



SABC ANNUAL REPORT 2010/11

**Presentation to the
Portfolio Committee
on Communications**

18 October 2011

Let us be the One.

- INTRODUCTION
- OPERATING ENVIRONMENT
- OVERVIEW
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- SOURCES OF REVENUE
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- The SABC Annual Report follows National Treasury guidelines ;
- Incorporates King III Report requirements;
- In line with the SABC Corporate Plan and principles of integrated reporting;
- Includes financial and non-financial performance of the organisation;
- Predetermined objectives and performance .



[Operating] Environment Overview

- The year under review posed a number of challenges for the SABC as the country was still in recession following the global financial downturn;
- The ripple effect of the global crisis affected the advertising spend, audience share and the overall performance of the SABC; this was coupled with SABC's own internal governance crisis and business inefficiencies;
- The SABC's successful coverage of the 2010 FIFA World Cup however played a critical role in turning things around . A record 8 million (76% of all audiences in SA) viewers tuned into SABC 1 to watch the opening match between South Africa and Mexico. The SABC covered this world spectacle with prestige as we secured the best of the world talent as soccer analysts and delivered all 64 games live in simulcast on radio and TV in all official languages;
- The SABC's role in enhancing social cohesion and nation building was well executed as we galvanised the country into "feeling" the world cup fever;
- The Turnaround Strategy was also introduced, re-committing the organisation to its public mandate and focus on our audiences.



[Overview]

- Advertising revenue increases impressively year-on-year on both radio & TV;
- Television regained its lost share of the market achieving 52,5% delivery from 51,6 in the previous fiscal;
- Sponsorship revenue and TV Licences remain a challenge;
- Employee compensation and benefit costs were contained and decreased by 3%;
- Amortisation of Programme, Film and Sports Rights increased by 1% but is being currently addressed as part of the Turnaround Strategy;
- SABC continues to implement austerity measures to contain costs;
- Despite austerity measures which significantly affected local programme commissioning, the SABC met its mandate and license conditions of over 55% local content per channel.

- Plan of Action to address the Auditor General's Report;
- Approval of the Turnaround Strategy and completion of Phase I;
- Adoption of Corporate Pillars informing Strategic Focus areas and Operational Plan;
- Improved financial position;
- Governance and Risk Management Strategy and Procedures include:
 - Risk Policies developed, approved and to be implemented;
 - High level of compliance with Government Guarantee requirements;
 - Corporate Plan and Performance Contracts for all executives complies with Government requirements;
 - Shareholder Compact (FY10/11) completed and submitted to the Department of Communications.



Report on [Mandate Performance]

- Both Public Broadcasting & Commercial Broadcasting services of the SABC have to comply with the values of public broadcasting in the provision of its services and programmes;
- SABC has to deliver unbiased and impartial news and current affairs programmes on radio and television;
- SABC provides a significant amount of educational programming – both curriculum based and informal education;
- SABC provides content and programmes that promote unity, nation building and social cohesion;
- SABC radio covers minority cultures and language groups with XK FM broadcasting in IXIntali and Khwedam; Lotus broadcast mainly in English with daily broadcasts in Urdu, Tamil, Gujirathi and Hindi.

- **Sport Unified in 2010/11:** SABC Radio delivered 21 115 hours of World Cup related programming and 2 080 hours of live coverage of the game; played 85% South African music, 9% African continental music and 6% international music.
- **Events of National Importance:** The State of the Nation Address; the Opening of Parliament; the Budget Speech; the opening of Provincial Assemblies - broadcast across all SABC radio stations in all languages.
- Other significant commemorations included the 50th Anniversary of the Sharpeville massacre; 150 year commemoration of the arrival of the Indian Community in South Africa; and the 20 years since the release of Nelson Mandela. And the build-up to the 2011 Local Government Elections
- SABC Radio is the most culturally unifying institution in the country: 15 PBS stations; 3 Commercial stations reaching all communities in all official languages; offering news, education, current affairs and entertainment 24/7 – 365.
- SABC Education (Radio and TV) focused on democracy and voter rights in game shows, magazine programmes, and teen programmes : The Right to Win, Khululeka Siyavota and the Election Debates shown on SABC 1, Supplemented on SABC web and facebook platforms, with websites dedicated to explaining the voting process to new voters and encouraging ID registration

- Despite austerity measures, affecting local TV programme commissioning, SABC continued to broadcast programming driven by democratic imperatives;
- Game-shows, magazine programmes and documentaries focused on democracy. Formal educational programming ensured that our youth were being equipped to complete their schooling with confidence;
- Other informal knowledge-building programmes focused on vocational, health, finance and family issues, with advice and content extending beyond radio and television to rich multi-media internet and mobile platforms;
- Websites devoted to health, civic and vocational advice were supported by millions of South Africans in 2010/11;
- This included key national strategic projects : Youth Month, Women's Month, 16 Days of Activism Against Abuse of Women and Children.

- SABC News is a content provider for all News & Current Affairs programmes on radio, television and digital media;
- SABC News broadcast 32 radio Current Affairs programmes daily; 6 TV News bulletins broadcast daily & 10 Current Affairs shows on SABC 1, SABC 2 and SABC 3 every week;
- SABC News is increasingly influential in setting the media agenda, ranked 10th on the Most Quoted Media Ranking during 2010;
- The IPSOS Markinor Research confirmed that the majority (79%) of the public feel that the SABC is living up to its commitments as laid out in the public mandate;
- SABC News also took top position in being the source of information to get people informed;
- Major highlights include successful broadcasts of key national events such as Youth Day, Heritage Day, President's New Year message, Matric Results, State of the Nation Address, Day of Reconciliation amongst others;
- Touching Lives was also introduced as a social reconstructive initiative bringing attention to hardships still experienced by other parts of the country.
- News and Current Affairs provided integrated Elections special programmes;

- SABC broadcast all 64 games live across 3 television channels and 18 radio stations,
- Broadcasts were in all 11 official languages with simulcast on SABC radio.
- New South African record of 75.85% share of television viewers.
- Total SABC network average peaked at 82%.
- 8 895 965 viewers watched the opening Ceremony on SABC 1 - 76 % audience
- A total of 1.2 million new viewers watched SABC-TV.
- SABC Broadcast Centre in Sandton was home to officials, dignitaries and global analysts;
- Six African, 13 International and 11 local presenters commentated side-by-side.
- SABC partnered with Government, local municipalities and the Department of Arts and Culture on public viewing areas (PVAs) and provision of signal to 10 Fan Fests in each host city.
- Of 11 outside broadcast vans, 4 were new, broadcasting in High Definition – HD
- Complementary programming on all 3 SABC TV channels in all genres

The global broadcast of the 2010 FIFA World Cup™ attracted the highest viewership ever recorded for any global broadcast to that date

- Television : 32 matches (66 percent of games) were delivered live by satellite to MCR and IBC;
- SABC Sport was also responsible for packaging promos and 32 programme highlights;
- Radio: Radio 2000 covered 49 matches - syndicated with British Broadcasting Corporation;
- 17 matches were produced by British Broadcasting Corporation, and 29 matches were produced by Radio 2000, the SABC's team;
- The 9 African Language stations focused on the South African team matches and top 5 ranked cricket teams;
- Milestones: Key high-profile coaches, personalities and former players - Herscelle Gibbs, Charl Langeveld, Ray Jennings and Kass Naidoo – provided lively and informed commentary.



Sources of [Revenue]

- SABC relies on commercial revenue to provide the major base of the SABC income;
- In the year under review, commercial revenue contributed 76% to the SABC revenue with 67% from advertising sales and 9% from Sponsorship across major platforms;
- TV licences continued its marketing drive to create awareness on TV licences.

The objective of the report is to present to the Parliament Portfolio Committee on Communication the financial performance of the Corporation for the year ending 31 March 2011.

Income Statement	F10/11 R'million	F09/10 R'million	Variance R'million	Variance %
Total Revenue and Other Income	5293	4791	502	10%
Expenses	(4 967)	(4948)	(19)	0.4%
Profit/(Loss) before net Financing Costs, Income Tax, Depreciation of PPE, Amortisation of Computer Software& Impairment of Trade and Other Trade Receivables.	326	(157)	483	-308%
Depreciation of PPE , Amortisation of Computer Software& Impairment of Trade and Other Receivables	(360)	(257)	(103)	40%
	(85)	(77)	(8)	10%
Net Financing Income/(Loss)	(10)	(1)	-9	900%
Income Tax				
Loss for the year [Operational]	(129)	(492)	363	(74%)
Other Comprehensive Income/(Loss)	(85)	6	(91)	(1517%)
Total Comprehensive loss for the year	(214)	(486)	272	(56%)

- Profit before Net Financing Income, Income Tax, Depreciation of Property Plant and Equipment (PPE), Amortisation of Computer Software and Impairment was R326 million.
- This was a 308% improvement from the prior year where the organisation had made a R157 million Loss before Net Financing Costs, Income Tax, Depreciation of PPE, Amortisation of Computer Software and Impairment.
- The Total Comprehensive loss for the year ended 31 March 2011 was R214 million, an improvement of R272 million from year to year. The improvement was driven largely by improved revenues (10%), and the benefits of costs containment as expenses remained relatively constant at 0.4%.
- Net Financing (Income)/Loss was R85 million, R8 million (10%) higher than prior year. This is mainly driven by the finance costs relating to the Nedbank R1 billion loan and the Outside broadcast vans acquired through finance leases.



Cash Flow Statement

	2011	Movement	2010	Change
	R'million	R'million	R'million	%
Net cash inflows/(outflows) from operating activities	491	706	(215)	(328)
Net cash flows from investing activities	(624)	(4)	(620)	1
Net cash flows from financing activities	128	(1 225)	1,353	(91)
Cash and Cash equivalents at end of the year	109	(6)	115	(5)

The net cash inflow/(outflow) from operating activities improved significantly in the year under review. This remains the key operational measure for financial health.

This measure has returned to a positive cash flow in the 2010/2011 financial year as targeted previously.





TECHNOLOGY

- The technology division played a critical role in enabling the SABC to successfully deliver the production of the 2010 FIFA World Cup matches;
- Newly acquired digital TV outside broadcast units were deployed to provide production facilities at the SABC broadcast centre and other facilities at stadia for some matches;
- For the first time SABC simulcast radio commentary in all 11 Official languages along with the television coverage; specialised equipment had to be sourced and deployed across the country in order to achieve the simulcast;
- M1 studio was revamped and re-launched in March 2011 providing new capabilities and latest digital technology ;
- The division started rolling out 65 capital expenditure projects including digitization of studios and building of a new line recording facility.

- The creation of a number of extra channels on the DTT bouquet will allow SABC to offer greater range of content in all official languages:
 - Increased regional representation
 - Drive industry development in building capacity for new and existing producers particularly in province;
- The SABC's DTT strategy is intended to deliver channels that meet the diverse audience needs of the country;
- Specific focus will be on increasing content delivery in areas such as:
 - Children's programming,
 - News,
 - Sport,
 - Regional content,
 - Youth, women, education as well as communities with disabilities.



About the [SABC]

- The SABC lived up to its commitment to create and promote an environment that encourages its people to reach their full potential;
- HCS initiatives included training and skills development, supporting HIV/Aids afflicted employees, implementing a performance management programme and managing talent to ensure greater employment equity;
- In partnership with MAPPP-SETA and the National Skills Fund, the SABC embarked on a project to train 262 unemployed graduates and learners; the internship focused on core operations of the SABC such as journalism, technology, broadcast engineering and TV & Radio operations;
- A total of 3218 employees participated in skills and training initiatives of the organisation;
- 1221 employees participated in the (HIV/Aids Voluntary Counseling and Testing (VCT)).

- The effective implementation of the occupational health and safety programme, storage and stacking programme, fire safety programme assisted in keeping injuries on duty low, i.e. DIFR (Disabling Incident Frequency Rate) of 0.6 against an average of 2.0;
- A Hot Work Permit Policy was developed and approved to safeguard the SABC and the contractors on site against injuries during hot work operations;
- The SABC offers a state of the art gym. An average of 2000 permanent staff members and contract workers use the gym facilities every time;
- Several noise survey and air quality tests have been conducted by an Approved Inspection Authority;
- Audiometric tests have been conducted on employees that were exposed to more than 85 decibels in identified noise zones.

- SABC appeared before the PPCC 8 times, with 3 appearances before the Committee on Sport and Recreation, & 1 appearance before the Special Committee on Public Accounts (SCOPA).
- The SABC hosted a successful conference of Commonwealth Broadcasting Association (CBA) under the theme “Broadcasting scores”.
- The Advertising Industry/SABC Forum was founded to foster on-going constructive engagement
- Bilateral & multilateral agreements were initiated with international organisations - with the Association for the Development of Education in Africa (ADEA), Tanzania Broadcasting Corporation (TBC), and Africa China Television Media.
- Staff interactions through the established internal forums: Senior Management and the Middle Management and Independent Professionals Forums.

- SABC Provinces are key delivery points for the SABC;
- 12 SABC radio stations are based outside of Gauteng;
- 83% of news content is generated from the Provinces;
- 82% of the SABC audiences are found outside Gauteng;
- SABC Provincial management is responsible for the identification of, and liaison with all stakeholders in their Provinces for Special initiatives such as:
 - 16 Days Campaign, World Aids Day, many community and social initiatives.

- The Turnaround Strategy was designed to consolidate and enhance SABC's performance and reputation as the nation's public service broadcaster, and one that all of its stakeholders can be proud of.
- The short-term objectives of the Turnaround project are to:
 - improve cash-flow and working capital,
 - release the organisation from obligations associated with its commercial borrowings and associated government guarantee.
- In the medium- to long-term, the objective is to streamline and modernise the organisation for the future digital environment.

A stable organisation, with stronger liquidity & an optimised operational structure is anticipated in Phase II of the Turnaround Strategy; including.

- **Risk & Governance:** Establishing & enforcing adequate internal controls, systems to ensure & monitor compliance with the PFMA, enhancing revenue and improving the quality of our content.
- **Operations:** Re-building & re-aligning the operating business model
- **Human Capital:** appointment of key personnel to drive the implementation of the corporate strategy.
- **Performance management:** Establishing clear performance targets to ensure proper monitoring of performance & increased accountability.
- **Finance:** Maintaining financial stability
- **Marketing:** Corporate brand repositioning to enhance the integrity of the SABC brand.
- **News:** launch of the 24-hour News Channel
- **DTT:** The roll-out of the Digital Terrestrial Television project.

THANK YOU

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