



# ANNUAL REPORT 2008





*The theme for this year's Annual Report focuses on "Enhancing Public Value" and how this is reflected, through the eyes of a child.*

*We ask: "What does value mean to a child?" and "Where would they like to see themselves or the country in the future?" Children find value in love, support, safety, helping others, having fun, achievements and receiving recognition.*

*The theme is therefore reflected in visuals of happy children and the green ribbon.*

*Focusing on our newly defined audience segments, visuals of children reflecting these diverse groups are used.*

*The green ribbon was launched by the Minister of Social Development in 2005 as a new national symbol for child protection. The ribbon is therefore an element that is pulled through all the visuals, and is also in line with the SABC's Green Revolution strategy, displaying the SABC's commitment to children.*

*The SABC's focus is to protect future generations by empowering them to reach their goals. We encourage everyone to support the green ribbon initiative and thereby ensure a better tomorrow.*





*“Children add value to our lives, and their dreams are the building blocks of tomorrow, so let’s bring about a wind of change and allow them to be heard.”*

## VISION

Broadcasting for Total Citizen Empowerment.

## MISSION

To be a people centred, content driven, technology enabled, strategically focused and sustainable public service broadcaster.

## VALUES

Conversations and partnerships.  
Restoring of human dignity.  
Building a common future.

*The SABC is South Africa’s national public broadcaster. Some 20.4 million adults tune in to the SABC’s network of 18 radio stations every day and 20.6 million adults watch the free-to-air television channels.*



*“Take time, take note, feel and listen to the future generation and you would know what direction to move in.”*

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*This is the 71st Annual Report of the South African Broadcasting Corporation Limited, referred to as ‘SABC’, ‘the Corporation’ or ‘the company’. (Registration Number: 2003/023915/06). It is tabled in Parliament in terms of the Broadcasting Act, No 4 of 1999, as amended, and the Public Finance Management Act, No 1 of 1999, as amended. This report details the activities of the SABC for the twelve months ended 31 March 2008.*

*A note on terminology*

- *References in this Annual Report to the Broadcasting Act are to the Broadcasting Act, No 4 of 1999, as amended.*
- *References to the Public Finance Management Act (PFMA) are to the Public Finance Management Act, No 1 of 1999, as amended.*
- *References to the Companies Act are to the Companies Act, No 61 of 1973, as amended.*



*“Children follow in the footsteps of those who lead them with pride and reflect a spirit of support.”*



THE SABC



# BROADCASTING CHARTER

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The Functions and Duties of the South African Broadcasting Corporation (SABC) are Specified in the Broadcasting Act.

In terms of the Broadcasting Act of 1999, the SABC, in pursuing its goals and exercising its powers, enjoys freedom of expression and journalistic, creative and programming independence that is guaranteed by the Constitution of the Republic of South Africa.

The SABC must offer, in all South Africa's official languages, a range of informative, educational and entertaining programmes that showcase South African attitudes, opinions, ideas, values, talent and artistic creativity.

Programming must also offer a plurality of views and a variety of news, information and analyses from a South African perspective, and advance the national and public interest.

**In Terms of the Broadcasting Charter, which is set out in the Broadcasting Act, the Objectives of the SABC are:**

- To make its services available throughout the Republic.
- To provide radio and television broadcasting services, by analogue or digitally, and programmes of information, education and entertainment, funded by advertisements, subscriptions, sponsorships, licence fees or any other means of finance.
- To acquire from time to time a licence or licences for such period and subject to such regulations, provisions and licence conditions as may be prescribed by the Independent Communications Authority of South Africa (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 be able to give an account of how it is meeting 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 the 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 company 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 objectives of the company.
- To establish and maintain libraries and archives containing materials relevant to the objectives of the company 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 company 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 objectives of the company and to acquire by operation of law, registration, purchase, assignment, licence or otherwise copyright and designs, trade marks, trade names and any other intellectual, industrial and commercial property rights.
- To nurture South African talent, 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.
- To develop and extend the services of the company beyond the borders of South Africa.

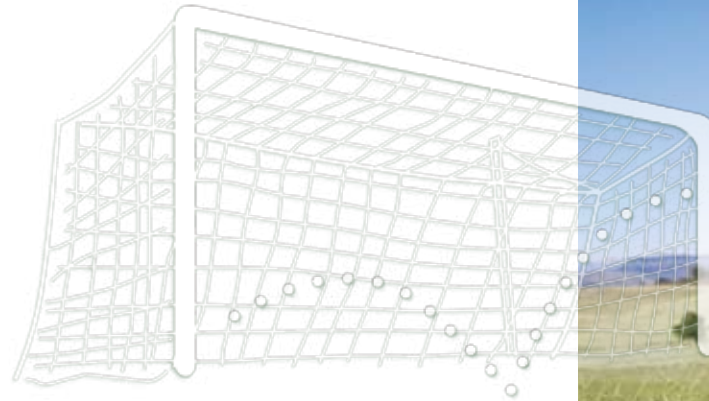


# CORPORATE GOALS

The current Board of Directors of the SABC was announced in December 2007 and took up duties in January 2008. The Board resolved to adopt a series of twelve goals for the SABC which would reinforce the company's mandate and ensure delivery in terms of the Broadcasting Act. The corporate goals underlie all of the SABC's activities, and serve to ensure a coherence of these throughout the company. These corporate goals are key to the performance management of the company's employees.

## The Corporate Goals of the SABC are to:

- Ensure that the SABC promotes democracy, non-racism, nation-building and empowerment through innovative programming that is informative, entertaining and educational, in all official languages.
  - Align the SABC with the Broadcasting Charter, the company's objectives as set out in the Broadcasting Act and the Editorial Policies.
  - Create a financially sound company built on a sustainable business model within a specified timeframe that enables it to fulfil its mandate.
  - Revitalise the company, particularly the News Division, by making it a place of preferred employment and by attracting, retaining and nurturing the best available talent in the country.
  - Ensure full statutory and regulatory compliance by all divisions of the company.
  - Ensure appropriate availability and implementation of Employment Equity and Black Economic Empowerment policies.
  - Create an SABC that enjoys the support and respect of its shareholder, viewers, listeners and other stakeholders.
- Ensure compelling, professional and authoritative news and current affairs programming that tells South African stories accurately, fairly and in a balanced way, while reflecting the world, in particular Africa, to all South Africans, in line with the SABC's Editorial Policies.
  - Ensure that the SABC plays a meaningful role in supporting the objectives of the African Renaissance and the New Partnership for Africa's Development (NEPAD).
  - Put in place an innovative technology platform and infrastructure that will enable the SABC to deliver on its mandate.
  - Conduct an evaluation and monitor the extent to which the SABC's activities are in line with the provisions of the Broadcasting Act and its Editorial Policies.
  - Put in place policies for the proper governance of the company, as required by the Broadcasting Act and other legislation.



*“Our children value being part of a winning team, a winning country. It gives them the freedom to dream and achieve their goals.”*



The Law of the Farm

*“According to natural laws and principles, I must prepare the ground, put in the seed, cultivate, weed, and water if I expect to reap a harvest.”*

- Stephen R. Covey, *Principle-Centered Leadership*.

*This is the law we live by at the SABC - if we do not approve briefs on time, if we do not approve business plans on time, then the platforms will have no content to schedule and the audiences will not be served.”*

## CHAIRPERSON’S STATEMENT

This report reflects a transition between the outgoing Board and the new one announced at the end of 2007. The four-year term of the previous Board ended in December 2007, which was the third quarter of the reporting financial year.

Our gratitude goes to the outgoing Board for setting a strategic foundation upon which the new Board could build. Central to the strategic framework inherited from the outgoing Board were corporate goals pertaining to content, stakeholders, finance; people, technology, governance and performance monitoring. This segmentation made it possible for the organisation to focus on the functional areas relating to these goals and to use them as tools for integration and performance monitoring. The corporate goals specifically and the corporate strategy broadly also made it possible for the new Board to focus almost immediately on delivery against mandate and the sustainability of the organisation.

### A SHARED VISION

The last four years have been marked by remarkable growth, restructuring and repositioning of a number of platforms within the SABC. A number of milestones defined through corporate goals of the SABC were set and achieved in the last year. These goals were translated and enacted through the vision of ‘Broadcasting for Total Citizen Empowerment’.

The report will therefore be a reflection of how this pragmatic approach to broadcasting was translated into action by the different divisions of the SABC.

### A PEOPLE-CENTRED APPROACH

The SABC puts people at the centre of all its business strategies, hence the vision of broadcasting for total citizen empowerment. This approach has benefited

the public broadcaster and the public in general, and is demonstrated by the achievements of the main brand as well as the sub-brands of the public broadcaster. For instance, a study reported a few months ago that the SABC is the public institution most trusted by South Africans. Even more recent is a Markinor study in which a number of SABC brands came out tops. SABC1 has been at the top of this list for two years in a row. Radio services such as Metro FM, Ukhozi FM, Lesedi FM, Umhlobo Wenene FM and others have also consistently performed well in this survey.

### THE DIGITAL REVOLUTION

The SABC has been at the forefront of the technology revolution of digitisation. For a number of years now the SABC has been working on a multichannel strategy based on new digital technology. This will allow the public broadcaster to tap into its huge archives dating back to 1976 and to commission new material. New technologies allow us to repurpose this archived material. A multichannel digital environment will also allow the broadcaster to serve the public in all languages and offer diverse content. To this end the SABC will continue to invest in new technology to improve its output.

South African business leader, Reuel Khoza, describes an ideal Africa as one where *‘Its airwaves and media are dominated by native concerns, images and aspirations’* (R.J. Khoza, *Let Africa Lead*).

The last year has seen an increase in local productions. More local drama was produced for the

SABC than in previous years. The SABC now invests a greater percentage of its content budget locally than it does on foreign content. There has been an increase in the local music quota by an average of 60% on PBS Radio, 15.94% on SABC1, 7.07% on SABC2 and 2.29% on SABC3. This has been accompanied by a growth of up to 80% local language usage in drama and documentaries, resulting in the continued broadening of our broadcast footprint, with more than 20 million South Africans across religious, racial and language divides now able to tune into any of our eighteen radio stations and four television stations 24 hours a day, all 365 days of the year. This is an indication of how vigorously we pursue the mandate set out in the Broadcasting Act. Last year also saw the SABC partnering with other portfolio organisations such as Sentech to provide access to communities that have never had access to television services. A number of low-power transmitters were introduced, and the areas now enjoying access to the SABC1, SABC2 and SABC3 TV channels and the RSG radio services include Prince Albert, Nelspoort, Merweville, Leeugamka and Klaarstroom.

The SABC was the first South African broadcaster to launch a 24-hour news channel on television. SABC News International was launched on 20 July 2007 for broadcasting on the Vivid platform across the continent. Viewers in the country can currently watch this channel on the regular SABC channels after midnight but plans are under way to ensure that this channel can be accessed locally at all hours on the digital platform.

Internationally, a number of news bureaus were opened across the continent, in the United States of America and in Europe. In this task the SABC has worked closely with the Departments of Communications and Foreign Affairs.

Some of the key highlights in this transition as well as in the reporting phase are described below:

## CORPORATE GOVERNANCE ISSUES

*'The practice of good governance is a journey' (Mervyn King, The Corporate Citizen).*

The SABC has adopted a new and much more comprehensive Delegation of Authority Framework (DAF). In 2005 the Board took a decision to review the old Delegation Framework, which had been adopted in 2003, as it felt that the framework did not adequately deal with the current requirements of the business. The review commenced in 2006 and was completed in June 2007. For this we thank the Company Secretariat under the leadership of Ramani Naidoo and the enormous work effort put into achieving this. The SABC's DAF is one of the most extensive frameworks of its kind, and has come under extreme scrutiny due to the challenges faced by the SABC in several litigation processes.

The Board Charter and Board Committees' Terms of Reference as well as the Articles of Association have also been revised over the last two years, and will be reviewed to ensure that they keep up with good corporate governance. These governance documents have recently also come under serious scrutiny.

A procurement policy aligned to the Corporation's governance framework was also adopted in 2007 after lengthy and extensive work in this area. For the first time, a Procurement Executive was appointed and a new department set up, giving the organisation much-needed planning and delivery capacity to more effectively implement and track its mandatory implementation of broad-based

black economic empowerment. As a public service broadcaster with an extensive procurement function running into billions of rands, we have a duty to advance the national empowerment agenda. The SABC acquires millions' of rands worth of local and international content every year and yet for a long time the acquisition of content was not guided by a proper procurement framework. Work is currently under way to centralise all procurement, including content procurement, under one procurement policy framework. Over the last three years, the SABC has invested millions in improving its technology infrastructure, including improving its IT network and other digital equipment through local suppliers. As part of the IT procurement and governance overhaul, a System Application Programme (SAP) was implemented and went live on 1 October 2007. One of the largest projects post year end has been the procurement of four high definition Outside Broadcast vans which will be used extensively to improve the quality of the broadcast of the 2009 Confederations Cup as well as that of the 2010 Fifa World Cup.

A Risk Committee of the Board was set up and a Risk Manager appointed. After extensive work the SABC now has a comprehensive risk management strategy approved by the Board.

An anti-fraud and corruption policy was adopted and a hotline set up under the supervision of Alexander Forbes.

## SABC FOUNDATION

The Foundation was officially launched in December 2007. It represents a huge step forward in the strategic deployment of the SABC's formidable resources. It is a vehicle that allows the strategic planning, proper co-ordination and coherent implementation of the

SABC's Corporate Social Investment (CSI) initiatives, thereby ensuring greater impact and accountability.

The launch was celebrated with the announcement that the Foundation had awarded 20 bursaries for 2007 and another 20 bursaries to students starting university in 2008. This has been done in partnership with the Universities of Limpopo and Fort Hare, the two pilot institutions in the selection of students for the bursaries. The Foundation aims to include 20 students every financial year, totalling 100 bursaries by 2011.

Besides centralising the Corporation's CSI and Corporate Social Responsibility (CSR) activities, the Foundation also houses a number of funds to develop social capital in South Africa. The Chairman's Fund will be used to partner efforts to alleviate the impact of natural disasters that may require direct and urgent intervention.

## ADMINISTRATIVE SYSTEMS

The implementation of the Systems Application Programme (SAP) and its impact on the alignment of financial and human resources administrative processes has been a huge investment for the SABC. The scale and scope of the implementation has been the largest single implementation in the broadcast arena on the continent, further enhancing the SABC's broadcast and technological leadership in Africa. Our systems are geared to make the SABC perform more efficiently, effectively and optimally in discharging its administrative and financial responsibilities, with greater speed overall and, more importantly, accountability. The greatest benefit SAP brings the SABC, therefore, is in corporate governance. Through SAP we are in a position to track all processes at any given time, including their genesis and status as at the time of checking. From a risk management point of view, SAP is a critical tool to enhance the Board's fiduciary oversight.

## CORPORATE STRATEGY

Internalisation of corporate goals throughout the entire organisation is currently unfolding to ensure that the corporation is focused in a particular direction. For example, these now form the basis of all management Key Performance Areas (KPA's) and the organisation's as well as individual performance.

## HUMAN RESOURCE DEVELOPMENT PLAN

Central to the ongoing competitiveness of the SABC is a human resource development plan whose objectives revolve around ensuring that the organisation has the necessary skills to deal with new business challenges. Key elements of the plan include learning and development, skills development partnerships, career management and leadership development - all within a framework of quality targeting.

A special eye is trained on technology, especially in the context of the SABC's work and investment in Digital Terrestrial Television (DTT), with our personnel being equipped and empowered to handle all aspects of the new technologies.

The human resource development plan is part of a broader organisational restructuring exercise, described below, to respond to the ever-shifting challenges of the broadcast environment.

## RESTRUCTURING OF THE ORGANISATION

The changing broadcast landscape both nationally and internationally has necessitated the restructuring of the SABC for an effective response to the competition. Internationally we have built both bilateral and multilateral alliances to leverage upon possible synergies both for quality programming

and economies of scale. This is an approach we are pursuing particularly in Africa in the context of our corporate goal pertaining to the African Renaissance and NEPAD. 2010 is a specific area we are focusing on in this regard.

Internally our restructuring has centred on greater clustering of our functional areas to promote integration, exploit relationships and enhance quality. We have also upscaled strategic functions, such as Technology, which anchor our organisation, to executive levels so as to maintain our competitive edge. At lower levels we have through strategy implementation: new performance management and incentive systems; a holistic training and development strategy for capacity building; a holistic rewards strategy that has seen the SABC improving the remuneration profile of its workforce; normal salary negotiations and reviews. These have breathed a new sense of staff commitment into the organisation. We are also creating as conducive a work environment as possible, through facilities such as a Wellness Centre, in acknowledgement of the fact that it is not only remuneration but a totality of factors which determine people's choice of workplace. Our goal is to be South Africa's employer of choice.

Being the biggest communication organisation in the country and continentally, however, does mean that we are the first target of those organisations, locally and internationally, seeking high-quality South African and African broadcast talent. Our interventions in areas such as succession planning and the establishment of the SABC Academy are a direct response to that situation and are geared to ensure our ongoing ability to deliver a quality and competitive broadcast product. This is particularly critical in an environment where, locally, new licensees have been unleashed on the broadcast landscape, and they can only rely on already available talent for their operations.



Internationally we are facing the reality of more and more major networks entering our market, both on the entertainment and the news fronts. Our response in this regard has been to launch SABC News International and to establish a number of news bureaus in North America, Europe, Asia and Africa. We are therefore becoming a producer of international content, which will translate to revenue generation, and no longer only a consumer.

## GOVERNMENT FUNDING

The SABC received R132 million from the government in relation to technology assets, compared to R119 million (10.4%) in the previous year. R25.6 million (R30.5 million previous year) was recognised to the Income Statement through depreciation of related assets. This is a slight decline of R4.9 million in comparison to the previous year, which indicates that assets bought or constructed utilising this grant were slightly lower this year compared to last year. This leaves a total of R294.7 million (R188.7 million last year) deferred government grant in the current year. Although government funding is always welcome because it goes a long way in assisting the SABC to meet some of its strategic goals, it is not enough. We will continue to engage the government positively to ensure that the public broadcaster is adequately funded to meet its mandate.

## DIGITAL TERRESTRIAL TELEVISION

The migration to digital terrestrial television, being piloted in November, presents the SABC with both technological, public service and competition challenges, all of which we are responding to. Technologically we have played our part in ensuring not only our capacity to deliver digital-based broadcasting but we have also contributed to processes leading to the technical development of Set-Top Boxes (STBs). On the public service

front we have ensured, through representations to government, that the STBs will be affordably available to the masses so that the public's access to our offerings, into which we have, over the years, invested millions, is not compromised. We are, furthermore, developing a strong education and awareness campaign to empower our people to interface with the new technology once it comes on stream. This is also part of our strategy to deal with competition - a strategy which includes a range of additional incentives for our audiences.

## STAKEHOLDER ENGAGEMENT

### Media in Society Conference

The Media and Society Conference has become a key stakeholder engagement forum in which to interact with the broader media fraternity. The SABC Board places this forum in the broader context of its mandate as a public service broadcaster to inform, educate and entertain the public.

The conference is held annually on 19 October to commemorate the banning of progressive media houses in 1977. During the year under review, the conference was held in partnership with the South African National Editors Forum (SANEF) under the theme "Black Wednesday - 30 Years Later" reflect on media transformation over the past three decades. The conference also paid tribute to media freedom activists who led the charge for freedom of expression.

The debate was further broadened through pre-conference workshops jointly held by SABC regions, SANEF and academia.

### Independent Producers

The Board meets with independent producers annually with a view to receiving feedback from critical stakeholders on production procurement policies.

Furthermore, the Board uses this forum to give leadership on local content targets, to acknowledge the industry's many awards that it delivers to the SABC, and to respond to the industry's concerns.

A key concern raised by the industry has been the issue of rights management and intellectual property rights. The SABC has, as a result embarked on an Intellectual Property Research Project with the production industry, and this initiative will seek to change the terms of trade that the SABC has with the production industry.

## CONCLUSION

In conclusion, I take a moment to express my and the board's gratitude to all employees of the corporation for their dedication and hard work throughout the difficult and challenging times. Not on a single day have there been fears of our screens going blank or the airwaves going silent because of changes of leadership or changes of system as we transitioned to SAP. Difficult times lie ahead as we stand on shaky ground at the moment and our commitment will be tested yet again.

I am also grateful to the production industry for their commitment to improving the quality of our content. This last year we have put more pressure on the small industry as we rushed to meet production and screening deadlines yet have not compromised on quality.

Finally I thank our commercial partners for their unwavering faith and trust in BRAND SABC. The brand has indeed seen enormous growth over the last few years as indicated by the SABC's maintenance of its position in the top ten brands.



Ms Kanyisiwe Mkonza (Chairperson)



*“If we are united in the vision of empowering our future generation, nothing will hold them back.”*

## SABC BOARD MEMBERS

### 1. Kanyisiwe Mkonza (Chairperson)

*BA (Witwatersrand); Dip Strategic Management (Damelin); Certificate in Non-Profit Management (School for Social Research, New York)*

Kanyi Mkonza is the current Chairperson of the SABC Board and previous chairperson of the Media Development and Diversity Agency. She is an independent management and development consultant, advising on communication strategies and development issues. She is a former Deputy Director of Media Liaison for the City of Johannesburg.

Well-known and respected for the role she played in the development of community broadcasting in the country, she served on the Founding Executive Committee of the National Community Radio Forum as well as the founding Board of the National Electronic Media Institute of South Africa. She is also a founding member of Soweto Community Radio, now the well-known Jozi FM. She has played a key role in setting up and training a number of community radio stations such as Radio Riverside in Uppington, Radio Zibonele in Khayelitsha, Botlokwa Community Radio in Polokwane, Radio Mafisa in Rustenburg, Radio Sunnysouth in Port Shepstone and many others.

### 2. Christine Qunta (Deputy Chairperson)

*LLB and BA (New South Wales, Sydney, Australia)*

Christine Qunta, the Deputy Chairperson of the SABC Board, is a senior partner in the law firm Qunta Incorporated, a firm specialising in corporate and commercial law, intellectual property law, competition law and policy, and petroleum law. She is a respected newspaper columnist, and is also the author of a number of publications, including *Who’s Afraid of Affirmative Action: A Survival Guide for Black*

*Professionals, Women in Southern Africa* (ed.) and *Heroes and Other Treasurers* (an anthology of poetry). She has served as a member of the Competition Tribunal and as director of the Road Accident Fund.

### 3. Nadia Bulbulia

*MA; Honours in Dramatic Art (Wits University); ATCL and LTCL Teachers’ Diploma (Trinity College of London); Diplomatic Practice (Clingendael Institute, The Hague, Netherlands)*

Nadia Bulbulia is a communications policy and regulation specialist, having served as a Councillor on both the Independent Broadcasting Authority (IBA) and the Independent Communications Authority of South Africa (ICASA). She has spent over a decade in regulation and overseen numerous licensing, policy and regulatory processes. She was on the ICASA Council during the re-licensing of the SABC. She also served on the Broadcasting Monitoring and Complaints Committee and the Advertising Standards Authority. Her Masters dissertation focused on public service broadcasting and her honours degree in dramatic art covered media and television studies. Ms Bulbulia has also consulted, trained and supported media NGOs and lectured in the field of content regulation and broadcasting. She is a founding member of the Children’s Broadcasting Foundation of Africa (CBFA) which successfully brought the Fifth World Summit on Children and the Media to South Africa in 2007.

She works in the telecommunications sector and is on the Board of the National Film and Video Foundation (NFVF).

### 4. Prof Alison Gillwald

*MA (Politics) (Natal); B Journalism (Rhodes)*

Alison Gillwald is Associate Professor and Research Director of the Learning Information Networking and Knowledge (LINK) Centre at the Graduate School of

Public and Development Management at the University of the Witwatersrand, Johannesburg, of which she became the first director of in 1999. The purpose of the Centre was to fast-track policy and regulatory training in ICT in Southern Africa. She is responsible for Research ICT Africa, an 18 African country ICT research network that seeks to provide the research and analysis necessary for evidence-based policy formulation.

Prior to that she was appointed to the founding Council of the South African Telecommunications Regulatory Authority (SATRA). Before joining SATRA in 1997 Prof Gillwald was responsible for establishing the Independent Broadcasting Authority's Policy Department, which led the triple inquiry into the viability of public broadcasting, local content and cross-media ownership during 1995. She chaired the Ministerial Advisory Body on Digital Broadcasting in 2000 and is currently serving her second term on the Board of the South African Broadcasting Corporation.

She is founding editor of the Southern African Journal of Information and Communication and is published in the areas of telecommunications and broadcasting policy and regulation, gender and politics more broadly.

### 5. Desmond Golding

*LLM, Banking and Finance Law (University of London); MA Global Relations (Witwatersrand); US Monetary Policy (NM Rothschild); Risk Management (London). Currently registered for a doctorate; training in banking, trade and financial markets (USA's Federal Reserve Bank of New York)*

Desmond Golding has served as Director, Credit Policy and Risk Governance, at Standard Bank, as Credit Officer at Group level at Investec Bank, and as Senior Manager, Strategic Management, at the South African Reserve Bank.

His activities include previous tenures in the ANC Youth League national leadership, including NEC committees such as the Political Committee, the Economic Cluster

and the Communication Cluster. He was granted the prestigious Nelson Mandela Scholarship for Leadership to study in the UK. He is a keen writer, has served as Senior Researcher for the ANC's Parliamentary Research Unit in the National Assembly, and as Private Secretary to the then Minister of Labour, Mr Tito Mboweni.

### 6. Bheki Khumalo

*BA Hons and BA (Fort Hare), Higher Diploma in Education (Fort Hare)*

Bheki Khumalo is known primarily as Presidential spokesperson from 2001 to 2005. Before that he was spokesperson for Education Ministers Sibusiso Bengu and Kader Asmal. He has held back-to-back appointments at Siemens as Executive Director of Corporate Affairs and in the Major Events portfolio, including Siemens' push in support of South Africa's hosting of the 2010 FIFA World Cup. In March 2006, Mr Khumalo was appointed to the Board of Siemens Southern Africa.

He has worked for SASOL as Group General Manager for Government Relations and Corporate Affairs, which included the Office for Black Economic Empowerment. He has also served on seven of the SASOL Boards. He is currently working in a contract position as a communications and international relations specialist in the Department of Minerals and Energy. He is the Chairperson of the Board of Directors of North West Development and is also a Board member of South African Tourism. Mr Khumalo has also obtained several certificates in marketing and communication.

### 7. Fadila Lagadien

*MBA (Liverpool, UK)*

Fadila Lagadien is a highly successful disabled businessperson and disability rights activist. She plays a critical role in ensuring full integration of disabled people into the mainstream of South African society. She is former convener of the Community Constituency

of the National Economic Development and Labour Council (NEDLAC). Ms Lagadien also serves on the Board of Intersite Limited.

### 8. Andile Mbeki

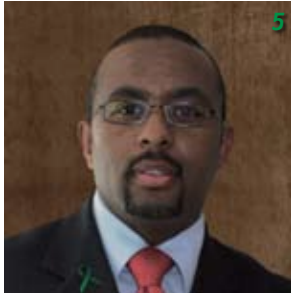
*MBA (De Montfort, UK); MSc (St Cloud, USA); B Ed (UPE); Diploma in Education (Algoa College); completing a Certificate in Telecoms Policy, Regulation & Management (Witwatersrand)*

Andile Mbeki is a businessman, youth activist and a community leader who has a strong passion for youth development, entrepreneurship and innovation. He has served, and continues to serve, in various executive and advisory capacities in a number of statutory bodies and NGOs. He has previously served in the following capacities: Skills Development Manager of the Department of Agriculture; Board member of PAETA (now Agri SETA); member of the South African Public Service Trainers' Association; Advisory Board member of Maximum Dynamics; Advisory panel member of the Films and Publications Board; freelancer for the SABC presenting youth radio programmes and co-ordinating youth television programmes; worked extensively in the field of training and development for fourteen years; lecturing and management of human resource development processes.

Current capacities: member of the Black Management Forum; member of the Junior Chamber International (JCI: World Federation of Young Leaders and Entrepreneurs); Minister of Youth and Conscious Development in Peace Government Southern Africa; Board of Trustees for youth development of North West Province; Advisory Board member of Future Leaders, Advisory Board member of Imbizo Events Group, Round Up Foundation Board member; member of national task team against Child Pornography.

He is an active member of the SABC Board who is passionate about youth affairs, and as affectionately known as "The Young Lion".





### 9. Gloria Serobe

*MBA (Rutgers, New Jersey, USA); B Com (Transkei)*

Gloria Serobe is a pioneer in women’s economic empowerment in her capacity as Founding Member and Executive Director of Wiphold and Chief Executive Officer of Wipcapital. Having served as Executive Director: Finance, Transnet Limited, and a member of the Transnet Board and its major subsidiaries, Ms Serobe’s professional experience includes positions at Exxon Corporation in the USA, Munich Reinsurance Company of South Africa, the Premier Group, and Standard Corporate and Merchant Bank. She is a member of several Boards, among them Wiphold, Old Mutual, Nedbank, Mutual & Federal, the Johannesburg Stock Exchange, and the Financial Sector Charter Council. She is also the Chairperson of the Board of the Independent Ports Regulator.

Over the years she has amassed a number of personal leadership awards, including those of Business Woman of the Year and Leadership in BEE.

### 10. Ashwin Trikamjee

*B Iuris (UNISA)*

Ashwin Trikamjee is a practising attorney and senior partner in a major Durban law firm. He is also a practising Hindu priest and a respected sports executive, having had major involvement with soccer since the 1970s. As the longest-serving council member of the South African Soccer Federation, a former Chairperson of the National Soccer League, and Vice-President of the South African Football Association, Mr Trikamjee was instrumental in the unification of soccer in South Africa. He was also the former Secretary General of the International Bar Association for Southern Africa and a council member.

He serves on various religious and cultural bodies. He is the President of the South African Hindu Maha Sabha, past Vice-President of the Hindu Council of Africa, and Chairperson of the National Religious Leaders’ Forum.

Mr Trikamjee also serves on the Boards of various companies, and is the Chairperson of the KwaZulu-Natal Gaming Board and of FICHA Limited.

### 11. Pansy Tlakula

*Honorary Doctoral Degree in Legal Studies (Vaal University of Technology); LLB (Witwatersrand); LLM (Harvard); B Proc (University of the North)*

Admitted Advocate of the Supreme Court, Pansy Tlakula is also the country’s Chief Electoral Officer and has served as a Commissioner in the South African Human Rights Commission. She is a member of the African Commission on Human and People’s Rights, in which capacity she is the Special Rapporteur on Freedom of Expression in Africa. She is a former Chairperson of the Council of the University of the North West, chairs the Board of the National Credit Regulator, and is an independent non-executive Board member of the Bidvest Group (Ltd) and Board member of Lehotsa (Pty) Ltd.

She has received a number of awards, including one from the Black Business Executive Circle for the excellent management of elections in 2004, a *Rapport City Press Prestige Award* in 2006, and *CEO Magazine’s Most Influential Women in Business and Government Award* in 2007.

### 12. Peter Vundla

*BA (UNISA)*

Peter Vundla is Executive Deputy Chairperson of AMB Capital. He has been a member of fifteen corporate and other Boards. He has chaired eleven corporate and other organisations. He is currently sitting on 5 Boards, including the Wesbank Advisory Board, and he chairs at least 6 others, among them Alcatel-Lucent SA and the Presidential Black Business Working Group. Between 1993 and 2004 Mr Vundla received seven awards for his corporate stewardship and acumen, including *Entrepreneur of the Year* in 1994.

## EXECUTIVE MEMBERS OF THE BOARD

### 13. Dali Mpofo (Group Chief Executive Officer)

*LLB and B Proc (Witswatersrand); Certificate in Finance and Accounting*

Advocate Daluxolo (Dali) Christopher Mpofo, Chairperson of the Board of the Proudly South African Campaign, boasts an illustrious law career and brings a wealth of broad experience in the ICT and broadcasting sectors.

Advocate Mpofo commenced his corporate career in 1987 as a Candidate Attorney at Kathleen Satchwell Attorneys. He then moved on to work for the ANC as Deputy Head of the Social Welfare Department. In 1993 he was admitted as Advocate of the High Court of South Africa. He practised law as a member of the Johannesburg Bar for seven years before joining the private sector in 2000. In 1996 and 1997, Advocate Mpofo held the position of Trainee International Advocacy Teacher at Grays Inn, London – a prestigious body for barristers in the United Kingdom. In 2000 he was appointed by the Minister of Justice to the position of Acting Judge in the Labour Court of South Africa. Later in the same year, he was appointed Group Executive Director for Corporate Affairs by the Altron Group, a Proudly South African ITC company. He held this position until his appointment as Group Chief Executive Officer at the SABC in August 2005. In 2003 he was appointed Chairperson of the ICT BEE Charter working group. In 2004 Advocate Mpofo was awarded Businessman of the Year status by the respected *Black Business Quarterly Magazine*.

His passion for sustainable rural development can be seen by his former Board Chairpersonship of Renewable Energy Technologies (Rentech), a company specialising in renewable energy, especially in rural areas. A person of honour and integrity, Advocate Mpofo served as the inaugural Chairperson of the National Anti-Corruption

Forum, which is now chaired by the Minister for Public Service and Administration. He served on the Council of the University of Johannesburg as a Ministerial representative. He is also the President of the Southern African Broadcasters Association (SABA).

### 14. Robin Nicholson (Chief Financial Officer)

*LL B; B Acc; B Com (Witwatersrand); CA (SA)*

Robin Nicholson was appointed as the Chief Financial Officer of the SABC on 1 July 2001. He has served on the Board of Directors since July 2001. He heads the Funding and Financial Health Cluster at the national public broadcaster. Robin has extensive experience in the media and pharmaceutical industries. Prior to joining the SABC Robin held the position of CFO at Primedia Limited and before that he was with Glaxo Wellcome (South Africa) and Adcock Ingram. He has also held a number of trustee positions on pension and medical Boards.

#### *Vacant positions*

- Chief Operating Officer  
- Ms Charlotte Mapane (*Acting*)





*“The green revolution, a vision of empowerment of all citizens to ensure a better future for our children.”*

## GROUP CEO'S STATEMENT

*The great Mahatma Mohandas Gandhi once said:*

*“The things that will destroy us are:  
Politics without principle,  
Pleasure without conscience,  
Wealth without work,  
Knowledge without character,  
Business without morality,  
Science without humanity and,  
Worship without sacrifice.”*

This quote speaks to the challenges confronting any institution, such as the SABC, whose mandate is service to the public. To some of us within this public institution that quote has been a guiding force over the past year as we have striven to ensure the financial sustainability of this organisation, while fully cognisant of our being a public service organisation, driven by the delivery of public value.

During the year under review, the business challenges faced by the SABC related to granting new licences, resulting in the introduction of new provincial radio stations in North-West and Limpopo as well as new pay-TV operators. Shifts in broadcast and digital technologies caused other challenges, including the DTT Migration Programme, the possible fragmentation of audiences and revenues and the need for a sustainable funding model.

Our response to the challenges was founded on the value proposition that ensures that the SABC drives a strategy to maintain relevance in the:

- TV, radio and new media markets;
- technology upgrades and digitisation of broadcast infrastructure;
- new audience segmentation and platform positioning for a multi-media environment;

- a multi-channel offering; and
- striving for a sustainable funding model to meet our public service mandate.

### **This Annual Report Tells the Story in Greater and Clearer Detail.**

The vehicle through which we responded is our strategy implementation, more appropriately referred to as the Green Revolution, as it focuses on unity, renewal, growth and development, both technologically and with reference to internal and external citizens.

In essence, our strategy articulates our new Value Proposition that places audience understanding and puts public value at the heart of the organisation.

The green ribbon, which is a national symbol for child protection, is used in this report in line with the SABC's Green Revolution Strategy, displaying the SABC's commitment to children and their future.

The strategy also addresses challenges pertaining to our platforms, services and content, and provides a coherent approach to audiences across the SABC's TV, radio and new media services. It has a clearly defined public service mandate accompanied by a sustainable funding mechanism. It positions the SABC to meet the competitive challenges of a rapidly changing market, with some focus on the relevant skills and competencies to deliver on it.

Ultimately, it is based on a clearly defined operating and business model that drives efficiencies and organisational effectiveness.

### **These are all Reflected in this Annual Report.**

All these are more specifically documented in this Report as interventions on many levels. These include public value, nation building, social cohesion, NEPAD-supportive international relations, skills and capacity building, DTT migration, technology upgrade, the



2010 FIFA World Cup, and governance and universal access. While these all in some way or other have technical elements to them, to us they are part of an overall human architecture based on our commitment to creating an emotional bond with the citizens we are mandated to serve. Each one is reflected in the relevant sub-report by the relevant Cluster, and we present them, in synoptic form, below:

### PEOPLE INTERNAL *(First Citizens)*

With regard to our people (internally), we have focused on talent management and skills and capacity building, including the attraction and development of skills crucial for the SABC to deliver on its mandate as a public service broadcaster. In a related intervention, we have invested in leadership development, the focus of which is succession planning and mentorship, in support of the SABC's strategy implementation, for SABC senior management.

### PEOPLE EXTERNAL *(Public Value)*

What differentiates us, as the SABC, from other broadcasters is the fact that we are a public service broadcaster. Our actions and activities, then, centre on delivering value to the public.

One of the ways in which we deliver public value is through nation building which, to us, entails promoting, both through programming and activities, social cohesion and issues of national importance, including those that promote democracy and tolerance, and that reflect the aspirations of South African citizens. The SABC has thus visibly and actively participated in community events and government programmes aimed at social cohesion.

Our value to the South African public is also reflected in our contribution to the African Renaissance and NEPAD by influencing the broadcasting agenda in Africa

to take a developmental approach to covering the continent. We have also built a proactive stakeholder management architecture to nurture and maintain professional and mutually respectful relations with our stakeholders.

## FUNDING AND FINANCIAL HEALTH

Our delivery on our mandate and our value to the South African public will always be commensurate with the extent to which we are financially secure. Pursuant to that we have focused our energies on ensuring financial sustainability via, inter alia, developing strategies to grow market share in terms of both audiences and revenue. Mindful, however, of our absolute need to serve the public ahead of private interests, we emphasise the need for increased and sustainable public service funding to reduce over-reliance on commercial revenue while maintaining our competitive edge in an ever-changing media and broadcasting landscape.

However, various factors including a gloomier economic outlook, lower consumer spend, a first-time reduction in revenue collection, the introduction of SAP and the once-off engagement of Cap Gemini to assist with an implementation plan for the new strategy have all contributed to a lower operating profit margin than anticipated. The returns from the last two factors will only be realised in a few years. In spite of this the bottom line, i.e. after tax profit, has grown significantly by more than 70%.

## CONTENT AND PLATFORMS

Our vision of broadcasting for total citizen empowerment is realisable, as earlier intimated, through nation-building activities and programming. With regard to programming, in particular, we have



*Visuals from our new audience segments reflecting the 'Nation Builders' and 'Rooted'.*

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striven hard to position our platforms in alignment with our Value Proposition. We have therefore been empowering ourselves—from a multi-channel line-up point of view—to ensure a smooth DTT switch-over by November 2008. On softer issues, our focus on audiences has meant placing the citizen at the centre of our Value Proposition. Among other things, this means ensuring that local content delivery takes cognisance of the diverse needs of our various audiences, that new players are introduced to the market, and ensuring that local content exceeds the requirements stipulated by ICASA’s licence conditions.

## TECHNOLOGY

Our delivery both on mandate and public value, including ensuring greater access to our offerings, is inextricably bound to our technological capacity, as indeed is our continued competitiveness in the new media market. We have accordingly readied ourselves, through the pilot DTT Migration Plan project, for the DTT Switch-On scheduled for November of this year. This is in the overall context of a technology upgrade and digitisation of our broadcasting infrastructure to become leaders in this area.

## GOVERNANCE

As a public service broadcaster, we have a duty to manage public resources both prudently and accountably. We have therefore developed a Risk Management Framework to enhance our capacity to anticipate, monitor, mitigate and control risk throughout the organisation. During this period, the SABC trained risk champions throughout the organisation and conducted workshops in detection, treatment, control and mitigation of risk. This is partly in fulfilment of an overall obligation to ensure full compliance with the Public Finance Management Act and other legislation applicable to the SABC. Outside

of the strictly financial compliance requirements are policies and regulations pertaining to our fulfilment of ICASA licence conditions. Also critical in the context of our being a heavy consumer of goods and services is ensuring a procurement and contracting process that complies with BBBEE and achieves maximum value for the SABC in terms of financial returns, while contributing to capacity building.

The introduction of a Risk Management Unit, the employment of a Risk Manager and the merger between the former Governance Cluster and GCEO Cluster into the Risk, Strategy and Governance (RSG) Cluster are some of the steps adopted to address some of the identified gaps in controls.

## OTHER KEY INITIATIVES

Based on our strategic position as the country’s public service broadcaster, we continue, to meet other special needs and demands, which require highly specialised attention and focus. Chief among these is, obviously, 2010, which requires us as a “2010 Official Broadcaster” to ensure that every South African has access to the World Cup through the provision of broadcast facilities in line with the requirements of FIFA and the agreement signed between the SABC and FIFA in Germany in June 2006.

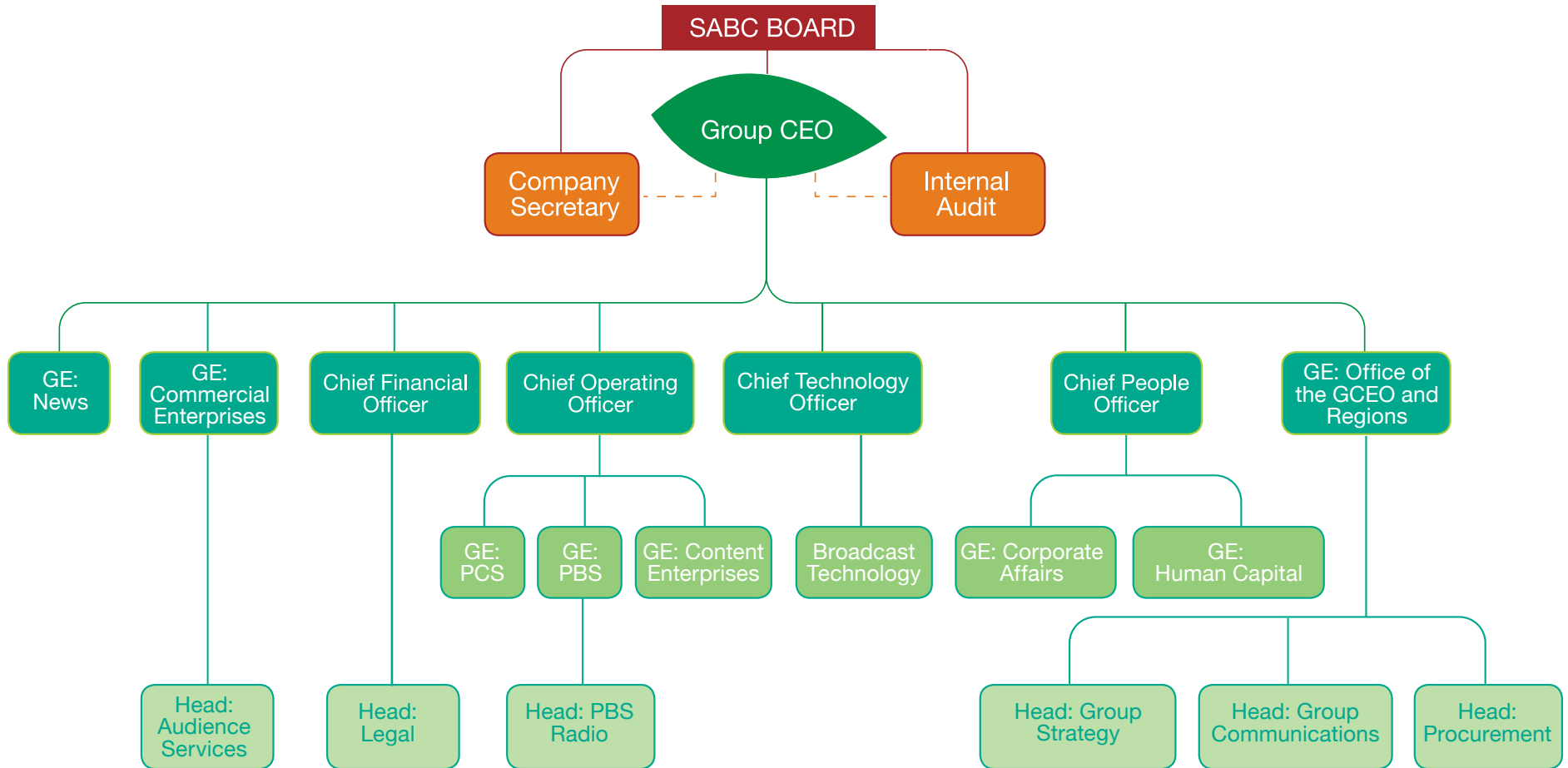
## CONCLUSION

It is stories relating to these, placed against their financial implications relative to their public value, that our Annual Report, as you shall see, tells.

Adv Dali Mpofu (Group CEO)



# ORGANISATIONAL STRUCTURE





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*“The leaders of tomorrow need the support of the leaders of today.”*

## EXECUTIVE MEMBERS

### 1. Dali Mpfu

(Group Chief Executive Officer)

Joined the SABC on 1 August 2005. Also see biography on page 13 of this report.

### 2. Robin Nicholson

(Chief Financial Officer)

Joined the SABC on 1 July 2001. Also see biography on page 13 of this report.

### 3. Phumelele Ntombela-Nzimande

(Chief People Officer)

*BA (Hons); BA Social Science (Natal)*

Phumelele Ntombela-Nzimande joined the SABC from the Department of Communications where she served as Deputy Director-General: Strategic Policy Co-ordination, Inter-governmental Relations and International Relations. Prior to that, she was Deputy Chairperson of the Commission on Gender Equality. As CPO she oversees the Corporate Affairs and Human Capital Services divisions of the organisation, including functions such as International Affairs, Corporate Communications and Public Affairs. She serves on a number of Boards and Advisory Councils including the Human Sciences Research Council and the Council of the University of KwaZulu-Natal.

### 4. Charlotte Mampane

(Group Executive: Group CEO’s Office and Regions)

*Master of Management (P&DM-Witwatersrand); BA Hons (UNISA); BA (UNIN); EDP (Witwatersrand)*

Charlotte Mampane is a Group Executive in the Group CEO’s Office and Regions. Her responsibilities include providing strategic leadership to the office of the Group CEO in areas of Strategy, Risk, Communications,

Procurement and Regions as well as a link between the different areas of the business and the Office of the Group CEO.

She worked as Head of Regions from 2002 to 2005. Formerly she was Chief Executive - Radio, having joined the SABC from the Independent Broadcasting Authority and Telkom. Ms Mampane is Chairperson of the National Film and Video Foundation and serves as non-executive director of Astral Foods.

### 5. Pearl Luthuli

(Group Executive: PCS)

*Senior Executive Programme (Witwatersrand and Harvard Business School); BA Communication and Business Administration (William Paterson, New Jersey, USA); Certificate in Television and Radio Broadcasting Management (USTTI, USA); Certificate in Journalism and Public Relations (Africa Literature Centre, Zambia)*

Ms Luthuli joined the SABC on 1 October 2005 as Chief Executive of Public Commercial Broadcasting Services. She is responsible for directing the Corporation’s commercial television and radio services.

Pearl Luthuli has extensive experience in the media industry, having worked as a journalist for the *World* and *Post* newspapers, the editor of *True Love* magazine, and publisher for *Tribute* and *De Kat* magazines. She previously worked for the SABC as Corporate Affairs and Publicity Manager for CCV TV. In 2004, she established, directed and published *Enterprising Women*, a magazine on the empowerment of women in the first ten years of the new democracy.

She has served on several Boards including those of Moribo Leisure, South African Tourism, South African National Library and Landelahni Human Resources Group.



## 6. Gab Mampone

(Group Executive: Commercial Enterprises)

*MBA (De Monteforte); MAP (Wits Business School); BA (Hons) (Witwatersrand); Chartered Marketer CM (SA); Global EDP (Gordon Institute for Business Studies, Johannesburg)*

Gab Mampone is Group Executive: Commercial Enterprises. Prior to holding this position, Mr Mampone worked as the General Manager of SABC Radio Airtime Sales since 1998. His responsibilities include, among others: implementation of marketing; pricing and revenue-generating strategies; development and cultivation of business relationships with advertising agencies, clients, station and channel management, and senior SABC management. He is also responsible for the development and implementation of strategic plans geared to ensuring sustainable commercial delivery of SABC's marketable brands. In 1999 Mr Mampone was appointed as an Audit Committee member of the Government Communications and Information Services (GCIS). He also sits in the Audit Committees of MDDA and IMC. He is a member of the Marketing Excellence Awards Council. Hew was appointed Acting Group CEO post year end.

## 7. Mvuzo Mbebe

(Group Executive: Content Enterprises)

*MPharm (Western Cape); BSc (Hons) (Statistical Analysis) (UWC); BPharm (Rhodes); Post Dip. Management (Henley)*

Mvuzo Mbebe joined the SABC in 2001 as the managing director of the SABC's Sports Division. He worked part-time as a Pharmacology lecturer and Residence Programme Co-ordinator at the University of the Western Cape (UWC). He played leadership roles in various institutions and organisations, especially in sports – for example, Athletics South Africa (ASA), SASSU and SAACON. He was the first Co-Secretary

General for Athletics South Africa, and was later appointed as the first Chief Executive Officer of the NSC. His sports knowledge extends beyond South Africa. He was Chairperson of SCSA Zone VI Marketing and Finance Committee. He led a delegation from ASA that successfully bid for the World Cross-Country Championship in 1996 and the World Cup in Athletic in 1998. He was the first Chef De Mission of the South African team to attend the All Africa Games in 1995, and part of the management team for the first South African teams to attend the Commonwealth Games in Victoria in 1994 and the World Student Games in Buffalo in 1993. He was a Director of the Seventh All Africa Games Organising Committee in 1999, responsible for Marketing and Medical and Doping Games Services. Mr Mbebe has served on the following boards: UNITRA Foundation, Primedia, Africa Speaks, Thuo Investment, the Agency and NSC Investment (Pty) Ltd. He was the Managing Director: SABC Sport for three years. He was then promoted to Group Executive: Content Enterprises at the SABC.

## 8. Lulama Mokhobo

(Group Executive: PBS)

*MSc (Utah State University, USA); BA and Dip Ed (University of Botswana and Swaziland)*

Lulama Mokhobo joined the SABC in October 2005 as Head of PBS TV and later became Group Executive for Public Broadcasting Services, which includes TV channels SABC1 and SABC2, plus fourteen terrestrial radio stations and 1 satellite/Internet based radio station. She has extensive experience in broadcast strategy design, content development and media management, having operated within the sector over a period spanning two decades. Ms Mokhobo is the former CEO of Urban Brew Studios, LCAT productions and Fox Strategic Communications. She sits as a non-executive member on a number of bodies including the Nelson Mandela Children's Fund, the Peace Island

Project and the listed mining company Miranda Minerals Holdings. She is a previous chairperson of the Independent Producers Organisation and previous Board Member of Sentech, the state-owned satellite signal distributor.

## 9. Dr Patience Naves

(Group Executive: Human Capital Services)

*PhD (UJ); BA (Hons) (UJ); BA Social Work (Zululand); EDP (Strategic Management) (School of Social Research, New York); EDP (Witwatersrand); Utility Management Graduate Programme (Global Utilities Institute); Change Management (Organisational Development Research Institute); Certificate Programme in Strategic Human Resources Management (UJ)*

Pat Naves started her career as a social worker, where she acquired extensive project management and community development skills. She subsequently moved to Eskom where she gained valuable experience as an Employee Wellbeing Officer. She also worked as a human resources practitioner in the fields of training, diversity management, performance management and industrial relations. Her other positions included stints as an Executive Trainee at Phillip Morris and Kraft General Foods. She then took up a position of Group HR Transmission Group at Eskom between 1995 and 2004. Dr Naves also worked as General Manager: People Management Specialist Services for the ABSA Group. She joined the SABC as a Director of Human Capital Services on 1 August 2005.

## 10. Dr Snuki Zikalala

(Group Executive: SABC News and Current Affairs)

*PhD Journalism (Sofia University, Bulgaria); BA (Hons) (Witwatersrand)*

Snuki Zikalala joined the SABC in 1993 as labour correspondent. He subsequently held the position of



Deputy Editor-in-chief of Radio and Television News, to which he was promoted in 1998. He was the Acting Editor of SABC Africa and the Executive Editor of SABC News in 2001. Dr Zikalala joined the Department of Labour as Senior Executive Manager of Communications for a brief stint between 2002 and 2004, after which he rejoined the SABC as its Head of News.

*The following members also attend executive meetings on a regular basis because of their strategic role in the organisation:*

### 11. Anton Heunis

(Head: Audience Services)

*B Comm (UJ); Dip Organisation and Methods*

Anton Heunis joined the SABC as Organisations and Methods Officer in 1979. He has since held a number of senior management and executive positions in the company, including that of Senior Personnel Officer (1983), Manager of HR Planning and Information (1989), HR Manager of Strategic Services (1991) and Group Manager: Human Resources (1995). Mr Heunis took up the position of Senior General Manager of the Audience Services Division in 1999. He is registered with the South African Board for Personnel Practice.

### 12. Kaizer Kganyago

(Head: Group Communications)

*BA (UNISA); Secondary Teachers Dip (Kwena Moloto College, Seshego)*

Kaizer Kganyago joined the SABC in 2006 as Head: Group Communications in the Office of the Group Chief Executive Officer. He was formerly the spokesperson for the Ministry of Justice. He also served as a spokesperson for the Khampepe Commission of Enquiry on the mandate and location of the Directorate of Special Operations (the Scorpions). Mr Kganyago has experience in the publishing industry, as he worked for both Kagiso Publishers and Nason Publishers.

### 13. Thami Ntenteni

(Head: PBS Radio)

*BA Communications (UNISA)*

Thami Ntenteni was formerly a Director of Communications in the office of the Deputy President of South Africa. He joined the SABC in 2001 as a management consultant to the Group Chief Executive Officer and was later appointed to the position of Executive Editor of Channel Africa. He played a caretaker role as Acting Head of PBS Radio for much of the 2005/2006 financial year and was subsequently appointed to this position in a permanent capacity.

### 14. Elsje Oosthuizen

(Head: Internal Audit)

*B Comm (University of Pretoria); Dip Criminal Justice and Auditing (RAU)*

Elsje Oosthuizen is Head of Internal Audit, responsible for Internal and Forensic Auditing within the SABC, and for providing the Board with an independent assurance that the internal control, governance and risk management processes are effective and efficient. She joined the SABC in 2002 as a part of a co-sourcing arrangement to establish an Internal Division. She was appointed during 2006 as the Head of Internal Audit. She resigned in July 2008.

### 15. Mabela Satekge

(Head: Group Procurement)

*MDP (UNISA); Certificate in Marketing Management and Marketing Research (UNISA)*

Mabela Satekge joined the SABC on 1 January 2007 as the Head of Procurement. He has also been Acting Head of Regions since April 2007. His responsibilities include providing procurement strategic leadership across the SABC, BBBEE support and enterprise development, as well as enhancing procurement best practices in the organisation. He has held a number of senior management and executive roles including that

of the Director of Procurement for the City of Cape Town, Head of Procurement for BoE Bank and National Contracts Manager for Eskom. He has broad and deep understanding of black economic empowerment and strategic sourcing initiatives. He has delivered numerous papers on preferential procurement and supply chain management. He served on a National Treasury task team to develop supply chain management regulations and a property management disposal policy for municipalities, and also served as chairperson of various tender committees.

## 16. Siphso Sithole

(Head: Group Strategy and Risk Management)

*MSc in Personnel Management and Industrial Relations (London School of Economics and Political Science, University of London); BSc in Political Science and International Relations (Lincoln University of Pennsylvania, USA); currently registered for a Doctorate in Social Science, (Witwatersrand)*

Siphso Sithole was instrumental in the partial privatisation of the Airports Company as Assistant General Manager Strategy and Planning. Later he was put in charge of Group Strategy at Johnnic Entertainment/Johncom (now Avusa). He has served on the Board of the Airports Company South Africa as a non-executive member, and as executive director on the Boards of Johnnic Entertainment, Gallo Music Group and Nu Metro Kenya. He now sits on the board of Momentum Group (a subsidiary of Firststrand Limited) as a non-executive director, as well as on the Boards of the Moral Regeneration Movement and Music Mayday South Africa.

Before joining the SABC, Mr Sithole managed his own company, Native Rhythms Productions, an integrated entertainment company. He has held various senior management positions such as Human Resource Director of Ericsson Telecoms, Managing Director of EXi Telecoms and Deputy CEO of Gallo Music Group. In his role as Head of Group Strategy and Risk Management at the SABC, he brings much experience in

organisational design, strategy and transformation. Mr Sithole is tasked with driving strategy in the changing broadcasting and media landscape and ensuring that the organisation retains its competitive edge as a public broadcaster while delivering on its public value and mandate.

### Vacant positions

- Chief Operating Officer  
- Ms Charlotte Mapane (*Acting*)
- Chief Technology Officer  
- Mr Nic Bonthuys (*Acting*)
- Group Executive: Legal  
- Mr Thabang Mathibe (*Acting*)
- Company Secretary  
- Mr Ntando Simelane (*Acting*)

### Resignations

- *Ramani Naidoo was appointed as Company Secretary on 1 November 2005 and resigned in November 2007.*
- *Mafika Sihlali was appointed on 1 August 2006 as the SABC's Head of Legal services and resigned in July 2007.*





*“Vuka Sizwe! South Africa rise up to the challenge; support and protect our children. Ensure our future.”*

## CFO'S REPORT

In many ways the financial year under review reflects the dilemma that the SABC finds itself in when a complex and expanding mandate demands exceptional financial management but that challenge is met with a declining market and under-performance in some significant business units.

The resultant large decline in operating profit (before Pension Fund Surplus) can now only be corrected by contracting some of the areas of activity and focusing on core broadcasting activities. This is the challenge that the existing businesses face while at the same time; the expanding mandate, digital terrestrial television and new media initiatives require extensive investment.

### REVIEW OF RESULTS

	2008		2007
	R'000	%	R'000
<b>Group Income Statements</b>			
Revenue and Other Income	<u>4 704 944</u>	9.1	<u>4 313 829</u>
Profit before Net Financing Income, Income Tax, Depreciation, Amortisation and Impairment of Property, Plant, Equipment and Computer Software	458 118	14.8	399 207
Depreciation, Amortisation, Impairment of Property, Plant, Equipment and Computer Software	(140 301)	(25.6)	(188 460)
Net Financing Income	56 261	16.4	48 316
Income Tax Expense	(52 862)	(30.7)	(76 300)
Profit for the Year	<u>321 216</u>	75.8	<u>182 763</u>

### OVERVIEW OF RESULTS AS REFLECTED IN THE INCOME STATEMENT

Overall income increased in line with inflation, showing 9.1% growth on the previous year. Profit before depreciation, amortisation and impairments grew by 14.8%. This was boosted by the inclusion of the Pension Fund surplus of R421 million arising out of the determination in accordance with the second Pension Funds Amendment Act. This was offset by the increase in the provision for the post-retirement benefits.

Depreciation, amortisation and impairment of property, plant equipment and computer software declined this year due to the impact of the previous year charges on capital projects not recurring this year.

The provision for the impairment of inventory and trade receivables were both increased significantly in the year under review. These provisions affected operating profit by R45 million.

Net financing income grew in the year by 16.4% as a consequence of rising interest rates and high cash holdings. This is not expected to continue as cash investments in working capital, operating expenses and capital expenditures are expected to absorb considerable liquidity. The operating cash flows of the organisation will



be closely managed and a funding crunch is not anticipated in the forthcoming financial year.

Profit after tax for the year grew by 75.8% driven exclusively by the recognition of the Pension Fund surplus, a non-recurring event. If the impact of defined benefit adjustments is excluded the resultant operating profit would be R43 million.

## REVENUE

Revenue Analysis (R million)	2008	%	2007
Commercial	3 656	10.9	3 297
Licence	822	8.2	760
Other Revenue	151	(12.7)	173
Government	75	(10.7)	84
Per Group Annual Financial Statements	4 704	9.1	4 314
	2008		2007
<b>Expressed as a % of Total Revenue</b>	<b>%</b>		<b>%</b>
Commercial	78		76
Licence	17		18
Other Revenue	3		4
Government	2		2
<b>Total %</b>	<b>100</b>		<b>100</b>
% Revenue Growth	9		8
Commercial Revenue	81		80
Government Revenue	19		20
	<b>100</b>		<b>100</b>

## TURNOVER

Commercial revenues continue to dominate the revenue sources of the SABC at 81% of the mix, with Television licence revenue declining by 1% to 17%. Overall revenue growth was 9.1%. The rate of growth slowed in the last quarter as inflation increased and the economy slowed down. The ability to price ahead of inflation declined as inventory availability increased meeting the long-term target of 80% sell-out. The under-performance of the Sports Sponsorship Unit was disappointing. This is a key revenue opportunity going forward and the SABC is focusing commercial resources to address the issue.

Television licence revenues continue to come under pressure due to the absence of a rate increase. The cost of collection increased as a greater portion of revenue came from collections from default licence holders. Despite this, TV licences grew by 8.2% this year.

Direct government revenues decreased by 10.7% to R75 million. The increases in related party transactions indicated a total growth in government revenues of R211 million. The government grant to support the internal technology digitisation was R150 million. The total transfer from government were R132 million, an increase of 10.9% on the previous year.

## OPERATIONAL EXPENDITURES

Operational Expenditure Analysis ( R million)	2008	%	2007
Amortisation and Impairment of Programme, Film and Sports Rights and Broadcast Costs	1 924	22.5	1 570
Signal Distribution and Linking Costs	378	13.9	332
Employee Compensation and Benefit Expenses	1 493	38.24	1 080
Pension Fund Asset	(421)	100	
Depreciation and Impairment of Property, Plant and Equipment	138	(6.8)	148
Amortisation and Impairment of Computer Software	2	(95)	40
Marketing Costs	253	(0.4)	254
Direct Collection Costs	152	26.7	120
Other Expenses (excluding Amortisation and Impairment of Computer Software)	469	(16.1)	559
Per Group Annual Financial Statements	4 415	7.6	4 103
<b>Expenditure Analysis % Increase Year on Year</b>	<b>2008</b>		<b>2007</b>
	<b>%</b>		<b>%</b>
Amortisation and Impairment of Programme, Film and Sports Rights and Broadcast Costs	22.5		17
Signal Distribution and Linking Costs	13.9		5
Employee Compensation and Benefit Expenses	38.25		9
Pension Fund Asset	100.0		-
Depreciation and Impairment of Property, Plant and Equipment	(6.8)		15
Amortisation and Impairment of Computer Software	(95)		900
Marketing Costs	(0.4)		42
Direct Collection Costs	26.7		10
Other Expenses (excluding Amortisation and Impairment of Computer Software)	(16.1)		54
<b>Total Expenditure % Increase Year on Year</b>	<b>7.6</b>		<b>19</b>

Overall expenses increased by only 7.6%. When the impact of the Pension Fund surplus and adjustments for post-retirement medical aid are excluded, the operating expenditure growth was 14.0%, a significant increase on the previous year.

The 22.5% increase in amortisation and impairment of programme, film and sports rights and broadcast costs was driven by the increasing mandate, in particular news and local programming. Foreign content impairments and sports rights amortisation also had a negative impact on the results. The cost of foreign content acquisitions and sports rights were both affected by the advent of competition in the pay-to-view arena. This trend is expected to continue to impact on the SABC.

Signal distribution and linking costs were increased due to expanding services and the increasing cost of international linking. This also reflects part of the costs required to support the expanded international news gathering operation.

Employee costs and compensation increases were driven by the expanding number of employees, the increased cost of retaining skilled staff and compliance with the accounting of leave pay accruals based on the total cost of employment as required by the Labour Relations Act. The allocation of freelance costs to employee costs also better reflects the human resource cost to the organisation. This level of cost growth is problematic. Any major cost management strategy will have to address the continued increase in headcount costs.

The impact of the defined benefits fund continues to adversely affect the SABC. The provision for post-retirement medical aid has increased by R155.5 million this year to fully provide for all the associated risks of the strategy. A process of engagement with staff to address this matter is now under way. Given the anticipated higher inflation environment that is emerging, this will continue to have a significant

impact on the SABC's ability to fund operations from borrowings.

The apportionment of the Pension Fund surplus under the provision of the Second Pension Fund Amendment Act was completed in the year under review. The Financial Services Board has accepted the plan for the apportionment. In terms of the rulings and Pension Fund resolutions, the SABC recognised an asset of R421 million. This was recognised directly into the Income Statement.

The funded status of the plan reflects a surplus of R1 212 million. In terms of the section 58 limitation, a surplus of R792 million was not recognised. The reader's attention is drawn to Notes 7 and 31 in the Annual Financial Statements.

Other costs include the costs associated with the implementation of a number of strategic projects, and consequently there is a significant increase in consulting services. The System Application Programme (SAP) project is currently drawing to a close and will be transferred to ongoing IT operations. The implementation of the new scheduling system for television will also be largely completed in the next financial year. The digitisation project will begin to gain momentum now that the Digital Migration Policy has been finalised. This remains an area of attention in order to gain maximum benefit from these investments.

## CASH FLOW STATEMENT

Cash generated from operations was negative R34 million from a positive inflow of R188 million in the previous year. Operating profit before amortisation, depreciation, changes in working capital and non-cash-flow items was R259 million down from R121 million in the previous year. Prepayments increased by R42 million and receivables by R249 million. Employee benefits absorbed R245 million. Payables extended by R246

million. Deferred income increased by R4 million. A focus on working capital management is under way. Rights management may take some years to be fully implemented and remains the most significant challenge.

Net capital expenditures for the year were R363 million of which R106 million was in Information Technology and R257 million was spent on Broadcast Technology. R132 million was received from government grants for technology. Cash and cash equivalents declined by R543 million in the year. At year end cash holdings were R166 million.

## CONCLUSION

The challenges facing the SABC are significant and will place the funding mechanisms of the SABC under pressure. The SABC will not be able to commit further resources to DTT until the funding challenges have been addressed.

With sound management and financial practices the SABC will continue to add Public value to all citizens and remain financially stable.



Robin Nicholson (Chief Financial Officer)

# CORPORATE GOVERNANCE

SABC Limited was established in terms of the Broadcasting Act of 1999, as amended, and incorporated in accordance with the Companies Act of 1973, as amended. The Minister of Communications is the registered sole shareholder on behalf of the state. As one of the major state-owned entities the SABC is governed in terms of the Public Finance Management Act (PFMA) of 1999 and related Treasury regulations.

The SABC is committed to upholding the highest levels of corporate governance, and therefore embraces the principles of best governance practice as set out in the 2002 King Report on Corporate Governance for South Africa (King II) and the Protocol on Corporate Governance for State Owned Enterprises (the Protocol). During the year under review the SABC continued to make major progress towards implementing the recommendations of King II and the Protocol, as well as its sound governance framework, which complies with governance best practice.

## CORPORATE GOVERNANCE STRUCTURES

The Board of the SABC is constituted and operates in accordance with the legislative framework referred to above, as well as within the structures dictated by the Corporation's Memorandum and Articles of Association, the Board Charter and the Shareholder Compact. In terms of the Broadcasting Act and the Public Finance Management Act, the Board is the Accounting Authority of the Corporation.

The Board is ultimately accountable and responsible to the Shareholder and to the South African public for the performance and affairs of the Corporation. In terms of the PFMA and the Broadcasting Act, the Board is vested with full authority to run the affairs of the SABC, except in respect of those matters which are reserved for decision by the Shareholder or any other authority. The Board may delegate, at its discretion and in writing, any of its powers or authorities to any committee or individual in the Corporation.

The delegation of authority does not, however, divest the Board of its responsibility concerning the due exercise of the delegated power. Any delegated power or authority may be revoked at any time at the sole discretion of the Board, subject to any third party rights that may have become vested as a consequence of any exercise of such authority.

The SABC has a unitary Board structure, comprising twelve non-executive directors and three executive directors. All of the non-executive directors are independent. The non-executive directors are nominated by the public and appointed by the President of South Africa on the recommendation of the Parliamentary Portfolio Committee on Communications in the National Assembly. The appointment is for an initial term not exceeding five years, although non-executive directors whose term has expired are eligible for re-appointment for a further term.

The non-executive directors are drawn from a wide range of backgrounds and interest groups, and bring to the Board the benefit of their diverse skills and experience. Applied collectively, these help to enhance the growth, prosperity and accountability of the Corporation.

The term of the non-executive directors who were appointed in 2004 expired in December 2007. Following a lengthy consultation process, a fresh contingent of non-executive directors was appointed for a five-year term. The Board now includes six new non-executive appointees and six non-executive members serving their second term.



*“By giving our children the outline of life, they are guided by values and we allow them to add colour to our lives.”*



The executive directors are appointed by the Board, in consultation with the Shareholder, for periods not exceeding five years at a time. The three executive directors are the Group Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Operations Officer (COO). The contract of the latter expired in December 2006, and since January 2007 the SABC has had an acting COO. Although the acting appointee attends Board meetings as an invitee to report on operational matters, she is not regarded as a Board member in terms of the Articles of Association and may not vote.

New directors are taken through an induction programme designed to enhance their understanding of the SABC's legislative framework, its governance processes, the nature and operations of the business of the organisation, and the policies in terms of which the day-to-day activities of the corporation are managed and governed. Additional training is provided when the need arises. The current Board of Directors was inducted in January 2008.

The Board meets at least six times a year. Dates of meetings are scheduled annually in advance and set out in the corporate calendar. Special meetings may be convened at short notice when material issues require the Board's attention on an urgent basis.

The Board is headed by an independent, non-executive Chairperson who is assisted by a Deputy Chairperson. Both of them are appointed by the President in accordance with the Broadcasting Act.

## GOVERNANCE FRAMEWORK

The governance framework of the Corporation includes the Memorandum and Articles of Association (which has been adopted by the Board), a Board Charter (which includes a Code of Ethics) that defines in broad terms the roles and responsibilities of the Board, and a series of terms of reference for the various Board Committees.

The Board Charter and the terms of reference of the Committees are frequently reviewed to bring them in line with governance best practice both locally and internationally, and are available on the Corporation's website ([www.sabc.co.za](http://www.sabc.co.za)).

The Board has also adopted a new Delegation of Authority Framework which is in line with the changes in the organisational structure and the revised strategy of the SABC, as well as the new governance structure being implemented. The Board has also approved a management structure and a new corporate strategy to maintain the Board's mandate as implemented. All the documents which form part of the governance framework are published on the SABC's website, where they can be accessed by all staff members and by the public.

## PUBLIC FINANCE MANAGEMENT ACT

As a major public entity in terms of Schedule II of the Public Finance Management Act, the SABC must comply with a number of reporting and disclosure requirements. The Corporation complies substantially with the various duties and responsibilities prescribed by the PFMA. Instances of non-compliance which were identified in the preceding year are being addressed.

## BOARD PERFORMANCE AND EVALUATION

In compliance with corporate governance best practice, the Board has set itself a target to evaluate, at least annually, its performance as well as that of individual directors, the Chairperson, the Group CEO and the Company Secretary. The Company Secretary, together with the Remuneration Committee and the Human Resources Committee, are responsible for ensuring that a robust evaluation system is put in place. No evaluation was conducted during the year under review as the Board's term was about to expire.

## COMPANY SECRETARY

The Company Secretary reports directly to the Board of Directors and has a dotted-line administrative accountability to the Group CEO. In terms of the Board Charter, all directors have unrestricted access to the advice and services of the Company Secretary. Directors are entitled to obtain independent professional advice at the Corporation's expense, should they deem this necessary. This is co-ordinated through the office of the Company Secretary. The Company Secretary and the Deputy Company Secretary resigned during the year under review. Mr Ntando Simelane is currently the Acting Company Secretary, having been appointed in November 2007.

## RELATIONSHIP WITH THE SHAREHOLDER

A three-year Corporate Plan has been submitted to the Shareholder and the National Treasury in accordance with section 52 of the Public Finance Management Act. The Plan sets out the key performance areas for the SABC and is used by the Shareholder to hold the Board accountable against its objectives. The details of the Plan are currently being discussed by the SABC and the Shareholder. Once they are finalised they will be incorporated into the Shareholder Compact, which is entered into annually between the SABC and the Shareholder. Accordingly, the Shareholder Compact for the year under review was not finalised as this was dependent on the finalisation of the Corporate Plan. The delay in finalising the Corporate Plan and the Shareholder Compact also impacts on the Corporation's ability to submit quarterly reports to the Shareholder as required by the PFMA.

## BOARD COMMITTEES

As smaller forums constituted with specific expertise, Board Committees have the benefit of interrogating relevant aspects of the Corporation's business in depth,

thereby providing appropriate guidance to the Board in its governance of the company. The Committees report to the Board at regular intervals on the extent to which their objectives have been achieved. The Board has established two new Committees (Risk and Procurement) to strengthen corporate governance.

A brief description of the key focus area of each Committee is set out below.

### Audit Committee

The main objective of the Audit Committee is to guide the Board in the due fulfilment of its role as the accounting authority of the Corporation.

The Committee is responsible for ensuring that the SABC's assets are safeguarded and that adequate accounting records and effective systems of internal control are developed and maintained. It ensures that the key risk areas of the entity's operations are covered in the scope of internal and external audits, examines and reviews the financial statements before they are submitted to the Board for approval, and reviews the scope and performance of the external and internal audit functions. The Head of Internal Audit reports directly to the Audit Committee. The Chairperson of the Audit Committee is an independent non-executive member of the Board.

### Finance Committee

This Committee monitors and oversees the financial health of the SABC. It reviews budgets, financial business plans and the Annual Report. It receives and evaluates the annual budgets of the various divisions of the Corporation, ensuring their alignment with the SABC's overall strategy, prior to recommending them to the Board for approval.

It plays a key role in evaluating and advising the Board on new and existing business investments and major capital projects, and guides the implementation of the Corporation's investment strategy.

### Human Resources Committee

The Human Resources Committee assists the Board in defining the roles and responsibilities of the executive and senior management within the Corporation. It also advises the Board on the adoption of a human resources strategy which will support and underpin the overall strategic direction of the Corporation, and ensures that appropriate human resources policies and procedures are in place to attract and retain the best skills and to facilitate compliance with all applicable labour legislation.

### Remuneration Committee

The Remuneration Committee determines and guides the Board in establishing formal and transparent policies on the remuneration of directors, senior management and staff generally. The Committee also determines the parameters of the annual performance agreements of directors and senior executives with regard to the strategy and objectives of the Corporation.

### Technology Committee

The Committee reports to the Board on the extent to which the Technology Division has achieved its objectives during a particular period. It ensures that the Corporation employs technology which enables it to fulfil both its commercial and public broadcasting mandates and the corporate goals. The Committee also ensures that the technology employed by its Corporation is appropriate and able to support the strategic objectives. From time to time it receives and evaluates management's analysis of the technology, management, information systems and relevant controls within the Corporation and advises the Board on their suitability to support the implementation of the planned strategy of the SABC.

### News Committee

The primary role of this Committee is to assist the Board in setting the editorial policies of the Corporation, having regard to the need to ensure the editorial

integrity of news and current affairs programming presented by the Corporation. In line with the corporate goals, the Committee ensures that the SABC produces compelling, professional and authoritative news, current affairs and other programming that tells South African and African stories accurately, fairly and in a balanced way to all South Africans in line with the Corporation's editorial policies and the regulations of ICASA.

### Public Broadcasting Services Committee

The establishment of the Public Broadcasting Services (PBS) Committee is a requirement of the Broadcasting Act. In discharging its duties, the Committee ensures that the PBS Division builds up and retains audience share and reach through radio and television programming, and delivers content that is relevant to a wide range of viewers and listeners. It also aims to ensure that the Division informs, educates and engages audiences with the challenges of contemporary South Africa, through distinctive informative, educational, entertaining, cultural, religious and children's programmes, and content that showcases South African languages, talent and expression, and ensures that these meet the requirements of the Broadcasting Act and any other legislative and regulatory obligations.

### Public Commercial Services Committee

The establishment of the Public Commercial Services (PCS) Committee is also a requirement of the Broadcasting Act. In discharging its duties, the Committee ensures that the programmes and services of this Division subscribe to public services values. The commercial services provided by the SABC are based on a model where the organisation commissions a significant amount of its programming from the independent sector. The PCS Committee sets policies to ensure that the commissioning of programmes is dealt with in an efficient manner and that the revenues generated for the Shareholder are maximised. This Committee has assumed some of the functions of the

former Programming Committee, which was disbanded by resolution of the Board.

### Procurement Committee

Transformation remains one of the critical focus areas of the SABC. This Committee aims to ensure that historically disadvantaged individuals share equitably in ownership, control and employment in the broadcasting sector. The Committee is therefore responsible for approving policies and ensuring compliance with policies that will assist the Board in making procurement decisions that are fair, equitable, sound and cost-effective for the Corporation.

The Committee adjudicates over certain tenders and contracts within its delegated level of authority, and enforces and continuously monitors compliance and adherence to the Broad-Based Black Economic Empowerment (BBBEE) scorecard by the SABC's suppliers.

The Committee is also responsible for ensuring that the SABC strikes a fair balance between advancing the transformation agenda when acquiring goods and services, and obtaining value for money, and to advise the Board, other Board committees and the Corporation generally on BBBEE compliance and sound procurement decisions in the acquisition of programmes, goods and services, and capital equipment.

### Risk Committee

The role of this newly-established Committee is to review the SABC's risk management framework and structures to be implemented. This includes the review and approval of risk identification and measurement methodologies. It also makes regular recommendations to the Board on matters relating to the risk threshold, policies, strategies and philosophy.

The Committee facilitates communications with stakeholders on common risk issues and generally does whatever is necessary to promote a sound risk management culture within the SABC. It also considers

the adequacy of risk management strategies for significant risks facing the SABC.

The Committee reviews and recommends approval of the internal audit plan to the Audit Committee to ensure that the risk management and internal audit processes are aligned. It also facilitates communication with stakeholders on common risk issues.

### 2010 Committee

The 2010 committee is an ad hoc Board committee which convenes whenever it is deemed necessary to do so.

### Executive Committee

The day-to-day running of the Corporation is managed and administered by the Executive Committee. It consists of the Group Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer, all of whom are executive members of the Board, and no more than eleven other members. The Executive Committee is accountable to the Board. It applies policy and determines strategies and guidelines for achieving the objectives of the Corporation as determined by the Board.

The Board delegates certain financial and operational authority for the management of day-to-day affairs of the Corporation to the Executive Committee. These powers are set out in the Delegation of Authority Framework. This framework is reviewed from time to time to ensure that it remains relevant. The Board is responsible for monitoring management's exercise of its delegated authority on a regular basis.

***In the year under review, the Executive Committee comprised the following members:***

**Dali Mpofu**  
Group Chief Executive Officer

**Robin Nicholson**  
Chief Financial Officer

**Charlotte Mampone**  
Chief Operating Officer (*Acting*)  
Group Executive: Group CEO's office and Regions

**Nic Bonthuys**  
Chief Technical Officer (*Acting*)

**Phumelele Ntombela-Nzimande**  
Chief People Officer

**Pearl Luthuli**  
Group Executive: Public Commercial Services

**Gab Mampone**  
Group Executive: Commercial Enterprises

**Thabang Mathibe**  
Group Executive: Legal (*Acting*)

**Mvuzo Mbebe**  
Group Executive: Content Enterprises

**Lulama Mokhobo**  
Group Executive: Public Broadcasting Services

**Patience Naves**  
Group Executive: Human Capital Services

**Snuki Zikalala**  
Group Executive: SABC News and Current Affairs

**Anton Heunis\***  
Head: Audience Services

**Kaizer Kganyago\***  
Head: Group Communications

**Thami Ntenteni\***  
Head: PBS Radio

**Elsje Oosthuizen\* (*resigned in July 2008*)**  
Head: Internal Audit

**Mabela Satekge\***  
Head: Group Procurement

**Sipho Sithole\***  
Head: Group Strategy and Risk Management

**Ntando Simelane\***  
Company Secretary (*Acting*)

**Ramani Naidoo\* (*resigned in November 2007*)**  
Company Secretary

*Mafika Sihlali\* (resigned in July 2007)*  
*Head: Legal Services*

The Group Executive Committee consists of 12 permanent members with the remaining members being invitees. The invitees\* are not entitled to vote.

## EMPLOYEE EMPOWERMENT

The SABC has developed, and promotes, a policy of corrective action by which:

- Historically disenfranchised and disadvantaged persons - Africans, Indians, coloureds, women, and people with disabilities - are included in, and are being advanced to, managerial positions. The Corporation has comprehensive training programmes that it offers its employees to ensure that such advancement is accessible to deserving employees. In addition, there is a bursary scheme that caters for the studies of employees.
- Targets set for corrective action, and progress made, are monitored continually, and a report on these matters is presented to the Board.
- The Corporation encourages offering part of its business to black businesses and those belonging to other historically disadvantaged people. It creates extensive Black Economic Empowerment opportunities, and actively pursues the objectives of this policy. A policy on this matter was approved by the Board during the year under review.

## ENVIRONMENT, HEALTH AND SAFETY

The SABC, as a corporate citizen and as a public broadcaster, acknowledges its duty to serve all South African communities. In recognition of these obligations, the Corporation makes services and programmes accessible to most South Africans.

The methods the Corporation uses for broadcasting do not pose a threat to the environment, nor to the

communities it serves. The SABC also ensures the safety of all its employees, and of other stakeholders on its premises. This is achieved by ensuring application of the highest organisational health and safety standards.

The Corporation's environmental, health and safety methods are checked regularly, and compared with agreed targets and standards required in terms of the applicable environmental health and safety codes and legislation.

## RISK MANAGEMENT

The Board is accountable for risk management procedures at the SABC, and uses the Risk Assessment Monitor provided by the Risk Committee as its main source of information to determine the effectiveness of these procedures.

Key risks and determining appropriate risk management strategies were identified during the year under review, there are still no imbedded risk management procedures and monitoring of these procedures in place.

## INTERNAL CONTROLS

The SABC's management acknowledges its responsibility for all the systems of internal control. In recognition of this management, the Board has instituted internal control systems that include written policies and procedures, clearly-defined lines of accountability, and delegation of authority based on predetermined levels of risk.

The control systems also make provision for comprehensive reporting and analysis against approved standards and budgets.

The effectiveness of the internal control system is monitored through:

- regular management reviews;
- comprehensive review and testing by internal auditors.

## NON-COMPLIANCE WITH KEY LEGISLATION

The non-compliance issues are set out in the report of the directors.



*SABC head office in Auckland Park.*

Number of Board & Subcommittee Meetings Held and Attended: April 2007 - December 2007.

Meeting Type	Meetings held	Funde SE (Chairperson)	Gillwald A	Lagadien F	Maralack A	Mazwai E T	Mbeki A	Mkonza K	Mpofu D	Msomu C	Nicholson R	Quanta C (Deputy Chairperson)	Swartz D	Trikamjee A	Mampane TC
Board	5	5	3	4	5	5	5	5	5	3	5	5	5	3	5
Human Resources	4	3		4			4	4	4	1	1	4		1	1
Remuneration	2	2	2		2	2		2	2		2	1			
Finance	4	4			4		4	1	4		4			2	4
Audit	2	2	1		2		2	2	2		2			2	2
PBS	4	4	2	4	1		3	4	3		1	3	2		4
PCS	3	3		3			3	3	2		2	2	1	1	3
News	4	4				1	4	4	4	4		2			
Technology	4	3	3		2	1	1	1	3	3	4		1		3
Procurement	3	3		1		3	3		3		3				3
Risk	2	1			2		2		2		2			1	2
Pension Fund															
Digitech	2	2	2		2			2	2	1	2	1			1
2010															

Number of Board & Subcommittee Meetings Held and Attended : January 2008 - March 2008.

Meeting Type	Meetings held	Bulbulia N	Gillwald A	Golding DK	Khumalo BB	Lagadien F	Mbeki A	Mkonza KD (Chairperson)	Mpofu D	Nicholson R	Quanta C (Deputy Chairperson)	Serobe GT	Tlakula FDP	Trikamjee A	Vundla BP	Mampane TC
Board	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Human Resources	1	1				1		1	1		1*					
Remuneration																
Finance	1						1	1	1	1		1		1	1	1*
Audit	1		1	1	1			1*	1	1				1		1
PBS	1	1			1	1		1	1		1				1	1
PCS	1	1		1		1		1	1		1				1	1
News	2		2	1*	2		2	2	2		2					
Technology	1					1	1	1	1		1					1
Procurement																
Risk	1		1	1	1			1	1	1						1
Pension Fund																
Digitech																
2010	1		1	1		1*		1	1					1		1

\*Non-Member



# PERFORMANCE MANAGEMENT

During the 2007/2008 financial year the SABC set its performance targets and deliverables against key strategic objectives and an aggressive strategy deployment programme.

These would see the organisation focusing on key areas such as (i) defining and delivering public value (ii) the development of a funding model and funding mix for the SABC (iii) the 2010 FIFA World Cup broadcast (iv) digital migration (v) technology strategy roll-out, and (vi) capacity building for a new media and broadcasting landscape. Critical for delivery on these key focus areas are the SABC's strategic pillars - People, Operations, Technology, Funding and Financial Health, and Governance. The underlying themes presented below guide performance delivery against the key focus areas.

Themes	Objectives	Key Performance Areas	Performance Assessment
<b>STRATEGIC PILLAR: People Internal (First Citizens)</b>			
1. Skills and Capacity Building	<ul style="list-style-type: none"> <li>Ensure the attraction, development and retention of skills relevant to the media and broadcasting industry, and required by the SABC to deliver on its Value Proposition and mandate obligations.</li> </ul>	<ul style="list-style-type: none"> <li>Develop and implement a holistic recruitment strategy, including skills pipeline.</li> <li>Identify critical skills requirements and establish the appropriate skills profile.</li> <li>Provide an adequate learning environment and infrastructure.</li> <li>Implement a Reward and Recognition Programme.</li> </ul>	<ul style="list-style-type: none"> <li>Skills pipeline framework developed for all the divisions.</li> <li>Skills audit and capacity analysis done post year end in accordance with the new DTT requirements.</li> <li>Business plan and proposal for the SABC Academy developed, with various options.</li> <li>Retention and reward scheme for hot skills was developed and was approved post year end.</li> </ul>
2. Leadership Development	<ul style="list-style-type: none"> <li>Ensure the existence of succession planning and mentorship programmes for SABC senior management in support of the SABC Strategy Implementation.</li> </ul>	<ul style="list-style-type: none"> <li>The Senior Management Forum must be fully operational and drive the SABC strategy.</li> <li>Every member of the Senior Management Forum must be assessed in terms of leadership potential for the next level.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented the Green Leaders Project.</li> <li>Established the Senior Management Forum.</li> <li>Developed a succession management framework.</li> <li>Achieved greater transformation of the management and staff profile:                             <ul style="list-style-type: none"> <li>- 74% black staff;</li> <li>- 66% black managers;</li> <li>- 45% female staff;</li> <li>- 37% female managers.</li> </ul> </li> </ul>



*“Children perform at their best when they are given the opportunity to build their potential.”*

Themes	Objectives	Key Performance Areas	Performance Assessment
<b>STRATEGIC PILLAR: People Internal (First Citizens) (continued)</b>			
3. Talent Management	<ul style="list-style-type: none"> <li>Ensure that the SABC attracts and retains key talent.</li> </ul>	<ul style="list-style-type: none"> <li>Existence of retention schemes for key talent.</li> </ul>	<ul style="list-style-type: none"> <li>Identified key talent and provided retention scheme to ensure retention of key talent.</li> </ul>
<b>STRATEGIC PILLAR: People External</b>			
4. Nation Building	<ul style="list-style-type: none"> <li>Promote issues of national importance and nation building across portfolio of services, including programming that promotes democracy and tolerance and reflects the aspirations of South African citizens.</li> </ul>	<ul style="list-style-type: none"> <li>Invest in content and programmes that promote nation building.</li> <li>Participate in community events and government programmes that promote nation building.</li> </ul>	<ul style="list-style-type: none"> <li>Invested in content themes that contributed to nation building.</li> <li>Each of the SABC business units, channels and radio stations identified and supported at least two events and programmes that promoted nation building.</li> <li>Implemented outreach projects that contribute towards nation building.</li> <li>Supported sporting events of national importance, such as the Rugby and the Cricket World Cups.</li> </ul>
5. Social Cohesion	<ul style="list-style-type: none"> <li>Promote issues of national importance and nation building across a portfolio of services, including programming that promotes democracy and tolerance and reflects the aspirations of South African citizens.</li> </ul>	<ul style="list-style-type: none"> <li>Invest in content and programmes that promote social cohesion.</li> <li>Participate in community events and government programmes that promote social cohesion.</li> </ul>	<ul style="list-style-type: none"> <li>Invested in content themes with a strong potential to contribute to social cohesion.</li> <li>Each of the SABC's business units, channels and radio stations were asked to identify and support at least two events and programmes that promote social cohesion.</li> <li>Supported sporting events of national importance, such as the Rugby and the Cricket World Cups.</li> </ul>
6. Contribution to the African Renaissance and the New Partnership for Africa's Development (NEPAD)	<ul style="list-style-type: none"> <li>Ensure that the SABC plays a meaningful role in supporting the objectives of the African Renaissance and NEPAD.</li> </ul>	<ul style="list-style-type: none"> <li>Existence of bilateral and multilateral relations in support of national and continental priorities in media and broadcasting.</li> <li>Position the SABC as the leading African broadcaster that influences the broadcasting agenda.</li> </ul>	<ul style="list-style-type: none"> <li>Concluded bilateral relations and agreements with a number of countries on the continent in support of national and continental initiatives and priorities in media and broadcasting.</li> <li>Supported the African agenda in the broadcasting and media landscape through AUB initiatives: <ul style="list-style-type: none"> <li>- FIFA events;</li> <li>- Beijing Olympics (Post year end);</li> <li>- established distribution platform for African broadcasters.</li> </ul> </li> </ul>
7. Stakeholder Management	<ul style="list-style-type: none"> <li>Ensure that the SABC enjoys the support and respect of its stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Create an emotional bond with all SABC stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Visible and on-going engagement with SABC stakeholders on matters of common interest.</li> <li>Formed the SABC Music Industry Advisory Group for the development of a vibrant and legislatively compliant music policy.</li> </ul>
<b>STRATEGIC PILLAR: Funding and Financial Health</b>			
8. Financial Sustainability	<ul style="list-style-type: none"> <li>Ensure that the SABC attains financial sustainability in order to deliver on its public service mandate.</li> <li>Ensure that the SABC grows market share both in terms of audiences and revenue.</li> </ul>	<ul style="list-style-type: none"> <li>Achieve significant revenue growth for TV, Radio, and New Media.</li> <li>Achieve significant growth in classic and programme sponsorship sales.</li> <li>Achieve growth in sports, merchandising, mobile services, co-productions, and programme funding.</li> <li>Achieve significant growth in TV license revenue.</li> </ul>	<ul style="list-style-type: none"> <li>New Media grew by 2.2% year on year.</li> <li>Classic advertising grew by 14.2% and sponsorship sales declined by 8.9% year on year.</li> <li>Sports revenues declined by 23.9%, mobile services by 44.9%, programme funding by 7.8% while merchandising revenues grew by 305%.</li> <li>TV licence revenue grew by 8%.</li> </ul>



Themes	Objectives	Key Performance Areas	Performance Assessment
<b>STRATEGIC PILLAR: Funding and Financial Health</b> <i>(continued)</i>			
9. Public Service Funding	<ul style="list-style-type: none"> <li>Reduce over-reliance on commercial revenue through increased public funding.</li> <li>Ensure that the SABC delivers according to its public service obligations while remaining relevant in the changing media and broadcasting landscape.</li> </ul>	<ul style="list-style-type: none"> <li>Identify key opportunities in order to close the funding gap.</li> </ul>	<ul style="list-style-type: none"> <li>Engaged government on the following: <ul style="list-style-type: none"> <li>- 50% funding of SABC News International;</li> <li>- funding during dual illumination for DTT migration;</li> <li>- removal of VAT on licence revenues;</li> </ul> </li> <li>Engaged government on: <ul style="list-style-type: none"> <li>- establishment of a Section 21 company;</li> <li>- imposition of a broadcast levy;</li> <li>- introduction of a licence fee subsidy;</li> <li>- TV licence collection from Pay TV operators.</li> </ul> </li> </ul>
<b>STRATEGIC PILLAR: Content</b>			
10. Platform Positioning	<ul style="list-style-type: none"> <li>Ensure that SABC platform positioning is aligned to the new SABC value proposition.</li> </ul>	<ul style="list-style-type: none"> <li>Put audiences at the centre of the SABC's platform positioning.</li> </ul>	<ul style="list-style-type: none"> <li>Finalised and implemented DTT platform positioning for Television in line with the new audience segmentation and multi-channel environment.</li> </ul>
11. Multi-Channel Line-Up	<ul style="list-style-type: none"> <li>Ensure DTT switch-over by November 2008.</li> </ul>	<ul style="list-style-type: none"> <li>Establish a Project Office for DTT Migration.</li> </ul>	<ul style="list-style-type: none"> <li>Developed a DTT Migration and Platform Management strategy for a multi-channel environment.</li> </ul>
12. Audience Focus	<ul style="list-style-type: none"> <li>Ensure that the SABC places audiences at the centre of its Value Proposition.</li> </ul>	<ul style="list-style-type: none"> <li>Implement the new audience segmentation on all SABC platforms.</li> </ul>	<ul style="list-style-type: none"> <li>Developed a strategy for operationalising new audience segments in line with the SABC's audience centricity and Value Proposition.</li> </ul>
13. Increase in Local Content Delivery	<ul style="list-style-type: none"> <li>Ensure that local content delivery takes cognisance of the diverse needs and multiplicity of South African audiences.</li> <li>Ensure that the commissioning and development of local content takes cognisance of the need to introduce new players to the market.</li> <li>Ensure that local content meets the requirements stipulated by ICASA's licence conditions.</li> </ul>	<ul style="list-style-type: none"> <li>Align content to new audience segmentation in line with platform positioning.</li> <li>Increase the participation of content producers from HDIs, including in the regions.</li> <li>Deliver content according to ICASA licence conditions.</li> </ul>	<ul style="list-style-type: none"> <li>Increased local content on TV: <ul style="list-style-type: none"> <li>- SABC1 by 15.94%;</li> <li>- SABC2 by 7.07%;</li> <li>- SABC3 by 2.29.</li> </ul> </li> <li>Increased local music quota on Radio to an average 60% on PBS radio.</li> <li>Achieved between 60% and 70% of programming in languages other than English.</li> <li>Up to 80% of local programmes now utilise languages other than English.</li> </ul>
<b>STRATEGIC PILLAR: Technology</b>			
14. DTT Migration and Readiness	<ul style="list-style-type: none"> <li>Ensure the implementation of the DTT Migration Plan for DTT Switch-On by November 2008.</li> </ul>	<ul style="list-style-type: none"> <li>Set up the DTT Migration Office and implement a plan for final multi-channel line-up.</li> <li>Develop and finalise channel and programming positions.</li> <li>Implement distribution strategies for each channel.</li> </ul>	<ul style="list-style-type: none"> <li>Set up the DTT Migration Office and completed an implementation plan for: <ul style="list-style-type: none"> <li>- final multi-channel line-up;</li> <li>- developed and finalised channels and programming positions;</li> <li>- initiated dialogue with other DTT players.</li> </ul> </li> </ul>
15. Technology Upgrade and Digitisation of Broadcasting Infrastructure	<ul style="list-style-type: none"> <li>Ensure that the SABC takes the lead in digital broadcasting infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>Upgrade OB Units for TV Broadcast to digital.</li> <li>Implement a Dalet 5.1 radio system.</li> <li>Digitise news production facilities.</li> <li>Establish a high-end Sports Centre.</li> </ul>	<ul style="list-style-type: none"> <li>Developed a strategy and plan for the following: <ul style="list-style-type: none"> <li>- acquisition of four DH TV OB vans for outside broadcasts;</li> <li>- digitisation of Studio 9 News International;</li> <li>- digitisation of regional infrastructure;</li> <li>- implementation of TV BMS DTT MUX for scheduling and archiving data in a multi-channel environment;</li> <li>- implementation of radio main control and layout.</li> </ul> </li> </ul>

Themes	Objectives	Key Performance Areas	Performance Assessment
<b>STRATEGIC PILLAR: Technology (continued)</b>			
16. Digitisation of Archives	<ul style="list-style-type: none"> <li>Mitigate the risk of losing valuable archive material and transfer current formats to a file-based format.</li> </ul>	<ul style="list-style-type: none"> <li>Continue with the digitisation of archive material (audio, visual and broadcast-related print material).</li> </ul>	<ul style="list-style-type: none"> <li>Digitisation of archives is on-going.</li> </ul>
<b>STRATEGIC PILLAR: Risk Strategy and Governance</b>			
17. Risk Management Framework	<ul style="list-style-type: none"> <li>Ensure that the SABC is able to anticipate, monitor, mitigate and control risk throughout the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>Implement the ERM Framework and Policy.</li> <li>Develop a Risk Management Reporting Process.</li> <li>Ensure compliance with applicable legislation and the statutory framework.</li> </ul>	<ul style="list-style-type: none"> <li>Aligned and consolidated various ERM processes with the corporate risk management process approved post year end.</li> <li>Completed training of Regional Risk Champions trained on ERM.</li> <li>Developed and implemented a Top 20 Risk Management Reporting Framework.</li> </ul>
18. PFMA Compliance	<ul style="list-style-type: none"> <li>Ensure full compliance with PFMA and other legislation within the SABC.</li> </ul>	<ul style="list-style-type: none"> <li>Issue quarterly reports of PFMA compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Busy Establishing a monthly PFMA compliance checklist mechanism.</li> </ul>
19. Policy and Regulations	<ul style="list-style-type: none"> <li>Ensure compliance with ICASA licence conditions.</li> </ul>	<ul style="list-style-type: none"> <li>Regularly report to ICASA on compliance with licence conditions.</li> </ul>	<ul style="list-style-type: none"> <li>On-going.</li> </ul>
20. Procurement	<ul style="list-style-type: none"> <li>Ensure a procurement and contracting process that complies with BBBEE, achieves maximum value for the SABC in terms of financial returns, and contributes to capacity building.</li> </ul>	<ul style="list-style-type: none"> <li>Implement strategic sourcing.</li> <li>Ensure that procurement and subcontracting processes comply with the PFMA and the regulatory framework.</li> <li>Implement a contract management framework.</li> </ul>	<ul style="list-style-type: none"> <li>Developed and busy implementing a supplier database.</li> <li>Implemented SABC's BEE scorecard.</li> <li>Implemented National Key Point roll-out plan.</li> <li>Implemented a strategic sourcing plan and spend analysis.</li> <li>Implemented the ERP/SAP Procurement Module.</li> <li>Developed and implemented SCM and Preferential Procurement Policy.</li> <li>Established a Bid Adjudication Procurement Committee for all major capital procurement.</li> <li>Facilitated and conducted training on SCM and preferential procurement.</li> </ul>
<b>Other Key Initiatives</b>			
21. 2010 FIFA Soccer World Cup	<ul style="list-style-type: none"> <li>Ensure that every South African has access to the World Cup through the provision of broadcast facilities in line with the requirements of FIFA.</li> </ul>	<ul style="list-style-type: none"> <li>Develop a mass mobilisation plan to create awareness of and provide relevant information on 2010.</li> <li>Develop a broadcast infrastructure ready to deliver quality broadcast of the 2010 FIFA World Cup.</li> </ul>	<ul style="list-style-type: none"> <li>Developed a mass media campaign that advertises relevant information on 2010 through Radio and TV.</li> <li>Developed a technology plan for all broadcast facilities for 2010.</li> <li>On-going partnership campaign with FIFA and host cities on Fan Feasts.</li> <li>On-going Siyanqoba Campaign.</li> </ul>

## LOSSES THROUGH CRIMINAL CONDUCT AND IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURES

(i) All losses through criminal conduct and 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 losses through criminal conduct and losses through irregular expenditure, in terms of section 55(2)(b)(i) of the Public Finance Management Act, No 1 of 1999, as amended:

Case number	Action taken	Losses identified R'000	Losses recovered year to date R'000	Losses written off R'000	Recovery outstanding R'000
<b>During the year ended 31 March 2008</b>					
<b>Fraud</b>					
Case 1	Civil Action	168	-	(168)	-
Case 2	Recovery	3	-	-	3
Case 3	Recovery	5	-	-	5
Case 4	Criminal Action and Recovery	273	-	-	273
Case 5	Criminal Action and Recovery	118	-	-	118
Case 6	Disciplinary Action and Recovery	26	-	-	26
Case 7	Disciplinary Action and Recovery	6	-	(6)	-
Case 8	Disciplinary Action and Recovery	8	-	-	8
Case 9	Criminal Action and Recovery	1 890	-	-	1 890
<b>Theft</b>					
Case 10	Recovery	6	-	-	6
Case 11	Criminal Action and Recovery	6	(2)	-	4
		<b>2 509</b>	<b>(2)</b>	<b>(174)</b>	<b>2 333</b>
<b>During the year ended 31 March 2007</b>					
<b>Fraud</b>					
Case 1	Criminal Action	8 871	-	-	8 871
Case 2	Criminal Action	178	-	-	178
Case 3	Criminal Action	97	(7)	-	90
Case 4	Disciplinary and Criminal Action	1 809	-	-	1 809
Case 5	Disciplinary and Criminal Action	81	-	-	81
		<b>11 036</b>	<b>(7)</b>	<b>-</b>	<b>11 029</b>

*LOSSES THROUGH CRIMINAL CONDUCT AND IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURES (continued)*

Case number	Action taken	Losses identified	Losses recovered year to date	Losses written off	Recovery outstanding
		R'000	R'000	R'000	R'000
<i>(ii) Material losses through fruitless and wasteful expenditures</i>					
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:					
<b>During the year ended 31 March 2008</b>					
<b>Fraud</b>					
Case 10	Disciplinary Action and Recovery	95	-	-	95
Case 11	Recovery	36	-	-	36
Case 12	Disciplinary Action and Recovery	50	(50)	-	-
<b>Theft</b>					
Case 16 - <i>Theft</i>	Disciplinary Action and Recovery	4	-	-	4
<b>Other</b>					
Case 13 - <i>Expired licence periods</i>	Disciplinary Action and Recovery	4	-	-	4
		<b>185</b>	<b>(50)</b>	<b>-</b>	<b>135</b>
<b>During the year ended 31 March 2007</b>					
<b>Other</b>					
Various	Aggregate amounts below the materiality threshold for reporting amounts individually	1 708	(6)	(1 671)	31
		<b>1 708</b>	<b>(6)</b>	<b>(1 671)</b>	<b>31</b>



*“What makes our world go round? Working together with a unified goal, finding the value in each other’s abilities.”*

## CLUSTERS





## CLUSTERS

The South African broadcasting landscape faces momentous change – a number of additional terrestrial and satellite channels are being offered, and these will have an impact on audience consumption patterns. To stay relevant and competent in this fiercely contested terrain, the SABC introduced various Clusters to fast-track the implementation of its strategy.

Over the past year, the South African media landscape was given a preview of what can be expected in the not too distant future with the awarding of free-to-air and subscription-based television licenses to new operators. The number of radio stations is growing proportionally. This move was a clear indication that the environment within which the SABC formerly operated no longer exists. The piece of the cake is no longer as big as it was. The newcomers will no doubt continue to erode the traditional broadcast audiences of the incumbents. To keep ahead of the game, the SABC must respond deftly and decisively. Some areas which the Corporation must address were identified as follows:

### INTERNAL

- Infusion of mandate delivery within programming, ensuring quality and distinctiveness across all stations and channels.
- An integrated approach to pre-emptive strategies to counter competition.
- Using new media platforms and technologies, including Digital Terrestrial Television (DTT), to maximise public choices in terms of SABC media ambitions.
- Capacity building in all areas to provide appropriate human capital resources.
- Investing in, developing and transforming the broadcasting and production sectors.
- Preparing for the launch of multi-channel distribution ahead of the 2010 FIFA Soccer World Cup.

### EXTERNAL

- The changing regulatory environment for broadcasters and electronic media in South Africa, with intensified competition from both existing and new media players.
- Ongoing content rights fragmentation, and a range of issues relating to rights ownership, access, affordability and protection.
- Discernable changes in media consumption trends and audience loyalties.
- Ongoing changes in demographic trends, levels of disposable income, and the means to access SABC services.

To deal decisively with the situation, the SABC looked carefully at internal and external bottlenecks and points where problems were likely to develop. In the process a five-pronged model was developed that arranged the operations and governance into five pillars - People, Operations, Technology, Governance and Funding.

### WHAT ARE THE CLUSTERS?

Clusters are pillars as identified in the Strategy Framework of the Corporation. These are the key focus areas of strategy implementation processes, and are aimed at ensuring that the strategy implementation penetrates these areas in their broadest sense.

Through these Clusters, the Corporation has reorganised itself to operate according to its strategic

*“There is value in knowing where something comes from and what ingredients we need to use to achieve the desired result.”*

pillars. Working within the Cluster framework enables the organisation to operate in an integrated manner. It is also intended to rid the Corporation of the tendency to operate in silos. In addition, it enables the organisation to speed up decision-making.

The SABC's corporate strategy is centred on these five strategic pillars, and the core functions of the SABC were aligned across the five pillars or Clusters.

#### The clusters are:

##### People

The role of People Cluster is to ensure that the SABC's people are at the epicentre of everything that the SABC does as a corporation. Accordingly, a massive 'people' drive was undertaken. The aim of the Cluster is to improve corporate relations among staff, and with trade unions, organised labour, various sections of government and civil society.

The Cluster also designs and implements talent attraction and retention strategies, and supports the wellness policies and programmes of the SABC.

##### Operations

This Cluster generates content and oversees platform management activities. It also provides business processes and systems to facilitate effective employee empowerment.

It is also involved in the negotiation of sports rights, including external production costs.

##### Technology

This pillar supports four key elements – Broadcast Technology Solutions, Information Technology Solutions, Facilities Development and Management, and Human Capital Development. These include skills development and national priorities – for example, supporting delivery of the 2010 FIFA Soccer World

Cup, improving the necessary infrastructure that puts people first, and enabling easy access to information.

It also advises on new technology acquisitions decisions on behalf of and in consultation with other relevant business units.

##### Funding

The Funding Cluster creates value by aiding the SABC to improve its bottom line, to ensure that there are sufficient resources to finance internal requirements, and that there is adequate funding for citizens to access corporate services.

This Cluster also approves business plans and

expenditure and authorisation of procurement for capital projects as well as overseeing the budget process on behalf of the Executive Committee.

##### Risk, Strategy and Governance

This cluster oversees risk management, strategy implementation and compliance issues within the organisation. It also develops the strategy for management of intellectual property and copyrights.



*An overview of the audience segmentation groups affected by the changing broadcasting landscape.*



*“We value the opinions of all those around us, but we should teach the younger generation never to lose sight of the value of their own opinions and abilities.”*

## PEOPLE CLUSTER

People are the cornerstone of the SABC - ranging from its internal citizens comprising staff, management and the Board, to external citizens, that is the general public. The People Cluster is an 'engine' that drives all people-related issues within the Corporation, including corporate communications, stakeholder management and international relations.

### PEOPLE INTERNAL *(First Citizens)*

First citizens are the people who give life to the SABC mandate, vision, corporate goals and the organisational values which determine how the SABC conducts itself in fulfilling its public service mandate to the external citizens.

The advent of new and fierce competition within the ICT sector has resulted in the SABC becoming a poaching ground for new industry players. This has prompted the organisation to enhance and strengthen vigorous developmental programmes and staff retention strategies. One of the notable gaps is the current structure and available skills of the Technology Cluster which do not match the requirements of the digitised broadcasting environment to the extent that they should.

The current workforce is comprised, on the one hand, of senior personnel without knowledge of the digitised environment and, on the other hand, of 'young blood' without the necessary management and trouble-shooting skills required by new broadcast technologies.

In its commitment to creating a conducive working environment for internal citizens, the Cluster commissioned a culture survey whose recommendations were integrated into the organisation's strategy implementation project and which was communicated to staff via organisation-wide feedback sessions conducted in the last fiscal year. Key focus areas were human resources, communication, leadership and strategy, including organisational structure and values. These are discussed as follows:

### Skills and capacity building

A recruitment and skills pipeline strategy has been developed and implemented to ensure that the SABC attracts and develops critical skills needed to deliver on its mandate. A new challenge posed by digital migration requires a skills audit and capacity analysis to be done in accordance with the new Digital Terrestrial Technology (DTT) environment.

A business plan and proposal for an SABC Academy has been developed to address skills capacity gaps.

To ensure organisational sustainability innovative strategies such as graduate recruitment, learnership schemes, reward strategies and performance management were adopted. In pursuit of skills enhancement, PBS Radio provided leadership internship programme for 12 interns at the University of the Witwatersrand and the Gordon Institute of Business Science (GIBS). In this initiative, station managers were exposed to international training practices with emphasis on radio broadcasting.

A loss of skilled workers to competition inevitably affects operations, production and delivery of critical projects. To mitigate these risks, Technology Human Capital Services has introduced various programmes to equip junior-level personnel with the scarce technological skills required to run the business successfully.

In the last year alone, Technology Human Capital Services embarked on Junior Management and Team Leadership programmes with the University of Stellenbosch, and developed a broadcasting engineering learnership with the National Electronic



Media Institute of South Africa (NEMISA), a broadcasting engineering internship with Nkonka, a Television and Radio Operations Internship Programme that produced at least 50 interns, a female refrigeration artisanship, a three-year electrical apprenticeship, and a Women's Forum. The latter is a mentorship programme aimed at supporting new female entrants to the broadcast world, to enable them to cope in an environment that has traditionally been male-dominated. The Cluster also made available four bursaries to women studying towards broadcasting engineering. Additionally, the Technology Cluster participated in a Road Show, in partnership with ICASA, to educate and inform high-school learners about opportunities available in broadcasting engineering.

### Leadership development

Leadership management and skills development plans have been formulated within the context of a leadership development strategy - a sub-strategy of which is a disability strategy. A Senior Management Forum was created to provide a strong layer of leadership to drive the implementation of the organisation's corporate strategy. The period under review also saw a more transformed management and staff profile, with 74% black staff, 67% black managers, 45% female staff and 37% female managers.

### Talent management

Key talent and critical skills were identified, and a retention scheme was developed to ensure the retention of key talent.

### Organisational values

Through various internal programmes and campaigns, the SABC's first citizens were actively engaged to enhance their understanding of the corporate strategy and organisational values, with the latter elevated into the status of drivers of a strong organisational

culture. Staff members participated in a process of identifying with and adopting behaviours associated with the Corporation's values. In addition to this human capital policies were brought in line with the corporate strategy and values of the SABC.

### Internal communications

Programmes and campaigns were developed to inform, educate and empower first citizens with information about the Corporation, the strategy implementation process and other organisational activities. The internal publication, *Intercom*, has been repositioned to become not only a vital source of information but also a platform through which first citizens can express themselves. The Green Leaders' Project was initiated to enable leaders to share the SABC's strategy with employees at all levels.

### Employee wellness

On the strength of the organisation's belief that a healthy lifestyle improves productivity, the SABC's Wellness Centre is continually being improved to deal with wellness issues affecting staff. These issues are placed in the hands of the Occupational Health and Safety team, which in turn has ensured access to services rendered by Occupational Care South Africa (OCSA), including primary health care, HIV testing and counselling, wellness, occupational health, a travel medicine advisory service, an employee assistance programme, and 24-hour counselling and advisory services (under the Care-ways Group).

The Occupational Health and Safety team also conducted risk assessments across the SABC to establish general SABC health and safety risks. Risks identified were used to develop medical surveillance initiatives linked to them. An HIV Gaps Analysis study was conducted, and six wellness days were held, including World Diabetic Day, Back Care Week, National Wellness Week, Eye Care Day, Pap-smear and PSA testing, and STI and condom week.

### Revitalising performance management

A framework aimed at institutionalising business performance was developed and linked to individual performance.

### Recruitment and Selection

While numerous excellent appointments were made, there have also been ongoing resignations of skilled staff, some of whom went to competitors.

Although the employment of disabled persons remains a challenge, overall the SABC has more than achieved



*SABC Staff members attending the Living the Values initiative.*

Employment Equity (EE) objectives, with increased attainment of EE targets from 2006/2007 to 2007/2008. The number of black employees has increased from 71% in 2006/2007 to over 74% in 2007/2008. There were only 62% black managers in 2006/2007; the organisation now boasts more than 66%. In 2006/2007, the percentage of female staff was 44%. By 2007/2008 it had increased to 45% while the number of female managers had increased from 36% to over 37%. With regard to disabled persons, the SABC continues to hold disability and EE strategy workshops to educate staff on and address challenges relating to people with disability at the workplace.



*SABC entertains the Kaylee and the Karoo community during the connection of the transmitter in Prince Albert.*

## PEOPLE *(External)*

### Public value

During 2007/2008, the SABC conducted a study to measure the public value of its services and products.

According to the survey, over 90% of the respondents felt that the SABC provides a large or moderate contribution to South African society. The overwhelming majority of respondents agreed with the importance of the PBS objectives and felt that the SABC was performing well.

Conducted through random sampling by an external research company, the study estimated public value delivered by the SABC at between R2.57 billion to R2.62 billion. The study measured public value in three ways, namely:

- *Individual Value* - the value derived by individuals from SABC services through programmes that inform, educate, entertain and provide value for money.
- *Citizen Value* - the contribution to society as a whole, including the promotion of tolerance and democracy through universal access to services, responsiveness to audience needs, and the delivery of programmes that inform, educate and entertain.
- *Economic Value* - corporate social investments, skills development for the industry and the creation of economic opportunities through industry participation in programme and content development.

Compared with the amount received through licence fees and direct funding, the surplus value created is equivalent to R1.28 billion.

The SABC will use the findings of the Public Value study to:

- identify the level at which the licence fee should be set;

- construct a model to allocate licence fees across SABC services;
- raise awareness of the benefits that the SABC brings to South African audiences;
- enter into negotiations with government on mandate obligations.

The above will feature prominently in the discussion for sustainable funding.

Several new marketing campaigns, citizen outreach programmes and PR initiatives were successfully launched and well received by both internal and external stakeholders. These campaigns include the Rand Show, the Royal Show, SABC2's Dorp to Dorp and a number of TV and radio campaigns.

Following a request to have broadcast services from communities in areas in the Central Karoo that were previously excluded from radio and TV services, the SABC extended its services to areas such as Prince Albert, Nelspoort, Merweville, Leeugamka and Klaarstroom. The switch-on for these communities was effected on 10 April 2008.

The SABC's mandate as a public broadcaster, which is outlined in the Charter laid down in the Broadcasting Act (as amended), is fundamental to ensuring the provision of public value.

### Nation building and social cohesion

In promotion of nation building, the SABC has resolved to ensure that it promotes democracy, non-racism and empowerment through initiatives that include programming that is informative, entertaining and educative in all official languages. We have also invested in content themes such as the Rugby and Cricket World Cups, with the SABC having mobilised the country's support for the Springbok team, including through providing viewing sites throughout the country. The Siyanqoba campaign continued to promote support for the national soccer team as well as raise awareness of the 2010 FIFA Soccer World Cup.



As part of the Green Revolution Initiative, a series of performances called Vuka Sizwe Benefit Concerts was launched. This project was kick-started through a show to raise funds for legendary South African musician, Busi Mhlongo, who is living with cancer.

Each of the SABC business units, channels and radio stations identified and supported at least two events and programmes that contribute to nation building. SABC2 calls itself the Channel for the Nation and as such carried most of the events of national importance. These include: the Opening of Parliament; the State of the Nation Address; live coverage of Presidential events on Human Rights Day, Freedom Day and Heritage Day; the Nelson Mandela Annual Lecture; National Orders; and important entertainment events such as the 46664 Concert (live on AIDS Day). The channel introduced a new initiative in response to the wave of racism earlier in the year with a two-hour live broadcast on Human Rights Day, and this year the event coincided with five major religious festivals.

SABC Radio is never far behind. Motsweding FM, for example, embarked on an outreach project in the form of outside broadcasts specific to primary health care and the Batho Pele principles on service delivery. These broadcasts were open to a public that was overwhelmed by the challenges faced by some hospitals from which the broadcasts were made.

### Contribution to African Renaissance and NEPAD

The SABC's International Affairs Department is a major contributor to the realisation of the Corporation's goal of playing a meaningful role in supporting the African Renaissance and the New Partnership for Africa's Development (NEPAD). To ensure that the SABC reflects the world - in particular Africa - in line with its editorial policies and corporate goals, and that it plays a meaningful role in supporting the African Renaissance and NEPAD, the Corporation concluded bilateral agreements with a number of countries in support of national and continental priorities in media and broadcasting. The SABC also supported

the African Agenda in the broadcasting and media landscape through African Union of Broadcasters (AUB) initiatives such as FIFA events, the Beijing Olympics and the establishment of a distribution platform for African broadcasters.

During the period under review the SABC became part of a consortium, with the Southern African Broadcasting Association (SABA) and the African Union of Broadcasters, to influence the decision on the 2010 Soccer FIFA World Cup broadcasting rights. Another resolution taken at the meeting where this resolution was taken resulted in the establishment of the African Union of Broadcasters Commercial Committee (AUB-Com), chaired by the SABC.

### Stakeholder management and engagement

Conversations and partnerships towards building a common future are central to the SABC's management of stakeholders. Various strides have been made in building relationships with key stakeholders in the industry, especially the newly formed SABC Music Industry Advisory Group, which advises the Group CEO on the SABC's approach towards the development of the music industry. Strategic partnerships continue to be forged with the TV production industry and the general citizenry through our 'Conversation and Partnerships' initiative, which the SABC believes will contribute to the restoration of human dignity.

There has also been a wider implementation of the corporate vision of Broadcasting for Total Citizen Empowerment through the Green Revolution Campaign. This is aimed at external citizens by way of campaigns linked to, for example, the Green ID Campaign, which has a green cover and therefore fits in well with the SABC's general 'greening' initiative.

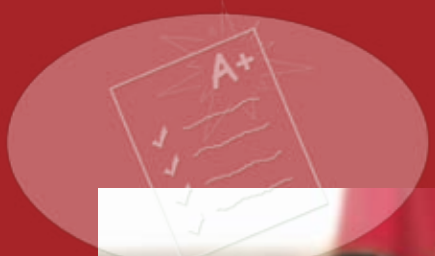
The Tours Unit has continued to provide opportunities for the growth of the SABC brand through hosting school groups, businesses, government institutional groups, individuals and international guests. The People Cluster continues to channel feedback, comments and suggestions from listeners and viewers

to the SABC's various platforms. The Cluster has also established opportunities for content and revenue generation through strategic partnerships. The Indalo Yethu environmental awareness campaign, for instance, has been investing its advertising spend in SABC's platforms.

There has also been an increased focus on developing closer relationships with viewers, listeners and other stakeholders through research and effective customer management. The fact that there has not been any industrial action can be attributed to the SABC focusing more on extensive social dialogue to resolve internal issues.



*Greening Initiative campaign: SABC staff and local celebrities entertaining and donating much-needed items to people of KZN.*



*“Education is the most valued contribution that we can make to empower the younger generation.”*

## OPERATIONS CLUSTER

The Operations Cluster is responsible for generating content for Radio and TV programmes in accordance with the SABC’s mandate and licence conditions. It also provides business processes and systems to facilitate efficiency in and the effectiveness of all the operations of the organisation.

With News as a strategic content provider, the Cluster is the heart of the SABC. It schedules and broadcasts the content it has commissioned, acquired or aggregated - thus serving as the public and commercial face of the SABC with which audiences and a variety of stakeholders interact, and with which advertisers engage in pursuit of their business. The Cluster also has a co-ordinative role to play with respect to aligning Cluster to Cluster work and delivering on the Corporation’s vision of Broadcasting for Total Citizen Empowerment.

One pointer to that is the fact that during 2007/2008 the SABC focused on improving organisational systems and processes, and ensuring a smooth functioning of the Clusters. To fast-track content and programme delivery some focus was placed on improving the contracting process and developing better relations between channels and content, including the alignment of content and channel offerings to the organisation’s new audience segmentation. There is consequently a clear focus on matching content with platforms to best serve various audiences.

Below are some of the interventions worth highlighting with respect to the Cluster’s work in the year under review.

### AUDIENCE UNDERSTANDING

An Audience Segmentation Strategy was developed and implemented by Market Intelligence (Audience Research) and Airtime Sales towards strengthening

the SABC Value Proposition, the objective of which is to place audiences at the heart of the organisation’s service offering so as to meet their expectations and to generate revenue. One of the more prominent outcomes of the strategy formulation process was the development of an Audience Understanding model to be applied, with proper alignment, across all SABC radio and television services. Due to the importance of the SABC’s relationship with its clients - both internal and external - and audiences, processes were developed to manage them appropriately.

### PLATFORM POSITIONING AND MULTI-CHANNEL LINE-UP

The Operations Cluster also finalised and implemented the DTT Platform Positioning for Television in line with the new audience segments. This process has resulted in each platform focusing on satisfying the information needs of its distinct audience. A strategy for New Media platforms was also developed to cater for specific audience segments.

### LOCAL CONTENT DELIVERY

In its efforts to meet ICASA quotas and to increase local content in Radio and TV, the Operations Cluster has introduced a number of initiatives such as increasing the local music quota to an average of 60% on PBS Radio, 15.94% on SABC1, 7.07% on SABC2 and 2.29% on SABC3. Up to 80% of local programmes now utilise languages other than English.



## PUBLIC BROADCASTING SERVICES (PBS)

PBS Radio and PBS Television operate in an extremely dynamic, competitive and fluid South African broadcast environment. In 1991 there were seven television channels and 34 radio stations. In March 2007 consumers had a much greater number of media choices - approximately 75 TV channels and 124 radio stations. This includes the granting of secondary radio licences in North West, Limpopo and Mpumalanga.

### Radio

The PBS Radio portfolio continued delivering PBS mandate programming to empower, educate, inform and entertain an audience of about 18 million listeners, partly benefiting from the creation of Centres of Excellence for content and platform management, closer alignment between content and platform strategies (with Content Enterprises supplying more content to Radio), and the integration of the Value Proposition into Radio based on SABC strategy implementation.

PBS Radio is constantly looking at ways to improve programming and develop new radio formats. To this end, following in the footsteps of the BBC, some stations - among them RSG, SAfm and Munghana Lonene FM - introduced radio drama soapies, some dealing with social themes and topical issues. As a result of such innovations as well as the greater focus on the Value Proposition, PBS Radio continues to maintain its dominance of South African radio audience share.

Despite the advent of new radio stations, audiences have remained relatively stable, as demonstrated by the amount of time spent listening (TSL) across the portfolio. Ukhozi FM remains South Africa's favourite radio station, followed by Umhlobo Wenene.

Daily Audiences:	Million
Ikwewezi FM	1.1
Lesedi FM	2.7
Ligwalagwala FM	1.0
Lotus FM	0.3
Motsweding FM	2.1
Munghana Lonene FM	1.0
Phalaphala FM	0.9
Radio 2000	0.1
RadioSonderGrense	1.3
SAfm	0.4
Thobela FM	2.5
TruFM	0.2
Ukhozi FM	4.4
Umhlobo Wenene FM	3.2

### Television

Our PBS Television channels continued - through education, entertainment and the provision of relevant information - to play a significant role in our efforts to fulfil our public service mandate.

SABC1 successfully increased indigenous languages to ensure the full delivery of its mandate according to the requirements of the Broadcast Act. The channel continued to win multiple international awards for its programmes and remained the most watched TV channel in South Africa (according to the South African Advertising and Research Foundation). Its market appeal and resonance with its audience was further confirmed when it was listed as the top Television Brand in South Africa (Markinor-Sunday Times Survey).

SABC2 continued to pursue its strategic objective of promoting diversity, national languages and audience retention. It created a mixed menu through some



of its programming, like the broadcast of *The Story of India*, *KKNK* and *I am South African*, which was a special Human Rights Day broadcast. The channel grew its audience by 19% and now enjoys an average daily audience of 11.8 million. SABC2 continues to be the second most recognised brand in South African television for the Fifth year running (Markinor-Sunday Times Survey).

Daily Audiences	Million
SABC1	16.9
SABC2	11.8



Entertaining local crowds with SABC2's popular roadshow "Dorp2Dorp".



## PUBLIC COMMERCIAL SERVICES (PCS)

The SABC commercial broadcasting services division is in line with the values of public broadcasting, in terms of its programming and services. Nevertheless, the division is also a valuable income generator for the company, and helps to subsidise the public services in accordance with the provisions of the Broadcast Act.

### Radio

The SABC's three Public Commercial Radio Services- 5FM, Good Hope FM and Metro FM - complete the PCS radio stable.

5FM is the entertaining powerhouse for the diverse youth of South Africa, offering the most popular contemporary music. The station is on the pulse of global music and content trends, thereby offering audiences access and opportunity to be part of the energy and dynamism of the fast-changing youthful, global community.

Good Hope FM boasts strong partnership in its coverage area, cashing in on a brilliant use of tactical



*SABC was the official team sponsor and Broadcaster of the A1 Grand Prix.*

marketing to maximise visibility for the brand. The station encapsulates the fun, energy and funkiness of the community of Cape Town and surrounding areas.

Metro FM is a mentor and guide for youthful urban adults who embrace a pragmatic and successful life to actively transform with their constantly changing environment. As the icon leader in its market, the station is in a position to deliver both a global and national perspective that instils confidence and inspires its audience.

Daily Audiences	Million
5FM	1.0
Metro FM	2.8
Good Hope FM	0.3

### Television

As the commercial arm of SABC television, SABC3 is an important source of income for the company. It is required to cross-subsidise the PBS channels to some extent, in accordance with the provisions of the Broadcasting Act. SABC3 is a full-spectrum channel broadcasting in English, and delivering compelling, diverse entertainment, information and insight to progressive and inspirational South Africans with a sense of style. The channel's broadcasting nature requires a careful balance between local and global views, as well as between niche and broad appeal content. It therefore delivers programmes that indulge the viewers' need for entertainment, as well as those that educate and inform, to maximise its commercial potential. As the year progressed, the external environment began yielding a clearer picture of the competitive landscape facing the SABC. Whereas a plethora of new channels and bouquets had been anticipated prior to ICASA licensing subscription broadcasters, the reality to date has been a rather sharply-defined consolidation. The new licence-holders have had virtually no impact so far.

Daily Audiences	Million
SABC3	8.1

## SABC SPORT

SABC Sport is the biggest sport broadcaster among the members of the African Union of Broadcasters and the Southern African Broadcasters Association. The division is the official broadcaster of the 2010 FIFA Soccer World Cup as well as the 2014 Soccer World Cup, to be held in Brazil. It was also the official broadcaster of the 2008 Olympic Games in Beijing, a status it will also hold, with regard to the 2012 Olympic Games in London and the 2010-2016 CAF Nations Cup.

SABC Sport is also the official broadcaster of all South Africa National Cricket Team home-bound tours and One Day Internationals and, additionally, the exclusive broadcaster and founding partner of the SA Sports Awards.

We are also official partners for Athletics South Africa, Boxing South Africa, Swimming South Africa and Netball South Africa. Africa's largest sports broadcaster is also the team sponsor and official broadcaster of the A1 Grand Prix.

We also cover major sporting footprints such as the Premier Soccer League (PSL) Championship and the Springboks' home-bound tours as a sub-licensee.

SABC Sport also covers various minority and development sports as listed by ICASA. We broadcast on 18 radio platforms, all SABC TV platforms, and on New Media platforms. We also own the legacy of sport across all codes in South Africa as the first TV and radio broadcaster of any South African sporting code dating back four decades.

SABC Sport, which is the official partner of the FIFA Soccer World Cup, is building up for the 2009 FIFA Confederations Cup, set for June 14 to 29.

### Highlights 2007/2008

Highlights for the 2007/2008 fiscal year include the successful production and broadcast of the world feed for the 90 Minutes for Mandela - a football invitational reaching 100 countries. SABC Sport received commendation from FIFA and the global football community on the production.

### Other Highlights

We brought home the glory of the Springboks at the Rugby World Cup in France, reaching millions of South Africans via radio, television and New Media platforms.

We also televised more than 143 games in the history of our partnership with the PSL, thrilling viewers with four matches per week, on SABC1.

SABC Sport also delivered the fourth edition of the SA Sports Awards, held for the first time in Mangaung in December 2007. Added to this was the production and broadcast of the 2010 FIFA Soccer World Cup Draw in eThekweni in November 2007.

### Technology Plan

The SABC has already embarked on the process of enhancing its current technology solutions in preparation for the 2010 Soccer FIFA World Cup as well as the roll-out of its multi-channel environment through the launch of its DTT platforms. The roll-out plan includes the following innovations.

### HD Vans

In preparation for the 2010 Soccer FIFA World Cup and as the official host broadcaster, SABC Sport is in the process of acquiring 4 HD OB vans in order to deliver a world class broadcast, starting with the 2009 Confederations Cup. Delivery of the vans, which are designed as per international FIFA/HBS standard, is expected before Confederations Cup.

### Satellite Distribution Network

The SABC satellite lease agreement is due for renewal at the end of August 2009. The satellite lease is available 24/7 to accommodate breaking news stories. To ensure easy access to fresh and latest news-making stories around the globe, this facility is a critical component in the delivery of our technology plan.

The SABC will renew the utilisation of its satellite service with Eutelsat (W3A) and other satellite vendors for another two years.

### Radio

Radio has already started to upgrade on-air broadcast from analogue to digital, and technicians are, being trained. The utilisation of microwave link with airtime has proven a success for the production of international and continental events.

## SABC EDUCATION

SABC Education's main responsibility is to provide educational content through radio, television, the web, print, outreach, mobile and other New Media. The unit is one of the content houses in the Content Enterprises Division. This 11 year - old unit is mandated to acquire, create, aggregate, distribute and exploit world-class educational content.

SABC Education is premised on two main pillars: Curriculum Support and Growth, and supporting Nation Building and Development. It provides content to three SABC television channels and 13 PBS radio stations. It supports and assists in fulfilling the education mandate as contained in the Broadcasting Act, the Charter, Corporate Goals, editorial policies and the new licensing conditions.

SABC Education has crafted specific strategies to deliberately and particularly deliver the South African citizenry from the imbalances of the previous education system. To deliver on the SABC's mandate

to inform, educate and entertain, SABC Education strategies are informed by national priorities like the Accelerated Shared Growth Initiative of South Africa (AsgiSA), the Joint Initiative on Priority Skills Acquisition (JIPSA) and NEPAD initiatives.

### Highlights of the past year

SABC Education partnered with the Department of Education (DoE) to offer matriculants a second chance to pass their exams through the Matric2ndChance programme. The programme was broadcast through VIVID system from Sentech to 270 school centres, and was repeated on SABC2.

### Other highlights of the year include:

- The Head of SABC Education presented a paper on SABC's use of indigenous languages at the inaugural World Indigenous Television Broadcasters' Conference in March 2008 in New Zealand.



One of Boswa High school's poets during "ID Ur Self" campaign.



- Concluded Wild Touch contract, a first wild live TV programme shot and transmitted within 24 hours, and the closest the audience can get to wildlife shots.
- Launch “ID Ur Self” campaign in partnership with the Department of Home Affairs and the independent Electoral Commission in Cape Town.
- Commissioned 90% first-time producers in content production for Formal Education.
- Produced of 90% wall-to-wall content in the minority and previously marginalised languages.
- Developed two interns - one from being a semi-skilled SABC security guard to a professional team member and the other absorbed into the system through appointment as an Administrator for Formal Education.
- Commissioned and delivered, to time and quality, the highest number of new programmes in the Formal Education unit.
- Identified exclusive radio funding opportunities that leveraged content production: DTI, SAICA, DWAF, DoE.



*Children taking part in the Fifth World Summit on Media for Children.*

- Assisted the Khutsong learners in North West during the industrial action by teachers in that community.
- Adopted 15 poorly performing schools in South Africa.
- The unit formed a new section, Tweens (8-12 years), to create content that aims to develop this age group. The Editor of Tweens and the Youth Development Unit is a member of the Presidential Youth Working Group.
- Delivered Youth Month activities successfully (supported the National Youth Commission (NYC) and the Presidency) on June 16, including covering the Presidential address in Cape Town.
- Partnered the NYC in the Youth Expo in Cape Town,.
- Successfully launched three Youth Parliaments in partnership with PBS radio stations.

### Special Projects

SABC Education launched Child Protection Week in Nelspruit and also held a Children’s Parliament. Youth Parliament sessions, with a special focus on teenage issues, were also held in three provinces.

A six-part series geared towards increasing the number of black chartered accountants (CAs) was also broadcast. It was also aimed at encouraging learners to study Maths and Science and to obtain Thuthuka bursaries to study towards a profession in chartered accountancy. The initiative, additionally aimed at bridging the gap between black and white CAs, was done in partnership with SAICA.

### Other Special Projects

- National Children’s Day in Bloemfontein, with special programmes broadcast on ten PBS radio stations.
- International Children’s Day of Broadcasting, ensuring that each PBS radio station had children co-producing with producers.

- Campus Connection Outreach, in partnership with Toyota Yaris - Access to Tertiary Institutions Campaign.
- Get Tested Campaign last year young people with Levi’s South Africa, where we encouraged the youth to test for and know their HIV status by 2010.
- Fifth World Summit on Media for Children.
- Multimedia Road Safety Campaign - in partnership with the Dept. of Transport - nationally.
- Rand Show - Showcased SABC Education programmes and projects and had daily performances by Takalani Sesame Muppets, ensuring face-to-face contact with our audiences.
- Baba Indaba - Cape Town, Johannesburg and Durban.
- SABC Education Careers’ Fairs - Durban, Pretoria, Cape Town and Limpopo.
- Outreach - Formation of Youth Expression platforms in 78 schools across the country.

## NEWS AND CURRENT AFFAIRS

SABC News is Africa’s leading news organisation and a content provider for all the news and current affairs programmes carried by the SABC’s PBS and PCBS radio and television services, as well as the subscription channel - SABC Africa. SABC News provides credible and accurate news on the country, Africa and the world in all 11 official languages on television, and in 13 languages on radio. In terms of the SABC News editorial strategy, central to the mission of the service is the empowerment of citizens through daily, balanced, and relevant news in South Africa’s languages. Research shows that some 24 million, or 80%, of adult South Africans choose the SABC as their primary source of news,

with the SABC News services often being the only media that offer news in the home languages of most of our citizens. It also delivers news through a range of New Media channels, including handheld devices and the Internet.

In its news gathering and the production of news and current affairs programmes SABC News adheres to the editorial policy of the SABC, pursues organisational goals, and complies with the statutory and regulatory environment in which the SABC operates.

SABC News and Current Affairs has 13 domestic editorial offices, a staff of almost 1 000 permanent and fixed-term employees, a countrywide network of correspondents and ten international bureaus, with bureaus launched in Nigeria, Senegal, the People's Republic of China and the United Kingdom in 2007/2008. As a result of this international network, SABC News took the lead among the South African media in covering international events as they unfolded, particularly developments on the African continent.

### Television

Television News broadcasts 166 news bulletins - and a further ten current affairs programmes - per week in all the official languages. The year under review saw the addition of *Zwa Maramani/Ngula ya Vutivi* and the *Cutting Edge* to the News' current affairs stable. Fokus, the Afrikaans-language current affairs programme, is South Africa's most watched programme within this genre while programmes such as *Special Assignment* and *Leihlo la Sechaba*, continue to draw in audiences with their no-holds barred approach. The 19:30 news on SABC1 remained one of the most watched programmes in South Africa, and the nation's most popular television news bulletin.

### Radio

SABC Radio remains the primary source of news and current affairs for the majority of South Africans, particularly those in the lower LSMs. Every week a

total of 1 568 news bulletins and 190 current affairs shows are broadcast in all the official languages as well as the Xhosa and Zulu languages. The current affairs show on Ukhozi FM is the most popular radio news show in South Africa.

### SABC News International

On 20 July 2007 SABC News International, the continent's first fully-fledged news channel, was launched at a gala function attended by President Thabo Mbeki. The channel initially broadcasted on a 24-hour basis for five days a week as part of a phased roll-out that culminated in the channel broadcasting to international audiences on a 24/7 basis from 1 April 2008. The channel has a Pan-African focus and reach, carrying news bulletins, current affairs, investigative journalism, magazine programmes and business news from across the globe. Broadcast primarily in English, the platform also carries some French-language programming aimed at Francophone Africa.

### New Media

Services developed in the New Media Unit of the News Division continued to deliver content for local and international markets by means of innovative products specially adapted for the platforms on which they are accessed. The Unit aims to increase the SABC's reach and brand across Africa and globally, offering audiences more choice in the way they access SABC News.

## CLUSTER HIGHLIGHTS

An achievement of note was the Matric Second Chance project, an initiative to ensure that aspirant matriculants who had been unsuccessful in the 2007 examinations were ready to rewrite their exams in June 2008. Even though there were some teething problems, the project was extended to 24 centres across South Africa.

In spite of being commissioned very late in the

day and experiencing some technical flaws, the live broadcast of the Busi Mhlongo Benefit Concert achieved a measure of elegance and sophistication as it showcased the cream of South African musical talent in her honour. Funds were raised for cancer victims. The concert was the first of what will be an annual benefit event.

SABC2 presented a feast of Rugby World Cup action, with special emphasis given to games featuring the South African team. When South Africa progressed to the final, viewer interest grew considerably, and the channel recorded its highest Audience Ratings ever. SABC2 also crossed live to the Boks' arrival home, as well as to their meeting with the State President at the Union Buildings and their parade through the streets of Pretoria.

A soccer highlight was the Africa Cup of Nations tournament held in Ghana. This prestigious event formed part of the fiftieth anniversary celebrations of Ghanaian independence.



*Behind the scenes during the broadcast of SABC News on SABC3.*



*“The younger generation finds more value in modern technology and it becomes vital to their social existence.”*

## TECHNOLOGY CLUSTER

The Technology Cluster provides engineering and technology infrastructure solutions for the SABC’s content and business operations. Faced with an increasingly competitive media and broadcasting landscape, in the past fiscal year the Cluster had to review its focus to ensure that the SABC takes the lead in digital broadcasting infrastructure, especially in the period preceding the 2010 FIFA Soccer World Cup. To this end it engaged in studio upgrades, Digital Terrestrial Technology (DTT) Migration, and the digitisation of broadcasting infrastructure and archives.

### DTT AND ASYNCHRONOUS TRANSFER MODE

Technology plays a crucial role in enabling the smooth delivery of programmes and commercials in such a way that they will not become dated. During the year we implemented the enterprise resource planning system (SAP-ERP), prepared for the content scheduling system (TVBMS), and planned for new media technologies to enable more effective and efficient content delivery. The Operations Cluster took the lead in setting up the team responsible for the SABC Digital Terrestrial Technology Migration Project. The team has reported progress so significant that the SABC is in a strong position to influence and lead the roll-out of DTT in South Africa.

Even as considerable work was done in the digital space, traditional analogue transmission was also expanded for greater public access to the SABC, with increased transmitter power and new transmitters being switched on for all the existing channels. Once fully implemented, this expansion will increase the South African footprint of SABC1 from 89% to 91.2%, of SABC2 from 91% to 92.5%, and of SABC3 from 79.4% to 82.1%. Progress was also made with the Low Power Initiative to move the SABC more rapidly towards universal access - an example of which is the successful Low-Power Pilot Project in which SABC services were taken to the Central Karoo

ISRDP Node for the first time, with a launch in April at Prince Albert.

After some operational problems with the digital playout system used in radio, it has now been stabilised. A replacement for this system is planned for implementation after 2010. Furthermore, Radio Broadcast Facilities has upgraded new studio and outside broadcast (OB) equipment across the stations. The Lotus FM Drama Studio has been created and Ikwewezi FM sound equipment has been installed. SAfm has a new state-of-the-art outside broadcast vehicle. These will ensure good production of programming for the SABC’s audiences. The Cluster has also introduced triple play within the main control centres, which enables the SABC to use Asynchronous Transfer Mode (ATM) technology to deliver video and associated audio, as well as data and radio, down one system. IPT satellite technology has also been introduced within the main control system.

### TECHNOLOGY UPGRADED

Fifteen websites have been consolidated under the Consolidated Web Content Management and Portal Platform. The Corporation’s Intranet service is in the process of undergoing a major revamp. Websites have been improved in order to enhance programming, mandate delivery and marketing initiatives - with more appealing competitions and exciting content



introduced. The web content and site enhancement work is intended to deliver content and exploit touch-points wherever the audiences migrate, thus making websites complementary platforms for content delivery.

## ARCHIVING AND DATA MANAGEMENT

The Cluster has also begun the arduous task of digitising the SABC's archives to reduce the risk of losing valuable material. The ability to transfer current formats to file-based formats has been rolled out.

## OTHER HIGHLIGHTS

- New and sophisticated technology has been introduced to ensure the successful launch of SABC News International.
- Highly sophisticated recorders have been introduced to ensure easier operations and to streamline compliance recording.
- The replacement of the SABC News Production and News computer system is currently in progress.
- The IT strategy has been updated in line with the New Media Strategy and the Broadcast Technology Strategy.
- An IT Service Management Transformation programme has been initiated.
- A Project Support Office has been established.
- Broadcast Information Technology (BIT) established internal project management standards and procedures as well as structures to improve the quality of BIT's project delivery.
- The first digital mobile studio has been introduced for SAfm, which is using it in rural areas for continuity broadcasting, interviews, current affairs news productions and small dramas.

- The music studios in Bloemfontein have been upgraded to include the latest digital Protocols Production System, supported by world-famous names in microphones and backline drum sets with Zidijan Dark K cymbals.
- Satellite technology has been introduced to remote outside broadcasts, including 3G technology to send news packages to base. Some services have been transferred from ISDN to Diginet to facilitate high-speed transmission.
- The Cluster assisted Sentech to search for new transmitter sites in North West and Northern Cape.
- A successful and innovative on-air broadcast was made in support of Tru FM in the Eastern Cape.
- Contingency arrangements remained in place to ensure that SABC broadcasting centres' operations were not jeopardised by electricity disruptions.

## CLUSTER HIGHLIGHTS

External events held and institutions and organisations that benefited from the Cluster's work include:

- a Live Earth Concert broadcast across the world in High Definition;
- the FIFA-sanctioned 90 Minutes for Nelson Mandela soccer match captured in High Definition;
- the FIFA 2010 Preliminary Draw;
- the 46664 Concert captured in High Definition tapeless technology for the first time;
- the 52nd ANC Conference, involving a complex network of 14 radio stations with the logistics co-ordinated in under two weeks;
- the Zimbabwe Elections, broadcast under very difficult logistical circumstances;
- the People's Parliament;

- the inauguration of Botswana's new President and the appointment of the South African High Commissioner to Botswana;
- facilitation of the RDS Traffic Message Channel service, in collaboration with Netstar.

Internally the Cluster focused on:

- the initiation of Audio Processing on Public Broadcast Radio Stations at Sentech sites to improve the sound quality of public broadcasting stations;
- helping X-Kfm broadcast outside Kimberley (its home base) on two occasions, once at Platfontein and once in Port Nolloth.



*Upgrade radio broadcasting facilities at Head Office in Auckland Park.*



*“Saving brings you one step closer to attaining something you really want and the patience to persist increases its value fundamentally.”*

## FUNDING CLUSTER

The Funding Cluster comprises Commercial Enterprises (which includes Group Sales, Audience Services and Corporate Marketing), and revenue-generating units in Content Enterprises, Financial Control, Group Services and Business Analysis.

### OBJECTIVES

The primary aim of the Cluster is:

- To ensure the long-term financial funding and financial sustainability of the Corporation by growing revenues and contributions from all sources while maintaining the Public Service Broadcasting ethos. This is achieved through the management of and response to risks that affect the financial sustainability of the Corporation.
- In addition, the effective and efficient deployment of all resources was paramount throughout the year.
- The drive to ensure smooth working with the other clusters was actively pursued and achieved.

### CHALLENGES AND OPPORTUNITIES

The 2007/2008 financial year has proved to be a year of challenges and opportunities in the Cluster. The granting of new licences in the broadcasting environment, the implementation of the Systems Application Programme (SAP), which has involved the overhaul of a large number of legacy systems and refinement of the funding model are indicative of some of these.

The Cluster identified various initiatives, managed these and their potential exploitation, and provided a strategic roadmap for the way forward.

The funding model is aligned with the corporate goals of the SABC and drives five key initiatives enabling

citizen empowerment. These include the SABC Foundation, universal service and access, extending the footprint of both radio and television, and HIV community centres.

### GOVERNANCE

With the introduction of the cluster concept and restructuring of some of the Board Committees, a number of significant governance issues came into play. To this end, the Funding Cluster has ensured that it remains compliant with the various obligations set upon it.

The risk profile of the SABC was lowered significantly with the introduction of the SAP. Through the enhanced functionality built into the system, the control environment within the SABC was strengthened considerably.

A control risk framework governing all financial transactions, with uniform application across the SABC, was put in place. This will gain traction in the organisation as users and managers become more acquainted with the system. An active process is in place to realise the benefits of the project.

A major skills training and development plan is also in place for Internal Audit to ensure that the SAP control framework is monitored and adhered to across the SABC.

At the same time, a new Delegation of Authority Framework was introduced. Training was undertaken by most of the Cluster members to ensure that they understood their roles and responsibilities which flowed from this new document. This new document



has been actively engaged and implemented by Cluster members.

An active financial risk management framework is in place and a favourable report on the operations was received from National Treasury for the year under review. This was further enhanced by the introduction of an assets and liability management process focusing on the efficiency of capital management and liability exposure.

## OPERATIONS

Debt collection strategies and initiatives aimed at optimising the recovery of unpaid television licence fees were implemented successfully and are continuing.

Various strategies aimed at ensuring awareness and compliance at all levels - the TV manufacturing sector, retailers, businesses, government entities and households - paid handsome dividends as evidenced by a steady and encouraging improvement in compliance at the point of sale of television sets.

The roll-out of the SAP implementation went ahead full steam during the period of modules which were rolled out some improved challenging, resulting in this process of re-engineering impacting on both staff and suppliers. The medium-term benefits should be enhanced supplier management and a significantly more user-friendly SABC. The implementation of the new scheduling system to enhance asset management and revenue, and to reduce cost and wastage received a major boost with the selection of the Pilate Media Scheduling System. Implementation is progressing on schedule and on budget.

## TECHNOLOGY

2007 was all about going live with the SABC enterprise resource planning (ERP) solution, known as Project Moribo. On 1 May 2007 the SABC got its

first taste of the SAP with the go-live of Payroll and certain Human Resources functionality. Everything went well except for a few teething problems with freelance payments. All efforts and energy were channelled towards getting the system and the end-users ready for the biggest SAP Go-Live within the SABC scheduled for October 2007.

Charlie Go-Live introduced a new finance system, a new procurement system, sales functionality, a projects system, plant maintenance, reporting functions and limited Intellectual Property Management (IPM) functionality to the SABC. This meant a lot of changes for the SABC regarding processes and controls, and it was Project Moribo's responsibility to ensure that the transition was as smooth as possible for everybody involved.

## FUNDING

**Commercial Enterprises**, under the Funding Cluster's wing, is primarily responsible for achieving revenue targets mostly associated with airtime on Television and Radio, but also on Internet sites, mobile opportunities and merchandising, set by the organisation and to deliver a 360-degree solution to advertisers.

**SABC Television Sales** (responsible for generating classic, programme and sport revenue across all SABC TV channels) had a highly successful year with growth

of 14.2% on classic advertising, although sponsorship declined by 8.9%. SABC Television Sales launched a "long term" rate card (electronic version), SABC Connect (showcasing future properties on Television and Radio) was introduced, and the year under review saw the launch of TV Adsplits.

**SABC Radio Sales** is responsible for the bulk of revenue through advertising on all 18 SABC Radio stations. The advertising is divided into classical spot placements as well as radio promotions. SABC Radio Sales showed an excellent year-on-year growth of 15%. The SABC is currently regarded as one of the world's best-performing radio owners.

**SABC Interactive** was established in 2005 with its main purpose to provide a 360-degree communication solution to clients. The Division developed numerous multi layered - advertising opportunities for clients, using SABC platforms and the latest technology applications to bring campaigns to life with seamless, high - impact broadcasting ideas and innovations.

**SABC Mobile** empowered SABC audiences by giving consumers the opportunity to participate and interact with on-air shows, presenters, DJs, advertisers and sponsors. SABC Mobile created a young and trendy mobile brand called "Mzuzu 60", which is being used as a vehicle to take the SABC's mobile content and value-added services to market. The Division also launched a WAP-based mobile portal. A wide



*Mzuzu 60, the young and trendy mobile brand.*



*Audience Services enhancing their customer services.*



*SABC sponsors one of Africa's grandest gatherings, the Cape Town International Jazz Festival.*

variety of mobile content can now be accessed and downloaded from the WAP site.

**SABC Sport Sales** is responsible for all Radio and TV sponsorships as well as classic airtime sales within Sports programming across all the SABC platforms. The Division depends heavily on special events and the acquisition of Sports rights. SABC TV Sport Sales achieved its targets in terms of classical revenues.

**SABC Merchandising** manages and oversees commercial licensing of almost 3 000 SABC trademarks for use by third parties. The Division increased its actual revenue by 62% against the previous fiscal year.

#### Audience Services Division

The core business of SABC Audience Services - which forms part of Commercial Enterprises under the Funding Cluster of the SABC - is the collection and management of television licence fees. Television licence revenue is one of the major sources of funding for the SABC's public service mandate and, in terms of the Broadcasting Act, No 4 of 1999, as amended, is to be used solely for that purpose. Currently, television licence revenue contributes approximately 17% of the SABC's total revenue.

SABC Audience Services made good progress in achieving its strategic objectives. The following are salient features of the year under review:

- SABC Audience Services embarked on a number of innovative projects aimed at enhancing customer service efficiencies and revenue-generating opportunities for TV licences.
- Debt collection strategies and initiatives aimed at optimising the recovery of unpaid television licence fees were implemented successfully and are continuing.
- A new TV Licence Inspectorate Service with four service providers focusing on two regions each was established and launched at a media conference.

- SABC Audience Services had a rewarding public relations and marketing year. Several new marketing campaigns, citizen outreach programmes and PR initiatives were successfully launched and well received by both internal and external stakeholders.
- Various technology enhancements to current systems and business processes were implemented successfully or are in an advanced state of implementation.
- A total of 825 707 new accounts were created on the TV licences database during the fiscal year.
- The new Television Licence Inspectorate Services added 207 013 new accounts to the TV licences database in the year under review.
- Divisional customer service levels, both telephone interactions and correspondence response times, remained well above the set targets. More than 1.2 million inbound calls were received in 2007/2008.
  - Calls Answered = 93.88%
  - Service Level = 88.27%
- SABC Audience Services received 615 039 items of correspondence on TV licence matters. The average turnaround time was 17 days, well within the divisional target.

#### Corporate Marketing

SABC Corporate Marketing is responsible for taking the SABC brand into the hearts and minds of all citizens, supporting the national public service broadcaster's vision of Broadcasting for Total Citizen Empowerment, restoration of human dignity and building a common future. Throughout the year under review, the Division invested in a major brand campaign, brand activation, special projects and partnerships. Highlights on the Corporate Marketing calendar included:

- Get the Big Picture brand positioning campaign: The campaign comprised a TV commercial, print advertisements, radio spots, on-air stings and an extensive outdoor campaign. The Get the Big Picture campaign was viewed as Phase II of the original Vuka Sizwe! campaign launched in 2006.
- SABC Web Consolidation project: The project commenced in December 2006 and the technical platform, where the bulk of SABC websites reside, was upgraded in February 2008. An overarching Content Strategy for websites was developed by Content Enterprises. The strategy was approved in February 2008 and is currently being implemented.
- SABC has been listed as a publisher with the Online Publisher's Association. 14 SABC websites are being monitored.
- The SABC corporate website has been changed into a portal to serve as an entry point to SABC online activities.
- The Vuka Sizwe Benefit Concert, honouring Busi Mhlongo, was the first in a series of initiatives under the SABC Green Revolution Campaign.
- The SABC remained the broadcast sponsor of the annual Loerie Awards (Africa's most prestigious brand communication awards) and the sole sponsor of the Loerie Awards Travelling Exhibition.
- The Eighth Cape Town International Jazz Festival came at a time when the SABC had just adopted its new strategy and vision of Broadcasting for Total Citizen Empowerment. One of the SABC values deals with conversations and partnerships, hence the SABC's broadcast sponsorship of Africa's grandest gathering!
- SABC was the broadcast sponsor of Design Indaba, a world-renowned conference and expo focusing on various aspects of design.

- The SABC reaffirmed its sponsorship of the annual spectacular Durban Beach Africa Festival, which took place in July 2007. The beaches were buzzing with fashion events, sporting activities such as surfing and beach soccer, and diverse music concerts.

- Over the years SABC has supported the exciting Royal Show in Pietermaritzburg and 2007 was no exception. The SABC showcased its multi-award-winning stage, which enabled SABC platforms to interact with the audiences.



*The SABC sponsors the Loerie Awards, one of Africa's most prestigious brand communication awards.*





*“The value of good governance and a supportive team can be seen when they work as one, pulling together and achieving results.”*

## RISK, STRATEGY AND GOVERNANCE CLUSTER

This Cluster has a tripartite mandate. It exists, first, to limit the SABC’s exposure to all forms of risk, especially those relating to its image and finances. Secondly, it provides leadership on corporate planning for the achievement of the organisation’s legislative mandate. Thirdly, it has to ensure the establishment of a governance structure which is appropriate for the needs of the SABC as a public service broadcaster.

### THE ROLE OF THE GOVERNANCE CLUSTER

The Cluster promotes adherence to legislative prescriptions and ethical values in the areas of compliance, internal controls, procurement processes, governance and risk management. It also provides appropriate and effective professional advisory services to SABC business units and other Clusters - this based on the Cluster’s status as the strategic think-tank, business planner and goalsetter of the organisation.

The critical areas of corporate legal services and group communication services are driven by the Cluster.

### CHALLENGES IN 2007/2008

The Cluster faced a heavy load of challenges in the last fiscal year. These may be summarised thus:

- maintaining the reputation of and managing the SABC brand and image;
- positively positioning the SABC in the public eye;
- streamlining procurement processes and regional procurement;
- aligning the corporate strategy with the strategies of individual business units;

- implementing business planning processes linked to the budgeting framework;
- developing a reporting framework for effective reporting by and to Group, and through Quarterly and MTEF reports;
- internalising and implanting risk management throughout the organisation;
- verifying the supplier database and supplier ratings;
- applying the SAP/Enterprise Resource Planning system effectively and efficiently, and facilitating the paradigm shift from a manual payment process to an electronic three-way matching concept;
- meeting the audit coverage resulting from the revised risk profile and register from Enterprise Risk Management (ERM);
- monitoring and evaluating all significant project deliverables;
- implementing the property strategy;
- streamlining regional operation structures;
- keeping the SABC scorecard in line with codes of good practice;
- putting Airwave Travel on the map;
- effectively implementing governance and risk strategies and compliance within the organisation.



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## CLUSTER RESPONSIBILITIES AND PERFORMANCE

### Internal Audit

The Internal Audit Division is concerned with establishing and ensuring a culture of compliance with the Public Finance Management Act (PFMA) and SABC policies and procedures. It has to ensure that the SABC's risk management, control and governance processes are sufficient to enable the achievement of the organisation's goals and objectives. Internal Audit promotes transparency and accountability, and controls monitoring and reporting. It also investigates and exposes material fraud within the SABC, which is coupled with active promotion of fraud awareness through various programmes. Within this framework, during the year under review the Division reviewed the SABC's internal risk, control and governance systems and aligned audit coverage to business risk. It successfully implemented effective fraud prevention and detection plans. Based on its forensic investigations and findings, the Division also advised on appropriate measures to be taken.

### Procurement

The Procurement Division is responsible for the management of procurement processes within the SABC, and for ensuring effective cost control through adherence to and efficient use of corporate procurement policies, processes and structures. This naturally implies the implementation and management of strategic sourcing and contract management. Procurement also manages the SABC's properties and facilities, its Logistical Services and Travel, and its supplier database in line with the BBBEE Codes of Good Practice.

In terms of successes during the fiscal year under review, the Division has developed a supplier database and implemented an SABC BEE Scorecard and a National Key Point Roll-out Plan. The Division also developed a strategic sourcing plan and spend analysis, the latter greatly facilitated by implementing

the ERP/SAP Procurement Module. The Division furthermore developed and implemented a Supply Chain Manager (SCM) and Preferential Procurement Policy, and conducted relevant training on the policy. Finally, the Division conducted an analysis of the SABC's property portfolio.

### Group Communications

This Division set itself the tough goal of promoting a positive image of the SABC by co-ordinating and aligning SABC key messages for external communication to all stakeholders. The Division also supported the company spokespersonship, media liaison and stakeholder management. Pursuant to these, the Division accordingly developed and obtained the Board's approval for a Media Policy; established a Communications Forum and formed strategic partnerships with influential publications, thereby strengthening the Corporate Communications function.

### Regions

To fully align with one aspect of its mission - that of being a people-centred organisation - the SABC revised the roles and responsibilities of the Regions to bring quality and relevant services closer to communities.

The Regions Unit was constituted in the period 2003 to 2004. A period of intensive development followed, with a focus on consolidating and entrenching regional roles. The eight Regions embraced the Cluster concept, and the Division has slotted successfully into the Strategy and Risk Cluster, where ongoing participation is of prime importance, as is support for the corporate vision of Broadcasting for Total Citizen Empowerment.

Some of the significant developments regarding Regions in the year reported are corporate social investment(CSI) initiatives benefiting local communities, the conceptualisation and launch of a new Region, Tshwane - ensuring a substantially improved SABC presence in this important location, acquisi-

tion of land in Mpumalanga for a new Broadcasting Centre, and preparations for the establishment of a new Region in Northern Cape.

Regional stakeholder management is a key performance area of the Regions, and regional support for and contribution to SABC corporate campaigns, such as Siyanqoba, has ensured success - contributing to the SABC's broader image and impact, and the safeguarding of the organisation's reputation and brand. The Regions also help in the empowerment of small businesses in their areas.

With regard to the SABC's financial sustainability, the Regions contribute to revenue generation through the collection of TV licences and small-scale retailing of branded material.

### Legal

The Legal Division provides legal advice and counsel to the SABC's business units and other divisions. It protects SABC intellectual property rights and represents the SABC's business interests against litigation.

The Division also ensures the legality of SABC contracts and agreements in all business transactions - commercial and non-commercial. It therefore participates in contract negotiations and general decision making regarding the legality of the SABC's agreements with its service providers.

To enhance and speed up the process of drafting contracts and legal agreements, in the last fiscal year the Legal Division focused on stabilising its operations, in the process implementing a new system and creating cluster teams for quick service and faster response times.

### Policy and Regulatory Affairs

#### Regulatory environment

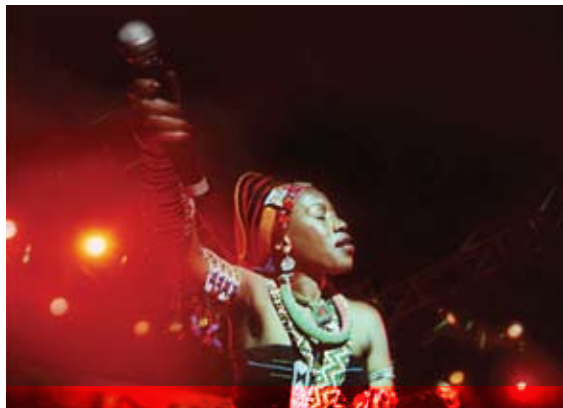
As a major player in the industry, the SABC participated in a number of important processes in the broadcasting industry in 2007/2008. Among the highlights were our participation in the Minister's

Digital Migration Working Group which made detailed recommendations on DTT migration, with the pilot project scheduled to begin in November 2008 following a Ministerial announcement. We also recommended amendments to the Film and Publications Act, which in its draft form would have required all broadcast content to be pre-approved by the Film and Publications Board. This process is still under way.

#### **Compliance with Amended Licence Conditions for the SABC Television and Radio Services**

There has been a high level of compliance with the new conditions. However, it must be noted that on television, certain of the language quotas proved difficult to meet, particularly the prime time quotas. The reasons for this are varied and include:

- the lack of readiness of the production industry to supply programming in the languages required.
- the impact of various sporting events and events of national importance on the channels' schedules.



*Busi Mhlongo at the Vuka Sizwe! Benefit Concert.*

The SABC has engaged with ICASA and relevant stakeholders on challenges pertaining to language delivery on television.

#### **Licence Term**

The SABC, after engaging with ICASA through a public hearing process, realised an increased licence term for both radio and television. The radio licence period was increased from six to ten years and television from eight to 15 years.

#### **CKI FM Licence Amendment**

The SABC, through the Policy and Regulatory Affairs Department, successfully facilitated an application to ICASA to change the name of CKI FM to Tru FM.

#### **Universal Access**

In line with SABC's values of conversations and partnerships and restoration of human dignity, the Governance Cluster partnered with the Funding Cluster, through the Audience Services Division, to mobilise R500 000 of television licence revenue to extend access to the Corporation's broadcasts to certain parts of the Central Karoo that were previously excluded from radio and TV services.

A number of low-power transmitters were introduced, and the areas now enjoying access to the SABC1, SABC2 and SABC3 TV channels and the RSG radio services include Prince Albert, Nelspoort, Merweville, Leeugamka and Klaarstroom.

There are an estimated 3.6 million South Africans who do not have free-to-air access to any SABC television services, and about 5.4 million who do not have access to radio services. Most of these people live in remote areas; others reside in more densely populated localities but are denied access by buildings or geographical features. For many of them, the prospect of SABC reception prior to the 2010 FIFA Soccer World Cup is not yet assured because:

- The DTT migration project will be confined to analogue transmitter high sites until 2011.
- The establishment of any additional new analogue high sites will take time, and will be subject to increasingly difficult environmental approval processes.

While it is estimated that additional analogue high site expansion could extend television footprints to a further 1.1 million people, the next step in the current expansion project will be limited to taking the channels to Memel and Witsieshoek, to replicate the aborted site at Harrismith, and to activate an important new site at Burgersfort.

Once this expansion phase is fully implemented, it will increase the analogue footprints of SABC1 from 89% to 91.2%, of SABC2 from 91% to 92.5%, and of SABC3 from 79.4% to 82.1%.

In the circumstances, rolling-out low-power analogue transmitters will be the most effective and quickest way in which to reach communities who currently do not have access to SABC services.

The low-power transmitters will carry both television and radio services, and in this context it is important to note that radio services have not been prioritised in current digital migration strategies. It is envisaged that the low-power initiative will address the needs of approximately 1.5 million people without access, through the deployment of ±300 low-power transmitters over the three year period that began on 1 April 2008. It is estimated that in the longer-term, this technology could be used to extend audience reach by another 800 000.

New transmitters for SABC1 and SABC3 were switched on at Sabie and Elandsheights respectively. During the same period, the strength for the following transmitters were also increased:

- SABC3 at Ulundi, from 1 kW to 5 kW;
- SABC1 at Ubombo, from 1 kW to 10 kW;
- SABC1 at Tzaneen, from 1 kW to 10 kW;
- SABC1 and SABC2 at Tshamavhudzi, from 0.05 kW to 1 kW;
- SABC1 at Thabazimbi, from 1 kW to 10 kW;

### Complaints

A total of 165 complaints against SABC services were received and finalised by the Broadcasting Complaints Commission of South Africa (BCCSA) during 2007/2008. Of these complaints, the SABC was found to be in contravention in six cases, while 159 cases were dismissed. A total of 77 cases were referred for direct response by the SABC as they did not fall within the ambit of the BCCSA.

There has been a substantial decrease in the number of complaints received in this fiscal year compared to last year, from 202 to 165. This is attributed to an on-air campaign across all services during the fiscal year to educate listeners and viewers on the purpose of advisories and the watershed.

Fiscal Year	Complaints Considered	Complaints Upheld	Success Rate %
2007/2008	165	6	96
2006/2007	202	5	98
Change	(37)	1	(2)

2007/2008	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	YTD
Finalised	13	18	17	17	13	6	17	21	10	3	9	21	165
Dismissed	11	18	17	15	13	6	16	21	10	3	9	20	159
Upheld	2			2			1					1	6
Defence Rate %	85	100	100	88	100	100	94	100	100	100	100	95	96
Direct	4	10	6	9	1	7	8	19	5	2	4	2	77

### Company Secretariat

This Division provides secretariat duties to the SABC's Board of Directors and statutory committees, ensuring that policies, procedures and codes of good practice are adhered to in the running of the Board and the committees. It is also tasked with ensuring the SABC's compliance with the Public Finance Management Act in the compilation and documentation of reports and minutes of meetings. In the last fiscal year the Secretariat implemented the Delegation of Authority Framework (DAF), facilitated and conducted training on the DAF, and completed the Cluster Terms of Reference.

### Strategic Planning and Risk Management

The primary functions of this Division are planning, co-ordinating and managing the execution of the SABC's business strategy, as well as ensuring alignment with the corporate strategy and budget guidelines. The Division also ensures that the SABC protects its market share against competition, that it anticipates and plans for new opportunities in the media and broadcasting landscape, and that employees understand their role in driving corporate strategy. The Division ensures risk management and control measures within the SABC, and the implementation of and adherence to Enterprise-wide Risk Management Policy. Pursuant to good corporate governance, it also supports a risk management culture through systems that identify and mitigate risks within the Corporation, and it has accordingly implemented an effective Risk Management

Reporting Framework - one target area being intellectual property and rights management. The Division has successfully developed, implemented and managed the SABC Corporate Strategy Programme, the Business Planning Process, Risk Management Champions, and risk management awareness and training workshops. The Division has updated its Risk Register while completing the ERM Framework and Risk Policy.

In terms of divisional strengthening and management of compliance issues relating, inter alia, to local content was the important development of the establishment of a Music Strategy Unit. Quarterly reports on compliance with ICASA Licence Conditions were submitted during the course of the year. Initially the increased language quotas for 2007/2008 proved challenging for television, but over time the channels generally improved on their performances. After a shaky start, SABC3 managed to meet its genre and language obligations by the end of the fiscal year. SABC1 and SABC2, however, did not fully meet their language requirements in prime time.

### Group Special Projects

This Division drove and supported the Group Chief Executive Officer's key projects as and when required, among them the Green Revolution Initiative, the annual Vuka Sizwe! Benefit Concert, the Living the Values initiative, and preparations for the 2010 FIFA Soccer World Cup.

### Group Music Strategy

The Division ensures the existence of appropriate mechanisms for the negotiation, acquisition and exploitation of music rights by the SABC, that the SABC Music IP and archive material creates commercial opportunities and benefits for the organisation, that there are correct property monitoring and compliance mechanisms concerning music usage by the SABC (that is, air play and quotas), and that all SABC music users comply with the organisation's music policy. The Division also mobilises support from the music industry as South Africa's foremost custodian of our musical heritage.



*“When we cross the finish line, we look back and value the time that we spent training and we celebrate the achievement, no matter what position we attained.”*

## OVERVIEW



# SABC FOUNDATION

The formalisation and launch of the SABC Foundation in December 2007, unleashed the potential for the national public service broadcaster, as the country's biggest communicator, and a responsible corporate citizen, to move beyond its mandate and alongside other corporates, government and NGOs to play a meaningful role in the economic and social development so sorely needed in South Africa.

The SABC Foundation allows for strategic planning, proper co-ordination and coherent implementation of the SABC's corporate social investment (CSI) initiatives across all SABC platforms, ensuring greater impact and accountability.

Besides the centralisation process, the SABC Foundation also houses a number of funds to develop social capital in South Africa. The Chairman's fund will be used to support relief for national and international disasters, such as the 2004 tsunami, that may require direct and urgent intervention.

The SABC Foundation has its focus on the following critical areas:

- Education providing funds to students who have the academic ability, but who cannot further their studies, due to financial constraints. The Foundation supports bursary applications for degrees in Media,

Telecommunication, Engineering, Business, and Health and Environmental studies.

- Arts and culture.
- Sports development.
- Skills and training.
- Social development.

In celebration of the launch of the SABC Foundation, 20 bursaries were awarded to students in 2007 and another 20 bursaries to students commencing studies in 2008. This was done in partnership with the Universities of Limpopo and Fort Hare, the two pilot institutions in the selection of students for the bursaries.

The Foundation aims to assist 20 students each year, ensuring that a total of 100 bursaries be awarded by 2011.



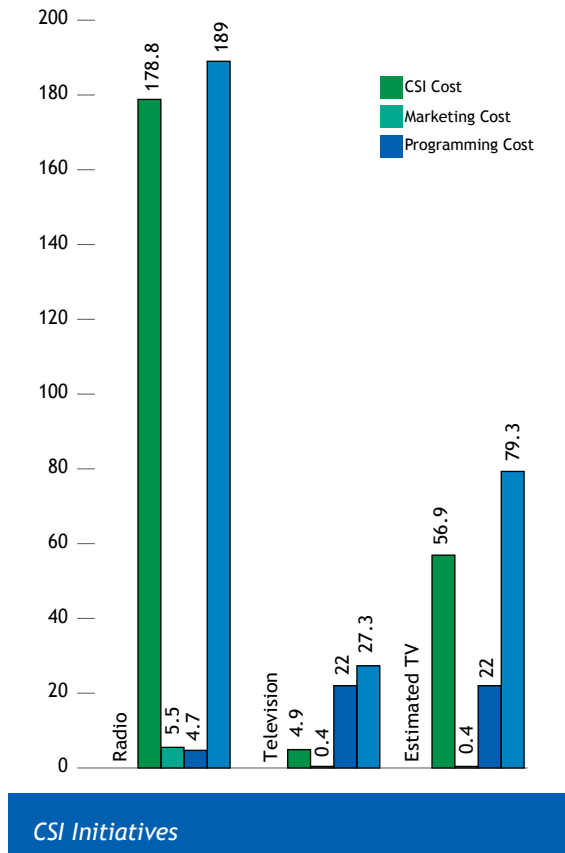
*Students who received Bursaries through the SABC Foundation.*

*"Value having fun; use your imagination because if you can dream it you will achieve it."*

## CORPORATE SOCIAL INVESTMENT

Both in South Africa and internationally, CSI is increasingly becoming a strategic business imperative for companies. The role of CSI within companies has altered substantially with the realisation that merely writing a cheque and claiming CSI involvement is no longer acceptable.

The vision of the SABC's CSI Department is to invest and participate in socio-economic projects and



programmes that help further the development of South Africa's citizens and its democracy, and underlines the SABC's values of conversations and partnerships, restoring human dignity and building a common future.

The SABC provides airtime to public service announcements (PSA's) (in unsold inventory space) for worthy causes, to raise awareness for these across SABC radio stations and television channels. These PSAs must be in the interest of the public at large and should not contain any direct or indirect appeal for funds or have any profit motive.

The CSI Department initiated and executed numerous projects throughout the year, in the areas of arts and culture, health, technology and social services.

### Highlights

- The Cape Town International Jazz Festival:** The SABC's media sponsorship of the Cape Town International Jazz Festival is in line with the national public service broadcaster's mandate and vision of Broadcasting for Total Citizen Empowerment, as it supports and promotes the South African music industry and the development of local talent.
- Massed Choir Festival:** The SABC, Sowetan, Transnet and Aggrey Klaaste Nation Building Foundation jointly promote all forms of choral music to keep it alive and improve the musical ability of the underprivileged. The Massed Choir Festival is more than just a fantastic spectacle; it offers the opportunity for musicians from urban and rural areas to train and perform with established choristers, who come together to create a mass choir of 1 000 voices.
- World AIDS Day/Child Headed Households:** On World AIDS Day, the SABC, in partnership with AMAHA, embark on HIV and AIDS awareness campaigns and collect donations of cash, food, clothing, books and toys for orphans living with HIV and AIDS and children left without parents as a result of AIDS.

- Community Builder of the Year Awards:** This high-profile event honours South Africans whose compassion inspires individuals to improve the quality of life of their fellow citizens and communities. Regional finalists are nominated by their respective communities. The Community Builder of the Year Awards were screened on SABC2.
- The News Division's annual golf day raised funds for the Ukuvikela Day Care Centre based in Orange Farm near Johannesburg. The Division has adopted the centre for the long term and will continue to provide funding and support. News in the Western Cape, in partnership with the Minister of Correctional Services, the Premier's Office, the MEC for Social Development, the M5 Group, Absa and Lafarge, constructed a house for a partially-sighted Khayelitsha resident, whose home had been destroyed when a motor vehicle drove into it. News has also included student categories in the SABC News Awards, which reward top-performing student media workers at universities and colleges.
- Owing to the SABC's efforts, Soweto TV, a new local television channel available on DStv, is now a fully fledged Community TV station. SABC provided all the television equipment needed to get the channel up and running.
- The Media Library has embarked on two projects. The first is the adoption of a crèche in Daveyton. Government requires that crèches meet basic standards in order to receive grants. Members of staff are making donations to the crèche, with each staff member paying the crèche enough for the care of one child. The Media Library also undertook to buy a steel table for meal preparation. Since this initiative has been launched, needy children have been 'adopted' to be assisted with their financial needs. The Media Library is also assisting with the Manna Sou Permaculture Project. It has helped to develop a permaculture garden to grow essential herbs and vegetables.

CSI Initiatives	Station Strategy Support	Marketing Initiatives	Total Cash Invested R'000	Programming Initiative	Total Cash Invested R'000	Total Minutes Dedicated
<b>IKWEKWEZI FM</b>						
1.	Crying for Help, Listen to My Story	Buying a food parcel worth R2 000 per winner.	-	5 minute feature interviewing the winner.	-	57 600
2.	Asibambane Disability	Organised a function for disabled people with fun and games on the day.	40	Running interviews on air every Thursday.	-	300
3.	16 Days of Activism	Sponsoring the spread of a message highlighting the plight of women and children through song.	-	Ran a series of PSAs in relation to the 7-day concerts every day for 16 days on the afternoon drive.	-	224
4.	Donation of calculators to schools in partnership with Absa	Improve Maths and Science literacy.	5	Interviews.	-	5
5.	Donation of food parcels	Food parcels donated to Mpumalanga orphans in partnership with Tholulwazi home based care.	1	Interviews and promotions.	-	5
PSAs			-		-	2 100
<b>TOTAL</b>			<b>46</b>		-	<b>60 234</b>
<b>RSG</b>						
1.	Breast Cancer	Breast cancer	N/A	Programmes, interviews, live reads and promotions.	-	90
2.	HIV/AIDS	HOMAC/Westbury	Toydrive, party and press release.	Interviews and promotions.	-	30
3.	Heritage	N/A	-	Interviews, talk shows and series on museums.	-	150
4.	16 days	16 days against violence against women & children	N/A	Programmes, promotions, interviews and phone-in's.	-	198
5.	Organ Donor Foundation	Radiothon registrations, press release, branding and T-shirts.	2,5	Programmes, interviews, promotions and telethon.	-	155
6.	Literacy	Book donations (needy schools, Heartlines).	20	Programming, promotions and interviews.	-	37
7.	RSG/Beeld Kinderfonds	Print media coverage, competition function.	-	Interviews and promotions.	-	22
8.	Community organisations (NGOs) on Oggend op RSG	N/A	-	Feature and promotions.	-	216
9.	Western Cape University - Language Awards	Cash prize, certificate and function.	6	N/A	-	-
10.	University Free State of the copyright student award	Cash prize and certificate.	3	N/A	-	-
	Opening of Parliament	N/A	-	Speech broadcasting, interviews and discussions.	-	171
	Budget Speech	N/A	-	Speech broadcasting, interviews and discussions.	-	249
	Imbizos	N/A	-	Promotions.	-	15
<b>TOTAL</b>			<b>31,750</b>		-	<b>1 333</b>

CSI Initiatives	Station Strategy support	Marketing Initiatives	Total Cash Invested R'000	Programming Initiative	Total Cash Invested R'000	Total Minutes Dedicated
<b>LOTUS FM</b>						
1. HIV/AIDS	HIV/AIDS Awareness			Appliance donated to CHOC (Home for HIV/AIDS patients).	--	8
2. Nation Building/Non-Racism	Nation Building/Non-Racism			Reach For a Dream - Terminally ill child Sibonelo Khuzwayo.	-	12
4. Nation Building/Non-Racism	Nation Building/Non-Racism			Reach For a Dream - Terminally ill child Andile Mabaso.	-	2
5. Nation Building/Non-Racism	Nation Building/Non-Racism			Reach For a Dream - Terminally ill child Tandolwethu Ntuli.	-	5
6. Nation Building/Non-Racism	Nation Building/Non-Racism			Reach For a Dream - Terminally ill child Nkanyiso Mkhonza.	-	180
7. Nation Building/Non-Racism	Nation Building/Non-Racism			Reach For a Dream - Terminally ill child Sikanyiso Ndlovu.	-	6
8. Childhood Development/ Youth Empowerment	Empowerment - assisting children with disability to reach their full potential			Nikita Pillay - Funds for a urethra operation.	-	60
9. Childhood Development/ Youth Empowerment	Empowerment - assisting children with disability to reach their full potential			Abubakr Da Costa - Funds for a cochlear implant.	-	860
10. Childhood Development/ Youth Empowerment	Out on a Limb - Assisting disabled children to lead normal lives			Raising funds through various initiatives to help a child acquire an artificial limb.	-	66
11. Community Upliftment	Assistance to children with disabilities and individuals in need of wheelchairs			Wheelchairs for those in need.	-	180
12. 16 Days Of Activism	Food Hamper Drive			Food hampers to underprivileged children in Verulam.	-	5
13. 16 Days Of Activism	Food Hamper Drive			Food hampers to women and children at various homes and shelters.	-	85
14. Nation Building / Non Racism	Frenz for Life Campaign			Treated children from ABH homes to a day at the movies and had them interact with our children listeners.	-	4
15. Breast Cancer			20		-	50
16. HIV/AIDS	HIV/AIDS Awareness	Dance4Life Initiative.	100		-	180
	Festive Drive Campaign		80		-	60
		16 Days of Activism.	15		-	10
<b>TOTAL</b>			<b>215</b>		<b>-</b>	<b>1 773</b>



CSI Initiatives	Station Strategy support	Marketing Initiatives	Total Cash Invested R'000	Programming Initiative	Total Cash Invested R'000	Total Minutes Dedicated
<b>UKHOZI FM</b>						
1. Citizen Welfare	Ukhozi Cares	Warm Elegance Fundraising Gala.	50	Listener pledges and profiling those who give to their communities.	-	250
2. Improving Education	Ukhozi Cares	Midlands School Tour.	65	Outsid broadcasting(OB), interviews with principals, SGBs, learners on issues affecting education, particularly Matric results.	-	1 100
3. Poverty Alleviation	Ukhozi Cares	Ukhozi Cares Royal Show Music Festival.	300	Highlighting poverty-related issues through talk, stakeholder interviews, have listeners help identify needy families who will benefit from the proceeds of the concert.	-	900
4. HIV/AIDS	Ukhozi Cares	SAB/Ukhozi FM Partnership.	-	Profiling people or individuals who care for AIDS patients and orphans.	-	120
5. Community development	AmaQhawe Ukhozi	AmaQhawe Okhozi Awards Gala Dinner.	400	Documentaries of the work done by the shortlisted finalists.	-	1 800
<b>TOTAL</b>			<b>815</b>		<b>-</b>	<b>4 170</b>
<b>MOTSWEDING FM</b>						
1. HIV/ Aids	Putting HIV/AIDS in perspective and raising awareness	PR focusing on OAPs own initiatives.	-	A weekly discussion on HIV/AIDS. A presenter talks to HIV/AIDS positive people, community leaders, caregivers and those affected.	-	720
	Provincial Speeches: Dept. of Health, Finance & Economic Development, Premiers' speeches in both North West & Northern Cape		-	Live speeches.	30	290
2.	Mosadi wa Letlapa (Woman of Rock)	A media campaign in early 2008 to raise awareness and call to entries. The award to a woman of rock was in August 2008.	50	On-air campaign in the form of promotions to endorse the station's initiative. Interviews with women of rock with reference to their stories.	-	100
3.	Prison visit in Bloemfontien (Part of Macufe)	Outsid broadcasting, publicity and brand building around the Macufe event.	20		221	90
4. Campaign against Women & Child Abuse	Divas Concert	Outsid broadcasting at the concert (part of transversal strategy with SABC2).	10	Interviews with local artists at the concert and crossings.	-	60
5.	North West Film Festival	Raising the profile of the station and supporting the province to reach out to poorer communities about film and arts.	-		50	25
<b>TOTAL</b>			<b>80</b>		<b>301</b>	<b>1 285</b>

CSI Initiatives	Station Strategy support	Marketing Initiatives	Total Cash Invested R'000	Programming Initiative	Total Cash Invested R'000	Total Minutes Dedicated
<b>UMHLOBO WENENE FM</b>						
1. Skills Development	Skills development	Entrepreneurship workshop.	60	On-air competition.	-	21
2. HIV/AIDS	HIV/AIDS	Candlelight memorial concert.	65	Interviews with artists.	-	31
3. Education	Education	Donating computers to a school in Port Elizabeth.	45		-	-
4. Poverty Alleviation	Poverty alleviation	Entertainment, lunch and donating non-perishables for Umtata Old Age Home.	80		-	-
5. Education	Education	In partnership with Imana donating classrooms in Transkei.	120	On-air competition.	-	45
6. Plight of the Homeless	Plight of the homeless	In partnership with Dept. of Housing built 25 RDP homes in Cape Town.	250	Outside broadcast at launch.	-	180
7. Skills Development	Skills development			Career focus 30-minute feature every Friday 16:30-17:00.	-	360
8. Health and Well-being	Health and well-being			Several interviews on health featuring women on the move.	-	720
9. HIV/AIDS	HIV/AIDS			Live broadcast from AIDS orphanage in Uitenhage.	-	180
10. HIV/AIDS	HIV/AIDS			Live broadcast from the opening of a youth centre focusing on HIV/AIDS and sports in Knysna.	-	180
11. Restoring Human Dignity	Restoring human dignity			Live broadcast from the Xhosa festival in November, in support of culture.	-	180
12. Human Rights	Human rights			Live broadcast from a prison in Cape Town during 16 Days of Activism (1 December 2007).	-	180
<b>TOTAL</b>			<b>620</b>		<b>-</b>	<b>2 077</b>
<b>MUNGHANA LONENE FM</b>						
1. Hospice Support	Hospice Support Project	Station donated R50 000 to ten charity organisations.	50		-	158
2.	Women Achiever Awards	Hosting the Women Achievers Awards to recognise and reward women making a difference in their communities without any personal financial gain.	140		-	58
3. Fundraising Music Events	Xitsonga Music Festival in KaMaqhekeza in Nelspruit and Bunghehi in Limpopo.	R50 000 was raised from the event and donated to charity organisations.	100		-	58
4.	Battle of the DJs - Palamine Club in Phalaborwa.	Event aimed at raising funds and promoting the brand among youths.	30		-	58

CSI Initiatives	Station Strategy support	Marketing Initiatives	Total Cash Invested R'000	Programming Initiative	Total Cash Invested R'000	Total Minutes Dedicated
<b>MUNGHANA LONENE FM (continued)</b>						
5.	Fundraising Gospel Festival	Gospel Festival held in Phalaborwa.	50		-	58
6.	Xilombe Choral Music Festival	Improve Maths and Science literacy.	5		-	58
7. 16 Days of Activism	16 Days of Activism Against Women and Children Abuse	Limpopo Combo in partnership with local businesses embarked on the Big Walk campaign to raise money for charity - stations also donated clothing.	10		-	58
8. Outside Broadcasts	Crime Awareness Campaign	Awareness Campaign in partnership with SAPS at Mojaji Village.	30		-	58
9.	ID/Birth Certificate Campaign		25		-	58
10.	Computer Donation Campaign	Sponsored by Magveni Holdings.			-	58
11. HIV/AIDS Projects	Bavaria Estate HIV/AIDS Campaign; Hlanganani Junction Litsetele; Musesencani Village - Mokopane		57		-	58
12. Moral Regeneration Events & Women Issues	Together as One Women's Day Prayer and Moral regeneration Campaign in Seshego	The station supports Together As One Multi Denominations women's prayer.	71		-	58
<b>TOTAL</b>			<b>568</b>			<b>796</b>
<b>THOBELA FM</b>						
1. HIV/AIDS	Testing drive	Organised an HIV/AIDS Test Drive in the villages in partnership with US Peace Corps.		Hosted interviews with the organisers and community members who were tested.		490
	Increasing awareness	Organising the Jazz festival and raising funds to support HIV/AIDS homes in the region.	0,73	Ran promotions and interviews.		540
2. 16 Days of Activism	Raising funds for abused women and children	Organising 30 km Big Walk in support of 16 Days of Activism Against Violence against Women and Children.	0,02	Ran a series of PSAs in relation to the 7-day concerts every day for 16 days on Afternoon Drive		590
	Increasing awareness	Organising an awareness function in partnership with the SAPS.	0,03	Conducted interviews with representatives from Childline and SAPS.		180
3. Breast Cancer	Increasing awareness	The Vuka Sizwe Busi Mhlongo concert.		Live cross-overs.		640
4. Alcohol and Drug Abuse	Increasing awareness	2 km walk in partnership with the Dept. of Health and Social Development on World Alcohol and Drug Abuse Day with the Minister.		Interviews with the Minister and other representatives from the Dept and promotions.		450

CSI Initiatives	Station Strategy Support	Marketing Initiatives	Total Cash Invested R'000	Programming Initiative	Total Cash Invested R'000	Total Minutes Dedicated
<b>THOBELA FM (continued)</b>						
Disability and HIV/AIDS	Home visits and donations	Organised Limpopo Province Tour, visiting charity homes in celebration of the station's 47th birthday celebration.		Interviews and promotions.		2 100
<b>TOTAL</b>						<b>4 990</b>
<b>SAFM</b>						
1. Financial Information	Financial information		-	Broadcast Budget Speech and discussion.	-	200
2. Telling the South African Story	Literacy and creative writing		-	Express Yourself - poetry/short story competition and promotion	60,5	100
3.	Community development	SAfm Songs of Praise concerts.	-	On-air promotion only.	-	210
4. National Events	Information	Outside broadcast mounted outside Parliament.	-	Opening of Parliament speech and discussion.	-	210
<b>TOTAL</b>			-		<b>60,5</b>	<b>720</b>
<b>Grand Total</b>			<b>2 376</b>			<b>72 388</b>
<b>SABC2</b>						
1. 16 Days of Activism				6 x 48 minute Documentaries.	1 200	288
2.	Woman of the Year			Gala Event and profiles	2 000	100
3. Community Builder of the Year				Gala event and profiles.	2 000	100
4. Massed Choir Festival				Gala event.	650	96
<b>SABC1</b>						
1. Restoring HumanDignity	Drama on homeless people			A Place Called Home.	3 434	312
2. Nation-building	Talk show led by icon			Zola 7.	7 534	288
3. Nation-building and restoration of Human Dignity	Reality show			Khumbul' ekhaya.	4 180	864
4. Conversations and Partnerships	Public viewings and discussions			June 16 documentaries.	1 029	434
	Roscas Children's Home	Christmas lunch.	50	Selimathunzi and Seskhona coverage.	-	9
	Winikhaya		Self-funding	Generations.	-	
5. 16 Days of Activism		Promo campaign / Christmas lunch.	150	Selimathunzi & Seskhona coverage.		9
World AIDS Day	World AIDS Day		150	Selimathunzi / Imagine Afrika / Seskhona.	-	8
<b>TOTAL</b>			<b>350</b>		<b>16 177</b>	<b>1 924</b>



## DEVELOPMENT

CSI Initiatives	Station Strategy Support	Marketing Initiatives	Total Cash Invested R'000	Programming Initiative	Total Cash Invested R'000	Total Minutes Dedicated
<b>RSG</b>						
1.	Preparation for school	N/A	-	Programme series and live reads.	-	84
2.	Matric exam preparation	N/A	-	Programme series.	-	420
3.	Information on new SARS tax system	N/A	-	Interviews and programme.	-	80
4.	Khoisan and Griekwa Song & Dance promotion	N/A	-	Documentaries, interviews and promotions.	-	174
5.	Youth	N/A	-	Documentary, programming, interviews and promotions.	-	210
6.	Women's issues	N/A	-	Programme series, interviews and promotions.	-	240
7.	Express Yourself	Prize-giving function and press release.	15	Competition, promotions and programming.	-	71
8 Youth Entrepreneur Competition		N/A	-	Interviews and promotions.	-	84
9 Values (Heartlines)		N/A	-	Programme series.	-	210
10.	Children's wellbeing	N/A	-	Programme series.	-	36
11.	Elderly	N/A	-	Programme series and live reads.	-	93
12.	Children living with disabilities	Telethon.	-	Programme series and interviews.	-	71
13.	Disability month	N/A	-	Live reads, programming and interviews.	-	126
14.	National Police Day	N/A	-	Programming and live reads.	-	92
15.	TB	N/A	-	Programming and promotions.	-	68
16.	Commemorations	N/A	-	Programming.	-	240
<b>TOTAL</b>			<b>15</b>		<b>-</b>	<b>2 299</b>
<b>LOTUS FM</b>						
1.	Disability Sport (DISA)		-		-	10
2. Community Development	Lyric Writing Promotion		-	Lyric writing.	0,2	105
<b>TOTAL</b>			<b>-</b>		<b>0,2</b>	<b>115</b>

CSI Initiatives	Station Strategy Support	Marketing Initiatives	Total Cash Invested R'000	Programming Initiative	Total Cash Invested R'000	Total Minutes Dedicated
<b>MOTSWEDING FM</b>						
1.	Taung disaster floods relief	PR campaign that raised awareness about what the station was undertaking.	-	Road Show outside broadcast to major cities (Pretoria, Klerksdorp, Rustenburg, Kimberly and Mafikeng) asking people to donate money, food and clothing.	0,06	940
2.	Supporting culture and tradition	PR campaign that raised awareness about what the station was undertaking.	-	Live broadcast covering the Botswana initiation ceremony.	0,02	360
3.	Calabash Festival: Culture and heritage event that showcased Setswana traditional music and events.		-	Outside broadcast and live broadcast at the Calabash.	0,19	540
4.	Female farmers development in North West		-	Outside broadcast and interviews with 2007 women farmers' finalists.	0,05	120
5. Africa and NEPAD initiative	Africa Day celebration		-	Coverage of the Africa Day celebration in Johannesburg.	0,02	360
<b>TOTAL</b>					<b>0,34</b>	<b>2 320</b>
<b>MUNGANA LONENE FM</b>						
1. Entrepreneurship	Youth Entrepreneurship Awards	The station hosted the event to empower Young Entrepreneurs and encourage young people within our footprint to become business leaders - PFM Group of Companies sponsored and paid R150 000.	88,5	Promotions and interviews.	-	360
2. Local Music Promotion and Development	Xilombe Choral Music Festival	The station hosted the Annual choral festival to revive and promote choral music.	43	Promotions and interviews.	-	58
3.	Xitsonga Music Awards	Munghana Lonene FM hosted the annual Xitsonga Music Awards to promote Xitsonga music and culture through music, while recognising and rewarding artists, commitment.	274,5	Promotions competition and interviews.	-	58
4.	AMAHA Music Festival	Local music support.	7,5	Promotions and interviews.	-	58
7.	Express Yourself	Prize-giving function and press release.	10		-	58
<b>TOTAL</b>			<b>423,5</b>		<b>-</b>	<b>592</b>

CSI Initiatives	Station Strategy Support	Marketing Initiatives	Total Cash Invested R'000	Programming Initiative	Total Cash Invested R'000	Total Minutes Dedicated
<b>THOBELA FM</b>						
1. Career	Back to School campaign	N/A	-	Programme series and live reads.		1 200
2. Matric	Weekly catch-up programmes for Matric exam preparation, visit by the MEC giving the Matric exam message	N/A	-	Programme series and catch-up programmes.		
3	Information on new SARS tax system	N/A	-	Interviews.		600
4. Youth	Youth involvement in CSI projects	Miss Thobela FM pageant.	190	Love Life feature.		1 140
5. Women's Issues	Women and health	Marathon and Miss Thobela FM pageant.	45	Fashion and beauty, cooking, health issues related to women.		2 700
6. Poverty Alleviation	Funding for a funeral of a mother and building a house for the daughter (Sesani).	Getting sponsors for furniture and groceries. Giveaway event.	15	Provided airtime by inviting community members to donate whatever they could.		200
7.			-	Feature on personal development and motivation.		5 760
<b>TOTAL</b>			250			11 600
<b>TOTAL</b>			<b>688,5</b>		<b>340,2</b>	<b>16 926</b>

<b>Cost Of Training</b>		
This cost covers all the cost centres used for training during the period 2006-2007.		R'000
Transport		287
Bursaries		345
Flight and S&T		2 290
Refreshments		49
Stationary		6
Nkoka Students		5 998
Copies		44
<b>TOTAL</b>		<b>9 019</b>
Internal and external courses		11 390



“Teaching the younger generation the value of caring for the environment allows them to share in the fruit of a better tomorrow.”

## AWARDS AND ACHIEVEMENTS

### Content Hub

- *Khumbule'Ekhaya* won the second place Silver Screen Award at the 2007 International Film and Video Festival.
- *The Cut* won three awards (Best Directing, Best Editing and Best Reality Show) at the 2007 International Film and Video Festival.
- Cecilia Ravelle, YOTV presenter, won the award for Best Kid's Presenter 2007 at the People Magazine Crystal Awards.
- *Magic Cellar*, Episode 1 entitled Where Stories Come From, has been awarded a CINE Golden Eagle Award.
- The SABC was nominated in 54 categories and won 51 of them out of a total of 73 categories at the 2007 SAFTA Awards.
- *The Silent's Outcry* has been nominated for the AIBD Awards.
- *Stokvel* has been nominated for the Rose D'or Awards.
- *When We Were Black* won Best Drama TV/Film Award at the International TV Encounters Festival in Reims, France.
- Danie van der Walt received the ATKV Management's Prestige Award for his concerted efforts through the environmental programme 50/50 to make South Africa a better place for all (some of the previous recipients were F.W. De Klerk, Beyers Naude and Nelson Mandela.)
- The documentary, *The Glow of White Women* produced by the Independent Film and TV Company Little Bird, won the Grand Jury Prize for best documentary at the Indian Film Festival in Los Angeles.

- *Rize Mzanzi*, received a Rose d'Or nomination for best reality series, competing with ten reality shows from other countries.

### Education

- South African Film and Television Awards (SAFTA) 2007.
- *When We Were Warriors*: Best Documentary in the SAFTAs 2007.
- *Take 5*: Best Children and Youth Programme in the SAFTAs 2007.
- SAFTA Awards (November) 2007.
- 2006 - UNAIDS named *Siyayinqoba Beat It* Best Programme on HIV and AIDS Internationally.

### Sport

- The world feed for *90 Minutes for Mandela* - a football invitational reaching 100 countries - was successfully produced and broadcast.
- SABC Sport received a commendation from FIFA and the global football community on the production.
- We brought home the glory of the Springboks at the Rugby World Cup in France, reaching millions of South Africans via radio, television and new media platforms.
- We televised more 143 games in the history of the partnership with the PSL, thrilling viewers with four matches per week on SABC1.
- SABC Sport delivered the fourth edition of the SA Sports Awards, held for the first time in Mangaung in December 2007. Added to this was the production and broadcast of the 2010 FIFA Soccer World Cup Draw in eThekweni in November 2007.



- In 2008, SABC Sport proved its capability by delivering what was the biggest Olympic Games in viewership in the history of the event globally.
- Radio - Sport Journalist of the Year - James Shiwambana, for his history piece on Orlando Pirates and his excellent insight into why the US and people of African origin dominate world sprinting events.
- Hall of Fame - Maseru Koaho - was entered into the Hall of Fame, for his role as an SABC Sports journalist.

#### *Radio Awards*

- Sports Commentator of the Year award - Johan Russouw (RSG) - various commentaries.
- Sports Programme of the Year - Ettienne Ludick (RSG).
- Merit award in this category - Bettie Kemp (RSG).
- Sports News Reporter of the Year - Robert Marawa (Metro FM).

#### *Television Awards*

- Sports Programme of the Year - Pieter Cilliers (SA Sport Hall of Fame).
- Sports Presenter / Personality of the Year Merit Award - Carol Manana.
- Sports News Reporter of the Year - Lindane Mbense - SportsWrap.
- Newcomer of the Year - Zeena Isaacs - RWC.
- Sports Commentator of the Year- Baba Mthethwa (SABC Sports).
- Sports Insert of the Year (Merit Award) - Billy Senaume.

### Technology

- A Live Earth Concert broadcast across the world in High Definition,
- The FIFA-sanctioned 90 Minutes for Nelson Mandela soccer match captured in High Definition,
- The FIFA 2010 Preliminary Draw,
- The 46664 Concert captured in High Definition tapeless technology for the first time,
- The 52nd ANC Conference, involving a complex network of 14 radio stations with the logistics co-ordinated in under two weeks.
- The Zimbabwe Elections, broadcast under very difficult logistical circumstances,
- The People's Parliament,
- The inauguration of Botswana's new President and the appointment of the South African High Commissioner to Botswana.
- Facilitation of the RDS Traffic Message Channel service, in collaboration with Netstar.
- Helping X-Kfm broadcast outside Kimberley (its home base) on two occasions, once at Platfontein and once in Port Nolloth.
- Conducting the first national stock-take in all record libraries, a process which disposed of a staggering total of 367 284 compact discs in SABC's record libraries country-wide.

### Commercial Enterprises

- SABC Mobile's "Mzuzu 60" won a Gold Award at Promax/BDA Africa, in the category Best On-Air Branding Design Campaign.

### Corporate Marketing

#### **Rand Show**

- SABC walked away with several awards, including a Gold Award for SABC's media partnership (Radio).
- The City of Johannesburg's Platinum Award (awarded to the overall winner in all categories).
- The Chairman's Platinum Award (awarded to an exhibitor who contributed most to the success of Rand Show 2007).



*“Empower children to be financially stable, teach them the value of saving.”*




## ANNUAL FINANCIAL STATEMENTS

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*“Creative thinking can unlock the value of numbers; it does not have to be boring—look closely and you will find them everywhere.”*



## BOARD MEMBERS'

### Responsibility for Financial Reporting

The Directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of the SABC Limited and its subsidiaries. The annual financial statements presented on pages 8 to 64 have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The Directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The internal controls include a risk-based system of internal auditing and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that all transactions are executed and recorded in accordance with generally accepted business practices and the SABC's policies and procedures.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management. The Directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The external auditors are responsible for independently auditing and reporting on the annual financial statements. The financial statements have been audited by the independent auditing firms Ngubane and Company Incorporated, KPMG Incorporated and Kwinana and Associates, which were given unrestricted access to all financial records and other data. The report of the independent auditors is presented on page 6.

This report is presented in terms of Treasury Regulation 28.1.1 of the Public Finance Management Act and is

focused on the financial results and financial position of the SABC Limited. The prescribed disclosure of emoluments in terms of Treasury Regulation 28.1.1 is reflected in note 42 of the annual financial statements.

The Directors have noted the recommendations of the Audit Committee in respect of the approval of the annual financial statements. The Directors of the company approved the annual financial statements on 17 September 2008 which are signed on their behalf by:

  
Ms Kanyisiwe Mkonza (Chairperson)

  
Ms Gloria Serobe (Board Member)

17 September 2008

## CERTIFICATE BY COMPANY SECRETARY

For the year ended 31 March 2008

In my opinion as Company Secretary, I hereby confirm that, in terms of the Companies Act, No 61 of 1973, as amended, for the year ended 31 March 2008, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, and all such returns are true, correct and up to date.

  
Mr Ntando Simelane (Acting Company Secretary)

Johannesburg  
17 September 2008



*"As children we find value in growth; we strive to meet and exceed the examples set by our predecessor."*

# REPORT OF THE AUDIT COMMITTEE

## to the SABC Executive Authority



*“Teach children essential values how to plan, calculate and achieve results.”*

The Audit Committee of the SABC Limited (“the company”) is pleased to present its report on the financial statements of the company for the year ended 31 March 2008.

The Audit Committee was reconstituted by the Board during the last quarter of the year under review, and consists of seven members, five of whom are independent non-executive directors. The Committee is chaired by an independent, non-executive Chairperson. The Head of Internal Audit is an invitee to the Committee as well as the Head of Group Strategy and Risk.

The Audit Committee is guided in the execution of its role by an Audit Committee Charter which has been approved by the Board of Directors.

In the conduct of its duties during the year under review, the Audit Committee has, inter alia:

- Reviewed the effectiveness of the company’s internal control systems, including the controls over significant financial and certain operational risks.
- Monitored the company’s financial reporting processes and reviewed the adequacy, reliability and accuracy of the financial information provided by management on behalf of the Board of Directors.
- Overseen the execution of forensic investigations by the internal audit division into suspected irregularities in certain key divisions of the Corporation, viz. Technology, Legal and Content Enterprises, and advised the Board on the appropriate action and other measures to be taken to enable the Board to fulfil its responsibilities as the accounting authority of the Corporation.
- Reviewed any accounting and auditing concerns identified as a result of the internal or external audits and considered any significant transactions not directly related to the company’s normal business as the Committee, in its discretion, deemed appropriate.

- Reviewed the company’s compliance with applicable legal and regulatory provisions.
- Reviewed the annual report and annual financial statements for the year ended 31 March 2008 to ensure that they present a balanced and understandable assessment of the financial position, performance and prospects of the SABC.
- Reviewed and updated the Audit Committee Charter to ensure compliance with best practice corporate governance standards.

Instances of weaknesses in internal controls, where these existed, were noted and reported to the Committee and the Committee is generally satisfied that adequate mechanisms are being implemented to address these identified weaknesses.

The Head of Internal Audit is directly accountable to the Audit Committee and has a dotted line administrative accountability to the SABC’s Group Chief Executive. As required by its Charter, the Audit Committee met regularly with the independent auditors, without management being present, to discuss the results of their audit, their evaluations of the SABC’s internal controls, and the overall quality of the SABC’s financial reporting. Where the company’s external auditors are contracted to render any additional services which are not part of their audit activities, this is subject to the specific prior approval of the Audit committee. This Committee confirms that to the best of its knowledge, the external auditors have not been involved in any assignment that may impair their independence.

The Audit Committee has evaluated the financial statements of the SABC Limited for the year ended 31 March 2008, the effectiveness and adequacy of the company’s internal controls and any pending litigation. The Committee is of the opinion that the annual financial statements as presented, comply in all material respects with the relevant provisions of the Companies Act, No 61 of 1973, and the Public Finance Management Act,

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No 1 of 1999, and the Broadcasting Act, No 4 of 1999 as amended, except for as indicated in the Report of the SABC Board. The Committee is also of the opinion that these financial statements as presented comply with International Financial Reporting Standards; that they fairly present the results of the operations, cash flows and financial position of the company and that the adoption of the “going concern” premise in the preparation of the financial statements is appropriate, except for any possible effects as indicated in the basis of qualification paragraph in the Independent Auditor’s Report.

The Audit Committee accordingly has pleasure in recommending the adoption by the Board of Directors of the SABC Limited of the financial statements of the company for the year ended 31 March 2008.

On behalf of the SABC Audit Committee



**Mr Desmond Golding** (*Chairperson*)

17 September 2008



*“A thirst for knowledge, and a mind that questions will provide valuable answers.”*

## INDEPENDENT AUDITORS' REPORT

### to the Sole Member of South African Broadcasting Corporation Limited

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the group annual financial statements and the annual financial statements of the South African Broadcasting Corporation Limited, which comprise the balance sheets at 31 March 2008, and the income statements, the statements of changes in equity and the cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' Report as set out on pages 8 to 64.

#### Directors' Responsibility for the Financial Statements

The Directors' are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Public Finance Management Act and the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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 controls relevant to the entity's preparation and fair presentation of the 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

#### Basis for Qualification

Included in programme, film and sports rights disclosed in the balance sheets are the following categories: originated programme, film and sports rights with a cost of R1.5 billion, accumulated amortisation of R1.2 billion with a carrying amount of R303 million and acquired programme, film and sports rights with an accumulated amortisation of R265 million. We were unable to obtain sufficient appropriate audit evidence to substantiate the cost of R1.5 billion and the accumulated amortisation of R1.2 billion relating to the originated programme, film and sports rights, and the accumulated amortisation of R265 million, relating to the acquired programme, film and sports rights.

#### Qualified Opinion

In our opinion, except for the possible effects of the matters described in the preceding paragraph, these financial statements present fairly, in all material respects, the consolidated and separate financial position of the South African Broadcasting Corporation Limited at 31 March 2008, and its consolidated and separate financial performance and consolidated and separate



cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Public Finance Management Act and the Companies Act of South Africa.

### Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 41 to the financial statements which indicates that there are legal proceedings against South African Broadcasting Corporation Limited, including where the company is the defendant in a lawsuit alleging the breaking of a lease agreement and an alleged breach of contract. The ultimate outcome of these proceedings cannot presently be determined and, accordingly, no provision for any effects on the company and group that may result has been made in these financial statements.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Report on Performance Information

We have reviewed the performance information set out on pages 31 to 36.

### Responsibilities of the Directors'

The Directors have additional responsibilities, required by section 55(2)(a) of the Public Finance Management Act, to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the company.

### Auditor's Responsibility

We have conducted our review of the policies, systems and processes and procedures for the managing and reporting of performance against pre-determined objectives, in accordance with section 13 of the Public Audit Act, 2004, read with General Notice 616 of 2008,

issued in Government Gazette No 31057 of 15 May 2008. Our review was limited to inquiries of company personnel and performing limited substantive procedures on the performance data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

### Findings

Based on our review, nothing has come to our attention that causes us to believe that the South African Broadcasting Corporation Limited's reporting against pre-determined performance objectives is not fairly stated as required by the Public Finance Management Act.

## NON-COMPLIANCE WITH LAWS AND REGULATIONS

We draw attention to the report of the South African Broadcasting Corporation Limited Board of Directors on pages 8 to 10, which indicates non-compliance with certain sections of the Public Finance Management Act, No 1 of 1999, as amended, and the Treasury Regulations.

**KPMG Inc.**  
Registered Auditor

*KPMG Inc.*

**Per R Fourie**  
Registered Auditor  
Chartered Accountant (SA)  
Director

KPMG Crescent,  
85 Empire Road,  
Parktown

**Kwinana and Associates.**  
Registered Auditor

*Kwinana & Associates*

**Per N Kwinana**  
Registered Auditor  
Chartered Accountant (SA)  
Director

Building 2, Waterfall Terraces,  
Waterfall Park,  
Bekker Street,  
Vorna Valley,  
Midrand

**Ngubane and Company Inc.**  
Registered Auditor

*Ngubane & Co. Inc.*

**Per P Naude**  
Registered Auditor  
Chartered Accountant (SA)  
Director

Birchwood Court,  
43 Montrose Road,  
Vorna Valley,  
Midrand

17 September 2008

# REPORT OF THE SABC BOARD

for the year ended 31 March 2008



*“Growth stems from knowledge, knowledge from personal experience. Allow children to experience life and grow their potential.”*

The Board of Directors is pleased to present the 71st annual report of the South African Broadcasting Corporation Limited (“the SABC” or “the company”) for the financial year ended 31 March 2008. The annual financial statements comprise the consolidated annual financial statements of the company and its subsidiaries (together referred to as the group) for the year ended 31 March 2008. These annual financial statements are presented in accordance with the Companies Act, No 61 of 1973, as amended, the Broadcasting Act, No 4 of 1999, as amended the Public Finance Management Act, No 1 of 1999, as amended (hereinafter respectively referred to as the Companies Act, the Broadcasting Act and the PFMA), and have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

## NATURE OF THE SABC’S BUSINESS

The SABC is South Africa’s public service broadcaster. Its principal activities comprise sound and picture broadcasts through eighteen radio stations and four television channels (comprising three free-to-air channels and one pay-TV channel). In terms of its Charter, which is determined in accordance with section 8 of the Broadcasting Act, the SABC’s mandate includes the requirement to make its services available throughout the Republic of South Africa and to produce, procure and broadcast programmes that entertain, inform and educate its audiences. The SABC is regulated operationally in terms of licences granted by the Independent Communications Authority of South Africa (ICASA).

## REVIEW OF OPERATIONS

The group generated revenue for the year of R4,7 billion, reflecting an overall increase of 9.1% over its previous year’s performance. This increase in revenue is attributable to the good performance

from Classical Advertising and TV Licence Revenue. Direct government revenues increased by 10.7% to R75 million. Commercial revenues continue to dominate the revenue sources of the SABC at 81% of the mix with Television Licence revenue declining by 1% to 17% of the mix.

Significant increases in Amortisation and Impairment of Programme, Film and Sports Rights and Professional Consulting Fees of 21.2% and 68.9% respectively adversely affected profits for the year. Employee compensation and Benefit Expenses Increased by 36.0% before Pension Fund Assets of R421 million were recognised. This increase also includes the revaluation of Post-Retirement Medical Benefit of R145 million.

Capital expenditure for the year was R363 million of which R106 million was in Information Technology. Government funded the SABC with R132 million towards digitisation of Broadcast Equipment. An investment of R106 million was made in information technology mainly for use in financial reporting and partly for a scheduling system.

The Board has considered the ongoing liquidity of the SABC in view of the results for the financial year and is of the opinion that sufficient borrowing facilities and liquidity are in place to enable the SABC to meet its obligations for the coming year. The future liquidity of the SABC will be addressed by the revitalised focus on financial management. The SABC has commenced engagement with the shareholder on the funding of Digital Terrestrial Television (DTT).

## SHARE CAPITAL

There were no changes to the authorised or issued share capital during the year under review.

## DIVIDENDS

No dividends were declared or paid during the year under review.

## GOING CONCERN

The Directors are of the opinion that the company and the group have adequate financial resources at their disposal to continue with operations in the next financial year. Accordingly, the going concern basis has been adopted in preparing the annual financial statements.

## SUBSIDIARIES

Details of the company's investments in subsidiary companies are reflected in Note 8 of the annual financial statements.

## CORPORATE GOVERNANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Board of Directors oversees compliance by the Corporation with the governance requirements set out in the King II Report on Corporate Governance for South Africa, the Protocol on Corporate Governance for state-owned enterprises, the PFMA and the related Treasury Regulations, the Broadcasting Act and other relevant legislation. The PFMA, in particular, imposes a number of obligations on the Board in relation to the prevention, identification and reporting of fruitless, wasteful and irregular expenditure, and the collection of revenue owing to the company. In order to assist the SABC to comply with these obligations, a Materiality Framework which determines levels of materiality for reporting purposes was approved by the Minister during the financial year. During the 2007/2008 financial year in respect of which this report is issued, the company did not comply fully with all the requirements of the Public Finance Management Act.

The significant instances of non-compliance relate specifically to the following:

Section 51(1) (a) (i), read with Treasury Regulation 27.2.1, requires the Company to put in place a formal risk assessment procedure. Although a Risk Committee was appointed during the previous year and key risks and appropriate risk management strategies were identified during the year under review, there are still no embedded risk management and monitoring procedures in place.

The company maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective as required by section 51(1) (a) (iii). In terms of the company's Delegation of Authority policy, procurement of up to R15 million is considered and approved by the Group Executive Committee and that above R15 million requires the approval of the Board. The Delegation of Authority Framework was redrafted during the financial year. Procurement takes place only after there is a contract, approved by the company's legal division, with the approved supplier. There were still a number of instances of premature procurement (i.e. procurement without the appropriate legal contracts with suppliers) by the Content Enterprises division, which is a major buyer of goods and services. As reported previously, a group-wide procurement policy had been approved and is in the process of implementation. The commissioning of the SAP procurement model will facilitate the further improved compliance with the Act.

In terms of Treasury Regulations 29.1.3(b) and 29(3), the Board is required to ensure that quarterly reports are submitted to the Minister detailing the extent of compliance with the Public Finance Management Act and the Treasury Regulations and performance against the Shareholder Compact. The corporation has improved its performance on the submission of these reports, in that out of four instances, it has only failed once to submit the report.

In terms of Treasury Regulation 33.3, the Board is required to investigate possible transgressions of the Public Finance Management Act within 30 days

of becoming aware of the same. This is not always possible due to the nature of the investigations and the disciplinary process required by the organisation.

In terms of Treasury Regulation 33.2, the SABC is required to submit annually, to the Auditor-General and the National Treasury, specified details of any disciplinary or criminal charges against any employee of the company as well as non-compliance with the Public Finance Management Act. As reported previously, the necessary investigations cannot always be commenced or carried out during the mandatory 30-day period and, as some proceedings are still pending, no submissions have as yet been made to the Auditor-General and the National Treasury.

Section 52 requires the company to submit one month before the start of the financial year the corporate plan in a prescribed format to the Executive Authority responsible for the company and the National Treasury. The corporate plan for 2008/2009 was submitted post year end and not in the format required.

The deliverables set out in the Corporate plan are normally incorporated into the Shareholder Compact and later form the basis for the quarterly reports.

The Minister of Communications, as the representative of the shareholder, and the SABC are required to enter into a Shareholder Compact annually in terms of the PFMA. The content (deliverables as contained in the business plan) of the Shareholder Compact for the 2007/2008 financial year was not agreed to with the Department of Communications and therefore a signed copy is not available.

The implementation of the System Application Programme (SAP) has delayed the preparation of the annual financial statements of the organisation. In particular the accounting for intellectual property of the SABC proved to extremely challenging. The information provided by the new system has also allowed a better view of the Television stock available for broadcast. Section 55(c) (1) requires the company to submit its

financial statements within two months after the end of a financial year to the auditors of the company for auditing. This requirement was not met in that the financial statements submitted to the auditors were not complete. Section 55(d)(1) requires the company to submit within five months of the end of its financial year, its annual report, the audited financial statements and the auditor's report on those statements to National Treasury, to the Executive Authority responsible for the company and to the Auditor General. This requirement was not met. This is not expected to recur in future years.

## IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Your attention is drawn to the inclusion of the statement of fruitless and wasteful expenditure and irregular expenditure in the performance report of the SABC as set out on pages 35 to 36 of the annual report. The Board determines the applicability of the framework after the completion of all internal processes and on the advice of the Audit Committee.

## DIRECTORS AND REMUNERATION

*The following were the Non-executive Directors of the company during the year under review:*

- Ms Kanyisiwe Desiree Mkonza appointed in January 2008 (*Chairperson*)
- Ms Christine Denise Mary-Ann Qunta (*Deputy Chairperson*)
- Professor Alison Norah Gillwald
- Ms Fadila Ethne Lagadien
- Mr Andile Milton Mbeki
- Mr Ashwin Hirjee Trikamjee
- Mr Sonwabo Eddie Funde (*Chairperson*) resigned 31 December 2007

- Mr Andrew Phillip Maralack resigned 31 December 2007
- Prof Edmund Thamsanqa Mazwai resigned 31 December 2007
- Mr Mandla Cecil Msomi resigned 31 December 2007
- Prof Derrick Ian Swartz resigned 31 December 2007

The terms of the above - mentioned Board ended on 31 December 2007, six Board members were reappointed and six new members were appointed. Non-executive Directors are appointed by the President on the advice of the National Assembly. *The Non-executive Directors who were announced in December 2007 by the President and whose term commenced in January 2008 are:*

- Mr Peter Bhunguza Vundla
- Ms Gloria Tomatoe Serobe
- Ms Nadia Bulbulia
- Mr Bheki Bridgeman Khumalo
- Adv Pansy Faith Dikeledi Tlakula
- Mr Desmond Khalid Golding

Remuneration of Non-executive Directors consisted of a fixed retainer plus a variable fee which is paid to Directors depending on their membership of sub-committees and attendance of Board committee meetings. A full disclosure of Directors' remuneration paid for the 2007/2008 financial year is set out in note 42. The remuneration structure was amended in early 2008 to include a meeting attendance fee for scheduled Board meetings and is paid in addition to the retainer. The committee meeting fees were increased accordingly.

*The following were the Executive Directors of the company during the year under review:*

Adv Daluxolo Christopher Mpofu (Group Chief Executive Officer)

Mr Robin Alister Nicholson (Chief Financial Officer)

## EVENTS SUBSEQUENT TO BALANCE SHEET DATE

The Directors are not aware of any matter or circumstance arising since the end of the financial year up to the date of signature of this report which is not dealt with otherwise in the report or the annual financial statements and which would have a significant effect on the operations of the company or the group, or the results of their operations.

## HOLDING COMPANY

The sole shareholder of the company is the Government of the Republic of South Africa. The Minister representing the shareholder is the Minister of Communications.

## COMPANY SECRETARY

Ms Ramani Naidoo was the Company Secretary of the company during the year under review until October 2007. Mr Ntando Simelane has been acting in this capacity from November 2007 to date.

The registered address of the company and the contact details of the Company Secretary appear below.

Postal Address: Private Bag X1, Auckland Park, 2006

Business Address: Radio Park, Henley Road, Auckland Park, 2006

Telephone number: +27 (0) 11 714-4806

Ms Kanyisiwe Mkonza (*Chairperson*)

17 September 2008







*“Balance is essential for a healthy life, having balance financially opens the doors to greater possibilities and ensures a stable future.”*

## FINANCIAL FIGURES

## BALANCE SHEETS as at 31 March 2008

	Note	Group		Company	
		2008 R'000	2007 R'000	2008 R'000	2007 R'000
<b>ASSETS</b>					
Property, plant and equipment	4	1 261 243	1 143 740	1 261 082	1 143 568
Investment properties	5	33 418	33 403	33 418	33 403
Computer software	6	197 686	93 854	197 686	93 854
Defined benefit asset	7	420 794	-	420 794	-
Investment in subsidiaries	8	-	-	71	71
Available-for-sale financial assets	9	2 737	2 865	2 737	2 865
Prepayments	10	97 906	102 878	97 906	102 878
Other non-current assets		30	40	30	39
<b>Total non-current assets</b>		<b>2 013 814</b>	<b>1 376 780</b>	<b>2 013 724</b>	<b>1 376 678</b>
Programme, film and sports rights	11	731 163	541 723	731 163	541 723
Inventories	12	4 614	4 452	4 614	4 452
Trade and other receivables	13	900 109	696 402	905 867	685 419
Taxation receivable		74 717	22 252	74 717	22 050
Derivative financial instruments	14	27 287	9 475	27 287	9 475
Held-to-maturity investments	15	373 000	100 000	373 000	100 000
Loans and receivables	16	-	5 300	-	5 300
Prepayments	10	128 830	82 236	128 786	82 236
Restricted cash	17	24 622	4 558	24 622	4 558
Cash and cash equivalents	18	165 561	707 557	139 066	697 824
<b>Total current assets</b>		<b>2 429 903</b>	<b>2 173 955</b>	<b>2 409 122</b>	<b>2 153 037</b>
<b>Total assets</b>		<b>4 443 717</b>	<b>3 550 735</b>	<b>4 422 846</b>	<b>3 529 715</b>

	Note	Group		Company	
		2008 R'000	2007 R'000	2008 R'000	2007 R'000
<b>EQUITY</b>					
Share capital	19	1	1	1	1
Fair value adjustment reserve	20	1 406	1 516	1 406	1 516
Retained earnings		2 459 096	2 137 880	2 438 021	2 118 179
<b>Total equity</b>		<b>2 460 503</b>	<b>2 139 397</b>	<b>2 439 428</b>	<b>2 119 696</b>
<b>LIABILITIES</b>					
Perpetual debt instrument	21	27 390	27 390	27 390	27 390
Interest-bearing loans and borrowings	22	17 235	20 187	17 235	29 011
Derivative financial instruments	14	8 000	4 606	8 000	4 606
Deferred government grant	23	260 514	153 357	260 514	153 357
Deferred tax	24	174 128	103 145	174 196	103 182
Employee benefits	25	400 991	246 334	400 991	246 334
Other non-current liabilities		1 136	1 011	1 136	1 011
<b>Total non-current liabilities</b>		<b>889 394</b>	<b>556 030</b>	<b>889 462</b>	<b>564 891</b>
Trade and other payables	26	831 395	614 451	819 661	607 519
Employee benefits	25	109 606	88 939	109 475	88 778
Derivative financial instruments	14	2 826	1 465	2 826	1 465
Taxation payable		3 193	3 087	-	-
Deferred income	27	66 349	62 198	66 349	62 198
Current portion of interest-bearing loans and borrowings	22	16 453	30 790	31 647	30 790
Current portion of deferred government grant	23	34 260	35 378	34 260	35 378
Provisions	28	29 738	19 000	29 738	19 000
<b>Total current liabilities</b>		<b>1 093 820</b>	<b>855 308</b>	<b>1 093 956</b>	<b>845 128</b>
<b>Total liabilities</b>		<b>1 983 214</b>	<b>1 411 338</b>	<b>1 983 418</b>	<b>1 410 019</b>
<b>Total equity and liabilities</b>		<b>4 443 717</b>	<b>3 550 735</b>	<b>4 422 846</b>	<b>3 529 715</b>

The notes on pages 17 to 64 are an integral part of these annual financial statements.

# INCOME STATEMENTS for the year ended 31 March 2008

	Note	Group		Company	
		2008 R'000	2007 R'000	2008 R'000	2007 R'000
<b>REVENUE</b>					
Other income	29	4 681 866	4 268 313	4 681 866	4 264 105
Amortisation of programme, film and sports rights	30	23 078	45 516	15 148	45 516
Impairment of programme, film and sports rights	11	(1 348 433)	(1 166 568)	(1 348 433)	(1 166 568)
Amortisation of computer software	11	(76 305)	(7 999)	(76 305)	(7 999)
Impairment of computer software	6	(2 290)	(7 786)	(2 290)	(7 786)
Broadcast costs	6	-	(32 304)	-	(32 304)
Signal distribution and linking costs		(499 028)	(395 672)	(499 028)	(395 261)
Employee compensation and benefit expenses		(377 927)	(332 193)	(377 927)	(332 193)
Employee compensation and benefit expenses, excluding recognition of pension fund surplus and post service cost	31	(1 072 170)	(1 079 797)	(1 069 486)	(1 077 273)
Recognition of pension fund surplus		(1 348 423)	(1 079 797)	(1 345 679)	(1 077 273)
Post retirement medical benefit - past service cost	7	420 794	-	420 794	-
Depreciation of property, plant and equipment	25	(144 541)	-	(144 541)	-
Marketing costs	4	(138 011)	(148 370)	(137 943)	(148 353)
Direct licence collection costs		(253 068)	(254 031)	(253 019)	(254 016)
Professional and consulting fees		(151 751)	(119 857)	(151 751)	(119 857)
Other expenses		(227 617)	(134 787)	(226 576)	(134 772)
Other profits/(losses)	32	(241 215)	(423 590)	(240 368)	(422 500)
	33	688	(128)	688	(128)
<b>Operating profit before interest and taxation</b>		<b>317 817</b>	<b>210 747</b>	<b>314 636</b>	<b>210 611</b>
Net financing income	34	56 261	48 316	56 931	44 346
Financial income	34	70 343	64 713	70 389	61 863
Financial expenses	34	(14 082)	(16 397)	(13 458)	(17 517)
<b>Profit before income tax</b>		<b>374 078</b>	<b>259 063</b>	<b>371 567</b>	<b>254 957</b>
Income tax expense	35	(52 862)	(76 300)	(51 725)	(75 122)
<b>Profit for the year</b>		<b>321 216</b>	<b>182 763</b>	<b>319 842</b>	<b>179 835</b>

The notes on pages 17 to 64 are an integral part of these annual financial statements.



## STATEMENTS OF CHANGE IN EQUITY for the year ended 31 March 2008

### GROUP

#### Balance at 1 April 2006

Net movements not recognised in income statement

Revaluation of available-for-sale financial assets

Deferred tax on revaluation of available-for-sale financial assets

Profit for the year

#### Balance at 31 March 2007

Net movements not recognised in income statement

Revaluation of available-for-sale financial assets

Deferred tax on revaluation of available-for-sale financial assets

Profit for the year

#### Balance at 31 March 2008

### COMPANY

#### Balance at 1 April 2006

Net movements not recognised in income statement

Revaluation of available-for-sale financial assets

Deferred tax on revaluation of available-for-sale financial assets

Profit for the year

#### Balance at 31 March 2007

Net movements not recognised in income statement

Revaluation of available-for-sale financial assets

Deferred tax on revaluation of available-for-sale financial assets

Profit for the year

#### Balance at 31 March 2008

The notes on pages 17 to 64 are an integral part of these annual financial statements.

	Share capital	Fair value adjustment reserve	Retained earnings	Total
Note	R'000	R'000	R'000	R'000
	1	1 087	1 955 117	1 956 205
	-	429	-	429
20	-	502	-	502
	-	(73)	-	(73)
	-	-	182 763	182 763
	1	1 516	2 137 880	2 139 397
	-	(110)	-	(110)
20	-	(128)	-	(128)
	-	18	-	18
	-	-	321 216	321 216
	1	1 406	2 459 096	2 460 503
	1	1 087	1 938 344	1 939 432
	-	429	-	429
20	-	502	-	502
	-	(73)	-	(73)
	-	-	179 835	179 835
	1	1 516	2 118 179	2 119 696
	-	(110)	-	(110)
20	-	(128)	-	(128)
	-	18	-	18
	-	-	319 842	319 842
	1	1 406	2 438 021	2 439 428

## CASH FLOW STATEMENTS for the year ended 31 March 2008

### CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers  
Cash paid to suppliers and employees

Cash (utilised)/generated from operations

Interest received

Dividends received

Interest paid

Income taxes paid

**Net cash flow from operating activities**

### CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from disposal of property, plant and equipment

Acquisition of property, plant and equipment

Acquisition of investment properties

Acquisition of computer software

Proceeds from disposal of computer software

Repayment of loan made to Sentech Limited

(Acquisition)/proceeds of held-to-maturity investments

Increase in restricted cash

**Net cash flow from investing activities**

### CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from/(repayment of) loan from subsidiary

Repayment of finance lease liabilities

Proceeds from government grant

**Net cash flow from financing activities**

**Net (decrease)/increase in cash and cash equivalents**

Cash and cash equivalents at beginning of the year

Effects of exchange rate changes on the balance of cash held in foreign currencies

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

*The notes on pages 17 to 64 are an integral part of these annual financial statements.*

Note	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
	4 505 388	4 272 217	4 480 717	4 266 577
	(4 539 403)	(4 084 087)	(4 539 049)	(4 082 046)
36	(34 015)	188 130	(58 332)	184 531
34	68 380	61 987	68 104	61 768
34	112	95	112	95
34	(9 361)	(7 736)	(7 374)	(8 148)
37	(34 220)	(178 299)	(33 360)	(178 299)
	(9 104)	64 177	(30 850)	59 947
4	2 057	8 471	1 885	8 445
4	(256 883)	(169 774)	(256 654)	(169 559)
5	(64)	-	(64)	-
6	(106 122)	(75 352)	(106 122)	(75 352)
6	-	227	-	227
16	5 300	12 737	5 300	12 737
15	(273 000)	624 000	(273 000)	624 000
17	(20 064)	(3 692)	(20 064)	(3 692)
	(648 776)	396 617	(648 719)	396 806
	-	-	6 370	(1 991)
	(17 289)	(18 377)	(17 289)	(14 395)
23	131 730	119 298	131 730	119 298
	114 441	100 921	120 811	102 912
	(543 439)	561 715	(558 758)	559 665
	707 557	145 028	697 824	138 159
	1 443	814	-	-
18	165 561	707 557	139 066	697 824

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 1 SIGNIFICANT ACCOUNTING POLICIES

The South African Broadcasting Corporation Limited (the "Company") is South Africa's national public service broadcaster. The consolidated annual financial statements comprise the annual financial statements of the Company and its subsidiaries (together referred to as the "Group") and were authorised for issue by the Board of Directors on 17 September 2008.

### (a) Statement of compliance

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"), the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB and the requirements of the Companies Act of South Africa, No. 61 of 1973, as amended, 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 annual financial statements are presented in South African Rand, rounded to the nearest thousands, and have been prepared on the historical cost basis, except for available-for-sale financial assets and derivative financial instruments, which are measured at fair value.

The preparation of 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 ongoing 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 in the next year 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.

The accounting policies have been applied consistently by Group entities.

### (c) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial results of subsidiaries are included in the consolidated annual financial statements from the date that control commences until the date that control ceases.

#### (ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated annual financial statements.

### (d) Foreign currency

#### (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 consolidated annual financial statements are presented in South African Rand, which is the company's functional and Group's 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 balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. 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.

#### (iii) Group companies

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Rand at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Rand at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity.

### (e) Property, plant and equipment

#### (i) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy (i)). The cost of property, plant and equipment at 1 April 2004, the date of transition to IFRS, was determined by reference to its fair value at that date. 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, an appropriate proportion of overheads and any other costs directly attributable to bringing the asset to a working condition for its intended use.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Property, plant and equipment (continued)

#### (i) Owned assets (continued)

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 April 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of the valuation. Refer to note 4.

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 stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at inception of the lease less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy (i)). Lease payments are accounted for as described in accounting policy (t). Assets under finance leases are treated in the same manner as owned assets.

#### (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. All other costs are charged to the income statement during the financial period in which they are incurred.

#### (iv) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. 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	7 - 65 years
• Broadcast equipment	5 - 15 years
• Computer equipment	3 - 11 years
• Musical equipment	up to 40 years
• Office equipment	5 years
• Security equipment	5 years
• Motor vehicles	5 - 15 years

The useful lives, depreciation methods and current residual values, if not insignificant, are reassessed annually.

The gain or loss on the disposal or scrapping of property, plant and equipment is recognised in profit or loss. Please refer to note 33.

### (f) Investment properties

#### (i) Cost method

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at historical cost or deemed cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy (i)). Certain items of investment properties that had been revalued to fair value on 1 April 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at that date.

#### (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 properties	50 years
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The useful lives, depreciation methods and residual values, if not insignificant, are reassessed annually

#### (iii) Fair values

An external, independent valuation company, having an 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 arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations are prepared by either considering the value obtained for recent sales of similar or substitute properties, or the aggregate of the net annual rent receivable from the properties and where relevant, associated costs. In the latter instance, a yield which reflects the specific risks inherent in the net cash flows is then applied to net annual rentals to arrive at the property valuation.

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 (s).

Where an item of property, plant and equipment is transferred to/(from) investment property following a change in its use, the 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

stated at cost less accumulated amortisation (below) and accumulated impairment losses (see accounting policy (i)). Cost comprises direct costs, including cost of materials, artist fees, production overheads as well as a proportion of other attributable overheads. Subsequent expenditure on capitalised assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

(ii) *Acquired programme, film and sports rights*

Acquired programme, film and sports rights are stated at cost less accumulated amortisation (below) and accumulated impairment losses (see accounting policy (i)). Cost comprises actual cost plus language dubbing, where applicable.

Acquired programme, film and sports rights are generally recognised when the licence 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 licence 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 licence agreement is signed for programme material that does not yet exist, the asset is only recorded once the uncertainties are eliminated and the programme is received and available for broadcast.

Payments made before the recognition criteria for an asset are met, are recorded as *Prepayments* and classified as current or non-current, depending on the estimated time of usage of the material. Conversely, 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*.

Programme, film and sports rights are classified as current assets as they are expected to be realised in the Group's normal operating cycle.

(iii) *De-recognition of programme, film and sports rights*

The cost and accumulated amortisation and accumulated impairment of programme, film and sports rights

are de-recognised when no future economic benefits are expected from their use or disposal.

(iv) *Other intangible assets*

Other intangible assets, including computer software not considered an integral part of property, plant and equipment, are stated at cost less accumulated amortisation (below) and impairment losses (see accounting policy (i)). Expenditure on internally generated brands is recognised in the income statement as an expense as incurred.

(v) *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.

(vi) *Amortisation*

Amortisation of programme, film and sports rights is charged to profit or loss on a straight-line basis based on the estimated number of future showings if each showing is expected to generate similar audiences. An accelerated method of amortisation is used when the first showing is expected to be more valuable than reruns.

Cost and accumulated amortisation of originated programme, film and sports rights are derecognised after the originally estimated number of showings. Cost and accumulated amortisation of acquired programme, film and sports rights are derecognised at the earlier of expiry of licence period or allowed number of showings.

Amortisation of other intangible assets is charged to profit or loss on a straight-line basis 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 periods is between two and ten years.

(h) *Investments*

The Group classifies its investments in the following categories: loans and receivables, held-to-maturity

investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date, except where the investment is designated at fair value through the profit or loss.

(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 and with no intention of trading. They are included in current assets, except where they have maturities greater than 12 months after the balance sheet 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.

(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 balance sheet date (see accounting policy (w)).

Purchases and sales of investments are recognised on trade-date, the date at which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred, and substantially all the risks and rewards of ownership have been transferred.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (iii) Available-for-sale financial assets (continued)

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method less accumulated impairment losses. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

Investment in subsidiaries are carried at cost less accumulated impairment losses (see accounting policy (i)) in the separate financial statements of the Company.

### (i) Impairment of assets

The carrying amount of the Group's assets, other than inventories (see accounting policy (j)) and deferred tax assets (see accounting policy (v)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated (see (i)(i)).

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.

Where a decline in the fair value of an available-for-

sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss.

### (i) Calculation of recoverable amount

The recoverable amount of the Group's investments in held-to-maturity investments and loans and receivables at amortised cost is calculated at the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

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 recoverable amount, 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.

The recoverable amount of other 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. 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.

### (ii) Reversals of impairment

An impairment loss in respect of held-to-maturity investments, loans and receivables and trade receivables 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.

In respect of other 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.

### (j) Inventories

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.

### (k) 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 (see accounting policy (i)). The fair value of trade receivables is determined net of trade discounts and, where applicable, agency commissions, which are granted when payment is made in accordance with agreed payment terms.

**(l) 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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**(m) 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.

**(n) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any differences between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest rate basis.

**(o) Employee benefits**

*(i) Defined benefit pension plans*

The net obligation in respect of defined benefit pension plans is calculated by estimating 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, and any unrecognised past service cost and the fair value of any plan assets are deducted. The discount rates used were the following: yield on government stock, the zero-coupon yield curve provided by the South African Bond Exchange that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan improve, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in profit or loss. These obligations are valued annually by independent qualified actuaries.

Where the calculation results in a defined benefit, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. No asset is recognised if future refunds from the plan or reductions in future contributions are uncertain.

*(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. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in profit or loss. These obligations are valued annually by independent qualified actuaries. This practice was discontinued for all new employees after 1 July 2004.

*(iii) Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision 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.

**(p) Provisions**

A provision is recognised in the balance sheet 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. 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.

**(q) Trade and other payables**

Trade and other payables are stated at amortised cost, using the effective interest rate method.

**(r) Derivative financial instruments**

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from the purchase of foreign programme, film and sports rights. 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. Subsequent to initial recognition, derivative financial instruments are also stated at fair value. The gain or loss to fair value on remeasurement is recognised immediately in profit or loss.

Derivatives embedded in hybrid contracts are accounted for separately when the economic characteristics and risks of the derivative are not closely related to those of the host contract. Embedded derivatives that are

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Derivative financial instruments (continued)

separately recognised are accounted for in accordance with the policy above for stand-alone derivatives.

### (s) Revenue

#### (i) Advertising revenue

Advertising revenue is recognised at the time the related advertisement or commercial appears before the public, net of value-added tax, Media Industry Trust levies, trade discounts and, where applicable, estimates of agency commissions, which are granted when payment is made in accordance with agreed payment terms.

#### (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

Licence fee revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Group. Based on past experience, management does not consider economic benefits associated with television licences to be probable until the consideration is received, and therefore does not accrue for revenue on television licences. Licence

fee revenue is therefore recognised on a cash basis, net of value-added tax, as and when received.

#### (v) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. 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 other income on a systematic basis over the useful life of the asset.

#### (vi) Other revenue

Other revenue associated with the sale of goods 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 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.

### (t) 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.

#### (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 balance sheet.

Initial direct costs incurred in negotiating and securing lease arrangements are added to the amount recognised as an asset.

### (u) Net financing income

Net financing income includes interest income, interest payable on borrowings, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on derivative financial instruments that are recognised in profit or loss (see accounting policy (r)).

Interest payable on borrowings is calculated using the effective interest rate method and is expensed as incurred. 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.

### (v) 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, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for 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 temporary 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, and differences relating to investments in subsidiaries and jointly controlled entities 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 the 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 legal 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 a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

**(w) Non-current assets held for sale and discontinued operations**

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify as a discontinued operation. When an operation is classified as a discontinued operation, the comparative income statement is represented as if the operation had been discontinued from the start of the comparative period.

**(x) 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 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 Group. We regard all individuals from the level of Executive Management up to the Board of Directors 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.

**2 ACCOUNTING ESTIMATES AND JUDGEMENTS**

Management has discussed 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related 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.

Preparing financial statements in conformity with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates.

**(i) Useful lives of property, plant and equipment**

The Group calculates depreciation of property, plant and equipment on a straight-line basis so as to write off the cost of the assets over their expected useful lives. The economic 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. See accounting policy 1(e), 1(i) and note 4.

**(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), 1(i) and note 6.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 2 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (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 on the Group's balance sheet. See accounting policies 1(g) and 1(i), and note 11.

### (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 2006, 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 results of the valuation undertaken at 31 December 2003 have been used to determine the extent of the surplus for purposes of surplus apportionment in terms of the Pension Fund Second Amendment Act, No 39 of 2001. Refer to note 7.

### (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 lifetimes. The liability is calculated by considering some key actuarial assumptions such as (1) the rate of healthcare cost inflation, (2) discount rate, (3) percentage members continuing after retirement, and (4) average retirement age of members. The key actuarial assumptions made are disclosed in note 25.

Any change in these assumptions could result in a material adjustment to the post-employment medical liability stated on the Group's balance sheet as well as a material impact on the Group's profit. A one percentage point increase in the rate of health care cost inflation would increase the post-employment medical liability by approximately R57 million (2007: R36 million), whereas a one percentage point reduction in the rate of health care cost inflation would decrease the liability by R47 million as at 31 March 2008 (2007: R28 million). The employer's liability will also be affected by the take-up rate assumption related to the past service - an increase from 90% to 100% in the take-up rate would increase the past service liability by approximately R20 million, whereas a percentage decrease in the take-up rate from 70% to 60% would result in a reduction of R20 million in the past service accrued liability at 31 March 2008. See note 25.

In addition, the Group has reduced the subsidy for post-employment medical aid from 60% in June 2004 to 36% at 31 March 2007. A group of former employees have instituted claims against the Group to reinstate the Group's 60% contribution to the post-employment medical aid scheme. See note 25.

### (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 41.

### (vii) Valuation of financial instruments

The valuation of embedded derivative financial instruments is based on the market situation at balance sheet date. The value of the derivative instruments

fluctuates on a daily basis and the actual amount realised may differ materially from their value at balance sheet date.

### (viii) Doubtful accounts

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 a customer, dispute as to the existence of the amount of the claim, no enforceability of the claim for legal reasons), the account is analysed and written down if circumstances indicate the receivable is uncollectible. Accumulated write-downs of receivables and provisions for credit notes amounted to R66 million as of 31 March 2008.

## (b) Critical judgements in applying the Group's accounting policies

### (i) Channel Africa (Radio)

The Group has been delegated with the responsibility by the Department of Communications to administer Channel Africa, which is a sub-division of the Department of Communications.

Channel Africa (Radio) has therefore been excluded from the annual financial statements because the Board of Directors do not believe that it is controlled by the Group.

## 3 NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2008. The Group's assessment of the impact of these new standards and interpretations applicable to the business of the Group that may have an impact on future financial statements is set out below:

### (i) IFRS 2 - Share-Based Payments

IFRS 2 was amended to take into account all non-vesting conditions when estimating the fair value of the equity instruments granted and if an entity or counterparty can



choose whether to meet a non-vesting condition, the entity shall treat the entity's or counterparty's failure to meet that non-vesting condition during the vesting period as a cancellation. IFRS 2 is effective for annual periods beginning on or after 1 January 2009. IFRS 2, which becomes mandatory for the Group's 2010 financial statements, is not expected to have any impact on the consolidated annual financial statements.

(ii) *IFRS 3 - Business Combinations*

IFRS 3 has been revised, with the definition of a business combination to focus on control. The scope of IFRS 3 has been amended to include mutual entities and business combinations by contract alone. The acquirer can elect to measure the non-controlling interest in the revised IFRS 3. IFRS 3 is effective for annual periods beginning on or after 1 July 2009. The Group has not yet determined the impact IFRS 3 will have on its 2010 financial statements.

(iii) *IFRS 8 - Operating Segments*

IFRS 8 replaces IAS 14 and is applicable for annual periods beginning on or after 1 January 2009. IFRS 8 requires the entity to disclose the amounts used for internal reporting to the chief operation decision maker. IFRS 8 does not define measures such as segment results and segment assets. IFRS 8 is effective for annual period beginning on or after 1 January 2009. The Group has not elected to early adopt IFRS 8 and will apply IFRS 8 in its 2009 financial statements. The Group has not yet determined the impact IFRS 8 will have on its 2010 financial statements.

(iv) *IAS 1 - Presentation of Financial Statements*

IAS 1 is applicable to annual periods beginning on or after 1 January 2009. IAS 1 states that an entity shall disclose information that enable users of its financial statements to evaluate the entity's objectives, policies and process for managing capital. The Group will adopt IAS 1 for the 2009 financial statements.

(v) *IAS 23 - Borrowing Costs*

Revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalises borrowing

costs directly attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset. IAS 23 is effective for annual periods beginning on or after 1 January 2009. The revised IAS 23 will become mandatory for the Group's 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions, the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

(vi) *IAS 27 - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The amendments to IAS 27 allow first-time adopters of IFRS to utilise a deemed cost in the separate financial statements for the cost of the investment in a subsidiary, associate or jointly controlled entity. IAS 27 is effective for annual periods beginning on or after 1 January 2009. The amendment will have no impact on the financial statements of the Group.

(vii) *IAS 27 - Consolidated and Separate Financial Statements*

IAS 27 was amended as part of the second phase of the business combinations project. The amendments related, primarily, to accounting for non-controlling interests and the loss of control of a subsidiary. Non-controlling interests must be presented in the consolidated statement of changes in equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance. IAS 27 is effective for annual periods beginning on or after 1 July 2009. The Group has not elected to early adopt the amendments to IAS 27 and will apply IAS 27, as amended, in its 2010 financial statements.

(viii) *IAS 32 & IAS 1 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation*

The amendments to IAS 32 provides an exemption from classification as financial liability for puttable

financial instruments and an instrument, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of its net assets only on liquidation if the amended requirements are met. IAS 32 is effective for annual periods beginning on or after 1 January 2009. The Group has not elected to early adopt the amendments to IAS 32 and will apply IAS 32 in its 2010 financial statements.

(ix) *IAS 39 - Eligible Hedge Items*

Amendments to IAS 39 provide guidance on risks that qualify for designation as hedge risks when an entity hedges its exposure to a financial instrument and when an entity may designate a portion of the cash flows of a financial instrument as a hedged item. IAS 39 is effective for annual periods beginning on or after 1 July 2009. The Group has not elected to early adopt the amendments to IAS 39 and will apply IAS 39 amended in its 2009 financial statements.

(x) *IFRIC 12 - Service Concession Arrangements*

IFRIC 12 states that an infrastructure should not be recognised as property, plant and equipment of the operator as the grantor is considered to control the assets. Instead the operator recognises the consideration received or receivable in exchange for the construction services as either a financial asset or an intangible asset.

This interpretation should be applied for annual periods beginning on or after 1 January 2008. Any change in accounting policy is accounted retrospectively except when it is impracticable. The Group has not elected to early adopt IFRIC 12 and will apply IFRIC 12 in its 2009 financial statements in accordance with the interpretations provisions. The Group has not yet determined the impact IFRIC 12 will have on its 2009 financial statements.

(xi) *IFRIC 13 - Customer Loyalty Programmes*

IFRIC 13 addresses the accounting by entities that operate, or otherwise participate in, loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 3 NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS (continued)

### (xi) IFRIC 13 - Customer Loyalty Programmes (continued)

credits for awards such as free or discounted goods or services. IFRIC 13 is effective for annual periods beginning on or after 1 July 2008. IFRIC 13, which becomes mandatory for the Group's 2010 financial statement, is not expected to have any impact on the Group consolidated annual financial statements.

### (xii) IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when an MFR might give rise to a liability. IFRIC 14 is effective for annual periods beginning on or after 1 January 2008. IFRIC 14 will become mandatory for the Group's 2009 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

### (xiii) IFRIC 15 - Agreements for the Construction of Real Estate

IFRIC 15 provides guidance on when the selling entity of real estate development should recognise revenue from the sale of real estate; specifically, it clarifies whether sale agreements entered into before construction is complete should be regarded as construction contracts and provides additional guidance on applying IAS 18. IFRIC 15 is effective for annual periods beginning on or after 1 January 2009. IFRIC 15 is not expected to have any impact on the consolidated annual financial statements.

### (xiv) IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

IFRIC 16 addresses the accounting by an entity in a hedge of the foreign currency risks arising from a net investment in a foreign operation. Hedge accounting may only be applied to the foreign exchange differences

arising between the functional currency of the foreign operation and the functional currency of the parent entity. IFRIC 16 is effective for annual periods beginning on or after 1 October 2008. IFRIC 16, which becomes mandatory for the Group's 2010 financial statements, is not expected to have any impact on the consolidated annual financial statements.

### (xv) Exposure draft on Related Party Disclosures - State Controlled Entities and the Definition of a Related Party

The exposure draft proposes the amendment to the definition of a related party together with the proposal to include disclosure on commitments to related parties. This proposal is expected to result in an increase in the amount of transactions to be disclosed in the financial statements. The Group is still assessing the impact of the exposure draft and believes that it will not have any material impact in its annual financial statements.

#### 4 PROPERTY, PLANT AND EQUIPMENT

##### GROUP

##### At 31 March 2008

Cost	833 414	873 592	267 338	41 618	208 496	2 224 458
Accumulated depreciation and impairment losses	(199 406)	(548 697)	(181 001)	(34 111)	-	(963 215)
Carrying amount	634 008	324 895	86 337	7 507	208 496	1 261 243

##### At 31 March 2007

Cost	830 640	820 667	214 925	42 553	97 195	2 005 980
Accumulated depreciation and impairment losses	(154 470)	(505 050)	(168 543)	(34 177)	-	(862 240)
Carrying amount	676 170	315 617	46 382	8 376	97 195	1 143 740

##### At 1 April 2006

Cost	810 979	688 228	190 700	43 998	130 157	1 864 062
Accumulated depreciation and impairment losses	(104 066)	(469 285)	(125 167)	(34 609)	-	(733 127)
Carrying amount	706 913	218 943	65 533	9 389	130 157	1 130 935

##### For the year ended 31 March 2008

Carrying amount at 1 April 2007	676 170	315 617	46 382	8 376	97 195	1 143 740
Additions	722	34 497	18 512	1 596	201 556	256 883
Transfers	3 375	38 626	47 287	576	(89 864)	-
Depreciation charge for the year	(45 659)	(63 533)	(25 814)	(3 005)	-	(138 011)
Disposals	(600)	(312)	(30)	(36)	(391)	(1 369)
Carrying amount at 31 March 2008	634 008	324 895	86 337	7 507	208 496	1 261 243
Cost price of fully depreciated assets still in use	28 756	328 441	129 003	25 469	-	511 669

##### For the year ended 31 March 2007

Carrying amount at 1 April 2006	706 913	218 943	65 533	9 389	130 157	1 130 935
Additions	5 306	7 774	7 425	51	149 218	169 774
Transfers	16 973	151 235	9 385	715	(178 308)	-
Depreciation charge for the year	(53 022)	(59 753)	(33 818)	(1 777)	-	(148 370)
Disposals	-	(2 582)	(2 143)	(2)	(3 872)	(8 599)
Carrying amount at 31 March 2007	676 170	315 617	46 382	8 376	97 195	1 143 740

\* 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.

Land and buildings	Broadcasting equipment	*Other equipment	Vehicles	**Capital work-in-progress	Total
R'000	R'000	R'000	R'000	R'000	R'000
833 414	873 592	267 338	41 618	208 496	2 224 458
(199 406)	(548 697)	(181 001)	(34 111)	-	(963 215)
634 008	324 895	86 337	7 507	208 496	1 261 243
830 640	820 667	214 925	42 553	97 195	2 005 980
(154 470)	(505 050)	(168 543)	(34 177)	-	(862 240)
676 170	315 617	46 382	8 376	97 195	1 143 740
810 979	688 228	190 700	43 998	130 157	1 864 062
(104 066)	(469 285)	(125 167)	(34 609)	-	(733 127)
706 913	218 943	65 533	9 389	130 157	1 130 935
676 170	315 617	46 382	8 376	97 195	1 143 740
722	34 497	18 512	1 596	201 556	256 883
3 375	38 626	47 287	576	(89 864)	-
(45 659)	(63 533)	(25 814)	(3 005)	-	(138 011)
(600)	(312)	(30)	(36)	(391)	(1 369)
634 008	324 895	86 337	7 507	208 496	1 261 243
28 756	328 441	129 003	25 469	-	511 669
706 913	218 943	65 533	9 389	130 157	1 130 935
5 306	7 774	7 425	51	149 218	169 774
16 973	151 235	9 385	715	(178 308)	-
(53 022)	(59 753)	(33 818)	(1 777)	-	(148 370)
-	(2 582)	(2 143)	(2)	(3 872)	(8 599)
676 170	315 617	46 382	8 376	97 195	1 143 740

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 4 PROPERTY, PLANT AND EQUIPMENT (continued)

### COMPANY

#### At 31 March 2008

	Land and buildings	Broadcasting equipment	*Other equipment	Vehicles	**Capital work-in-progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Cost	833 414	873 564	267 093	41 618	208 496	2 224 185
Accumulated depreciation and impairment losses	(199 406)	(548 697)	(180 889)	(34 111)	-	(963 103)
Carrying amount	634 008	324 867	86 204	7 507	208 496	1 261 082

#### At 31 March 2007

Cost	830 640	820 667	214 860	42 553	97 045	2 005 765
Accumulated depreciation and impairment losses	(154 470)	(505 050)	(168 500)	(34 177)	-	(862 197)
Carrying amount	676 170	315 617	46 360	8 376	97 045	1 143 568

#### At 1 April 2006

Cost	810 979	688 228	190 700	43 998	130 157	1 864 062
Accumulated depreciation and impairment losses	(104 066)	(469 285)	(125 167)	(34 609)	-	(733 127)
Carrying amount	706 913	218 943	65 533	9 389	130 157	1 130 935

#### For the year ended 31 March 2008

Carrying amount at 1 April 2007	676 170	315 617	46 360	8 376	97 045	1 143 568
Additions	722	34 469	18 311	1 596	201 556	256 654
Transfers	3 375	38 626	47 287	576	(89 864)	-
Depreciation charge for the year	(45 659)	(63 533)	(25 746)	(3 005)	-	(137 943)
Disposals	(600)	(312)	(8)	(36)	(241)	(1 197)
Carrying amount at 31 March 2008	634 008	324 867	86 204	7 507	208 496	1 261 082
Cost price of fully depreciated assets still in use	28 756	328 441	129 003	25 469	-	511 669

#### For the year ended 31 March 2007

Carrying amount at 1 April 2006	706 913	218 943	65 533	9 389	130 157	1 130 935
Additions	5 306	7 774	7 360	51	149 068	169 559
Transfers	16 973	151 235	9 411	715	(178 334)	-
Depreciation charge for the year	(53 022)	(59 753)	(33 801)	(1 777)	-	(148 353)
Disposals	-	(2 582)	(2 143)	(2)	(3 846)	(8 573)
Carrying amount at 31 March 2007	676 170	315 617	46 360	8 376	97 045	1 143 568

\* 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.

Fully and partly depreciated assets with a cost of R23 million and accumulated depreciation of R19 million were de-recognised in the previous financial year. This has reduced the cost price and accumulated depreciation of property, plant and equipment accordingly.

### Secured property, plant and equipment (see also note 22)

Digital broadcasting van pledged to secure the Wesbank lease facility
Office and computer equipment pledged to secure the Nedbank lease facility
Computer equipment pledged to secure the Hewlett Packard lease facility
Computer equipment pledged to secure the Nedbank instalment sale
News digital broadcasting production system pledged to secure the Nedbank instalment sale
Lifts pledged to secure the Nedbank instalment sale
Desktop computer equipment pledged to secure the Nedbank instalment sale

Group and Company	
2008	2007
R'000	R'000
-	25 201
-	870
4 490	12 083
1 078	2 970
2 637	7 246
11 528	12 482
6 900	-
<b>26 633</b>	<b>60 852</b>

### 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.

## 5 INVESTMENT PROPERTIES

Cost
Accumulated depreciation and impairment losses
Carrying amount
Carrying amount at 1 April
Depreciation and impairment charge for the year
Additions
Carrying amount at 31 March
Fair value of investment properties

Group		Company	
2008	2007	2008	2007
R'000	R'000	R'000	R'000
33 743	33 673	33 743	33 673
(325)	(270)	(325)	(270)
<b>33 418</b>	<b>33 403</b>	<b>33 418</b>	<b>33 403</b>
33 403	33 473	33 403	33 473
(49)	(70)	(49)	(70)
64	-	64	-
<b>33 418</b>	<b>33 403</b>	<b>33 418</b>	<b>33 403</b>
<b>84 410</b>	<b>73 493</b>	<b>84 410</b>	<b>73 493</b>

### Fair value of investment properties

The fair value of investment properties is the fair value 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. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties.

### Information on investment properties

Investment properties comprise a number of commercial and residential properties that are leased to third parties. These leases are for non-cancellable periods ranging from one to five years. Subsequent renewals are negotiated with the lessee.

Information in respect of investment properties is contained in the register of fixed property which is available for inspection at the registered office of the Company.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 6 COMPUTER SOFTWARE

### GROUP AND COMPANY

#### At 31 March 2008

Cost  
Accumulated amortisation and impairment losses  
Carrying amount

#### At 31 March 2007

Cost  
Accumulated amortisation and impairment losses  
Carrying amount

#### At 31 March 2006

Cost  
Accumulated amortisation and impairment losses  
Carrying amount

#### For the year ended 31 March 2008

Carrying amount at 1 April 2007  
Additions  
Amortisation charge for the year  
Carrying amount at 31 March 2008

#### Cost price of fully amortised assets still in use

#### For the year ended 31 March 2007

Carrying amount at 1 April 2006  
Additions  
Disposals  
Transfers from capital work-in-progress  
Amortisation charge for the year  
Impairment charge for the year  
Carrying amount at 31 March 2007

Computer software	*Capital work-in-progress	Total
R'000	R'000	R'000
34 443	213 737	248 180
(18 190)	(32 304)	(50 494)
<u>16 253</u>	<u>181 433</u>	<u>197 686</u>
37 959	112 579	150 538
(24 380)	(32 304)	(56 684)
<u>13 579</u>	<u>80 275</u>	<u>93 854</u>
23 235	52 179	75 414
(16 595)	-	(16 595)
<u>6 640</u>	<u>52 179</u>	<u>58 819</u>
13 579	80 275	93 854
4 964	101 158	106 122
(2 290)	-	(2 290)
<u>16 253</u>	<u>181 433</u>	<u>197 686</u>
<u>15 486</u>	<u>-</u>	<u>15 486</u>
6 640	52 179	58 819
2 960	72 392	75 352
-	(227)	(227)
11 765	(11 765)	-
(7 786)	-	(7 786)
-	(32 304)	(32 304)
<u>13 579</u>	<u>80 275</u>	<u>93 854</u>

\* The capital work-in-progress comprises information systems that are being developed and implemented, but which are not yet available for use. Development costs of RNil (2007: R32 million), relating to a content scheduling, sales and asset management, were impaired during the financial year. Software cost of R8 million, relating to content scheduling, sales and asset management were derecognised during the financial year.

#### Secured computer software (see also note 22)

The GIS system for the collection of outstanding TV licence fees

#### Information on computer software

Group and Company	
2008	2007
R'000	R'000
<u>2 241</u>	<u>1 541</u>

## 7 DEFINED BENEFIT ASSET

The Company'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 of the company employees.

The financial position of the fund is examined and

reported upon by the Fund's valuator at intervals not exceeding three years. The statutory valuation of the Fund was performed at 31 December 2006, 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 next statutory valuation will take place at 31 December 2009.

The results of the valuation undertaken as at 31 December 2003 have been used to determine the extent of the surplus for the purpose of a surplus apportionment in terms of the Pension Funds Second Amendment Act, No. 39 of 2001. The surplus apportionment has been approved by the Financial Services Board during the current financial year.

Defined benefit asset

The amounts recognised in the balance sheet are determined as follows:

Present value of funded obligations

Fair value of plan assets

Funded status of the plan surplus

Unrecognised due to paragraph 58 limit

Asset recognised in the balance sheet

Changes in the present value of the defined benefit obligation are as follows:

Opening defined benefit obligation

Current service cost

Interest cost

Actuarial (gain)/loss

Pension surplus apportionment

Actuarial (gain)/loss current year

Benefits paid

Member contribution

Closing defined benefit obligation

Changes in the fair value of plan assets are as follows:

Fair value of plan assets at the beginning of the year

Employee contributions

Employer contributions

Benefit payments

Expected return on plan assets

Actuarial (loss)/gain

Fair value of plan assets at the end of the year

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
	420 794	-	420 794	-
	(5 344 393)	(5 277 663)	(5 344 393)	(5 277 663)
	6 557 089	6 233 008	6 557 089	6 233 008
	1 212 696	955 345	1 212 696	955 345
	(791 902)	(955 345)	(791 902)	(955 345)
	420 794	-	420 794	-
	5 277 663	2 531 198	5 277 663	2 531 198
	125 824	105 203	125 824	105 203
	420 814	202 251	420 814	202 251
	(318 420)	2 550 444	(318 420)	2 550 444
	-	2 100 000	-	2 100 000
	(318 420)	450 444	(318 420)	450 444
	(199 016)	(144 105)	(199 016)	(144 105)
	37 528	32 672	37 528	32 672
	5 344 393	5 277 663	5 344 393	5 277 663
	6 233 008	4 977 032	6 233 008	4 977 032
	37 528	32 672	37 528	32 672
	87 566	76 234	87 566	76 234
	(199 016)	(144 105)	(199 016)	(144 105)
	539 123	421 582	539 123	421 582
	(141 120)	869 593	(141 120)	869 593
	6 557 089	6 233 008	6 557 089	6 233 008

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 7 DEFINED BENEFIT ASSET (continued)

The amounts recognised in the income statement are determined as follows:

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Current service cost	(125 824)	(105 203)	(125 824)	(105 203)
Interest cost	(420 814)	(202 251)	(420 814)	(202 251)
Expected return on plan assets	539 123	421 582	539 123	421 582
Actuarial gain/(loss)	177 300	(1 680 851)	177 300	(1 680 851)
Change in paragraph 58 limitation	(257 351)	1 491 601	(257 351)	1 491 803
Net periodic pension charge - pre-recognition of pension fund surplus	(87 566)	(75 122)	(87 566)	(74 920)
Recognition of pension fund surplus	420 794	-	420 794	-
Net periodic pension charge	<b>333 228</b>	<b>(75 122)</b>	<b>333 228</b>	<b>(74 920)</b>

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	Group		Company	
	2008 %	2007 %	2008 %	2007 %
Discount rate at 31 March	9.3	8.0	9.3	8.0
Expected return on plan assets at 31 March	9.7	8.7	9.7	8.7
Inflation	6.3	4.5	6.3	4.5
Future salary increases	7.8	6.0	7.8	6.0
Future pension increases	5.0	3.8	5.0	3.8

	Group and Company			
	2008 R'000	%	2007 R'000	%
Domestic equity	3 649 369	55.7	3 726 846	59.8
Bonds	691 572	10.5	750 548	12.0
Cash	682 245	10.4	339 822	5.5
Other	-	-	126 908	2.0
Foreign assets	966 473	14.7	757 821	12.2
Hedged assets	567 430	8.7	531 063	8.5
	<b>6 557 089</b>	<b>100</b>	<b>6 233 008</b>	<b>100</b>

## 8 INVESTMENT IN SUBSIDIARIES

### COMPANY

#### Subsidiary - unlisted

SABC Airwave Travel (Proprietary) Limited (formerly Air Time Outside Broadcast (Proprietary) Limited trading as Airwave Travel)

Astrasat (Proprietary) Limited

Auckland Programme Trade B.V. (*incorporated in the Netherlands*)

Rugby Broadcasting (Proprietary) Limited

Skenia Telematics (Proprietary) Limited

Shares at cost

Directors' valuation

*\*Shares at cost of R1.*

Nature of business	Issued share capital (number)	% Held	Shares at cost	
			2008 R'000	2007 R'000
Travel agency	2	100	- *	- *
Dormant	1	100	- *	- *
Trading in TV programmes	40	100	71	71
Dormant	1	100	- *	- *
Dormant	1	100	- *	- *
			71	71
			20 830	18 971

## 9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Listed - 143 257 (2007: 143 257) Sanlam Limited demutualisation shares

Balance on 1 April

Revaluation (deficit)/surplus transferred to equity

Balance 31 March

The available-for-sale financial asset was revalued at year end. There were no disposals or impairment provisions on available-for-sale financial assets during the year under review.

Group		Company	
2008 R'000	2007 R'000	2008 R'000	2007 R'000
2 865	2 363	2 865	2 363
(128)	502	(128)	502
2 737	2 865	2 737	2 865

## 10 PREPAYMENTS

Programme, film and sports rights

Other

Less: Current portion

Non-current portion

208 702	163 453	208 702	163 453
18 034	21 661	17 990	21 661
226 736	185 114	226 692	185 114
(128 830)	(82 236)	(128 786)	(82 236)
97 906	102 878	97 906	102 878

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 11 PROGRAMME, FILM AND SPORTS RIGHTS

### GROUP AND COMPANY

#### At 31 March 2008

Cost	1 159 633	1 532 396	38 522	2 730 551
Accumulated amortisation and impairment losses	(705 166)	(1 267 854)	-	(1 973 020)
Provision for programme, film and sports rights write-off	(26 368)	-	-	(26 368)
Carrying amount	<u>428 099</u>	<u>264 542</u>	<u>38 522</u>	<u>731 163</u>

#### At 31 March 2007

Cost	470 022	809 143	25 577	1 304 742
Accumulated amortisation and impairment losses	(180 747)	(582 272)	-	(763 019)
Carrying amount	<u>289 275</u>	<u>226 871</u>	<u>25 577</u>	<u>541 723</u>

#### At 1 April 2006

Cost	189 968	170 841	37 318	398 127
Accumulated amortisation and impairment losses	(89 045)	(7 143)	-	(96 188)
Carrying amount	<u>100 923</u>	<u>163 698</u>	<u>37 318</u>	<u>301 939</u>

#### For the year ended 31 March 2008

Carrying amount at 1 April 2007	289 275	226 871	25 577	541 723
Additions	689 611	723 253	201 314	1 614 178
Amortisation charge for the year	(474 482)	(685 582)	(188 369)	(1 348 433)
Impairment charge for the year	(49 937)	-	-	(49 937)
Provision for programme, film and sports rights write-off	(26 368)	-	-	(26 368)
Carrying amount at 31 March 2008	<u>428 099</u>	<u>264 542</u>	<u>38 522</u>	<u>731 163</u>

#### For the year ended 31 March 2007

Carrying amount at 1 April 2006	100 923	163 698	37 318	301 939
Additions	572 055	736 081	106 215	1 414 351
Amortisation charge for the year	(379 076)	(669 536)	(117 956)	(1 166 568)
Impairment charge for the year	(4 627)	(3 372)	-	(7 999)
Carrying amount at 31 March 2007	<u>289 275</u>	<u>226 871</u>	<u>25 577</u>	<u>541 723</u>

Management has not considered the effect of derecognition of fully amortised assets on the above cost and accumulated amortisation and impairment losses.

Acquired programme, film and sports rights	Originated programme, film and sports rights	Work-in-progress	Total
R'000	R'000	R'000	R'000
1 159 633	1 532 396	38 522	2 730 551
(705 166)	(1 267 854)	-	(1 973 020)
(26 368)	-	-	(26 368)
<u>428 099</u>	<u>264 542</u>	<u>38 522</u>	<u>731 163</u>
470 022	809 143	25 577	1 304 742
(180 747)	(582 272)	-	(763 019)
<u>289 275</u>	<u>226 871</u>	<u>25 577</u>	<u>541 723</u>
189 968	170 841	37 318	398 127
(89 045)	(7 143)	-	(96 188)
<u>100 923</u>	<u>163 698</u>	<u>37 318</u>	<u>301 939</u>
289 275	226 871	25 577	541 723
689 611	723 253	201 314	1 614 178
(474 482)	(685 582)	(188 369)	(1 348 433)
(49 937)	-	-	(49 937)
(26 368)	-	-	(26 368)
<u>428 099</u>	<u>264 542</u>	<u>38 522</u>	<u>731 163</u>
100 923	163 698	37 318	301 939
572 055	736 081	106 215	1 414 351
(379 076)	(669 536)	(117 956)	(1 166 568)
(4 627)	(3 372)	-	(7 999)
<u>289 275</u>	<u>226 871</u>	<u>25 577</u>	<u>541 723</u>



## 12 INVENTORIES

Consumables  
Less: Impairment of consumables

Inventories carried at net realisable value

## 13 TRADE AND OTHER RECEIVABLES

Trade receivables - gross  
Less: Impairment of trade receivables

Trade receivables - net  
Other receivables

## 14 DERIVATIVE FINANCIAL INSTRUMENTS GROUP AND COMPANY

Forward currency contracts  
Derivatives embedded in programme, film and sports rights agreements

Less: Current portion  
Non-current portion

Derivative financial instruments are classified as assets or liabilities. The full fair value of an embedded derivative financial instrument is classified as a non-current asset or liability if the remaining maturity of the derivative is more than 12 months, and as a current asset and current liability if the maturity date is less than 12 months.

## 15 HELD-TO-MATURITY INVESTMENTS

Short-term deposits

Short-term deposits consist of fixed deposits at approved institutions for periods ranging from 30 days to 120 days. The average interest rate for the year was 10.9% (2007: 9.05%).

## 16 LOANS AND RECEIVABLES

Loan to Sentech Limited

Group		Company	
2008	2007	2008	2007
R'000	R'000	R'000	R'000
4 707	4 556	4 707	4 556
(93)	(104)	(93)	(104)
<b>4 614</b>	<b>4 452</b>	<b>4 614</b>	<b>4 452</b>
-	598	-	598

950 669	662 236	950 669	662 265
(66 252)	(21 379)	(66 175)	(21 379)
<b>884 417</b>	<b>640 857</b>	<b>884 494</b>	<b>640 886</b>
<b>15 692</b>	<b>55 545</b>	<b>21 373</b>	<b>44 533</b>
<b>900 109</b>	<b>696 402</b>	<b>905 867</b>	<b>685 419</b>

2008		2007	
Assets	Liabilities	Assets	Liabilities
R'000	R'000	R'000	R'000
27 287	-	4 031	-
-	(10 826)	5 444	(6 071)
<b>27 287</b>	<b>(10 826)</b>	<b>9 475</b>	<b>(6 071)</b>
<b>(27 287)</b>	<b>2 826</b>	<b>(9 475)</b>	<b>1 465</b>
-	<b>(8 000)</b>	-	<b>(4 606)</b>

Group		Company	
2008	2007	2008	2007
R'000	R'000	R'000	R'000
<b>373 000</b>	<b>100 000</b>	<b>373 000</b>	<b>100 000</b>

-	5 300	-	5 300
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 17 RESTRICTED CASH

Government Grant  
SABC Foundation Bursary Scheme

Group		Company	
2008	2007	2008	2007
R'000	R'000	R'000	R'000
23 610	3 626	23 610	3 626
1 012	932	1 012	932
<b>24 622</b>	<b>4 558</b>	<b>24 622</b>	<b>4 558</b>

The Government Grant is related to the technology plan for the migration of the SABC from analogue to digital technology. The SABC Foundation Bursary Scheme is used for bursaries only.

## 18 CASH AND CASH EQUIVALENTS

Cash on hand and bank balances  
Negotiable certificates of deposits  
Call deposits  
Cash held on foreign bank accounts

26 166	46 795	5 523	41 711
120 000	646 000	120 000	646 000
13 543	10 043	13 543	10 043
5 852	4 719	-	70
<b>165 561</b>	<b>707 557</b>	<b>139 066</b>	<b>697 824</b>

The exchange rate at 31 March 2008 on foreign bank accounts was R8.16 (2007: R7.27) to the US Dollar and R12.807 (2007: R9.70) to the EURO.

## 19 SHARE CAPITAL

Share capital - Authorised and issued  
1 000 ordinary shares of R 1 each

1	1	1	1
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## 20 FAIR VALUE ADJUSTMENT RESERVE

The fair value adjustment reserve includes the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

## 21 PERPETUAL DEBT INSTRUMENT

Permanent capital

27 390	27 390	27 390	27 390
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On 1 February 1972, the Group'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 interest payments to the Group's shareholder.

## 22 INTEREST-BEARING LOANS AND BORROWINGS

### Unsecured

Loan from subsidiary

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.

### Secured

Wesbank facility for an outside broadcast van and related vehicles held under finance lease and repayable over five years at a floating prime-linked rate of 11.75% (2007: 9.75%) per annum. The lease was repayable in monthly payments of R0,9 million with the last balloon payment of R5,6 million made on February 2008.

Nedbank lease for office equipment under finance lease repayable over three years at a rate of 11.75% (2007: 9.75%) per annum. The lease was repayable in monthly payments of R0,01 million with the last payment due on August 2008.

Hewlett Packard lease for desktop equipment under finance lease payable over three years at a rate of 6% (2007: 6%) per annum. The lease is repayable in monthly payments of R0,9 million with the last payment due on January 2010.

Nedbank instalment sale facility for lift upgrade payable over five years at a rate of 11.75% (2007: 9.75%) per annum. The lease is repayable in monthly payments of R0,3 million with the last payment due in September 2009.

Nedbank instalment sale facility for news production server payable over five years at a rate of 11.75% (2007: 9.75%) per annum. The lease is repayable in monthly payments of R0,3 million with the last payment due in October 2009.

Nedbank instalment sale facility for Dalet hardware payable over five years at a rate of 11.75% (2007: 9.75%) per annum. The lease is repayable in monthly payments of R0,2 million with the last payment due in May 2009.

The GIS system for the collection of outstanding TV licence fees payable over three years at a rate of 11.67% (2007: 12.50%). The lease is repayable in monthly payments of R0,025 million with the last payment due in June 2010.

Nedbank instalment sale facility for desktop computer equipment payable over four years at a rate of 11.75% per annum. The lease is repayable in monthly payments of R0,3 million with the last payment due in April 2012.

Total

Current portion transferred to current liabilities

Non-current portion

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Loan from subsidiary	-	-	15 194	8 824
Wesbank facility for an outside broadcast van and related vehicles held under finance lease and repayable over five years at a floating prime-linked rate of 11.75% (2007: 9.75%) per annum. The lease was repayable in monthly payments of R0,9 million with the last balloon payment of R5,6 million made on February 2008.	-	14 025	-	14 025
Nedbank lease for office equipment under finance lease repayable over three years at a rate of 11.75% (2007: 9.75%) per annum. The lease was repayable in monthly payments of R0,01 million with the last payment due on August 2008.	47	1 161	47	1 161
Hewlett Packard lease for desktop equipment under finance lease payable over three years at a rate of 6% (2007: 6%) per annum. The lease is repayable in monthly payments of R0,9 million with the last payment due on January 2010.	7 647	14 268	7 647	14 268
Nedbank instalment sale facility for lift upgrade payable over five years at a rate of 11.75% (2007: 9.75%) per annum. The lease is repayable in monthly payments of R0,3 million with the last payment due in September 2009.	5 323	8 055	5 323	8 055
Nedbank instalment sale facility for news production server payable over five years at a rate of 11.75% (2007: 9.75%) per annum. The lease is repayable in monthly payments of R0,3 million with the last payment due in October 2009.	5 192	7 610	5 192	7 610
Nedbank instalment sale facility for Dalet hardware payable over five years at a rate of 11.75% (2007: 9.75%) per annum. The lease is repayable in monthly payments of R0,2 million with the last payment due in May 2009.	2 588	4 317	2 588	4 317
The GIS system for the collection of outstanding TV licence fees payable over three years at a rate of 11.67% (2007: 12.50%). The lease is repayable in monthly payments of R0,025 million with the last payment due in June 2010.	2 377	1 541	2 377	1 541
Nedbank instalment sale facility for desktop computer equipment payable over four years at a rate of 11.75% per annum. The lease is repayable in monthly payments of R0,3 million with the last payment due in April 2012.	10 514	-	10 514	-
<b>Total</b>	<b>33 688</b>	<b>50 977</b>	<b>48 882</b>	<b>59 801</b>
Current portion transferred to current liabilities	(16 453)	(30 790)	(31 647)	(30 790)
Non-current portion	17 235	20 187	17 235	29 011

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 22 INTEREST-BEARING LOANS AND BORROWINGS (continued)

Payments are as follows:

### GROUP

#### Finance lease liabilities:

Less than one year

Later than one year but not later than five years

#### Instalment sale liabilities:

Less than one year

Later than one year but not later than five years

### COMPANY

#### Finance lease liabilities:

Less than one year

Later than one year but not later than five years

#### Instalment sale liabilities:

Less than one year

Later than one year but not later than five years

#### Loan from subsidiary:

Less than one year

	2008			2007		
	Minimum lease payments R'000	Interest R'000	Principal R'000	Minimum lease payments R'000	Interest R'000	Principal R'000
Less than one year	5 766	(284)	5 482	24 515	(1 375)	23 140
Later than one year but not later than five years	4 967	(378)	4 589	8 124	(269)	7 855
	<u>10 733</u>	<u>(662)</u>	<u>10 071</u>	<u>32 639</u>	<u>(1 644)</u>	<u>30 995</u>
Less than one year	13 754	(2 783)	10 971	9 262	(1 612)	7 650
Later than one year but not later than five years	14 397	(1 751)	12 646	13 280	(948)	12 332
	<u>28 151</u>	<u>(4 534)</u>	<u>23 617</u>	<u>22 542</u>	<u>(2 560)</u>	<u>19 982</u>
	<u>38 884</u>	<u>(5 196)</u>	<u>33 688</u>	<u>55 181</u>	<u>(4 204)</u>	<u>50 977</u>
Less than one year	5 766	(284)	5 482	24 515	(1 375)	23 140
Later than one year but not later than five years	4 967	(378)	4 589	8 124	(269)	7 855
	<u>10 733</u>	<u>(662)</u>	<u>10 071</u>	<u>32 639</u>	<u>(1 644)</u>	<u>30 995</u>
Less than one year	13 754	(2 783)	10 971	9 262	(1 612)	7 650
Later than one year but not later than five years	14 397	(1 751)	12 646	13 280	(948)	12 332
	<u>28 151</u>	<u>(4 534)</u>	<u>23 617</u>	<u>22 542</u>	<u>(2 560)</u>	<u>19 982</u>
Less than one year	15 194	-	15 194	8 824	-	8 824
	<u>54 078</u>	<u>(5 196)</u>	<u>48 882</u>	<u>64 005</u>	<u>(4 204)</u>	<u>59 801</u>

## 23 DEFERRED GOVERNMENT GRANT

Balance on 1 April

Amounts received during the year

Amount realised in line with amortisation and depreciation

Less: Current portion

Non-current portion

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Balance on 1 April	188 735	100 000	188 735	100 000
Amounts received during the year	131 730	119 298	131 730	119 298
Amount realised in line with amortisation and depreciation	(25 691)	(30 563)	(25 691)	(30 563)
	<u>294 774</u>	<u>188 735</u>	<u>294 774</u>	<u>188 735</u>
Less: Current portion	(34 260)	(35 378)	(34 260)	(35 378)
Non-current portion	<u>260 514</u>	<u>153 357</u>	<u>260 514</u>	<u>153 357</u>

In February 2005, the Department of Communications and National Treasury committed an amount of R700 million to the Group over a period of five years, in order to facilitate key improvements to infrastructure within

the Group. The money is intended to fund the Group's detailed modernisation and information technology plan, which includes the migration from analogue to digital technology. To date, an amount of R400 million has been received. Amounts

to be received in future, per the notification received from National Treasury, is R150 million in 2008/2009 and R150 million thereafter.

## 24 DEFERRED TAX

Deferred tax is attributable to the following:

### Deferred Tax Liability

Property, plant and equipment  
Finance leases  
Investment properties  
Defined benefit asset  
Programme, film and sports rights  
Computer software  
Straight-lining of operating leases  
Available-for-sale financial assets  
Derivative financial instruments  
Prepayments  
Employee benefits  
Deferred income  
Other payables and provisions

Total liabilities

### Deferred Tax Assets

Finance leases  
Other payables and provisions

Total assets

### Total deferred tax

The insignificant deferred tax asset has been offset against the deferred tax liability in the prior financial year.

All movements in the temporary differences described above, with exception of available-for-sale financial assets, have been recognised in the income statement, as follows:

Deferred tax liability on 1 April  
Deferred tax recognised in equity on available-for-sale financial assets  
Prior year adjustment  
Reduction in tax rate  
Deferred tax recognised in income statement  
Deferred tax liability on 31 March

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
Property, plant and equipment	161 057	134 461	161 057	134 461
Finance leases	(1 563)	1 258	(1 563)	1 258
Investment properties	(91)	-	(91)	-
Defined benefit asset	117 822	-	117 822	-
Programme, film and sports rights	119 139	120 219	119 139	120 219
Computer software	(4 494)	(1 261)	(4 494)	(1 261)
Straight-lining of operating leases	(304)	(189)	(304)	(189)
Available-for-sale financial assets	240	220	240	220
Derivative financial instruments	4 609	1 154	4 609	1 154
Prepayments	935	5 256	935	5 256
Employee benefits	(146 581)	(106 161)	(146 581)	(106 161)
Deferred income	(18 578)	(18 037)	(18 578)	(18 037)
Other payables and provisions	(58 063)	(33 738)	(57 995)	(33 738)
<b>Total liabilities</b>	<b>174 128</b>	<b>103 182</b>	<b>174 196</b>	<b>103 182</b>
Finance leases	-	7	-	-
Other payables and provisions	-	(44)	-	-
<b>Total assets</b>	<b>-</b>	<b>(37)</b>	<b>-</b>	<b>-</b>
<b>Total deferred tax</b>	<b>174 128</b>	<b>103 145</b>	<b>174 196</b>	<b>103 182</b>
Deferred tax liability on 1 April	103 145	66 029	103 182	66 029
Deferred tax recognised in equity on available-for-sale financial assets	(18)	73	(18)	73
Prior year adjustment	22 349	11 291	22 349	11 305
Reduction in tax rate	(3 558)	-	(3 558)	-
Deferred tax recognised in income statement	52 210	25 752	52 241	25 775
<b>Deferred tax liability on 31 March</b>	<b>174 128</b>	<b>103 145</b>	<b>174 196</b>	<b>103 182</b>





**Changes in the present value of the defined benefit obligation are as follows:**

Opening defined benefit obligation

Transfer from provisions

Current service cost

Interest cost

Actuarial gain

Contributions

Provision for potential full liability - past service cost

Closing defined benefit obligation

The amounts recognised in the income statement are determined as follows:

Current service cost

Interest cost

Actuarial gain

Provision for potential full liability - past service cost

Total, included in employee compensation and benefit expenses

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Opening defined benefit obligation	213 966	202 249	213 966	202 249
Transfer from provisions	-	8 943	-	8 943
Current service cost	6 077	5 016	6 077	5 016
Interest cost	18 253	15 725	18 253	15 725
Actuarial gain	(7 592)	(9 390)	(7 592)	(9 390)
Contributions	(6 337)	(8 577)	(6 337)	(8 577)
Provision for potential full liability - past service cost	144 541	-	144 541	-
<b>Closing defined benefit obligation</b>	<b>368 908</b>	<b>213 966</b>	<b>368 908</b>	<b>213 966</b>
Current service cost	6 077	5 016	6 077	5 016
Interest cost	18 253	15 725	18 253	15 725
Actuarial gain	(7 592)	(9 390)	(7 592)	(9 390)
Provision for potential full liability - past service cost	144 541	-	144 541	-
<b>Total, included in employee compensation and benefit expenses</b>	<b>161 279</b>	<b>11 351</b>	<b>161 279</b>	<b>11 351</b>

**Group and Company**

2008

2007

%

%

**The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:**

Discount rate at 31 March

Medical inflation rate per annum

2008

2009

2010

2011 and thereafter

9.5%

7.6%

7.2%

6.4%

7.2%

6.2%

7.2%

5.9%

7.2%

varies between  
5.1% and 5.7%

80%

80%

Take-up rate by retired employees

*Employee incentive and leave pay*

Certain of the Group's employee incentive programmes and employee leave arrangements provide for benefits not payable wholly within 12 months after the balance sheet date. These arrangements are therefore classified

as "other non-current 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 leave pay at the balance sheet date (expressed as weighted averages) are as follows:**

Discount rate at 31 March

Rate of salary increase

Employee turnover rate

9.3

7.9

8.3

7.5

7.5

9.5

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 26 TRADE AND OTHER PAYABLES

Trade payables - local  
Trade payables - foreign  
Other payables  
Accrued expenses

Note	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
	136 376	142 813	136 149	140 887
	242 118	136 884	242 118	136 884
	67 847	199 237	56 614	194 340
	385 054	135 517	384 780	135 408
	<b>831 395</b>	<b>614 451</b>	<b>819 661</b>	<b>607 519</b>

## 27 DEFERRED INCOME

TV license fees received in advance  
Grants and sponsorships received in advance

	27 524	34 126	27 524	34 126
	38 825	28 072	38 825	28 072
	<b>66 349</b>	<b>62 198</b>	<b>66 349</b>	<b>62 198</b>

## 28 PROVISIONS

### GROUP AND COMPANY

Balance at 1 April 2007  
Provisions raised during the year  
Balance at 31 March 2008  
Classified as current

Legal claims
R'000
19 000
10 738
<b>29 738</b>
<b>29 738</b>

## 29 REVENUE

**Total advertising revenue**  
Advertising  
Trade exchanges (non-monetary exchanges)  
**Total business enterprises and facilities revenue**  
Business enterprises and facilities revenue  
Trade exchanges (non-monetary exchanges)  
**Total sponsorship**  
Sponsorships  
Trade exchanges (non-monetary exchanges)  
License fees  
Government grants - for educational programmes  
Government grants - for Technology assets  
Other revenue

Note	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
	3 186 255	2 829 956	3 186 255	2 829 956
	3 156 935	2 764 194	3 156 935	2 764 194
	29 320	65 762	29 320	65 762
	90 494	45 605	90 494	45 605
	44 812	45 085	44 812	45 085
	45 682	520	45 682	520
	380 199	422 038	380 199	422 038
	380 199	417 587	380 199	417 587
	-	4 451	-	4 451
	822 322	760 070	822 322	760 070
	49 260	53 482	49 260	53 482
23	25 691	30 563	25 691	30 563
	127 645	126 599	127 645	122 391
	<b>4 681 866</b>	<b>4 268 313</b>	<b>4 681 866</b>	<b>4 264 105</b>

### 30 OTHER INCOME

Rental income  
Management fees  
Travel commission  
Other sundry income

Note	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
	8 545	14 007	8 545	14 007
	3 537	2 304	3 537	2 304
	7 500	4 208	-	-
	3 496	24 997	3 066	29 205
	<b>23 078</b>	<b>45 516</b>	<b>15 148</b>	<b>45 516</b>

### 31 EMPLOYEE COMPENSATION AND BENEFIT EXPENSE

Cost of employment  
Net periodic pension charge  
Recognition of pension fund surplus  
Net periodic pension charge - pre-recognition of pension fund surplus  
Post-employment medical benefits, including past service cost  
Post-retirement medical benefit - past service cost  
Post-employment medical benefits  
Employee incentives  
Leave pay

	1 181 992	960 851	1 179 191	958 618
7	(333 228)	75 122	(333 228)	74 920
	(420 794)	-	(420 794)	-
	87 566	75 122	87 566	74 920
25	161 279	11 351	161 279	11 351
	144 541	-	144 541	-
	16 738	11 351	16 738	11 351
	18 905	11 266	18 905	11 266
	43 222	21 207	43 279	21 118
	<b>1 072 170</b>	<b>1 079 797</b>	<b>1 069 426</b>	<b>1 077 273</b>

Included in these amounts are Directors' emoluments which are disclosed in more detail in note 42.

### 32 OTHER EXPENSES

Other expenses include the following charges/(benefits):

Auditor's remuneration

Audit fees - current year

6 415	5 718	6 415	5 718
<b>6 415</b>	<b>5 718</b>	<b>6 415</b>	<b>5 718</b>

Consulting fees

Administrative

Managerial

Projects

Technical

221 202	131 633	220 161	131 303
-	440	-	125
163 084	83 721	162 043	83 706
27 608	20 478	27 608	20 478
30 510	26 994	30 510	26 994

Operating lease charges

Buildings

Equipment

Vehicles

47 112	21 250	46 965	21 239
2 803	5 297	2 696	5 297
34 393	8 921	34 353	8 910
9 916	7 032	9 916	7 032

Depreciation of investment properties

Consumables - reversal of impairment

Impairment/(reversal of impairment) of trade receivables

5	49	70	49	70
12	(11)	(74)	(11)	(74)
13	44 873	(1 691)	44 796	(1 682)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 33 OTHER PROFITS/(LOSSES) - NET

Profit/(loss) on sale of property, plant and equipment

Note	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
	<b>688</b>	<b>(128)</b>	<b>688</b>	<b>(128)</b>

## 34 NET FINANCING INCOME

Interest income

Banking institutions  
Sentech Limited

Dividend income

Net foreign exchange gain on monetary items

Financial income

Interest expense

Independent third parties  
Shareholder - permanent capital  
Finance leases

Net foreign exchange loss on monetary items

Net loss on derivative financial instruments

Financial expense

Net financing income

	<b>68 380</b>	<b>61 987</b>	<b>68 104</b>	<b>61 768</b>
	<b>68 268</b>	<b>61 107</b>	<b>67 992</b>	<b>60 888</b>
42	<b>112</b>	<b>880</b>	<b>112</b>	<b>880</b>
	<b>112</b>	<b>95</b>	<b>112</b>	<b>95</b>
	<b>1 851</b>	<b>2 631</b>	<b>2 173</b>	<b>-</b>
	<b>70 343</b>	<b>64 713</b>	<b>70 389</b>	<b>61 863</b>
	<b>(7 918)</b>	<b>(7 736)</b>	<b>(7 374)</b>	<b>(8 148)</b>
	<b>(2 536)</b>	<b>(851)</b>	<b>(1 992)</b>	<b>(1 266)</b>
42	<b>(1 823)</b>	<b>(1 796)</b>	<b>(1 823)</b>	<b>(1 796)</b>
22	<b>(3 559)</b>	<b>(5 089)</b>	<b>(3 559)</b>	<b>(5 086)</b>
	<b>-</b>	<b>-</b>	<b>-</b>	<b>(708)</b>
	<b>(6 164)</b>	<b>(8 661)</b>	<b>(6 084)</b>	<b>(8 661)</b>
	<b>(14 082)</b>	<b>(16 397)</b>	<b>(13 458)</b>	<b>(17 517)</b>
	<b>56 261</b>	<b>48 316</b>	<b>56 931</b>	<b>44 346</b>

## 35 INCOME TAX EXPENSE

Current tax expense

Current tax expense - prior year (under)/ over provision

Deferred tax charge

Taxable temporary differences  
Reduction in tax rate  
Previous year adjustment

37	<b>58 116</b>	<b>39 223</b>	<b>56 948</b>	<b>38 042</b>
37	<b>(76 255)</b>	<b>34</b>	<b>(76 255)</b>	<b>-</b>
	<b>71 001</b>	<b>37 043</b>	<b>71 032</b>	<b>37 080</b>
	<b>52 210</b>	<b>25 752</b>	<b>52 241</b>	<b>25 775</b>
	<b>(3 558)</b>	<b>-</b>	<b>(3 558)</b>	<b>-</b>
	<b>22 349</b>	<b>11 291</b>	<b>22 349</b>	<b>11 305</b>
	<b>52 862</b>	<b>76 300</b>	<b>51 725</b>	<b>75 122</b>



Reconciliation of effective tax rate:

**GROUP**

Profit before income tax  
 Income tax using the company tax rate  
     Non-taxable income  
     Non-deductible expenses  
     Previous year adjustment  
     Reduction in tax rate  
     Utilisation of tax loss  
     Effective tax rate

**COMPANY**

Profit before income tax  
 Income tax using the company tax rate  
     Non-taxable income  
     Non-deductible expenses  
     Reduction in tax rate  
     Previous year adjustment  
     Effective tax rate

	2008		2007	
	%	R'000	%	R'000
		<u>374 078</u>		<u>259 063</u>
	29.0	108 483	29.0	75 128
	(7.4)	(27 606)	(5.1)	(13 256)
	7.9	29 449	1.3	3 255
	(14.4)	(53 906)	4.4	11 325
	(1.0)	(3 558)	-	-
	-	-	(0.1)	(152)
	<u>14.1</u>	<u>52 862</u>	<u>29.5</u>	<u>76 300</u>
		<u>371 567</u>		<u>254 957</u>
	29.0	107 754	29.0	73 938
	(7.4)	(27 605)	(5.2)	(13 376)
	7.8	29 040	1.3	3 255
	(14.5)	(53 906)	-	-
	(1.0)	(3 558)	4.4	11 305
	<u>13.9</u>	<u>51 275</u>	<u>29.5</u>	<u>75 122</u>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 36 CASH (UTILISED)/GENERATED FROM OPERATIONS

	Note	Group		Company	
		2008 R'000	2007 R'000	2008 R'000	2007 R'000
Reconciliation of profit for the year to cash generated from operations:					
Profit for the year		321 216	182 763	319 842	179 835
Adjustments for:					
Amortisation of programme, film and sports rights	11	1 348 433	1 166 568	1 348 433	1 166 568
Impairment of programme, film and sports rights	11	76 305	7 999	76 305	7 999
Amortisation of computer software	6	2 290	7 786	2 290	7 786
Impairment of computer software	6	-	32 304	-	32 304
Amortisation of government grant	23	(25 691)	(30 563)	(25 691)	(30 563)
Depreciation of property, plant and equipment	4	138 011	148 370	137 943	148 353
Depreciation of investment properties	5	49	70	49	70
Defined benefit asset created	7	(420 794)	-	(420 794)	-
Provision for consumables obsolescence	32	(11)	(74)	(11)	(74)
Impairment/(reversal of impairment) of trade receivables	32	44 873	(1 691)	44 796	(1 682)
(Profit)/loss on disposal of property, plant and equipment	33	(688)	128	(688)	128
Other movements (net)		135	(214)	134	601
Interest received	34	(68 380)	(61 987)	(68 104)	(61 768)
Dividends received	34	(112)	(95)	(112)	(95)
Interest paid	34	7 918	7 736	7 374	8 148
Income tax expense	35	52 862	76 300	51 725	75 122
Operating profit before payments for acquisition of programme, film and sports rights, changes in working capital, employee benefits and provisions		1 476 416	1 535 400	1 473 491	1 532 732
Payments for acquisition of programme, film and sports rights	11	(1 614 178)	(1 414 351)	(1 614 178)	(1 414 351)
Operating profit before changes in working capital, employee benefits and provisions		(137 762)	121 049	(140 687)	118 381
Increase in derivative financial instruments	14	(13 057)	(839)	(13 057)	(839)
Increase in prepayments	10	(41 622)	(2 305)	(41 578)	(2 305)
(Increase)/decrease in inventories	12	(151)	756	(151)	756
(Increase)/decrease in trade and other receivables	13	(248 580)	964	(265 244)	(476)
Increase in employee benefits	25	175 324	15 374	175 354	15 213
Increase in trade and other payables	26	216 944	34 501	212 142	35 171
Increase in deferred income	27	4 151	4 630	4 151	4 630
Increase in provisions	28	10 738	14 000	10 738	14 000
Cash generated from operations		(34 015)	188 130	(58 332)	184 531

### 37 INCOME TAXES PAID

Balance at 1 April  
Current taxation  
Balance at 31 March  
Taxation paid

Note	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
	(19 165)	119 877	(22 050)	118 207
35	(18 139)	39 257	(19 307)	38 042
	71 524	19 165	74 717	22 050
	<u>34 220</u>	<u>178 299</u>	<u>33 360</u>	<u>178 299</u>

### 38 FINANCIAL INSTRUMENTS

#### Overview

The Group has exposure to credit risk, liquidity risk and market risk, that consists of interest rate and currency risk that arises 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 has established a Delegation of Authority Framework, to set appropriate limits and controls, and to monitor adherence to limits. The Group, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's policies and procedures and reviews the adequacy of the internal audit monitoring of these risks. Internal Audit undertakes both regular and ad hoc reviews of controls and procedures,

the results of which are reported to the Audit Committee.

#### Credit risk

Credit risk is the risk of financial loss to the Group if customer or counterparties to a financial instrument fail to meet their contractual obligations, and arises principally from the Group's receivables from customer and investment securities.

#### Trade and other receivables

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Credit risk is measured individually within each division and reviewed regularly.

#### Allowance for impairment

Trade receivables that are less than three months past due are not considered to be impaired.

Trade receivables that are past due but relate to government clients or of which we hold security, insurance or any other

type of collateral are also not considered impaired.

All accounts that are past due but have not been handed over to attorneys are not considered to be impaired. The majority of the Group's trade receivables are due for maturity within 30 days and largely comprise amounts receivable from government clients and direct clients.

#### 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 only to wholly-owned subsidiaries. At 31 March 2008 no guarantees were outstanding (2007: none).

The Group considers its maximum exposure to credit risk to be as follows:

Available-for-sale financial assets  
Trade and other receivables  
Derivate financial instruments  
Held-to-maturity investments  
Loans and receivables  
Restricted cash  
Cash and cash equivalents

	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Available-for-sale financial assets	2 737	2 865	2 737	2 865
Trade and other receivables	900 109	696 402	905 867	685 419
Derivate financial instruments	27 287	9 475	27 287	9 475
Held-to-maturity investments	373 000	100 000	373 000	100 000
Loans and receivables	-	5 300	-	5 300
Restricted cash	24 622	4 558	24 622	4 558
Cash and cash equivalents	165 561	707 557	139 066	697 824
	<u>1 493 316</u>	<u>1 526 156</u>	<u>1 472 579</u>	<u>1 505 441</u>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 38 FINANCIAL INSTRUMENTS (continued)

### Credit risk (continued)

Trade receivable:

Nature of counterparty:

Government

Agency sponsorships

Direct sponsorships

Agencies

Direct clients

Government

Agency sponsorships

Direct sponsorships

Agencies

Direct clients

2008			2007		
R'000			R'000		
Fully performing	Past due but not impaired	Impaired	Fully performing	Past due but not impaired	Impaired
<b>Group</b>					
41 921	66 862	9 275	16 726	22 494	3 421
62 882	11 144	1 325	33 453	4 999	428
20 961	7 429	9 938	11 151	19 162	2 352
551 964	89 149	15 900	479 489	13 330	7 055
20 961	11 144	29 814	16 727	23 326	8 123
<b>698 689</b>	<b>185 728</b>	<b>66 252</b>	<b>557 546</b>	<b>83 311</b>	<b>21 379</b>
<b>Company</b>					
41 925	66 868	9 265	16 727	22 495	3 421
62 888	11 145	1 324	33 454	4 999	428
20 963	7 430	9 926	11 151	19 162	2 352
552 013	89 157	15 882	479 511	13 330	7 055
20 961	11 144	29 778	16 728	23 329	8 123
<b>698 750</b>	<b>185 744</b>	<b>66 175</b>	<b>557 571</b>	<b>83 315</b>	<b>21 379</b>
		<b>Group</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
		<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Age analysis of past due but not impaired is:					
30 days		-	-	-	-
31 to 60 days		-	24 993	-	24 993
61 to 90 days		14 858	21 661	14 858	21 661
91 to 120 days		27 859	14 163	27 862	14 163
121 days to one year		143 011	22 494	143 024	22 498
		<b>185 728</b>	<b>83 311</b>	<b>185 744</b>	<b>83 315</b>
Age analysis of past due but not impaired is:					
30 days		159	-	159	-
31 to 60 days		139	-	139	-
61 to 90 days		33	-	33	-
91 to 120 days		994	-	994	-
121 days to one year		64 927	21 379	64 850	21 379
		<b>66 252</b>	<b>21 379</b>	<b>66 175</b>	<b>21 379</b>

The Group does hold collateral as security. The nature and fair value of collateral are as follows:

Movements on the provision for impairment of trade receivables are as follows:

Opening balance - 1 April  
Written off as uncollectible (impaired)  
Provision for impairment  
Closing balance - 31 March

Group		Company	
2008	2007	2008	2007
R'000	R'000	R'000	R'000
21 379	23 070	21 379	23 061
(17 226)	(9 407)	(17 205)	(9 407)
62 099	7 716	62 001	7 725
<b>66 252</b>	<b>21 379</b>	<b>66 175</b>	<b>21 379</b>
79 667	14 397	79 667	14 397
590 532	562 440	590 532	562 440
1 190	2 220	1 190	2 220
<b>671 389</b>	<b>579 057</b>	<b>671 389</b>	<b>579 057</b>

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Official government orders  
Insurance cover  
MCC security

#### 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 will always have 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 R576 million which includes short-term banking facilities as well as asset-based finance facilities. The Group maintains the following lines of credit: -An overdraft facility forms part of the general short-term banking facility and is unsecured. Interest is paid at the ruling prime rate.

- Overnight loans of R237 million can be drawn to meet short-term financing needs. The facility has a 90-day maturity. Interest is paid at market-related interest rates on the date of utilisation. The Group is busy extending these short-term banking facilities.

Maturity analysis, due in:

#### Non-derivative financial liabilities

Trade payables - local  
Trade payables - foreign  
Other payables  
Accrued expenses  
Loans and borrowings  
Perpetual debt instrument  
Derivative financial liabilities  
Derivative financial instruments

Carrying amount	Contractual cash flow	Up to 6 months	6 months to 1 year	1 year to 3 years	Thereafter
R'000	R'000	R'000	R'000	R'000	R'000
<b>Group</b>					
<b>2008</b>					
136 376	136 376	136 376	-	-	-
242 118	242 118	242 118	-	-	-
67 847	67 847	67 847	-	-	-
385 054	385 054	385 054	-	-	-
33 688	38 884	9 760	9 760	19 364	-
27 390	27 390	890	890	3 560	22 050
10 826	10 826	-	2 826	8 000	-
<b>903 299</b>	<b>908 495</b>	<b>842 045</b>	<b>13 476</b>	<b>30 924</b>	<b>22 050</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 38 FINANCIAL INSTRUMENTS (continued)

### Liquidity risk (continued)

Maturity analysis, due in:

#### Non-derivative financial liabilities

Trade payables - local

Trade payables - foreign

Other payables

Accrued expenses

Loans and borrowings

Perpetual debt instrument

#### Derivative financial liabilities

Derivative financial instruments

	Carrying amount	Contractual cash flow	Up to 6 months	6 months to 1 year	1 year to 3 years	Thereafter
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Group</b>						
<b>2007</b>						
	142 813	142 813	142 813	-	-	-
	136 884	136 884	136 884	-	-	-
	199 237	199 237	199 237	-	-	-
	135 517	135 517	135 517	-	-	-
	50 977	55 182	16 889	16 889	21 404	-
	27 390	27 390	890	890	3 560	22 050
	6 071	6 071	-	1 465	4 606	-
	<b>698 889</b>	<b>703 094</b>	<b>632 230</b>	<b>19 244</b>	<b>29 570</b>	<b>22 050</b>
<b>Company</b>						
<b>2008</b>						
	136 149	136 149	136 149	-	-	-
	242 118	242 118	242 118	-	-	-
	56 614	56 614	56 614	-	-	-
	384 780	384 780	384 780	-	-	-
	33 688	38 884	9 760	9 760	19 364	-
	15 194	15 194	-	15 194	-	-
	27 390	27 390	890	890	3 560	22 050
	10 826	10 826	-	2 826	8 000	-
	<b>906 759</b>	<b>911 955</b>	<b>830 311</b>	<b>28 670</b>	<b>30 924</b>	<b>22 050</b>
<b>2007</b>						
	140 887	140 887	140 887	-	-	-
	136 884	136 884	136 884	-	-	-
	194 340	194 340	194 340	-	-	-
	135 408	135 408	135 408	-	-	-
	50 977	55 182	16 889	16 889	21 404	-
	8 824	8 824	-	8 824	-	-
	27 390	27 390	890	890	3 560	22 050
	6 071	6 071	-	1 465	4 606	-
	<b>700 781</b>	<b>704 986</b>	<b>625 298</b>	<b>28 068</b>	<b>29 570</b>	<b>22 050</b>

### 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 exchange risk arises primarily from international programming rights that are procured in foreign currency and the procurement, implementation and maintenance of broadcasting infrastructure. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not

the entity's functional currency. The Group uses forward exchange contracts to manage foreign exchange risk arising from future commercial transactions, recognised assets and liabilities and is responsible for managing the net position in each foreign currency.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

Foreign cash and cash equivalents  
Trade payables  
Net derivative financial instruments  
Foreign exchange contracts  
Net exposure

Foreign cash and cash equivalents  
Trade payables  
Net derivative financial instruments  
Foreign exchange contracts  
Net exposure

Loans from subsidiary  
Trade payables  
Net derivative financial instruments  
Foreign exchange contracts  
Net exposure

Cash and cash equivalents  
Loans from subsidiary  
Trade payables  
Net derivative financial instruments  
Foreign exchange contracts  
Net exposure

Rand	US Dollar	Euro
'000	'000	'000
<b>Group</b>		
<b>2008</b>		
5 852	-	455
(242 118)	(29 548)	-
(236 266)	(29 548)	455
16 461	2 009	-
<u>(219 805)</u>	<u>(27 539)</u>	<u>455</u>
<b>2007</b>		
4 719	-	367
(136 884)	(18 808)	-
(132 165)	(18 808)	367
3 404	468	-
<u>(128 761)</u>	<u>(18 340)</u>	<u>367</u>
<b>Company</b>		
<b>2008</b>		
(15 194)	-	(1 180)
(242 118)	(29 548)	-
(257 312)	(29 548)	(1 180)
16 461	2 009	-
<u>(240 851)</u>	<u>(27 539)</u>	<u>(1 180)</u>
<b>2007</b>		
70	-	5
(8 824)	-	(909)
(136 884)	(18 808)	-
(145 638)	(18 808)	(904)
3 404	468	-
<u>(142 234)</u>	<u>(18 340)</u>	<u>(904)</u>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 38 FINANCIAL INSTRUMENTS (continued)

### Market risk (continued)

The following significant exchange rates applied during the year:

USD 1

Euro 1

Average rate		Reporting date spot rate	
2008	2007	2008	2007
7.14	7.06	8.19	7.28
10.12	9.05	12.87	9.71
Group		Company	
2008	2007	2008	2007
R'000	R'000	R'000	R'000

### Sensitivity analysis

A 10% strengthening of the Rand against the following currencies at 31 March would have increased/(decreased) profit or 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 2007. Due to the nature of the transactions, there is no effect on equity.

### GROUP

USD

Euro

Profit/(loss)			
22 566	13 348	22 556	13 348
(585)	(1 515)	1 519	860

A 10% weakening of the Rand against the above currencies 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:

### Fixed rate instruments

Loans from subsidiaries

Perpetual debt instrument

Carrying amount			
-	-	(15 194)	(8 824)
(27 390)	(27 390)	(27 390)	(27 390)
(27 390)	(27 390)	(42 584)	(36 214)

### Variable rate instruments

Held-to-maturity investment

Finance lease liabilities

Instalment sale liabilities

Cash and cash equivalents

373 000	100 000	373 000	100 000
(10 071)	(30 995)	(10 071)	(30 995)
(23 617)	(19 982)	(23 617)	(19 982)
165 561	707 557	139 066	697 824
504 873	756 580	478 378	746 847

### 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/(decreased) profit or 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 2007.

## GROUP AND COMPANY

Variable rate instruments

### Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than a forced or liquidation sale. The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(i) *Loans and receivables, held-to-maturity investments, perpetual debt instrument and interest-bearing loans and borrowings*

## GROUP

### Financial assets

Available-for-sale financial assets
Trade and other receivables
Derivative financial instruments
Held-to-maturity investments
Loans and receivables
Restricted cash
Cash and cash equivalents
Total financial assets

### Financial liabilities

Perpetual debt instrument
Interest-bearing loans and borrowings
Derivative financial instruments
Trade and other payables
Total financial liabilities
Net financial assets

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.

(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 relatively short-term maturity of these financial instruments.

(iii) *Derivative financial instruments*

The fair value of derivative financial instruments is based upon market valuations, being the present value of quoted forward rates.

### Profit/loss 100 bp increase

2008 2007

R'000 R'000

6 307 7 741

2008		2007	
Carrying amount	Fair value	Carrying amount	Fair value
R'000	R'000	R'000	R'000
2 737	2 737	2 865	2 865
900 109	900 109	696 402	696 402
27 287	27 287	9 475	9 475
373 000	373 000	100 000	100 000
-	-	5 300	5 300
24 622	24 622	4 558	4 558
165 561	165 561	707 557	707 557
<b>1 493 316</b>	<b>1 493 316</b>	<b>1 526 157</b>	<b>1 526 157</b>
(27 390)	(14 243)	(27 390)	(18 741)
(33 688)	(33 688)	(50 977)	(50 977)
(10 826)	(10 826)	(6 071)	(6 071)
(831 395)	(831 395)	(614 451)	(614 451)
<b>(903 299)</b>	<b>(890 152)</b>	<b>(698 889)</b>	<b>(690 240)</b>
<b>590 017</b>	<b>603 164</b>	<b>827 268</b>	<b>835 917</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 38 FINANCIAL INSTRUMENTS (continued)

### COMPANY

#### Financial assets

Available-for-sale financial assets  
Trade and other receivables  
Derivative financial instruments  
Held-to-maturity investments  
Loans and receivables  
Restricted cash  
Cash and cash equivalents

Total financial assets

#### Financial liabilities

Perpetual debt instrument  
Interest-bearing loans and borrowings  
Derivative financial instruments  
Trade and other payables

Total financial liabilities

Net financial assets

	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	R'000	R'000	R'000	R'000
Available-for-sale financial assets	2 737	2 737	2 865	2 865
Trade and other receivables	905 867	905 867	685 419	685 419
Derivative financial instruments	27 287	27 287	9 475	9 475
Held-to-maturity investments	373 000	373 000	100 000	100 000
Loans and receivables	-	-	5 300	5 300
Restricted cash	24 622	24 622	4 558	4 558
Cash and cash equivalents	139 066	139 066	697 824	697 824
<b>Total financial assets</b>	<b>1 472 579</b>	<b>1 472 579</b>	<b>1 505 441</b>	<b>1 505 441</b>
Perpetual debt instrument	(27 390)	(14 243)	(27 390)	(18 741)
Interest-bearing loans and borrowings	(48 882)	(48 882)	(59 801)	(59 801)
Derivative financial instruments	(10 826)	(10 826)	(6 071)	(6 071)
Trade and other payables	(819 661)	(819 661)	(607 519)	(607 519)
<b>Total financial liabilities</b>	<b>(906 759)</b>	<b>(893 612)</b>	<b>(700 781)</b>	<b>(692 132)</b>
<b>Net financial assets</b>	<b>565 820</b>	<b>578 967</b>	<b>804 660</b>	<b>813 309</b>

#### 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 were no changes in the Group's approach to capital management during the year.

#### Borrowing facilities

The unutilised borrowing facilities include general short-term banking facilities, asset-based finance facilities as well as guarantee facilities amounting to R603 million.

General short-term banking facilities  
First National Bank  
Standard Corporate and Merchant Bank  
Nedbank  
Absa Corporate and Merchant Bank  
Investec  
Unutilised

	Group		Company	
	2008	2007	2008	2007
	R'000	R'000	R'000	R'000
First National Bank	50 000	50 000	50 000	50 000
Standard Corporate and Merchant Bank	50 000	50 000	50 000	50 000
Nedbank	50 000	50 000	50 000	50 000
Absa Corporate and Merchant Bank	83 600	100 000	83 600	100 000
Investec	3 000	3 000	3 000	3 000
<b>Unutilised</b>	<b>236 600</b>	<b>253 000</b>	<b>236 600</b>	<b>253 000</b>



Asset finance  
 Provided  
 Utilised  
 Unutilised  
 Guarantees  
 Provided  
 Utilised  
 Unutilised

The Group has exposure to guarantees. In addition to the normal guarantees, the Group has a guarantee for the housing scheme and is on occasion called upon to provide guarantees when procuring goods and services.

### 39 OPERATING LEASES

#### *Leases as lessee*

Non-cancellable operating lease rentals are payable as follows:

Less than one year  
 Between one and five years  
 More than five years

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 2008, R47 million was recognised as an expense in the income statement in respect of operating leases (2007: R21 million)

#### *Leases as lessor*

The Group leases out certain of its investment properties under operating leases (see note 5). The future minimum lease payments under non-cancellable leases are as follows:

Less than one year  
 Between one and five years

During the year ended 31 March 2008, R8.5 million was recognised as rental income in the income statement (2007: R7.7 million) and R0,05 million in respect of repairs and maintenance was recognised as an expense in the income statement relating to investment property (2007: R0.04 million).

Group		Company	
2008	2007	2008	2007
R'000	R'000	R'000	R'000
340 000	340 000	340 000	340 000
(33 688)	(61 356)	(33 688)	(61 356)
<b>306 312</b>	<b>278 644</b>	<b>306 312</b>	<b>278 644</b>
63 365	56 000	63 365	56 000
(3 035)	(3 675)	(3 035)	(3 675)
<b>60 330</b>	<b>52 325</b>	<b>60 330</b>	<b>52 325</b>

582	11 354	582	11 354
459	26 403	459	26 403
-	921	-	921
<b>1 041</b>	<b>38 678</b>	<b>1 041</b>	<b>38 678</b>

2 072	2 943	2 072	2 943
5 032	6 027	5 032	6 027
<b>7 104</b>	<b>8 970</b>	<b>7 104</b>	<b>8 970</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 40 COMMITMENTS

### Capital commitments

Contracted for  
Approved but not contracted for

### Programme, film and sports rights

Total purchase commitments

The capital expenditure will be funded partially by government through its technology recapitalisation programme plan (see note 23). In addition to this, capital commitments to the value of R425 million, which form part of our commitments, are to be funded through the use of Asset-Based Finance facilities that have been made available by various financial institutions.

Commitments for programme, film and sports rights will be funded internally. The currency exposure on foreign programme, film and sports rights at 31 March 2008 is as follows:

### GROUP AND COMPANY

#### Year ending 31 March 2009

Local  
Foreign - US Dollar

#### Year ending 31 March 2010

Local  
Foreign - US Dollar

#### Year ending 31 March 2011

Local  
Foreign - US Dollar

#### Total commitments

The Group has committed R10 million to the SABC Foundation for educating future generations.

The Group has allocated US \$10 million to the African Union of Broadcasters in bringing sport to the African Continent as part of the commitment to making the 2010 Soccer World cup an African World Cup. There was a submission to government for the potential funding requirement of this commitment.

Group		Company	
2008	2007	2008	2007
R'000	R'000	R'000	R'000
152 788	939 662	152 788	939 662
873 139	539 016	873 139	539 016
1 025 927	1 478 678	1 025 927	1 478 678
3 156 478	1 170 876	3 156 478	1 170 876
4 182 405	2 649 554	4 182 405	2 649 554

Local commitments	Foreign commitments		Total
R'000	R'000	R'000	R'000
583 766	51 074	423 738	1 007 504
583 766	-	-	583 766
-	51 074	423 738	423 738
275 896	32 879	318 358	594 254
275 896	-	-	275 896
-	32 879	318 358	318 358
358 245	124 288	1 196 475	1 554 720
358 245	-	-	358 245
-	124 288	1 196 475	1 196 475
1 217 907	208 241	1 938 571	3 156 478

## 41 CONTINGENCIES

### GROUP AND COMPANY

Contingent liabilities comprise claims lodged by third parties against the Group which, in some cases, may be reduced by a counter-claim for insurance.

- (i) The Public Investment Corporation ('PIC') has instituted a claim of approximately R377 million plus interest against the SABC. The claim arose from the purported cancellation of a lease agreement for certain assets previously managed by the Bophuthatswana Broadcasting Corporation. There have been various court applications and rulings, none of which have been lost by the SABC. The parties have agreed to refer the matter to arbitration and an arbitrator has been appointed.

(ii) Trustco (Proprietary) Limited has instituted a claim against the SABC for an alleged breach of contract relating to a wireless agreement for a game show on SABC2. The SABC lost the case and is appealing the arbitration award. The SABC has been advised that should the claim be proven it would be significantly less than the R140 million originally claimed.

(iii) The National Lottery Board (NLB) brought an application against the Trustees of the SA Children's Charity and the SABC for breach of the Lotteries Act by the production and broadcasting of the WiniKhaya Game Show on SABC1. In October 2007 the court ruled in favour of the SABC.

The NLB is appealing against the decision of the court. This might have an adverse impact on future revenue streams from programmes of this nature.

- (iv) CF Pulkowski is suing the SABC for copyright infringement. He is the composer of the original theme and background music for *Generations*. The claim amounts to R13 million. The SABC is currently awaiting a trial date.

## 42 RELATED PARTIES

The Group is 100% controlled by its shareholder, the government, represented by the Department of Communications.

The company is a Schedule 2 public entity in terms of the Public Finance Management Act, No 1 of 1999, as amended. The related party disclosure is in terms of the requirements of IAS 24 - Related Parties

Disclosures and the specific guidance given by the South African Institute of Chartered Accountants.

The related parties of the Group consist mainly of government departments, state-owned enterprises, other public entities in the national sphere of government and key management personnel of the Group or its shareholder and close family

members of these related parties. The related parties of the Group also include its subsidiaries (see note 8). The list of public entities in the national sphere of government was provided by National Treasury on their website [www.treasury.gov.za](http://www.treasury.gov.za).

The following transactions were carried out with related parties:

- (i) *Transactions with subsidiaries - Company*

SABC Airwave (Proprietary) Limited (formerly Airtime TV Outside Broadcast (Proprietary) Limited trading as Airwave Travel)

Auckland Programme Trade B.V. (incorporated in the Netherlands)

2008		2007	
R'000	R'000	R'000	R'000
Amount of transactions	Amounts owed (to)/by subsidiary	Amount of transactions	Amounts owed (to)/by subsidiary
10 979	12 702	(1 051)	(9 999)
151	(15 194)	315	(8 824)
<b>11 130</b>	<b>(2 492)</b>	<b>(736)</b>	<b>(18 823)</b>

Related party relationships exist between the company and its wholly-owned subsidiaries, Airwave Travel and Auckland Programme Trade B.V. 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. is managed by Orange Field Trust, the Netherlands, and transactions within this subsidiary are 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). Goods and services are bought/sold to subsidiaries on an arm's length basis at market-related prices.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 42 RELATED PARTIES (continued)

(ii) Included in revenue and trade receivables - Group and Company (continued)

	2008		2007	
	R'000	R'000	R'000	R'000
	Amount of transactions	Outstanding balance	Amount of transactions	Outstanding balance
Airports Company South Africa	1 855	150	-	-
Eskom Holdings Limited	40 689	348	593	(11)
South African Airways (Proprietary) Limited	2 424	-	439	-
South African Post Office	16 894	(56)	-	-
Telkom South Africa Limited	37 770	10	-	1
Transnet Limited and subsidiaries	-	-	373	30
Department of Agriculture	2 990	3 504	1 459	1 104
Department of Arts and Culture	1 238	1 580	49	57
Department of Communications	49 947	148	53 482	24
Department of Correctional Services	3 363	903	1 503	670
Department of Economic Affairs	320	(70)	1 757	91
Department of Education	16 431	13 827	1 432	(1 243)
Department of Environmental Affairs and Tourism	174	(3)	209	63
Department of Health	12 898	10 599	8 809	5 006
Department of Home Affairs	1 412	815	841	659
Department of Housing	9 663	1 709	2 459	1 365
Department of Justice and Constitutional Development	1 969	1 642	284	144
Department of Labour	1 982	1 831	102	5 570
Department of Land Affairs	792	3 632	2 442	(202)
Department of Provincial and Local Government	707	92	2 413	1 082
Department of Public Works	655	263	1 853	685
Department of Safety and Security	601	540	1 026	408
Department of Social Development	1 941	347	1 670	764
Department of Sports and Recreation	4 740	2 671	1 236	596
Department of Trade and Industry	113	253	158	589
Department of Transport	16 855	3 114	9 128	2 060
Department of Water Affairs and Forestry	2 930	1 500	1 254	166

(ii) Included in revenue and trade receivables - Group and Company (continued)

Department of Science and Technology  
 Department of Foreign Affairs  
 Department of Community and Safety  
 Department of Defence  
 Department of Local Government and Housing  
 Department of Public Service  
 Department of Road and Public Works  
 Department of the Premier  
 Department of Minerals and Energy  
 Department of Social Development  
 Department of Finance  
 Department of Economic Development  
 Government Communications  
 Independent Electoral Commission  
 National Empowerment Fund  
 National Electricity Regulator  
 National Productivity Institute  
 National Treasury  
 National Youth Commission  
 Parliament of South Africa  
 Performing Arts Council  
 South African Police Service  
 South African Revenue Service  
 National Credit Regulatory  
 Lovelife

2008		2007	
R'000	R'000	R'000	R'000
Amount of transactions	Outstanding balance	Amount of transactions	Outstanding balance
1 158	1 149	40	(28)
27	2	-	-
1 035	608	-	-
185	227	-	-
4 083	1 936	-	-
743	(34)	-	-
1 759	1 164	-	-
399	-	-	-
4 437	98	109	128
3 346	2 287	1 316	1 010
531	700	137	165
1 929	4 101	329	352
33 093	37	(452)	50
581	-	562	(660)
3 976	-	-	-
279	(16)	-	-
301	-	-	-
6	137	119	132
49	22	-	22
2 745	3 291	982	16
-	-	62	78
530	45	7	-
19 820	412	4 455	3 277
429	-	-	-
4 241	4 526	-	-
<b>317 035</b>	<b>70 041</b>	<b>102 637</b>	<b>24 220</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 2008

## 42 RELATED PARTIES (continued)

	Note	2008		2007	
		R'000	R'000	R'000	R'000
		Amount of transactions	Outstanding balance	Amount of transactions	Outstanding balance
<b>(iii) Grants and sponsorships - Group and Company</b>					
Government grants recognised in revenue	29	74 951	-	84 045	-
Deferred government grant	23	-	294 774	-	188 735
		<b>74 951</b>	<b>294 774</b>	<b>84 045</b>	<b>188 735</b>
<b>(iv) Purchases of goods and services - Group</b>					
Telkom South Africa Limited		25 929	955	34 147	-
South African Post Office Limited		38 488	-	32 408	197
Sentech		351 455	2 675	311 614	-
South African Revenue Service		643 263	72 646	643 132	36 667
Income Tax		34 220	71 524	178 299	(19 165)
Value-added-taxes		329 983	19 029	223 341	38 507
Employee taxes (Pay-As-You-Earn (PAYE))		279 060	(17 907)	241 492	17 325
Sector Education and Training Authority (SETA)		14 798	986	10 542	788
Unemployment Insurance Fund		12 182	913	9 715	846
Eskom Holdings Limited		711	1	1 462	1
		<b>1 086 826</b>	<b>78 176</b>	<b>1 043 020</b>	<b>38 499</b>
Goods and services are purchased from related parties on an arms length basis at market-related prices.					
<b>(v) Interest payments - Group and Company</b>					
Shareholder - permanent capital	21, 34	1 823	27 390	1 796	27 390
<b>(vi) Employee benefit payments - Group and Company</b>					
SABC Pension fund	25	(87 566)	-	(75 122)	(9 521)
SABC Medical aid scheme		(97 644)	-	(106 517)	(9 559)
		<b>(185 210)</b>	<b>-</b>	<b>(181 639)</b>	<b>(19 080)</b>
<b>(vii) Loans and receivables - Group and Company</b>					
Sentech Limited	9, 34	112	-	880	5 300
<b>(viii) Administered projects</b>					

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 of R1 million (2007: R3,1 million) is included in trade and other payables.

	Opening balance	Funds received	Applied to expenditure	Applied to net assets	Interest accrued	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000
<b>For the year ended 31 March 2008</b>						
Channel Africa	2 846	32 963	(35 513)	-	-	296
Community Radio Project	289	-	(3 468)	(30)	3 453	244
	<u>3 135</u>	<u>32 963</u>	<u>(38 981)</u>	<u>(30)</u>	<u>3 453</u>	<u>540</u>
<b>For the year ended 31 March 2007</b>						
Channel Africa	3 080	31 393	(31 755)	362	490	2 846
Community Radio Project	34	-	(2 182)	(255)	2 692	289
	<u>3 114</u>	<u>31 393</u>	<u>(33 937)</u>	<u>(617)</u>	<u>3 182</u>	<u>3 135</u>

(ix) Administered funds

Bank balances of Community Radio Project

Group		Company	
2008	2007	2008	2007
R'000	R'000	R'000	R'000
<u>38 557</u>	<u>45 986</u>	<u>38 557</u>	<u>45 986</u>

(x) Service contracts for executive directors

Service contract

- start date

- end date

Service period

Remaining

Adv D.C. Mpofo      Mr R.A. Nicholson

1 August 2005

1 July 2001

31 July 2010

30 June 2011

5 years

10 years

2 years and 4 months

3 years and 3 months

(xi) Directors' and key management personnel compensation

Directors' emoluments	Service as	Service period	Basic salary	Allowances	Employer's contribution to pension fund, medical aid and other	Bonuses and commissions	Total
			R'000	R'000	R'000	R'000	R'000
<b>Executive</b>							
<i>Year ended 31 March 2008</i>							
Adv D.C. Mpofo	Group Chief Executive Officer	12	1 806	325	276	2 140	4 547
Mr R.A. Nicholson	Chief Financial Officer	12	1 393	295	232	1 471	3 391
			<u>3 199</u>	<u>620</u>	<u>508</u>	<u>3 611</u>	<u>7 938</u>
<i>Year ended 31 March 2007</i>							
Adv D.C. Mpofo	Group Chief Executive Officer	12	1 806	264	275	1 453	3 798
Mr S.Q.M. Mokoetle	Chief Operations Officer	9	991	238	161	1 165	2 555
Mr R.A. Nicholson	Chief Financial Officer	12	1 302	271	219	1 072	2 864
			<u>4 099</u>	<u>773</u>	<u>655</u>	<u>3 690</u>	<u>9 217</u>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 42 RELATED PARTIES (continued)

(xi) Directors' and key management personnel compensation (continued)

Directors' emoluments	Service as	Service period	Basic salary	Allowances	Employer's contribution to pension fund, medical aid and other	Bonuses and commissions	Total
			R'000	R'000	R'000	R'000	R'000
<b>Non-executive</b>							
<i>Year ended 31 March 2008</i>							
Mr E. Funde	Board Chairperson*	9	-	282	-	-	282
Ms K. Mkonza	Board Chairperson**	12	-	254	-	-	254
Ms C. Qunta	Board Member	12	-	228	-	-	228
Ms N. Bulbulia	Board Member	3	-	35	-	-	35
Prof A. Gillwald	Board Member	12	-	161	-	-	161
Mr D.K. Golding	Board Member	3	-	39	-	-	39
Mr B.B. Khumalo	Board Member	3	-	36	-	-	36
Ms F. Lagadien	Board Member	12	-	163	-	-	163
Mr A. Maralack	Board Member	9	-	166	-	-	166
Prof T. Mazwai	Board Member	9	-	115	-	-	115
Mr A. Mbeki	Board Member	12	-	206	-	-	206
Mr C. Msomi	Board Member	9	-	108	-	-	108
Ms G.T. Serobe	Board Member	3	-	28	-	-	28
Prof D. Swartz	Board Member	9	-	84	-	-	84
Mr A.H. Trikamjee	Board Member	12	-	194	-	-	194
Adv E.F.P Tlakula	Board Member	3	-	23	-	-	23
Mr B.P. Vundla	Board Member	3	-	36	-	-	36
			-	2 158	-	-	2 158

\* Board chairperson to 31 December 2007.

\*\* Board chairperson from 1 January 2008.

*Year ended 31 March 2007*

Mr E. Funde	Board Chairperson	12	-	347	-	-	347
Ms C. Qunta	Board Member	12	-	233	-	-	233
Prof A. Gillwald	Board Member	12	-	144	-	-	144
Ms F. Lagadien	Board Member	12	-	149	-	-	149
Mr A. Maralack	Board Member	12	-	174	-	-	174
Prof T. Mazwai	Board Member	12	-	113	-	-	113
Mr A. Mbeki	Board Member	12	-	188	-	-	188
Ms K. Mkonza	Board Member	12	-	209	-	-	209
Mr C. Msomi	Board Member	12	-	167	-	-	167
Prof D. Swartz	Board Member	12	-	109	-	-	109
Mr A.H. Trikamjee	Board Member	12	-	226	-	-	226
			-	2 059	-	-	2 059

Directors' emoluments		Service as	Service period	Basic salary	Allowances	Employer's contribution to pension fund, medical aid and other	Bonuses and commissions	Total
				R'000	R'000	R'000	R'000	R'000
<b>Company Secretary</b>								
<i>Year ended 31 March 2008</i>								
	Ms R. Naidoo		12	841	261	128	249	1 479
<i>Year ended 31 March 2007</i>								
	Ms R. Naidoo		12	683	238	105	142	1 168
<b>Group Executive</b>								
<i>Year ended 31 March 2008</i>								
	Mr N. Bonthuys	Acting Group Executive	12	536	228	104	156	1 024
	Ms P. Luthuli	Group Executive	12	1 234	321	186	613	2 354
	Ms T.C.C. Mampane	Group Executive	12	1 296	239	223	342	2 100
	Mr L.G.Mampone	Group Executive	12	986	295	179	498	1 958
	Mr T. Mathibe	Acting Group Executive	12	666	204	102	45	1 017
	Mr M.M. Mbebe	Group Executive	12	1 274	234	219	802	2 529
	Ms L.P. Mokhobo	Group Executive	12	1 273	234	210	398	2 115
	Ms P.M. Naves	Group Executive	12	864	234	153	234	1 485
	Ms P. Ntombela-Nzimande	Group Executive	12	1 020	320	155	214	1 709
	Mr S.J. Zikalala	Group Executive	12	1 264	234	219	538	2 255
				<b>10 413</b>	<b>2 543</b>	<b>1 750</b>	<b>3 840</b>	<b>18 546</b>
<i>Year ended 31 March 2007</i>								
	Ms P. Luthuli	Group Executive	12	954	315	144	371	1 784
	Ms T.C.C. Mampane	Group Executive	12	677	227	128	301	1 333
	Mr M.M. Mbebe	Group Executive	12	966	234	170	572	1 942
	Ms L.P. Mokhobo	Group Executive	12	832	209	150	216	1 407
	Ms P.M. Naves	Group Executive	12	572	235	112	147	1 066
	Ms P. Ntombela-Nzimande	Group Executive	12	572	288	88	122	1 070
	Ms S. Rapeti	Group Executive	12	849	268	145	274	1 536
	Mr S.J. Zikalala	Group Executive	12	833	235	151	325	1 544
	Mr L.G.Mampone	Group Executive	6	383	37	105	68	593
	Mr M.W. Jakins	Group Executive	4	380	95	63	1 606	2 144
	Mr I.L. Rensburg	Group Executive	-	-	-	-	539	539
				<b>7 018</b>	<b>2 143</b>	<b>1 256</b>	<b>4 541</b>	<b>14 958</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

## 43 LICENCE AGREEMENTS

The Group was granted the following Public Television Broadcasting Licences by the Public Service Division of the Independent Communications Authority of South Africa (ICASA) for the period 23 March 2004 to 22 March 2012: SABC1 and SABC2.

The Group was granted the following Commercial Television Broadcasting Licences by the Public Service Division of ICASA for the period 23 March 2004 to 22 March 2012: SABC3.

The Group was granted the following Public Sound Broadcasting Licences by the Public Service Division of ICASA for the period 23 March 2004 to 22 March 2010: 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 the Public Service Division of ICASA for the period 23 March 2004 to 22 March 2010: 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.



In the spirit of our 'green revolution', this Annual Report has been printed on Papersmith & Son's Cyclus offset, a 100% recycled and environmentally friendly paper stock. No harmful chemicals were used in the production process.

## ACKNOWLEDGEMENTS

The Annual Report of the South African Broadcasting Corporation Limited has been compiled and edited by the Corporate Communications Division of the SABC.

*We wish to thank the following people for their contributions to this Annual Report:*

- Johanna Nieuwenhuys of SABC Media Studio for the concept, design and DTP layout
- Gallo Images, Emil Wessels and Nolwazi Shange of SABC Media Studio for the photographs used in this Annual Report
- SABC Finance Division for the production of the annual financial statements
- Ndivhuwo Khangale of Corporate Communications for compiling and assistance with editing
- Karin Pampallis for her assistance with editing
- Our colleagues of the Executive Committee for their contributions and invaluable inputs to this report
- And finally, to our colleagues at the Department of Communications, for their assistance in expediting the process of approvals

Dudu Mwelase  
Editor  
September 2008

Printer: Ultra Litho

*This publication is available from SABC Corporate Publications  
Private Bag X1, Auckland Park 2006  
Tel: +27 11 714 2219, Fax: +27 11 714 3113  
SABC on the World Wide Web: [www.sabc.co.za](http://www.sabc.co.za)*