

# QUARTERLY REPORT

*FY2020/21*

**4th QUARTER**

**1 January to 31 March 2021**

## 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



Respect / Trust / Integrity / Quality

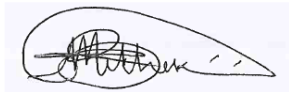
# SIGN-OFF SHEET

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**Title of Report:** SABC 4th QUARTER REPORT FY2020/21

**Date of report:** April 2021

## Signatories:



Signature

**SABC Board Chairperson**

30 April 2021

Date



Signature

**Group Chief Executive Officer**

30 April 2021

Date



Signature

**Chief Financial Officer**

30 April 2021

Date



Signature

**Chief Operations Officer**

30 April 2021

Date

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# 1. EXECUTIVE SUMMARY

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As the national public broadcaster, the SABC must offer, in all South Africa's official languages, a range of informative, educational, and entertainment programmes that showcase South African attitudes, opinions, ideas, values, talent, and artistic creativity. Programming must also offer a plurality of views and a variety of news, information, and analyses from a South African perspective, and advance the national and public interest.

South Africans continued to rely on SABC Radio and Television for information and education as they navigated the second wave of the COVID-19 pandemic, and began preparing for the third wave. Public health communication and content across all our Radio and Television platforms also turned to focus on the government's vaccination programme.

This 4<sup>th</sup> Quarter report provides feedback on the SABC's overall performance, as well as its progress against its set quarterly targets as contained in its Corporate Plan.

Due to the ongoing depressed economic environment on account of the pandemic, clients continued to readjust their budgets and priorities. Quarter 4 revenue was below budget by R111,3m (9%). The revenue for the quarter was almost identical to the prior year comparative period. Advertising &

Sponsorship revenue was below budget by 3% (R27,7m) for Q4, and (0.5% more than prior year revenue of R899,5m). The TV Licence cash revenue collected during Q4 was R200,7m against a budget of R293,7m, resulting in a R92,9m (32%) shortfall against budget. In comparison to Q3 (R278,3m), there was a decrease of R77.6m (27.9%) in Q4. There was, however, a year-on-year increase of R40,8m (25,5%) in TV Licence revenue, a commendable improvement considering the economic constraints.

Overall, year to date expenses were R871,3m better than comparative prior period. This was due to R358,4m savings in operating expenses, R157,3m reduction in broadcasting costs driven by lower royalties from lower revenues, and a R501,5m underspending in content amortisation. Employee compensation was R128,6m more than budget due to severance packages of the S189 process.

While the SABC Q4 financial performance was similar to Q1 (loss of R334,2m), the loss was R58,3m worse than the comparative period (Q4 2020: R275,4m). This resulted in 2020-2021 net loss of R837,2m, against the latest forecast loss of R795,6m, a Budgeted Loss for the year of R 1,367bn and compared to the Audited Net Loss for FY2019/20 of R 511m. Included in Employee costs are a provisional final value of severance packages of R155,8m.

Except for this expenditure, the loss for the year would have been R681,4m, and given how extraordinary the year was this is a phenomenal feat.

As at the end of the year, there was R1.439bn cash on hand. Capital projects spending for the year was R105,2m with R31,1m allocated from Bailout funding. At the end of the quarter, the Capex balance remaining in the Bailout stood at R354,1m.

The financial position of the SABC is healthy compared to previous financial years, having a current ratio of 1.85. Solvency of the SABC is also quite healthy with a 1.88 coverage ratio. The contribution of the remaining Bailout funds to these ratios is duly noted.

SABC Television channels continued to perform at lower than target share levels. A number of new programmes are scheduled for release across all channels from April 2021. The introduction of new content is expected to result in an increase in audience share levels, and also enhance revenue generation.

Through talk shows, interviews, pre-recorded inserts and magazine formats, Radio programming focused on the following topics and themes during the period under review:

- Gender-based Violence
- International Mother Tongue Day
- World Cancer Day

- World Day of Social Justice
- Human Rights Month
- International Women's Day
- International Day for the Elimination of Racial Discrimination
- Commonwealth Day
- World Tuberculosis (TB) Day

Despite across-the-board audience declines in the fourth quarter, the SABC News Channel continued to show resilience, maintaining the lead in the national news market. In the month of March, the SABC News Channel defied the challenging environment and outperformed its closest competitors on the National Market and closed the quarter tied with eNCA in the number one spot on DSTV.

The SABC ended the quarter with the following sports contracts in place:

- Pitch International for the FA Women's Super League
- Inbound Cricket Tour
- International boxing
- Top 14
- Pure Action
- Extreme E
- Tennis SA for the Women's Match

A carriage deal with eMedia Holdings was successfully concluded during Q4. This will provide immediate access to audiences for SABC's offering, especially our sports offering, as well as for new planned content offerings.

The transmitter audit was concluded during the quarter, with the completion of the audits in the Northern Cape, Eastern Cape and Western Cape.

The Human Resources Division concluded the S189 process during the quarter. The final number of terminations was 621 as at 31 March 2021, which left the organisation with 468 vacancies within the new structure. Critical vacancies will be advertised and filled over the next 6 months.

During the quarter, the SABC submitted its comprehensive response to the Audio and Audio-Visual Content Services (AAVCS) Draft White Paper, and will continue to actively participate in the process as it unfolds.

Implementation of the SABC turnaround plan continued during the quarter. By the end of the quarter, 74% of the key actions contained in the turnaround plan were 'complete/in place'. The diligence displayed in implementing the turnaround plan remains commendable, given that this level of progress has been achieved only 19 months into the 36-month turnaround plan period.

Looking ahead to the next financial year, the organisation will begin the transition to the envisioned target operating model and into the new structures, and the process of organisational renewal will commence. The duration of this transition process may adversely impact the performance of the organisation. However, once achieved, performance will increase to envisioned levels. Great management effort will be expended to make this transition period as short as possible.

## 2. FINANCIAL SUSTAINABILITY

### 2.1 FINANCIAL PERFORMANCE SUMMARY

Due to the ongoing depressed economic environment on account of the pandemic, clients continued to readjust their budgets and priorities. Quarter 4 revenue was below budget by R111,3m (9%). The revenue for the quarter was almost identical to the prior year comparative period. Advertising & Sponsorship revenue was below budget by 3% (R27,7m) for Q4 (0.5% more than prior year revenue of R899,5m). The

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YTD expenses were R871,3m better than comparative prior period. This was due to R358,4m savings in operating expenses, R157,3m reduction in broadcasts costs driven by lower royalties from lower revenues, and a R501,5m underspending in content amortisation. Employee compensation was R128,6m more than budget due to S189 costs.

While the SABC Q4 financial performance was similar to Q1 (loss of R334,2m), the loss was R58,3m worse than the comparative period (Q4 2020: R275,4m). This results in 2020-2021 net loss of R837,2m, against the latest forecast loss of R795,6m. Included in Employee costs are severance packages of R155,8m. Except for this expenditure, the loss for the year would have been R681,4m.

Description	Quarter 4					YTD				
	Actual	Budget*	Variance	%	Prior Year	Actual	Budget*	Variance	%	Prior Year
Revenue	(1,194,807)	(1,306,066)	(111,259)	(9)	(1,188,229)	(4,947,321)	(5,224,775)	(277,454)	(5)	(5,652,481)
Other income	(4,137)	(18,845)	(14,709)	(78)	(8,975)	(15,062)	(29,773)	(14,710)	(49)	(20,820)
Revenue & other income	<b>(1,198,943)</b>	<b>(1,324,911)</b>	<b>(125,968)</b>	<b>(10)</b>	<b>(1,197,204)</b>	<b>(4,962,383)</b>	<b>(5,254,547)</b>	<b>(292,164)</b>	<b>(6)</b>	<b>(5,673,301)</b>
Expenses	1,544,971	1,735,790	190,819	11	1,506,984	5,873,463	6,700,888	827,425	12	6,207,178
Operating loss before finance costs and tax	<b>346,028</b>	<b>410,879</b>	<b>64,851</b>	<b>16</b>	<b>309,780</b>	<b>911,080</b>	<b>1,446,341</b>	<b>535,261</b>	<b>37</b>	<b>533,877</b>
Finance income	(15,879)	(4,456)	11,423	256	(26,264)	(82,149)	(80,587)	1,561	2	(64,931)
Finance expenses	3,564	301	(3,263)	(1,083)	13,577	8,298	2,132	(6,166)	(289)	41,935
(Profit)/Loss for the year before tax	<b>333,713</b>	<b>406,724</b>	<b>73,011</b>	<b>18</b>	<b>297,591</b>	<b>837,230</b>	<b>1,367,886</b>	<b>530,656</b>	<b>39</b>	<b>511,378</b>

## 2.2 INCOME STATEMENT

The table below details the SABC's Income Statement for the quarter, compared to the prior year.

Description	Quarter 4				
	Actual	Budget	Variance	%	Prior
Advertising Revenue	(818,365)	(860,505)	(42,139)	(5)	(828,600)
Sponsorship Revenue	(85,862)	(71,390)	14,471	20	(70,857)
Trade Exchanges	(1,030)	(26,545)	(25,515)	(96)	(30,392)
Licence Fees	(171,689)	(220,719)	(49,030)	(22)	(162,020)
Government Grants	(47,931)	(48,877)	(946)	(2)	(34,356)
Revenue: Content & Commercial Exploitation	(5,534)	(10,602)	(5,068)	(48)	(9,321)
Revenue Websites	(6,290)	(477)	5,813	1,218	(1,728)
Other Revenue	(58,107)	(66,952)	(8,845)	(13)	(56,567)
<b>Revenue</b>	<b>(1,194,807)</b>	<b>(1,306,066)</b>	<b>(111,259)</b>	<b>(9)</b>	<b>(1,193,840)</b>
Other Income	(4,137)	(18,845)	(14,709)	(78)	(8,969)
<b>Revenue &amp; Other Income</b>	<b>(1,198,943)</b>	<b>(1,324,911)</b>	<b>(125,968)</b>	<b>(10)</b>	<b>(1,202,809)</b>
Amort. & Imp. Prog. Film & Sports Rights	274,804	427,568	152,764	36	287,419
Amortisation of Computer Software	5,440	5,499	59	1	3,412
Impair/(Reversal)Trade & Other Rec Cred notes	12,511	12,020	(491)	(4)	24,712
Broadcast Costs	36,341	105,422	69,081	66	105,137
Signal Distribution Costs	137,449	189,186	51,737	27	181,381
Linking Costs	6,396	6,325	(71)	(1)	13,628
<b>Signal Distribution and Linking Costs</b>	<b>143,844</b>	<b>195,510</b>	<b>51,666</b>	<b>26</b>	<b>195,009</b>
Permanent Employees	729,559	590,000	(139,559)	-24%	545,263
Non-Permanent Employees	105,000	112,310	7,310	7	123,506
<b>Employee Compensation and Benefit Expenses</b>	<b>834,559</b>	<b>702,310</b>	<b>(132,249)</b>	<b>(19)</b>	<b>668,769</b>
Depreciation and Impairment	46,891	48,985	2,094	4	40,651
Marketing - Above the Line	559	1,665	1,106	66	5,302
Marketing - External Media	2,035	1,238	(797)	(64)	2,815
Marketing - Below the Line	53	1,673	1,620	97	1,716
Marketing - Other	4,143	21,551	17,408	81	9,379
<b>Marketing</b>	<b>6,791</b>	<b>26,127</b>	<b>19,336</b>	<b>74</b>	<b>19,213</b>
Direct Licence Collection Costs	15,726	21,245	5,519	26	5,825
Professional and Consulting Fees	13,982	20,417	6,435	32	12,445
Other Expenses - Operational	132,435	138,164	5,729	4	122,730
Other Expenses - Personnel Cost	10,049	19,615	9,566	49	12,034
Other Expenses - Administrative	11,490	12,907	1,417	11	(3,625)
Other (Profits)/Loss	106	0	(106)	(100)	616
<b>Expenses</b>	<b>1,544,971</b>	<b>1,735,790</b>	<b>190,819</b>	<b>11</b>	<b>1,494,346</b>
<b>Operating (Profit)/Loss Before Interest &amp; Tax</b>	<b>346,028</b>	<b>410,879</b>	<b>64,851</b>	<b>16</b>	<b>291,537</b>
Financial Income	(15,879)	(4,456)	11,423	256	(26,579)
Financial Expense	3,564	301	(3,263)	(1,083)	10,430
<b>Net Financing (Income)/Loss</b>	<b>(12,315)</b>	<b>(4,155)</b>	<b>8,160</b>	<b>196</b>	<b>(16,149)</b>
Income Tax Expense	0	0	0	0	0
<b>Operating (Profit)/Loss after Interest &amp; Tax</b>	<b>333,713</b>	<b>406,724</b>	<b>73,011</b>	<b>18</b>	<b>275,388</b>

## 2.3 PBS AND PCS ANALYSIS

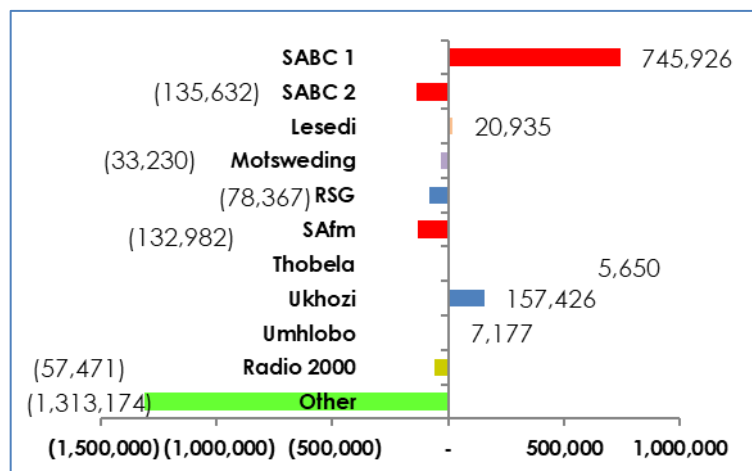
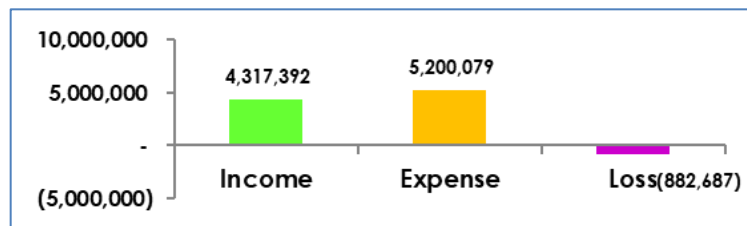
The table below provides a summary of the performance of Public Broadcast Services (PBS) and Public Commercial Services (PCS).

	Television	PCS Radio	Total	Channel Africa	News	Sport	PBS Radio	Television	Total	PBS PCS
Revenue	(200,122)	(444,414)	(644,536)	(48,297)	(804,564)	(5,319)	(1,253,238)	(2,191,366)	(4,302,785)	(4,947,321)
Other Income	(148)	(307)	(455)	(180)	(2,100)	(185)	(11,853)	(289)	(14,607)	(15,062)
Revenue & Other Income	(200,271)	(444,721)	(644,992)	(48,477)	(806,664)	(5,504)	(1,265,092)	(2,191,655)	(4,317,392)	(4,962,383)
Expenses	387,726	285,984	673,710	97,091	1,461,983	341,347	1,718,861	1,580,796	5,200,079	5,873,463
Operating (Profit)/Loss Before Interest & Tax	187,456	(158,737)	28,719	48,614	655,319	335,843	453,769	(611,184)	882,361	911,080
Net Financing (Income)/Loss	(2,348)	(2,883)	(5,230)	(3,396)	(40,887)	(4,654)	(20,959)	1,276	(68,620)	(73,850)
Operating (Profit)/Loss after Interest & Tax	185,108	(161,620)	23,488	45,218	614,432	331,190	432,810	(609,907)	813,742	837,230

### 2.3.1 Public Broadcast Service

- SABC 1, Ukhozi FM, Thobela & Lesedi made a combined profit of R937,1m;
- SABC 2, SAFM, RSG, Radio 2000 & Motsweding performed poorly with a combined loss of R437,7m;
- The African Language Stations portfolio exceeded advertising revenue targets for the quarter by 13% (YTD: 18% above budget).

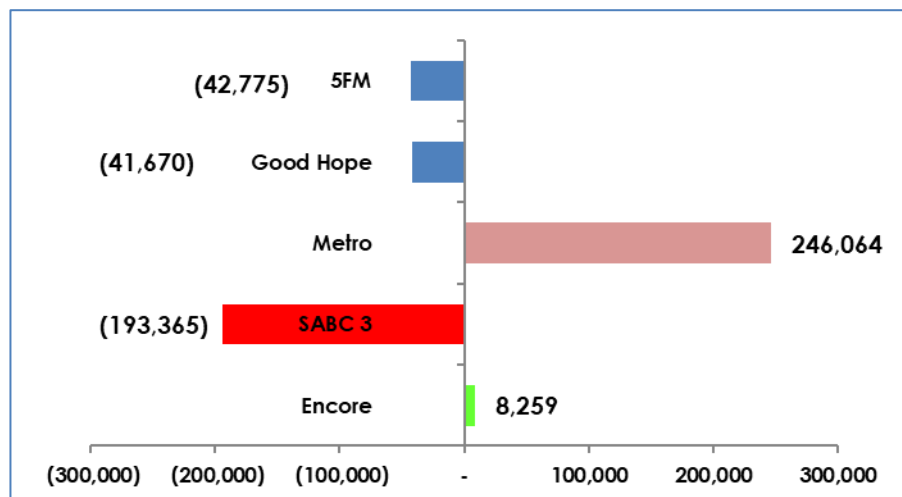
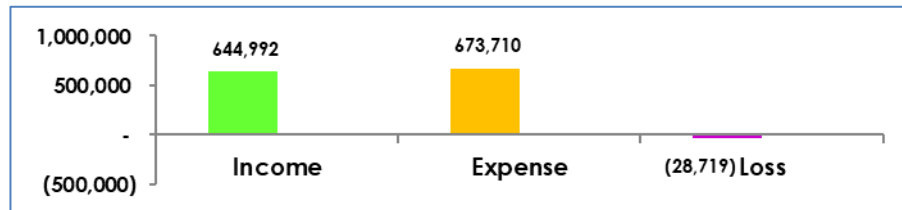
Income and Profitability Tables.



### 2.3.2 Public Commercial Service

- The commercial radio platforms performed at a profit of R161.6m, anchored by MetroFM with R246,1m profit year to date;
- 5FM and Good Hope both operated in a combined loss position of R84,4m for the period under review;
- SABC 3 performed at a loss of R193.4m, with Encore, until the termination of the contract, at profit of R8.3m.

#### ***Income and Profitability Tables.***



## 2.4 BALANCE SHEET

The table below depicts the SABC's Balance Sheet YTD compared to the prior year.

Description	Mar 2021	Mar 2020
Property, plant & equipment	1,459,763	1,469,108
Investment property	9,930	9,930
Computer software	57,503	62,451
Right of use asset	17,487	-
Defined benefit asset	775,103	2,049,940
Available for sale financial assets	9,737	10,567
Prepayments	18,235	17,708
Operating leases	0	60
<b>Total non-current assets</b>	<b>2,347,757</b>	<b>3,619,764</b>
Programme, film & sports rights	474,497	497,109
Consumables	4,063	4,280
Trade & other receivables	598,110	746,810
Prepayments	106,687	58,088
Cash & cash equivalents	1,438,672	2,001,547
<b>Total current assets</b>	<b>2,622,030</b>	<b>3,307,834</b>
<b>TOTAL ASSETS</b>	<b>4,969,787</b>	<b>6,927,598</b>
Share capital	3,200,001	3,200,001
Fair value adjustment reserve	8,289	8,932
Retained earnings	(887,861)	957,498
<b>Total equity</b>	<b>2,320,429</b>	<b>4,166,431</b>
Government debt instrument	14,913	14,913
Interest bearing loans & borrowings	9,571	4,499
Deferred government grant	113,755	150,146
Employee benefits obligations	1,236,665	1,173,029
Other non-current liabilities	24,841	20,064
<b>Total non-current liabilities</b>	<b>1,399,746</b>	<b>1,362,651</b>
Trade & other payables	684,849	655,444
Employee benefits	(136)	92,548
Contract liabilities		87,401
Current portion of Government debt instrument	0	-
Current portion of loans & borrowings	13,231	13,231
Tax payable	68,840	68,943
Current portion of deferred government grant	183,399	162,893
Current portion of Other non-current liabilities	0	15,685
Provisions	299,429	302,371
<b>Total current liabilities</b>	<b>1,249,613</b>	<b>1,398,516</b>
<b>TOTAL LIABILITIES</b>	<b>2,649,358</b>	<b>2,761,167</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>4,969,787</b>	<b>6,927,598</b>

## 2.5 REVENUE PERFORMANCE

### 2.5.1 Commercial revenue

The Sales performance year-to-date was R98,7m (3%) below the revised budget of R3 442,7m and was R 683,0m (17%) below actual sales for the same period prior year.

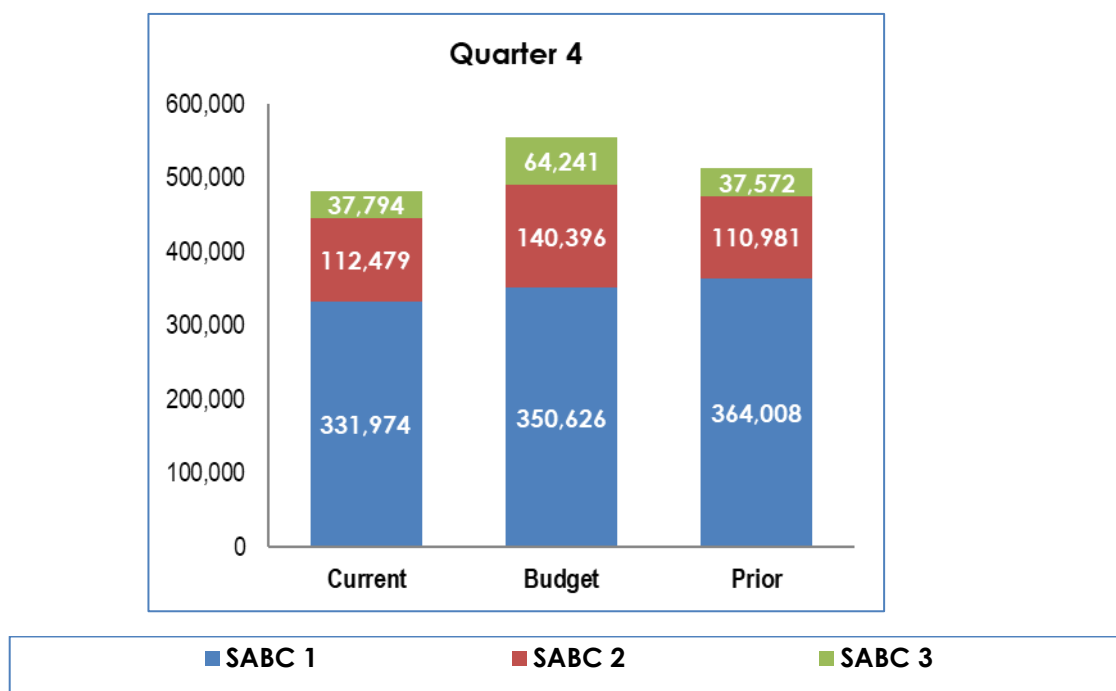
TV underperformed by R274,4m (10%) against the revised budget and was R 586,8m (19%) below the performance of the same period last year. Losses continued in classic revenue at 10% (R228,9m) of the revised budget.

Radio reported a R437,1m (23%) underperformance against the revised budget. It was, however, R16m above actual sales for the same period prior year, with classic revenue ending the period 9% (R119,4m) above budget. Radio performed reasonably well when one looks at the recovery from May 2020. Profit for the nine-month period from July 2020 of R574m was well above the budget profit of R338m and closer to prior period profit of R588m.

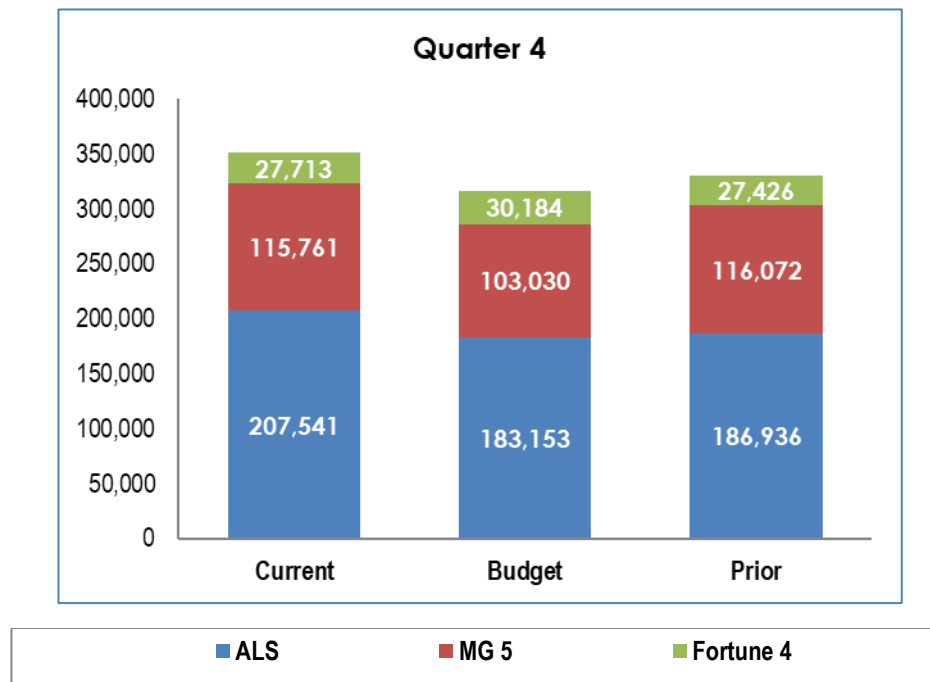
The continued improved working relationship between the platforms and the Sales Division helped see 13 of the 18 brands exceed their quarterly classic revenue targets (only 5FM, Lotus FM, RSG, SAFM & XF-FM did not achieve their targets). Other factors that helped buoy the sales performance included:

- High Broadcast Accuracy at 97% for TV, and 98% for Radio;
- Increases in the number of slots booked on both media (Television and Radio).

#### Television



## Radio



### 2.5.2 TV Licence Revenue

TV licence cash revenue collected during Q4 was 22.2% below the quarterly target. The YTD performance ended the quarter 10.7% below the annual target. All revenue streams ended the quarter below target - Renewals' revenue stream for the quarter was below budget by R65.8m (YTD: R14,0m); new licences were below budget by R13.7m (YTD: R1,3m); and debt collection was R13.4m below the budget (YTD: above budget by R4,2m).

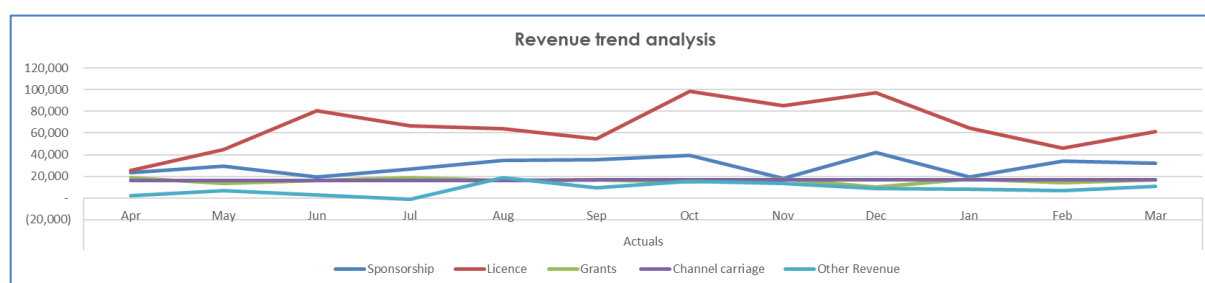
Revenue Stream	Quarter 4					Year to Date				
	Actual R'000	Budget R'000	Variance R'000	%	Prior R'000	Actual R'000	Budget R'000	Variance R'000	%	Prior R'000
Renewals	109,101	174,905	65,805	37.6%	124,929	481,007	494,984	13,977	2.8%	419,217
New Licences	19,459	33,150	13,691	41.3%	22,822	89,198	90,503	1,305	1.4%	96,986
DCA	72,167	85,600	13,433	15.7%	12,130	295,916	291,699	(4,217)	-1.4%	133,408
<b>Total</b>	<b>200,727</b>	<b>293,655</b>	<b>92,929</b>	<b>31.6%</b>	<b>159,881</b>	<b>866,121</b>	<b>877,187</b>	<b>11,065</b>	<b>1.3%</b>	<b>649,611</b>
<b>Revenue</b>	<b>171,689</b>	<b>220,719</b>	<b>(49,030)</b>	<b>(22.2)</b>	<b>112,633</b>	<b>788,426</b>	<b>882,875</b>	<b>(94,449)</b>	<b>(10.7)</b>	<b>594,723</b>

- Lockdown restrictions, as well as the general effects of the COVID-19 pandemic characterised by loss of income by licence holders, continue to impact non-compliance by license holders, resulting in decreased cash revenue;
- As subsequent waves take hold, and the government's vaccination programme faces delays, performance can be expected to remain subdued going into the new fiscal.

### 2.5.3 Other key revenue streams

With the exception of Sponsorships and 'Business Enterprise and Facilities', all other key revenue streams such as trade exchanges, government grants, and content exploitation continued to track behind their collective year to date targets. Reasons for the poor performance included:

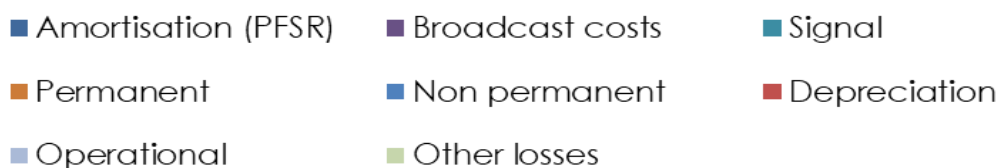
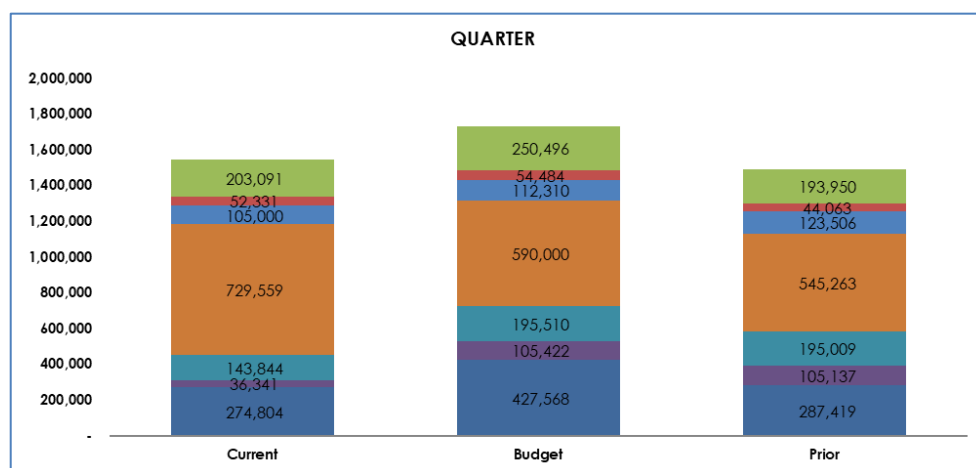
- The digital brand integration on major programs like Uzalo and Generations failing to generate the levels of revenues as anticipated;
- Limited Trade Exchange contracts due to limited live events taking place; and
- No active carriage deals in place during the quarter. Invoicing for the TelkomOne deal will only commence in April 2021.



\* Other revenue includes Facilities, TE, Mobile, Content Exploitation, Other income

## 2.6 EXPENDITURE

Year to date expenses were R871,3m better than comparative prior period. This was due to R358,4m savings in operating expenses, R157,3m reduction in broadcasts costs driven by lower royalties from lower revenues, and a R501,5m underspending in content amortisation. Employee compensation was R128,6m more than budget due to S189 costs.



Main expenditure drivers included:

- Employee costs were slightly more than budget due to Voluntary Severance Packages payments as the S189 process was finalised in the quarter which amounted to R177,3m;
- Programme costs were R153m (Year to date: R502m) lower than budget due to some production houses failing to deliver the budgeted programmes. Displacement cost, which negatively impacts on revenue, was incurred to accommodate the President and other Ministers' live addresses;
- Broadcast costs were lower by R69m for the Quarter (year to date: R157m) as a result of constrained commercial revenue performance (lower royalties being incurred, as well as limited trade exchanges and project services);
- Other operational expenses were lower than budget by R109m (year to date: R358m) due to reduced electricity consumption, general building

maintenance, canteen management and less marketing costs incurred. There were increases in cellphone costs due to remote working;

## 2.7 FINANCIAL POSITION REVIEW

ITEM	TARGET	ACTUAL
Current Ratio	1.63 times	1.85 times
Debtors Collection Days	85 days	54 days
Creditors Payment Days	123 days	33 days

- Stringent cash management remained in place, monitoring the movement of inflows and outflows;
- SENTECH debt was settled at the end of the quarter;
- The financial position of the SABC is relatively healthy, having a current ratio of 1.85. Solvency of the SABC is also quite healthy with a 1.88 coverage ratio;
- Settlement of the S189-related VSP payments impacted on the working capital management of the corporation.
- The SABC will continue to work on improving the pillars of revenue growth and profitability to address the going concern risk in the medium term.

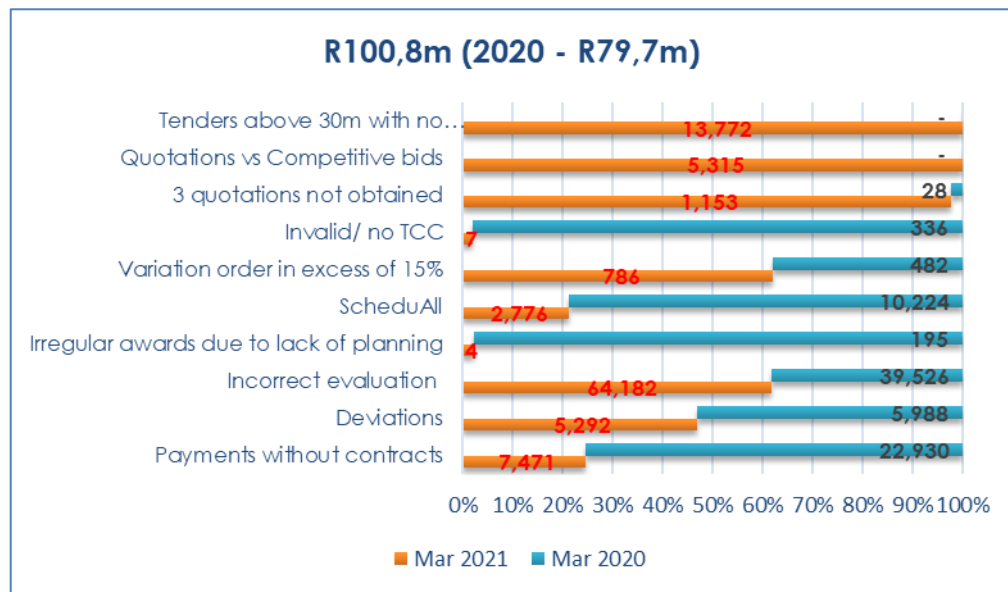
## 2.8 CASH FLOW

As at the end of the 4th Quarter, the SABC had a cash balance of R1.784bn.

Cash outflows from operations (R 522.7m)	Cash invested in capital assets (incl. proceeds from disposal) (R163.3m)	Proceeds from government grants and recapitalization (R14.0m)
<div> <div>Interest received</div> <div>Taxes paid</div> <div> <div>Cash balances at hand (beg R2.133bn)</div> <div>R1.439bn</div> </div> </div> <div> <div>Decrease of R0.345m from Q3 - 31 December 2020</div> </div>		
<div> <div>R73,9m</div> <div>(R68,2m)</div> </div>		

## 2.09 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

### 2.09.1 Irregular Expenditure

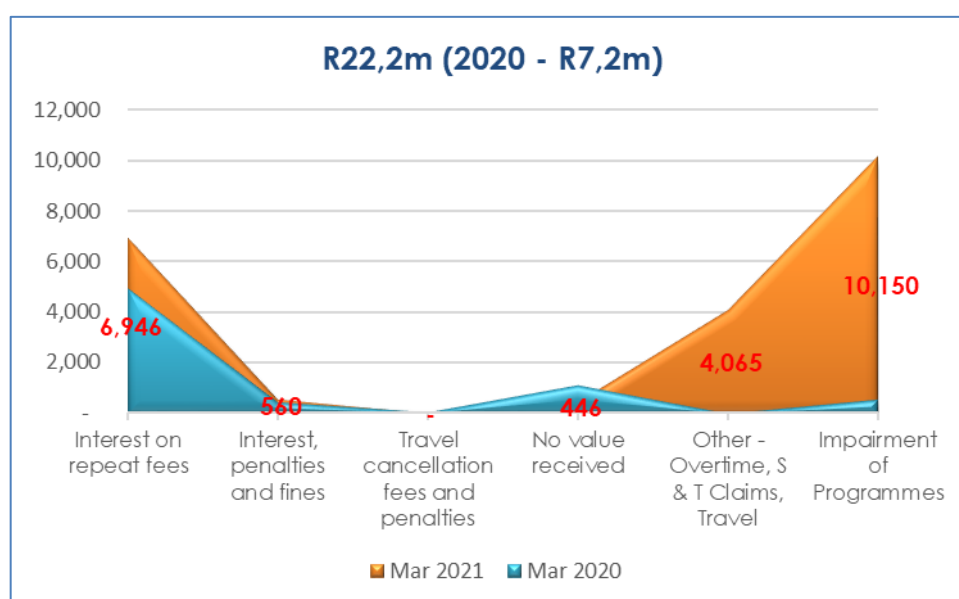


- Reported irregular expenditure increased from the comparable period in the prior year by R21m;
- R64,2m was incurred due to incorrect evaluation criteria applied to bids;
- R7,4m was incurred on account of payments made without contracts, and tenders above R30m awarded with no subcontracting element resulted in R13,8m in irregular expenditure;
- There was a marked reduction in irregular expenditure related to 'ScheduAll' and 'Payments without contracts';
- The reported value as at 31 March 2021 is subject to change as the initiatives to ensure completeness continues and as the year end and audit outcomes are finalised.

### 2.09.2 Fruitless and Wasteful Expenditure

The Fruitless and Wasteful Expenditure Policy was approved and socialized during the quarter.

- Reported fruitless and wasteful expenditure increased from the comparable period in the prior year by R15m.
- The main contributors for 2021 were 'Impairment of programmes', 'Interest on repeat fees', and 'Other – Overtime, S & T claims';
- There was a marked reduction with regard to fruitless and wasteful expenditure from 'Travel cancellations' and 'No value received';
- Recoveries, including staff debtors raised, amount to R2,8m;
- The next financial year will see the development of a comprehensive guide to the prevention, detection and management of irregular expenditure, as well as continuous awareness of irregular expenditure, the Loss Control Committee and management of fruitless and wasteful expenditure policies, including monitoring of consequence management in the event of occurrences of either;
- The reported value as at 31 March 2021 is subject to change as the year end and audit outcomes are finalised.



## 2.10 PROGRESS AGAINST EXTERNAL AUDIT FINDINGS FY20

Count of Finding Status	Finding Status			
Division	Open	InProgress	Completed	Total
Finance	4	1	30	35
Group Human Resources		3	9	12
Technology	2	4	12	18
News		3		3
Office of the GCEO			5	5
Radio			2	2
Sales (former Commercial Enterprises)		3	2	5
Sport		1		1
Supply Chain Management		2	16	18
TV Licences			2	2
Video Entertainment (formerly Television)			3	3
<b>Grand Total</b>	<b>6</b>	<b>17</b>	<b>81</b>	<b>104</b>
<b>Percentage</b>	<b>6%</b>	<b>16%</b>	<b>78%</b>	<b>100%</b>

In the 2020 audit, AGSA raised 98 findings, which have been split into 104 to enable better monitoring of resolution efforts. As at the end of the quarter, 78% of the findings had been resolved. Group Finance continues to spearhead the drive for the organisation to resolve the internal control weaknesses that result in audit findings.

### 3. CONTENT AND PLATFORMS

The **Television** market continued to face challenges in light of the slow economic activity that is attributed to the national response to the COVID-19 pandemic.

The Network continued to under-deliver against target month to month in the last quarter, although there is an increase over the last quarter. This poor performance comes from low seasonality in TV viewership in December, when the free TV viewing numbers tend to drop. As the channels built up towards the introduction of fresh content, rebranding, and the new schedule grid for SABC 3 in April, the performance increased slightly over the quarter.

Between SABC 1 and SABC 2 schedule stability averaged 96%. SABC 1 averaged 99%. SABC 2's schedule stability averaged 93%, mainly due to the COVID-19 impact during hard lockdown, as well as all the schedule interruptions due to national events, Presidential and Ministerial announcements.

The main contributor for failure to achieve the 95% network schedule stability target was SABC 3, that averaged 80% schedule stability. The main drivers for schedule instability on SABC 3 were the late interruptions from Sport, COVID-19 announcements, and the education programming aligned to COVID-19.

The 4th quarter ended with 150 productions being managed by Television Content. The reduction

from the previous quarter (298 productions) was as a result of a number of shows ending and more than 20 productions being delivered for the platforms' April 2021 launch.

Drama remained the largest output in terms of cost and minutes due to the number of soaps and the inclusion of four more long-form properties, uBettina Wethu, Giyani, Die Sentrum and The Estate.

The quarter ended with more than 348k minutes of content managed by the Division.

COVID-19 continued to affect the Division's delivery against increasing productions in the provinces. March was supposed to see the Division doing its roadshows and escalator pitches to assist provincial productions with accessing SABC Commissioning. Due to limitations on movement and staff movements, the provincial sessions had to be halted.

Despite these challenges, 38 of the 134 production houses currently producing content for the SABC are from outside Gauteng.

The **RADIO** audience measurement data was still not available for the period under review. BRC (Broadcast Research Council) last released the Radio Audience Measurement (RAM) survey data covering the period April 2019 to March 2020 in June

2020. No new data has been released since then.

In line with the Broadcasting Act requirements and the Medium-Term Strategic Framework (MTSF) priority 6: *Promoting social cohesion through increased interaction across space and class*, Radio programming focused on key themes and sub themes. There were promotions running on air throughout the quarter, educating and informing listeners through talk shows, interviews, pre-recorded inserts and magazine formats.

Marking one year since the country was moved into a State of Disaster in an effort to save lives from the COVID-19 pandemic, Radio continued to educate the nation when the President announced revised rules to the Level One restrictions that the nation had to adhere to ahead of the Easter holidays. Radio continued to carry all governmental briefings live while also engaging experts ahead of a possible 3rd wave of the pandemic expected to hit the country as it moves into the winter period.

The pandemic moved very close to home during the quarter with several stations reporting losses of key talent or former radio stars to the pandemic. A number of other high-profile personalities also succumbed to the virus. Radio was part of initiatives to celebrate the lives and legacies of our fallen heroes.

Amongst others, the following topics and themes were prominently

featured over the period under review:

- Back to School
- Gender-based Violence
- International Mother Tongue Day
- World Cancer Day
- World Day of Social Justice
- Human Rights Month
- International Women's Day
- International Day for the Elimination of Racial Discrimination
- Commonwealth Day
- World Tuberculosis (TB) Day

During the quarter, the Broadcast Research Council appointed IPSOS as the new radio currency service provider for a period of five years. The first wave of new data is expected during June/July 2021.

The editorial focus of SABC **News** during the quarter continued to be centred on educating and informing the public about COVID-19, vaccination, the vaccine rollout, as well as the impact of the pandemic on the economy and society. Live broadcasts of events of national importance included virtual briefings on government's COVID-19 vaccine rollout strategy by the Health Ministry, President Cyril Ramaphosa's addresses to the nation, State of the Nation Address, various briefings by the National Command Council, and briefings by relevant Ministers on COVID-19 gazetted rules and regulations.

Stories of national interest included the reopening of schools, the

Budget Speech by the Finance Minister Tito Mboweni and Human Rights month-related stories in March. On the sporting front, the national cricket team's first tour to Pakistan in 14 years was extensively covered. Also covered were Cricket Australia's decision to postpone its tour to South Africa due to the new Coronavirus strain, and the confirmation of South African businessman Patrice Motsepe as the new president of the Confederation of African Football.

The coverage of the judicial Commission of Inquiry into State Capture continued throughout the quarter under review.

Notwithstanding the difficult operating environment, and despite across-the-board audience declines in the fourth quarter, the SABC News Channel continued to show resilience, maintaining the lead in the national news market. In the month of March, the SABC News Channel outperformed its closest competitors on the National Market and closed the quarter tied with eNCA in the number one spot on DSTV.

The overall performance of news and current affairs services on SABC 1 and SABC 2 decreased from 21.1% and 7.9% in Q3 to 20.3% and 7.3% respectively in Q4, whilst SABC 3 increased its quarter-on-quarter market share from 2.0% to 2.2%. The persisting decline on terrestrial News bulletins continued in the fourth quarter indicating a pressing need for qualitative research to establish

the factors behind the downward trend. In the interim, interventions are being made to revamp, capacitate, and strengthen current affairs programming and refreshing on-air presentation for news bulletins. The SABC 3 evening news bulletin relaunched in a new slot at 20h00 as Prime News on 3.

During the quarter SABC **Sport** broadcasts included the following:

- Cricket inbound Test between South Africa and Sri Lanka on SABC 3;
- FA Women Super League was part of SABC Sport's broadcast on SABC1 to showcase women football;
- The Soweto Derby between Orlando Pirates and Kaizer Chiefs was broadcast on SABC 1, Sport Channel and on TelkomONE;
- SA National Soccer team AFCON qualifier match against Ghana at FNB stadium;
- 1 hour Track & Field Senior Invitational Athletics Meeting on SABC2, Sport Channel and TelkomONE;
- CAF Champions league match between Mamelodi Sundowns and TP Mazembe;
- International live boxing on SABC2, Sport Channel, and TelkomONE

Production planning meetings for the new Sports Arena show took place during the quarter, in preparation for the planned launch in April 2021.

With plans accelerating to move into a digital broadcast environment, the Sport division made significant strides in their preparation to launch a dedicated Sport channel. The channel will be broadcast on the TelkomONE and on the Openview platform.

In Q4, thanks to the opportunity for SABC Sport to offer exclusive broadcasts of the CAF Champions League home games of the top South African PSL sides, Mamelodi Sundowns, Kaiser Chiefs and Orlando Pirates, audiences were driven onto the TelkomONE platform. The result was that SABC Sport is currently the second most viewed free channel on the TelkomONE platform, just below SABC 1 in terms of audience connections.

## 4. DIGITAL

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**OTT** - The SABC continued in its efforts to implement its digital strategy, which will allow it to provide different service offerings to the market through the introduction and use of an SABC-owned OTT streaming platform that is scheduled for launch in the next financial year.

Included in the 2021-22 Corporate Plan are projects intended to fast-track the implementation of the projects related to the SABC's Digital Strategy.

With the completion of the audits in the Northern Cape, Eastern Cape and Western Cape, the transmitter audit of all provinces was completed. A report is currently being reviewed before presentation to the relevant governance structures.

During the quarter, the SABC concluded a content distribution agreement with eMedia Investments. With this agreement the SABC seeks to ensure that its content, in all its formats, continues to resonate with the prescripts of its

public mandate, and more so in providing universal access to credible content. The agreement also guarantees High-Definition broadcast quality and free access to the SABC's television network everywhere in South Africa.

In addition to carrying SABC 1, SABC 2 and SABC 3, Openview will carry three additional television channels from the SABC and all its 19 radio stations. Through this agreement the SABC officially entered the free-to-air satellite market which will supplement its channels on DTT and streaming platforms.

## 5. HUMAN RESOURCES

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The Human Resources Division concluded the S189 process during the quarter, and commenced with the transition to the new SABC operating model and structure. Job evaluations were completed for all positions within the new structure to ensure that all new jobs were advertised and are filled at correct levels.

The final number of terminations at the conclusion of the S189 process was 621 as at 31 March 2021. This left the organisation with 468 vacancies within the new structure, and critical vacancies will be advertised and filled during the first half of the new financial year.

Performance contracting concluded during the 4th quarter with 73% of all employees having entered into performance agreements with their line managers. Final performance reviews and performance contracting for the new financial year are planned for April-May 2021.

A comprehensive Workplace Skills Plan and Annual Training Plan was developed during the quarter, in preparation for submission to the MICT Seta. This plan includes training requirements as determined during the Skills Audit,

as well as skills required within the new operating model of the SABC. The priority will be on cross functional and compulsory/mandatory training.

During the first quarter of the next fiscal, the Corporation will launch a programme to revitalise the culture, improve employee engagement and promote the values of the SABC, to enable the organisation to deliver exceptional performance. The project shall be anchored on four (4) pillars namely (i) Purpose & Direction, (ii) Culture, Values & Employee Engagement, (iii) Capability, Learning & Career and (iv) Creating a Conducive Working Climate for Improved Performance. Each of the pillars shall be supported through people initiatives, engagement platforms and communication campaigns. The ultimate goal of this project is to create a workplace in which all SABC employees are enabled and *feel their best* as well as *perform at their best* by strengthening the connection between *wellbeing, greater results* and *sense of belonging*.

## 6. GOVERNANCE

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Policies are important because they guide employee actions and decision making to ensure that the Corporation achieves its mandate and objectives in accordance with the relevant legislative prescripts. Five policies – three from the Finance Division, and two from the Technology Division – were approved by the Board during the quarter under review.

The compliance levels for the disclosure of interests ended the quarter at 84%. Efforts will continue in the new financial year to improve on this performance.

Work on the Delegation of Authority Framework (DAF) continued during the quarter. Finalisation is scheduled for the first quarter of the next financial year. The DAF has had to be reviewed to reflect the new structures and positions.

Working with input received from the Audit & Risk Committee, the Enterprise Risk Management (ERM) department finalised the review of the Risk Management Policy, Framework and Strategy to ensure that the ERM policies support the achievement of the SABC

objectives. These will be submitted to the Board for its consideration and approval at the April 2021 sitting.

Risk monitoring is an on-going process which forms part of the Enterprise Risk Management process. The implementation of risk treatment plans did not move much compared to the third quarter. This was due to implementation of the S189 process that was underway during the quarter. With the S189 process concluded, attention will once again turn to the implementation of appropriate risk treatment plans in the next fiscal.

The Crisis Management Team (CMT) continued to convene on a regular basis to ensure that the organisation continues to maintain the health and safety of its employees and remains compliant with legislation and regulation on the management of COVID-19.

## 7. PARTNERSHIPS

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During the quarter, the SABC entered into a partnership with the Marketing Achievement Awards. The Marketing Achievement Awards is an industry programme that nurtures and celebrates excellence in the science and art of strategic marketing. Until 2023, the SABC will join South Africa's leading brands and marketing professions as the presenting partner of the awards. The Corporation will form part efforts aimed at raising awareness for the creativity and originality of effective marketing, while showcasing the successes of marketing teams and individuals who will be measured against, and recognised by, their peers.

Through this partnership, the SABC will support its clients in the communication, advertising and marketing sectors, and elevating marketing as a profession. The partnership will also allow the SABC to contribute to, and influence, the development of the South African marketing sector.

The carriage deal agreement between the SABC and Openview has created opportunities for greater collaboration between the two organisations from a communication and marketing perspective. An example of what is possible was the live broadcast on both eNCA and SABC News prime time bulletins, the joint communication and marketing of

SABC radio brands and the Sports Channel in preparation for the launch on the Openview platform.

Work continued during the quarter to secure more partnerships with regard to video content generation. Positive outcomes are expected in the new financial year.

## 8. PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Outcome	Output	Output Indicator	FY2020/21 Target	Target Q4	Actual Performance	Comment on Variance	Corrective Action
FINANCIAL SUSTAINABILITY							
GOAL: A FINANCIALLY SUSTAINABLE ORGANISATION							
TO BE A PREFERRED SERVICE PROVIDER TO OUR CLIENTS, AND A PREFERRED CLIENT TO OUR SERVICE PROVIDERS	Revenue and expenditure managed in accordance with the approved budget	Annual net (profit)/ loss before interest and tax (R'000)	1,443,670	467,084	346,028	Target achieved	
	Working capital management maximised in response to the operating environment	Average creditors' payment days	123 days	123 days	33 days	Target achieved	
		Average debtors' collection days	85 days	85 days	54 days	Target Achieved	

Outcome	Output	Output Indicator	FY2020/21 Target	Target Q4	Actual Performance	Comment on Variance	Corrective Action
<b>CONTENT AND PLATFORMS</b>							
<b>GOAL: OFFER A COMPETITIVE AND INNOVATIVE MULTICHANNEL PORTFOLIO</b>							
<b>TO BE A PREFERRED BROADCASTER WITHIN OUR COMMUNITIES THROUGH THE PROVISION OF COMPELLING INFORMATIVE, EDUCATIONAL AND ENTERTAINING CONTENT</b>	Shares of screen ratings on Free-To-Air television channels protected	Performance Period Share of Television Screen Ratings (%)	SABC 1: 27% SABC 2: 12% SABC 3: 5%	SABC 1: 27% SABC 2: 12% SABC 3: 5%	SABC 1: 16.3% SABC 2: 5.8% SABC 3: 2.2%	Not achieved	New programming will be broadcast across all TV channels from April which should see a positive response in terms of audience share for the SABC.
	Share of diary quarter-hours listened on SABC Radio stations protected	Share of Diary Quarter-Hours listened (%)	PBS: 66% PCS: 7%	PBS: 66% PCS: 7%	PBS: 66.5% PCS: 6.7%	Not achieved (this is based on dated industry research)	A number of stations that had declining audiences at the time of the last audience measurement (Q1) are receiving management attention to improve their performance
	ICASA license conditions met	Percentage of local content broadcast on PBS television channels during performance period	SABC 1: 65% SABC 2: 65%	SABC 1: 65% SABC 2: 65%	SABC 1: 70.2% SABC 2: 68.6%	Target achieved	
		Percentage of local content broadcast on PCS television channel during performance period	SABC 3: 45%	SABC 3: 45%	SABC 3: 54.6%	Target achieved	

		Percentage of local music broadcast on PBS radio stations during performance period	70%	70%	76.7%	Target achieved	
		Percentage of local music broadcast on PCS radio stations during performance period	35%	35%	40.3%	Target achieved	
		Number of PBS radio stations (excluding Radio 2000) that achieved full compliance with ICASA-specified genre quotes	14/14 radio stations	14/14 radio stations	14/14 radio stations	Target achieved	

Outcome	Output	Output Indicator	FY2020/21 Target	Target Q4	Actual Performance	Comment on Variance	Corrective Action
DIGITAL							
GOAL: SABC EVERYWHERE FOR EVERYONE							
TO BE A PREFERRED BROADCASTER WITHIN OUR COMMUNITIES THROUGH THE PROVISION OF COMPELLING INFORMATIVE, EDUCATIONAL AND ENTERTAINING CONTENT THAT IS ACCESSIBLE ON ALL PLATFORMS	Digital workflows and infrastructure for SABC content implemented	Number of projects completed on time	10	4	2	Not achieved - The implementation of projects was adversely impacted by the COVID-19 lockdown that effectively moved everything out by ± 6 – 8 months.	Overall 10 Projects were completed during the fiscal.
		SABC Enterprise Digital Library development completed	Tender published	Tender published	Business Requirements gathering and signing of relevant documentation in progress	Not achieved - The implementation of the project was adversely impacted by the COVID-19 lockdown that effectively moved everything out by ± 6 – 8 months.	The target was not achieved as the gathering of requirements is still in progress.  It is projected that the tender will go to market in June 2021.

	SABC facilities digitalised	Number of additional sites with functional Dira! installations	8	4	<p>No sites went live during Q4</p> <p><b>National Computer Equipment–</b> Phase 2 installation of workstations in the remaining regions completed.</p> <p><b>Studio Equipment for National Rollout</b> - SCM to schedule a BSC as the first tender has been cancelled due to failed negotiations with prospective bidder</p>	Not achieved - The implementation of the project was adversely impacted by the COVID-19 lockdown that effectively moved everything out by ± 6 – 8 months.	The roll-out schedule has been revised, and included in the 2021-22 Corporate Plan for implementation.
		SABC Radio & TV websites development project milestones completed	SCM processes completed	Contract/s signed with Service Provider/s	The business case was approved by Group EXCO on 04 February 2021.	Not achieved - The implementation of the project was adversely impacted by the COVID-19 lockdown that effectively moved everything out by ± 6 - 8 months.	Project is included for implementation in the 2021-22 Corporate Plan.

		SABC Radio & TV stations Apps development project milestones completed	SCM processes completed	Contract/s signed with Service Provider/s	The business case was approved by Group EXCO on 04 February 2021.	Not achieved - The implementation of the project was adversely impacted by the COVID-19 lockdown that effectively moved everything out by $\pm$ 6 - 8 months.	Project is included for implementation in the 2021-22 Corporate Plan.
		SABC Player development completed	Phase 1 launch	Phase 1 launch	The business case was endorsed by Group EXCO on 26 March 2021.	Not achieved - The implementation of the project was adversely impacted by the COVID-19 lockdown that effectively moved everything out by $\pm$ 6 - 8 months.	The end-of-year target was not achieved as the gathering of requirements took longer than planned (associated with COVID-19 lockdown and S189).  Project is included for implementation in the 2021-22 Corporate Plan.
		TV Licences website redevelopment project milestones completed	TV Licences website live	TV Licences website live	The debit order arrangements on web services were enhanced	Not achieved	Main website will be redeveloped as part of the overall websites and applications project that is part of the 2021-22 Corporate Plan.

Outcome	Output	Output Indicator	FY2020/21 Target	Target	Actual Performance	Comment on Variance	Corrective Action
				Q4			
HUMAN RESOURCES							
GOAL: A COMPETENT, DYNAMIC WORKFORCE THAT IS FIT FOR PURPOSE							
TO BE A PREFERRED EMPLOYER WITH EMPLOYEES WHO ARE OUR BRAND AMBASSADORS	Performance Management system implemented	Percentage of employees with signed performance contracts	100%	N/A	N/A	N/A	N/A
	Workplace Skills Plan implemented	Percentage of Workplace Skills Plan implemented	80%	80%	32%	Not achieved - the sourcing of quality providers remained a challenge; and some business areas requested programmes to be put on hold until the S189 process is finalised.	A business case was approved to source a pool of providers for a 3-year period. The S189 process was concluded at the end of the quarter.
	Culture Revitalisation Journey (CRJ) Plan implemented	Percentage of Culture Revitalisation Journey annual plan activities implemented	80%	80%	CRJ on hold.	CRJ on hold.	The CRJ remained on hold while the S189 and restructuring processes received priority attention.

Outcome	Output	Output Indicator	FY2020/21 Target	Target	Actual Performance	Reason for Deviation	Corrective Action
				Q4			
GOVERNANCE							
GOAL: COMPLIANT GOVERNANCE PRACTICES, RISK MANAGEMENT AND SOUND INTERNAL CONTROLS							
TO BE A PREFERRED BROADCASTER WITHIN OUR COMMUNITIES WHILE ADHERING TO THE PREVAILING POLICIES, LEGISLATIVES AND REGULATORY FRAMEWORK	Internal control environment strengthened	Percentage of previous financial years’ Auditor-General findings resolved	90%	90%	78%	Not achieved - The delay in the finalisation of the audit impacted on the progress that could be achieved as at this point.	Resolution of findings is ongoing. Target is anticipated to be achieved before 31 May 2021.
		Percentage of policies reviewed that are current in terms of the 2-year review cycle	50%	50%	57%	Target achieved.	
	Turnaround Plan implemented	Number of progress reports submitted to Board and Department of Communication & Digital Technologies	12	3	3	Target achieved	

Outcome	Output	Output Indicator	FY2020/21 Target	Target	Actual Performance	Reason for Deviation	Corrective Action
				Q4			
PARTNERSHIPS							
GOAL: TO ESTABLISH STRATEGIC AND SUSTAINABLE PARTNERSHIPS							
TO BE THE PREFERRED BRANDS FOR OUR AUDIENCES	Television content generation partnerships established	Number of television content generation partnership agreements/MOUs signed	4	3	-	Not achieved	Efforts to secure content generation partnerships are ongoing and are included in the 2021-22 Corporate Plan.
	SABC content distribution partnerships established	Number of content distribution partnership agreements/MOUs signed	3	3	1	Not achieved	Efforts to secure content distribution partnerships are ongoing and are included in the 2021-22 Corporate Plan.
	SABC strategic Relationship building projects implemented	Number of strategic relationship-building projects completed	4	1	2	Target achieved	