) | 1,029,248 | (1,020,581) | 6,637 | 15,242 |
| Work-in-progress | 365,382 | 954,512 | - | (1,029,248) | - | (4,067) | 286,579 |
| | 607,253 | 1,668,460 | (2,699) | - | (1,753,020) | (333) | 519,663 |

7. Defined Benefit Asset

Defined benefit plan

The group's Pension Fund is a funded defined benefit pension fund, that is registered and governed in terms of the Pension Funds Act, No. 24 of 1956 and Pension Funds Second Amendment Act, No. 39 of 2001. It provides pension fund benefits for all its members in the form of a guaranteed level of pension payable for life. The financial position of the fund is examined and reported upon by the fund's valuator at intervals not exceeding three years. The last statutory valuation of the Fund was performed at 31 December 2017, in which the valuator reported that the Fund was in a sound financial position subject to the continuation of the current contribution rates, and that its assets exceeded its liabilities.

The level of benefits provided depends on members' length of service and their final salary in the final years leading up to retirement. Pension increases are defined in the rules of the fund where increases will be the lesser of 100% of headline inflation to the preceding 31 March; or the percentage increase that can be afforded out of investment earnings. The trustees may grant increases in excess of the above mentioned provided that the funding level in the pensions account does not reduce to below 114%. The governance of the fund is a joint responsibility of the board of trustees and the group. The board of trustees must be composed of representatives of the group and fund members in accordance with regulations and the rules of the fund.

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

There were no amendments, curtailments or settlements on the pension fund

The defined benefit pension plan is actuarially valued annually at year end using the Projected Unit Credit Method for the financial statements. These valuations are performed by actuaries and the results are as follows:

| Figures in R'000 | Group | | Company | |
|--|----------------|------------------|----------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Opening balance | 2,049,940 | 852,872 | 2,049,940 | 852,872 |
| Actuarial gain/(loss) recognised in other comprehensive income | (1,298,967) | 1,161,995 | (1,298,967) | 1,161,995 |
| Amounts recognised in profit or loss | (221,388) | (266,114) | (221,388) | (266,114) |
| Employer contribution | 245,518 | 301,187 | 245,518 | 301,187 |
| Closing balance | 775,103 | 2,049,940 | 775,103 | 2,049,940 |

The amounts recognised in the statement of financial position are determined as follows:

| | | | | |
|---|----------------|------------------|----------------|------------------|
| Present value of funded obligations | (9,814,426) | (10,771,417) | (9,814,426) | (10,771,417) |
| Fair value of plan assets | 10,589,529 | 12,821,357 | 10,589,529 | 12,821,357 |
| Funded status of plan assets | 775,103 | 2,049,940 | 775,103 | 2,049,940 |
| Assets recognised in the statement of financial position | 775,103 | 2,049,940 | 775,103 | 2,049,940 |

Changes in the present value of the defined benefit obligation are as follows:

| | | | | |
|---|------------------|-------------------|------------------|-------------------|
| Opening defined benefit obligation | 10,771,417 | 11,608,061 | 10,771,417 | 11,608,061 |
| Current service cost | 298,608 | 326,987 | 298,608 | 326,987 |
| Interest cost | 1,055,101 | 1,119,853 | 1,055,101 | 1,119,853 |
| Actuarial (gain)/loss | (1,567,932) | (1,751,107) | (1,567,932) | (1,751,107) |
| Benefits paid | (832,046) | (641,901) | (832,046) | (641,901) |
| Employee contributions | 89,278 | 109,524 | 89,278 | 109,524 |
| Closing defined benefit obligation | 9,814,426 | 10,771,417 | 9,814,426 | 10,771,417 |

Changes in the fair value of plan assets are as follows:

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Fair value of plan assets at the beginning of the year | 12,821,357 | 12,460,933 | 12,821,357 | 12,460,933 |
| Employee contributions | 89,274 | 109,524 | 89,274 | 109,524 |
| Employer contributions | 245,518 | 301,187 | 245,518 | 301,187 |
| Benefits payments | (832,046) | (641,901) | (832,046) | (641,901) |
| Expected return on plan assets | (2,840,846) | (589,113) | (2,840,846) | (589,113) |
| Fund expenses | (26,049) | - | (26,049) | - |
| Interest Income | 1,132,321 | 1,180,727 | 1,132,321 | 1,180,727 |
| Fair value plan assets at the end of the year | 10,589,529 | 12,821,357 | 10,589,529 | 12,821,357 |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| The amounts recognised in profit or loss are determined as follows: | (221,388) | (266,114) | (221,388) | (266,114) |
| Current service cost | (298,608) | (300,661) | (298,608) | (300,661) |
| Expenses | - | (26,327) | - | (26,327) |
| Interest income/(cost) | 77,220 | 60,874 | 77,220 | 60,874 |

| | | | | |
|--|--------------------|----------------|--------------------|----------------|
| The amounts recognised in a statement of other comprehensive income are determined as follows: | (1,298,967) | 1,161,994 | (1,298,967) | 1,161,994 |
| Actuarial gain/(loss) | 1,541,884 | 1,751,107 | 1,541,884 | 1,751,107 |
| Expected return on plan assets | (2,840,847) | (589,113) | (2,840,847) | (589,113) |
| Net periodic pension charge | (1,520,355) | 895,880 | (1,520,355) | 895,880 |

The principal actuarial assumptions at the reporting date (expressed as weight averages) are as follows:

| | 2020 | 2019 | 2018 |
|---------------------------|---------|---------|--------|
| Discount Rate at 31 March | 12.60 % | 10.34 % | 9.18 % |
| Inflation | 6.75 % | 6.20 % | 6.05 % |
| Future salary increases | 8.25 % | 7.70 % | 7.55 % |
| Future pension increases | 6.75 % | 6.20 % | 6.05 % |

| Plan assets comprises: | 2020 | | 2019 | | 2018 | |
|------------------------|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|
| | R'000 | % | R'000 | % | R'000 | % |
| Domestic equity | 4,500,550 | 42.50 % | 6,628,642 | 51.70 % | 6,554,451 | 52.60 % |
| Bonds | 2,202,622 | 20.80 % | 2,282,202 | 17.80 % | 2,230,507 | 17.90 % |
| Cash | 243,559 | 2.30 % | 280,050 | 2.20 % | 510,898 | 4.10 % |
| Property | 211,791 | 2.00 % | 435,926 | 3.40 % | 436,133 | 3.50 % |
| Foreign assets | 3,431,007 | 32.40 % | 3,192,518 | 24.90 % | 2,728,944 | 21.90 % |
| | 10,589,529 | 100.00 % | 12,821,357 | 100.00 % | 12,462,951 | 100.00 % |

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|----------------------------|----------------|------------------|----------------|------------------|----------------|---------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Defined benefit obligation | (9,814,426) | (10,771,417) | (11,608,061) | (10,952,377) | (11,345,970) | (11,568,216) |
| Plan assets | 10,589,529 | 12,821,357 | 12,460,933 | 12,286,049 | 12,151,390 | 11,643,651 |
| Surplus | 775,103 | 2,049,940 | 852,872 | 1,333,672 | 805,420 | 75,435 |

The defined benefit pension plan typically exposes the Group to actuarial risks such as:

| | |
|-------------------------------|--|
| Salary inflation | The retirement benefits liability is linked to salary inflation. Higher salary inflation than expected will lead to higher values of the defined benefit when it becomes due. |
| Investment return | If the investment return earned on the Fund's assets is lower than expected in the period leading up to an eligible member's benefit, this increases the risk that the Employer will have to settle a larger balance of cost associated with the benefit. |
| Cash flow risk | The Employer meets the balance of the cost of providing benefits to the defined benefit members. The Employer's current contribution rate is 16.5%. There is a risk to the Employer that, due to unforeseen circumstances, funds may not be available at the time that they are required to meet the balance of cost of providing benefits. |
| Changes in bond yields | A decrease in the bond yields, which are used to determine the discount rate at which the projected benefit at retirement is discounted to the valuation date, will increase the Employer's retirement benefits liability. This will be partially offset by an increase in the value of the plan asset's bond holdings. High volatility in the above rates may lead to volatile balance sheet and income statement disclosures. |
| Longevity risk | The longevity risk is the risk that pensioners will live longer than expected. Possible contributing factors are medical advances, better health care and greater emphasis on following healthier lifestyles. This would lead to benefits being payable for longer than expected. |
| Future changes in legislation | The Employer is required by the Pension Funds Act to adhere to any new legislation changes published by the FSCA. There is a risk to the Employer that the changes in legislation may lead to increases in the balance of cost of providing benefits. |

Sensitivity Analysis

Reasonable possible changes in one of the significant actuarial assumptions at the end of the reporting period, keeping all other assumptions constant, would have the following effect on the defined benefit obligation as displayed below:

| | | | |
|---|-------------------------------------|--------------------------------|--------------------------------------|
| Inflation (pension and salary increase rates) | 1% decrease (9,151,583) | Base (6.75%) (9,814,426) | 1% increase (10,776,386) |
| Discount rate | 1% decrease (10,767,954) | Base (12.60%) (9,814,426) | 1% increase (9,162,751) |
| Post-retirement mortality improvements | Base (0.5% decrease) (9,567,336) | Valuation basis (9,814,426) | Base (0.5% increase) (10,068,619) |

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

8. Investment in Subsidiaries

| Name of company | Held by | Nature of business | Group | | Carrying amount 2020 | Carrying amount 2019 |
|---|---------|--------------------|----------------|----------------|----------------------|----------------------|
| | | | % holding 2020 | % holding 2019 | | |
| SABC Airwave Travel (Proprietary) Limited | SABC | Travel agency | 100.00 % | 100.00 % | - | - |
| SABC Foundation NPC | SABC | Foundation | 100.00 % | 100.00 % | 1,761 | 1,761 |

9. Other Financial Assets

| Figures in R' 000 | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Fair value through OCI - designated | | | | |
| Listed shares | 7,319 | 10,567 | 7,319 | 10,567 |
| 143,257 shares designed as FVTOCI | | | | |
| Non-current assets | | | | |
| Opening balance | 10,567 | 12,220 | 10,567 | 12,220 |
| Fair value adjustment | (3,248) | (1,653) | (3,248) | (1,653) |
| | 7,319 | 10,567 | 7,319 | 10,567 |

Fair value hierarchy of other financial assets

The other financial assets listed below are analysed by hierarchy levels defined as follows:

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 1

| | | | | |
|----------------------|-------|--------|-------|--------|
| Sanlam listed shares | 7,319 | 10,567 | 7,319 | 10,567 |
|----------------------|-------|--------|-------|--------|

The group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

10. Prepayments

| | | | | |
|-----------------------------------|----------|----------|----------|----------|
| Programme, film and sports rights | 56,406 | 94,140 | 56,406 | 94,140 |
| Software licences | 18,068 | 9,857 | 18,068 | 9,857 |
| Other-commercial utilities | 1,321 | 5,989 | 1,321 | 5,989 |
| Total | 75,796 | 109,987 | 75,796 | 109,987 |
| Less: Current Portion | (17,708) | (88,257) | (17,708) | (88,257) |
| Non-current portion | 58,088 | 21,730 | 58,088 | 21,730 |

11. Consumables

| | | | | |
|---------------------------|--------------|--------------|--------------|--------------|
| Finished goods | 4,524 | 4,406 | 4,524 | 4,406 |
| Inventories (write-downs) | (245) | (245) | (245) | (245) |
| | 4,279 | 4,161 | 4,279 | 4,161 |

12. Trade and Other Receivables

Financial instruments:

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Trade receivables | 620,952 | 726,931 | 620,952 | 726,931 |
| Allowances for discounts, rebates and returns | - | - | - | - |
| Loss allowance | (51,207) | (44,335) | (51,207) | (44,335) |
| Trade receivables at amortised cost | 569,745 | 682,596 | 569,745 | 682,596 |
| Other receivable | 273,580 | 205,920 | 273,580 | 205,812 |
| Total trade and other receivables | 843,325 | 888,516 | 843,325 | 888,408 |

Split between non-current and current portions

| | | | | |
|----------------|---------|---------|---------|---------|
| Current assets | 843,325 | 888,516 | 843,325 | 888,408 |
|----------------|---------|---------|---------|---------|

Financial instrument and non-financial instrument components of trade and other receivables

| | | | | |
|-------------------|---------|---------|---------|---------|
| At amortised cost | 843,325 | 888,516 | 843,325 | 888,408 |
|-------------------|---------|---------|---------|---------|

Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

The SABC applies credit policy in managing the credit management of customers. The credit management process entails assessing the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance within set limits. The compliance with credit limits by wholesale customers is regularly monitored by line management. Each customer's credit profile is determined and affects the allowable credit terms and credit limits.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

The average credit period on trade receivables is 52 days (2019: 59 days). No interest is charged on outstanding trade receivables.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

There has been no material changes in the estimation techniques or significant assumptions made during the current reporting period, except for the increased provision matrix rates to incorporate COVID 19 pandemic impact.

Credit risk profiles for different customer categories are disclosed under note 35.

| | Estimated gross carrying amount at default | Loss allowance (Lifetime expected credit loss) | Estimated gross carrying amount at default | Loss allowance (Lifetime expected 2019 credit loss) |
|---|--|--|--|---|
| | 2020 | | 2019 | |
| Expected credit loss rate: | | | | |
| | Group | | | |
| Not past due | 541,085 | - | 587,871 | - |
| Less than 30 days past due | 34,601 | - | 12,600 | - |
| 31 - 60 days past due | 6,381 | - | 13,602 | - |
| 61 - 90 days past due | 4,684 | - | 20,964 | - |
| 91 - 120 days past due | 2,195 | - | 39,048 | - |
| More than 120 days past due | 32,006 | - | 18,176 | - |
| Expected credit loss: 5.59% (2019: 5.89%) | - | (34,671) | - | (40,794) |
| Provision for credit notes: 3.21% (2019: 0.51%) | - | (16,536) | - | (3,541) |
| Total | 620,952 | (51,207) | 692,261 | (44,335) |
| | Company | | | |
| Not past due | 541,085 | - | 587,871 | - |
| Less than 30 days past due | 34,601 | - | 12,600 | - |
| 31 - 60 days past due | 6,381 | - | 13,602 | - |
| 61 - 90 days past due | 4,684 | - | 20,964 | - |
| 91 - 120 days past due | 2,195 | - | 39,048 | - |
| More than 120 days past due | 32,006 | - | 18,176 | - |
| Expected credit loss: 5.59% (2019: 5.89%) | - | (34,671) | - | (40,794) |
| Provision for credit notes: 3.21% (2019: 0.51%) | - | (16,536) | - | (3,541) |
| Total | 620,952 | (51,207) | 692,261 | (44,335) |

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade receivables:

| Figures in R'000 | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Opening balance in accordance with IFRS 9 | (44,335) | (30,532) | (44,335) | (30,532) |
| Provisions reversed on settled trade receivables | 6,123 | (19,352) | 6,123 | (19,352) |
| Provision for credit notes | (12,995) | 5,549 | (12,995) | 5,549 |
| Closing balance | (51,207) | (44,335) | (51,207) | (44,335) |

Exposure to currency risk

Refer to note 35 for details of currency risk management for trade receivables.

Analysis of Impairment of trade receivables expenses

Impairment of trade receivables expense in the Statement of profit or loss consists of:-

| | | | | |
|------------------------------|---------------|---------------|---------------|----------------|
| Loss allowance | 6,872 | 13,803 | 6,872 | 13,803 |
| TV Licence debtor impairment | 69,502 | 83,001 | 69,502 | 129,373 |
| | 76,374 | 96,804 | 76,374 | 143,176 |

13. Cash and Cash Equivalents

Cash and cash equivalents consist of:

| | | | | |
|---------------------|------------------|---------------|------------------|---------------|
| Cash on hand | 1,040 | 1,166 | 1,040 | 1,166 |
| Bank balances | 29,026 | 44,647 | 25,739 | 41,394 |
| Short-term deposits | 2,102,800 | 26,800 | 2,102,800 | 26,800 |
| | 2,132,866 | 72,613 | 2,129,579 | 69,360 |

Included in the cash and cash equivalents for prior year is the amount of R8.234 m relating to Government Grant for migrating to digital technology.

14. Share Capital

Authorised

| | | | | |
|--------------------------------|-------|-------|-------|-------|
| Ordinary shares (no par value) | 1,001 | 1,000 | 1,001 | 1,000 |
|--------------------------------|-------|-------|-------|-------|

On 5 September 2019, the SABC received confirmation of an allocation from the Contingency Reserve through the Adjustments Appropriation Bill B16-2019 amounting to R3.2 bn. The appropriation was for payment of financial assets and provided as a recapitalisation equity injection. In a Board meeting held on 31 January 2020, the Board of Directors resolved that amendments to the Memorandum of Incorporation (MoI) be made to issue 1 (one) ordinary share to the Government of the Republic of South Africa at an aggregate issue price of R3.2 bn. The amendment to the MoI is subject to passing of the necessary special and ordinary resolutions in terms of the Companies Act.

The Minister of Communications & Digital Technologies has been notified of and accepted the resolution. The MoI requires the Minister of Communications & Digital Technologies to determine the share capital of the SABC with the concurrence of the Minister of Finance. A notice to hold the Extraordinary General Meeting (EGM) to pass the required resolution has been issued. Upon the Shareholder passing the proposed resolutions at the planned EGM, the SABC will facilitate the necessary amendments of the MoI and a final document will be prepared for the Shareholder to lodge with the CIPC. The share register will be updated accordingly. Management expects that the remaining administrative processes will be finalised before 31 March 2021. There are no other outstanding issues other than the administrative processes in issuing the share certificates.

Reconciliation of number of shares issued:

| | | | | |
|---|--------------|--------------|--------------|--------------|
| Reported as at April | 1,000 | 1,000 | 1,000 | 1,000 |
| Issue of shares – no par value ordinary shares (Share certificate yet to be issued) | 1 | - | 1 | - |
| | 1,001 | 1,000 | 1,001 | 1,000 |

Issued

| | | | | |
|----------|-----------|---|-----------|---|
| Ordinary | 3,200,001 | 1 | 3,200,001 | 1 |
|----------|-----------|---|-----------|---|

15. Fair Value Adjustment Reserve

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Opening balance | 8,932 | 10,126 | 8,932 | 10,126 |
| Gains/(losses) arising during the year | (2,520) | (1,194) | (2,520) | (1,194) |
| Closing balance at 31 March | (6,412) | (8,932) | (6,412) | (8,932) |

The fair value adjustment reserve relates to fair value adjustments of other financial assets until the assets are derecognised.

16. Government Debt Instrument

| Figures in R`000 | Group | | Company | |
|------------------------------|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Perpetual debt | 14,913 | 14,913 | 14,913 | 14,913 |
| Redeemable long-term portion | - | 2,488 | - | 2,488 |
| | 14,913 | 17,401 | 14,913 | 17,401 |

On 1 February 1972, the Company's shareholder converted a long-term loan into non redeemable capital. The permanent capital was previously not repayable. The National Treasury on 7 November 2016 provided the SABC with an approval to redeem a portion of the perpetual debt amounting to R12.477 m over three years. At the beginning of the 2017/18, R6.592 m was redeemed, R3.397 m was redeemed in 2018/19 and a final instalment of R2.488 m has been made in 2019/20 financial period.

In terms of the Exchequer Act, No. 66 of 1975, as amended, interest is payable, at a rate of 6.5% per annum on the outstanding capital amount. The instrument represents a financial liability (in the form of perpetual debt) under IAS 32 - Financial Instruments: Presentation, because of the underlying obligation to deliver cash in the form of future interest payments to the group's shareholder.

17. Loans and Borrowings

Held at amortised cost

Secured

ABSA instalment sale facility for vehicles payable over five years bearing variable interest of prime less 1.50% per annum. The contract was entered into on 20 October 2015. The instalment sale is repayable in monthly payments of R1.1 m.

| | Group and Company | | |
|--|-------------------|-----------------|---------------|
| | Balance | Cash flows | Balance |
| Installment sale liabilities | 17,730 | (11,689) | 29,419 |
| Less: Current portion transferred to current liabilities | (13,231) | - | (13,231) |
| Non-current portion | 4,499 | (11,689) | 16,188 |

| Installment sale liabilities | Minimum lease payments | Interest | Principal | Minimum lease payments | Interest | Principal |
|---|------------------------|--------------|---------------|------------------------|--------------|---------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Instalment sale liabilities | | | | | | |
| Less than one year | 14,656 | 1,425 | 13,231 | 15,287 | 2,056 | 13,231 |
| Later than one year but not later than five years | 4,534 | 35 | 4,499 | 17,167 | 979 | 16,188 |
| Total | 19,190 | 1,460 | 17,730 | 32,454 | 3,035 | 29,419 |

18. Deferred Government Grant

| | Group and Company | |
|--|-------------------|----------------|
| | 2020 | 2019 |
| Balance on 1 April | 318,406 | 352,635 |
| Amounts received during the year: | 183,546 | 180,123 |
| Amounts received during the year for Community radio stations | - | - |
| Amounts received during the year for Education projects | 120,646 | 115,878 |
| Amounts received during the year for Channel Africa projects | 53,321 | 50,494 |
| Amounts received during the year for SETA Grants | 9,579 | 13,751 |
| Amounts recognised in profit or loss (including amortisation and depreciation of assets acquired with the grant) | (198,525) | (214,352) |
| Balance on 31 March | 303,427 | 318,406 |
| Less: Current portion | (153,281) | (128,466) |
| Non-current portion | 150,146 | 189,940 |

In February 2005, the Department of Communications and National Treasury committed an amount of R700 m including VAT to the group over a period of five years, in order to facilitate the group's migration from analogue to digital technical infrastructure. Additional amounts were contributed by the Departments during 2010/11 (R150 m including VAT), 2013/14 (R76 m including VAT) and 2014/15 (R62 m including VAT). The total amount of grant funding for digital technical infrastructure received to date is R988 m since 2005. This grant is recognised to profit/ loss in line with the depreciation amount.

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

19. Deferred Tax

| Deferred tax liability | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Figures in R'000 | | | | |
| Property, plant and equipment | (77,515) | (63,537) | (77,515) | (63,537) |
| Defined benefit asset | (217,029) | (573,983) | (217,029) | (573,983) |
| Programme, film and sports rights | (4,408) | 8,223 | (4,408) | 8,223 |
| Available-for-sale financial assets | (1,322) | (2,043) | (1,322) | (2,043) |
| Doubtful debt allowance - non TV licences | (6,268) | (2,856) | (6,268) | (2,856) |
| Doubtful debt allowance -TV licences | (3,322,556) | (3,036,162) | (3,322,556) | (3,036,162) |
| Prepayments | (4,337) | (280) | (4,337) | (280) |
| Operating lease receivable | (295) | (298) | (295) | (298) |
| Section 24C | (32,861) | (26,495) | (32,861) | (26,495) |
| Total deferred tax liability | (3,666,591) | (3,697,431) | (3,666,591) | (3,697,431) |

| Deferred tax asset | | | | |
|--|------------------|------------------|------------------|------------------|
| Operating lease liability/RoU assets | 12,477 | - | 12,477 | - |
| Variable remuneration | 63,350 | 62,241 | 63,350 | 62,241 |
| Straight-lining of operating leases | 463 | 447 | 463 | 447 |
| PRMA | 263,732 | 297,775 | 263,732 | 297,775 |
| Deferred income | 134,581 | 49,692 | 134,581 | 49,692 |
| Other payables and provisions | 134,127 | 110,684 | 134,127 | 110,684 |
| Amounts accrued not received-TV licences | 3,898,286 | 3,041,813 | 3,898,286 | 3,041,813 |
| Donations deductible in future | 14,855 | 12,351 | 14,855 | 12,351 |
| Tax Loss | 165,356 | 705,257 | 165,356 | 705,257 |
| Deferred tax balance from temporary differences other than unused tax losses | 4,687,227 | 4,280,260 | 4,687,227 | 4,280,260 |
| Total deferred tax asset | 4,687,227 | 4,280,260 | 4,687,227 | 4,280,260 |
| Deferred tax liability | (3,666,591) | (3,697,431) | (3,666,591) | (3,697,431) |
| Deferred tax asset | 4,687,227 | 4,280,260 | 4,687,227 | 4,280,260 |
| Total net deferred tax asset | 1,020,636 | 582,829 | 1,020,636 | 582,829 |

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax attributable to:

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Total net deferred tax asset | 1,020,636 | 582,830 | 1,020,636 | 582,830 |
| Cumulative tax loss not recognised | (165,356) | (705,257) | (165,356) | (705,257) |
| Timing difference - profit or loss | (855,280) | 122,427 | (855,280) | 122,427 |
| Timing difference - other comprehensive income | - | - | - | - |
| Closing balance of deferred tax recognised | - | - | - | - |

All movements in the temporary differences described above, have been recognised in profit or loss and other comprehensive income, as follows:

| | | | | |
|---|----------------|------------------|----------------|------------------|
| Deferred tax liability as at 1 April | - | - | - | - |
| Prior year error adjustment-per AFS | - | 4,228 | - | 4,228 |
| Deferred tax recognised in profit and loss | (680,356) | 28,380 | (680,356) | 28,380 |
| Current year loss | 542,070 | (147,387) | 542,070 | (147,387) |
| Deferred Tax loss not recognised | 137,789 | 147,387 | 137,789 | 147,387 |
| Prior year error adjustment-per the AFS not recognised | 497 | (4,228) | 497 | (4,228) |
| Prior year adjustment- DT relating to GFA | - | (3,821) | - | (3,821) |
| Prior year adjustment-DT relating to GFA not recognised | - | 3,821 | - | 3,821 |
| Timing differences not recognised-profit or loss | - | (28,380) | - | (28,380) |
| | - | - | - | - |
| Opening tax loss | 2,518,774 | 1,943,512 | 2,518,774 | 1,943,512 |
| Current year created (income)/loss | (1,937,740) | 526,382 | (1,937,740) | 526,382 |
| Over/Under | 48,246 | 15,102 | 48,246 | 15,102 |
| Prior year adjustment - DT opening balances | - | 33,779 | - | 33,779 |
| Available for utilisation in future years | 629,280 | 2,518,775 | 629,280 | 2,518,775 |

The deferred tax asset in relation to TV licence gross income (section 1 of the Income Tax Act No. 58 of 1962) and the deferred tax liability in relation to the application of section 11(j) of the Income Tax Act No. 58 of 1962) is based on the best estimate as at 31 March 2020 and is subject to South African Revenue Service ruling.

The group has not recognised a deferred tax asset in respect of assessed loss as management considers that it is no longer probable that the group will generate taxable income to utilise the deferred tax asset. In the event that the group returns to profitability, it will have a deferred tax asset of R1058 m available for future utilisation.

20. Employee Benefits Obligation

| Non-current statement of financial position obligations for: Figures in R'000 | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Post-employment medical benefits* | 941,900 | 1,063,483 | 941,900 | 1,063,483 |
| Leave pay | 3,228 | 5,405 | 3,228 | 5,405 |
| Long service awards | 93,540 | 63,243 | 93,540 | 63,243 |
| | 1,038,668 | 1,132,131 | 1,038,668 | 1,132,131 |

Current statement of financial position obligations for:

| | | | | |
|---------------------|----------------|----------------|----------------|----------------|
| Employee incentive | 42,576 | 60,510 | 42,576 | 60,510 |
| Leave pay | 160,452 | 165,934 | 160,452 | 165,934 |
| Long service awards | 6,604 | 6,317 | 6,604 | 6,317 |
| | 209,632 | 232,761 | 209,632 | 232,761 |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Total Statement of Financial Position obligations for employee benefits | 1,248,300 | 1,364,892 | 1,248,300 | 1,364,892 |
|---|-----------|-----------|-----------|-----------|

Statement of Profit and loss (see also note 26):

| | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|
| Post-employment medical benefits | 120,709 | 114,835 | 120,709 | 114,835 |
| Leave pay | 43,435 | 29,030 | 43,435 | 29,030 |
| Long service awards | 10,967 | 10,400 | 10,967 | 10,400 |
| | 175,111 | 154,265 | 175,111 | 154,265 |

* Post-employment medical benefits

This balance excludes an amount of R2.9 m, which arose as a result of an ex employee instituting a claim against the SABC for post employment medical benefits. Refer to note 38 item (ix) for contingent liability disclosed.

The group provides a varying subsidy towards medical aid contributions payable by employees who elect to remain on the medical aid scheme after retirement. This subsidy is unfunded and is provided for based on actuarial valuations performed annually. The valuation assumes a varying subsidy of 60%; 75% and 100% consistent with the 2019 valuation scenario. The plan is only open to employees who joined SABC before 1 June 2002. There are different levels of post-employment subsidy namely; staff who retired between 1979 and 31 March 1990 with past service greater than 5 years, receive a 100% medical aid subsidy from SABC; staff who retired between 1979 and 31 March 1990 with past service of less than 5 years receives a 75% medical aid subsidy from SABC; staff who retired from 1 April 1990 and thereafter receives a 60% subsidy. Not all in receipt of a post-employment subsidy are retired on SABC Pension Fund; there are a select group of Non-Pensioner Retirees whom qualified for post-employment subsidies. The method of accounting, significant assumptions and the frequency of the valuation is similar to those used for the defined benefit pension scheme as set out with the addition of the Healthcare cost inflation of 7,5%.

The amount recognised in the Statement of Financial Position is determined as follows:

Present value of unfunded obligations

| | | | | |
|----------------------------------|---------|-----------|---------|-----------|
| Post-employment medical benefits | 941,900 | 1,066,141 | 941,900 | 1,066,141 |
|----------------------------------|---------|-----------|---------|-----------|

Changes in the present value of the post-employment medical benefits are as follows:

| | | | | |
|---|----------------|------------------|----------------|------------------|
| Opening defined benefit obligation | 1,066,141 | 1,098,888 | 1,066,141 | 1,098,888 |
| Current service cost | 13,680 | 15,239 | 13,680 | 15,239 |
| Interest cost | 107,029 | 99,596 | 107,029 | 99,596 |
| Subsidy payments | (60,311) | (55,534) | (60,311) | (55,534) |
| Actuarial (gain)/loss | (184,639) | (92,048) | (184,639) | (92,048) |
| Closing defined benefit obligation | 941,900 | 1,066,141 | 941,900 | 1,066,141 |

| | | | | |
|---|---------|---------|---------|---------|
| The amount recognised in profit or loss is determined as follows: | 120,709 | 114,835 | 120,709 | 114,835 |
| Current service cost | 13,680 | 15,239 | 13,680 | 15,239 |
| Interest cost | 107,029 | 99,596 | 107,029 | 99,596 |

The amount recognised in other comprehensive income is determined as follows:

| | | | | |
|--|-----------------|---------------|-----------------|---------------|
| Actuarial (gain)/loss on post employment medical benefits | (184,639) | (92,048) | (184,639) | (92,048) |
| Total, included in employee compensation and benefit expenses, including items recognised in other comprehensive income | (63,930) | 22,787 | (63,930) | 22,787 |

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

The principal actuarial assumptions at the reporting date (expressed as weighted averages) are as follows:

| | | |
|-----------------------------------|---------|---------|
| Discount rate at 31 March | 13.30 % | 10.39 % |
| Medical inflation rate per annum | 8.90 % | 7.74 % |
| Take-up rate by retired employees | 30.00 % | 30.00 % |

| | 2020 R'000 | 2019 R'000 | 2018 R'000 | 2017 R'000 | 2016 R'000 |
|--|---------------|---------------|---------------|---------------|---------------|
| Post employment medical benefits obligations | (941,900) | 1,066,141 | (1,096,169) | (989,173) | (1,016,088) |

Sensitivity Analysis

| | | | |
|--|----------------------------|-----------------------------|----------------------------|
| Healthcare cost inflation | 1% decrease (850,813) | Base (8.90%) (941,900) | 1% Increase (1,049,966) |
| Discount rate | 1% decrease (1,049,053) | Base (13.30%) (941,900) | 1% Increase (852,642) |
| Post-retirement mortality improvements | -1 year (967,656) | Valuation Base (941,900) | +1 year (916,063) |

The above sensitivity analysis is based on a change in one of the significant actuarial assumptions at the end of the reporting date, keeping all other assumptions constant. When calculating the sensitivity of the employee benefits obligation to the significant actuarial assumptions the projected unit credit method has been applied.

The methods and types of assumptions used in preparing the sensitivity analysis did not materially change compared to the previous period.

The amount recognised in the Statement of Financial Position is determined as follows:

| Figures in R'000 | Group | | Company | |
|--|----------------|---------------|----------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Present value of unfunded obligations | | | | |
| Long service awards | 100,144 | 69,560 | 100,144 | 69,560 |
| Changes in the present value of the long service awards are as follows: | | | | |
| Opening defined benefit obligation | 69,560 | 68,674 | 69,560 | 68,674 |
| Current service cost | 4,595 | 4,769 | 4,595 | 4,769 |
| Interest cost | 6,372 | 5,631 | 6,372 | 5,631 |
| Benefits payments | (10,302) | (3,002) | (10,302) | (3,002) |
| Actuarial (gain)/loss | 29,919 | (6,512) | 29,919 | (6,512) |
| Closing defined benefit obligation | 100,144 | 69,560 | 100,144 | 69,560 |
| The amount recognised in profit or loss is determined as follows: | 10,967 | 10,400 | 10,967 | 10,400 |
| Current service cost | 4,595 | 4,769 | 4,595 | 4,769 |
| Interest cost | 6,372 | 5,631 | 6,372 | 5,631 |

The amount recognised in other comprehensive income is determined as follows:

| | | | | |
|--|---------------|--------------|---------------|--------------|
| Actuarial (gain)/loss | 29,919 | (6,512) | 29,919 | (6,512) |
| Total, included in employee compensation and benefit expenses, including items recognised in other comprehensive income | 40,886 | 3,888 | 40,886 | 3,888 |

The principal actuarial assumptions in respect of long service awards at the reporting date (expressed as weighted averages) are as follows:

| | | |
|---------------------------|---------|--------|
| Discount rate at 31 March | 10.55 % | 9.89 % |
| Rate of salary increase | 6.55 % | 7.28 % |

| | 2020 R'000 | 2019 R'000 | 2018 R'000 |
|-------------------------------|---------------|---------------|---------------|
| Long service award obligation | (100,144) | (69,560) | (66,758) |

Sensitivity Analysis

| | | | |
|------------------|--------------------------|------------------------------|--------------------------|
| Salary Inflation | 1% decrease (98,226) | Valuation Basis (100,144) | 1% Increase (102,299) |
| Discount rate | 1% decrease (106,712) | Valuation Basis (100,144) | 1% increase (94,289) |

Long service awards

The group provides long service awards to its employees on 5 year continuous service intervals; it starts from 5 years of service to 45 years of service. These awards are unfunded and are provided for based on actuarial valuations performed annually. These awards consist of a cash portion as well as a gift portion, where continuous service reach 30 years and more; 5 days of long service leave is also granted and for each subsequent 5 year interval. To determine the present value of the obligation the Projected Unit Credit Method is used.

The principal actuarial assumptions in respect of long term leave pay at the reporting date (expressed as weighted averages) are as follows:

| | | |
|---------------------------|--------|--------|
| Discount rate at 31 March | 9.05 % | 8.00 % |
| Rate of salary increase | 6.55 % | 6.10 % |

21. Other Non-Current Liabilities

| Figures in R`000 | Group | | Company | |
|--|--------|--------|---------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| Competition Commission penalty - non current portion | 20,064 | 35,749 | 20,064 | 35,749 |

The SABC was fined by the Competition Commission for breach of competitive behaviour in the advertising industry. Included in the accruals is an amount of R15.685 m which is payable in the following financial year.

22. Trade and Other Payables

Financial instruments:

| Figures in R`000 | Group | | Company | |
|---|----------------|------------------|----------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Trade payables | 209,263 | 918,418 | 210,321 | 918,437 |
| Accrued bonus | 17,009 | 21,963 | 17,009 | 21,963 |
| Accruals | 324,651 | 310,779 | 324,101 | 310,648 |
| Accrued expense - Programme, film & sports rights | 125,516 | 212,871 | 125,516 | 212,871 |
| Other payables | 142,947 | 171,205 | 141,889 | 171,165 |
| | 819,386 | 1,635,236 | 818,836 | 1,635,084 |

Financial instrument and non-financial instrument components of trade and other payables

| | | | | |
|-------------------|---------|-----------|---------|-----------|
| At amortised cost | 819,386 | 1,635,236 | 818,836 | 1,635,084 |
|-------------------|---------|-----------|---------|-----------|

Exposure to currency risk

Refer to note 35 Financial instruments and financial risk management for details of currency risk management for trade payables.

23. Provisions

| Reconciliation of provisions | Group and Company | | | |
|------------------------------|-------------------|---------------|--------------------------|-----------------|
| | 2020 | | | |
| | Opening balance | Additions | Reversed during the year | Closing balance |
| Legal proceedings | 207,626 | 20,325 | (962) | 226,989 |
| Other provisions | 48,690 | 29,110 | (2,377) | 75,423 |
| | 256,316 | 49,435 | (3,339) | 302,412 |
| | 2019 | | | |
| Legal proceedings | 216,127 | 22,924 | (31,425) | 207,626 |
| Employee benefits | 125,830 | - | (125,830) | - |
| Other provisions | 98,616 | 16,404 | (66,330) | 48,690 |
| | 440,573 | 39,328 | (223,585) | 256,316 |

• Legal claims against the SABC were instituted by various individuals/institutions and a provision has been raised in that regard. Certain of these matters are before the courts and others the Group is attempting to settle out of court. Management estimates the potential outcome of these legal claims based on the most objective evidence on hand from internal and external legal advisors until such time that ultimate legal resolution has been finalised. Refer to note 1.15 for basis of estimates and assumptions in determining any provision raised.

• Other provisions include provisions for royalties to RISA and operating expenditures that are expected to be incurred in the next 12 months.

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

24. Revenue

| Revenue from contracts with customers Figures in R'000 | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Mobile and other revenue | 8,972 | 14,225 | 8,972 | 14,225 |
| Channel carriage fees | 188,701 | 169,750 | 188,701 | 169,750 |
| Programme rights exploitation rights | 30,984 | 28,081 | 30,984 | 28,081 |
| Advertising revenue | 4,086,648 | 4,583,712 | 4,086,648 | 4,583,712 |
| Sponsorship revenue | 322,738 | 402,991 | 322,738 | 402,991 |
| Licence fees* | 791,287 | 968,169 | 791,287 | 968,169 |
| Business enterprise & facilities revenue | 24,626 | 30,737 | 24,626 | 30,737 |
| | 5,453,956 | 6,197,665 | 5,453,956 | 6,197,665 |
| Revenue other than from contracts with customers | | | | |
| Revenue recognised from government grants | 198,525 | 214,352 | 198,525 | 214,352 |
| | 5,652,481 | 6,412,017 | 5,652,481 | 6,412,017 |

Disaggregation of revenue from contracts with customers

All the revenue earned by the group derives from the transfer of services at a point in time in the following major service lines:

Revenue from external customers

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Advertising revenue | 4,086,648 | 4,583,712 | 4,086,648 | 4,583,712 |
| Business enterprise & facilities revenue | 24,626 | 30,737 | 24,626 | 30,737 |
| Sponsorship revenue | 322,738 | 402,991 | 322,738 | 402,991 |
| Licence fees* | 791,287 | 968,169 | 791,287 | 968,169 |
| Programme rights exploitation rights | 30,984 | 28,081 | 30,984 | 28,081 |
| Channel carriage fees | 188,701 | 169,750 | 188,701 | 169,750 |
| Mobile and other revenue | 8,972 | 14,225 | 8,972 | 14,225 |
| | 5,453,956 | 6,197,665 | 5,453,956 | 6,197,665 |

*At each annual renewal date, a licence holder is billed their prescribed annual licence fee in terms of legislation. Due to the high levels of fee payment evasion by licence holders, the group assesses the probability of receiving the licence fees on an individual account basis. Where the timing and amount of receipt cannot be reliably measured and receipt is not considered probable, revenue is not recognised. During the year TV Licences amounting to R4.080 bn (2019: R3.137 bn) were billed of which only R791.2 m (2019: R968.2 m) met the probability recognition criteria.

Contract liabilities

| | | | | |
|---|----------------|---------------|----------------|---------------|
| Advertising revenue received in advance | 23,269 | 34,239 | 23,269 | 34,239 |
| TV licence income received in advance | 73,976 | 34,770 | 73,976 | 34,794 |
| Sponsorship revenue received in advance | 266,042 | 13,836 | 266,042 | 13,836 |
| Total contract liabilities | 363,287 | 82,845 | 363,287 | 82,869 |

Contract liability relates to payments received in advance of performance under a contract. Contract liabilities are recognised as revenue as (or when) the SABC fulfils performance obligations under the contract. All unsatisfied performance obligations are expected to be completed within one year from reporting date.

Contract assets

| | | | | |
|--------------------------------|----------------|----------|----------------|----------|
| TV Licence fees | 18,552 | - | 18,552 | - |
| Sponsorship (unbilled revenue) | 243,864 | - | 243,864 | - |
| | 262,416 | - | 262,416 | - |

Contract assets are recognised to the extent that performance obligations have been performed by the group and that revenue has been recognised in accordance with IFRS 15 Revenue from contracts with customers, but for which the group's right to consideration is not yet unconditional. When the right to consideration becomes unconditional, the contract asset is transferred to trade receivables.

In response to the Covid-19 pandemic and its economic consequences, clients were renegotiating their committed advertising & sponsorship deals running as at reporting date. These negotiations delayed the normal unconditional trading agreements with which values recognised in contract assets would have been set-off against values recognised in contract liabilities. The effect of this was a significant increase in both contract assets and contract liabilities as at 31 March 2020.

| (i) Significant change in contract assets and liabilities | Contract assets and liabilities | | | |
|--|--|---------------|----------------|---------------|
| Revenue recognised that was included in contract liability at beginning of period | (82,845) | (65,847) | (82,845) | (65,847) |
| Increase due to cash received, excluding amounts recognised as revenue during the period | 363,287 | 82,845 | 363,287 | 82,845 |
| | 280,442 | 16,998 | 280,442 | 16,998 |

All consideration from contracts with customers is included in the amounts of contract liabilities presented above. Contract liabilities are all expected to be recognised in revenue in 12 months succeeding the financial year end. The group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The group applies the practical expedient in paragraph C5 (c) of IFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations and when revenue is expected to be recognised as revenue in 2019 for initial IFRS 15 application.

(ii) Revenue recognised in relation to contract liabilities

The following table below shows how much of the revenue recognised in the current period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in the prior year.

Revenue recognised that was included in the contract liability balance at the beginning of the period:

| Figures in R`000 | Group | | Company | |
|--|---------------|---------------|----------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Advertising revenue | - | 26,340 | - | 26,340 |
| Licence fees | 48,606 | 23,189 | 48,606 | 23,189 |
| Sponsorship revenue received in advance | 34,239 | 16,318 | 34,239 | 16,318 |
| No revenue was recognised from performance obligations satisfied in previous periods | - | - | - | - |
| | 82,845 | 65,847 | 82,845 | 65,847 |

25. Other Operating Income

| | | | | |
|------------------------------|---------------|---------------|---------------|---------------|
| Rental income | 9,005 | 9,731 | 9,005 | 9,731 |
| Travel commission | 588 | 1,093 | 588 | 1,093 |
| Event sponsorships and other | 11,227 | 40,572 | 10,727 | 40,572 |
| Management fees | - | 2,208 | - | 2,208 |
| | 20,820 | 53,604 | 20,320 | 53,604 |

26. Employee and Directors Compensation and Benefit Expense

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Cost of Employment | 2,433,202 | 2,403,086 | 2,433,202 | 2,403,086 |
| Long-service Awards | 10,967 | 10,400 | 10,967 | 10,400 |
| Defined benefit pension fund recognised in profit or loss | 221,388 | 266,114 | 221,388 | 266,114 |
| Post-employment medical benefits | 120,709 | 114,835 | 120,709 | 114,835 |
| Leave pay | 43,435 | 29,030 | 43,435 | 29,030 |
| Total amounts recognised in profit or loss | 2,829,701 | 2,823,465 | 2,829,701 | 2,823,465 |
| Items recognised in other comprehensive income: | | | | |
| Actuarial (gain)/loss-post-retirement medical aid liability | (184,639) | (92,048) | (184,639) | (92,048) |
| Actuarial (gain)/loss-Pension fund defined benefit | (1,567,932) | (1,751,107) | (1,567,932) | (1,751,107) |
| Actuarial(gain)/loss-Long service awards | 29,919 | (6,512) | 29,919 | (6,512) |
| Expected return on plan assets | 2,866,895 | 589,113 | 2,866,895 | 589,113 |
| | 3,973,944 | 1,562,911 | 3,973,944 | 1,562,911 |

27. Professional and Consulting Fees

| | | | | |
|-----------------|---------------|---------------|---------------|---------------|
| Audit fees | 24,381 | 24,134 | 24,381 | 24,134 |
| Consulting fees | 54,036 | 62,068 | 54,036 | 65,332 |
| Managerial | 20,715 | 20,486 | 20,715 | 23,750 |
| Technical | 29,929 | 40,593 | 29,929 | 40,593 |
| Other | 3,392 | 989 | 3,392 | 989 |
| | 78,417 | 86,202 | 78,417 | 89,466 |

28. Operational Expenses

Operational expenses include the following charges:

| | | | | |
|---|---------|--------|---------|--------|
| Operating lease charges | 1,480 | 19,276 | 1,480 | 19,276 |
| Premises | 3,368 | 16,795 | 3,368 | 16,795 |
| Equipment | (1,888) | 2,481 | (1,888) | 2,481 |
| Legal claim provision raised/(reversed) | 49,435 | 39,328 | 49,435 | 39,328 |

The SABCO implemented IFRS 16 in the current year which resulted in most of operating leases being recognised as Rights of Use (ROU) assets, resulting in a decline in the operating lease charges.

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

29. Profits/(losses) on Disposal of Assets

| Figures in R'000 | Group | | Company | |
|---------------------------------|-------|---------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| Profit (loss) on sale of assets | 5,925 | (2,690) | 5,925 | (2,690) |

Profit/(loss) on sale of assets relates to the disposal of items of property, plant and equipment and computer software. Refer to note 4 on property, plant and equipment and note 6 on intangible assets.

30. Net Finance Gain

| | | | | |
|--|---------------|-----------------|---------------|-----------------|
| Interest received from banking institutions | 62,931 | 14,493 | 62,883 | 14,429 |
| Net foreign exchange gain on monetary items | 1,513 | (3,786) | 1,513 | (3,786) |
| Interest income | 64,444 | 10,707 | 64,396 | 10,643 |
| Dividend income | 487 | 455 | 487 | 455 |
| Finance Income | 64,931 | 11,162 | 64,883 | 11,098 |
| Interest paid | (31,959) | (28,369) | (31,959) | (28,132) |
| Interest paid -Permanent Capital | (969) | (1,131) | (969) | (1,131) |
| Installment sale and lease liabilities | (5,167) | (3,205) | (5,167) | (3,205) |
| Independent third parties | (25,823) | (24,033) | (25,823) | (23,796) |
| Net foreign exchange gains (losses) on foreign currency borrowings | (9,976) | (21,395) | (9,976) | (21,395) |
| Finance Expenses | (41,935) | (49,764) | (41,935) | (49,527) |
| Net financing gain/(loss) | 22,996 | (38,602) | 22,948 | (38,429) |

31. Taxation

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

| | | | | |
|---|--------------|-----------|--------------|-----------|
| Accounting loss | (510,881) | (482,366) | (510,365) | (511,499) |
| Tax at the applicable tax rate of 28% (2019: 28%) | (143,047) | (135,064) | (142,902) | (143,221) |
| Tax effect of adjustments on taxable income | | | | |
| Non-taxable income | (2,476) | - | (2,476) | - |
| Non-deductible expenses | 7,237 | 30,808 | 7,092 | 38,965 |
| Prior year adjustment-tax expense | - | (14,751) | - | (14,751) |
| Over (Under) -prior year | - | (4,228) | - | (4,228) |
| Over (Under) derecognised | - | 4,228 | - | 4,228 |
| Prior year adjustment-deferred Tax | - | 147,387 | - | 147,387 |
| Deferred tax asset not recognised - other temporary differences | 137,789 | (28,380) | 137,789 | (28,380) |
| | (497) | - | (497) | - |

Income tax expense

| | | | | |
|--|--------------|-----------|--------------|-----------|
| Income tax recognised in profit or loss | | | | |
| Current year - temporary difference | (680,356) | 28,379 | (680,356) | 28,379 |
| Assessed loss - current year | 542,070 | 147,387 | 542,070 | 147,387 |
| Prior year adjustment - assessed loss | - | (4,228) | - | (4,228) |
| Deferred tax asset not recognised- other temporary differences | 137,789 | (28,379) | 137,789 | (28,379) |
| Deferred tax asset not recognised- assessed loss | - | 4,228 | - | 4,228 |
| Deferred tax asset not recognised | - | (147,387) | - | (147,387) |
| | (497) | - | (497) | - |

Reconciliation of the tax expense

Reconciliation between comprehensive loss and tax loss

| | | | | |
|---|-------------|-----------|-------------|-----------|
| Comprehensive income/(loss) before tax | (1,147,496) | 1,258,901 | (1,147,496) | 1,258,901 |
| Tax at the applicable tax rate of 28% (2019: 28%) | 321,117 | 352,492 | 321,117 | 352,492 |
| Deferred tax derecognised-OCI | (321,117) | (352,492) | (321,117) | (352,492) |
| | - | - | - | - |

| Figures in R`000 | Group | | Company | |
|---|-----------|-----------|-----------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| Income tax expense | | | | |
| Income tax recognised in other comprehensive income | | | | |
| Defined benefit asset | (363,711) | (325,359) | (363,711) | (325,359) |
| Post retirement medical aid | 51,699 | (25,773) | 51,699 | (25,773) |
| Other financial assets | 2,598 | 463 | 2,598 | 463 |
| Long service awards | 8,377 | (1,823) | 8,377 | (1,823) |
| Deferred tax not recognised-OCI | 301,037 | 352,492 | 301,037 | 352,492 |
| | - | - | - | - |

32. Cash Generated from Operations

| | | | | |
|---|-------------|-------------|-------------|-------------|
| Loss before taxation | (510,881) | (482,366) | (510,365) | (511,499) |
| Adjustments for: | | | | |
| Depreciation and impairment of property, plant and equipment | 147,356 | 168,143 | 147,357 | 168,143 |
| Depreciation of right-of-use assets | 15,705 | - | 15,705 | - |
| Amortisation and impairment of computer software | 22,229 | 45,414 | 22,229 | 45,414 |
| Amortisation of programme, film and sports rights | 1,268,165 | 1,753,353 | 1,268,165 | 1,753,353 |
| (Gains)/losses on disposals, scrappings and settlements of assets and liabilities | (5,925) | 2,690 | (5,925) | 2,690 |
| Impairment of Trade Receivables | 76,374 | 96,804 | 76,374 | 143,176 |
| Revenue recognised from government grants | (198,525) | (214,352) | (198,525) | (214,352) |
| Dividends received | (487) | (455) | (487) | (455) |
| Interest income | (64,444) | (14,492) | (64,396) | (14,428) |
| Finance costs | 41,935 | 28,132 | 41,935 | 28,132 |
| Increase/(decrease) of provision on trade receivables | 6,872 | 13,803 | 6,872 | 13,803 |
| Transfer of subsidiaries net assets | - | 4,548 | - | - |
| Income tax raised | - | 11 | - | - |
| Operating cash inflow before payment for acquisition of programme, film and sports rights | 798,374 | 1,401,233 | 798,939 | 1,413,977 |
| Net acquisition of programme, film and sports rights | (1,248,514) | (1,668,460) | (1,248,514) | (1,668,460) |
| Operating cash outflow before changes in working capital, employee benefits | (450,140) | (267,227) | (449,575) | (254,483) |
| Changes in working capital: | | | | |
| Consumables | (118) | 1,202 | (118) | 1,202 |
| Trade and other receivables | 38,319 | (101,825) | 38,211 | (114,171) |
| Contract assets | (262,416) | - | (262,416) | - |
| Prepayments | 34,191 | (10,522) | 34,191 | (10,522) |
| Trade and other payables | (843,296) | 502,366 | (843,694) | 502,236 |
| Contract liabilities | 280,442 | 16,998 | 280,418 | 16,998 |
| Movement in retirement benefit asset and liabilities | (24,130) | (18,736) | (24,130) | (18,736) |
| Other non-current liabilities | (15,685) | 35,749 | (15,685) | 35,749 |
| Movements in provisions | 46,096 | (184,257) | 46,096 | (184,257) |
| Employee benefits obligation | (20,650) | (34,725) | (20,732) | (34,725) |
| Deferred government grant | (14,979) | - | (14,979) | - |
| Cash generated from operations | (1,232,366) | (60,977) | (1,232,413) | (60,709) |

33. Proceeds from Disposal of Property, Plant and Equipment

| | | | | |
|---|---------------|--------------|---------------|--------------|
| Net book value of disposals and asset verification adjustment | 10,485 | 8,024 | 10,485 | 8,024 |
| Profit (loss) on sale of assets | 5,925 | (2,690) | 5,925 | (2,690) |
| | 16,410 | 5,334 | 16,410 | 5,334 |

34. Tax (paid)/refunded

| | | | | |
|---|-----------------|-------------|-----------------|-------------|
| Balance at beginning of the year | (96,937) | (96,976) | (96,937) | (96,965) |
| Current tax for the year recognised in profit or loss | (497) | 11 | (497) | - |
| Balance at end of the year | 69,491 | 96,937 | 69,491 | 96,937 |
| | (27,943) | (28) | (27,943) | (28) |

The closing tax liability is based on the best estimate as at 31 March 2019 and it is subject to SARS approval of the ruling on section 11 (j) allowances. The closing tax liability is management's estimate as at 31 March 2019 and management believes that the amount will be further reduced (subject to SARS approval) by the allowances not claimed in prior year in respect of: Programmes and fixed assets amounting to R171 m and R84 m respectively.

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

35. Financial Instruments and Risk Management

| Categories of financial instruments | | Fair value through other comprehensive income equity instruments | Amortised cost | Total | Fair value |
|--|---------|--|------------------|------------------|---------------|
| Categories of financial assets | Note(s) | | | | |
| Group | | | | | |
| 2020 | | | | | |
| Trade and other receivables | 12 | - | 843,325 | 843,325 | - |
| Cash and cash equivalents | 13 | - | 2,132,866 | 2,132,866 | - |
| Other financial assets | 9 | 7,319 | - | 7,319 | 7,319 |
| | | 7,319 | 2,976,191 | 2,983,510 | 7,319 |
| 2019 | | | | | |
| Trade and other receivables | 12 | - | 888,516 | 888,516 | - |
| Cash and cash equivalents | 13 | - | 72,613 | 72,613 | - |
| Other financial assets | 9 | 10,567 | - | 10,567 | 10,567 |
| | | 10,567 | 961,129 | 971,696 | 10,567 |
| Company | | | | | |
| 2020 | | | | | |
| Trade and other receivables | 12 | - | 843,325 | 843,325 | - |
| Cash and cash equivalents | 13 | - | 2,129,579 | 2,129,579 | - |
| Other financial assets | 9 | 7,319 | - | 7,319 | 7,319 |
| | | 7,319 | 2,972,904 | 2,980,223 | 7,319 |
| 2019 | | | | | |
| Trade and other receivables | 12 | - | 888,408 | 888,408 | - |
| Cash and cash equivalents | 13 | - | 69,360 | 69,360 | - |
| Other financial assets | 9 | 10,567 | - | 10,567 | 10,567 |
| | | 10,567 | 957,768 | 968,335 | 10,567 |
| Categories of financial liabilities | | | | | |
| Group | | | | | |
| 2020 | | | | | |
| Trade and other payables | 22 | 819,386 | - | 819,386 | - |
| Loans and borrowings | 17 | - | 17,730 | 17,730 | - |
| | | 819,386 | 17,730 | 837,116 | - |
| 2019 | | | | | |
| Trade and other payables | 22 | 1,635,236 | - | 1,635,236 | - |
| Loans and borrowings | 17 | - | 29,419 | 29,419 | - |
| | | 1,635,236 | 29,419 | 1,664,655 | - |
| Company | | | | | |
| 2020 | | | | | |
| Trade and other payables | 22 | 818,836 | - | 818,836 | - |
| Loans and borrowings | 17 | - | 17,730 | 17,730 | - |
| | | 818,836 | 17,730 | 836,566 | - |
| 2019 | | | | | |
| Trade and other payables | 22 | 1,635,084 | - | 1,635,084 | - |
| Loans and borrowings | 17 | - | 29,419 | 29,419 | - |
| | | 1,635,084 | 29,419 | 1,664,503 | - |

Capital management

The group's share capital is 100% owned by the Government. The group does not hold any other form of share capital. There are no changes expected in the group's approach to capital management during the year. The group is not subject to any externally imposed

capital requirements. The group manages its capital to ensure that the entity is able to continue as a going concern by maintaining a minimum liquidity reserve. The minimum liquidity reserve is the specified minimum acceptable surplus of uncommitted facilities or cash holdings over projected net debt levels for the next 12 months. This level is currently set at R700 m. The group currently finds it difficult to meet this minimum required liquidity levels.

Borrowing facilities

The unutilised borrowing facilities include general short-term banking facilities, asset-based finance facilities as well as guarantee facilities. Included in normal guarantees, the group has guarantees against the employee housing scheme to the value of R0.189 m.

General short-term banking facilities (available for future operating activities)

| Figures in R`000 | Note(s) | Group | | Company | |
|--|---------|--------------------|------------------|--------------------|------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| FNB/Rand Merchant Bank | | - | - | - | - |
| Nedbank | | - | - | - | - |
| ABSA Corporate and Merchant Bank | | 32,864 | 95,000 | 32,864 | 95,000 |
| Unutilised | | 15,000 | 64,240 | 15,000 | 64,240 |
| Asset finance (available to settle capital commitments) | | | | | |
| Provided | | 16,377 | 74,000 | 16,377 | 74,000 |
| Utilised | | (16,377) | (29,403) | (16,377) | (29,403) |
| Unutilised | | - | 44,597 | - | 44,597 |
| Guarantees | | | | | |
| Provided | | 341 | 131,000 | 341 | 131,000 |
| Utilised | | (341) | (357) | (341) | (357) |
| Unutilised | | - | 130,643 | - | 130,643 |
| Loans and borrowings | 17 | 17,730 | 29,419 | 17,730 | 29,419 |
| Trade and other payables | 22 | 819,386 | 1,635,236 | 818,836 | 1,635,084 |
| Government debt instrument | 16 | 14,913 | 17,401 | 14,913 | 17,401 |
| Total borrowings | | 852,029 | 1,682,056 | 851,479 | 1,681,904 |
| Cash and cash equivalents | 13 | (2,132,866) | (72,613) | (2,129,579) | (69,360) |
| Net borrowings | | (1,280,837) | 1,609,443 | (1,278,100) | 1,612,544 |
| Equity | | 2,996,702 | 1,447,398 | 2,995,726 | 1,457,705 |
| Gearing ratio | | (43)% | 111% | (43)% | 111% |

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL) and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Risk management

The SABC applies a Credit Policy in managing the credit management of customers. The credit management process entails assessing the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with set limits. The compliance with credit limits by wholesale customers is regularly monitored by line management. Each customer's credit profile is determined and affects the allowable credit terms and credit limits.

(ii) Impairment of financial assets

The SABC has two types of financial assets that are subject to IFRS 9's expected credit loss model:

- trade receivables (commercial revenue and TV licence)
- equity instrument carried at FVOCI

The SABC adopted the Simplified Approach for Trade Receivables in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. However, no impairment loss was identified for contract assets.

The expected credit loss rates are based on the payment profiles of sales over a 12 month period and historical credit losses experienced within prior periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The following qualitative factors have been incorporated into measurement of expected credit losses:

- Any changes in the contractual/ credit terms
- Declining profitability of the borrower based on the latest available financial statements
- Any other legal/ operational information available to the SABC affecting the borrower
- The trade debtors with the significant risk (past 30 days due), with the following characteristics have been rebutted:
 - where there is a set-off agreement in place for the amount owed by the Corporation and amount owed to Corporation for the same trade debtor/ trade creditor
 - amount is owed by the National/ Provincial department is deemed to be recoverable

On that basis, the loss allowance as at 31 March 2020 and 1 April 2019 (on adoption of IFRS 9) was determined as follows for both trade receivables and contract assets:

| | Current | Within 30 days past due | 31-90 days past due | More than 90 days past due | Total |
|---|----------------|-------------------------|---------------------|----------------------------|----------------|
| 31 March | | | | | |
| Expected loss rate | 1% | 2% | 100% | 100% | - |
| Gross carrying amount-Trade receivables | 541,085 | 34,601 | 11,065 | 34,201 | 620,952 |
| | 541,086 | 34,603 | 11,165 | 34,301 | 620,952 |
| 1 April | | | | | |
| Expected loss rate | 1% | 2% | 100% | 100% | - |
| Gross carrying amount-Trade receivables | 571,115 | 12,600 | 30,311 | 78,666 | 692,692 |
| | 571,116 | 12,602 | 30,411 | 78,766 | 692,692 |

Trade and other receivables

The closing loss allowances for trade receivables and contract assets as at 31 March 2020 reconcile to the opening loss allowances as follows:

| | Trade receivables |
|--|-------------------|
| Closing balance-31 March 2019 | (44,335) |
| Opening loss allowance as at 1 April 2019 | (44,335) |
| Increase in loan loss allowance recognised in profit or loss during the year | (6,872) |
| Closing loss allowance as at 31 March 2020 | (51,207) |

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. No impairment losses were identified for contract assets. Subsequent recoveries of amounts previously written off are credited against the same line item. Refer to note 12: Trade and other receivables for an analysis of impairment of trade receivables expense.

In determining the measurement of the expected credit losses, the SABC followed the below methodology. The impairment was adjusted for the COVID 19 pandemic impact in the current year.

| Credit risk rating | Description | Explanation | Impairment matrix (Bucket value) |
|--------------------|-------------|--|----------------------------------|
| 1 | Low | Customer account balances which are only current and/or 30 days past due with a credit rating between A to B, these are deemed to have low risk. | - % |
| 2 | Moderate | Customer account balances which are only current and/or 30 days past due with a credit rating between A to B, but have qualitative factors. | 2 % |
| | | Customer account balances which are current and/or 30 days past due (which are also included in the past 30 days). | 3 % |
| | | Customer account balances which are current and/or 30 days past due with a credit rating of C are deemed to have moderate risk | 4 % |
| 3 | Significant | Past 30 days past due and there is no substantiating evidence to rebut Par.5.5.11 (IFRS 9) rebuttable presumption. | 100 % |
| | | Customer account balances which are current and/or 30 days past due with a credit rating of D and worse are deemed to have significant risk. | 25 % |

(i) Security

For some trade receivables the group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(ii) Guarantees

The Company has issued guarantees of R0.189 m relating to the employee housing scheme.

The Group holds collateral as security

| The nature and fair value of this collateral is as follows: Figures in R`000 | Group | | Company | |
|---|-----------|-----------|-----------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| Coface | 1,181,500 | 1,181,500 | 1,181,500 | 1,181,500 |

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due or can only do so at excessively high costs. The group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient cash, marketable securities and credit facilities to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation. Where internal funding is constrained, external sources of funding are explored.

The group manages its cash flow requirements by forecasting for both the short-term (three months) and the long-term (one to 3 years) cash requirements of the group. The group has borrowing facilities amounting to R32 m (2019: R269 m) which include short-term banking facilities as well as asset-based finance facilities.

The following analysis details the contractual maturity of the group's non-derivative financial liabilities. The analysis is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to settle the liability. The analysis includes both interest and principal cash flows.

| Non-derivative financial liabilities | Carrying amount R'000 | Contractual cash flow R'000 | Up to 6 months R'000 | 6 months to 1 year R'000 | 1 year to 3 years R'000 | Thereafter |
|---|--------------------------|--------------------------------|-------------------------|-----------------------------|----------------------------|------------|
| 2020 | | | | | | |
| Trade payables | 209,263 | 209,263 | 209,263 | - | - | - |
| Accrued bonus | 17,009 | 17,009 | - | 17,009 | - | - |
| Accruals | 324,651 | 324,651 | 324,651 | - | - | - |
| Accrued expense - Programme, film & sports rights | 125,516 | 125,516 | 125,516 | - | - | - |
| Other payables* | 142,947 | 142,947 | 142,947 | - | - | - |
| Other non-current liabilities | 20,064 | 20,064 | - | - | 20,064 | - |
| Loans and borrowings | 17,730 | 17,730 | 6,616 | 6,616 | 4,499 | - |
| Government debt instrument | 14,913 | 14,913 | - | - | - | - |
| Lease liabilities | 30,599 | 30,599 | 6,744 | 6,745 | 17,110 | - |
| | 902,692 | 902,692 | 815,737 | 30,370 | 41,673 | - |

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

| Non-derivative financial liabilities | Carrying amount R'000 | Contractual cash flow R'000 | Up to 6 months R'000 | 6 months to 1 year R'000 | 1 year to 3 years R'000 | Thereafter |
|---|--------------------------|--------------------------------|-------------------------|-----------------------------|----------------------------|---------------|
| 2019 | | | | | | |
| Trade payables | 918,418 | 918,418 | 918,418 | - | - | - |
| Accrued bonus | 21,963 | 21,963 | - | 21,963 | - | - |
| Accruals | 310,779 | 310,779 | 310,779 | - | - | - |
| Accrued expense - Programme, film & sports rights | 212,871 | 212,871 | 212,871 | - | - | - |
| Other payables* | 171,205 | 171,205 | 171,205 | - | - | - |
| Other non-current liabilities | 35,749 | 35,749 | - | - | 35,749 | - |
| Loans and borrowings | 32,454 | 29,419 | 6,616 | 6,616 | 16,188 | - |
| Government debt instrument | 17,401 | 17,401 | 2,488 | - | - | 14,913 |
| | 1,720,840 | 1,717,805 | 1,622,377 | 28,579 | 51,937 | 14,913 |

* excludes statutory accruals and payables

Market risk

Market risk is the probable changes in market prices, such as foreign exchange rates and interest rates, that will affect the group's income or the value of its holdings of financial instruments. The objective of the group's market risk management framework is to protect and enhance the performance of the statement of financial position and profit or loss by managing and controlling market risk exposures and to optimise the funding of capital projects.

Currency risk

Foreign currency risk arises primarily from international programming rights that are procured in foreign currency and the procurement, implementation and maintenance of the broadcasting infrastructure. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The group uses forward contracts to manage foreign currency risk arising from future commercial transactions and recognised assets and liabilities and is responsible for managing the net position in each foreign currency.

The group's risk management policy is to economically hedge between 35% to 75% of firm commitments for a rolling 12 month period. The group has not applied hedge accounting for these forward currency contracts. The group only covers known commitments and does not speculate in foreign currency. The minimum percentage cover for less than one year is 35%.

| The Group's exposure to foreign currency risk based on notional amounts was as follows: | US Dollar '000 | Rand '000 |
|---|-------------------|-----------------|
| | 2020 | |
| Trade payables | (292) | (5,229) |
| Gross financial position exposure | (292) | (5,229) |
| Net financial position exposure | (292) | (5,229) |
| 2019 | | |
| Trade payables | (1,046) | (13,610) |
| Gross financial position exposure | (1,046) | (13,610) |
| Net financial position exposure | (1,046) | (13,610) |

| The following significant exchange rates applied during the year: | Average Rate | | Reporting date spot rate during the year: | |
|---|--------------|-------|---|-------|
| | 2020 | 2019 | 2020 | 2019 |
| USD 1 | 14.77 | 13.02 | 17.88 | 11.90 |
| EUR 1 | 17.83 | 15.21 | 19.66 | 14.67 |

Sensitivity analysis

A 10% strengthening of the Rand against the following currency at 31 March would have increased profit/decreased loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for the 2018/19 financial reporting period. Due to the nature of the transactions, there is no effect on equity.

| Profit or (loss) Figures in R'000 | Group | | Company | |
|--------------------------------------|-------|-------|---------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| USD | 129 | 1,316 | 129 | 1,316 |

A 10% weakening of the Rand against the above currency at 31 March would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The group's income and operating cash flows are substantially dependent on changes in market interest rates. The interest rates of finance leases to which the group is a lessee are fixed at inception of the lease or variable over the term of the lease, and therefore expose the group to fair value interest rate risk. At reporting date the interest rate profile of the group's interest bearing financial instruments was:

Carrying amount

Fixed rate instruments

| | | | | |
|----------------------------|--------|--------|--------|--------|
| Government debt instrument | 14,913 | 17,401 | 14,913 | 17,401 |
|----------------------------|--------|--------|--------|--------|

Variable rate instrument

| | | | | |
|---------------------------|------------------|---------------|------------------|---------------|
| Loan and borrowings | (17,730) | (29,419) | 17,730 | (29,419) |
| Cash and cash equivalents | 2,132,866 | 72,613 | 2,129,579 | 69,360 |
| | 2,115,136 | 43,194 | 2,147,309 | 39,941 |

Fair value sensitivity analysis for fixed rate instruments

The group does not account for any fixed rates financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased profit or decreased loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for the 2018/19 financial reporting period. Due to the nature of the transactions, there is no effect on equity.

Profit/loss 100 bp increase

| | | | | |
|--------------------------|--------|-------|--------|-------|
| Variable rate instrument | 11,263 | 1,386 | 10,995 | 1,352 |
|--------------------------|--------|-------|--------|-------|

A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect on the above amounts, on the basis that all other variables remain constant.

Fair value of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different valuation levels are identified as follows by IFRS 13:

Level 1 - Quoted prices (unadjusted) in active, markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions. The following methods and assumptions are used to estimate the fair value of each class of financial instruments

(i) Other financial assets

The carrying amount of these financial assets is the fair value, and is quoted in an active market.

| | 2020 | | | | 2019 | | | |
|---|-----------------|------------------|------------------|------------------|-----------------|------------------|------------------|------------------|
| | Carrying amount | Fair value | | | Carrying amount | Fair value | | |
| | R'000 | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 | R'000 | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 |
| Group | | | | | | | | |
| Financial assets | | | | | | | | |
| Other financial assets | | | | | | | | |
| FVOCI | 7,319 | 7,319 | - | - | 10,567 | 10,567 | - | - |
| Financial assets at amortised cost | | | | | | | | |
| Trade and other receivables | 843,325 | - | - | - | 888,516 | - | - | - |
| Cash and cash equivalents | 2,132,866 | 2,132,866 | - | - | 72,615 | 72,615 | - | - |
| Total Financial assets | 2,983,510 | 2,140,185 | - | - | 971,698 | 83,182 | - | - |
| Financial liabilities | | | | | | | | |
| Financial liabilities measured at amortised cost | | | | | | | | |
| Government debt instrument | (14,913) | - | - | - | (17,401) | - | - | - |
| Loan and borrowings | (17,730) | - | - | - | (29,419) | - | - | - |
| Trade and other payables | (819,386) | - | - | - | (1,635,236) | - | - | - |
| Net financial liabilities | 2,131,481 | 2,140,185 | - | - | (710,358) | 83,182 | - | -159 |

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

| | 2020 | | | | 2019 | | | |
|---|-----------------|---------------|---------------|---------------|-----------------|---------------|---------------|---------------|
| | Carrying amount | Fair value | | | Carrying amount | Fair value | | |
| | R'000 | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 | R'000 | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 |
| Company | | | | | | | | |
| Financial assets | | | | | | | | |
| Other financial assets | | | | | | | | |
| FVOCI | 7,319 | 7,319 | - | - | 10,567 | 10,567 | - | - |
| Financial assets at amortised cost | | | | | | | | |
| Trade and other receivables | 843,325 | - | - | - | 888,408 | - | - | - |
| Cash and cash equivalents | 2,129,579 | 2,129,579 | - | - | 69,360 | 69,360 | - | - |
| Total Financial assets | 2,980,223 | 2,136,898 | - | - | 968,335 | 79,927 | - | - |
| Financial liabilities | | | | | | | | |
| Financial liabilities measured at amortised cost | | | | | | | | |
| Government debt instrument | (14,913) | - | - | - | (17,401) | - | - | - |
| Loan and borrowings | (17,730) | - | - | - | (29,419) | - | - | - |
| Trade and other payables | (818,836) | - | - | - | (1,635,084) | - | - | - |
| Net financial liabilities | 2,128,744 | 2,136,898 | - | - | (713,569) | 79,927 | - | - |

36. Leases (Group as Lessee)

Details pertaining to leasing arrangements, where the group is a lessee are presented below:

| Figures in R'000 | Group | | Company | |
|--|---------------|----------|---------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Net carrying amounts of right-of-use assets | | | | |
| The carrying amounts of right-of-use assets are as follows: | | | | |
| Buildings | 20,454 | - | 20,454 | - |
| Office equipment | 8,402 | - | 8,402 | - |
| | 28,856 | - | 28,856 | - |
| Additions to right-of-use assets | | | | |
| Buildings | 33,867 | - | 33,867 | - |
| Office equipment | 10,694 | - | 10,694 | - |
| | 44,561 | - | 44,561 | - |
| Depreciation recognised on right-of-use assets | | | | |
| Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss. | | | | |
| Buildings | 13,414 | - | 13,414 | - |
| Office equipment | 2,291 | - | 2,291 | - |
| | 15,705 | - | 15,705 | - |
| Other disclosures | | | | |
| Interest expense on lease liabilities | 3,146 | - | 3,146 | - |
| Lease liabilities | | | | |
| The maturity analysis of lease liabilities is as follows: | | | | |
| Within one year | 16,704 | - | 16,704 | - |
| Two to five years | 17,423 | - | 17,423 | - |
| | 34,127 | - | 34,127 | - |
| Less finance charges component | (3,528) | - | (3,528) | - |
| | 30,599 | - | 30,599 | - |
| Non - current liabilities | 17,110 | - | 17,110 | - |
| Current liabilities | 13,489 | - | 13,489 | - |
| | 30,599 | - | 30,599 | - |

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for

| Figures in R`000 | Group | | Company | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| • Property, plant and equipment | 57,831 | 90,524 | 57,831 | 90,524 |
| • Programme, film & sports rights | 1,210,609 | 928,728 | 1,210,609 | 928,728 |
| Totals | 1,268,440 | 1,019,252 | 1,268,440 | 1,019,252 |

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained profits, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Commitments for programme, film and sports rights will be funded internally. The local commitments and the currency exposure on foreign programme, film and sports rights at 31 March 2020 is as follows:

| | Local commitments | Foreign commitments | | Total |
|--------------------------|-------------------|---------------------|----------------|------------------|
| | R'000 | USD'000 | R'000 | R'000 |
| Year ending March 2021 | 685,735 | 2,047 | 36,472 | 722,207 |
| Local currency | 685,735 | - | - | 685,735 |
| Foreign-US Dollar | - | 2,047 | 36,472 | 36,472 |
| Year ending March 2022 | 158,499 | 1,725 | 30,742 | 189,241 |
| Local currency | 158,499 | - | - | 158,499 |
| Foreign-US Dollar | - | 1,725 | 30,742 | 30,742 |
| Year ending March 2023 | 115,528 | 525 | 9,356 | 124,884 |
| Local currency | 115,528 | - | - | 115,528 |
| Foreign-US Dollar | - | 525 | 9,356 | 9,356 |
| Year ending March 2024 | 90,898 | 2,625 | 46,782 | 137,680 |
| Local currency | 90,898 | - | - | 90,898 |
| Foreign-US Dollar | - | 2,625 | 46,782 | 46,782 |
| Year ending March 2025 | - | 2,048 | 36,490 | 36,490 |
| Local currency | - | - | - | - |
| Foreign-US Dollar | - | 2,048 | 36,490 | 36,490 |
| Year ending March 2026 | 107 | - | - | 107 |
| Local currency | 107 | - | - | 107 |
| Total commitments | 1,050,767 | 8,970 | 159,842 | 1,210,609 |

38. Contingencies

Unless the outflow of economic resources is considered remote, contingent liabilities are disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. In some cases it may be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The disclosed contingent liabilities all arise from claims lodged by third parties against the group where judgement by a competent court of law is pending, and management has obtained legal advice that the SABC has a high probability of success in defending these legal claims. The claims active as at 31 March 2020 and giving rise to contingent liabilities are detailed as follows:

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

Possible Losses for the Group 2020 R'000

| | |
|--|------------------|
| (i) The Government Employee Pension Fund ('GEPF') represented by the Public Investment Corporation ('PIC') instituted a claim of approximately R337 million including interest against the SABC for the cancellation of a purported lease agreement for certain assets previously leased by Bophuthatswana Broadcasting Corporation between 1997 till 2011. Accruing for the maximum interest that can be charged, the possible loss is R760m. The SABC has filed an interlocutory application in terms of which it is challenging the locus standi of GEPF to sue in this matter. The matter was set down for 23 March 2020 but the matter did not proceed because of lockdown in South Africa. | 760,000 |
| (ii) A third party instituted action against the SABC claiming payment of the amount of R92 865.54. The SABC filed a counter claim against the Plaintiff for the partial delivery of poor quality merchandise. The matter was ready for a pre-trial, however the court file went missing. The SABC is awaiting for the opening of the duplicate file for the matter to continue. | 97 |
| (iii) The SABC made an application to have the contract between the service provider and the SABC to be set aside for consulting work. The matter was heard on 20 February 2019 and the SABC currently awaits the decision of the court. | 9,816 |
| (iv) An ex-employee of the former TBVC state Radio which was then absorbed by the SABC alleges that he was promised to be re- employed by the SABC which never transpired. He claims damages as a result. He has gone to every forum to claim such damages from the SABC. The SABC has launched an Application to declare the ex-employee a vexatious litigant which has been served on him. The ex-employee of TBVC state radio has not filed answering papers to the SABC's application. The SABC awaits amended summons from the litigant. | 15,000 |
| (v) Summons was served on the SABC on the 26th November 2012. The Plaintiff in this acquired the right to claim against the SABC as a result of an alleged cession agreement between himself and a third party. | 224 |
| (vi) The plaintiff instituted legal action against the SABC for alleged breach of his employment contract, claiming recovery of mobile phone allowance. The SABC has good prospects to succeed this matter, however the plaintiff seems to have abandoned this claim. | 29 |
| (vii) This matter results from a security tender awarded at a total cost of R185 519 425.61. On 15 December 2017, the SABC was served with a Notice of Motion from a losing bidder requesting among others that the appointment of winning bidder be set aside and that the applicant be substituted as the bid winner. Should the applicant succeed in this litigation, the SABC will be liable for the full contract amount. If the applicant succeeds on the litigation, the winning bidder might also institute a claim for damages to the same value. The Special Investigations Unit has made a joinder application on the matter. | 185,519 |
| (viii) The SABC set aside the contract with the service provider for the construction of Multi-purpose studio. The SABC and Special Investigations Unit is appealing the decision of the court in this matter. | 5,936 |
| (ix) There are seven cases of alleged unfair discrimination, unfair suspension, unfair dismissal, premature termination/ non-renewal of fixed term contracts and non payment of acting allowance. These cases are at various stages of conciliation or hearing at the courts. | 42,796 |
| (x) The Plaintiff claims damages from the SABC amounting for work done and damages thereof for termination of agreement wherein the Plaintiff was to develop and design competency based job profiles which would be conducted over a period of 4 (four) months commencing on 1 November 2015 to 30 March 2016. The SABC filed its Notice of Intention to Defend as well as a Rule 35 Notice requesting documents which will enable the SABC to file its Plea. The matter is pending is SABC awaits the plaintiff to file replication. | 1,560 |
| (xi) The Plaintiff is a former freelancer whose freelance agreement was terminated due to an audit finding that the plaintiff failed to disclose certain interests from which the plaintiff's company benefited from doing business with the SABC. The plaintiff now claims payment of the balance of the freelance contract amounting and damages. The matter is at the pleading stage. | 426 |
| (xii) The SABC dismissed employees due to medical aid fraudulent misconduct (unauthorised medical claims). There was a settlement reinstatement offer previously made to these employees which has since lapsed. This was previously recognised as a provision due to constructive obligation which is no longer present and only a possible loss is now disclosed. | 196,000 |
| (xiii) On 28 January 2020, the SABC was served with a summons instituted in the High Court of South Africa Local Division Johannesburg. An ex-employee is suing the SABC; Board of Directors; Executive; and Spokesperson for (the Defendants) defamation. | 14,000 |
| (xiv) On 11 February 2020, the SABC was served with a summons instituted in the High Court of South Africa Local Division Johannesburg. An employee is suing the SABC; Board of Directors; Executive; and Spokesperson for (the Defendants) defamation. | 20,000 |
| | 1,251,403 |

39. Related Parties

Relationships

The group is 100% controlled by its Shareholder, the Government, represented by the Department of Communications & Digital Technologies.

The group is a Schedule 2 public entity in terms of the Public Finance Management Act, no 1 of 1999 as amended.

The related parties of the group consist mainly of government departments, State-Owned Companies (SOC), other public entities in the national sphere of government and key management personnel of the Company or its shareholder and close family members of these related parties. The related parties of the company also include its subsidiaries (see note 8). The list of public entities in the national sphere of government was provided by National Treasury on their website www.treasury.gov.za.

The group with regards to government related entities is required to disclose the nature and amount of each individually significant transaction and for other transactions that are collectively but not individually significant, a quantitative or qualitative indication of their extent. The SABC provides disclosures for transactions which are not at arms length.

| (i) Transactions with subsidiaries | 2020 | | 2019 | |
|---|---------------------------------|--|---------------------------------|--|
| | Amount of transactions R'000 | Amounts owed (to)/by subsidiary R'000 | Amount of transactions R'000 | Amounts owed (to)/by subsidiary R'000 |
| | | | | |
| Receivables from/(payables to) SABC Airwave Travel (Proprietary) limited trading as Airwave Travel Loan to Airwave Travel (Proprietary) limited | - | - | (481) | - |
| Receivables from SABC Foundation NPC | 2,240 | 2,240 | 14,264 | - |
| | 2,240 | 2,240 | 13,780 | - |

Related party relationships exists between the company and its wholly-owned subsidiaries, Airwave Travel and SABC Foundation NPC. Transactions entered into are in the normal course of business and on an arm's length basis. Amounts due and owing are settled accordingly.

(ii) Significant transactions with government related entities

Included in Revenue are the following:

| Aggregate of all transactions that are collectively significant Figures in R`000 | Group | | Company | |
|---|---------------|----------------|---------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Government Communication and Information services | 78,455 | 95,898 | 78,455 | 95,898 |
| Aggregate sales to other government related entities not listed above | 20,567 | 179,260 | 20,567 | 179,260 |
| | 99,022 | 275,158 | 99,022 | 275,158 |

Goods and services are sold to related parties on an arm's length basis at market related prices.

Purchases of goods and services

Aggregate of all transactions that are collectively significant

| | | | | |
|--|------------------|----------------|------------------|----------------|
| Sentech (SOC) Limited | 1,109,045 | 829,353 | 1,109,045 | 829,353 |
| Aggregate Purchases from other government related entities | 79,926 | 70,799 | 79,926 | 70,799 |
| | 1,188,971 | 900,152 | 1,188,971 | 900,152 |

Goods and Services are purchases from related parties on an arm's length basis at market related prices

| (iii) Grants and sponsorships | 2020 | | 2019 | |
|---|---------------------------------|--|---------------------------------|--|
| | Amount of transactions R'000 | Amounts owed (to)/by subsidiary R'000 | Amount of transactions R'000 | Amounts owed (to)/by subsidiary R'000 |
| | | | | |
| Government grants recognised in revenue | 198,525 | - | 214,352 | - |
| Government grants received | 183,546 | - | 180,123 | - |
| Deferred government grant | - | 303,427 | - | 318,406 |
| | 382,071 | 303,427 | 394,475 | 318,406 |

Goods and services are purchased from related parties on an arms length basis at market related prices.

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

| (iv) Interest payments | 2020 | | 2019 | |
|--|------------------------|---------------------------------|------------------------|---------------------------------|
| | Amount of transactions | Amounts owed (to)/by subsidiary | Amount of transactions | Amounts owed (to)/by subsidiary |
| | R'000 | R'000 | R'000 | R'000 |
| Shareholder - permanent capital | 2,488 | 14,913 | 3,397 | 17,401 |
| Interest paid to Sentech (SOC) Limited | 20,965 | - | 20,910 | - |
| (v) Employee benefit payments | | | | |
| SABC Pension fund | 245,514 | 775,103 | 301,187 | 852,872 |
| SABC Medical aid scheme | 10,302 | - | 3,002 | - |
| | 255,816 | 775,103 | 304,189 | 852,872 |

| (vi) Administered projects | Opening balance | Funds received | Applied to expenditure | Applied to net assets | Interest accrued | Closing balance |
|---|-----------------|----------------|------------------------|-----------------------|------------------|-----------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| For the year ended 31 March 2020 | | | | | | |
| Channel Africa | - | 53,322 | (47,739) | - | - | 5,583 |
| | - | 53,322 | (47,739) | - | - | 5,583 |
| For the year ended 31 March 2019 | | | | | | |
| Channel Africa | - | 54,885 | (54,885) | - | - | - |
| Community Radio Project | (17,194) | - | 17,194 | - | - | - |
| | (17,194) | 54,885 | (37,691) | - | - | - |

(vii) Service contracts for permanent executive directors

Service contract

| | Mxakwe M | van Biljon Y | Plaatjies IC |
|----------------|----------------------|----------------------|----------------------|
| -Start date | 01 July 2018 | 25 June 2018 | 01 November 2019 |
| -End date | 30 June 2023 | 24 June 2023 | 31 October 2024 |
| Service period | 21 Months | 21 months | 5 months |
| Remaining | 3 years and 3 months | 3 years and 3 months | 4 Years and 7 months |

(viii) Directors' and key management personnel compensation**Remuneration paid to the person in any capacity**

| | Service as | Service period in months | Basic salary R'000 | Bonuses and commisions R'000 | Cheque Expenses and other allowance R'000 | Employer's contribution to pension fund, medical aid and other R'000 | Total |
|---------------------------------|--|--------------------------|--------------------|------------------------------|---|--|---------------|
| Year ended 31 March 2020 | | | | | | | |
| Non-executive Directors | | | | | | | |
| Makhathini BE | Board Chairperson | 12 | - | - | 957 | - | 957 |
| Mohlala MM | Deputy Chairperson | 12 | - | - | 290 | - | 290 |
| Phalane JH | Board member | 12 | - | - | 405 | - | 405 |
| Mohuba DK | Board member | 12 | - | - | 497 | - | 497 |
| Markovitz MG | Board member | 12 | - | - | 488 | - | 488 |
| Cooper S | Board member | 12 | - | - | 403 | - | 403 |
| Maimela D | Board member | 12 | - | - | 254 | - | 254 |
| Lekalakala MB | Board member | 12 | - | - | 432 | - | 432 |
| Muthien B | Board member | 12 | - | - | 477 | - | 477 |
| Patel J | Board member | 12 | - | - | 415 | - | 415 |
| Socikwa MM | Board member | 12 | - | - | 345 | - | 345 |
| Papayya MBP | Board member | 12 | - | - | 464 | - | 476 |
| Executive Directors | | | | | | | |
| Mxakwe MT | Group Chief Executive Officer | 12 | 3,504 | - | 1,293 | 682 | 5,479 |
| Van Biljon Y | Chief Financial Officer | 12 | 2,048 | - | 795 | 359 | 3,202 |
| Plaatjies IC | Chief Operating Officer | 5 | 894 | - | 321 | 187 | 1,402 |
| Maroleni CB | Chief Operating Officer (Resigned) | 1 | 176 | - | 274 | 31 | 481 |
| Senior Management | | | | | | | |
| Bayi LV | Company Secretary | 12 | 1,633 | - | 596 | 324 | 2,553 |
| Zikode TP | Chief Audit Executive | 12 | 1,775 | - | 645 | 356 | 2,776 |
| Wotshela NN | Group Executive: Radio | 12 | 1,845 | - | 584 | 362 | 2,791 |
| Thekiso J | Group Executive: Human Resources | 12 | 1,515 | - | 679 | 302 | 2,496 |
| Ntuli GM | Group Executive: Corp Affairs and Marketing | 4 | 488 | - | 170 | 109 | 767 |
| Magopeni PP | Group Executive: News | 12 | 1,526 | - | 629 | 268 | 2,423 |
| Philiso NP | Group Executive: Television | 3 | 472 | - | 421 | 88 | 981 |
| Mulaudzi T | Group Executive: Commercial Enterprises | 10 | 1,218 | - | 828 | 263 | 2,309 |
| Van Rooyen CR | Group Executive: Technology | 6 | 845 | - | 567 | 172 | 1,584 |
| Moilwa MP | Group Executive: Corp Affairs and Marketing (Acting) | 8 | 770 | - | 479 | 164 | 1,413 |
| Tladi SN | Group Executive: Commercial Enterprises (Acting) | 6 | 486 | - | 371 | 107 | 964 |
| Tshabalala CMV | Group Executive: Technology (Acting) | 6 | 543 | - | 178 | 121 | 842 |
| Williams RV | Group Executive: SABC Sport (Acting) | 1 | 96 | - | 44 | 22 | 162 |
| Makubyan DE | Group Executive: Television (Acting) | 3 | 266 | - | 153 | 58 | 477 |
| Bedil WR | Group Executive: Commercial Enterprises (Acting) | 4 | 355 | - | 236 | 84 | 679 |
| Vanara NJ | Group Executive: Governance and Assurance (Acting) | 12 | 1,365 | - | 800 | 240 | 2,405 |
| Visser AL | Group Executive: Technology (Acting) | 7 | 443 | - | 256 | 118 | 824 |
| | | - | 22,263 | - | 15,254 | 4,215 | 41,732 |

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

Remuneration paid to the person in any capacity

| Service as | | Service period in months | Basic salary R'000 | Bonuses and commions R'000 | Cheque Expenses and other allowance R'000 | Employer's contribution to pension fund, medical aid and other R'000 | Total |
|---------------------------------|---|--------------------------|--------------------|----------------------------|---|--|---------------|
| Year ended 31 March 2019 | | | | | | | |
| Non-executive Directors | | | | | | | |
| Makhathini BE | Board Chairperson | 12 | - | - | 825 | - | 825 |
| Kweyama KT | Deputy Chairperson | 9 | - | - | 380 | - | 380 |
| Potgieter-Gqubule FC | Board member | 1 | - | - | 13 | - | 13 |
| Naidoo K | Board member | 9 | - | - | 374 | - | 374 |
| Malele JA | Independent Interim Board Advisor | 2 | - | - | 15 | - | 15 |
| Matisonn J | Board member | 9 | - | - | 357 | - | 357 |
| Tsedu MG | Board member | 9 | - | - | 430 | - | 430 |
| Phalane JH | Board member | 12 | - | - | 393 | - | 393 |
| Mohuba DK | Board member | 12 | - | - | 434 | - | 434 |
| Rambau V | Board member | 6 | - | - | 216 | - | 216 |
| Markovitz MG | Board member | 12 | - | - | 434 | - | 434 |
| Executive directors | | | | | | | |
| Philiso NP | Group Executive (Acting Group Chief Executive Officer for 3 months) | 12 | 1,797 | - | 454 | 344 | 2,595 |
| Mxakwe MT | Group Chief Executive Officer | 9 | 2,503 | - | 928 | 488 | 3,919 |
| Dlamini TS | Group Chief Financial Officer (Acting) | 3 | 292 | - | 330 | 248 | 870 |
| Van Biljon Y | Group Chief Financial Officer | 9 | 1,495 | - | 581 | 263 | 2,339 |
| Maroleni BC | Group Chief Operating Officer | 12 | 2,623 | - | 950 | 529 | 4,102 |
| Senior Management | | | | | | | |
| Bayi LV | Company Secretary | 12 | 1,555 | - | 553 | 324 | 2,432 |
| Motsweni SM | Group Executive | 8 | 428 | - | 312 | 89 | 829 |
| Moilwa MP | Group Executive (Acting) | 4 | 367 | - | 214 | 78 | 659 |
| Williams RV | Group Executive (Acting) | 3 | 273 | - | 129 | 65 | 467 |
| Momodou NNB | Group Executive | 7 | 879 | - | 317 | 183 | 1,379 |
| Jiyane HM | Group Executive (Acting) | 4 | 331 | - | 357 | 70 | 758 |
| Mulaudzi T | Group Executive | 12 | 1,622 | 421 | 426 | 354 | 2,823 |
| Thekiso J | Group Executive | 12 | 1,487 | - | 541 | 304 | 2,332 |
| Wotshela NN | Group Executive | 12 | 1,758 | - | 551 | 344 | 2,653 |
| Geldenhuys TV | Group Executive | 9 | 1,634 | - | 805 | 308 | 2,747 |
| Zikode TP | Group Executive | 12 | 1,690 | - | 616 | 337 | 2,643 |
| Magopeni PP | Group Executive | 12 | 1,453 | - | 565 | 255 | 2,273 |
| Vanara NJ | Group Executive (Acting) | 4 | 650 | - | 252 | 114 | 1,016 |
| Visser AL | Group Executive (Acting) | 6 | 369 | - | 126 | 97 | 592 |
| Van Rooyen CR | Group Executive | 6 | 759 | - | 273 | 160 | 1,192 |
| | | - | 23,965 | 421 | 13,151 | 4,954 | 42,491 |

*- included in basic salary and expenses and other allowances is compensation paid in respect of loss of office.

40. License Agreements

The Group was granted the following Public Television Broadcasting Licences by the Independent Communications Authority of South Africa ('ICASA') for the period 18 December 2008 to 18 December 2023: SABC1 and SABC2.

The Group was granted the following Commercial Television Broadcasting Licences by ICASA for the period 18 December 2008 to 18 December 2023: SABC3.

The Group was granted the following Public Sound Broadcasting Licences by ICASA for the period 18 December 2018 to 18 December 2028: SAFM, RSG, UMHLOBO WENENE FM, UKHOZI FM, LESEDI FM, MOTSWEDING FM, THOBELA FM, LIGWALAGWALA FM, IKWEKWEZI FM, MUNGHANA LONENE FM, PHALAPHALA FM, LOTUS FM, RADIO 2000, XK FM and TRU FM.

The Group was granted the following Commercial Sound Broadcasting Licences by ICASA for the period 18 December 2018 to 18 December 2028: 5FM, METRO FM and GOOD HOPE FM.

The licence area for all of the licences above is the Republic of South Africa. The Licences were granted at no consideration and the

Group is required to comply with the applicable regulations as amended from time to time. No subsequent expenditure has been incurred on these licences.

41. Expenditure and Losses through Criminal Conduct, Irregular, Fruitless and Wasteful Expenditures

The incidents/ instances of contraventions which resulted into the irregular expenditure have been categorized and disclosed below.

(i) All losses through any irregular expenditure

Section 1 of the Public Finance Management Act, No. 1 of 1999, as amended, defines irregular expenditure as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not incurred in accordance with a requirement of any applicable legislation.

The following amounts have been determined as being irregular expenditure, in terms of section 55(2)(b)(i) of the Public Finance Management Act, No. 1 of 1999, as amended:

| | Notes | 2020 R'000 | 2019 R'000 |
|--|-------|---------------|---------------|
| Opening balance | | 5,220,726 | 4,977,300 |
| Less: Expenditure previously incorrectly disclosed as irregular | | (1,221) | (107,534) |
| Add: Irregular Expenditure-identified in the current year relating to the prior years | | 30,840 | 14,675 |
| Balance as restated | | 5,250,345 | 4,884,441 |
| Add: Irregular expenditure-identified in the current year | | 202,470 | 336,285 |
| Less: Expenditure relating to non-compliance with internal policies previously recognised as irregular expenditure | | (193,749) | - |
| Less: Irregular Expenditure condoned in the current year but relating to prior years | | (53,265) | - |
| Add: Adjustments made to irregular expenditure opening balance not in line with instruction note 2 of 2019/20 | | 192,965 | - |
| Irregular Expenditure awaiting condonation subject to further investigation | | 5,398,766 | 5,220,726 |
| Payments without contracts | k | 52,922 | 88,743 |
| Deviations | c | 11,879 | 19,311 |
| Procurement policy/process not followed | | | |
| Minimum number of quotations not obtained | a | 28 | 26,147 |
| Bids advertised for less than minimum number of days | f | 72 | 85,378 |
| Incorrect evaluation criteria applied to bids | b | 85,099 | 53,267 |
| Use of supplier without following procurement process | n | 3,415 | - |
| Irregular awards due to lack of planning | m | 3,833 | 11,756 |
| Procurement through quotation process versus competitive | h | 4,406 | 6,087 |
| Variation order in excess of 15% | g | 21,179 | 14,493 |
| Procurement through operational advance | o | - | 17 |
| Awards made to suppliers without obtaining valid Tax clearance certificates | e | 229 | 2,810 |
| Unfair Procurement Process | b | - | 61 |
| Schedule All | i | 18,349 | 28,215 |
| Tender above R30 million did not include subcontracting as a condition of a tender | p | 1,059 | - |
| | | 202,470 | 336,285 |

Key

- a** The Corporation issued Purchase Orders without obtaining the minimum number of quotations as required by the SCM policy
- b** The bid evaluation and/or adjudication processes did not follow the pre-approved evaluation criteria as set out in the policy and the PPPFA.
- c** Payments that did not qualify as deviations which is defined as an emergency, sole source or where prior approval was requested from National Treasury.
- d** Quotations were not awarded at appropriate management level as per DAF
- e** The Corporation awarded contracts to suppliers without obtaining original tax clearance certificates or confirming the tax matters of the suppliers prior to awarding
- f** The Corporation awarded bids without advertising for the minimum number of days as required by the SCM policy.
- g** Variation order in excess of 15% as prescribed by National Treasury
- h** The Corporation procured goods and services through the quotation process whereas the SCM policy requires goods and services above R2 mil should follow the competitive bid process.
- i** Goods and services relating to TVOB are procured through Schedule All system. These transactions are deemed irregular expenditure due to the impracticality of following SCM processes.
- j** Insufficient documentation
- k** The Corporation made payment to suppliers without a valid contract. This could be a result of the procurement process not yet finalised or poor planning.
- l** The Corporation awarded contracts without following Construction Industry Development Board processes.
- m** Poor planning that leads to deviating from normal SCM process.
- n** The Corporation procured goods and services through petty cash instead of RFQ.
- o** The Corporation awarded purchase orders /contracts for services without following a competitive bidding or quotation process in accordance with the Policy and PPPFA.
- p** The Corporate awarded a tender above R30 million which did not include subcontracting as a condition of a tender. The Corporation did not have evidence to indicate whether or not it was feasible to subcontract on this tender.

Notes to the Audited Annual Financial Statements for the year ended March 31, 2020 continued

(ii) Material losses through fruitless and wasteful expenditures

Section 1 of the Public Finance Management Act, No. 1 of 1999, as amended, defines fruitless and wasteful expenditure as expenditure which were made in vain and could have been avoided had reasonable care been exercised

The following material losses, through fruitless and wasteful expenditure have been identified as being reportable in terms of the materiality framework approved by the Minister of Communications and Digital Technologies (DCDT) for the year under review:

| | 2020 R'000 | 2019 R'000 |
|--|---------------|---------------|
| Opening balance | 454,185 | 230,015 |
| Less: Reversal of incorrectly disclosed prior year amount | (1,287) | - |
| Restated opening balance | 452,898 | 230,015 |
| Current year movements | 27,398 | 224,170 |
| Add: Fruitless and wasteful expenditure - incurred in the current year | 27,398 | 82,756 |
| Add: Fruitless and wasteful expenditure - relating to prior years identified in the current year | - | 141,414 |
| Fruitless and wasteful expenditure not written off | 480,296 | 454,185 |
| Less: Amounts recoverable | - | - |
| Less: Written off | (183,166) | - |
| Fruitless and wasteful expenditure not written off | 297,130 | 454,185 |

Details of fruitless and wasteful expenditure

| Incident | Remedial action implemented | | |
|--|---|---------------|----------------|
| Impairment of foreign and sports content | Reconciliation of broadcast schedule to reduce impairments | 591 | 136,173 |
| Travel cancellation fees and penalties | Reported to recover value | 41 | 64 |
| Interest, penalties and fines on late payments | Timeous payments to avoid penalties or renegotiated payment | 25,616 | 80,607 |
| Fraudulent payments | Case handed over to law enforcements. Internal controls improved. | - | 7,326 |
| No value received | Forensic investigation in progress | 1,150 | - |
| | | 27,398 | 224,170 |

42. Going Concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider the group can continue in operational existence in the foreseeable future.

The SABC had operating losses of R511 m and negative cash flows from operations of R1.2 bn for the financial reporting period to 31 March 2020. However, due to a recent recapitalisation funding from the shareholder, the working capital position of the group remained healthy. At reporting date the group's current assets (R3.7 bn) exceeded the group's current liabilities (R1.9 bn) by R1.8 bn. Total cash on hand as at reporting date was R2.1 bn, of this R1.7 bn was from the yet to be utilised recapitalisation funding and R400 m from operating cash reserves. The R1.7 bn will be utilised as follows, R400 m on capital projects, R440 m on the acquisition of content and R778 m for the settlement of other operating costs.

It remains uncertain when, the group will return to profitability and generate positive cash flows from operations. Together with the impact of the COVID-19 pandemic, these uncertainties pose a significant risk on the group's ability to continue as a going concern.

The SABC monitors its funding position and its liquidity risk throughout the year to ensure it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are reported and reviewed at least monthly. Where liquidity strain is expected, management proactively implements risk mitigations such as renegotiating payment terms with key suppliers, utilising working capital facilities, deferring expenditure and other cash conservation initiatives.

The directors have adopted the going concern basis in preparing these financial statements after assessing the principal risks and having considered the impact of a severe but plausible downside scenario for COVID-19 pandemic. The major variables and uncertainties are the severity and duration of the COVID-19 pandemic, success of the Turnaround plan and achieving targeted operational efficiencies. The directors have considered the impact of the current COVID-19 environment on the business for the next 12 months. The situation continues to evolve every day and this makes scenario planning difficult. Management has considered a number of impacts on sales, profits and cash flows. Management assumes that the SABC will remain operational and will be able to continue to broadcast, deliver on its mandate and sell advertising space on all its major platforms. Whilst the COVID-19 pandemic will lead to operational disruptions and forced production breaks, this will manifest itself in the downward revised revenue numbers.

This is expected to reduce advertising revenue by R1.2 bn (total revenue reduction by R1.8 bn) from initial budgets in the short-term. Management has looked at various scenarios with several outcomes with revenue reduction of between 20% - 35%. This is expected to significantly impact on profitability and liquidity, however, the worst case scenario planning indicates that the SABC will remain in operation with a strong possibility of recovery in the ensuing financial period, backed up by favourable cash balances. To mitigate against expected revenue losses, the group is pursuing significant alternate revenue streams with reasonable expectations of success. The following commercial revenue generation strategies are envisioned with some initiatives already implemented:

- New TV and radio advertising deals have been signed with further deals in the pipelines. Key commitments closed in the first half of 2020/21 is expected to be R276 m. Management is targeting to recover lost business and grow new business by 10%
- Acquisition of international soccer rights at commercial rates and securing long term sponsorships
- Programme sponsorship is set to increase significantly as lockdown regulations are expected to be eased.
- The introduction of new digital offerings including live streaming of sports events.

In compiling its cash flow forecasts, the group has made several key judgements and assumptions. The judgements and estimates are based on the turnaround plan and include the following:-

- Managing employment costs within the guidelines provided by National Treasury for State Owned Entities
- A 30% increase in TV licence fees collection for the financial period ending 31 March 2021 on account of new collection partners brought on board
- That economic activity will return to some level of normalcy with no restrictions on movement and economic activity by April 2021
- A 20% growth in advertising revenue post COVID-19 pandemic recovery period from the levels forecast for the period ending 31 March 2021
- The turnaround plan will achieve at least 50% of the planned initiatives by 31 March 2021.

In addition, management has further initiated an expenditure review process that has already identified between R980m to R1.1 bn in operating expenditure reduction from initial budgets. There is scope to reprioritise and defer some planned expenditure in response to the evolving scenario.

Management believes that the group is well placed to manage its financing and other operational risks satisfactorily, with a reasonable expectation of continued operations for at least 12 months from date of signing of the financial statements. Management therefore, considers it appropriate to apply the going concern principle of accounting in preparing these financial statements.

43. Events After the Reporting Period

Since our financial year-end on 31 March 2020, the spread of COVID-19 pandemic has severely impacted many economies around the world. Many international brands that invest heavily in the local advertising industry have significantly cut their marketing and advertising budgets. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The South African government and central bank have responded with monetary and fiscal interventions to stabilise economic conditions. The restrictions of trade in the alcohol, travel & hospitality industries has significantly reduced committed advertising spend on SABC platforms.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 March 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

In Rememberance

Honouring SABC Employees

This section features employees who passed on during the 2019/20 financial year.

February 2020

Mr GJ Malherbe

IP Portfolio Manager - Technology

May 2019

Miss M Phiri

Human Resources Consultant - Group Services

November 2019

Mr WK Mpunzima

Assignment Editor - News

March 2020

Mr AL Mtiya

L&D Consultant - Group Services

May 2019

Mr SW Rabe

Principal Technician - MTI

June 2019

Mrs NN Mbanjwa

Junior Project Manager - MTI

April 2019

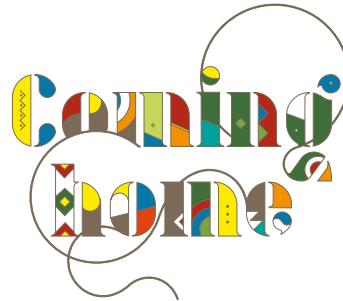
Ms T Jam-Jam

Sound Mixer - MTI

January 2020

Mr HM Diseko

TX Scheduler - Television



The theme for this annual report centers around the SABC achievements in spite of the challenges faced by the organisation during the period under review. It finds its roots in the phrase 'Coming Home' which reflects the need to empower those at home.

South Africa has been blessed with so many inspirational success stories in the year gone by and the SABC was able to play a part in bringing these HOME to inspire the country's diverse society.

Publication detail

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