



Our SABC



ANNUAL REPORT 2005



O amogetswe  
mo gae

## VISION

"To be the Pulse of Africa's Creative Spirit"

## MISSION

"To deliver distinctive and compelling programming through sound business practices"

## VALUES

"Talking, listening and hearing, integrity, exceptional performance, harnessing diversity"

## OUR PROMISE

"Your South Africa. Your SABC."

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This is the 68th Annual Report of the South African Broadcasting Corporation Limited.

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 Limited for the twelve months to 31 March 2005.

The SABC is South Africa's national public broadcaster. Almost 19 million adults tune in to the SABC's network of 18 radio stations every day, and 18 million adults watch the three free-to-air television channels.

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# Governance

# Charter of the SABC

The functions and duties of the SABC, as determined by Parliament, are specified in the Broadcasting Act, No 4 of 1999, as amended. Section 6 of the Act sets out the charter with which the SABC has to comply. In terms of this charter, the SABC, in pursuing its goals and exercising its powers, enjoys the freedom of expression and of journalistic, creative, and programming independence that is guaranteed by the Constitution.



The charter also says that the SABC is to encourage development of South African expression by offering, in all South Africa's official languages, a wide range of programmes that:

- reflect South African attitudes, opinions, ideas, values, and artistic creativity
- display South African talent in educational and entertaining programmes
- offer a plurality of views and a variety of news, information, and analyses from a South African point of view
- advance the national and public interest

### Section 8 of the Act sets out the objectives of the company as follows:

- to make its services available throughout the Republic;
- to provide sound and television broadcasting services, whether by analogue or digital means, and to provide sound and television programmes of information, education and entertainment funded by advertisements, subscription, sponsorship, 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 Authority;
- to provide, in its public broadcasting services, radio and television programming that informs, educates and entertains;
- to be responsive to audience needs, including the needs of the deaf and the blind, and account on how to meet those needs;
- to provide other services, whether or not broadcasting or programme supply services, such services being ancillary services;
- to provide television and radio programmes and any other material to be transmitted or distributed by the common carrier for free to air reception by the public subject to section 33 of 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 to provide to other bodies by such means and methods as may be convenient, interactive material, whether analogue or digital and whether on media now known or hereafter invented, as may be conducive to any of the objects of the company;
- to establish and maintain libraries and archives containing materials relevant to the objects 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 objects 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 and train people in production skills and carry out research and development for the benefit of audiences;
- to develop, produce, manufacture, purchase, acquire, use, display, sell, rent or dispose of sound recordings and films and materials and apparatus for use in connection with such sound recordings and films; and
- to develop and extend the services of the company beyond the borders of South Africa.

# Organisational Structure

The SABC is governed by a board of directors, the non-executive members of which are nominated by the public and appointed by the President on the recommendations of the Parliamentary Portfolio Committee on Communications. The executives are appointed by the board. The 15-member board comprises 12 non-executive members (including the chairperson) and three executive members. The board is responsible for matters of policy.

**Group Chief Executive Officer** The Executive Committee is headed by the Group Chief Executive Officer. It applies policy and determines strategies and guidelines for achieving corporate objectives.

Company Secretary

Internal Audit

Chief Operating Officer

Chief Executive Commercial  
Broadcasting Services

Chief Executive News and  
Current Affairs

Public Broadcasting Services  
(Legally known as Public Service)  
PBS Radio - 15 stations  
PBS Television - 2 free-to-air channels

Content Enterprises

Regions

Commercial Broadcasting Services  
(Legally known as Commercial Service)  
CBS Radio - 3 stations  
CBS Television - 1 free-to-air channel

Radio  
  
Television  
  
SABC Africa

Chief Executive Commercial Services	Chief Executive Strategic Corporate Services	Chief Financial Officer
<p>Marketing</p> <p>Sales</p> <p>Audience Services</p> <p>Merchandising</p> <p>Mobile</p> <p>Corporate Social Investment and Responsibility</p> <p>Eventing</p>	<p>Legal</p> <p>Human Capital</p> <p>Public and Regulatory Affairs</p> <p>Corporate Communications</p> <p>Technology</p>	<p>Finance</p>

# Corporate *Governance* Statement

The SABC is governed by the Broadcasting Act, No 4 of 1999, as amended, and the Public Finance Management Act, No 1 of 1999, as amended. Since 1 October 2003, the SABC has also been governed by the Income Tax Act, No 58 of 1962, as amended, and the Companies Act, No 61 of 1973, as amended. **The SABC supports the King Report on corporate governance, and accordingly its governance principles and structures in respect of directors' induction, board members' appraisal, constitution of board subcommittees, and terms of reference for each subcommittee.** The company has implemented the recommendations of the 2002 King II Report, and the 2002 Protocol on Corporate Governance in the Public Sector.

## Structures Used to Ensure Corporate Governance

The board of the SABC, functions in terms of its charter as approved. The non-executive directors are nominated by the public and appointed by the President on the recommendations of the Parliamentary Portfolio Committee on Communications. The executive directors are appointed by the board. The directors are required to follow induction and appraisal programmes. The board, which meets at least six times a year, has tenure of a maximum of five years. The board is headed by a chairperson, who is a non-executive director. The day to day running of the company is managed by the Group Chief Executive Officer, assisted by the Chief Operating Officer and the Chief Financial Officer, all three of whom are executive members of the board. The members bring a range of skills and experience to the company, and apply these collectively to further the direction of the organisation, and are elected by a public process.

### Board Subcommittees

The purpose of the subcommittees is to assist the board in discharging its duties. In line with the recommendations of the King II Report, non-executive directors chair these subcommittees, and the majority of the committee members are non-executive members of the board. Members of the group executive management committee are invited to subcommittees that are relevant to their functions, all of which are constituted in terms of formal charters approved by the board, and function in accordance with the specified and approved terms of reference.

### Audit Subcommittee

The committee met five times, on predetermined dates, during the 2004/05 financial year. Special meetings were convened

when necessary. In discharging its duties, the committee ensures 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 a process of risk identification and measures to contain such risks are in place, examines and reviews the financial statements before they are submitted to the board, and obtains assurance from external auditors that adequate accounting records are being kept. It is also responsible for promoting and evaluating the independence of both the external auditors and the internal audit function. The committee considers and advises on the appointment and retention of external auditors, and evaluates their performance.

### Finance Subcommittee

The committee met four times, on predetermined dates, during the 2004/05 financial year. Special meetings were convened when necessary. In discharging its duties, the committee monitors and oversees the financial health of the SABC, including the review of budgets, financial business plans, and the annual report.

### Human Resources Subcommittee

The committee met five times, on predetermined dates, during the 2004/05 financial year. Special meetings were convened when necessary. In discharging its duties, the committee assesses, reviews and audits human resources functions, including matters relating primarily to staff training and development, employment equity, and employee relations.

It ensures that the company complies with relevant employment, labour, and industrial relations legislation. It implements the company's employment equity policy, and recommends to the board the strategic human resources direction for the SABC.

## Remuneration Subcommittee

The committee met four times, on predetermined dates, during the 2004/05 financial year. Special meetings were convened when necessary. In discharging its duties, the committee determines, agrees and develops the company's policies on the remuneration of executive and senior management.

It determines the criteria for measuring the performance of executive directors and senior management, and reviews practice in the industry and methods of remuneration.

## Technology Subcommittee

The committee met four times, on predetermined dates, during the 2004/05 financial year.

In discharging its duties, the committee assesses and evaluates the adequacy of SABC technology and related systems. It ensures that technology, management, information systems and relevant controls are up to date, competitive and can cope with planned strategy. It also ensures that the SABC utilizes innovative technology and platforms to deliver on its mandate.

## Programming Subcommittee

The committee met five times, on predetermined dates, during the 2004/05 financial year. Special meetings were convened when necessary. In discharging its duties, the committee evaluates and approves the SABC's broad programming and language strategy, and makes recommendations to the board on commissioning of programmes.

## News Subcommittee

The committee met five times, on predetermined dates, during the 2004/05 financial year. In discharging its duties, the committee assesses, evaluates and recommends to the board the broad strategy for news and current affairs programming.

## Public Service Subcommittee

The Public Service subcommittee held joint meetings with the Commercial Service subcommittee during the year.

In discharging its duties, the committee ensures that the division builds up and retains audience share and reach through

radio and television programming, and delivers content that is appreciated by a wide range of viewers and listeners.

It ensures 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 obligation.

## Commercial Service Subcommittee

In discharging its duties, the committee ensures that the programmes and services of this division subscribe to the values of the public services.

The Public and Commercial Service subcommittees met jointly three times, on predetermined dates, during the 2004/05 financial year.

## Black Economic Empowerment (BEE) and Transformation Subcommittee

The committee met six times, on predetermined dates, during the 2004/05 financial year.

In discharging its duties, the committee ensures that historically disadvantaged individuals share equitably in ownership, control and employment in the broadcasting sector; that enterprises have equitable access to SABC content and related services; and that content production reflects cultural diversity. It also ensures that clear targets for BEE are set and that tools are developed to monitor and evaluate adherence to objectives.

## Additional Meetings

Seven additional meetings were held during the 2004/05 financial year:

- Joint Finance and Technology Subcommittee
- Programming Workshop
- Human Resources Subcommittee

## Special Meetings

Seventeen special meetings were held during the 2004/05 financial year:

- Special Board Meeting
- Special Board Committee Meeting
- Special Technology Subcommittee
- Special BEE Subcommittee
- Special Audit Subcommittee

## Board Charter

The SABC Board Charter was finalised and approved by the board in the 2003/04 financial year.

## Board Performance and Evaluation

In line with the principles of the King Report on corporate governance, the performance of the board as a whole, and that of individuals on the board, is required to be evaluated annually. The remuneration and human resources subcommittees facilitate evaluation of the performance of the directors, including that of the Group Chief Executive Officer. The board appraises the performance of the chairperson.

## Attendance of Members at Board Meetings

Details of the attendance of meetings by board members appear on page 17 of this report.

## Board Members' Remuneration

Non-executive directors receive fees for attending board meetings, special meetings and subcommittee on which they serve. The Minister of Communications determines the remuneration of board members. Details of the board members' emoluments appear on page 28, note 35.2, in the financial statements of this annual report.

## Special Task Team of the Board

From time to time the board appoints a task team under the supervision of a board member.

## Executive Committee

The six-member executive committee, internally known as the Group Executive Committee (GEC) comprises the Group Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Chief Executive of News, the Chief Executive of Strategic Corporate Services, the Managing Director of the Public Broadcasting Services Division, and the Managing Director of the Commercial Broadcasting Services

Division. Active on the GEC are also key members of senior management. The Executive Committee deals with executive and strategic management matters, as well as important operational issues.

In the 2004/05 financial year, the executive committee comprised the following members:

- Mr Peter Matlare Group Chief Executive Officer (Chairperson)
- Mr Solly Mokoetle Chief Operating Officer
- Mr Robin Nicholson Chief Financial Officer
- Mr Anton Heunis Senior General Manager: Audience Services
- Mr Mark Jakins Group Sales and Marketing Director
- Dr Namane Magau Director: Human Capital Services
- Ms Charlotte Mampane Head: Regions
- Ms Kitten Matthews Chief Legal Adviser
- Mr Mvuzo Mbebe Managing Director: SABC Sport
- Mr Thami Ntenteni Executive Editor: Channel Africa
- Ms Judi Nwokedi Managing Director: Public Service Division
- Ms Sharoda Rapeti Managing Director: Technology
- Dr Ihron Rensburg Managing Director: SABC Education
- Mr Herman Warren Director: Corporate Strategy
- Dr Snuki Zikalala Managing Director: SABC News and Current Affairs

The Executive Committee applies policy and determines strategies and guidelines for achieving corporate objectives.

## Code of Ethics

The company has developed a code of ethics that deals, among other things, with the following:

- The fair and just manner in which the company, as a good corporate citizen, conducts itself when dealing with society
- The honesty and integrity with which its employees perform their duties
- The symbolic relationship with its contractual partners and suppliers based on honesty, integrity, transparency, fairness and professionalism in every aspect of its business
- Avoidance by its employees of any situation in which their interests may be in conflict with those of the company

## Employee Empowerment

The company 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 company 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 educational 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 company encourages offering part of its business to black businesses, and those belonging to other historically disadvantaged people. It creates extensive Black Economic Empowerment (BEE) opportunities, and actively pursues the objectives of this policy

## Environment, Health and Safety

The company, as a corporate citizen and as a public broadcaster, acknowledges its duty to serve all the South African communities well. In recognition of its civic and public broadcaster's obligations, the company makes services and programmes accessible to most South Africans.

The methods the company uses for broadcasting do not pose a threat to the environment, nor to the communities the company serves. The company 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 company'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 as its main source of information to determine the effectiveness of these procedures. It is currently determining the SABC's risk tolerance and appetite. The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed. The most significant risks facing the company that could affect achievement of its strategic objectives are identified, assessed and prioritised regularly through a risk assessment and accountability framework.

Control processes and strategies are used to manage and monitor these risks, and the risk culture of the SABC is developing well. Further strategies will be used to improve communication with employees in order to ensure that risk awareness is incorporated into the working culture.

Management of business units and the regions give input into this process, which is consolidated into eight main categories: environmental, strategic, financial, human resources, technology, content, broadcasting and platform risks, and customer risks.

## Treasury Risk Management

Senior management meets regularly to analyse currency and interest rate exposure, and to re-evaluate treasury management strategies against revised economic forecasts. The policies, strategies and products are approved by the Finance subcommittee.

## Foreign Currency Management

A focused treasury department manages exposure to currency and interest rate risk, and a policy of covering 50% of foreign currency exposure is applied. The finance subcommittee of the SABC board reviews this regularly, taking account of economic conditions and forecasts.

## Credit Risk Management

Potential concentrations of credit risk consist principally of short term cash and cash-equivalent instruments, and trade debtors. The company deposits short term cash surpluses with major banks that have a good quality credit rating and, in terms of policy, limits the amount of credit exposure to any financial institution. Limits with financial institutions are set at 10% of equity of an institution that has an acceptable IBCA rating. The limits are continually reviewed internally.

Trade debtors comprise a large and widespread customer base, and business units do continual credit evaluation of the financial state of their customers and, if appropriate, purchase credit guarantee insurance cover. If appropriate, granting of credit is controlled by means that include obtaining financial information, and ensuring that each debtor complies with the SABC credit policy.

Losses from defaulting debtors are limited by stringent credit application criteria, and by clearly defined credit and collection policies. These are reviewed regularly in the light of prevailing economic conditions and bad-debt statistics.

## Liquidity Risk Management

The company has a low of liquidity risk at present, as shown by its substantial cash balances and current operating positions reflected in the cash flow statement. Operational and financial risks are managed through detailed systems of operating and financial controls that are reviewed and monitored continually.

## Internal Audit

Internal audit is an independent appraisal function that examines and evaluates the company's activities and the appropriateness, adequacy and efficiency of the internal control systems, and resultant business risks. In terms of the audit committee charter, the head of internal audit reports to the audit committee, and has unrestricted access to its chairperson.

The objective of internal audit is to assist members of executive management in discharging their responsibilities effectively. Its

scope includes review of the reliability and integrity of financial and operating information; systems of internal control; means of safeguarding assets; efficient management of the company's resources; and effective conduct of its operations. Audit plans are based on an assessment of risk areas, and every assignment is followed by a detailed report to management, including recommendations on aspects requiring improvement. Significant findings are reported to the audit committee. The internal audit work plan is presented in advance to the audit committee. Internal audit is further boosted by an external co-source agreement.

## Internal Controls

The company's management acknowledges its responsibility for all the systems of internal control. In recognition of this, management, in conjunction with the board, has instituted internal control systems that include written policies and pro-

## Board Subcommittee Members April 2004 - March 2005

Directors	Audit	BEE	Fin	HR	News	PBS / CBS	Prog	Rem	Tech
Number of meetings	5	6	4	5	5	3	5	4	4
Mr E Funde	*	*	*	*	*	*	*	*	*
Ms C Qunta		*		*	*		*	*	
Prof A Gillwald						*	*	*	*
Ms N Gosa	*		*			*	*	*	*
Ms F Lagadien	*	*	*	*	*		*		
Mr A Maralack	*		*					*	
Mr P Matlare	*	*	*	*	*	*	*	*	*
Mr T Mazwai	*	*	*		*			*	
Mr A Mbeki	*	*		*	*	*	*		
Ms K Mkonza	*	*		*	*	*	*	*	
Mr S Mokoetle	*	*	*	*	*	*	*	*	*
Mr C Msomi				*	*		*	*	*
Mr R Nicholson	*	*	*	*	*	*	*	*	*
Prof D Swartz						*	*		
Mr A Trikamjee	*		*	*		*	*		

cedures, 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.

**Effectiveness of the internal control system is monitored through:**

- Regular management reviews
- Comprehensive review and testing by internal auditors
- External auditors' reviews in the course of their statutory examination of the company's financial systems

**Record of Attendance at Meetings April 2004 - March2005\***

Directors	Board	Audit	BEE	Fin	HR	News	PBS / CBS	Prog	Rem	Tech	Other**	Special Board	Total
Number of meetings	5	5	6	4	5	5	3	5	4	4	7	17	70
Mr E Funde	5	1	5	2	3	4	3	3	4	4	3	13	53
Ms C Qunta	4	-	3	-	5	2	-	3	0	-	7	14	38
Prof A Gillwald	4	-	-	2	-	-	1	2	0	4	0	14	27
Ms N Gosa	5	4	1	3	1	1	3	4	3	3	5	14	47
Ms F Lagadien	3	4	4	1	4	2	-	4	-	-	2	11	35
Mr A Maralack	4	5	-	4	-	-	-	-	4	-	4	12	33
Mr P Matlare	4	3	5	2	4	3	2	5	3	3	1	10	46
Mr T Mazwai	5	2	6	1	-	5	-	-	1	-	2	13	35
Mr A Mbeki	5	2	6	1	3	5	3	4	2	-	0	15	45
Ms K Mkonza	5	1	3	-	5	3	3	4	1	2	5	15	47
Mr S Mokoetle	5	2	2	4	3	4	3	5	1	3	3	14	49
Mr C Msomi	5	-	2	1	5	5	2	5	1	3	4	12	45
Mr R Nicholson	5	5	4	4	1	1	2	2	4	3	2	11	44
Prof D Swartz	4	-	-	-	-	-	1	1	1	-	0	7	14
Mr A Trikamjee	5	2	-	4	1	-	1	3	-	-	0	13	29

\* Certain board members have attended subcommittee meetings by proxy or invitation

\*\* Board workshop meetings





One Voice

1	2	3	4	5	6	7
8	9	10	11	12	13	14

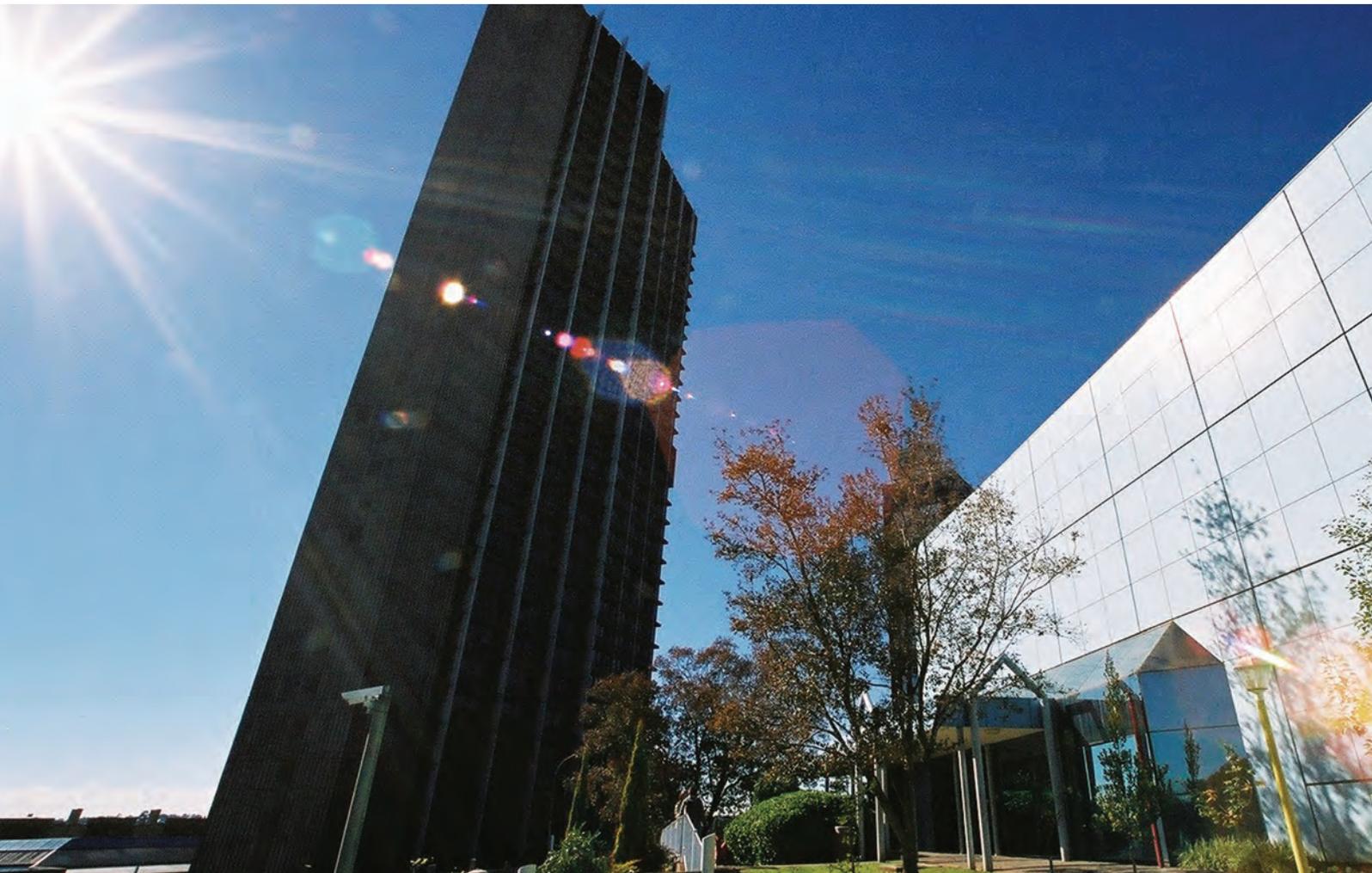
1. Sonwabo Eddie Funde (C)
2. Christine Qunta (DC)
3. Prof Alison Gillwald
4. Noluthando Gosa
5. Fadila Lagadien

6. Andrew Maralack
7. Thami Mazwai
8. Andile Mbeki
9. Kanyisiwe Mkonza
10. Cecil Msomi

11. Prof Derrick Swartz
12. Ashwin Trikamjee
13. Solly Mokoetle (COO and Acting CEO)
14. Robin Nicholson (CFO)

# Board Members' Profiles

The non-executive board members of the SABC are [nominated by the public, recommended by the Parliamentary Portfolio Committee on Communications, and appointed by the President](#). The executive directors are appointed by the board. The present board took office in January 2004, and has a term of four years.



*SABC Head Office in Auckland Park, Johannesburg*

## Sonwabo Eddie Funde (Chairperson)

Executive Chairperson of Kemilinks International SA (Pty) Ltd; serves on the boards of the National Institute of Economic Policy, the Independent Development Trust, and Murray & Roberts; president and director of the South African Communications Forum; served as deputy chairperson of the former South African Telecommunications Regulatory Authority, and was instrumental in the merger of this body with the then Independent Broadcasting Authority to form the present Independent Communications Authority of South Africa. MSc (Electrical Engineering) (Leningrad).



Non-executive member of the SABC board subcommittees on Remuneration, CBS, PBS, News, Finance, Audit, Technology, Programming, Human Resources, and BEE/Transformation.

## Christine Qunta (Deputy Chairperson)

Senior partner in the law firm Qunta Incorporated, specialising in corporate and commercial law, intellectual property, competition law and policy, and petroleum law. A newspaper columnist, she 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); *Heroes and Other Treasures* (poetry). She has served as a member of the Competition Tribunal and as director of the Road Accident Fund. BA, LLB (New South Wales, Sydney, Australia).

Non-executive member of the SABC board subcommittees on Remuneration, Programming, News, Human Resources, and BEE/Transformation.

## Prof Alison Gillwald

Research director of the Witwatersrand University Learning Information Networking and Knowledge Centre, which she founded in 1999 after serving on the inaugural council of the former South African Telecommunications Regulatory Authority; established the Policy Department at the then Independent Broadcasting Authority; served as chairperson of the South African Digital Broadcasting Advisory Body and as a member of the African Communications Ministers' Advisory Group; widely published in the areas of telecommunications and broadcasting policy and regulation, as well as gender and politics; has consulted for the International Telecommunications Union, the Commonwealth Telecommunications Organisation, the Independent Communications Authority of South Africa, and the Southern African Development Bank. B Journalism (Rhodes); Hons (African Studies) (UNITRA); MA (Politics) (Natal, Durban).

Non-executive member of the board subcommittees on Remuneration, PBS, Programming, and Technology.

## Noluthando Gosa

CEO of Akhona Properties; worked as telecoms analyst at Investec Bank; was a founding councillor of the then South African Telecommunications Regulatory Authority that was later merged with the Independent Broadcasting Authority to form the present Independent Communications Authority of South Africa; has served as a commissioner on the Broadcasting Complaints Commission of South Africa; serves as Deputy Chairperson of the Ntsika Enterprise Development Agency, and as a director of Zakhele Cultural Village and of Phalo Women's Investment Holdings. BA Hons (Communications) (Fort Hare); MBA (Marketing) (New Brunswick, Canada); International Certificate in Telecoms Regulation (City University, London).

Non-executive member of the SABC board subcommittees on Remuneration, CBS, PBS, Finance, Audit, Technology, and Programming; is a trustee of the SABC Pension Fund, and a member of the Pension Fund Investment Committee.

## Fadila Lagadien

Well versed in issues of disability, she plays a crucial part in ensuring full integration of persons with disabilities into mainstream South African society. She is convenor of the Community Constituency of the National Economic Development & Labour Council. MBA (Liverpool, UK).

Non-executive member of the board subcommittees on Programming, News, Human Resources, Finance, Audit, and BEE/Transformation.

## Andrew Maralack

Director of chartered accountancy firm SizweNtsaluba VSP; member of the South African Institute of Chartered Accountants; member in public practice of the Public Accountant and Auditors' Board; board member of the Companies and Intellectual Property Registration Office. B Comm (Hons) CTA (Western Cape), CA (SA).

Non-executive member of the SABC board subcommittees on Remuneration, Finance, and Audit; is a trustee of the SABC Pension Fund, a member of the Pension Fund Investment Committee, a Medical Aid Board member, and sits on the Religious Broadcasting Panel.

## Thami Mazwai

Journalist; chief executive of Mafube Publishing; chairman of Indyeo Investments (Pty) Ltd; founder chairperson and member of the Black Editors' Forum; founder chairperson of the National Editors' Forum; former vice-president of the International Federation of Journalists; 1990 winner of the Rosholt Award for Outstanding Executive Journalism; serves as chairperson of the South African Chapter of the African Renaissance. MBA (Henley Management College, UK); PMD (Harvard); senior management development programme qualification from Templeton College, Oxford University, UK.

Non-executive member of the SABC board subcommittees on Remuneration, News, Finance, Audit, and BEE/Transformation.

## Andile Mbeki

Chairman of Umbonowethu Investments former skills development manager at the Department of Agriculture; former schoolteacher, lecturer, and radio freelance; founder member of Sheya Kulati Education Trust; member of the Black Management Forum the Junior Chamber International, world Federation of Young Leaders and Entrepreneurs, and formerly of the South African Public Service Trainers' Association; former board member of Primary Agriculture Education and Training Authority; an advisory board member of Maximum Dynamics; member of the advisory panel of the Film and Publications Board; recipient of excellence in leadership awards including the Who's Who Among Students in American Universities and Colleges, 1998. B Ed (Port Elizabeth); MSc (Curriculum Development and Administration) (St Cloud State University, Minnesota, USA); Teacher's Diploma (Algoa College of Education); reading for MBA through the De Montford University, UK.



Lao Khona

Live radio broadcasting from Metro FM in the foyer of SABC's Head office in Auckland Park

Non-executive member of the SABC board subcommittees on PBS, News, Programming, Human Resources, Audit, and BEE/Transformation.

### **Kanyisiwe Mkonza**

Chairperson of the Media Development and Diversity Agency; independent management and community development consultant; former deputy director of media liaison for the City of Johannesburg; served on the executive committee of the National Community Radio Forum and on the board of the National Electronic Media Institute for South Africa. BA (Witwatersrand); Strategic Management Diploma (Damelin College); certificate in Non-Profit Management (New School for Social Research, New York).

Non-executive member of the SABC board subcommittees on Remuneration, CBS, PBS, Programming, Audit, News, Human Resources, and BEE/Transformation.

### **Cecil Msomi**

Journalist; served as reporter and bureau chief for the Ziana news agency, and as news editor and regional editor for the SABC in KwaZulu-Natal. Diploma in Mass Communication (Zim), majoring in broadcasting journalism.

Non-executive member of the SABC board subcommittees on Remuneration, Programming, News, Technology and Human Resources.

### **Prof Derrick Swartz**

Vice-chancellor of the University of Fort Hare; specialist in public sector management, strategic planning, policy analysis and human resources development; adviser on administration and education to the Premier of the Eastern Cape; board member of the Joint Universities' Public Management Education Trust, Sheya Kulati Educational Trust, South African Human Rights Commission, and Association of Socio-economic Advancement. BA (History, Psychology) (Western Cape); MA (Sociology) (Essex, UK); PhD.

Non-executive member of the SABC board subcommittees on PBS, and Programming.

### **Ashwin Trikamjee**

Senior partner in a Durban law firm; a practising Hindu priest; longest-serving council member of the SA Soccer Federation; former chairperson of the National Soccer League, and vice-president of the SA Football Association; secretary general of the International Bar Association for Southern Africa and a council member; president of the SA Hindu Maha Sabha, and vice-president of the Hindu Council of Africa; chairperson of the National Religious Leaders' Forum; serves on the boards of various companies. B Juris (UNISA).

Non-executive member of the board subcommittees on PBS, Finance, Audit, Programming, and Human Resources; trustee of the SABC Pension Fund; member of the Pension Fund Investment Committee; member of the Medical Aid Board and of the Religious Broadcasting Panel.

## **EXECUTIVE MEMBERS OF THE BOARD**

### **Peter Matlare: Group Chief Executive Officer**

Appointed group chief executive officer of the SABC on 1 January 2001 and left the service of the company on 31 March 2005. Formerly chief operating officer for entertainment and information at Primedia Ltd; president of the Southern African Broadcasting Association; vice-president of the Commonwealth Broadcasting Association; past chairperson of the National Association of Broadcasters; founding director of the Marketing Industry Trust; director of the Association of Advertisers of South Africa; a founding director of the National Electronic Media Institute of South Africa. He served on the task team working on the Green Paper that culminated in the Broadcasting Act, No 4 of 1999. BSc Hons (Plymouth, UK); MA (York, UK).

Executive member of the board subcommittees on Remuneration, CBS, PBS, Finance, Audit, Programming, News, BEE/Transformation, Technology and Human Resources.

### **Solly Mokoetle: Chief Operating Officer**

Appointed chief operating officer of the SABC on 1 January 2001, and acting group chief executive officer on 1 April 2005; formerly head of Corporate Strategic Planning. With more than 20 years' experience of radio and television production and management, he joined the SABC from the Canadian Broadcasting Corporation in 1994 as senior general manager in charge of Regional Radio Services; served as senior general manager of Special Projects (Television); represented the SABC at the IBA Triple Inquiry hearings. MA Journ (Carleton University, Canada).

Executive member of the board subcommittees on Remuneration, CBS, PBS, Finance, Audit, News, Technology, Programming, Human Resources, and BEE/Transformation.

### **Robin Nicholson: Chief Financial Officer**

Appointed chief financial officer of the SABC on 1 July 2001; formerly chief financial officer of Primedia Ltd; previously finance director with Glaxo Wellcome (SA) Ltd; served on the board of Medicredit; was chairperson of Druggists Distributors; has served on the boards of various medical aid and provident funds. B Com, LLB, BAcc (Witwatersrand); CA (SA).

Executive member of the board subcommittees on Remuneration, CBS, PBS, Finance, Audit, Programming, News, Technology, Human Resources, and BEE/Transformation.

# Chairperson's Statement

At the end of the first full year in office for this board of directors, we are gratified to have been a part of **the most successful year ever**, in the almost 70-year history of the SABC. This annual report is a chronicle of successes, financial and in every other area of the company's operations.

When this board took up the reins of SABC Limited, at the beginning of 2004, the exciting prospects were the celebrations marking South Africa's first ten years of freedom, and preparations for the third democratic election. This year, the emphasis is on preparations for the 2010 FIFA World Cup, and for South Africa's entry into the world of regional television broadcasting. The SABC is also set to continue on its path of developing national pride and unity, celebrating our cultural diversity, and promoting social cohesion.

## Priority Objectives

In terms of the SABC's shareholder compact with the Minister of Communications, which is required by the Public Finance Management Act, the objectives of the national broadcaster have to be determined annually, and measured against key performance indicators. In this report, the SABC's performance against its priority objectives appears on pages 26 and 27.

## Implementing Editorial Policy

At the start of the 2004/05 financial year, the SABC's revised editorial policies were launched, concluding a unique process of consultation with stakeholders country wide. The policies, in their final form, were distributed to all those who had contributed to their formulation, and to all the SABC staff, who were also given a booklet to serve as a daily guide to implementation of the policies. There is clear evidence that these policies are contributing to stability, consistency, and improved delivery in every area of the SABC's activities.

## Fulfilling the Mandate

During the year under review, the SABC delivered remarkably in every key mandate area, through its determination to consolidate and increase audiences and revenue for all its channels and stations. This has seen the SABC poised to achieve substantial growth in commercial revenue from advertising, sponsorship, and television licence fees. Audience figures for prime time television show an increase across the board. Radio audience figures also came back strongly, and time spent listening to SABC radio stations remains the highest in the country.

## Universal Service and Access

In working towards access of the SABC services throughout South Africa, extending across the portfolio of radio and television platforms, the SABC reports good progress during the year under review. In his 2001 state of the nation address, the President identified 13 rural zones of focus for delivery of services, and this has served to guide the SABC in its applications to ICASA for extension of its services.

## Education

In the vital mandate area of educational broadcasting, the SABC has a proud history, and in the past decade of freedom built up a reputation for excellence and innovation in this genre. This is apparent from the many local and international awards the SABC has garnered for its educational programmes. It is on a historically strong foundation that SABC Education was able to advance implementation of the educational programming policy, owing to its inherent strengths, including the fact that the SABC is the market leader in educational services that support national development and economic growth.

## Religion

The theme of nation building continued in the area of religious programmes, where SABC policy is to reflect the ways in which religious communities live their faith in contributing to national reconstruction and development. The focus is on telling people's stories, not just on reflecting religious theory. Contextualisation in 2004/05 took the form of marking the first decade of democracy through the theme: "Celebrating 10 years of liberated religious broadcasting".

## Local Content

The SABC is proud to report that in applying the increased local content requirements that had been laid down by ICASA for implementation in August 2003, all the SABC platforms met or exceeded their quotas. There was also an emphasis on supporting the local production industry, and on the use of first-time producers and women.

## Language

During the 2004/05 financial year, the SABC sought to increase the amount of programme material in African languages, particularly in prime time on public service television, as well as the genres catered for. There was also an increase in multilingual programmes on public service television, towards fulfilling the language mandate. One of the aims of SABC language policy is to promote multilingualism in South Africa, and multilingual television programmes are increasingly important tools for attaining this goal. However, the practicability and vast expense of multilingual broadcasting remain a major challenge. Difficulties aside, the SABC is on a resolute drive to serve the people of South Africa in their own languages, in the context of their own cultures, as the only true way of reflecting the nation to itself, and the regions to the nation and to each other. For this reason, the SABC welcomed the government's decision to legislate for the two new, regional television channels, which will enable the SABC to fulfil its language mandate, and to assist in nation building to an unprecedented extent.



Unyaka  
omuhle

## Reflecting Diversity

A fundamental feature of SABC activities is reflection of the diversity of our nation. At the top of the list of factors here is recognition that black consumers are playing an increasingly important part in the media marketplace, and that addressing the burgeoning black middle class is imperative for advertising and marketing. Language delivery is part of this, as is local content, and television lagged behind for too long in serving the diverse language and cultural groups. SABC policy, which was implemented increasingly over the 2004/05 financial year, is not only to commission multilingual television programmes, but to subtitle them. This serves not only a far wider audience in terms of language, but deaf and hard of hearing viewers as well – another service that has been sadly neglected. The SABC's overall policy of firmly supporting the national black business and economic empowerment (BBEE) initiative was implemented in all the company's business dealings, including commissioning of programmes.

## Preparing for 2010

The SABC is at the forefront of preparations for the 2010 FIFA World Cup, and the technological advancements will be vital to the success of the project. Most important, from the SABC's point of view, is the legacy of 2010. The SABC has plans to retain and utilise facilities that are imported and created for the World Cup, in order to improve and expand the national broadcaster's service to all the people of South Africa, particularly in the regions.

## Reaching Out

We are committed to the SABC's role as a corporate citizen, and undertake to support the SABC in its efforts to strengthen the bonds of unity in South Africa and to invest in South African society; to celebrate our cultural and linguistic diversity; to project an image to the outside world that attracts foreign investment and promotes this country as one of the world's most desirable tourist destinations; and to focus on the positive aspects of our country. The influence of the national public broadcaster cannot be overstated, and we are committed to the exploitation of its benefits.

## Acknowledgements

On behalf of the board, I should like to express our thanks to the Minister of Communications, Dr Ivy Matsepe-Casaburri, and the Deputy Minister, Mr Roy Padayachie, for their leadership and for the confidence they have shown in us. Also, as we celebrate the successes of the 2004/05 financial year, we are mindful that credit belongs to the management team, to the previous board which saw the plan on its way, to the members of the current board which brought the plan to finality, and to every member of the SABC staff, as well as the artists, freelancers and suppliers, all of whom form the backbone of our industry.

Sonwabo Eddie Funde  
Chairperson of the Board

# Performance Management

## Financial Year 2004/05

In the financial year ended 31 March 2005, the SABC:

- Improved its delivery in official languages other than English (to 58% on SABC2; 42% on SABC1)
- Expanded and improved its news and current affairs coverage
- Expanded its television transmitter network
- Invested more than R1 billion in local content
- Increased audience share on both radio and television platforms
- Bolstered and improved its corporate and other brand positions, as judged by the Markinor-Sunday Times Top Brand Awards
- Realigned its organisational structure in line with the Broadcasting Act
- Produced exceptional revenue performance in television and in television licence collection
- Generated a profit at operational level

- Covered the nation's third democratic elections on radio, television, the Internet and other new media platforms
- Encouraged nation building and a common South African consciousness through its sports and other programmes
- Provided platforms for South Africans to celebrate and engage with issues relating to the nation's 10th year of freedom and democracy
- Improved the quality of production across platforms and a range of programme genres

The company's performance in the year under review specifically, and generally over the past four years, has been recognised and lauded both domestically and internationally, in areas ranging from the quality of its annual report to innovative programmes and services that inform, educate and entertain. This recognition is gratifying when one considers the state of the SABC just four years previously.

With regard to performance relative to the specific goals and objectives set for the company going into the 2004/05 financial year, in its April 2004 MTEF submission, the board approved the goals and objectives of the company contained in the table below. Adjacent to each area is an assessment of the company's performance.



KPA	KPOs	Performance
Growth and Financial Health	1. Achieve revenue growth of 10%	Achieved, television and licence revenue compensated for soft radio revenue
	2. Maintain non-personnel cost growth at CPIX -1%, personnel at CPIX +1%	Cost growth was above CPIX but below that of funding growth; operating costs declined in real terms in Technology
	3. Secure government financial support for: <ul style="list-style-type: none"> <li>• Elections</li> <li>• Education</li> <li>• Technology plan</li> <li>• Regional television services</li> </ul>	Funding from government secured for Technology, Education
	4. Secure annual increases in television licence fees linked to inflation	The SABC submitted comprehensive motivation for fee increase
National Priorities and Mandate	5. Engage stakeholders and amend SABC licences in line with Charter approach	Licence amendment process continuing, but pre-work significant and comprehensive
	6. Increase percentage of non-English material on television	Achieved decline in English programmes on television
	7. Investigate feasibility of alternative distribution platform	In progress - SABC working with Sentech
	8. Promote issues of national importance and nation building across portfolio of services	Created numerous platforms and environments for citizens to engage with and embrace issues of national importance and that encourage nation building
Innovation and Customers	9. Develop stakeholder management and public affairs plan <ul style="list-style-type: none"> <li>• Independent Communications Authority (ICASA)</li> <li>• Department of Communications (DOC)</li> <li>• National Treasury</li> <li>• Audiences</li> <li>• Advertisers</li> <li>• Sentech</li> <li>• Suppliers</li> </ul>	Comprehensive plan fully developed and implementation well under way
People and Success Behaviours	10. Implement performance management system	Performance management system implemented; more work to be done on effective monitoring and training
	11. Implement new organisational structure	New structure finalised; key appointments made
	12. Ensure gender, equity and other transformation	Overall performance in line with employment equity plans
	13. Implement training programmes	Significant number of SABC staff and interns trained
Operations and Process Control	14. Implement key operational projects that have strategic significance (IT and process improvement strategies underlying technology strategy, Financial Services Project 2004)	Project management and other resource constraints on some key projects being managed aggressively going forward
	15. Implement Content Hub, and new procurement policies and procedures	Key appointments made in relation to new structure; policies being implemented

# Profiles of Executive Members

## Peter Matlare

### Group Chief Executive Officer

Joined the SABC from Primedia Ltd as group chief executive officer, and executive member of the board, on 1 January 2001, and left the service of the SABC on 31 March 2005. BSc Hons (Plymouth, UK); MA (York, UK). Also see biography on page 23 of this report.

## Solly Mokoetle

### Chief Operating Officer

Joined the SABC in 1994. Member of the group executive, and executive member of the board, since 1 January 2001; acting group chief executive officer from 1 April 2005. MA Journ (Carleton University, Canada). Also see biography on page 23 of this report.

## Robin Nicholson

### Chief Financial Officer

Joined the SABC on 1 July 2001. Member of the group executive, and executive member of the board, from that date. B Com, LLB, BAcc (Wits); CA (SA). Also see biography on page 23 of this report.

## Anton Heunis

### Senior General Manager: Audience Services

Joined the SABC as Organisations and Models officer in 1979; senior personnel officer (1983); manager of HR planning and information (1989); HR manager of strategic services (1991); group manager of human resources (1995); senior general manager of audience services, and member of the group executive (1999). B Comm (RAU); diploma in O & M; registered with the SA Board for Personnel Practice.



1	2	3	4	5	6	7	8	9	10	11	12
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1. Solly Mokoetle (COO and Acting CEO)
2. Robin Nicholson (CFO)
3. Anton Heunis
4. Mark Jakins

5. Charlotte Mampane
6. Kitten Matthews
7. Mvuso Mbebe
8. Thami Ntenti
9. Sharoda Rapeti

10. Dr Ihron Rensburg
11. Herman Warren
12. Dr Snuki Zikalala

## Mark Jakins

### Group Sales and Marketing Director

Former sales & marketing director of Budget Car Rental, and of Global Resorts. Joined the SABC as group sales & marketing director, and member of the group executive, in 2001. Responsible for airtime sales, marketing, research and marketing intelligence. A non-executive director of the SAARF board in 2004. B Soc Sc (Economics, Marketing) (Natal).

## Dr Namane Magau

### Director: Human Capital Services

Formerly vice-president of human resources at the CSIR, and adviser for the Reconstruction and Development Programme in the office of the President. Joined the SABC in 2002 as director of human capital services, and member of the group executive. M Ed (RAU); D Ed (Harvard, USA). Resigned on 31 January 2005.

## Charlotte Mampane

### Head: Regions

Formerly manager of audiovisual at Telkom, and special adviser to the CEO of the IBA. Joined the SABC in 1983 as announcer/producer; programme manager (1991); general manager of public service radio (1996); chief executive of radio and member of the group executive (1999); head of regional services (2002). BA; BA Hons: EDP.

## Kitten Matthews

### Chief Legal Adviser

Barrister at Law, Middle Temple Inn of Court; Finals (Inns of Court School of Law, London); called to the bar of England and Wales in 1982; formerly litigation specialist for the Greater London Council; specialist in Constitutional and Administrative Law; local government specialist acting for numerous local authorities in the UK; former copyright lawyer with the British Broadcasting Corporation; former legal adviser to South Africa's Minister of Communications. Joined the SABC in 2002 as chief legal adviser, and member of the group executive. BA Hons (English, Philosophy) (Middlesex Polytechnic, Hendon, London)

## Mvuzo Mbebe

### Managing Director: Sport

Formerly secretary general of Athletics South Africa, CEO of the National Sports Council, and MD of NSC Investments. Former adviser to the Minister of Sport and Recreation, and executive consultant for the South African Sports Commission. Joined the SABC in 2001 as managing director of sport, and member of the group executive. B Pharm (Rhodes); B Hons (Statistical Analysis) (UWC).

## Thami Ntteni

### Executive Editor: Channel Africa

Formerly director of communications in the office of the Deputy President. Joined the SABC in 2001 as management consultant to the group chief executive officer; appointed executive editor of Channel Africa, and member of the group executive, in 2002.

## Judi Nwokedi

### Director: Public Services

Joined the SABC as head of the public service division, and member of the group executive, in 2001. BA Soc Sc (Cape Town); MA Psychology (Sydney, Australia).

## Sharoda Rapeti

### Managing Director: Technology

Joined the SABC in 1988 as regional manager of facilities in KwaZulu-Natal (1996); manager of IT Projects (1998); manager of Digital Technology Development (1999). Appointed managing director of technology, and member of the group executive, in 2001. Vice-president of the Engineering Council of South Africa; deputy chairperson of the Council for the Built Environment established by the Ministry of Public Works. MBA (Cum Laude) (Wales, UK); National and Higher Diplomas in electronic engineering (ML Sultan Technikon, Durban).

## Dr Ihron Rensburg

### Director: Education, Public & Regulatory Affairs

Former deputy director-general of National Education, and member of the Ministerial Steering Committee on Higher Education Mergers. Joined the SABC in 2001 as director of corporate & regulatory affairs, and member of the group executive. B Pharm (Rhodes); MA and Ph D (Stanford University, USA).

## Herman Warren

### Director: Corporate Strategy

Formerly management consultant in the USA, Canada and South Africa; previously managing director of Freemail Communication, and financial analyst for Umbono Investment Corporation. Joined the SABC as director of corporate strategy, and member of the group executive, in 2001. BBA Finance (Hons) (Howard University, USA).

## Dr Snuki Zikalala

### Managing Director: SABC News and Current Affairs

Joined the SABC in 1993 as labour correspondent; deputy editor-in-chief of Radio and Television News (1998); acting editor of SABC Africa; executive editor of SABC News (2001); joined the Department of Labour as senior executive manager of communications (2002); rejoined the SABC in 2004 as head of News. BA (Hons) Industrial Sociology (Witwatersrand); PhD Journalism (Sofia University, Bulgaria).

# Group Chief Executive Officer's Statement

**Success is the defining concept of the 2004/05 financial year;** unprecedented success in the area of every key indicator of SABC business. Remarkable success financially – in generating income, managing operational expenditure, and investing in local content. Success in mandate delivery – in the levels and quality of local content; in coverage of the official languages on television, particularly the neglected languages of the north-eastern regions; in gaining and regaining market share, particularly by the television channels. The levels of achievement in every part of the company are unsurpassed in the history of the national broadcaster.

## An SABC that is Growing and Financially Vigorous

Over the past two years the SABC has been on a rigorous drive to consolidate and augment its audiences, and revenue, across all its radio stations and television channels. The financial results published in this annual report represent the culmination of a strong performance by the management team in delivering a very complex mandate – meeting the triple bottom line.

Revenue soared, incorporating a remarkable escalation in radio and television advertising and sponsorship; costs were contained; and the advertising debtors book was reduced dramatically from 59 to 49 days. The SABC achieved an increase in revenue from television licences, owing to the effects of an increase in the licence fee shortly before the year under review, and to better collection strategies. Firm cost containment continued, despite our being in an expansionary growth phase, and we improved profitability for the third year in a row. Shareholder confidence in the SABC was expressed by an allocation of R400 million over three years, primarily to fund our recapitalised technology and IT strategy.

The figures for audiences in prime show that SABC television grew by 4% during the last ten months of the 2004/05 financial year, gradually regaining the share lost earlier to competitors. Radio audience figures were encouraging, some rising off extremely high bases.

## An SABC that is Delivering

The public service highlights included a massive increase in local content, broadcasting in 13 languages, and a substantial increase in sports of national interest. The SABC also received recognition from various quarters for the outstanding quality of its content, its people, and its operations. This included awards made to individual productions, and the people working on them, in every programme genre, as well as in other broadcasting-related fields such as sales and marketing, and technology. Our programme line-ups incorporated the best of local programmes, the very best of Hollywood and Bollywood productions, and some of the finest African programmes. In

all, the SABC and its staff accepted more than 150 awards in 2004/05, including many for SABC News. In objective, independent journalism awards, SABC News journalists once more reigned supreme.

## Implementing the Technology Plan

Keeping abreast of the latest technology is key to delivering a world class service that could be used by international broadcasters, and allowing the SABC to host major international events, to the benefit of the country and the continent. The comprehensive technology plan that was developed in 2002/03, with phased implementation over five years, is intended to position the SABC firmly as one of the world's 21st century digital broadcasters. During the year under review, a digital news studio was installed, and the final control centres upgraded.

## An SABC that is Socially Responsible

An element of our business that is close to our hearts is corporate social investment and corporate social responsibility. Companies are beginning to understand the power of building community support as a direct way of building support for their own brands. In human development, economic development, environmental development and societal development the SABC has partnered hundreds of initiatives, including many in the private sector, to build a better South Africa. Community Builder of the Year, arts and cultural festivals, the African Children's Feeding Scheme, activism against abuse of women and children, education, HIV/Aids initiatives, My Acre of Africa conservation, support for the disabled – these are but a few of the projects and endeavours in which the SABC continued to play an important part. The SABC believes that government, business and civil society should forge partnerships and work together towards creating a fair and sustainable future for everyone in this country.

## Acknowledgements

While celebrating all this success, however, we own that it did not come easily. It was the result of years of planning, of hard



work and dedication, by everyone in the organisation - management and the entire staff.

The seeds of this success were planted when Peter Matlare took up the reins of the SABC, and the achievements were the result of a four-year process of planning and diligent application. Accolades are also due to the previous board of directors for their support of the plan that developed over the last three years of their tenure. We owe a debt of gratitude to the current board of directors, under the leadership of Mr Eddie Funde, for their foresight in enabling us to continue building on the foundation that had been laid and the accomplishments that went before.

We do grant that all this was realised against the background of a buoyant economy. It was, in addition, boosted by the optimism that prevailed as South Africa commemorated its first decade of democracy and marked the triumphs of our nation. Nevertheless, this does not detract from the significance of these results.

## An SABC that will Deliver More

Our optimism aside, we know there are challenges ahead, the greatest of which is in implementing the new licence conditions required by section 22 of the Broadcasting Act, which was due to be finalised shortly after the end of the 2004/05 financial year. The impact of the regulatory change is yet to be established clearly. We do know, however, that it is bound to increase expenditure – in terms of local content and language delivery. The SABC will need, once again, to enter a content investment phase, which will add to the financial pressure. Nevertheless, the SABC is in full support of the spirit of the amendments, and we have no doubt that the distress will be of short duration.

## Conclusion

Finally, I should like to pay tribute to the people of the SABC: to their strength in times of change; their dynamism and creativity; the excitement they generate. Those are some of the qualities they bring to the SABC that make it different and more challenging than most organisations, a broadcaster with a solid international reputation, and still one of the most sought-after employers in South Africa.

**Solly Mokoetle**

Acting Group Chief Executive Officer

# Chief Financial Officer's Report

The financial year ended 31 March 2005 marked a number of milestones for the national public broadcaster. Not only did the SABC achieve higher levels of local content and move towards fulfilling even more of its mandate, it was also repositioned to better achieve financial sustainability.

The changes drove bigger audiences to the channels and stations, with consequent growth in revenue, which was boosted further by an increase in the television licence fee in January 2004 that took effect during the year under review. New television licence regulations also empowered the SABC to enforce compliance more fully.

All these events, combined with improving operational and financial management, resulted in superb financial performance for the group, with only radio revenue failing to rise above the market. Consequently, the group reported a profit after tax of R240 million. The balance sheet has continued to strengthen, and the group closed the year with cash and short-term investments of R369 million.

## Revenue

The SABC has four principal sources of funding: Commercial activities; licence revenue; other income from operations; government support.

	2005	2004	2003	2002	2001
<b>Revenue analysis (R million)</b>					
Commercial*	2 599	2 093	1 848	1 660	1 687
TV Licence**	493	395	361	352	345
Other income	173	148	179	162	153
Government	49	76	64	61	-
<b>Per Group financial statements</b>	<b>3 314</b>	<b>2 712</b>	<b>2 452</b>	<b>2 235</b>	<b>2 185</b>
<b>Expressed as a % of total revenue</b>					
Commercial*	78	77	75	74	77
TV Licence**	15	15	15	16	16
Other income	5	3	7	7	7
Government	2	5	3	3	-
<b>Total %</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>% growth year on year</b>					
% revenue	22	11	10	2	2
% expenses	8	10	11	2	3

\* Net commercial after deducting mainly agency commission

\*\* Net TV licence after deducting collection costs

### Television

Television continued to exceed expectations, with classical advertising increasing by 32% year on year. This was the third year of strong growth in television, which was driven by the advertisers seeking to capitalise on the boom in consumer spending, the increase in audience share of SABC channels, and the ability of the SABC channels to offer advertisers unique value in both audience size and product offerings. Positioning

of the television sales team to respond to the opportunity also enabled the SABC to report record performance. Media inflation for the year on television was negative, reflecting the value proposition the SABC continued to offer.

As prime time becomes constrained by demand and the new broadcasting licence conditions, the SABC expects the strong growth of the past three years to be maintained only by offering clients innovative solutions. When the economy goes into an inevitable cooling off period, revenue growth is expected to slow.

Sports sponsorships, which continued to be affected by sponsor decisions to re-evaluate their position on soccer, reflected a decline in revenue. This was also a direct result of a reduction in special events. Access to live transmission of rugby, as a sport of national interest, continued to be a major cause for concern. Revenue from delayed-live broadcasts was understandably disappointing, and the timing continued to disrupt the normal programme schedule, further increasing the economic cost of carrying this sport. Support from sponsors for the Olympic Games accorded with expectations.

Programme sponsorship continued in line with previous years. Although there are revenue opportunities in this segment, typically the lead time extends over a number of fiscal periods. The SABC continues to seek growth from this segment.

Growth in subscription revenue generated by SABC Africa (incorporating Africa to Africa) remained comparable with that of previous years. The agreement with DStv is being reviewed as the SABC seeks to reposition SABC Africa and Africa to Africa.

### Radio

Radio reported growth of 8% year on year. Performance of the stations was mixed, with Metro FM and Ukhozi FM still reporting strong growth, but 5fm and Good Hope FM continuing to under-perform relative to their potential, although audience performance on these stations improved during the year.

Although the advertising rates for radio remained generally lower than those of the competitors, they continued to be increased to reflect the economic value of the audiences delivered to advertisers. This resulted in higher than CPI(x) inflation in the radio portfolio. Whereas the trend is planned to persist, the new licences to be issued during the 2005/6 financial year will introduce a new element of competition into the radio environment. In particular, commercial African language stations with a regional footprint will have an impact on audience and revenue performance.

During the year, certain radio sales elements were repositioned, which affected performance. The process was completed by the end of the year, and the benefits are expected to emerge in the new financial year.

### Business Enterprises

The SABC continues to reposition the revenue units responsible for commercial exploitation of brands through merchandising



## Our great achievements

and co-promotion, and direct sale of content to consumers. Encouraging growth was achieved by these units during the year under review. The sell-through of content in African languages increased very sharply, reflecting the rise in penetration of VCRs, and in consumer spending in this segment.

SABC Mobile, which seeks to exploit telephony based revenue and the sale of mobile content, continued to flourish. The SABC has applied for a Wireless Application Service Provider licence, and this segment is expected to grow strongly in the coming years.

Sale of content on the international markets continued to be affected negatively by the localised nature of SABC productions. The division remained profitable, however, and is seeking new opportunities in the African market.

### **Audience Services**

The increase in revenue growth from television licence fees exceeded expectations, increasing from R395 million to R493 million - an increase of 25%. This was a consequence of rising household income and significantly more effective collections.

After new regulations came into effect in January 2004, the initial focus of the SABC was to inform the owners of television sets of the regulations, then to begin enforcement. During 2004/05 the focus of compliance remained on point of sale activities, which require prospective purchasers to produce a valid licence when a set is acquired. This was supported by a strong compliance campaign, and by making retail outlets aware of their obligations. All the major retailers are now compliant, and efforts are being concentrated on smaller retailers and set resellers.

The SABC also concentrated on stepping up compliance by the corporate and government sectors, where enforcement had been hampered by the previous Act and regulations. The SABC changed the number and nature of the collection agents it uses, and made arrear collections a priority. However, household compliance remained a great challenge, and the 'good citizen' compliance campaign as well as appropriate debt collectors and methods continued to be used.

Cost management in the division remained a priority, despite the roll out of more pay points and methods of payment.

### **Facility Hire**

SABC facilities are generally available for hire. The focus of the facilities unit was on internal drama, news, and sports production. New technologies, and improved internal use, also caused a decline in external rental of big outside broadcasting units. Music facilities, however, continued to be used by producers seeking high end, dedicated facilities.

### **Other Revenue**

Other revenue was derived principally from renting office accommodation to third parties in many of the SABC facilities throughout South Africa. This is not a core SABC business, and is being reviewed in order to assess facility needs nationally and how the facilities could be rationalised and modernised, where necessary.

Government support for SABC Education programmes is recognised on broadcast and was R47 million for the year, compared with R28 million for the previous year.

## Operating Expenditure

The SABC continued to increase investment in local content, news, and sport. Although this increased the cost of programmes significantly, it is in accordance with the mandate of the public broadcaster, and may be expected to increase further in the coming years as the SABC implements the requirements of the new licence conditions.

	2005	2004	2003	2002	2001
<b>Expenditure analysis (R million)</b>					
Programme and broadcasting costs	1 292	1 149	1 083	957	933
Personnel remuneration	820	771	657	617	542
Signal and linking costs	299	286	264	228	241
Marketing	139	130	112	108	106
General and administrative	378	357	329	298	336
Depreciation	84	84	91	74	71
Per Group financial statements	3 012	2 777	2 536	2 282	2 229
<b>Expenditure analysis % increase year on year</b>					
Programme and broadcasting costs	12	6	13	3	*
Personnel remuneration	6	17	6	14	*
Signal and linking costs	5	8	16	(5)	*
Marketing	7	16	4	2	*
General and administrative	6	9	10	(11)	*
Depreciation	-	(8)	23	4	*
<b>Total expenditure % increase year on year</b>	<b>8</b>	<b>10</b>	<b>11</b>	<b>2</b>	<b>3</b>

\*The split of total expenditure for the financial year ended 2000 is not available for this calculation

Signal distribution has always been a significant cost to the SABC, and may be expected to increase as the broadcasting coverage expands to provide greater access to the SABC services. Rate increases in the distribution network have been contained below the rate of consumer inflation over the past three years, but changing technologies in the contribution network have seen these costs continue to rise.

Staff costs reflect the salary increase granted during the year under review, as well as the continued impact of the provision of defined benefit funds for employees and pensioners. Staff costs also reflect the sales commissions paid to staff, and these are in line with the revenue growth the SABC has experienced.

The SABC continues to implement a phased reduction in contributions to medical aid subsidies for pensioners. The dispute with the Coop group has now reached the Appellate division, and resolution of the matter is expected in the 2005/06

financial year. This should give further direction to the defined benefits offering for the SABC.

The increase in the cost of marketing reflects the brand building investments of the SABC over the past two years.

Spending on fees reflects increases in legal expenses associated with the various legal disputes, and with the licence renewal application processes of the 2004/05 financial year. Audit fees also increased as a consequence of corporatisation, for the full year. The faster pace of implementation of the technology strategy will also see an increase in technical fees as part of the implementation.

Depreciation did not increase significantly, despite continued implementation of the technology plan, because of the decision to move certain expenditure to outsourced user rental models.

This strategy has seen greater responsibility being taken for the cost of ownership of the assets, as well as an actual reduction in operating costs.

## Profit Before Interest and Taxation (PBIT)

The SABC achieved a PBIT of R302 million, compared with a loss of R65 million in the previous year. This is an improvement of R367 million.

## Net Financing Income

The decline in interest rates, while stimulating consumer demand and consequently advertising revenue, also resulted in a decline in interest earned on cash holdings. Average cash holdings increased during the year under review, but principally in the second half of the year, when interest earnings were at their lowest.

Interest paid was on long term asset based finance used to acquire outside broadcasting equipment.

## Profit from Operations Before Taxation

Profit before tax was R318 million. In the previous year the SABC reported a profit of R2 million (restated).

## Taxation

The strong growth in profitability also translated into taxable income for the company, resulting in a taxation charge for the year of R77 million. This also resulted in the recognition of a deferred tax liability of R6 million. The directors are of the opinion that the SABC will trade in a tax position for the foreseeable future, given its internal funding needs and the currently buoyant trading conditions.

Accumulated assessed losses of R15 million were utilised. A provisional tax payment of R42 million was made, and the final top-up of R29 million will be made in September 2005.

Profit after tax was R240 million, compared with a profit of R2 million in the previous year (restated).

## Statement of Changes in Equity

The group recognised a funding vehicle used for staff loans for the first time in equity. Ownership had not been clarified at the end of the previous financial year. The funding vehicle was

funded out of the cash flows of the SABC, and is consequently an asset of the SABC.

The SABC uses a self-insurance fund to cover asset claim excesses. This treatment is under review and will be resolved in the coming financial year.

## Cash Flow Statement

Cash generated from operations was R185 million, compared with R85 million in the previous year. This continued to reflect the principal financial strategy: to remain cash flow positive in order to fund the SABC's share of the capital expansion plan without excessive exposure to borrowing.

Cash flow was affected by the release of R60 million from the provision for post-retirement medical benefits. Provisions in the year under review increased by R133 million. Working capital also required some significant investments, particularly trade receivables, which increased by R135 million. Programme stock and rights decreased by R42 million, as the Olympic Games rights payments for 2008 have not yet been made, even though they have been secured.

A prepayment agreement for signal distribution was entered into with Sentech at favourable interest rates. This consumed R140 million of the cash resources.

Net cash inflow from operating activities was R159 million - an increase of R53 million on the previous year. Cash flow invested in fixed asset expansion was R118 million. Cash flows associated with the internal technology plan began, but will increase significantly over the next three years, following the securing of government funding for the technology plan. Better cash forecasting and cash management resulted in more cash being held in longer term instruments and is reflected in the increase in investments of R121 million.

## Balance Sheet

### Assets

Total assets increased in value by R345 million during the year under review. Only R26 million of this was in property, plant and equipment. Working capital and cash contributed to the balance. Although the increase in trade receivables was R135 million, the number of days in debtors fell during the course of the year, reflecting better credit management across the board. No significant increase in the trade receivable provision was made, as the current levels were considered prudent.

The increase in prepayments relates to an extension of the prepayment arrangement with Sentech. This arrangement does not increase the risk of default, as the Sentech obligation is to provide the national signal and is supported by the common shareholder.

### Equity and Liabilities

Television licence fees received in advance grew in line with the improved collection of fees.

The increase in provisions reflected the adjustment to accumulated leave, which now reflects better the effects of changes in the Basic Conditions Of Employment Act and Generally Accepted Accounting Practice, as well as provisions for staff bonuses.

## Matters Requiring Special Noting

### Material Losses

No material loss was reported during the year under review. The processes of financial management, risk based internal audit, and implementation of the policy on fraud continued during the year. The board further agreed to the implementation of a comprehensive enterprise resource planning project which, when implemented, will address most of the remaining weaknesses, and provide a comprehensive management and reporting system for the SABC.

### Reporting for Public Broadcasting Service and Commercial Broadcasting Service

This was the first full year of the separation of the SABC into PBS, CBS, and Shared Services. Separate financial accounting records were maintained for the entity through the comprehensive SABC financial system and based on a transfer pricing policy. The SABC can report that the profit generated by the Commercial Broadcasting Services division after tax amounted to R109 million. The cash flow contribution from operating activities to the group was R151 million. The after tax profit of the Public Broadcasting Service division was R226 million, with a cash flow contribution from operating activities of R283 million. Income tax expense represents a proportionate share of the tax charge for the year of SABC Limited and a proportionate share of the deferred tax charge of SABC Limited. The effective rate payable by SABC Limited is used as a basis of allocation.

The annual financial statements for these divisions are published separately in order to produce a less bulky and less costly annual report. All the reports are available on the CD ROM version of this report.

## Segmental Analysis

Refer to note 37 in the financial statements on page 34 and the pages that follow.

### Allocation of Television Licence Revenue

The Broadcasting Act requires licence revenue to be used only for the public broadcasting activities of the SABC. Revenue was allocated in the following way:

Description (R million)	12 months to 31 March 2005	6 months to 31 March 2004
Total licence revenue	568	270
Collection costs	(75)	(30)
Allocated to support overheads	(69)	(32)
Transferred to Public Broadcasting Services	424	208
<b>Transfer allocation</b>		
Radio	142	70
SABC1	141	69
SABC2	141	69



Robin Nicholson  
Chief Financial Officer

## Primary Segmental Analysis

### Year to March 2005 - SABC Ltd Group

	Public Broadcasting Services R'000	Commercial Broadcasting Services R'000	Shared Services					Total R'000
			Commercial Services R'000	Content Enterprises R'000	Strategic Corporate Services R'000	News R'000	Regions R'000	
Revenue	1 739 613	832 307	532 494	119 907	46 257	39 232	4 245	3 314 055
Cost of sales	(532 464)	(240 788)	(45 947)	(368 617)	(40 957)	(62 776)	(5)	(1 291 554)
Gross profit	1 207 149	591 519	486 547	(248 710)	5 300	(23 544)	4 240	2 022 501
Other operating income and expenses	(377 200)	(117 153)	(265 196)	(78 443)	(565 923)	(260 160)	(56 230)	(1 720 305)
Profit/(loss) from operations	829 949	474 366	221 351	(327 153)	(560 623)	(283 704)	(51 990)	302 196
Net Interest	(33)	(4)	(12)	(40)	15 738	(58)	(25)	15 565
Taxation	-	-	-	-	(77 477)	-	-	(77 477)
<b>Segment contribution</b>	<b>829 916</b>	<b>474 362</b>	<b>221 339</b>	<b>(327 193)</b>	<b>(622 362)</b>	<b>(283 762)</b>	<b>(52 015)</b>	<b>240 284</b>
Total assets	189 610	69 305	521 847	221 481	965 748	13 801	50 045	2 031 837
Total liabilities	97 329	38 138	157 011	163 771	494 537	28 220	10 944	989 950
Depreciation	(711)	(149)	(4 431)	(292)	(66 858)	(6 599)	(4 761)	(83 801)

### Year to March 2004 - SABC Group

	Public Broadcasting Services R'000	Commercial Broadcasting Services R'000	Shared Services					Total R'000
			Commercial Services R'000	Content Enterprises R'000	Strategic Corporate Services R'000	News R'000	Regions R'000	
Revenue	1 448 904	676 959	417 496	86 495	38 961	38 891	4 218	2 711 926
Cost of sales	(498 820)	(207 344)	(29 164)	(346 762)	(15 920)	(52 895)	1 426	(1 149 478)
Gross profit	950 084	469 615	388 332	(260 267)	23 041	(14 004)	5 644	1 562 448
Other operating income and expenses	(373 193)	(110 663)	(231 610)	(102 774)	(435 388)	(231 234)	(143 000)	(1 627 862)
Profit/(loss) from operations	576 891	358 952	156 722	(363 041)	(412 347)	(245 238)	(137 356)	(65 414)
Net Interest	(11)	(6)	(10)	(8)	21 012	(51)	(67)	20 859
Exceptional item	-	-	-	-	46 216	-	-	46 216
<b>Segment contribution</b>	<b>576 880</b>	<b>358 946</b>	<b>156 712</b>	<b>(363 049)</b>	<b>(345 119)</b>	<b>(245 289)</b>	<b>(137 423)</b>	<b>1 661</b>
Total assets	158 693	68 300	392 496	254 568	741 062	17 882	53 547	1 686 548
Total liabilities	80 303	30 308	113 950	201 988	413 330	29 587	16 197	885 663
Depreciation	(1 518)	(182)	(4 200)	(408)	(65 779)	(2 781)	(8 974)	(83 842)

## Secondary Segmental Analysis

Year to March 2005 - SABC Ltd Group

# 2005

### Shared Services

	Television R'000	Radio R'000	Audience Services R'000	Technology R'000	News R'000	Content Enterprises R'000	Other R'000	Total R'000
Revenue	1 959 449	612 471	494 890	31 327	39 232	119 907	56 779	3 314 055
Cost of sales	(691 390)	(81 862)	(12 687)	(29 482)	(62 776)	(368 617)	(44 740)	(1 291 554)
Gross Profit	1 268 059	530 609	482 203	1 845	(23 544)	(248 710)	12 039	2 022 501
Other operating income and expenses	(284 946)	(209 407)	(36 564)	(380 819)	(260 160)	(78 443)	(469 966)	(1 720 305)
Profit/(loss) from operations	983 113	321 202	445 639	(378 974)	(283 704)	(327 153)	(457 927)	302 196
Net Interest	(7)	(30)	(1)	(4 154)	(58)	(40)	19 855	15 565
Taxation	-	-	-	-	-	-	(77 477)	(77 477)
<b>Segment contribution</b>	<b>983 106</b>	<b>321 172</b>	<b>445 638</b>	<b>(383 128)</b>	<b>(283 762)</b>	<b>(327 193)</b>	<b>(515 549)</b>	<b>240 284</b>
Total assets	256 741	2 174	4 216	437 513	13 801	221 481	1 095 911	2 031 837
Total liabilities	127 666	7 801	80 606	102 603	28 220	163 771	479 283	989 950
Depreciation	(457)	(403)	(1 635)	(64 910)	(6 599)	(292)	(9 505)	(83 801)

Year to March 2004 - SABC Group

### Shared Services

	Television R'000	Radio R'000	Audience Services R'000	Technology R'000	News R'000	Content Enterprises R'000	Other R'000	Total R'000
Revenue	1 558 038	567 825	398 189	27 917	38 891	86 495	34 571	2 711 926
Cost of sales	(653 495)	(52 669)	(8 824)	(15 783)	(52 895)	(346 762)	(19 050)	(1 149 478)
Gross profit	904 543	515 156	389 365	12 134	(14 004)	(260 267)	15 521	1 562 448
Other operating income and expenses	(273 580)	(210 276)	(37 694)	(338 948)	(231 234)	(102 774)	(433 356)	(1 627 862)
Profit/(loss) from operations	630 963	304 880	351 671	(326 814)	(245 238)	(363 041)	(417 835)	(65 414)
Net Interest	(5)	(12)	(2)	(4 799)	(51)	(8)	25 736	20 859
Exceptional item	-	-	-	-	-	-	46 216	46 216
<b>Segment contribution</b>	<b>630 958</b>	<b>304 868</b>	<b>351 669</b>	<b>(331 613)</b>	<b>(245 289)</b>	<b>(363 049)</b>	<b>(345 883)</b>	<b>1 661</b>
Total assets	224 355	2 638	5 576	369 596	17 882	254 568	811 933	1 686 548
Total liabilities	102 767	7 844	65 107	37 936	29 587	201 988	440 434	885 663
Depreciation	(1 216)	(484)	(1 132)	(64 072)	(2 781)	(408)	(13 749)	(83 842)

## Five-year Financial Review to 31 March 2005

	Years ended 31 March				
	2005 R'000	2004 R'000	2003 R'000	2002 R'000	2001 R'000
<b>INCOME STATEMENTS</b>					
Revenue	3 314 055	2 711 926	2 452 068	2 235 450	2 184 946
Operating expenses	(3 011 859)	(2 777 340)	(2 536 212)	(2 282 287)	(2 228 813)
Provision for state loan account	-	46 216	(115 542)	-	-
Net interest	15 565	20 859	49 865	49 519	47 326
Taxation	(77 477)	-	-	-	-
<b>Net profit/(loss) for the year (restated)</b>	<b>240 284</b>	<b>1 661</b>	<b>(149 821)</b>	<b>2 682</b>	<b>3 459</b>
<b>BALANCE SHEETS</b>					
Property, plant and equipment	493 335	467 674	439 964	422 359	413 331
Long-term loan receivable	18 000	18 000	18 000	144 000	144 000
Long-term investment	1 932	-	-	-	-
Other non-current receivable	37	231	1 031	2 953	5 744
Current assets	1 518 533	1 200 643	1 118 625	1 136 931	1 087 828
<b>Total assets</b>	<b>2 031 837</b>	<b>1 686 548</b>	<b>1 577 620</b>	<b>1 706 243</b>	<b>1 650 903</b>
Equity and reserves	1 041 887	800 885	795 193	952 798	899 667
Permanent capital	27 390	27 390	27 390	27 390	27 390
Long-term liabilities	50 851	29 831	34 899	3 697	11 986
Employee benefits	162 691	223 129	216 509	273 001	238 969
Current liabilities	749 018	605 313	503 629	449 357	472 891
<b>Total equity and liabilities</b>	<b>2 031 837</b>	<b>1 686 548</b>	<b>1 577 620</b>	<b>1 706 243</b>	<b>1 650 903</b>
<b>CASH FLOW STATEMENTS</b>					
<b>Net cash flow from operating activities</b>	<b>158 780</b>	<b>105 942</b>	<b>(180 640)</b>	<b>115 153</b>	<b>239 492</b>
Operating surplus/(loss) from broadcasting activities	453 553	101 730	(89 381)	123 777	66 260
Changes in working capital	(268 425)	(16 647)	(141 123)	(58 142)	125 906
Interest received	22 039	29 848	54 805	54 328	53 474
Interest paid	(6 474)	(8 989)	(4 941)	(4 810)	(6 148)
Taxation paid	(41 913)	-	-	-	-
<b>Net cash flow from investing activities</b>	<b>(108 455)</b>	<b>(92 011)</b>	<b>19 554</b>	<b>(79 221)</b>	<b>(129 439)</b>
Purchase of property, plant and equipment	(118 192)	(103 954)	(111 424)	(88 930)	(62 655)
Proceeds from sale of property, plant and equipment	9 543	11 143	3 056	6 918	5 092
Decrease in non-current receivable	194	800	1 922	2 791	124
Decrease/(increase) in long-term loan receivable	-	-	126 000	-	(72 000)
<b>Net cash flow from financing activities</b>	<b>(100 654)</b>	<b>40 727</b>	<b>145 841</b>	<b>(33 590)</b>	<b>(77 728)</b>
Increase/(decrease) in long-term liabilities	20 351	(16 396)	45 921	-	(25 084)
(Increase)/decrease in short-term investments	(121 005)	57 123	99 920	(33 590)	(52 644)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(50 329)</b>	<b>54 658</b>	<b>(15 245)</b>	<b>2 342</b>	<b>32 325</b>

# 2005

	Year ended 31 March				
	31 March 2005	31 March 2004	31 March 2003	31 March 2002	31 March 2001
<b>RETURNS AND PROFITABILITY (AFTER STATE LOAN ACCOUNT)</b>					
Growth on accumulated reserves (%) - annualised	26.4	0.2	(17.1)	0.3	0.4
Return on total assets (%) - annualised (restated)	12.9	0.1	(9.1)	0.2	0.2
Operating costs as a percentage of revenue (%)	91	101	108	102	102
Revenue per employee (R' 000)	1 050	883	803	723	696
<b>SOLVENCY AND LIQUIDITY (AFTER STATE LOAN ACCOUNT)</b>					
Financing costs cover (times)	38.1	1.2	(45.8)	2.5	2.2
Total liabilities to own funds (%)	95	110	92	74	78
Interest free liabilities to total assets (%)	36	35	30	26	29
Current ratio	2.03	1.98	2.22	2.53	2.30
Acid test ratio	1.55	1.32	1.53	1.85	1.64
<b>RETURNS AND PROFITABILITY (BEFORE STATE LOAN ACCOUNT)</b>					
Growth on accumulated reserves (%) - annualised	26.4	(4.8)	(3.5)	0.3	0.4
Return on total assets (%) - annualised (restated)	12.9	(2.6)	(2.0)	0.3	0.3
Operating costs as a percentage of revenue (%)	91	102	103	102	102
Revenue per employee (R' 000)	1 050	883	803	723	696
<b>SOLVENCY AND LIQUIDITY (BEFORE STATE LOAN ACCOUNT)</b>					
Financing costs cover (times)	38.1	(4.9)	(9.3)	2.5	2.2
Total liabilities to own funds (%)	95	96	80	74	78
Interest free liabilities to total assets (%)	36	35	30	26	29
Current ratio	2.03	1.98	2.22	2.53	2.30
Acid test ratio	1.55	1.32	1.53	1.85	1.64
<b>OTHER STATISTICS</b>					
Head count as at last day of financial year	3 155	3 072	3 054	3 093	3 140
<b>FOREIGN EXCHANGE RATES</b>					
<b>Rates at 31 March</b>					
	2005		2004		
	Closing rate	Average rate	Closing rate	Average rate	
United States Dollar (USD)	6.21	6.23	6.30	7.03	
British Sterling (GBP)	11.80	11.20	11.62	12.01	
European Euro (EUR)	8.09	7.86	7.75	8.29	

## BASIS OF CALCULATIONS

Growth on accumulated reserves (%)	=	net profit/(loss) for the year ÷ average of accumulated profits.
Return on total assets (%)	=	net profit/(loss) for the year ÷ average total assets.
Operating costs as a percentage of revenue (%)	=	operating expenditure ÷ revenue.
Revenue per employee	=	revenue ÷ number of permanent employees.
Financing costs cover (times)	=	(net profit/(loss) for the year + interest paid) ÷ interest paid.
Total liabilities to own funds (%)	=	(current liabilities + non-current liabilities + employee benefits) ÷ total capital and reserves.
Interest free liabilities to total assets (%)	=	(current liabilities - current portion of long-term liabilities) ÷ total assets.
Current ratio	=	current assets ÷ current liabilities.
Acid test ratio	=	(current assets - programmes and rights - inventories) ÷ current liabilities.

# Chief Operating Officer's Statement

**The primary goal for radio and television operations for the year under review was to begin consolidating the platforms and content division.** The extraordinary success of the television channels during this year demonstrates the success of this strategy, even though the journey has just begun.

The newly established Content Hub is intended to meet the challenges posed by this goal through instituting best practice and ensuring innovative and effective content management. It was shaped by re-engineering all the content business processes, aligning structure to strategy and developing new systems, and is intended to be the creative centre of excellence driving bold content that celebrates African storytelling. The ultimate aim is to provide the SABC platforms with globally competitive content efficiently and promptly, using multiple sources and sound business process.

The 2004/05 financial year saw the SABC identifying SABC1 and SABC2 as the public broadcasting television channels, and SABC3 as the commercial channel. The public service radio stations were identified as Ukhozi FM, Lesedi FM, Phalaphala FM, Umhlobo Wenene FM, Thobela FM, Motsweding FM, Ligwalagwala FM, Ikwekwezi FM, Munhanga Lonene FM, SAfm and RSG. The commercial stations are 5fm and Metro FM, which are national music format stations, and Good Hope FM, which is regional in the Western Cape. The divisions to be separate units were SABC News and Current Affairs, incorporating the pay-TV 24-hour news channel SABC Africa; SABC Sport, and SABC Education. The task was then to streamline the services and consolidate the production houses under one umbrella, in order to deliver effectively on our mandate.

## Strategic Objectives

An audit of processes and practices within the platforms indicated the urgent need to establish a vehicle that would enhance the aggregation of world class content to deliver effectively on our public service mandate. This was to be a first class aggregator of ground breaking, globally competitive content expressing, reflecting, affirming and celebrating South Africa's diverse heritage, identities, cultures, languages and aspirations.

A dire shortage of skills was also identified, and the Content Hub was tasked with attracting specialist skills in order to create a centre of excellence in content management, and fostering development, diversity and empowerment in the local production industry. It will also contribute to improving the quality of content through innovation and product synergy.

In the current, fiercely competitive broadcasting environment, it is essential for the SABC to be able to respond quickly to opportunities for acquiring the best ideas, talents and partners. A contributory factor in creating this capacity is to restore credibility in the SABC's commissioning processes, towards

building a constructive relationship with the independent production sector.

## Overall Goals

A priority for the platforms and content division is to contribute innovatively to the development of Africa within the agenda of the African Union and NEPAD, and of broadcasting content that advances a democratic and patriotic South Africa.

Providing informative and entertaining broadcasting content that enlightens, empowers and unites South Africans, and reflects our diverse identities, languages, cultures and abilities is also a high priority. In order to achieve this, we need to secure new markets to ensure commercial viability, and sustainable new revenue streams for content development.

## Key Success Factors

Knowing and understanding the needs of our audiences will determine the success of the Content Hub. This encompasses divorcing personal tastes from the needs and wants of the prospective audience; being sensitive to cultural differences; understanding the psychology of consumer behaviour in relation to entertainment and storytelling, as well as nurturing good relationships with channels and stakeholders.

Further measures of success will be the extent to which we have implemented proficient systems and processes; established business partnerships with the best suppliers; anticipated developments in technology and the media environment; and used historical data, cultural imperatives and creativity to predict audience behaviour and needs.

## Conclusion

To sum up, the platforms and content division of SABC Operations has embarked on the path to contributing innovatively, using multiple sources and platforms, to the development of broadcasting content that advances a democratic and patriotic South Africa. To this end it provides informative, educational and entertaining broadcasting content that enlightens, empowers and unites South Africans, and reflects our diverse identities, languages, cultures and abilities.

The Content Hub has been set up to secure new markets within and beyond the borders of South Africa to ensure commercial viability and sustainable new revenue streams; to help develop the talent and skills of all South Africans towards total



Ke ya ipela  
ka SABC

production value, and to build a constructive relationship with the local production industry. Systems are being established to ensure effective governance and efficient operations, and to foster accountability.

These goals and systems are aligned to the goals of the SABC board, and to the mandate of the national public broadcaster, and have been developed to provide the best possible broadcasting service for our audiences. Ultimately, we trust that this will strengthen the SABC team to deliver a broadcasting service comparable with the best in the world.

A handwritten signature in blue ink, appearing to read 'Solly Mokoetle', enclosed in a faint blue rectangular box.

Solly Mokoetle

Chief Operating Officer



# Market Overview



Market  
Overview

# Regulatory Environment

## Editorial Policies

The 2004/05 financial year began with the SABC editorial policies coming into effect on 1 April 2004, after extensive and unprecedented consultation with the public in 2003. In terms of the policies on language, universal access, religion, education and local content, the SABC is required to prepare an annual action plan for each. The first of these, for 2005/06, will be reported together with their implementation in the next annual report.

## Regulatory Processes

From a regulatory perspective, 2004/05 was a watershed year for the SABC, with two critical regulatory processes taking place: amendment of the SABC's licences in terms of section 22 of the Act, and hearings on the SABC's application for regional television licences.

## Amendment of SABC Licences

Amendment of the SABC's 21 broadcasting licences was crucial to the evolution of public broadcasting in South Africa. The licences, issued by the Independent Communications Authority (ICASA), set the terms and conditions under which each serv-

ice must operate, and therefore determine the direction the services will take in delivering value to audiences.

The SABC applied for amendment of its licences in terms of section 22 of the Broadcasting Act in March 2004. Public hearings for this process were held throughout the country, during which the SABC demonstrated its level of public service delivery. In its proposals, the SABC committed itself to increasing the African language material on television, including programmes in the marginalised languages and more factual programmes, including news, current affairs and documentaries. The finalised licence conditions will be binding on the SABC for six to eight years.

## Transmitter Expansion

During the year under review, the SABC made the following applications to ICASA for expansion of radio coverage:

- In a move to extend PBS radio coverage still further, the SABC focused on Ikwekwezi FM, which at 67% has the lowest population coverage of all the PBS radio stations. In 2004, ICASA granted permission for an application for additional FM transmitters in Johannesburg and Tshwane, which included closure of the FM gap filler at Menlo Park,



kumbe  
tinxaka

and the MW transmitters at Welgedacht and Ga-Rankuwa. This would increase the coverage of Ikwekwezi FM to 82%.

- The issue of upgrading the power of the Munghana Lonene FM transmitter at Makhado, which has been outstanding since 2002, was discussed with ICASA. This upgrade would give 60 000 more rural people access to the station. The decision is pending ICASA's liaison with the Zimbabwean authorities.
- Application was made to ICASA to increase Metro FM power from 3kW to 10kW, as research had indicated that Metro FM would gain significantly from such a change. The SABC also held that Metro FM was at a distinct disadvantage compared with its competitors in Gauteng (eg Kaya FM, Y-FM and Highveld Stereo), all of which were broadcasting in Johannesburg on transmitter power of 10kW. ICASA, however, declined the application.

During 2004/05, ICASA approved the following television expansions.

- SABC1 and SABC2 coverage at Supingstad, Madibogo, Motswedi, and Kuruman, serving 75 000 people. The

transmitters at Supingstad were switched on in 2004, and the rest are expected to follow in 2005.

- An increase in power for the SABC1 and SABC2 transmitters at Harrismith and Ulundi, from 1kW to 5kW. The higher powered transmitter at Ulundi was switched on in 2004, giving 105 000 more rural people access to those channels. The Harrismith transmitter is expected to add 92 000 potential viewers.

## Regional Television

The SABC's application for two public regional television licences was a significant advancement in public broadcasting in South Africa. The application was made in 2003, and hearings were held in 2004.

The policy origins of the application date back to the Authority's Triple Inquiry Report, which held that the public broadcaster should offer people interesting, relevant, and enjoyable programmes, in the languages of their choice. However, two major constraints made it difficult for the SABC to achieve these objectives completely.

Firstly, the SABC's revenue which has not kept pace with the rising cost of fulfilling the mandate in a number of areas. Secondly, the number of television platforms available to the SABC. Despite the SABC's having made considerable strides over the past few years, it has been unable to cater fully for all the official languages on television.

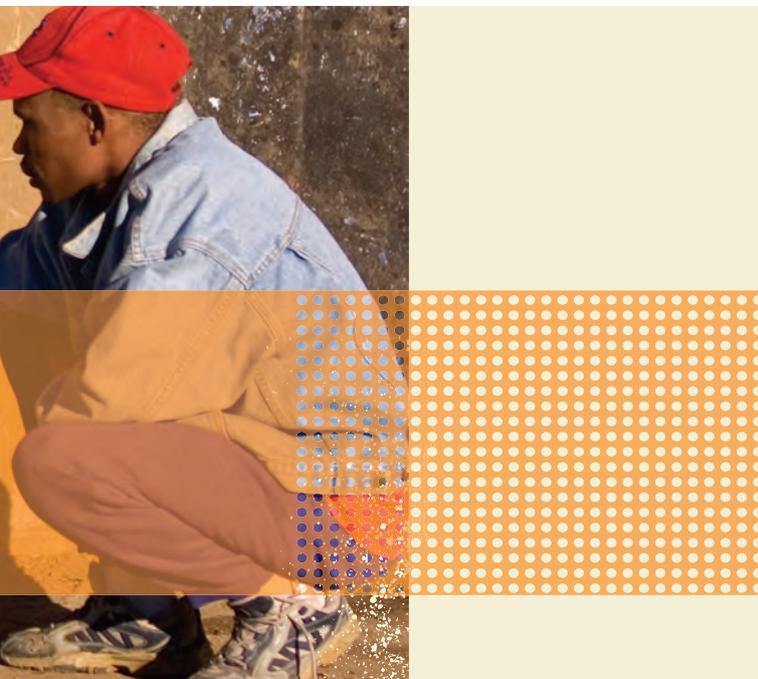
## Policy Submissions

The SABC continued to play a leading part in the development of broadcasting industry policy. The company made 33 submissions on policy and licensing issues - from competitor licence amendments to subscription broadcasting and the treatment of disability - to the government and ICASA during 2004/05.

## Audience Complaints

During the year under review, complaints about programme content on SABC radio stations and television channels were directed largely at issues of perceived unsuitability of material in terms violence, sex, nudity, language, or prejudice, or for viewing by children.

Of the 217 complaints dealt with by the Broadcasting Complaints Commission (BCCSA) 2004/05, 203 were dismissed. It appears that many complainants may not understand the bounds of both the BCCSA Code of Conduct for Broadcasters and the SABC's own editorial policies. In an attempt to raise awareness, a series of radio and television promotions was initiated, in all the languages, explaining the on-screen advisories and the role of parents in deciding what children should watch.



# The SABC's Proud Position in *Sales* and *Marketing*

## Showcasing South Africa's best loved brands to the public and trade alike

Sales and Marketing is the SABC's primary commercial revenue division, tasked with sourcing revenue and broadening media market share, primarily from print and electronic media. The division also gathers research data and trends that provide decision makers in the SABC with knowledge competence, consumer confidence, competitive information, demographic trending, and consumer behaviour patterns. Corporate Marketing provides strategic positioning and operational guidance for all the consumer and trade brands, event management, corporate identity standards, corporate social investment programmes, and special project work in communities.



In the 2004/05 financial year, an intensive commercial drive produced the best results ever for the SABC in sales of airtime, and in marketing of all the SABC brands.

## Review of 2004/05

The sales divisions of television, radio, and sports sponsorship focused on consolidating profitable market share gains in a buoyant media market, client service excellence, efficiency gains, and improved performance.

SABC Marketing focused primarily on upgrading skills and building capacity for the SABC brand in CSI work, brand awareness, and special eventing off-air, while maintaining a consistent on-air presence. Marketing strategy throughout the company concentrated on retail marketing to boost audiences, and a substantial media holding in radio, television, outdoor, press, and cinema – purchased and planned centrally for economies of scale, and sharing of resources.

## Commercial Sales Forges Ahead

With the economy in an upturn and consumer confidence high, the SABC took advantage of the black middle class boom to step up advertising and sponsorship sales.

### Television

Backed by a determined and capable leadership team, television sales augmented revenue by 26% on the previous.

South African television market and share growth during the year under review exhibited the following pattern.

- Television as a whole showed growth above that of the overall media market: television at 26%, and the media market at 22% (source: Adex)
- SABC television showed growth above that of 'other television': SABC television at 28%, other television at 25% (source: MIT)
- SABC television showed a market share gain of 2.5%, whereas e.tv lost 0,5%, M-Net lost 1%, and DStv lost 1% (source: Adex)

The core strategies that effectively brought about this development were:

- growth of the client base by increasing smaller clients by almost 50%
- an effective new business strategy that secured some 160 new clients, amounting to R65 million
- major inroads into government business - an increase of 28% (Apr to Dec 2004, compared with Apr to Dec 2003)

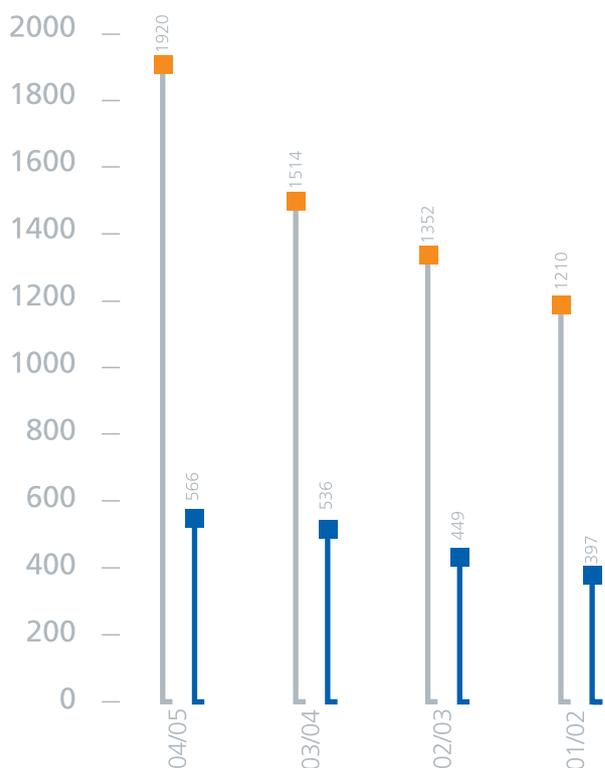
- a PBS sales strategy for SABC1 and SABC2 covering price, product, and education of marketers and advertisers, resulting in 34% more spots being sold on SABC1, and 42% more on SABC2

### Radio

Strong relationship building with clients and a vigorous new-business drive resulted in 70 new clients being added to radio. The radio share dropped slightly to 41%, but pricing strategies boosted sell-outs in drive times, and sales increased by 8%.

- At the start of 2004/05, Radio Sales realigned the sales human resources structure to reflect the PBS and CBS operating divisions and, more important, addressed marketplace segmentation dynamics
- New customised, segmented target market deals were developed with innovative technological coding on booking systems, which project included the introduction of regional advertising splits in the three major metropolitan areas

Sales on Radio and Television (R'm)\* ■ Television ■ Radio



\* These amounts exclude sales generated by other divisions

- Radio Sales also started personalized training and development programmes for all the staff, in order to improve performance
- Radio Sales continued to work closely with the radio stations on programme strategies to increase time spent listening and listenership figures
- Under the banner of the African Renaissance, trade marketing took a number of clients through roadshows and an educational programme to highlight PBS brands and audiences.
- There were encouraging market share gains and revenue growth from December 2004 to the end of March 2005 as the sales turnaround strategy took effect

## Marketing Reaches a New Level of Excellence

Group Marketing initiatives were instrumental in driving audience growth across SABC platforms, establishing the SABC as the country's premier media marketer. Numerous awards at prominent marketing and advertising events confirmed that powerful brand marketing and retail, programme enhancing campaigns combined for excellent returns. Highlights for the SABC on the marketing calendar included the following:

- The corporate brand's *Your SABC* campaign was supplemented by new on-air advertising for corporate social investment, and big events such as 46664
- SABC1 entrenched the *Ya Mampela* campaign, and was awarded the Grand Prix at the 2004 Loerie Advertising Awards
- SABC2's *Feel at Home* on-air advertising campaign helped the channel increase its all adult share (at e.tv's expense)
- SABC3 began a new on-air campaign and changed its corporate identity, while continuing its progressive programme advertising on outdoor and in print
- RSG, with its quirky *Skaap - Dis die Een* was awarded a Gold at the 2004 Loerie Awards, was Media Advertiser of the Year in the Finance Week annual awards - and consistently increased listenership over the last four diaries
- Metro FM unveiled *Move* on television, cinema, and outdoor, and constantly attracts more than six million listeners every week
- Good Hope FM's *It's All Good* campaign and community work in the Cape Town area has ensured a turnaround in declining audience trends
- The PBS radio portfolio was given considerable television and outdoor exposure. The focus on Fusion (cultural heritage fused with modernisation) stabilised the listenership of many stations and increased time spent listening
- SABC News and its flagship current affairs programmes launched *Africa News Leader* campaigns both on and off air

- SABC Sport's *For the Love of the Game* manifested itself in a range of world-class messages and enhanced its position in sports viewing and listening

The SABC continued to invest in communities and events of national importance, which attract millions of visitors every year who are able to meet and greet their favourite stars, heroes or SABC brands. In 2004/05 the SABC continued to be the anchor tenant and media sponsor of most of South Africa's major arts and cultural events.

## Research Proves Intuitive to Increasing Ratings and Strengthening Local Content

The Market Intelligence unit continued to assist the platforms in understanding their audiences, through specific research aimed at knowing the South African market. A key research property was the SABC People Panel: well into its second year, it was used extensively by Future Fact to gain insight into the rich texture of South African society. The fact finding mission culminated in a conference, sponsored by the SABC, where results were presented to many media and business organisations. Transformation of the unit in commissioning the highest standard of qualitative and quantitative research, while adhering strictly to BEE principles, continued to aid the industry in transformation.

## SABC Mobile Spreads its Influence

SABC Mobile showed how mobile technology can complement broadcasting – using best practice ideas from all over the world. On an unprecedented scale, mobile platforms were used creatively for audience participation and interaction. Highlights included:

- *MOBIDIC*, South Africa's first English Language mobile dictionary, using cellphone SMS
- *3BEE*, which won a WASP industry award for Best Mobile Application in a Marketing Campaign
- SABC Triple 10 SMS competition raised money for the National Programme for Child Protection and the National Programme for HIV/Aids
- SMS was used to raise more than R25 million for the Tsunami Disaster Fund
- SABC Mobile Pages is an SMS based directory listing service

Continued growth of the mobile sector in South Africa, development of third generation technologies, and the reality of convergence between broadcasting and telecommunication, demand a strategic approach, which SABC Mobile is geared to take.

## New SABC Merchandising Drive Begins

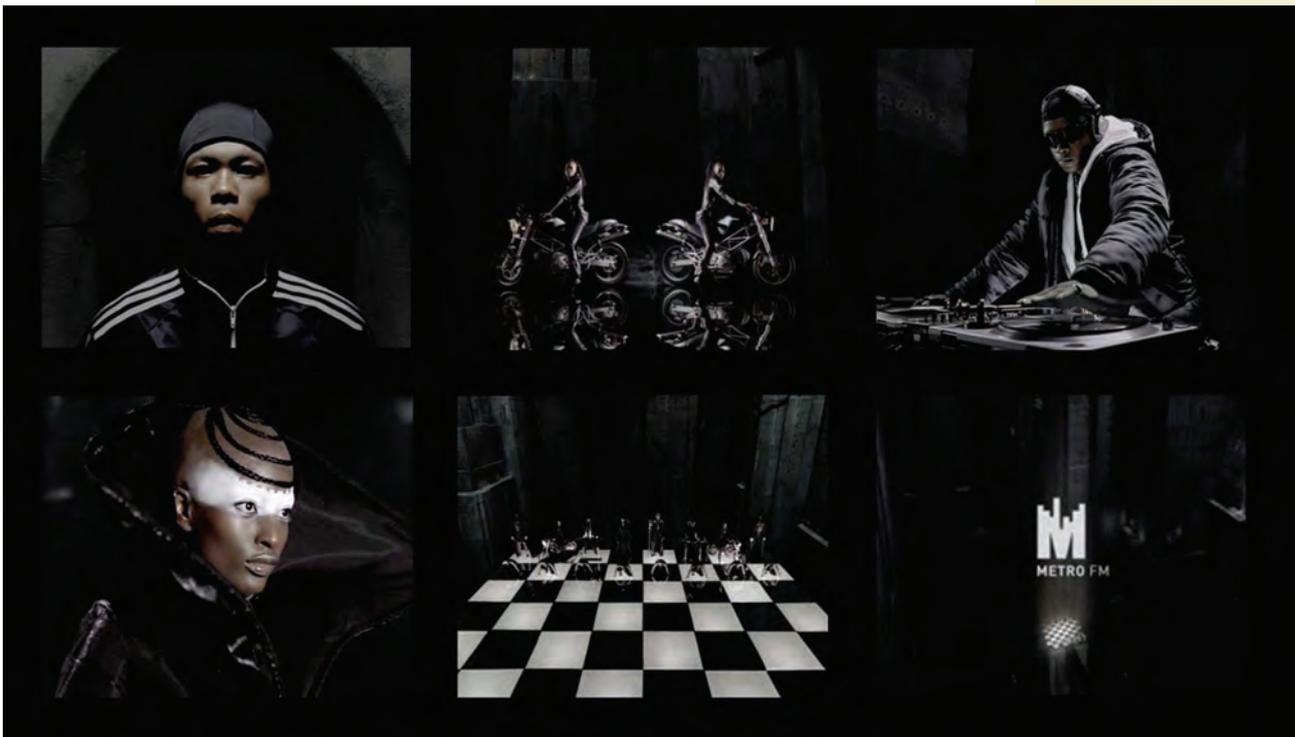
During the year under review, Corporate Marketing and Corporate Strategy conducted a feasibility study globally, revealing that broadcasters have the ability to boost revenue substantially from brand extension product launches outside

broadcasting. Using radio and television airtime to drive demand, the SABC focused on products and services such as music, film, and book publishing; dried snacks; branded tools and accessories. Licensing the use of SABC trademarks is a growth area for Commercial Enterprises, and merchandising should contribute far more than the R8m for the past financial year.

### New Challenges, New Horizons

The competitive landscape in radio - where regional independent radio station formatting in the 25-49 age group and LSM 8-10 profile compete for revenue - and regulatory changes on the new licences, pose great challenges for the SABC. In television, the dilemma of offering commercially attractive programmes in prime time, yet applying the vital mandate principles, will offer interesting opportunities for the commercial division.

Market share gains will have to be protected, to allow the SABC to increase local content budgets and sustain the company financially. Brands will therefore be given marketing investment, particularly the public service radio brands, which are ready for expansion as marketers begin to understand the power of language marketing. Revenue management, improved brand marketing, and promotion of interactive selling through the telecommunications conveyance, are important goals. The SABC has its sights set on attaining audience and revenue goals, which depend largely on image management.



Metro FM advertisement for the MOVE campaign, on television, cinema and outdoor





Value  
Creating  
Activities

Value  
positivity

# Public Broadcasting Service Television

The SABC has two national public service television channels, SABC1 and SABC2, which broadcast terrestrially and via satellite within the borders of South Africa. The public service television channels of the national broadcaster have the three-pronged mandate common to all public broadcasters: to inform, educate, and entertain the public at large. Included in this mandate are requirements such as to carry children's programmes; reflect the religions practised in the country; cover the sports the nation plays and watches; reflect events of national importance; deal with issues identified by the government as national priorities; and promote nation building. In addition it incorporates broadcasting in all the official languages, and compliance with the local content requirements set by the Authority. Since the SABC is the leading African broadcaster, the PBS channels also need to focus on South Africa's role on the continent and the Africanness of her people.



SABC 1

SABC 2

Average daily audience: 15.027 million.

Full spectrum free-to-air channel with a youthful focus, and aimed at a mass audience.

Broadcasts in English, isi-Zulu, isiXhosa, isiNdebele and siSwati.

Coverage via terrestrial transmitter network: Currently 80% of targeted audience.

Available via satellite on the DSTv and Vivid DTH (direct-to-home) digital satellite platforms.

Average daily audience: 8.400 million.

Full spectrum free-to-air channel aimed at the whole family.

Broadcasts in English, Afrikaans, Sesotho, Setswana, Sepedi, xiTsonga and tshiVenda.

Coverage via terrestrial transmitter network: Currently 85,6% of targeted audience.

Available in stereo via satellite on the DSTv and Vivid DTH (direct-to-home) digital satellite platform.

## SABC1 - Celebrating youthfulness

SABC1 is a full-spectrum, public service channel broadcasting in the Nguni languages and English, and catering for young South Africans...of all ages. The channel targets viewers aged 16-34, in the LSM 5-8 group. SABC1 has emerged as the foremost television brand that embraces social realism and offers hard-hitting and entertaining content that inspires its viewers to engage with their reality. The channel's vision is to remain the nation's premier platform for youthful expression, and a brand that celebrates youthfulness. As the channel that commands the biggest television audience in the country – and an audience comprising largely young people – SABC1 is fully aware of the need to exert the power of the medium as a positive influence, and a vehicle for transformation.

## Audience and Growth

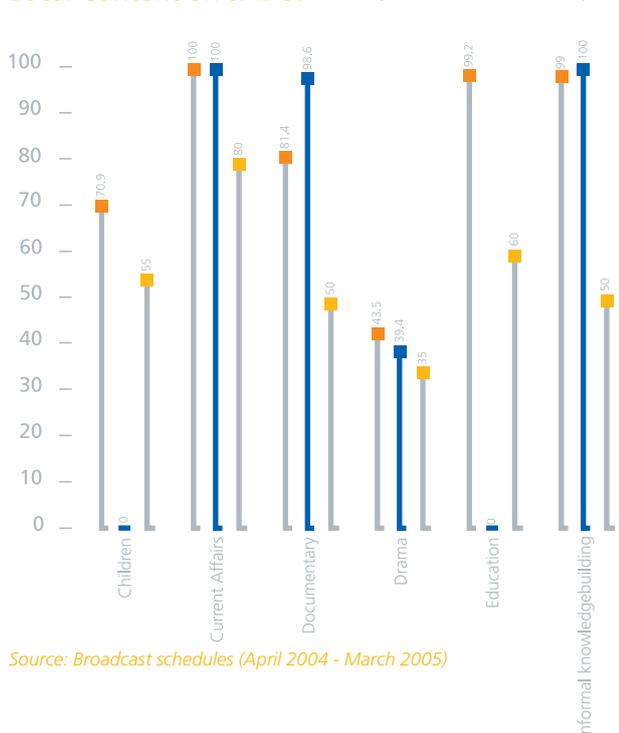
SABC1 attracted more than 15 million viewers a week during the year under review, maintaining weekday prime time audience dominance of the South African television market. Among adult television viewers, SABC1 commanded a share of 34%, which represented a share lead of 15 percentage points on the nearest competitor (e.tv, with a market share of 19%).

## Programme Remit

SABC1 is a full spectrum, public service channel, which caters for its youthful audience with a programme mix that is intended to:

- enhance public service delivery through entertaining, educational, and enlightening material
- address issues of importance and relevance to the youth of South Africa
- create an African flavour that strengthens African culture and identity

## Local Content on SABC1



Source: Broadcast schedules (April 2004 - March 2005)

- maintain high levels of local content, and commission material of excellent quality that is relevant to the mission of the channel
- continue to focus on social realism

## Local Content

SABC1 exceeded the local content quota as well as its previous year's performance. Against an overall quota set by ICASA of 55%, prime time local content increased from 56% to 63%, and for the performance period from 55% to 62%.

The channel also met or exceeded all the genre quotas. SABC1 diversified its programme mix, and increased delivery of talk shows, documentaries, and current affairs programmes. Investment in the local market grew, particularly through strong drama and entertainment formats. Most of the local content was commissioned from the independent sector, in excess of ICASA's requirements.

Programming also accorded with the SABC's editorial policies and goals in ensuring that local television programmes comprised a significant and visible part of the schedule. Local content strands were phased in at 18:30 and 20:30 on weekdays, and new programmes in the mix included a minority religion magazine, a regional travelogue, an Aids education series, and a youth magazine show.

## Language

The language mix on SABC1 was guided by the SABC's editorial policies, and in accordance with the National Language Policy Framework developed by the Department of Arts and Culture. In line with the imperative to ensure that programmes in official languages other than English are broadcast when audiences are available, such language delivery reached a significant level in prime time.

African language delivery on SABC1 – including unallocated multilingual programmes – in prime time was 38% of the schedule, and 42% overall. The channel is aiming for an increase in African language content to 50% in the next financial year.

To broaden accessibility of the programmes, local documentaries and local dramas were subtitled when English was not used. These included *Take 5*, *Zola 7*, *L'attitude*, *Generations*, *Tsha-Tsha*, *Gaz'lam*, *Buomi Sana*, and *Yizo-Yizo*.

## African Programmes

Guided by the SABC goal of showcasing African material, SABC1 broadcast a series of African movies, which were well received by the viewers. A 13-episode series of *Zola 7* was also expanded to include other African countries.

## Investment in Empowerment and Skills Development

*Generations*, the biggest project on SABC1, ran a writers' laboratory in collaboration with the South African Scriptwriters' Association to train writers from historically disadvantaged groups. Selection of participants took the form of a national competition, and ten finalists were trained and assimilated into the core writing team for the serial. The intention is for

this project to grow into a directors' laboratory in the coming year.

Ten directors were also trained through *Project 10*, a documentary series made in conjunction with the National Film and Video Foundation and the Binge Institute. The success of the *Project 10* partnership is evident from the demand for the films at the international markets.

For more information, [www.sabc1.co.za](http://www.sabc1.co.za)

**SABC2** - *We build as we reinforce the values of family and ubuntu. 'I am because you are!'*

SABC2 is positioned as the 'family' channel within the PBS network. The philosophy of the channel is that the concept of family should be defined broadly, so that all manner of South African families are included. The traditional Western picture of a nuclear family – mom, dad, 2.4 children – has never been the norm here. Single parent families and extended families are increasingly familiar; the HIV/AIDS pandemic is redefining the demographics of family life in this country; same-sex partners are adopting children; and the apartheid legacy means we are still coping with the after effects of migrant labour, forced removals and social engineering that devastated families for generations. Consequently, the channel explored what might be universally recognised as 'family values' – the caring, sharing, love, respect, and acceptance that form the core of family life - and made them central to SABC2's positioning.

## The Nation as Family

During the year under review, SABC2 broadened its positioning to embrace the nation as a family, in line with its public service commitment. This set the channel on a very deliberate course to play a key part in nation building, and to create a shared experience, particularly around events of national importance; through celebrating each other's culture and the rich diversity of our languages; and learning religious tolerance and respect.

## Programme Remit

**SABC2 is a full spectrum television service offering a programme mix of enlightening, informative, educational and entertaining material. The channel aims to:**

- create popular public service through an integrated content approach
- maintain a high level of local content and develop local drama as an audience powerhouse and a vehicle for social change
- commission signature variety and reality properties as cost effective, audience enhancing alternatives to drama
- integrate issues of national importance into its entertainment and informal knowledge-building (IKB) portfolios
- continue its special focus on women, children and the disabled

## Language

SABC2's approach to language is in accordance with the SABC language policy, broadcasting in nine of the eleven official languages. The primary languages are Afrikaans, Sesotho, Setswana, Sepedi, and English. The secondary languages are

Xitsonga, Tshivenda, isiZulu, and isiXhosa. Sign Language is integrated in educational, informal knowledge-building and children's programmes, and subtitles increase crossover appeal in local drama and cater for the Deaf.

## Audience Profile and Growth

**Demographics according to AMPS 2004A:**

- 52% of SABC2 viewers are in the 35+ age group
- 52% are Sotho and Nguni speaking; 48% English and Afrikaans
- Target audience: All Adults 16+

**This survey showed that SABC2 was one of two channels that increased its 'yesterday' audience significantly during the 2004/05 financial year.**

- 'Yesterday' viewership grew by 9%, from 7.7 million in the previous survey to 8.4 million
- Growth was in metropolitan areas; KwaZulu-Natal, Gauteng and Bloemfontein; among females and people aged 35+; and in LSM 1 – 5
- SABC2 became the second most recognised television brand according to the Sunday Times-Markinor brand study, indicating successful transition within six months of its repositioning as the channel for the nation
- SABC2 exceeded all its audience targets for the 2004/05 financial year:

All Adults:	Target 17%	Achieved 18%
LSM 5-7:	Target 16%	Achieved 16.4%
LSM 8-10:	Target 20%	Achieved 20.5%

## Mandate

SABC2 complied fully with the local content requirements set by ICASA that came into effect in August 2003, and in fact exceeded both its local content and genre quotas - with 76% local content in prime time, and 63% in the full day.

SABC2 in prime time was dominated by languages other than English, and delivery of African languages improved by 1.4% in prime time year on year.

SABC2's coverage stands at 89%. Roll-out of the approved coverage of 90.5% has been delayed owing to environmental issues.

## Celebrating 10 Years of Freedom

2004 was the year for celebrating a decade of democracy in South Africa, and featured the nation's third democratic elections and related events. These were carried live on SABC2, and celebratory programmes were featured throughout April 2004. Beethoven's 'freedom opera', *Fidelio*, was given a fresh context on Robben Island, and the channel was proud to bring this world first to its viewers.

## Financial Security and Success

The financial performance of SABC2 was well above expectations, with the net profit exceeding target by 64%. Year-on-year growth in revenue and net profit were 30% and 71%, respectively.

For more information, [www.sabc.co.za](http://www.sabc.co.za) and [www.sabc2.co.za](http://www.sabc2.co.za)

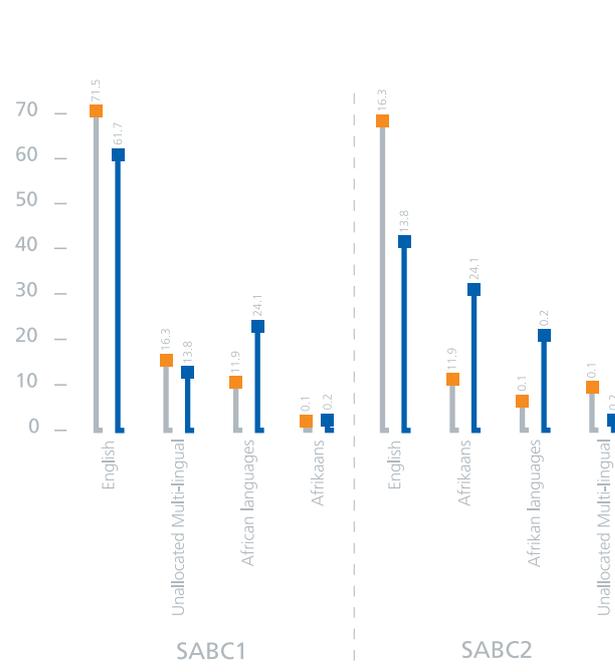


# Letsholo la rona



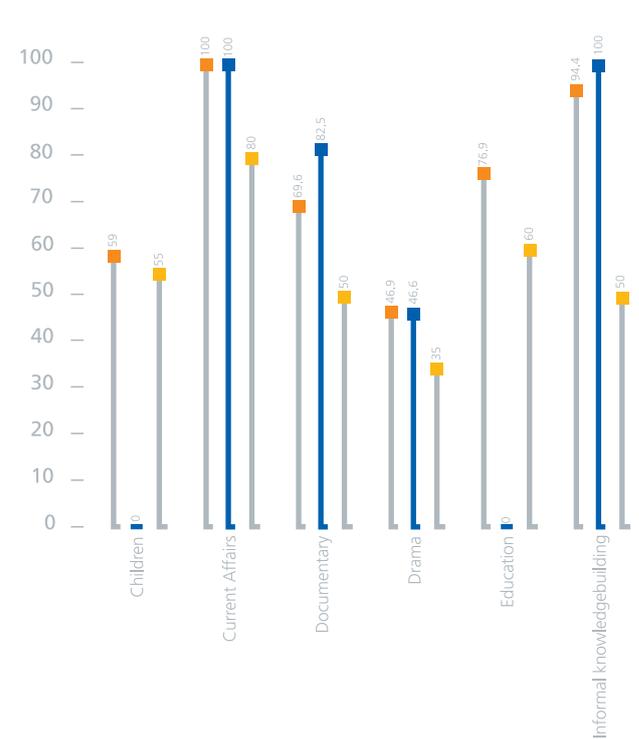
In front and behind the scenes of Beethoven's 'freedom opera' Fidelio, broadcast live by SABC2

## Language Allocation on PBS TV



Source: Broadcast schedules (April 2004 - March 2005)

## Local Content on SABC2



Source: Broadcast schedules (April 2004 - March 2005)

# Public Broadcasting Service Radio

South African public broadcasting plays a part in transformation and development of the community, and of social cohesion; as a catalyst of change, and in telling the South African story authentically in African and global contexts. The public broadcaster is required to maintain a large audience share in order to help achieve national goals and establish common values, provide a platform for free expression of ideas, and create opportunities for more open debate on issues that touch the lives of South African people.

To reflect the nation to itself, the approach of Public Service Radio is guided by the values underpinned by the SABC's editorial principles of equality, editorial independence, nation building, human dignity, accountability and transparency. To achieve its objectives, PBS Radio uses programme formats that are dynamic, entertaining and informative. These include drama serials, talk shows, documentary and magazine programmes, youth and children's programmes, religion, sport, and variety (magazines, music).

## Fulfilling the PBS Mandate

In the year under review, RAMS figures show that PBS Radio continued to reach an audience of over 22 million daily, comprising 58% of South Africa's total radio listening public, despite increased competition. The portfolio increased listener loyalty across the board, and there was a substantial increase in young listeners to all the stations.

During 2004/05, the Rebuilding Radio project continued, with the focus on rebuilding, realignment, and reinvestment. PBS Radio continued to deliver in accordance with its mandate and licence conditions, and local music content was well over 40% (15% on Lotus FM, as per ICASA requirement). Achievements included the *Voice of Choice* contest, the first music talent search across 11 radio stations. Where

possible, events of national importance were broadcast in the six language groups provided for in the National Language Policy Framework developed by the Department of Arts and Culture.

## The Regions

The SABC is represented in all nine provinces and has fully-fledged operational regions in the North West, Limpopo, Mpumalanga, Free State, Western Cape, Eastern Cape, and KwaZulu-Natal. More than a third of the permanent staff of the company are employed in the regions. SABC regions offer proximity for engagement with the regional communities, and the capacity to reflect the cultural diversity of South African society - to other regions, and to the nation.

The regions are sensitive to social needs of the environment in which they operate, support local charities, are involved in educational projects, and sponsor cultural activities in their communities. An essential function is to bring regional relevance and texture to news and current affairs programmes, and to provide immediacy for news coverage. The regions also assist in generating television licence revenue through hosting regional promotions, and providing licence fee collection centres. Since most of the regions are still largely rural, face to face



 <p><b>Average daily audience:</b> 4.734 million.</p> <p>Full spectrum in isiZulu.</p> <p>Reach of station via terrestrial transmitter network: Currently 80% of targeted audience.</p> <p>Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.</p>	 <p><b>Average daily audience:</b> 3.185 million.</p> <p>Full spectrum in isiXhosa.</p> <p>Reach of station via terrestrial transmitter network: Currently 79% of targeted audience.</p> <p>Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.</p>	 <p><b>Average daily audience:</b> 2.615 million.</p> <p>Full spectrum in Sesotho</p> <p>Reach of station via terrestrial transmitter network: Currently 78% of targeted audience.</p> <p>Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.</p>	 <p><b>Average daily audience:</b> 1.975 million.</p> <p>Full spectrum in Setswana.</p> <p>Reach of station via terrestrial transmitter network: Currently 86% of targeted audience.</p> <p>Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.</p>	 <p><b>Average daily audience:</b> 1.925 million.</p> <p>Full spectrum in Sepedi.</p> <p>Reach of station via terrestrial transmitter network: Currently 78% of targeted audience.</p> <p>Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.</p>	 <p><b>Average daily audience:</b> 1.131 million.</p> <p>Full spectrum in Afrikaans.</p> <p>Reach of station via terrestrial transmitter network: Currently 87% of targeted audience.</p> <p>Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.</p>
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interaction is the preferred means of communication for many people, and regional offices have this strategic relevance.

## Universal Access

Public broadcasting is being compelled to adapt constantly to changing circumstances in order to maintain its lead in South African broadcasting. Without reinventing itself and offering increasingly interesting programmes, the public broadcaster would render itself irrelevant, and lose the support it enjoys now. So, a high priority is to ensure that every citizen has access to its services.

The universal access policy came into effect on 1 April 2004, representing the first formal set of guidelines - widely informed by public input – for the SABC’s approach to extending the reach of its services. The aims are:

- To give every South African access to a broadcasting service
- To ensure that a radio service offering a range of programmes is available in each of the official languages. Initially, this would entail using the most affordable means of signal distribution to reach at least 80% of the speakers of each language
- As a longer term goal, to ensure that audiences have access to a range of radio services in a variety of official languages

A Universal Service and Access Committee was formed in 2004 to co-ordinate implementation of the policy. The terms of reference are as follows:

- Interaction with all the relevant stakeholder groups
- Identification and evaluation of the feasibility of creating new transmitter sites in rural areas where people do not



Average daily audience:  
0.945 million.

Full spectrum in isiSwati.

Reach of station via terrestrial transmitter network: Currently 71% of targeted audience.

Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.



Average daily audience:  
0.910 million.

Full spectrum in xiTsonga.

Reach of station via terrestrial transmitter network: Currently 84% of targeted audience.

Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.



Average daily audience:  
0.835 million.

Full spectrum in isiNdebele.

Reach of station via terrestrial transmitter network: Currently 67% of targeted audience.

Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.

yet have access to any SABC service. This includes financial viability versus mandate requirements

- Identification and evaluation of the feasibility of expanding SABC radio and television services to existing transmitter sites
- Evaluation of the possibilities of alternative transmission technologies, particularly satellite reception in community centres in rural areas
- Keeping abreast of, and commenting on, applications to ICASA by competitors to change transmission specifications and coverage
- Setting of annual goals and reporting achievements of the previous year

The SABC applied to ICASA for an extra transmitter for Lesedi FM in Durban, which would mean access to the service for 20 000 more people. Similarly, application was made for another transmitter for Lotus FM in Port Elizabeth, which would give 10 000 more people access to the service. Studies are also to be commissioned to find the best way of increasing coverage of all the PBS stations beyond 80%, particularly Ligwalagwala FM from 71% to 80%; Phalaphala FM from 79% to 80%; and Umhlobo Wenene FM from 79% to 80%.

## Audience Performance

From the last five RAMS diaries we have seen an encouraging trend in terms of stable listenership on all the PBS stations in



RSG DJs entertaining the crowds at the KKNK festival



Average daily audience: 0.522 million.

Full spectrum in tshiVenda.

Reach of station via terrestrial transmitter network: Currently 79% of targeted audience.

Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.

Average daily audience: 0.393 million.

Music format in English and isiXhosa.

Principal broadcasting area: Parts of Eastern Cape.

Not available in via satellite.

Average daily audience: 0.331 million.

Indian cultural service in English.

Principal broadcasting area: KwaZulu-Natal and parts of Gauteng.

Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.

various timeslots. Many of the stations have shown an increase in time spent listening (TSL). Lesedi FM has the highest TSL nationally, with 23 hours 20 minutes per listener on average; the next is Ukhozi FM with 21 hours 11 minutes, followed by Phalaphala FM with 19 hours 35 minutes.

## Reflecting Diversity

South Africa needs a strong, independent and vibrant public broadcaster that caters for the needs of a widely diverse, multicultural nation. The South African context also has unique facets that help to determine the national public broadcaster's positioning. As a consequence of our special national challenges, and the responsibilities of promoting nation building and diversity, developing democracy, and restoring the dignity of all our people, the SABC needs to review and revitalise its model of public broadcasting.

## Meeting New Licence Conditions

PBS radio stations appeared before the regulatory authority ICASA in September 2004 to apply for amendments to their broadcasting licences. By the close of the financial year, draft licence conditions were under review, together with comments from the industry. In setting licence conditions for the SABC radio stations, ICASA generally appeared to have attempted to capture the status quo of PBS Radio, and this is seen as a vote of confidence in the programme offerings of the PBS radio services. The areas of concern, which the SABC proposed should be addressed, were:

- Language obligations of Radio 2000
- Obligations regarding children's programmes on RSG
- Drama programmes on Radio Lotus
- Drama on the Khoi-San radio station XK-FM
- News, current affairs, and children's programmes at week-ends
- Renewal of XK-FM's licence

## In Support of Social Responsibility

In 2004/05 the stations in this portfolio remained committed to uplifting and developing the communities they serve. All the PBS radio stations offered air time free of charge to worthy causes for public service announcements, and initiated and/or participated in corporate social investment projects.

## Towards the Future

As the portfolio continues to refine content, and ensure that revenue and audience targets are met, certain key challenges lie ahead. These include an increasingly competitive landscape (with more radio licences to be issued); identification and maintenance of ideal profit margins; the funding of PBS Radio; and acquisition and retention of skills.

For more information, [www.sabc.co.za](http://www.sabc.co.za) under Radio

SAfm	Radio 2000	X-K
<p>Average daily audience: 0.304 million.</p> <p>Full spectrum in English.</p> <p>Reach of station via terrestrial transmitter network: Currently 95% of targeted audience.</p> <p>Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.</p>	<p>Average daily audience: 0.096 million.</p> <p>Facility service.</p> <p>Principal broadcasting area: All areas except the Northern Cape.</p> <p>Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platforms.</p>	<p>Average daily audience: not available.</p> <p>Community station in !Xu and Khwe.</p> <p>Reach of station via terrestrial transmitter network: Radius of some 50km near Kimberley.</p> <p>Not available via satellite</p>

# News and Current Affairs

SABC News is a content provider for all the news and current affairs programmes carried by the SABC's PBS and CBS radio and television services, and the subscription channel SABC Africa. News is also delivered through a range of new media channels, including handheld devices and the Internet. SABC News is committed to being Africa's leading news organisation; to providing a news service that is credible, accurate and interesting - through bulletins on radio and television, and current affairs shows - and that delivers local, continental and international news to the homes of all South Africa's people in their own languages; to reflecting the world to the nation, and the nation to itself.

SABC News - guided and bound by certain legislative requirements, the editorial code and policies of the SABC, and SABC corporate goals - offers wide ranging and in-depth coverage of events and trends, both in the country and throughout the world. Research shows that some 24 million, or 80%, of adult South Africans choose the SABC as their primary source of news. SABC news services are often also the only media that offer news in the citizen's home language.

The news and current affairs division is the biggest news gathering organisation in Africa. It has 13 editorial offices, a staff of 1 200, a country wide network of correspondents, and

more than 2 000 news contacts. World news is provided by premium feeds from the international news agencies, and by strategically placed foreign correspondents. SABC News delivers more than a million words of news every day, reporting in all 11 official languages on television, and delivering radio news and current affairs in 13 languages.

## Television

During the year under review, SABC News broadcast 21 television news bulletins daily in all the official languages. There were four current affairs programmes on terrestrial television



*Behind the scenes of a live news broadcast*

- two in English, one in isiZulu and one in Afrikaans: *Special Assignment*, *Interface*, *Asikhulume*, and *Fokus/Focus*. SABC News also produced the breakfast television news magazine programmes *Morning Live* and *Weekend Live*. *Asikhulume*, *Fokus/Focus* and *Special Assignment* remained South Africa's most watched current affairs shows, and the Zulu/Xhosa news on SABC1 was by far the nation's favourite news bulletin. With one exception – the early evening Venda/Tsonga news – all the television bulletins recorded increased audiences.

## Radio

On radio, 253 bulletins were broadcast daily. There were 32 current affairs shows on the 15 PBS stations, totalling 36 hours a week and two and a half hours at weekends.

During the year under review, the current affairs radio audiences grew by about 1,5 million listeners in absolute terms. The morning and evening drive-time shows on Munghana Lonene FM, and the midday show on Umhlobo Wenene FM all recorded growth of more than 30%.

## SABC Africa

SABC Africa has established itself firmly as the leading broadcaster of African news and entertainment on the continent. During the year under review, the channel continued to reflect African ownership, leadership and growth, and made steady progress in expanding its contact base across the continent. Live broadcasts from all over Africa enabled the channel to meet its mandate in broadcasting news and programmes from an African perspective.

Highlights of the year included extensive daily coverage from Rwanda during commemoration of the 10th anniversary of the Rwandan genocide; the South African elections and the inauguration of President Mbeki; the opening of the summit of the African Union in Addis Ababa, Ethiopia; and the opening and sittings of the Pan African Parliament. The current affairs shows, *Perspective* and *Ambassadors*, contributed to the channel's mission of informing the African continent.

## 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 houses the main international 24-hour news outlets, aimed at increasing the SABC's reach and brand across Africa and globally, and offering audiences more choice in the way they access SABC news.

The SABC's online news service has a steadily growing audience, with almost a million page impressions a month on average. SMS headlines of top stories are sent out to subscribers, and frequently updated SABC video clips are available on cell-phones through a partnership. A 'pull' SMS headline service is

also provided. Live streaming of events is gaining popularity, and support technology for the site is to be updated to cater for this. The Internet site also carries audio and video clips, streams full radio and television bulletins daily, and carries excerpts of programmes such as *Special Assignment* and *Fokus/Focus*. The 24-hour audio phone news service NewsBreak continued its leadership as the most popular audio news information line in the country.

## Election 2004

The beginning of the financial year saw all the energies directed towards coverage of the elections, planning for which had begun almost a year earlier. Radio and television carried comprehensive coverage, with the state of the nation after 10 years of freedom as the key theme. SABC coverage was lauded by independent bodies, including the Media Monitoring Project and the Human Sciences Research Council.

Special features were produced on the 10 years of South Africa's democracy, and [sabcnews.com](http://sabcnews.com) provided state of the art election results. On NewsBreak, automated results were available in four languages - a first for South Africa.

## News Technology

On the technology front, implementation of the final stages of the digital news server project were under way, putting SABC radio and television news production on a par with the most advanced in the newsrooms of the world. As the financial year drew to a close, the Studio 12 gallery was completed – giving the SABC a full-function digital news studio.

## Serving an International Audience

The SABC's partnership with American public broadcasting television resulted in the delivery of a half-hour news feature to more than seven million American households weekly via the MHz and DISH networks.

## Editorial Values

In terms of editorial coverage, the empowerment of citizens through daily, balanced, and relevant news in South Africa's languages was identified as central to the mission of SABC News. This incorporated an editorial strategy that included telling stories from every area of South African life - from rural areas to business and government.

Two of the key priorities in 2004/05 were to move away from event-driven to issue-driven diaries, and to establish a culture of editorial independence and authoritative firmly rooted in the editorial policies and code of the SABC.

For more information [www.sabc.co.za](http://www.sabc.co.za)

# SABC *Educational* Programming

Advancing skills and knowledge, particularly increasing the levels of literacy and numeracy of Africa's people, and guiding children and adults from the most basic skills to higher learning and even sophisticated studies, is the mission of educational bodies in South Africa and elsewhere on this continent. Addressing the educational deficit among our historically disadvantaged people, and furthering education in all our communities, is the responsibility of authorities, institutions, employers, parents... all must play their part. The power of the electronic media adds a fundamental component to the education drive, delivering radio and television programmes ranging from formal curriculum-based educational programmes to informal edutainment, and even a service to help children with their homework. Education is a key component of the SABC's public service mandate.



SABC Education boasts continued development and delivery of top quality educational content across diverse platforms and media, informed by SABC board goals, which require educational programmes to be aligned with the SABC's editorial policies, and the education mandate. Through its association with 12 radio stations and four television channels, the unit has established and maintained a credible SABC Education brand. Expertise in developing local multimedia educational products and services, tailor-made to the preferences of our diverse audiences, has attracted an impressive set of international awards, new private and public revenue sources, and a growing stakeholder community.

## National Priorities

In 2004, a more coherent and strategic approach to educational programmes was taken. This has contributed to clear direction for the department's programme outputs. Focusing on matters of national concern, the priorities are literacy, science, technology, health, entrepreneurship, youth and culture, human rights, civics, educator development, and HIV/Aids education.

An HIV/Aids campaign, *Talk to Me*, was developed to observe World Aids Day and included a comprehensive media strategy for radio, television, print and community outreach. The campaign was a direct result of the *Takalani Sesame* HIV/Aids component, and served as a call to action by South African children to their parents to break the silence on HIV/Aids.

The radio version of *Siyayinqoba (Beat It)*, was produced in English, Kiswahili and French for broadcasting in Togo, Nigeria and Benin. The aim is to ensure that the antiretroviral roll-out in South Africa, and Africa, succeeds.

## Local Content and Language Coverage

Educational radio programmes comprised 100% local content; the mix for educational television programmes comprised 94% local and 6% foreign content. SABC Education also assisted the channels in meeting their public service obligations by complying with the ICASA regulations on language usage. The 2004/05 financial year closed with the television 'other

language' to English ratio at 31:69, against a target of 40:60. Although the target was not met, the figures represent a qualitative improvement in implementing a multilingual approach to programmes.

Through the PBS radio stations, SABC Education was able to reach listeners in all the official languages. *Takalani Sesame* continued to lead development of a multilingual approach to programmes for early childhood development on both radio and television. For television, original programmes were produced in several South African languages, and dubbing of local programmes and foreign acquisitions ensured output in all the official languages.

Radio and television programmes were produced locally in the mandate areas of Early Childhood Development, Curriculum Support, Youth Development, and Adult and Public Education. In these areas, issues of national concern formed the unit's programme focus, and strategies were developed for signing, closed captioning, and audio description. The unit proudly reports that more than 5 000 minutes of programmes containing Sign Language were produced during 2004/05. The strategy of including Sign Language as one of the official languages will be strengthened, based on a comprehensive study of the needs of differently abled people.

During 2004, SABC Education commissioned a study on Disability and the Mass Media, to give editorial guidance on inclusion of disabilities in educational programmes. Key findings point to participation and mainstreaming as important considerations for representation of disability.

## Growth and Financial Health

The business unit had great success in generating revenue, and containing expenditure, through establishing programme production partnerships, including the following:

- NEMISA committed 70% of the R7 million cost of a follow-up series to *The Decade Speaks*
- BP and Old Mutual committed R0,5 million to the production of *Soul City* on PBS radio stations
- Old Mutual will sponsor a multimedia series on personal finance to the value of R1,6 million

- The Department of Transport committed R9,7 million for formal education projects for radio, television, the Internet, and print, and a road safety training project
- Telkom Foundation committed R0,5 million for science and technology inserts for School TV
- Eskom committed R3,2 million to fund *Hip2b2* for the next three years
- Sanlam committed in principle to continue funding *Takalani Sesame* over five years
- Johns Hopkins University in the USA signed the contract for *Tsha Tsha II*, to the value of \$2 million a year over five years
- *Vuk'Uzenzele 4* is being sponsored by Eskom and Hollard, to the value of R 2,3 million
- *Powerplay*, a licence agreement, is sponsored by Eskom to the value of R2,5 million
- *Bantfu Embili*, a licence agreement, is sponsored by Nemisa to the value R1,9 million

## Audiences

Audience ratings and shares for most of the projects showed an increase, demonstrating the effectiveness of research-driven projects. The six new children's projects broadcast since July 2004 (*Hey South Africa*, *Destination SA*, *Hi Thanu*, *Hip2b2*, and *On a Cultural Note*) reported good and steady audience ratings averaging 4 ARs, with a share of 20 – 25%.

## Brands

During the year under review, structured brand-building activities were undertaken. SABC Education's Careers, Education, and Training Faires exceeded all expectations. Almost 264 000 learners and 7 000 educators from 1 400 schools attended the events, and 172 exhibitors supported the series.

## Product Innovation

SABC Education has begun exploiting the Internet as part of its strategy to deliver content across multiple media platforms, and the first South African web drama was launched.

In a first for South Africa, SABC Education, in partnership with the Gauteng Economic Development Agency and Biza Telecoms (Pty) Ltd, launched the SABC Education Mobile Dictionary, *MobiDic*. The concept enables users to access dictionary content via their cellphone.



Top: Filming an episode of the SABC1 ground-breaking series *Yizo Yizo*  
Bottom left: *Takalani Sesame* during a Roadshow



Bottom right: School TV filming at a local school

## Looking Ahead

In 2004 SABC Education established itself as a leader in the new media environment, uniquely positioned to design and deliver educational content on multiple media platforms.

The unit is faced with meeting the challenge of ensuring a more predictable and stable funding stream, which includes ensuring a greater commitment and investment from the SABC. Plans are in place to tackle the issues of programme co-production and sponsorship.

The priorities for the new financial year will be compliance with the education mandate, licensing conditions and editorial policies; retention and growth of audience share; product innovation and brand loyalty; cost effectiveness, containment and reduction; revenue growth; people performance, and operational efficiencies.

*For more information [www.sabceducation.co.za](http://www.sabceducation.co.za)*

# Religion on Radio and Television

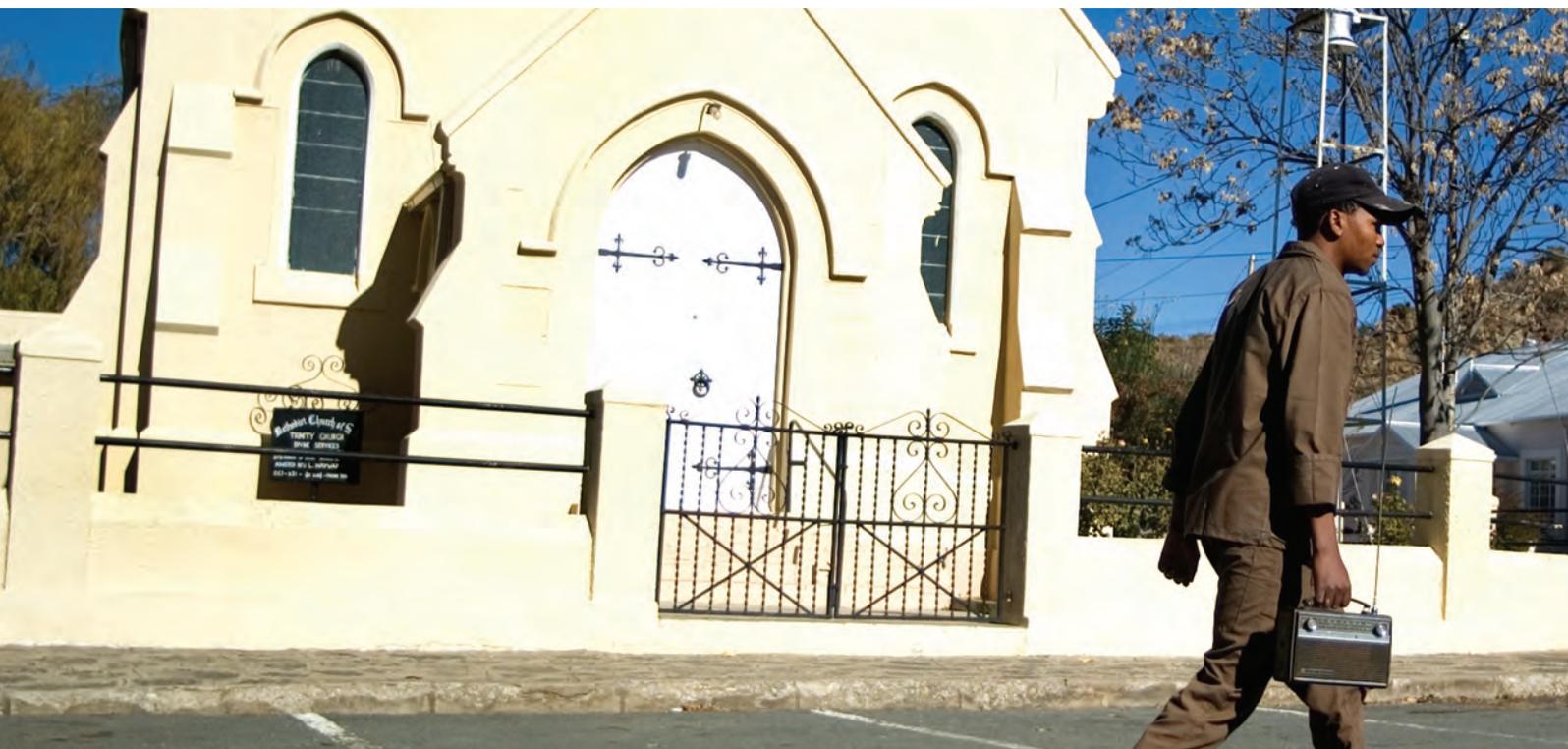
The SABC, in fulfilling its public service mandate, broadcasts religious programmes on radio and television that are relevant and sensitive to the needs of religious communities in South Africa, without causing harm to any segment of the diverse audience. Through this, the SABC, as the national public broadcaster, is able to provide for the moral and spiritual needs of society in a manner that is acceptable to the broader religious community.

The SABC's editorial policy on religious broadcasting, which was implemented on 1 April 2004, replaced the earlier policy on religion that was adopted in 1995. The policy serves as an editorial guide to production of religious content; relationships with religious communities; outsourcing and broadcasting of commercial religious programmes; and the SABC's mandate for religion. The policy also makes provision for a religious broadcasting advisory panel, representative of the diverse religious communities in South Africa, to guide the Religion department in its tasks.

## Air Time for Religious Programmes

### Television

The policy does not dictate specific quotas of air time for each religious faith. It stipulates, instead, that there should be fairness in allocation, that sufficient air time should be allotted to both faith specific and multifaith programmes, and that information from the latest national census should be taken into account when apportioning air time.



During the year under review the major faiths identified in the policy were each allocated a portion of weekly air time:

- Christianity
- Hinduism
- Islam
- Judaism
- African Traditional Religion
- Multifaith

When this apportionment was made in the last quarter of the previous financial year, it was decided to increase the faith specific portfolio to allow for more meaningful programmes for the major religions.



## Radio

The allocations for television are broadly applicable to radio, too. However, radio in the main is regionally and language based, so not all the stations necessarily include all the major faiths. Instead, each station apports time in accordance with the religious practices of its listeners and the language of broadcasting.

## Formats

Religious programmes were broadcast in a variety of formats:

- Worship – affirming and supporting ministry of praise and worship, and the teachings within a faith specific context
- Factual – supporting the religious mandate, which is to encourage religious comment on matters of national concern, and teach people about faiths practised in South Africa (and elsewhere, if appropriate), while addressing the spiritual and moral fibre of the nation
- Specials – affirming the need for each of the five major faiths to celebrate their important religious festivals. Included were special projects allowing any of these religions to make a contribution to nation building endeavours

Over and above the regular programmes, the SABC fulfilled the mandate through special projects that included *Bibliathon* - a fundraising telethon by the Bible Society; *Transformation Africa* - an annual live broadcast of prayer meetings country wide in which the nation prays for reconciliation, peace, justice, etc; *What the World Thinks of God* – a co-production with the BBC.

## Regional Representation

In each of the religious programmes there was regional reflection and/or coverage. Of the ten production houses that produced religious programmes for television, two were based in KwaZulu-Natal, and three in Cape Town. Between them, they produced more than two hours of content a week. In addition, some segments of each episode of both *Gospel Gold* and *Gospel Time* were contributed completely by the regions.

## Relevance and Context

All the religious programmes were contextualised to reflect the African reality; reflected the way religious communities live their faith, and contribute to nation building. As an editorial theme for all the religious content, our Africanness was captured in each programme in diverse ways that included material, style, format, and the philosophy behind the manner in which issues are dealt with. For a special emphasis on our Africanness and African traditions, a dedicated slot for African Religion was aired weekly; a weekly devotion on African Religion was scheduled; and a half-hour special was broadcast that celebrated African culture by reflecting various aspects of the life circle of human beings.

For more information, [www.sabc.co.za](http://www.sabc.co.za)



The SABC Sport web site has begun streaming live video and audio - a first for a sports broadcaster in Africa, and an achievement for SABC Sport's Information Hub.

Apart from the "plums", SABC Sport produced the best of domestic soccer, athletics and road running, along with specialist programmes catering for minority and developmental sports.

### Sports of National Interest

Unfortunately, coverage of rugby on television was adversely affected by an impasse between the SABC and M-Net, resulting in only delayed international matches played in South Africa being shown on SABC television. SABC Radio continued as the official rights holder and broadcaster of all rugby.



### Highlights and Achievements

- The award winning broadcast of the 2010 FIFA World Cup bid captured the drama and tension as the voting process unfolded in Zurich, and must rank as the highlight of our sports broadcasting year
- SABC Sport hosted its own sports awards for the first time - the official recognition of excellence in South African sport, in conjunction with the sports bodies
- The inaugural Women's World Cup of Golf tournament in George, South Africa, was produced and televised by SABC Sport, which supplied 43 countries with visuals
- The Olympics from Athens was covered on television and 12 radio stations
- The Paralympics were reflected on SABC2, and a production team in Athens paid tribute to the success of our disabled athletes
- The Proteas met the touring England side in five tests and seven one-day internationals, reflected on SABC3
- The Cape Argus Pick 'n Pay Cycle Tour was awarded to the SABC for the first time

### International Ventures

*Television:* A joint production with Ghana TV was undertaken for the FIFA World Cup qualifier in June 2004 when Bafana Bafana met the host nation.

*Radio:* Syndication agreements were entered into with foreign broadcasters with a view to saving on production costs; exposing SABC presenters to international standards; benchmarking our broadcasting and production quality.

### Towards the Future

The immediate and long term focus is to broadcast the African Cup of Nations in 2006; the FIFA World Cup in Germany in 2006; the Commonwealth Games in Melbourne in 2006; and the 2010 FIFA World Cup in South Africa.

### Contracts Secured

SABC Sport has secured the rights to the Cricket World Cup and the Rugby World Cup events up to 2007.

The international radio rights secured were for the NatWest cricket tour of the UK, and the National Bank Series tour of New Zealand. On the domestic front, radio broadcasting rights were sublicensed to East Coast Radio for the Comrades Marathon, and to Cape Talk for the Super 12 and Currie Cup rugby series.

For more information <http://www.sabcsport.co.za>

# Audience Services

## TV Licences

Audience Services, the core business of which is collection and management of television licence fees, forms part of SABC Commercial Enterprises. 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.

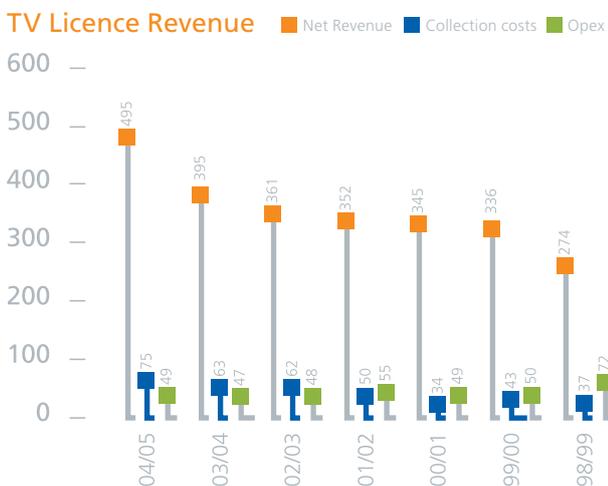
During the year under review, Audience Services made excellent progress in attaining its strategic objectives, including the following achievements:

- Financial results, of both operating revenue and expenditure, were considerably better than budget and constituted a substantial improvement year on year
- Highly successful initiatives to ensure retailer awareness and compliance at the point of sale of television sets, which increased revenue from new licensees, and renewal of current television licences
- In pursuit of service excellence, Audience Services streamlined its business processes in order to enhance customer



service delivery and improve financial control. The division also made good progress towards reaching its Black Economic Empowerment and Employment Equity targets

Collection of television licence fees yielded total net revenue of R493 million for the 2004/05 financial year: an improvement of R98 million (25%) year on year. Concomitantly, gross operating expenditure, including collection costs, came in at 7% below budget, an increase of only 4% year on year. This was achieved by optimising television licence revenue while containing operating expenditure as illustrated by the graph.



The outstanding financial performance of this division is attributable mainly to the following:

- A R68 million (190%) increase in revenue from new licence applications: from R36 million in 2003/04 to R104 million in 2004/05. This was a knock-on effect of the changes in the television licence regulations applicable from 1 January 2004 (full annual instead of monthly fee payable on first application), and the result of an increase in new applications owing to improved retailer compliance. The average amount collected per new television licence account increased from R70 to R210, against the current annual licence fee of R225
- A R67 million (21%) improvement in revenue from television licence renewals, partly as a result of the 8% tariff increase, which also took effect on 1 January 2004

The enhanced legislative framework embodied in the new regulations allows for much more effective enforcement and verification of compliance. This enabled the SABC to reduce the pirate viewing rate further in the year under review.

South Africa has an estimated 7,1 million television households. Of those, 2,2 million are fully paid up licensees; 3 million have partly paid up licence accounts and pay erratically; 0,3 million are known pirate viewers (those on the TV Licences database

who have long overdue or unpaid accounts), and 0,4 million are unknown pirate viewers (statistics indicate that they exist, but the SABC does not know who or where they are).

Intensive campaigns aimed at the various categories of licensees proved successful:

- **Retailer Compliance:** Audience Services concentrated on making retailers who sell television sets aware of their obligations in terms of the Broadcasting Act: not to sell television sets to unlicensed purchasers, and to submit sales records to the SABC monthly and annually. Retailers were assisted by way of 'open days' in major centres in all the provinces; point-of-sale material; a retailer call centre, set up to verify the validity of prospective purchasers' television licences; and expansion of on-line pay points at major retailers. Verification of the sales records of retail groups contributed to a steady and encouraging improvement in compliance, leading to a substantial increase in revenue. This is an ongoing success strategy
- **Business Compliance:** A communication campaign to promote sound corporate governance and emphasise the importance of compliance resulted in a number of corporate clients paying their current and outstanding licence fees. Revenue from business television licence accounts improved by 30% year on year
- **Debt Collection:** As part of the strategy to intensify debt collection efforts, two additional agencies were appointed, bringing the total to five
- **Regional Infrastructure:** Steps were taken to make TV Licences' infrastructure in all the regions more cost effective and efficient. Supplemented by regional awareness campaigns, and competitions to motivate local residents to pay their licence fees, this resulted in a 31% year on year increase in revenue from the regional offices
- **E-commerce Platform:** Promotion of online payment of television licence fees by credit card via a secure Internet site saw a 30% increase in revenue over 2003/04
- **Marketing and Promotions:** Structured campaigns were run on radio and television to inform retailers, businesses and the public at large of the legal requirements regarding television licences, and to explain what the licence revenue is used for. Competition-based campaigns were also run to reward loyal licensees, while using the information gained to update the TV Licences database

The solid financial performance of Audience Services was achieved despite the fact that the shareholder did not grant an increase in the television licence fee during the year under review. The SABC's application for an increase is pending.

For more information [www.tvlic.co.za](http://www.tvlic.co.za)

# Commercial Broadcasting Service Television

SABC3 is a full spectrum channel broadcasting in English, and delivering compelling, diverse entertainment, information and insight, to progressive and aspirational South Africans with a sense of style. As the commercial arm of SABC television, SABC3 is an important source of income for the company. It is further required to cross-subsidise the PBS channels to some extent, in accordance with the provisions of the Broadcasting Act. Consequently, it has to be run in a way that maximises revenue. However, as part of the national public broadcaster, it also has to adhere to the broad principles of public broadcasting.



Average daily audience:  
5.446 million.

Full spectrum  
free-to-air channel.  
Entertainment and  
information format for  
cosmopolitan viewers.

Broadcasts in English.

Reach of channel  
via the terrestrial  
transmitter network:  
Currently 77% of  
targeted audience.

Available via satellite on  
the DStv and Vivid DTH  
(direct-to-home) digital  
satellite platforms.

During the year under review, SABC3 was able to redefine its role and positioning as it became more convincingly South African than ever before. This has resulted in a channel that is more interesting, with a great deal more texture and much clearer positioning. The channel's position as a public commercial broadcaster was consolidated and strengthened through a more inclusive package, which distinguished it from other commercial broadcasters. The focus was on appealing programming, strategic scheduling and targeted marketing.

## Programming

SABC3's commercial 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, in order to maximise its commercial potential.

The 2004/05 financial year saw the channel revitalising its signature shows and programme mix so as to be a meeting place for the best of local and international content.

- For instance, the introduction of a highly successful season of Bollywood movies exposed a whole new audience to this genre
- *3 Talk*, South Africa's first daily live interactive talk show, strengthened its audience appeal, while still allowing important public mandate issues such as health, legal matters, and financial affairs to be addressed
- The local drama *Hard Copy* began its first season to great critical acclaim and, together with excellent local documentary series such as *Solving It*, is setting a high standard

- The local daily drama serial *Isidingo* was strengthened with story lines that were more relevant to the target audience, and addressed more of the socio-economic issues that South Africans deal with from day to day. The success of *Isidingo* in countries such as Zambia is evidence of its appeal to audiences across the continent
- *Top Billing* became more Afro-chic, featuring African destinations and celebrities
- Audiences were introduced to South Africa's first ever mobile technology-based television loyalty campaign, which harnesses the combined potential of television and text technology. Known as *3BEE*, the campaign uses SMS technology as the platform to communicate with and reward viewers for watching SABC3 programmes

## Language

- During 2004/05, SABC3 increased the prominence of its Sign Language delivery through the weekly programme *DTV*, and some signed news bulletins
- The locally produced daily serial *Isidingo* was subtitled in accordance with the SABC policy of subtitled local drama when English is not used

## Education

In compliance with the education mandate and SABC goals, SABC3 carried 9 800 minutes of programmes dealing with life-long learning. This is planned to increase to 30 500 minutes in 2005/06. The channel also carried the formal education programme *The Learning Channel*, and plans to continue this service.

## Local Content

SABC3 exceeded its overall local content quota of 35% (as a commercial television service), and broadcast local programmes in a variety of genres. In prime time, local programmes comprised 41% of the schedule, and 48% over the performance period. Most of the local content was commissioned from the independent production sector, in excess of ICASA's requirement.

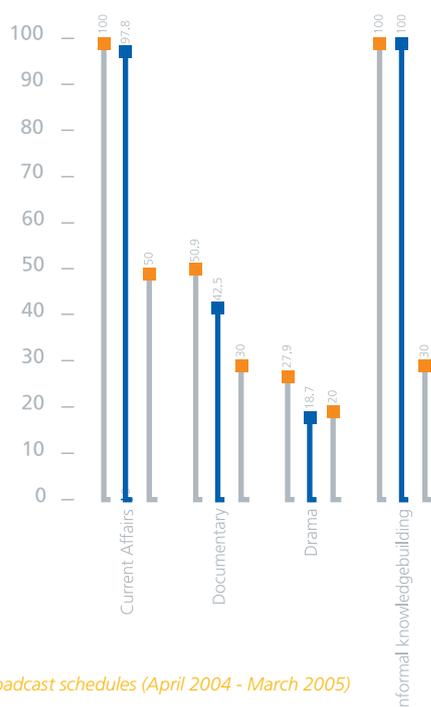
At an average of more than 45%, SABC3 achieved the highest local content output in its history. The channel's ongoing strategy of creating long-running and/or renewable local properties was well served by programmes such as *3 Talk*, *Isidingo*, *The Weakest Link*, and *Top Billing*. The output spanned a wide range, from socially responsible talk to pure entertainment, and *Isidingo* and *The Weakest Link* were firmly entrenched in terms of audience ratings.

## Audience

The All Media and Product Survey (AMPS) showed that more than 5,4 million adults – or almost 19% of South Africans – watched SABC3 daily during the year under review. Measured in terms of audience share, and using the weekly Television Audience Measure Survey (TAMS) as the source, SABC3 commanded a 20% share of the Monday to Friday prime time (18:00 to 22:00) audience.

For more information [www.sabc3.co.za](http://www.sabc3.co.za)

Local Content on SABC3 ■ Full day ■ Prime time ■ ICASA's quota



Source: Broadcast schedules (April 2004 - March 2005)

# Commercial Broadcasting Service Radio

The radio stations in the SABC's commercial broadcasting services division are in line with the values of public broadcasting, in terms of their programmes and services. Nevertheless, they are also valuable income generators for the company, and help to subsidise the public services in accordance with the provisions of the Broadcasting Act. Commercial sources – advertising and sponsorship – account for more than 77% of the SABC's operating revenue annually; it is therefore imperative for the commercial radio stations to be run cost effectively, and in a way that maximises revenue.



Two of the services in this portfolio - 5fm and Metro FM - are national music-format stations; the third - Good Hope FM - is regional. The three commercial stations together are marketed in the advertising community as the MG5 halo brand. Metro, with an average listenership of 2,8 million adults, is the biggest commercial radio station in the country.

## Meeting the Regulatory Requirements for Local Music

All three stations in the CBS radio portfolio met or exceeded the regulatory quota of 25% for local music in their playlists. This goes hand in hand with a commitment to promoting local artists through air play of their music; news, views and interviews covering the local music scene; and on-air activities such as sponsorship and coverage of concerts and festivals focusing on local talent.

## Audiences

During the year under review, 5fm continued its total audience growth. Recent radio research (RAMS April 2005) showed a year on year audience improvement of 4%, which represents significant success, particularly when compared with other commercial radio stations. Of particular significance, in terms of 5fm's objectives, was that female audience figures were stable, and there was an exciting and continued growth in black audiences.



 <p>Average daily audience: 2.895 million.</p> <p>Urban music format.</p> <p>Principal broadcastng area: Metropolitan areas.</p> <p>Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platforms.</p>	 <p>Average daily audience: 0.871 million.</p> <p>Contemporary Hit Radio (CHR) format.</p> <p>Principal broadcasting area: Metropolitan areas.</p> <p>Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platforms.</p>	 <p>Average daily audience: 0.281 million.</p> <p>Community service in English and Afrikaans.</p> <p>Principal broadcasting area: Western Cape.</p> <p>Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platforms.</p>
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Good Hope's success during 2004/05 was most notably the steady increase in the station's market share over four successive Radio Audience Measurement Survey (RAMS) diaries. The station turned its performance round after four years of steady decline, increasing its audience from 526 000 to 601 000 (past seven day figure), and showed the highest average growth rate for a Cape Town radio station. Although Good Hope Sales failed to reach its revenue targets in the 2004/05 financial year, the station's turnaround has begun and the positive attention is attracting through its marketing initiatives should serve to increase revenue.

At a constant reach of 19% of all races adults, Metro remains the leading commercial station and second biggest station in the South African marketplace. The past seven day listenership for Metro was stable throughout 2004/05, and the LSM and female listener proportions increased in line with set objectives. In South Africa, radio grew overall by 0.5% (Compound Average Growth Rate) over the past four years; Metro showed 0.4% CAGR over the same period, whereas both Kaya FM and Yfm, after initial growth, showed signs of downward weekly trends. Metro also had a healthy increase in LSM 8-10 listeners, increasing its share in this market and showing an increase in time spent listening(TSL) for the LSM 8-10 market, as well as a significant increase in LSM 9 (RAMS 2005 Wave 1).

## Meeting the Challenges

Commercial broadcasting is tested continually, and nowhere is the challenge more formidable than at the level of the national commercial stations. The main focus for both 5fm and Metro was to gain a thorough understanding of their target markets through research, and updating of both marketing and programme strategies. Change and adaptation of the on-air line-ups of all three commercial stations produced dramatic results for Good Hope, and sustained audience levels for 5fm and Metro. 5fm is also improving and adapting both music choice and rotation continually, in order to increase female and black audience delivery.

The SABC's commercial radio stations provide a strategic platform for advertisers. They are engaged in identification with their target audiences, and in providing flexible and exciting exposure for their advertiser bases.

For more information [www.5fm.co.za](http://www.5fm.co.za), [www.metro.co.za](http://www.metro.co.za) and [www.goodhope.co.za](http://www.goodhope.co.za)

# Channel *Africa*

Channel Africa is an external radio station broadcasting to Africa, and is administered by the SABC on behalf of the State. With its vision of being the Voice of the African Renaissance, Channel Africa aims to promote regeneration, revival and rejuvenation of Africa through production and broadcasting of dynamic, stimulating and interesting programmes.



The programme content of Channel Africa reflects the democratic dispensation in South Africa, and promotes non-sexism and non-racism; poverty alleviation and land resettlement programmes; black economic empowerment; South Africa as a participant in continental and international affairs, as a tourist destination, and as a viable and attractive destination for foreign investment.

Continentially, Channel Africa is guided by the values of *ubuntu* (humanism); endeavours to reinforce Africa's dignity, pride and sense of self-worth; strives to portray the continent in a positive light, promoting peace, development and prosperity; encourages investment; promotes personal and cultural exchange among African countries, and supports the African Union.

- The languages of broadcasting are English, French, Portuguese, Chinyanja, Silozi, and Kiswahili
- Coverage extends to Southern, East, West, and North Africa, and to America, Canada, Europe and Asia
- In 2004, the station began broadcasting for 24 hours a day on the PAS 10 satellite, which covers Sub-Saharan Africa
- Channel Africa now streams live on the Internet in Chinyanja, English, French, Portuguese, Silozi, and Kiswahili
- Southern, East, Central, and West Africa are also covered on shortwave
- The programme content comprises news, current affairs, and programmes such as health, agriculture, commerce, science and technology, arts and culture, and sport

## Partnerships

Channel Africa has established partnerships with the Voice of Nigeria, Radio Lome, Radio Benin, Radio Tunisa, Radio Algeria and the Canadian Broadcasting Corporation; with SABC Education for the production and broadcasting of the *Beat It* series, and with the Southern African Broadcasters Association for *SADC Calling* programmes.

For more information, [www.channelafrica.org](http://www.channelafrica.org)





Strategy

Strategy

# Content Hub

The SABC Content Hub, which was launched officially in November 2004, is a far-sighted, innovative concept. In 2002, a review of the SABC's content, business and commissioning processes identified a number of weaknesses in content management. **Inception of the Content Hub was informed primarily by review of the SABC's operations;** it has also built on the experiences of other broadcasters in Africa and elsewhere, adapting these to South African circumstances and needs. The purpose is to establish best practice and to introduce innovative and effective content management.



*Behind the scenes of SABC3's local soap Isidingo*

Over and above the diagnosis of current practice, the process was informed by fundamental principles of public service broadcasting, which identifies the need to deliver effectively on the SABC mandate. The Content Hub is intended to fulfil four main objectives:

- To upgrade skills in content management
- To shift SABC resources and investments to core business areas
- To integrate the editorial, financial and business management of content into one structure
- To improve content management processes and operating procedures

The Content Hub was formed by re-engineering all the content business processes, aligning structure to strategy, and developing new systems. In short, it is designed to:

- improve the quality of content
- improve governance and accountability
- increase revenue
- reduce costs

The intention is for the Content Hub to be a service provider for the SABC television channels: the central point for commissioning and acquiring content on behalf of the channels, in accordance with their specific needs. It will therefore aggregate content through commissioning, co-producing, reversioning, licensing and originating. It will also integrate content management into one structure, which will enable the SABC to leverage content across its platforms.

### Commissioning Cycle 2005/06

During Sithengi 2004, the first Briefs Book, 2005/06, was released to the industry with 84 briefs put to tender. By the end of February 2005, 1 337 solicited and 74 unsolicited proposals had been received. The book has now been closed, and the proposals evaluated against set criteria on representation of women and first time directors and/or producers, and involvement of black professionals in the projects.

### Programming

As the Content Hub has been operational only since November 2004, for the year under review programme content remained the responsibility of the respective channels.

### Awareness and Education Campaign for Independent Content Producers

The strategy to unpack the board goals will be a multipronged approach, entrenching these ideals in the television industry - one initiative in the drive for total quality management in the SABC.

A roadshow, planned for 2005, is to become an annual event, keeping the industry abreast of new developments, technology, legalities and quality assurance measures.

### 5TH World Summit on Media for Children 2007

The 4th World Summit on Children's Television was held in 2004 in Rio de Janeiro, Brazil, during which South Africa put in its bid to host the 5th World Summit in 2007. The Children and Broadcasting Foundation for Africa presented this successful bid, and the SABC will be the co-host.

### Africa Project

The SABC is venturing into Africa to strengthen ties through co-productions and programme exchange. Called the Africa Project, this is a unique concept that the unit intends nurturing.

A host of conditions are creating opportunities for the SABC to forge closer links with African countries through production and distribution of educational and children's programmes. These include the rapidly changing global communications milieu, a high demand for educational content, the goals of the New Partnership for Africa's Development (NEPAD) and the African Union (AU), and the cost of producing educational and health programmes.

The goal is to develop Africa's identity by expressing and affirming Africa's heritage, culture, history, values, languages and the aspirations of its peoples. The mission is to use SABC products and experience to forge business relations with African broadcasters in order to develop good quality indigenous products and brands, satisfy the need for development, unlock new revenue streams, and reposition Africa as a participant in the global broadcasting environment.

### Proposed Language Strategy

Generic guiding principles, which straddle all the genres, are to underpin the Content Hub language strategy. Primary among them are to promote democracy, social justice and respect for human dignity; uphold the principles of equity; respect the language rights of users and the right of access to information; ensure equitable treatment of all 11 official languages, and create conditions for inclusion of Sign Language and other local languages (eg Khoi-San) in programmes; and provide subtitles for long stretches of discourse in another language.

*For more information, please see [www.sabc.co.za](http://www.sabc.co.za)*

# Technology

The Technology division is the provider of engineering and technology infrastructure solutions for the SABC's content and business operations. A comprehensive technology plan was developed in 2002/03, with phased implementation over a five-year period. With migration to new technologies, and development of digital and modern IT skills sets complete, the SABC will be firmly positioned as one of the world's 21st century digital broadcasters. The Technology division comprises six main business units to provide broadcasting and non-broadcasting solutions, support infrastructure, and services. The vision of the division is to become one of the world's most admired technology players. The main business objective is to optimise the cost, service, and value delivery to the SABC in order to generate savings that the SABC can redirect to content acquisition in support of the broadcasting mandate.



*AirTime Outside Broadcasting filming from elephant elevation in the Pilanesberg National Park*

## Broadcasting Technology Plan

Investigation, scheduling and implementation of projects related to the Broadcasting Technology Plan continued. Research was focused on ways to move television production onto a server based platform integrated with digital archival storage. Concepts were also developed to provide SABC Sport with a centralised multimedia hub to meet their requirements for radio, television, and new media. Funding of R400 million was approved by the Minister of Finance in February 2005 for implementation of the technology plan over the next three financial years.

## Pinnacle Vortex Newsroom System

A Technology division highlight of 2004/05 was commissioning of a server based newsroom production system for SABC News. The Pinnacle Vortex Newsroom system has revolutionised production and fully digitised the newsroom operation. Features include ingest of stories in various formats, simultaneous multiple version (language) editing, and simultaneous and instantaneous play out.

## Air Time Television Outside Broadcasts

After 30 years of television outside broadcasting, Air Time is moving at a steady pace into the digital era. The digital unit was used to cover major productions, including the 46664 concert, which was broadcast live throughout the world.

Highlights of the year included coverage of the 2004 general election and presidential inauguration, using satellite linking throughout the country for the first time; the Argus Cycle Tour and the major marathons, for which more Digital Satellite News Gathering (DSNG) vehicles and improved digital mobile link technology were used; the Athens Olympic torch relay, broadcast live from Cape Town, and the 2010 bid announcement from Zurich; the inaugural Women's World Cup of Golf at Fancourt, and the unique live broadcast from Robben Island of Beethoven's opera *Fidelio*.

- Coverage of domestic soccer is being improved, using more cameras and special mounts. The latest development is the T-Cam facility, developed by SABC engineers as part of preparations for the 2010 FIFA World Cup
- Facilitation of SABC News broadcasts – for instance of the second World Summit on Sustainable Development, the Pan African Parliament, and elections in Mozambique, Namibia, Zimbabwe and Lesotho – kept South Africans informed of important current affairs
- General trends for 2005 include further increase in the use of DSNG's and uplinks; disc based recording systems (EVS) and super-slo-mo cameras becoming the norm; and a strong drive to implement employment equity and Aids awareness

## Radio Park Studios

The RPS *Emerging Sounds* national competition has been recorded for the past seven years, with great success. In 2004 the events were held in Gauteng, the Nelspruit area, and Durban.

Projects included the first fully digital radio broadcasting complex for the SABC, commissioned in 2004 for Ikwekwezi FM, and SABC News and Current Affairs in Hatfield, Tshwane. The broadcasting platform includes a fully digital broadcasting system (Dalet Plus).

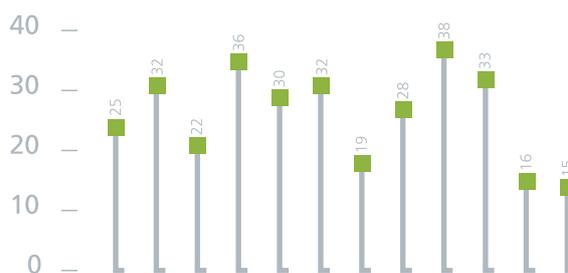
## Radio Digital Systems

A project to upgrade the current broadcasting suite was launched in 2004. The Dalet upgrade to Dalet Plus will deliver a state of the art broadcasting system to accommodate the music library, and provide suitable asset management for the Sound Archives and related production functions. The project replaced the hardware as recommended by the technology plan, but the use of Dalet Plus deviated from the plan. Replacement of the hardware was an ideal opportunity to migrate to the next level in digitisation of the SABC radio broadcasting platforms.

## Final Control Centres

An operational excellence programme was launched in the final control centres (FCCs) three years ago, owing to the high fault rate, and reduced the faults from a high average of 160 to 45 across all three FCCs. Following this, a zero tolerance campaign was initiated in 2004, with the aim of achieving near perfection in broadcasting, and is an ongoing mission. The results illustrated below speak for themselves. The fault rate dropped from an average of 47 a month in 2003 to an average of 30 in 2004: a 36% drop.

Minimizing FCC Faults on Air - April '04 - March '05



## Digital Training

A highlight in the area of operations training was development of digital skills in line with the conversion from analogue to digital. Since 2003, 145 technical and operational staff have been trained in digital television and digital audio, and this will contribute to the SABC's ability to stay abreast of world trends.

For more information [www.airtime.co.za](http://www.airtime.co.za). Other links to Henley, Air Time and Radio Broadcasting Facilities are at [www.sabc.co.za](http://www.sabc.co.za)

# International Connection

## International Host Broadcaster of Note

The SABC has won a privileged position as a host broadcaster for high profile international events. It has earned its colours for proficiency and expertise in covering major world events, and for its facilities.



*Recording the Nelson Mandela 46664 concert in George*

## Pan African Parliament and the African Union

The SABC gave full coverage of the historic opening of the first Pan African Parliament, for which it was host broadcaster; reflected sessions of the House; and was host broadcaster for the conference of the African Union.

## Highway Africa New-Media Conference

The SABC was once again the host broadcaster of Highway Africa, for its eighth annual new-media conference, held in Grahamstown in 2004. Addressing African journalism in the digital era, the conference is convened by Rhodes University School of Journalism and the SABC, and backed by the



Department of Communications, as well as corporate and foundation sponsors. Delegates include journalists, academics, NGOs, government and business leaders.

## Highlights

- The URTNA conference in October 2004, with the focus on public broadcasting
- The Museum of Television and Radio, based in the USA, was hosted by the SABC from 24 to 26 October 2004
- The SABC was co-host of the CNN African Broadcaster of the Year Awards for the seventh successive year
- The SABC was host broadcaster for the BUWAA Language and Literature conference in July 2004

## Reaching out Internationally

Forging strong ties and maintaining sound relations with other broadcasters in Africa and world wide is a high priority for the SABC. Consequently, the SABC is an active member of the following broadcasting bodies:

- Union of National Radio and Television Organisations in Africa (URTNA)
- Southern African Broadcasting Association (SABA)
- Commonwealth Broadcasting Association (CBA)
- Public Broadcasting International (PBI)

The SABC has an enviable reputation internationally. This is substantiated by the fact that Group Chief Executive Officer of the SABC, Peter Matlare, in 2004 was re-elected president of the Southern African Broadcasters Association (SABA); served as vice-president of the Commonwealth Broadcasting Association (CBA) for 2002 - 2004; was an executive committee member of Public Broadcasting International (PBI); was appointed an executive member of the International Marketing Council; and served as a commissioner on the Presidential National Commission on Information Society and Development.

Representatives and delegations from many foreign broadcasters visited the SABC during the year. SABC delegations also travelled extensively abroad to meet broadcasters in other countries with a view to forging partnerships and exploring the possibilities of co-operation.

# Corporate Social Responsibility and Investment

The SABC recognises that healthy companies thrive in a healthy environment; that no business can operate in isolation from the communities in which it operates; that the corporate sector, particularly the national broadcaster, has a massive impact on the environment, directly or indirectly, and has an obligation to manage this relationship responsibly. The SABC recognises, too, that the role and responsibility of South Africa's national public broadcaster reaches beyond the defined broadcasting milieu, beyond the sphere of business, into the communities it serves. The SABC is therefore pledged to support the development and regeneration of South African society through its corporate social investment (CSI) initiatives.



CSI projects during the year under review, chosen for their potential impact and sustainability, supported key issues in the national agenda, focusing on human, economic, environmental, cultural and societal development.

### The following were highlights of the SABC's CSI projects in the 2004/05 financial year.

- ABSA Small Change Campaign, in partnership with the Salvation Army, in aid of HIV/Aids initiatives. The SABC carried this campaign free of charge on radio and television, and a presentation to the benefiting charity will be made in August 2005.
- JMI promoting classical music to the previously disadvantaged communities. The SABC sponsored the project, including Easter Messiah concerts.
- Community Builder of the Year competition. Co-sponsored by the SABC, these awards again acknowledged South Africans for their outstanding work and sacrifice without remuneration.
- North Sea Jazz Festival. One of the biggest festivals co-sponsored by the SABC, it once again promoted local music and culture, and attracted international artists. The project also ran developmental classes for young artists.
- NAFCOC Black Economic Empowerment Exhibition, the first of its kind in South Africa. The SABC was the media sponsor.
- CANSAs Radiothon to raise funds and promote awareness in order to reduce the impact of cancer. The SABC assisted in placing the campaign free of charge on 5fm, SAfm, Metro FM, RSG and SABC2.
- National Arts Festival, catering for the performing and visual arts, and crafts. Held in Grahamstown, the festival was sponsored by the SABC, which also gave Rhodes University journalists an opportunity to do internships at the festival.
- Drakensberg Promotions, an Afro jazz festival honouring South African musicians annually, was held in Moretele Park in Pretoria. The SABC was the media sponsor.
- MACUFE Cultural Festival, held annually in the Free State, caters for traditional and cultural art forms. The SABC was a sponsor and exhibitor.
- Johannesburg Arts Alive. This festival to promote the arts was co-sponsored by the SABC.
- Formula 1x2, a motor race begun in 2004 to raise funds for the Mandela Children's Fund and Unite Against Hunger. The SABC co-sponsored the event.
- ICT Achievers Awards, which honours women in technology, is an annual event supported by the Department of Communications and co-sponsored by the SABC.
- My Acre of Africa environmental project. The SABC was a major sponsor.
- Massed Choir Festival, a choral and classical music festival, sponsored and broadcast by the SABC.
- Nkosi's Haven, an Aids orphanage and a shelter for mothers who are suffering from Aids, is supported by the SABC.
- Phelophepha Train, providing health services free of charge to destitute people where there are train stations in deep rural areas. This project is supported by the SABC.
- Quad Squads, a quadriplegic awareness campaign, was run by the SABC in conjunction with the supermarket chain Pick-'n-Pay.
- *Fidelio*, Beethoven's "freedom opera", was performed on Robben Island and recorded for broadcasting on SABC2.

### National Public Service Announcements

The SABC offers national charities, community organisations and institutions the opportunity to publicise their activities and promote their causes, free of charge on radio and television. A national public service announcements committee is appointed in the SABC to assess the requests for exposure and to allocate free air time. In the year under review, air time to the value of more than R80 million was donated to causes ranging from road safety to animal welfare, public health, education, and nation building.

# Human Capital

The SABC is a company that has earned, and maintains, its status as a place of preferred employment. The SABC regards its employees as its most valuable asset – hence 'human capital' - and provides them with excellent and safe working conditions, which create an environment that encourages its people to reach their full potential.

The SABC is a microcosm, virtually mirroring the structure of society in terms of career opportunities. The skills base of the company comprises creative flair, for jobs ranging from camerawork, video editing, and programme production to on-air presentation. It encompasses technical aptitude, for areas such as IT, outside broadcasting of sports events and concerts, digital satellite news gathering (DSNG), and recording for radio. In addition it requires specialists and professionals in almost every field, for instance journalists, engineers, lawyers, accountants, educationists, personnel officers, administrators, secretaries, and technicians such as plumbers and electricians.

Although basic or professional qualifications are required for most positions, the SABC does provide in-house training in many areas, as well as external courses, and offers bursaries for broadcasting-related studies to permanent staff and their children, based on certain criteria.



## Employment Equity

Representation of black people (African, Asian and Coloured) in the permanent staff complement of 3 155 increased to 63% from 60% the previous year. The staff composition by gender also showed a slight increase in women, 40% in 2004 to 41% in 2005. Statistics show that black staff and women advanced during 2004/05, particularly in the middle management group.

## Employee Relations

The SABC constantly endeavors to ensure sound labour relations between management and stakeholders, through fair employment practices and protection of employee rights. Towards this end, a plan was put in place to investigate short, medium and long term implementation of sustained parity, so as to deal with anomalies in remuneration and benefits.

## HIV/Aids Workplace Strategy Programme

A number of employees were trained as HIV/Aids peer educators by Lifeline Centre in Johannesburg, which also offered individual counselling services at the SABC. A voluntary counselling and testing service was launched in the SABC on World Aids Day.

## Training and Development

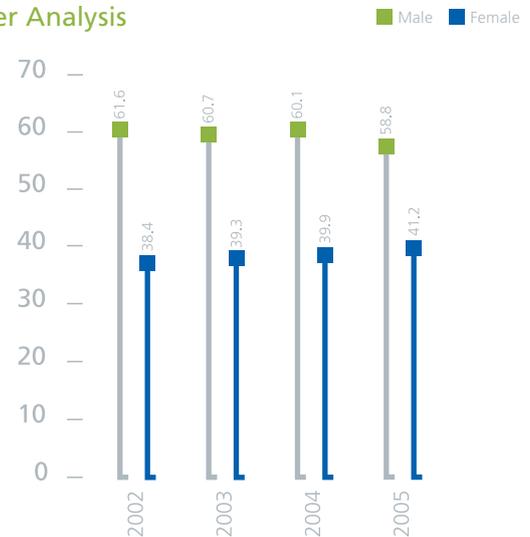
- During the year under review, the SABC awarded 32 bursaries to permanent staff for broadcasting related studies, and six to the children of permanent employees for full time, broadcasting related, tertiary studies
- Helping to keep the SABC abreast of world trends, technical and operations staff were trained in television and digital audio. Further investment was in literacy training for employees; development of financial staff; courses on the Public Finance Management Act; and a development programme for senior executives
- The SABC registered as an accredited training provider with SAICA (SA Institute of Chartered Accountants)
- Television operational internships and IT internships were offered

## Occupational Health and Safety

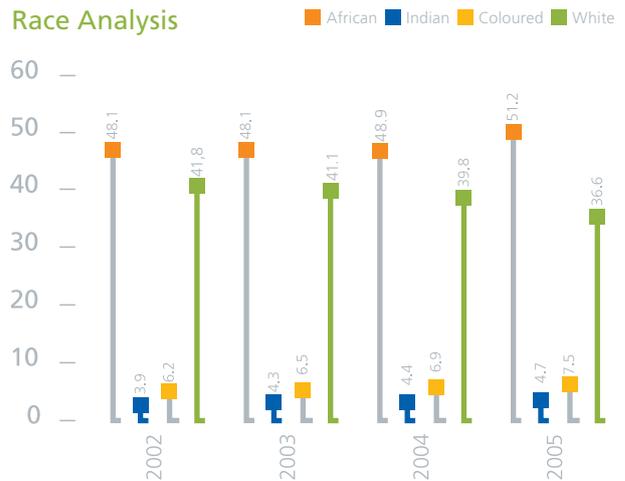
The SABC enforces health, safety and environmental standards in the workplace, as prescribed by the Occupational Health and Safety Act, its Regulations, and related safe working practices. Legal compliance audits have been conducted on all the SABC premises, and shortcomings are being addressed.

For more information [www.sabc.co.za](http://www.sabc.co.za)

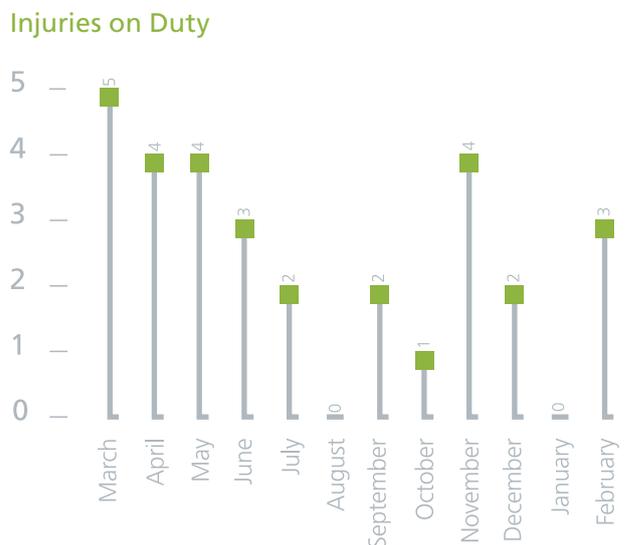
## Gender Analysis



## Race Analysis



## Injuries on Duty



## Employee Report

Total Number Of Employees	31 March 05	31 March 04
Permanent Staff	3155	3072
Fixed Term ( <i>Non-permanent Positions</i> )	30	40
Casual Staff	207	259
<b>Race Analysis (<i>Permanent Employees Only</i>)</b>	<b>%</b>	<b>%</b>
African	51%	49%
Indian	5%	4%
Coloured	7%	7%
White	37%	40%
<b>Gender Analysis (<i>Permanent Employees Only</i>)</b>		
Male	59%	60%
Female	41%	40%
<b>Age Analysis (<i>Permanent Employees Only</i>)</b>		
Up to 25 Years	5%	4%
26-35 Years	30%	29%
36-45 Years	30%	33%
46-55 Years	28%	27%
Over 55 Years	7%	7%
<b>Appointments By Race (<i>Permanent Employees Only</i>)</b>		
African	66%	58%
Indian	7%	8%
Coloured	14%	10%
White	13%	24%
<b>Terminations By Race (<i>Permanent Employees Only</i>)</b>		
African	44%	50%
Indian	5%	6%
Coloured	9%	6%
White	42%	38%
<b>Turnover (<i>Permanent Employees Only</i>)</b>		
%	8%	8%
<b>Average Guaranteed Cost Per Employee</b>		
Per Annum	R 221 499	R 210 163

### Total Number of Employees per Job Level (Permanent Employees Only)

JOB LEVEL	YEAR	Male					Female				
		African	Indian	Coloured	White	TOTAL	African	Indian	Coloured	White	TOTAL
Top & Snr Management	2005	27	0	7	16	50	7	2	1	9	19
	2004	26	1	6	14	47	9	1	2	11	23
Middle Management	2005	80	12	10	96	198	24	3	11	49	87
	2004	62	7	7	92	168	14	1	6	37	58
Specialists	2005	0	0	0	9	9	0	0	1	1	2
	2004	0	0	0	9	9	0	0	0	2	2
Junior Management	2005	147	8	9	174	338	56	12	13	80	161
	2004	125	8	6	182	321	37	9	5	79	130
Supervisory Levels	2005	612	53	60	352	1077	415	52	101	341	909
	2004	525	45	53	354	977	304	37	75	342	758
Rest of Staff	2005	164	0	13	5	182	85	6	11	21	123
	2004	256	10	21	36	323	144	17	31	64	256
<b>TOTAL</b>	2005	<b>1030</b>	<b>73</b>	<b>99</b>	<b>652</b>	<b>1854</b>	<b>587</b>	<b>75</b>	<b>138</b>	<b>501</b>	<b>1301</b>
	2004	994	71	93	687	1845	508	65	119	535	1227

# Awards and Achievements

## Sport

### Television

- Kass Naidoo – SAB Newcomer of the Year
- Thabiso Tema – SAB TV Commentator of the Year
- Pat Mahuma – SAB Best Contribution to a Live OB Production

### Radio

- James Shikwambana - Sports Journalist of the Year
- Michael Abrahamson - Sports Commentator of the Year
- James Shiwambana - Sports Programme of the Year
- Johann Russouw - Sports Programme of the Year: Merit Award

- Jon Gericke - Sports Presenter of the Year
- Ettienne Ludick - Newcomer of the Year: Merit Award
- SAfm awarded the SAA Open Top Golf Journalist Award
- Eric Mabasa - Sports Commentator of the Year: Merit Award
- PSL Awards: Joas Mashimbye - Sports Commentator of the Year
- Coca Cola Awards: Thabo Kofa - Sports Commentator of the Year
- Telkom Charity Awards: Thabo Kofa - Sports Commentator of the Year
- Mellowood Awards: Joas Mashimbye - Programme of the Year



Re bafenyi

*SABC1's award-winning soap stars from Generations*

## Education

### 37th American International Film and Video Festival, USA:

- *Adventures at the Waterhole II*: Certificate of Creative Excellence (Education)
- *Khululeka*: Certificate of Creative Excellence (Health and Current Issues category)
- *Tsha Tsha*: Silver Screen Award (Health and Current Issues category)
- *Soul Buddyz 2*: Silver Screen Award (General Education category)
- *Takalani Sesame* won the CINE Golden Eagle Award in the Children's Programmes category. This award is made in recognition of distinguished excellence in professional and amateur works, and is recognised internationally as a symbol of the highest production standards in filmmaking and videography
- *Lucky*, a short film produced for the CIAK Junior Festival in Treviso, Italy, was awarded Best International Film, Best International Actor/Actress (Gift Kubeka), UNESCO Fellini Medal, Premio delle Televisioni, and nominated in the top three for Best Story or Idea. It is also a finalist in the short film category at the Hollywood Film Awards
- *Thetha Mswawa* won The Prize for Best Audiovisual Programme for the Education of Children in the CIAK Junior competition
- *Beyond the Classroom* was nominated at the Japan Prize 2004 competition in the category Issues in Education
- *Open a Door*, a co-production series, won the Japan Foundation President's Prize at the 2004 Japan Prize competition. The prize is awarded to a programme that contributes to mutual understanding between nations
- *Talk to Me* was awarded the Gold Plaque in the Educational - Adult Audience category at the 2005 Hugo Awards (part of the Chicago Film Festival); a gold medal at the World Media Festival; and the Peabody award

## Audience Services

A TV licence television commercial - *Education* (Maths), produced by Audience Services and its advertising agency - received the Advert of the Month Award for February 2005 from the Creative Directors' Forum

## Ukhozi FM

Bhekinkosi Shadrack Ngema - SAA SUPA 8 competition: Radio Journalist of the Tournament

## Thobela FM

- Overall winner of the PMR Review Africa Awards for companies doing the most to enhance the growth of economy in Limpopo province - Radio category

- Certificate from CANSA in recognition of the station's role in fighting cancer
- King Mampuru II Award for enhancing the culture of Northern Sotho speaking people
- Moloko Mashamaite - Presenter of the Year by station listeners
- Moloko Mashamaite - Department of Roads and Transportation: Best Contributor to Road Safety

## Lesedi FM and Free State Province

- Lesedi FM - Best Voice of Choice Station
- Thuso Motaung - Best Voice of Choice Presenter
- Puleng Thulo - Best Voice of Choice Overall Presenter
- Chomane Chomane - SABC Legend
- Lesedi FM - Award by T- Musicman: Best Station in Promoting Jazz
- Lesedi FM - Association for People with Disability (APD): certificate in recognition of the station's contribution to empowerment of people with disabilities
- Thabo Kofa - received the following awards:
- Coca Cola Cup: Flair Commentator of the Season
- Telkom Charity Cup: Electronic Media Commentator of the Year

## Umhlobo Wenene FM

- Business Day Award for Sponsoring The Arts in the form of Joyous Celebration
- PMR Award - business sector/electronic media/local radio stations in the Eastern
- Cape - an award for companies that have done the most to enhance economic growth and development in the province
- Merit Award from the Department of Sport, Arts and Culture Eastern Cape to for excellent communication of sports information in the Eastern Cape
- Certificate of Appreciation from the Port St Johns Municipality in recognition of the station's valued support
- Sunday Times-Markinor Brand Survey: Umhlobo Wenene FM voted the 3rd Most Loved Brand

## Munghana Lonene FM

- Conny Mashaba - Best Voice of Choice Presenter
- Beka Ntsanwisi - Shoprite-Checkers-SABC2 Women of the Year Awards: Finalist
- Gloria Ngobeni - Limpopo Secretary of Year: 2nd runner up

- Munghana Lonene FM – CANSA Cancer Awareness Award
- Munghana Lonene FM - Community Development Contribution Award from Tzaneen Municipality

#### Sports Awards

- Mashimbye - PSL Castle Premiership Best Radio Commentator of the Year
- James Shikwambana - SAB Radio Journalist of the Year
- James Shikwambana - SAB Best Programme of the Year
- James Shikwambana - Coca Cola Presenter of the Year: Merit Award

#### RSG

- Marketing Mix Magazine: National Content Champion for 2004 in the radio category
- Johann Russouw: SABC Sports Commentator of the Year for soccer
- Ettienne Ludick SAB Sports Commentator of the Year: Best Newcomer
- ATKVeertjie Awards: Five RSG presenters won ATKV annual Best Programme and Presentation Awards in the radio category

#### Television News

- Mariska Botha - ATKV Award
- Regional Vodacom Journalist of the Year Awards
- Mercedes Thahane for radio feature on the San people
- Richard Newton for TV News
- Pule Mokhoane - special mention for TV News

#### Regional Radio News

##### KwaZulu-Natal

- Denzyl Jenneker - Vodacom Award in the Best Television Feature category for his feature on Richmond, a former war-torn area
- Denzyl Jenneker - Zulu Kingdom Tourism Award
- Victor Molefe - KZN Premier's Sports Award

##### Northern Cape

- Mercedes Thahane - Regional Vodacom Journalist of the Year

##### Free State

- Richard Newton - Regional Vodacom Journalist of the Year

##### Eastern Cape

- Luzuko Koti, Mandla Gceya, and Lulama Dlepu received awards and will represent the Eastern Cape at the Journalist of the Year Awards

#### SABC1

- Siphon Ngwenya and Carly Fields - YOTV - Kellogg's Star: Best Presenters of Children's Programmes
- Carly Fields - Crystal Award for Best Presenter
- *Zola 7* and *Home Coming* had successful screenings at INPUT in San Francisco
- *The Project 10* strand of documentaries, celebrating South Africa's 10 years of democracy, was hailed as a training success story at documentary festivals world wide

#### SABC2

- *Forgiveness* - Best Film award and Human Rights accolade at the Locarno International Film Festival
- *Amandla!* - five Emmy nominations – won Best Research
- *Stokvel* - Emmy finalist in the comedy category
- *Zero Tolerance* - Regional Semi-finalist International Emmy
- *Sho't Left* - Loerie Grand Prix
- Documentaries - three titles from *Our Nation in Colour* were selected for IDFA
- *50/50* - President's Award from the Wildlife and Environment Society of SA in recognition of its significant role in conservation

#### SABC 3

##### Crystal Awards 2004

- Noeleen Maholwana-Sanqu - *3 Talk* - Best TV Talk Show Host
- Batsetsana Kumalo - *Top Billing* - Best TV Female Presenter
- Emmanuel Castis - *Isidingo* ('Steve') - Best Actor in a Soap
- *Isidingo* - Best Ensemble Cast
- *Isidingo* - Best Local Soap

##### Sunday Times-Elle Style Awards

- Graeme Richards - Most Stylish Male Presenter

##### Duku Duku Awards

- Noeleen Maholwana-Sangqu - Best Female Programme Presenter
- Robert Whitehead and Michelle Botes ('Barker' and 'Cherel de Villiers-Haynes' in *Isidingo*) Best Couple on Screen

#### SABC AFRICA

- *Harambee All Together In Africa* award for coverage of Africa
- African Information Achiever of the Year award

- The channel scooped its third international award at the ICT Summit in Abuja, Nigeria, as the best broadcaster on the continent

## Technology

- Jakobi Coetzee - Jurgen Young Award for the Best Electrical Engineering Student at PE Technikon
- Air Time OB3 Team (digital unit) Project Team of the Year award

## Religion

- *Gospel Gold* presenters – special award from the Assemblies of God Church
- Lund – Gold Disc for Nginyabonga (Bula Records)
- Rebecca & Tshepo – Platinum for Queen of Gospel & the Village Pope (CCP Records)
- Alexandra Brass Band – Special Award for Diphala Vol1,2 & 3 (CCP Records)
- “Bakhiphe” & “Ujehova Ungumalusi” – Platinum (Amanxusa)
- Deborah Fraser – Gold for Ngikuxolele (Universal Records)
- Sinky, Oleseng, Trust in Christ & Masole a Tumelo – Platinum (Cool-spot)
- Galathia – Platinum (SMP Music Productions)

## Sales and Marketing

### The Royal Show 2004

- The SABC was awarded a gold medal for an exceptional exhibit
- The SABC won the prestigious President’s Award from the Royal Agricultural Society of Natal for the best exhibit in any category

### The Rand Show 2004

- The SABC received a Gold Award for Media Partnership
- The SABC won the Chairman’s Platinum Award for best contributor to the success of Rand Show 2004
- The SABC was awarded the City of Johannesburg Supreme Challenge Shield as the overall winner in all the categories.

### MTN Women in Media Awards 2005

- Clare O’Neil - nominated one of five finalists. This award celebrates the most remarkable women in media.
- RSG - Pendorong Awards: 2 Silver for best advertising in Afrikaans on radio and TV
- RSG - Telkom Peoples’ Choice Award: overall Best Radio Advert
- RSG - SAPPI: Best Print Advert for the Innibos Festival

- RSG - Bronze Loerie in mixed media category for the station’s KKNK 2004 campaign in print, radio and outdoor mix (first Loerie success in seven years)
- RSG - Star Orchard Award for Best Television Advert 2004: RSG Sportskapie
- RSG - Merit Award at The One Show in the USA, a first for Afrikaans advertising, for the television campaign consisting of four TV commercials
- RSG - Ad Review Broadcast Marketer of the Year Award
- SABC1 - Markinor Brand Relationship Score in 2004: scored 58,3% as the Most Loved Television Brand
- SABC1 - Loerie Awards 2004: TV commercial PF Jones was awarded 2 Gold Lories for craftsmanship and creative excellence
- SABC1 - Loerie Awards 2004: PF Jones TV commercial won the Loerie Grand Prix
- Markinor Brand of the Year Awards
- SABC Radio took the top seven places
- SABC1, 2 and 3 came first, second and fourth respectively
- SABC brand was ranked in the Top 10 of the category Most Admired SA Brand overall
- SABC brand was ranked in the Top 10 of the category Company Operating in South Africa that has Done the Most to Uplift the Community



*Talk to Me's Kami receives an award from Jon Steward at the Peabody awards*

our tv and radio





# Annual Financial Statements

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# Board Members' Responsibility for Financial Reporting

The South African Broadcasting Corporation Limited ("SABC") board members are required by the Broadcasting Act, No 4 of 1999, as amended, and Public Finance Management Act, No 1 of 1999, as amended (PFMA), to maintain adequate accounting records and to prepare annual financial statements for each financial year that fairly present the state of affairs of the company and group at the end of the financial year and the profits and cash flows for the year. In preparing the accompanying financial statements, South African Statements of Generally Accepted Accounting Practice have been followed, suitable accounting policies have been used, and reasonable estimates have been made. Any changes to accounting policies are approved by the board and the effects fully explained in the financial statements. The annual financial statements incorporate full and responsible disclosure in line with the philosophy on corporate governance.

The board has reviewed the company's and group's budget and cash flow forecasts for the year to 31 March 2006. On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the board members have no reason to believe that the SABC will not be a going concern in the year to the next annual financial statements, and have continued to adopt the going concern basis in preparing the annual financial statements. The company's external auditors, KPMG Inc., Ngubane & Co and Kwinana & Associates, have audited the annual financial statements and their report appears on page 3.

The board is responsible for the company's system of internal control, which includes internal financial controls that are designed to provide reasonable, not absolute, assurance against material misstatement and loss. The company maintains internal financial controls to provide assurance regarding:

- safeguarding of assets against unauthorised use or disposition; and
- maintenance of proper accounting records and reliability of financial information used in the business or for publication.

The controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention, or overriding of controls. An effective system of internal control, therefore, aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, financial statement presentation. Further, because of changes in conditions, the effectiveness of internal financial controls may vary over time.

The audit committee has reviewed the effectiveness of the group's internal controls and, other than for the inability of the current systems to meet all the obligations of the Public Finance

Management Act, No 1 of 1999, as amended, as outlined in the board members' report on page 4, considers the systems appropriate for effective operation of its business. The audit committee has evaluated the annual financial statements and has recommended their approval by the board.

The annual financial statements for the year ended 31 March 2005, as set out on pages 4 to 38, have been approved by the SABC board and are signed on its behalf by:



Eddie Funde

Chairperson of the Board



Solly Mokoetle

Acting Group Chief Executive Officer

Johannesburg

5 August 2005

# Report of the Audit Committee to the SABC Executive Authority

## Report of the audit committee of the SABC board in terms of Regulation 27(1)(7)(b) and (c) of the Public Finance Management Act, No 1 of 1999, as amended (PFMA).

We are pleased to present our report for the financial year ended 31 March 2005 as required by Regulation 27(1)(7) of the PFMA and recommended by the King II Report on corporate governance.

The audit committee of the SABC board is composed of seven non-executive members and three executive members. The committee held five meetings during the financial year under review.

### ACTIVITIES OF THE COMMITTEE

The SABC board sets the responsibilities of the audit committee from time to time.

The following were activities conducted by the audit committee during the year under review:

- Reviewed and updated the audit committee charter so as to keep up to date with current practices
- Reviewed and monitored the company's financial reporting process on behalf of the board of directors
- Reviewed such significant transactions not directly related to the organisation's normal business as the committee deemed appropriate
- Reviewed the controls over significant financial and certain operational risks
- Reviewed the annual report and annual financial statements taken as a whole to ensure they present a balanced and understandable assessment of the financial position, performance and prospects of the SABC

The committee also confirms that where material weaknesses were identified in internal controls, corrective action was taken to eliminate or reduce the concomitant risks. Accordingly, in our opinion, the internal controls of the SABC operated effectively throughout the year under review to ensure that the assets were safeguarded, proper accounting records were maintained and resources were utilised efficiently.

The audit committee also reports that it operates under appropriate formal terms of reference, as contained in its audit committee charter, regulates its affairs in compliance with this charter, and it has discharged all its responsibilities as contained therein.

### INTERNAL AND EXTERNAL AUDITORS

During the year under review, instances of weaknesses in internal controls were noted and reported to the committee by both internal and external auditors. The committee is generally satisfied that adequate mechanisms are being put in place to address these weaknesses.

In fulfilling its responsibilities, the activities of the audit committee in overseeing the role of internal and external auditors involved the following:

- The audit committee discussed with the internal auditors and the external auditors the overall scope and specific plans for their respective audits for the year under review
- Reviewed the results of the work performed by the internal audit function in relation to financial reporting, corporate governance, internal control and any significant investigations and management responses
- Reviewed the external auditors' management letters, and management's responses

- Reviewed the credibility, independence and objectivity of the external auditors, taking into account their audit fees
- Reviewed the co-ordination between the internal audit function and the external auditors and dealt with any issues of material or significant dispute or concern
- The chairman of the committee met regularly with the independent auditors, without management present, to discuss the results of their examinations, their evaluations of the SABC's internal controls, and the overall quality of the SABC's financial reporting. These meetings were also designed to facilitate any private communication with the committee desired by the external auditors

This committee confirms that external auditors have not been involved in any assignment that may impair their independence. Where auditors have been requested to carry out non-audit work, the consideration and approval of this committee has been sought.

### ANNUAL FINANCIAL STATEMENTS

The committee discussed the company's annual financial statements for the year ended 31 March 2005, and the reasonableness of the accounting policies applied in their preparation. The committee also assessed the effectiveness and adequacy of the company's internal controls and any pending litigation.

Following our review of the annual financial statements for the year ended 31 March 2005, we are of the opinion that, in all material respects, they comply with the relevant provisions of the Public Finance Management Act, No 1 of 1999, as amended, except for the reported areas of non-compliance referred to in the SABC board report. We are also of the opinion that these statements comply with South African Generally Accepted Accounting Practice and that they fairly present the results of the operations, cash flows and financial position of the company and of the group in the manner required by both the PFMA and the Companies Act, No 61 of 1973, as amended. We therefore recommend that the full SABC board approves the annual financial statements.

On behalf of the SABC Audit Committee

Andrew Maralack

Chairperson

5 August 2005

# Report of the Independent Auditors to the Minister of Communications

We have audited the annual financial statements and the group annual financial statements of the South African Broadcasting Corporation Limited set out on pages 4 to 38, for the year ended 31 March 2005. These financial statements are the responsibility of the directors of the South African Broadcasting Corporation Limited (accounting authority). 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group at 31 March 2005, and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in a manner required by the Companies Act in South Africa, No 61 of 1973, as amended, and the Public Finance Management Act, No 1 of 1999, as amended.

In our opinion, the transactions of the South African Broadcasting Corporation Limited that have come to our attention during our audit were in all material respects in accordance with the mandatory functions as determined by the Broadcasting Act, No 4 of 1999, as amended.

Without qualifying our opinion we draw your attention to the report of the South African Broadcasting Corporation Limited board on page 4, which indicates non-compliance with sections 51 and 55(1) (c) of the Public Finance Management Act, No 1 of 1999, as amended; and Treasury Regulation 33.3.

*KPMG Inc.*

**KPMG**

Registered Accountants and Auditors

Chartered Accountants (SA)

*Ngubane & Co.*

**NGUBANE  
& CO.**

Chartered Accountants (SA)

Registered Accountants and Auditors

Chartered Accountants (SA)

*Kwinana & Associates*

**Kwinana & Associates**  
Chartered Accountants (SA)

Registered Accountants and Auditors

Chartered Accountants (SA)

5 August 2005

# Report of the SABC Board for the year ended 31 March 2005

## ANNUAL FINANCIAL STATEMENTS

The board of the South African Broadcasting Corporation Limited (SABC) is pleased to present its report for the year to 31 March 2005. This is the first full year of reporting as an unlisted public entity since the South African Broadcasting Corporation was converted to the South African Broadcasting Corporation Limited, registration number 2003/023915/06, on 29 September 2003.

The financial statements of the statutory entity, the South African Broadcasting Corporation Limited company and group for the year ended 31 March 2005 and for the comparative six-month period to March 2004 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, and Generally Accepted Accounting Practice (GAAP).

In addition to the statutory financial statements, special purpose financial statements (SABC Group) are presented for the previous year. These financial statements (SABC Group) are a combination of the results of the South African Broadcasting Corporation and the South African Broadcasting Corporation Limited for the year to 31 March 2004, which together represent the results for the full financial year on a comparative basis.

## FUNCTION AND OBJECTIVES OF THE BUSINESS

The SABC is South Africa's national public service broadcaster. Its principal activities comprise sound and picture broadcasts utilising 18 radio stations and four television channels (three free-to-air and one pay-TV). In terms of its charter, which is in accordance with section 8 of the Broadcasting Act, No 4 of 1999, as amended, 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. The SABC is regulated operationally in terms of licences granted by the Independent Communications Authority of South Africa (ICASA). All its activities are undertaken in compliance with its mandate as the country's national public service broadcaster.

## OBJECTIVES

A medium-term business plan setting out the SABC's strategic direction and key performance indicators to manage its business effectively, is developed in consultation with key stakeholders and using input from the business units. The predetermined strategic and operational objectives have been approved by the SABC board.

## REVIEW OF OPERATIONS

The SABC Group generated revenue for the year of R3 314,1 million, reflecting an overall increase of 22% when compared with the previous year. Television licence revenue increased by 25%, advertising revenue improved by 24%, and all other revenue grew by 15% in total. In comparison, cost of sales grew by 12%, personnel remuneration by 6%, and other costs, including signal distribution and linking costs, increased by 5%. This resulted in a net profit for the year of R240,3 million, compared with a restated net profit for the previous year of R1,7 million. This restatement results from a reclassification of the distribution amount previously recognised in equity, being

transferred to income as interest paid. The annual financial statements (note 1) explain this change in accounting treatment more fully.

## SHARE CAPITAL

The company was incorporated with 1 000 authorised ordinary shares of R1 each, all of which were issued.

## SUBSIDIARIES

Details of the company's investments in subsidiary companies are reflected on page 38 of the annual financial statements. Profits of the subsidiaries of R3,3 million are included in the group annual financial statements of SABC Limited for the year.

## NON-COMPLIANCE WITH LAWS AND REGULATIONS

Section 51 of the Public Finance Management Act, No 1 of 1999, as amended (PFMA), contains provisions that are not regulated by a materiality framework and that require the board to implement controls and reporting procedures that normal systems of internal control are not designed to perform.

The company's ability to modify its systems in a cost-effective manner to ensure compliance is hampered by the complexity of its current system and the sheer volume of transactions undertaken by the company. In the year under review, a materiality level of R5,4 million was set as the threshold for reporting instances of fruitless, wasteful and irregular expenditure, as required by section 55(2) of the Act.

The company will discuss with the Minister of Communications, the materiality level set.

Section 55 of the Public Finance Management Act, No 1 of 1999, as amended (PFMA), contains provisions that the company is required to submit financial statements within two months of the end of the financial year to the auditors and National Treasury. This time frame was not complied with.

We also note that the company has not complied with the provision for collection of all the revenue due in terms of the television licence section of the Broadcasting Act, No 4 of 1999, as amended, owing to the impracticality of undertaking such an exercise.

Section 33.3 of the Treasury Regulations requires annual submission by the board to the Auditor General and National Treasury of the outcome of any disciplinary hearings and/or criminal charges, the names of employees involved, the sanctions and any further action taken against the employees. No submission has been made to date.

## IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

The SABC is required to comply with the provisions of the PFMA, and has therefore put in place a process for reporting material losses as a result of criminal misconduct and irregular, fruitless and wasteful expenditure, as required by the Act. Non-compliance with the Act is dealt with in terms of SABC's existing disciplinary policy.

## SHAREHOLDER COMPACT

In pursuance of its objective of promoting good corporate governance in state owned entities, the government as sole shareholder and the



SABC signed a shareholder performance agreement (shareholder compact) on 22 November 2002.

The shareholder compact, which provides an effective framework for regulating the relationship between the SABC and the government, clarifies the relationship between the shareholder, the board of directors, and management. The role and responsibilities of the shareholder, the board, and management are defined by spelling out actions that require shareholder approval, and powers the shareholder has delegated to the board.

The compact also affirms the freedom of management to manage the business in a vigorous and enterprising manner, but within the agreed mandate and a framework of effective accountability. The overarching theme of the compact is transparency, accountability, sound management and exercise of power within delegated authority.

## DIRECTORS

The following people were directors for the year under review:

Mr Eddie Funde (*Chairperson*)

Ms Christine Qunta (*Deputy Chairperson*)

Prof Alison Gillwald

Ms Noluthando Gosa

Ms Fadila Ethne Lagadien

Mr Andrew Maralack (*Chairperson: Audit Committee*)

Mr Thami Mazwai

Mr Andile Mbeki

Ms Kanyisiwe Mkonza

Mr Cecil Msomi

Prof Derrick Swartz

Mr Ashwin Trikamjee

Mr Solly Mokoetle (*Chief Operating Officer*)

Mr Robin Nicholson (*Chief Financial Officer*)

Mr Peter Matlare (*Group Chief Executive Officer resigned 31 Mar 2005*)

Adv Dali Mpofu (*Group Chief Executive Officer appointed 1 Aug 2005*)

## NON-EXECUTIVE DIRECTORS

### Appointment and remuneration

Non-executive directors are appointed by the President on the advice of the National Assembly. The fees paid to non-executive directors vary, based on their attendance at, and their appointment to, the various committees of the SABC board.

## EVENTS SUBSEQUENT TO BALANCE SHEET DATE

The board members are not aware of any matter or circumstance arising since the end of the financial year, to the date of signature of this report, which is not dealt with otherwise in the report or financial

statements that would have a significant effect on the operations of the company, or the results of its operations to that date.

## GOING CONCERN

The directors are of the opinion that the SABC company and 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.

## HOLDING COMPANY

The sole shareholder is the South African Government.

## REGISTERED ADDRESS

Postal Address: Private Bag X1, Auckland Park, 2006. Business Address: Radio Park, Henley Road, Auckland Park, 2006. Telephone number: (011) 714-9111.

## COMPANY SECRETARY

Mr Ntando Simelane was appointed as acting Company Secretary on 1 April 2005.

Eddie Funde

Chairperson of the Board

5 August 2005

# Accounting Policies for the Year Ended 31 March 2005

## BASIS OF PREPARATION

The annual financial statements of the group and company are prepared on the historical cost basis, except for financial instruments that are carried at fair value, in conformity with South African Statements of Generally Accepted Accounting Practice and in accordance with the Companies Act, No 61 of 1973, the requirements of the Public Finance Management Act, No 1 of 1999 and the Broadcasting Act, No 4 of 1999. The principal accounting policies that are adopted in the preparation of these annual financial statements are set out below and are consistent with those of the previous year, except for the adoption of AC 140 (IFRS 3) – business combinations and AC128 (IAS 36) – impairment of assets, also refer to note 1.2.

## BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the company. Control exists when a company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The group annual financial statements incorporate the assets, liabilities and the results of the operations of the company and all its subsidiaries. The results of subsidiaries are included from the effective dates of their acquisition until the effective dates of their disposal using the purchase method for business combinations. Inter-company transactions and balances are eliminated on consolidation.

Foreign subsidiaries are translated into rands and consolidated at the rates of exchange applicable, in accordance with the policy on foreign operations.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and cash with banks.

## COMMEMORATIVE FUND RESERVE

The commemorative fund reserve is a fund set aside to provide short-term finance to employees at a rate prescribed by the South African Revenue Services. This is funded from general SABC Limited funds. Interest earned is recognised in the income statement and the net movement in the fund is transferred to or from accumulated profits in the statement of changes in equity.

## EMPLOYEE BENEFITS

### Short-term employee benefits

The costs of short-term employee benefits are charged to the income statement as incurred.

### Pension Plan

The company operates a funded defined benefit pension plan, the assets of which are administered in a separate trustee-administered fund. The plan is funded by monthly contributions by employees and the company. Professionally qualified independent actuaries actuarially value the plan at intervals not exceeding three years using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The defined benefit liability is the present value of the defined benefit obligation adjusted for both actuarial gains or losses and past service costs not yet recognised, less the fair value of plan assets. Past service costs are amortised on a straight-line basis over the average period until the intended benefits become vested. Actuarial gains and losses are recognised in the income statement.

### Post-retirement medical benefits

The company provides for a subsidy for post-retirement medical scheme contributions. Post-retirement medical benefits are actuarially valued in the same manner as the pension plan.

## FINANCIAL INSTRUMENTS

Financial assets and liabilities carried in the balance sheet include cash, investments, trade and other accounts receivable and payable and borrowings. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies.

Financial instruments are classified as liabilities or equity in accordance with the economic substance of the contractual arrangement. Interest gains and losses relating to a financial instrument classified as a liability are reported as income or expense. Financial instruments are offset when the company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously. The company hedges its foreign exchange rate risk using forward exchange contracts. Gains and losses on derivative financial instruments used for the hedging of foreign currency transactions are recognised in the income statement.

The company classifies a derivative instrument as a cash-flow hedge when:

- the hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk
- the effectiveness of the hedge can be reliably measured
- there is adequate documentation of the hedging relationships at the inception of the hedge
- the forecasted transaction that is the subject of the hedge is highly probable
- the effectiveness of the cash-flow hedge is assessed on an ongoing basis

When an anticipated future transaction is hedged and the underlying position has not been recognised in the annual financial statements, any change in the fair value of the hedging instrument is not recognised in the income statement for the period but is recorded directly in equity.

## FOREIGN CURRENCIES

### Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling on the date of the transactions. Gains and losses arising from the settlement of such transactions are recognised in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Differences on monetary assets and liabilities are recognised in the income statement in the period in which they occur.

### Foreign operations

Where the operations of a foreign company are integral to the operations of the company, the translation principles are applied as if the transactions of the foreign operation had been those of the company. Foreign currency monetary items are translated using the closing rate and non-monetary items are translated using the historical rate as at the date of acquisition. Income and expense items are translated at the average exchange rates for the year. Resulting exchange differences are recognised in the income statement during the year.

## IMPAIRMENT OF ASSETS

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income for items of property, plant and equipment carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life, discounted to its 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit. Reversal of impairment losses recognised in prior years is recorded when there is



an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in the income statement.

### INSURANCE RESERVE

The insurance reserve has been established to provide internal cover in respect of certain specific risks. Market-related premiums in respect of these risks are transferred to the insurance reserve from accumulated profits for the year. Claims paid are recognised as an expense in the income statement and a reclassification is made out of the insurance reserve into accumulated profits.

### INVENTORIES

Consumable stores are valued at the lower of cost and estimated net realisable value. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Where necessary, provision is made for obsolete, slow-moving and defective stock.

### INVESTMENTS

#### Available for sale assets

The change in fair value of available for sale financial instruments is recognised directly in equity.

#### Investments in subsidiaries

In the separate company financial statements, investments in subsidiaries are carried at cost.

### LEASES

#### Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

#### Finance leases

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. The company recognises finance leases as assets and liabilities in its balance sheet at the lower of the fair value of the leased equipment and vehicles at the inception of the lease and the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease. If it is not practicable to determine the interest rate, the company's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term.

### PROGRAMMES AND RIGHTS

#### Programme stock and script rights

Originated programme stocks and work in progress, including work commissioned from independent producers, are stated at the lower of amortised cost and net realisable value. Costs comprise direct costs, including cost of materials, artist fees, production overheads as well as a proportion of other attributable overheads. Acquired programmes are stated at the lower of amortised cost and net realisable value. Cost of acquired programmes comprises actual costs plus language dubbing, where applicable. Costs are accrued when the licence period begins, the cost of the programme is known or reasonably determinable, the programme material has been accepted by the company in accordance with the conditions of the licence agreement, and the programme is available for its first transmission. Net realisable value is based upon arms length contract prices negotiated between the channel controllers and programme suppliers. Assets and liabilities relating to acquired programmes are recognised at the point of payment or

commencement of the license period when programme material is received whichever is earlier. Due to their nature and the immaterial value thereof, the cost of all radio programmes and television actuality programmes such as sport, news and magazine programmes not yet broadcast are expensed in the year in which they are incurred. The costs of all other television programmes are charged to the income statement when first transmitted and in the case of a series, amortised over the number of episodes. The cost of programmes which are considered unsuitable for broadcast or for which licenses have expired, are written off.

#### Sports rights

The costs of script rights are recorded as work in progress and are charged to the income statement when deemed unusable. Costs of sports rights comprise actual costs which are accrued on signing the contract, fulfilment of all conditions precedent and when costs are known, or reasonably determinable. The costs of sports rights are charged to the income statement when the event takes place or when a decision is taken that an event will not be transmitted.

Assets and liabilities relating to sports rights are recognised to the extent that it is reasonably determinable that future economic benefits are expected to flow to or from the company within twelve months of the balance sheet date. If it cannot be reasonably determined that future economic benefits will flow to or from the company within the twelve month period of the balance sheet date, then the assets and liabilities are not recognised on balance sheet but are noted as purchase commitments.

Rights that are denominated in foreign currency are brought to account at the ruling spot rate on the date of initial recognition. Any subsequent changes in the carrying value of the liability arising from changes to the spot rate are recognised in the income statement as foreign exchange gains or losses.

In the case of a series, sports rights are charged to the income statement in a manner that reflects the substance of the underlying contract.

#### Purchase commitments

Agreements for the future purchase of programmes and sports rights whose licence period has not commenced and where there has been no payment by the balance sheet date are disclosed as purchase commitments.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Land, capital work in progress and works of art are stated at historical cost less accumulated impairment losses. Depreciation is not provided for on land and works of art as they are considered to be of an investment nature. Depreciation is provided on capital work in progress when the assets are taken into use. All other assets, including buildings on leasehold properties, are depreciated on a straight line basis at rates considered appropriate to reduce the book values to estimated residual values over the useful lives of the assets as follows:

Broadcasting equipment	5 – 20 years
Buildings	7 – 40 years
Buildings on leasehold properties	10 – 55 years
Computer equipment	3 – 7 years
Motor vehicles	5 – 7 years
Musical equipment	up to 40 years
Office equipment	5 years
Security equipment	5 years

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and

# Accounting Policies for the Year Ended 31 March 2005 *(cont)*

any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, are charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost. Profits or losses on the disposal of property, plant and equipment are credited or charged to the income statement. The profit or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

## PROVISIONS

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation.

## REVALUATION RESERVE

The revaluation reserve consists of gains and losses arising from the fair value change of long-term investments which are recognised directly in equity.

## SEGMENT REPORTING

### Primary segments

In terms of the Broadcasting Act, No 4 of 1999, the SABC Limited board is tasked with the responsibility of delivering both its public and commercial mandate. This therefore represents the primary risk to be managed by the board.

### Secondary segments

The company's business units are exposed to different risks due to the nature of their businesses. This therefore represents the secondary risk, to be managed by management.

### Inter-segment transfers

Segment revenue, segment expenses and segment results exclude transfers between business divisions and between business unit activities. Such transfers are accounted for at cost and are eliminated on consolidation.

### Segment revenue and expenses

All segment revenue and expenses are directly attributable to the segments.

### Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of property, plant and equipment, programmes and rights, inventories, cash and receivables, and are net of impairments. Segment liabilities include all operating liabilities and consist principally of payables, provisions and accrued liabilities.

## SHORT-TERM INVESTMENTS

Short-term investments consist of fixed deposits, call deposits and money market accounts. These are liquid investments that are convertible to known amounts of cash with original maturities of twelve months or less, which are subject to an insignificant risk of change in value.

## TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income

statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities and assets are recognised in respect of temporary differences between the carrying amount and tax base of balance sheet items, including items with a tax base but no book value. The resulting net deferred tax assets or net deferred tax liabilities are reflected on the balance sheet.

Deferred tax is not recognised when the transaction involves the initial recognition of an asset or liability that is not subject to a business combination and at the time of the transaction affects neither accounting nor taxable profit. Deferred tax assets are not recognised on negative goodwill and no deferred tax liability is recognised on goodwill for which amortisation is not deductible for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

The carrying amount of deferred tax is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the rates that are expected to apply to the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case deferred tax is also included in equity.

## TRADE RECEIVABLES

Trade receivables comprise receivables in respect of advertising, sponsorships and facilities.

### Advertising revenue and sponsorships

Trade receivables are carried at cost less trade discounts and including agency commission, where applicable. Agency commission is granted when payment is made in accordance with agreed terms. A provision is raised for bad debts and credit notes after taking into account insurance cover.

### Facilities

Trade receivables are carried at cost and are reflected net of a provision for doubtful debts. A provision is raised against debts that have been handed over for legal action or are otherwise considered doubtful.

## GOVERNMENT GRANTS

Government grants are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the periods necessary to match the grants with the related costs which they are intended to compensate.

## INVESTMENT INCOME

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the company.

## REVENUE RECOGNITION

Revenue includes advertising, sponsorships, licence fees, government grants and other revenue and excludes value-added tax. Other revenue includes rental of facilities and services supplied. Advertising revenue is recognised at the time advertising spots are aired. Sponsorship revenue is recognised at the time sponsored programmes are broadcast. Licence fee revenue is recognised on a cash basis as and when received and is stated net of collection costs. Licence fee revenue pertaining to TV licence periods commencing in subsequent accounting periods is classified as licence fees received in advance.

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## Balance Sheets as at 31 March 2005

SABC Ltd Company as at 31 March 2004 R'000	SABC Ltd Company as at 31 March 2005 R'000		Note	SABC Ltd Group as at 31 March 2005 R'000	SABC Ltd Group as at 31 March 2004 R'000	SABC Group as at 31 March 2004 R'000
<b>ASSETS</b>						
485 976	513 375	<b>Non-current assets</b>		513 304	485 905	485 905
467 674	493 335	Property, plant and equipment	2	493 335	467 674	467 674
18 000	18 000	Long-term loan receivable	3	18 000	18 000	18 000
-	1 932	Long-term investment	4	1 932	-	-
71	71	Investments in subsidiaries	5			
231	37	Other non-current receivable	6	37	231	231
1 186 228	1 513 565	<b>Current assets</b>		1 518 533	1 200 643	1 200 643
393 290	351 226	Programmes and rights	7	351 226	393 290	393 290
5 345	5 549	Inventories	8	5 549	5 345	5 345
457 754	597 006	Trade and other receivables	9	596 092	461 037	461 037
42 405	196 424	Prepayments	10	196 424	42 405	42 405
196 957	338 457	Short-term investments	11	338 457	196 957	196 957
21 311	816	Other financial assets	12	816	21 311	21 311
69 166	24 087	Cash and cash equivalents	13	29 969	80 298	80 298
1 672 204	2 026 940	<b>Total assets</b>		2 031 837	1 686 548	1 686 548
<b>EQUITY AND LIABILITIES</b>						
787 551	1 025 204	<b>Equity and reserves</b>		1 041 887	800 885	800 885
1	1	Share capital	14	1	1	1
-	3 447	Commemorative fund reserve		3 447	-	-
-	718	Revaluation reserve		718	-	-
9 318	11 427	Insurance reserve		11 427	9 318	9 318
778 232	1 009 611	Accumulated profits		1 026 294	791 566	791 566
280 350	240 932	<b>Non-current liabilities</b>		240 932	280 350	280 350
27 390	27 390	Permanent capital	15	27 390	27 390	27 390
29 831	44 773	Long-term liabilities	16	44 773	29 831	29 831
-	6 078	Deferred tax liability	17	6 078	-	-
223 129	162 691	Employee benefits	18	162 691	223 129	223 129
604 303	760 804	<b>Current liabilities</b>		749 018	605 313	605 313
499 623	538 843	Trade and other payables	19	534 415	500 633	500 633
-	29 486	South African Revenue Services	20	29 486	-	-
20 667	34 356	Licence fees received in advance	21	34 356	20 667	20 667
10 704	7 188	Grants and sponsorships received in advance		7 188	10 704	10 704
11 680	24 447	Current portion of long-term liabilities	16	17 089	11 680	11 680
61 629	126 484	Provisions	22	126 484	61 629	61 629
1 672 204	2 026 940	<b>Total equity and liabilities</b>		2 031 837	1 686 548	1 686 548

## Income Statements for the year ended 31 March 2005

SABC Ltd Company 6 months to 31 March 2004 R'000	SABC Ltd Company 12 months to 31 March 2005 R'000		Note	SABC Ltd Group 12 months to 31 March 2005 R'000	SABC Ltd Group 6 months to 31 March 2004 R'000	SABC Group 12 months to 31 March 2004 R'000
1 473 715	3 309 516	<b>Revenue</b>	23	3 314 055	1 474 846	2 711 926
(641 063)	(1 291 680)	Cost of sales	24	(1 291 554)	(639 712)	(1 149 478)
832 652	2 017 836	<b>Gross profit</b>		2 022 501	835 134	1 562 448
(388 885)	(818 747)	Personnel remuneration	25	(820 157)	(389 554)	(770 686)
(142 878)	(299 536)	Signal distribution and linking costs		(299 536)	(142 878)	(285 711)
(60 547)	(139 110)	Marketing costs		(139 144)	(60 586)	(130 679)
(174 285)	(377 410)	General and administrative expenses		(377 667)	(176 479)	(356 944)
66 057	383 033	<b>Profit from operations before depreciation</b>		385 997	65 637	18 428
(43 047)	(83 801)	Depreciation		(83 801)	(43 047)	(83 842)
23 010	299 232	<b>Profit/(loss) from operations before net financing income</b>	26	302 196	22 590	(65 414)
4 147	15 180	Net financing income	27	15 565	4 155	20 859
27 157	314 412	<b>Profit/(loss) from operations before exceptional item (restated)</b>		317 761	26 745	(44 555)
-	-	Provision for state loan recovered	9	-	-	46 216
27 157	314 412	<b>Profit from operations before taxation (restated)</b>	1	317 761	26 745	1 661
-	(77 477)	Taxation	28	(77 477)	-	-
27 157	236 935	<b>Net profit for the year (restated)</b>		240 284	26 745	1 661





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## Cash flow Statements for the year ended 31 March 2005

SABC Ltd Company 6 months to 31 March 2004 R'000	SABC Ltd Company 12 months to 31 March 2005 R'000		Note	SABC Ltd Group 12 months to 31 March 2005 R'000	SABC Ltd Group 6 months to 31 March 2004 R'000	SABC Group 12 months to 31 March 2004 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
1 547 551	3 165 505	Cash receipts from customers		3 174 241	1 546 736	2 698 013
(1 333 074)	(2 982 100)	Cash paid to suppliers and employees		(2 989 113)	(1 332 548)	(2 612 930)
214 477	183 405	Cash generated from operations	29	185 128	214 188	85 083
7 679	21 965	Interest received		22 039	7 687	29 848
(3 532)	(6 785)	Interest paid		(6 474)	(3 532)	(8 989)
-	(41 913)	Taxation paid	30	(41 913)	-	-
218 624	156 672	<i>Net cash inflow from operating activities</i>		158 780	218 343	105 942
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
(67 663)	(108 455)	<i>Net cash outflow from investing activities</i>		(108 455)	(67 663)	(92 011)
(72 179)	(118 192)	Replacement of property, plant and equipment	31.1	(118 192)	(72 179)	(103 954)
4 516	9 543	Proceeds from sale of property, plant and equipment	31.2	9 543	4 516	11 143
-	194	Decrease in non-current receivable		194	-	800
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
(104 444)	(93 296)	<i>Net cash (outflow)/inflow from financing activities</i>		(100 654)	(104 444)	40 727
(2 494)	27 709	Increase/(decrease) in long-term liabilities	16	20 351	(2 494)	(16 396)
(101 950)	(121 005)	(Increase)/decrease in investments		(121 005)	(101 950)	57 123
46 517	(45 079)	<b>Net (decrease)/increase in cash and cash equivalents</b>		(50 329)	46 236	54 658
22 649	69 166	Cash and cash equivalents at beginning of the year		80 298	34 062	25 640
69 166	24 087	Cash and cash equivalents at end of the year		29 969	80 298	80 298

## Notes to the Annual Financial Statements for the year ended 31 March 2005

SABC Ltd Company 6 months to 31 March 2004 R'000	SABC Ltd Company 12 months to 31 March 2005 R'000		SABC Ltd Group 12 months to 31 March 2005 R'000	SABC Ltd Group 6 months to 31 March 2004 R'000	SABC Group 12 months to 31 March 2004 R'000
		<b>1.1 CHANGES TO THE ANNUAL FINANCIAL STATEMENTS</b>			
		To ensure appropriate presentation, permanent capital has been disclosed with non-current liabilities due to its nature. The amounts previously recognised as a distribution have been restated as interest expense. The comparatives stated below have also been restated:			
		<b>1.1.1. The effect on profit is as follows:</b>			
28 047	238 065	Net profit as previously stated	242 064	27 635	3 441
(890)	(1 780)	Interest on permanent capital	(1 780)	(890)	(1 780)
<u>27 157</u>	<u>236 935</u>	Restated net profit	<u>240 284</u>	<u>26 745</u>	<u>1 661</u>
		<b>1.1.2. The effect on capital and reserves is as follows:</b>			
814 941		Capital and reserves as previously stated		828 275	828 275
(27 390)		Permanent capital		(27 390)	(27 390)
<u>787 551</u>		Restated capital reserves		<u>800 885</u>	<u>800 885</u>
		<b>1.1.3. The effect on non-current liabilities is as follows:</b>			
252 960		Non-current liabilities as previously stated		252 960	252 960
27 390		Permanent capital		27 390	27 390
<u>280 350</u>		Restated non-current liabilities		<u>280 350</u>	<u>280 350</u>
		<b>1.2 CHANGE IN ACCOUNTING POLICY</b>			
		During the year, the Group changed its accounting policies in response to changes to Statements of Generally Accepted Accounting Practice in South Africa, to comply with AC 128 (IAS 36) - Impairment of assets and AC140 (IFRS 3) - Business Combinations. The effect of the changes is considered immaterial as the Group has made no acquisitions during the year.			

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## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

	Land & buildings R'000	Broadcasting equipment R'000	Vehicles R'000	Equipment* R'000	Capital work in progress R'000	Total R'000
<b>2 PROPERTY, PLANT AND EQUIPMENT</b>						
<b>2.1 Reconciliation of carrying amount</b>						
<b>SABC LIMITED GROUP AND COMPANY</b>						
<b>As at 31 March 2005</b>						
Cost	250 469	656 266	46 025	150 748	113 528	1 217 036
Accumulated depreciation	(123 892)	(448 502)	(37 429)	(113 878)	-	(723 701)
Net book value	126 577	207 764	8 596	36 870	113 528	493 335
<b>Year ended 31 March 2005</b>						
Opening net book value	125 004	225 786	10 595	34 208	72 081	467 674
Additions	-	7 596	287	1 575	108 734	118 192
Disposals	-	(7 481)	(85)	(806)	(358)	(8 730)
Transfers	9 719	34 465	1 141	21 604	(66 929)	-
Depreciation charge	(8 146)	(52 602)	(3 342)	(19 711)	-	(83 801)
Closing net book value	126 577	207 764	8 596	36 870	113 528	493 335
<b>SABC LIMITED GROUP AND COMPANY</b>						
<b>As at 31 March 2004</b>						
Cost	240 798	629 580	46 340	142 106	72 081	1 130 905
Accumulated depreciation	(115 794)	(403 794)	(35 745)	(107 898)	-	(663 231)
Net book value	125 004	225 786	10 595	34 208	72 081	467 674
<b>6 months ended 31 March 2004</b>						
Opening net book value	127 910	234 105	7 648	37 120	40 746	447 529
Additions	30	4 378	127	916	66 728	72 179
Disposals	-	(711)	(4)	(293)	(7 979)	(8 987)
Transfers	2	17 704	5 044	4 664	(27 414)	-
Depreciation charge	(2 938)	(29 690)	(2 220)	(8 199)	-	(43 047)
Closing net book value	125 004	225 786	10 595	34 208	72 081	467 674
<b>SABC GROUP</b>						
<b>As at 31 March 2004</b>						
Cost	240 798	629 580	46 340	142 106	72 081	1 130 905
Accumulated depreciation	(115 794)	(403 794)	(35 745)	(107 898)	-	(663 231)
Net book value	125 004	225 786	10 595	34 208	72 081	467 674
<b>Year ended 31 March 2004</b>						
Opening net book value	103 853	252 022	8 530	42 578	32 981	439 964
Additions	24 936	17 437	127	955	85 404	128 859
Disposals	-	(8 827)	(4)	(498)	(7 978)	(17 307)
Transfers	1 686	23 122	5 776	7 742	(38 326)	-
Depreciation charge	(5 471)	(57 968)	(3 834)	(16 569)	-	(83 842)
Closing net book value	125 004	225 786	10 595	34 208	72 081	467 674

\* Equipment comprises computer, office and security equipment.

## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

### 2 PROPERTY, PLANT AND EQUIPMENT (cont)

#### 2.2 Security for liabilities

The digital outside broadcasting van with a net book value of R34,4 million (2004: R37,9 million) is pledged to secure the Wesbank lease facility (note 16).

Office and computer equipment with a net book value of R1,4 million (2004: R0,1 million) is pledged to secure the Nedbank lease facility (note 16).

Computer equipment with a net book value of R2,6 million is pledged to secure the Nedbank instalment sale (note 16).

News digital production system with a net book value of R11,8 million is pledged to secure the Nedbank instalment sale (note 16).

Lifts with a net book value of R12,9 million is pledged to secure the Nedbank instalment sale (note 16).

#### 2.3 Information on land and buildings

Information in respect of land and buildings is contained in the register of fixed property which is available for inspection at the registered office of the company.

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## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

SABC Ltd Company as at 31 March 2004 R'000	SABC Ltd Company as at 31 March 2005 R'000		SABC Ltd Group as at 31 March 2005 R'000	SABC Ltd Group as at 31 March 2004 R'000	SABC Group as at 31 March 2004 R'000
18 000	18 000	<b>3 LONG-TERM LOAN RECEIVABLE</b>			
		Sentech Limited	18 000	18 000	18 000
		Interest is received on the outstanding amount at the prime rate of interest. The loan has no fixed terms of repayment and is unsecured.			
-	1 932	<b>4 LONG-TERM INVESTMENT</b>	1 932	-	-
		Available for sale assets consist of 159 175 Sanlam demutualisation shares and are shown at market value.			
		<b>5 INVESTMENTS IN SUBSIDIARIES</b>			
		<b>Unlisted</b>			
71	71	Cost			
71	71	Directors' valuation			
		Refer to interest in unlisted subsidiary companies on page 38 for more details.			
3 031	2 837	<b>6 OTHER NON-CURRENT RECEIVABLE</b>	2 837	3 031	3 031
		The company invested cash with New Republic Bank that was later placed under receivership.			
(2 800)	(2 800)	Provision for doubtful debt	(2 800)	(2 800)	(2 800)
231	37		37	231	231
176 385	121 667	<b>7 PROGRAMMES AND RIGHTS</b>			
173 498	173 729	Sports rights	121 667	176 385	176 385
43 407	55 830	Programmes ready for broadcast	173 729	173 498	173 498
393 290	351 226	Programmes in production	55 830	43 407	43 407
			351 226	393 290	393 290
		In addition, the company has purchase commitments for programmes and sports rights (note 33.2).			
6 443	6 655	<b>8 INVENTORIES</b>			
(1 098)	(1 106)	Consumable stores	6 655	6 443	6 443
5 345	5 549	Provision for obsolescence	(1 106)	(1 098)	(1 098)
			5 549	5 345	5 345
452 458	596 168	<b>9 TRADE AND OTHER RECEIVABLES</b>			
29 005	23 149	<b>9.1 Trade and other receivables</b>			
-	1 864	Trade receivables	596 160	452 450	452 450
481 463	621 181	Other receivables	22 243	32 296	32 296
(21 510)	(21 149)	Foreign exchange contracts and options	1 864	-	-
(2 199)	(3 026)		620 267	484 746	484 746
457 754	597 006	Provision for doubtful debts	(21 149)	(21 510)	(21 510)
		Provision for credit notes	(3 026)	(2 199)	(2 199)
			596 092	461 037	461 037

## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

SABC Ltd Company as at 31 March 2004 R'000	SABC Ltd Company as at 31 March 2005 R'000		SABC Ltd Group as at 31 March 2005 R'000	SABC Ltd Group as at 31 March 2004 R'000	SABC Group as at 31 March 2004 R'000
		<b>9 TRADE AND OTHER RECEIVABLES (cont)</b>			
		<b>9.2 State loan account</b>			
69 326	-	Bophuthatswana Broadcasting Corporation	-	69 326	69 326
(69 326)	-	Provision for state loan account	-	(69 326)	(69 326)
-	-		-	-	-
457 754	597 006	Total accounts receivable	596 092	461 037	461 037
		<b>9.3 Movement in provision for doubtful debts and credit notes</b>			
22 477	23 709	Balance at the beginning of the year	23 709	22 477	21 974
1 232	466	Increase in provision for doubtful debts and credit notes	466	1 232	1 735
23 709	24 175	Balance at the end of the year	24 175	23 709	23 709
		<b>9.4 Movement in state loan account</b>			
69 326	69 326	Balance at the beginning of the year	69 326	69 326	115 542
-	(69 326)		(69 326)	-	(46 216)
-	-	Financial assets transferred	-	-	(21 311)
-	-	Land and buildings transferred (note 31.1)	-	-	(24 905)
-	(69 326)	Write off loan against the provision	(69 326)	-	-
69 326	-	Balance at the end of the year	-	69 326	69 326
(69 326)	-	Provision for state loan account	-	(69 326)	(69 326)
-	-		-	-	-
		<b>9.5 Included in other receivables are loans to executive directors and group executive members in terms of the motor vehicle loan scheme and other loans (note 35).</b>			
		<b>10 PREPAYMENTS</b>			
42 405	196 424	Prepayments include a payment made to Sentech Limited in respect of signal distribution costs amounting to R119,4 million.	196 424	42 405	42 405
		<b>11 SHORT-TERM INVESTMENTS</b>			
196 957	338 457	11.1 Short-term deposits at approved institutions consist of call funds and fixed deposits. Call funds can be accessed as and when needed, whereas a notice period of 2 weeks to 2 months is required for fixed deposits. An average interest rate for the year is 7.27% (2004 :7.72%).	338 457	196 957	196 957
		11.2 Restricted cash			
50 997	32 028	Guarantees (note 36.6.3)	32 028	50 997	50 997
		<b>12 OTHER FINANCIAL ASSETS</b>			
		Investments acquired as a result of Bophuthatswana Broadcasting Corporation closure:			
20 576	-	Sanlam policies	-	20 576	20 576
735	816	Henry Howell Memorial Trust	816	735	735
21 311	816		816	21 311	21 311
		The Henry Howell Memorial Trust is restricted in use for bursaries only.			

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## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

SABC Ltd Company as at 31 March 2004 R'000	SABC Ltd Company as at 31 March 2005 R'000		SABC Ltd Group as at 31 March 2005 R'000	SABC Ltd Group as at 31 March 2004 R'000	SABC Group as at 31 March 2004 R'000
69 166	24 087	<b>13 CASH AND CASH EQUIVALENTS</b>			
		Cash on hand and bank	29 969	80 298	80 298
1	1	<b>14 SHARE CAPITAL</b>			
		Share capital	1	1	1
		Authorised and issued.			
		1 000 ordinary shares of R1.00 each			
27 390	27 390	<b>15 PERMANENT CAPITAL</b>			
		On 1 February 1972, the shareholder converted a long-term loan into permanent capital. The permanent capital is not repayable. An interest rate of 6.5% (2004: 6.5%) per annum is payable on the permanent capital in terms of the Exchequer Act. AC132 - Financial Instruments: Disclosure and Presentation states that an instrument which creates an obligation to pay cash by the holder of the instrument should be classified as debt. As a result of an obligation to pay interest, this instrument has been presented together with non-current liabilities. Representations have been made to the shareholder to have the wording of the Exchequer Act amended in order to reflect the true intention of the shareholder.	27 390	27 390	27 390
		<b>16 LONG-TERM LIABILITIES AND CURRENT PORTION OF LONG-TERM LIABILITIES</b>			
		<b>Unsecured</b>			
		<b>16.1 Loan from subsidiary</b>			
-	7 358	Loan from Auckland Programme Trade B.V. used to buy sports rights bearing interest at 5% per annum, redeemable during the year to 31 March 2006.	-	-	-
		<b>Secured</b>			
		<b>16.2 Finance leases</b>			
40 078	32 075	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 8.25% (2004:8.75%) per annum as at 31 March 2005.	32 075	40 078	40 078
1 433	1 160	Nedbank lease for office equipment under finance lease payable over three years at 8.25% (2004:8.75%) per annum.	1 160	1 433	1 433
-	28 627	Nedbank Instalment sale facility for news production server, lift upgrade and Dalet hardware payable over five years at 8.25% per annum.	28 627	-	-
41 511	69 220		61 862	41 511	41 511
(11 680)	(24 447)	Current portion transferred to current liabilities	(17 089)	(11 680)	(11 680)
29 831	44 773		44 773	29 831	29 831
		Certain assets are secured as per note 2.			
		<b>16.3 Repayment schedule</b>			
		The above interest bearing liabilities are repayable as follows:			
11 680	24 447	Not later than one year	17 089	11 680	11 680
29 831	44 773	Later than one year but not later than five years	44 773	29 831	29 831
41 511	69 220		61 862	41 511	41 511

## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

SABC Ltd Company as at 31 March 2004 R'000	SABC Ltd Company as at 31 March 2005 R'000		SABC Ltd Group as at 31 March 2005 R'000	SABC Ltd Group as at 31 March 2004 R'000	SABC Group as at 31 March 2004 R'000
		<b>17 DEFERRED TAXATION</b>			
		Temporary differences assets/(liabilities):			
16 993	18 974	Amounts received in advance	18 974	16 993	16 993
(2 435)	(36 186)	Payments in advance	(36 186)	(2 435)	(2 435)
3 083	7 565	Finance leases	7 565	3 083	3 083
33 830	60 939	Provisions	60 939	33 830	33 830
(26 777)	(48 810)	Programme stock	(48 810)	(26 777)	(26 777)
(17 291)	(8 456)	Property, plant and equipment	(8 456)	(17 291)	(17 291)
-	(104)	Revaluation reserve	(104)	-	-
6 180	-	Estimated assessed loss	-	6 180	6 180
(13 583)	-	Deferred tax asset not recognised	-	(13 583)	(13 583)
-	(6 078)	Deferred tax liability	(6 078)	-	-
13 583	-	Deferred tax asset not recognised	-	13 583	13 583
-	(6 078)	Deferred tax liability	(6 078)	-	-
		<b>18 EMPLOYEE BENEFITS</b>			
		Employee benefits consist of:			
223 129	162 691	Post retirement medical benefits	162 691	223 129	223 129
-	-	Pension Fund	-	-	-
223 129	162 691		162 691	223 129	223 129
		<b>18.1 Post-retirement medical benefits</b>			
		The company provides a subsidy of medical aid contributions payable by those employees who elect to remain on the medical aid scheme after retirement. This subsidy is unfunded and is provided for in the annual financial statements in terms of the last actuarial valuation which was undertaken on 31 March 2005. The valuation assumes a subsidy of 48% to May 2005 and a 20% reduction in subsidy to 36% from 1 June 2005 (2004: subsidy of 60% to June 2004 and a 20% reduction in subsidy to 48% from 1 July 2004).			
		<b>Change in benefit</b>			
		The movement in the liability recognised on the balance sheet is as follows:			
232 710	223 129	Net liability at the beginning of the year	223 129	232 710	216 509
11 069	(47 439)	Periodic (credit)/debit	(47 439)	11 069	27 270
(20 650)	(12 999)	Contributions	(12 999)	(20 650)	(20 650)
223 129	162 691	Net liability at the end of the year	162 691	223 129	223 129
		<b>Change in assets</b>			
-	-	Fair value of assets at the end of the year	-	-	-
223 129	162 691	Defined benefit at the end of the year	162 691	223 129	223 129
223 129	162 691	Unfunded status at the end of the year	162 691	223 129	223 129

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## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

SABC Ltd Company as at 31 March 2004 R'000	SABC Ltd Company as at 31 March 2005 R'000		SABC Ltd Group as at 31 March 2005 R'000	SABC Ltd Group as at 31 March 2004 R'000	SABC Group as at 31 March 2004 R'000
		<b>18 EMPLOYEE BENEFITS (cont)</b>			
		<b>18.1 Post-retirement medical benefits (cont)</b>			
		Periodic credit comprises the following:			
8 712	7 414	Current service cost	7 414	8 712	8 712
27 027	22 687	Interest cost	22 687	27 027	27 027
(24 670)	(77 540)	Net actuarial gain recognised	(77 540)	(24 670)	(8 469)
11 069	(47 439)	Total periodic credit	(47 439)	11 069	27 270
		The following principal actuarial assumptions were used:			
9.8%	8.7%	Discount rate	8.7%	9.8%	9.8%
12.0%	8.7%	Expected rate of return on plan assets	8.7%	12.0%	12.0%
		Medical inflation rate per annum			
8.8%	-	2004	-	8.8%	8.8%
8.3%	6.2%	2005	6.2%	8.3%	8.3%
8.3%	6.2%	2006	6.2%	8.3%	8.3%
8.3%	6.2%	2007	6.2%	8.3%	8.3%
8.3%	6.2%	2008 and thereafter	6.2%	8.3%	8.3%
80%	80%	Take up rate by retired employees	80%	80%	80%

### 18.2 Pension Fund

#### 18.2.1 Statutory information

The company's 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's permanent employees. The fund is actuarially valued at intervals not exceeding three years.

The financial position of the fund is examined and reported upon by the fund's valuator at intervals not exceeding three years. An actuarial valuation of the fund was performed as at 31 December 2003, in which the valuator reported that the fund was in a sound financial position subject to the continuation of the current contribution rates, and its assets exceed its liabilities. The next valuation will be undertaken in December 2006. The results of the valuation undertaken as at 31 December 2003 will be used to determine the extent of the surplus for purposes of a surplus apportionment in terms of the Pension Fund Second Amendment Act, No. 39 of 2001.

The fund is still in a process of compiling a plan for the apportionment of the surplus in the fund between the various stakeholders in the fund. Once completed the draft plan will need to be approved by the trustees and presented to the stakeholders for their comments, before being submitted to the Financial Services Board for approval. Only once the Financial Services Board has given its approval will the SABC take into account any surplus.

#### 18.2.2 Actuarial information in terms of AC116

##### 18.2.2.1 Actuarial disclosure

Defined benefit obligation at the end of the year (note 18.2.2.3)	2 002 333	1 992 198
Fair value of plan assets at the end of the year (note 18.2.2.2)	3 707 978	3 004 547
Status of plan (over funding)	(1 705 645)	(1 012 349)
Unrecognised transition asset (AC 116 introduction)	923 685	923 685
Unrecognised prior service cost (Plan amendments)	-	-
Unrecognised net gain (Change of assumptions)	647 777	25 526
Asset as at 31 March 2005	(134 183)	(63 138)
Paragraph 59 limit	-	-
Unrecognised due to paragraph 59 limit	134 183	63 138
Asset recognised in the balance sheet	-	-

## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

	SABC Ltd Group as at 31 March 2005 R'000	SABC Group as at 31 March 2004 R'000
<b>18 EMPLOYEE BENEFITS (cont)</b>		
<b>18.2.2 Actuarial information in terms of AC116 (cont)</b>		
<b>18.2.2.2 Reconciliation of plan assets</b>		
Fair value of plan assets at the beginning of the year	3 004 547	2 628 715
Employee contributions	24 296	23 351
Company contributions paid during the year	57 001	54 235
Benefit payments	(154 563)	(121 226)
Actual investment return	776 697	419 472
Fair value of plan assets at the end of the year*	<u>3 707 978</u>	<u>3 004 547</u>
* Plan assets are valued at current market value as required by AC116.		
<b>18.2.2.3 Reconciliation of defined benefit obligation</b>		
Defined benefit obligation at the beginning of the year	1 992 198	1 705 030
Service cost	72 054	68 606
Member contributions	24 296	23 351
Benefit payments	(154 563)	(121 226)
Interest cost	181 014	191 001
Actuarial (gain)/loss for the year	(112 666)	125 436
Defined benefit obligation at the end of the year	<u>2 002 333</u>	<u>1 992 198</u>
<b>18.2.2.4 Determination of the net periodic pension credit</b>		
Service cost component (net of member contributions)	72 054	68 606
Interest cost component	181 014	191 001
Expected return on plan assets*	(267 112)	(268 510)
Net periodic pension credit actual year.	<u>(14 044)</u>	<u>(8 903)</u>
* Assets are in respect of the fund's defined benefit obligations and thus exclude assets in respect of benefits relating to the demutualisation shares and additional voluntary contributions.		
<b>18.2.2.5 Prepaid pension costs</b>		
Asset as at 1 April 2004	(63 138)	-
Net periodic pension credit	(14 044)	(8 903)
Company contributions	(57 001)	(54 235)
Asset as at 31 March 2005	<u>(134 183)</u>	<u>(63 138)</u>
Unrecognised due to paragraph 59 limit	134 183	63 138
Asset recognised on the balance sheet	<u>-</u>	<u>-</u>
<b>The main actuarial assumptions used during the valuation were:</b>		
Rate of discount	8.5%	9.0%
Inflation	4.0%	4.5%
Expected return on assets	8.5%	9.0%
Pension increases	4.8%	4.8%
Salary increases	5.5%	6.0%

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## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

SABC Ltd Company as at 31 March 2004 R'000	SABC Ltd Company as at 31 March 2005 R'000		SABC Ltd Group as at 31 March 2005 R'000	SABC Ltd Group as at 31 March 2004 R'000	SABC Group as at 31 March 2004 R'000
		<b>19 TRADE AND OTHER PAYABLES</b>			
216 782	228 928	Trade creditors	231 114	217 325	217 325
35 202	33 940	Foreign trade creditors	33 940	35 202	35 202
7 636	-	Foreign exchange contracts	-	7 636	7 636
207 283	218 158	Other payables	211 544	207 750	207 750
32 720	57 817	Accruals	57 817	32 720	32 720
499 623	538 843		534 415	500 633	500 633
		<b>20 SOUTH AFRICAN REVENUE SERVICES</b>			
-	-	Opening balance	-	-	-
-	71 399	Taxation charge	71 399	-	-
-	(41 913)	Provisional taxation paid	(41 913)	-	-
-	29 486	Closing balance	29 486	-	-
		<b>21 LICENCE FEES RECEIVED IN ADVANCE</b>			
20 667*	34 356	TV Licence fees received in advance	34 356	20 667*	20 667*
		<b>22 PROVISIONS</b>			
		Provisions consist of the following:			
		<b>Provision for leave pay**</b>			
48 541	49 923	Balance at beginning of the year	49 923	48 541	43 223
7 443	30 553	Increase during the year	30 553	7 443	18 510
(6 061)	(13 548)	Settled in cash	(13 548)	(6 061)	(11 810)
49 923	66 928	Balance at end of the year	66 928	49 923	49 923
		<b>Provision for bonuses</b>			
24 093	9 172	Balance at beginning of the year	9 172	24 093	7 774
17 713	64 353	Increase during the year	64 353	17 713	34 470
(32 634)	(41 287)	Settled in cash	(41 287)	(32 634)	(33 072)
9 172	32 238	Balance at end of the year	32 238	9 172	9 172
		<b>Provision for post-retirement medical aid</b>			
-	-	Balance at beginning of the year	-	-	-
-	24 907	Increase during the year	24 907	-	-
-	-	Settled in cash	-	-	-
-	24 907	Balance at end of the year	24 907	-	-
2 534	2 411	<b>Other provisions</b>	2 411	2 534	2 534
61 629	126 484	<b>Total provisions</b>	126 484	61 629	61 629

\* An amount of R25 million has been reclassified to other payables. This amount represents unallocated TV licence revenue at year end.

\*\* Leave pay is treated as a provision, as the leave policy of the SABC allows employees to encash their non-statutory leave. The amount of the provision is dependant upon the amount of leave the employees convert into cash. The provision for leave pay was increased during the year to reflect the total cost of employment.

## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

SABC Ltd Company 6 months to 31 March 2004 R'000	SABC Ltd Company 12 months to 31 March 2005 R'000		SABC Ltd Group 12 months to 31 March 2005 R'000	SABC Ltd Group 6 months to 31 March 2004 R'000	SABC Group 12 months to 31 March 2004 R'000
		<b>23 REVENUE</b>			
		Revenue comprises:			
939 215	2 198 337	Advertising	2 198 337	939 215	1 776 019
3 862	60 516	Trade Exchanges	60 516	3 862	2 714
170 098	340 348	Sponsorships	340 348	170 098	314 372
239 768	493 543	Licence fees	493 543	239 768	395 287
49 049	48 681	Government grants	48 681	49 049	75 607
71 723	168 091	Other	172 630	72 854	147 927
<b>1 473 715</b>	<b>3 309 516</b>		<b>3 314 055</b>	<b>1 474 846</b>	<b>2 711 926</b>
		<b>24 COST OF SALES</b>			
		Cost of Sales consists of:			
120 910	321 529	Broadcast costs	321 403	119 559	234 187
520 153	970 151	Programme costs	970 151	520 153	915 291
<b>641 063</b>	<b>1 291 680</b>		<b>1 291 554</b>	<b>639 712</b>	<b>1 149 478</b>
		<b>25 PERSONNEL REMUNERATION</b>			
370 478	794 097	Total costs of employment *	795 507	371 147	709 831
27 988	56 341	Pension expenses	56 341	27 988	54 235
(9 581)	(31 691)	Provision for post-retirement medical benefits	(31 691)	(9 581)	6 620
<b>388 885</b>	<b>818 747</b>		<b>820 157</b>	<b>389 554</b>	<b>770 686</b>
		* Included in this amount is directors' emoluments which are disclosed in more detail in note 35.			
		<b>26 PROFIT/(LOSS) FROM OPERATIONS BEFORE NET FINANCING INCOME</b>			
		Profit/(loss) from operations before net financing income has been arrived at after charging/(crediting) the following:			
		<b>Expenses</b>			
2 486	4 502	Auditors' remuneration	4 502	2 486	3 984
2 302	4 000	Audit fees - current year	4 000	2 302	3 800
183	501	- under provision for previous year	501	183	183
1	1	Expenses	1	1	1
		Board member emoluments*			
3 742	7 236	Executive directors	7 236	3 742	5 921
1 778	4 593	- salary	4 593	1 778	3 579
758	626	- benefits	626	758	1 136
1 206	2 017	- bonuses	2 017	1 206	1 206
292	2 140	Non-executive directors	2 140	292	714
292	2 140	- services as board members	2 140	292	714
3 536	9 305	Group Executive members*	9 305	3 536	7 143
2 466	5 587	- salary	5 587	2 466	4 326
309	711	- benefits	711	309	2 212
761	3 007	- bonuses	3 007	761	605

\* Disclosures required in terms of the Public Finance Management Act, No 1 of 1999, as amended and the National Treasury Regulations No. 28 are included in note 35.

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## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

SABC Ltd Company 6 months to 31 March 2004 R'000	SABC Ltd Company 12 months to 31 March 2005 R'000		SABC Ltd Group 12 months to 31 March 2005 R'000	SABC Ltd Group 6 months to 31 March 2004 R'000	SABC Group 12 months to 31 March 2004 R'000
		<b>26 PROFIT/(LOSS) FROM OPERATIONS BEFORE NET FINANCING INCOME (cont)</b>			
		Group executive members are senior executives, regardless of title or job scale, such as managing directors and others nominated by the board and the Group Chief Executive Officer, serving as members of the Group Executive Committee in addition to the Group Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.			
43 047	83 801	Depreciation	83 801	43 047	83 842
2 938	8 146	Buildings	8 146	2 938	5 471
29 690	52 602	Broadcasting equipment	52 602	29 690	57 968
2 220	3 342	Vehicles	3 342	2 220	3 834
8 199	19 711	Other	19 711	8 199	16 569
11 069	(47 439)	Post-retirement medical periodic (credit)/cost	(47 439)	11 069	27 270
28 953	65 775	Fees	65 775	28 953	52 041
93	161	Administrative	161	93	186
18 079	33 807	Managerial	33 807	18 079	30 515
921	1 670	Projects	1 670	921	2 593
9 860	30 137	Technical	30 137	9 860	18 747
(3 563)	1 525	Foreign exchange loss/(gain)	932	(2 126)	1 304
(19 307)	(7 497)	Foreign exchange gain on monetary items	(8 090)	(17 870)	(27 462)
15 744	9 022	Foreign exchange loss on foreign exchange contract	9 022	15 744	28 766
4 471	(813)	(Profit)/loss on disposal of property, plant and equipment	(813)	4 471	6 164
12 364	32 136	Operating lease charges	32 136	12 364	26 382
1 290	3 706	Buildings	3 706	1 290	5 122
11 074	28 430	Equipment	28 430	11 074	21 260
		<b>27 NET FINANCING INCOME</b>			
7 679	21 965	Interest received	22 039	7 687	29 848
6 612	19 958	from banking institutions	20 032	6 620	20 494
1 067	2 007	from Sentech Limited	2 007	1 067	2 488
-	-	from Bophuthatswana Broadcasting Corporation	-	-	6 866
(3 532)	(6 785)	Interest paid	(6 474)	(3 532)	(8 989)
-	-	to holders of SABC loan stock	-	-	(119)
(2 582)	(867)	to independent third parties	( 556)	(2 582)	(6 967)
(890)	(1 780)	on permanent capital	(1 780)	( 890)	(1 780)
(60)	(4 138)	to finance leases	(4 138)	(60)	(123)
4 147	15 180	Net financing income	15 565	4 155	20 859
		<b>28 TAXATION</b>			
-	77 477	SA normal taxation	77 477	-	-
-	71 399	Normal taxation	71 399	-	-
-	6 288	Deferred taxation	6 288	-	-
-	(210)	Change in tax rate	(210)	-	-

No provision for taxation has been made in the prior year, as the company had an estimated tax loss.

## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

SABC Ltd Company 6 months to 31 March 2004 R'000	SABC Ltd Company 12 months to 31 March 2005 R'000		SABC Ltd Group 12 months to 31 March 2005 R'000	SABC Ltd Group 6 months to 31 March 2004 R'000	SABC Group 12 months to 31 March 2004 R'000
		<b>28 TAXATION (cont)</b>			
%	%	<b>Tax rate reconciliation</b>	%	%	
30	30	Company tax rate	30	30	
(30)	(6)	Reduction in tax rate due to:	(6)	(30)	
(43)	-	Non-taxable income	-	(43)	
-	(6)	Items allowable for tax	(6)	-	
331	3	Disallowable expenditure	3	331	
63	(3)	Deferred tax not provided	(3)	63	
(433)	2	Pre-corporatisation	2	(433)	
52	(1)	Estimated loss carried forward	(1)	52	
-	(1)	Change in tax rate	(1)	-	
-	24	Effective tax rate	24	-	
R'000	R'000		R'000	R'000	
20 600	-	Estimated tax losses	-	20 600	
		<b>29 CASH GENERATED FROM OPERATIONS</b>			
		Reconciliation of operating profit to cash generated from operations			
23 010	299 232	Profit/(loss) from operations before net financing income	302 196	22 590	(65 414)
75 967	151 950	Adjustments for non-cash flow items:	151 357	75 909	167 144
43 047	83 801	Depreciation	83 801	43 047	83 842
-	(1 214)	Recognition of available for sale assets	(1 214)	-	-
-	(3 545)	Discount received on prepayment	(3 545)	-	-
4 471	(813)	(Profit)/loss on disposal of property, plant and equipment	(813)	4 471	6 164
-	1 525	Foreign exchange loss	932	-	-
500	-	Foreign revaluation loss reversed	-	500	6 687
(9 581)	(60 438)	Provision for post-retirement medical benefits	(60 438)	(9 581)	6 620
-	-	Transitional adjustment loss	-	-	(2 656)
61	-	Other movements	-	3	-
37 469	132 634	Provisions movement	132 634	37 469	66 487
98 977	451 182	Operating profit before working capital changes	453 553	98 499	101 730
115 500	(267 777)	Changes in working capital:	(268 425)	115 689	(16 647)
70	(204)	(Increase)/decrease in inventories	(204)	70	23
125 079	42 064	Decrease/(increase) in programmes and rights	42 064	125 079	(49 284)
73 836	(139 252)	(Increase)/decrease in trade and other receivables	(135 055)	71 890	(13 911)
-	(150 474)	Increase in prepayments	(150 474)	-	-
(39 368)	10 173	Increase/(decrease) in amounts received in advance	10 173	(39 368)	(19 287)
4 056	37 695	Increase in trade and other payables	32 850	6 191	121 839
(48 173)	(67 779)	Utilisation of provisions	(67 779)	(48 173)	(56 027)
214 477	183 405	Cash generated from operations	185 128	214 188	85 083
		<b>30 TAXATION PAID</b>			
-	-	Opening balance	-	-	-
-	71 399	Normal tax	71 399	-	-
-	(29 486)	Closing balance	(29 486)	-	-
-	41 913	Taxation paid	41 913	-	-

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## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

SABC Ltd Company 6 months to 31 March 2004 R'000	SABC Ltd Company 12 months to 31 March 2005 R'000		SABC Ltd Group 12 months to 31 March 2005 R'000	SABC Ltd Group 6 months to 31 March 2004 R'000	SABC Group 12 months to 31 March 2004 R'000
		<b>31 MOVEMENTS ON PROPERTY, PLANT AND EQUIPMENT</b>			
		<b>31.1 Replacement of property, plant and equipment</b>			
(72 179)	(118 192)	Assets acquired	(118 192)	(72 179)	(128 859)
-	-	Property transferred from Bophuthatswana Broadcasting Corporation	-	-	24 905
(72 179)	(118 192)		(118 192)	(72 179)	(103 954)
		<b>31.2 Proceeds from sale of property, plant and equipment</b>			
8 987	8 730	Disposals	8 730	8 987	17 307
(4 471)	813	Profit/(loss) on sale of property, plant and equipment	813	(4 471)	(6 164)
4 516	9 543	Proceeds from sale of property, plant and equipment	9 543	4 516	11 143
		<b>32 CONTINGENT LIABILITIES</b>			
87 997	264 303	<b>32.1</b> Contingent liabilities comprise claims lodged by third parties against the company. Due to the sensitivity of the claims and the steps that will be taken to limit the liabilities, specific disclosure of items have not been made as this could negatively influence the outcome of the company's actions. In some cases, the cost of claims may be reduced by a counter claim for insurance.	264 303	87 997	87 997
		The following are some of the claims included in contingent liabilities:			
		Entrance to the Money4Mahala show was made by using the SMS service provided by Trustco for SABC2 viewers. The SABC concluded three agreements with Trustco in this regard: (1) Wireless Agreement; (2) SMS Agreement; (3) Licensing Agreement. Trustco has suspended their obligations in terms of all three agreements, claiming that the SABC is in breach of the Wireless Agreement and the SMS Agreement.			
		A group of former employees have made claims against the company to reinstate the company's 60% contribution to the medical aid scheme. These claims continue to be defended by the company in court.			
		<b>32.2</b> The potential claims by Sentech in respect of transmission networks affected by the closure of Bophuthatswana Broadcasting Corporation are being disputed and are not included as a contingent liability. The SABC is of the opinion that the Department of Communications will resolve these claims with Sentech.			
		<b>33 COMMITMENTS</b>			
		<b>33.1 Capital Commitments</b>			
26 042	34 409	Contracted for	34 409	26 042	26 042
71 820	211 050	Approved but not contracted for	211 050	71 820	71 820
97 862	245 459		245 459	97 862	97 862
349 517	621 345	<b>33.2 Programmes and rights commitments</b>	621 345	349 517	349 517
447 379	866 804	Total purchase commitments	866 804	447 379	447 379
		The capital expenditure will be funded through funding approved by government for recapitalisation of technology. The programmes and rights commitments will be funded internally.			
		The currency exposure on foreign programmes commitments is as follows:			
		Currency	:	US Dollar	
		Exchange rate 31 March 2005	:	6.2126	
		Foreign amount	:	46 772 493	
		Rand value	:	290 578 790	

## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

SABC Ltd Company as at 31 March 2004 R'000	SABC Ltd Company as at 31 March 2005 R'000		SABC Ltd Group as at 31 March 2005 R'000	SABC Ltd Group as at 31 March 2004 R'000	SABC Group as at 31 March 2004 R'000
		<b>34 OPERATING LEASE COMMITMENTS</b>			
		The company and group has various lease agreements for equipment and premises. Some of the leases contain renewal and/or purchase options. Some of the leases contain escalation clauses.			
		Lease and sublease payments recognised in income for the period consist of the following:			
12 322	32 136	Basic expense	32 136	12 322	26 340
42	-	Contingent expense	-	42	42
<b>12 364</b>	<b>32 136</b>		<b>32 136</b>	<b>12 364</b>	<b>26 382</b>
		Future minimum lease payments under non-cancellable operating lease are:			
5 358	11 369	Not later than one year	11 369	5 358	5 358
9 438	14 075	Later than one year and not later than five years	14 075	9 438	9 438
-	732	Later than five years	732	-	-
<b>14 796</b>	<b>26 176</b>		<b>26 176</b>	<b>14 796</b>	<b>14 796</b>

There are no future sublease rentals expected to be received under non-cancellable subleases at 31 March 2005.

### 35 RELATED PARTY TRANSACTIONS

#### 35.1 Transactions with subsidiaries

Related party relationships exist between the company and its wholly-owned subsidiaries, Airtime TV Outside Broadcast (Pty) Ltd, trading as Airwave Travel and Auckland Programme Trade B.V. (incorporated in the Netherlands). The company has entered into a number of transactions with Airwave Travel for travel 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 for normal trade and are settled accordingly. Auckland Programme Trade B.V. is managed by Ing Trust, Netherlands and transactions within this subsidiary are limited to administration costs and exchange differences arising from the translation of items into the rand denominated functional and reporting currency. The loans to and from subsidiaries are disclosed in the annexure for interest in unlisted subsidiaries on page 38.

#### 35.2 Transactions with directors

##### 35.2.1 Director's emoluments for the year ended 31 March 2005

Executive Directors

	P B Matlare R'000	S Q M Mokoetle R'000	R A Nicholson R'000	Year to 31 March 2005 R'000	Year to 31 March 2004 R'000
Salary and allowances	1 755	1 434	1 401	4 593	4 130
Bonuses *	869	573	575	2 017	1 206
Employer's contributions to funds **	239	194	193	626	585
	<b>2 863</b>	<b>2 201</b>	<b>2 169</b>	<b>7 236</b>	<b>5 921</b>
Motor vehicle loan scheme	-	-	-	-	283

\* Relates to bonuses on performance in respect of 2004 financial year.

\*\* Includes medical aid and pension.

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## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

	Year to 31 March 2005 R'000	Year to 31 March 2004 R'000
<b>35 RELATED PARTY TRANSACTIONS (cont)</b>		
<b>35.2 Transactions with directors (cont)</b>		
<b>35.2.1 Director's emoluments for the year ended 31 March 2005 (cont)</b>		
Non-Executive Directors		
E Funde (Chairperson)	417	43
C Qunta (Deputy Chairperson)	252	26
A Gillwald	132	10
NP Gosa	198	15
FE Lagadien	98	14
AP Maralack	155	13
KT Mazwai	147	48
A Mbeki	172	14
K Mkonza	186	14
CM Msomi	163	14
DI Swartz	92	49
AH Trikamjee	128	98
B Masekela	-	38
M Chait	-	43
F Kok	-	71
K Memani	-	26
Y Muthien	-	23
S Nene	-	64
W Rowland	-	33
R Teer - Tomaselli	-	58
	<b>2 140</b>	<b>714</b>
Total directors' emoluments	<b>9 376</b>	<b>6 918</b>
Group Executive Members (excluding Executive Directors)		
The group executive members emoluments are not disclosed separately as the structure changed during the year.		
Salaries and allowances	5 587	4 326
Bonuses *	3 007	2 212
Employer's contributions to funds **	711	605
	<b>9 305</b>	<b>7 143</b>
Other loans	100	117

\* Relates to bonuses on performance in respect of 2004 financial year.  
 \*\* Includes medical aid and pension.

### 35.2.2 Service contracts for Executive Directors

	P B Matlare	S Q M Mokoetle	R A Nicholson
Service contract - start date	1 Jan 2001	1 Jan 2001	1 Jul 2001
- end date	31 Mar 2005	31 Dec 2005	30 Jun 2006
Service period	4 years and 3 months	5 years	5 years
Remaining period	***	9 months	15 months

\*\*\* Mr PB Matlare resigned on 31 March 2005.

## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

### 35 RELATED PARTY TRANSACTIONS (cont)

#### 35.2.3 Director's emoluments for 6 months ended 31 March 2004

Executive Directors	P B Matlare R'000	S Q M Mokoetle R'000	R A Nicholson R'000	6 months to 31 March 2004 R'000
Salary and allowances	880	700	666	2 246
Bonuses *	517	344	345	1 206
Employer's contributions to funds **	110	89	91	290
	1 507	1 133	1 102	3 742
Motor vehicle loan scheme	283	-	-	283
Non Executive Directors Emoluments (note 26)				292
				4 317
Group Executive Members				
Salary and allowances				2 466
Bonuses *				761
Employer's contributions to funds **				309
				3 536
Other loans				117

\* Relates to bonuses on performance in respect of the 2003 financial year.

\*\* Includes medical aid and pension.

SABC Ltd Company as at 31 March 2004 R'000	SABC Ltd Company as at 31 March 2005 R'000		SABC Ltd Group as at 31 March 2005 R'000	SABC Ltd Group as at 31 March 2004 R'000	SABC Group as at 31 March 2004 R'000
		<b>35.2.4 Movement on Directors' loans for the year</b>			
		The following is the movement on loans granted in terms of the motor vehicle loan scheme:			
328	283	Opening balance	283	328	424
-	-	Advanced during the year	-	-	-
(61)	(304)	Repaid during the year	(304)	(61)	(178)
16	21	Interest	21	16	37
283	-	Closing balance	-	283	283

#### 35.3 Government grants and administered funds

Various transactions are entered into with the Department of Communications with respect to government grants and administered funds. Government grants are requested monthly and are accounted for in terms of AC134. Grants received in respect of special projects occur on an ad-hoc basis while grants relating to administered funds are requested monthly and are allocated as disclosed in note 38.

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## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

SABC Ltd Company 6 months to 31 March 2004 R'000	SABC Ltd Company 12 months to 31 March 2005 R'000		SABC Ltd Group 12 months to 31 March 2005 R'000	SABC Ltd Group 6 months to 31 March 2004 R'000	SABC Group 12 months to 31 March 2004 R'000
		<b>36 FINANCIAL INSTRUMENTS</b>			
		<b>36.1 Interest rate risk</b>			
		The company has remained in a floating interest rate position during the year and is exposed to fluctuating interest rates on cash deposits and finance leases.			
		<b>36.2 Foreign currency risk management</b>			
		Currency risk occurs due to the nature of the company's business processes. Long-term contracts for international programming rights are procured in foreign currency, thus opening the company to foreign exchange risk. The company is also exposed to foreign currency risk due to the procurement, implementation and maintenance of its broadcasting infrastructure. The impact of these foreign currency transactions is recognised in the income statement.			
3 563	(1 525)	Realised foreign exchange(losses)/profits	( 932)	2 126	(1 304)

The company's policy is to hedge currency risk. The company utilises a wide range of approved hedging instruments. The company has actively managed its exposures over the past fiscal year and has remained flexible in its hedging approach to adapt to the Rand currency's trend. At year end, unrealised hedging gains of R1,9 million (2004: R7,7 million losses) relating to these transactions were taken to the income statement.

### Outstanding contracts at year end

	Contracted Rate 2004	Contracted Rate 2005	Currency	Less than one year R'000	Total notional amount 31 March 2005 R'000	Total notional amount 31 March 2004 R'000
<b>Foreign exchange contracts</b>						
Forwards used to hedge payables						
	6.5138	6.1970	USD	92 955	92 955	49 513
	0.1835	0.1870	CHF	4 986	4 986	5 081
	11.4874	-	GBP	-	-	16
	7.6959	-	EUR	-	-	757
<b>Options</b>						
(50% participation forward - < 1 year)	8.1520	-	USD	-	-	28 736
				97 941	97 941	84 103

Balances on hand at the balance sheet dates are representative of amounts of unrecognised financial assets and liabilities at year end.

## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

### 36 FINANCIAL INSTRUMENTS (cont)

#### 36.3 Customer liquidity risk

Customers liquidity risk arises from the possibility that a customer may not be able to settle obligations due to the company within the normal terms of trade. To manage this risk, the company periodically assesses the financial viability of customers.

The company has insurance in place to protect against any unforeseen bad debts over and above the internal risk process.

#### 36.4 Credit risk

##### 36.4.1 Trade receivables

Credit risk is controlled by the application of credit approvals, limit and monitoring procedures.

The majority of trade receivables are covered by CGIC insurance except for client balances below R0,2 million and very low risk clients. Credit notes are issued where spots were not broadcast in accordance with agreed terms. Where debts are not covered by CGIC, or where no other form of cover is in place on balances considered to be at risk, or where amounts are outstanding pending resolution of a dispute, a provision is raised for doubtful debts. The company actively engages in the collection of debts by making use of reputable debt collectors.

##### 36.4.2 Institutional counterparties for investment

The company's investment policy is conservative in nature and all investments placed with banks are in accordance with the banks asset weighting.

Where appropriate, the company obtains collateral in the form of rights to securities or arranges master netting agreements.

The extent of the company's credit exposure is represented by the aggregate balance of amounts receivable reduced by the effects of any netting arrangements with the counterparties. The maximum credit risk exposure in the event other parties fail to perform their obligation under financial instruments is R41, 5 million and R54, 7 million at 31 March 2005 and 2004 respectively.

The company does not expect any counterparties to fail to meet their obligations, given their high credit ratings. The company has no significant concentration of credit risk with any single counterparty or group of counterparties.

#### 36.5 Fair value of financial instruments

The financial instruments held to maturity in the normal course of business are recorded at cost or redemption amount, as appropriate. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable parties in an arm's length transaction, other than a forced or liquidation sale.

The changes in fair value of available for sale financial instruments is recognised directly in equity.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

##### 36.5.1 Cash, short-term investments and other non-current assets

The carrying amount of cash and other financial assets approximates fair value due to the relatively short term maturity of these financial instruments.

##### 36.5.2 Short term borrowings

The carrying amount approximates the fair value because of the short period to maturity of those instruments

##### 36.5.3 Derivatives

The fair value of derivatives is based upon marked to market valuations.

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## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

	SABC Ltd Group 2005 Carrying Amount R'000	SABC Ltd Group 2005 Fair Value R'000	SABC Group 2004 Carrying Amount R'000	SABC Group 2004 Fair Value R'000
<b>36 FINANCIAL INSTRUMENTS (cont)</b>				
<i>36.5.4 Fair values</i>				
The carrying amounts and fair values of the company's financial instruments are as follows:				
<b>Assets</b>				
Long-term loans receivable	18 000	18 000	18 000	18 000
Other non-current receivables	37	37	231	231
Long-term investments	1 932	1 932	-	-
Trade and other receivables	792 516	792 516	503 442	503 442
Financial assets	816	816	21 311	21 311
Cash and cash equivalents	368 426	368 426	277 255	277 255
<b>Total financial assets</b>	<b>1 181 727</b>	<b>1 181 727</b>	<b>820 239</b>	<b>820 239</b>
<b>Liabilities</b>				
Trade and other payables	534 415	534 415	500 633	500 633
Short-term and long-term loans	89 252	89 252	68 901	68 901
<b>Total financial liabilities</b>	<b>623 667</b>	<b>623 667</b>	<b>569 534</b>	<b>569 534</b>
<b>Net financial assets</b>	<b>558 060</b>	<b>558 060</b>	<b>275 976</b>	<b>275 976</b>
	SABC Ltd Company 2005 Carrying Amount R'000	SABC Ltd Company 2005 Fair Value R'000	SABC Company 2004 Carrying Amount R'000	SABC Company 2004 Fair Value R'000
<b>Assets</b>				
Long-term loans receivable	18 000	18 000	18 000	18 000
Other non-current receivables	37	37	231	231
Long-term investments	1 932	1 932	-	-
Trade and other receivables	793 430	793 430	500 159	500 159
Financial assets	816	816	21 311	21 311
Cash and cash equivalents	362 544	362 544	266 123	266 123
<b>Total financial assets</b>	<b>1 176 759</b>	<b>1 176 759</b>	<b>805 824</b>	<b>805 824</b>
<b>Liabilities</b>				
Trade and other payables	538 843	538 843	499 623	499 623
Short-term and long-term loans	96 610	96 610	68 901	68 901
<b>Total financial liabilities</b>	<b>635 453</b>	<b>653 453</b>	<b>568 524</b>	<b>568 524</b>
<b>Net financial assets</b>	<b>541 306</b>	<b>541 306</b>	<b>237 300</b>	<b>237 300</b>

## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

### 36 FINANCIAL INSTRUMENTS (cont)

#### 36.6 Borrowing facilities

The borrowing facilities of the company include general short-term banking facilities as well as asset based finance facilities.

##### 36.6.1 General short-term banking facilities

The facilities provided are all unutilised as follows:

	31 March 2005 R'000	31 March 2004 R'000
First National Bank	25 000	25 000
Standard Corporate and Merchant Bank	10 000	10 000
Nedbank	71 000	71 000
ABSA Corporate and Merchant Bank	100 000	100 000
Investec	3 000	3 000
	<b>209 000</b>	<b>209 000</b>
<i>36.6.2 Asset finance</i>		
Provided	195 000	195 000
Utilised	(62 761)	(41 511)
Unutilised	<b>132 239</b>	<b>153 489</b>
<i>36.6.3 Guarantees</i>		
The SABC has exposure to guarantees. In addition to the normal guarantees, the company has a guarantee for the housing scheme. At times the SABC is called upon to provide guarantees when procuring goods.		
Provided	50 000	56 000
Utilised	(32 028)	(50 997)
Unutilised	<b>17 972</b>	<b>5 003</b>

### 37 SEGMENTAL REPORTING

Segmental reporting is prepared on the following basis:

#### 37.1 Primary Segment

The following segments are reported in terms of the Broadcasting Act No.4 of 1999, as amended.

- Public Broadcasting Services division
- Commercial Broadcasting Services division
- Shared Services (consists of Commercial Services, Content Enterprises, Strategic Corporate Services, News and Regions)  
Commercial Services consists of Group Sales and Marketing, Audience Services and Business Enterprises.  
Content Enterprises consists of Education, Sport and Content Hub  
Strategic Corporate Services consists of Technology and Group Services

#### 37.2 Secondary Segment

The company also manages the business in terms of the following business units

- Television
- Radio
- Shared Services (consists of Audience Services, News, Technology, Content Enterprises and other).  
Other consists of Regions, Africa to Africa, Group Sales and Marketing, Business Enterprises, and Group Services.

The segments have changed from the prior year to current year due to the change in organisational structure.

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## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

### 37 SEGMENTAL REPORTING (cont)

#### 37.3 Information on primary segment

##### 37.3.1 Year to March 2005 - SABC Ltd Group

	Public Broadcasting Services R'000	Commercial Broadcasting Services R'000	Shared Services				Regions R'000	Total R'000
			Commercial Services R'000	Content Enterprises R'000	Strategic Corporate Services R'000	News R'000		
Revenue	1 739 613	832 307	532 494	119 907	46 257	39 232	4 245	3 314 055
Cost of sales	(532 464)	(240 788)	(45 947)	(368 617)	(40 957)	(62 776)	(5)	(1 291 554)
Gross profit	1 207 149	591 519	486 547	(248 710)	5 300	(23 544)	4 240	2 022 501
Other operating income and expenses	(377 200)	(117 153)	(265 196)	(78 443)	(565 923)	(260 160)	(56 230)	(1 720 305)
Profit/(loss) from operations	829 949	474 366	221 351	(327 153)	(560 623)	(283 704)	(51 990)	302 196
Net Interest	(33)	(4)	(12)	(40)	15 738	(58)	(25)	15 565
Taxation	-	-	-	-	(77 477)	-	-	(77 477)
<b>Segment contribution</b>	<b>829 916</b>	<b>474 362</b>	<b>221 339</b>	<b>(327 193)</b>	<b>(622 362)</b>	<b>(283 762)</b>	<b>(52 015)</b>	<b>240 284</b>
Total assets	189 610	69 305	521 847	221 481	965 748	13 801	50 045	2 031 837
Total liabilities	97 329	38 138	157 011	163 771	494 537	28 220	10 944	989 950
Depreciation	(711)	(149)	(4 431)	(292)	(66 858)	(6 599)	(4 761)	(83 801)

##### 37.3.2 Year to March 2004 - SABC Group

	Public Broadcasting Services R'000	Commercial Broadcasting Services R'000	Shared Services				Regions R'000	Total R'000
			Commercial Services R'000	Content Enterprises R'000	Strategic Corporate Services R'000	News R'000		
Revenue	1 448 904	676 959	417 496	86 495	38 961	38 891	4 218	2 711 926
Cost of sales	(498 820)	(207 344)	(29 164)	(346 762)	(15 920)	(52 895)	1 426	(1 149 478)
Gross profit	950 084	469 615	388 332	(260 267)	23 041	(14 004)	5 644	1 562 448
Other operating income and expenses	(373 193)	(110 663)	(231 610)	(102 774)	(435 388)	(231 234)	(143 000)	(1 627 862)
Profit/(loss) from operations	576 891	358 952	156 722	(363 041)	(412 317)	(245 238)	(137 356)	(65 414)
Net Interest	(11)	(6)	(10)	(8)	21 012	(51)	(67)	20 859
Exceptional item	-	-	-	-	46 216	-	-	46 216
<b>Segment contribution</b>	<b>576 880</b>	<b>358 946</b>	<b>156 712</b>	<b>(363 049)</b>	<b>(345 119)</b>	<b>(245 289)</b>	<b>(137 423)</b>	<b>1 661</b>
Total assets	158 693	68 300	392 496	254 568	741 062	17 882	53 547	1 686 548
Total liabilities	80 303	30 308	113 950	201 988	413 330	29 587	16 197	885 663
Depreciation	(1 518)	(182)	(4 200)	(408)	(65 779)	(2 781)	(8 974)	(83 842)

## Notes to the Annual Financial Statements for the year ended 31 March 2005 (cont)

### 37 SEGMENTAL REPORTING (cont)

#### 37.4 Information on secondary segment

##### 37.4.1 Year to March 2005 - SABC Ltd Group

	Shared Services							Total R'000
	Television R'000	Radio R'000	Audience Services R'000	Technology R'000	News R'000	Content Enterprises R'000	Other R'000	
Revenue	1 959 449	612 471	494 890	31 327	39 232	119 907	56 779	3 314 055
Cost of sales	(691 390)	(81 862)	(12 687)	(29 482)	(62 776)	(368 617)	(44 740)	(1 291 554)
Gross Profit	1 268 059	530 609	482 203	1 845	(23 544)	(248 710)	12 039	2 022 501
Other operating income and expenses	(284 946)	(209 407)	(36 564)	(380 819)	(260 160)	(78 443)	(469 966)	(1 720 305)
Profit/(loss) from operations	983 113	321 202	445 639	(378 974)	(283 704)	(327 153)	(457 927)	302 196
Net Interest	(7)	(30)	(1)	(4 154)	(58)	(40)	19 855	15 565
Taxation	-	-	-	-	-	-	(77 477)	(77 477)
<b>Segment contribution</b>	<b>983 106</b>	<b>321 172</b>	<b>445 638</b>	<b>(383 128)</b>	<b>(283 762)</b>	<b>(327 193)</b>	<b>(515 549)</b>	<b>240 284</b>
Total assets	256 741	2 174	4 216	437 513	13 801	221 481	1 095 911	2 031 837
Total liabilities	127 666	7 801	80 606	102 603	28 220	163 771	479 283	989 950
Depreciation	(457)	(403)	(1 635)	(64 910)	(6 599)	(292)	(9 505)	(83 801)

##### 37.4.2 Year to March 2004 - SABC Group

	Shared Services							Total R'000
	Television R'000	Radio R'000	Audience Services R'000	Technology R'000	News R'000	Content Enterprises R'000	Other R'000	
Revenue	1 558 038	567 825	398 189	27 917	38 891	86 495	34 571	2 711 926
Cost of sales	(653 495)	(52 669)	(8 824)	(15 783)	(52 895)	(346 762)	(19 050)	(1 149 478)
Gross profit	904 543	515 156	389 365	12 134	(14 004)	(260 267)	15 521	1 562 448
Other operating income and expenses	(273 580)	(210 276)	(37 694)	(338 948)	(231 234)	(102 774)	(433 356)	(1 627 862)
Profit/(loss) from operations	630 963	304 880	351 671	(326 814)	(245 238)	(363 041)	(417 835)	(65 414)
Net Interest	(5)	(12)	(2)	(4 799)	(51)	(8)	25 736	20 859
Exceptional item	-	-	-	-	-	-	46 216	46 216
<b>Segment contribution</b>	<b>630 958</b>	<b>304 868</b>	<b>351 669</b>	<b>(331 613)</b>	<b>(245 289)</b>	<b>(363 049)</b>	<b>(345 883)</b>	<b>1 661</b>
Total assets	224 355	2 638	5 576	369 596	17 882	254 568	811 933	1 686 548
Total liabilities	102 767	7 844	65 107	37 936	29 587	201 988	440 434	885 663
Depreciation	(1 216)	(484)	(1 132)	(64 072)	(2 781)	(408)	(13 749)	(83 842)

**38. GOVERNMENT GRANTS AND ADMINISTERED FUNDS****38.1 GOVERNMENT GRANTS FOR PROJECTS - SABC LTD GROUP AND COMPANY****Year to March 2005**

There were no government grants received for projects during the financial year.

**Year to March 2004**

The balance of funding of R8 million, relating to SABC Group projects, was utilised for expenditure relating to the elections.

**38.2 ADMINISTERED FUNDS**

	Opening balance R'000	Funds received R'000	Applied to expenditure R'000	Applied to net assets R'000	Interest accrued R'000	Closing balance R'000
<b>38.2.1 Year to March 2005 SABC Ltd Group</b>						
Channel Africa	2 630	27 865	(27 746)	404	(1)	3 152
Community Radio Project	107	25 427	(1 328)	(25 518)	1 328	16
	<u>2 737</u>	<u>53 292</u>	<u>(29 074)</u>	<u>(25 114)</u>	<u>1 327</u>	<u>3 168</u>
<b>38.2.2 Year to March 2004 SABC Group</b>						
Channel Africa	2 995	26 288	(26 288)	(364)	(1)	2 630
Community Radio Project	1 465	32 414	(885)	(33 772)	885	107
	<u>4 460</u>	<u>58 702</u>	<u>(27 173)</u>	<u>(34 136)</u>	<u>884</u>	<u>2 737</u>
<b>38.2.3 Six months to March 2004 SABC Ltd Group</b>						
Channel Africa	(2 776)	12 688	(5 991)	(1 290)	(1)	2 630
Community Radio Project	24 637	32 414	(886)	(56 943)	885	107
	<u>21 861</u>	<u>45 102</u>	<u>(6 877)</u>	<u>(58 233)</u>	<u>884</u>	<u>2 737</u>

The net amount of administered funds of R3,2 million (2004: R2,7 million) is included in trade and other payables in the SABC group and company results.

## Interest in Unlisted Subsidiary Companies for the year ended 31 March 2005

Name of Company	Nature of Business	Issued Share Capital	% Held	Shares at Cost		Net Amount Owning (to)/by Subsidiary	
				31 March 2005 R	31 March 2004 R	31 March 2005 R'000	31 March 2004 R'000
Air Time TV Outside Broadcast (Pty) Ltd Trading as Airwave Travel	Travel agency	2	100	1	1	2 618	503
Astrasat (Pty) Ltd	Dormant	1	100	1	1	1	1
Auckland Programme Trade B.V. (Incorporated in the Netherlands)	Trading in TV programmes	40	100	70 609	70 609	(8 181)	-
Rugby Broadcasting (Pty) Ltd	Dormant	1	100	1	1	-	-
Skenia Telematics (Pty) Ltd	Dormant	1	100	1	1	1 670	1 670
Provision against loan for Skenia Telematics (Pty) Ltd						(1 670)	(1 670)
				<b>70 613</b>	<b>70 613</b>	<b>(5 562)</b>	<b>504</b>

