


ANNUAL REPORT 2016

Ours is not  
*just a job,*  
it is a calling  
to ensure that  
**everyone**  
in our   
**nation**  
**is** informed,  
**educated** and  
entertained.

#TakeTheNextStep











## VISION

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

## MISSION

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

## VALUES

Conversations and partnerships, restoration of human dignity and building a common future.









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# List of Abbreviations and Acronyms

<b>15+</b>	Over 15 years of age	<b>EME</b>	Exempt Micro Enterprise
<b>AEE</b>	Accelerated Education Enterprises	<b>EMS</b>	Emergency Management Services
<b>AFCON</b>	Africa Cup of Nations	<b>ES</b>	Establishment Survey
<b>AGM</b>	Annual General Meeting	<b>EVP</b>	Employee Value Proposition
<b>AGSA</b>	Auditor General of South Africa	<b>Exco</b>	Executive Committee
<b>ALAMAU</b>	African Leadership Academy Model African Union	<b>FCC</b>	Final Control Centre
<b>ALS</b>	African Language Radio Stations	<b>FITP</b>	Finance, Investment, Procurement and Technology
<b>AMPS</b>	All Media Products Survey	<b>FM</b>	Frequency Modulation
<b>AR</b>	Audience Rating	<b>FMPPI</b>	Framework for managing programme performance information
<b>ATKV</b>	Afrikaanse Taal en Kultuur Vereniging	<b>FPB</b>	Film and Publication Board
<b>AU</b>	African Union	<b>GCEO</b>	Group Chief Executive Officer
<b>AUB</b>	African Union of Broadcasters	<b>GE</b>	Group Executive
<b>BA</b>	Broadcasting Act	<b>GI</b>	Group Internal Audit
<b>BAC</b>	Bid Adjudication Committee	<b>GIBS</b>	Gordon Institute of Business Science
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment	<b>GRC</b>	Governance, Risk and Compliance
<b>BBC</b>	British Broadcasting Corporation	<b>HCS</b>	Human Capital Services
<b>BCCSA</b>	Broadcasting Complaints Commission of South Africa	<b>HD</b>	High Definition
<b>BRC</b>	Broadcast Research Council	<b>HDTV</b>	High Definition Television
<b>BRICS</b>	Brazil, Russia, India, China and South Africa	<b>HR</b>	Human Resources
<b>CAATS</b>	Computer-Aided Audit Tools	<b>ICASA</b>	Independent Communications Authority of South Africa
<b>CAF</b>	Confederation of African Football	<b>ICC</b>	International Cricket Council
<b>Capex</b>	Capital Expenditure	<b>ICDL</b>	International Computer Drivers Licence
<b>CCTV</b>	China Central Television	<b>ICT</b>	Information Communications and Technology
<b>CHAN</b>	Orange African Nation Championship	<b>IEC</b>	Independent Electoral Commission
<b>CI</b>	Corporate Identity	<b>IFRS</b>	International Financial Reporting Standards
<b>CIDB</b>	Construction Industry Development Board	<b>IKB</b>	Information Knowledge Building
<b>CIPC</b>	Companies and Intellectual Property Commission	<b>IP</b>	Internet Protocol
<b>CIPS</b>	Chartered Institute of Purchasing and Supply	<b>ISO</b>	International Organization for Standardization
<b>CNN</b>	Cable News Network	<b>ISP</b>	Internet Service Provider
<b>COGHSTA</b>	Cooperative Governance, Human Settlements and Traditional Affairs	<b>IT</b>	Information Technology
<b>COMESA</b>	Common Market of Eastern and Southern Africa	<b>King III</b>	King III Report on Corporate Governance for South Africa (2009)
<b>COSAFA</b>	Council of Southern Africa Football Associations	<b>KPI</b>	Key Performance Indicator
<b>COSO</b>	Committee of Sponsoring Organizations of the Treadway Commission	<b>LAN</b>	Local Area Network
<b>CRL</b>	Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	<b>LPT</b>	Low Power Transmitters
<b>CSD</b>	Central Supplier Database	<b>MCR</b>	Main Control Room
<b>CSI</b>	Corporate Social Investment	<b>MEC</b>	Member of Executive Council
<b>CSIR</b>	Council for Scientific and Industrial Research	<b>MHz</b>	Megahertz
<b>DA</b>	Democratic Alliance	<b>MICT SETA</b>	Media, Information and Communication Technologies Sector Education and Training Authority
<b>DAB</b>	Digital Audio Broadcasting	<b>MISA</b>	Media Institute of Southern Africa
<b>DIRCO</b>	Department of International Relations and Corporation	<b>MMA</b>	METRO FM Music Awards
<b>DoC</b>	Department of Communications	<b>Mol</b>	Memorandum of Incorporation
<b>DoH</b>	Department of Health	<b>MPC</b>	Monetary Policy Committee
<b>DSAT</b>	Digital Satellite	<b>MPU</b>	Micro Processing Unit
<b>DStv</b>	Digital Satellite Television	<b>MRM</b>	Moral Regeneration Movement
<b>DTH</b>	Direct-to-Home (satellite distribution)	<b>MTEF</b>	Medium Term Expenditure Framework
<b>dti</b>	Department of Trade and Industry	<b>NAB</b>	National Association of Broadcasters
<b>DTT</b>	Digital Terrestrial Television	<b>NCA</b>	National Credit Act
<b>EAP</b>	Employee Assistance Programme	<b>NCC</b>	National Consumer Commission
<b>EBU</b>	European Broadcasting Union	<b>NEMISA</b>	National Electronic Media Institute of South Africa
<b>ECA</b>	Electronics Communications Act	<b>NEPAD</b>	New Partnership for Africa's Development
<b>ED</b>	Equity Development	<b>NFVF</b>	National Film and Video Foundation
<b>EE</b>	Employment Equity	<b>NICSA</b>	National Interfaith Council of South Africa
		<b>NQF</b>	National Qualifications Framework





<b>NSFAS</b>	National Student Financial Aid Scheme
<b>NYSDP</b>	National Youth Skills Development Program
<b>OB</b>	Outside Broadcast
<b>ODI</b>	One Day International
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OTT</b>	Over-The-Top
<b>PAA</b>	Public Audit Act No. 25 of 2004
<b>PanSALB</b>	Pan-South African Language Board
<b>PBS</b>	Public Broadcasting Services
<b>PCC</b>	Portfolio Committee on Communications
<b>PCS</b>	Public Commercial Services
<b>PFMA</b>	Public Finance Management Act No. 1 of 1999
<b>PGM</b>	Provincial General Managers
<b>POC</b>	Proof of Concept
<b>PSA</b>	Public Service Announcement
<b>PSL</b>	Premier Soccer League
<b>PWD</b>	People With Disabilities
<b>QoS</b>	Quality of Service
<b>QSE</b>	Qualifying Small Enterprise
<b>RAMS</b>	Radio Audience Measurement Survey
<b>RBF</b>	Radio Broadcast Facilities
<b>ROI</b>	Return on Investment
<b>RSG</b>	Radio Sonder Grense
<b>RWC</b>	Rugby World Cup
<b>SAA</b>	South African Airways
<b>SAARF</b>	South African Audience Research Foundation
<b>SABA</b>	Southern African Broadcasting Association
<b>SABC</b>	South African Broadcasting Corporation SOC Limited
<b>SABS</b>	South African Bureau of Standards
<b>SACU</b>	Southern African Customs Union
<b>SADC</b>	Southern African Development Community
<b>SAFA</b>	South African Football Association
<b>SAFTA</b>	South African Film and Television Awards
<b>SAMRO</b>	South African Music Rights Organisation
<b>SAN</b>	Storage Area Network
<b>SANS</b>	South African National Standards
<b>SAP</b>	System Application and Products in Data Processing
<b>SAQA</b>	South African Qualifications Authority
<b>SARB</b>	South African Reverse Bank
<b>SATMA</b>	South African Traditional Music Awards
<b>SCM</b>	Supply Chain Management
<b>SEA</b>	Screen Excellence Awards
<b>SEDA</b>	Small Enterprise Development Agency
<b>SOC</b>	State Owned Company
<b>SOE</b>	State Owned Enterprise
<b>SONA</b>	State of the Nation Address
<b>SOPA</b>	State of the Province Address
<b>STB</b>	Set Top Box
<b>TAMS</b>	Television Audience Measurement Survey
<b>TOR</b>	Terms of Reference
<b>TV</b>	Television
<b>TVBMS</b>	Television Broadcast Management System
<b>TVM</b>	Television Mozambique
<b>UN</b>	United Nations
<b>USAID</b>	United States Agency for International Development
<b>VHF</b>	Very High Frequency
<b>VOD</b>	Video on Demand
<b>WAN</b>	Wide Area Network
<b>WASPA</b>	Wireless Application Service Providers Association
<b>WSP</b>	Workplace Skills Plan







**APRIL 27 1994**  
**BORN FREE**

**07 MAY 2014**  
**IECELECTIONS**

**03 AUGUST 2016**  
**IECELECTIONS**





## SABC AT A GLANCE

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“I don’t need a successor, only willing hands  
to accept the torch for a new generation”

*Billy graham*



**#TakeTheNextStep**





# Showcasing Our Platforms

The communications landscape is ever evolving due to competition and convergence between broadcasting, telecommunications, new media and the anticipation of digital terrestrial television. Radio remains a critical source of information for a large majority of those who have little access to information technology and other platforms.

The SABC Radio Stations have remained relevant and the Public Broadcasting Services (PBS) radio stations are a key channel for delivering on the public service mandate.

## SABC Radio Stations

**Ikwewezi FM** provides information and caters for the needs and tastes of the Ndebele speaking community. It is acknowledged by its listeners as their primary source of news and information.

**Average weekly audience: 1.544 million adults (15+)**

**Lesedi FM** caters for the Sesotho speaking communities. It is a needs-driven participatory radio station that provides programming with a direct bearing on the development of its listeners.

**Average weekly audience: 4.069 million adults (15+)**

**Ligwalagwala FM** seeks to reflect a more urban and aspirational lifestyle. It prides itself in being an upbeat radio station that speaks to young, motivated, upwardly mobile siSwati speaking people.

**Average weekly audience: 1.401 million adults (15+)**

**Lotus FM**'s target market is the South African Indian community. The station caters for an audience, both young and old, across three religious denominations (Hinduism, Islam and Christianity) and six languages. Lotus FM offers an engaging mix of information, education and entertainment driven programmes which serve to reflect the strong value system of our dynamic audience while promoting a proudly South African radio brand.

**Average weekly audience: 397 000 adults (15+)**

**Motsweding FM**'s core philosophy is the personal empowerment and development of its listeners. It is an aspirational station that embodies the ambitions of being worldly and cosmopolitan. It broadcasts from Mmabatho in Setswana and its listeners depend on the station as a source of information, education and entertainment. Motsweding FM has a massive spillover listenership in Botswana.

**Average weekly audience: 3.137 million adults (15+)**

**Munghana Lonene FM** broadcasts in Xitsonga and supports the aspirations of its listeners while remaining in harmony with contemporary norms and values. The station places considerable emphasis on listener participation and actively seeks expert opinion, commentary and advice on various topical issues.

**Average weekly audience: 1.086 million adults (15+)**

**Phalaphala FM**'s programming philosophy is underpinned by a desire to inspire its listeners, especially women and emerging entrepreneurs. Listeners are given a platform to share knowledge and expertise across a range of subjects and issues. Phalaphala FM broadcasts in Tshivenda from Thohoyandou and speaks to the young aspirant and upwardly mobile Tshivenda speaking people living in the Limpopo Province.

**Average weekly audience: 856 000 adults (15+)**

**Radio 2000** is a cosmopolitan national radio station that broadcasts in English. It reflects and unites South Africa's diverse cultures with the intention of strengthening democracy and nation building through key offerings of adult contemporary music, lifestyle programming, sport and events of national importance. Radio 2000 provides content that is high quality and engages audiences in healthy discussions and debates on a wide range of subjects. It remains an empowering and uplifting source of quality programming for the citizens of South Africa.

**Average weekly audience: 907 000 adults (15+)**

**Radio Sonder Grense (RSG)** is a contemporary radio station that represents the modern Afrikaans speaking audience. RSG provides for a progressive, forward thinking, loyal and strongly family orientated audience that is proudly Afrikaans.

**Average weekly audience: 1.792 million (15+)**

**SAfm** delivers credible and up-to-the-minute news coverage alongside relevant, informed analysis of current affairs. In accordance with its PBS mandate, SAfm explores broader themes and subjects relevant to its target market and delivers the information in a manner that benefits all South Africans. The station targets discerning, mature and sophisticated listeners nationally. The focus is primarily on decision makers seeking insightful, up-to-date and enabling information.

**Average weekly audience: 473 000 adults (15+)**

**Thobela FM** dedicates its programming to promoting the growth of its listeners, the modernisation of culture and enhancing individual economic development. It broadcasts in Northern Sotho.

**Average weekly audience: 3.001 million adults (15+)**





**Tru FM** is a regional station based in the Eastern Cape. It views youth and youthfulness as an opportunity and young people as a resource. It broadcasts in isiXhosa and English and creates a platform for young people to express themselves. Tru FM empowers its listeners, the youth, to improve their quality of life as well as focussing on their self-development.

**Average weekly audience: 151 000 adults (15+)**

**Ukhozi FM** is the nation's largest radio station. It focuses on edutainment and infotainment and is guided by its philosophy which prioritises upliftment, growth and development. Broadcasting in isiZulu, Ukhozi FM is a leading African Language Radio Station (ALS) station with audiences in excess of over six million over the last decade.

**Average weekly audience: 7.532 million adults (15+)**

**Umhlobo Wenene FM** broadcasts in isiXhosa and seeks to serve its listeners with honour and integrity by continuously providing entertainment, education and information that inspires a culture of personal growth and development.

**Average weekly audience: 4.662 million adults (15+)**

**X-K FM** targets the San community of Platfontein in the Northern Cape. The community consists of the !Xu and Khwe people. The station's mission is to preserve the !Xun and Khwe cultures by uplifting, developing and informing the community

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

**5FM** is an entertainment powerhouse for South African youth, offer's you the most popular contemporary music and entertainment.

**Average weekly audience: 1.817 million adults (15+)**

**Good Hope FM** encapsulates the fun, energy and funkiness of urban Cape Town. It entertains and actively engages Capetonians through music, relevant lifestyle news and events. It is well positioned to meet the lifestyle needs of its audience by showcasing events and public concerns.

**Average weekly audience: 616 000 adults (15+)**

**METRO FM** has a strong influence over youthful urban adults who embrace a pragmatic and successful lifestyle. It is the largest commercial station in South Africa with listeners in excess of six million. Although primarily a music station, METRO FM also delivers credible and unbiased news reporting that keeps its listeners involved and informed.

**Average weekly audience: 6.856 million adults (15+)**

## SABC Television Channels

**SABC1** is a full-spectrum free-to-air channel that represents youthful dreams and aspirations and reflects a society that is currently in motion and progressive. The channel broadcasts in isiZulu, isiXhosa, siSwati, isiNdebele and English. Coverage is via a terrestrial transmitter network which reaches 91.2% of the population. It is also available via satellite on the Digital Satellite Television (DStv) and Vivid direct-to-home (DTH) digital satellite platforms.

**Average weekly audience: 28.8 million adults (15+)**

**SABC2** is a full-spectrum free-to-air channel which places family, community and culture at the centre of its activities. The channel broadcasts in Sesotho, Setswana, Sepedi, Afrikaans, Xitsonga, Tshivenda and English. Coverage is via a terrestrial transmitter network which reaches 92.5% of the population. It is also available via satellite on the DStv and Vivid DTH digital satellite platforms.

**Average weekly audience: 26.9 million adults (15+)**

**SABC3** is a full-spectrum free-to-air channel, offering multicultural viewers content that uplifts, challenges and entertains. The channel primarily broadcasts in English and aims to carry 10% of its programmes in other South African languages. Coverage is via a terrestrial transmitter network which reaches 82.1% of the population. It is also available via satellite on the DStv and Vivid DTH digital satellite platforms.

**Average weekly audience: 21 million adults (15+)**

**SABC News** is broadcast on DStv Channel 404 and offers continuous updates and breaking news. It is a seamless fusion of live journalism and current affairs programming throughout the day. The channel broadcasts mainly in English, with African-language bulletins provided during the evening slots. The channel has expanded its footprint and now covers 50 African countries as it aspires to be a Pan-African channel.

**Average weekly audience: 1 050 711 adults (15+)**

**SABC ENCORE** is a retro channel showcasing and celebrating SABC programming from the 1980s and 1990s. The channel, which forms an integral part of SABC's strategy to move into a multi-channel environment, is currently carried on DStv.

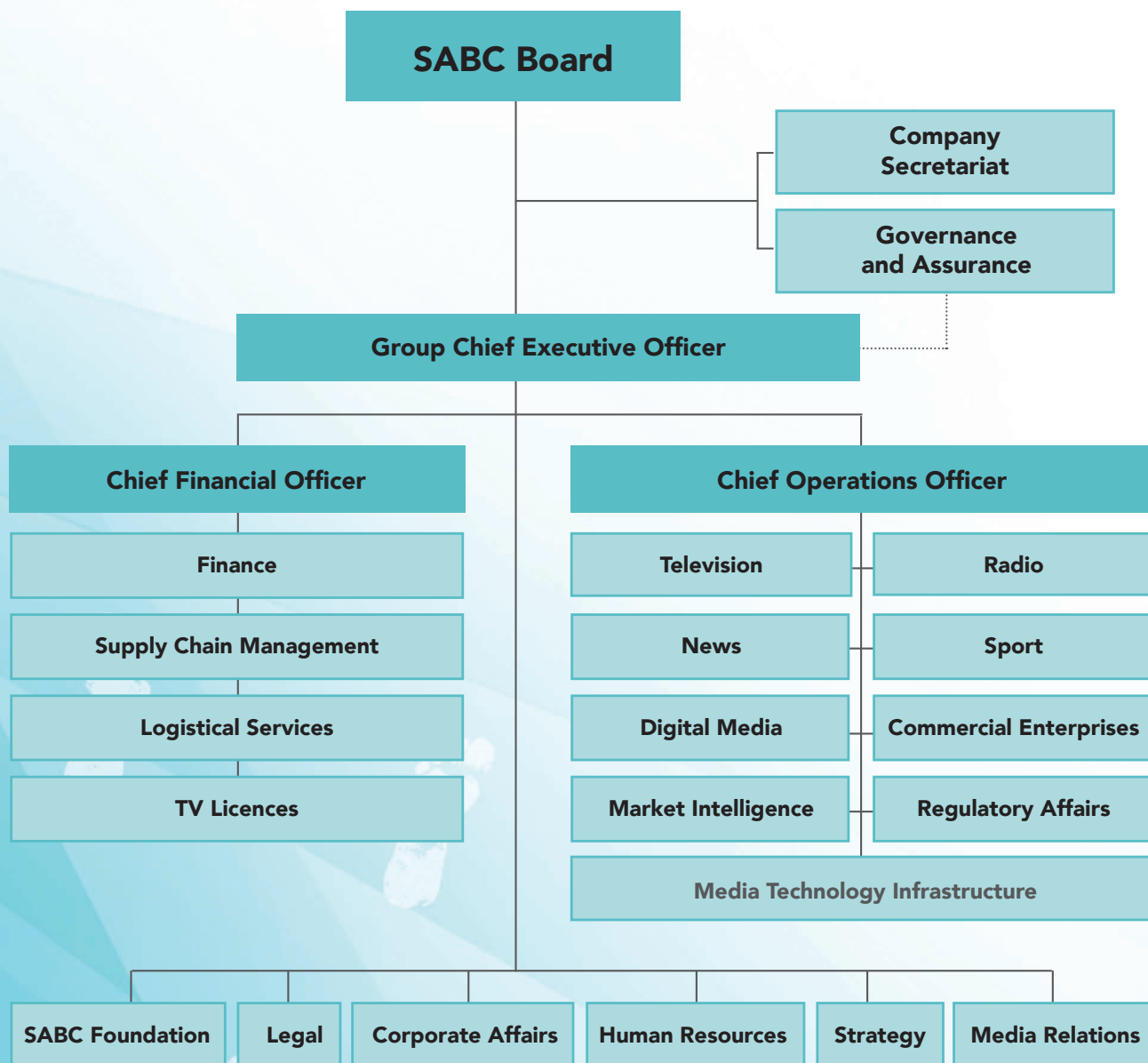
**Average weekly audience: 1 489 591 adults (15+)**



# Organisational Structure

## Department of Communications

Minister of Communications



# Foreword by the Chairperson of the Board

**Everyone at the SABC is immensely proud of its achievements during the 2015/16 financial year and we look forward to its continued resurgence in the coming financial year in a broadcasting environment fundamentally reshaped by digital technology.**

At the end of 2015, South Africans first received Digital Terrestrial Television (DTT) transmissions. Over the next few years, the rollout of DTT will essentially transform the nature of television broadcasting. South African viewers will have more choice and enjoy a greater diversity of programming than they have ever enjoyed before. The Corporation has been instrumental in ensuring the smooth launch of the digital migration programme and will continue to be at the forefront of efforts to ensure its success.

The SABC regards itself first and foremost as a public service broadcaster and is committed to its vision of inspiring change through enriching, credible, relevant and compelling content that is accessible by all. The Corporation's single-minded mission has been to educate, inform and entertain all audiences accessing SABC services. For the SABC, this means that programming is created for audiences in the language of their choice, regardless of where they live in South Africa and the African continent.

In the 2015/16 financial year, the SABC once again exceeded its public service mandates by a considerable margin for both radio and television and expects to do so again in 2016/17. The SABC is justifiably proud of the fact that 80% of its television programming is produced locally and the Corporation's African-language radio stations are showing continued success.

Despite the challenging economic environment, in which advertising spend grew by only 6% overall, the SABC expects to grow commercial revenues by 8% in 2016/17. While driving commercial sales revenue, the SABC focusses on fiscal prudence and meticulous cost containment measures, to ensure that it remains a financially sustainable organisation.

Looking forward to the next financial year, the SABC will face new and different challenges, which make its unique role as a Public Broadcaster, funded largely through commercial revenues, increasingly difficult to sustain. The global media environment in which it operates is undergoing a fundamental transformation due to the rapid growth of digital technologies and these technologies have rendered traditional systems and business models obsolete. Advertising spend, which the SABC depends on for the vast majority of its revenue, is shifting to online channels and viewers now expect to watch their favourite shows anytime, anywhere and on any device. New forms of entertainment have emerged to challenge the traditional role of television.



Prof M O Maguvhe

The South African economy is also facing enormous challenges. The slow growth rate, high unemployment and growing inflation all contribute to a slowdown in advertising spend and household disposable income. The depreciation of the Rand dramatically increases the cost of international content and sports rights. In particular, covering the costs of licensing and broadcasting the extensive list of sports of national interest will become even more challenging over the coming years. Nonetheless, the SABC will continue to prioritise sports of national importance as it understands the pivotal role that sport plays in nation-building and creating positive role models for the youth.

The coming year is significant as the 2016 Local Government Elections will be held. As the Public Broadcaster, the SABC will provide election coverage and results information in all official languages across its traditional radio and television platforms, as well as on new digital platforms, ensuring that all South Africans are able to participate in the elections and exercise their democratic rights.

The SABC's success in delivering on its ambitious goals is dependent on the continued commitment of its employees and key stakeholders. The Board thanks them for their dedication and extends its gratitude to the Shareholder and our network of partners for their unwavering support, guidance and input in shaping the SABC's strategy and vision for the future. With their continued assistance we have no doubt that the SABC will contribute to building a free and democratic South Africa in which all its people are able to play a role.

**Prof. M.O. Maguvhe**

**Prof M O Maguvhe**  
*Chairperson of the SABC Board*



# Composition of the SABC Board



**Prof M O Maguvhe**  
Chairperson



**Ms L T Khumalo**  
Deputy Chairperson



**Mr V G M Mavuso**



**Ms N M Mhlakaza**



**Mr K Naidoo**



**Dr N A Tshidzumba**



**Mr J R Aguma**  
Group CEO (Acting)  
*June 2016*



**Mr G H Motsoeneng**  
COO



**Ms M A Raphela**  
CFO (Acting)  
*June 2016*

**The SABC has a unitary Board structure and, in terms of the Broadcasting Act No. 4 of 1999, as amended, comprises 12 Non-Executive Directors and three Executive Directors. Currently, the Board comprises six Non-Executive Directors and three Executive Directors.**

The Broadcasting Act provides that the SABC be governed and controlled in accordance with this Act by a Board of Directors. The Non-Executive Directors are appointed by the President on the advice of the National Assembly and the Executive Directors are appointed by the Minister in consultation with the Board.

Non-Executive Directors hold office for a period determined by the President which may not exceed five years. Executive Directors have standard employee service contracts and are subject to the SABC's conditions of service.

### **Prof Mbulaheni Obert Maguvhe** **Chairperson**

*PhD in Education (University of Pretoria); MEd (Boston College, Massachusetts, USA); Diploma in Special Education (UNISA); BEd (University of the Witwatersrand); BA Education (University of the North); Certificate in Assessor Training.*

Obert Maguvhe is a Professor at the University of South Africa in the Department of Inclusive Education. He is the Co-founder of the South African National Association of the Blind and acted as its Executive Director. He held the positions of Programme Manager and Programme Coordinator for Education and Training at the Council.

His experience, covering both the public and private sectors, with specific interest in education, has been gathered in numerous positions which he has occupied. He was the Director: Special Needs at Kha Ri Gude Mass Literacy Campaign by the Department of Education, a teacher at Tshildzini Special School and a coordinator of the Workbooks Adaptation Task Team for the Department of Basic Education and Training.

Prof Maguvhe played an instrumental role in a number of significant improvements in educational initiatives and developments for the blind and partially sighted. He adapted the Department of Basic Education's Annual National Assessments for the Blind and was influential in designing Grade 2 Venda Braille. He initiated and participated in the development of unit standards leading to a Diploma in Braille (SAQA Level 5). His specialisation is in curriculum and instructional design and development in the Department of Curriculum Studies at the University of Pretoria's Faculty of Education.

He has successfully served on a number of committees including being the Chairman of the African Languages Committee under the auspices of Braille SA and a Board Member of the South African Library for the Blind. Before being appointed as Chairperson by the President, Prof Maguvhe was the SABC Board's Deputy Chairperson.

### **Ms Leah Thabisile Khumalo** **Deputy Chairperson**

*BJuris, LLB (University of Durban Westville); Project Management Diploma (University of Durban Westville,*

*Graduate School of Business Leadership); Professional Legal Training (School of Legal Practice, University of Natal).*

Ms Leah Khumalo is the founder and director of Mngoma Mlaba and Khumalo Inc. She has extensive and advanced knowledge and experience in drafting and interpreting legislation. She specialises in drafting and designing legal documents such as tenders, contracts, agreements and the execution of Judicial Acts (Litigation).

Ms Khumalo has been involved, inter alia, in projects with the following organisations: Public Health and Welfare Sectorial Bargaining Council (PHWSBC), the KwaZulu-Natal (KZN) Department of Health, the Department of Transport, Adkraal Design and Advertising, LifeLab EcoBio Innovation Centre, the Department of Local Government and Traditional Affairs, Msunduzi Municipality, KZN Wildlife, KZN Department of Transport, Nestle (Pty) Ltd, Ethekwini Municipality, Ithala Ltd; KZN Gijima (DED) and KZN Provincial Treasury.

Ms Khumalo is a former member of the Board, served as a member of the Audit Committee and a Chairperson of the Procurement Committee of Sentech. Currently Ms Khumalo is a commissioner to the Commission of Inquiries into Higher Education Funding and other issues.

### **Mr Vusumuzi Mavuso**

*Postgraduate Diploma in Public and Development Management (University of the Witwatersrand) (NQF8).*

Mr Mavuso was a member of the Gauteng Provincial Legislature until 1998. He has held many positions in the public service from Municipal Manager to Regional Director at municipal levels. Mr Mavuso has also held key positions as Deputy Director General and Head of Department for the Department of Development and Planning in Local Government as well as the Public Service Commissioner for Gauteng. He is a change management specialist and strategist with vast experience in local government as a consultant.

He was appointed to the interim Board in 2013 and helped in the implementation of the turn-around Strategy, that resulted in the final liquidity of the SABC.

### **Ms Nomvuyo Memory Mhlakaza**

*National Diploma in Human Resources Management (Technikon Northern Gauteng); BTech in Human Resources Management (Tshwane University of Technology); Leadership Development Course; Advanced Leadership Development Course.*

Ms Mhlakaza is a former Senior Manager in the office of the Chairperson of the National Youth Development Agency. She has experience in human resource management including industrial relations, workplace skills development plans, staff training and the design and development of training materials.

### **Mr Krish Naidoo**

*BProc (Law) (University of Durban Westville); MLitt (Strategic Studies) (University of Aberdeen, UK); Attendance Certificate in Banking Law and Financial*



*Markets (Nelson Mandela School of Law and the University of the Witwatersrand).*

Mr Krish Naidoo practices as an Attorney and has extensive experience in the fields of human rights, administrative law, mining and commercial law and conveyancing. Mr Naidoo provides legal advice to the ANC's National Disciplinary Committee. He worked for Armscor as the Senior Manager of Corporate Communications and gained experience in liaising with the Diplomatic Corps and the Parliamentary Defence Committee. He participated in programmes relating to defence and has written articles for the media and defence journals.

Mr Naidoo was a Non-Executive Director of Peregrine Treasury solutions and the Managing Director of Public Sector Consultants where he developed risk and financial management strategies for municipalities. As the General Manager and Acting CEO of Boxing South Africa, he settled the Boxing Act and Regulations in consultation with the Chief State Law Advisor.

He was part of a team that travelled to Amsterdam to review the cultural and academic boycott of South Africa, which made it possible for progressive cultural workers and academics to garner international experience and qualifications in preparation for a new democratic order. He was a Founding Member of the National Association of Democratic Lawyers Steering Committee and a Founding Member of the National Sports Congress. He chaired the soccer unity talks to form the SA Football Association and was part of the team that wrote the White Paper for the Department of Sport and Recreation.

### **Dr Ndivhoniswani Aaron Tshidzumba**

*BA (Hons), MA, PhD in Communication (North West University); Postgraduate Diploma in TV Production National Electronic Media Institute of South Africa (NEMISA); Certificate in Public Relations (Allenby Campus); BA UED (University of Venda).*

Dr Tshidzumba was the CEO of NEMISA and a lecturer in Broadcasting at the Journalism Department of the Tshwane University of Technology. He is a facilitator at the Business School of the North West University in the field of Graphic Design, Public Relations Management and Visual Programming.

He also managed the Multi-Media Centre and was in charge of Research, Sound and Video Productions at the Intelligence Academy. Dr Tshidzumba was a lecturer in the Department of Communication at North West University where he taught Broadcasting for Radio and TV, Computer Literacy and Media Ethics, to mention a few.

Dr Tshidzumba taught Media Studies, Graphic Design and Computer Literacy as an Educator at the Hurlingham and Chelsea College in London. He gained experience as a camera person, studio coordinator, video editor, script writer and floor manager. He also has experience with video transfers and logging, video productions and the training of new camera interns. He was a teacher at the Mmabatho and Riverlea High Schools.

## **Executive Members of the Board**

### **Mr James Rogers Aguma**

**Acting Group Chief Executive Officer (Goup CEO)**

June 2016

*BCom (Hons) (Makerere University); BCom; PGDA (University of Cape Town); PGCTA (Natal); CA (SA); ACMA; CGMA.*

Mr Aguma was appointed as CFO on 5 January 2015. He joined the SABC in March 2013 as a General Manager: Strategic Support and, in the period before his appointment as CFO, he also served as acting CFO and as acting GCEO.

Mr Aguma has extensive experience in the public and private sectors. He spent eight years at the AGSA where he was employed as a Senior Manager. He has led audits at numerous government departments and public entities such as National Departments of Police, Health, Labour, Science and Technology, and Water Affairs and Sanitation. He also oversaw audits of several public entities including CSIR, NRF, HSRC, Magalies Water, Botshelo Water, UIF, Compensation Fund, CMS and the Mine Workers Compensation Fund.

He trained at and worked for PricewaterhouseCoopers in Sunninghill, servicing local and international clients including Rand Merchant Bank, USAID, Momentum Group, Gensec Bank, Imperial Bank, PSG, USAID, EU, the World Bank, Swedish Development Agency, National Roads Agency of Mozambique and Bristol Myers Squibb Foundation.

He has also worked as a tutor in Accounting at the University of Cape Town, as an educator at St Agnes High School in Teyateyaneng Lesotho and a teaching assistant in Marketing and Management studies at Makerere University in Kampala.

### **Mr Hlaudi Motsoeneng**

**Chief Operations Officer (COO)**

*Leadership Development Programme, Gordon Institute of Business Science (GIBS): NQF Level 7 – Bachelor's Degree; National Certificate in Generic Management, (Prodigy): NQF Level 5 – Higher Certificate; The Thompson Foundation Certificate in Radio Journalism; Analysis of Contemporary Social Issues (University of Witwatersrand).*

Mr Hlaudi Motsoeneng has proven to be a leader of note, who has overcome challenges and focused on supporting the national agenda as prescribed by the Broadcasting Act and other relevant prescripts. He rose from a Trainee Journalist to Chief Operations Officer (COO). He has played an important role at various organisations, for example being Board Member for the SABC, SABC Foundation and Local Organising Committee (AFCON). While serving on the Board at AFCON, he went on to further participate as a member of the Marketing and Communications Sub Committee of the said Board. Mr Hlaudi Motsoeneng also serves as a member of the Regenesys Business School Advisory Council.



He played a pivotal role in the creation of two new Television Channels, namely 24 Hour News Channel and SABC Encore, by raising the necessary funding for the said channels. Mr Motsoeneng is the brainchild behind the empowerment of local musicians and artists by introducing the 90% local music initiative on all the SABC Radio Stations, as well as 80% local content across all SABC Television Channels. This initiative will largely benefit the emerging producers, music composers etc. He recently raised funding to honour the South African Musical Legends, as a token of appreciation of their contribution to the development and growth of music in our country.

Mr Hlaudi Motsoeneng takes keen interest in the skills development programmes for the young people of South Africa, including vulnerable groups, i.e. women and people with disabilities. To this effect he has successfully drove a Flagship Project where unemployed graduates were exposed to Film and Television Production, Broadcast Engineering and Entrepreneurial skills since 2014.

He has presented lectures on Leadership and Transformation in Business Schools, for example University of Witwatersrand, Regenesys and University of Limpopo. Parts of his lectures were incorporated in the curriculum as a Professional Certificate in Government Communications and Marketing by the Wits School of Governance. He has received the certificate of positive role models, awarded by the Free State Youth Commission and the Special Recognition Certificate from the University of the North (Qwa Qwa campus) and Qwa Qwa Community.

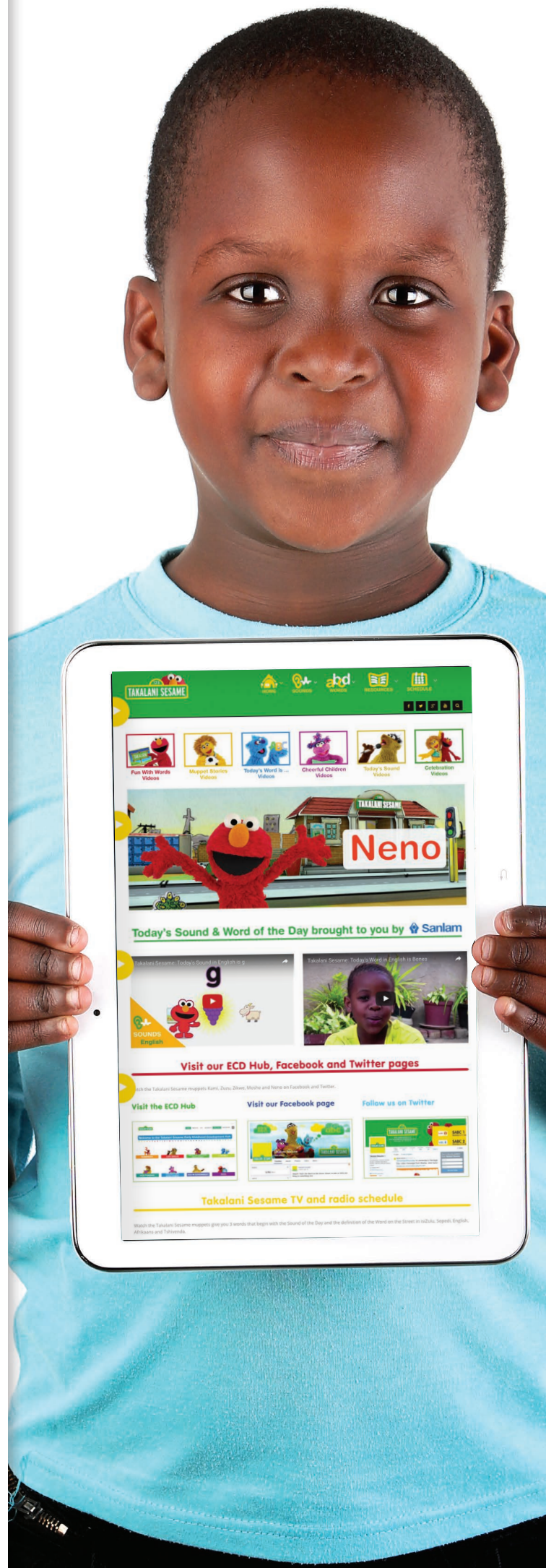
**Ms Audrey Raphela**  
**Acting Chief Financial Officer (CFO)**  
 June 2016

*BCom (former University of Bophuthatswana now University of North-West); Bcompt (Hons)/CTA (University of South Africa); CA (SA); Executive Development Programme, Gordon Institute of Business Science (GIBS).*

Ms Raphela was appointed as acting CFO on 28 June 2016. She joined the SABC in February 2016 as a General Manager: Financial and Management Reporting.

She trained at Ernst and Young in Mafikeng, where she serviced local, public and private entities including government departments. After completion of her articles she immediately joined the private sector.

Ms Raphela also has extensive experience in the public sector. This includes spending more than four years at Magalies Water where she was employed as an Executive Manager (CFO) in Finance. She has also held a number of senior/executive management positions in the finance and auditing field at Johannesburg Roads Agency, National Housing Development Corporation, South African Post Office, South African Airways, Eskom and other public entities.





# SABC Leadership



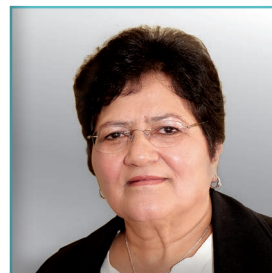
**Mr J R Aguma**  
Group CEO (Acting)



**Mr H Motsoeneng**  
COO



**Ms M A Raphela**  
CFO (Acting)



**Ms T Geldenhuys**  
Company Secretary



**Mr S J Mathebula**  
Chief Audit Executive  
(Acting)



**Ms B L Tugwana**  
GE: Corporate Affairs  
August 2016



**Ms N Philiso**  
GE: Television  
August 2016



**Mr S Vilakazi**  
Head: Legal Affairs  
(Acting) June 2016



**Mr M Lephaka**  
GE: Human Resources  
(Acting) June 2016



**Mr I Tseisi**  
GE: Risk and Governance



**Mr L Ntloko**  
GE: Radio



**Mr S Tebele**  
GE: News  
August 2016



**Mr T Mulaudzi**  
GE: Commercial Enterprises  
August 2016



**Mr T Ralitabo**  
GE Technology  
August 2016



**Ms S M Motsweni**  
GE: Sport  
August 2016



**Mr M J Shushu**  
Head: Supply Chain  
Management



**Mr K Kganyago**  
Head: Group Communications



**Ms I Cupido**  
CEO: SABC Foundation

# Provincial Offices and Leadership

**The Provincial Offices represent the Corporation in all corners of the country and are managed by the Provincial General Managers (PGMs).** The offices are fully functional and include radio stations, logistics, finance, sales and technology offices with decentralised resources.

In the period under review the Northern Cape office was established as a fully fledged provincial office. The Provincial Offices are a mirror of Head Office although their operations are on a smaller scale. Our Provincial offices are vital regional links that ensure provincial relevance and feel in news, programming and reflect the life and culture of people in different geographical areas. This is evident in the 24 Hour News channel which covers events of importance in the Provinces.

During the 2015/16 financial year, the main focus in the Provinces was based on monthly themes and days of national importance such as Human Rights Day in March, Youth Month in June, Heritage Month in September, World Aids Day and International Day of No Violence against Women and Children in December. In January the main focus is on Matric/Grade 12 results and back-to-school campaigns. The Provincial Platforms deal with HIV/Aids and sexual behaviour in relation to the Valentine's Day theme. The Human Rights Day (21 March) themes include consumer rights and the Bill of Rights. The period under review, saw numerous major broadcasting activities on a myriad of topics ranging from the State of the Nation Address (SONA), Budget Speech, State of the Province Addresses (SOPAs), education and democracy, to mention a few.

The provinces were actively involved in a range of developmental and social projects across the country. Equally important is the alignment of the SABC CSI activities with those of its core business. This allows the National Public Broadcaster to leverage its national footprint, resources and expertise when partnering with NGOs and other institutions.



**Mr V Tsoenyane**  
PGM: Free State



**Ms N Wotshela**  
PGM: Eastern Cape



**Mr J Shikwambana**  
PGM: Western Cape



**Ms Z Mkhize**  
PGM: KwaZulu Natal



**Mr Q Lenyai**  
PGM: Mpumalanga



**Mr A Kloppers**  
PGM: Gauteng



**Ms T Makuya**  
PGM: Limpopo



**Mr D Mangale**  
PGM: North West



**Ms M Motaung**  
PGM: Northern Cape



# Executive Director's Overview

*"For tomorrow belongs to the people  
who prepare for it today"* – African Proverb

The SABC's commitment to its mandate to educate, inform and entertain saw the Corporation deliver top-class public service broadcasting to South African audiences during 2015/16. This was evident in the number of ground-breaking initiatives that were launched during the year under review. These initiatives were in line with the Corporation's strategy to strengthen the public broadcaster's relationship with the citizens of South Africa, to offer more services on more platforms and to become more South African, than ever.

During the 2015/16 financial year, the SABC's main focus areas included ensuring financial sustainability, growing audience share, acquiring and scheduling accessible, quality programming, ensuring an appropriate and reliable technology infrastructure, investing in a dynamic and motivated workforce and, finally, ensuring compliant governance practices. At the end of the financial year, the SABC's financial position remained satisfactory with the Corporation posting net assets of R2.7 billion and a cash balance of R881 million. This was in spite of the tough economic climate, increased competition in the broadcasting industry, television and radio advertising budget cuts, particularly by multinationals, and decreasing public funding.

The SABC was successful in sourcing additional funding from external stakeholders and the Corporation entered into meaningful and mutually beneficial partnerships. The current funding model of the SABC shows that it remains dependent on commercial funding with less than 3% comprising of funds from Government.

Great effort in the year resulted in many of the corporate strategic objectives bearing fruit. The SABC was successful in growing its audiences and increasing access to the public broadcaster's content with the launch of a new entertainment channel SABC Encore, the expansion of SABC News into the whole sub-Saharan Africa including certain geographical areas within Europe and the inclusion of all SABC Radio stations on MultiChoice's audio bouquet. Furthermore, the SABC extended its footprint with 31 transmitters being installed, commissioned and illuminated in the year. These initiatives were very well received by South Africans.

The SABC has again succeeded in posting an improved audit outcome by reducing audit qualifications from three in the previous financial year to one in this financial year. The SABC has reviewed the TV licence collection model this year and it has improved the credibility of the database, which will ensure that collections are enhanced.

The SABC continued to show healthy growth in the performance of its digital media platforms. The Corporation's TV, News and Radio platforms delivered content on their respective digital and social media platforms and audience uptake reflected listeners' and viewers' desire to engage with the SABC and its content, on these alternative platforms.

In order to continue to provide audiences with the diversity and quality of content they expect from the public broadcaster, the Corporation focused on including more provincial content in its programming as well as ensuring that people with disabilities are able to access the SABC's content. The SABC also delivered on three key sporting codes involving the National Senior Soccer, Cricket and Rugby Teams and events of national interest which were broadcast on both SABC Television and Radio. In addition, the SABC successfully launched boxing programmes on television and radio after a long absence on the public platforms. On the news front, the SABC took the lead in the coverage of pertinent national and international events.

The SABC continued to upgrade and/or replace its technology infrastructure to ensure quality broadcasting and



Mr J R Aguma

to align itself to the changing digital broadcasting landscape. The Corporation also made a concerted effort to fast-track projects related to the 2016 Local Government Elections.

Concerted effort, negotiations and strategic decisions by the executive management of the SABC during the year culminated in the increase of local content on television and radio, to close to 90% levels. This ground-breaking strategic decision received overwhelming support from all South Africans.

People remain a priority of the Corporation and it is the talent, passion and commitment of SABC employees that continue to drive success. The SABC finalised a number of Human Resources deliverables including Performance Management, Career Progression and Promotion, Employee Recognition Awards, and implementation of the Organisational Structural Re-alignment on the top level.

At the end of the financial year, the public broadcaster can proudly look back on a very productive and successful year with many milestones having been achieved. The SABC also acknowledges challenges that have been experienced during the year. Interventions have been put in place to address these challenges.

The SABC remains the only Public Broadcaster serving the information, educational and entertainment needs of millions of citizens who rely on its radio, television and digital services for access to reliable content in languages of their choice.

I wish to acknowledge the Portfolio Committee on Communications, Minister of Communications and her team, the Board, Executive Management and staff of the SABC for their unwavering commitment and support during the year. Gratitude is also extended to our external stakeholders and business partners for their continued support. Lastly, thank you to the millions of South African audiences around the globe who believe in the SABC as a first-class public broadcaster.

Mr J R Aguma  
Group Chief Executive Officer (Acting)



# Strategic Overview

**The ability to provide content in all official languages and multiple genres ranging from children's and educational programmes to drama, documentaries, news and current affairs and top revenue-grossing soap operas, positions the SABC as the most influential broadcaster in South Africa. The SABC is the only broadcaster serving the information, educational and entertainment needs of millions of citizens who rely on its radio, television and digital services for access to reliable content in the language of their choice.**

The media world is changing on an almost daily basis. New players are entering the market with offerings that are constantly evolving and new technology is changing the way in which content is consumed. Nonetheless, the need for the public broadcaster to provide compelling and accessible content spanning a range of genres and meeting its mandate objectives at the same time remains paramount.

During the 2015/16 financial year, the SABC's main focus areas included ensuring financial sustainability, growing audience share, acquiring and scheduling accessible, quality programming, ensuring an appropriate and reliable technology infrastructure, investing in a dynamic and motivated workforce and, finally, ensuring compliant governance practices.

At year end, the SABC had a positive cash balance of R881.1 million. The financial ratios further indicated that the Corporation was in a satisfactory financial position and is able to meet all of its obligations. The net loss for the year under review was R411.6 million, which was R430.5 million lower than the budgeted profit of R18.93 million. The reasons for the net loss are the lower than expected revenue generation resulting from the challenging economic environment and a contraction in the global economy, advertisers cutting back on budgets and consumers' reduced disposable income. The need to broadcast events of National Interest that do not offer a positive financial return on investment contributed to this loss. The Corporation had a net cash outflow of R135.9 million as a result of the increased costs of broadcasting events of national interest and also from the increased investments in capital assets to improve the quality of broadcast output.

For the year under review, SABC Radio and Television exceeded its public service mandate of nation-building and developing social cohesion with numerous programme offerings which celebrated important national events. These events are listed under the respective platforms' achievements for the 2015/16 year. The public broadcaster exceeded set targets for the area of accessible and compelling content performance. There was a noteworthy increase in the number of inserts from the non-metropolitan areas and programmes that included sign language. Shows were also sourced from production companies owned and operated by people with disabilities.

The SABC remained the dominant TV network in the country with primetime audience share above 55%. Audience share during the performance period was slightly lower than expected, however, it remains stable year-on-year.

SABC Radio maintained an excellent average audience share of 70% throughout the year. To many who have limited access to broadcasting services, radio remains a critical source of information, current affairs and entertainment. The SABC's PBS radio stations continue to be a key channel for delivering its public service mandate.

In ensuring readiness for digital migration, the SABC is upgrading and/or replacing its technology infrastructure to guarantee quality broadcasting and align itself to the changing digital broadcasting landscape. The Corporation made a concerted effort to fast-track projects related to the 2016 Local Government Elections. In terms of universal access, the SABC was able to roll out all of the 31 licensed transmitters, thereby extending language reach across the various provinces. This is considered a major achievement for the Corporation.

In future years, the SABC's main goal will be to ensure that it remains a financially sustainable organisation by growing its revenue base through various traditional and innovative new sources while prudently managing its costs. Since profits earned from the SABC's commercial ventures are reinvested with the goal of achieving its public service mandate, profit growth is not the SABC's key objective. Rather, it is focussed on ensuring the Corporation maintains positive liquidity and is continually able to fund its mandate. In doing so, the SABC intends to offer more services on more platforms than ever before and, with this strategy, the SABC will become more South African, more provincial and more digital.





Educational youth drama *SkeemSaam* cast.

## Legislative and other Mandates

**The South African Broadcasting Corporation (SBC) Limited (The SABC) is a Schedule 2 entity (Major Public) in terms of the Public Finance Management Act No. 1 of 1999 (PFMA), as amended.**

### Founding Legislation, Current Legislation and Policies

The SABC was established through an Act of Parliament in 1936, which replaced the previous state-controlled African Broadcasting Corporation formed in 1927 and included the South West African Broadcasting Corporation that later became the Namibia Broadcasting Corporation. The Broadcasting Act No. 4 of 1999 (assented to on 23 April 1999) (Broadcasting Act) by way of Section 7, established the Incorporation of the SABC as a successor to the 1927 Corporation. This meant that the affairs of the SABC would be run in accordance with the Companies Act of 1973, as repealed by the Companies Act No. 71 of 2008, as amended.

The business of the SABC is further defined by the Broadcasting Act into two distinct services: the Public Broadcasting Services (PBS) and Public Commercial Services (PCS), which are to be administered separately. The SABC is currently unable to account for each group of services due to the unitary model that governs its operations.

Both the PBS and PCS services are required to adhere to the SABC Charter and the letter of the PBS Mandate, as further defined through license conditions accorded to each radio station and television channel.

### Public Broadcasting Service Mandate

The mandate of the SABC, as a Public Broadcaster, is embedded in the following legislation, regulations, policies, codes of conduct and license conditions, among others:

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

The obligations arising from the Broadcasting Act are encapsulated in the Independent Communications Authority of South Africa (ICASA) Regulations, which determine the license conditions for the SABC's five television channels and 18 radio stations. The Act also provides the Legislative Charter which charges the SABC with meeting the broadcasting needs of all South Africans. The SABC is therefore enjoined to do the following:

- Ensure access of its services to all citizens throughout the country;
- Inform, educate and entertain;
- Make services available in all official languages;
- Reflect both the unity and diverse cultural and multilingual nature of South Africa and all its cultures and regions to audiences;
- Provide programming for children, women, youth and people with disabilities;
- Broadcast national, developmental and minority sports;
- Develop talent and showcase South African content; and
- Provide independent news of a high quality.

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

- PFMA Act No. 1 of 1999, as amended;
- Companies Act No. 71 of 2008, as amended;
- King III Code of Governance for South Africa 2009;
- South African National Treasury Regulations;
- 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;
- Preferential Procurement Policy Framework Act No. 5 of 2000, as amended; and
- Skills Development Act No. 97 of 1998, as amended.

In addition to the legislative and regulatory requirements, the SABC Board is charged with control and direction of the affairs of the Corporation, as defined by the company's Memorandum of Incorporation (MoI) and codified in the Shareholder Compact incorporating a materiality framework. This ensures that the Corporation complies with statutory and public policy prescriptions.

# The SABC Charter

**The mandate of the SABC is encapsulated in legislative and regulatory prescripts and the prevailing operating environment. Its broad objectives are set out in the SABC Charter contained in Section 8 of the Broadcasting Act.**

These objectives 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 (ICASA);
- To provide, in its Public Broadcasting Services, radio and television programming that informs, educates and entertains;
- To be responsive to audience needs including the needs of the deaf and the blind and account on how to meet those needs;
- To provide other services, whether or not broadcasting or programme supply services, such services being ancillary services;
- 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;
- 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 reception as above;
- 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, video tapes, 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;
- 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;
- 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;
- 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;
- 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;
- To nurture South African talent and train people in production skills and carry out research and development for the benefit of audiences;
- 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
- To develop and extend the services of the Corporation beyond the borders of South Africa.





**1995 RUGBY WORLD CUP**

**1996 AFRICAN CUP OF NATIONS**

**2010 FIFA WORLD CUP**





## SABC PERFORMANCE

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“Sport has the power to change the world. It has the power to inspire. It has the power to unite people in a way that little else does. It speaks to youth in a language they understand. Sport can create hope where once there was only despair. It is more powerful than government in breaking down racial barriers. It laughs in the face of all kinds of discrimination.”

Nelson Mandela



**#TakeTheNextStep**





*Sticks and Stones*, a local drama series with audio description.

## Situational Analysis

### Service Delivery

The SABC is mandated to deliver an unparalleled public value proposition of educating, informing and entertaining all South Africans, in all official languages, by means of 18 radio stations (and an additional 19<sup>th</sup> station, Channel Africa, hosted on behalf of the Department of Communications) and five television channels, including the SABC News Channel and recently launched SABC Encore which is dedicated to providing nostalgic content from the 1980s and 1990s.

The ability to provide content in all official languages and multiple genres ranging from children's and educational programmes to drama, documentaries, news and current affairs and top revenue-grossing soap operas, positions the SABC as the most influential broadcaster in South Africa. The SABC is the only broadcaster serving the information, educational and entertainment needs of millions of citizens who rely on its radio, television and digital services for access to reliable content in the language of their choice.

Radio, being the most accessible and affordable medium to produce content for, takes pride of place as a unique SABC selling proposition, with a combined audience, on a weekly basis, of 28.1<sup>1</sup> million listeners aged 15 years and older.

Television is the medium of choice for most South Africans. The average South African adult watches three hours and 22 minutes of television a day<sup>2</sup>. The public broadcaster's television channels attract, on average, 28.8 million, 26.9 million, 21 million and 1.05 million viewers per week on SABC1, SABC2, SABC3 and SABC News respectively<sup>3</sup>. The SABC's newest channel, currently hosted on a subscription satellite platform, is SABC Encore, which on average<sup>4</sup> reaches 1.48 million viewers per week.

The SABC was successful in delivering on its mandate requirements on all its platforms. Details of the mandate quotas and actual delivery against those targets are featured under the section on Delivery of the Predetermined Objectives later in this Annual Report.

In broadening its service delivery obligations, the SABC also made concerted efforts to include more local content from the various Provinces. This included news and programming inserts on television and radio. People with disabilities were provided with more access to the SABC's services through increased programmes in sign language.

The SABC also went further with an audio description into Zulu of the drama series *Sticks and Stones* – a first in South Africa.

### Operating Environment

The SABC operates in one of the most rapidly changing business environments. The global media sector is experiencing fundamental changes due to the growth of digital technology and the convergence of media, technology and telecommunications.

The SABC also operates in the developing South African economy which has felt the impact of a global economic slowdown. The organisation is susceptible to foreign exchange fluctuations which had, a significant impact on its core business.

Finally, as a commercially-funded, state-owned enterprise, the SABC operates within a unique internal environment, one in which it must move with agility to compete with commercial competitors and maintain compliance with public sector operating guidelines.

The global media environment has been dominated by a number of key trends which will continue to have a dramatic impact over the next few years. Until recently, South Africa was largely shielded from many of these developments. The South African media environment is beginning to show signs of the massive digital-driven change which has affected media economies in other parts of the world. The key changes impacting on the South African media sector, and therefore the SABC, include:

- Changes in the regulatory environment with the licensing of new broadcasters, and especially the launch of Digital Terrestrial Television (DTT);
- The launch of several Over-The-Top (OTT) streaming Video-On-Demand (VOD) services offering access to local and international movies and television series via the Internet;
- The rise of multi-platform television access, where viewers now expect to be able to view traditional television content on mobile, gaming and desktop devices as well as on TV sets; and
- The popularity of new forms of video content, especially short-format user-generated video on social media platforms.

<sup>1</sup>Radio Audience Measurement Survey (RAMS) Apr/Sep 2015

<sup>2</sup>Television Audience Measurement Survey (TAMS), Week 42/15.

<sup>3</sup>All Media Products Survey (AMPS) Jul 2014 to Jun 2015.

<sup>4</sup>TAMS, Week 42/15.



The SABC takes cognisance of these key changes and strategies to keep abreast with and adapt to the changing landscape are developed on an on-going basis.

## Organisational Environment

During the year, the SABC made appointments on executive and senior management levels. Strategic appointments were made on senior levels to strengthen the SABC's capacity in financial management areas as well as in the core business of the organisation.

The SABC remains committed to its policy of Women Empowerment and Gender Equality by appointing more women on merit in Executive and senior positions as well as the recruitment of people with disabilities. Towards the end of the year, the SABC embarked on an organisational structure realignment process. In developing the Corporation's strategies for the next three years, it was clear that certain changes were required to the operating model and structure of the SABC in order to align the business with the goals and objectives set for future years. The organisational structure is portrayed on page 12 of this report.

The SABC has been involved in various on-going policy and regulatory processes that are intended to culminate in new legislation which will have implications for the SABC in future years. The table below summarises recent policy and regulatory changes.

**Table 2.1: Recent policy and regulatory changes affecting and involving the SABC**

<b>Local Content Regulations published by the ICASA</b>	Increased local content quotas for TV and radio services.
	New conditions on the commissioning of content from independent production companies.
	New reporting periods for compliance conditions.
	New steep penalties for non-compliance.
<b>Broadcasting Policy Review</b>	Overhaul of the Broadcasting Services Policy in line with the digital environment.
<b>Review of Must Carry Regulations</b>	Obligation for pay TV services to carry free-to-air services in line with the regulations.
<b>Review of Sports Broadcasting Rights Regulations</b>	Obligation to broadcast listed sports events in line with the regulations.
<b>Ban on alcohol advertising</b>	The Department of Trade and Industry (dti) has published the draft national liquor policy which proposes the ban of alcohol advertising in all forms of media.
<b>Ban on advertising of unhealthy foods</b>	The Department of Health (DoH) has published draft regulations which ban the advertising of unhealthy foods on TV and Radio platforms between 06:00 and 21:00.
<b>Subscription Broadcasting Services Regulations</b>	Review of the current Subscription Broadcasting Services Regulatory Framework.
<b>Digital Terrestrial Television (DTT)</b>	Compliance with the digital migration regulations.
<b>Broadcasting Amendment Bill</b>	Proposed amendments to the structure of the SABC Board and Executive Committee.
<b>Film and Publication Board (FPB) Online Content Regulations and Policy</b>	All online content must be classified in line with the FPB Regulations.
<b>Copyright Amendment Bill</b>	Promotion of broadcasting of local content.
<b>South African Combat Sport Bill</b>	Broadcasting of combat sport and registration of broadcasting network.



Behind the scenes with Lesedi FM.

During the period under review, the ICASA published several regulations, as required by the Electronic Communications Act No. 36 of 2005. The SABC participated in the public consultation leading to the development of these regulations.

The ICASA recently published the **ICASA Regulations on South Africa Television Content, 2016**, Government Gazette No. 39844, and **ICASA Regulations on South Africa Music, 2016**, Government Gazette No. 39844. On 23 March 2016, ICASA published the **Revised Television and Radio Local Content Regulations**. The SABC participated in the public consultation process leading to the development of the Local Content Regulations. These regulations have prescribed new local content quotas. For radio services, the effective date for new quotas is 23 September 2017 while for television services the effective date for new quotas is 23 March 2018. The increased local music quotas for radio services are as given in the table below.

**Table 2.2 New local music quotas for radio services**

Broadcaster	Current quota	New quota	First year	Second year
<b>SABC Public Radio</b>	40	70	60	70
<b>SABC Commercial Radio</b>	25	35	(Applicable after 18 months of the publication of the final regulations)	

For television services, the increased quotas are shown in the table below.

**Table 2.3: New local programming quotas for television services**

Broadcaster	Current quota	New quota
<b>SABC Public Television</b>	55%	65%
<b>SABC Commercial Television</b>	35%	45%
<b>New incentive channels</b>		20% local content at launch

Furthermore, the ICASA has introduced new penalties for non-compliance and a new regulatory requirement for television stations to submit audited reports to them. The SABC also has to ensure that 50% of the annual independently produced programmes budget is spent on previously marginalised local African languages and/or programmes from regions outside the Durban, Cape Town and Johannesburg Metropolitan cities.

The **ICASA Municipal Elections Regulations, 2016**, Government Gazette No. 39738, were published on 26 February 2016. The SABC participated in the public consultation process leading to the development of the final regulations. The regulations prescribe that the SABC offer free Party Election Broadcasts to political parties in line with ICASA terms and conditions. The SABC also has the obligation to cover the election results as and when they become available.





Behind the scenes at SABC News.

## Strategic Outcome Orientated Goals

**The SABC's progress against its 2015/16 goals and strategic objectives is discussed in this section.**

### Financial Health

#### **Goal 1: A financially sustainable organisation**

The SABC's main goal is to ensure it remains a financially sustainable organisation by growing its revenue base from various traditional and innovative new sources while prudently managing its costs. Since profits earned from the SABC's commercial ventures are reinvested to achieve its public service mandate, profit growth is not the SABC's key objective. Rather, it is focussed on ensuring the Corporation maintains liquidity and is continually able to fund its mandate.

At the end of March 2016, the SABC had a positive cash balance of R881.1 million. The financial ratios further indicated that the Corporation was in a satisfactory financial position and able to meet all of its obligations. The net loss for the year under review was R411.6 million, which was R430.5 million lower than the budgeted profit of R18.93 million. The reasons for the net loss are the lower than expected revenue generation resulting from the challenging economic environment and a contraction in the global economy, advertisers cutting back on budgets, consumers' reduced disposable income and meeting the cost of public service mandate. The Corporation had a net cash outflow of R135.9 million as a result of the increased costs of broadcasting events of national interest and also from the increased investments in capital assets to improve the quality of broadcast output.

### Audiences

#### **Goal 2: Grow and maintain audience share by meeting the needs and expectations of the multicultural mass and niche audiences in all official South African languages**

The SABC has a statutory mandate to reach and serve all South African audiences. To better match the changing needs and expectations of its audiences, the Public Broadcaster committed itself in 2015/16 to refining and refocussing its portfolio of services.

In total, SABC Radio Stations reach 28.9 million adults (15+), which is 75.5% of the total radio adult population in South Africa. During the period under review, SABC Radio achieved its all adult share target of 70% (PBS Radio 59% and PCS Radio 11%). This excellent performance is as a result of the corrective measures implemented by SABC Radio after reviewing its performance each quarter. The implemented initiatives included, but were not limited to, intensifying marketing campaigns, improving cumes builders, reviewing performance of some key properties as well as the launch of a number of new corporate identities for SABC Radio Stations.

The SABC is the dominant TV network in the country with a primetime audience share above 55% despite fierce competition. However, the audience share was 49% during the performance period, slightly below the target of 52%. Towards the end of the financial year, the SABC introduced short- and medium-term interventions to build television network audience share. These initiatives form part of the larger strategy rollout that will continue into the new financial year.

### Content and Platforms

#### **Goal 3: Acquiring and scheduling compelling and quality programming, spanning a range of genres and meeting mandate objectives across traditional and emerging broadcast and digital media platforms**

As a public service broadcaster, the SABC's key focus is on ensuring that the dominance of the metropolitan provinces in terms of commissioned programming volume was addressed and that the distribution of work among the provinces is more equitable. This ensured that the process was inclusive of all South Africans and covered diverse and never-been-told stories.

The SABC further gave special attention to delivering more programmes in sign language, procuring productions from companies owned by people with disabilities as well as procuring provincial productions in different official languages.

The SABC continued to exceed set targets for the “Compelling and Quality Content” performance area. Over 470 inserts from non-metropolitan areas were broadcast and three properties incorporating South African Sign Language. The SABC was also able to source shows from three production companies owned and operated by people with disabilities.

The SABC showed healthy growth in the performance of its digital media platforms. The Corporation’s TV, News and Radio platforms actively populated content on their respective digital and social media platforms and audience uptake reflected listeners’ and viewers’ desire to engage with the SABC and its content on these alternative platforms.

However, total SABC online websites did not fare as expected and delivered an 11% year-on-year growth rate in page views against a target of 15%. Consumers’ use of other social media platforms has a direct impact on online performance.

During the previous national, provincial and local elections, the SABC established a strong track record for comprehensive special coverage. In 2016, the SABC will build on this record with even more extensive coverage of the Local Government Elections. Broadcasting plans for the 2016 Elections are progressing well and towards the end of the financial year a number of pre-election programmes were already broadcast.

The Corporation embarked on a Frequency Modulation (FM) Radio Universal Access Project aimed at providing radio services to all South Africans in their preferred language wherever they live in the country. In this regard, the SABC applied for 84 transmitter licences from the ICASA. However, the Regulator has only approved 31 of these.

The SABC was able to rollout all of the 31 licensed transmitters in the year under review, thereby extending language reach across various provinces. This is considered to be a major achievement for the Corporation.

## Technology and Infrastructure

**Goal 4: Ensuring an appropriate and reliable technology infrastructure for the production and delivery of broadcast programming, digital media content and supporting commercial revenue generation**

The SABC has entered a period of enormous change in the broadcast industry. With the imminent migration to DTT, the SABC’s aim is to create a sustainable platform for broadcasting and content distribution in the digital age.

South Africa has passed the tipping point from an industry defined by its technology to a world of connectivity driven by the public’s expectation to access content everywhere. The SABC needs to adopt new technologies and business processes to keep pace with the rapid changes in the industry while also continuing to support the business.

During the year, the SABC continued with various technology projects to upgrade internal and external broadcasting and production facilities in order to take advantage of the opportunities presented by the launch of DTT, the rapid rollout of broadband Internet connectivity and the rise of alternative mobile entertainment options.

These upgrades are imperative for the SABC to create a sustainable platform for broadcasting and content distribution in the digital age.

## Human Resources

**Goal 5: Investing in a dynamic and motivated fit-for-purpose workforce that embraces learning and is sufficiently adaptable to migrate into the digital age**

People have always been important and essential to the SABC because they provide the inspiration, creativity, vision and motivation that make the organisation successful. The Human Resources Division focussed on a number of key strategic programmes which were related to specific objectives in the SABC’s Corporate Plan. These key strategic programmes and objectives are outlined below.

### Talent Attraction and Retention

Progress was made in the development of the SABC’s Employee Value Proposition (EVP) Model. The critical workforce segments were identified according to business area and the EVP Implementation Plan will ensure the attraction of new critical and scarce talent for the core business while also retaining existing talent vital for organisational success.

### Performance Management

The SABC developed a new Performance Management Policy and system for the organisation. In preparation for the rollout of performance management in the new financial year, all staff received training and the necessary information. The system is further linked to the Pay-for-Performance Incentive Programme that will ensure improved morale and motivation among SABC staff.

### Workplace Skills Plan (WSP)

The 2015/16 WSP continued to focus on addressing the skills gaps that were identified in the Skills Audit as well as the challenges posed by the migration to digital broadcasting. The SABC achieved 82% of its WSP objectives against a target of 70% which is a significant accomplishment for the organisation.

## Governance

**Goal 6: Ensuring compliant governance practices complemented by effective risk management and internal controls**

The SABC’s Risk Management methodology involves the identification and assessment of risks and the design and implementation of controls and risk mitigation plans to manage risks within an acceptable level. It further includes continuous monitoring and reporting on risks. During 2015/16, the SABC embedded a risk management culture into the day-to-day business operations. Annual Risk Assessments were conducted against the Corporate Plan as well as divisional and provincial strategies to determine strategic and operational risks the SABC was exposed to.

The SABC’s Fraud and Corruption Prevention Strategy seeks to support the SABC’s business and operational strategies and was developed to clearly indicate the SABC’s stance on fraud and corruption, theft and maladministration.

The Corporation also embarked on and invested in the Internal Control transformation process to ensure that the control environment is sound and effective for protecting the assets of the organisation as well as ensuring quality public service delivery. The internal control gaps identified during this process assisted the SABC in updating and improving the policies and procedures of the organisation such as the Supply Chain Management (SCM) and Human Resources (HR) Policies.



# Delivery on the Predetermined Objectives

## Full Year Performance Review<sup>5</sup>

Strategic Objective	Key Activities	Performance Indicators	Target FY2015/16	Actual Performance	Comments on Variance
FINANCIAL HEALTH					
Goal: A financially sustainable organisation					
Profitability and liquidity of the SABC	Grow revenue and manage expenditure.	Achieve net profit.	R19 million	R412 million loss	Attributable to an underperformance of certain revenue streams owing to restrictive economic conditions and cut backs by advertising clients in the third and fourth quarter. Increased costs for expenditure items relating to mandate delivery and broadcasting events of national interest.
	Working capital and expenditure management. Monitoring of investments.	Cash and cash equivalents at year end.	R1.052 billion	R881 million	Increased investments in capital assets to ensure improved quality of broadcasting output. Costs of acquiring rights for sports of national interest increased significantly.
AUDIENCES					
Goal: Grow and maintain audience share by meeting the needs and expectations of multicultural mass and niche audiences in all official South African languages					
Grow and maintain SABC audience share on all platforms	Reposition channels and radio stations by introducing new content that responds to audience needs.	Achieve television audience share.	52%	49%	Audience share remained stable year on year. Increased competition and changing audience content consumption patterns impacted negatively on audience share.
		Achieve radio audience share.	70%	70%	Audience share target achieved through implementation of strategic initiatives.
CONTENT AND PLATFORMS					
Goal: Acquiring and scheduling accessible, quality programming spanning a range of genres and meeting mandate objectives across traditional and emerging broadcast and digital media platforms					
Delivery of compelling and accessible content	Diversify content by supporting and including production of provincial content.	Number of provincial programmes and inserts broadcast.	24 provincial inserts and two provincial programmes.	475 provincial inserts.	A series of interventions were made to ensure an increased diversified content and inserts from the provinces.
	Increase number of programmes and productions that will allow People With Disabilities (PWD) access to public broadcasting.	Number of new/additional programmes broadcast with sign language.	3	3	Sign language programmes include YoTV, DTV and Big Breakfast.
		Number of PWD-controlled or owned companies from which content was procured.	3	3	Low base of PWD-owned companies from which content can be procured. A concerted effort is being made to identify and assist PWD-owned companies so that the base from which to procure is increased.
	Provide balanced, accurate and relevant coverage of Local Government Elections.	Compliance with the approved elections broadcast plan and regulatory and legislative requirements.	Commence with Local Government pre-election programming across TV, Radio And Digital Programming.	The Local Elections will take place in August 2016. The final broadcasting elections plan will be approved during the first quarter of FY2016/17. Pre-election broadcasting has commenced but the frequency will increase closer to the elections.	Extensive election coverage will be provided across all the public broadcaster's platforms during 2016.
	Availing content on digital multimedia platforms.	Number of page views on SABC websites.	15% p/a increase in page views.	11% year-on-year growth.	There was an increased interest in the SABC's online offerings in terms of content and news. However, other social media platforms, e.g. Facebook, Twitter, etc., adversely impacted on website views.
Increase universal access	Expansion of FM radio transmitter networks to improve access.	Achieved milestones for FM Radio Transmitter Project.	Roll-out of approved frequencies as per rollout plan.	31 transmitters installed and operationalised.	The SABC applied for 84 transmitters and the ICASA only approved 31. The rollout plan was adjusted to install only those that were approved by the ICASA.

<sup>5</sup>Please note that the numbers and percentages have been rounded off.



Strategic Objective	Key Activities	Performance Indicators	Target FY2015/16	Actual Performance	Comments on Variance
TECHNOLOGY AND INFRASTRUCTURE					
Goal: Ensuring an appropriate and reliable technology infrastructure for the production and delivery of broadcast programming, digital media content, and supporting commercial revenue generation					
Acquisition, implementation and maintenance of appropriate technology and infrastructure	Deliver key projects as per the Long-Term Capital Expenditure (Capex) Plan.	Key projects progressing as planned.	Complete the implementation of: i. Henley Studio 1 and 2 upgrades.	i.The physical infrastructure (building work) has been completed.	i. The technical aspects will be reviewed in FY2016/17 for continuation of the project.
			ii. Storage Area Network (SAN) and IT disaster recovery.	ii. The SAN project forms part of the larger digital library project, as per the digital media integration business case. Capex approved.	ii. User requirements are being confirmed in order to finalise stages in the procurement process.
			iii. Wide Area Network (WAN) upgrade (Metro Ethernet).	iii. Capex cost for WAN upgrade was approved and implementation will commence	iii. Costs approval was only received in the fourth quarter and therefore the WAN upgrade will be finalised during FY2016/17.
			Commence implementation of the replacement of the: i.Radio Play Out System.	i. A service provider was contracted for the implementation of the new Radio Play Out System.	i. A project rollout plan has been finalised and phased implementation is to commence in FY2016/17.
			ii. Uninterrupted power supply.	ii. The project and costs were approved by the relevant governance structures (final approval given in April 2016).	ii. Costs were only approved in the fourth quarter and, therefore, implementation will commence in FY2016/17.
			Sourcing, awarding and contracting a supplier to implement digital library.	Various components of the digital library project are in the procurement process. Capex approved for digital media integration.	Owing to the complexity and multi-faceted nature of the project, care is taken in procuring the best-suited option for the business.
HUMAN CAPITAL					
Goal: Ensuring an appropriate and reliable technology infrastructure for the production and delivery of broadcast programming, digital media content, and supporting commercial revenue generation					
Talent attraction and retention	An approved and evaluated EVP that ensures critical talent attraction and retention.	Percentage of staff turnaround among mission-critical staff. Survey results.	EVP rolled out within the organisation for mission-critical skills. Maximum 6% turnaround among mission-critical staff.	The EVP Framework was approved by the SABC Board. At the end of the fourth quarter, all critical workforce segments were identified and signed-off.	EVP will be fully rolled-out in FY2016/17 to ensure talent attraction and retention.
Embedding a high-performance culture	Institutionalise Performance Management Policy with revised tool including thresholds and stretch targets.	Approved Performance Management Implementation Plan.	100% signed off performance contracts for all employees. Four performance conversations per employee.	The implementation of Performance Management was deferred to FY2016/17.	The SABC revised its structure to align it to the corporate strategy. Job profiles will continue to be reviewed, developed and updated to align with the revised organisational structure. Performance Management training and information sessions were conducted in anticipation of implementation.
Optimise learning and development	Develop a WSP and Operational Training Plan aligned to the Skills Audit Report and digital migration requirements.	Scarce and critical training needs identified and addressed through WSP	70% of WSP achieved.	82% achieved.	The SABC provided more training opportunities to more staff members.





In studio with our local Indian lifestyle program Mela.

Strategic Objective	Key Activities	Performance Indicators	Target FY2015/16	Actual Performance	Comments on Variance
<b>GOVERNANCE</b>					
Goal: Ensuring compliant governance practices complemented by effective risk management and internal control environment					
Development and maintenance of an efficient, effective and transparent system of Risk Management and internal controls	Conduct enterprise-wide risk assessment to determine key risks the SABC is exposed to and evaluate the strategies to manage these risks.	Risk Management activities.	i. Strategic risk reporting (the status of strategic risks with progress on strategies employed to respond to the risks and documenting of emerging risk).  ii. Annual Board and Group Executive Committee Strategic and Business Risk Assessments.	i. Strategic Risk Reports were submitted to Group Exco as well as the Risk Subcommittee of the Board to provide feedback.  ii. A comprehensive operational business risk assessment exercise was undertaken and feedback was provided to business and management.	i. Detailed Risk and Governance Reports were tabled on a quarterly basis.  ii. The focus for the year was on completing an Operational Business Risk Assessment. Strategic business risks to be reviewed in FY2016/17.
	Implement internal control framework.	Documented key internal control processes.	Phase 1 Project Plan: Conclusion of the Internal Control Documentation and SAP Governance, Risk and Compliance (GRC) Module implementation.  Identification of all key strategic, operational and process controls.  Documentation of key strategic controls.	Mapping and documenting of business processes, as well as the identification and documenting of key risks and controls for HR. Procurement of goods and services were completed and signed off.	The documentation of internal control processes is a longer-term project which will continue in FY2016/17 within other areas of the business.
	Review of Risk Management, Internal Control and Governance Frameworks.	Reviewed and approved Risk Management, Internal Control and Governance Frameworks.	31/03/2016: <ul style="list-style-type: none"> <li>• Risk Management Policy.</li> <li>• Risk Management Framework.</li> <li>• Anti-Fraud and Corruption Policy.</li> <li>• Anti-Fraud and Corruption Strategy.</li> <li>• Whistle Blowing Policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management Policy reviewed and required no changes.</li> <li>• Reviewed and undergoing quality assurance assessment.</li> <li>• In final stages of review process.</li> <li>• In final stages of review process.</li> <li>• In final stages of review process.</li> </ul>	The internal control project received priority and some of the feedback needed to be incorporated into the policies. The final review of the policies is therefore in progress. Relevant policies that were reviewed and updated will be tabled at the various governance structures for approval in FY2016/17.

# Summary of Financial Information

**The global economic slowdown, cut-backs by the advertising industry, diminishing disposable income, expenditure items relating to mandate delivery and broadcasting events of national interest impacted negatively on the SABC's financial performance. As a result, the net loss after tax for the year under review was R411 million (2015: R131million).**

The group recorded a comprehensive income of R402 million for the year (2015: R138 million), this was mainly attributed to the increase in actuarial gain from the pension fund valuation. The pension fund valuation grew by R2 billion from R723 million loss in 2015 to R1 288 million gain in 2016.

Revenue and other income for the period under review was R8.1 billion (2015: R7.6 billion) which is a 7% increase year-on-year. Growth in revenue was mainly derived from the primary revenue stream of advertising which increased by 6% to R5.9 billion (2015: R5.5 billion), whilst sponsorships also grew by 7% to R469 million (2015: R438 million) compared to prior year.

Operational expenses increased by 8% in comparison to the prior financial period to R8.4 billion (2015: R7.8 billion). Employee compensation and benefits remained the largest expense, increasing by 11% owing to an increase in the current service cost of the pension fund.

At the end of March 2016 the SABC had a positive cash balance of R881 million which is a net outflow of R136 million in comparison to prior year's closing balance. The fact that operational cash was utilised to fund capital expenditure projects, the cost of delivering on broadcaster's public service mandate and the rising cost of Sports Rights contributes to the pressure being placed on the organisation's cash reserves. In spite of the challenges highlighted, the SABC maintained appropriate levels of solvency and liquidity ensuring that the organisation continues to operate as a going concern.

The group maintained its liquidity position in an adequate state to cover its short term liabilities with readily available cash. For the year under review the SABC's current ratio is 1.68:1. This indicates that the Corporation has R1.68 in current assets for every R1.00 in liabilities. The quick ratio is 1.16:1.

## Audit Report

The audit opinion for the past three years moved from a disclaimer in 2013 to a qualified audit over the past three years. The SABC made remarkable progress this year in clearing three qualification issues from the prior year. It is currently remaining with a qualification on Irregular Fruitless and Wasteful Expenditure.

The SABC remains committed to resolving the remaining qualification paragraph in the next financial year by building on the work performed in the 2015/16 financial year, to effectively managing its expenditure as well as improving the revenue collection model across all revenue streams.



Showville the local talent production.

## Capital Investment, Maintenance and Asset Management Plan

During the year under review, capital expenditure amounted to R326.9 million, whereby R242 million related to upgrading or replacement of technology infrastructure. Expenditure on building and equipment maintenance amounted to R29.8 million.





Refer to page 143 on how to use this interactive image.

TV Head, a business TV licence campaign.



# Revenue Collection

## Business Environment

During the 2015/16 financial year, commercial revenue performance reflected the increasingly restrictive trading conditions that characterise the reporting period. After an encouraging first quarter, revenue performance weakened ahead of the peak revenue season in the third quarter. Against the backdrop of sombre economic forecasts and business confidence declining to its lowest level in five years, marketing analysts and sales teams in the field reported that the market was more challenging for all media companies operating in South Africa. Television and radio advertising reduced spend, particularly by multinationals, carried over to the fourth quarter and set the scene for a disappointing close to the fiscal status.

During the year under review, the Radio Rejuvenation Project was the key focus area for the Radio Sales team. Recognising that there was considerably more potential, the objective of streamlining and revitalising Radio Sales was well received. Both management and staff participated enthusiastically in the run-up to the Strategic Planning session that was scheduled to take place in May 2016 with the aim of restoring Radio Sales as a flagship revenue unit.

Other key strategic initiatives implemented during the year under review include improvements to the operating model to enhance revenue generation, ensuring more robust and effective governance, implementing process and systems improvements and increasing operational efficiencies. A new high-level Revenue Policy was approved by the SABC Board in January 2016 and the supporting sets of Procedures for Radio, Television and Digital Media Sales were refined for approval and implementation in the next financial year.

In preparation for the next financial year, extensive consultations were held with the media advertising industry on the proposed change to non-commission bearing (zero-based) SABC rate cards for implementation from 1 April 2016. SABC Commercial Enterprises decided to defer the implementation of the SABC rate card after consulting with the industry and discovered that immediate migration might have an undesirable negative impact on the small to medium agencies. However, some of the established agencies had indicated that they had no major objections to the proposed rate card change. The SABC is still continuing to engage the industry as the migration is inevitable.

## Revenue

Commercial revenue is the primary enabler for the SABC to meet its mandate to deliver extensive public value as the Public Broadcaster. Even though the 2015/16 financial commercial revenue target was not met, Commercial Enterprises achieved a healthy year-on-year growth of 6%. In addition, tight credit management of commercial revenue ensured that SABC working capital was not jeopardised.

Advertising sales are inextricably linked to audience share and performance levels. For the 2015/16 financial year, the television audience share was 48.8% against the target of 52%.<sup>6</sup> SABC radio audience share was more stable with an average total share of 69.9%. However, individual stations displayed different levels of growth or decline. Advertising rates were significantly increased for SABC African Language Radio Stations (ALSSs) to achieve closer alignment between revenue potential and audience reach.

The SABC radio and television sales performance during the 2015/16 financial year was affected by an increasingly competitive and fragmented South African media landscape.

## Industry Development

The last All Media Products Survey (AMPS) research was released by the South African Audience Research Foundation (SAARF) in April 2016. The Establishment Survey (ES) conducted by the Broadcast Research Council (BRC) will replace the use of the AMPS by electronic media owners from 2017. The importance of the ES is that it will ensure that all industry research reflects the same population sizes and demographics, thus enabling all role players to have a coherent and consistent view across various research surveys.

The final AMPS release followed the last Radio Audience Measurement Survey (RAMS) under the auspices of the SAARF, with the BRC taking ownership of the Television Audience Measurement Survey (TAMS) from January 2015. These developments marked the coming of age of the BRC as a credible audience measurement structure taking over radio and television audience research from the SAARF. One of the two SABC representatives on the BRC Board, Mr Tshifhiwa Mulaudzi, was elected as the new BRC Chairperson for a two-year period.

<sup>6</sup>All Adults Performance Period (05:00-23:00).





Iris Cupido and Ashish Thakkar in studio with Ashraf Garda from SAfm.

# Delivery on the Mandate: Compliance with Licence Conditions

## SABC RADIO

### Compliance with License Conditions

SABC Radio has the highest reach of 28.8 million all adult listeners which translates to a 75.5% adult reach according to the RAMS Jul to Dec 2015. SABC Radio consists of 15 Public Broadcasting Service (PBS) Radio Stations, three Public Commercial Service (PCS) Radio Stations and Channel Africa whose mandate is to promote South Africa's Foreign Policy and to reflect Africa's issues from an African perspective. Innovation and appealing content plays a crucial role in ensuring that SABC Radio Stations remain stations of choice for South Africans. The stations meet the different needs of their diverse listeners such as news, programming, information, edutainment and music.

### Public Service Mandate

To many who have limited access to information technology and other more advanced media platforms, radio remains a critical source of information, current affairs and entertainment. To that end, the SABC's radio stations continue to serve this large section of the South African population and the PBS radio stations remain a key channel for delivering its public service mandate.

The public service mandate is derived from legislation and licence conditions and covers a myriad of topics which are of interest to the South African public such as health issues, education, sports and recreation, heritage and arts and culture, to mention but a few.

### South African Music (PBS and PCS)

Music is a key driver for attracting radio listeners. SABC Radio continues to meet listeners' needs by playing music that resonates with different listeners from all walks of life. The development of home-grown artists and their music is promoted by different SABC Radio Stations through

extensive airplay, interviews, inclusion in performance line-ups at events and through annual music awards ceremonies like the annual METRO FM, Tshivenda and Munghana Lonene FM Music Awards.

During the year, the SABC generally performed above the ICASA's minimum requirements for South African music. The table below provides the average music percentage per radio station recorded during the year under review. The regulations require that the PBS Radio Stations broadcast a weekly average of 40% South African music, with the exception of Lotus FM which has a minimum quota of 20%. The commercial stations must broadcast 25% South African music.

**Table 2.4: PBS and PCS performance in local music against ICASA quotas**

Radio Stations	Yearly % Average	ICASA Quota Percentage
<b>PBS</b>		
SAfm	63	40
Tru FM	57	40
Lotus FM	24	20
RSG	72	40
Mungana Lonene FM	69	40
Lesedi FM	70	40
Radio 2000	62	40
X-K FM	82	40
Umhlobo Wenene FM	66	40
Ligwalagwala FM	67	40
Motsweding FM	55	40
Phalaphala FM	74	40
Thobela FM	67	40
Ikwekwezi FM	77	40
Ukhozi FM	67	40
<b>PCS</b>		
5FM	31	25
Good Hope FM	32	25
METRO FM	40	25



## Official Languages for PBS and PCS Radio

SABC Radio broadcasts in the 11 official South African languages as well as other languages as some stations also broadcast in minority group languages.

### PBS Stations

- X-K FM broadcasts equally in !Xintali and Khwedam;
- Lotus FM broadcasts mainly in English with daily broadcasts in Urdu, Tamil, Gujarathi and Hindi;
- SAfm broadcasts in English;
- Radio 2000 broadcasts primarily in English;
- Tru FM broadcasts equally in isiXhosa and English;
- RSG broadcasts in Afrikaans; and
- The other nine radio stations broadcast in South African vernacular languages.

### PCS Stations

The three PCS stations, METRO FM, 5FM and Good Hope FM broadcast in English as prescribed.

### Channel Africa

Channel Africa continues to be awarded frequency spectrum for shortwave broadcasting to Southern, Eastern and Western Africa. The frequencies broadcast in English, French, Chinyanja, Portuguese, Silozi and Swahili.

### ICASA Genre License Conditions

During the year, SABC PBS Radio Stations delivered well above the minimum requirements, as stated in the ICASA License Conditions. On the news front, PBS Radio delivered well with the majority of the radio stations exceeding the ICASA license conditions' weekly targets for news and current affairs, drama, children's programming, education and information knowledge building (IKB). The table below summarises radio performance against the ICASA genre quota for the 2015/16 financial year.

**Table 2.5: SABC Radio Station performance against ICASA genre quota for the 2015/16 financial year**

Station	News (Daily)			Current Affairs (Daily)			IKB Weekly	Education Weekly	Children Weekly	Drama Weekly	Women's program- ming	Religious program- ming
	Mon-Fri	Sat	Sun	Mon-Fri	Sat	Sun						
<b>ICASA Quota</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>180</b>	<b>300</b>	<b>60</b>	<b>150</b>	<b>-</b>	<b>-</b>
Ikwewezi FM	131	70	69	129	60	60	1 415	355	131	269	235	226
Munghana Lonene FM	79	79	79	112	60	60	1 246	429	80	222	703	203
Thobela FM	184	110	80	86	60	60	1 750	420	420	160	195	205
Phalaphala FM	83	81	79	113	60	60	2 390	315	98	228	41	304
Ukhozi FM	80	60	60	170	57	57	2 457	294	152	240	314	363
Lesedi FM	89	64	64	190	68	62	1 206	307	99	168	368	288
Umhlobo Wenene FM	80	60	60	170	57	57	2 457	294	152	240	314	363
Ligwalagwala FM	99	60	60	95	60	60	777	395	340	151	-	11
Motsweding FM	106	60	60	110	60	60	1 171	730	109	160	40	409
<b>ICASA Quota</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>-</b>	<b>-</b>	<b>180</b>	<b>240</b>	<b>60</b>	<b>150</b>	<b>-</b>	<b>-</b>
SAfm	98	89	89	322	-	-	1 374	442	111	221	227	238
<b>ICASA Quota</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>180</b>	<b>300</b>	<b>420</b>	<b>150</b>	<b>-</b>	<b>-</b>
RSG	104	61	61	198	60	63	1 578	337	84	306	640	247
<b>ICASA Quota</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>180</b>	<b>-</b>	<b>-</b>	<b>150</b>	<b>-</b>	<b>-</b>
Lotus FM	74	74	74	93	61	61	573	-	-	181	80	606
<b>ICASA Quota</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>180</b>	<b>300</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>
X-K FM	65	50	50	97	55	55	2 306	600	640	-	178	465
<b>ICASA Quota</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>60</b>	<b>120</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>-</b>
Tru FM	85	60	61	53	30	50	2 150	767	99	-	566	1 011

## Key Achievements

SABC Radio is constantly striving to perform beyond expectations. During the year under review, SABC Radio extended its footprint beyond South African borders. This followed a ground-breaking partnership agreement entered into between the SABC and Multichoice. The availability of SABC Radio Stations on the DStv Audio bouquet has expanded the SABC Radio offering by reaching listeners using alternative platforms and this is highly valued by our listeners.

### Programming Themes and Highlights

SABC Radio draws its strategic direction from the organisational values and guiding principles of the SABC and continues to align its operations to the pillars which define our overall strategic direction. All of this is further underpinned by compliance with the Broadcasting Act while holding the Constitution of South African in the highest regard.

The following represents, but is not limited to, some of the programming highlights SABC Radio delivered during the period under review. Radio content promoted social cohesion by celebrating major calendar events such as:

- The annual address by the ruling party on 8 January in which the party paves the way for the address by the State President (SONA);
- The SONA and Budget Speech broadcast "live" across all 15 PBS Radio Stations;
- Human Rights Day;
- Freedom Day Celebrations;
- Workers Day;
- Youth Day;
- Nelson Mandela Day; and
- Women's day.

To further promote democracy, SABC Radio produced and broadcast educational programming for South Africans who had never voted which encouraged them to register to vote. The campaign also educated citizens of the country to ensure they are able to vote during the 2016 Local Government Elections.

During the year, SABC Radio highlighted sporting codes of national importance including soccer, cricket, rugby and athletics through promotions, interviews, build-up and live commentary together with reviews of matches.

SABC Radio educational programming continued to highlight both curriculum-based and informal educative topics on a wide range of social, political and economic issues.

## Audience Performance

SABC Radio performed in a healthy manner and dominated the market in both audience reach and audience market share. SABC Radio reaches 28.8 million adult South African listeners in all official languages which translates to a 75% reach (RAMS, Jul-Dec 2015).

The table below summarises the Radio Audience reach.

**Table 2.6: SABC Radio audience reach for the period May 2014 to December 2015**

Audience (000)	May/ Aug 14	Jul/Oct 14	Aug/ Dec 14	Oct 14/ Mar 15	Jan/ Jun 15	Aug/ Sep 15	Jul/Dec 15
<b>Total SABC</b>	28 425	28 193	27 934	27 869	27 757	28 223	28 891
<b>PBS Radio</b>	25 152	24 988	24 752	24 655	24 419	24 694	25 315
<b>PCS Radio</b>	8 536	8 266	8 060	7 963	7 921	8 228	8 563
<b>Kagiso Media</b>	6 720	6 522	6 432	6 202	6 104	6 371	6 723
<b>Primedia</b>	3 150	3 123	2 940	2 903	2 829	2 752	2 801
<b>Total Community</b>	8 953	8 693	8 682	8 841	8 614	8 391	8 790
<b>Other Independent Radio</b>	4 541	4 585	4 479	4 164	4 242	4 391	4 157

Ukhozi FM has a highest reach with 7.5 million listeners per week, followed by METRO FM with 6.8 million listeners.

The table below depicts SABC Radio Stations' performance based on the RAMS Jul-Dec 2015 diary.

**Table 2.7: SABC Radio Station performance (RAMS, Jul-Dec 2015)**

Radio Station	Total Audience (00)
<b>PBS</b>	
Ukhozi FM	7 532
Umhlobo Wenene FM	4 662
Lesedi FM	4 069
Motsweding FM	3 137
Thobela FM	3 001
RSG	1 792
Ikwekwezi FM	1 554
Ligwalagwala FM	1 401
Munghana Lonene FM	1 086
Radio 2000	907
Phalaphala FM	856
SAfm	473
Lotus FM	397
Tru FM	151
<b>PCS</b>	
METRO FM	6 856
5FM	1 817
Good Hope FM	616

SABC Radio commands an all adult share of 69.9%. The share is stable year-on-year. PBS Radio has the bulk of the share, commanding 59.3%, while PCS Radio has a healthy share of 10.6%. The table below summarises the share performance.

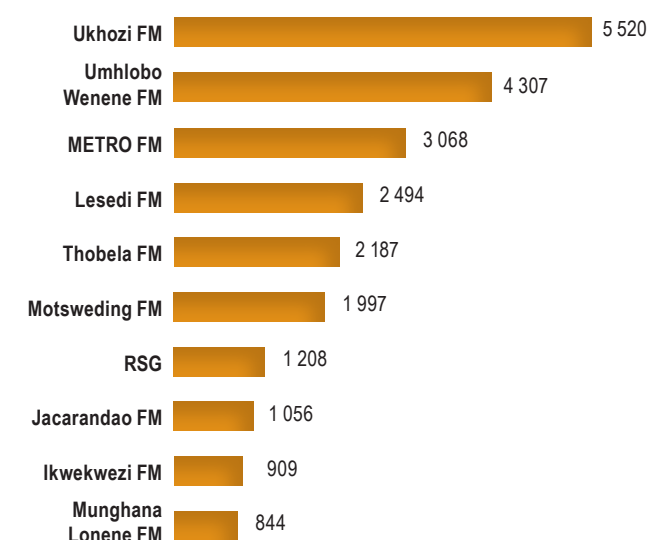
**Table 2.8: SABC Radio all adult share for the period May 2014 to December 2015**

Adult share	May/ Aug 14	Jul/Oct 14	Aug/ Dec 14	Oct 14/ Mar 15	Jan/ Jun 15	Aug/ Sep 15	Jul/Dec 15
<b>Total SABC</b>	69.8	69.7	69.5	69.1	69.7	69.9	69.9
<b>PBS Radio</b>	60.0	60.0	59.9	59.3	59.9	59.6	59.3
<b>PCS Radio</b>	9.8	9.7	9.6	9.8	9.8	10.4	10.6
<b>Kagiso Media</b>	12.2	12.2	12.2	13.1	12.8	12.5	12.8
<b>Primedia</b>	8.4	8.4	8.6	8.4	8.2	8.3	8.1
<b>Total Community</b>	3.7	3.8	3.7	3.7	3.6	3.5	3.5
<b>Other Independent Radio</b>	6.0	6.1	6.2	5.8	5.7	6.0	5.9

According to the SAARF, nine of the SABC's Radio Stations are in the top 10 favourite radio stations to listen to, as shown in the bar graph below.

**Figure 2.1: Top ten National radio stations (SAARF)**

## Favourite Radio Stations (000)



## Looking Forward

- In the financial year 2016/17, the Radio Division will continue the Transmitter Rollout Project that will see the portfolio increasing universal access for all South Africans and thus SABC Radio's reach. The ICASA has approved 19 transmitters to be installed and operationalised.
- In an effort to avert the loss of credibility, trust and reputation, the Radio Division will continue improving the outdated corporate identity (CI) of various radio stations. In the 2016/17 financial year, the CIs of Lesedi FM, Phalaphala FM and Good Hope FM will be reviewed and new ones launched.

Channel Africa plans to increase its mandate delivery through the introduction of additional programming focussing on African and BRICS country (Brazil, Russia, India, China and South Africa) focus areas. Content will also continue to promote social cohesion by celebrating major African calendar events which include the 40<sup>th</sup> anniversary commemoration of the Soweto Students' Uprising (1976) and the 30<sup>th</sup> anniversary commemoration of Mozambican President Samora Machel's (1933-1986) death.



Behind the scenes with our Local comedy *Skwizas*.

## SABC TELEVISION

### Compliance with License Conditions

The ICASA currently prescribes local content quotas for each channel. The primary difference between these quotas is between the public service channels or PBS (SABC1 and SABC2) and PCS (SABC3). The PBS must meet a 55% local content target and the PCS a 35% local content target. Within these overarching targets, the regulatory authority also stipulates quotas for the different broadcast genres.

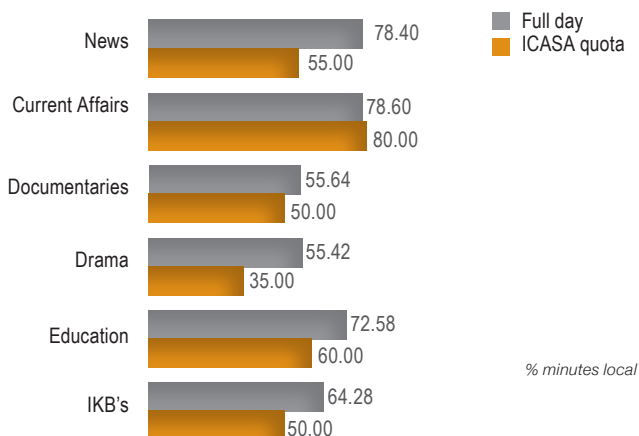
### SABC TV Performance on Local Content and Genre

The measurement of local content carried on SABC platforms is conducted according to the ICASA defined methodologies. Sport is excluded from local content calculations and only the first play-out of a local programme is fully accounted for. First repeats are calculated at half the value and, thereafter, no recognition is given to local content repeats.

The following graphs in Figure 2.2 to 2.4 illustrate the SABC1, SABC2 and SABC3's performance according to the programming genres for children, current affairs, documentary, drama, education and IKB.

**Figure 2.2: SABC1 PBS channel performance per genre for the period 30 March 2015 to 27 March 2016**

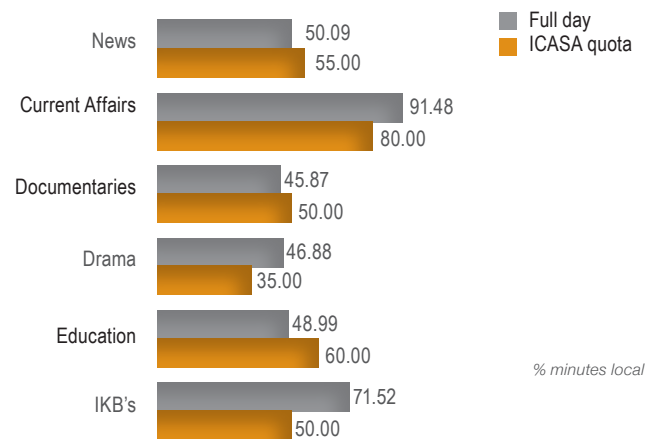
#### SABC1



Source: Broadcast schedules (30 March 2015 - 27 March 2016)

**Figure 2.3: SABC2 PBS channel performance per genre for the period 30 March 2015 to 27 March 2016**

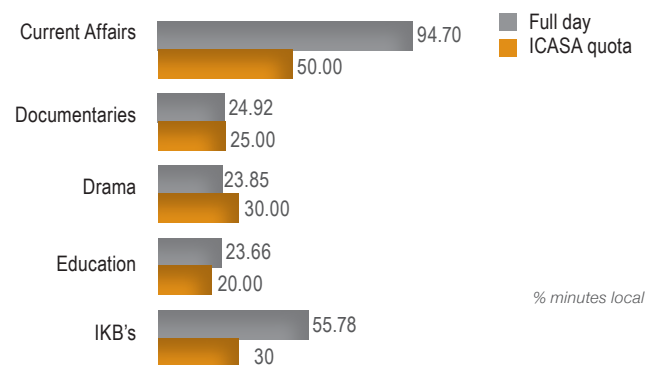
#### SABC2



Source: Broadcast schedules (30 March 2015 - 27 March 2016)

**Figure 2.4: SABC3 PBS channel performance per genre for the period 30 March 2015 to 27 March 2016**

#### SABC3



Source: Broadcast schedules (30 March 2015 - 27 March 2016)

During the year, all three channels exceeded the local content requirements in terms of the universal channel target. In terms of full-day coverage, SABC1 exceeded the target by over 20%, delivering 76.75% local content. More than 83% of primetime, which is the most-watched



SABC Education's Sesame Street.

timeslot on television, was dedicated to local coverage on SABC1. SABC2, which shares the 55% target with SABC1, delivered almost 60% for full-day coverage and 78.36% for primetime. SABC3, as the PCS channel, has a reduced local content quota of 35% and delivered 37.37% for full-day and 45.45% for primetime during the year under review.

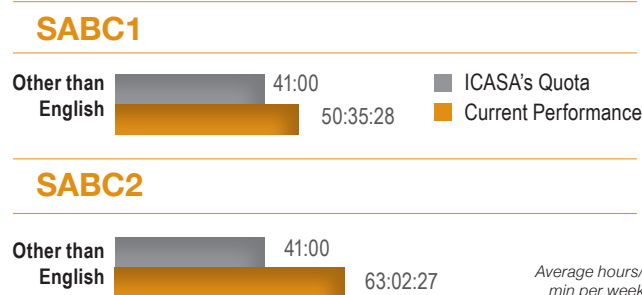
Despite significantly exceeding set targets by all channels combined, specific channels performed below target on local content in some of the genres. The shortfalls were primarily as a result of schedule disruptions to accommodate events of national interest and sports. Due to the time at which these events took place, children's and educational programmes were the most impacted.

## Language

SABC Television delivery on language is measured for the performance period according to four different categories. These categories are the minimum number of hours of programming in:

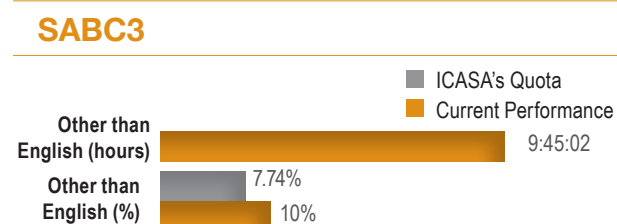
- Languages other than English, excluding marginalised languages, in primetime;
- Marginalised languages in primetime;
- Languages other than English, including marginalised languages, in primetime; and
- Languages other than English, including marginalised languages.

**Figure 2.5: SABC1 and SABC2 language delivery performance for the period 30 March 2015 to 27 March 2016**



Source: Broadcast schedules (30 March 2015 - 27 March 2016)

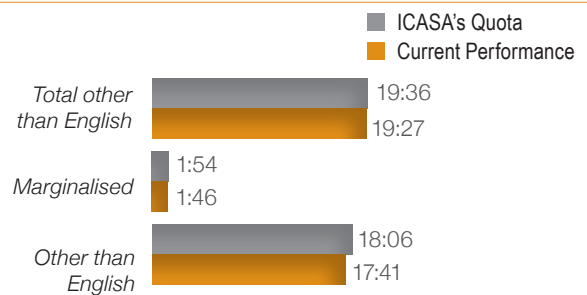
**Figure 2.6: SABC3 language delivery performance for the period 30 March 2015 to 27 March 2016**



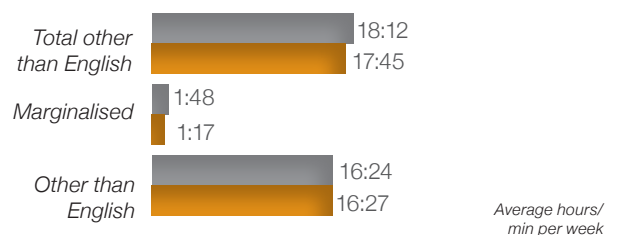
Source: Broadcast schedules 30 March 2015 - 27 March 2016)

**Figure 2.7: SABC1 and SABC2 language delivery during prime time for the period 30 March 2015 to 27 March 2016**

### SABC1



### SABC2



Source: Broadcast schedules (30 March 2015 - 27 March 2016)

Despite challenges with schedule disruptions experienced during the 2015/16 financial year, the SABC television network met or exceeded the ICASA licence requirements, with the exception of SABC3's delivery on languages other than English.

## Programming Highlights: Delivering Public Value

In addition to delivering public value through meeting licence conditions, as outlined above, SABC Television fulfilled its public service role through a number of initiatives and on-going programmes during the year under review. Nation-building and building social cohesion are always at the core of the Division's activities, with significant time on the schedules allocated to the coverage of national days of importance. Additionally, plotlines were developed that incorporate these days and provide accessible and educational information about them. Some of the activities related to national days of importance include the following:

- 21 March is celebrated by South Africans as Human Rights Day. Television programming included coverage of activities associated with the period as well as ensuring that content across all genres was related to the theme of human rights.
- In addition to extensive coverage of Freedom Day, Workers Day and Youth Day, the first quarter of the 2015/16 financial year saw a focus on Africa Day and the live coverage of events of national interest including the funeral of Ruth Mompati and the coronation of AmaXhosa King Mpendulo Sigcau.
- In June 2015, the Lotto draw was moved back to SABC2 on Wednesdays and Saturdays.
- In July 2015, content commemorating the life and legacy of Madiba was carried by SABC channels. Sixty seven minutes of activism provided the focus for much of the coverage, encouraging South Africans from all walks of life to participate in nation-building activities. All genres contributed to delivering this content.





Refer to page 143 on how to use this interactive image.

SABC1's *Uzalo* cast.

- SABC Television focused on Women's Month activities for August. In addition to celebrating the women who participated in the Women's Protest March to the Union Buildings in 1956, SABC television stations also focused on the achievements and aspirations of South African women in general.
- In September, SABC Television celebrated Heritage Month with a wide range of programming focussing on the cultural wealth of the nation. This ranged from specials looking at the great civilisations of Mapungubwe and live discussions about living heritage on youth-orientated programmes. On 24 September 2015, SABC2 held a Heritage Day celebration, broadcast from Limpopo and the Tshwane Carnival.
- During December, all channels extensively covered the 16 Days of Activism against the Abuse of Women and Children, World AIDS Day and the International Day of People with Disabilities. This included coverage of activities associated with the period as well as ensuring that content across all genres dealt with the themes and aims of this campaign.
- In addition, events of national importance were celebrated by all three channels. Activities to honour these days included dedicated talk shows and other support programmes.
- Other significant contributions to public mandate delivery include coverage of the SONA and Budget Speech.

## Key Achievements

SABC Television, as a public service broadcaster, prioritised greater content diversity on its channels. Focus areas include ensuring that more content was sourced from non-metropolitan areas, the use of production companies owned by people with disabilities and making content accessible to South Africa's hearing-impaired communities.

The SABC exceeded set targets against the targets set for compelling and quality content performance area. Over 470 inserts from non-metropolitan areas were broadcast and three properties incorporating South African Sign Language. The SABC was also able to source shows from three production companies owned and operated by people with disabilities.

The SABC completed the world's first audio description of SABC1's successful drama series *Sticks and Stones*. This is the first time a drama series has been audio described for blind viewers on an analogue platform. It is also the first time in South Africa any local broadcaster has audio described an indigenous South African language drama series for blind audiences to enjoy. Furthermore, SABC television partnered on a production with a company solely run by individuals who are blind and blind audio describers were used for the production.

During the financial year, SABC1 remained the most popular television channel in the country, averaging a 33% primetime audience share and 27% over the performance period. SABC2 ended the financial year with a 15.2% share of primetime audiences, while SABC3 enjoyed a 6.6% share. A strategy has been put in place to gain more market share, which is premised on delivering more local content.

Table 2.9 below shows the nation's most popular television programmes, the channels they are broadcast on and genre as well as the viewership data. Seventeen of South Africa's 20 most-watched television programmes are carried on SABC channels and all of the top 15 programmes are SABC shows. *Uzalo*, a SABC1 flagship property, was the 2015/16 top position, followed by *Generations: The Legacy*, *Skeem Saam* and *Muvhango*.

**Table 2.9: South Africa's most popular terrestrial TV programmes**

	Programme Title	Channel	Genre	AR	Share %	AR Viewers
1	Uzalo	SABC1	Drama	20,5	60,0	6 834 645
2	Generations The Legacy	SABC1	Soap Opera	19,4	58,0	6 457 000
3	Skeem Saam	SABC1	Drama	16,1	54,5	5 357 754
4	Muvhango	SABC2	Drama	14,8	48,9	4 921 016
5	Nelson Mandela Challenge-South Africa vs Senegal	SABC1	Sport	13,7	38,2	4 624 525
6	Afcon 2017 Qualifier:south Africa vs Cameroon	SABC1	Sport	13,6	38,0	4 586 565
7	Mfolozi Street	SABC1	Drama	13,5	43,5	4 488 224
8	Forced Love	SABC1	Movies	13,1	41,5	4 421 725
9	Lotto Draw Live	SABC1	Competition	13,1	37,7	4 418 564
10	Absa Premiership Orlando Pirates vs Mamelodi Sundowns	SABC1	Sport	13,1	39,0	4 400 683
11	Tempy Pushas	SABC1	Drama	12,6	41,7	4 145 984
12	Forced Love (Drama)	SABC1	Drama	12,3	42,1	4 127 942
13	2018 Fifa World Cup Qualifier:south Africa vs Angola	SABC 1	Sport	12,0	36,6	4 050 410
14	Jab	SABC1	Drama	11,8	37,2	3 983 767
15	Vodacom Yebo Millionaires	SABC1	Competition	11,8	43,5	3 949 059
16	Romeo Must Die	E.TV	Movies	11,6	44,8	3 902 895
17	METRO FM Music Awards	SABC1	Variety	11,4	44,9	3 833 598
18	Transporter 2	E.TV	Movies	11,2	42,8	3 729 969
19	Sarafina	SABC2	Movies	11,1	47,1	3 644 031
20	Faster	E.TV	Movies	11,0	41,8	3 605 934

SABC Encore, a key element of the Corporation's multichannel strategy, was successfully launched during the first quarter of the year under review. The retro channel, which broadcasts audience favourites from the 1980s and 1990s, was licenced for carriage on DStv. The channel proved to be a hit with audiences and, during the first months of broadcast, made the top 20 list of non-terrestrial most-viewed channels on the subscription platform. The popularity of SABC Encore saw it being made available across DStv packages, including Access and Easyview.





## SABC NEWS AND CURRENT AFFAIRS

The 2015/16 financial year exceeded SABC newsroom expectations with a plethora of content opportunities. Domestically, news frontiers were broadened through the major headlines of the year: #FeesMustFall, the Beatification of St Benedict Daswa and the MTN-Nigeria saga among others. Xenophobic attacks also offered a source of increased content and viewership, albeit a deeply regrettable phenomenon.

### Compliance to Mandate

The SABC News and Current Affairs Division includes the Auckland Park offices, nine bureaux across South Africa and three international offices in Zimbabwe, Kenya and the United States of America. These offices have the responsibility of achieving the SABC's news-gathering goals and they receive assistance in this regard through a range of agreements with agencies having a unique global reach. The Division achieved its mandate through diligent performance throughout the financial year and by ensuring that every member of its newsroom team understood and appreciated the responsibility they carry on behalf of the nation. SABC News was created in terms of the SABC Charter and the South African Broadcasting Act and follows the prescripts of the Broadcasting Complaints Commission of South Africa's (BCCSA) Code of Conduct and the SABC's Editorial Code. In terms of the Broadcasting Act, the SABC is obliged to broadcast programming that, among others:

- Reflects South African attitudes, opinions, ideas, values and artistic creativity;
- Displays South African talent in educational and entertaining programmes;

- Offers a plurality of views and a variety of news, information and analyses from a South African point of view; and
- Advances the national and public interest.

The uniqueness of South Africa's history also drives the functionality and focus of the Division. This is recognised in its editorial policies which include the following directives:

- To heal the divisions of the past and establish a society based on democratic values, social justice and fundamental human rights;
- To improve the quality of life of all citizens and free the potential of each person; and
- To build a united and democratic South Africa which is able to take its rightful place as a sovereign state in the African and global family of nations.

### News and Current Affairs Performance

During the year under review, SABC News produced 52 television news bulletins and nine television current affairs shows, broadcast on SABC1, SABC2 and SABC3 on a weekly basis. Through SABC News (on DSTV), the Division produced over 16 000 minutes of news and in excess of 6 000 minutes of current affairs programming per month. The Division also produced daily news bulletins and current affairs programmes for all SABC Radio Stations.

### Programming Highlights

The isiZulu bulletin maintained its audience rating (AR) at 11 throughout the year, while the isiXhosa bulletin increased to 11 AR by the end of the reporting period. Both bulletins presented improvement, albeit marginal, compared to 2014/15. Minority language bulletins presented notable





Sesotho and Setswana News presenters.

improvements with the siSwati/isiNdebele bulletins increasing from 4.2 AR to 5.0 AR, while the Tshivenda/Xitsonga bulletins increased from 1.2 AR to 1.9 AR. Some current affairs programmes reversed audience losses experienced during 2014/15, with *Sunday Live* increasing its ARs from 4.6 to 5.9, while *Cutting Edge* increased from 3.5 AR to 3.8 AR. Parliamentary programming was also a welcome audience driver with *View from the House* showing improvements from 1.0 AR to 1.2 AR.

Key innovations at SABC News yielded encouraging results with notable achievements on the digital news platform's live blog. The SABC YouTube channel was listed in the top three South African channels in the 2015 World Wide Worx Social Media Landscape Report. The Facebook Breaking News function continued to generate encouraging lifetime total impressions for its posts, while the Twitter performance saw steady growth. Another significant development is the expansion of the continental reach of the SABC News satellite channel to include all of sub-Saharan Africa and certain geographical areas in continental Europe. The expansion provided the SABC with an opportunity to enter the competitive broadcasting landscape and claim its space among leading global broadcasters such as BBC, CNN, Sky News, CCTV and many others. On the radio platform, the weekday current affairs programmes showed notable improvement from the previous year, with significant gains seen for the Tru FM midday programmes.

The 2015/16 financial year saw a multitude of election processes occurring across the African continent with most entrenching the democratisation process, while some threatened sustainable democracy and good governance. Elections covered included the outcomes of the Nigerian Elections and Presidential inauguration, Burundi Presidential Elections, post-election instability in Lesotho, Guinea-Conakry Presidential Elections, Tanzanian

Presidential Elections, Cote d'Ivoire Presidential elections, Burkina Faso Presidential Elections, Central African Republic General Elections, Ugandan Presidential and Parliamentary Elections, Niger Presidential Elections, Benin Presidential Elections and Republic of Congo Presidential Elections. SABC News dedicated significant resources to the coverage of elections on the continent.

Domestically, the period under review provided a wealth of story-telling opportunities, which SABC News and Current Affairs took full advantage of. Throughout the 2015/16 financial year, SABC News continued its mandate and creative coverage of all events of national importance, ensuring that South Africans continued to appreciate the history of this country and work together to create a common future.

## Looking Forward

2016/17 is a South African election year and the SABC will intensify its plans to deliver compelling programming and coverage of the 2016 Local Government Elections as it has done for past elections. The international news scene offers exciting opportunities for news programming in the near future with major developments such as the UN elections for a new Secretary General to replace outgoing incumbent Ban Ki Moon, the African Union (AU) election for a new Chairperson of the AU Commission when the term of incumbent Dr Nkosazana Dlamini-Zuma ends and the US Presidential elections.

Domestically, 2016/17 is an important year for South Africa's economic landscape and news coverage will focus on threats to the economy such as the droughts and water shortages faced across the country, rising debt levels, potential downgrades by rating agencies and economic growth catalysts.





Refer to page 143 on how to use this interactive image.

SABC Sport's Habashwe! Lets do this! campaign.

## SABC SPORT

### Compliance with Licence Conditions

The current ICASA Regulations on Sports of National Interest was gazetted on 7 April 2010 (Government Gazette No. 330797).

The South African Sports of National Interest as gazetted are as follows:

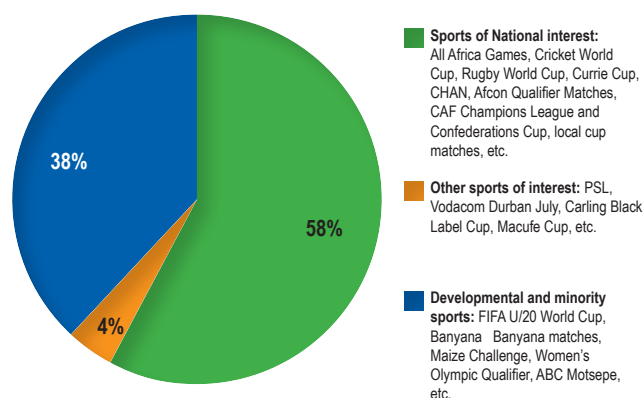
- Summer Olympic Games;
- Paralympic Games;
- All Africa Games;
- Commonwealth Games;
- FIFA World Cup;
- Africa Cup of Nations;
- Rugby World Cup;
- ICC Cricket World Cup;
- ICC T20 Cricket World Cup;
- Comrades Marathon;
- Two Oceans Marathon;
- Super 15 Rugby;
- COSAFA Cup;
- CAF Champions League;
- CAF Confederations Cup;
- Telkom Charity Cup;
- MTN 8 Cup;
- Telkom Knockout;
- Nedbank Cup;
- Currie Cup;
- MTN 40 (cricket);
- West Indies Tour;
- National Men's and Women's Soccer; and
- Castle Rugby Championships Inbound Cup.

### Sport Programmes

#### Sports of National Interest

During the 2015/16 financial year, SABC Sport delivered on three key sporting codes involving the National Senior Soccer, Cricket and Rugby Teams and events of national interest broadcast on both SABC Television and Radio. In addition, the SABC successfully launched boxing programmes on television and radio after a long absence on the public platforms. The 2015 Rugby World Cup (RWC) was broadcast on both SABC Radio and Television. Figure 2.8 on the following column show the percentage ratios for the various sports categories.

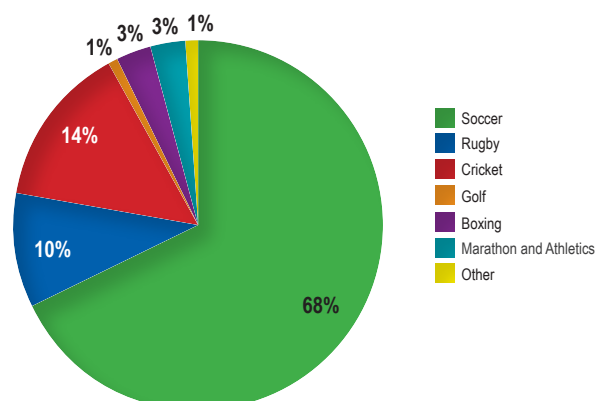
Figure 2.8: Percentage ratios for sports of national interest, development and minority sports and other sports broadcast on SABC platforms



#### Development and Minority Sport

During the year, the SABC successfully broadcast the SA Women's Golf Tournament, the Indigenous Games and a weekly magazine show, *Sportsvie*, which covers all development and minority sport, as well as South African Football Association (SAFA) development matches, in respect of minority and development sport. In celebration of 2015 Women's Month in August, the women-only boxing tournament was staged and broadcast on SABC platforms and the Brutal Fruit Netball tournament was piloted on radio and both were a huge success. Figure 2.9 below shows the percentage ratios of sport types covered on SABC television and radio.

Figure 2.9: Percentage ratios for sport genres covered on SABC platforms



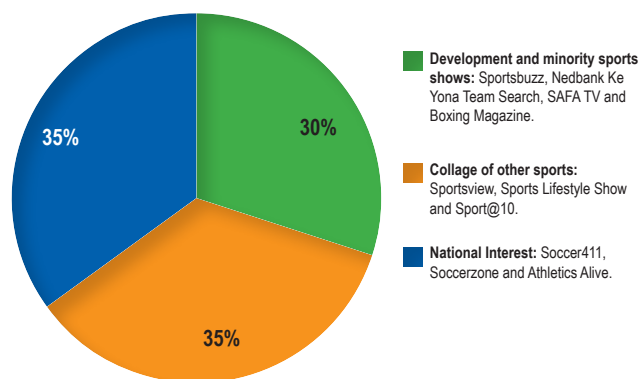


# BOXING IS BACK

SABC Sport's Boxing is back TVC.

The SABC sports magazine shows comply with the requirements of the Broadcasting Act as they cover the topics on women, youth and disability in sport. The major events and shows broadcast relating to women and the youth were the *Nedbank KeYona Team Search* reality show and matches, the SAFA women's matches and the *Boxing Magazine* show. The pie chart below shows the percentage ratios for sports of national interest, development and minority sports and collages of other sports broadcast on the SABC sports magazine programmes during the year.

**Figure 2.10: Broadcast ratios of SABC sport magazine shows for sports of national interest, development and minority sports and collages of other sports**



## Programming Highlights and Important Broadcasts

During the year, SABC Sport covered major sports events. These include the Premier Soccer League (PSL) matches, SAFA National Team matches, CAF tournaments and the successful broadcast of the Carling Black Label Cup on both television and radio. The broadcast of the 2015 RWC and the South Africa vs. England inbound cricket tour from December 2015 to March 2016 boasted remarkable audience ratings and resounding support from the public.

SABC Sport is proud to champion the broadcast of major marathons including the Comrades, Two Oceans, Soweto and Cape Town City Marathons which hold significant importance in terms of South Africa's history and heritage. In 2015/16, SABC Sport played a critical nation-building role and the television channels availed it's platforms for the carriage of sports of national interest. High-profile events, such as the Comrades Marathon, the RWC and T20 Cricket World Cup, were also incorporated into general

programming. For example, presenters wore the Springbok or other sports team jersey during the rugby match or tournament and some of these events were included in the plotlines of drama and other series to promote these events.

## Key Achievements

SABC Sport continued to ensure that the broadcast rights for events of national and public interest were secured for radio and television. During the year, SABC Sport delivered a number of sporting events including the following:

- 2015 Rugby World Cup;
- ICC T20 Cricket World Cup, hosted in India;
- SA Sports Awards;
- Nedbank Golf Challenge;
- FIFA U/20 World Cup and FUFA Women's Cup;
- 2017 AFCON qualifying matches;
- CHAN 2016 qualifying matches;
- CAF Champions League and CAF Confederations Cup;
- All major athletics meetings covered in accordance with the Agreement with Athletics South Africa;
- Protea's Cricket Outbound Tours to Bangladesh and India covered on radio;
- Inbound cricket matches against New Zealand, England and Australia;
- Rugby Castle Championship matches between the Springboks and Australia, New Zealand and Argentina;
- Netball World Cup covered on radio platforms, with South Africa taking a promising fifth spot in the final placings; and
- All Africa Games, staged in Congo Brazzaville.

## Looking Forward

SABC Sport strives to develop and maintain a rights and content portfolio that is innovative, compelling and sustainable whilst remaining compliant with ICASA mandate requirements. The SABC strives to produce sports content that is world class and affordable with innovative, commercial elements that enhance audience delivery. SABC Sport also strives to fulfil its responsibility to be a catalyst on the execution of the sports national agenda, development and it prioritises its relationships with sporting federations.

## UNIVERSAL ACCESS

The FM Transmitter Network Expansion and Optimisation Programmes have been prioritised in order to address the aging transmitter infrastructure and to extend signal reach to under serviced areas. In March 2015, the ICASA licensed 31 of the transmitters that were applied for in 2014. The FM Transmitter Expansion Project is in progress and the 31 licensed transmitters were installed, commissioned and illuminated during the 2015/16 financial year with no major risks identified except for the delayed finalisation of a green site.

The FM Expansion Program is aimed at extending language reach to the various provinces. ICASA approved an additional 19 licences for the 2016/17 FM Expansion Project. The licences were received during the last quarter of the 2015/16 financial year. Sentech has been engaged to include the 19 transmitter sites in their 2016/17 Network Expansion Programme. The FM expansion is supplemented by an FM Optimisation Plan for network quality of service (QoS) improvement.

### Looking Forward

The SABC and Sentech have a standing arrangement for a standby generator as well as transmitter anti-cable theft plans to address all value-added services and service quality improvements with regard to SABC television and radio distribution services. An assessment of Sentech's 2015/16 performance has been initiated through a customer service survey. The survey will be extended to Radio Station Managers, Provincial Managers, selected Group Executives, selected Executive Directors and Board Members. The main objective is to capture a broad view of end-user experience and to develop a 2016/17 plan in accordance with broader business requirements across the value chain.

Preparations are underway for the inclusion of the SABC Encore channel in the DTT and DTH platform.

## TRANSFORMATION

### Supply Chain Management (SCM)

During the year, the Procurement Division was renamed Supply Chain Management (SCM) in order to align it with the National Treasury prescripts as well as business requirements. To align the SCM Division with legislation, the Division has implemented systems that ensure compliance with the E-Tender Publication Portal as well as the requirements of the Central Supplier Database (CSD). By the end of the financial year, 1 100 of our suppliers were already registered on the CSD. The SABC has also successfully registered itself on the CSD, as required by the National Treasury.

The SCM Division focussed on staff training and skills development. Four employees from the Division registered to study towards a qualification from the internationally recognised Chartered Institute of Purchasing and Supply (CIPS).

Three employees passed their first modules. CIPS qualifications drive leading edge thinking and professionalism in procurement and are recognised worldwide as the standard for procurement professionals. In addition, all employees in the SCM Division are associate members of CIPS which enables them to draw best practices from the industry.



Transmitting SABC signals.

### Bid Adjudication Committee (BAC)

During the year, the BAC showed commitment to the empowerment of black women-owned companies by awarding contracts to the value of R12 928 925 to companies owned by black women. Further interventions by the Transformation Team will lead to an increase in this figure in the next financial year.

### SCM Policies and Procedures

In the past, the SCM policies were not supportive of current business and legislative requirements. As a result, a cross-functional steering committee, led by the SCM Division and consisting of senior managers from various divisions, embarked on a project to update the SCM policy and procedure manuals. The new policy and procedures have been drafted in line with legislation and business requirements. In drafting the new policy and procedures, consideration was given to a desired end product that allows for flexibility, creativity, timeousness, reduced audit findings, meeting governance requirements and reflects an understanding of the SABC's competitive edge. The revised policy and procedures include the procurement of TV and Radio Content.

### SCM Division Improvement Project

During the year, the Group Executive Committee (Exco) constituted of a task team that would identify the internal control gaps in the current SCM processes. The scope of the project includes a review of the leadership, communication, team cohesion, service delivery, skills and experience and structural issues in the SCM Division. The information was gathered from business units through an online survey as well as one-on-one interviews. The report was issued and a well-defined implementation plan relating to the improvement of service levels for the SCM Division was developed.



## Broad-Based Black Economic Empowerment (BBBEE) Compliance

The organisation's strategic approach and improved reporting has resulted in the organisation maintaining its Level 2 BBBEE compliance. This is attributed to the number of black participants at Board level as well as at the senior and middle management levels. It is clear that the organisation views transformation as a strategic initiative which is further depicted in the corporate plan.

**Table 2.11: The SABC's preferential procurement performance for the 2015/16 financial year**

Indicator	Compliance Target	Achievement
<b>All Suppliers</b>		
BBBEE Procurement Spend from all suppliers based on the BBBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend.	50%	100%
<b>Qualifying Small Enterprise/ Exempt Micro Enterprise (QSE/EME)</b>		
BBBEE Procurement Spend from QSEs or EMEs based on the applicable BBBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	12%	40%
<b>50% Black-Owned Suppliers</b>		
BBBEE Procurement Spend with suppliers that are 50% black owned as a percentage of Total Measured Procurement Spend	9%	39%
<b>30% Black Women-Owned Suppliers</b>		
BBBEE Procurement Spend with suppliers that are 30% black women-owned as a percentage of Total Measured Procurement Spend	6%	19%

**Table 2.12: Accredited transformation weighing points and scores for each BEE element**

BEE Element	Weighting Points	Company Score
Ownership	-	NA
Management and Control	15	16
Employment Equity	15	14.64
Skills Development	20	10.79
Preferential Procurement	20	18.32
Enterprise Development	15	15
Socio-Economic Development	15	15
Grand Total	100	89.75
Procurement Recognition	Level 2	125%

With regard to direct empowerment, the SABC continues to exceed the minimum targets and its management composition is fully transformed.

## Supplier Forums

In the 2015/16 financial year, the BEE and ED Unit embarked on an information-sharing drive for all the provinces by means of supplier forums. The forums educate the SABC's existing and potential black suppliers about BBBEE and places emphasis on enterprise development. The forums are conducted in collaboration with external stakeholders including the Department of Trade and Industry (dti), Companies and Intellectual Property Commission (CIPC), Small Enterprise Development Agency (SEDA) and the Construction Industry Development Board (CIDB). This initiative was well received and there are plans to conduct the Supplier Forums quarterly, as part of the ED's drive to assist small businesses.



SABC Beauty Salon.



Freshy Water.



VICHIL Car Wash Service.





# Enterprise Development Initiatives

During the year under review, the SABC actively supported the development of the following enterprises through various enterprise development initiatives:

## SABC Beauty Salon

Atlegang CC is a small company owned by Ms Lebo Mboni operating within the SABC and providing all beauty-related services. Lebo was previously employed at the SABC hair salon by the previous hair salon tenant. She later decided to take the initiative and open her own business and requested office space to rent from the SABC to offer nail services. She was granted office space at the TV/Henley building. The business has been gradually growing and her clientele now includes both SABC personnel and contracted production companies including the production crew of Generations and Ashes to Ashes, among others. This service was identified as an expedient means to develop upcoming black enterprises and has created employment opportunities for the unemployed youth.

## Freshy Water


Sikho Mobiles CC is a holding company of the Freshy Water brand which is a 100% black-owned company operating under the approved trademark of Freshy Water. Their mission is to provide premium-quality drinking water. The company has a small, fully operational plant based in Heidelberg. Freshy Water produces a complete product range of branded water in 330ml, 500ml and 1 litre bottle sizes. As an operating entity, Freshy Water has been supplying water for the past three years to various clients including the SABC. In 2015, this entity was identified as the enterprise development beneficiary to supply drinking water to the SABC. Freshy Water is steadily growing their sales and client base and its revenue has increased as a result of this procurement opportunity afforded to them.

## VICHIL Car Wash Service

Since 2005, car wash services within the SABC were provided to staff and visitors by a foreign-owned company. The contract expired in 2008 and the car wash services were identified as an enterprise development initiative for the SABC.

In 2009, the BEE and Equity Development (ED) Unit assisted two previously disadvantaged individuals (Victor and Hilda) who were running the car wash company in the absence of the owner. These individuals were guided and assisted to register their own company, namely, VICHIL Car Wash Service. VICHIL Car Wash Service is thus a 100% black-owned and 50% black woman-owned company fully capable of executing its services.

In order for the SABC to prevent any contribution on its part towards unemployment and also to positively contribute to the national developmental agenda, this opportunity was created and an initial two-year contract was granted to the newly formed company. The SABC allocated office space to VICHIL Car Wash Service at no cost and management was provided with basic skills necessary to manage the business.





## WHAT IS DIGITAL TERRESTRIAL TELEVISION



Refer to page 143 on how to use this interactive image.

DTT Awareness campaign.

## Technology

### Internet Protocol (IP) Technology Portfolio

IP-based technology is in use by the SABC for communication on major productions to assist with communication between Outside Broadcast (OB) points and SABC studios as well as to facilitate internal communication between the SABC Auckland Park Main Control Room (MCR), Final Control Centre (FCC), News Line Record Room and Production Studios both at the Henley and News Studios.

Henley Television Facilities implemented an IP-based distribution system to replace the analogue radio frequency distribution system for the office monitoring of SABC1, SABC2 and SABC3 signals, DTT channels, the various News and Production Studios, as well as feeds during special events such as the National and Provincial Elections, Olympic Games, world cup sports tournaments and internal staff addresses.

During the 2015/16 financial year, the IT Department delivered the elections website and completed the migration of the News and corporate site to new platforms. The IT Department has also commenced with the migration of websites from the Websphere platform to SharePoint.

### Digital Terrestrial Television (DTT)/ Direct-to-Home (DTH) Platforms

The SABC channels on the DTT/DTH platforms are strategically critical projects for the Corporation as they not only depict the SABC as a multi-channel and multi-platform content provider operating in the digital domain, but they also provide consumers with more choice and free-to-air services. In this manner, the DTT/DTH platforms provide an opportunity to aggregate revenue through advertising and sponsorships.

The Henley TV Facilities are key drivers in the implementation of the Content Delivery Standards Document to incorporate latest digital formats such as the EBU R 128 audio loudness parameters (loudness recommendations by the European Broadcasting Union) and high definition (HD) compliance requirements as well as the facilitation of File Transfer Protocol solutions for the SABC content in order to improve content delivery in preparation for DTT.

The secondary DTT headend was installed and commissioned during the period under review. This headend is the backup DTT headend to the main DTT headend. The backup headend is configured such that it will seamlessly take over from the main headend in case of a catastrophic failure in the main headend.

The Closed Captioning Payout Project was at final stages of its execution phase during the period under review and is scheduled for completion in the next financial year. On completion, this project will allow two channels of closed captioning payout to SABC1, SABC2 and SABC3.

At the end of the year, the upgrade of the SABC Local Area Network (LAN) was at an advanced stage. The SABC LAN upgrade will provide the backbone for high-speed media transfer across the network which is required for digitisation and the DTT Project.

### Innovations

During the year, a number of innovative initiatives were undertaken by the SABC. The MCR Unit, on behalf of SABC News, facilitated a proof of concept (POC) via Globecast for live contribution using fibre connectivity from the Johannesburg Stock Exchange for inclusion into daily SABC News bulletins.

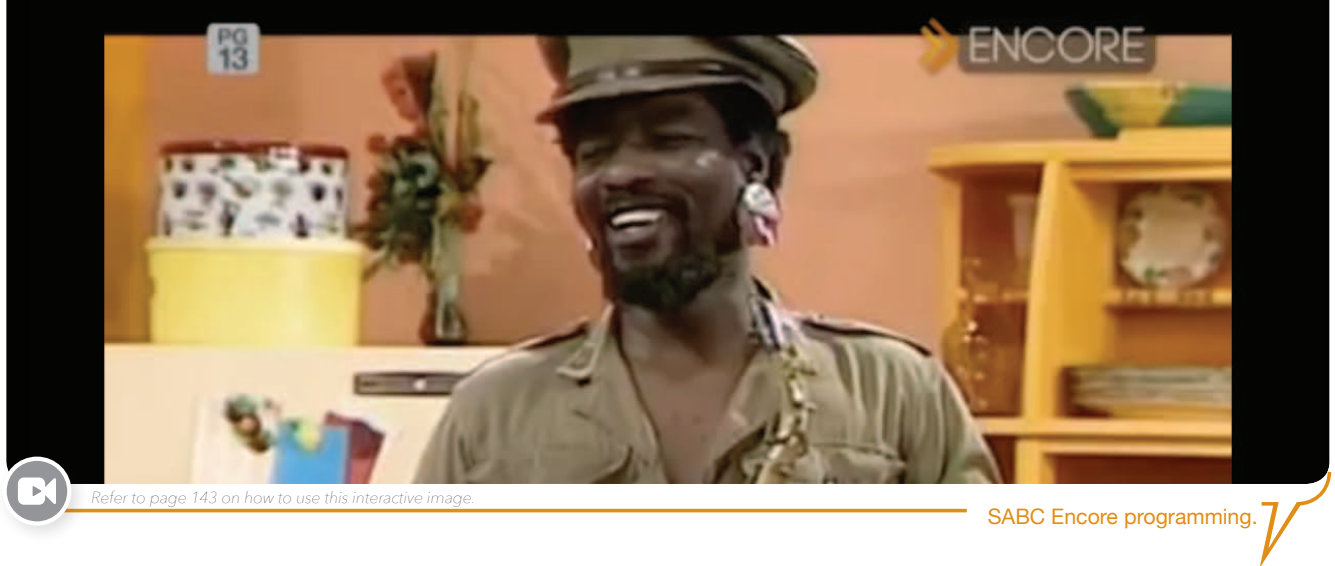
Henley Graphics, in conjunction with the Sports Sales and Marketing Departments, presented the new 3D format squeeze backs to Nedbank for the sponsorship of the Nedbank Cup.

The bonded cellular news gathering units or digital mobile news gathering (DMNG) system units to increase live broadcasts and the accompanying training were rolled out to Mpumalanga, Limpopo, Eastern Cape, North West and Northern Cape during the period under review.

SABC Technology delivered a new and exciting digital media feature for the progressively growing METRO FM Music Awards. A number of new functionalities were introduced which changed how the awards are managed. This includes the introduction of social media engagement through the social wall, online competitions and the extension of voting for four categories to digital platform among the many features. The option to vote on the website has enabled the brand to extend voting to other African countries, especially for the new African Category. Part of the exciting features of the website is the nominated artist profiles which include their album covers and multimedia video clips of the nominated song to give voters an opportunity to listen to the music while browsing through the profiles.

The delivery of the 2015 RWC tournament website enabled a transversal marketing effort through the promotion of the World Cup on all SABC platforms including digital media. The SABC Sport RWC website was used as the main SABC publisher for RWC related content on the SABC digital platforms.





The SABC Radio Stations utilised satellite services for sport productions.

## Milestones

The Technology Division achieved the following milestones:

- SABC Technology successfully launched SABC Encore on DStv Channel 156 in May 2015 and saw the inclusion of SABC Radio Services on DStv platforms from June 2015 using the existing television linking infrastructure between TV MCR and Multichoice.
- The Emergency Play-Out Server, for business continuity on SABC1, SABC2, SABC3 and SABC News, was installed at Sentech with configuration and work flow testing completed. Provision has been made for additional protection against power disruptions in the Henley Server Room.
- The Radio Broadcast Facilities (RBF) Department completed the contract for the new Radio Playout System in March 2016.
- RBF provisioned 18 radio stations on the DStv Audio Bouquet as well as Radio playout data for the SABC Digital Media MiTracks app and Antfarm streaming.
- The Media Libraries Department introduced access to online digital media, newspapers, magazines and legal journals via the Internet and SABC Intranet and archived over 3 000 audio recordings of national importance.
- The SAfm and RSG studios upgrade was completed.
- The SABC DTT Unit developed a User Interface to streamline the scheduling of TV programmes to both the SABC services as well as external parties such as Multichoice. The Unit was also instrumental in assisting South African DTT Set Top Box (STB) manufacturers with the development of STBs and the design of the redundant digital contribution system to Sentech.
- The IT Department implemented a new email platform to service the SABC's needs for a robust email communication infrastructure. This will enable the Corporation to take advantage of new enhancements and tight integration with other communication platforms.
- Microsoft SharePoint has also been implemented as a collaboration platform for SABC Group Sales and Marketing. This is to be extended to provide a collaboration solution for the entire SABC.

## Looking Forward

SABC Technology is working on a number of critical projects moving forward. Each project is briefly described below.

### 2016 Municipal Elections

Preparations for connectivity requirements between the SABC Auckland Park, the Election Results Centre in Pretoria and Provincial Independent Electoral Commission (IEC) Centres are ongoing. Engagement with the Computer Foundation regarding the Election Results System and associated graphic elements is ongoing. Arrangements for Election Centre hosting at the Renaissance area during elections have been concluded.

### Satellite Space Segment for SABC News and SABC Sport

SABC Technology will conclude the new contracting processes for the leasing of a 36MHz satellite segment to enable delivery of SABC content for SABC News, SABC Sport and SABC TV and Radio Stations (Sport) from locations within sub-Saharan Africa.

### Digitisation of Henley TV Facilities Production Studios

The technology infrastructure rollout plan is aimed at starting a parallel process to prioritise HD and digitisation of one studio while structural restoration work is being carried out on another one. This will be followed by three other studios so as to allow business continuity as the upgrade work is undertaken.

### Rollout of Approved Capex Projects

Technology will continue to drive various Capex projects as well as facilitate new projects. The majority of these projects are related to the facilities required for play-out and control in the FCC/MCR environment and are closely related to DTT.

Once completed, the SABC's interest will be better protected due to additional resilience in direct transmission components and as a result of the "next generation" systems. New projects include additional FCCs to cater for new TV channels on DTT as well as the two News studios replacements.

Other projects in progress to facilitate broadcasting include the replacement of OB facilities as well as Micro Processing Units (MPUs). The projected completion date for the five OB units for RBF is September 2016.

The Channel Africa Studio refurbishment is projected to be completed in August 2016.





Refer to page 143 on how to use this interactive image.

SABC1's Life and TV are one campaign.

## Marketing Initiatives: Building the SABC Brand

### SABC Group Marketing

The SABC, its Radio and TV platforms, as well the transversal brands Education, News, Sport and TV Licences, need to live in the hearts and minds of South Africans. It is therefore crucial that sustained marketing campaigns are carried out during the year to build brand affinity and assist with audience growth and revenue generation.

During the 2015/16 financial year, most of the marketing campaigns were delivered in line with the Transversal Strategy and all SABC sub-brands continued to be the focus. This section details the highlights of the SABC's marketing initiatives for the period under review.

### Platforms and Transversal

The 2015 METRO FM Music Awards (MMA2015) was themed 'We Are Not Done'. An extensive campaign created unprecedented hype and excitement from the nominees' announcement up until the actual awards. Audience numbers for the live broadcast, as well as the revenue generated, exceeded targets set.

The *Back to School* campaign marketing drive saw a number of SABC Radio Stations activating around the same time which proved to be impactful.

*Evoke*, the SABC digital magazine, was successfully integrated to the SABC IT backend and will continue to rollout fresh content. The SABC *Epic Roadshow* concept, as well as a Corporate Campaign, were finalised and are scheduled to launch in the next financial year. These will provide a platform for audiences to interact with the brand.

SABC Television focussed on brand-building initiatives at both the channel and network level and across all platforms. A partnership with SABC Radio brought live coverage of the MMA2015 to viewers across South Africa on SABC1. In addition to the live broadcast, celebrities associated with

the three channels participated in the awards, thus building on an over-arching brand affinity programme.

SABC2 carried out a strategic partnership with SAfm for the 2015 *Joy of Jazz* Festival. A related campaign highlighted this and rewarded viewers via activations and competitions.

SABC3's partnership with *The Good Food and Wine Show* provided a platform for favourable brand experiences with audiences as well as highlighting key programming.

Throughout the 2015/16 financial year, television programming was supported by 360 degree marketing campaigns, focussing specifically on new programmes and investment initiatives that supported some of the current offerings.

During the last quarter of the 2015/16 financial year, schedule and programming changes for SABC2 and 3 were supported by marketing campaigns. The objectives were to build the channel brands and inform viewers of where and when they could access their favourite shows.

The 2015 RWC provided a perfect opportunity for SABC Sport to connect with audiences. A comprehensive marketing campaign was launched to drive audiences to the broadcast and to communicate schedule changes so that no viewers were lost. The campaign was well received and audience numbers were higher than targeted.

TV licence revenue remains a top priority for the organisation and targeted marketing is thus important in order to reach audiences for payment. The website was relaunched and optimised across smart devices. This was marketed to generate awareness regarding ease and convenience of payment. The TV Licence Department partnered with the Department of Communications (DoC) and participated in 19 Ministerial Imbizo's across South Africa with the focus on rural and developing communities.

# Complaints

The SABC distinguishes between two categories of complaints against its various radio and television services, namely, direct complaints and complaints referred by third parties.

Direct complaints from listeners and viewers are received at various levels within the Corporation and are dealt with by the platforms directly. Complaints referred by third parties are made regarding SABC services and are referred by various bodies, some statutory and others self-regulatory. These include the Broadcasting Complaints Commission of South Africa (BCCSA), the Independent Communications Authority of South Africa (ICASA) and the National Consumer Commission (NCC). All such complaints are dealt with centrally by the Broadcast Compliance Department of the SABC.

## Direct Complaints during the 2015/16 financial period

During the year, a total of 1 001 direct complaints were received. All of these complaints were satisfactorily addressed by the SABC. The table below shows the report details of the direct complaints for the 2015/16 period

**Table 2.13: SABC direct complaints report for the 2015/16 financial year**

Date	TV Licence	Reception	Scheduling	Prizes
April 15	41	3	39	-
May 15	60	4	43	-
June 15	48	2	34	-
July 15	21	3	28	1
Aug 15	53	2	29	1
Sep 15	69	4	22	-
Oct 15	49	3	35	-
Nov 15	54	3	39	-
Dec 15	14	2	4	-
Jan 16	41	3	6	1
Feb 16	54	4	70	2
Mar 16	45	4	58	3
Annual	549	37	407	8

## Complaints Referred by Third Parties

The SABC received 162 complaints that were referred by third parties during the 2015/16 financial year.

## Broadcasting Complaints Commission of South Africa (BCCSA)

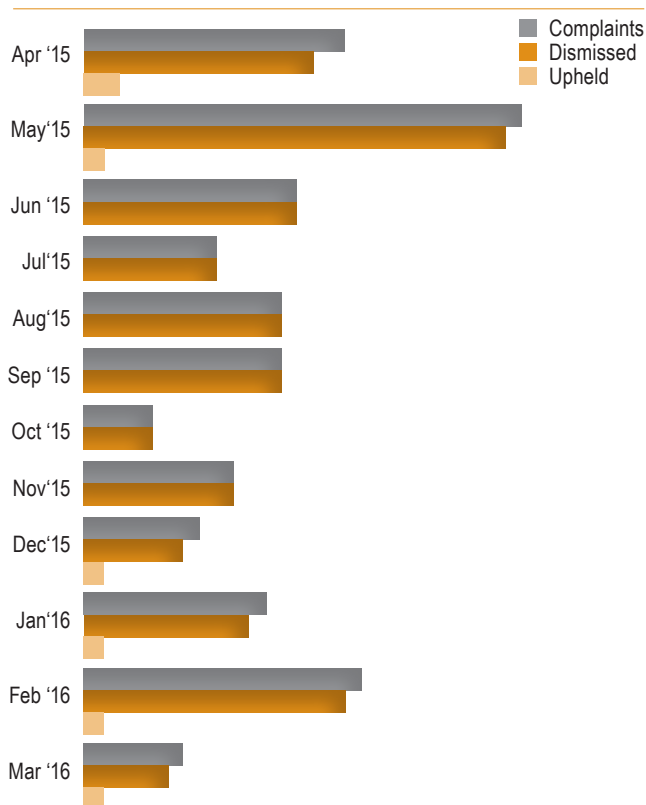
During the year, 142 complaints against SABC services were finalised by the BCCSA, an increase of six from the previous year's total of 136. Of these complaints, 135 were dismissed and seven were upheld. Of those upheld, a fine of R15 000 was issued. Details of the seven cases upheld are given below.

### BCCSA Upheld Cases 2015/16

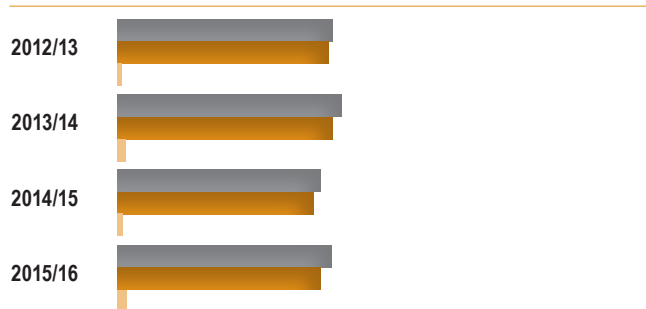
- The SABC2 soapie *7de Laan* had to apologise for showing violent scenes without appropriate advisories. By the end of the financial year, there were three further reprimands for this programme and its inappropriate audience advisories.
- The current affairs show *Leihlo La Sechaba* on SABC2 was required to arrange a right of reply for a programme involving farmers and their workers.
- SABC News had to apologise for a presenter referring to indigenous American tribes as "Red Indians".

- SABC2 was fined R15 000 for failure to warn viewers that the movie *Deadfall* was unsuitable for any viewers under 18.

**Figure 2.11: BCCSA complaints report for the 2015/16 financial year**



**Figure 2.12: Comparative illustration of complaints and outcomes for the 2012/13 to 2015/16 financial years**



## Independent Communications Authority of South Africa (ICASA)

During the year, a total of 18 complaints were received via the Complaints Department of the ICASA, all of which were satisfactorily resolved. Of these, 12 related to TV Licence accounts and four to reception quality. Two were about content, one alleged animal cruelty in a programme and the other demanded more cricket commentary in Afrikaans.

In addition, two complaints about the alleged banning of some content on radio programmes were lodged by the Democratic Alliance (DA). These were dismissed by the Complaints and Compliance Committee of the ICASA after the SABC responded to allegations that they were speculative in nature.

## National Consumer Commission(NCC)

Two complaints from the NCC related to television licence fee collections. Both complaints were successfully resolved after referral to the TV License Division of the SABC.





DIRCO delegates visit the SABC.

## Stakeholder Engagement

During the year, the SABC continued to engage with various stakeholders, according to their interest and influence over the Corporation. This was primarily spearheaded by the Corporate Affairs Division.

### People

The SABC, as the Public Service Broadcaster, in partnership with public organisations and private entities, undertook various social initiatives which focussed on a number of key national priorities shared by the Government and the majority of South Africans. These focus areas form part of the overall SABC strategy of acting as a catalyst for contributing and assisting in transforming the society and having a positive sustainable impact regarding the challenges faced by society. These challenges are education, health, community development xenophobia, arts and culture, environment, women and children.

During the year, the SABC, with the help of its platforms, reached out to South Africa's far-flung communities. Two of the SABC's outreach programmes are mentioned below.

- The SABC participated and played an oversight role at Ministerial Imbizos as the DTT/DTH Rollout Project gained momentum; and
- The SABC partnered with the Department of Sports, Arts and Culture in the Northern Cape for their Writers' Festival in Kimberley and Motsweding FM broadcast live from the festival.

### Memorandum of Understanding (MoU)

The SABC signed MoUs with the following organisations:

- SAPS;
- Moral Regeneration Movement (MRM);
- Commission for Protection of Rights and Cultural and Linguistic Communities (CRL Commission);
- One.org (Strong Girl Campaign);
- Rastafarian United Front;
- National Student Financial Aid Scheme (NSFAS);
- Film and Publication Board (FPB); and
- South African Airways (SAA).

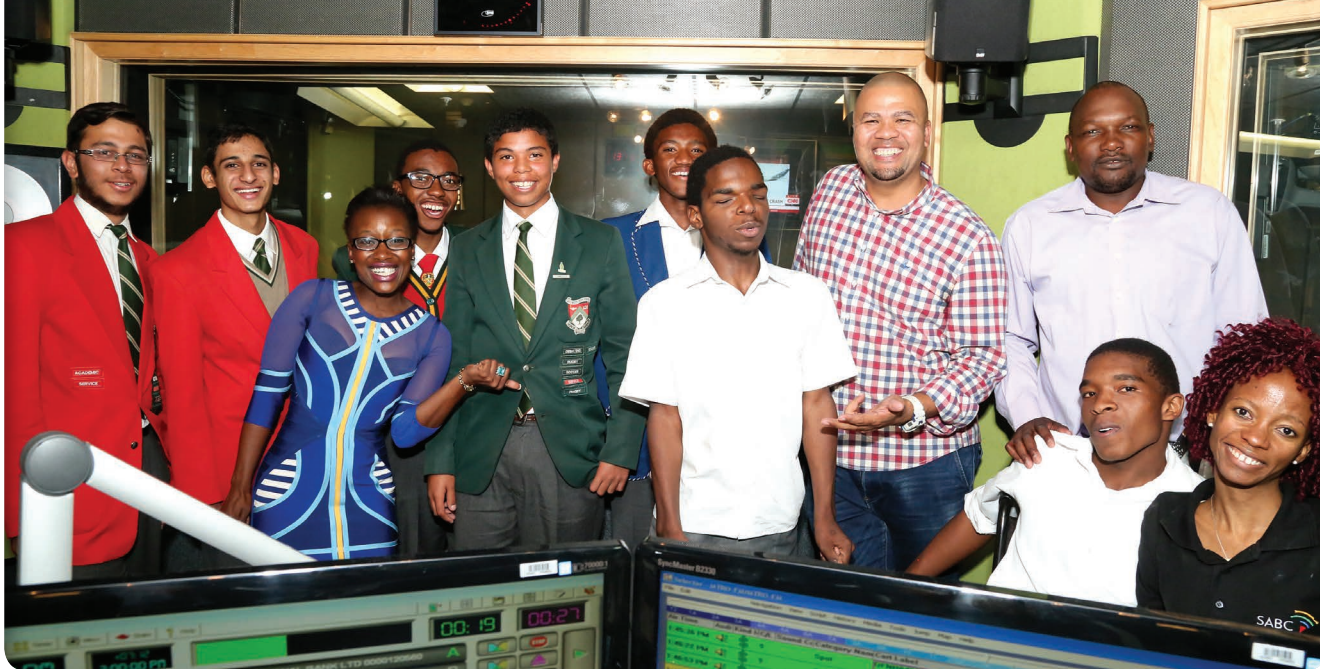
### People Living with Disabilities and Children

The SABC paid more attention to ensuring that the needs of people living with disabilities are being met. The following are a few of the initiatives carried out during the period under review:

- For the International Day of Persons with Disabilities on 3 December, the SABC partnered with Mangaung Metro and MUCPP, the local clinic in Mangaung, to host a Kasi Wheelchair Race;
- Thobela FM and the SABC Foundation partnered with the Limpopo COGHSTA Department and gave away a house worth over R500 000 to the Diketane family at Ga-Mashabela in the Sekhukhune area; and



Signing of the MoU with the SAPS.



Men in the Making students visit the METRO FM studio.

- The SABC assisted the Department of Social Development to launch, promote and implement Child Protection Week.

## Campaigns

The SABC supported the following campaigns:

- National Imbizo Focus Week from 7 to 12 April 2015 under the theme “Together we move South Africa forward”;
- 16 Days of Activism campaign of no violence against woman and children;
- The *Men in the Making* campaign which promotes leadership among male teenagers.
- The #BEMOREMADIBA campaign, a call to action by South Africans to support the indigent and contribute to making South Africa a proud place to live in.
- During Women’s Month, August 2015, the SABC and ONE.ORG embarked on a new campaign known as “Strong Girl”. The theme song of Women’s Month was Strong Girl, a rally cry for women across South Africa and the world to realise their full potential.

## International Relations

The SABC engaged various embassies with a view to fostering stronger partnerships and mutual alignment. Among these are the Embassies of Japan and the United States of America. The SABC delegation also visited Turkey for cultural exchange studies in Istanbul and Bursa.

**Some key initiatives include:**

- Alignment with activities pertinent to the annual commemoration of the late Mozambican President Samora Machel;
- A study visit by the Swaziland Ministry of Information Communication and Technology;
- A visit by a high-profile delegation from Television Mozambique (TVM), led by the CEO of TVM; and

The SABC hosted the following dignitaries and corporations:

- Malawi Broadcasting Corporation;
- AU Commission Spokesperson;
- Zhejiang Television;
- China Central Television (CCTV) reciprocal visit to the SABC;
- Jamaican High Commission;
- Somali Embassy;
- Department of International Relations and Corporation (DIRCO);
- Ambassadors Designate to be posted to Africa, Europe, India, Asia and the Caribbean;
- People’s Republic of China Embassy;
- Japanese Embassy;
- Public Media Alliance gathering in Munich, Germany;
- Southern African Broadcasting Association (SABA) in Kigali, Rwanda; and
- Other engagements which included talks with the Russian press and military attaché, the Chinese Embassy and a media delegation from Madagascar.

## Local Content Bodies

The SABC Provinces continued to play an oversight role in engaging local production companies and assisting to educate them about the submission of their local content, scripts and documentaries.

## Looking Forward

The SABC is conducting on-going negotiations with management of the Free State Golden Bean Music Awards, which supports local emerging musicians in the Free State. The Awards are a partnership between the Provincial Department of Sports, Arts and Culture and the Mangaung Metro Municipality.





Refer to page 143 on how to use this interactive image.

5FM's Live Loud brand campaign.

## Achievements and Awards

This section highlights achievements, awards and recognition received by SABC platforms, programmes and individuals.

### Radio

A total of 35 radio awards and accolades were received during the year. These include:

- The Durban-based veteran motoring journalist, Julian Lurie, was one of six male "Radio Legends" to be inducted into the MTN Radio Awards' Hall of Fame;
- Lotus Radio Current Affairs won three MTN Radio Awards:
  - The Newsbreak Talk was singled out as the Best Public Radio News and Actuality Show in South Africa;
  - Prabashini Moodley was named the Best Public Radio News and Actuality Producer; and
  - Taresh Harreeparshad was recognised as the Best Public Radio Field News Reporter.
- Veteran RSG Radio Current Affairs Presenter, Cobus Bester, received a Sterre in die Gemeenskap (Stars in the Community) certificate of recognition, for his 36-year contribution to journalism;
- RSG Radio Current Affairs Producer, Izak du Plessis, won the ATKV Media Veertjie Award for Best News and Actuality Programme Insert;
- The KwaZulu-Natal News Managing-Editor, Judy Sandison, was presented with the Sanef-Wrottesley Award for her extraordinary commitment to achieving the forum's goals of media freedom and journalistic excellence;
- SAfm Radio Current Affairs Producer, Sithakazelo Dlamini, was one of nine journalists from Africa, Europe and Asia chosen for the Thomson Reuters Foundation Journalism Training Programme, "Reporting Religion", in London for a week in July 2015;
- SAfm Radio Current Affairs Presenter/Producer, Dhashen Moodley, was one of 15 journalists from 35 eligible countries selected to attend the prestigious UN Reham Al-Farra Memorial Journalist Fellowship Programme in New York City;

- SABC Radio Journalist, Minoshni Pillay (KZN), stole the show between October and November 2015 by taking home a handful of prizes:
  - Vodacom National Radio Feature Award;
  - Vodacom National Radio News Award (joint-winner);
  - Vodacom Regional Radio Feature Award; and
  - Vodacom Regional Radio News Award.
- SABC Radio journalists Sisanda Nkoala (Cape Town), Noma Bolani (Johannesburg) and Jayed-Leigh Palse (Port Elizabeth) also secured Vodacom Regional Radio Feature Awards;
- Nkululeko Nyembezi (Eastern Cape) won a Vodacom Regional Radio News Award;
- Executive Producer, Johnny Sibanyoni; Editor, Gold Sibanyoni; and Presenter/Producer, Peter Kgomo of Ikwekwezi FM were honoured with Mpumalanga Sunshine Media Lifetime Achievement Awards;
- Hleziphi Sibanyoni of Ikwekwezi FM collected the Best Radio Current Affairs Presenter Award;
- Lindiwe Mahlangu of Ikwekwezi FM was the recipient of the Best News Reader Award;
- The Mpumalanga newsroom received a certificate for Excellent Radio and TV Coverage from the Provincial Culture, Sports and Recreation Department;
- SABC Radio Journalist, Candice Nolan (Johannesburg) brought home the Media Institute of Southern Africa (MISA) Regional Children's Radio News Reporting Award from Zambia;
- SABC Radio Bulletin Editor, Rhulani Baloyi (Johannesburg) won two awards;
- Channel Africa won the Award for Best Content Media Organisation in the 2015 Africa Achievers Awards;
- 5FM's Live Loud brand campaign saw the station win three awards at the Loeries:
  - A Silver Loerie in the TV main category;
  - A Craft Certificate for sound design; and
  - A Craft Certificate for best use of licensed music.



Refer to page 143 on how to use this interactive image.

Best Title Sequence Design for 7de Laan.

- Thobela FM received the Golden Arrow in the local radio stations category at the Professional Management Review Awards;
- Thobela FM's Makwena Makgakga received the Radio Personality of the Year award from the Film, Arts, Music and Entertainment Awards;
- Thobela FM's Loraine Semenya received the Best Cultural Show Award by Africa Connection;
- Ligwalagwala FM received a total of seven awards at the inaugural Mpumalanga Sunshine Media Awards;
- The Ligwalagwala FM Sports team received a Sport Achievement Award;
- SAfm's Michelle Constant was awarded the Chevalier des Arts et des Lettres (Knight of Arts and Letters) by the French Ambassador to South Africa for services to the Arts in her position as CEO of BASA and for the broadcasting of the Arts she has done over the years on SAfm; and
- SAfm received a letter of appreciation from the SA Sports Association for the Intellectually Impaired. The Morning Talk Show received a Certificate of Appreciation from the Thobeka Madiba Zuma Foundation for helping to raise awareness of cancer.

## Television

The SABC enjoyed a strong showing at a number of awards including:

- SABC Sport Sales won a South African Breweries Media Award for excellence for the second consecutive year;
- SABC Television won 20 Awards at the 2016 South African Film and Television Awards. In addition to this, two of the Audience Choice Awards, including most popular soap for *Skeem Saam*, were won by the network;
- Four awards at the annual YOU Magazine Awards;
- A Media Veertjie at the Afrikaanse Taal en Kultuur Vereniging (ATKV) Awards;
- SABC1 won the TV Channels Category in the 2015/2016 Ask Afrika Youth Brand Survey;
- Six Simon Sabela Awards, including several in the soap categories and recognition for an educational show;
- SABC1 was named the top television service provider in

the 2015 Sunday Times Top Brands Awards. This is the second year that the channel has won this coveted award;

- Three "Best of Joburg" Awards;
- *Gospel Classics* won Crown Gospel's Best Gospel TV Show Award;
- The SABC Children filler on Children's Rights won the 2015 PROMAX Award; and
- 2015 BDA Africa: Best Title Sequence Design for 7de Laan.

## News

The hard work and dedication shown by the SABC News and Current Affairs team received much deserved recognition. The awards they received are as follows:

- Two journalists, Dennis Tshetlhan and Sam Msibi, won awards in the television category of the SADC Media Awards;
- Christelle du Toit won a bronze award for news/features; and
- Nina Oosthuizen won the Print Feature Category in the MISA's 2015 Regional Children's Reporting Awards.

## SABC Sport

- The Minister of Sports and Recreation awarded the SABC an Award of Excellence in Broadcasting;
- Chomane Chomane from Lesedi FM won the Steve Tshwete Lifetime Achievement Award;
- BBK, a regular on Sport@10, won Sports Journalist of the Year at the Sunday Times Awards;
- Ligwalagwala FM sport presenter, Thembelihle Dladla, won two prestigious sport awards, namely, the Sunshine Media Award and the Mpumalanga Ehlanzeni Sport Presenter of the Year Award; and
- Mr Zolani Bongco of Umhlobo Wenene FM won the MTN Commentator of the Year award.

## Industry Development

One of the two SABC representatives on the BRC Board, Mr Tshifhiwa Mulaudzi, was elected as the new BRC Chairperson for a two-year period.



**JUNE161976**  
**SOWETOUPRISING**







15 FEBRUARY 2007  
MOTHER TONGUE EDUCATION

18 APRIL 2016  
#CHAPTER 212

## SABC GOVERNANCE

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“Each step you take reveals a new horizon. You have taken the first step today. Now, I challenge you to take another”

— Dan Poynter ✓

**#TakeTheNextStep**





Mr Motsoeneng interacting with First Citizens during a staff rediffusion.

## Commitment

The Directors of the South African Broadcasting Corporation SOC Limited (SABC) regard corporate governance as fundamental to the success of the business and are fully committed to ensuring that good governance is practised so that the SABC remains a sustainable and viable business. 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 which are continually benchmarked. SABC 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 all the relevant governance codes remains a priority for the Corporation. As a state-owned company, the SABC is guided by the principles of the King III Report on Corporate Governance for South Africa (2009) (King III Report), as well as the Protocol on Corporate Governance in the Public Sector (2002). 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 No. 1 of 1999, as amended (PFMA).

## Portfolio Committee on Communications

During the year under review, the SABC Board appeared six times before the Parliamentary Portfolio Committee on Communications (PCC) on 26 May 2015, 23 June 2015, 18 August 2015, 21 October 2015, 8 March 2016 and 15 March 2016.

In carrying out its oversight role, the PCC visited the SABC Radio Park and Henley Studios in Auckland Park, Johannesburg, on 21 and 22 July 2015.

## 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.

### 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), annually conclude a Shareholder Compact documenting the mandated key performance measures and indicators to be attained by the SABC, as agreed between the Board of Directors 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 and that the SABC is effectively managed.

The SABC Board attended two meetings with the Ministry of Communications during the 2015/16 financial year on 15 July 2015 and 11 March 2016.

## The Accounting Authority: The 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 in order 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:

- Providing strategic direction and leadership;
- Determining goals and objectives of the company;
- Approving key policies including for 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 monitoring management in implementing Board decisions, plans and strategies; and
- Approving transactions beyond the authority of management.

## Delegation of Authority

The Board has the authority to lead and control the business of the SABC, including the authority to delegate its powers. Its aim is 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 Group CEO. The Group CEO is assisted by the Group Executive Committee (Exco). The Delegation of Authority Framework, which undergoes an extensive review annually, 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 designed to enhance their understanding of the SABC's legislative framework, its governance processes and the nature and/or operations of its business.

Continuous training is also provided on request to meet the needs of Directors. Directors are made aware of new laws and regulations on an ongoing basis.

## Board Evaluation

The performance of the Board and individual Directors is evaluated annually. The performance of Board Committees is evaluated against their Terms of Reference (TOR). However, during the year under review, this evaluation was not conducted. Subsequent to the end of the financial year, the evaluations of the Board and its Committees were completed in respect of 2014/15 and 2015/16 financial years. The Governance and Nomination Committee is responsible for the evaluation of Executive Management. Performance Contracts were finalised with Executive and Senior Management. Performance Contracting will be implemented throughout the SABC with effect from 1 April 2016.

# Report of the SABC Board for the Year Ended 31 March 2016

The Board of Directors is pleased to present the 79<sup>th</sup> Annual Report of the South African Broadcasting Corporation SOC Limited for the financial year ended 31 March 2016.

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 2016. 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 (PFMA) (as amended) and in accordance with International Financial Reporting Standards (IFRS).

It is important to register the following changes that were made to the Board during the 2015/16 year:

- Mr FL Matlala was appointed as the Group CEO with effect from 1 July 2015. He was placed on cautionary suspension with effect from 18 November 2015; and
- Mr JB Matthews was appointed as the Acting Group CEO with effect from 18 November 2015.

Despite the changes that have occurred, the Board will continue to ensure that the following, among other things, are achieved:

- 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 commensurate commercial funding.

## The Current Year Under Review

2015/16 was both a challenging and a rewarding year for the Board and everyone at the SABC. There has been much progress made and the Board is pleased to confirm that:

- The SABC, as an organisation, has regained stability;
- Prudence in spending, cost reduction and, most importantly, the implementation of strict financial and internal controls have begun to yield healthy financial returns, with significant savings being realised.

I would like to take this opportunity to thank my fellow Board members, the Parliamentary Portfolio Committee on Communication, the Shareholder, the National Treasury and most importantly, the women and men of the SABC, who always make sure that the Corporation continues to function despite all the daily challenges they experience.

**Prof. M.O. Maguvhe**

Prof M O Maguvhe  
Chairperson of the SABC Board





Local travel magazine show *Mooiloop*.

## Attendance at Board Meetings

Board meetings are scheduled annually and 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. The records of attendance for the four Board meetings during the reporting period are reflected in the Table 3.1 below.

**Table 3.1 Meeting attendance record for Board Members**

Members	Attendance
	<i>Four scheduled Board meetings and a Board Strategy Session were convened</i>
M O Maguvhe (Chairperson)	4
J R Aguma	5
L T Khumalo	4
F L Matlala <sup>1,2</sup>	1
J B Matthews <sup>3,4</sup>	3
V G M Mavuso	5
N M Mhlakaza	3
G H Motsoeneng	4
K Naidoo	5
N A Tshidzumba	3
B L Tugwana <sup>5</sup>	1

1. Appointed as Group CEO on 1 July 2015.

2. Suspended as Group CEO on 18 November 2015.

3. Appointed as Acting COO from 20 October 2015 to 17 November 2015.

4. Appointed as Acting Group CEO on 18 November 2015.

5. Appointed as Acting COO from 18 November 2015 to 14 December 2015.

## Board Committees

A number of Board Committees exist in order to assist the Board in discharging its responsibilities. This assistance is rendered in the form of recommendations and reports submitted to the Board at its meetings whereby transparency and full disclosure of Committee activities are ensured. Each Committee operates within the ambit of its defined TOR which set out the composition, role and responsibilities, delegated authority and meeting requirements of the Committee.

## Audit Committee

The Audit Committee comprises 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 sufficient qualifications and experience to fulfil their duties and sufficient understanding of financial reporting, internal financial controls, external audit process, internal audit process, corporate law and IT governance. In addition, in terms of Article 13.4.1 of the Mol and Clause 72(2)(a) of the

Companies Act, the Shareholder has appointed an Advisor to the Audit Committee.

The roles and responsibilities of the Audit Committee include:

- Serving as the Audit 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 accuracy, reliability and credibility of financial reporting and recommending 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 Audits, 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 coordinated to provide an objective overview of the operational effectiveness of the Corporation's systems of internal control, risk management, governance and reporting;
- Reviewing 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;
- Ensuring that a combined assurance model is applied; and
- Obtaining assurance for IT as it relates to the management of IT assets, governance and controls, risks and disaster recovery.

Refer to page 79 for the report of the Audit Committee detailing how it carried out its functions.

Eight Committee meetings were held during the financial year. These were attended by the External Auditors, the Acting Group CEO, CFO, COO, the 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 to the Chairperson of the SABC. The attendance of Members at Committee meetings is summarised in the table 3.2.

**Table 3.2: Meeting attendance record for Audit Committee Members**

Members	Attendance
	<i>Eight meetings were held. Four Audit Committee meetings for the year, including the four special meetings, were scheduled.</i>
N M Mhlakaza (Chairperson)	8
J R Aguma <sup>1</sup>	8
J Malele <sup>2</sup>	5
F L Matlala <sup>1,3</sup>	1
J B Matthews <sup>1,4</sup>	4
L T Khumalo	1
G H Motsoeneng <sup>1</sup>	5
K Naidoo	7
N A Tshidzumba	4

1. Attends by invitation.

2. Appointed as Advisor effective 1 August 2015.

3. Suspended with effect from 18 November 2015.

4. Appointed as Acting Group CEO effective 18 November 2015.

## Finance, Investment, Procurement and Technology (FIPT) Committee (formerly the Acquisitions and Disposals Committee)

The Finance, Investment, Procurement and Technology (FIPT) Committee comprises four independent Non-Executive Directors and the Group CEO and is chaired by an Independent Non-Executive Director.

The roles and responsibilities of the FIPT Committee include:

- Reviewing the long-term and short-term funding plan for submission to the Board;
- Monitoring the current funding plan of the Corporation to enable it to fulfil both its commercial and public mandates in line with the corporate goals;
- Reviewing and recommending the annual capital and operating budget to the Board for approval;
- Recommending the limits applicable to counter-parties to the Board, monitoring and reviewing all borrowings made by the Corporation and the guarantees and sureties issued on behalf of the Corporation;
- Reviewing funding and solvency implications of transactions and making recommendations to the Board;
- Reviewing the capital investment process and monitoring total Group capital expenditure;
- Reviewing and approving any capital project, the procurement of any capital or the commencement of any capital project item included in the approved budget of the SABC above R100 million and up to R200 million;
- Reviewing and recommending to the Board the commencement of any capital project or the procurement of any capital item the cost of which exceeds R200 million;
- Reviewing the performance of all investments and acquisitions made;
- Reviewing and recommending to the Board the opening of new offices or new regional offices within the borders of the Republic of South Africa;
- Reviewing and recommending to the Board for approval the opening of new offices or new regional offices outside the borders of the Republic of South Africa;

- Reviewing and recommending to the Board regarding the SABC's investment strategy;
- Evaluating and recommending to the Board business cases for new ventures or projects;
- Approving the criteria and guidelines for investments and approve investments within its delegated authority;
- Reviewing the budgetary processes adopted by management for effectiveness, integrity and adherence to the objectives of the Board and the PFMA;
- Ensuring that the reporting and budget submission deadlines set by the SABC are complied with;
- Reviewing the Group's procurement policies for alignment with the BBBEE Charter and procurement policy guidelines set by the Government from time to time;
- Reviewing the Bid Adjudication Committee (BAC) processes for effectiveness and integrity and ensuring group-wide adherence thereto, having regard for the principles of the Group's procurement policies;
- Reviewing the appropriateness of the BAC's processes to the needs of the individual entities within the Group, having due regard for the operational dynamics of each entity, and to implement such measures as are deemed necessary to ensure the functional effectiveness of these processes;
- Reviewing the effectiveness of the BAC and implementing such measures as deemed necessary to ensure that this structure is functionally effective;
- Considering and approving the write-off resulting from the impairment of assets up to an amount of R20 million or recommending for approval by the Board the write-off of any amount over R20 million;
- Reviewing disposals made by Exco in accordance with the authority granted to it by the Board;
- Reviewing and recommending to the Board for approval the removal from the asset register of assets above R15 million (at book value);
- Reviewing and recommending to the Board for approval the writing off from the asset register of stock above R15 million (at book value);
- Reviewing and recommending to the Board for approval the sale of moveable assets of between R10 million and R16 million (book value) and for Board to recommend approval by the Shareholder for assets above R16 million (book value);
- Subject to the provisions of the PMFA, reviewing and approving any sale or disposal of assets, the cost of which shall not exceed R50 million per item;
- Reviewing and recommending to the Board for approval the write-off resulting from the impairment of assets up to an amount of R20 million;
- Reviewing and recommending to the Board for approval the entering into any agreement for the lease, hire or rental of property, where the cumulative value and the term are above R25 million per annum/five years
- Reporting to the Board on the extent to which the Technology Division has achieved its objectives during the relevant period;
- Ensuring that the Corporation employs technology, which enables it to fulfil both its commercial and public mandates in line with the corporate goals;



- Ensuring that the technology employed by the Corporation is appropriate and able to support the strategic objectives of the Board, including in a converged or multi-channel environment;
- Recommending to the Board the approval of policies, which fall within its mandate and identifying, evaluating and reporting to the Board on any risks associated with the technology of the Corporation;
- Overseeing the development of the disaster recovery plan put in place by the Corporation and advising the Board on the adequacy and suitability thereof;
- Advising the Board generally on purchasing decisions involving the acquisition of technology or systems;
- Determining whether the proposed transaction is in line with the strategic objectives approved by the Board for the Technology Division and the SABC generally;
- Determining whether the proposed transaction is in line with the public broadcasting mandate set out in Section 10 of the Broadcasting Act and the corporate goals;
- Determining whether the proposed transaction has been budgeted for and whether the business aspects of the decision are fundamentally sound;
- Determining whether the financial implications of the transaction will be and how much money will the Corporation make/stand to lose by supporting/rejecting the proposal; and
- Determining whether the proposal before the Committee contains all relevant information in sufficient detail and whether the Committee is satisfied that it has sufficient, appropriate information to enable it to thoroughly probe the decision and make a recommendation to the Board.

Two FITP Committee meetings were held during the financial year. The Group CEO, prior to the appointment of the Acting Group CEO as a member of the Committee, the COO, the CFO and other relevant corporate officials attended the meetings by invitation. The attendance of Members at FITP Committee meetings is recorded in Table 3.3 below.

**Table 3.3: Meeting attendance record for FITP Committee Members**

Members	Attendance		
	Two	Scheduled	Meetings were
		convened	
M O Maguvhe (Chairperson)			2
J R Aguma <sup>1</sup>			1
F L Matlala <sup>1,2</sup>			1
J B Matthews <sup>3,4</sup>			1
K Naidoo			2
G H Motsoeneng <sup>1</sup>			2
N A Tshidzumba			1

1. Attends by invitation.

2. Suspended with effect from 18 November 2015.

3. Appointed as Acting Group CEO effective 18 November 2015.

4. Appointed as a Member on 26 November 2015.

## Governance and Nominations Committee

The Governance and Nominations Committee comprises three independent Non-Executive Directors and is chaired by an Independent Non-Executive Director.

The roles and responsibilities of the Committee include:

- Regular reviewing of the size, structure and compositions

of the Committees of the Board, with due regard to the legal requirements, skills and expertise required for effective performance of each Committee;

- Ensuring that appropriate succession planning is in place for both Executive and Non-Executive Directors of the Board;
- Evaluating succession-planning arrangements for Executive Directors to ensure that these are orderly and calculated to maintain an appropriate balance of diversity, skills, knowledge and experience;
- Annually reviewing the key data indicators of listed successors for direct reports of the Group CEO 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;
- Supervising the administration of the Corporation's policies relating to actual or potential conflicts of interest affecting Members of the Board;
- 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 and the President;
- Recommending to the Board for the continuation (or not) in service of any Director as an Executive or Non-Executive Director;
- Reviewing and, where appropriate, recommending to the Board about proposed appointments to the Boards and Committees of Subsidiary Businesses, including the exercise of shareholder rights to remove a Director, and the nomination of Group representatives to sit on the Boards of subsidiaries;
- Approving conditions of employment and all benefits applicable to the Group CEO, CFO, COO and the terms and conditions of the severance of employment of such individuals;
- Assist the Group CEO in the selection of the CFO and COO when vacancies occur provided that the appointment of such persons would remain the decision of the Minister;
- In consultation with the Board, and subject to the approval of the Minister, determine the remuneration for the Executive Directors, on appointment, having regard to the remuneration policy;
- Recommending 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;
- Recommending to the Board for its approval, appropriate Key Performance Indicators (KPIs) for the Executive Directors at the beginning of each financial year;
- Determining and agreeing with the Board on the policy for the remuneration of the Executive Directors. No Director or Executive shall be involved in any decisions as to their own remuneration;
- When appropriate, requesting and considering reports and presentations by the Audit Committee, the Risk Committee or the Social and Ethics Committee;
- Developing, evaluating and reviewing the corporate governance structures, policies, practices and procedures of the Corporation and implement such



Behind the scenes with 5FM's drive time show.

structures, policies, practices and procedures as the Committee deems to be in keeping with the tenets of good corporate governance;

- Reviewing and evaluating regularly the balance of skills, knowledge and experience and performance and effectiveness of the Board and its Committees, recommending to the Board with regard to any adjustments that it considers appropriate, and approving the section in the Annual Report dealing with the performance of the Board;
- Establishing and ensuring implementation of an induction programme for new appointees to the Board;
- Approving a performance and evaluating measurement framework to monitor the effectiveness of the Board, Board Committees, individual Directors, the Group CEO, CFO and COO;
- Reviewing and, where appropriate, recommending 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;
- Preventing 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;
- Ensuring compliance with the relevant and applicable labour related legislation;
- Responsible for the oversight and monitoring of the Human Capital Management strategies and implementation within SABC, and ensuring that these are beneficial to the Corporation and employees; the continued existence of the Corporation; and to ensure a return on investment for the Shareholder;
- 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

- Instituting 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.

Three Governance and Nominations Committee meetings were held during the financial year. The attendance of Members at the Committee meetings is given in Table 3.4 below.

**Table 3.4: Meeting attendance record for Governance and Nominations Committee Members**

Members	Attendance
	<i>Two scheduled meetings and one special meeting were convened</i>
M O Maguvhe (Chairperson)	3
J R Aguma <sup>1</sup>	2
L T Khumalo	3
J B Matthews <sup>1,2</sup>	1
G H Motsoeneng <sup>1</sup>	2
N A Tshidzumba	3

1. Attends by invitation.

2. Appointed as Acting Group CEO effective 18 November 2015.

## Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee comprises three independent Non-Executive Directors and is chaired by an Independent Non-Executive Director.

The roles and responsibilities of the Committee include:

- Ensuring that the structure, size, composition, skill sets and performance of the Corporation is regularly reviewed and maintained at levels which are appropriate;
- Evaluating 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;
- Approving conditions of employment and all benefits applicable to the Group Executives of the Corporation; and the terms and conditions of the severance of employment of such individuals;
- Approving the general material terms and conditions of employment to be applied for all employees of the Group;
- Reviewing the specific application of the Remuneration Policy with regard to Group Executives and make a recommendation to the Board for approval;
- The remuneration of the General Managers and Heads of Business Units will be determined by the Group CEO,





The youthful YoTV presenter team.

within the ranges laid down by the Committee and recommended to the Committee for approval;

- Assisting 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 of the Group, the adoption of annual and longer-term incentive plans, the determination and approval of levels of reward to the Group Executives;
- Approving the general retirement policies of the Group and any changes in such policies or to the rules of the retirement funds.
- Considering and recommending the Human Capital Policies and reviewing the prevailing industrial relations policies and the Corporation's strategies in respect thereof in order to ensure that the appropriate policies are applied.

Three meetings were held during the financial year. The attendance of members at the Human Resources and Remuneration Committee is recorded in the Table 3.5 below.

**Table 3.5: Meeting attendance record for the Human Resources and Remuneration Committee Members**

Members	Attendance		
	Three scheduled meetings were convened		
N M Mhlakaza (Chairperson)			3
J R Aguma <sup>1</sup>			3
F L Matlala <sup>1, 2</sup>			1
J B Matthews <sup>1, 3</sup>			2
M O Maguvhe			1
V G M Mavuso			3
G H Motsoeneng <sup>1</sup>			2

1. Attends by invitation.

2. Suspended with effect from 18 November 2015.

3. Appointed as Acting Group CEO effective 18 November 2015.

## Public Broadcasting Services (PBS) Committee

The PBS Committee comprises three independent Non-Executive Directors and the Group CEO. The Committee is chaired by an independent Non-Executive Director. The CFO, the COO and other relevant corporate officials attend the meetings.

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

- Be made available to South Africans in all 11 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 a high quality for 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;
- Include national sports programming as well as developmental and minority sports;
- Review the Sports Broadcasting Rights;
- Report to the Board on the extent to which the News division has achieved its objectives during the relevant period;
- Develop proposed policies for consideration by the Board on news and current affairs programming, which ensure that SABC's news and current affairs content is fair, balanced, accessible, accurate, compelling, professional, authoritative and in line with the Constitution of South Africa, the Broadcasting Act and other relevant legislation;
- Assist the Board to preserve the Corporation's editorial independence and integrity and to ensure that the Corporation does not allow commercial, political or personal considerations to influence its editorial decisions; and
- Review the 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.

Three PBS Committee meetings were held during the financial year. The attendance of Members at these meetings is reflected in the Table 3.6 below.

**Table 3.6: Meeting attendance record for PBS Committee Members**

Members	Attendance
	<i>Two scheduled meetings and a Programming Summit were convened</i>
N A Tshidzumba (Chairperson)	3
J R Aguma <sup>1</sup>	3
L T Khumalo	3
J B Matthews <sup>1, 2, 3</sup>	3
V G M Mavuso	3
G H Motsoeneng <sup>1</sup>	2
B L Tugwana <sup>1, 4</sup>	1

1. Attends by invitation.

2. Appointed as Acting Group CEO effective 18 November 2015.

3. Appointed as a Member effective 26 November 2015.

4. Appointed as Acting COO from 18 November 2015 to 14 December 2015.

## Public Commercial Services (PCS) Committee

The PCS Committee comprises three independent Non-Executive Directors and the Group CEO. The Committee is chaired by an independent Non-Executive Director. The CFO, the COO and other relevant corporate officials attend the meetings

The role of the PCS Committee is to ensure that the SABC delivers on its obligations, as provided for in the Public Commercial Service Charter of the Corporation. The SABC's 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;
- Be operated in an efficient manner to maximise the revenues provided to the Shareholder;
- Report to the Board on the extent to which the News division has achieved its objectives during the relevant period;
- Develop proposed policies for consideration by the Board on news and current affairs programming, which ensure that SABC's news and current affairs content is fair, balanced, accessible, accurate, compelling, professional, authoritative and in line with the Constitution of South Africa, the Broadcasting Act and other relevant legislation;
- Assist the Board to preserve the Corporation's editorial independence and integrity and to ensure that the Corporation does not allow commercial, political or personal considerations to influence its editorial decisions; and
- Review the 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.

Three PCS Committee meetings were held during the financial year. The attendance of members at these meetings is reflected in the Table 3.7.

**Table 3.7: Meeting attendance record for PCS Committee Members**

Members	Attendance
	<i>2 Scheduled Meetings and a Programming Summit were convened</i>
N A Tshidzumba (Chairperson)	3
J R Aguma <sup>1</sup>	3
L T Khumalo	3
J B Matthews <sup>1, 2, 3</sup>	3
V G M Mavuso	3
G H Motsoeneng <sup>1</sup>	2
B L Tugwana <sup>1, 4</sup>	1

1. Attends by invitation.

2. Appointed as Acting Group CEO effective 18 November 2015.

3. Appointed as a Member effective 26 November 2015.

4. Appointed as the Acting COO effective from 18 November 2015 to 14 December 2015.

## Risk Committee

The Risk Committee comprises three independent Non-Executive Directors and the Group CEO and was chaired by an independent Non-Executive Director.

The role and responsibilities of the Risk Committee are:

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

Three Risk Committee meetings were held during the financial year. The attendance of Members at these meetings is reflected in Table 3.8 below.

**Table 3.8: Meeting attendance record for the Risk Committee Members**

Members	Attendance
	<i>Three scheduled meetings were convened</i>
L T Khumalo (Chairperson)	3
J R Aguma <sup>1</sup>	3
F L Matlala <sup>1,2</sup>	2
J B Matthews <sup>1,3,4</sup>	1
K Naidoo	3
V G M Mavuso	3
G H Motsoeneng <sup>1</sup>	1

1. Attends by invitation.

2. Suspended with effect from 18 November 2015.

3. Appointed as Acting Group CEO with effect from 18 November 2015.

4. Appointed as a Member effective 26 November 2015.

## Social and Ethics Committee

The Social and Ethics Committee comprises four independent Non-Executive Directors and the Group CEO and was chaired by an Independent Non-Executive Director.

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

- Advancing 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 UN Global Compact Principles as an integral part of the business strategy, day-to-day operations, and organisational culture and incorporating the UN Global Compact Principles in the decision-making processes of the Board;
- Advancing the UN 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 recommending to the Board with respect to the Corporation's Social Economic Development;
- Monitoring Social Economic Development initiatives;
- Assisting the Board in discharging its responsibility to ensure that BBBEE is pursued and implemented throughout the SABC;
- Reviewing the Corporation's standing in terms of the goals and purposes of the promotion of equality and the prevention of unfair discrimination;
- Reviewing the SABC's standing in terms of its support of the four strategic objectives in respect of the International



Gauteng PGM: Mr Kloppers during the Ikwekwezi FM corporate identity launch.

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;
- Overseeing and reviewing the anti-corruption and bribery practices, in conjunction with the Risk Committee;
- 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;
- Promoting 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
- Reviewing and recommending 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, in conjunction with the Risk Committee.

Three Social and Ethics Committee meetings were held during the financial year. The attendance of members at these meetings is reflected in the Table 3.9 below.

**Table 3.9: Meeting attendance record for the Social and Ethics Committee Members**

Members	Attendance
	<i>Three scheduled meetings were convened</i>
N M Mhlakaza (Chairperson)	3
J R Aguma <sup>1</sup>	3
M O Maguvhe	0
J B Matthews <sup>1,2</sup>	2
V G M Mavuso	3
G H Motsoeneng <sup>1</sup>	2
K Naidoo	3

1. Attends by invitation.

2. Appointed as the Acting Group CEO with effect from 18 November 2015.

3. Appointed as a Member with effect from 26 November 2015.



RSG Kunsfees hosted at M1 Studios.

## 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 in consultation with National Treasury. Non-Executive Directors are also reimbursed for out-of-pocket expenses incurred on the Corporation's behalf.

Further information on the Directors' remuneration appears on pages 138 to 139.

## 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

In order to present a balanced and understandable assessment of its position, the SABC is continuously striving to ensure that its reporting and disclosure to stakeholders is relevant, clear and effective. The SABC places great emphasis on addressing both positive and negative aspects in order to demonstrate the long-term sustainability of the organisation. The King III Report, the National Treasury Guideline on Annual Reports and Treasury Regulations are used in compiling the annual report.

## Stakeholder Relations

In addition to the interests of the Government as 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 is ongoing during the course of the year and is addressed through various channels depending on the different needs of the various stakeholders.

# Risk Management

The SABC acknowledges the importance of embedding risk management and corporate governance principles in the organisation. Risk is an intrinsic part of all activities undertaken by the SABC. The SABC Risk Management Framework was derived from Section 51(1)(a)(i) of the PFMA, as amended, read with Treasury Regulation 27.2.1. It prescribes that the accounting officer must ensure that the institution has, and maintains effective, efficient and transparent systems of financial and risk management. The realisation of the SABC strategy is dependent on the organisation being able to take calculated risks in a manner that does not jeopardise the direct interests of stakeholders.

To fulfil this responsibility, the SABC has an approved Risk Management Policy and the Risk Management Framework is aligned to the International Organization for Standardization (ISO) 31000 (2009) International Risk Management Standard, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework, the Public Sector Risk Management Framework issued by National Treasury in 2008 and the King III Report.

The Risk Management Framework ensures that key risks are identified, assessed and managed. Risk management is a central part of strategy development, implementation and management. The management of risks is the responsibility of management and risk owners use this framework to assist in identifying, responding to, measuring, managing, monitoring and reporting on risk. The SABC continued to embed a risk management culture into its day-to-day business operations during the period under review.

During the 2015/16 financial year, annual risk assessments were conducted in line with the corporate strategic objectives as per the Corporate Plan to determine strategic and operational risks to which the SABC is exposed. The identified risks were assessed and risk treatment plans developed and allocated to the relevant role players to ensure risk control strategies are in place for effective risk management and monitoring. Cura, a risk management software tool for risk capturing, reporting and monitoring, is utilised and the risk registers are updated on a regular basis. During the year under review, in fulfilling their risk and governance responsibility, the Board and Group Executives jointly identified SABC's key strategic risks as well as defining strategic risk response, which was monitored for implementation through Risk Management and Governance reports for oversight and action on monitoring the delivery of the risk management strategy.





In studio with PhalaPhala FM presenters.

## Internal Control

The Board has the ultimate responsibility for establishing a framework for internal control, including an appropriate procurement and provisioning system. The controls throughout the SABC focus on critical risk areas identified by Operational 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. Management, with the assistance of the Group Internal Audit (GIA) Division, closely monitors the controls and actions taken to correct deficiencies as they are identified.

### Audit

In line with the PFMA and King III Report requirements, the GIA Division provides the Audit Committee and management with the assurance that the internal controls are appropriate and effective. This is achieved by means of 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. The risk-based Internal Audit Plan focuses on major risks emanating from the SABC's internal risk management process. The Internal Audit Plan is responsive to changes in the SABC's risk profile.

The GIA Division is fully supported by the Board and the Audit Committee and has full and unrestricted access to all Corporation activities, records, property and personnel.

External Auditors are responsible for independently auditing and reporting on the financial statements in conformity with International Standards on Auditing.

### Activities of the Group Internal Audit (GIA) Division

#### Mandate and Purpose of the Internal Audit

The mandate of the SABC GIA is determined in terms of Section 51(1)(ii) of the PFMA, which requires that the SABC

Board of Directors (as the Accounting Authority) to ensure that the SABC has and maintains "a system of internal audit under the control and direction of an Audit Committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77" of the Act.

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve on organisational operations in order to ensure that the organisation accomplishes its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Internal Audit Charter, which is approved by the SABC Audit Committee, establishes the purpose, scope of work, responsibility, accountability, independence and authority conferred by Board on the SABC Internal Audit Unit in terms of the PFMA as well as the International Standards for Professional Practice of Internal Auditing (the Internal Auditing Standards).

In line with the approved SABC Internal Audit Charter, the PFMA, the Internal Auditing Standards and the King III Report, the following are incorporated in the activities of the GIA:

- Providing assurance on the adequacy and effectiveness of risk management processes, the system of internal controls and governance processes;
- Investigating possible misconduct and irregularities; and
- Providing consulting services on corporate governance matters and elements impacting the control environment.

#### Internal Audit Performance

The GIA Division played a pivotal role in the governance pillar by executing audit projects against the Risk Based Annual Audit Plan, as approved by the Audit Committee, and reporting the findings to management accordingly.

The Division also executed continuous business monitoring projects to provide management with an alternative view on business risks and controls and thereby assisting in proactively monitoring key risk areas within the organisation to ensure the achievement of the business objectives. Data analysis, through Computer Aided Audit Tools (CAATS), was conducted on critical transactions within Human Resources, Procurement and Payroll.

The following table presents a summary of the Internal Audit function's performance for period 2013/14 to 2015/16.

**Table 3.10: Number of Internal Audit Reports issued and planned audits deferred for the 2013/14, 2014/15 and 2015/16 periods**

Details	2013/14	2014/15	2015/16
Internal Audit Reports issued	56 (90%)	46 (94%)	41(91%)
Planned audits deferred	One (1.6%) deferred and five (8.4%) replaced	3 (6%)	4(9%)

The audit projects deferred during the year were necessitated from the changes in business processes which required the GIA Division to formulate a different audit approach.

## Internal Audit Overall Assessment of the Internal Control Environment

The GIA executed audit projects based on the audit coverage from the approved 2015/16 Risk Based Annual Audit Plan. For more information see the status of performance against the approved plan contained in the Internal Audit Performance section above.

It has been determined that the internal controls for most of the focus areas are partially adequate and partially effective, and operating within a cautious risk environment. The Internal Audit Unit completed 40 audit reports in the 2015/16 financial period (46 were completed in 2014/15) in terms of its approved Annual Audit Plan.

The results and the audit opinions are reflected in the table below.

**Table 3.11: Audit Reports issued and opinion ratings received for the 2013/14, 2014/15 and 2015/16 periods**

Year	2013/14	2014/15	2015/16
Number of reports issued	56	46	40
Rating 3 and 4 Audit Opinions (negative opinions)	83%	75%	90%
Number of Significant Findings	311	205	204
Rating 1 and 2 Audit Opinions (positive opinions)	17%	25%	10%

## 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 PFMA and the King III Report 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:



Shift a local youth mid-morning live talk show presented by Aaron Moloisi and Kamohelo Bombe.

- 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 prior to a final decision on each project;
- Appropriate and effective measures are implemented to prevent unauthorised, irregular or fruitless and wasteful expenditure, expenditure not complying with legislation or losses from criminal conduct;
- All revenues due to the SABC are collected;
- The available working capital is economically and efficiently managed; and
- The definition of objectives and the allocation of resources are carried out in an economic, efficient, effective and transparent manner.

In terms of the Treasury Regulations, the SABC's Accounting Authority must, for "material" and "significant" purposes, in terms of sections 54(2) and 55(2) of the PFMA, develop and agree on a framework of acceptable levels of materiality and significance with the relevant Executive Authority. This framework will be reviewed and updated annually.

In terms of Section 52 of the PFMA, the Accounting Authority of a public entity must submit to the Accounting Officer of the Department designated by the Executive Authority for the public entity a Corporate Plan in the prescribed format. The Corporate Plan must cover the affairs of the public entity for the following three financial years.

The Corporate Plan is also submitted to the relevant treasury, at least once a month or, as agreed with the National Treasury, before the start of its financial year. In terms of the Treasury Regulation 29.1.1 (f), the Corporate Plan must include a Materiality and Significance Framework.

The principles of the King III Report (2009) 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.

The Materiality and Significance Framework for the financial year under review, which is determined and annually reviewed by management, is outlined in Table 3.12 on the following page.



**Table 3.12: Materiality and Significance Framework for the 2015/16 review period**

Section	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, including 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:  (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 a 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.	The SABC will inform National Treasury of individual transactions covered by this section which are in excess of R90 million. This figure is based on the Auditor General's calculated materiality for the 2012/13 financial year audit.
Section 55(2)	The annual report and financial statements referred to in subsection 55(1) (d) must:  (b) include particulars of:  (i) any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.	All losses arising from criminal conduct are considered, by their nature, to be material and will be reported in accordance with the provisions of section 55(2) of the PFMA.    The Board has assessed the materiality amounts to be: o Every amount in respect of criminal conduct; o R1 million and above of irregular, fruitless and wasteful expenditure arising from gross negligence; and o R8 million and above being 2% of the surplus or deficit for any other irregular, fruitless and wasteful expenditure.

## The King III Report on Corporate Governance for South Africa (2009)

The SABC applies certain King III principles and practices. As a state-owned company, some of these cannot be applied. In such instances, the SABC has adopted alternative practices to those recommended by the King III Report. Explanations for this are presented in the table below. Areas for improvement are reflected in the table where there are no approved policies, processes or procedures as yet. Draft documents do exist and these will be approved by the relevant governance structures in the next reporting cycle.

## Applying the King III principles and practices

**Table 3.13: The SABC's application of the King III principles and practices**

Number and description of each King III principle or practice not in place	Explanation
2.16.1	Board should elect a Chairperson on an annual basis
2.17.1	Board should appoint a chief executive
2.18.10	Board should be able to remove any director without Shareholder approval
2.8	The Board should be responsible for IT governance
2.27	Remuneration policy
2.24	Subsidiary governance framework
3.5.1	Combined assurance model
5.1.2	IT charter
5.3	IT governance framework
6.1.1	Compliance register
3.8.2.2	Internal financial control policy
5.3	Internal control framework
2.1	The Board should report on the effectiveness of the company's system of internal controls
3.4	The Audit Committee should oversee integrated reporting
9.1	The Board should ensure the integrity of the company's integrated report
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting
9.3	Sustainability reporting and disclosure should be independently assured

# Fraud and Corruption

## Forensic Investigations

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

## Fraud Risk Management

The Fraud and Corruption Prevention Strategy clearly indicates the SABC's stance against fraud, corruption, theft and maladministration. The strategy is applied in conjunction with the Anti-Fraud and Corruption Policy. It is segmented into two facets, namely:

- Anti-Fraud and Corruption Prevention Plan; and
- Anti-Fraud and Corruption Response Plan.

During the year under review, a number of initiatives and programmes were undertaken, as described below.

### Prevention and Detection Strategy

- The critical operational strategies were put in place including but not limited to anti-fraud and corruption risk assessment.
- Monthly employee awareness campaigns were rolled out as a build-up towards International Anti-Fraud and Corruption week in November.
- The Anti-Fraud and Corruption Policy and Strategy were reviewed as and when the need arose.

## Response Plan

- The SABC invested in the internal control transformation process to ensure that the control environment within which the business operates is sound and effective for protecting the assets of the organisation, as well as ensuring quality public service delivery. This initiative is envisaged to extend over a period of three years. It involves business process mapping (Standard Operating Procedures), gap analysis, risk and controls identification and documentation.
- Fraud and corruption risk assessments are used to identify potential fraud and corruption risk exposures to the organisation. The process ensures that actions to address the identified fraud and corruption risk exposures are implemented to reduce the adverse effects on the organisation's performance.

# Minimising Conflict of Interest

A Conflicts of Interest Policy was approved by the Board on 21 February 2013 and has been rolled out throughout the Corporation. As part of the improvements in this regard, an electronic system has been developed and went live in July 2013. All employees are required to complete their declaration of interest annually online, which is forwarded to their line manager for approval.



Wellness caring for First Citizens.

# Code of Conduct

The SABC has an approved Code of Business Conduct and Ethics. The aim thereof is to ensure that every employee of the organisation shares the same values and levels of accountability. This Code has been rolled out throughout the Corporation.

# Health, Safety and Environmental Issues

The SABC is committed to safeguarding all employees, contractors and visitors against any injury and risk to their health arising from any operations associated with the SABC. The Corporation enforces health, safety and environmental standards in the workplace, as prescribed by the Occupational Health and Safety Act No. 85 of 1993, its regulations and related safe work practices.

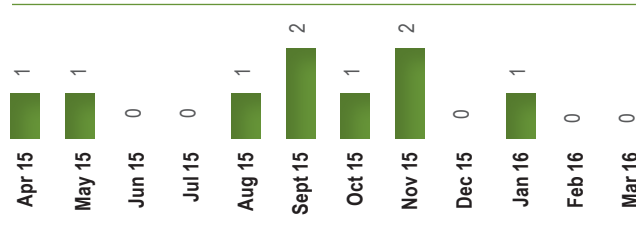
## Safety

The SABC's vision for occupational health and safety of the workforce is zero tolerance to on-the-job fatalities, injuries and diseases. The effective implementation of the Occupational Health and Safety Programme, Storage and Stacking Programme, Fire Safety Programme, health and safety policies and awareness programmes assisted in keeping injuries on duty as low as possible.

In combination these initiatives have resulted in the creation of a conducive work environment. During the 2015/16 financial year, the SABC had nine disabling injuries on duty, with no fatalities.

This is significantly low compared to the total workforce. However, the target is zero and, with concerted effort from all parties involved, it is achievable. The SABC was issued with a Letter of Good Standing from the Compensation Commissioner for the year 2015/16 for effectively managing these injuries occurring on duty, as required by the Compensation for Occupational Injuries and Diseases Act No. 61 of 1997.

**Figure 3.1: Injuries occurring on duty during the 2015/16 review**





During the year under review, fire equipment for the entire complex was serviced as per safety-related legislation. Pest control is also well managed and there were no serious reports of infestations in our complex. During the third quarter, Auckland Park conducted evacuation drills in conjunction with Emergency Management Services (EMS) for all its broadcast facilities. No injuries or fatalities were reported during these drills. Legal Safety Compliance Audits were conducted in all Provinces to ensure that our broadcast facilities comply with the Occupational Health and Safety Act.

## Health

The Occupational Health and Safety and Wellness Unit held regular workshops and expos and facilities were provided for employees to have their cholesterol, glucose levels and blood pressure checked, as well as having other health assessments.

## The Environment

The SABC is committed to creating a healthy environment for all its employees. During the year under review, the SABC embarked on a biological programme to reduce the “sick building syndrome” effect on the workforce. The following initiatives were implemented:

- Noise, air quality and light surveys were conducted in most of the SABC Provincial Offices and at the Auckland Park Offices to determine compliance with legislation. Shortcomings that were identified and are in the process of being corrected.
- Water quality tests are conducted monthly to ensure that the tap water in the SABC buildings is algae and cholera free. All results were negative.
- Waste management in the building is being addressed accordingly and is disposed according to classification including hazardous chemicals which, for the SABC, is fluorescent tubes which contain mercury vapour.
- Smoking in SABC buildings is restricted to designated areas bringing the SABC in line with the requirements of the Tobacco Products Control Amendment Act No. 83 of 1993.

## Certificate 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 2016, 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  
July 2016



## Social Responsibility

During the period under review, SABC platforms and Divisions carried out their corporate social responsibility, socio-economic programmes and campaigns in partnership with the SABC Foundation.

### SOCIO-ECONOMIC DEVELOPMENT INITIATIVES (SED)

The socio-economic campaigns implemented during the year under review gave the Corporation an opportunity to retain its Level 2 BBBEE status. The objectives of socio-economic development contributions include the promotion of beneficiary access to the economy. Contributions may include (but are not limited to):

- Development programmes for women, youth, people with disabilities and people living in rural areas;
- Support of healthcare and HIV/AIDS programmes;
- Support for education programmes, resources and materials at primary, secondary and tertiary education levels, as well as bursaries and scholarships; and
- Community training, skills development for unemployed people and adult basic education and training.

The SABC Radio Stations implemented individual socio-economic programmes in conjunction with the SABC





## Educational assistance

SABC Brands in conjunction with SABC Foundation supporting local communities with their educational needs.

Foundation. Examples of these programmes implemented during the year under review are given below.

### Education

- Lotus FM, through their Warm Hearts Campaign, donated school shoes to children from underprivileged schools in KwaZulu-Natal.
- Phalaphala FM donated school shoes to schools around Vhembe district, the Makhado Municipality as well as schools around Gauteng.
- Umhlobo Wenene FM raised funds from their annual 10km and 5km race for a Computer Lab for Nxanelwimfundo Primary School from Motherwell in Port Elizabeth.
- All nine schools in Namakwaland, a district of the Northern Cape Province, which has a very high unemployment and school drop-out rate, were provided with much-needed school resources, including stationery, school uniforms, school shoes and winter jerseys by the SABC Foundation.
- The SABC Foundation partnered with Tru FM and the Provincial Department of Education to celebrate the outstanding 2015 Matric results of St George's School, situated in the rural community of Mount Frere in the Eastern Cape, by donating school uniforms and office equipment to the School.
- The SABC Foundation donated efficient learning materials such as educational toys and stationery to the Accelerated Education Enterprises (AEE) Centre, a "Life Prep College" that offers vocational training. This Centre accelerates learning and enables learners to reach their full potential.
- The SABC Foundation funded learners from Tembisa High School to attend the African Leadership Academy Model African Union (ALAMAU), a simulation of the AU, which brought young leaders from across Africa and the globe to a four-day conference in South Africa. The conference focussed on topics which will provide solutions to issues of African and global importance, by assuming the role of African leaders and operating within the framework of the AU. Delegates were challenged to debate, negotiate and ultimately agree upon resolutions to be adopted for tackling these issues.
- The SABC Foundation implemented a Teenage Health Campaign at Peninghotsa School to educate and create awareness about health issues affecting young girls and to keep "Girls in School". The programme provides resources aimed at minimising the school dropout rate for girls, enabling them to fully participate in social and academic activities.





## Healthcare and HIV/AIDS

- Good Hope FM hosted an outdoor event engaging children to participation in various sports and creating awareness on the values of leading a healthy lifestyle.
- RSG donated airtime to the Organ Donor Foundation to encourage its listeners to register as organ donors.
- Phalaphala FM donated airtime to create awareness and educate their listeners about HIV/Aids. The station also participated in a 5km walk to promote healthy lifestyles in support of people with diabetes.
- The SABC Foundation rolled out the "1 000 Babies Campaign" and donated Welcome Baby Bags filled with baby clothing and other supplies for babies born in the Limpopo's Thabazimbi Hospital.
- The SABC Foundation donated household items and food parcels to the Grace Rehabilitation Centre. This

community based non-profit organisation helps men and women to break free from drug addiction. They have expanded their offering to a Group of Treatment Programmes that covers primary, secondary and tertiary treatment options. They offer a full spectrum of care for individuals from all walks of life, including medical assessments, inpatient and outpatient treatment, halfway house (transitional housing) accommodation as well as recovery support and relapse prevention.

## Disability

- Radio 2000 offered extensive support to the eco-mobility campaign in support of transport month to showcase the efficiency of public transport system for people living with disabilities.
- Good Hope FM hosted the WOW carnival to expose both disabled and disadvantaged school children, to the world of radio.





SABC Foundation in conjunction with SABC Brands living Madiba's legacy.

## Development

- Radio 2000 partnered with the Department of Human Settlement for the Celebrity Build campaign in the Sedibeng District Municipality. A house was built for a 112 year old citizen, Ms Elda Mazongolo and 106 year old Selina van Rooi, to provide them with quality shelter.
- Munghana Lonene FM implemented their "K Build a House" project and built and donated homes for these families:
  - Five roomed house - Majeje family Baphalaborwa
  - Four roomed house - Grobler family from Nwamitwa Tzaneen
  - Four roomed house - Lishivha family originally from Zimbabwe from Madodonga village
  - Four roomed house – Khosa family

## Nelson Mandela Day

- Umhlobo Wenene FM donated household items to "House of Joy", a children's shelter in Grahamstown, as part of their Mandela Day '67 minutes' activities.
- SAfm, in partnership with Gift of the Givers, visited Bodibe Village, a centre for senior citizens in North West, and donated a fully furnished dining hall, a bore hole, food parcels, blankets and hygiene packages to senior citizens.
- RSG donated airtime to encourage blood donation as part of their Mandela Day activations.
- METRO FM partnered with the SABC Foundation, SABC1 and Nedbank to host a cook-off at Leamogetswe Safety Home in Atteridgeville, Pretoria and raised funds for much-needed resources which were donated to the home of safety.





## Women's Month: Strong Girl Campaign

All SABC platforms joined the country to celebrate Women's Month in acknowledgement and recognition of the women who marched to the Union Buildings on 9 of August 1956.

The month was dedicated to celebrating the role that women play in our communities and thus the Strong Girl Campaign partnership with ONE.ORG was launched.

Listeners had to nominate their 'Strong Girl', a young woman who makes a significant difference in her community. After a rigorous selection process, Ms Mpho MacChambers won the Strong Girl ambassadorship and represented the SABC at the UN Summit in New York City.

## Child-Headed Households

- Munghana Lonene FM donated clothing items to orphaned children at a place of safety in Phalaborwa.
- Umhlobo Wenene FM ran its 55<sup>th</sup> birthday competition and the final winner donated a share of their winnings to a charity of choice. Bhekithemba Ndlela, the final winner selected Bethany Children's Home at Ikhwezi in Mthatha.
- The SABC2's focus on family saw the channel adopting Jordan House Old Age Home in Westbury, Johannesburg.
- The SABC Television network also participated in the SABC Foundation's initiative to refurbish a school in Qunu and the Mandela Hospital programme





A lasting  
legacy

SABC Foundation in conjunction with SABC Brands leaving a legacy of caring.

- SABC Television's other CSI activities included an SABC1 initiative known as the Youth Movement Initiative, which focussed on young South Africans, in line with the channel's youth-oriented character. The Youth Movement Initiative gave learners at identified schools an opportunity to interact with channel celebrities. At these events, information packs with career guidance booklets, t-shirts and back-packs were distributed to those in attendance.

## Supporting the Elderly

- The SABC Foundation supported the Samaritan Old Age Home in Chatsworth Durban and provided resources to fix the structural defects of the home to ensure that the senior citizens are hosted in a comfortable, warm and safe environment.



# 14 million adults are unemployed - More than 25.5% of the population.

Let's talk about it. #InspiredYouthSA

Refer to page 143 on how to use this interactive image.

#InspiredYouthSA PSA supported by the SABC Foundation.

## Public Service Announcements (PSAs) supported by the SABC Foundation

**Table 3.14: List of SABC Foundation campaigns and their expenditure for TV and radio for the 2015/16 year**

Name of Campaign	Radio Allocation	Television Allocation	Total
POWA		R1 000 000	R1 000 000
Hospice		R700 000	R700 000
Say No to Xenophobia	R1 000 000		R1 000 000
Tekkie Tax	R400 000	R600 000	R1 000 000
Rand Water Foundation		R1 000 000	R1 000 000
UNICEF	R200 000	R300 000	R500 000
Smile Foundation		R350 000	R350 000
Baby 1000	R700 000		R700 000
Narcotics anonymous		R500 000	R500 000
Slipper Day	R250 000	R600 000	R850 000
Women's Month	R350 000		R350 000
Special Olympics SA	R450 000		R450 000
National Book Week	R300 000	R600 000	R900 000
World Vision	R300 000	R400 000	R700 000
Bandana Day (Sunflower Fund)	R300 000	R500 000	R800 000
Ode to Arch Bishop		R400 000	R400 000
Celebs for Good Cause	R500 000		R500 000
Rand Water Foundation		R1 000 000	R1 000 000
Santa Fun Walk	R500 000		R500 000
Dignity Dreams	R500 000		R500 000
Tears: Bang Your Pot		R700 000	R700 000
16 Days of Activism	R600 000		R600 000
TALKSIGN	R300 000	R700 000	R1 000 000
Shavaton CANSA	R300 000		R300 000
Stop Human Trafficking		R700 000	R700 000
Gift of the Givers	R1 000 000		R1 000 000
SABC Foundation		R3 000 000	R3 000 000
Salvation Army		R700 000	R700 000
<b>Total Allocation</b>			<b>R19 700 000</b>

**Table 3.15: List of campaigns supported by the SABC Foundation, their location and investment cost**

Category	Region and Beneficiaries	Investment Cost
<b>Initiative: Back to School</b>		
Education	Eastern Cape, Mount Frere, St Georges School	R100 000.00
Education	Bloemfontein, Thiboloha in Qwa Qwa and Bartimea in Thaba Nchu	R150 000.00
Education	Durban	R65 000.00
Education	Bloemfontein	R70 000.00
Education	North West, Marumoloa School	R60 000.00
Education	Gauteng, Freedom Park	R70 000.00
Education	Northern Cape, Namakwaland, Norap Primary, Lellifontein Primary, Kheis Laerskool, Paulshoek Primary and Klipfontein Primary	R300 000.00
Education and Restoring Human Dignity	Limpopo, Peninghotsa Primary School	R200 000.00
<b>Initiative: Community Development</b>		
Restoring Human Dignity	Gauteng, Mnguni family Sebokeng	R21 000.00
Restoring Human Dignity	Durban	R115 000.00
Restoring Human Dignity	North West, Retshwenyegile Relief Givers'	R40 000.00
Education and Health	Gauteng, Institution of Grace Rehabilitation Centre	R150 000.00
<b>Initiative: Dignity for Girls Campaign</b>		
Education and Health	Limpopo, Peninghotsa School	R50 000.00
<b>Initiative: Baby 1 000 Campaign</b>		
Community Outreach	Limpopo, Thohoyandou Hospital, Seshego Hospital	R50 000.00

# Audit Committee Report

We present our report for the financial year ended 31 March 2016.

## Audit Committee Members

Section 94 of the Companies Act No. 71 of 2008 (as amended) requires that the Members of the Audit Committee be appointed by the Shareholder at every Annual General Meeting (AGM). During the year under review, the Shareholder confirmed the appointment of the Members of the Audit Committee at the AGM held on 4 September 2015.

## Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51(a)(ii) of the PFMA, the requirements of Treasury Regulation 27.1 and Section 94 of the Companies Act No. 71 of 2008. The Audit Committee has adopted appropriate formal Terms of Reference (TOR) and has discharged its responsibilities as contained therein.

The Audit Committee held eight meetings during the year under review. The additional meetings were convened in order to monitor management's processes and procedures in resolving the audit issues that resulted in the qualified audit opinion for the 2014/15 financial year. The Committee reviewed the status of the clearing of the audit issues and reports arising from the execution of the Internal Audit annual work programme and the coordination between the Internal Audit function and the external auditors. Reports of significant investigations issued by the Internal Audit function, responses from management to specific recommendations, risk areas of the entity's operations and auditing concerns identified were also reviewed by the Audit Committee during the 2015/16 financial year.

## The Effectiveness of Internal Controls

The various reports of the Internal Auditors and the Audit Reports on the annual financial statements and Management Letter of the Auditor General indicate that the system of internal control still has shortcomings.

The Audit Committee notes the improvement in the Audit Report from three qualifications paragraphs to the remaining qualification on Irregular, fruitless and wasteful expenditure. The Audit Committee still considers the remaining qualification paragraph as a serious matter and the necessary steps are being implemented to ensure that the required corrective measures are taken.

## Risk Management

The Audit Committee reports that the implementation of appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored was not effective, to the extent of the issues the auditors raised. The processes to ensure that the Audit Committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations did not yield the desired outcome therefore still an area for improvement.

## Evaluation of Financial Statements

The Audit Committee accepts and concurs with the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



Ms N M Mhlakaza  
Chairperson of the Audit Committee





**APRIL 27 1994**  
**BORN FREE**







**APRIL 2016**  
**WORKING CLASS**

**DECEMBER 2012**  
**MATRIC FINAL EXAM**

## HUMAN RESOURCE MANAGEMENT

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“Human resources are like natural resources; they’re often buried deep. You have to go looking for them, they’re not just lying around on the surface. You have to create the circumstances where they show themselves.”

— Ken Robinson —

**#TakeTheNextStep**





The broadcasting industry continues to present an aggressively competitive environment for all industry players including the SABC. To respond positively to this challenge, it became imperative that the Corporation continue to build its reputation as a preferred employer.

In previous financial years, including the year under review, the most important area of focus in building the Corporation as a preferred employer had been to rebuild the basics of human resources. This included, among others, reviewing and developing employment policies and procedures to support business requirements, to be legislatively compliant and to be transformative, job redesign and profiles, salary equity and revival of performance management. There was also a drive to create a culture of discipline within the SABC.

As the migration towards digital broadcasting gains momentum, the Corporation is faced with finding new ways of competing for skilled talent in a competitive economy. As the staff from the “Baby Boomers” and “Generation X” cohorts, who possess critical broadcast expertise, leave the organisation and the youthful millennials, who lack experience, take over, ready talent continues to pose a serious challenge for the Corporation.

Available talent in broadcasting, whether as employees or independent contractors (freelancers), is in high demand and it is becoming clear that companies need talented people more than talented people need companies. This means that conventional ways of working are becoming less important in favour of greater mobility and flexibility in working arrangements and these are key to the decision-making of new recruits on whether to join or not to join an organisation.

The Corporation’s HR Strategy has been challenged to respond to these issues by raising the bar, innovating and continuing to step outside of traditional roles and proactively seek opportunities to find new systems and processes that strategically impact talent sourcing, development, and retention. The HR strategy has focussed on creating and delivering value aligned to the organisation’s objectives.

The ways in which HR responded to the challenges of continually making the Corporation the preferred employer for all critical talent and anchoring the HR basics led to some of the following successes:

- Reviewing and socialising employment policies.
- Approving the Performance Management System and Pay-for-Performance Scheme. Socialising the employees on the new performance management system and getting them ready for performance contracting.
- Investing over R36 million in employee development with 34% of this funding dedicated to training in support of the SABC’s migration from analogue to digital, which has a huge impact on the skills used during the different stages of content production. Technical skills remained important during the year under review and will continue to be so in the future because digitisation will increase the technical content of the SABC’s processes, products and services.
- Finalised the Employee Recognition Award Programme to include recognition of retirees.
- Continued reduction of leave liability, thus impacting positively on the SABC balance sheet.
- Identification of Dual Career Tracks commenced in the critical areas of business but will be accelerated in the next financial year in order to retain and energise talented

professionals who do not have an interest in management roles.

- Critical roles have been identified via talent management and an EVP is being created to retain critical and scarce talent in the identified critical workforce segments.

## Performance against the Corporate Plan

The performance factors described below were deliverables for the 2015/16 financial year in terms of the Corporate Plan. The descriptions of the factors include updates on their performance status.

## Employee Value Proposition (EVP)

The critical workforce segments were identified by business and the EVP Model was agreed to. This will be followed by the creation of an EVP Implementation Plan which will first be geared towards attracting critical and scarce talent for core business and retaining existing talent in the SABC’s critical business areas. The talent management strategy of the Corporation is focussed on ensuring that its brand and values are reflected in every aspect of the talent management value chain and in every employee experience to maximise attraction and retention of critical talent thereby remain one of the most attractive employers.

## Performance Management

In order to drive a performance culture within the Corporation, HR developed a new Performance Management Policy and system for the organisation. The whole organisation was socialised and trained to prepare the groundwork for the implementation of this system in the next financial year. The system is also linked to the Pay-for-Performance Incentive Programme that will ensure improved morale and motivation among SABC staff.

## Workplace Skills Plan (WSP)

The 2015/16 WSP continued to focus on addressing the skills gaps identified in the Skills Audit Report as well as the challenges that continue to be posed by the migration to digital broadcasting. The Corporation achieved 82% of its training target in its implementation of the WSP during the year under review, which is above the set target of 70%.

## Managing the Challenges

During the year under review, more focus was placed on addressing key HR challenges. The first task was to review existing job profiles and develop them where there were none. The Skills Audit in the 2013 financial year raised findings around the existence of job descriptions for some employees. The absence of or the lack of up-to-date job profiles would have made it difficult to rollout performance management. Towards the latter part of the year under review, the top level organisational structure was reviewed with some positions being re-graded, thus affecting subsequent levels and impacting job redesigns and the job profiling process. This aspect continues to be addressed by the leadership of the Corporation.

With the significant challenges in the economy, the employees of the SABC are themselves impacted psychologically, financially and otherwise. In an attempt to mitigate this impact, the wellness programme was strengthened by creating wellness centres that deliver holistic services to employees including financial management services.

## Highlights

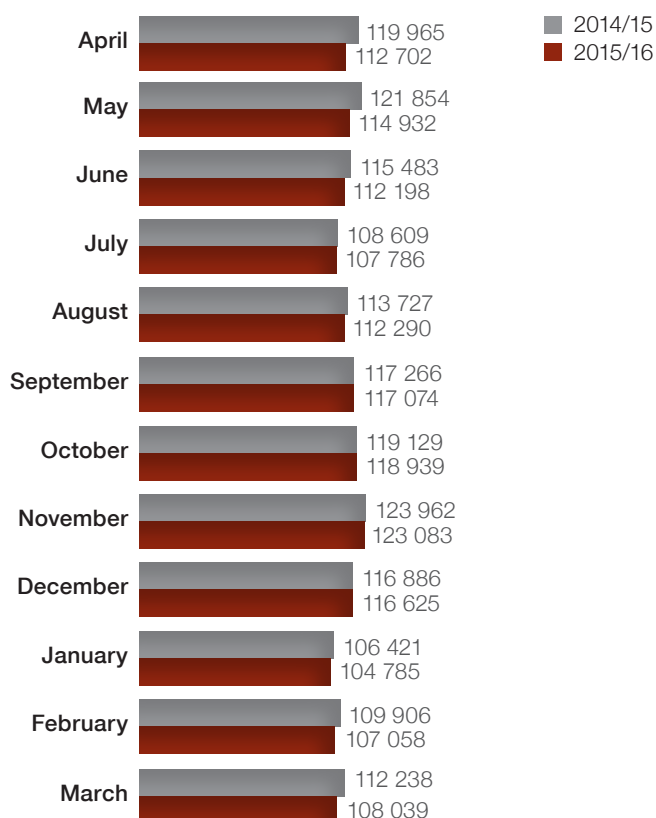
During the year under review, the SABC received various HR awards and certifications as described below.

- The Corporation's Learning and Development Department, within HR, was awarded an ISO 9001:2008 certification for the implementation of the Quality Management System in its learning and development processes.
- The Corporation was the overall winner in the Department of Labour's Employment Equity Awards in the public sector category.
- The Universum, a global leader in employer branding, conducted a survey by interviewing over 45 000 tertiary institution students as well as over 21 000 professionals within the business/commerce, engineering/technology, healthcare/health sciences and human/liberal arts/law sectors in order to determine the most attractive employers. The SABC was awarded third place in the Most Attractive Employer category for Humanities/Liberal Arts/Education. The Corporation was found to be attractive within the Media and Advertising sector to Engineering; Technology and Business; and Commerce and Management students.

## Leave Liability

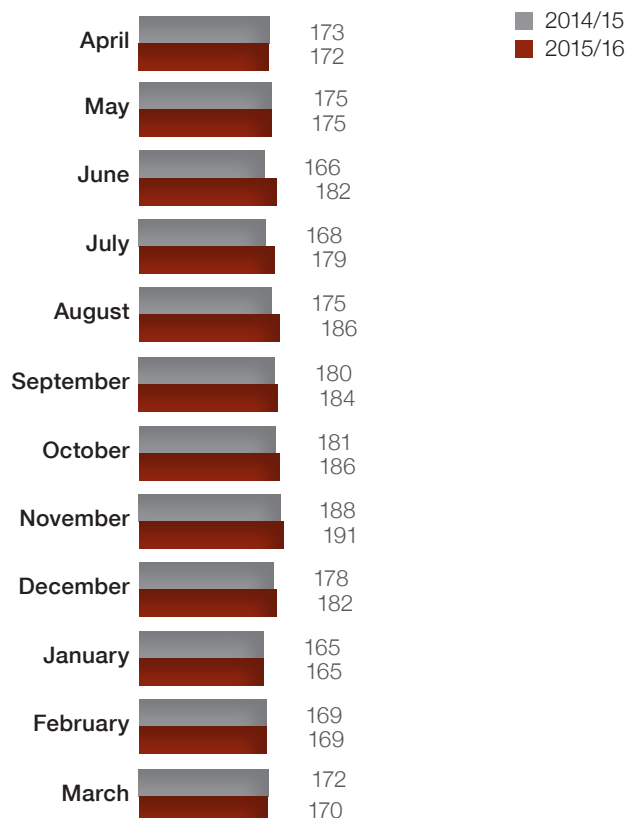
Leave liability is a balance sheet item that poses a risk to the financials of the SABC. The system-enabled leave application and approval process, as well as the automatic liquidation of unapproved leave on the system, assisted the Corporation in the management of leave liability. As a result of strengthening these internal controls during the year under review, the Corporation was able to reduce its leave liability by 2%. The number of leave liability days was reduced from 112 238 in 2014/15 to 108 039 in 2015/16. This resulted in a positive impact on the balance sheet with a reduction of approximately R2 million.

**Figure 4.1: Number of leave liability days per month over the 2014/15 and 2015/16 financial years**



SABC employees celebrating their South African heritage.

**Figure 4.2: Financial leave liability levels for the 2014/15 and 2015/16 financial years**





## Policy Development

The project to develop policies and procedures that are relevant to the operations of the business continued during the year under review. The organisation-wide consultation process on most revised and new policies gained momentum during the 2015/16 financial year.

New policies and procedures were developed and others reviewed in order to strengthen the basics of HR and these included, among others, job evaluation, recruitment, business travel and entertainment, employee wellness and sexual harassment policies and procedures.

Work on this is in progress to ensure that the policies and procedures do not become a bottleneck to the ability of the Corporation to respond with value-adding agility to the ever-changing environment within which it operates.

## Learning and Development

During the year under review, various learning solutions were delivered to support corporate and industry objectives. The Learning and Development highlights where:

- Critical and scarce skills increased by 34% against the requirements of the Skills Audit conducted in 2012/13.
- A 100% compliant audit report from the Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA) was achieved.
- 52% of individuals who participated in learnerships and internships were absorbed.
- 39 small businesses were registered through skills programmes in support of entrepreneurship, the youth and socio-economic initiatives.
- An onboarding programme was designed and implemented within the organisation.

The table below reflects the SABC's interventions, achievements and highlights in skills development.

**Table 4.1: Skills development interventions, highlights and achievements**

Intervention	Highlights and Achievements		
WSP/Training Plan	Corporate Plan target for WSP was 70% while overall achievement was 82%.		
Internships	<ul style="list-style-type: none"> <li>• Contribution to NDP and National Skills Development Strategy with regard to youth development, job creation and meeting industry and economic demands.</li> <li>• The SABC hosted 114 interns in the 2015/16 in the following faculties: <ul style="list-style-type: none"> <li>• Journalism</li> <li>• Radio</li> <li>• Marketing</li> <li>• Film and Television</li> </ul> </li> <li>• 52% of these individuals were gainfully employed.</li> </ul>		
Study assistance schemes	Current Bursars	New Bursars (2015/16)	Total Bursars supported
	78 Undergraduate level employees	32 Undergraduate level employees including honours	129
		19 Postgraduate level employees including masters and doctorates only	
	56 Undergraduate children of employees	47 Undergraduate children of employees	103
<b>Total</b>	<b>232 (5.8% of headcount)</b>		
Recognition of prior learning	National Qualifications Framework (NQF) Level 5 – National Certificate in Sound Technology South African Qualifications Authority (SAQA) ID 48671		
	• 77% achievement 14/18		
Learnerships	NQF Level 5 – National Certificate in Sound Technology SAQA ID 48671		
	• 90% achievement 9/10		
Apprenticeships	Five people were enrolled in an Electrical Apprenticeship.		
Leadership Programmes	138 individuals were developed over 11 leadership interventions.		
Continuous professional development	250 registrations with professional bodies.		
	215 individuals participated in nine professional workshops.		
Accreditation	Accredited by the following certification bodies/authorities to present learning programmes:		
	<ul style="list-style-type: none"> <li>• International Computer Drivers Licence (ICDL)</li> <li>- Microsoft programmes</li> <li>• MICT SETA</li> <li>- Sound Technology NQF Level 5</li> </ul>		
Certification	Learning and Development achieved Certification for ISO 9001:2008 by the South African Bureau of Standards (SABS), for implementing a Quality Management System.		
MoUs	To promote and enhance learning opportunities with institutes of higher learning, the SABC entered into relationships via MOUs with following institutes:		
	<ul style="list-style-type: none"> <li>• NEMISA Rhodes University</li> </ul>		
Career Open Days	The SABC participated in 13 Career Exhibitions to provide career guidance to school leavers and tertiary-level students. Some of these Career Exhibitions were the:		
	<ul style="list-style-type: none"> <li>• Nkangala Career Exhibition in Kwa-Mahlanga, Mpumalanga</li> <li>• Soweto Open Day</li> <li>• Central University of Technology Open Day in Welkom, Free State</li> <li>• Career Expo for learners with disabilities at Hope School For the Disabled in Johannesburg</li> </ul>		



The Front-line services team.

During the 2015/16 financial year, the Corporation focussed on the development of skills that will ensure employees are ready for the implementation of digital broadcasting.

Table 4.2 below gives a summary and statistics of the SABC Divisions' personnel costs and Table 4.3 summarises personnel costs according to employment level for the 2015/16 financial period.

**Table 4.2: Personnel cost by Division for the 2015/16 financial year**

Division	Total Expenditure (R'000)	Permanent Employee Compensation and Benefits Expenditure (R'000)	Permanent Employee Compensation and Benefits Expenditure as a % of Total Expenditure	Number of Employees	Average Employee Compensation and Benefits Expenditure per Employee
Commercial Enterprises	293 837	214 933	73,1%	292	736,07
Group Services	1 371 762	770 842	56,2%	584	1 319,94*
News	875 797	668 081	76,3%	1048	637,48
Provincial Operations	135 175	64 321	47,6%	176	365,46
Radio	1 164 664	240 693	20,7%	370	650,52
SABC Sport	882 040	55 576	6,3%	77	721,77
Technology	1 133 994	569 961	50,3%	976	583,98
Television	2 828 053	200 724	7,1%	312	643,35
<b>Grand Total</b>	<b>8 685 320</b>	<b>2 785 131</b>	<b>32,1%</b>	<b>3 835</b>	<b>726,24</b>

\* Items like Leave and PRMA are reflected under Group Services for total company

**Table 4.3: Personnel cost according to employment level for the 2015/16 financial year**

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 per Employee
Top Management	45 836	1,6%	15	3 055,71
Senior Management	134 180	4,8%	64	2 096,57
Middle Management	554 385	19,9%	488	1 136,03
Junior Management	563 814	20,2%	639	882,34
Supervisory Levels	1 250 552	44,9%	2067	605,01
Rest of Staff	236 364	8,5%	562	420,58
<b>Grand Total</b>	<b>2 785 131</b>	<b>100,0%</b>	<b>3835</b>	<b>726,24</b>

Table 4.4 below is a summary of performance awards categorised according to employment level and Table 4.5 is a summary of ex-gratia payments categorised according to employment level for the 2015/16 financial period.

**Table 4.4: Performance rewards according to employment level for the 2015/16 financial year**

Level	Performance Rewards	Employee Compensation and Benefits Expenditure (R'000)	% of Performance Rewards vs Total Employee Compensation and Benefits Expenses
Top Management	-	45 836	0,0%
Senior Management	-	134 180	0,0%
Middle Management	-	554 385	0,0%
Junior Management	-	563 814	0,0%
Supervisory Levels	-	1 250 552	0,0%
Rest of Staff	-	236 364	0,0%
<b>Grand Total</b>	<b>-</b>	<b>2 785 131</b>	<b>0,0%</b>





SABC First Citizens disability awareness campaigns.

**Table 4.5: Ex-gratia payments according to employment level for the 2015/16 financial year**

Level	Performance Rewards	Employee Compensation and Benefits Expenditure (R'000)	% of Performance Rewards vs Total Employee Compensation and Benefits Expenses
Top Management	-	45 836	0,0%
Senior Management	-	134 180	0,0%
Middle Management	-	554 385	0,0%
Junior Management	-	563 814	0,0%
Supervisory Levels	-	1 250 552	0,0%
Rest of Staff	-	236 364	0,0%
<b>Grand Total</b>	-	<b>2 785 131</b>	<b>0,0%</b>

**Table 4.6 shows the training costs for the SABC Divisions for the 2015/16 financial year**

Level	Permanent Employee Compensation and Benefits Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as % of Permanent Employee Compensation and Benefits Expenses	No of Employees Trained	Average Training Cost per Employee (R'000)
Commercial Enterprises	214 933	1 662	0,8%	122	14
Group Services	770 842	3 528	0,5%	259	14
News	668 081	5 543	0,8%	407	14
Provincial Operations	64 321	1 239	1,9%	91	14
Radio	240 693	2 547	1,1%	187	14
SABC Sport	55 576	327	0,6%	24	14
Technology	569 961	7 042	1,2%	517	14
Television	200 724	2 016	1,0%	148	14
<b>Grand Total</b>	<b>2 785 131</b>	<b>23 904</b>	<b>0,9%</b>	<b>1755</b>	<b>14</b>

Table 4.7 and 4.8 show employment and vacancies data categorised according to the SABC Divisions and according to employment level respectively for the 2015/16 financial year.

**Table 4.7: Employment and vacancies according to SABC Division for the 2015/16 financial year**

Division	2014/15 No of Employees	2014/15 Vacancies	2015/16 No of Employees	2015/16 Vacancies	% of Vacancies
Commercial Enterprises	323	11	292	30	9,3%
Group Services	542	28	584	39	6,3%
News	1 059	29	1 048	69	6,2%
Provincial Operations	184	4	176	15	7,9%
Radio	375	15	370	37	9,1%
SABC Sport	59	2	77	6	7,2%
Technology	1 010	23	976	81	7,7%
Television	323	11	312	28	8,2%
<b>Grand Total</b>	<b>3 875</b>	<b>123</b>	<b>3 835</b>	<b>305</b>	<b>7,4%</b>

**Table 4.8: Employment and vacancies according to employment level for the 2015/16 financial period**

Level	2014/15 No of Employees	2015/16 Approved Posts	2015/16 No of Employees	2015/16 Vacancies	% of Vacancies
Top Management	14	16	15	1	6,3%
Senior Management	69	75	64	11	14,7%
Middle Management	489	529	488	41	7,8%
Junior Management	630	688	639	49	7,1%
Supervisory Levels	2 100	2 224	2 067	157	7,1%
Rest of Staff	573	608	562	46	7,6%
<b>Grand Total</b>	<b>3 875</b>	<b>4 140</b>	<b>3 835</b>	<b>305</b>	<b>7,4%</b>



Employment changes from the 2015/16 financial period are categorised according to employment level in Table 4.9 below. Table 4.10 shows the reasons for staff attrition during the 2015/16 financial year.

**Table 4.9: Employment changes according to employment level for the 2015/16 financial year**

Level	Employment at Beginning of Period	Appointments	Terminations	Employment at the End of Period	Level Movements
Top Management	14	2	1	15	1
Senior Management	69	1	9	64	(5)
Middle Management	489	10	27	488	(1)
Junior Management	630	19	35	639	9
Supervisory Levels	2 100	85	105	2 067	(33)
Rest of Staff	573	42	22	562	(11)
<b>Grand Total</b>	<b>3 875</b>	<b>159</b>	<b>199</b>	<b>3 835</b>	<b>(40)</b>

**Table 4.10: Reasons for staff leaving the SABC during the 2015/16 financial year**

Reason	Number	% of Total No of Staff Leaving
Death	14	7,0%
Resignation	106	53,3%
Dismissal	6	3,0%
Retirement	58	29,1%
Ill Health	1	0,5%
Expiry of Contract	11	5,5%
Other	3	1,5%
<b>Grand Total</b>	<b>199</b>	<b>100,0%</b>

The highest number of staff leave the SABC on the grounds of resignation due to other opportunities. In instances where it is a key skill, counter offers are made. The SABC currently has an ageing workforce, therefore the number of retirements. These positions are filled with emerging talent.

The SABC's Employment Equity (EE) targets and current status over the 2015/16 period for the various demographic groups is shown below in Table 4.11. The data is categorised according to employment level. Table 4.12 shows the EE data for persons with disabilities over the same period also categorised according to employment level.

**Table 4.12: EE targets and status for males and females according to employment level, racial group, disabled staff targets and status for males and females for the 2015/16 financial year**

Level	African		Coloured		Indian		White		Disabled Staff	
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
<b>MALE</b>										
Top Management	1	1	-	-	-	-	-	-	-	-
Senior Management	7	6	1	1	-	-	-	1	-	-
Professional Qualified	221	212	23	24	29	28	61	44	3	5
Skilled	1 199	1 191	115	120	57	57	235	226	26	33
Semi-Skilled	57	56	5	5	-	-	-	-	2	2
Unskilled	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>1485</b>	<b>1466</b>	<b>144</b>	<b>150</b>	<b>86</b>	<b>85</b>	<b>296</b>	<b>271</b>	<b>31</b>	<b>40</b>
<b>FEMALE</b>										
Top Management	-	-	-	-	-	-	-	-	-	-
Senior Management	4	5	1	2	1	1	-	-	-	-
Professional Qualified	135	149	19	24	15	17	51	55	51	55
Skilled	1 088	1 112	166	171	76	83	236	239	236	249
Semi-Skilled	26	31	5	5	-	2	1	1	1	1
Unskilled	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>1253</b>	<b>1297</b>	<b>191</b>	<b>202</b>	<b>92</b>	<b>103</b>	<b>288</b>	<b>305</b>	<b>288</b>	<b>305</b>

## Looking Forward

The basics of HR have now been addressed and going forward HR support will move towards providing significantly strategic support to the business. The focus will be on the professionalisation of the HR team, the use of information technology to create useful data for decision making, talent development and retention and accelerating the creation of a virtual learning environment. The SABC aims to revolutionise learning in the organisation by developing a WSP and building a "Learning Anywhere, Anytime" culture and infrastructure. The aim is to provide learning-on-demand with just-in-time skills sourced and provided, improved accessibility to learning and fit-for-purpose, cost-effective learning interventions.

While multiple skills are required to successfully build the SABC, focus will be biased towards enhancing strategic capability in the leadership and management levels as well as building critical technical skills to support digitisation. The Corporation deliberately continues to predispose itself

**Table 4.11 below shows the labour relations data for misconduct and disciplinary action taken during the 2015/16 financial year**

Level	Number
Verbal Warning	8
Written Warning	1
Final Written Warning	6
Dismissal	6
<b>Grand Total</b>	<b>21</b>

**Table 4.11: Labour relations: misconduct and disciplinary action taken during the 2015/16 financial period**

towards the development and enhancement of digital skills in all areas of the business. We will continue strengthening the Digital/Broadcast Curriculum and programmes within the Learning and Development Framework.

The next financial year will see the fast-tracking of the development of Dual Career Ladders in the various disciplines within the Corporation to ensure that the career development concerns of employees, especially those in the critical workforce segments, are addressed. As the older talent leave their jobs due to retirement, the Corporation will address the issue of talent continuously by giving traction to the Succession Planning and Management Framework.

The Corporation will endeavour to encourage its employees to develop and participate in initiatives that contribute to the larger goal of social cohesion through volunteerism in projects which aim to uplift communities.



07MAY2014  
IECELECTIONS

03AUGUST2016  
IECELECTIONS

APRIL271994  
BORNFREE



## ANNUAL FINANCIAL STATEMENTS

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“ A budget tells us what we can’t afford, but it doesn’t keep us from buying it.”

Suze Orman

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**#TakeTheNextStep**







## Statement of Responsibility and Confirmation of Accuracy of Performance Information

The Directors of the South African Broadcasting Corporation SOC Limited (SABC) are responsible for the preparation 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. In presenting the accompanying financial statements, the International Financial Reporting Standards (IFRS) and applicable accounting policies have been used along with prudent judgements and estimates. In order for the Directors to discharge their responsibilities, management is in the process of developing and will continue to maintain a system of internal controls, which is aimed at reducing the risk of error or loss, in a cost-effective manner. Such systems can provide reasonable, but not absolute, assurance against material misstatement or loss. The Directors meet periodically, primarily through the Audit 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. The Auditor General is responsible for reporting on the financial statements. Both external and internal auditors have unrestricted access to all records, property, personnel and systems as well as to the Audit Committee.

Based on the information and explanations given by management and the internal auditors, and with regard to the opinion and comments of the external auditors based on the results of their audit conducted, the Directors are of the opinion that the internal accounting controls are inadequate. The financial records were relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

As the Directors have reviewed the Corporation's financial budgets for the financial year to 31 March 2016, and in the light of the current financial position, they consider it appropriate that the annual financial statements be prepared on the going-concern basis. The Auditor General has audited the annual financial statements of the Corporation and his report appears on page 91 to 93. Against this background, the Directors of the Corporation accept responsibility for the annual financial statements, which were approved by the Board of Directors on 31 July 2016 and are signed on its behalf by the SABC Board Chairperson and Acting Group CEO, as seen below.

**Prof. M.O. Maguvhe**

Prof M O Maguvhe  
Chairperson

Mr J R Aguma  
Group CEO (Acting)

# Report of the Auditor-General to Parliament on the SABC (SOC) LTD

## Introduction

1. I have audited the consolidated and separate financial statements of the South African Broadcasting Corporation (SOC) Limited and its subsidiaries set out on pages 94 to 141 which comprise the consolidated and separate statements of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

## Accounting authority's responsibility for the financial statements

2. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Financial Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor-general's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## Basis for qualified opinion

### Irregular, fruitless and wasteful expenditure

6. Section 55(2) (b) (i) of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) requires the SABC and group to include particulars of irregular, fruitless and wasteful expenditure in the notes to the annual financial statements. Note 43 to the consolidated and separate financial statements was misstated as follows:
  - The SABC and group incurred expenditure in contravention of the supply chain management (SCM) requirements for both the current and prior years that were not included in irregular expenditure note. The understatement amounted to R 35 060 203.
  - The SABC did not have adequate document management systems in place to identify irregular expenditure. Supporting documents to

verify the disclosure of R 141 375 976 to test the compliance against supply chain management regulations were not provided for audit purposes. The SABC also relooked at the expenditure incurred for the prior years to identify all the irregular expenditure that was not disclosed in the past. Identification process entailed data analysis of the expenditure to identify possible non-compliances. These possible non-compliances were disclosed as irregular expenditure without confirming that the SCM processes were not followed. Therefore there were inadequacies and deficiencies with the process used to determine the restatement of the amounts disclosed in the prior financial year. I was not able to confirm the amount of irregular expenditure to be disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments to irregular expenditure as disclosed in note 43 to the consolidated and separate financial statements were necessary.

7. The SABC and group incurred expenditure in vain, which could have been avoided had reasonable care been exercised, that were not included in the fruitless and wasteful expenditure disclosure amount. In addition the SABC and group incorrectly classified and disclosed expenditure incurred as fruitless and wasteful expenditure that did not meet the definition. This has resulted in a projected overstatement of R19 766 154. Consequently, I was unable to determine whether any further adjustments to fruitless and wasteful expenditure as disclosed in note 43 to the consolidated and separate financial statements were necessary.

## Qualified opinion

8. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the South African Broadcasting Corporation (SOC) Limited and its subsidiaries as at 31 March 2016, and their financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards, and the requirements of the PFMA and the Companies Act of South Africa.

## Emphasis of matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## Significant uncertainties

10. With reference to note 40 to the consolidated and separate financial statements, the SABC was a defendant in a number of lawsuits. The ultimate outcome of these matters cannot be determined currently, and no provision for any liability that may result was made in the consolidated and separate financial statements.
11. With reference to notes 21 and 33 to the consolidated and separate financial statements, the SABC's current tax liability and deferred tax asset in relation to gross income from TV Licence (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) are based on the best estimate as at 31 March 2016 and is subject to the approval by the South African Revenue Service.

## Restatement of corresponding figures

12. As disclosed in note 4 to the consolidated and separate financial statements, the corresponding figures for the year ended 31 March 2015 and opening balance as at 1 April 2014 were restated as a result of TV licence fees and taxation adjustments made during the period ended 31 March 2016 in the consolidated and separate financial statements of the SABC at and for the year ended, 31 March 2015.



# Report of the Auditor-General to Parliament on the SABC (SOC) Ltd (*continued*)

## Significant judgement

13. As disclosed in note 26 to the consolidated and separate financial statements, the SABC has not recognised licence fees to the amount of R 2 557 662 000 (2015: R 2 556 265 000). In management's judgement it is not probable that the economic benefits associated with the transactions will flow to the entity and therefore do not meet the recognition criteria.

## Additional matter

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.

## Other reports required by the Companies Act

15. As part of our audit of the consolidated and separate financial statements for the year ended 31 March 2016, I have read the director's report, the audit committee's report and the SABC secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between these reports and the audited financial statements in respect of which I expressed a qualified opinion. I have not audited these reports and, accordingly, do not express an opinion on these reports.

## Report on other legal and regulatory requirements

16. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof. I have a responsibility to report findings on the reported performance information against predetermined objectives for selected presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## Predetermined objectives

17. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected strategic goals presented in the annual performance report of the SABC for the year ended 31 March 2016:
- **GOAL 1:** A financially sustainable organisation (pages 30 to 32)
  - **GOAL 2:** Grow and maintain audience share by meeting the needs and expectations of multi-cultural mass and niche audiences in all official South African languages (pages 30 to 32)
  - **GOAL 3:** Acquiring and scheduling accessible, quality programming spanning a range of genres and meeting mandate objectives across traditional and emerging broadcast and digital media platforms (pages 30 to 32)
  - **GOAL 4:** Ensuring an appropriate and reliable technology infrastructure for the production and delivery of broadcast programming, digital media content, and supporting commercial revenue generation (pages 30 to 32)
18. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned strategic goals. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).
19. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
20. The material findings in respect of the selected strategic goals are as follows:

## GOAL 1: A financially sustainable organisation

### Usefulness of reported performance information

21. I did not raise any material findings on the usefulness of the reported performance information for this strategic goal.

### Reliability of reported performance information

22. I did not raise any material findings on the reliability of the reported performance information for this strategic goal.

## GOAL 2: Grow and maintain audience share by meeting the needs and expectations of multi-cultural mass and niche audiences in all official South African languages

### Usefulness of reported performance information

23. The FMPPI requires the following:

- Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 100% of the indicators were not well defined.
- Performance targets should be specific in clearly identifying the nature and required level of performance. A total of 100% of the targets were not specific.

### Reliability of reported performance information

24. I did not raise any material findings on the reliability of the reported performance information for this strategic goal.

## GOAL 3: Acquiring and scheduling accessible, quality programming spanning a range of genres and meeting mandate objectives across traditional and emerging broadcast and digital media platforms

### Usefulness of reported performance information

25. The FMPPI requires the following:

- Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 50% of the indicators were not well defined.
- Performance targets should be specific in clearly identifying the nature and required level of performance. A total of 67% of the targets were not specific.
- Performance targets should be measurable. A total of 33% of the targets were not measurable.

### Reliability of reported performance information

26. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

## GOAL 4: Ensuring an appropriate and reliable technology infrastructure for the production and delivery of broadcast programming, digital media content, and supporting commercial revenue generation.

### Usefulness of reported performance information

27. The FMPPI requires the following:

- Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 100% of the indicator was not well defined.
- Performance targets should be specific in clearly identifying the nature and required level of performance. A total of 83% of the targets were not specific.



# Report of the Auditor-General to Parliament on the SABC (SOC) Ltd (*continued*)

- Performance targets should be measurable. A total of 83% of the targets were not measurable.

## Reliability of reported performance information

28. I did not raise any material findings on the reliability of the reported performance information for this strategic goal.

## Additional matters

29. I draw attention to the following matters:

## Achievement of planned targets

30. Refer to the annual performance report on pages 30 to 32 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected programmes reported in paragraph 18 of this report.

## Compliance with legislation

31. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

## Strategic planning and performance management

32. Effective, efficient and transparent system of internal control with respect to the process of performance monitoring, measurement, review and reporting in relation to performance information and management was not in place as required by section 51(1)(a)(i) of the PFMA.

## Annual financial statements

33. The financial statements submitted for auditing were not prepared in accordance with the International Financial Reporting Standards (IFRS) as required by section 55(1)(b) of the Public Finance Management Act and section 29(1)(a) of the Companies Act. Material misstatements identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

## Procurement and contract management

34. Goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive as required by the PFMA section 51(1)(a)(iii).
35. Sufficient appropriate audit evidence could not be obtained that the procurement system/ processes complied with the requirements of a fair SCM system as per section 51(1)(a)(iii) of the PFMA.

## Expenditure management

36. Effective steps were not taken to prevent irregular expenditure as required by section 51(1)(b)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph.
37. Effective steps were not taken to prevent fruitless and wasteful expenditure as required by section 51(1)(b)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1. The expenditure disclosed does not reflect the full extent of the fruitless and wasteful expenditure incurred as indicated in the basis for qualification paragraph.

## Asset management

38. Proper control systems to safeguard and maintain assets were not implemented, as required by sections 50(1) (a) of the Public Finance Management Act.

## Consequence management

39. Disciplinary steps were not taken against officials who made and permitted irregular, fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the Public Finance Management Act, as the entity is still in the process of investigating and quantifying the details and amounts.

## Other

40. The SABC did not consist of separate operation entities, namely a public service and commercial service division, and did not have adequate accounting and administrative systems in place to ensure that the corporation functioned in separate operation entities, as required section 9 of the Broadcasting Act, 1999 (Act No. 4 of 1999).

## Internal control

41. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report included in this report.

## Leadership

42. The SABC did not have formal standard operating procedures governing predetermined objectives and its relating activities for majority of the financial year. Implementation of this policy is critical to manage performance against the corporate plan.
43. Management did not adequately review the annual financial statements and the annual performance report against compliance with the relevant reporting framework before submitting them for auditing. Material matters were noted that required amendments.
44. Management has not ensured that proper record-keeping systems and processes are put in place for keeping and retrieving information to support financial information.

## Financial and performance management

45. Management did not ensure that daily and monthly controls put in place are executed; monitored and reviewed to ensure that financial and non-financial information reported is accurate, valid and complete.
46. Reviewing and monitoring compliance with applicable laws and regulations were not effective, this was mainly due to the lack of formally established policies and procedures to detect and prevent non-compliance. In addition to this controls to prevent non-compliance from occurring is also inadequate.

## Other reports

## Investigations

47. The public protector conducted an investigation on various matters pertaining to the SABC and issued the report to the board of the SABC on 17 February 2014. The public protector has announced that there will be follow up investigation to determine whether the previous findings were adequately implemented.
48. The forensic unit was conducting several investigations. The investigations were on-going and might or might not result in disciplinary and/or criminal proceedings against the parties concerned.
49. There is also an investigation underway by the National Treasury into the contravention of SCM processes.

*T. Ndlovu - General*

Pretoria  
31 July 2016



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# Statement of Financial Position as at 31 March 2016

	Note	GROUP			COMPANY		
		31-Mar-16	31-Mar-15	01-Apr-14	31-Mar-16	31-Mar-15	01-Apr-14
		R'000	R'000	R'000	R'000	R'000	R'000
			Restated*	Restated*		Restated*	Restated*
<b>ASSETS</b>							
Property, plant and equipment	5	1 495 570	1 369 052	1 438 401	1 495 570	1 369 052	1 438 401
Investment property	6	9 032	9 126	9 220	9 032	9 126	9 220
Computer software	7	189 927	231 633	244 085	189 927	231 633	244 085
Defined benefit asset	8	805 420	75 435	155 657	805 420	75 435	155 657
Investment in subsidiaries	9	-	-	-	1 761	71	71
Available-for-sale financial assets	10	9 812	11 227	8 245	9 812	11 227	8 245
Prepayments	11	209	27 496	133 273	209	27 496	133 273
Deferred Tax	21	428 376	540 360	87 696	428 376	540 360	87 696
Other non-current assets		624	112	-	624	112	-
<b>Total non-current assets</b>		<b>2 938 970</b>	<b>2 264 441</b>	<b>2 076 577</b>	<b>2 940 731</b>	<b>2 264 512</b>	<b>2 076 648</b>
Programme, film and sports rights	7	757 112	691 952	693 191	757 112	691 952	693 191
Property held for sale	12	8 541	8 541	8 541	8 541	8 541	8 541
Inventories	13	4 682	4 128	2 901	4 682	4 128	2 901
Trade and other receivables	14	1 100 408	1 087 922	1 046 530	1 114 090	1 092 777	1 051 929
Prepayments	11	134 767	198 027	195 363	134 767	198 019	195 306
Cash and cash equivalents	15	881 107	1 016 965	1 424 843	874 652	1 014 249	1 419 772
<b>Total current assets</b>		<b>2 886 617</b>	<b>3 007 535</b>	<b>3 371 369</b>	<b>2 893 844</b>	<b>3 009 666</b>	<b>3 371 640</b>
<b>Total assets</b>		<b>5 825 587</b>	<b>5 271 976</b>	<b>5 447 946</b>	<b>5 834 575</b>	<b>5 274 178</b>	<b>5 448 288</b>
<b>EQUITY</b>							
Share capital	16	1	1	1	1	1	1
Fair value adjustment reserve	17	8 257	9 408	6 982	8 257	9 408	6 982
Retained earnings		2 679 180	2 276 113	2 416 427	2 690 729	2 262 528	2 400 782
<b>Total equity</b>		<b>2 687 438</b>	<b>2 285 522</b>	<b>2 423 410</b>	<b>2 698 987</b>	<b>2 271 937</b>	<b>2 407 765</b>
<b>LIABILITIES</b>							
Perpetual debt instrument	18	27 390	27 390	27 390	27 390	27 390	27 390
Loans and borrowings	19	2 636	-	230	2 636	-	230
Deferred government grant	20	306 119	356 485	364 054	306 119	356 485	364 054
Employee benefits obligation	22	1 086 921	1 155 753	992 039	1 086 921	1 155 753	992 039
<b>Total non-current liabilities</b>		<b>1 423 066</b>	<b>1 539 628</b>	<b>1 383 713</b>	<b>1 423 066</b>	<b>1 539 628</b>	<b>1 383 713</b>
Trade and other payables	23	800 885	607 633	617 882	799 838	600 996	612 764
Employee benefits	22	157 470	164 932	160 621	157 470	164 932	160 621
Deferred income	24	49 106	93 037	182 431	49 106	93 037	182 431
Current portion of loans and borrowings	19	736	230	92 239	736	22 614	113 344
Tax payable	35	355 112	305 142	354 746	353 598	305 182	354 746
Current portion of deferred government grant	20	94 207	104 846	108 967	94 207	104 846	108 967
Provisions	25	257 567	171 006	123 937	257 567	171 006	123 937
<b>Total current liabilities</b>		<b>1 715 083</b>	<b>1 446 826</b>	<b>1 640 823</b>	<b>1 712 522</b>	<b>1 462 613</b>	<b>1 656 810</b>
<b>Total liabilities</b>		<b>3 138 149</b>	<b>2 986 454</b>	<b>3 024 536</b>	<b>3 135 588</b>	<b>3 002 241</b>	<b>3 040 523</b>
<b>Total equity and liabilities</b>		<b>5 825 587</b>	<b>5 271 976</b>	<b>5 447 946</b>	<b>5 834 575</b>	<b>5 274 178</b>	<b>5 448 288</b>



# Statement of Financial Performance

## for the year ended 31 March 2016

	Note	GROUP		COMPANY	
		31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
		R'000	R'000	R'000	R'000
			Restated*		Restated*
<b>Revenue</b>	26	<b>7 978 841</b>	7 514 601	<b>7 978 841</b>	7 514 601
Other income	27	113 384	44 967	113 384	44 967
Amortisation of programme, film and sports rights	7	(1 741 889)	(1 840 126)	(1 741 889)	(1 840 126)
Net impairment (raised)/reversed of programme, film and sports rights	7	(18 871)	(4 576)	(18 871)	(4 576)
Amortisation of computer software	7	(44 457)	(57 443)	(44 457)	(57 443)
Net impairment reversed/(raised) of trade and other receivables		(60 842)	(91 480)	(60 834)	(91 718)
Broadcast costs		(609 450)	(550 411)	(609 450)	(550 411)
Signal distribution and linking costs		(632 418)	(588 029)	(632 418)	(588 029)
Employee and directors compensation and benefit expenses	28	(3 264 774)	(2 928 368)	(3 264 774)	(2 928 368)
Depreciation and impairment of property, plant and equipment	5	(201 480)	(211 129)	(201 480)	(211 129)
Marketing costs		(188 283)	(166 343)	(188 283)	(166 343)
Direct revenue collection costs		(1 089 377)	(1 022 409)	(1 089 377)	(1 022 409)
Professional and consulting fees	29	(102 341)	(70 696)	(101 584)	(70 070)
Other expenses					
- personnel costs other than employee compensation		(87 585)	(77 589)	(87 586)	(77 589)
- operational		(643 340)	(530 943)	(620 237)	(531 235)
Other losses	31	(214)	(8 008)	(214)	(8 008)
<b>Operating loss before finance costs and tax</b>		<b>(593 096)</b>	(587 982)	<b>(569 229)</b>	(587 886)
Net financing income/(expenses)	32	27 350	47 644	27 288	49 674
Finance income	32	75 533	83 138	75 471	82 741
Finance expenses	32	(48 183)	(35 494)	(48 183)	(33 067)
<b>Loss before income tax</b>		<b>(565 746)</b>	(540 338)	<b>(541 941)</b>	(538 212)
Income tax	33	154 141	408 968	155 470	408 902
<b>Loss for the year</b>		<b>(411 605)</b>	(131 370)	<b>(386 471)</b>	(129 310)



# Statement of Other Comprehensive Income

## for the year ended 31 March 2016

	Note	GROUP		COMPANY	
		31-Mar-16 R'000	31-Mar-15 R'000	31-Mar-16 R'000	31-Mar-15 R'000
(Loss)/profit for the year		(411 605)	(131 370)	(386 471)	(129 310)
		1 130 074	(9 440)	1 130 074	(9 440)
<b>Items that will never be reclassified to profit and loss</b>					
<i>Pension fund</i>					
Actuarial gain/(loss)	8	1 288 419	(723 089)	1 288 419	(723 089)
Change in paragraph 58 limit of IAS 19 - employee benefits	8	-	-	-	-
Expected return on plan assets	8	(288 436)	790 075	(288 436)	790 075
<i>Post-employment medical benefits</i>					
Actuarial gain/ (loss)	22	130 125	(79 408)	130 125	(79 408)
<i>Long service awards</i>					
Actuarial gain/ (loss)		1 381	-	1 381	-
<b>Items that may be reclassified to profit and loss</b>					
(Loss)/ gain in changes in fair value of available-for-sale financial assets	10	(1 415)	2 982	(1 415)	2 982
Income tax relating to gain/ (loss) on available-for-sale financial assets	33	264	(556)	264	(556)
Income tax relating to loss on pension fund actuarial valuation	33	(279 995)	(18 756)	(279 995)	(18 756)
Income tax relating to (loss)/ gain on post employment medical benefits	33	(36 435)	22 234	(36 435)	22 234
Income tax relating to gain on long service awards	33	(387)	-	(387)	-
<b>Other comprehensive income/(loss) for the year, net of tax</b>		813 521	(6 518)	813 521	(6 518)
<b>Total comprehensive income/(loss) for the year</b>		<b>401 916</b>	<b>(137 888)</b>	<b>427 050</b>	<b>(135 828)</b>



# Statement of Changes in Equity for the year ended 31 March 2016

**Balance at 1 April 2014 as previously stated**  
Effects of changes recognised in accordance with IAS8  
**Balance at 1 April 2014 as restated**  
Total comprehensive (loss)/income for the year  
Balance at 31 March 2015  
**Total comprehensive (loss)/income for the year**  
**Balance at 31 March 2016**

**Balance at 1 April 2014 as previously stated**  
Effects of changes recognised in accordance with IAS8  
**Balance at 1 April 2014 as restated**  
Total comprehensive (loss)/income for the year  
Balance at 31 March 2015  
**Total comprehensive (loss)/income for the year**  
**Balance at 31 March 2016**

Share capital	Fair value adjustment reserve	Retained earnings	Total
R'000	R'000	R'000	R'000
<b>GROUP</b>			
1	6 982	2 329 230	2 336 213
-	-	87 197	87 197
1	6 982	2 416 427	2 423 410
	2 426	(140 314)	(137 888)
1	9 408	2 276 113	2 285 522
	(1 151)	403 067	401 916
1	8 257	2 679 180	2 687 438
<b>COMPANY</b>			
1	6 982	2 313 585	2 320 568
-	-	87 197	87 197
1	6 982	2 400 782	2 407 765
	2 426	(138 254)	(135 828)
1	9 408	2 262 528	2 271 937
	(1 151)	428 201	427 050
1	8 257	2 690 729	2 698 987



# Statement of Cash Flows

## for the year ended 31 March 2016

### Cash flows from operating activities

Cash receipts from customers

Cash paid to suppliers and employees

### Cash utilised by operations

Interest received

Dividends received

Interest paid

Income taxes paid

### Net cash inflows/(outflows) from operating activities

### Cash flows from investing activities

Proceeds from disposal of property, plant and equipment

Acquisition of property, plant and equipment

Acquisition of computer software

### Net cash outflows from investing activities

### Cash flows from financing activities

Advance of loan from subsidiary

Instalment sale and finance leases advanced/(paid) during the year

Proceeds from government grant

Net investment in subsidiaries

### Net cash inflows from financing activities

### Net decrease in cash and cash equivalents

Cash and cash equivalents at beginning of the year

### Cash and cash equivalents at end of the year

Note	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
	<b>7 922 424</b>	7 383 815	<b>7 913 597</b>	7 384 359
	<b>(7 965 119)</b>	(7 668 885)	<b>(7 958 054)</b>	(7 667 931)
	<b>(42 695)</b>	(285 070)	<b>(44 457)</b>	(283 572)
34	<b>69 193</b>	74 112	<b>69 131</b>	73 715
32	<b>408</b>	299	<b>408</b>	299
32	<b>(4 695)</b>	(11 983)	<b>(4 695)</b>	(11 982)
35	<b>(458)</b>	(90 378)	<b>(683)</b>	(90 404)
	<b>21 753</b>	(313 020)	<b>19 704</b>	(311 944)
	<b>18</b>	(4 126)	<b>18</b>	(4 126)
36	<b>(321 212)</b>	(180 914)	<b>(321 212)</b>	(180 914)
5	<b>(2 682)</b>	(9 763)	<b>(2 682)</b>	(9 763)
7	<b>(323 876)</b>	(194 803)	<b>(323 876)</b>	(194 803)
	<b>-</b>	-	<b>-</b>	1 279
19	<b>3 142</b>	(92 239)	<b>3 142</b>	(92 239)
19	<b>163 123</b>	192 184	<b>163 123</b>	192 184
20	<b>-</b>	-	<b>(1 690)</b>	-
	<b>166 265</b>	99 945	<b>164 575</b>	101 224
	<b>(135 858)</b>	(407 878)	<b>(139 597)</b>	(405 523)
	<b>1 016 965</b>	1 424 843	<b>1 014 249</b>	1 419 772
15	<b>881 107</b>	1 016 965	<b>874 652</b>	1 014 249



# Notes to the Annual Financial Statements for the year ended 31 March 2016

## 1 Significant Accounting Policies

The South African Broadcasting Corporation SOC Limited is a company domiciled in South Africa. The consolidated financial statements of the Company as at and for the year ended 31 March 2016 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 service broadcaster.

### (A) Statement of compliance

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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.

### (B) Basis of preparation

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 consolidated and separate annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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. Actual results may differ from these estimates.

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 2.

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.

### (C) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial results of subsidiaries are in the consolidated annual financial statements of the group from the date that it obtains control. They are deconsolidated from the date that the investor loses control of the investee.

#### (ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the annual financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### (iii) Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

### (D) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Annual Financial Statements are presented in South African Rands, which is the Company's and Group's functional presentation currency.

#### (ii) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the date the fair value was determined.

### (E) Property, plant and equipment

#### (i) Owned assets

Items of property, plant and equipment are initially measured at cost. Subsequently, they are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. 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.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

#### (ii) Leased assets

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. An asset acquired by way of a finance lease is



recognised at an amount equal to the lower of its fair value and the present value of minimum lease payments at inception of the lease on initial recognition. The asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are accounted for as described in accounting policy (Y).

(iii) *Subsequent costs*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. The carrying amount of the replaced part is derecognised. All other costs are charged to profit or loss during the financial period in which they are incurred.

(iv) *Depreciation*

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

• Buildings	3 - 60 years
• Broadcast equipment	3 - 40 years
• Computer equipment	3 - 5 years
• Musical equipment	up to 80 years
• Office equipment	5 - 15 years
• Security equipment	5 - 10 years
• Motor vehicles	5 - 20 years

The useful lives, depreciation methods and current residual values, if significant, are reassessed annually and adjusted if appropriate.

The depreciation charge which constitutes part of the cost of programme, film and sports rights is included in its carrying amount.

(v) *Derecognition*

Assets are disposed of or scrapped when no future economic benefit is expected from the assets. The gain or loss on the disposal or scrapping of property, plant and equipment is recognised in profit or loss, (refer to note 36). Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment.

**(F) Investment property**

(i) *Cost method*

Investment property relates to properties which is held either to earn rental income or for capital appreciation or for both. Investment properties are initially carried at cost or deemed cost including transaction costs. 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.

(ii) *Depreciation*

Depreciation is charged to profit or loss on a straight line basis over the estimated useful lives of each of the investment properties. The estimated useful lives for the current and comparative periods are as follows:

- Investment property 50 years

The useful lives, depreciation methods and residual values, if significant, are reassessed annually.

(iii) *Fair value*

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.

Rental income from investment property is accounted for as described in accounting policy (X).

Where an item of property, plant and equipment is transferred to/from investment property following a change in its use, the cost and related accumulated depreciation (i.e. carrying value) at the date of reclassification becomes its cost for accounting purposes and subsequent recording.

**(G) Intangible assets**

(i) *Originated programme, film and sports rights*

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.

Subsequent to initial recognition, originated assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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 measurement reliably the expenditure attributable to the intangible asset during its development.

## **(ii) 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 7) 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.

## **(iii) Prepayments**

Payments made before the recognition criteria for an intangible asset are met, are recorded as Prepayments and classified as current or non-current, depending on the estimated time of usage of the material.

## **(iv) Commitments**

Where arrangements have been executed for the future purchase of programme, film and sports rights, but the recognition criteria above have not been met, the arrangements are disclosed as Commitments (refer to note 39).

## **(v) Classification**

Programme, film and sports rights are classified as current assets as they are expected to be realised in the Group's normal operating cycle.

## **(vi) Derecognition of programme, film and sports rights**

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.

## **(vii) Other intangible assets**

Other intangible assets, including computer software not considered an integral part of property, plant and equipment, are initially measured to cost and subsequently measured at cost less accumulated amortisation (refer to note 7) and impairment losses. Expenditure on internally generated brands is recognised in profit or loss as an expense as incurred.

## **(viii) Subsequent expenditure**

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.

## **(ix) Derecognition**

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, (refer to note 36). 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.

## **(x) Amortisation**

Amortisation of programme, film and sports rights is charged to profit and loss on an accelerated basis where the first transmission is expected to be more valuable than subsequent transmissions and on a straight-line basis based on the estimated number of future showings if each showing is expected to generate similar audiences.

Amortisation of other intangible assets is charged to profit and loss on a straight-line based on the estimated useful lives of such assets from the date that they are available for use. The estimated useful life of computer software for the current and comparative period is between 2 and 10 years.

Amortisation methods, useful lives and residual values if significant, are reassessed annually, and adjusted if appropriate.

## **(H) Property held for sale**

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of their carrying amount and fair value less costs to sell.

## **(I) Investments in subsidiaries**

Subsidiaries are all entities (including special-purpose entities) over which the group has the power to govern the financial and operating policies to obtain benefits from the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost less impairment losses in the separate financial statements of the company.

## **(J) Impairment of non-financial assets**

The carrying amount of the Group's assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or, its cash-generating unit, exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

### **Calculation of impairment**

The recoverable amount of non-financial assets is the greater of their fair value less cost to sell and 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash generating unit is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Impairment losses in respect of cash generating units are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

#### *Reversals of impairment*

In respect of non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **(K) Financial assets**

Non-derivative financial assets comprise of investment in securities, financial instruments with group companies, trade and other receivables and cash and cash equivalents.

Loans and receivables are initially recognised when they are originated. All other financial assets are initially recognised on trade date.

#### **Classification**

The group classifies its financial assets in the following categories: at fair value through profit and loss, 'held-to-maturity' investments, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### *(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using effective interest rate method, less any impairment. They are included in current assets, except where they have maturities greater than 12 months after the reporting date. These are classified as non-current assets.

#### *(ii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell a significant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

#### *(iii) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

#### *(iv) Financial assets at fair value through profit and loss*

Financial assets are classified as fair value through

profit and loss when the asset is held for trading or it is designated through profit and loss. A financial asset is classified as held for trading if: a) it has been acquired principally for the purpose of selling it in the near term; or b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or c) it is a derivative that is not designated and effective as a hedging instruments. A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if: a) such designation eliminates or significantly reduces a measurement of recognition inconsistency that would otherwise arise; or b) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy and information about the grouping is provided internally on that basis, c) it forms part of a contract containing one or more embedded derivatives and IAS39 permits the entire combined contract to be designated as at fair value through profit and loss.

Financial assets at fair value through profit and loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

#### **Derecognition**

Financial assets are derecognised when the contractual rights to the cash flow from the financial asset expire or when the Group has transferred substantially all the risks and rewards of ownership of those financial assets.

### **(L) Impairment of financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. In addition, for an investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. 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 available-for-sale investment securities 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 available-for-sale debt security 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 available-for-sale equity security 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 available-for-sale 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 available-for-sale is not reversed through profit or loss.

### **(M) Financial liabilities**

Non-derivative financial liabilities comprise of loans and borrowings, financial instruments with group companies, financial trading liabilities, finance lease liabilities and trade and other payables.

Loans and debt securities are initially recognised when they are originated. All other financial liabilities are initially recognised on trade date.

Financial liabilities are classified as either financial liabilities at 'fair value through profit or loss' or 'other financial liabilities'.

#### *Financial liabilities at 'fair value through profit or loss'*

A financial liability is classified as at 'fair value through profit and loss' when the financial liability is either held for trading or designated through this category.

A financial liability is classified as held for trading if: a) it has been principally acquired for the purpose of repurchasing it in the near term, b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short term profit-taking, or c) it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as 'fair value through profit or loss' upon initial recognition if a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, or c) it forms part of a contract containing one or more embedded derivatives, and IAS39 permits the entire combined contract to be designated as 'fair value through profit or loss'.

Financial liabilities at 'fair value through profit or loss' are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

#### *Other financial liabilities*

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate 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, through the life of the liability or a shorter period, to the net carrying amount on initial recognition.

#### **Derecognition**

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

### **(N) Derivative financial instruments**

The Group uses derivative financial instruments to economically hedge its exposure to foreign exchange risks arising from the purchase of foreign programme, film and sports rights, capital equipment and certain operational expenses. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, since the Group has elected not to apply hedge accounting, all derivative financial instruments are accounted for as trading instruments.





Derivative financial instruments are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

#### **(O) Perpetual debt instrument**

Perpetual debt instrument relates to a non-repayable loan from the shareholder. On 1 February 1972, the Company's shareholder converted a long-term loan into permanent capital. The permanent capital is not repayable. In terms of the Exchequer Act, No. 66 of 1975, as amended, interest will be payable, in perpetuity, at a rate of 6.5% per annum on the 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 payments to the Company's shareholder.

#### **(P) 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.

#### **(Q) Inventories**

Merchandise and consumables are stated 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 selling expenses. Cost is determined on a weighted average basis and includes other costs incurred in bringing the consumables to their present location and condition. Any write-down and impairment of obsolete inventory to net realisable value are recognised as an expense in the period in which the write-down occurs. Any reversal are recognised in profit and loss in the period in which the reversal occurs.

#### **(R) Trade receivables**

Trade receivables comprise receivables in respect of advertising, sponsorships and facilities and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses. The fair value of trade receivables is net of agency commissions, and where applicable net of trade discounts, which are granted when payment is made in accordance with agreed payment terms.

#### **(S) Share capital**

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.

#### **(T) Employee benefit obligations**

##### *(i) Defined benefit pension plans*

The net obligation in respect of defined benefit pension plans is the present value of the defined benefit obligation (calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods) at the end of the reporting period less the fair value on plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using an appropriate discount rate. The discount rates used are the following:- yield on Government Stock, the zero-coupon yield curve provided by the South African Bond Exchange (member of the Johannesburg Stock of Exchange) that have maturity dates approximating the terms of the Company's obligations. The defined benefit obligation is

calculated annually by independent actuaries. Refer to Note 8 on the defined benefit pension plan.

Past service costs are recognised immediately in profit and loss.

##### *(ii) 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.

##### *(iii) Short-term benefits*

Short-term employee benefit obligations relating to leave pay are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### *(iv) Long-term benefits*

The Group's net obligation in respect of long-term employee benefits relating to old leave pay and bonuses other than pension plans is the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

##### *(v) 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. The awards consists of a cash portion as well as a gift portion, where continuous service reaches 30 years then an additional 5 days of long service leave is also granted. To determine the present value of the obligation the Projected Unit Credit Method is used. The liability is valued annually by independent qualified actuaries."

#### **(U) Provisions**

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### **(V) Trade and other payables**

Trade and other payables are initially recognised at fair value less any directly attributable transaction costs. Trade and other payables are subsequently measured at amortised cost, using the effective interest rate method.

## (W) Cash and cash equivalents

Cash and cash equivalents includes 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.

### *Restricted cash*

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. Given that the cash has specific conditions of use it has been separately disclosed in note 15.

## (X) Revenue

### (i) *Advertising revenue*

Advertising revenue is recognised at the time the related advertisement or commercial appears before the public. The amount recognised is net of Value-Added Tax and trade discounts.

### (ii) *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 fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

### (iii) *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 relative fair value and accounted for in accordance with the substance of the underlying component.

### (iv) *Licence fee revenue*

TV licence fees revenue arises when licence fees are due in accordance with legislation at each renewal date. Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the group.

Where it is assessed that the revenue will not be probable based on predefined criteria, such TV licence fees are not recognised. Probability is assessed on a monthly basis for all active TV licence user accounts registered on the SABC's database.

### (v) *Government grants*

Government grants are recognised in the statement of financial position initially as deferred income (deferred government grant) when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic

basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss as revenue on a systematic basis over the useful life of the asset.

### (vi) *Other revenue*

Other revenue associated with the sale of goods such as programme rights exploitation revenue and mobile revenue is recognised in profit or loss when the significant risks and rewards of ownership have been 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.

### (vii) *Other income*

Other income 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.

## (Y) Lease payments

### (i) *Operating lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. The difference between the amounts recognised as an expense and the contractual payments (due to straight-lining of lease payments), is recognised as an operating lease asset or liability.

### (ii) *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is also allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The capital portion of future obligations under the leases is included as a liability in the statement of financial position.

Initial direct costs incurred in negotiating and securing lease arrangements are added to the amount recognised as an asset.

## (Z) Net financing income

Financing income includes interest receivable on funds invested, dividend income and foreign exchange gains and losses.

Interest payable on borrowings is calculated using the effective interest rate method. Interest income is recognised in profit or loss as it accrues, using the effective interest rate method.

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is usually the ex-dividend date.

The interest expense component of finance lease payments is recognised in profit or loss using the effective interest rate method.

## (AA) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in





equity or other comprehensive income, in which case it is recognised there.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on the net basis or their tax assets and liabilities will be realised simultaneously. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised there.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits or reversing temporary differences will be available against which the asset can be utilised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

## (BB) 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 is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

## (CC) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to

the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

## (DD) 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 impracticability 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.

## (EE) Contingent liabilities

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.

## (FF) Expenses

Expenses are decreases in economic benefits during the financial year in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

## 2 Accounting Estimates and Judgements

Management discusses with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

### (A) Critical accounting estimates and assumptions

The preparation of the annual financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues,

expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in significant adjustments as accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Useful lives and residual values of property, plant and equipment*

*Useful lives*

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. 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.

*Residual Values*

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.

(ii) *Amortisation and impairment of computer software*

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(G) and note 7.

(iii) *Amortisation and impairment of programme, film and sports rights*

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(G) and note 7. The recoverable amount of the rights is considered zero once the licence period is expired.

(iv) *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 2014, 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 8.

(v) *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 22.

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.

	1% point increase	1% point decrease
Effect on the post-employment medical aid liability:	R1 163 m	R890 m

(vi) *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 25 and 40.

(vii) *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)*

(viii) *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. Accumulated write-downs of receivables and provisions for credit notes amounted to R228 million (2015: R208 million) as of 31 March 2016.

(ix) *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 26). Where such a probability assessment cannot be reliably made, as in the case with the first anniversary renewal for new TV licence holders, the revenue is only recognised when the uncertainty is removed on receipt.

### 3 New and Revised IFRSs in Issue but not yet Effective

At the date of authorisation of the financial statements of the Group for the year ended 31 March 2016, the following standards and interpretations were in issue but not yet effective. The Group has therefore not yet applied them.

	Effective date of Standard
(i) Amendments to IAS 1 - Disclosure initiative	1-Jan-16
(ii) IFRS 9 - Financial Instruments	1-Jan-18
(iii) IFRS 15 - Revenue from contracts with customers	1-Jan-18
(iv) Amendments to IFRS 11 - Accounting for acquisitions on interest in joint operations	1-Jan-16
(v) Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation	1-Jan-16
(vi) Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture	1-Jan-16
(vii) Amendments to IAS 27 - Equity method in separate financial statements	1-Jan-16
(viii) IFRS14 - Regulatory deferral accounts	1-Jan-16
(ix) "Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: Applying the consolidation exception"	1-Jan-16

#### **Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements**

The amendment provides new requirements when an entity presents subtotals in addition to those required by IAS 1 in its financial statements. It also provides amended guidance concerning the order of presentation of the notes in the financial statements, as well as guidance for identifying which accounting policies should be included. It further clarifies that an entity's share of comprehensive income of an associate or joint venture under the equity method shall be presented separately into its share of items that a) will not be reclassified subsequently to profit or loss and b) that will be reclassified subsequently to profit or loss.

#### **IFRS 9 Financial Instruments**

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit and loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness test. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The group is yet to assess IFRS 9's full impact.



### **IFRS 15 - Revenue from contracts with customers**

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

### **Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations**

The amendments apply to the acquisitions of interest in joint operations. When an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, it shall apply, to the extent of its share, all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in this IFRS and disclose the information that is required in those IFRSs in relation to business combinations. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business.

### **Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation**

This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of

the economic benefits of the intangible asset are highly correlated.

### **Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

### **Amendment to IAS 27: Equity Method in Separate Financial Statements**

The amendment adds the equity method to the methods of accounting for investments in subsidiaries, associates and joint ventures in the separate financial statements of an entity.

### **IFRS 14: Regulatory Deferral Accounts**

The new standard is an interim standard applicable to entities subject to rate regulation. The standard is only applicable to entities adopting IFRS for the first time. It permits entities to recognise regulatory deferral account balances in the statement of financial position. When the account has a debit balance, it is recognised after total assets. Similarly, when it has a credit balance, it is recognised after total liabilities. Movements in these accounts, either in profit or loss or other comprehensive income are allowed only as single line items.

### **Amendments to IFRS 10, 12 and IAS 28: Investment Entities. Applying the consolidation exemption**

The amendment clarifies the consolidation exemption for investment entities. It further specifies that an investment entity which measures all of its subsidiaries at fair value is required to comply with the "investment entity" disclosures provided in IFRS 12. The amendment also specifies that if an entity is itself not an investment entity and it has an investment in an associate or joint venture which is an investment entity, then the entity may retain the fair value measurement applied by such associate or joint venture to any of their subsidiaries.



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 4 Restatements in respect of Prior Period Errors

### Statement of Financial Position

		GROUP		COMPANY	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
Deferred tax asset	(i)				
As previously reported		296 702	117 702	296 702	117 702
Adjustments		243 658	(30 006)	243 658	(30 006)
<b>Deferred tax asset restated</b>		<b>540 360</b>	<b>87 696</b>	<b>540 360</b>	<b>87 696</b>
Trade and other receivables	(i)				
As previously reported		979 188	939 364	984 043	944 763
Adjustments		108 734	107 166	108 734	107 166
<b>Trade and other receivables restated</b>		<b>1 087 922</b>	<b>1 046 530</b>	<b>1 092 777</b>	<b>1 051 929</b>
Trade and Other Payables	(i)				
As previously reported		(628 851)	(627 919)	(622 214)	(622 801)
Adjustments		21 218	10 037	21 218	10 037
<b>Trade and other payables restated</b>		<b>(607 633)</b>	<b>(617 882)</b>	<b>(600 996)</b>	<b>(612 764)</b>
Taxation payable	(ii)				
As previously reported		(282 033)	(354 746)	(282 073)	(354 746)
Adjustments		(23 109)	-	(23 109)	-
<b>Taxation payable restated</b>		<b>(305 142)</b>	<b>(354 746)</b>	<b>(305 182)</b>	<b>(354 746)</b>

### Statement of Comprehensive Income

Total comprehensive (Loss) for the year as previously reported		(401 192)		(399 132)	
Revenue	(i)				
As previously reported		7 441 982		<b>7 441 982</b>	
Adjustments		72 619		<b>72 619</b>	
<b>Revenue restated</b>		<b>7 514 601</b>		<b>7 514 601</b>	
Impairment of trade and other receivables	(i)				
As previously reported		(31 610)		(31 848)	
Adjustments		(59 870)		(59 870)	
<b>Impairment of trade and other receivables restated</b>		<b>(91 480)</b>		<b>(91 718)</b>	
Income tax expense	(i)				
As previously reported		158 413		158 347	
Adjustments		250 555		250 555	
<b>Income tax expense restated</b>		<b>408 968</b>		<b>408 902</b>	
Prior period error, net of taxation		<b>263 304</b>		<b>263 304</b>	
<b>Total comprehensive (loss)/income for the year after prior period error</b>		<b>(137 888)</b>		<b>(135 828)</b>	
Equity					
Previously Reported		1 925 612	2 329 230	1 912 027	2 313 585
Impact on retained earnings		350 501	87 197	350 501	87 197
<b>Retained earnings restated</b>		<b>2 276 113</b>	<b>2 416 427</b>	<b>2 262 528</b>	<b>2 400 782</b>

#### (i) Restatements in respect of TV licence fees

During the current period the Group changed its process with respect to the accounting of TV licence fees and penalties from a cash basis to an accrual basis. The change was required in order to comply with International Accounting Standard 18 on Revenue. The comparative information for 2015 has been restated. The Group believes that the change results in fair presentation in the financial statements and this was applied retrospectively. The table above summarises the financial statement adjustments on implementation of the new accounting policy relating to TV licence fees and penalties. An error in respect of the classification between penalties and licence fees was also corrected retrospectively including the impact on VAT.

The effect of the change is an increase of R263.3 million in profit for the year ended 31 March 2015. Furthermore, opening retained earnings for 2014 have been increased by R87.20 million, which is the amount of the adjustment relating to periods before 2014.

#### (ii) Restatements in respect of Taxation Payable

During the current period the Group re-performed its income tax calculation for the prior period and the corrections are reflected in the financial statements



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 5 Property, plant and equipment

	GROUP AND COMPANY					
	Land and buildings R'000	Broad-casting equipment R'000	Other equipment* R'000	Vehicles R'000	Capital-work-in-progress** R'000	Total R'000
<b>At 31 March 2016</b>						
Cost	955 148	1 024 695	778 828	107 837	246 695	3 113 203
Accumulated depreciation and impairment losses	(415 627)	(651 518)	(477 799)	(72 689)	-	(1 617 633)
Carrying amount	539 521	373 177	301 029	35 148	246 695	1 495 570
<b>At 31 March 2015</b>						
Cost	955 153	950 330	709 009	99 239	57 182	2 770 913
Accumulated depreciation and impairment losses	(393 979)	(549 409)	(398 190)	(60 283)	-	(1 401 861)
Carrying amount	561 174	400 921	310 819	38 956	57 182	1 369 052
<b>For the year ended 31 March 2016</b>						
Carrying amount at 1 April 2015	561 174	400 921	310 819	38 956	57 182	1 369 052
Additions	6	60 749	46 823	8 728	204 906	321 212
Disposals	(64)	(96)	(72)	-	-	(232)
Cost	(161)	(881)	(278)	(216)	-	(1 536)
Accumulated depreciation and impairment losses	97	785	206	216	-	1 304
Transfers from/(to) computer software and other categories of property, plant and equipment	(390)	4 327	11 333	54	(15 393)	(69)
Cost	110	2 805	12 330	59	(15 393)	(89)
Accumulated depreciation and impairment losses	(500)	1 522	(997)	(5)	-	20
Assets identified during final phase of clean-up project and brought onto the asset register	15	4 714	2 348	10	-	7 087
Cost	40	11 692	10 944	27	-	22 703
Accumulated depreciation and impairment losses	(25)	(6 978)	(8 596)	(17)	-	(15 616)
Depreciation charge for the year	(21 220)	(97 438)	(70 222)	(12 600)	-	(201 480)
<b>Carrying amount at 31 March 2016</b>	539 521	373 177	301 029	35 148	246 695	1 495 570
<b>For the year ended 31 March 2015</b>						
Carrying amount at 1 April 2014	575 636	460 077	331 123	49 716	21 849	1 438 401
Additions	2 456	54 583	60 259	2 357	61 259	180 914
Disposals	(2)	(2 474)	(1 491)	-	85	(3 882)
Cost	(8)	(10 866)	(5 249)	-	85	(16 038)
Accumulated depreciation and impairment losses	6	8 392	3 758	-	-	12 156
Transfers from/(to) computer software and other categories of property, plant and equipment	5 948	(14 441)	(748)	-	(26 011)	(35 252)
Cost	5 948	(14 445)	(744)	-	(26 011)	(35 252)
Accumulated depreciation and impairment losses	-	4	(4)	-	-	-
Depreciation charge for the year	(22 864)	(96 824)	(78 324)	(13 117)	-	(211 129)
<b>Carrying amount at 31 March 2015</b>	561 174	400 921	310 819	38 956	57 182	1 369 052

\* Other equipment comprises computer, office, musical and security equipment.

\*\* Capital work-in-progress consists of property, plant and equipment that has been received or constructed, but is not yet available for use.

### Information on land and buildings

Information in respect of land and buildings is contained in the fixed property register, which is available for inspection at the registered office of the company.



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 5 Property, Plant and equipment (continued)

### Carrying amount of property, plant and equipment ceded as security (see also note 19)

#### Motor Vehicles

Motor vehicles to secure Nedbank instalment sale  
Motor vehicles to secure ABSA instalment sale

GROUP AND COMPANY	
2016 R'000	2015 R'000
-	1 472
3 494	-
<b>3 494</b>	<b>1 472</b>

### Included in capital work-in-progress are the following major projects:

Auckland Park access control and CCTV upgrade	29 367	-
TVOB Provincial News studio upgrades	25 041	1 562
Network infrastructure upgrade	20 815	-
Upgrade of server in FCC	18 488	-
Auckland Park roof waterproofing	15 548	-
Standby head-end system	10 125	-
Production and broadcast communications system	9 311	-
Henley multipurpose set and studio	8 252	-
Radio outside broadcast vehicle replacement	6 484	2 468
KwaZulu-Natal production studios upgrade	6 431	-
Channel Africa studio replacement	6 121	3 961
Audio final mix studio upgrade	6 053	-
Bhisho reception and ablution facilities upgrade	5 675	2 500
Mpumalanga studio facilities upgrade	5 653	4 229
Polokwane security system upgrade	5 590	-
Collaboration solution implementation	4 515	-
Henley studio 1 and 2 digital upgrade	4 503	2 809
Asset management system	4 355	3 967
Ukhozi FM and Lotus FM outside broadcast vehicle replacement	3 724	2 343
SAP GRC module implementation	3 002	-
Polokwane drama studio upgrade	2 759	-
Mthatha studio upgrade	2 572	1 166
Port Elizabeth Umhlobo Wenene studio upgrade	2 456	2 088
Western Cape music studio replacement	2 348	2 205
Western Cape ProTools upgrade	2 288	-
Bonded cellular contribution equipment	2 251	-
Lesedi FM studio replacement	2 230	-
Tshwane studio facilities upgrade	1 908	-
Polokwane standby generator replacement	1 900	-
Durban generator replacement	1 886	-
Motsweding FM studio upgrade	1 656	-
Mthatha building and security upgrade	1 636	-
Implementation of LSO system	1 480	-
TVOB barrel and wide angle lens replacement	1 256	-
Television Division technical equipment replacement	1 204	-
Henley fire detection system replacement	1 084	939
Tshwane outside broadcasting equipment	797	-
TVOB EVS Nano and X-fly storage	794	-
Polokwane ProTools upgrade	764	-
Mafikeng access control system	742	742
Transport fleet management software upgrade	620	-
Radio digital production system replacement	459	-
Henley sport play out centre	-	11 516
Radiopark and TV Block chillers replacements	-	4 395
Thohoyandou airconditioning plant replacement	-	3 412
Radio Broadcasting Facilities portable recording equipment	-	2 408
Polokwane studio and news booth upgrade	-	373
Other	12 552	4 099
<b>Total</b>	<b>246 695</b>	<b>57 182</b>

2016 R'000	2015 R'000
7 690	2 612

Cost of fully depreciated PPE that is still in use



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 6 Investment Property

### At 31 March 2016

Cost	18 827
Accumulated depreciation	(9 795)
Carrying amount	<u>9 032</u>

### At 31 March 2015

Cost	18 827
Accumulated depreciation	(9 701)
Carrying amount	<u>9 126</u>

### For the year ended 31 March 2016

Carrying amount at 1 April 2015	9 126
Depreciation charge for the year	(94)
	<u>9 032</u>

### Carrying amount at 31 March 2016

### For the year ended 31 March 2015

Carrying amount at 1 April 2014	9 220
Depreciation charge for the year	(94)
	<u>9 126</u>

### Carrying amount at 31 March 2015

### Fair value of investment properties

The fair values of investment properties are determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. These fair values are determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties.

The fair values were determined by a professional valuer, Broll Valuation and Advisory Services (Pty) Ltd, in June 2016.

Details of the Group's investment properties and information about the hierarchy as at 31 March 2016 are as follows:

	Level 1	Level 2	Level 3	Fair value at 31 March 2016
<b>Fair value of investment properties</b>	<b>58 000</b>	<b>-</b>	<b>-</b>	<b>58 000</b>

There were no transfers between level 1 and 2 during the year.

(The fair value is based on observable quoted prices in an active market)

### Information on investment properties

Investment properties comprise of a commercial property leased to a third party, vacant buildings and vacant land. The commercial property lease is for a non-cancellable period of 5 years. Subsequent renewals are negotiated with the lessee. There were no additions or disposals during 2015/16.

Information in respect of investment properties is contained in the register of investment properties which is available for inspection at the registered office of the Group.

Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period.

2016 R'000	2015 R'000
341	155



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 7 Intangible assets

### (i) Computer software

#### At 31 March 2016

Cost	435 015
Accumulated amortisation	(245 088)
Carrying amount	<u>189 927</u>

#### At 31 March 2015

Cost	435 655
Accumulated amortisation	(204 022)
Carrying amount	<u>231 633</u>

#### For the year ended 31 March 2016

Carrying amount at 1 April 2015	231 633
Additions	2 682
Transfers from PPE	69
Cost	89
Accumulated amortisation	(20)
Retirements	-
Cost	(3 411)
Accumulated amortisation	3 411
Amortisation charge for the year	(44 457)
<b>Carrying amount at 31 March 2016</b>	<u><b>189 927</b></u>

#### For the year ended 31 March 2015

Carrying amount at 1 April 2014	244 085
Additions	9 763
Transfers from PPE	35 255
Cost	35 255
Accumulated amortisation	-
Retirements	(27)
Cost	(25)
Accumulated amortisation	(2)
Amortisation charge for the year	(57 443)
<b>Carrying amount at 31 March 2015</b>	<u><b>231 633</b></u>



## 7 Intangible assets (continued)

## (ii) Programme, film and sports rights

## At 31 March 2016

	Acquired programme and film rights R'000	Acquired Sports Rights R'000	Originated programme and film rights R'000	Work-in- progress R'000	Total R'000
Cost	408 033	400 433	922 605	353 838	2 084 909
Accumulated amortisation and impairment losses	(107 294)	(316 750)	(879 353)	-	(1 303 397)
Provision for programme, film and sports rights impairment losses*	-	(15 499)	(8 901)	-	(24 400)
Carrying amount	300 739	68 184	34 351	353 838	757 112

## At 31 March 2015

Cost	384 037	162 226	861 172	319 852	1 727 287
Accumulated amortisation and impairment losses	(90 248)	(101 072)	(826 983)	-	(1 018 303)
Provision for programme, film and sports rights impairment losses*	(1 533)	(15 499)	-	-	(17 032)
Carrying amount	292 256	45 655	34 189	319 852	691 952

## For the year ended 31 March 2016

Carrying amount at 1 April 2015	292 256	45 655	34 189	319 852	691 952
Additions	297 188	595 313	-	958 314	1 850 815
Transfers	-	-	924 328	(924 328)	-
Amortisation charge for the year	(288 311)	(563 208)	(915 265)	-	(1 766 784)
Impairment charge for the year	(1 927)	(9 576)	-	-	(11 503)
Reversal/(raising) provision for write-off *	1 533	-	(8 901)	-	(7 368)
Derecognition	-	-	-	-	-
Cost	(273 192)	(357 106)	(862 895)	-	(1 493 193)
Accumulated amortisation and impairment	273 192	357 106	862 895	-	1 493 193
Carrying amount at 31 March 2016	300 739	68 184	34 351	353 838	757 112

## For the year ended 31 March 2015

Carrying amount at 1 April 2014	179 113	54 073	198 489	261 516	693 191
Additions	393 776	541 723	-	925 180	1 860 679
Transfers	-	-	866 844	(866 844)	-
Amortisation charge for the year	(276 391)	(549 807)	(1 031 144)	-	(1 857 342)
Amortisation charge for the year based on revised amortisation estimates	(265 226)	(549 807)	(859 308)	-	(1 674 341)
Accelerated amortisation charge based on change in estimate **	(11 165)	-	(171 836)	-	(183 001)
Impairment charge for the year	(9 026)	(2 034)	-	-	(11 060)
Reversal/(raising) provision for write-off *	4 784	1 700	-	-	6 484
Derecognition	-	-	-	-	-
Cost	(314 884)	(605 471)	(1 245 349)	-	(2 165 704)
Accumulated amortisation	314 884	605 471	1 245 349	-	2 165 704
Carrying amount at 31 March 2015	292 256	45 655	34 189	319 852	691 952

\*Excess capacity film rights for which the licence period has not yet expired.

## (iii) Programme, film and sports rights

## Amortisation reconciliation to profit and loss

Amortisation for the year as stated in the Note  
 Amounts posted to amortisation for previously de-recognised fully broadcast programmes  
**Amounts recognised in profit and loss**

GROUP AND COMPANY	
2016 R'000	2015 R'000
(1 766 784)	(1 857 342)
24 895	17 216
(1 741 889)	(1 840 126)



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 8 Defined benefit asset

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 2014, 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 depend 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 consist of representatives of the Group and Fund members in accordance with regulations and the rules of the Fund.

The defined benefit pension plan is 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:

	GROUP AND COMPANY	
	2016 R'000	2015 R'000
Opening balance	75 435	155 657
Actuarial gain recognised in other comprehensive income	999 983	66 986
Amounts recognised in profit or loss	(522 740)	(367 346)
Employer contributions	252 742	220 138
Closing balance	805 420	75 435
<b>The amounts recognised in the statement of financial position are determined as follows:</b>		
Present value of funded obligations	(11 345 970)	(11 568 216)
Fair value of plan assets	12 151 390	11 643 651
Present value of funded obligations	805 420	75 435
Asset recognised in the statement of financial position	805 420	75 435
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening defined benefit obligation	11 568 216	9 881 401
Current service cost	493 915	333 913
Interest cost	1 042 782	919 971
Actuarial (gain)/loss	(1 288 419)	723 089
Benefits paid	(562 430)	(371 587)
Employee contributions	91 906	81 429
Closing defined benefit obligation	11 345 970	11 568 216
<b>Changes in the fair value of plan assets are as follows:</b>		
Fair value of plan assets at the beginning of the year	11 643 651	10 037 058
Employee contributions	91 906	81 429
Employer contributions	252 742	220 138
Benefit payments	(562 430)	(394 206)
Expected return on plan assets	(288 436)	790 075
Interest income	1 013 957	909 157
Fair value of plan assets at the end of the year	12 151 390	11 643 651
<b>The amounts recognised in profit or loss are determined as follows:</b>		
Current service cost	(522 740)	(367 346)
Expenses	(469 860)	(333 913)
Interest cost	(24 055)	(22 619)
Expected return on plan assets	(28 825)	(10 814)
<b>Items recognised in a statement of other comprehensive income are determined as follows:</b>		
	999 983	66 986
Actuarial gain/ (loss)	1 288 419	(723 089)
Expected return on plan assets	(288 436)	790 075
Net periodic pension charge	477 243	(300 360)



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 8 Defined benefit asset (continued)

The principal actuarial assumptions at the reporting date (expressed as weighted averages) are as follows:

Discount rate at 31 March  
Inflation  
Future salary increases  
Future pension increases

GROUP AND COMPANY	
2016 %	2015 %
10,3	8,7
7,5	6,4
9,0	7,9
7,5	6,4

### Plan assets comprise:

Domestic equity  
Bonds  
Cash  
Foreign assets

GROUP AND COMPANY			
2016 R'000	%	2015 R'000	%
7 169 320	59,0	7 044 409	60,5
1 701 195	14,0	1 758 191	15,1
656 175	5,4	489 033	4,2
2 624 700	21,6	2 352 018	20,2
12 151 390	100,0	11 643 651	100,0

Defined benefit obligation  
Plan assets  
Surplus

GROUP AND COMPANY				
2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
(11 345 970)	(11 568 216)	(9 881 401)	(8 428 328)	(6 592 079)
12 151 390	11 643 651	10 037 058	8 497 530	7 412 203
805 420	75 435	155 657	69 202	820 124

The plan typically exposes the group to actuarial risks such as:

<b>Market discount rate risk</b>	The risk that discount rates determined from the market is lower in the future and therefore a higher pension benefit obligation impacts the balance.
<b>Inflation risk</b>	The risk that future CPI inflation is higher than assumed and that it is sporadic and uncontrolled. Such increased uncertainties make the qualification of the inflation risk premium more difficult, leading to a greater uncertainty around the long-term value of the obligation.
<b>Longevity risk</b>	The risk that the pensioners live longer than expected exposing the company to pay the obligation for longer than anticipated increasing the actual long-term cost of the obligation.
<b>Risk on non-enforcement of eligibility criteria and rules</b>	"The risk that the eligibility criteria and benefit rules set out by the company are not strictly adhered to, leading to a greater and wider contractual obligation and cost than intended.
<b>Risk of future changes in legislation and regulation</b>	The risk that changes in legislation, regulations and generally accepted accounting practice (specifically IAS 19R) and the methodology prescribed to value the benefit may lead to an increase in the value of the liability.
<b>Industrial and labour relation risks from dissatisfied non-eligible employees</b>	The risk that ineligible employees perceive themselves to be excluded unfairly from the post-retirement defined benefits.
<b>Mismatch risk</b>	The risk that the growth and proceeds from plan assets do not match the nature and terms of the obligation payments required and therefore that the company will be required to fund shortfall increasing overall costs.
<b>Currency risk</b>	The risk that offshore assets being exposed to negative currency movements and therefore increases the overall actuarial risk of the company not being able to meet the liability.

### 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:

<b>Inflation (pension and salary increase rates)</b>	<b>1% decrease</b> (10 270 908)	<b>Base (7.46%)</b> (11 345 970)	<b>1% increase</b> (12 732 451)
<b>Discount rate</b>	<b>1% decrease</b> (12 777 993)	<b>Base (10.32%)</b> (11 345 970)	<b>1% increase</b> (10 257 037)
<b>Post-retirement mortality improvements</b>	<b>0.5% decrease</b> (11 285 898)	<b>Base (0.5% improvement)</b> (11 345 970)	<b>0.5% improvement</b> (11 672 282)

34 employees had left the employment of SABC between 31 December 2015 and 31 March 2016, with total liabilities of R64 million as at 31 March 2016. The sensitivity illustrated above is based on the assumption that the benefit payments between 31 December 2015 and 31 March 2016 in respect of the 34 employees is equal to their IAS19 liability.

Sensitivity of the Net Position to actual membership exits between 1 January 2016 and 31 March 2016 (R'000)

	2016 Original/ using 31 Dec 2015 Data R'000	2016 Updated R'000
Defined Benefit Obligation	(11 410 159)	(11 345 970)
Plan Assets	12 215 579	12 151 390
Asset Ceiling	-	-
<b>Net Position</b>	<b>805 420</b>	<b>805 420</b>

Although the plan does not take into full account of the distribution of the cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

The SABC has assumed that all the active members will have eligible spouses at retirement. This assumption was set in line with the last statutory valuation of the fund.



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 9 Investments in subsidiaries

Shares at cost	Nature of business	Issued share capital (number)	% Held	COMPANY	
				2016 R'000	2015 R'000
SABC Airwave Travel (Proprietary) Limited	Travel agency	2	100	- *	- *
Astrasat (Proprietary) Limited	Dormant	1	100	- *	- *
# Auckland Programme Trade B.V. (incorporated in the Netherlands)	Trading in TV programmes	40	100	- *	71
Rugby Broadcasting (Proprietary) Limited	Dormant	1	100	- *	- *
Skenia Telematics (Proprietary) Limited	Dormant	1	100	- *	- *
SABC Foundation (Non-profit organisation)	Corporate Social Investment		100	1 761	- *
				<b>1 761</b>	<b>71</b>

\*Shares at cost of R1

# Auckland Programme Trade B.V. has been liquidated. The outstanding amounts are currently held in a trust and will be repaid to the SABC once due process has been followed.

## 10 Available-for-sale financial assets

### (a) Fair value hierarchy

The available for sale assets listed below are analysed by hierarchy levels defined as follows:

Level 1: Quoted prices in active markets for identical assets

#### Level 1

##### Sanlam shares

Listed - 143 257 (2014 : 143 257) Sanlam Limited

Balance on 1 April

11 227 8 245

Fair value adjustment recognised in the statement of other comprehensive income

(1 415) 2 982

**9 812 11 227**

## 11 Prepayments

Programme, film and sports rights

Other

Less: Current portion

Non-current portion

GROUP		COMPANY	
2016 R'000	2015 R'000	2016 R'000	2015 R'000
110 443	209 126	209 126	307 361
24 533	16 397	16 389	21 218
134 976	225 523	134 976	225 515
(134 767)	(198 027)	(134 767)	(198 019)
<b>209</b>	<b>27 496</b>	<b>209</b>	<b>27 496</b>

## 12 Property held for sale

### For the year ended 31 March

Carrying amount at 1 April

8 541 8 541

Carrying amount at 31 March

**8 541 8 541**

The Minister of Communication approved the disposal of the house situated in New Malden, London in the United Kingdom, on 26 November 2013. The sale of the property was expected to be concluded during the year ending 31 March 2015. A purchase agreement was concluded prior to 31 March 2015, but the transfer of the title which was due take place during the year ended 31 March 2016 was delayed but is still considered probable.

## 13 Inventories

Merchandise and consumables

Provision for obsolescence

4 843 4 282

(161) (154)

**4 682 4 128**



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 14 Trade and other receivables

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2014 R'000
Trade receivables - gross	1 138 339	1 169 296	1 138 339	1 169 296
Less: allowance for doubtful debts	(46 772)	(94 874)	(46 772)	(94 874)
Trade receivables - net	1 091 567	1 074 422	1 091 567	1 074 422
Other receivables	8 841	13 500	22 523	18 355
	<u>1 100 408</u>	<u>1 087 922</u>	<u>1 114 090</u>	<u>1 092 777</u>

## 15 Cash and cash equivalents

Bank balances	22 892	16 163	16 437	13 447
Held-to-maturity investments (i)	653 136	789 524	653 136	789 524
Government Grant restricted cash (ii)	167 353	178 352	167 353	178 352
SABC Community Radio bank balances (iii)	10 726	926	10 726	926
Short term deposits	27 000	32 000	27 000	32 000
	<u>881 107</u>	<u>1 016 965</u>	<u>874 652</u>	<u>1 014 249</u>

(i) During the financial year under review, held-to-maturity investments were made with approved financial institutions. The periods of investing range from 33 to 210 days. The average interest rate is 6.74% (2015: 6.15%).

(ii) The Government Grant is related to the technology plan for the migration of the SABC from analogue to digital technology (refer to note 20).

(iii) The SABC Community Radio bank account relates to funds received from the Department of Communications for Community Radio stations.

## 16 Share capital

	GROUP AND COMPANY	
	2016 R'000	2015 R'000
Share capital - Authorised and issued 1 000 ordinary shares of R 1 each	<u>1</u>	<u>1</u>

## 17 Fair value adjustment reserve

Opening balance at 1 April	9 408	6 982
(Loss)/ gain on revaluation of available-for-sale financial asset	(1 151)	2 426
Closing balance at 31 March	<u>8 257</u>	<u>9 408</u>

The fair value adjustment reserve relates to fair value adjustments of available-for-sale financial assets until the assets are derecognised.

## 18 Perpetual debt instrument

Permanent capital non-redeemable debt	<u>27 390</u>	<u>27 390</u>
---------------------------------------	---------------	---------------

On 1 February 1972, the Company's shareholder converted a long-term loan into non-redeemable capital. The permanent capital is not repayable. In terms of the Exchequer Act, No. 66 of 1975, as amended, interest is payable, in perpetuity, at a rate of 6.5% per annum on the 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 Company's shareholder.

## 19 Loans and borrowings

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
<b>Unsecured</b>				
Loan from Auckland Programme Trade B.V. used to buy sports rights bearing interest at 5% per annum. The loan has no fixed terms of repayment.	-	-	-	22 384
<b>Secured*</b>				
ABSA instalment sale facility for vehicles payable over five years bearing interest at 9.00% per annum. The contract was entered into on 20 October 2015. The instalment sale is repayable in monthly payments of R0.06million with a final balloon payment due in October 2020.	3 372	-	3 372	-
Nedbank instalment sale facility for vehicles payable over five years bearing interest at 7.75% (2014: 7.5%) per annum. The borrowing is repayable in monthly payments of R0,12 million with the last payment due in May 2015.	-	230	-	230
Total	<u>3 372</u>	<u>230</u>	<u>3 372</u>	<u>22 614</u>
Current Portion	(736)	(230)	(736)	(22 614)
Non-current portion	<u>2 636</u>	<u>-</u>	<u>2 636</u>	<u>-</u>

\* secured assets are reflected on note 5



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 19 Loans and borrowings (continued)

	2016			2015		
	Minimum lease payments R'000	Interest R'000	Principal R'000	Minimum lease payments R'000	Interest R'000	Principal R'000
<b>GROUP</b>						
<b>Installment sale liabilities:</b>						
Less than one year	736	273	1 009	230	1	231
Later than one year but not later than five years	2 636	435	3 071	-	-	-
	<b>3 372</b>	<b>708</b>	<b>4 080</b>	<b>230</b>	<b>1</b>	<b>231</b>
<b>Total</b>	<b>3 372</b>	<b>708</b>	<b>4 080</b>	<b>230</b>	<b>1</b>	<b>231</b>
<b>COMPANY</b>						
<b>Installment sale liabilities:</b>						
Less than one year	736	273	1 009	230	1	231
Later than one year but not later than five years	2 636	435	3 071	-	-	-
	<b>3 372</b>	<b>708</b>	<b>4 080</b>	<b>230</b>	<b>1</b>	<b>231</b>
<b>Loan from subsidiary:</b>						
	-	-	-	22 384	1	22 384
<b>Total</b>	<b>3 372</b>	<b>708</b>	<b>4 080</b>	<b>22 614</b>	<b>1</b>	<b>22 615</b>

## 20 Deferred government grant

	<b>GROUP AND COMPANY</b>	
	2016 R'000	2015 R'000
Balance on 1 April	461 331	473 021
Transfer to trade payables	(12 006)	
<b>Amounts received during the year:</b>		
Amount received during the year for technology funding	11 698	54 386
Amount received during the year for Community Radio funding		5 123
Amount paid during the year for Community Radio projects	-	-
Amounts received during the year for Education projects	101 785	85 262
Amounts received during the year for Channel Africa projects	49 640	47 413
Amounts received during the year for Sports projects	-	-
Amount recognised in profit or loss (including amortisation and depreciation of assets acquired with the grant) (see note 26)	(212 122)	(203 874)
<b>Balance on 31 March</b>	<b>400 326</b>	<b>461 331</b>
Less: Current portion	(94 207)	(104 846)
Non-current portion	<b>306 119</b>	<b>356 485</b>

In February 2005, the Department of Communications and National Treasury committed an amount of R700 million including VAT to the Company over a period of five years, in order to facilitate the Company's migration from analogue to digital technical infrastructure. Additional amounts were contributed by the Departments during 2010/2011 (R150 million including VAT), 2013/14 (R76 million including VAT) and 2014/15 (R62 million including VAT). The total amount of grant funding received is R988 million.



## 21 Deferred tax

Deferred tax is attributable to the following:

### Deferred tax liabilities

	2016 R'000	2015 R'000
Property, plant and equipment	(79 123)	(70 604)
Defined benefit asset	(225 518)	(21 123)
Available-for-sale financial assets	(1 938)	(1 880)
Doubtful debt allowance - non TV licences	(3 068)	(5 148)
Doubtful debt allowance -TV licences	(1 659 105)	(6 432 962)
Prepayments	(3 834)	(829)
Operating lease receivable	(395)	-
Section 24C	(64 238)	(14 710)
<b>Total liabilities</b>	<b>(2 037 219)</b>	<b>(6 547 256)</b>

### Deferred tax assets

Programme, film and sports rights	246 043	120 847
Variable remuneration	54 454	58 133
Straight-lining of operating leases	192	89
PRMA	284 505	300 947
Deferred income	77 988	40 761
Other payables and provisions	132 899	133 877
Amounts accrued not received-TV licences	1 669 514	6 432 962
<b>Total assets</b>	<b>2 465 595</b>	<b>7 087 616</b>
<b>Total deferred tax</b>	<b>428 376</b>	<b>540 360</b>

All movements in the temporary differences described above, have been recognised in profit or loss and other comprehensive income, as follows:

Deferred tax liability on 1 April	540 360	87 696
Prior year end adjustment	-	243 658
Rate change	939	
Deferred tax recognised in profit and loss	203 630	206 084
Deferred tax recognised in the statement of other comprehensive income	(316 553)	2 922
Deferred tax on 31 March	<b>428 376</b>	<b>540 360</b>

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 2016 and is subject to South African Revenue Service approval.



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 22 Employee benefits obligation

### Non-current statement of financial position obligations for:

Post-employment medical benefits\*  
Leave pay  
Long service award

GROUP		COMPANY	
2016 R'000	2015 R'000	2016 R'000	2015 R'000
1 016 088	1 074 812	1 016 088	1 074 812
9 247	9 958	9 247	9 958
61 586	70 983	61 586	70 983
<b>1 086 921</b>	<b>1 155 753</b>	<b>1 086 921</b>	<b>1 155 753</b>

### Current statement of financial position obligations for:

Employee incentive  
Leave pay  
Long service award

(7 991)	4 433	(7 991)	4 433
159 173	160 499	159 173	160 499
6 288	-	6 288	-
<b>157 470</b>	<b>164 932</b>	<b>157 470</b>	<b>164 932</b>
<b>1 244 391</b>	<b>1 320 685</b>	<b>1 244 391</b>	<b>1 320 685</b>

### Total statement of financial position obligations for employee benefits

### Income Statement (See also note 28):

Post-employment medical benefits  
Provision for arrear past service cost  
Leave pay  
Long service award

111 407	102 939	111 407	102 939
-	-	-	-
39 030	45 026	39 030	45 026
10 736	27 856	10 736	27 856
<b>161 173</b>	<b>175 821</b>	<b>161 173</b>	<b>175 821</b>

### Post-employment medical benefits

\* This balance includes an amount of R2.9m, which arose as a result of an ex employee instituting a claim against the SABC for post employment medical benefits.

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 2015 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 whom retired between 1979 and 31 March 1990 with past service greater than 5 years, receives a 100% medical aid subsidy from SABC; staff whom retired between 1979 and 31 March 1990 with past service of less than 5 years receives a 75% medical aid subsidy from SABC; staff whom 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 are similar to those used for the defined benefit pension scheme as set out with the addition of the Healthcare cost inflation of 8%.

### The amount recognised in the statement of financial position is determined as follows:

Present value of unfunded obligations  
Post-employment medical benefits

GROUP AND COMPANY	
2016 R'000	2015 R'000
<b>1 016 088</b>	<b>1 074 812</b>

### Changes in the present value of the defined benefit obligation are as follows:

#### Opening defined benefit obligation

Current service cost  
Interest cost

Subsidy payments  
Actuarial loss/(gain)

Closing defined benefit obligation

1 074 812	927 451
20 711	19 498
90 696	83 441
(40 006)	(34 986)
(130 125)	79 408
<b>1 016 088</b>	<b>1 074 812</b>

### The amount recognised in profit or loss is determined as follows:

Current service cost  
Interest cost

111 407	102 939
20 711	19 498
90 696	83 441

### The amount recognised in other comprehensive income is determined as follows:

Actuarial loss

(130 125)	79 408
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Total, included in employee compensation and benefit expenses, including items recognised in other comprehensive income

<b>(18 718)</b>	<b>182 347</b>
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The principal actuarial assumptions at the reporting date (expressed as weighted averages) are as follows:

Discount rate at 31 March  
Medical inflation rate per annum  
Take-up rate by retired employees

10,5%	8,70%
9,2%	7,85%
30,0%	30,0%



## 22 Employee benefits (continued)

## Post-employment medical benefits (continued)

Post employment medical benefits obligation

GROUP AND COMPANY				
2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
(1 016 088)	(1 074 812)	(927 451)	(852 140)	(638 893)

## Sensitivity Analysis

Healthcare cost inflation	1% decrease (889 533)	Base (CPI + 2%) (1 013 161)	1% increase (1 163 382)
Discount rate	1% decrease (1 163 194)	Base (CPI + 2%) (1 013 161)	1% increase (891 785)
Post-retirement mortality improvements	0.5% im- provement (997 149)	Base (CPI + 2%) (1 013 161)	1.5% im- provement (1 049 637)

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 change compared to the previous period.

## 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 consists 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 amount recognised in the statement of financial position is determined as follows:

Present value of unfunded obligations

## Long service awards

## Changes in the present value of the defined benefit obligation are as follows:

## Opening defined benefit obligation

Current service cost

Interest cost

Past service cost

Benefit payments

Actuarial (gain)/ loss

Closing defined benefit obligation

## The amount recognised in profit or loss is determined as follows:

Current service cost

Interest cost

Past service cost

Actuarial (gain)/ loss

## The amount recognised in other comprehensive income is determined as follows:

Actuarial gain

Total, included in employee compensation and benefit expenses, including items recognised in other comprehensive income

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

Rate of salary increase

GROUP AND COMPANY	
2016 R'000	2015 R'000
67 874	70 983
70 983	54 101
5 377	4 575
5 359	5 224
-	8 679
(12 464)	(10 974)
(1 381)	9 378
67 874	70 983
10 736	27 856
5 377	4 575
5 359	5 224
-	8 679
-	9 378
(1 381)	-
9 355	27 856
%	%
9,8%	7,7%
8,5%	7,0%



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 22 Employee benefits continued)

Long service awards (continued)

Long service award obligation

GROUP AND COMPANY			
2016 R'000	2015 R'000	2014 R'000	2013 R'000
(67 874)	(70 983)	(54 101)	(64 304)

### Sensitivity Analysis

Healthcare cost inflation	1% decrease (64 763)	Base (CPI + 2%) (67 874)	1% increase (71 451)
Discount rate	1% decrease (73 719)	Base (CPI + 2%) (67 874)	1% increase (62 795)

The above sensitivity analysis is based on a change in one of the significant actuarial assumptions at the end of the reporting date, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption at the valuation date.

### Employee long-term leave pay

Certain of the Group's employee incentive programmes and employee leave arrangements provide for benefits not payable wholly within twelve months after the reporting date. These arrangements are therefore classified as "other long-term employee benefits" and the liabilities in respect thereof are measured on the same basis as the Group's obligations in respect of its post-employment benefit plans, with certain simplified assumptions. The liability in respect of employee incentives also requires certain assumptions regarding the Group's future performance.

The principal actuarial assumptions in respect of long-term leave pay at the reporting date (expressed as weighted averages) are as follows:

	GROUP AND COMPANY	
	2016 %	2015 %
Discount rate at 31 March	8,9%	7,5%
Rate of salary increase	8,2%	6,9%

## 23 Trade and other payables

Trade payables  
- local  
- foreign  
Other payables\*  
Accruals  
Programme, film and sports rights related trade and other payables

GROUP		COMPANY	
2016 R'000	2015 R'000	2016 R'000	2015 R'000
6 335	7 177	6 335	7 115
1 866	5 017	1 866	5 017
95 829	37 189	95 829	31 400
472 735	281 014	471 688	280 228
224 120	277 236	224 120	277 236
800 885	607 633	799 838	600 996

\*included in other payables is VAT amounts owing to SARS and payroll related payables.

## 24 Deferred income

TV License fees received in advance  
Income and sponsorships received in advance

GROUP AND COMPANY	
2016 R'000	2015 R'000
31 576	43 197
17 530	49 840
49 106	93 037

## 25 Provisions

### Legal claims

Balance at 1 April  
Provisions reversed during the year

### Balance at 31 March

171 006	123 937
86 561	47 069
257 567	171 006

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 2(A) for basis of estimates and assumptions in determining any provision raised.



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 26 Revenue

### Total advertising revenue

Advertising
Trade exchanges (non-monetary exchanges)
Business enterprise and facilities revenue
Sponsorships
License fees*
Total licence fees billed during the year
Less fees that do not meet the recognition criteria
Government grants
Mobile revenue
Programme rights exploitation revenue
Channel carriage fees revenue
Other revenue

GROUP AND COMPANY	
2016 R'000	2015 R'000
5 999 448	5 680 720
5 887 809	5 545 185
111 639	135 535
37 147	32 204
469 259	437 899
986 361	986 016
3 564 023	3 542 281
(2 577 662)	(2 556 265)
212 122	203 874
7 090	19 109
129 537	37 875
135 417	72 333
2 460	44 571
7 978 841	7 514 601

\*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 SABC 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, the revenue is not recognised.

## 27 Other income

Rental income
Management fees
Travel commission
Other sundry income

9 583	10 714
-	225
5 228	3 366
98 573	30 662
113 384	44 967

## 28 Employee and directors compensation and benefit expense

Cost of Employment
Long-service Awards
Defined benefit pension fund recognised in profit or loss
Post-employment medical benefits
Leave pay
<b>Total amounts recognised in profit or loss</b>

2 580 861	2 385 201
10 736	27 856
522 740	367 346
111 407	102 939
39 030	45 026
3 264 774	2 928 368

### Items recognised in other comprehensive income:

(1 131 489)	12 422
-------------	--------

Actuarial (gain)/ loss- Post-retirement medical aid liability
Actuarial (gain)/ loss - Pension fund defined benefit
Actuarial(gain)/ loss - Long service awards
Expected return on plan assets

(130 125)	79 408
(1 288 419)	723 089
(1 381)	-
288 436	(790 075)

2 133 285	2 940 790
-----------	-----------

Included in these amounts are directors' emoluments which are disclosed in more detail in note 41.

## 29 Professional and consulting fees

Audit fees
Consulting fees
Managerial
Projects
Technical

GROUP		COMPANY	
2016 R'000	2015 R'000	2016 R'000	2015 R'000
21 150	29 760	21 150	29 760
81 191	40 936	80 434	40 310
43 183	17 521	42 426	16 895
-	4 601	-	4 601
38 008	18 814	38 008	18 814
102 341	70 696	101 584	70 070

## 30 Other expenses

Other expenses include the following charges:  
Operating lease charges

Buildings
Equipment
Vehicles
Legal claim provision raised / (reversed)
Consumables - (reversal) / write down to net realisable value

16 156	17 193	16 156	17 193
13 699	12 122	13 699	12 122
2 453	721	2 453	721
4	4 350	4	4 350
86 561	47 069	86 561	47 069
7	(315)	7	(315)



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 31 Other losses

Loss on sale of property, plant and equipment

GROUP		COMPANY	
2016 R'000	2015 R'000	2016 R'000	2015 R'000
(214)	(8 008)	(214)	(8 008)

## 32 Net financing costs

Interest received	69 193	74 112	69 131	73 715
Banking institutions	69 193	74 112	69 131	73 715
South African Revenue Services	-	-	-	-
Dividend received	408	299	408	299
Net foreign exchange gain on monetary items	4 982	8 414	4 982	8 414
Foreign exchange gain	950	313	950	313
<b>Finance income</b>	<b>75 533</b>	<b>83 138</b>	<b>75 471</b>	<b>82 741</b>
Interest paid	(4 695)	(11 983)	(4 695)	(11 982)
Independent third parties	(2 763)	(5 501)	(2 763)	(5 500)
Shareholder - permanent capital	(1 780)	(1 780)	(1 780)	(1 780)
Finance leases	(152)	(4 702)	(152)	(4 702)
Foreign exchange loss	(43 488)	(23 511)	(43 488)	(21 085)
<b>Finance expenses</b>	<b>(48 183)</b>	<b>(35 494)</b>	<b>(48 183)</b>	<b>(33 067)</b>
<b>Net financing costs</b>	<b>27 350</b>	<b>47 644</b>	<b>27 288</b>	<b>49 674</b>

## 33 Income tax expense

<b>Income tax recognised in profit or loss</b>	<b>43 949</b>	<b>49 917</b>	<b>42 620</b>	<b>49 918</b>
Current tax expense	6 479	(9 143)	6 479	(9 078)
Current tax expense - prior year adjustment	(939)	-	(939)	-
Deferred tax - rate change	(203 630)	(206 084)	(203 630)	(206 084)
Deferred tax expense relating to temporary differences	-	(243 658)	-	(243 658)
Deferred tax changes due to restated balances	(154 141)	(408 968)	(155 470)	(408 902)
<b>Reconciliation of effective tax expense:</b>				
Profit/(loss) before income tax	(565 746)	(540 338)	(541 941)	(538 212)
Income tax using the company tax rate	(158 409)	(151 295)	(151 743)	(150 699)
Non-taxable income	(23 326)	(16 547)	(23 326)	(16 547)
Non-deductible expenses	37 893	41 086	29 898	41 086
Prior year adjustment	6 479	-	6 479	-
Rate change	(939)	-	(939)	-
Effects of prior period errors	(15 839)	(282 212)	(15 839)	(282 742)
Effective tax expense	(154 141)	(408 968)	(155 470)	(408 902)
<b>Income tax recognised in other comprehensive income:</b>				
Pension fund	(279 995)	(18 756)	(279 995)	(18 756)
Post-employment medical benefits	(36 435)	22 234	(36 435)	22 234
Available-for-sale financial assets	264	(556)	264	(556)
Long service award	(387)	-	(387)	-
	(316 553)	2 922	(316 553)	2 922
<b>Reconciliation of effective tax expense:</b>				
Comprehensive income/(loss) before income tax	1 130 074	(9 440)	1 130 074	(9 440)
Income tax using the company tax rate	(316 421)	2 643	(316 421)	2 643
Rate differences on available for sale assets	(132)	279	(132)	279
Effective tax expense	(316 553)	2 922	(316 553)	2 922

The current tax liability in relation to TV Licence gross income (section 1 of the Income Tax Act No. 58 of 1962) is based on the best estimate as at 31 March 2016 and is subject to South African Revenue Service approval.



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 34 Cash generated by/from operations

Reconciliation of profit/(loss) for the year to cash generated from/(utilised by) operations:

Note	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Loss for the year	(411 605)	(131 370)	(386 471)	(129 310)
Adjustments for:				
Amortisation and impairment of programme, film and sports rights	7 1 766 784	1 857 342	1 766 784	1 857 342
Impairment/Reversal of impairment of programme, film and sports rights	7 18 871	4 576	18 871	4 576
Amortisation of computer software	7 44 457	57 443	44 457	57 443
Amount recognised in profit or loss in line with amortisation and depreciation of assets acquired with the grant.	20 (212 122)	(203 874)	(212 122)	(203 874)
Depreciation and impairment of property, plant and equipment	5 201 480	211 129	201 480	211 129
Depreciation of Investment Property	6 94	94	94	94
Provision/(reversal) for consumables obsolescence	30 7	(315)	7	(315)
Impairment reversed/(raised) on trade receivables	60 842	91 480	60 834	91 718
(Profit)/Loss on disposal of property, plant and equipment	31 214	8 008	214	8 008
Profit/(Loss) on retirements of computer software	7 -	27	-	27
Property, plant and equipment adjustments	5 (7 087)	-	(7 087)	-
Interest received	32 (69 193)	(74 112)	(69 131)	(73 715)
Dividends received	32 (408)	(299)	(408)	(299)
Interest paid	32 4 695	11 983	4 695	11 982
Income tax expense	33 (154 141)	(408 968)	(155 470)	(408 902)
Loan from liquidated subsidiary written off	-	-	(22 384)	-
Operating profit before payment for acquisition of programme, film and sports rights	1 242 888	1 423 144	1 244 363	1 425 904
Net acquisitions of programme, film and sports rights	7 (1 850 815)	(1 860 679)	(1 850 815)	(1 860 679)
Operating loss before changes in working capital, employee benefits	(607 927)	(437 535)	(606 452)	(434 775)
Provisions raised	25 86 561	47 069	86 561	47 069
Decrease in prepayments	11 90 547	103 112	90 539	103 064
Increase in inventories	13 (560)	(912)	(560)	(912)
Increase in trade and other receivables	14 (73 328)	(132 872)	(82 147)	(132 567)
Decrease in defined benefit asset	269 997	147 206	269 997	147 206
Increase in employee benefits obligation	55 212	88 617	55 212	88 617
Increase / (decrease) in trade and other payables	23 193 252	(10 249)	198 842	(11 768)
Deferred government grant transferred to payables	24 (12 006)	-	(12 006)	-
(Decrease)/ increase in deferred income	(43 931)	(89 394)	(43 931)	(89 394)
(Increase) in other non-current assets and liabilities	(512)	(112)	(512)	(112)
Cash generated from operations	(42 695)	(285 070)	(44 457)	(283 572)

## 35 Income taxes paid

Balance at 1 April	305 142	354 746	305 182	354 746
Current taxation	50 428	40 774	49 099	40 840
Balance at 31 March	(355 112)	(305 142)	(353 598)	(305 182)
Taxation paid	458	90 378	683	90 404

## 36 Proceeds from disposal of property, plant and equipment

Net book value of disposals	232	3 882	232	3 882
Loss on sale of property, plant and equipment	(214)	(8 008)	(214)	(8 008)
Proceeds	18	(4 126)	18	(4 126)



## 37 Financial instruments

## Overview

The Group has exposure to credit risk, liquidity risk and market risk, that consists of interest rate risk and currency risk that arise out of the normal course of business

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Group Audit Committee is tasked with overseeing how management monitors compliance with the Group's policies and procedures and the reviews of the adequacy of the internal audit monitoring of these risks. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

## 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, and arises principally from the Group's receivables from customers and investment securities.

## Trade and other receivables

The Group has established a credit policy under which each new significant customer is analysed individually for creditworthiness before credit is extended.

## Allowance for impairment

Trade receivables are impaired when there is objective evidence that the debt is irrecoverable.

Trade receivables for which the Group hold security, insurance or any other types of collateral is held are also not considered to be impaired.

The majority of the Group's trade receivables are due for maturity within 45 days and largely comprise of amounts receivable from advertising agencies.

## Cash and cash equivalents

Investments are acquired only in liquid securities and only with counterparties that have credit ratings equal to or better than the Group. Transactions involving derivative financial instruments are with counterparties with sound credit ratings.

## Guarantees

The Group's policy is to provide financial guarantees on behalf of its wholly owned subsidiaries. The Company has issued a guarantee of R0.016 million on behalf of Airwave Travel (Pty) Ltd for the IATA travel agency license. Other guarantees issued by the Company were amounts of R3.889 million for Technology related projects and R0.314 million relating to the employee housing scheme.

The Group considers its maximum exposure to credit risk to be as follows:

	GROUP		COMPANY	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Available-for-sale financial assets (note 10)	9 812	11 227	9 812	11 227
Trade and other receivables	1 100 408	1 087 922	1 114 090	1 092 777
Cash and cash equivalents	881 107	1 016 965	874 652	1 014 249
	<u>1 991 327</u>	<u>2 116 114</u>	<u>1 998 554</u>	<u>2 118 253</u>

Trade receivables:

	GROUP			COMPANY		
	2016 R'000			2015 R'000		
	Fully Performing	Past due but not impaired	Impaired	Fully Performing	Past due but not impaired	Impaired
Agencies	811 767	2 078	24 240	835 464	678	60 541
Government	36 485	11 505	2 979	22 778	4 626	3 426
Direct clients	60 531	169 201	19 553	71 121	139 755	30 907
	<u>908 783</u>	<u>182 784</u>	<u>46 772</u>	<u>929 363</u>	<u>145 059</u>	<u>94 874</u>



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 37 Financial instruments (continued)

Age analysis of past due but not impaired as follows:

Past due 0 to 30 days
Past due 31 to 90 days
91 to 120 days
121 days to 1 year
Over 1 year

GROUP AND COMPANY	
2016	2015
R'000	R'000
62 890	30 736
36 340	31 028
14 812	20 738
68 700	61 696
42	861
<b>182 784</b>	<b>145 059</b>

Age analysis of the impaired trade receivables as follows:

Past due 0 to 30 days
Past due 31 to 90 days
91 to 120 days
121 days and older
Over 1 year

2 376	2 034
335	3 057
-	2 461
144	16 244
43 917	71 078
<b>46 772</b>	<b>94 874</b>

Movements on the impairment of trade receivables are as follows:

Opening balance - 1 April
Amounts written off as not recoverable (impaired)
Allowance (reversed) / raised during the year

94 874	96 988
(8 061)	(21 747)
(40 041)	19 633
<b>46 772</b>	<b>94 874</b>

The Group holds collateral as security

The nature and fair value of this collateral is as follows:

Coface
MCC Security

2 260 435	2 477 155
77 531	1 598 380
<b>2 337 966</b>	<b>4 075 535</b>

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages its cash flow requirements with a three month forecast. The Group has borrowing facilities amounting to R413 million (2015: R419 million) which include short-term banking facilities as well as asset-based finance facilities.

	GROUP					
	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 R'000
	<b>2016</b>					
<i>Non-derivative financial liabilities</i>						
Trade payables - Local	6 335	6 335	6 335	-	-	-
Trade payables - Foreign	1 866	1 866	1 866	-	-	-
Other payables*	100 229	100 229	100 229	-	-	-
Accruals	472 735	472 735	472 735	-	-	-
Programme, film and sports rights related trade and other payables	224 120	224 120	224 120	-	-	-
Loans and borrowings	3 372	4 080	513	496	1 819	1 252
Perpetual debt instrument	27 390	27 390	890	890	3 560	22 050
	<b>836 047</b>	<b>836 755</b>	<b>806 688</b>	<b>1 386</b>	<b>5 379</b>	<b>23 302</b>
	<b>2015</b>					
<i>Non-derivative financial liabilities</i>						
Trade payables - Local	7 177	7 177	7 177	-	-	-
Trade payables - Foreign	5 017	5 017	5 017	-	-	-
Other payables*	11 633	11 633	11 633	-	-	-
Accruals	281 014	281 014	281 014	-	-	-
Programme, film and sports rights related trade and other payables	277 236	277 236	277 236	-	-	-
Loans and borrowings	230	231	231	-	-	-
Perpetual debt instrument	27 390	27 390	890	890	3 560	22 050
	<b>609 697</b>	<b>609 698</b>	<b>583 198</b>	<b>890</b>	<b>3 560</b>	<b>22 050</b>

\*excludes statutory accruals and payables



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 37 Financial instruments (continued)

### Liquidity risk (continued)

Maturity analysis, due in:

	COMPANY					
	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 R'000
	2016					
<i>Non-derivative financial liabilities</i>						
Trade payables - Local	6 335	6 335	6 335	-	-	-
Trade payables - Foreign	1 866	1 866	1 866	-	-	-
Other payables*	91 428	91 428	91 428	-	-	-
Accruals	471 688	471 688	471 688	-	-	-
Programme, film and sports rights related to trade and other payables	224 120	224 120	224 120	-	-	-
Loans and borrowings	3 372	4 080	513	496	1 819	1 252
Perpetual debt instrument	27 390	27 390	890	890	3 560	22 050
Loans from subsidiaries	826 199	826 907	796 840	1 386	5 379	23 302
	2015					
<i>Non-derivative financial liabilities</i>						
Trade payables - Local	7 115	7 115	7 115	-	-	-
Trade payables - Foreign	5 017	5 017	5 017	-	-	-
Other payables*	24 858	24 858	24 858	-	-	-
Accruals	280 228	280 228	280 228	-	-	-
Programme, film and sports rights related to trade and other payables	277 236	277 236	277 236	-	-	-
Loans and borrowings	22 614	22 615	22 615	-	-	-
Perpetual debt instrument	27 390	27 390	890	890	3 560	22 050
	644 458	644 459	617 959	890	3 560	22 050

\* excludes statutory accruals and payables

### Market risk

Market risk is the risk that 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 market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### 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 only covers known commitments and does not speculate in foreign currency. The percentage cover for less than one year is 35%.

The Group's exposure to foreign currency risk based on notional amounts was as follows:

	2016			2015		
	US Dollar R'000	Euro R'000	Rand R'000	US Dollar R'000	Euro R'000	Rand R'000
	GROUP					
Trade payables	(126)	-	(1 866)	(414)	-	(5 017)
Gross financial position exposure	(126)	-	(1 866)	(414)	-	(5 017)
Net financial position exposure	(126)	-	(1 866)	(414)	-	(5 017)
	COMPANY					
Loans and borrowings					1 720	22 384
Trade payables	(126)	-	(1 866)	(414)	-	(5 017)
Gross financial position exposure	(126)	-	(1 866)	(414)	1 720	17 367
Net financial position exposure	(126)	-	(1 866)	(414)	1 720	17 367



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 37 Financial instruments (continued)

### Market risk (continued)

The following significant exchange rates applied during the year:

USD 1  
EUR 1

GROUP		COMPANY	
Average Rate		Reporting date spot rate	
2016	2015	2016	2015
13,77	11,08	14,77	12,13
15,22	14,01	16,81	13,01

### 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 2015. Due to the nature of the transactions, there is no effect on equity.

### Profit or (loss)

USD

GROUP		COMPANY	
2016	2015	2016	2015
R'000	R'000	R'000	R'000
187	502	187	(1 737)

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

Loan from subsidiary  
Perpetual debt instrument

-	-	-	(22 384)
(27 390)	(27 390)	(27 390)	(27 390)
(27 390)	(27 390)	(27 390)	(49 774)

#### Variable rate instruments

Variable rate instruments  
Perpetual debt instrument

3 372	230	3 372	230
881 107	1 016 965	874 652	1 014 249
884 479	1 017 195	878 024	1 014 479

### 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 2015. Due to the nature of the transactions, there is no effect on equity.

### Profit/loss 100 bp increase

Variable rate instruments

9 508	12 210	9 463	12 164
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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) Loans and receivables, perpetual debt instrument and loans and borrowings

The fair value of these financial instruments is determined by reference to market-related interest rates for financial instruments with similar maturities, and without deducting any transaction costs. (Level 2)

#### (ii) Trade and other receivables, cash and cash equivalents and trade and other payables

The carrying amount of these financial assets and liabilities approximates fair value due to the relative short term maturity of these financial instruments. (Level 2)



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 37 Financial instruments (continued)

Fair value of financial instruments (continued)

	2016				2015			
	Carrying amount R'000	Level 1 R'000	Fair value Level 2 R'000	Level 3 R'000	Carrying amount R'000	Level 1 R'000	Fair value Level 2 R'000	Level 3 R'000
<b>GROUP</b>								
<b>Financial assets</b>								
<i>Available-for-sale</i>								
Available-for-sale financial assets	9 812	9 812	-	-	11 227	11 227	-	-
<i>Loans and receivables</i>								
Trade and other receivables	1 100 408	-	1 100 408	-	1 087 922	-	1 087 922	-
Cash and cash equivalents	881 107	881 107	-	-	1 016 965	1 016 965	-	-
<b>Total financial assets</b>	<b>1 991 327</b>	<b>890 919</b>	<b>1 100 408</b>	<b>-</b>	<b>2 116 114</b>	<b>1 028 192</b>	<b>1 087 922</b>	<b>-</b>
<b>Financial liabilities</b>								
<i>Financial liabilities measured at amortised costs</i>								
Perpetual debt instrument	(27 390)	-	(19 782)	-	(27 390)	-	(19 782)	-
Loans and borrowings	(3 372)	-	(3 372)	-	(230)	-	230	-
Trade and other payables*	(805 285)	-	(805 285)	-	(582 078)	-	(582 078)	-
<b>Total financial liabilities</b>	<b>(836 047)</b>	<b>-</b>	<b>(828 439)</b>	<b>-</b>	<b>(609 698)</b>	<b>-</b>	<b>(601 630)</b>	<b>-</b>
<b>Net financial liabilities</b>	<b>1 155 280</b>	<b>890 919</b>	<b>271 969</b>	<b>-</b>	<b>1 506 416</b>	<b>1 028 192</b>	<b>486 292</b>	<b>-</b>
<b>COMPANY</b>								
<b>Financial assets</b>								
<i>Available-for-sale</i>								
Available-for-sale financial assets	9 812	9 812	-	-	11 227	11 227	-	-
<i>Loans and receivables</i>								
Trade and other receivables	1 114 090	-	1 114 090	-	1 092 777	-	1 092 777	-
Cash and cash equivalents	874 652	874 652	-	-	1 014 249	1 014 249	-	-
<b>Total financial assets</b>	<b>1 998 554</b>	<b>884 464</b>	<b>1 114 090</b>	<b>-</b>	<b>2 118 253</b>	<b>1 025 476</b>	<b>1 092 777</b>	<b>-</b>
<b>Financial liabilities</b>								
<i>Financial liabilities measured at amortised costs</i>								
Perpetual debt instrument	(27 390)	-	(19 782)	-	(27 390)	-	(19 782)	-
Loans and borrowings	(3 372)	-	(3 372)	-	(22 614)	-	(22 614)	-
Trade and other payables*	(795 437)	-	(795 437)	-	(594 454)	-	(594 454)	-
<b>Total financial liabilities</b>	<b>(826 199)</b>	<b>-</b>	<b>(818 591)</b>	<b>-</b>	<b>(644 458)</b>	<b>-</b>	<b>(636 850)</b>	<b>-</b>
<b>Net financial liabilities</b>	<b>1 172 355</b>	<b>884 464</b>	<b>295 499</b>	<b>-</b>	<b>1 473 795</b>	<b>1 025 476</b>	<b>455 927</b>	<b>-</b>

The fair values of trade and other receivables and trade and other payables are determined with reference to their carrying amounts as the impact of discounting is not significant.

\* excludes statutory accruals and payables

### 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.

### 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 R0.314 million, and guarantees for Air-wave Travel's IATA travel agency licence and other guarantees with banks totalling R4.3 million.

# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 37 Financial instruments (continued)

	GROUP AND COMPANY	
	2016 R'000	2015 R'000
General short-term banking facilities (available for future operating activities)		
FNB/ Rand Merchant Bank	20 010	26 500
Nedbank	152 000	152 000
Absa Corporate and Merchant Bank	65 000	65 000
Total credit facilities		
Total	<u>237 010</u>	<u>243 500</u>
Unutilised	<u>233 638</u>	<u>243 500</u>
Asset finance (available to settle capital commitments)		
Provided	175 983	175 983
Utilised	(3 371)	(230)
Unutilised	<u>172 612</u>	<u>175 983</u>
Guarantees		
Provided	72 000	52 000
Utilised	(168)	(20 103)
Unutilised	<u>71 832</u>	<u>31 897</u>

## 38 Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Less than one year	5 037	3 233
Between one and five years	7 853	4 917
	<u>12 890</u>	<u>8 150</u>

The Group has various lease agreements for equipment and premises. Some of these lease agreements contain renewal and/or purchase options. None of the lease agreements include contingent rentals.

During the year ended 31 March 2016, R16.2 million was recognised as an expense in the statement of financial performance in respect of operating leases (2015: R17.2 million).

### Leases as lessor

The Group leases out certain of its property under operating leases. The future minimum lease receipts under non-cancellable leases are as follows:

Less than one year	7 472	4 903
Between one and five years	13 909	14 444
	<u>21 381</u>	<u>19 347</u>

During the year ended 31 March 2016, R9.5 million was recognised as rental income in the statement of profit and loss (2015: R10.7 million) and R2.2 million in respect of repairs and maintenance was recognised as an expense in the statement of financial performance (2015: R2.1 million).

## 39 Commitments

Capital commitments		
Contracted for	156 481	97 284
Programme, film and sports rights	1 775 962	1 578 730
Foreign exchange contracts		
Total purchase commitments	<u>1 932 443</u>	<u>1 676 014</u>
The capital commitment is to be financed as follows:		
Internally generated funds	156 481	97 284
Existing credit facilities		
Government funding	<u>156 481</u>	<u>97 284</u>



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 39 Commitments (continued)

	Local Com- mitments R'000	Foreign commitments Forex '000	R'000	Total R'000
Year ending 31 March 2017	998 267	13 547	200 070	1 198 337
Local	998 267	-	-	998 267
Foreign - US Dollar	-	13 547	200 070	200 070
Year ending 31 March 2018	388 340	5 472	80 812	469 152
Local	388 340	-	-	388 340
Foreign - US Dollar	-	5 472	80 812	80 812
Year ending 31 March 2019	38 438	4 389	64 816	103 254
Local	38 438	-	-	38 438
Foreign - US Dollar	-	4 389	64 816	64 816
Year ending 31 March 2020	4 956	-	-	4 956
Local	4 956	-	-	4 956
Year ending 31 March 2021	263	-	-	263
Local	263	-	-	263
<b>Total commitments</b>	<b>1 430 264</b>	<b>23 408</b>	<b>345 698</b>	<b>1 775 962</b>

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 2016.

## 40 Contingencies

Contingent liabilities comprise claims lodged by third parties against the Group and Company which, in some cases, may be reduced by a counter-claim for insurance. The claims details are as follows:

	Possible Losses for the Group	
	2016 R'000	2015 R'000
(i) The Government Employee Pension Fund ('GEPF') represented by the Public Investment Corporation ('PIC') instituted a claim of approximately R550 million including interest against the SABC. The claim arose from the cancellation of a purported lease agreement for certain assets previously leased by Bophuthatswana Broadcasting Corporation. There have been various interlocutory applications and rulings, none of which has been lost by the SABC. The SABC has, in the course of proceedings, joined certain third parties as respondents, i.e. Minister of Finance, Minister of Communications, Minister of Arts and Culture and North West Provincial Government. The matter was set down for hearing from 15 to 26 July 2013 but had to be removed from the roll as some of the parties did not receive the notice of set down timeously. Parties intend to explore a possibility of a negotiated settlement. As far as the legal department are aware no settlement has been reached and the SABC is continuing to prepare for trial which is scheduled to take place on the 17th of October 2016 at the South Gauteng High Court.	550 000	337 000
(ii) A third party has issued summons against the SABC for alleged non-payment of repeat fees. The SABC is defending the matter. The internal client has advised that the Plaintiff was paid. The SABC cannot serve any paper on the Plaintiff as he is currently in prison. The SABC approached the court with an application to dismiss the matter but the court refused the application. The matter will be put in abeyance until the plaintiff revives it.	80	80
(iii) SABC Education commissioned a certain producer to produce a program called Matric's Reloaded. After broadcasting the program we received summons for R57 million from a certain third party who claims to own the concept of the program. The SABC is cited as an interested party in the action as it broadcasts the program and the third party wants to interdict the SABC from broadcasting the program. The SABC has defended the action as it has to protect its investment and ownership of the program. The third party has now served both the SABC and the commissioned producer with a notice to amend his claim. The SABC has opposed such an amendment on the grounds that it introduces a new cause of action. The next step is for the third party to set the matter down to be argued before a judge who will decide if the amendments will be accepted or not. Up to date the third party has not done so.	57 600	-
(iv) BGC Productions is claiming a sum of R228 000 for breach of contract arising from an alleged failure by the SABC to flight BGC's advertisement and consequently suffering a loss of income in the form of advertising revenue. It later unfolded that the SABC did actually flight those advertisements. The matter is yet to be set down by the Plaintiff.	228	228
(v) A former SABC (METRO FM) presenter is claiming damages of R240 000 from the SABC for an alleged breach of contract. The contract was terminated on 5 March 2010 before its expiry date due to a decline in audience rating and the station's decision to terminate the programme. There were several trial dates set by the Plaintiff however the matter was not set down because there was no pre trial conference as required in terms of the law. In 2015 the Plaintiff proposed an out of court settlement. The proposal was rejected by METRO FM and the Legal Department was instructed to proceed with the court case. Due to the fact that the previous set of attorneys has decided to close their firm the SABC has appointed another law firm to take the matter forward.	260	240
(vi) A third party is suing the SABC for royalties in connection with the theme song for SABC1 'Simunye We are One'. The SABC raised an exception to plaintiff's claim on the basis that he did not have Locus Standi to sue. However the exception has been dismissed with costs. The matter was set down in November 2014 but later withdrawn as the parties were not properly served with the notice of set down. We await a new court date.	485	485



## 40 Contingencies (continued)

	Possible Losses for the Group	
	2016 R'000	2015 R'000
(vii) South African Recording Rights Association (SARRAL): On the 25 March 2013 the SABC was served with summons by attorneys representing liquidators of SARRAL claiming R5.2 million in respect of outstanding mechanical royalties on behalf of its members. The SABC defended this claim as there was no existing agreement between SARRAL and SABC but instead the SABC was contracted to another collecting society for mechanical royalties. On 13 May 2013 the SABC was served with a warrant of execution and upon inquiring with our attorney the SABC discovered that court had erroneously granted summary judgment in this matter. The SABC immediately instructed its attorneys to make an urgent application to stay the execution and apply for the rescission of judgment. The SABC will only be able to measure its prospects once a decision has been made on the rescission of judgment application.	5 176	5 176
(viii) The South African Music Performance Rights Association (SAMPRA) which is a collecting society established to collect needle time royalties, referred a dispute to the Copyright Tribunal for the determination of the royalties payable by the broadcasters. The broadcasters were represented by the National Association of Broadcasters (NAB). On 30 May 2012 the Copyright Tribunal heard the matter and set the royalty at 7% of the net revenue instead of the 10% that SAMPRA was claiming. The broadcasters appealed the above decision in the Supreme Court of Appeal and the SCA reduced the percentage to 3%. SAMPRA approached the Constitutional Court to have the SCA judgment reviewed. The CC refused to hear the matter which effectively means that the judgment of the SCA remains valid. In terms of the SABC's interpretation of the judgment the SABC is liable to pay SAMPRA a maximum of 3% of its radio revenue as defined in the judgment. The SABC has taken a decision to pay from 2006. On 18 March 2016 SAMPRA invoiced the SABC for needletime royalties for the period 15 March 2014 to 29 February 2016 for the amount of R75.5 million. The SABC is disputing the invoice and has requested SAMPRA to submit a revised one with only those repertoires that are not in dispute by 29 April 2016.	6 000	6 000
(ix) DLLO - The Claimant was chosen as the preferred supplier of corporate clothing to the SABC. The agreed purchase price was R153 907 and plaintiff was given an upfront payment of R61 042. In terms of the agreement the final delivery date was 30 October 2008. The supplier failed to deliver within the agreed time. Also the other material delivered was of poor quality and did not conform to the sample and design agreed to during the pitch. SABC refused to pay the balance and claimant then sued the SABC. The matter was set down for the 05 October 2010 to have Plaintiff's claim dismissed for failure to deliver the Discovery Affidavit. The Plaintiff requested that we remove the matter from the roll and they will tender costs. The matter was then postponed sine die and Plaintiff was ordered to pay costs. The matter is currently dormant, as the plaintiff has not pursued the matter since the postponement in 2010. The SABC's attorney of record has withdrawn from this matter and the SABC have requested that he provide the SABC with their file in order to determine the next steps.	50	92
(x) A third party's claim against the SABC is based on a commissioning agreement entered into on 25 March 2010 for the production of a television programme called Music Lounge Series 3. The Plaintiff avers that an invoice for the amount of R224 063 was sent to the SABC on the 1st of June 2012 which the SABC allegedly acknowledged and agreed to pay, by no later than 30 July 2012. The SABC was contracted to a company called Moratiwa Production who then ceded its claim to the third party. The SABC in processing the claim ignored the fact that the claim was ceded and paid Moratiwa Productions instead of the third party. In an attempt to resolve the matter the SABC's attorneys in terms of High Court Rules 23 and 30(1) have requested the Cession agreement relied on. The SABC have received a return of non-service and the SABC's attorneys have advised that they will be setting the matter down for the Plaintiff's claim to be dismissed.	224	224
(xi) In 2011, U Turn Communications served the SABC with summons claiming R1.5 million in respect of commission for securing a sponsorship for the SABC. Upon receiving the summons the SABC alerted U Turn to the fact that the SABC has a counter claim of R3.7 million. The parties then agreed to settle the matter out of court and the settlement agreement stated that U turn will instead pay the SABC R50 000 in full and final settlement of all claims between the two parties. Plaintiff's attorneys drafted a settlement document as per negotiations however did not specify how the plaintiff would pay the SABC an agreed R50 000. The SABC then replied posing same question of payment. The matter then became dormant until August 2014 when the SABC was served with warrant of execution. The execution was stayed by agreement between the parties pending the rescission of judgment which was set down for October 2014. On 27 October 2014 the SABC prepared and filed its replying affidavit. The matter is ripe for hearing however, U Turn has proposed that we negotiate an out of court settlement. The SABC will engage in these negotiations and make a decision on how the matter will be conducted going forward.	200	1 461



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 41 Related parties

The Group is 100% controlled by its Shareholder, the Government, represented by the Department of Communications.

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 9). The list of public entities in the national sphere of government was provided by National Treasury on their website [www.treasury.gov.za](http://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.

### (i) Transactions with subsidiaries

	COMPANY			
	2016		2015	
	Amount of transactions R'000	Amounts owed (to)/by subsidiary R'000	Amount of transactions R'000	Amounts owed (to)/by subsidiary R'000
Receipt from SABC Airwave Travel (Proprietary) Limited trading as Airwave Travel	-	-	565	-
Receivables from/ (payables to) SABC Airwave Travel (Proprietary) Limited trading as Airwave Travel	3 605	7 551	(798)	3 947
Auckland Programme Trade B.V. (incorporated in the Netherlands)	-	-	-	(22 384)
Payables to SABC Foundation NPC	-	-	266	(6)
Receivables from SABC Foundation NPC	5 425	7 539	1 817	4 298
	<b>9 030</b>	<b>15 090</b>	<b>1 850</b>	<b>(14 145)</b>

Related party relationships exists between the Company and its wholly-owned subsidiaries, Airwave Travel, Auckland Programme Trade B.V. and SABC Foundation NPC. The Company has entered into a number of transactions with Airwave Travel for bookings and accommodation for business trips. Transactions entered into are in the normal course of business and on an arm's length basis. Amounts due and owing are settled accordingly. Auckland Programme Trade B.V. was managed by Orange Field Trust, Netherlands and transactions within this subsidiary were limited to administration costs and exchange differences arising from the translation of items into Rand (its functional currency under IAS 21 - The Effects of Changes in Foreign Exchange Rates). Auckland Programme Trade B.V. has subsequently been liquidated.

### (ii) Significant transactions with government related entities

#### Included in Revenue are the following:

Aggregate of all transactions that are collectively significant

Government Communication and Information Services

Aggregate Sales to other government related entities not listed above

GROUP AND COMPANY	
2016 R'000	2015 R'000
54 504	64 362
<b>237 942</b>	<b>81 550</b>
<b>292 446</b>	<b>145 912</b>

Goods and services are sold to related parties on an arm's length basis at market related prices.



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 41 Related parties (continued)

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

City of Johannesburg

Sentech (SOC) Limited

Aggregate Purchases from other government related entities

GROUP		COMPANY	
2016 R'000	2015 R'000	2016 R'000	2015 R'000
91 965	90 905	91 965	90 905
691 549	643 035	691 549	643 035
97 724	49 053	97 724	49 053
881 238	782 993	881 238	782 993

### (iii) Grants and sponsorships

Government grants recognised in revenue

Deferred government grant

GROUP AND COMPANY			
2016		2015	
Amount of transactions R'000	Outstand- ing balance R'000	Amount of transactions R'000	Outstand- ing balance R'000
212 122	-	203 874	-
-	400 326	-	461 331
212 122	400 326	203 874	461 331

Goods and services are purchased from related parties on an arms length basis at market related prices.

### (iv) Interest payments

Shareholder - permanent capital

1 780	27 390	1 780	27 390
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### (v) Employee benefit payments

SABC Pension fund

SABC Medical aid scheme

477 243	805 420	(300 360)	75 435
18 718		(182 347)	
495 961	805 420	(482 707)	75 435

### (vi) Administered projects

The Group has been delegated with the responsibility by the Department of Communications to administer Channel Africa and the Community Radio Project, which are sub-divisions of the Department of Communications. The net amount of administered projects for Channel Africa of R26 million (2015: R21 million) is included in trade and other payables and or trade and other receivables.

### For the year ended 31 March 2016

Channel Africa

Community Radio Project

GROUP AND COMPANY					
Opening balance R'000	Funds received R'000	Applied to expenditure R'000	Applied to expenditure R'000	Interest accrued R'000	Closing balance R'000
(20 663)	49 640	(55 377)	-	-	(26 400)
(18 916)	20 987	(11 360)	(2)	175	(9 116)
(39 579)	70 627	(66 737)	(2)	175	(35 516)

### For the year ended 31 March 2015

Channel Africa

Community Radio Project

(11 752)	47 413	(56 324)	-	-	(20 663)
(8 746)	4 622	(14 847)	(4)	59	(18 916)
(20 498)	52 035	(71 171)	(4)	59	(39 579)



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 41 Related parties (continued)

(vii) Administered funds

Bank balances of Community Radio Project

2016  
R'000

2015  
R'000

10 726

926

(viii) Service contracts for permanent executive directors

	F L Matlala	G H Motsoeneng	J R Aguma
Service contract			
- start date	01 July 2015	28 November 2011	18 March 2014
- end date	30 June 2018	30 June 2019	04 January 2020
Service period	9 Months	4 Years and 4 Months	2 Year and 2 Weeks
Remaining	2 Years and 3 Months	3 Years and 3 Months	3 Years and 9 Months

(xi) Directors' and key management personnel compensation

### Remuneration paid to the person in any capacity

Year ended 31 March 2016	Service as	Service period in months	Basic salary R'000	13 <sup>th</sup> Cheques and commissions R'000	Expenses and other allowances R'000	Employer's contribution to pension fund, medical aid and other ~ R'000	Total R'000
<b>Members of the Accounting Authority</b>							
<b>Non-executive directors</b>							
Prof M O Maguvhe	Board Chairperson	12	-	-	637	-	637
Ms L T Khumalo	Deputy Board Chairperson	12	-	-	700	-	700
Mr M R Lubisi	Board Member	1	-	-	8	-	8
Mr V G M Mavuso	Board Member	12	-	-	248	-	248
Ms R Kalidass	Board Member	1	-	-	4	-	4
Ms N M Mhlakaza	Board Member	12	-	-	260	-	260
Mr K Naidoo	Board Member	12	-	-	276	-	276
Dr N A Tshidzumba	Board Member	12	-	-	329	-	329
<b>Executive directors</b>							
Mr F L Matlala	Group Chief Executive Officer	9	2 243	125	842	391	3 601
Mr G H Motsoeneng	Chief Operating Officer	12	2 554	213	945	485	4 197
Mr J R Aguma	Chief Financial Officer	12	2 176	181	885	380	3 622
<b>Senior Management</b>							
Ms B L Tugwana	Acting Chief Operating Officer for 2 Months (Group Executive 10 months)	12	1 404	117	571	245	2 337
Mr J Matthews	Acting Group Chief Executive Officer for 5 Months (Group Executive 7 months)	12	1 404	117	901	24	2 446
Ms T Geldenhuys	Company Secretary	12	1 446	121	511	295	2 373
Mr S M Masinga	Group Executive	12	1 607	134	750	310	2 801
Ms V Duwarkah	Group Executive	12	1 556	130	700	306	2 692
Mr K Kganyago	Group Executive	12	1 143	95	361	257	1 856
Ms L Z Francois*	Group Executive	11	2 008	127	813	394	3 342
Ms M Nepfumbada	Group Executive	12	1 022	96	386	234	1 738
Mr L Ntloko	Group Executive	12	1 556	130	663	329	2 678
Mr M J Shushu	Group Executive	12	1 269	106	352	274	2 001
Mr I Tseisi	Group Executive	12	1 454	121	558	311	2 444
Mr J Mabaso	Group Executive	12	1 562	130	519	325	2 536
Ms S M Motsweni	Group Executive	12	1 474	123	580	296	2 473
Ms N P Philiso	Group Executive	12	1 615	877	567	311	3 370
Mr M P Moliwa	Acting Group Executive	12	989	82	597	207	1 875
Ms R P Mayiji	Acting Group Executive	3	166	14	60	42	282
Ms P D Buthelezi	Acting Group Executive	1	76	-	25	17	118
Ms N Maseko	Acting Group Executive	4	366	73	206	74	719
Mr C Olivier	Acting Group Executive	6	692	-	254	144	1 090
Mr S J Mathebula	Acting Group Executive	4	349	87	154	82	672
Mr Z A Rawoot	Acting Group Executive	2	130	11	142	33	316
Mr T E Ralitabo	Acting Group Executive	4	304	76	183	70	633
Mr K Padayachee	Acting Group Executive	6	408	34	179	71	692
<b>Total remuneration</b>			<b>30 973</b>	<b>3 320</b>	<b>15 166</b>	<b>5 907</b>	<b>55 366</b>



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 41 Related parties (continued)

(xi) Directors' and key management personnel compensation

Year ended 31 March 2015	Service as	Remuneration paid to the person in any capacity					Employer's contribution to pension fund, medical aid and other ~ R'000	Total R'000
		Service period in months	Basic salary R'000	13 <sup>th</sup> Cheques and commissions R'000	Expenses and other allowances R'000			
Members of the Accounting Authority								
Non-executive directors								
Ms Z E Tshabalala	Board Chairperson	9	-	-	537	-	537	
Prof M O Maguvhe	Deputy Board Chairperson(Acting Board Chairperson 3 months)	12	-	-	436	-	436	
Ms L T Khumalo	Board Member	10	-	-	331	-	331	
Mr M R Lubisi	Board Member	12	-	-	365	-	365	
Mr V G M Mavuso	Board Member	12	-	-	366	-	366	
Mr K T Bonakele	Board Member	6	-	-	103	-	103	
Ms R Kalidass	Board Member	12	-	-	220	-	220	
Prof B A Khumalo	Board Member	10	-	-	259	-	259	
Ms N M Mhlakaza	Board Member	12	-	-	246	-	246	
Mr K Naidoo	Board Member	12	-	-	360	-	360	
Dr N A Tshidzumba	Board Member	12	-	-	266	-	266	
Ms H Zinde	Board Member	12	-	-	246	-	246	
Executive directors								
Mr G H Motsoeneng	Chief Operating Officer	12	2 220	279	916	369	3 784	
Mr C Olivier	Acting Group Chief Executive Officer	6	633	194	381	116	1 324	
Mr J R Aguma	Chief Financial Officer	12	1 301	165	697	195	2 358	
Mr A Heunis	Acting Group Chief Executive Officer Acting 3 Months (Group Executive 9 months)	12	1 840	1 091	855	324	4 110	
Senior Management								
Ms T Geldenhuys	Company Secretary	12	1 274	190	458	230	2 152	
Mr S M Masinga	Group Executive	12	1 488	228	522	250	2 488	
Ms V Duwarkah	Group Executive	12	1 440	220	707	247	2 614	
Mr K Kganyago	Group Executive	12	1 058	162	476	212	1 908	
Ms L Z Francois	Group Executive	12	1 380	209	357	255	2 201	
Ms M Nepfumbada	Group Executive	12	1 059	162	393	191	1 805	
Mr L Ntloko	Group Executive	12	1 440	220	642	269	2 571	
Mr M J Shushu	Group Executive	12	1 175	180	348	234	1 937	
Mr I Tseisi	Group Executive	12	1 346	172	566	255	2 339	
Mr J Mabaso	Group Executive	12	1 446	184	506	266	2 402	
Mr V Tsoenyane	Acting Group Executive	8	654	150	438	127	1 369	
Mr J Matthews	Group Executive	12	1 177	171	495	23	1 866	
Mr M P Moliwa	Acting Group Executive	12	885	133	504	164	1 686	
Ms B L Tugwana	Group Executive (4 months acting, 8 months appointed)	12	1 206	177	659	180	2 222	
Ms S M Motsweni	Group Executive	4	455	-	190	81	726	
Mr D M Herold	Acting Group Executive	5	384	-	219	78	681	
Ms R P Mayiji	Acting Group Executive	6	311	47	136	49	543	
Ms N P Philiso	Acting Group Executive	3	283	105	88	42	518	
Total remuneration			24 455	4 439	14 288	4 157	47 339	

~ - including contributions on employer variable pension contribution

\* - included in basic salary and expenses and other allowances is compensation paid in respect of loss of office.



## 42 Licence 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 2008 to 18 December 2018: 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, X-K FM and TRU FM.

The Group was granted the following Commercial Sound Broadcasting Licences by ICASA for the period 18 December 2008 to 18 December 2018: 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.

## 43 Expenditure and losses through criminal conduct, irregular, fruitless and wasteful expenditures

## (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:

	GROUP AND COMPANY	
	2016 R'000	2015 R'000
Opening balance	4 385 138	3 376 809
Add: Irregular expenditure - identified in the current year relating to the prior years	322 282	1 732 127
Expenditure previously disclosed as irregular re-verified in the current year		(1 113 081)
As restated	4 707 420	3 995 855
Add: Irregular expenditure - current year	441 223	389 283
Less: Amounts condoned	-	-
Irregular expenditure not condoned	5 148 643	4 385 138
Less: Amounts recoverable	(117)	-
Irregular expenditure awaiting condonation	5 148 526	4 385 138
<b>Analysis of expenditure awaiting condonation per age classification</b>		
Current year	441 223	389 283
Prior years	4 707 420	3 995 855
	5 148 643	4 385 138

## Details of irregular expenditure

Incident	Disciplinary steps taken/(criminal proceedings)	
Payments without contracts	Investigations underway	40 932 13 344
Broadcast without Contract	Corrective action taken	14 934 -
Procurement process not followed	Investigations underway	16 226 62 914
Delegation of authority contravened	Investigations underway	718 3 286
No original tax clearance certificate at date of award	Investigations underway	142 316 308 917
Inadequate monitoring of contracts / Split Orders	Investigations underway	225 980 822
Other	Process to recover from employees underway	117 -
		441 223 389 283



# Notes to the Annual Financial Statements for the year ended 31 March 2016 (continued)

## 43 Expenditure and losses through criminal conduct, irregular, fruitless and wasteful expenditures (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 was made in vain and would 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 for the year under review:

		GROUP AND COMPANY	
		2016	2015
		R'000	R'000
Opening balance		58 299	42 000
Add: Fruitless and wasteful expenditure - current year		34 678	16 154
Add: Fruitless and wasteful expenditure - relating to prior years identified in the current		-	1 014
Fruitless and wasteful expenditure not condoned		92 977	58 168
Less: Amounts recoverable		(516)	(869)
Fruitless and wasteful expenditure awaiting condonation		92 461	58 299
<b>Details of fruitless and wasteful expenditure</b>			
<b>Incident</b>	<b>Disciplinary steps taken/(criminal proceedings)</b>		
Impairment of foreign and sports content	Reconciliation of broadcast schedule	11 504	6 340
Travel cancellation fees and penalties	Reported to recover value	270	529
Interest, penalties and fines on late payments	Timeous payments	1 697	3 033
Impairment of sport productions - not broadcast	Reconciliation of broadcast schedule	-	2 034
No shows charges on training	Reported to recover value	246	340
Recruitment process not followed	None	19 766	1 889
Overpayment to vendor	Investigations underway	-	2 942
Other	None	1 195	61
		34 678	17 168

## 44 Subsequent Events

As at balance sheet date of 31 March 2016, no subsequent events have taken place.

# In Remembrance: Honouring Women and Men Who Contributed to the SABC

*During the year under review.*

**Mr Peter Mahlangu** - 22 April 2015

*EXECUTIVE PRODUCER: Radio*

**Mr Vincent Khumalo** - 1 June 2015

*SENIOR PROJECT COORDINATOR: Air Time Outside Broadcasts*

**Mr Joseph Lofafa** - 6 June 2015

*PRODUCER: News*

**Mrs Suzette Pretorius** - 16 August 2015

*BRAND PR AND PUBLICITY MANAGER: Corporate Affairs*

**Mrs Chereldene Hamann** - 26 September 2015

*ADMINISTRATIVE ASSISTANT: Air Time Outside Broadcasts*

**Mr Robert Marnitz** - 30 September 2015

*PRINCIPAL TECHNICAL PRODUCER: Radio Broadcast Resources*

**Mr Lucas Moleya** - 14 October 2015

*PRINCIPAL TECHNICAL PRODUCER: Radio Broadcast Resources*

**Mr Ntokozo Mafuleka** - 5 November 2015

*TECHNICAL ASSISTANT: Logistical Services*

**Mr Freddy Baloyi** - 25 November 2015

*MUSIC COMPILER: Radio*

**Mr Khutso Sibanyoni** - 25 November 2015

*ACCOUNTANT: Finance*

**Mrs Riana (Klia) Pithey** - 4 December 2015

*ADMINISTRATOR: Radio Broadcast Resources*

**Mr Johannes Rakale** - 9 January 2016

*TECHNICAL ASSISTANT: Logistical Services*

**Ms Belinda Potgieter** - 12 January 2016

*MEDIA STRATEGIST: Commercial Enterprises*

**Ms Lorraine Semanya** - 15 March 2016

*PRODUCER: Radio*

Honouring all our fallen heroes who have contributed immensely to the SABC TV Channels and Radio Stations with deep gratitude.



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## How to use this interactive Annual Report

As a public broadcaster that strives to keep up to date with the latest technology, this book has been designed so that you can experience the audio and video content of SABC TV and Radio in print form too.

We have made use of 'Augmented Reality' to bring our content to life. Here are simple step by step instructions to get the best use of this Annual Report.



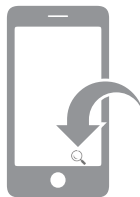
### STEP 1

Download the Aurasma App to your Android or iOS device from Google Play Store or the App Store.



### STEP 2

Launch the Aurasma App and click on the icon at the bottom of your screen.



### STEP 3

Select the search function and type SABC 2016, then select the link and click follow.



### STEP 4

Point your device at photos in this book which display these 2 icons and enjoy exclusive video or audio content.

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## Publication Detail

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