SABC

2006 ANNUAL REPORT

The SABC is undergoing a process of organisational renewal directed towards attaining its vision of broadcasting for total citizen empowerment. We have chosen the colour green to symbolise the freshness, renewal and new growth that is taking place within the company, hence the green theme that runs through this Annual Report.

The SABC employees that introduce each section have been nominated by their colleagues for their extraordinary courage in overcoming personal challenges to become truly empowered.

In the spirit of our "green revolution", this Annual Report has been printed on Papersmith & Son's Cyclus offset, a 100% recycled and environmentally friendly paper stock. No harmful chemicals were used in the production process.

The SABC is South Africa's national public broadcaster. Almost 24,4 million adults tune in to the SABC's network of 18 radio stations everyday and 19,1 million adults watch the three free-to-air television channels.

Our Vision

Broadcasting for total citizen empowerment

Our Mission

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

Our Values

Conversations and partnerships
Restoration of human dignity
Building a common future

Our Promise

Your South Africa. Your SABC.

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This is the 69th Annual Report of the South African Broadcasting Corporation Limited ('SABC' or 'the company'). It is tabled in Parliament in terms of the Broadcasting Act, No 4 of 1999, as amended, and the Public Finance Management Act, No 1 of 1999, as amended. This report details the activities of the SABC for the twelve months to 31 March 2006.

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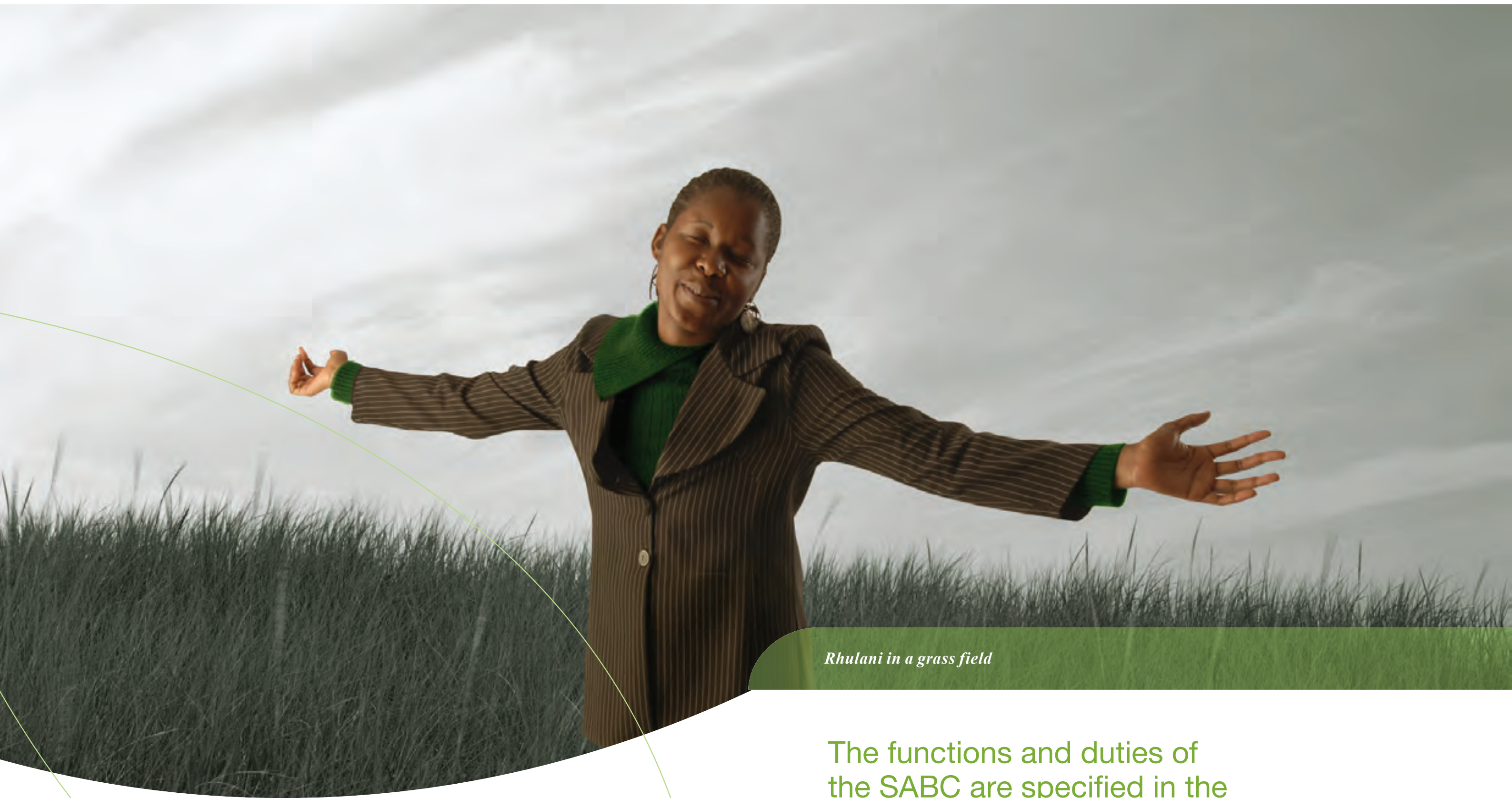
A note on terminology

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


"I govern my life by the choices I make...
I choose to be empowered: to be a mother,
a counsellor and a career woman...
Once the choice is made not even
illness can stand in my way"
Pree Govender, SABC Durban

Governance

Broadcasting Charter



Rhulani in a grass field

"I have all my senses tuned in, I have empowered myself with the knowledge that I am bigger than my visual disability"

Rhulani Baloyi, SAfm

The functions and duties of the SABC are specified in the Broadcasting Act.

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

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

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

In terms of the Broadcasting Charter, which is set out in the Broadcasting Act, the objectives of the SABC are:

- to make its services available throughout the Republic
- to provide sound and television broadcasting services, by analogue or digitally, 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 Independant Communications Authority of South Africa (ICASA)
- to provide, in its public broadcasting services, radio and television programming that informs, educates and entertains
- to be responsive to audience needs, including the needs of the deaf and the blind, and be able to give 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 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
- to develop and extend the services of the company beyond the borders of South Africa

Corporate **Goals**

Maphule and a view of Johannesburg's skyline

"Making a success of the goals you set is not determined by the popularity of your choices but by the results you achieve"
Maphule Mbhalati, SABC News

The current Board of directors of the SABC was appointed in January 2004. The Board was the first of the newly corporatised SABC.

The Board resolved to adopt a series of 12 goals for the SABC which would reinforce the company's mandate and ensure delivery in terms of the Broadcasting Act. The corporate goals underlie all of the SABC's activities and serve to ensure a coherence of these throughout the company. They also are key to the performance management of the company's employees.

The corporate goals of the SABC are to:

1. Ensure that the SABC promotes democracy, non-racism, nation-building and empowerment through innovative programming that is informative, entertaining and educational, in all official languages.

2. Align the SABC with the Broadcasting Charter, the company's objectives as set out in the Broadcasting Act and the Editorial Policies.

3. Create a financially sound company built on a sustainable business model within a specified timeframe that enables it to fulfil its mandate.

4. Revitalise the company, particularly the News Division, by making it a place of preferred employment and by attracting, retaining and nurturing the best available talent in the country.

5. Ensure full statutory and regulatory compliance by all divisions of the company.

6. Ensure appropriate Employment Equity and Black Economic Empowerment policies.

7. Create a SABC that enjoys the support and respect of its shareholder, viewers, listeners as well as other stakeholders.

8. Ensure compelling, professional and authoritative news and current affairs programming that tells the South African story accurately, fairly and in a balanced way, while reflecting the world, in particular Africa, to all South Africans in line with the SABC's Editorial Policies.

9. Ensure that the SABC plays a meaningful role in supporting the objectives of the African Renaissance and NEPAD.

10. Put in place an innovative technology platform and infrastructure that will enable the SABC to deliver on its mandate.

11. Conduct an evaluation and monitor the extent to which the SABC's activities are in line with the provisions of the Broadcasting Act and its Editorial Policies.

12. Put in place policies for the proper governance of the company, as required by the Broadcasting Act and other legislation.

Chairman's Statement

"Going forward, the SABC will continue to embrace its public service mandate, ensuring that it provides compelling, informative, educational and entertaining programming to all the people of South Africa and beyond"

The SABC celebrates its 70th anniversary this year. We could not have asked for better performance to commemorate this important milestone in the company's history.

Meeting corporate goals>

The SABC Board has observed with great satisfaction the progress made by the Executive and management in driving the implementation of the SABC's corporate goals during the year under review. Since their adoption by the Board, the goals have provided direction in the enormous effort of fulfilling the public mandate spelt out in the country's Constitution and other legislation, including the Broadcasting Act.

Our achievements in promoting democracy, national unity, sustainable financial viability, good governance, regulatory discipline and seeking respect and support of all its stakeholders are demonstrated very clearly in this Annual Report. Various initiatives and campaigns were embarked upon to demonstrate to the South African and African public the willingness of the SABC to be guided by its mandate to serve the public in a sustainable way and to open up the services of the public broadcaster to the most remote areas and disadvantaged majority of the country.

Engagement with stakeholders>

At no time has the SABC been so close to its listeners and viewers, policy makers, legislators and business than it has been in the financial year under review. The Board embarked on an extensive process of stakeholder engagement in the past year to ensure that it is sensitive to the needs of the people of South Africa and is committed to actively addressing these needs.

The stakeholder engagement process has been extremely valuable. It highlighted the hugely significant role that the SABC plays in nation-building and identified the gaps in shaping understanding of our new democracy, and in building knowledge of the challenges facing us going forward through education and reliable information.

To ensure a diversity of views, the Board visited several provincial capitals, met with business and labour, and engaged with numerous other stakeholder groups. This ensured that we were able to get an understanding of the perceptions and expectations of people across the country.

An important constituency is the country's independent film producers, who met with the Board in Cape Town during November 2005. From these discussions it became clear that the SABC is a key driver of growth in our country's broadcasting industry and that the increasing demand for local content, particularly in indigenous languages, presents tremendous opportunities for scriptwriters, producers and actors alike.

Improving corporate governance>

The Board and its committees have made much progress in improving corporate governance, and played a key role in appointing and inducting the new Group CEO in August 2005.

Participation in Board and committee meetings has improved considerably as has the Board's focus on strategic issues. The Board Secretariat has been strengthened and instruments to monitor and facilitate reporting on non-compliance are being put in place.

Universal access>

Universal access remains a critical deliverable for the Board and it is heartening to note the progress that has been made in this regard.

The SABC has indeed come a long way since the first Broadcasting Act was passed on 1 August 1936, when radio broadcasts were introduced only in English and Afrikaans. Today, 70 years down the line, the SABC broadcasts a vast array of news, sports, education, entertainment and other forms of programming in all 11 official languages, as well as in !Xu and Khwe, while looking at extending this service to the other San communities, and in formats that are suitable for those with disabilities.

Working in partnership with the Department of Communications and Sentech, the Board has overseen growth in the SABC's footprint. SABC1's coverage area, for example, has increased from 82% in 2000 to 89% at present, while SABC2 has increased from 85% to 91% and SABC3 from 71% to 77%.

The growth in radio coverage has increased even more dramatically. Ikwekwezi FM has increased from 30% in 2000 to over 81% at present; Ligwalagwala FM's footprint has increased from 34% to 68%, while Ukhozi FM has grown from 69% to 87%. Our penetration of these audience groupings has been equally successful, particularly with indigenous-language radio stations.

Strong financial growth>

The SABC continues to show strong financial growth. In the past financial year, the company generated just over R3,9 billion in revenue and was able to show an after-tax profit of over R382 million.

This year, the company has seen growth in all the major financial areas, while also increasing its spend in key programming areas, in particular, in producing more local content and in providing news and current affairs broadcasts in indigenous languages.

Public service mandate>

Of course, it is critical that we assess the performance of the SABC not just in terms of financial performance but also in terms of its success in delivering on its public service mandate.

This mandate, as defined by the World Radio and Television Council, requires that a public broadcaster clearly acts 'as the public's broadcasting organisation– it speaks to everyone as a citizen'. In addition, public broadcasters are required to 'encourage access to and participation in public life', while also 'developing knowledge, broadening horizons and enabling people better to understand themselves by better understanding the world and others'.

There is no doubt that the SABC has satisfied these requirements and is firmly positioned as Africa's broadcasting giant.

Financial sustainability>

Alongside this, the Board continues to shape public discourse around the role of the public broadcaster. The SABC hosted an international conference on the theme of *Funding for the Future* in March 2006. This conference, which took the form of a colloquium, was attended by over 200 people including numerous international guests and served to focus the national debate on the role and character of the public broadcaster and on the best possible funding model in the South African environment. This follows on a similar effort in the previous year to identify the characteristics of a public broadcaster, with the participation of public broadcasters and international experts.

These debates were also enriched by the very successful *Media and Society* conference that was organised in conjunction with the SA National Editors' Forum. This event will be repeated during the next financial year, owing to the value it adds to debates around issues of news, current affairs and general content.

New licence conditions>

Whilst addressing these issues, the company also adapted swiftly to the new licence conditions that were set by the Independent Communications Authority of South Africa (ICASA) at the beginning of 2006, after extensive and constructive engagement with the regulator.

The new conditions provide a benchmark in terms of programming and content, and several changes to the programming mix have been introduced to ensure full compliance.

As part of this process, the News Division has now bedded down its editorial policies and provided high-quality coverage of the local government elections after concluding a significant partnership with the Independent Electoral Commission (IEC).

We value the efforts of ICASA in ensuring a licence regime that works in the interests of the public broadcaster and the public it serves and look forward to a constructive working relationship in the future.

Looking to the future>

Surveying the achievements of the past year, there is no doubt that the SABC Board has made significant progress in achieving the goals we set on our appointment almost three years ago. In particular, we are proud of the strides the SABC has made in ensuring that its position as the country's most influential media institution contributes to nation-building, deepening democracy and ensuring an empowered nation.

Going forward, the SABC will continue to embrace its public service mandate, ensuring that it provides compelling and informative, educational and entertaining programming to all the people of South Africa and beyond, whether they access the SABC on their radios, their televisions, their computers or their mobile phones.

All eyes, obviously, will be on the year 2010 and on the tremendous opportunities which the FIFA World Cup presents in terms of showcasing our country to the world. As the public broadcaster, we are consistently improving our ability to provide world-class coverage of the event, and on a broader level to ensure that the world is as captivated by South Africa and its people as they are by the World Cup itself.

A vote of thanks>

Congratulations, and a deep vote of thanks, are due to the staff and management of the SABC, who have made the SABC what it is, as well as to the artists, freelancers and suppliers who have partnered with the SABC during the year under review.

On behalf of the Board, I would also like to express my sincere thanks to the Minister of Communications Dr Ivy Matsepe-Casaburri, the Deputy Minister Mr Roy Padayachie and to the Director-General of Communications Ms Lyndall Shope-Mafole, for their support and leadership, and to the Parliamentary Portfolio Committee on Communications for their role in providing oversight and feedback on the SABC's activities.

I would also like to thank my fellow Board members for their counsel, wisdom and unwavering support.

Sonwabo Eddie Funde
Chairperson

Board Members

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1. Mr Sonwabo Eddie Funde *(Chairman)*
2. Ms Christine Qunta *(Deputy Chairman)*
3. Prof Alison Gillwald
4. Ms Fadila Lagadien
5. Mr Andrew Maralack
6. Prof Thami Mazwai
7. Mr Andile Mbeki
8. Ms Kanyisiwe Mkonza
9. Mr Cecil Msomi
10. Prof Derrick Swartz
11. Mr Ashwin Trikamjee
12. Mr Dali Mpofu *(Group Chief Executive Officer)*
13. Mr Solly Mokoetle *(Chief Operating Officer)*
14. Mr Robin Nicholson *(Chief Financial Officer)*
15. Ms Ramani Naidoo *(Company Secretary)*

Board Members' **Profiles**

Mr Sonwabo Eddie Funde *(Chairman)*>

M.Sc (Electrical Engineering) (St. Pietersburg Polytechnic); Certificate in Finance & Accounting (Witwatersrand)

An Engineer by training, Eddie Funde, is the Chairman of the SABC. He underwent further training in public policy and change management, the USIA Programme on Government Management and Training and the Executive Candidates Programme at the University of the Witswatersrand. He has also had training in Telecommunications Policy and Regulation at the Adam Smith Institute and at the US Telecommunications Training Institute in Washington. Eddie's career has included being the Deputy Chairman of the former South African Telecommunications Regulatory Authority (SATRA), ANC Chief Representative in Australia and New Zealand (1983 – 1991) and Head of the ANC Youth League (1978 – 1983). He serves on the Boards of the Independent Development Trust, and Murray & Roberts Holdings Limited and is the President and Chairman of the South African Communications Forum and of the South African Contact Centre Community.

Ms Christine Qunta *(Deputy Chairman)*>

B.A.; LL.B (New South Wales, Sydney, Australia)

Christine Qunta, the Deputy Chairman of the SABC Board, is a senior partner in the law firm Qunta Incorporated, a firm specialising in corporate and commercial law, intellectual property, competition law and policy, and petroleum law. Christine is a respected newspaper columnist, and is also the author of a number of publications, including *Who's Afraid of Affirmative Action: A Survival Guide for Black Professionals*; *Women in Southern Africa* (ed) and *Heroes and Other Treasures* (an anthology of poetry). She has served as a member of the Competition Tribunal and as director of the Road Accident Fund.

Prof Alison Gillwald>

M.A. (Politics) (Natal); B.Journalism (Rhodes)

Professor Alison Gillwald is currently the Research Director of the Learning Information Networking and Knowledge (LINK) Centre, Graduate School of Public and Development Management at the University of the Witwatersrand. Widely published in the areas of telecommunications and broadcasting policy and regulation, as well as gender and politics, she has served as an adviser and consultant to bodies such as the South African Ministry of Communications, the International Telecommunications Union, the Commonwealth Telecommunications Organisation, ICASA and the Southern African Development Bank.

Ms Fadila Lagadien>

MBA (Liverpool, UK)

Fadila Lagadien is a highly successful disabled business women and disability rights activist. She plays a critical role in ensuring full integration of disabled people into the mainstream of South African Society. She is former convener of the Community Constituency of the National Economic Development & Labour Council (NEDLAC). Fadila also serves on the Board of Intersite Limited.

Mr Andrew Maralack>

B.Comm (Hons) (Western Cape); CA (SA)

Andrew Maralack is a versatile and dynamic businessperson who brings to the Board the benefit of his broad commercial and professional experience and his well-honed business judgment. He is a Partner of SizweNtsaluba VSP, a leading audit and business consulting firm. Andrew is also a member of the South African Institute of Chartered Accountants and a former board member of the Companies and Intellectual Property Registration Office (CIPRO).

Prof Thami Mazwai>

MBA (Henley, UK); PMD (Harvard); Senior Management Development Programme (Templeton College, Oxford University)

Adjunct Professor of Entrepreneurship and SME development at the University of Fort Hare, Eastern Cape and an experienced journalist, Professor Thami Mazwai is the Chief Executive of Mafube Publishing, and Chairman of Indyebo Investments (Pty) Ltd. The Black Management Forum recognised him for his contribution to the transformation of the media and he is also a fellow of the Print Media Association. He is founder Chairperson of the Black Editors' Forum and of the National Editors' Forum. He is also the former Vice-President of the International Federation of Journalists. He was awarded the Rosholt Award for Outstanding Executive Journalism in 1990. He serves as Chairperson of the South African Chapter of the African Renaissance, and is a member of the Board of Denel.

Mr Andile Mbeki>

MBA (De Montfort,UK); M.Sc (St Cloud, USA); B. Ed (UPE); Diploma in Education (Algoa College)

Andile Mbeki is an Executive Director of Gervans Trading and non-executive Chairman of Afro-Fund. He is a youth activist and a community leader who has a strong passion for youth development, entrepreneurship and innovation. He has served, and continues to serves in various executive and advisory capacities in a number of statutory bodies and NGO's. Previously served in the following capacities: Skills Development Manager of the Department of Agriculture; board member of PAETA (now AgriSETA); member of the South African Public Service Trainer's Association; advisory board member of Maximum Dynamics; advisory panel member of the Films and Publications Board; freelancer for the SABC who presented youth radio programmes and coordinated youth television programmes; worked extensively in the field of training and development for fourteen years ranging from teaching; lecturing and management of human resource development processes. Current capacities include: a member of the Black Management Forum; member of the Junior Chamber International (JCI: World Federation of Young Leaders and Entrepreneurs); Minister of Youth and Conscious Development in Peace Government Southern Africa; Board of Trustees for youth development of the North West Province; advisory board member of Future Leaders and member of national task team against Child Pornography. He is an active member of the SABC board who is passionate about youth affairs and affectionately known as "The Young Lion".

Ms Kanyisiwe Mkonza>

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

Kanyi Mkonza is the current Chairperson of the Media Development and Diversity Agency, an independent management and community development consultant and the former deputy director of media liaison for the City of Johannesburg. She served on the executive committee of the National Community Radio Forum and on the Board of the National Electronic Media Institute for South Africa.

Mr Cecil Msomi>

Dip. Mass Communication (Zimbabwe)

Cecil Msomi, a highly respected journalist, served as a reporter and bureau chief for the Ziana news agency. He has worked as News Editor and Regional Editor for the SABC in KwaZulu-Natal. He played a leading role in putting up and guiding the editorial teams that successfully covered the Worlds AIDS Conference, World Racism Conference, World Economic Forum, the launch of the African Union and other major international conferences in Durban. He has worked as a TV anchor in a prime-time News and Current Affairs show for the then Zimbabwe Broadcasting Corporation in the 80's. While Regional Editor in KwaZulu-Natal, Cecil skillfully developed and mentored a number of junior reporters who now occupy senior editorial positions in both South Africa's electronic and print media. He is the Chairperson of the National Broadcasting Consultative Colloquium and is a director of a media consultancy agency.

Prof Derrick Swartz>

B.A. (Western Cape); M.A.; Ph.D (Essex, UK)

Professor Derrick Swartz is currently Vice-chancellor of the University of Fort Hare. His fields of expertise include public sector management, development theory and organizational change, and higher education. His current research interest is on the role of higher education in economic development. Apart from previous work in the Presidential Review Commission (PRC) and policy advice to the Eastern Cape Provincial Administration, Derrick currently also serves on various non-profit boards including Freedom Park Trust, Liliesleaf Trust, Dora

Tamana Cooperatives Trust, and Higher Education South Africa (HESA).

Mr Ashwin Trikamjee>

B.Iuris (University of South Africa)

Ashwin Trikamjee is a practising attorney and senior partner in a major Durban law firm. He is also a practising Hindu priest and a respected sports executive, having major involvement with soccer since the 1970s. As the longest-serving council member of the SA Soccer Federation, and a former Chairman of the National Soccer League, and Vice-President of the SA Football Association (SAFA), Ashwin was instrumental in the unification of soccer in South Africa. He was also the former Secretary General of the International Bar Association for Southern Africa and a council member. He serves on various religious and cultural bodies. He is the President of the SA Hindu Maha Sabha, and Former Vice-President of the Hindu Council of Africa; Chairperson of the National Religious Leaders' Forum. Ashwin also serves on the boards of various companies, and is the Chairman of the KwaZulu-Natal Gambling Board and of FASIC Limited.

Executive members of the Board

Adv Dali Mpofu *(Group Chief Executive Officer)*>

B.Proc; LL.B (Witswatersrand); Certificate in Finance and Accounting

Advocate Daluxolo Christopher Mpofu (Dali), the new Chairperson of the Board of the Proudly South African Campaign, boasts an illustrious law career and brings a wealth of broad experience in the Information and Communication Technologies and Broadcasting sectors.

Dali commenced his corporate career in 1987 as a Candidate Attorney at Kathleen Satchwell Attorneys. He then moved on to work for the ANC as Deputy Head of the Social Welfare Department for one year. In 1993 he was admitted as Advocate of the High Court of South Africa. He practised law as a member of the Johannesburg Bar for seven years before joining the private sector in 2000.

In 1996 and 1997, Advocate Mpofu held the position of Trainee International Advocacy Teacher at Grays Inn, London - a prestigious body for barristers in the United Kingdom. In 2000 he was appointed by the Minister of Justice to the position of Acting Judge in the Labour Court of South Africa. Later in the same year, he was appointed Group Executive Director for Corporate Affairs by the Altron Group, a Proudly South African, Information and Communications Technology company. He held this position until his appointment as Group Chief Executive Officer at the South African Broadcasting Corporation in August 2005.

In 2003 he was appointed Chairperson of the ICT BEE Charter working group. Recently Advocate Mpofu was awarded Businessman of the Year (2004) status by the reputed Black Business Quarterly Magazine.

His passion for sustainable rural development can also be seen by his former Board Chairmanship of Renewable Energy Technologies (Rentech), a company specializing in renewable energy, especially in rural areas.

A person of honour and integrity, Advocate Mpofu served as the inaugural Chairperson of the National Anti-Corruption Forum, which is now chaired by the Minister for Public Service and Administration. He also serves on the Council of Johannesburg University as a Ministerial representative. He is also the President of SABA (Southern African Broadcasters Association).

Mr Solly Mokoetle *(Chief Operating Officer)*>

M.A. Journ (Carleton University, Canada)

Solly Mokoetle, was appointed to the position of Chief Operating Officer of the SABC on 1 January 2001. Between April and July 2005, Solly acted in the position of Group Chief Executive Officer of the SABC. With more than 20 years' experience in 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 and was the former head of Corporate Strategic Planning of the SABC.

Mr Robin Nicholson *(Chief Financial Officer)*>

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

Robin Nicholson was appointed as the Chief Financial Officer of the SABC on 1 July 2001 from his former position as the Chief Financial Officer of Primedia Ltd where he gained in-depth knowledge of the media industry. He was previously the finance director with Glaxo Wellcome (SA) Ltd. Robin has held a number of board positions including a non-executive directorship of Medicredit, the Chairmanship of Druggists Distributors as well as directorships of various medical aid and provident funds.

Ms Ramani Naidoo *(Company Secretary)*>

B.A. (Rhodes); LL.B (Natal); Certificate in Mergers and Acquisitions (University of Pretoria)

Appointed as Company Secretary on 1 November 2005, Ramani Naidoo is an Attorney, Notary Public and Conveyancer of the High Court of South Africa. She spent a number of years in private legal practice before taking up a position with the Airports Company South Africa as its Company Secretary and Head of Legal Services. She has subsequently been the Legal Services Manager for the Southern Sun Group, a Senior Manager of Private Equity for Gensec Bank and a Director of Edward Nathan (Pty) Limited where she practised in the firm's specialist Corporate Governance division. She is the author of Corporate Governance – *An Essential Guide for South African Companies* (2002), *The Effective Directors' Guide* (2004) and the six month course in corporate governance offered through UNISA's Centre for Corporate Citizenship. Ramani is a non-executive director of African Bank Investments Limited, Allied Technologies Limited (Altech), and The Wine People Group Limited as well as a member of the advisory council of UNISA's Centre for Corporate Citizenship.

Former Board members

Ms Noluthando Gosa>

B.A. (Hons) (Communications) (Fort Hare); MBA (New Brunswick, Canada); Certificate in Telecoms Regulation (City University, London)

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; served as Deputy Chairperson of the Ntsika Enterprise Development Agency, and as a director of Zakhele Cultural Village and of Phalo Women's Investment Holdings. She resigned from the Board in December 2005.

Group CEO's Statement

Acknowledging past achievements and embracing the future.

A year has passed since my appointment as the Group CEO of the SABC. The public broadcaster is reporting on a year of significant signs of progress and achievement on a number of fronts. For this some credit must be given to the caretaker leadership which was led by our COO Mr Solly Mokoetle who served as Acting Group Chief Executive for the four month period between April and July 2005 as well as the illustrious list of my predecessors who laid the foundation for the current leadership.

It is clear from these results that, in the year under review, this foundation has been further solidified and all our people can confidently speak of an SABC which is poised to deliver more effectively to the South African citizenry. The exciting process of organisational renewal is with us. Going forward our strategic outlook is captured in these three words: Total Citizen Empowerment. The colour green that makes up the look and feel of this Annual Report is our own symbolisation of this fresh outlook which is referred to internally as 'The Green Revolution'.

Towards the end of the financial year under review the SABC Board approved a new organisational structure based on the following seven pillars or clusters: People, Operations, Technology, Funding, News and Current Affairs, Governance as well as Group CEO Support.

"There have been many highlights in the SABC's illustrious and challenging 70 years, as it has transformed from being a state broadcaster to being a public broadcaster. The company has evolved to being a public broadcaster, who's mandate and primary focus is to ensure that every citizen is empowered through the programming provided. It will continue to strive to fulfil this mandate and that every South African has access to all its channels and stations, and programming in their respective languages, in the SABC's quest for universal access."

People>

In the period under review a massive drive aimed at putting people at the epicenter of everything we do was undertaken. This started with the appointment of two highly competent women Senior Executives, namely Dr Pat Naves and Ms Phumelele Ntombela-Nzimande in the positions of Director: Human Capital Services and Director: Public, Regulatory and International Affairs, respectively. They introduced renewed energy in these divisions with the joint aim of improving our relations with our employees, our trade unions and other internal stakeholders on the one hand and organised business, organised labour, the various tiers of government, civil society, opposition parties and the public we serve, on the other hand.

These efforts have already paid dividends in, for example, a perceptibly improved staff morale, open lines of communication and very cordial relations with our internal unions. At the same time and with great assistance of our Board, structured relationships have been struck with various external stakeholder constituencies.

The simultaneous announcement of the appointment of six black women into top executive positions signalled our intentions to address both employment and gender equity across the board and will hopefully serve as an example to wider society and the private sector about the need to aggressively redress the imbalances of the past.

There are still challenges ahead in the critical area of people relations. Vacancy levels in key areas of the organisation, especially Technology, are at unacceptably high levels. In the short term, strategies aimed at improving the attractiveness of the SABC as an employer of choice were undertaken and will continue. Already, highly competitive personnel have been recruited from other sectors of industry and our competitors. In the medium to longer term, however, there can be no substitute for massive training and other skills development programmes as well as mentoring and succession planning programmes. We also need to address a glaring lack of focus on the inclusion of people with disabilities in all these programmes.

My congratulations to members of our staff and divisions who won numerous local and international awards in the period under review.

Operations>

Our platform management and content generation activities, ably led by Mr Solly Mokoetle, have yielded very successful outcomes in the relevant period. This was borne out by very favourable audience performance figures. Radio audiences have largely been maintained or improved relative to private sector stations. TV audiences too are on the incline. As expected, SABC1 has maintained its pole position as the undisputed leader of all South African television channels. SABC2 followed in second place and SABC3 held its own in the fight for third place, occasionally slipping to fourth place.

Local commissioned content spend increased during the year and improved from 70:30 to 80:20 as a proportion of total spend. The deliberate and continuous drop in reliance on foreign content satisfies some of the key objectives of the company; namely, growing the local production sector and the creation of local skills, employment and wealth. The continuous improvement of our internal commissioning and payment systems and procedures is a challenge which received attention and showed some improvement. A major highlight was the release of our long awaited Commissioning Policy and Procedures to the industry at the Sithengi Festival in Cape Town in November 2005. Teething problems notwithstanding, the production sector appreciated the obvious improvements as a step in the right direction and we are enjoying the beginnings of a much improved relationship between the SABC and the independent production sector.

Technology>

The technology plan currently being implemented consists of four key elements:

- Broadcast technology solutions
- Information technology solutions
- Facilities development and management
- Human capital development

The implementation of the strategy requires R1,3 billion including interest. A key area of success for the SABC in the 2005/06 financial year was securing R400 million over the MTEF period to upgrade the technology base of the company. The long term commitment was R700 million. The balance will be self funded from internal cash flows.

The benefits of this investment in the infrastructure of the public broadcaster are significant and include skills development, national priorities and objectives i.e. supporting delivery of the Fifa Soccer World Cup in 2010, ensuring uptime, improving quality and lowering cost of content delivery and improving access including for disabled communities.

One of the biggest challenges however is putting in place the capacity to initiate and complete a number of large and complex projects. Steps are being taken to secure the necessary capacity and expertise where deficiencies exist. Management fully expects that the plan will be successfully delivered in the upcoming financial year. Short-term solutions to the skills shortage such as outsourcing of certain services were introduced alongside long term solutions like skills transfer and a massive focus on training.

Finance and funding>

The total revenue of the company grew by 17% year on year. Solid growth in Television was maintained and growth on PBS Radio was very pleasing.

It is also significant to note that the Audience Services revenue grew by 30% to R739 million. As a result, Television Licence income now comprises 19% of the funding mix. Non commercial funding now comprises 25% of the SABC funding up from 23% of the prior year. These figures are relevant to the welcome debate on the appropriate funding model and funding mix for the SABC. This debate was inspired partly by the growing feeling that our current model is overly reliant on and skewed in favour of commercially derived revenues.

Working capital management, the unwinding of the Sentech prepayment and improved operational spend controls continued to bolster the cash flow.

Financially the SABC improved on its historic performance of the 2004/05 financial year.

The SABC is declaring a profit of R383 million virtually doubling the R194 million declared the previous year.

Special congratulations must go to our CFO, Mr Robin Nicholson and his team for their hard work. Our Head of Audience Services, Mr Anton Heunis and his team also deserve all the accolades for another superlative performance in licence fee collection. The Commercial Enterprises Division once again excelled in the collection of advertising revenues.

Audience Growth>

In the year under review SABC Television share as measured by All Media Product Survey (AMPS last 7 days) declined from 78% to 75,7% and Radio share from 81,7% to 81,3%. Average Audience share for Television increased from 63,6% to 64,2% as measured by Television All Media Survey (TAMS). SABC Radio Audience share declined by 3,8% year on year against a market decline of 3,2% as measured by Radio All Media Product Survey (RAMS).

News and Current Affairs>

Being a public service broadcaster this division remained one of the key areas against which to measure our impact on our young democracy. As would be expected in a highly charged domestic political atmosphere, accusations and perceptions of political bias from all sides abound. None however were able to withstand the true test of factual analysis. For example, against an accusation that our television news deliberately excluded footage of the alleged heckling of a senior politician, an independent enquiry established not only that the SABC newsroom was never supplied with the footage by the freelance cameraman in question but more significantly that SABC Radio News was one of the first media to break the story, contrary to false claims by a rival television channel and others.

In line with the corporate goal of promoting democracy, our News and Current Affairs team, ably assisted by the Technology Division, excelled by all independent accounts in the coverage of the local government campaign elections and results towards the end of the financial. More than 1000 members of staff, journalists, technicians and others were deployed in an operation carried out on an unprecedented but successful scale. In this regard, a word of praise must go to our Group Executive: News and Current Affairs, Dr Snuki Zikalala and our Group Executive: Broadcast Technology, Ms Sharoda Rapeti and their teams.

Our airwaves continued to provide the only platform on which tens of millions of our people freely participated in the debates, controversies, triumphs, trials and tribulations of our young democracy. Going forward informed public participation and the exercise of free choice will continue to characterise our twin objectives in the quest for citizen empowerment in this area.

Building the nation>

South Africa is alive with possibility. However, the country's difficult past, leaves much to be done in terms of building and establishing bridges across the multiple chasms and inequities that divide society, be they defined in terms of race, gender, class, religious belief or any other social differentiator. The ultimate attainment of social cohesion and a shared value base must remain pivotal components of our work as a public service broadcaster.

Many of the SABC's off and on-screen efforts over the fiscal were directed at addressing the challenges and opportunities facing the nation.

Siyanqoba>

Recognising that sport is a key platform on which the nation can build, the Siyanqoba campaign was launched during the year around football and with the broader purpose of using sport, amongst other genre and approaches, to drive the development of a psychology of a Winning Nation and patriotism.

The campaign has the wider goal of promoting the message to citizens across the country in rural, peri-urban and urban areas of participating in and being a part of a winning nation. It proved to be a huge and popular success with the public and enabled us to interact directly with millions of our people in all 9 provinces. The campaign will continue in various guises until 2010 and will be extended to other sporting codes and applied in new creative ways in the coming fiscals. Cricket South Africa for example, has approached the SABC to partner with them in conducting a similar campaign before the departure of our team for 2007 Cricket World Cup to be held in the West Indies.

African Renaissance and NEPAD>

The SABC once again reasserted its role as an integral part of the African continent. A significant focus of the SABC's on and off-screen efforts is on supporting the African Renaissance and NEPAD in our nation and on the continent. SABC Africa continues to feature on a free-to-air basis via its terrestrial window on SABC 2. In addition there are advanced plans in motion to launch a 24-hour news channel that will feature on free-to-air platforms throughout the African continent.

SABC News domestically increased the amount of coverage devoted to the rest of the continent on the terrestrial channels and PBS radio stations.

The SABC's content commissioning efforts in other genre have been underpinned by an approach to celebrate the African story through investment in capacity building, transformation, partnering, development and enhancement of the broadcasting industry locally and across the continent.

Universal access>

In the last five years SABC radio and TV services have been expanded to reach over 5 million additional citizens particularly in rural areas. Over the course of the year a number of applications to extend transmitter coverage were submitted. Among those approved by ICASA we can highlight the expansion of Ikwekwezi FM in Pretoria, the expansion of Lotus FM in Port Elizabeth and the expansion of Lesedi FM in Kwa-Zulu Natal.

Clearly, more must still be done in this regard. The SABC Universal Access Committee has been established and is working to identify and implement expansion plans in ISRDP (Integrated Sustainable Rural Development Programme) nodal points and other areas. It is important to note that analogue technology has capacity limitations and that digital technology solutions will be the most effective in enhancing the levels of access for broadcast services. Digital technology will more effectively facilitate the delivery of high quality services in all languages to all communities, particularly on TV. The public broadcaster is pleased to see this issue on the agenda of the Economic Cluster of Government, and we are encouraged by the initiatives to promote broadband access and the digitization of transmission infrastructure which are led by the Department of Communications. We are proud to announce advances in the area of universal access. In respect of television, SABC2's coverage increased to 91% of the country. SABC1 and SABC3 increased to 89% and 77% respectively. Significant gains have also been registered in our already good radio coverage.

Worthy of note is that our most significant growth is in the area pf Public Broadcasting Services across the platforms. The SABC looks forward to working with all stakeholders to chart a way forward in this regard.

BEE/SMME>

Major external expenses of the SABC include programming and broadcasting, marketing and other goods and services which cost of the order of R2 billion.

The capital expenditure programme adds about R250 million per annum to this number. The SABC is firmly committed to implementing the requirements of the ICT charter, as a bare minimum, and is currently in the process of revising its targets for all categories of expenditure in respect of each categories of broad based BEE.

Important progress was made in terms of devolving responsibility to our regional offices for certain categories of expenditure to more effectively promote economic development outside of Gauteng. In addition, the new organisational structure approved by the Board creates the new senior position of Head of Procurement which will report to the Group CEO. The creation of the new position will enable the company to more effectively direct, monitor and report on all aspects of procurement across the SABC's supply chain.

Way Forward>

Successes of the past should not be a reason for complacency and significant challenges face the public broadcaster in the years ahead. These challenges range from the short term challenges of gearing up for 2010 to the multigenerational project of nation building and ensuring that a sustainable funding base is in place for the public broadcaster.

Critical to the continued advancement and success of the organisation's achievement of objectives on a sustainable basis are the following strategies:

- Identifying and exploiting new opportunities in a converging media landscape
- Creating adequate platforms and appropriate infrastructure for enhanced delivery of the Fifa Soccer World Cup in 2010
- Increasing and targeting services towards the most marginalised sections of society
- Creating and implementing an economic and human development approach for content creation industries that will enable the development of South African themes issues and stories
- Establishing a sustainable and adequate funding model to achieve these goals
- Expanding and improving participation of Black and SMMEs in the broadcasting value chain
- Addressing perceptions of lack of credibility and depth in our newsroom

Conclusion>

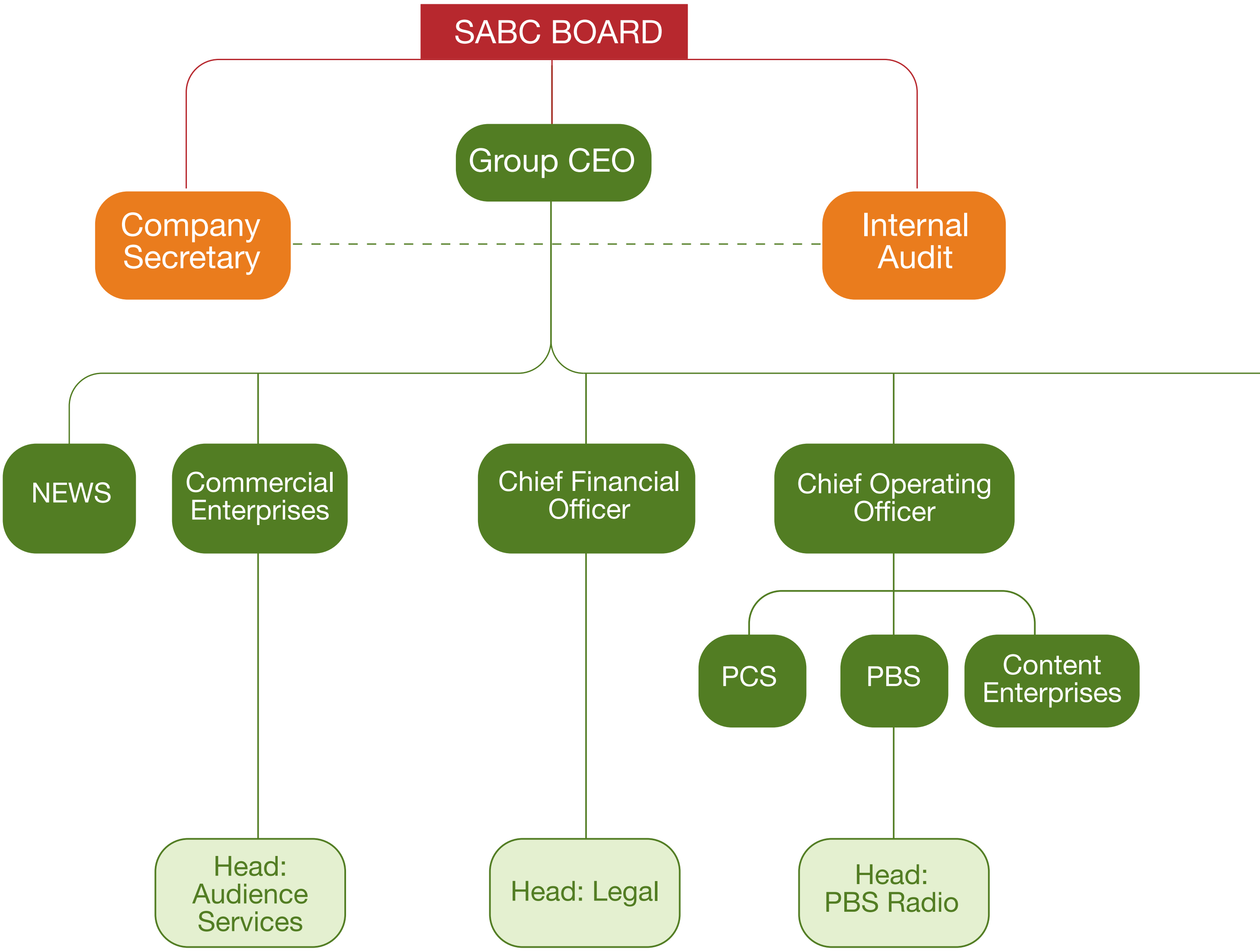
It has been an exciting year of hard work, fast learning and good results. It must be stressed, however, that our success should never again be measured solely on the basis of our financial performance, important as this is as a barometer of efficient management. Ultimately, it is the SABC's delivery against the freedoms enshrined in our Constitution, the requirements of the Broadcasting Charter as enacted by our democratically elected Parliament, the Corporate Goals as outlined by our Board and the strategic outlook as formulated by our executive leadership, that our achievements must be weighed.

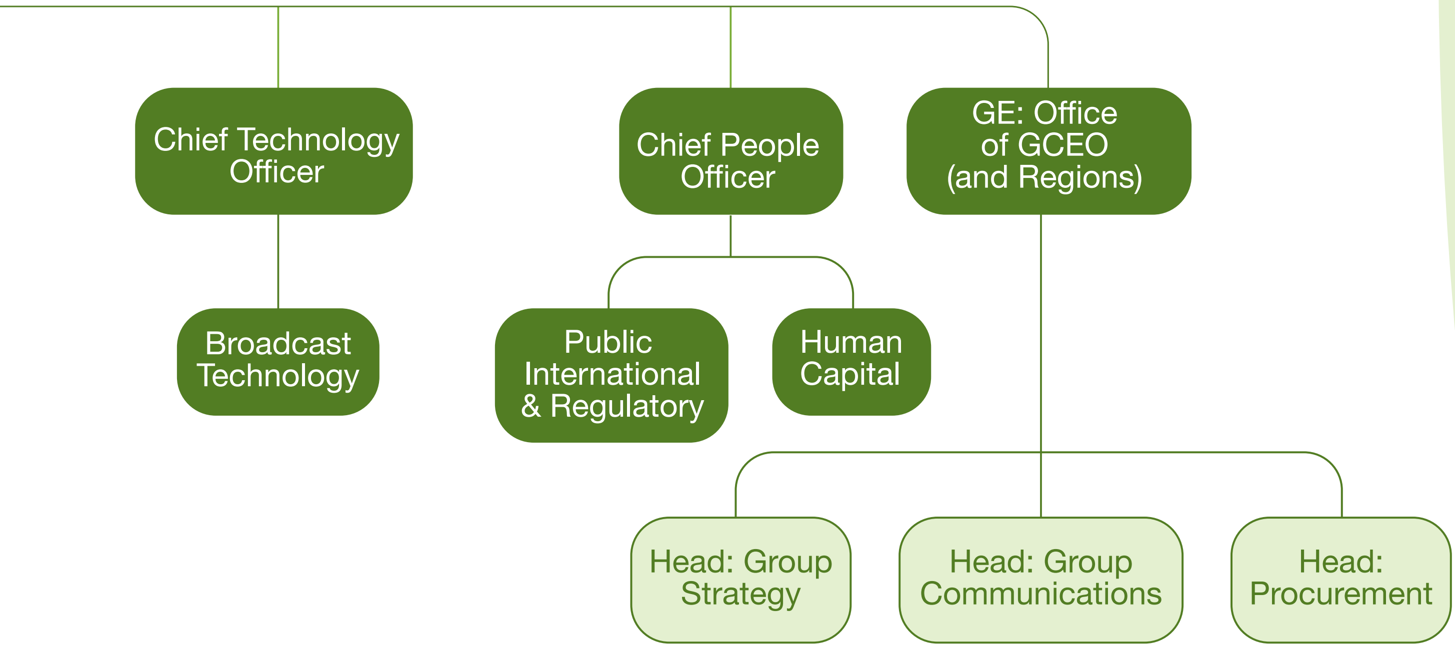
I would like to thank all those who made it possible notably our staff, our management team and the Board of Directors and all our external stakeholders for their support and guidance. A final word of gratitude must go to our ultimate accounting authority as a national public service broadcaster, that is the public we serve, our listeners, our viewers and the citizenry as a whole.

Dali Mpofu

Group Chief Executive Officer

Organisational **structure**




Chief Technology Officer
Broadcast Technology
Chief People Officer
Public International & Regulatory
Human Capital
GE: Office of GCEO (and Regions)
Head: Group Strategy
Head: Group Communications
Head: Procurement

Executive Committee **Members**

1	2	3	4	5	6
7	8	9	10	11	12
13	14	15	16	17	18

1. Adv Dali Mpofu *(Group Chief Executive Officer)*
2. Mr Solly Mokoetle *(Chief Operating Officer)*
3. Mr Robin Nicholson *(Chief Financial Officer)*
4. Ms Ramani Naidoo *(Company Secretary)*
5. Ms Lulama Chakela
6. Mr Christopher David *(Acting)*
7. Mr Anton Heunis
8. Mr Mark Jakins
9. Ms Pearl Luthuli
10. Ms Charlotte Mampane
11. Mr Mvuso Mbebe
12. Dr Patience Naves
13. Mr Thami Ntenteni
14. Ms Phumelele Ntombela-Nzimande
15. Ms Sharoda Rapeti
16. Mr Herman Warren
17. Dr Snuki Zikalala
18. Dr Ihron Rensburg

Executive Committee Members' Profiles

Adv Dali Mpofu

(Group Chief Executive Officer)>

Joined the SABC on 1 August 2005. Also see biography on page 18 of this report.

Mr Solly Mokoetle

(Chief Operating Officer)>

Joined the SABC in 1994. Also see biography on page 18 of this report.

Mr Robin Nicholson

(Chief Financial Officer)>

Joined the SABC on 1 July 2001. Also see biography on page 19 of this report.

Ms Ramani Naidoo

(Company Secretary)>

Joined the SABC on 1 November 2005. Also see biography on page 19 of this report.

Ms Lulama Chakela

(Chief Executive: PBS)>

B.A.(Botswana); Dip. Ed (Swaziland); M.Sc (Utah State, USA)

Lulama Chakela joined the SABC in October 2005 as Head of PBS TV and later became Group Executive of PBS Radio and TV. She has worked in education, services, energy, automobile manufacturing and the TV production sector. Her non-executive roles and directorships includes that of former Chairperson of the Independent Producers Organisation, Chairperson of the Women's Group in the Peace Island Project, member of the Marketing Subcommittee of the Nelson Mandela Children's Fund, board member of Miranda Minerals and of the Open Learning Systems Trust. She is also a former Board member of Sentech and former advisor to the BCCSA.

Mr Christopher David

(Acting Chief Legal Advisor)>

B.Proc (Kwazulu-Natal)

Christopher is an admitted Attorney of the High Court of South Africa. After graduating from the University of Kwazulu-Natal he attended the school for legal practice in Durban. He practiced with the law firm Deneys Reitz and worked in the UK as a legal adviser to the Department of Trade and Industry (UK). On his return to South Africa he held positions as in-house legal counsel to Shell South Africa (Pty) Limited and BP Southern Africa (Pty) Limited in Cape Town. He is currently reading for an LL.M degree through the University of Stellenbosch. Christopher is a member of the International Bar Association and has served on the executive of the Western Cape branch of the Black Lawyers Association. He is also director of the Australian Football League in South Africa.

Mr Anton Heunis

(Senior General Manager: Audience Services)>

B.Comm (RAU); Dip. O & M

Anton joined the SABC as Organisations and Methods Officer in 1979. He has since held a number of senior management and executive roles in the company, including that of senior personnel officer (1983); manager of HR planning and information (1989); HR manager of strategic services (1991) and group manager of human resources (1995). Anton took up the position of senior general manager of the audience services division in 1999. He is registered with the SA Board for Personnel Practice.

Mr Mark Jakins

(Chief Executive: Commercial Enterprises)>

B.Soc Science (Natal); Certificate in Financial Management

Former Sales & Marketing Director of Budget Car Rental, and of Global Resorts, Mark joined the SABC as Group Sales & Marketing Director in 2001. He was promoted to Chief Executive of the Commercial Enterprises Division in February 2005. The Division is responsible for Commercial and Marketing strategy within the SABC, including advertising and sponsorship sales, marketing, research, mobile and merchandising enterprises, Audience Services (TV Licences), CSI and marketing intelligence. He served as a non-executive director of the SAARF Board from 2004 to 2006 and was voted one of SA's most influential marketers in 2005.

Ms Pearl Luthuli

(Chief Executive: PCS)>

Certificates in Broadcasting Management; and Radio Broadcast Management (United States Telecommunications Training Institute); Journalism & Public Relations (African Literature Centre, Zambia); Senior Executive Programme (Witwatersrand)

Pearl Luthuli joined the SABC on 1 October 2005 as Chief Executive of Public Commercial Broadcasting Services. She is responsible for directing the corporation's commercial radio services and SABC3. Pearl is a journalist by training and has worked in the print media for a significant period, having led KLP Portfolio Communications and Nothemba Publishing (formerly Penta Publications). Pearl has also directed and published Enterprise Women, a leading women's magazine. She has served on several Boards including Moribo Leisure, Capital Oil, Total SA Consortium and Akwaaba Women's Investments.

Ms Charlotte Mampane

(Head of Regions)>

B.A.; B.A. (Hons) (University of the North); EDP

Charlotte Mampane joined the SABC in 1983 as an announcer/producer. She advanced rapidly through the ranks and subsequently held senior executive management positions as a programme manager (1991), the general manager of public service radio (1996); and chief executive of radio and Head of regional services (2002). Charlotte was formerly the manager of audiovisual at Telkom, and a special adviser to the CEO of the IBA.

Mr Mvuso Mbebe

(Chief Executive: Content Enterprises)>

B.Pharm (Rhodes); B.Sc (Hons) (Statistical Analysis) (UWC)

Mvuso joined the SABC in 2001 as the managing director of the SABC's sport's division. He was formerly a secretary general of Athletics South Africa, the Chief Executive of the National Sports Council, and a former Managing Director of NSC Investments. He also acted as a former adviser to the Minister of Sport and Recreation, and an executive consultant for the South African Sports Commission.

Dr Patience Naves

(Director: Human Capital Services)>

B.A. (Social work) (Zululand): B.A. (Hons) (UNISA); M.A. Clinical Social work (RAU); Ph.D (RAU); EDP (strategic management) (School of Social Research in New York); EDP (Witwatersrands); Utility Management Graduate Programme (Global Utilities Institute); Change Management (Organisational Development Research Institute); Certificate Programme in Strategic Human Resources Management at (UJ)

Pat Naves started her career as a social worker where she acquired extensive project management and community development skills. She subsequently moved to Eskom where she gained valuable experience as an Employee Wellbeing officer. She also worked as a Human Resources practitioner in the fields of training, diversity management, performance management, industrial relations.

Her other positions included stints as an Executive Trainee at Phillip Morris and Kraft General Foods prior to taking up her position as the General Manager People Management Specialists Services for the ABSA Group. Pat joined the SABC as its Director of Human Capital on 1 August 2005.

Mr Thami Ntenteni

(Head PBS Radio)>

B.A. (Communications) (Unisa)

Thami was formerly a director of communications in the office of the Deputy President. He joined the SABC in 2001 as a management consultant to the Group Chief Executive Officer and was later appointed to the position of executive editor of Channel Africa. He played a caretaker role as Acting Head of PBS Radio for much of the 2005/06 financial year and was subsequently appointed to this position in a permanent capacity.

Ms Phumelele Ntombela-Nzimande

(Director: Policy and Regulatory Affairs)>

B.A. (Social Science); B.A. (Hons) (Natal)

Phumelele joined the SABC from the Department of Communications where she previously served as Deputy Director-General: Strategic Policy Co-ordination, Inter-governmental Relations and International Relations. In her capacity as the Director of Policy and Regulatory Affairs of the SABC, she is responsible for providing regulatory and policy compliance and leadership, as well as the development of the company's public and international affairs portfolios. Phumelele was formerly a Deputy Chairperson of the Commission on Gender Equality. She serves on a number of Boards and advisory councils including the Human Sciences Research Council and the Council of the University of Kwazulu-Natal.

Ms Sharoda Rapeti

(Managing Director: Technology)>

MBA (Cum Laude) (Wales, UK); National and Higher Diplomas in electronic engineering (ML Sultan Tech, Durban).

Sharoda joined the SABC in 1988 as the regional manager of facilities in KwaZulu-Natal (1996). Her role was subsequently expanded to include responsibility for the management of IT Projects (1998) and the management of Digital Technology Development (1999). Sharoda was appointed as the managing director of technology in 2001. She is the 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 and a non-executive director of Mercantile Bank Limited.

Mr Herman Warren

(Director: Corporate Strategy)>

B.B.A Finance (Hons) (Howard University, USA)

Herman joined the SABC as director of corporate strategy, and member of the group executive committee, in 2001. He was a former management consultant in the USA, Canada and South Africa and was previously the managing director of Freemail Communication, and a financial analyst for Umbono Investment Corporation.

Dr Snuki Zikalala

(Managing Director: SABC News and Current Affairs)>

B.A. (Hons) (Witwatersrand); Ph.D Journalism (Sofia University, Bulgaria).

Snuki Zikalala joined the SABC in 1993 as labour correspondent. He subsequently held the position of deputy editor-in-chief of Radio and Television News to which he was promoted in 1998. He was also the acting editor of SABC Africa and the executive editor of SABC News in 2001. Snuki joined the Department of Labour as senior executive manager of communications for a brief stint between 2002 and 2004 when he rejoined the SABC as its Head of News.

Dr Ihron Rensburg

(Director: Education, Public & Regulatory Affairs Chief Executive: Corporate Strategic Services)>

B.Pharm (Rhodes); M.A.; Ph.D (Stanford University, USA).

Ihron joined the SABC in 2001 as director of corporate & regulatory affairs. He was later promoted to the position of Chief Executive: Strategic Services. Ihron was formerly the deputy director-general of National Education, and member of the Ministerial Steering Committee on Higher Education Mergers. He resigned from the service of the SABC in March 2006.

CFO's Report

Conversion to International Financial Reporting Standards>

In the year under review the SABC converted from South African Statements of Generally Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS).

The effective date of conversion was 1 October 2004, the date upon which the SABC was incorporated as a Limited Liability Company. Certain of the exemptions available under IFRS for first time adopters have been exercised (and are more fully set out in note 46 of the annual financial statements).

In summary the Group impacts were:

Balance Sheet - R'000

	IFRS		GAAP As reported
	31 March 2006	31 March 2005	31 March 2005
Total non-current assets	**1 321 516**	1 239 769	513 304
Total current assets	**1 986 003**	1 389 086	1 518 533
Total assets	**3 307 519**	2 628 855	2 031 837
Total equity	**1 956 205**	1 572 854	1 041 887
Total non-current liabilities	**476 204**	398 519	240 932
Total current liabilities	**875 110**	657 482	749 018
Total equity and liabilities	**3 307 519**	2 628 855	2 031 837

Income Statement effect of IFRS transition for the year ended 31 March 2005 - R'000

	GAAP As reported	IFRS Adjustments	IFRS Restated
Revenue and other income	3 314 055	105 464	3 419 519
Expenses	(3 011 859)	(134 939)	(3 146 798)
Operating profit before interest and taxation	302 196	(29 475)	272 721
Net financing income	15 565	1 878	17 443
Profit before income tax	317 761	(27 597)	290 164
Income tax expense	(77 477)	(18 676)	(96 153)
Profit for the year	240 284	(46 273)	194 011

The principal changes were an increase in depreciation (R39 million) on owner occupied properties that were revalued (R661 million - note 46.4(a)) and a lower charge for amortisation and impairment of programme, film and

"The main aim of the PBS Colloquium held in March 2006 was to examine various funding models to achieve a better understanding of the challenges facing public broadcasters in general, to find guiding principles for a future funding model..."

sports rights due to changes in the rate of amortisation on first broadcast of intangible assets (See notes 46.4(a) to (d)).

The changes in taxation are as a consequence of various deferred tax charges (set out more fully in note 46.4(j)) but principally deferred tax assets on post employment medical aid obligations and tax liabilities on revaluations of owner occupied properties.

The Cash Flow Statement remains unchanged except for reclassifications (as set out in notes 17 and 36).

Review of operations>

Overview

In the year under review SABC's television share as measured by All Media Product Survey (AMPS last 7 days) declined from 78% to 75.7% and radio share from 81.7% to 81.3%. Average audience share for television increased from 63.6% to 64.2% as measured by Television All Media Survey (TAMS). SABC's radio audience share declined by 3.8% year on year against a market decline of 3.2% as measured by Radio All Media Product Survey (RAMS).

During the year under review, the revised ICASA licence conditions for the various SABC services were implemented. This had a profound impact on various elements of the SABC. As anticipated, revenue was slightly disrupted on television but the programming changes on television continued to strengthen the unique language proposition offered by the SABC. The programme and scheduling changes also led to some audience disruption. The impact of the changes will be more acutely felt over the coming two years, as the licence conditions are fully implemented. While the revenue impacts were milder owing to the increased advertising market growth, the impact on the cost base of the SABC was and will continue to be more profound.

The company continued to improve its operational effectiveness and leverage the revenue growth of the last three years to improve its long-term financial position. The company also improved its delivery capacity and has commenced a major overhaul of its operational systems. The long awaited ERP implementation commenced in the last quarter of the year. The first high definition television mobile production facility is under construction and long-term content and sports rights have been secured.

Funding>

Revenue

The SABC has four principal sources of funding: commercial activities, licence revenue, other income from operations and government support.

	IFRS		GAAP		
	2006	**2005**	**2004***	**2003**	**2002**
Revenue analysis (R million)					
Commercial*	**3 013**	2 631	2 093	1 848	1 660
Licence	**739**	568	395**	361**	352**
Other revenue	**141**	135	148	179	162
Government	**50**	49	76	64	61
Per Group Financial Statements	**3 943**	3 383	2 712	2 452	2 235
Expressed as a % of total revenue					
Commercial*	**76**	78	77	75	74
Licence	**19**	17	15**	15**	16**
Other revenue	**4**	4	5	7	7
Government	**1**	1	3	3	3
Total %	**100**	100	100	100	100
% growth year on year					
% revenue	**17**	25	11	10	2
% expenses	**10**	13	10	11	2

**Net commercial revenue after deducting agency commission and related charges*

***Net licence revenue after deducting collection costs*

****2004 is not restated as only 6 months post incorporation of the company were restated for IFRS. This applies to all comparatives.*

Television

This was the third year of strong growth in television, which was driven by 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 respect of both audience size and product offerings. The scheduling changes as a consequence of ICASA regulations only took place in the closing days of this financial year and had no significant impact in the year under review.

Revenue growth is expected to continue to slow as prime time becomes constrained by demand, the new broadcasting licence conditions are implemented and the economy goes into an inevitable cooling off period.

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 financial years. The SABC continues to seek growth from this segment.

Radio

Although the advertising rates for radio remained generally lower than those of our competitors, they continued to be increased to reflect the economic value of the audiences delivered to advertisers.

The new licences to be issued 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.

Business Enterprises

The SABC continues to reposition the revenue units responsible for commercial exploitation of brands through merchandising and co-promotion, and direct sale of content to consumers. Encouraging growth was achieved by these units during the year under review.

SABC Mobile, which seeks to exploit telephony-based revenue and the sale of mobile content, continued to flourish.

Audience Services

The increase in revenue growth from licence fees exceeded expectations, increasing from R568 million to R739 million, an increase of 30%. This was a consequence of rising household income and significantly more effective collections. Licence revenue now constitutes 19% of the revenue mix, up from 17% in the prior year.

Cost management in the division remained a priority, despite the roll-out of more pay points and methods of payment and increased collection costs, following a more expensive collection strategy.

Allocation of 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:

	IFRS	IFRS
Description (R million)	**31 March 2006**	**31 March 2005**
Total licence revenue	739	568
Collection costs	(109)	(75)
Allocated to support overheads	(92)	(69)
Transferred to Public Broadcasting Services	538	424
Transfer allocation		
Radio	176	142
SABC1	181	141
SABC2	181	141

IFRS impact

Changes in the classification of what constituted revenue under IFRS resulted in prior year revenue increasing by R69 million. Costs associated with the collection of the revenue were R106 million in 2005. Other income increased by R37 million. The net effect of the adjustment was nil (a full explanation is set out in note 46.4(m)).

Other revenue

Other revenue was derived principally from renting office accommodation to third parties in many of the SABC properties throughout South Africa. This is not a core SABC business.

Government support for SABC Education programmes is recognised on broadcast and was R50 million for the year, compared with R49 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. In summary the SABC Group's impacts were:

	IFRS		GAAP		
	2006	**2005**	**2004***	**2003***	**2002***
Expenditure analysis (R million)					
Amortisation and impairment of programme, film and sports rights, and broadcast costs	**1 343**	1 319	1 149	1 083	957
Signal distribution and linking costs	**315**	300	286	264	228
Employee compensation and benefit expenses	**990**	816	771	657	617
Depreciation and impairment of property, plant and equipment	**129**	128	84	91	74
Marketing costs	**179**	139	130	112	108
Direct licence collection costs	**109**	75	63	62	50
Other expenses	**390**	371	294	267	248
Per Group financial statements	**3 455**	3 148	2 777	2 536	2 282
Expenditure analysis % increase year on year					
Amortisation and impairment of programme, film and sports rights, and broadcast costs	**2**	15	6	13	3
Signal distribution and linking costs	**5**	5	8	16	(5)
Employee compensation and benefit expenses	**21**	6	17	6	14

	IFRS		GAAP		
	2006	2005	2004*	2003*	2002*
Expenditure analysis % increase year on year (cont)					
Depreciation and impairment of property, plant and equipment	**1**	52	(8)	23	4
Marketing costs	**29**	7	16	4	2
Direct licence collection costs	**45**	19	2	24	47
Other expenses	**5**	26	10	8	(18)
Total expenditure % increase year on year	**10**	13	10	11	2

**As previously reported – not adjusted for IFRS*

Profit Before Interest and Taxation (PBIT)

The SABC achieved a PBIT of R515 million, compared with R273 million in the previous year. This is an improvement of R243 million or 89%.

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. However, average cash holdings increased significantly during the year under review, which resulted in enhanced interest earnings.

Interest was paid on non-current asset-based finance used to acquire outside broadcasting equipment and other operating assets.

Profit from operations before taxation>

Profit before income tax was R546 million. In the previous year the SABC reported a profit before income tax of R290 million.

Taxation

The strong growth in profitability also translated into taxable income, resulting in an income tax expense for the year of R163 million. This included income tax of R234 million and a deferred tax benefit of R71 million.

Profit

Profit for the year was R383 million, compared with a profit of R194 million in the previous year, up by 97%.

Cash Flow Statement

Net cash from operating activities was R615 million, compared with R167 million in the previous year. The cash is deployed to fund working capital and capital expenditures.

Cash flow invested in property, plant and equipment, and computer software expansion was R198 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. 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 R406 million.

Excess cash will be used to fund capital expansion and new investments that are occasioned by the Electronic Convergence Act, including participation in subscription distribution systems.

Balance sheet>

Assets

Total assets increased in value by R679 million during the year under review. Only R31 million of this was in property, plant and equipment. Intangibles, working capital and cash contributed towards the balance.

The decrease in prepayments relates to the unwinding of the arrangement with Sentech.

Equity and liabilities>

Changes in equity

The SABC used an insurance reserve to cover asset claim excesses. This treatment was reviewed and the insurance reserve has now been transferred to retained earnings and insurance excesses are charged directly to the Income Statement.

Government grants

The SABC has received the first R100 million of the R700 million commitment made by Government. This has been treated as deferred income.

Matters requiring special noting>

Defined benefit funds

The SABC Pension Fund continued with the process of distributing the surplus as at 31 December 2003 (see note 2(a)(iii), (iv) and note 26 on Employee Benefits).

Reporting for Public Broadcasting Services and Commercial Broadcasting Services

The annual financial statements for these divisions will be published separately in order to produce a less bulky and less costly annual report.

Five-year Financial Review to 31 March 2006

Refer to the pages that follow.

R Nicholson

Robin Nicholson

Chief Financial Officer

Five-year Financial Review to 31 March 2006>

	IFRS		GAAP		
	2006 R'000	2005 R'000	*2004 R'000	*2003 R'000	*2002 R'000
INCOME STATEMENT					
Revenue and other income	**3 970 218**	3 419 519	2 711 926	2 452 068	2 235 450
EBITDA	**648 274**	403 958	18 428	6 864	26 665
Depreciation and impairment of property, plant and equipment and computer software	**(132 843)**	(131 237)	(83 842)	(91 008)	(73 502)
Provision for state loan account	**-**	-	46 216	(115 542)	-
Net financing income	**30 371**	17 443	20 859	49 865	49 519
Income tax expense	**(162 924)**	(96 153)	-	-	-
Profit/(loss) for the year	**382 878**	194 011	1 661	(149 821)	2 682
BALANCE SHEET					
Property, plant and equipment, investment properties and computer software	**1 223 227**	1 156 945	467 674	439 964	422 359
Loans and receivables	**10 337**	18 037	18 000	18 000	144 000
Other non-current assets	**87 952**	64 787	231	1 031	2 953
Cash and cash equivalents and restricted cash	**145 894**	50 742	80 298	25 640	40 885
Current assets excluding cash	**1 840 109**	1 338 344	1 120 345	1 092 985	1 096 046
Total assets	**3 307 519**	2 628 855	1 686 548	1 577 620	1 706 243
Equity and reserves	**1 956 205**	1 572 854	800 885	795 192	952 797
Interest-bearing loans and borrowings	**68 127**	83 533	57 221	62 290	31 088
Non-current liabilities	**100 779**	433	-	-	-
Deferred tax	**66 029**	137 383	-	-	-
Employee benefits	**319 899**	252 940	223 129	216 509	273 001
Current portion of interest-bearing loans and borrowings	**28 617**	27 066	11 680	23 008	8 289
Current liabilities	**767 863**	554 622	593 633	480 621	441 068
Total liabilities	**1 351 314**	1 056 001	885 663	782 428	753 446
Total equity and liabilities	**3 307 519**	2 628 855	1 686 548	1 577 620	1 706 243
CASH FLOW					
Net cash from operating activities	**615 103**	166 730	105 942	(180 640)	115 153
Net cash from investing activities	**(597 506)**	(209 503)	(92 011)	19 554	(79 221)
Net cash from financing activities	**77 505**	12 401	40 727	145 841	(33 590)
Cash and cash equivalents at beginning of year	**49 926**	80 298	25 640	40 885	38 543
Cash and cash equivalents at end of year	**145 028**	49 926	80 298	25 640	40 885
Capital expenditure	**(198 275)**	(118 193)	(103 954)	(111 424)	(88 930)

** As previously reported - Not adjusted for IFRS.*

	IFRS		GAAP		
	2006	2005	*2004	*2003	*2002
Group statistics					
Returns and profitability					
Return on assets (%)	**11.6**	7.4	0.1	(9.5)	0.2
EBITDA margin (%)	**16.3**	11.8	0.7	0.3	1.2
Effective tax rate (%)	**29.9**	33.1	-	-	-
Solvency and liquidity					
Total liability to total asets (%)	**40.9**	40.2	52.5	49.6	44.2
Current ratio (times)	**2.6**	2.5	2	2.3	2.6

** As previously reported - Not adjusted for IFRS.*

Basis of calculation

Returns and profitability

Return on assets (%)	=	Profit/(loss) for the year ÷ Total assets
EBITDA margin (%)	=	EBITDA ÷ Revenue and other income
EBITDA (R'000)	=	Profit for the year before income tax expense, net financing income, depreciation and impairment of property, plant and equipment and computer software

Solvency and Liquidity

Total liabilities to total assets	=	Total liabilites ÷ Total assets
Current ratio	=	Current assets ÷ Current liabilities

	2006		2005	
Foreign exchange rates	Closing rate	Average rate	Closing rate	Average rate
United States Dollar (USD)	**6.19**	**6.42**	6.21	6.23
British Sterling (GBP)	**10.79**	**11.37**	11.80	11.20
Euro (EUR)	**7.51**	**7.77**	8.09	7.86

Corporate Governance Statement

SABC Head Office in Auckland Park

"SABC is more than just a broadcasting company, it is a collection of talented people putting themselves on the line to empower South African citizens"

Dali Mpofu, SABC GCEO

The SABC was established in terms of the Broadcasting Act and came into being as a corporate entity, incorporated in accordance with the Companies Act, in September 2003.

The Minister of Communications is the sole shareholder on behalf of the State. The SABC, as a major state owned entity listed in Schedule 2 of the Public Finance Management Act, is governed, in addition to the Broadcasting and the Companies Act, by the PFMA and the related Treasury regulations.

Good corporate governance is integral to the role of the SABC as the country's national public broadcaster and underpins its multi-faceted operations. The Board of directors is at the core of the SABC's system of corporate governance and remains ultimately accountable and responsible for the performance and affairs of the company. The Board is committed to upholding the highest standards of corporate governance and fully embraces the principles of governance best practice as set out in the 2002 King Report on Corporate Governance for South Africa (King II) and the Protocol on Corporate Governance for State Owned Enterprises (the Protocol). Significant strides have been made in the year under review towards implementing the recommendations of both King II and the Protocol.

Governance structures of the SABC>

The SABC has a unitary board structure, comprising of 11 non-executive directors and 3 executive directors. All of the non-executive directors are independent.

The Board is constituted and operates in accordance with the legislative framework referred to above as well as within the structures dictated by the SABC's Articles of Association, the Board Charter and the Shareholder Compact.

The non-executive directors are nominated by the public and appointed by the President on the recommendations of the Parliamentary Portfolio Committee on Communications for an initial term not exceeding five years, although non-executive directors whose term has expired may be eligible for re-appointment for a further term. The non-executive directors are drawn from a wide range of backgrounds and interest groups, and bring to the Board the benefit of their diverse skills and experience. Applied collectively, these help to enhance the growth, prosperity and accountability of the company.

The Board, which, in terms of the Broadcasting Act and the PFMA is the Accounting Authority of the company, meets at least six times a year. Dates of meetings are scheduled annually in advance in a corporate calendar. Special meetings are convened when material issues require the Board's attention.

The Board is headed by an independent, non-executive Chairman in accordance with the definition in King II.

Governance framework>

In addition to the corporate goals, the governance framework of the company includes a Board Charter which supplements the Memorandum and Articles of Association and includes the principles adopted by the Board to guide it in the day-to-day governance of the company. The Charter is currently being reviewed to bring it in line with governance best practice both locally and internationally and will be made available on the company's web site (www.sabc.co.za) once it has been adopted by the Board.

Public Finance Management Act>

As a major public entity in terms of Schedule 2 of the PFMA, there are a number of reporting and disclosure requirements with which the SABC must comply. The company complies substantially with the various duties and responsibilities prescribed by the PFMA. Instances of non-compliance have been identified and explained in the table on pages 46-47.

Board performance and evaluation>

The Board has set itself a target, in compliance with corporate governance best practice, to evaluate the performance of the Board as a whole, individual directors, the Chairperman, Group CEO and the Company Secretary at least annually. The Company Secretary, together with the Remuneration Committee and the Human Resources Committee, are responsible for ensuring that a robust evaluation system is put in place. However, no evaluations took place during the year under review as a result of the existence of certain vacancies, notably that of the Group CEO and the Company Secretary. These positions were filled towards the end of the financial year.

Company Secretary>

In line with governance best practice and the recommendations of King II, the Company Secretary reports directly to the Board of Directors and has a 'dotted-line' accountability to the Group CEO. All directors have unrestricted access to the advice and services of the Company Secretary.

Directors are entitled to obtain independent professional advice at the company's expense, should they deem this necessary. This is co-ordinated through the office of the Company Secretary.

Relationship with the Shareholder>

A three-year Corporate Plan Medium Term Economic Framework (MTEF) has been submitted to the shareholder and the National Treasury in accordance with the PFMA. The Plan sets out the key performance areas for the SABC and is used by the shareholder to hold the Board accountable against what it sets out to perform.

The Plan is incorporated into the Shareholder Compact, which is entered into annually between the SABC and the shareholder. The key performance indicators in terms of the 2005/06 Compact and the company's performance against those targets and what has been achieved are illustrated in the Performance Management section of this Annual Report on pages 48-51.

Board Committees>

The Board is assisted in the execution of its mandate by a number of Board committees constituted with specific focus areas, and with such power and authority as the Board deems appropriate. Board Committees meet an average of five times per year to deal with specific issues within their terms of reference. Special meetings are convened when circumstances require. As smaller forums constituted with relevant expertise, including specialist external advisers where required, Board committees have the benefit of being able to interrogate key aspects of the company's business in depth, thereby providing appropriate guidance to the Board in its governance of the company. Board Committees report to the Board at regular intervals on the extent to which their objectives have been achieved.

A brief description of the principal responsibilities of each committee is set out below. However, along with the review of the Board Charter referred to above, the terms of reference of the committees are being revised to ensure consistency with the Charter and with governance best practice. The full terms of reference of the committees will be made available on the company's website once they have been approved by the Board.

Audit Committee>

The main objective of the Audit Committee is to ensure 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 for approval, and reviews the performance of the external and internal auditors. The committee is also responsible for improving management reporting by overseeing audit functions, internal controls and financial reporting processes.

The Chairman of the committee is an independent non-executive member of the Board.

In line with the requirements of the PFMA and King II Report requirements, the SABC's internal audit function provides the audit committee and management with assurance that the internal controls are appropriate and effective. The Head of internal audit reports directly to the committee and the internal audit division has unrestricted access to all organisational records and staff of the company.

Finance Committee>

This committee monitors and oversees the financial health of the SABC, including the review of budgets and financial business plans.

Human Resources Committee>

The Human Resources 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 and recommends to the Board the strategic human resources direction of the SABC.

Remuneration Committee>

This committee determines, agrees and develops the company's policies on the remuneration of executives and senior management. It also determines a policy on the remuneration of the directors and recommends same to the Minister for approval establishes the criteria for measuring the performance of executive directors and senior management and reviews industry practice and levels of remuneration.

Technology Committee>

The Technology Committee assesses and evaluates the adequacy of the SABC's 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 and also that the SABC utilises appropriate and innovative technology and platforms to deliver on its mandate.

Programming Committee>

The Programming Committee evaluates and approves the SABC's broad programming and language strategy and makes recommendations to the Board on the commissioning of programmes.

News Committee>

The News Committee is responsible for assessing, evaluating and recommending to the Board the overall strategy for news and current affairs programming.

Public Broadcasting Services (PBS) Committee>

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

Public Commercial Services (PCS) Committee>

The establishment of this committee is likewise a requirement of the Broadcasting Act. This committee sets policies to ensure that the commissioning of programmes is dealt with in an efficient manner and that the revenues generated for the shareholder are maximised.

BEE and Transformation Committee>

Transformation remains one of the critical focus areas of the SABC. This committee aims to ensure that historically disadvantaged individuals share equitably in ownership, control and employment in the broadcasting sector. It also ensures that enterprises have equitable access to SABC content and related services in accordance with the BEE Act and other equity legislation 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.

2010 Committee>

The 2010 Committee was established by the Board to identify potential challenges and opportunities relating to the broadcasting of the Soccer World Cup in 2010. The committee ensures that a policy framework is in place which guides the SABC in engaging with FIFA and other stakeholders. The committee had fewer than the usual number of meetings during the 2004/05 financial year, however, as the SABC has recently announced the successful conclusion of its negotiations with FIFA for the broadcasting rights to the 2010 and 2014 Soccer World Cup events, it is envisaged that the role of this Committee will become increasingly important in the years leading to 2010.

Security Committee>

This committee ensures that the security policy and infrastructure are in place and that the security procedures of the company remain appropriate in light of changing security needs.

Executive Committee>

Responsibility for the day to day operations of the company is vested in the Executive Committee ("Exco") which, in terms of the Broadcasting Act, is made up of the three executive members of the Board and up to 11 other members. Exco, which is chaired by the Group CEO, is charged with ensuring that the policies and strategies approved by the Board are implemented and that the objectives of the company, as determined by the Board, are achieved. Exco is accountable to the Board of directors.

There is a formal written assignment of authority for the management of the day-to-day affairs of the company from the Board to management. The Delegation of Authority Framework sets out the limits of the day-to-day financial and operational authority vested by the Board in Exco and other levels of management. Employees at all relevant levels of the company are offered ongoing training in application of this delegation framework, and the framework is reviewed from time to time to ensure that it remains relevant and appropriate to the business of the company. The Board is responsible for monitoring the exercise of delegated authority within the company on a regular basis.

The Exco comprised the following members (who served for the full 2005/06 financial year except where their joining date is stated in brackets).

Adv Dali Mpofu	Group Chief Executive Officer *(joined 1 August 2005)*
Mr Solly Mokoetle	Chief Operating Officer
Mr Robin Nicholson	Chief Financial Officer
Mr Anton Heunis	Senior General Manager: Audience Services
Mr Mark Jakins	Chief Executive: Commercial Enterprises
Dr Patience Naves	Director: Human Capital Services *(joined 1 August 2005)*
Ms Charlotte Mampane	Head: Regions
Mr Christopher David	Chief Legal Adviser *(Acting)*
Mr Mvuzo Mbebe	Chief Executive: Content Enterprises
Mr Thami Ntenteni	Head: PBS Radio
Ms Sharoda Rapeti	Managing Director: Technology
Dr Ihron Rensburg	Chief Executive: Corporate Strategic Services
Mr Herman Warren	Director: Corporate Strategy
Dr Snuki Zikalala	Managing Director: SABC News and Current Affairs
Ms Ramani Naidoo	Company Secretary *(joined 1 November 2005)*
Mr Ntando Simelane	Company Secretary *(Acting from 6 April to 31 October 2005)*
Ms Phumelele Ntombela-Nzimande	Director: Policy & Regulatory Affairs *(joined 1 October 2005)*
Ms Lulama Chakela	Chief Executive: PBS *(joined 1 October 2005)*
Ms Pearl Luthuli	Chief Executive: PCS *(joined 1 October 2005)*

In line with the Broadcasting Act, the Exco was restructured in April 2006 and now consists of 11 members with the remaining members being permanent invitees.

Risk management>

The Board is accountable for risk management procedures at the SABC. It is currently re-assessing the SABC's risk tolerance and appetite as a precursor to putting in place a more robust risk management framework.

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 procedures, clearly defined lines of accountability, and delegation of authority based on predetermined levels of risk. The control systems also make provision for comprehensive reporting and analysis against approved standards and budgets.

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 statements

Number of Meetings Held and Attended : April 2005 – March 2006

Meeting type	Meetings held	Funde S E *(Chairman)*	Gillwald A	Gosa N	Lagadien F	Maralack A	Mazwai E T	Mbeki A	Mkonza K	Mokoetle S	Mpofu D	Msomi C	Nicholson R	Qunta C *(Deputy Chairman)*	Swartz D	Trikamjee A
Board	6	6	6	4	5	6	2	6	5	6	4	5	6	6	6	5
Human Resources	4	0	*	*	1	*	*	4	3	2	1	3	2	4	*	2
Remuneration	3	3	0	0	*	3	2	*	0	2	2	2	3	1	*	3
Finance	2	1	*	1	1	2	0	*	1	1	1	*	2	*	*	1
Audit	3	0	*	1	2	2	*	*	1	2	2	*	3	*	*	2
**PBS	4	1	3	2	1	*	*	4	4	1	1	2	3	*	3	3
**PCS	2	0	1	1	1	*	*	2	2	1	1	*	2	*	1	1
Programming	4	1	1	2	2	*	*	4	2	3	2	2	4	3	3	2
2010	1	1	1	1	*	1	*	*	*	0	1	*	0	*	*	1
Security	1	1	*	1	*	*	*	1	*	0	1	1	0	*	*	1
News	2	0	*	*	1	*	1	2	0	2	1	2	2	1	*	*
Technology	5	1	5	0	*	*	*	1	*	3	4	5	5	*	4	*
BEE	4	0	*	*	2	*	4	4	1	3	2	*	4	2	*	*
Pension Fund	1	*	*	*	*	1	*	*	*	*	*	*	*	*	*	1

**Non-Member*

***Numbers for PBS and PCS include joint meetings*

Compliance with legislation>

The following key areas have been identified as areas of non-compliance with the PFMA and the Broadcasting Act. The corrective action being taken to address them is set out below:

COMPLIANCE REQUIREMENT	EXTENT OF NON-COMPLIANCE
The Board must report quarterly the executive authority through the designated accounting officer on the public entity's extent of compliance with the Public Finance Management Act and the Treasury regulations. Any non-compliance, together with the reasons for such non-compliance, must be disclosed in the quarterly report.	Reporting is currently done on an annual basis. This is an area which requires greater focus as there is an inconsistent level of compliance from department to department. The Finance Division together with the Company Secretariat are working on improving the overall level of compliance through the development of formal compliance procedures. A mechanism has also been put in place to ensure the timely submission of quarterly reports as required by the PFMA.
The SABC must agree with the executive authority, in consultation with the external auditors, on a framework of acceptable levels of materiality and significance.	The SABC currently has a delegation of authority framework in place. It has recently finalised a framework of levels of materiality which it considers appropriate. The draft materiality framework has been forwarded to the shareholder for consideration.
A list of all banking and SABC accounts must be submitted to the National Treasury by 31 May of each year.	There has been no previous compliance with this requirement, however this list will be compiled and submitted as required in the ensuing financial year.
The Board must ensure that the SABC has an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.	There is some level of compliance with procurement policies across the company, albeit not always consistent. Procurement of up to R15 million is considered and approved by the Executive Committee and that above R15 million is approved by the Board. Of concern is that fact that the Division which is responsible for the commissioning of content does not always follow the approved procedures and productions are sometimes commissioned without contracts being in place. At the instance of the Board, the company-wide procurement processes are being reviewed. A senior executive in the office of the Group CEO is being recruited to ensure proper compliance with procurement processes going forward.

The public entity must take appropriate steps to ensure the collection of all revenue due to it in. This includes television licence revenue.	The only significant area of inadequate compliance with this requirement is in respect of television licence revenue where some households remain unlicensed. The SABC continues to use innovative ways to track down offenders and enforce compliance. Significant progress has been made as a result made in increasing the collection of television license revenue.
The public entity is obliged to take steps to stop irregular, fruitless and wasteful expenditure losses and losses resulting from criminal conduct and expenditure which does not comply with the entity's operational policies. Action must be taken against offenders within 30 days of the loss being discovered.	The company continues to improve its operational procures and where irregular expenditure, fruitless or wasteful expenditure or losses resulting from criminal conduct or procedural non-compliance have been identified disciplinary action is taken against offenders. Some attention needs to be given to putting in place mechanisms to ensure that the appropriate action is taken within the time frame stipulated by law.
The Annual Report must include particulars of criminal or disciplinary steps taken as a consequence of losses or irregular expenditure.	These are currently reported to the Internal Audit Division and are brought to the attention of the Audit Committee and, if relevant or material, to the attention of the Board of Directors and the Shareholder. These details have not previously been published in the Annual Report. This non-compliance has been remedied in this financial year.
The company must provide a detailed disclosure of the emoluments of executive members in its annual financial statements.	This non-compliance has been remedied in this financial year.
The company is required to advise the Auditor-General of the appointment of external auditors.	There has been no compliance with this requirement in previous years. The appropriate advice will be forwarded to the Auditor-General, as required, in the 2006/07 financial year.
The Broadcasting Act requires that the day-to-day running of the company is managed and administered by the Executive Committee, which consists of the Group CEO, Chief Operating Officer and the Chief Financial Officer, and no more than 11 other members.	Subsequent to the corporatisation of the SABC in 2003, the the Executive Committee was not constituted as prescribed in the Broadcasting Act and consisted of more than the stated number of members. This non-compliance has since been remedied.

Performance **Management**

Simon and one of the youngsters that he mentors through Karate

"To achieve the best performance from the people you mentor, is to teach them the value of honour and respect"

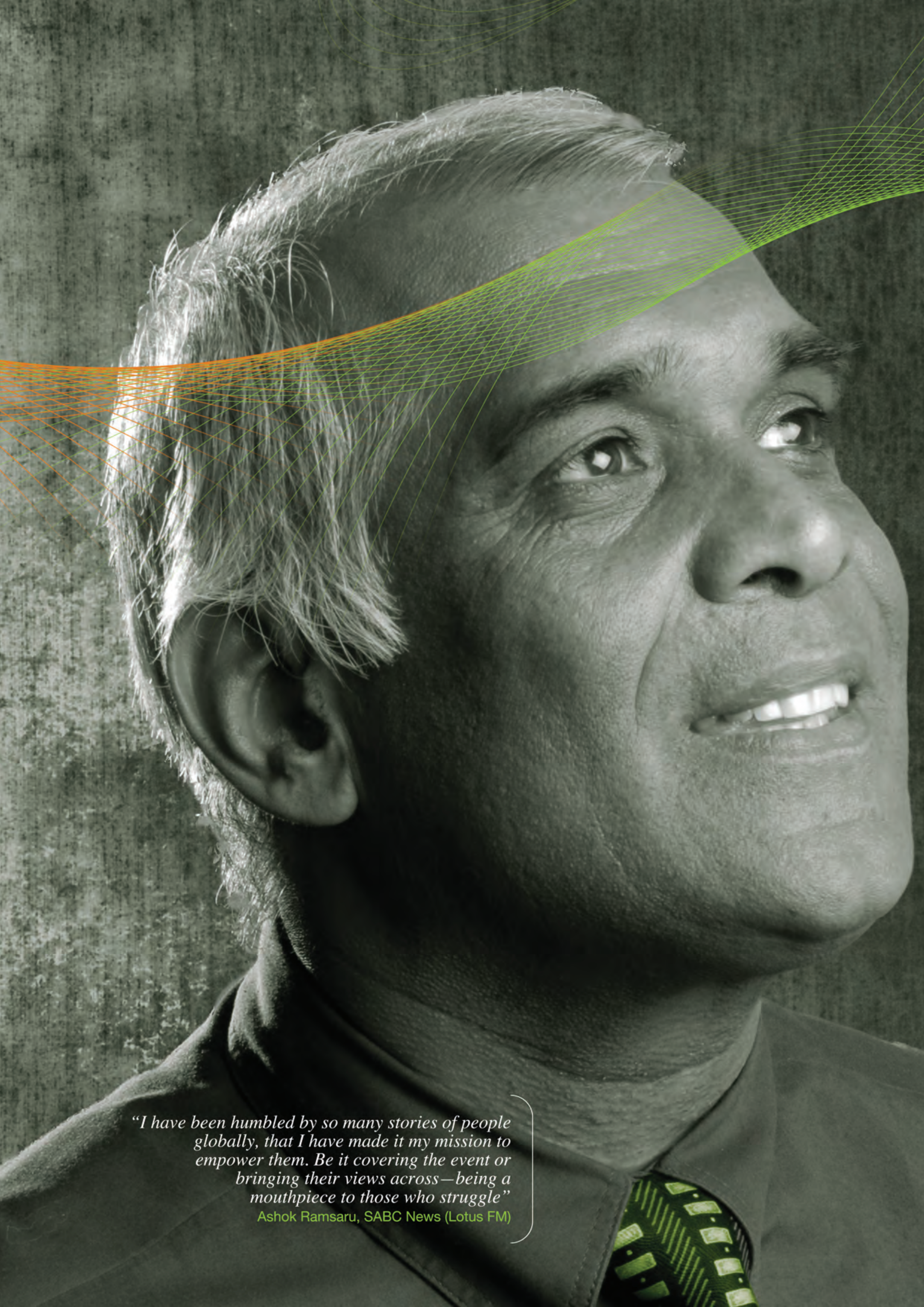
Simon Magasela, SABC Sport

In the financial year that ended 31 March 2006, the SABC agreed with its shareholder on the Key Performance Areas (KPA's) and Key Performance Objectives (KPO's) set out below. These were set out in the Shareholder Compact for that financial year in compliance with section 52 of the PFMA.

KPA	KPOs	Performance
Growth and financial health		
1.	Achieve revenue growth of 12 % in television and 9% in radio	These targets have been achieved within the 12 months period as agreed.
2.	Maintain non-personnel cost growth at CPIX -1%, personnel at CPIX +1%	Personnel costs for the year were 21,3% including personnel growth, defined benefits and bonuses. This target has therefore not been achieved during the year under review.
3.	Secure government financial support for: • Elections • Education • Technology plan • Regional television services	 No funding was secured for coverage of local government elections. R50 million was received from government in respect of education funding. R700 million was secured from government. No funding was received for the provision of regional television services.
4.	Secure annual increases in television licence fees linked to inflation	The SABC has submitted a comprehensive motivation in support of an increase in television licence fees. This matter is currently being explored with the DoC.
National priorities and mandate		
5.	Engage stakeholders and amend SABC licences in line with Broadcasting Charter approach	The licence amendment process has been completed and the SABC Board constantly engages stakeholders.
6.	Increase percentage of non-English programming on SABC1 from 42% to 50% and on SABC2 from 58% to 66%	Both SABC1 and 2 achieved their targets in this area during the year under review.
7.	Investigate feasibility of alternative distribution platform	Discussions with Sentech and other potential partners with regard to the development of alternate distribution platforms are ongoing and will continue in the ensuing financial year.
8.	Promote issues of national importance and nation building across its portfolio of services	The SABC continues to promote issues of national interest across its services.
9.	Develop action plan for 2010 Soccer World Cup	Negotiations with FIFA on the SABC status as a local broadcast partner and sharing of expertise have commenced and a number of meetings were held with Host Broadcast Services (HBS) to share expertise during the FIFA World Cup Germany 2006, as part of our 2010 plans. A 2010 Project Coordinator has been appointed and an overall strategic plan for 2010 has been put in place.
10.	Develop and implement a comprehensive international strategy	A comprehensive international content procurement strategy is already is in place Representatives of the Content Enterprises Division have attended markets and festivals across the world, viz: FESPACO, Kenya, LA Screenings, Screenings, Cannes and MIPTV. Exclusive deals have been signed with leading content providers like Warner Brothers and negotiations are at an advanced stage with various other potential partners. Business development has established strong international relations and a strategy to take local content to international markets is in place. Some deals to sell local content to international networks, especially on the African continent have already been concluded.
11.	TV and Radio delivery should be in line with ICASA	SABC1 and 2 have fully achieved all ICASA quotas. Likewise, the PBS and PCS portfolios have both met their quotas in respect of radio and television as set by ICASA.

KPA	KPOs	Performance
Innovation and customers		
12.	Develop stakeholder management and public affairs plan in respect of ICASA, the Department of Communications (DoC), National Treasury, Audiences, Advertisers, Sentech and Suppliers	A comprehensive stakeholder management plan has been put in place with the assistance of the Board. Implementation is well underway and will continue in the next financial year. The plan takes into account the SABC's responsibility to manage relationships with all the following stakeholders, however details of any specific interactions are described below:
12.1	Sentech	Discussions are ongoing with Sentech in respect of the identification of alternative delivery platforms.
13.	All three television channels to maintain the top brands positions based on the Sunday Times/Markinor survey	SABC1, 2 and 3 came 1st, 2nd and 4th respectively in the survey for top Brands.
14.	Top three radio brand positions based on Sunday Times/ Markinor survey	SABC Radio Stations achieved the first 7 places in the survey.
15.	Corporate brand to retain its position within the top ten South African brands based on Sunday Times/Markinor survey	The SABC was rated the 9th most admired company in South Africa.
16.	Annual workshop information sharing session with the DoC	An information sharing workshop involving the SABC Exco and Senior Management from the DoC was held during the year under review. In addition, regular bilateral and other meetings are held between the DoC and representatives of the SABC.
17.	Annual workshop information sharing session with ICASA	These workshops are held on an ongoing basis.
18.	Annual information sharing with provincial governments	These information sharing sessions have been held by the Board with all the provincial governments, except in Gauteng. The SABC is still working on a suitable date.
19.	Annual information sharing directly with public regarding SABC delivery	These sessions are held on an on going basis.
People and success behaviours		
20.	Implement performance management system	A performance management system has been implemented, however more work is still to be done on effective monitoring and training especially in respect of the levels of management below the members of the Executive Committee. This matter is due to receive attention early in the new financial year.
21.	Implement new organisational structure	The new organisational structure was announced and was implemented, in compliance with relevant legislation, from 1 April 2006. In addition, a number of key appointments were made to fill vacant position.
22.	Ensure gender, equity and other transformation	The overall performance in this area is in line with employment equity plans and targets approved by the Board.
23.	Ensure disabled friendly environment	A major audit of the SABC's disabled facilities has been undertaken and the results have been communicated to the Board. As a result of these findings, the SABC is in the process of upgrading a number of its facilities to make them more accessible to people with disabilities.
24.	Introduce employee of the year awards	The implementation is in place in a number of divisions, however the focus remains on creating company-wide SABC employee awards in the new year.
25.	Implement training and development programmes	A work-skills programme, co-ordinated by the Human Resources Division, has been put in place across all divisions of the company and is being implemented and monitored by the company's training department.
26.	Resolve outstanding issues of salary parity	Salary parity has been implemented for all levels in the bargaining unit. The focus for 2006/2007 will be on implementation for management levels 300 – 125, whereafter any remaining inconsistencies will be addressed on a case-by-case basis.

KPA	KPOs	Performance
Operations and process control		
27.	Implement key operational projects that have strategic significance (IT and process improvement strategies underlying technology strategy)	The company received R100m from the Department of Communications during the financial year, being the first allocation of the R700m allocated towards funding the recapitalisation plan. Projects that were funded included the Contribution Network Infrastructure, High Definition Television Outside Broadcast Unit, Digitisation of News Studios, and Digital News Production Facilities. Current IT projects include the content sales and scheduling systems as well as ERP (Project Moribo). Similarly the digitisation of the archives will be a critical funded component of the recapitalisation programme. The implementation of these modern engineering and technology solutions are also contributing to the skills development of SABC staff in the key design and operational areas.
28.	Implement Content Hub, and new procurement policies and procedures	The Content Hub has been staffed and the new structure and policies were implemented during the year under review. There were some challenges in respect of timely conclusion of production contracts and the payment of producers. These were addressed by the relevant operating units, with the assistance of the Legal, Company Secretariat and Internal Audit divisions and have been resolved.
29.	Annual information sharing session with the independent production sector	The Board and a number of Exco members met with representatives of the independent production sector in Cape Town in November 2005. The meeting yielded extremely positive results and will be part of an annual process at the Sithengi Festival. The Content Enterprises Division also continues to engage with the producers on an ad hoc basis outside of these annual sessions.

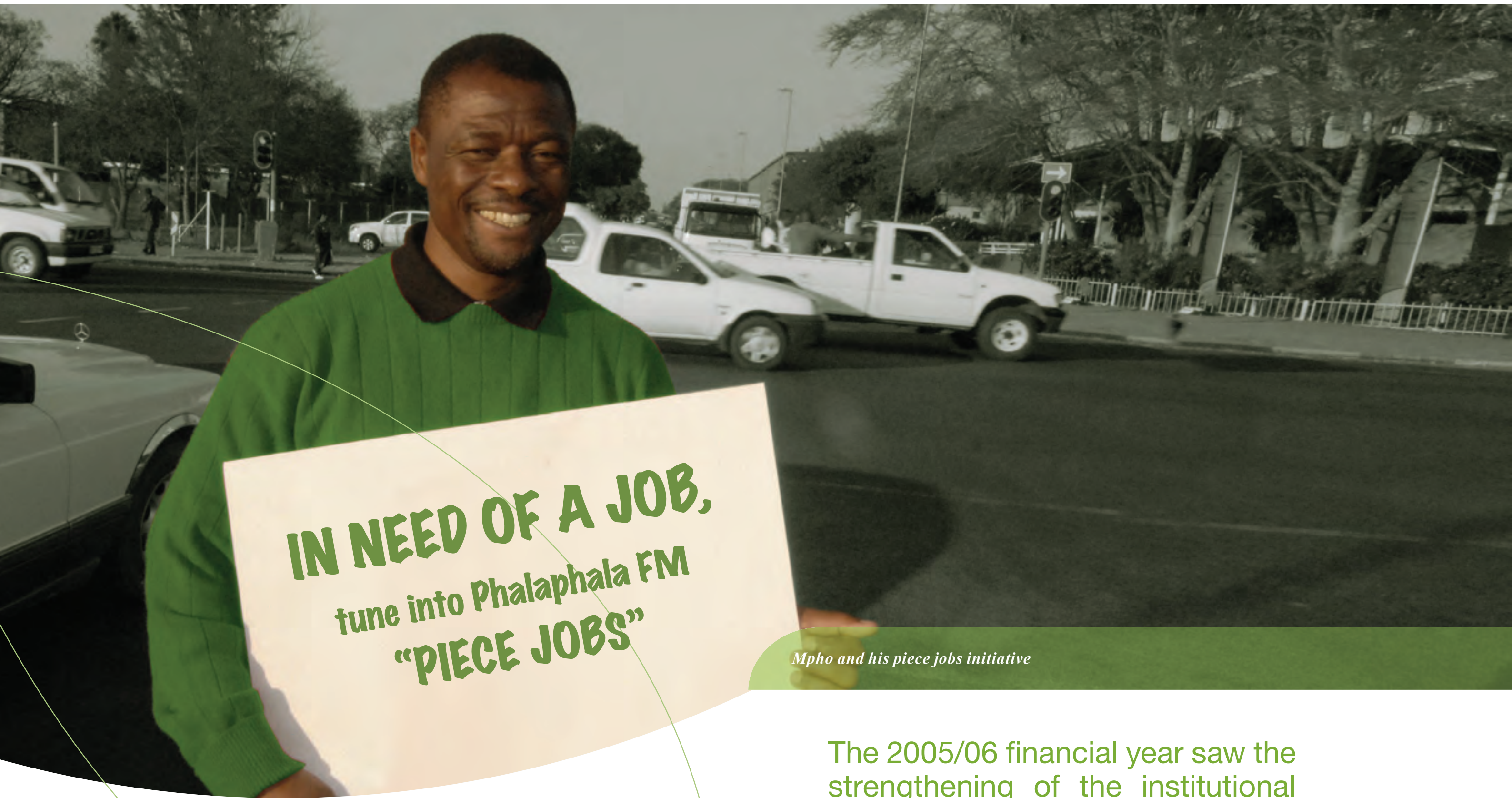


"I have been humbled by so many stories of people globally, that I have made it my mission to empower them. Be it covering the event or bringing their views across—being a mouthpiece to those who struggle"

Ashok Ramsaru, SABC News (Lotus FM)

Broadcasting Environment

Regulatory Environment



Mpho and his piece jobs initiative

"I love the phrase, 'teach a person how to fish and he can feed his family'. But empower him to do so: job creation is the key"
Mpho Nefale, Phalaphala FM

The 2005/06 financial year saw the strengthening of the institutional mechanism, which resulted in a dynamic process to reorganise the Public, Regulatory and International Affairs Division.

This created an enabling environment for the company, ensuring that it was able to increase compliance with its mandate and regulatory obligations, to fulfil its corporate goals and better understand the needs of its stakeholders, thereby enhancing the corporate reputation.

Public Affairs>

The role of the public affairs unit is to manage relationships with key stakeholders. This is one of the key drivers of the corporate goal that seeks to create a SABC that enjoys the support and respect of its shareholder, viewers, listeners and other stakeholders.

Achievements in this regard included the SABC Board's engagement with parliament, political parties, trade unions, organised business, provincial and local governments, civil society organisations, the independent production sector and SABC employees.

In addition, specific projects were undertaken which allowed for alignment with national priorities such as initiatives in support of eliminating gender-based violence and child abuse and raising HIV/Aids awareness.

Corporate Communications>

The corporate communications unit communicates key messages to internal and external stakeholders.

Some of the achievements included support for the 2010 Fifa World Cup bid and facilitating the SABC Board-driven 2006 PBS Colloquium aimed at stimulating debate on an alternative funding model for the company.

One of the major communication challenges is managing perceptions about the public service role of the SABC in a deepening democracy.

Tours undertaken by the unit have contributed to demystifying broadcasting, giving the public a deeper insight into the operations of the company. The success of these tours has resulted in substantially increased demand from schools as well as various local and international groups.

Policy and Regulatory Affairs>

The role of the policy and regulatory affairs unit is to facilitate an understanding of, and compliance with the company's regulatory obligations. In addition a key focus area is ensuring that all citizens have access to the SABC's services.

One of the major successes of the unit in the 2005/06 financial year was engaging the regulator on policy development and the formulation of appropriate regulations.

There was a 34% reduction in formal complaints lodged with the Broadcasting Complaints Commission of South Africa (BCCSA) about SABC services. This reduction is attributed to increased awareness and better compliance internally.

In pursuance of the goal of Universal access, 433 543 viewers and 140 900 listeners gained access to SABC services for the first time.

International Affairs>

The international affairs unit co-ordinates the international activities of the company and drives its international strategy.

The SABC continued to play a high-profile role in multilateral international broadcasting bodies such as the Southern African Broadcasting Association (SABA), the Union of National Radio and Television Organisations in Africa (URTNA), Public Broadcasting International (PBI) and the Commonwealth Association of Broadcasters (CBA).

There has been regular exchange of information between delegations representing the broadcast sector, both locally and abroad, as well as with representatives of foreign governments.

Commercial **Enterprises**

Matome and his poultry project.

"Life has taught me that you cannot count your chickens before they hatch, but keep your eyes open as there are many opportunities to enrich and empower yourself"

Matome Manabela, SABC Polokwane

A Remarkable Year for Commercial Enterprises

The end of March 2006 marked the end of a remarkable year of achievements for the Commercial Division of the SABC. Commercial airtime sales, comprising advertising sales on radio and television, programme, sports and education sponsorships, and interactive media sales (combined with merchandising and mobile units), all produced record turnovers. This was achieved against a backdrop of strict cost containment, a strong sales force and accelerated improvement in training, employment equity and human capital management.

During the 2005/06 financial year, Commercial Enterprises generated R3,9 billion in revenue, reflecting an overall increase of 17% compared with 2004/05. Advertising and sponsorship sales accounted for 76%; television licences for 19%, and non-traditional commercial sources, such as merchandising, for 1%.

The marketing unit performed well, dealing with events, special projects, public relations and the positioning of brands in the market place. Improvements in the Corporate Social Investment Division resulted in partnerships and citizen empowerment initiatives that made use of generously donated airtime and event activation with non-governmental organisations.

Support divisions-finance, operations, and human capital-were able partners, and provided control and support, which resulted in improved operating efficiency and more favourable key ratios, such as cost of sales. Debtors' days were maintained at an average of 50 days on a book of nearly R900 million in peak season. Effectively, the division serviced in excess of 4 143 clients and 245 advertising agencies during the year.

SABC Television Sales>

Increased share reinforced market leadership

Television Sales is responsible for securing television revenue.

Driven by the transversal repeat soap strategy, movies, and new local dramas, SABC television experienced unprecedented growth during the year under review. A buoyant advertising market, that experienced growth above the total market for the past three years, supported the growth in audiences. Local content continued to deliver the biggest audiences for the SABC, at the same time offering advertisers a choice of communication solutions, from classic advertising to multimedia sponsorship options.

Television Sales produced exceptional revenue results, posting an increase of 16% or R305 million over the previous years figures. Traditional classic advertising revenue increased by 16% and sponsorship grew by 10%.

The unit launched the latest Consumer Scope, the objective of which is to bring the local market and Living Standard Measures (LSMs) to life, to the media and marketing industry. It also continued its *4sight* initiative, which offers media planners an exclusive media preview of the programme lineup on SABC television platforms, featuring a viewing of pilots and signature shows, covering local and international content. The launch of its website interface gives planners easy access to relevant information.

SABC Sports sales>

Revenue depends heavily on the sports schedule and on the range of special events the SABC covers. Since sports schedules remain reasonably stable, apart from special events, sponsorship income is volatile, as is classic advertising (even if to a lesser extent). In the 2005/06 financial year, SABC Sports Sales relied heavily on soccer properties and the commercialisation of minority and development sports to supplement the loss of rugby.

SABC Education sales>

For the first time, SABC Education commercial sales were included in television sales reporting. The year was characterised by inconsistent implementation of commissioning procedures, protracted negotiations and contracting processes with clients and unpredictable television schedules. Alignment inertia between educational programmes, channels and education sales was also in evidence as the Content Enterprises Division was established. As a result, revenue was disappointing, but is expected to improve in the 2006/07 financial year.

This unit secured new sponsorships and created awareness of award winning properties in SABC Education, which included programmes such as *Soul City* and *Takalani Sesame*. Multimedia educational content was extended to include print, web-based interactive games and mobile services.

SABC Radio Sales>

Shows solid recovery

The SABC Radio Sales unit is responsible for procurement of radio revenue, classic advertising and sponsorship sales across two major platforms: PBS and PCS Radio.

In the 2005/06 financial year SABC radio was driven by a back-to-basics approach, with greater brand visibility in the trade, better education in the worth of

SABC audiences, and the introduction of more aggressive sales operations disciplines. Innovation that contributed to performance included regional advertising splits and greater advertising opportunities on Metro FM and 5fm. A target market solutions approach of bundling SABC brands offered clients new market communication prospects.

SABC multimedia sales approach>

The SABC identified an opportunity to offer customised and unique solutions for clients' communication objectives by offering a 360° through-the-line resource. This unit was introduced in April 2005.

The pursuit of potentially lucrative Corporate Social Investment (CSI) funds from new industry budgets was identified as a new source of revenue. The strategy was also motivated by changes in the scheduling strategy across the SABC, which called for more local content and mandate programming. The results are encouraging.

Corporate Marketing>

Corporate Marketing strives to build the SABC into an iconic South African brand that inspires the nation to position it as a public broadcaster and to tell the positive South African story unfolding every day. Throughout the year this unit invested in PBS Radio brand visibility, corporate identity standards improvement and the transversal of brand campaigns to market signature programmes. It also took the SABC brand to the people through the special events it presented, CSI projects and SABC radio and television content.

Advertising campaign at Johannesburg International Airport

Highlights on the marketing calendar included:

- The launch of *Superbrands SA*, paying tribute to 82 of the strongest brands in the country, saw the SABC corporate brand and Metro FM listed as superbrands
- TV Licences was repositioned strategically to promote licence holders as responsible citizens who fulfil their legal and moral obligations
- SABC3 embarked on a journey towards a new look and revamped its on-air imaging to reflect an internationally minded community with its feet firmly rooted in Africa
- When the Markinor/*Sunday Times* Top Brands Survey results were announced and the annual Encyclopedia of Brands and Branding in South Africa was launched, the SABC received numerous accolades, dominating in both the Business to Business and Business to Consumer (Television and Radio) categories
- SABC1 was named South Africa's Most Loved Television Brand; SABC2 moved up a notch into second place and SABC3 held its own in the fight for third place, occasionaly slipping to fourth place
- In the radio category, the SABC dominated. Ukhozi FM headed the top ten for the second year running; Umhlobo Wenene FM, the second biggest African language radio station in South Africa, with an average of 3,3 million listeners per weekday, came second, followed by Metro FM, Lesedi FM, Motsweding FM, on Thobela FM. Munghana Lonene FM was placed eighth, and 5fm tenth
- Corporate Marketing embarked on a comprehensive advertising campaign at Johannesburg International Airport, branding whole floors of the parkade in support of SABC News, SABC Sport, and SABC1, 2 and 3
- The SABC News on-air look and feel was revamped accross all channels, with the aim of creating a consistent and unified on-air look for the News brand

- In 2005, the SABC embarked on a full tender process to appoint new agencies. In line with our operational requirements and the commitment to promote BEE and give more agencies a chance, it was decided to increase the number of agencies and suppliers in partnership with the SABC

SABC Mobile>

- SMS applications continued to grow as a means for audiences to interact with their favourite programmes, such as *Noot vir Noot* and *Strictly come Dancing*, which generated more than 100 000 SMS entries during a single show. However, *Test the Nation*, which was designed specifically for SMS interaction, generated very poor volumes

- Successful integration of mobile technology into programmes relies on early identification of interactive opportunities in the conceptual stages of programme production and SABC Mobile began attending programme pitching sessions to find those opportunities

- *iFind 34600* was partnered to offer an SMS-based directory enquiry service. The SMS campaign raised almost R100 000 for *Muvhango's* crash victims

- Mobile published its first mobile content booklet under the *Mzuzu 60* brand, created specifically for the mobile-savvy youth market

- Mobile issued an editorial policy to ensure that members of the public may use its value-added services with confidence, being assured of accurate information on services and pricing

Merchandising>

The Merchandising unit is responsible for management and commercial visibility of SABC trademarks and licensing of third parties to use them. The unit reached its target of R8 million for the year, 80% of which came from products and services around music CDs, DVDs and events.

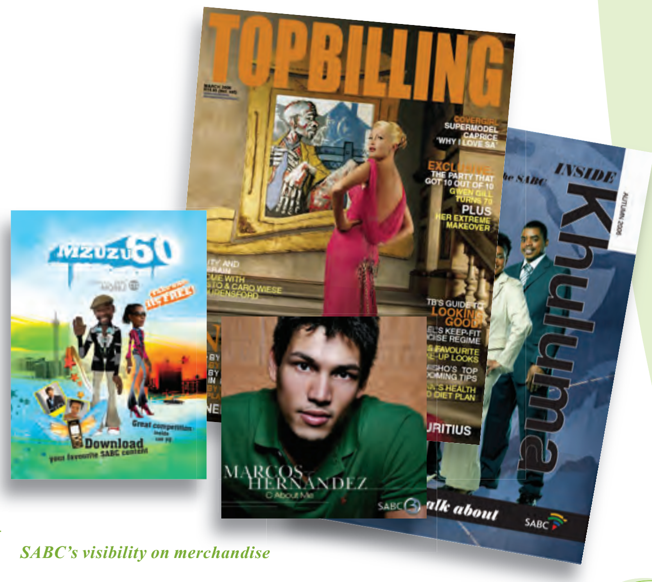
The unit developed new strategies that focus on print media (newspapers, magazines, books), home entertainment (DVDs, CDs), retail (SABC shops), events (exhibitions, shows, concerts), new media (mobile, internet, broad-band) and licensing (SABC brands and trademarks).

Commercial Enterprises challenges>

The competitive landscape in radio, where regional independent radio stations targeting the 25-49 age group and LSM 8-10 profile compete for revenue and where changes in the regulatory framework on new licences have a profound impact, poses significant challenges for the SABC going forward.

On television, the dilemma is to attract and maintain prime-time audiences with predominantly mandate-driven and local programmes (in line with ICASA licence conditions), while remaining commercially attractive and able to sustain funding for the SABC.

The South African media industry has decided to follow global trends and introduce overnight/day-after ratings. Effectively this means that television viewership will be known the day after broadcasting and marketers will expect immediate accountability. More scientific campaign results and a resultant change in trading policy by broadcasters will be the direct result. This will affect programming and scheduling and consequently, research, pilot testing and advance trending will become imperative.



SABC's visibility on merchandise

Audience Services Division

Errence and his colleague and friend Lerato Moswane

"Your contribution to other people is the reflection of who you are; it is about respecting and empowering others and celebrating our diversity"

Errence Ratlabala, Audience Services

The Audience Services Division (ASD), whose core business it is to collect and manage television licence fees, forms part of SABC Commercial Enterprises.

Television licence revenue is one of the main sources of revenue for delivery of the SABC's public service mandate and, in terms of the Broadcasting Act, is to be used solely for that purpose.

During the 2005/06 financial year the ASD made excellent progress toward attaining its strategic objectives. Important achievements include:

- Financial results for both operating revenue and expenditure were considerably better than budget
- Various strategies aimed at ensuring retailer, business and household awareness and compliance paid dividends, as evidenced by an increase in revenue from new licence holders and renewal of existing licences
- Successful recovery of licence fees outstanding through various debt collection strategies and initiatives, which contributed some 64% to the year on year growth in cash collections
- A rewarding public relations and marketing year for the division, the new TV Licences logo and image were launched and were received favourably by both internal and external stakeholders and a number of TV Licences marketing campaigns were acknowledged by the industry
- The ASD also made good progress towards achieving Black Economic Empowerment and Employment Equity targets, which was borne out by both quantitative and qualitative measurements

Financial performance>

- Cash flow of R826 million represents an improvement of 27% (R174 million) year on year and was 11% (R85 million) better than budget for the 2005/06 financial year. This was attributable mainly to the implementation of strategies aimed at ensuring higher levels of awareness and compliance amongst retailer, business and household groups, as well as strategies for recovering licence fees outstanding

- Gross revenue for the year was R739 million, which was 21% (R128 million) better than budget, signifying an improvement of 30% (R171 million) on the previous year

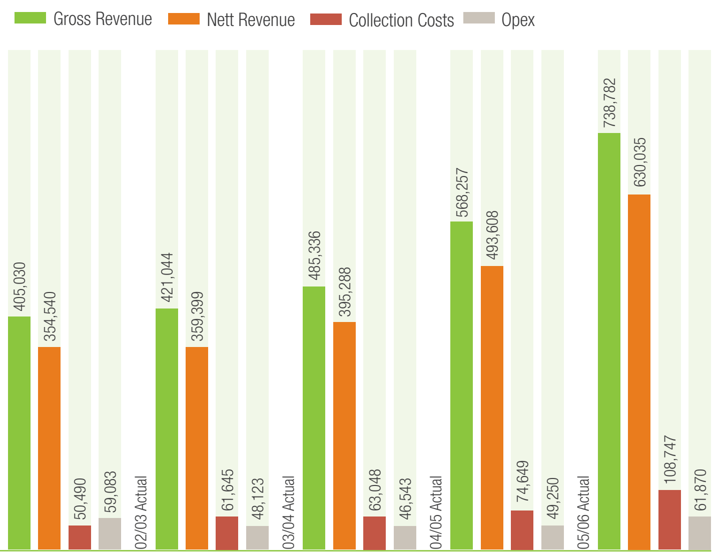
Compliance>

- During the year under review, 659 497 new accounts were created on the TV Licences customer database (repersenting 10% growth)
- Television licence fees collected from businesses improved by 16% (R7 million) year on year
- Regional TV Licences offices achieved a growth rate of 18% as against the previous year
- Despite a marked increase in incoming customer interactions—both telephonic (64% year on year) and written (14% year on year) communications—the division managed to exceed its customer service targets
- Compliance inspections were carried out at all major retailers selling television sets and a second round of inspections was in progress at the time of reporting
- Some 2,46 million licence holders were paid up by the end of the financial year; 3,24 million were partially paid up, and 235 000 had made no payment at all

Marketing and public relations>

- The ASD raised awareness of TV Licences by way of participation in shows and festivals, including the Rand Show, Royal Show, KKNK, Grahamstown Festival, Gariep Festival and the ABSA Soweto Festival
- SABC offices in all the provinces ran regional awareness campaigns
- A database campaign aimed at getting licence holders to update their personal particulars on the TV Licences database, awarded prizes to the value of R600 000.
- Audience Services received no fewer than five Loerie Awards for its advertising campaigns, a Creative Directors Circle award for Best Advert of the Year, and the division was a Cannes finalist (see Awards on page 108)

Revenue generating strategies



Revenue generating strategies have been yielding excellent results. A steady improvement in collection efficiency since 1999 has resulted in increased television licence revenue. Collection costs and operating expenditure have been contained, despite a marked increase in customer and transaction volumes.

"I'm not only a woman who has conquered breast cancer and won, but I'm a woman who believes that life is what you make of it"
Elsje Oosthuizen, SABC Internal Audit

People

Human Capital **Services**

Vernon and his collegues from Port Elizabeth, Buildings Division

"A postive approach to each day, a thought of making a difference in at least one person's life, even if it is just a smile. That is how you achieve the best from yourself and those around you"

Vernon Berndt, SABC Port Elizabeth

The SABC has earned its status as a place of preferred employment. Its most valuable asset is its people...

The SABC aims to provide its staff with working conditions and benefits that create an optimal environment for people to give of their best and reach their full potential.

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 and recording for radio. It employs specialists and professionals in almost every field, from journalists and engineers to lawyers, accountants, and educationists; from secretaries to plumbers and electricians.

The SABC offers in-house and external training in many areas and bursaries, based on particular criteria, are available for broadcasting-related studies to permanent staff and their children.

Employment equity>

Representation of black people (African, Indian and Coloured) increased to 67% from 63% in the previous year. There were more women on the staff—41% in 2005 and 42% in 2006. In line with the SABC's equity targets, black staff and women were identified for advancement, particularly in the middle management group. A new, comprehensive and integrated Employment Equity strategy was nearing completion by the end of the 2005/06 financial year.

Employee relations>

The SABC constantly endeavours to ensure sound labour relations between management and stakeholders through fair employment practices and the protection of employee rights. Staff turnover decreased from 8% in 2004/05 to 7% in 2005/06. It is noteworthy that during this financial year disciplinary cases decreased dramatically by some 50%. The finalisation of new recognition agreements with all three labour unions (BEMAWU, CWU and MWASA) is the division's priority for 2006/2007.

HIV/Aids strategy>

A second HIV/Aids prevalence survey was conducted in the SABC during the year. The results of the prevalence survey, as well as the audit report on HIV/Aids, will be used as a basis for the new HIV/Aids strategy.

Human capital audit>

To improve the efficiency of the Human Capital function in the SABC, an independent consulting firm was commissioned to undertake a Human Capital Audit in 2005/06. Recommendations from the audit will be used as a guide to transform the SABC Human Capital Services Strategy.

Performance management>

In line with the recomendations of King II and corporate governance best practice, the SABC endeavours to ensure a meaningful link between the performance of its employees and their remuneration. During 2005, the Board approved Economic Value Added (EVA) as the incentive scheme attached to Performance Management for top and senior management. Performance bonuses for these levels of management were based on this scheme for the 2005/06 financial year.

Succession planning>

Succession planning was identified as a strategic initiative that needed to be implemented. Benchmarking was done and best practice investigated. The first phase of the succession planning programme is due for implementation during the ensuing financial year.

Salary parity>

To deal with anomalies in remuneration and benefits based on race and gender, more than 500 employees on non-managerial levels benefited from a parity exercise in November 2005. The project will be extended to middle and junior management levels in the 2006/07 financial year, after which any remaining glaring disparities in salaries of employees based on race, gender and location will be addressed.

Health and safety>

The SABC continued to enforce health, safety and environmental standards in the workplace in compliance with all applicable lesiglation. Compliance audits were undertaken continually to ensure safety reduced a priority in the workplace.

Training and development>

- During the 2005/06 financial year, 44 bursaries were awarded to staff for broadcasting-related and job-relevant part-time tertiary studies as part of an ongoing strategy to improve competence levels.

- Four permanent employees were enrolled for three-year Chartered Accounting training through the South African Institute of Chartered Accountants (SAICA). The requisite learner support programmes were instituted and the career development plans approved by SAICA. The programme was designed to be extended to university students through bursaries in the ensuing year
- Editorial and technical training—from scriptwriting to storytelling and results system training—was given to 411 journalists and technical staff in preparation for the SABC's election coverage
- An agreement was entered into with the School of Sociology at Wits University for presentation of a two-week *Sociology of Contemporary News* course for senior editorial staff. The programme provided valuable insight into news coverage and presentation, and is intended to be cascaded to journalists and news presenters
- An exchange agreement was concluded with the Maputo-based Southern African Media Trust (NSJ) for journalists from the SABC and the Southern African Broadcasters Association. The programme has already seen more than ten journalists benefiting from the exchange
- In all, 2 152 members of staff attended one or more courses during the year as part of the SABC's plan to improve the quality of its programmes and its contribution to life long learning

General Statistics >

General human capital statistics pertaining to the 2005/06 financial year are given below

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
	2006	**30**	**3**	**5**	**16**	**54**	**14**	**3**	**0**	**6**	**23**
Middle Management	2005	80	12	10	96	198	24	3	11	49	87
	2006	**96**	**11**	**9**	**95**	**211**	**46**	**4**	**7**	**48**	**105**
Specialists	2005	0	0	0	9	9	0	0	1	1	2
	2006	**0**	**0**	**0**	**9**	**9**	**0**	**0**	**1**	**1**	**2**
Junior Management	2005	147	8	9	174	338	56	12	13	80	161
	2006	**176**	**9**	**13**	**158**	**356**	**75**	**13**	**14**	**82**	**184**
Supervisory Levels	2005	612	53	60	352	1 077	415	52	101	341	909
	2006	**652**	**50**	**67**	**332**	**1 101**	**470**	**54**	**117**	**321**	**962**
Rest of Staff	2005	164	0	13	5	182	85	6	11	21	123
	2006	**168**	**1**	**13**	**3**	**185**	**100**	**8**	**12**	**17**	**137**
GRAND TOTAL	2005	1 030	73	99	652	1 854	587	75	138	501	1 301
	2006	**1 122**	**74**	**107**	**613**	**1 916**	**705**	**82**	**151**	**475**	**1 413**

Total Number Of Employees	31 March 06	31 March 05
Permanent Staff	2 725	2 693
Fixed Term Contractors	621	492
Casual Staff	178	207
Race Analysis *(Permanent and Fixed term Employees Only)*	%	%
African	54.88%	51.25%
Indian	4.69%	4.69%
Coloured	7.75%	7.51%
White	32.68%	36.55%
Gender Analysis *(Permanent and Fixed term Employees Only)*		
Male	57.55%	58.76%
Female	42.45%	41.24%
Disability Analysis *(Permanent and Fixed term Employees Only)*		
Male	0.44%	0.47%
Female	99.56%	99.53%
Age Analysis *(Permanent and Fixed term Employees Only)*		
Up to 25 Years	4.66%	4.60%
26-35 Years	30.91%	29.70%
36-45 Years	28.39%	30.59%
46-55 Years	28.48%	27.96%
Over 55 Years	7.57%	7.16%
Appointments By Race *(Permanent and Fixed term Employees Only)*		
African	77.50%	65.99%
Indian	5%	6.63%
Coloured	9.79%	14.12%
White	7.71%	13.26%
Terminations By Race *(Permanent and Fixed term Employees Only)*		
African	46.15%	43.73%
Indian	6.07%	4.56%
Coloured	9.72%	9.51%
White	38.06%	42.21%
Turnover *(Permanent and Fixed term Employees Only)*		
%	7.42%	8.34%

Note: The difference between the Total Number of Employees on pages 66 and 67 arises as a result of the inclusion 17 non-permanent staff members as fixed term contractors for F2005/06 and of 30 non-permanent staff members as fixed term contractors for F2004/05

Corporate Social Investment

Ntsiki with the family who was part of a Social Grants story for news

"Our involvement goes beyond the stories we cover; it becomes part of you... the people become family"

Ntsiki Nohiya, SABC News - Umtata

The guiding principle for the SABC's involvement in a CSI initiative is to ensure that our actions have a positive impact on the citizens of our young democracy.

The SABC is about broadcasting for total citizen empowerment. In the spirit of empowering all South Africans, the SABC's Corporate Social Investment (CSI) unit is involved in various CSI projects in South Africa.

To meet its mandate, the SABC links its broadcast content to broad national development themes. Through our Radio and Television platforms, the SABC actively gets involved in issues of national importance such as HIV/Aids, youth and cultural matters, education development, commerce, disablility, women's issues, community upliftment and environmental projects.

National public service announcements>

The SABC offers free public service announcements to national charities, community organisations and institutions to provide them with the rare opportunity to create awareness for their causes. This assists these organisations with reaching their target market as well as in some cases with acquiring further sponsorships for their causes.

Some of the organisations granted PSA status during the 2005/06 financial year included:

- Boys and Girls Town: A haven that accommodates street children, with a view to giving them a school education and offering life skills training. In addition, the children have access to social workers and doctors.
- Arts Alive: SABC was involved with this event, which showcased all forms of the arts, both local and international, at various venues in and around Johannesburg.
- SA Music Heroes: This annual Afro-Jazz festival event is held at Moretele Park in Pretoria and honour South African music heroes such as Thandi Klaasen, Abigail Kubeka and Dorothy Masuku.
- University of Pretoria: The University awarded 100 bursaries to underprivileged rural students to further their studies.
- SA National Council for the Blind: This Council offers assistance to the blind and aims to educate South Africans on the activities.
- Dettol Trust: The Dettol Trust assists children, especially orphans living with HIV/AIDS. During 2005/2006 orphanages were built and furnished, one being in Soweto, and a hospital was also constructed.

CSI projects chosen for their potential impact and sustainability during the 2005/06 financial year included the:

- Massed Choir Festival: The SABC, jointly with Sowetan and Transnet, sponsored the Massed Choir Festival. Which highlights different forms of choral music. The festival was supported and flighted on SABC2.
- Macufe: Macufe is an annual cultural and music festival, which takes place in Bloemfontein. SABC Television and Radio actively support this event.
- Community Builder of the Year Awards: An annual event, supported by the SABC, *The Sowetan* and *Old Mutual*, which aims to capture the hearts and minds of South Africans. The event honours South Africans whose compassion inspires individuals to improve the quality of life for their fellow citizens and communities. The ceremony is flighted on SABC2 and has massive ongoing support from all SABC Radio stations.
- Grahamstown Arts Festival: This annual festival which showcases local performing and visual arts and culture in Grahamstown, is supported by SABC Corporate Marketing, television and radio.
- Quad Squad: In partnership with Pick-‘n-Pay, the SABC raised awareness for the quadraplegic campaign.
- Cape Town International Jazz Festival: Africa’s biggest and grandest jazz festival was co-sponsored by the SABC. SABC radio and television platforms assisted with live broadcasts, interviews and documentaries.
- 16 Days of Activism for Non-Violence Against Women and Children: An initiative that raises awareness for the activism of non-violence towards women and children. The SABC played a prominent role in spreading the message on its television and radio platforms.
- ICT African Achievers Awards: This event that initially honoured women achievers in the technology and communication sectors throughout Africa, now also honours young male achievers and is screened on SABC Africa.
- World Aids Day/ Child Headed Households: An initiative that assists orphaned children who take care of their siblings. ABSA /Barclays and the SABC entered into a partnership to raise awareness and to collect donations of cash, food, clothing, books and toys which were distributed through Child Welfare, the Red Cross, Unicef and World Vision.
- NAFCOC BEE Exhibition: The SABC was the media sponsor and also exhibited at this event.

"I feel proud to be in the position to use my platform to raise social issues, awareness of obstacles I had to face and conquer myself"
Lulu Haarmans, Umhlobo Wenene FM

Programming

PBS Television

Vuyani and a local youngster inspired by his achievements

"It doesn't matter where you come from but where you are headed and whom you take along on the journey"

Vuyani Green, SABC News

Average daily audience: 15,2 million.
Full spectrum free-to-air channel with a youthful focus aimed at a mass audience.
Broadcasts in English, isiZulu, isiXhosa, isiNdebele and siSwati.
Coverage via terrestrial transmitter network: Currently 87% of targeted audience.
Available via satellite on the DStv and Vivid DTH (direct-to-home) digital satellite platforms.

Average daily audience: 9,2 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.

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 channel of the national broadcaster has 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, to reflect the religions practiced in the country; to cover the sports the nation plays and watches; to reflect events of national importance; to deal with issues identified by the government as national priorities and to promote nation building. In addition it must incorporate broadcasting in all official languages, in compliance with the local content requirements set by ICASA. As the leading African broadcaster, the SABC's PBS channels must also focus on South Africa's role on the continent and the Africanness of its people.

SABC1>

SABC1 is a full-spectrum free-to-air television channel with a youthful positioning, aimed at a mass audience. It broadcasts primarily in English, IsiZulu, isiXhosa, isiNdebele and siSwati. However, there are secondary broadcasts in the other South African languages. Coverage is via a terrestrial transmitter network. The channel currently reaches 87% of its target audience. It is also available via satellite on DStv and Vivid DTH (direct-to-home) digital satellite platforms.

The image

SABC1 is South Africa's favourite and most-watched television channel. It represents and reflects the dreams of the country's young adults, their aspirations and ambitions and is a personification of a dynamic, progressive South African society.

The channel targets viewers who subscribe to a youthful value system, meaning those that are young at heart, energetic, ambitious, confident, challenging yet responsible and progressive. Its communication target market is the 16–34 age group. However, the channel also strives not to distance itself from its broader base of viewers who are older and younger than this.

The channel's vision is to remain the nation's premier platform for youthful expression. As the channel that commands the biggest television audience in the country, SABC1 is fully aware of the need to exert the power of the medium as a positive influence, and a vehicle for transformation of the South African society. This enables the channel to speak directly to its mandate to entertain, educate and inform.

Audience growth

SABC1 attracted audiences of 15,2 million viewers every day during 2005, a growth from around 14,5 million viewers in the previous year (source: AMPS), thus maintaining its primetime dominance of the South African television market. The channel surpassed all of its market share objectives, achieving a prime-time share of 35%, which is 1% above the previous financial year.

Programme remit

SABC1 is a full-spectrum national television channel providing a programming mix of enlightening, informative, educational and entertaining material predominantly in the Nguni languages and English.

This programming mix seeks to celebrate and shape a youthful South African identity by:

- Reflecting the broad canvas of South African society with a focus on 'ordinary people and with a South African narrative' beyond the urban and contemporary milieu
- Entrenching its programme DNA which is 'straight-talking honesty, a celebratory yet outspoken tone, thereby inspiring social action and dialogue'
- Aiming for popular programming, while still remaining 'honest and responsible' as opposed to 'tabloid and sensational'
- Offering programming that connects with people, reflecting their lives and their concerns, and takes their views into consideration
- Maintaining high levels of local content and commissioning material of excellent quality that is relevant to the mission of the channel

Local content

SABC1 has exceeded its overall local content quota and all genre quota requirements for the year under review. The channel delivered 64,5% against a local content target of 55% during primetime and 62,7% against a target of 55% during the year under review.

Language

The language mix on the channel is guided by the SABC's editorial policies in accordance with the national language framework. African language delivery on SABC1 in prime-time was 50%, up from 12% in the previous financial year. Overall African language delivery was 35%.

The channel further broadened the accessibility of its programmes to its audience through its continued use of subtitling where English was not used. For example, in *Nomzamo*, which is a local sitcom, an experiment of subtitling English dialogue into African languages proved to be a great success.

A year of action and success

Generations, which continued to be a stellar performer for the channel, celebrated its 12th year on screen and its 2000th episode. The channel embraced all efforts to forge a concentric SABC marketing process through its joint marketing initiatives with vernacular radio stations. The complementary support, as the stations embarked on national road shows, promoted SABC1, and radio personalities, in all provinces and societies.

SABC2>

SABC2 is positioned as the channel for the South African Family 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 picture of a nuclear family—mother, father and 2,4 children—has never been the norm on this channel.

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 seeks to explore what might be universally recognised as 'family values'—the caring, sharing, love, respect, and acceptance that form the core of family life—and make them central to SABC2's positioning.

The nation as a family

During the year under review, SABC2 reinforced 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 role 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.

SABC2's Strictly Come Dancing presenters

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 people with disabilities

Language

The channel's approach to language, in accordance with the SABC's editorial policies on language, provides for both unilingual and multi-lingual delivery in the following manner:

- Unilingual delivery is primarily in News, some Current Affairs and Education programming
- SABC2 broadcasts in seven of the eleven official languages: Afrikaans, seSotho, seTswana and sePedi, XiTsonga, TshiVenda, and English—making it a truly South African channel
- Sotho delivery increased from 23% to 25% during the 2005/06 financial year
- A sign language strategy has been integrated within Education, IKB and Children's programmes

- Sub-titles have been introduced to increase cross-over appeal in local drama and programmes for the deaf and hard of hearing (DTV)
- DTV will migrate to SABC2

Local content

- SABC2 will continue to meet, and wherever posible to exceed, local content quotas in respect of ICASA genres across primetime and performance period
- The channel has the highest volume of local content of all three channels in primetime (78%) delivering mainly in seSotho, Afrikaans and English
- SABC2 maintains a high level of local content programming in a cost efficient way as the best means to respond to the channel's dual target audience and language needs
- SABC2 will invest R445 million in local content and R43 million in foreign programming in the next financial year

Audience profile and growth

The demographics of the channel, according to AMPS 2004A shows that:

- 52% of SABC2 viewers are in the 35 year and above age group
- 52% are Sotho and Nguni speaking
- 48% are English and Afrikaans speaking
- The target audience is all audiences of 16 years and above

SABC2 achieved its target to be the number 2 channel after SABC1 when share is measured across the financial year. The channel's universal access has improved year on year from 89% to 91% and it delivered well against its All Adult Audience Share targets set for the financial year.

The channel met its primetime audience target of 19% average, and exceeded its performance period target of 18% by 2%. The external 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 10% and 16% respectively.

The channel continued to place emphasis on National Events—such as the Municipal Elections, Opening of Parliament, National Days (Women's Day, Freedom Day, Khomanani Day and Day of Reconciliation), Trials that were in the public interest such as the Shaik and Thatcher trials, the 50th Anniversary of the Freedom Charter, the Commonwealth Games and the Comrades Marathon.

SABC2 became the second-most recognised brand in television according to the Sunday Times Brand Awareness Score.

Mandate

The channel will consolidate the gains it has achieved in the last three years and is set to widen the gap between its competitors and strengthen its PBS offering across the full spectrum of genre as it strives to become the channel of choice for the South African family. The challenge moving forward is to maximise nation-building opportunities through creating an emotional connection with our viewers.

The presenter of SABC2's Sho't Left

PBS
Radio

Chomane in the Lesedi FM studio

"Radio to me is one of the greatest platforms, as you learn to listen. By listening you can make a difference"
Chomane Chomane, Lesedi FM

South African public broadcasting plays an essential part in transforming and developing of the community, in promoting social cohesion, as a catalyst for change, and in telling the South African story authentically in order to help establish common values and achieve our national goals.

PBS radio positioning>

PBS Radio uses the SABC's editorial principles of equality, editorial independence, nation building, human dignity, accountability and transparency as a guide to inform its programming. To achieve its objectives, PBS Radio uses dynamic, entertaining and informative programme formats; these include drama series, talk shows, documentary and magazine programmes, youth and children's programmes, religion, sport and variety programmes.

Fulfilling the PBS mandate>

During the 2005/06 financial year, PBS radio remained stable in terms of its average daily listener rate, and in terms of the Compound Average Growth Rate (CAGR) indicator. On average, PBS radio stations still command the highest levels of time spent listening (TSL). For example, Phalaphala FM registered 22 hours 53 minutes per average listener per week; Lesedi FM 21 hours 15 minutes; and Ukhozi FM 23 hours 14 minutes.

The stations continued to deliver local music beyond their licence quotas and continued to feature not only popular local commercial music, but also choral and traditional music. Local content included interviews with up-and-coming musicians; the promotion of artists on air and station events. The PBS radio stations continued to produced radio dramas, and recently Lotus FM, SAfm and X-K FM began broadcasting radio dramas beyond the requirements of ICASA's licence conditions.

Universal access>

The SABC's universal access policy aims to give every South African access to a broadcasting service, and, as a longer-term goal, to ensure that audiences have access to a range of radio services in a variety of official languages.

Accordingly, an extra transmitter for Ikwekwezi FM in Johannesburg was commissioned in the 2005/06 financial year. ICASA also licensed a transmitter for Lotus FM in Port Elizabeth, and one for Lesedi FM in Durban, which are to be commissioned during the first and second quarters of the next financial year.

A further application was also approved for Umhlobo Wenene FM transmission facility in Kimberley. Studies were commissioned to increase coverage of all the PBS stations beyond 80%; these include Ligwalagwala FM and Phalaphala FM. The X-K FM transmitter was moved to Platfontein when its target audience, the !Xu and the Khwe! communities, were relocated.

New licence conditions>

The amended licence conditions set by ICASA came into effect in March 2006. These licence conditions, although comprehensive and far-reaching, are largely achievable. Changes to the current programming to comply with the revised licence conditions include the introduction of weekend news and current affairs programmes, additonal children's programmes and dramas and the introduction of multi-lingual broadcasting on Radio 2000.

Social upliftment programmes>

PBS Radio strives to remain relevant to its audiences by being aligned to its audiences needs. Our stations have tackled critical issues such as HIV/Aids, literacy, poverty, and violence against women and children though targeted programming and special events.

In dealing with some of the social ills and challenges, the PBS radio stations do not only reflect society to itself, but also engages the public to debate issues openly to find solutions. Lesedi FM, for instance, has previously focused on the taxi violence; Phalaphala FM has introduced the Piece Jobs programme to try and place unemployed people into jobs; CKI FM broadcast a programme dealing with cases of unfair conviction; Umhlobo Wenene FM has tackled racism in rugby administration and X-K FM's project is the preservation and recording of the culture and language of the !Xu and !Khwe peoples.

Towards the future>

Challenges ahead include the further liberalisation of the broad-

Average daily audience: 4,564 million.
Full spectrum in isiZulu.
Reach of station via terrestrial transmitter network: Currently 80% of targeted audience.
Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.

Average daily audience: 3,304 million.
Full spectrum in isiXhosa.
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: 2,486 million.
Full spectrum in Sesotho
Reach of station via terrestrial transmitter network: Currently 78% of targeted audience.
Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.

Average daily audience: 2,041million.
Full spectrum in Sepedi.
Reach of station via terrestrial transmitter network: Currently 78% of targeted audience.
Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.

Average daily audience: 1,845 million.
Full spectrum in Setswana.
Reach of station via terrestrial transmitter network: Currently 86% of targeted audience.
Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.

Average daily audience: 1,224 million.
Full spectrum in Afrikaans.
Reach of station via terrestrial transmitter network: Currently 87% of targeted audience.
Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.

Average daily audience: 0,941 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: 0,83 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.

casting landscape, entrance into the industry by new competitors, the growing choice of radio formats that are likely to lead to niche broadcasting; globalisation; the technological evolution; continual changes in audience needs and the relocation of audiences from rural and semi-urban areas to metropolitan areas.

PBS Radio must plan for and rise to these new challenges. To this end PBS Radio has already embarked on the continual improvement of programming recovery of the importance of various languages; an Afro-centric approach; fulfilment of the mandate as expressed in the legislative and regulatory frameworks and the SABC's corporate goals; an integrated approach by SABC PBS Radio and Television; enhancement of stakeholder relations, both internal and external; exploration and establishment of relations with other broadcasting organisations on the African continent and beyond to facilitate the exchange of programming and staff; benchmarking PBS radio standards against international standards; and on-going training and exposure of our broadcasters to environments where lessons can be learned.

One of our Deejays entertaining the crowds at the Rand Show

Average daily audience: 0,749 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: 0,578 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: 0,358 million.
Music format in English and isiXhosa.
Principal broadcasting area: Parts of Eastern Cape.
Not available in via satellite.

Average daily audience: 0,279 million.
Full spectrum in English.
Reach of station via terrestrial transmitter network: Currently 95% of targeted audience.
Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.

Average daily audience: 0,273 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.

Average daily audience: 0,055 million.
Facility service.
Principal broadcasting area: All areas execept the Northern Cape.
Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platforms.

Average daily audience: not available.
Community station in !Xu and Khwe.
Reach of station via terrestrial transmitter network: Radius of some 50km near Kimberley.
Not available via satellite

PCS
Television

Hazel and her children

"My inspiration comes from my children, being able to enjoy the simple things in life. Living each day as if it is your last, not complicating things as we adults do"

Hazel Olivier, SABC Commercial Enterprises

Average daily audience: 5,966 million.
Full spectrum free-to-air channel. Entertainment and infromation format for cosmopolitan viewers.
Broadcasts inEnglish.
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.

SABC3 is a full spectrum, free-to-air channel with an adult contemporary format, broadcasting mainly in English.

It addresses progressive, aspirational South Africans with a sense of style, who have their hearts in South Africa and a global outlook. The core audience comprises viewers in the 25 to 49-age bracket and LSM 8-10 group.

SABC3, as the commercial television channel of the SABC, is an important source of revenue for the company. In terms of the Broadcasting Act it is required to cross-subsidise the public broadcasting services to some extent and therefore needs to deliver programming that is commercially attractive, but which complies with the values of public broadcasting.

The PCS character of SABC3 further requires a judicial balance between local and global perspectives, and between mass appeal and niche content, in order to capitalise on the channel's commercial potential. The channel has developed a successful programme mix that creates a meeting place for the best of local and international television. The SABC3 schedule combines local and international news and current affairs that conforms to the highest journalistic and editorial standards; the finest local and international dramas and sitcoms; outstanding local versions of international hit shows, and top quality local documentaries, magazines and talk shows.

Innovation>

SABC3 launched its new on-air look, to mark the start of the journey towards a revitalised channel at the beginning of the 2005/06 financial year. Its new prime-time schedule, incorporating the 22:00 news bulletin, was introduced simultaneously.

The *Apprentice SA*—a local version of the American hit series, featuring one of South Africa's leading entrepreneurs, Tokyo Sexwale—proved a great success in every area including airtime, sponsorship, publicity and audience ratings.

The new SABC3 on-air interactive loyalty competition was launched during the year, outperforming the previous 3BEE competitions and generating additional revenue for the channel. By the end of the six-month long competition, two million SMS messages had been received.

SABC3 adopted the Carisbrook Primary School at Ixopo in rural KwaZulu-Natal as part of its CSI initiative. Staff visited the school in 2005 and presented pupils and teachers with educational material as gifts. SABC3 also entered into a partnership with *O Magazine* and British Airways for an on-air competition, which sent two lucky viewers to the Oprah Winfrey studios in Chicago, USA.

Local content>

SABC3 far exceeded the local content requirement of 35% set by ICASA for commercial channels. By the end of the 2005/06 financial year, the average local content of the channel during primetime stood at 44%, and the average for the performance period at 43%.

Audience ratings>

Audience ratings peaked during the first half of 2005, before dipping slightly, although the channel continued to exceed its audience rating targets. During the first quarter of 2006, weekday performance had largely stabilised and begun to climb out of the slight slump of the preceding six months. The channel managed to exceed its primetime target of 15% share over most of the financial year.

The local soap series *Isidingo* consistently topped SABC3's ten most popular programmes, with average Audience Ratings of 14,5. Programmes that proved to be the most attractive to SABC audiences were documentary and reality programmes, movies and soap operas in almost equal proportions. The 19:00 news bulletin was also among the top ten programmes throughout the year.

Transmitter expansion>

ICASA approved the SABC3 application to increase transmitter power in Nelspruit, and to erect new transmitters in Ulundi and Bethlehem. The prospect of expansion to Bethlehem—as a means of reaching the urban population of Harrismith—remained subject to the possibility of migration to the more attractive target site at Harrismith, which hinged on resolving certain long-outstanding environmental issues. Approval of this expansion phase would increase the reach of SABC3 from under 78% to almost 80% of the total South African population.

Election coverage>

The 2006 local government elections were covered extensively in current affairs programmes such as *Special Assignment* and *Interface*. The channel also supported SABC News with information tools, such as scrolls during programmes.

Recognition for local programmes>

INPUT is an international film festival for public broadcasters at which programmes are selected from all over the world to be screened for an international audience. Selection in each territory is made by a panel using an elimination process and only a limited number of places is allowed per country. The criteria are uniqueness in the approach to programme making, new ways of handling issues on a public platform or innovative programme formats. The SABC3 comedy *Sorted* was one of the three selected programmes to come out of South Africa in 2005.

The South African version of The Apprentice show on SABC3

PCS
Radio

Gloria and her collegue, her 'sister'

"Take time to get to know your collegues. You spend so much time together, become friends, family, sisters..."

Gloria Britain, SABC Education

METRO FM

Average daily audience: 3 million.
Urban music format.
Principal broadcasting area: metropolitan areas.
Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.

Average daily audience: 1 million.
Contemporary Hit Radio (CHR) format.
Principal broadcasting area: metropolitan areas.
Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.

Average daily audience: 0,3 million.
Contemporary Hit Music – Urban format.
Principal broadcasting area: Cape Town.
Available in stereo via satellite on the Vivid DTH (direct-to-home) digital satellite platform.

The three radio stations in the SABC's commercial broadcasting services division provide programming in line with the values of public broadcasting.

Commercial revenue sources such as advertising and sponsorship account for a significant percentage 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.

The SABC's radio stations offer a strategic platform for advertisers. They identify with their target audiences and provide their advertisers with flexible and exciting exposure. Two of the national services in the commercial radio portfolio, 5fm and Metro FM, are music format stations and are metropolitan; the third, Good Hope FM, is regional service. Metro FM, with an average daily listenership of three million, is the biggest commercial radio station in the country.

Local music quotas>

During the 2005/06 financial year all three stations in the PCS radio portfolio met or exceeded the ICASA licence requirement of 25% local music on their play lists. In addition, the stations were involved in significant media support of local music initiatives. The station continued to broadcast a local music chart as well as the live *By Starlight* performances.

5fm broadcast several acts live from its studios as part of *5fm Live*, as well as on the Sunday breakfast show *Command Performances*. Bands previously featured included Wonderboom, Malaika, Prime Circle and The Parletones. 5fm breakfast show host Mark Gillman launched the *Gillman, Make Me Famous, Dude* talent show, aimed at giving exposure to the 'garage' bands of school going youngsters. The finale of these shows was broadcast live from St John's College in Houghton. The station was also the media sponsor of the *Edgars Word on the Street* event which was held at The Bassline, *Oppikoppi* and the all-female deejay tour that coincided with National Women's Day.

Good Hope FM launched the Cape Town Live initiative at a concert and the *Nightwatchmen CD*, featuring station talent Dino Moran and Craig de Sousa. The station also supported the *Umoja* stage play and album launches by Redds and Supadan. All three stations, along with SABC1, were media partners for the Cell C *Sound of the City* countrywide local concert series. An interesting concept was launched by the PCS stations where listeners were invited to vote for South African artists of their choice to perform in the *People's Celebration Concert*.

Audiences>

During the 2005/06 financial year, 5fm's national audience base remained stable. From the station's performance in all the 2005 surveys, it is apparent that the strategic objectives were met in that female audience levels reflected a 1% CAGR. The gender ratio improved markedly over a two-year period, with females comprising more than 40% of the station's total core audience base, as compared to 35% in the previous year. Continued growth in the upper LSM 20-something target segment further supports the station's positioning.

Metro FM continued its dominance in the commercial radio market, reaching 18% of the total all-races adult population weekly. The changing economic profile in the country had many positive spin-offs for the station and the CAGR for the 2005/2006 financial year showed LSM 8 audiences on Metro FM increasing by 2%, LSM 9 by 6%, and LSM 10 by 12%. All in all, the station's growth rate represents a staggering 98% increase on the previous year's figures. The station also increased its audiences in North West (CAGR 3%) and Limpopo (CAGR 3%).

Good Hope FM's recovery since early 2004 continued in the 2005/2006 financial year, with the station showing an 11% increase on the previous year's figures and a CAGR of 2% for the 2005/06 financial year. The station has a well-balanced gender profile, with the number of female listeners increasing by 21% over the previous year, to constitute 53% of daily core audiences. Overall, the growth of the station was reflected in the listenership across all race groups. The bulk of Good Hope FM's audience base (some 83%) is Coloured, and the station continues to deliver information and entertainment to this dominant group in the Western Cape. The station's LSM profile improved significantly in the upper LSM groups, with LSM 8-10 51% representation up from the previous year's levels (CAGR 5%).

Meeting the challenges>

All three commercial stations ran successful above-the-line exposure campaigns along with major involvement in the running of below-the-line interactive audience events. In the previous year, these stations made line-up shifts, resulting in a more cohesive on-air product. As a result of robust engagement with the Commercial Enterprises Division, the commercial radio advertising income target was exceeded by more than R15 million.

The stations broadcast a host of interesting programmes throughout the year. At Metro FM's invitation, a number of personalities took turns to present the breakfast show, including David Kau, Tony Leon, Basetsana Kumalo, and Fikile Mbalula. To celebrate the station's birthday, a house worth R800 000 was offered as the prize in an SMS competition that attracted 229 000 entries.

Good Hope FM developed a community-related events strategy that included *Take-Away Tours* aimed at giving exposure to successful local businesses; a *5 cents a Meal* drive, with host Ryan O'Connor serving meals at a homeless shelter; and a blanket collection drive in association with the South African Red Cross Society.

In association with the South African Police Service, 5fm's Mark Gillman's *Teddy Bear Patrol* hosted a group of underprivileged children to highlight the good work done by the SAPS in preventing child abuse and upholding children's rights. Afternoon drive show host Gareth Cliff employed former street child Sipho Mathebula as assistant producer on his show for the year and a broadcast from Kid's Haven highlighted the plight of street children.

News and Current Affairs

Mandlakazi behind the SABC3 News desk

"Surviving a violent crime with support and encouragement empowered me to face the South African public every day; showing them you do not have to be trapped by circumstances"

Mandlakazi Mphahlwa, SABC News

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.

The SABC's News Division is committed to becoming Africa's leading news organisation by providing a credible, accurate and informative news service that brings news of the country, Africa and the world into everyone's homes in everyone's languages.

Guided and bound by certain legislative requirements, including the SABC editorial code and policies and the SABC's corporate goals, SABC News offers wide ranging and in-depth coverage of events and trends, both in the country and abroad. 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. SABC News is a content provider for all the news and current affairs programmes carried by the SABC's public and commercial radio and television services, and the subscription channel, SABC Africa. News is also delivered through a range of new media, including handheld devices and the Internet.

The key operational areas of the division are news-gathering and production of news and current affairs programmes for the different platforms, in line with the SABC's editorial policies, and in a way that adheres to the corporate goals and complies with the statutory and regulatory environment in which the SABC operates. This includes the implementation and management of the news-gathering process—from research and identification to gathering, writing, editing and compilation of stories.

Editorial values>

SABC News recognises as central to its mission the empowerment of citizens through daily, balanced, relevant news in all of South Africa's official languages. The editorial strategy included telling stories from every area of South African life—from rural to business and government—bearing in mind the values of credibility, professionalism, excellence, distinctiveness and relevance.

At the same time, SABC News attached high priority to moving away from event-driven to issues-driven reporting, and to establishing a culture of editorial independence and authoritativeness rooted firmly in the SABC editorial code.

Infrastructure>

The News and Current Affairs Division is the biggest news-gathering organisation in Africa. It has 13 editorial offices, a staff of 919 permanent and fixed-term employees; 443 freelance contractors, a country wide network of correspondents and more than 2 000 news contacts. There are currently four foreign bureaux that, in tandem with premium feeds from the international news agencies, serve the international news needs.

SABC News, recognising its critical role in the fulfilment of the SABC's mandate has boosted its marketing department, increasing spend on advertising and re-branding the television news bulletins.

Television>

By March 2006, Television News was broadcasting 130 news bulletins a week in all official languages. Five current affairs programmes were aired on the terrestrial channels; two in English and one each in Afrikaans, isiZulu and Sesotho. *Special Assignment*, an investigative current affairs programme, continued to send its journalists undercover to bring the public the news behind the news. *Interface* unpacked stories and examined major issues in panel discussions. The isiZulu offering maintained its status as the nation's most popular current affairs programme, in which major stories are examined with the help of a panel and a studio audience and *Asikhulume* and *Modise ka 9* offered viewers an opportunity to participate in discussions through an SMS and fax service. *Fokus/Focus* consisted of inserts offering insight into developing stories.

The news at 19:30 on SABC1 remained the most watched bulletin in South Africa, recording an all-adult Audience Rating of 14,2. The News bulletins on SABC1 and SABC3 all recorded year on year increases in ratings, while those on SABC2 remained stable.

This year saw the launch of a number of new programmes, including the SABC3 bulletin at 20:00, *Modise ka 9* and *Weekend Live*. The Sesotho bulletin was repositioned, as was the Afrikaans bulletin on SABC2. *Kids News* was launched as a daily programme on SABC1, broadcasting in isiZulu, isiXhosa, isiNdebele and siSwati. In accordance with ICASA regulations, the News Division also increased the number of bulletins with Sign Language on the SABC's channels.

Radio>

SABC radio remained the nation's primary source of news and current affairs. Every week a total of 1 568 news bulletins and 190 current affairs shows were broadcast. These were presented in all the official languages, as well as in !Xu and Khwe!. New standard operating procedures were introduced in order to meet the language mandate and all newsmakers' sound bytes were translated simultaneously into the languages of the stations on which they were broadcast. Significant progress was also made in introducing a system for radio news according to which certain news beats were allocated to specific correspondents.

By March 2006, 32 weekend current affairs programmes had been introduced in compliance with the new ICASA regulations. Most News shows maintained audience stability; others, such as the current affairs offerings on Ikwekwezi FM, Umhlobo Wenene FM, and Munghana Lonene FM, showed a marked increase.

SABC Africa>

SABC Africa continued to set the trend 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. Live coverage of significant African events continued to be the driving force behind the SABC's quest for delivering Pan African news to viewers across Africa.

Live events highlights for the year included coverage of:

- ICT Government Conference and the ICT Awards
- Highway Africa, the continental conference that has been running since 2000, bringing African media into the centre of debates about technology and political issues crucial to the development of new media in Africa
- Heads of States Summit in Maputo, Mozambique
- Continuation of opening and sittings of the Pan African Parliament
- The funeral of John Paul II and the inauguration of Pope Benedict XVI
- Official opening of Maropeng Visitors' Centre at the Cradle of Humankind Heritage Site by President Thabo Mbeki
- The annual Steve Biko memorial lecture at UCT

Africa Day>

Every year SABC Africa is in the forefront of driving the African consciousness and raising the awareness of Africa Day among the SABC staff and other stakeholders.

Special programme highlights>

The channel joined in the staging of the Botswana Sports Award in April 2005. In October 2005, the channel broadcast a daily series commemorating the month of *Ramadaan*, a broadcast that was warmly received by the Muslim community in South Africa.

Discussion forums>

SABC Africa launched a series of discussion forums aimed at encouraging dialogue among African commentators, academics and interested members of the public. The forums, that boasted an array of African intellectuals as panellists, were extremely successful and created a platform to discuss African issues. Some of the topics that were tackled included *Is there a true African story*? and *Are Africa's heritage sites defined by their encounter with the West?*

New programmes>

Six programmes were commissioned and introduced into the schedule. *Time line* and *Commercial Continent* are two weekly current affairs programmes on economic development in Africa. *Into Africa* is a travel show that showcases and unearths African cultural diversity;

Sports Arena is a half-hour programme during which presenters interview sports personalities, journalists and administrators. *Afro-bytes* is a weekly programme that showcases science and technology on the continent; and *Health matters* is a half-hour weekly update on public health care issues, personal health and medical research.

SABC Africa continues to source high-quality African and African Diaspora movies and Pan African documentaries.

New Media>

Services developed in the new media unit of the News Division continued to deliver content for local and international markets. Innovative products, specially adapted for the platforms on which they are accessed, made sustained content delivery possible. The unit houses the SABC's main international 24-hour news outlets, aimed at increasing the SABC's reach across Africa and globally, and offering audiences a bigger choice in the way they access SABC news.

The technological capacity of the news web site (www.sabcnews.com) was increased, and the bouquet of news on telephone services expanded to cater for the increase in new media users. The online news service had a steadily growing audience, with over a million page impressions a month on average. SMS headlines of top stories were sent out to subscribers and frequently updated SABC video clips were available on cellphones through a partnership with Vodacom. A 'pull' SMS headline service was also provided, and live streaming of events gained popularity.

The Internet site also carried audio and video clips, streamed radio and television bulletins and excerpts of programmes such as *Special Assignment* and *Fokus/Focus*. The 24-hour audio phone news service NewsBreak continued as the most popular audio news line in the country. For the first time, video news in French was streamed from the sabcnews.com website, mainly for the people of Francophone Africa. Other key developments included an isiZulu service, and MMS facilities on NewsBreak.

2006 local government elections>

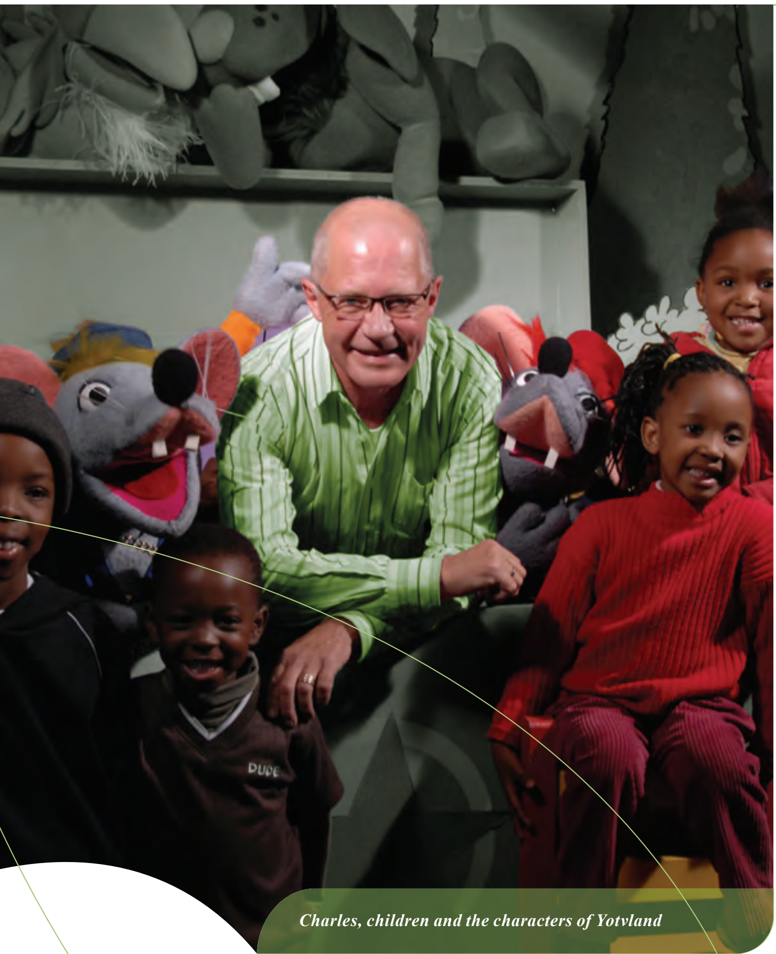
The end of the financial year saw much energy directed at coverage of the 2006 local government elections. The planning for this coverage had begun almost a year ago. Radio and television carried comprehensive coverage from every corner of the country. The coverage followed a number of major themes, including the importance of the elections, challenges facing municipal structures, cross-border tensions, and service delivery. To cover the elections successfully, the SABC deployed 1 300 staff (including a sizable contingent from the Technology Division), compiled an editorial booklet, set up a special results system, formed a panel of experts to provide up-to-the-minute commentary, staged 56 outside broadcasts, broadcast regional television shows, and devoted 50 hours of broadcasting to events during election week.

Serving an international audience>

The SABC's partnership with American PBS 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.

Tim Modise, presenter of Modise ka 9

Content Enterprises



Charles, children and the characters of Yotvland

"Be the change, lead and love unconditionally seize the day enjoy the moment, bring the child out in those around you"

Charles Owen, Content Enterprises

The Content Enterprises Division was established in early 2005 with the strategic intent of locating the content delivery for the SABC under one roof.

The division functions as an in-house content provider for the SABC, through commissioning of local content and acquisition of international content. Content Enterprises also seeks to increase the SABC's revenue base through the sale of the SABC's content, mobilising funds through strategic partnerships and co-productions.

The division, as a key content provider for the SABC platforms, is comprised of the following nine content and support units:

- Content Hub: sources local content for the SABC. This is done mainly through commissioned work and co-productions
- SABC Sport: broadcasts sport of national interest, development sports and revenue-generating sport
- Education: sources programmes to fulfil the SABC's education mandate
- International Content Acquisition: ensures that the SABC procures quality international properties for its viewers
- Business Development: a newly-established unit that ensures that the division expands the SABC's revenue base by selling SABC's content to other networks, companies and individuals, both locally and internationally
- Business Acquisition: ensures that the Content Enterprises Division maximises the SABC's benefits on the rights negotiated with various parties locally and internationally
- Operations: ensures that SABC systems are in place for the division to deliver on its mandate.
- Finance and Human Capital: these units provide essential support to the division in these key areas

Projects and achievements>

- First Timers' Project: A project developed to aid entry into the industry. The commissioning editors actively assisted the first timers by sharing their expertise in various production areas.

- Art of Pitching: Inexperienced producers were also assisted in developmental areas to aid in successful pitching
- Nothing About Us Without Us: This project is aimed at ensuring that the affected people are consulted on content that concerns them. It also aims to ensure that the SABC's programmes have relevant participants. For instance, programmes on disability included actors from disabled groups. However, challenges remain in making sure that production and studio sets are accessible to people with special needs
- Procurement Policy: Commissioning procedures were revised to ensure increased procurement from companies which qualify in terms of the SABC's broad based BEE procurement policies
- Hot Talent project: This project was developed to ensure the attraction and retention of 'hot' talent in the division. The wellness programme has been developed and implemented with this in mind
- Authentic South African Stories: This project aims to ensure that the division tells the African stories in the way Africans would like their stories to be told. A Memorandum of Understanding was signed with the National Heritage Council which assists the SABC in ensuring that the requisite expertise in the areas of language, culture and history is readily available to facilitate credible and authentic programmes
- Rights Management: Our cordial relationship with the Creative Workers Union of South Africa, (formerly Performing Artists Workers Equity), is testimony to our sterling efforts in bringing formerly marginalised black actors into the SABC's nation-building exercise. Meetings are also held with other rights management organisations such as South African Music Rights Organisation and others. The division is currently developing a strategy to guide ongoing discussions with relevant stakeholder groups, thus ensuring enduring and mutually beneficial relationships
- Launch of the SAFTA: The South African Film and Television Awards were launched by the SABC in a glittering ceremony at the Theatre on the Track in Kyalami, Johannesburg, in partnership with the National Film and Video Foundation and the Department of Arts and Culture. This move resuscitated the pride that the industry takes in developing and participating in the entertainment industry in the country
- Warner Brothers Deal: The SABC signed an exclusive four-year deal with Warner Brothers in terms of which the SABC is the exclusive broadcaster within the defined territory of all properties from this giant producer for the contract period. This has firmly positioned the SABC as the premier network in the country in terms of its ability to access content
- Launch of the RFP Book at Sithengi: The SABC launched the dual-commissioning process at the Sithengi festival in Cape Town in November 2005. The SABC now publishes Requests for Proposals (RFPs) twice a year as opposed to once annually, in response to the call made by the industry players to aid industry development. This also means that black companies will have increased opportunity to pitch for productions

Challenges>

Specific challenges for the Content Enterprises Division in the forseeable future are the following:

- 2010 Project: The winning bid by South Africa for the 2010 FIFA World Cup means that the SABC must successfully and spectacularly deliver the broadcast of this event for South Africa and the African continent. Discussions with FIFA for the SABC to be awarded the status of the local broadcast partner are at an advanced stage
- Multi-Channel Project: The division faces the challenge of ensuring that the content it produces and procures is world-class material and can be broadcast on the new platforms
- Industry Development: The SABC has a fundamental responsibility to assist the development of the local production industry. The SABC currently 'consumes' 80% of the output of local producers. This places a bigger responsibility on it to deliver meaningful participation by black producers in this arena. The division has, however, laid a solid foundation to deliver in this area but much work remains to be done

Educational **Programming**

Beka with children from one of the local schools in Polokwane

"Education is the cornerstone of a great nation and being able to assist so many underprivileged children in attaining bursaries makes day to day struggles worth while"

Beka Ntanwisi, MLfm

The Education unit, which is located within the Content Enterprises Division, is key to the fulfilment of the SABC's mandate to educate, inform and entertain.

The Education unit strives to be the educational content provider of choice within South Africa and throughout the African continent, through radio, television, web, print, and other new media platforms.

The unit plays an important part in commissioning programming which bridges the gap between the formal and informal curricula and has been actively involved in commissioning a number of highly successful and popular programmes. The continued excellence of educational programmes such as *Takalani Sesame* and *Yizo-Yizo, for instance, has* been recognised through various awards.

The programming commissioned by the unit consists broadly of the following genre:

- **Early Childhood Development** (3-9 years) and Tweens (9-13 years)
- **Developing programmes** for children in their formative and early teenage years, for example *Takalane Sesame* and *Fundani Nathi*
- **Youth Development:** Programmes for youth which are in the ages 13 to 25 years, for example *Take 5* and *Shift*
- **Formal Education:** These programmes are designed to aid the formal learning process and are meant to appeal to all ages, for example *The Learning Channel*
- **Adult Education:** Programmes exclusively targeted at the adult population which are curriculum-based, for example, *South Africa Management Challenge* and *Vukuzenzele*
- **Public Education:** Educating the nation on issues of national interest that are not curriculum-based but which are health and literacy orientated, for example, *Tsha-Tsha* and *Shift*

Projects and achievements>

- **SABC Education Logo:** The SABC Education unit launched its new, fresh and exciting logo during the year. This has made this department more visible and appealing to our consumers and stakeholders
- **Takalani Sesame Programme:** The SABC renewed the programme agreement with *Sesame Workshop* for five years and Sanlam extended their sponsorship of R40 million for the same period
- **John Hopkins Sponsorship:** This is the sponsorship of a programme called *Trailblazers* that will be transmitted early in 2007/08. The series will profile people living with HIV/Aids and who are making a meaningful contribution to society and the country at large notwithstanding their illness
- **Umsobomvu Youth Fund:** Discussions for the sponsorship of an initiative commemorating the 30th Anniversary of the 16 June uprisings are at an advanced stage

The presenters and one of the characters of Fundani Nathi

Religious Programming

Johann feeling the warmth of the sun

"Being able to see what lies beneath the obvious and by encouraging fellow South Africans to have faith in themselves, you don't only empower them but yourself as well"

Johann Nienaber,
SABC Commercial Enterprises

Following the period of transformation from 1998 to 2004 during which SABC Religion was established, the unit has been repositioned as one of the primary sources of multi-faith content.

SABC Religion hopes to reflect South Africa as a democracy that offers the world unique stories of faith, hope and positive thinking via quality moral-info-tainment and competitive content that reflects diverse spiritual and moral expression. At the same time, the unit seeks to support cultural and family values.

Two crucial statements that drive the religious content in the SABC television programme mix inspire SABC Religion's approach:

- Visions of the world as it might have always found expression in man's spiritual and religious traditions. These embody human aspirations for purpose in life; for respect and empathy between diverse peoples, cultures and religions; for justice; for alleviation of suffering and for harmony and peace
- The SABC envisions a world in which the diverse religions, spiritual paths and cultures are recognised and respected, and in which religious and spiritual teachings based on wisdom, compassion and love are cherished

Programme performance>

Objectives for the 2005/6 financial year included an increase in faith-specific content, and an improvement in the competitiveness of the portfolio through the introduction of more interactive and entertaining religious properties. Programmes that performed especially well included:

- *Awakenings:* An Islamic/African Religion lifestyle magazine
- *African Religion and the Cosmos:* explores how the stars are used in African Religion. The programme was so well received that the South African Museum is negotiating the acquisition rights
- *Gospel Gold:* A platform for Christians to celebrate their faith through praise, worship and song, featuring popular gospel music to suit SABC1's mainly black, youth audience
- *Chatroom:* To suit SABC1's audience profile, this programme renewed the street wise, hip, contemporary and popular audience-driven talk show format, highlighting moral issues facing young people daily
- *Crux:* A lifestyle magazine forum for Christians to celebrate their faith through an irreverent look at issues of the day
- *Gospel Time* and *Gospel Stars:* This musical programme visited all nine provinces to unearth new talent. Its presentation at the 2005 Sithengi festival generated interest from the Cameroon, Nigerian and Tanzanian broadcasting representatives
- *The Big Question:* A live talk show with audience interaction through phone-ins and polls on a topic for the day. The programme has established credibility for its open, honest approach to issues of morality

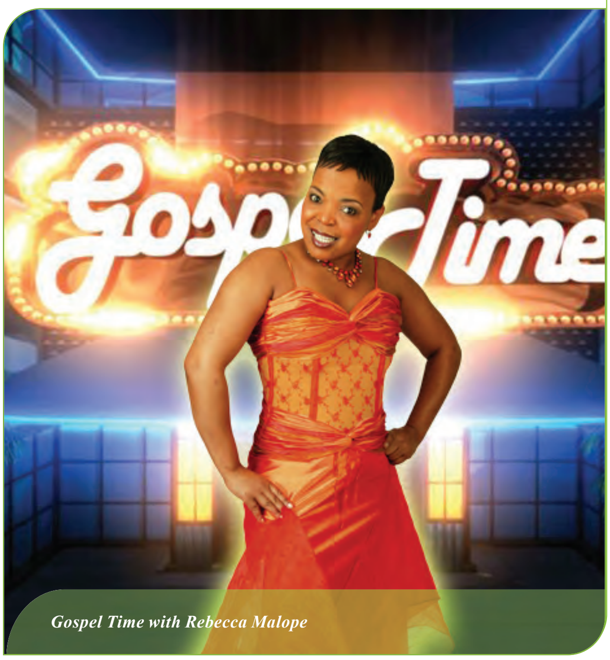
Other programmes focused on topics such as disability, rape and violence, Aids caregivers, pornography, the Afrikaner's place in the new South Africa, and African culture.

Midweek scheduling>

Channels were made aware of the policy that required religious programmes to be scheduled at times and on days when target audiences were available, instead of being relegated to a Sunday.

HIV/Aids awareness>

A special documentary, *Unomkhubulwane*, was commissioned for broadcasting as part of SABC support for the National HIV/Aids Campaign. The programme celebrates the ancient tradition among the Nguni people of encouraging young girls to remain virgins until marriage, which would serve to lower the rate of HIV/Aids infection.



Gospel Time with Rebecca Malope

National Day of Prayer>

A national day of prayer, *Transformation Africa,* was televised live as people gathered in stadia all over the country to pray for reconciliation, peace, stability, an end to crime and violence and the alleviation of poverty.

Heritage Day>

Gospel Gold, in collaboration with the Eastern Cape Government, celebrated the day by staging a national concert for the people of the Eastern Cape.

Programming and policy>

The Religion policy that was approved for implementation in 2004 was implemented for all religious television programmes. The policy includes the appointment of a religious committee to advise management and the Board on religious broadcasting issues and policy formulation. The current committee has representatives of diverse religions, Board members and senior management from both Radio and Television Religion.

The key principles of the policy that informs the broadcasting of religious programmes include the need for the collating of accurate data on the percentage of the population in each religious group, as per the latest available census information. Each of the major religions should enjoy meaningful and sufficient programming of a faith specific nature, and programming should aim to redress past imbalances in religious broadcasting

Although the allocation of time in the revised policy is not given in terms of quotas, the 'fairness principle' is applied, taking into consideration policy guidelines.

Paid broadcasting clause>

In line with the Religious policy that 'selective airtime sale' may be pursued for purposes of religious broadcasting, the unit engaged a number of religious interest groups, which contributed additional revenue to the channels' budgets. This enabled SABC Religion to sustain output which was increased to include substantial faith-specific content.

Workshops with religious communities>

The Religious Broadcasting Panel (RBP), which includes some members of the SABC Board, set out to implement one of their main functions in the SABC—to promote a harmonious relationship between the public broadcaster and religious communities.

Workshops were organised and religious communities were invited to send their leaders to meet the SABC team. More than 300 religious leaders from the five major faiths identified in the policy—Christianity, Hinduism, Islam, African Religion and Judaism—attended these workshops, which went a long way towards establishing a meaningful relationship between the SABC and the religious communities it serves.

SABC **Sport**

Peter, a proud South African supporter

The Sports unit, which forms part of the Content Enterprises Division, plays a crucial role in the acquisition of sports rights, the production of sports programmes and the commercial exploitation of these rights in terms of both content and brand.

"Become your own supporter, believe in yourself, set your own goals and score"
Peter Kgomo, SABC Sport

National sport programming>

In terms of the ICASA regulations the SABC must broadcast sports of national interest. These are sports which enjoy wide spread public participation and popularity. SABC Sport also aims to promote sporting events which are significant to a particular section of the population, so that they gradually achieve wider recognition and a following.

Projects and achievements>

- Operation Siyanqoba: This project, launched and implemented in partnership with the South African Football Association (SAFA), mobilised country-wide support for the South African national soccer team. Through this project, the country was mobilised behind the team. The project was taken on a national roadshow and the crowds that attended bore testimony to its success. Other stakeholders that participated included South African Airways and Bonitas

- AFCON Broadcast: The MTN Africa Cup of Nations event was broadcast from Egypt during January and February 2006. This bi-annual African sporting extravaganza showcases the best footballing talent on the continent

- Commonwealth Games: These games, contested by all Commonwealth Members, were held in Melbourne, Australia. The SABC produced high quality coverage which was beamed to the entire country

Challenges>

- Sport of National Interest: SABC Sports is working hard at securing rugby for the SABC's TV screens. Discussions with the South African Rugby Union (SARU) leadership on the issues curtailing the broadcast of this sport by SABC Television are underway

- Launch of the Sport Channel: This launch is crucial to the SABC's efforts to deliver on its Sports mandate. This platform will allow the company to hone its expertise in preparation for both the 2010 Fifa World Cup and the demands of the multi-channel environment

SABC Sport presenters

Regions

Vusi infront of SABC's CKI fm building in Bisho

"Never say never; if you believe in something, you can achieve it, just work hard and persevere"

Vusi Noveve, CKI FM

The SABC has eight regional offices located in all of the major provinces of South Africa.

During the 2005/06 financial year, the SABC embarked on a process of devolving authority to the regions, improving reporting lines and streamlining structures to enhance operational efficiencies.

Regional empowerment>

The company has embarked on a process of redefining the role and authority of the regions. The envisaged outcome of the project is a better positioning of the regions. This regional empowerment project also seeks to improve local economies and helps develop relationships with key stakeholders in every region.

Certain authority, which was previously vested in the Head Office will, in terms of the regional re-definition project, be devolved to the regional offices. For instance, the authority to procure goods and services, which was previously centralised at Head Office level, will be vested in the regional offices. Regions will thus be able to procure some goods and services from local suppliers, thereby improving local economies and developing relationships with their own regional stakeholder groups.

Improved client focus>

Another goal of the ongoing, multi-faceted, regional re-definition project is to provide the SABC's regional clients with a one-stop service, including offering information on matters such as careers at the SABC, services provided by the SABC, television licence payments and general queries.

People-centred benefits of the project include the creation of employment opportunities, building capacity to assist in fulfilling the SABC's public service mandate and the creation of wellness programmes. Internal units that were directly affected by this project included TV Licences, Human Capital Services, Corporate Communication and Logistical Services.

Regional real estate>

Regional properties are monitored constantly for suitability and the configuration of buildings is assessed in order to address the future needs of the people and of the broadcasting process. As a result, a project to acquire land and property for the SABC's Mpumalanga region was initiated.

Permission was also applied for to dispose of redundant properties in various regions in order to rationalise the regional property portfolio.

Meeting our MTEF and CSI commitments>

Financial management in the regions was on target in the year under review and internal audit reports were actively addressed.

Television licence revenue from the regions improved as planned. Meetings with stakeholders enhanced the SABC's relationships with its public.

Not only were the regions a factor in addressing challenges such as alleviation of poverty, they also served to extend celebrations such as Women's Day country-wide.

Labour relations enjoyed constant attention, as did the effective utilisation of assets.

"By focusing on the plight of African citizens, I have found myself. I am humbled by the things I have filmed, written and produced"

Themba Jacobs, Channel Africa

Innovation

Technology

Serena at work anywhere at any time with modern technology

"I think before I act. 'Undo' is not a function on my life's keyboard. As a result, I regret very little"
Serena Tison, SABC Gauteng

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 the 2002/03 financial year, with phased implementation over five years. 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 that provide broadcasting and non-broadcasting solutions, support infrastructure and services. The main business objective is to optimise delivery of cost, service, and value to the SABC in order to generate savings for redirection to content acquisition in support of the SABC's broadcasting mandate.

Broadcasting technology plan>

Implementation of the Broadcasting Technology Plan and digitisation progressed well during the year under review. Both phases of the Asynchronous Transit Mode (ATM) project were completed, with video contribution being transported over the ATM network. All the main SABC regional centres were connected via the ATM Network to Auckland Park, and successful trials were run, including use of the ATM during the local government elections. ATM replaced the old analogue circuits that Telkom was soon to discontinue.

Research into digitisation of all the Radio Main Controls was completed and funding was approved for implementation over the next 18 months.

Extensive research into server-based production and digital mass storage for archiving was finalised. This technology, planned for implementation over 20 months, will form the foundation and support for the Board's strategic vision of parallel, multi-platform distribution.

The SABC embraced high definition television (HDTV) by commissioning an HDTV outside broadcasting (OB) vehicle from Sony, designing a second HDTV vehicle in-house, and releasing a tender for construction of an HDTV studio for drama productions.

Programme office partnership>

Engineering services established a building programme management office in partnership with an approved service provider, and a tender for a broadcast engineering and technology programme management office was awarded to Siemens. The objectives were to ensure that projects met client expectations; to compile an accurate budget before approval to provide predictable outcomes and thereby to reduce the risk to the SABC.

Energy saving initiative

In 2005, the SABC appointed Johnson Controls as an 'Esco' (Energy Services Company) to work with Eskom's demand side management (DSM) initiative to implement energy saving projects in Auckland Park.

Capex Spend	2005/06	2004/05
Capex	R188 million	R107 million
Value of new budgets approved:	R267 million	R255 million

Total authorisations for this financial year amounted to R267 million. When compared with R255 million for 2004/05, it illustrates the massive increase in throughput accomplished. The final achievement of R188 million in Capex spend was below the authorised R267 million, but in itself was about R81 million more than in 2004/05.

Capacity planning assessment>

The SABC faces significant challenges in transforming its technology base to meet future requirements driven by industry imperatives such as digitisation, high definition broadcasting, and content management, as well as competitive positioning for major events such as the 2010 FIFA World Cup. The workforce and technology capability and capacity deficits currently facing the Technology Division have an impact on readiness to meet the SABC's technology objectives, including delivery against the Technology Plan. These are still being addressed with the assistance of the Human Capital Division.

The new state of the art dual expanding semi-trailer, the largest TV OB unit in Africa

Air Time Television Outside Broadcasts>

- The local government election broadcast was the biggest television broadcast ever undertaken by the SABC. Eleven channels were run simultaneously, two national and nine regional. The broadcast involved 214 technical staff, 14 Outside Broadcast units, and digital satellite uplinks. Air Time also used the digital ATM technology and digital IPT satellite transmission for the first time. This enabled signals to be transmitted digitally from the SABC regions to the Independent Electoral Commission (IEC) centre in Pretoria, and between the IEC centre and the Master Control Room in Auckland Park
- For the Commonwealth Games broadcasts from Melbourne, Australia, the new technologies used were Removable Disk Recorders and the International Private Leased Circuit, which enabled bi-directional data, video and audio connectivity between South Africa and Australia
- Air Time covered the SA vs Australia cricket series; the Women's World Cup of Golf; and the A1Grand Prix, which was voted the best coverage of the 2005 world series
- The new digital links greatly improved coverage of the Port Elizabeth Marathon and the Cape Argus Cycle Tour
- The first IPT system for the African bureaux was installed in Nairobi, enabling faster transmission of stories
- A high definition OB unit was commissioned and should arrive in July 2006, which would enable Air Time to cope with the growing demand for digital facilities

Radio Broadcast Facilities>

In 2005, Radio Broadcast Facilities (RBF) was created in the interest of continued technology consolidation of radio in the country. Ukhozi FM and Lotus FM have both begun using the latest digital technology, resulting in better quality of signals leaving the studio. The use of streaming audio and video brought a new dimension to their broadcasts, with listeners emailing them from as far afield as New York (Ukhozi FM) and London (Lotus FM).

Lotus FM undertook a ground breaking underwater broadcast of its entire breakfast show from Ushaka Marine. The latest digital mobile solutions have allowed the radio stations to tackle more inventive broadcasts.

Henley Television Facilities>

Henley has almost positioned its market as drama, soaps and sport.

- *Generations:* By the end of the 2005/06 financial year, 1 530 episodes of this flagship soap series had been recorded. Since the programme's migration to daily weekday broadcasts, it had required one day per episode recording
- *Isidingo:* At the time of reporting, 1 290 episodes of this soap serial had been recorded
- *Muvhango* and *Noot vir Noot:* These highly acclaimed productions continued to be favourites on the SABC2 schedule
- *SABC Sport:* The Olympic Games, Commonwealth Games, All Africa Games, ICC World Cup, Rugby World Cup, and FIFA World Cup were among the broadcasts of national and international sports to benefit from Henley's technical expertise

People growth and development >

- In the 2005/06 financial year the Technology Division, together with SABC Training and Development and Nkoka, accommodated 12 interns from former Technikons. The programme was intended mainly to improve the profile of black technicians and engineers in the Technology Division
- SABC-Sony-NEMISA High Definition Television School: The SABC would be the first on the continent to introduce an HDTV outside broadcasting facility. In partnership with Sony and NEMISA, the SABC planned to offer training in HDTV to the industry, with the aim of creating local skills capacity for the high profile broadcasting production of 2010 coverage. The curriculum, and the administrative aspects in co-operation with the Department of Labour (SETAs) are being attended to, and the school is due to be launched later in 2006

Behind the scenes of Generations at Henley TV Facilities

*"Even in your darkest days you can find a bright light,
you just need to know what to look for...
Life is full of rewards, just go out and reap them"*
Stella Mompa, Audience Services

Awards and Achievements

Accolades

Nelson illustrating how everything has an effect

"Life can throw us a curve ball, but how we react to it causes a ripple effect. Be positive and reap the rewards"
Nelson Dipholo, SABC Gauteng

Besides its positive financial balance sheet and meeting its broadcasting mandate, the SABC is constantly being appraised by its peers.

This section showcases a few of the awards won by the our divisions and our people during the last financial year.

Commercial Enterprises>

- SABC Sales took top honours at the SABC's annual suppliers banquet, ending in top position as Supplier of the Year in the category marketing
- In September 2005, when the *Markinor/Sunday Times* Top Brands Survey results were announced and the annual 2005 Encyclopedia of Brands and Branding in South Africa was launched, the SABC walked away with numerous accolades as corporate South Africa and South African audiences expressed loyalty and affinity towards various SABC Brands. In both the Business to Business and Business to Consumer (Television and Radio) categories, the SABC dominated. SABC1 was announced South Africa's most loved Television brand with a brand relationship score of 54,3%
- At the inaugural 'Brandhouse Media Innovations Awards' ceremony, the SABC Radio Sales team won two awards
- The SABC walked away with several awards for its various stands at the 2005 Rand Show. The Special Projects Division (within Corporate Marketing) received a Gold Award for Media Partnership, the Platinum Chairman's Award for best contributor to the success of the Rand Show 2005 and the City of Johannesburg Supreme Challenge Shield as overall winner in all categories
- SABC Audience Services brought in a gold Loerie (2005) in the Television and Cinema Category for Education English, a silver Loerie for *Education Maths*, a silver Loerie went to TBWA Hunt Lascaris for the SABC Audience services Overall Campaign; and SABC Audience Services campaigns (called *Simphiwe, Maria and John)* were awarded a bronze Loerie in the animation category
- The fifth Loerie (bronze) went to TBWA Hunt Lascaris/SABC Audience Services in the writing category
- Television advertising for various SABC Radio Stations saw Bite Visual, Masters & Savant, Net#Work BBDO and TBWA Hunt Lascaris bring home the highly sought after birds for Metro fm's television commercials *House Party* and *Route*
- Animation done by Bite Visual for Metro FM's Bertha and Deejay Vusi commercials, won a silver Loerie for the company
- Net#Work BBDO was awarded a bronze Loerie for animation done on the RSG commercials *Spitbraai* and *Sheepzilla*
- Good Hope's *Waterbabies* received recognition in the Art Direction category (silver Loerie) and Cinematography category (bronze Loerie)
- Masters & Savant and Net#Work BBDO received awards for commercials, cinematography, writing, campaigns and art direction done on behalf of company

Audience Services>

- A number of TV Licences marketing campaigns received industry acknowledgement—five Loerie awards (one gold, two silver and two bronze), and best advert of the year in the film/TV category from the Creative Directors Circle.

SABC1>

- The channel received major accolades from the Association for Advertising and Communication, through the annual Apex Awards

SABC Education>

- SABC Education was awarded the Peabody Award for the best electronic media for 2004 on the sub-ject of promoting communication between adults and children on HIV-Aids.

RSG commercials Spitbraai and Sheepzilla

- SABC Education also won a Gold Award at the World Media Festival, a global competition for modern audiovisual communications media for Takalani Sesame: *Talk to Me* (HIV/AIDS Special)
- The Rose d'Or Social Awareness Award was awarded to SABC Education for Takalani Sesame: *Talk to Me* (HIV/AIDS Special). The Social Awareness Award acknowled *Talk to Me* for making the most profound contribution to the understanding of the key issues surrounding HIV and Aids.

SABC Education was also awarded the following prizes at the CIAK Junior Competition:

- Grand Jury Prize for the best film
- Best film award as voted for by children
- Best film award as voted by the television broadcasters Mayor of Treviso award for excellence
- Received the Ribbon of Hope by *TV CARES*, the Academy of TV, Arts and Sciences Aids Awareness Committee for *Takalani Sesame*
- Awarded the Excellence in International Competition prize at the US International Film and Video Festival for *It's for Life* Urban

SABC Africa Awards>

SABC Africa won several awards during the year, including:

- 2005 Harambe International Award in Rome
- the Africa Economic Developer Awards for outstanding contribution to unbiased reporting on Africa
- the African Business Achiever award
- the Kremilinks International Awards for best coverage of ICT development in Africa.

Religion>

- *Gospel Time* presenter, Rebecca Malope won an award for Best Gospel Album for her CD at the South African Music Awards
- *Good Vibrations,* In the Issues of Faith category, was nominated for the 'God on Film Festival' in New York in July 2005 under the Best Documentary section
- *Gospel Gold*, won the Bulla Music Award for contribution to the growth of Gospel music and was also awarded the Limpopo Artists Association prize
- *The Big Question*, generated a much talked-about-moral edutainment programme for Sunday evenings, contesting a highly competitive slot with

block buster movies from competitor channels. It has succeeded in generating public interest in participating in the live discussion, getting up to 30 000 calls per show

Technology>

- Airwave Travel received the Amadeus Platinum Award for 1 800 bookings per month, almost tripling the normal expected monthly bookings of an agency of this size

- Ilse Assmann, Manager Media Libraries: was awarded a four month scholarship by the Common Wealth Broadcasting Association to gain knowledge in the international archiving environment.

- Refiloe Maraka and Jakobi Coetzee participated in the 2005 ICT Achiever's Awards. Refiloe was runner-up in the category of Youth Innovation. The SABC Technology Division also participated in the category of Top ICT Workplace Provider.

- The SABC Technology Division received a participation award for submission to the publication, 'Top ICT Companies in South Africa'.

- The SABC New Media Technology Team scooped the prestigious Vignette Best Consolidated Solution Award at the Vignette Village 2005 conference in the United Kingdom, in recognition of the SABC Vignette Content Management System platform developed by Tata Consultancy Services together with Arivia.com and the SABC internal web applications development team.

Good Hope's Waterbabies campaign

"Life is never as valuable as the moment that you almost lose it, be empowered and make every moment count"

Denzil Taylor, SABC News

Annual Financial Statements

4th draft (version 12) - 17 Aug

Annual Financial Statements

Contents

Board Members' Responsibility
for Financial Reporting

The Directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of the SABC Limited and its subsidiaries. The annual financial statements presented on pages 6 to 49 have been prepared in accordance with International Financial Reporting Standards with appropriate reconciliations to South African Statements of Generally Accepted Accounting Practice. The Directors are also responsible for maintaining a sound system of internal controls. The internal controls include a risk-based system of internal auditing and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that all transactions are executed and recorded in accordance with generally accepted business practices and the SABC's policies and procedures.

The Directors, primarily through the Audit Committee, which consists of a majority of non-executive Directors, meet periodically with the external and internal auditors, as well as with executive management to evaluate matters concerning accounting policies, internal controls, auditing and financial reporting.

The external auditors are responsible for independently auditing and reporting on the annual financial statements. The financial statements have been audited by the independent auditing firms, KPMG Incorporated, Kwinana and Associates and Ngubane and Company Incorporated, which were given unrestricted access to all financial records and other data. The report of the independent auditors is presented on page 5.

This report is presented in terms of Treasury Regulation 28.1.1 of the Public Finance Management Act and is focused on the financial results and financial position of the SABC Limited. The prescribed disclosure of emoluments in terms of Treasury Regulation 28.1.1 is reflected In note 42 of the annual financial statements.

The Directors have noted the recommendations of the Audit Committee in respect of the approval of the annual financial statements. The Directors of the company approved the annual financial statements on 2 August 2006 and are signed on their behalf by :

S E Funde
Chairman

D C Mpofu
Group Chief Executive Officer

2 August 2006

Certificate by Company Secretary for the year ended 31 March 2006>

In my opinion as Company Secretary, I hereby confirm that, in terms of the Companies Act, No 61 of 1973, as amended, for the year ended 31 March 2006, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, and all such returns are true, correct and up to date.

Ramani Naidoo
Company Secretary

Johannesburg

2 August 2006

Report of the Audit Committee
to the SABC Executive Authority

The Audit Committee of the SABC Limited ("the company" or the "SABC") is pleased to present its report on the annual financial statements of the company and of the group for the year ended 31 March 2006.

The Audit Committee, which is comprised of seven members, is appointed by the Board of Directors of the SABC and consists of a majority of non-executive directors under the leadership of an independent, non-executive Chairman. The Committee is guided in the execution of its role by a formal Audit Committee Charter which has been approved by the Board of Directors.

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

- Reviewed the effectiveness of the company's internal control systems, including the controls over significant financial and certain operational risks
- Monitored the company's financial reporting processes and reviewed the adequacy, reliability and accuracy of the financial information provided by management on behalf of the Board of Directors
- Reviewed the accounting and auditing concerns identified as a result of internal or external audits and considered any significant transactions not directly related to the company's normal business as the Committee, in its discretion, deemed appropriate
- Reviewed the company's compliance with applicable legal and regulatory provisions
- Reviewed the annual report and annual financial statements for the year ended 31 March 2006 to ensure that they present a balanced and understandable assessment of the financial position, performance and prospects of the SABC
- Reviewed and updated the Audit Committee Charter to ensure compliance with best practice corporate governance standards

The Audit Committee is of the opinion, based on the information and explanations given by management and discussions with the independent internal auditors, that there were no significant weaknesses or material breakdowns in the company's internal control procedures or systems during the period under review. Instances of weaknesses in internal controls, where these existed, were noted and reported to the Committee and the Committee is generally satisfied that adequate mechanisms are being put in place to address these identified weaknesses. Accordingly, the Committee is of the opinion that the internal controls of the company 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 Head of Internal Audit is directly accountable to the Audit Committee and has a dotted line responsibility to the SABC's Group Chief Executive Officer. As required by its Charter, the Audit Committee met regularly with the internal and external auditors, without management being 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. This Committee confirms that to the best of its knowledge, the external auditors have not been involved in any assignment that may impair their independence.

The Audit Committee has evaluated the annual financial statements of the SABC Limited for the year ended 31 March 2006, the effectiveness and adequacy of the company's internal controls and any pending litigation. The Committee is of the opinion that the annual financial statements as presented, comply in all material respects with the relevant provisions of the Companies Act, No 61 of 1973, and the Public Finance Management Act, No 1 of 1999, except for the reported areas of non-compliance with the latter Act referred to in the report of the SABC Board.

The Committee is also of the opinion that these annual financial statements as presented comply with International Financial Reporting Standards; that they fairly present the results of the operations, cash flows and financial position of the company and of the group, and that the adoption of the "going concern" premise in the preparation of these annual financial statements is appropriate.

The Audit Committee accordingly has pleasure in recommending the adoption by the Board of Directors of the SABC Limited of the annual financial statements of the company and of the group for the year ended 31 March 2006.

On behalf of the SABC Audit Committee

Andrew Maralack
Chairman of the Audit Committee

1 August 2006

Report of the Independent Auditors
to the Minister of Communications

We have audited the annual financial statements and group annual financial statements of the South African Broadcasting Corporation Limited set out on pages 6 to 49 for the year ended 31 March 2006 in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996), read with section 28 of the Public Audit Act, 2004 (Act No 25 of 2004) and Section 300 of the Companies Act of South Africa. These financial statements are the responsibility of the accounting authority. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope>

The audit was conducted in accordance with International Standards on Auditing read with General Notice 544 of 2006, issued in Government Gazette No 28723 of 10 April 2006. 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 management as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Opinion>

In our opinion, the annual financial statements and group annual financial statements present fairly, in all material respects, the financial position of the South African Broadcasting Corporation Limited at 31 March 2006 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Public Finance Management Act, 1999 (Act No 1 of 1999) and the Companies Act of South Africa.

In our opinion, the performance information is fair in all material respects with the guidance set out in General Notice 544 of 2006.

We draw your attention to Note 41 to the financial statements which indicates that the company is the defendant in a lawsuit alleging curtailment of certain employee benefit rights. The company is defending the claim and the hearing is scheduled for November 2006. The ultimate outcome of the matter cannot presently be determined and accordingly, no provision for any effects on the company and group that may result, has been made in these financial statements.

Non-compliance with laws and regulations>

We draw your attention to the report of the South African Broadcasting Corporation Limited Board on pages 6 and 7, which indicates non-compliance with certain sections of the Public Finance Management Act, No 1 of 1999, as amended, and the Treasury Regulations.

KPMG Inc.
Registered Auditor

KPMG Inc.

Per R Fourie
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road
Parktown

Kwinana and Associates
Registered Auditor

Kwinana & Associates

Per N Kwinana
Chartered Accountant (SA)
Registered Auditor
Director

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

Ngubane and Company Inc.
Registered Auditor

Ngubane & Co. Inc

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

Birchwood Court
43 Montrose Road
Vorna Valley
Midrand

2 August 2006

Report of the SABC Board
for the year ended 31 March 2006

The Board of Directors is pleased to present the 69th annual report of the South African Broadcasting Corporation Limited ("the SABC" or "the company") for the financial year to 31 March 2006. The SABC was converted into a corporate entity on 29 September 2003 and this reporting period marks the second full year of its reporting as an unlisted public company.

The annual financial statements comprise of the consolidated annual financial statements of the company and its subsidiaries (together referred to as the group) for the year ended 31 March 2006. These annual financial statements are presented in accordance with the Companies Act, No 61 of 1973, as amended, the Broadcasting Act, No 4 of 1999, as amended (Broadcasting Act), the Public Finance Management Act, No 1 of 1999, as amended, and for the first time in accordance with International Financial Reporting Standards ("IFRS").

Nature of the SABC's business>

The SABC is South Africa's public service broadcaster. Its principal activities comprise sound and picture broadcasts through 18 radio stations and four television channels (comprising three free-to-air channel and one pay-TV channel). In terms of its Charter, which is in accordance with section 8 of the Broadcasting Act, the SABC's mandate includes the requirement to make its services available throughout the Republic of South Africa and to produce, procure and broadcast programmes that entertain, inform and educate its audiences. The SABC is regulated operationally in terms of licences granted by the Independent Communications Authority of South Africa (ICASA). All its activities are undertaken in compliance with its mandate as the country's national public service broadcaster.

Review of operations>

The group generated revenue for the year of R3,9 billion, reflecting an overall increase of 16.6% over its prior year's performance. Television licence revenue increased by 30%, and advertising revenue improved by 15.9% during the 2005/06 financial year. In comparison, amortisation and impairment of programme, film and sports rights increased by 2.5%, employee compensation and benefit expenses by 21.3 % and other costs, including signal distribution and linking costs, increased by 8.1%.This resulted in a profit for the year of R382,9 million, compared with a restated profit of R194 million for the 2004/05 financial year. This restatement, as a result of the first time adoption of IFRS, is more fully explained in Note 46 of the annual financial statements.

Share capital>

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

Dividends>

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

Going concern>

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

Subsidiaries>

Details of the company's investments in subsidiary companies are reflected in Note 7 of the annual financial statements. Profits of the subsidiaries of R0,6 million and losses of R0,5 million (2004/05: R3,3 million profit) are included in the group annual financial statements for the year.

Shareholder compact>

The Minister of Communications, as the representative of the shareholder, and the SABC entered into a Shareholder Compact in respect of the 2005/06 financial year, during the course of the year under review. An updated Shareholder Compact for the 2006/07 financial year has been drafted and is currently being reviewed with representatives of the Department of Communications in order to achieve finalisation.

Corporate governance and compliance with laws and regulations>

The Board of Directors complies with the governance requirements set out in the King II Report on Corporate Governance for South Africa, the Protocol on Corporate Governance for state owned enterprises, the Public Finance Management Act and the related Treasury Regulations, the Broadcasting Act and other relevant legislation. The Public Finance Management Act, in particular, imposes a number of obligations on the Board in relation to the prevention, identification and reporting of fruitless, wasteful and irregular expenditure, and the collection of revenue owing to the company. In order to assist the SABC to comply with these obligations, a materiality framework in terms of the Public Finance Management Act has been drafted and forwarded to the Minister of Communications for her review and approval.

During the 2005/06 financial year in respect of which this report is issued, the company did not comply fully with all the requirements of the Public Finance Management Act. The significant instances of non-compliance relate specifically to the following:

- Section 51(1)(a)(i), read with Treasury Regulation 27.2.1 requires the company to put in place a formal risk assessment procedure. Although significant progress was made during the year under review in identifying key risks and determining appropriate risk management strategies, there is still some lack of co-ordination in the approach to risk management in some operating divisions of the company. The Board is of the view that this is an area which requires more attention in the ensuing financial year and has therefore agreed to constitute a risk committee with responsibility for this critical area.
- The Board of Directors has not always ensured that the SABC maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective as required by Section 51(1)(a)(iii). In terms of the company's delegation of authority policy, procurement of up to R15 million is considered and approved by the Group Executive Committee and that above R15 million requires the approval of the Board. Procurement may only be done once a contract, approved by the company's legal division, has been put in place with the approved supplier. Whilst there is widespread compliance with these procurement policies, again there appears to be some lack of co-ordination in the approach adopted across the various divisions. Notably, there were a number of instances of premature procurement (i.e. procurement without the appropriate legal contracts being in place) within the content enterprises division, which is a major buyer of goods and services, during the year under review. These were fully investigated and rectified with the assistance of the company's internal audit division. At the instance of the Board, a group-wide procurement policy will be put in place and procurement will be administered by a senior executive to be appointed in the office of the Group CEO.
- Section 51(b)(i) of the Public Finance Management Act requires the company to take steps to collect all revenue due to it. Particularly in respect of TV licence revenue, the company continues to use innovative ways to track down offenders and considerable

progress, in excess of budgeted targets, has been made in this area.

- In terms of Treasury Regulations 29.1.3(b) and 29(3), the Board is required to ensure that quarterly reports are submitted to the Minister detailing the extent of compliance on the Public Finance Management Act and the Treasury Regulations and explaining any non-compliance. This reporting is currently done on an annual basis. The Board has requested this non-compliance to be addressed by management in the 2006/07 financial year.
- In terms of Section 55(2)(b) of the Public Finance Management Act, the annual report and financial statements of the company are required to include particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year. In the absence of agreement with the executive authority as to what is “material” , through a materiality framework which is approved by the Minister, on a strict interpretation of the above section, the annual financial statements will be required to disclose every single rand of expenditure that might be in contravention of the legislation. This is not possible in any control environment and would add little in the way of additional clarity to the annual financial statements. The finalisation of the materiality framework in the 2006/07 financial year will be a major aid to the SABC in achieving full compliance with the Public Finance Management Act.
- Section 55 (1)(c) of the Public Finance Management Act requires the company to submit its annual financial statements to the auditors for auditing and to the National Treasury within two months of the end of the financial year. During the year under review, the decision was made by the Board of Directors to adopt IFRS. As a result of the mammoth task of performing this conversion, although the unaudited annual financial statements in terms of South African Statements of Generally Accepted Accounting Practice were submitted timeously, it was not possible to submit the IFRS compliant financial statements on time.
- In terms of Treasury Regulation 33.3, the Board is required to investigate possible transgressions of the Public Finance Management Act within 30 days of becoming aware of the same and to submit annually, to the Auditor-General and the National Treasury, specified details of any disciplinary or criminal charges against any employee of the company. Non-compliance with the Public Finance Management Act is dealt with in terms of the company’s existing disciplinary policy. During the year under review, the necessary investigations could not always be commenced or carried out during the mandatory 30 day period. As some proceedings are still pending, no submissions have as yet been made to the Auditor-General and the National Treasury. In respect of the ensuing financial year, the Board has overseen the development of a more robust procedure to monitor the timely prosecution of non-compliance.

Irregular, fruitless and wasteful expenditure>

Material losses, fruitless and wasteful expenditure is dealt with in Note 44 of the annual financial statements.

Directors and remuneration>

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

- Mr Sonwabo Eddie Funde (Chairperson)
- Ms Christine Denise Mary-Ann Qunta (Deputy Chairperson)
- Professor Alison Norah Gillwald
- Ms Noluthando Gosa (Resigned 1 December 2005)
- Ms Fadila Ethne Lagadien
- Mr Andrew Phillip Maralack
- Professor Edmund Thamsanqa Mazwai
- Mr Andile Milton Mbeki
- Ms Kanyisiwe Desiree Mkonza
- Mr Mandla Cecil Msomi
- Professor Derrick Ian Swartz
- Mr Ashwin Hirjee Trikamjee

Non-executive Directors are appointed by the President on the advice of the National Assembly. Remuneration of Non-executive Directors consists of a fixed retainer plus a variable fee which is paid to Directors depending on their membership and attendance of Board committee meetings. A full disclosure of Directors’ remuneration paid for the 2005/06 financial year is set out in note 42.

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

Advocate Daluxolo Christopher Mpofu (Group Chief Executive Officer: appointed 1 August 2005)

Mr Solly Qabang Michael Mokoetle (Chief Operating Officer)

Mr Robin Alister Nicholson (Chief Financial Officer)

Events subsequent to balance sheet date>

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

Holding company>

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

Company Secretary>

Mr Ntando Simelane was appointed as acting Company Secretary from 1 April 2005 up to and including 31 October 2005. Ms Ramani Naidoo was appointed as the Company Secretary on 1 November 2005.

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

Postal Address:	Private Bag X1, Auckland Park, 2006
Business Address:	Radio Park, Henley Road, Auckland Park, 2006
Telephone number:	27 (0) 11 714-3910

Sonwabo Eddie Funde
Chairman of the Board : SABC Limited

2 August 2006

Balance Sheets
as at 31 March 2006

	Note	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
ASSETS					
Property, plant and equipment	4	**1 130 935**	1 099 634	**1 130 935**	1 099 634
Investment properties	5	**33 473**	33 673	**33 473**	33 673
Computer software	6	**58 819**	23 638	**58 819**	23 638
Investments in subsidiaries	7			**71**	71
Loans and receivables	8	**10 337**	18 037	**10 337**	18 037
Available-for-sale financial assets	9	**2 363**	1 932	**2 363**	1 932
Derivative financial instruments	10	**7 585**	5 057	**7 585**	5 057
Prepayments	11	**77 596**	56 030	**77 596**	56 030
Other non-current assets		**408**	1 768	**408**	1 768
Total non-current assets		**1 321 516**	1 239 769	**1 321 587**	1 239 840
Programme, film and sports rights	12	**301 939**	267 470	**301 939**	267 470
Inventories	13	**5 134**	5 549	**5 134**	5 549
Trade and other receivables	14	**695 675**	595 129	**683 261**	596 043
Derivative financial instruments	10	**448**	6 405	**448**	6 405
Held-to-maturity investments	15	**724 000**	318 500	**724 000**	318 500
Loans and receivables	8	**7 700**	-	**7 700**	-
Prepayments	11	**105 213**	145 291	**105 213**	145 291
Restricted cash	16	**866**	816	**866**	816
Cash and cash equivalents	17	**145 028**	49 926	**138 159**	44 044
Total current assets		**1 986 003**	1 389 086	**1 966 720**	1 384 118
Total assets		**3 307 519**	2 628 855	**3 288 307**	2 623 958

Equity and liabilities are reflected on page 9.

	Note	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
EQUITY					
Share capital	*18*	**1**	1	**1**	1
Commemorative fund reserve	*19*	**-**	3 447	**-**	3 447
Insurance reserve	*20*	**-**	11 427	**-**	11 427
Fair value adjustment reserve	*21*	**1 087**	614	**1 087**	614
Retained earnings		**1 955 117**	1 557 365	**1 938 344**	1 540 682
Total equity		**1 956 205**	1 572 854	**1 939 432**	1 556 171
LIABILITIES					
Perpetual debt instrument	*22*	**27 390**	27 390	**27 390**	27 390
Interest-bearing loans and borrowings	*23*	**40 737**	56 143	**40 737**	56 143
Derivative financial instruments	*10*	**-**	24	**-**	24
Deferred government grant	*24*	**100 000**	-	**100 000**	-
Deferred tax	*25*	**66 029**	137 383	**66 029**	137 383
Employee benefits	*26*	**241 269**	177 146	**241 269**	177 146
Other non-current liabilities		**779**	433	**779**	433
Total non-current liabilities		**476 204**	398 519	**476 204**	398 519
Trade and other payables	*27*	**579 950**	458 647	**572 348**	463 075
Employee benefits	*26*	**78 630**	75 794	**78 630**	75 794
Derivative financial instruments	*10*	**5 468**	38	**5 468**	38
Taxation payable		**119 877**	29 486	**118 207**	29 486
Deferred income	*28*	**57 568**	41 544	**57 568**	41 544
Current portion of interest-bearing loans and borrowings	*23*	**28 617**	27 066	**35 450**	34 424
Provisions	*29*	**5 000**	24 907	**5 000**	24 907
Total current liabilities		**875 110**	657 482	**872 671**	669 268
Total liabilities		**1 351 314**	1 056 001	**1 348 875**	1 067 787
Total equity and liabilities		**3 307 519**	2 628 855	**3 288 307**	2 623 958

The notes on pages 13 to 49 are an integral part of these annual financial statements.

Income Statements
for the year ended 31 March 2006

	Note	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Revenue	30	**3 943 055**	3 382 775	**3 938 036**	3 378 236
Other income		**27 163**	36 744	**27 163**	36 744
Amortisation and impairment of programme, film and sports rights	12	**(989 914)**	(965 917)	**(989 914)**	(965 917)
Broadcast costs		**(353 289)**	(353 038)	**(352 916)**	(353 164)
Signal distribution and linking costs		**(315 083)**	(299 536)	**(315 083)**	(299 536)
Employee compensation and benefit expenses	31	**(989 791)**	(815 775)	**(987 777)**	(814 365)
Depreciation and impairment of property, plant and equipment	4	**(129 228)**	(127 792)	**(129 228)**	(127 792)
Marketing costs		**(178 577)**	(139 144)	**(178 577)**	(139 110)
Direct licence collection costs		**(108 666)**	(74 651)	**(108 666)**	(74 651)
Other expenses	32	**(388 847)**	(371 758)	**(388 161)**	(370 908)
Other (losses)/profits - net	33	**(1 392)**	813	**(1 392)**	813
Operating profit before interest and taxation		**515 431**	272 721	**513 485**	270 350
Net financing income		**30 371**	17 443	**30 557**	16 465
Financial income	34	**42 504**	32 787	**42 380**	32 120
Financial expenses	34	**(12 133)**	(15 344)	**(11 823)**	(15 655)
Profit before income tax		**545 802**	290 164	**544 042**	286 815
Income tax expense	35	**(162 924)**	(96 153)	**(161 254)**	(96 153)
Profit for the year		**382 878**	194 011	**382 788**	190 662

The notes on pages 13 to 49 are an integral part of these annual financial statements.

Statements of Changes in Equity
for the year ended 31 March 2006

	Note	Share capital R'000	Comme-morative fund reserve R'000	Insurance reserve R'000	Fair value adjustment reserve R'000	Retained earnings R'000	Total R'000
GROUP							
Balance at 1 April 2004		1	-	9 318	-	1 368 910	1 378 229
Net movements not recognised in income statement		-	3 447	2 109	614	(5 556)	614
Transfer to commemorative fund	*19*	-	3 447	-	-	(3 447)	-
Movement in insurance reserve	*20*	-	-	2 109	-	(2 109)	-
Revaluation of available-for-sale financial assets, net of deferred tax	*9, 21*	-	-	-	614	-	614
Profit for the year		-	-	-	-	194 011	194 011
Balance at 31 March 2005		1	3 447	11 427	614	1 557 365	1 572 854
Net movements not recognised in income statement		**-**	**(3 447)**	**(11 427)**	**473**	**14 874**	**473**
Transfer from commemorative fund	*19*	**-**	**(3 447)**	**-**	**-**	**3 447**	**-**
Transfer from insurance reserve	*20*	**-**	**-**	**(11 427)**	**-**	**11 427**	**-**
Reclassification of realised profit on sale of available-for-sale financial assets, net of deferred tax	*21, 33*	**-**	**-**	**-**	**(61)**	**-**	**(61)**
Revaluation of available-for-sale financial assets, net of deferred tax	*9, 21*	**-**	**-**	**-**	**534**	**-**	**534**
Profit for the year		**-**	**-**	**-**	**-**	**382 878**	**382 878**
Balance at 31 March 2006		**1**	**-**	**-**	**1 087**	**1 955 117**	**1 956 205**
COMPANY							
Balance at 1 April 2004		1	-	9 318	-	1 355 576	1 364 895
Net movements not recognised in income statement		-	3 447	2 109	614	(5 556)	614
Transfer to commemorative fund	*19*	-	3 447	-	-	(3 447)	-
Movement in insurance reserve	*20*	-	-	2 109	-	(2 109)	-
Revaluation of available-for-sale financial assets, net of deferred tax	*9, 21*	-	-	-	614	-	614
Profit for the year		-	-	-	-	190 662	190 662
Balance at 31 March 2005		1	3 447	11 427	614	1 540 682	1 556 171
Net movements not recognised in income statement		**-**	**(3 447)**	**(11 427)**	**473**	**14 874**	**473**
Transfer from commemorative fund	*19*	**-**	**(3 447)**	**-**	**-**	**3 447**	**-**
Transfer from insurance reserve	*20*	**-**	**-**	**(11 427)**	**-**	**11 427**	**-**
Reclassification of realised profit on sale of available-for-sale financial assets, net of deferred tax	*21, 33*	**-**	**-**	**-**	**(61)**	**-**	**(61)**
Revaluation of available-for-sale financial assets, net of deferred tax	*9, 21*	**-**	**-**	**-**	**534**	**-**	**534**
Profit for the year		**-**	**-**	**-**	**-**	**382 788**	**382 788**
Balance at 31 March 2006		**1**	**-**	**-**	**1 087**	**1 938 344**	**1 939 432**

The notes on pages 13 to 49 are an integral part of these annual financial statements.

Cash Flow Statements
for the year ended 31 March 2006

	Note	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**3 858 533**	3 259 320	**3 866 842**	3 250 584
Cash paid to suppliers and employees		**(3 134 005)**	(3 064 995)	**(3 142 305)**	(3 057 982)
Cash generated from operations	*36*	**724 528**	194 325	**724 537**	192 602
Interest received	*34*	**42 417**	22 039	**42 293**	21 965
Dividends received	*34*	**87**	-	**87**	-
Interest paid	*34*	**(7 963)**	(7 721)	**(8 310)**	(8 032)
Income taxes paid	*37*	**(143 966)**	(41 913)	**(143 966)**	(41 913)
Net cash from operating activities		**615 103**	166 730	**614 641**	164 622
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		**6 126**	9 544	**6 126**	9 544
Acquisition of property, plant and equipment		**(160 406)**	(100 540)	**(160 406)**	(100 540)
Acquisition of computer software	*6*	**(37 869)**	(17 653)	**(37 869)**	(17 653)
Repayment of loans and receivables	*8*	**-**	194	**-**	194
Proceeds from disposal of available-for-sale financial assets	*9*	**193**	-	**193**	-
Acquisition of held-to-maturity investments	*15*	**(405 500)**	(100 967)	**(405 500)**	(100 967)
Increase in restricted cash	*16*	**(50)**	(81)	**(50)**	(81)
Net cash from investing activities		**(597 506)**	(209 503)	**(597 506)**	(209 503)
CASH FLOWS FROM FINANCING ACTIVITIES					
(Repayment of)/proceeds from loan from subsidiary		**-**	-	**(525)**	7 358
(Repayment of)/funding from finance lease liabilities		**(22 495)**	12 401	**(22 495)**	12 401
Deferred government grant	*24*	**100 000**	-	**100 000**	-
Net cash from financing activities		**77 505**	12 401	**76 980**	19 759
Net increase/(decrease) in cash and cash equivalents		**95 102**	(30 372)	**94 115**	(25 122)
Cash and cash equivalents at 1 April		**49 926**	80 298	**44 044**	69 166
Cash and cash equivalents at 31 March		**145 028**	49 926	**138 159**	44 044

The principal non-cash transactions are certain trade exchanges (see note 30) and the acquisition of property, plant and equipment through finance leases (see note 23).

The notes on pages 13 to 49 are an integral part of these annual financial statements.

Notes to the Annual Financial Statements
for the year ended 31 March 2006

1 Significant accounting policies>

The South African Broadcasting Corporation Limited (the "company") is South Africa's national public service broadcaster. The consolidated annual financial statements comprise the annual financial statements of the company and its subsidiaries (together referred to as the "group") and were authorised for issue by the board of directors on 2 August 2006.

(a) Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"), the Companies Act, No. 61 of 1973, as amended, the Public Finance Management Act, No. 1 of 1999, as amended, and the Broadcasting Act, No. 4 of 1999, as amended. These are the company's and the group's first annual financial statements prepared in accordance with IFRS and IFRS 1 - *First-time Adoption of IFRS* has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the company and the group is provided in note 46.

(b) Basis of preparation

The annual financial statements are presented in South African Rands, rounded to the nearest thousand, and have been prepared on the historical cost basis, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

The accounting policies set out below have been applied consistently for all periods presented in the annual financial statements, and in preparing the opening IFRS balance sheets at 1 April 2004 for the purposes of the transition to IFRS.

The accounting policies have been applied consistently by group entities.

(c) Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

(d) Foreign currency

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

(iii) Group companies

The assets and liabilities of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency at the closing rate at the balance sheet date. Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), with all resulting exchange differences recognised as a separate component of equity.

When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the profit or loss on sale.

(e) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (i)). Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of overheads.

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

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

(ii) Leased assets

Leases in which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. The property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy (i)). Lease payments are accounted for as described in accounting policy (t).

(iii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other costs are charged to the income statement during the financial period in which they are incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The current estimated useful lives are as follows:

Buildings	7 - 40 years
Broadcast equipment	5 - 20 years
Computer equipment	3 - 7 years
Musical equipment	up to 40 years
Office equipment	5 years
Security equipment	5 years
Motor vehicles	5 - 7 years

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

(f) Investment properties

(i) Cost method

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

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each investment property. The group intends selling these investment properties within the next year, and their current remaining useful life has therefore been assessed at one year. The properties did not meet the requirements to be treated as non-current assets held for sale under IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations* at 31 March 2006. The useful lives, depreciation methods and residual values are reassessed annually.

(iii) Fair values

An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property, has been involved in determining the fair value of the properties for disclosure purposes. The values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgably, prudently and without compulsion.

The valuations are prepared by either considering the value obtained for recent sales of similar or substitute properties, or the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. In the latter instance, a yield which reflects the specific risks inherent in the net cash flows is then applied to net annual rentals to arrive at the property valuation. The yield applied to property in South Africa is 10%.

Valuations reflect, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between the lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated revisionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

Rental income from investment property is accounted for as described in accounting policy (s).

Where an item of property, plant and equipment is transferred to/(from) investment property following a change in its use, the carrying value at the date of reclassification becomes its cost for accounting purposes and subsequent recording.

(g) Intangible assets

(i) Originated programme, film and sports rights

Originated programme, film and sports rights, including work commissioned from independent producers, are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (i)). Costs comprise direct costs, including cost of materials, artist fees, production overheads as well as a proportion of other attributable overheads. Subsequent expenditure on capitalised assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

(ii) Acquired programme, film and sports rights

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

Acquired programme, film and sports rights are generally recognised when the licence period begins, the costs of the right is known or reasonably determinable, the material has been accepted by the group in accordance with conditions of the licence agreement, and the material is available for its first transmission. If at the date of signing, a substantial degree of uncertainty exists about availability of the material, particularly if a license agreement is signed for program material that does not yet exist, the asset is only recorded once the uncertainties are eliminated and the program is received and available for broadcast.

Payments made before the recognition criteria for an asset is met, are recorded as prepayments and classified as current or non-current, depending on the estimated time of usage or receipt of the material. Conversely, where arrangements have been executed for the future purchase of programme, film and sports rights, but the recognition criteria above have not been met, the arrangements are disclosed as commitments.

(iii) Other intangible assets

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

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Amortisation

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

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

Amortisation of other intangible assets is charged to the income statement on a straight-line basis based on the estimated useful lives of such assets from the date that they are available for use. The estimated useful life of computer software is between 2 and 5 years.

(h) Investments

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

(i) Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Management has not designated any of its investments at fair value through profit and loss. Derivatives are also categorised as held for trading.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except where they have maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date (see accounting policy (w)).

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

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

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

Investment in subsidiaries are carried at cost less accumulated impairment charges (see accounting policy (i)) in the seperate financial statements of the company.

(i) Impairment of assets

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Where a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the income statement.

(i) Calculation of recoverable amount

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

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the provision is the difference between the asset's carrying amount and its recoverable amount, being the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of held-to-maturity investments, loans and receivables and trade receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the income statement.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Inventories

Consumables are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined on a weighted average basis and includes the other costs incurred in bringing the consumables to their present location and condition.

(k) Trade receivables

Trade receivables comprise receivables in respect of advertising, sponsorships and facilities and are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment (see accounting policy (i)). The fair value of trade receivables is determined net of trade discounts and, where applicable, agency commissions, which are granted when payment is made in accordance with agreed payment terms.

(l) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax.

(n) Interest-bearing borrowings

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

(o) Employee benefits

(i) Defined benefit pension plans

The net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

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

All actuarial gains and losses as at 1 April 2004, the date of transition to IFRS, were recognised. Actuarial gains and losses that arise subsequent to 1 April 2004 are recognised immediately in the income statement.

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

(ii) Other post-employment benefit obligations

The group provides a subsidy for medical aid contributions payable by those employees who elect to remain on the medical aid scheme after retirement. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for the defined benefit pension plan. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in the income statement. These obligations are valued annually by independent qualified actuaries.

(p) Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(q) Trade and other payables

Trade and other payables are stated at cost.

(r) Derivative financial instruments

The group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from the purchase of foreign programme, film and sports rights. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. However, since the group has elected not to apply hedge accounting, all derivative financial instruments are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are also stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

Derivatives embedded in hybrid contracts are accounted for separately when the economic characteristics and risks of the derivative are not closely related to those of the host contract. Embedded derivatives that are separately recognised are accounted for in accordance with the policy above for stand-alone derivatives.

(s) Revenue

(i) Advertising revenue

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

(ii) Trade exchanges (non-monetary exchanges)

When airtime is exchanged for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

(iii) Sponsorship revenue

Sponsorship revenue is recognised at the time sponsored programmes are aired, net of value-added tax and trade discounts. The consideration in sponsorship agreements containing more than one identifiable component, such as promotional advertising time and sponsorships, is allocated to underlying components based on their relative fair value and accounted for in accordance with the substance of the underlying component.

(iv) Licence fee revenue

Licence fee revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the group. Based on past experience, management does not consider economic benefits associated with television licences to be probable until the consideration is received. Licence fee revenue is therefore recognised on a cash basis, net of value-added tax, as and when received.

(v) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the group will comply with the conditions attached to it. Grants that compensate the group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an asset are recognised in the income statement as other income on a systematic basis over the useful life of the asset.

(vi) Other revenue

Other revenue associated with the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Other revenue associated with the provision of services is recognised in the income statement in proportion to the services performed to date as a percentage of total services to be performed. Other revenue also includes rental income, which is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(t) Lease payments

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is also allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(u) Net financing income

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

Interest payable on borrowings is calculated using the effective interest rate method and is expensed as incurred. Interest income is recognised in the income statement as it accrues, using the effective interest method and is expensed as incurred. Dividend income is recognised in the income statement on the date that the group's right to receive payment is established, which in the case of quoted securities is usually the ex-dividend date. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

(v) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future, are not provided for. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

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

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

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

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

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

2 Accounting estimates and judgements>

Management discussed with the Audit Committee the development, selection and disclosure of the group's critical accounting policies and estimates and the application of these policies and estimates.

(a) Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Useful lives of property, plant and equipment

The group calculates depreciation of property, plant and equipment on a straight-line basis so as to write off the cost of the assets over their expected useful lives. The economic life of an asset is determined based on existing physical wear and tear, economic and technical ageing, legal or other limits on the use of the asset and obsolescence. If some of these factors were to deteriorate materially, impairing the ability of the asset to generate future cash flows, the group may accelerate depreciation charges to reflect the remaining useful life of the asset or record an impairment loss. See accounting policy 1(e) and note 4.

(ii) Amortisation and impairment of programme, film and sports rights

The group believes that the accounting estimates relating to the amortisation and impairment of programme, film and sports rights are significant accounting estimates because they require management to make assumptions about future audiences and revenues, and a change in the pattern of amortisation or potential impairment in programme, film and sports rights may have a material impact on the value of these assets reported on the group's balance sheet. See accounting policies 1(g) and1(i), and note 12.

(iii) Pension assumptions

The group's pension fund is a funded defined benefit pension fund that provides pension fund benefits for all of the group's permanent employees. An actuarial valuation of the fund was last performed 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 the 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 group take any surplus into account. The unrecognised surplus as at 31 March 2006 amounted to approximately R2,5 billion and, although the group expects its entitlement to be significantly less than the full surplus, recognition of a portion of this asset may significantly affect the group's future financial position and results of operations. Future cash flows may also be affected by any contribution holidays. See note 26.

(iv) Post-employment medical aid assumptions

The group provides a subsidy of medical aid contributions payable by those employees who elect to remain on the medical aid scheme after retirement. The group provides for these post-employment medical aid benefits using the Projected Unit Credit method prescribed by IAS 19 - *Employee Benefits*. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over their expected working lifetime. The liability is calculated by considering some key actuarial assumptions such as (1) the rate of healthcare cost inflation, (2) discount rate, (3) percentage members continuing after retirement and (4) average retirement age of members. The key actuarial assumptions made are disclosed in note 26.

Any change in these assumptions could result in a material adjustment to the post-employment medical liability stated on the group's balance sheet as well as a material impact on the group's profit. A one percentage point increase in the rate of health care cost inflation would increase the post-employment medical liability by approximately R0,5 million, whereas a one percentage point reduction in the rate of health care cost inflation would decrease the liability by R0,4 million as at 31 March 2006. The employer's liability will also be affected by the take-up rate assumption related to the past service. The increase in the take-up rate would increase the past service liability by approximately R0,6 million, whereas a percentage decrease in the take-up rate would result in a reduction of R0,9 million in the past service accrued liability at 31 March 2006. See note 26.

In addition, the group has reduced the subsidy for post-employment medical aid from 60% in June 2004 to 36% at 31 March 2006. A group of former employees has instituted claims against the group to reinstate the group's 60% contribution to the post-employment medical aid scheme. See (*v*) below, note 26 and note 41.

(v) Legal matters

The group is involved in legal disputes through its normal course of business. The outcome of these legal claims may have a material impact on the group's financial position and results of operations. Management estimates the potential outcome of these legal claims based on the most objective evidence on hand from internal and external legal advisors until such time that ultimate legal resolution has been finalised. Due to the uncertain nature of these issues, any changes in these estimates based on additional information as it becomes available could result in material changes to the financial statements in subsequent periods. See note 41.

(b) Critical judgements in applying the group's accounting policies

(i) Channel Africa (Radio)

Channel Africa (Radio) has been excluded from the annual financial statements because the board of directors do not believe that it is controlled by the group.

(ii) Deferred tax

The group is subject to income taxes in South Africa at either income or sale (Capital Gains Tax ("CGT")) rates. Judgement is required in determining the amount of deferred income taxes, particularly as it relates to investment properties. The group has assumed that its investment properties will be sold in the foreseeable future and has therefore used the CGT rate in determining deferred taxes relating to investment properties.

The effect of using income tax rates, instead of CGT rates, in determining the amount of deferred taxes relating to investment properties would have increased deferred tax liabilities by R3,3 million at 31 March 2006.

3 New accounting standards and IFRIC interpretations>

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2006. The group's assessment of the impact of these new standards and interpretations applicable to the business of the group that may have an impact on future financial statements is set out below:

(i) IFRS 7 - Financial Instruments: Disclosures

The disclosures provided in respect of financial instruments in the annual financial statements for the year ending 31 March 2008, as well as comparative information, will be compliant with IFRS 7. The disclosure requirements of IFRS 7 require additional disclosure compared to that required by existing IFRS in respect of the following:

- the significance of financial instruments to the group's financial position and performance; and
- qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk.

The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the group is exposed to risk, based on information provided internally to the entity's key management personnel. Together, these disclosures provide an overview of the group's use of financial instruments and the exposures to risks they create.

The adoption of IFRS 7 will not have any impact on the accounting policies adopted for financial instruments.

(ii) IAS 19 - Employee Benefits (revised December 2004)

The revisions to IAS 19 will be adopted by the group for the first time for the year ending 31 March 2007. The group currently recognises actuarial gains and losses in the income statement, and the adoption of the revisions to IAS 19 is therefore expected to have no impact on the group's financial position. The adoption of IAS 19 will, however, result in additional disclosures relating to the group's defined benefit pension plan, including:

- a sensitivity analysis reflecting the impact of changes in the assumptions underlying the components of the defined benefit cost;
- a summary of defined benefit obligations, fair value of plan assets and actuarial gains or losses for the current reporting period and the previous periods; and
- an estimate of contributions payable in the following reporting period.

(iii) IAS 39 - Financial Instruments: Recognition and Measurement (revised 2005)

The amendments to IAS 39 relating to financial guarantee contracts will be adopted by the group for the first time for the year ending 31 March 2007. The group will be required to, under the revised IAS 39 and IFRS 4 - *Insurance Contracts*, initially measure the issuance of a financial guarantee contract at fair value, and subsequently at the higher of the amount determined in accordance with IAS 37 - *Provisions, Contingent Assets and Contingent Liabilities* and the amount initially recognised (less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 - *Revenue*).

In relation to the above measurement principle, there are exceptions for financial guarantee contracts that were entered into or retained on transferring financial assets or financial liabilities to another party. The group has not yet determined the impact of the adoption of IAS 39 (revised) as it relates to financial guarantee contracts.

(iv) IFRIC 4 - Determining whether an arrangement contains a lease

IFRIC 4 is applicable to annual periods beginning on or after 1 January 2006. The group has not elected to adopt IFRIC 4 early and will apply IFRIC 4 in its 2007 financial statements in accordance with the Interpretation's transition provisions. The group will therefore apply IFRIC 4 on the basis of facts and circumstances that existed at 1 April 2005, and do not currently expect the adoption of IFRIC 4 to have a significant impact on the financial statements.

(v) IFRIC 9 - Reassessment of embedded derivatives

IFRIC 9 will be adopted by the group for the first time for the year ending 31 March 2007. In terms of IFRIC 9, the group is prohibited from reassessing the separation of an embedded derivative from a host contract subsequent to the group first becoming a part to the contract unless there is a significant change in the terms of the contract.

The transitional provisions of this Interpretation require the Interpretation to be applied retrospectively. A preliminary review of the group's hybrid instruments indicates that the application of this Interpretation is not currently expected to have an impact on the financial statements.

Notes to the Annual Financial Statements
for the year ended 31 March 2006 (cont)

4 Property, plant and equipment>

	Land and buildings R'000	Broadcast-ing equipment R'000	*Other equipment R'000	Vehicles R'000	Capital work-in-progress R'000	Total R'000
Group and company						
At 31 March 2006						
Cost	**810 979**	**688 228**	**190 700**	**43 998**	**130 157**	**1 864 062**
Accumulated depreciation and impairment losses	**(104 066)**	**(469 285)**	**(125 167)**	**(34 609)**	**-**	**(733 127)**
Net carrying amount	**706 913**	**218 943**	**65 533**	**9 389**	**130 157**	**1 130 935**
At 31 March 2005						
Cost	796 870	641 223	175 771	46 024	98 867	1 758 755
Accumulated depreciation and impairment losses	(57 287)	(444 989)	(120 246)	(36 599)	-	(659 121)
Net carrying amount	739 583	196 234	55 525	9 425	98 867	1 099 634
At 1 April 2004						
Cost	787 199	618 153	152 387	46 340	68 070	1 672 149
Accumulated depreciation and impairment losses	(9 877)	(402 013)	(107 279)	(35 492)	-	(554 661)
Net carrying amount	777 322	216 140	45 108	10 848	68 070	1 117 488
For the year ended 31 March 2006						
Net carrying amount at 1 April 2005	**739 583**	**196 234**	**55 525**	**9 425**	**98 867**	**1 099 634**
Additions	**2 633**	**7 816**	**28 996**	**-**	**129 601**	**169 046**
Transfers	**11 775**	**66 364**	**15 773**	**1 583**	**(96 422)**	**(927)**
Depreciation charge for the year	**(47 022)**	**(40 940)**	**(32 674)**	**(1 619)**	**-**	**(122 255)**
Impairments	**-**	**(6 973)**	**-**	**-**	**-**	**(6 973)**
Disposals	**(56)**	**(3 558)**	**(2 087)**	**-**	**(1 889)**	**(7 590)**
Net carrying amount at 31 March 2006	**706 913**	**218 943**	**65 533**	**9 389**	**130 157**	**1 130 935**
For the year ended 31 March 2005						
Net carrying amount at 1 April 2004	777 322	216 140	45 108	10 848	68 070	1 117 488
Additions	-	3 981	19 704	287	94 697	118 669
Transfers	9 719	34 464	18 218	1 140	(63 541)	-
Depreciation charge for the year	(47 458)	(50 870)	(26 699)	(2 765)	-	(127 792)
Disposals	-	(7 481)	(806)	(85)	(359)	(8 731)
Net carrying amount at 31 March 2005	739 583	196 234	55 525	9 425	98 867	1 099 634

** Other equipment comprises computer, office, musical and security equipment.*

Secured property, plant and equipment	Note	2006 R'000	2005 R'000
Digital broadcasting van pledged to secure the Wesbank lease facility	23	**24 000**	34 400
Office and computer equipment pledged to secure the Nebank lease facility	23	**-**	1 400
Computer equipment pledged to secure the Hewlett Packard lease facility	23	**17 400**	20 400
Computer equipment pledged to secure the Nedbank instalment sale	23	**4 700**	2 600
News digital broadcasting production system pledged to secure the Nedbank instalment sale	23	**11 500**	11 800
Lifts pledged to secure the Nedbank instalment sale	23	**13 400**	12 900
		71 000	83 500

4 Property, plant and equipment> (continued)

Impairment of property, plant and equipment

During the year ended 31 March 2006, the group reassessed and found the useful life of certain broadcasting equipment to have significantly decreased due to technological changes. This resulted in an impairment charge of R7 million which has been included in *Depreciation and impairment of property, plant and equipment* in the income statement.

Information on land and buildings

The group's land and buildings had been revalued to fair value on or prior to 1 April 2004, the date of transition to IFRS and are measured on the basis of deemed cost, being the revalued amount at the date of the valuation. Information in respect of land and buildings is contained in the fixed property register, which is available for inspection at the registered office of the company.

5 Investment properties>

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
At 31 March 2006 and 2005				
Cost	**33 673**	33 673	**33 673**	33 673
Accumulated impairment losses	**(200)**	-	**(200)**	-
Net carrying amount	**33 473**	33 673	**33 473**	33 673

There were no additions or disposals of investment properties since 1 April 2004 (transition date to IFRS). The group intends to sell these properties within the foreseeable future and has therefore assumed that the residual values approximate their fair values at each balance sheet date, which resulted in no depreciation charges for the year ended 31 March 2006 and 2005. These properties did not meet the criteria in IFRS 5 to be classified as non-current assets held for sale.

During the year ended 31 March 2006, the group renewed an operating lease with the Department of Public Works on less favourable rental terms, which resulted in an impairment charge of R0,2 million. This impairment charge has been included in *Other expenses* in the income statement.

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
	56 185	52 356	**56 185**	52 356

Fair value of investment properties

The fair value of investment properties is the fair value determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the group's investment properties.

Information on investment properties

Investment properties comprises a number of commercial and residential properties that are leased to third parties. These leases are for non-cancellable periods ranging from 1 to 3 years. Subsequent renewals are negotiated with the lessee.

Information in respect of investment properties is contained in the register of fixed property which is available for inspection at the registered office of the company.

6 Computer software>

	Computer software R'000	Capital work-in-progress R'000	Total R'000
Group and company			
At 31 March 2006			
Cost	**23 235**	**52 179**	**75 414**
Accumulated amortisation and impairment losses	**(16 595)**	**-**	**(16 595)**
Net carrying amount	**6 640**	**52 179**	**58 819**
At 31 March 2005			
Cost	20 037	14 661	34 698
Accumulated amortisation and impairment losses	(11 060)	-	(11 060)
Net carrying amount	8 977	14 661	23 638
At 31 March 2004			
Cost	13 034	4 011	17 045
Accumulated amortisation and impairment losses	(7 615)	-	(7 615)
Net carrying amount	5 419	4 011	9 430

Notes to the Annual Financial Statements
for the year ended 31 March 2006 (cont)

6 Computer software> (continued)

Group and company	Computer software R'000	Capital work-in-progress R'000	Total R'000
For the year ended 31 March 2006			
Opening net carrying amount at 1 April 2005	**8 977**	**14 661**	**23 638**
Additions	**351**	**37 518**	**37 869**
Transfers from property, plant and equipment	**927**	**-**	**927**
Amortisation charge for the year	**(3 615)**	**-**	**(3 615)**
Closing net carrying amount at 31 March 2006	**6 640**	**52 179**	**58 819**
For the year ended 31 March 2005			
Opening net carrying amount at 1 April 2004	5 419	4 011	9 430
Additions	3 616	14 037	17 653
Transfers from capital work-in-progress	3 387	(3 387)	-
Amortisation charge for the year	(3 445)	-	(3 445)
Closing net carrying amount at 31 March 2005	8 977	14 661	23 638

7 Investments in subsidiaries>

Company - unlisted				Shares at cost	
Subsidiary	**Nature of business**	**Issued share capital (number)**	**% Held**	**2006 R'000**	**2005 R'000**
Air Time TV Outside Broadcast (Proprietary) Limited *(trading as Airwave Travel)*	Travel agency	2	100	**- ***	- *
Astrasat (Proprietary) Limited	Dormant	1	100	**- ***	- *
Auckland Programme Trade B.V. *(incorporated in the Netherlands)*	Trading in TV programmes	40	100	**71**	71
Rugby Broadcasting (Proprietary) Limited	Dormant	1	100	**- ***	- *
Skenia Telematics (Proprietary) Limited	Dormant	1	100	**- ***	- *
Shares at cost				**71**	71
Director's valuation				**16 775**	16 683
*Share at cost of R1					

8 Loans and receivables>

	Group		Company	
	2006 R'000	**2005 R'000**	**2006 R'000**	**2005 R'000**
Non-current loans and receivables				
Loan to Sentech Limited ("Sentech")	**10 300**	18 000	**10 300**	18 000
New Republic Bank	**37**	37	**37**	37
	10 337	18 037	**10 337**	18 037
Current loans and receivables				
Loan to Sentech Limited (''Sentech'')	**7 700**	-	**7 700**	-

The loan to Sentech bears interest at the prime rate of interest, has no fixed terms of repayment and is unsecured. R7,7 million was repaid subsequent to 31 March 2006 and has been classified as current.

The group has invested cash with New Republic Bank that was later placed under receivership. The receivable is classified as non-current and was shown net of an impairment provision of R2,8 million at 31 March 2005.

9 Available-for-sale financial assets>

Non-current investments	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Listed - 143 257 (2005: 159 175) Sanlam Limited demutualisation shares				
Balance on 1 April	**1 932**	-	**1 932**	-
Demutualisation shares awarded	**-**	1 214	**-**	1 214
Disposals	**(193)**	-	**(193)**	-
Revaluation surplus transfer to equity	**624**	718	**624**	718
Balance 31 March	**2 363**	1 932	**2 363**	1 932

During the year ended 31 March 2006, the group sold 15 918 Sanlam Limited shares as part of the Sanlam share buy-back and the realised profit on sale was transferred from the revaluation reserve to the income statement. See note 33.

10 Derivative financial instruments>

Group and company	2006 Assets R'000	2006 Liabilities R'000	2005 Assets R'000	2005 Liabilities R'000
Forward currency contracts	**-**	**5 468**	1 864	-
Derivatives embedded in programme, film and sports rights agreements	**8 033**	**-**	9 598	62
	8 033	**5 468**	11 462	62
Less: Current portion	**(448)**	**(5 468)**	(6 405)	(38)
Non-current portion	**7 585**	**-**	5 057	24

Derivative financial instruments are classified as assets or liabilities. The full fair value of an embedded derivative financial instrument is classified as a non-current asset or liability if the remaining maturity of the derivative is more than 12 months, and as a current asset or liability, if the maturity of the derivative is less than 12 months.

11 Prepayments>

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Signal distribution costs	**-**	119 400	**-**	119 400
Programme, film and sports rights	**175 754**	73 957	**175 754**	73 957
Other	**7 055**	7 964	**7 055**	7 964
	182 809	201 321	**182 809**	201 321
Less: Current portion	**(105 213)**	(145 291)	**(105 213)**	(145 291)
Non-current portion	**77 596**	56 030	**77 596**	56 030

Prepayments in respect of signal distribution costs were with Sentech Limited. See note 42.

Notes to the Annual Financial Statements
for the year ended 31 March 2006 (cont)

12 Programme, film and sports rights>

Group and company	Acquired programme, film and sports rights R'000	Originated programme, film and sports rights R'000	Total R'000
At 31 March 2006			
Cost	**233 696**	**159 840**	**393 536**
Accumulated amortisation and impairment losses	**(84 659)**	**(6 938)**	**(91 597)**
Net carrying amount	**149 037**	**152 902**	**301 939**
At 31 March 2005			
Cost	214 064	131 098	345 162
Accumulated amortisation and impairment losses	(68 118)	(9 574)	(77 692)
Net carrying amount	145 946	121 524	267 470
At 1 April 2004			
Cost	274 644	108 242	382 886
Accumulated amortisation and impairment losses	(99 714)	(11 971)	(111 685)
Net carrying amount	174 930	96 271	271 201
For the year ended 31 March 2006			
Net carrying amount at 1 April 2005	**145 946**	**121 524**	**267 470**
Additions	**461 436**	**562 947**	**1 024 383**
Amortisation charge for the year	**(458 345)**	**(531 569)**	**(989 914)**
Net carrying amount at 31 March 2006	**149 037**	**152 902**	**301 939**
For the year ended 31 March 2005			
Net carrying amount at 1 April 2004	174 930	96 271	271 201
Additions	470 347	491 839	962 186
Amortisation charge for the year	(499 331)	(466 586)	(965 917)
Net carrying amount at 31 March 2005	145 946	121 524	267 470

13 Inventories>

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
Consumables	**5 312**	6 655	**5 312**	6 655
Less: Provision for obsolescence	**(178)**	(1 106)	**(178)**	(1 106)
	5 134	5 549	**5 134**	5 549
Inventories carried at net realisable value	**642**	4 763	**642**	4 763

14 Trade and other receivables>

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Trade receivables - gross	**680 689**	593 134	**683 721**	593 142
Less: Impairment of trade receivables	**(23 070)**	(21 149)	**(23 061)**	(21 149)
Trade receivables - net	**657 619**	571 985	**660 660**	571 993
Other receivables	**38 056**	23 144	**22 601**	24 050
	695 675	595 129	**683 261**	596 043

15 Held-to-maturity investments>

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Current				
Short-term deposits	**724 000**	318 500	**724 000**	318 500

Short-term deposits consist of fixed deposits at approved institutions for periods ranging from 30 days to 270 days. The average interest rate for the year was 7.06% (2005: 7.27%).

16 Restricted cash>

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Henry Howell Memorial Trust	**866**	816	**866**	816

The Henry Howell Memorial Trust is restricted in use for bursaries only.

17 Cash and cash equivalents>

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Cash on hand and bank balances	**30 028**	29 969	**23 159**	24 087
Negotiable certificates of deposits	**105 000**	-	**105 000**	-
Call deposits	**10 000**	19 957	**10 000**	19 957
	145 028	49 926	**138 159**	44 044

18 Share capital>

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Share capital - Authorised and issued				
1 000 ordinary shares of R1 each	**1**	1	**1**	1

19 Commemorative fund reserve>

The commemorative fund reserve is the maximum reserve set aside to provide short-term finance to employees at a rate of interest prescribed by the South African Revenue Services for loans to employees. Loans already advanced are included in other receivables.

During the year ended 31 March 2006, management decided to reclassify the entire commemorative fund reserve to retained earnings.

20 Insurance reserve>

The insurance reserve was established to provide internal cover in respect of certain specific risks. Market-related premiums in respect of these risks were transferred to the insurance reserve from retained earnings. Similarly, claims paid were recognised as an expense in the income statement and a reclassification made out of the insurance reserve to retained earnings.

During the year ended 31 March 2006, management decided to reclassify the entire insurance reserve to retained earnings. Claims paid will continue to be recognised as an expense in the income statement.

21 Fair value adjustment reserve>

The fair value adjustment reserve includes the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

22 Perpetual debt instrument>

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Permanent capital	**27 390**	27 390	**27 390**	27 390

On 1 February 1972, the group's shareholder converted a long-term loan into permanent capital. The permanent capital is not repayable. In terms of the Exchequer Act, interest will be payable, in perpetuity, at a rate of 6.5% per annum on the capital amount. The instrument represents a financial liability (in the form of perpetual debt) under IAS 32 - *Financial Instruments: Presentation and Disclosure* because of the underlying obligation to deliver cash in the form of future interest payments to the group's shareholder.

23 Interest-bearing loans and borrowings>

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Unsecured				
Loan from subsidiary			**6 833**	7 358
Loan from Auckland Programme Trade B.V. used to buy sports rights bearing interest at 5% per annum. The loan has no fixed terms of repayment.				
Secured				
Wesbank facility for an outside broadcast van and related vehicles held under finance lease and repayable over five years at a floating prime-linked rate of 7.75% (2005: 8.25%) per annum. The lease is repayable in monthly payments of R0,9 million with the last payment due on 28 February 2008.	**23 369**	32 075	**23 369**	32 075
Nedbank lease for office equipment under finance lease repayable over three years at a rate of 7.75% (2005: 8.25%) per annum. The lease is repayable in monthly payments of R0,03 million with the last payment due on 30 August 2007.	**385**	1 160	**385**	1 160
Hewlett Packard lease for desktop equipment under finance lease payable over three years at a rate of 6% (2005: 6%) per annum. The lease is repayable in monthly payments of R0,9 million with the last payment due on 31 January 2009.	**18 540**	21 347	**18 540**	21 347
Nedbank instalment sale facility for news production server, lift upgrade and Dalet hardware payable over five years at a rate of 7.75% (2005: 8.25%) per annum. The lease is repayable in monthly payments of R0,8 million with the last payment due on 31 May 2009.	**27 060**	28 627	**27 060**	28 627
Total	**69 354**	83 209	**76 187**	90 567
Current portion transferred to current liabilities	**(28 617)**	(27 066)	**(35 450)**	(34 424)
Non-current portion	**40 737**	56 143	**40 737**	56 143

Group and company

	2006 Minimum lease payments R'000	2006 Interest R'000	2006 Principal R'000	2005 Minimum lease payments R'000	2005 Interest R'000	2005 Principal R'000
Finance lease liabilities are payable as follows:						
Less than one year	**23 712**	**(2 158)**	**21 554**	24 825	(3 304)	21 521
Later than one year but not later than five years	**21 583**	**(843)**	**20 740**	35 675	(2 614)	33 061
	45 295	**(3 001)**	**42 294**	60 500	(5 918)	54 582
Instalment sale liabilities are payable as follows:						
Less than one year	**9 006**	**(1 943)**	**7 063**	7 659	(2 114)	5 545
Later than one year but not later than five years	**21 909**	**(1 912)**	**19 997**	26 616	(3 534)	23 082
	30 915	**(3 855)**	**27 060**	34 275	(5 648)	28 627

24 Deferred government grant>

In February 2005, The Department of Communication and National Treasury committed an amount of R700 million to the group over the next five years, in order to facilitate key improvements to infrastructure within the group. The money is intended to fund the group's detailed modernisation and information technology plan, which includes the migration from analogue to digital technology. To date, an amount of R100 million has been received. Amounts to be received in future per the notification received from National Treasury is R150 million in 2006/2007, R150 million in 2007/2008 and R300 million thereafter.

25 Deferred tax>

Deferred tax assets and liabilities have been offset in the consolidated balance sheets since the deferred taxes relate to the same fiscal authority and the company has a legally enforceable right to offset current tax assets against current tax liabilities. No deferred taxes exist outside of the company.

Deferred tax liabilities are attributable to the following:	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
Property, plant and equipment	174 989	178 712	174 989	178 712
Finance leases	(6 595)	(7 834)	(6 595)	(7 834)
Investment properties	3 275	3 225	3 275	3 225
Programme, film and sports rights	41 017	51 369	41 017	51 369
Computer software	(365)	(529)	(365)	(529)
Straight-lining of operating leases	279	638	279	638
Available-for-sale financial assets	184	104	184	104
Derivative financial instruments	2 330	2 765	2 330	2 765
Prepayments	2 242	36 186	2 242	36 186
Employee benefits	(92 771)	(73 353)	(92 771)	(73 353)
Deferred income	(25 189)	(18 974)	(25 189)	(18 974)
Other payables and provisions	(33 367)	(34 926)	(33 367)	(34 926)
	66 029	137 383	66 029	137 383

Deferred taxes amounting to R191 million were recognised in equity as a result of certain items of property, plant and equipment and investment properties that had been revalued to fair value on 1 April 2004, the date of transition to IFRS (see note 46). Subsequent to that date, all movements in the temporary differences described above, with the exception of available-for-sale financial assets, have been recognised in the income statement, as follows:

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
Deferred tax liability on 1 April	137 383	112 526	137 383	112 526
Deferred tax recognised in equity on available-for-sale financial assets	79	103	79	103
Deferred tax recognised in income statement	(71 433)	24 754	(71 433)	24 754
Deferred tax liability on 31 March	66 029	137 383	66 029	137 383

26 Employee benefits>

Non-current balance sheet assets for:				
Pension benefits	-	-	-	-
Non-current balance sheet obligations for:				
Post-employment medical benefits	202 249	162 691	202 249	162 691
Employee incentives	21 981	-	21 981	-
Leave pay	17 039	14 455	17 039	14 455
	241 269	177 146	241 269	177 146
Current balance sheet obligations for:				
Employee incentives	14 585	22 771	14 585	22 771
Leave pay	64 045	53 023	64 045	53 023
	78 630	75 794	78 630	75 794
Total balance sheet obligations for employee benefits	319 899	252 940	319 899	252 940

Notes to the Annual Financial Statements
for the year ended 31 March 2006 (cont)

26 Employee benefits> (continued)	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
Income statement charge/(benefit) for:				
Pension benefits	**61 254**	57 001	**61 254**	57 001
Post-employment medical benefits	**40 901**	(47 439)	**40 901**	(47 439)
Employee incentives	**27 407**	22 771	**27 407**	22 771
Leave pay	**25 654**	34 925	**25 654**	34 925
	155 216	67 258	**155 216**	67 258

Pension benefits

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 Fund Second Amendment Act, No. 39 of 2001. It provides pension fund benefits for all of the company's employees.

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 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 that its assets exceeded its liabilities. The next valuation will be undertaken in 31 December 2006. The results of the valuation undertaken as at 31 December 2003 will be used to determine the extent of the surplus for the purpose of a surplus apportionment in terms of the Pension Fund Second Amendment Act, No. 39 of 2001.

The Fund is in the final stages 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 recognition of any surplus in their books. In terms of section 15B of the Pension Fund Act, the SABC pension fund is required to undergo a surplus apportionment exercise as at 31 December 2003, the submission and approval of the surplus apportionment scheme has as yet, not been completed.

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
The amounts recognised in the balance sheet are determined as follows:				
Present value of funded obligations	**2 531 198**	2 002 333	**2 531 198**	2 002 333
Fair value of plan assets	**(4 977 032)**	(3 707 978)	**(4 977 032)**	(3 707 978)
Funded status of the plan (surplus)	**(2 445 834)**	(1 705 645)	**(2 445 834)**	(1 705 645)
Unrecognised due to uncertainties associated with the apportionment process	**2 445 834**	1 705 645	**2 445 834**	1 705 645
Asset recognised in the balance sheet	**-**	-	**-**	-
Changes in the present value of the defined benefit obligation are as follows:				
Opening defined benefit obligation	**2 002 333**	1 992 198	**2 002 333**	1 992 198
Current service cost	**110 278**	96 350	**110 278**	96 350
Interest cost	**173 816**	181 014	**173 816**	181 014
Actuarial loss/(gain)	**380 196**	(112 666)	**380 196**	(112 666)
Benefits paid	**(135 425)**	(154 563)	**(135 425)**	(154 563)
Closing defined benefit obligation	**2 531 198**	2 002 333	**2 531 198**	2 002 333
Changes in the fair value of plan assets are as follows:				
Fair value of plan assets at the beginning of the year	**3 707 978**	3 004 547	**3 707 978**	3 004 547
Employee contributions	**25 850**	24 296	**25 850**	24 296
Employer contributions	**61 254**	57 001	**61 254**	57 001
Benefit payments	**(135 425)**	(154 563)	**(135 425)**	(154 563)
Actual investment return	**1 317 375**	776 697	**1 317 375**	776 697
Fair value of plan assets at the end of the year	**4 977 032**	3 707 978	**4 977 032**	3 707 978

26 Employee benefits> (continued)

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
The amounts recognised in the income statement are determined as follows:				
Current service cost	**110 278**	96 350	**110 278**	96 350
Interest cost	**173 816**	181 014	**173 816**	181 014
Expected return on plan assets	**(317 475)**	(267 112)	**(317 475)**	(267 112)
Actuarial loss/(gain)	**380 196**	(112 666)	**380 196**	(112 666)
Net periodic pension charge/(benefit)	**346 815**	(102 414)	**346 815**	(102 414)
Charge included in employee compensation and benefit expenses - representative of employer contributions	**(61 254)**	(57 001)	**(61 254)**	(57 001)
Charge/(benefit) not recognised due to uncertainties associated with the apportionment process	**285 561**	(159 415)	**285 561**	(159 415)

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	Group 2006	Group 2005	Company 2006	Company 2005
Discount rate at 31 March	**8.0%**	8.5%	**8.0%**	8.5%
Expected return on plan assets at 31 March	**8.5%**	8.5%	**8.5%**	8.5%
Inflation	**4.5%**	4.0%	**4.5%**	4.0%
Future salary increases	**6.0%**	5.5%	**6.0%**	5.5%
Future pension increases	**4.3%**	4.8%	**4.3%**	4.8%

Post-employment medical benefits

The group provides a subsidy towards 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 based on annual actuarial valuations. The valuation assumes a subsidy of 36% from 1 April 2006 (2005: subsidy of 48% to May 2005 and a 20% reduction in subsidy to 36% from 1 June 2005). See note 41.

The amounts recognised in the balance sheet are determined as follows:

	Note	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Present value of unfunded obligations		**202 249**	162 691	**202 249**	162 691
Changes in the present value of the defined benefit obligation are as follows:					
Opening defined benefit obligation		**162 691**	223 129	**162 691**	223 129
Transfer from provisions	*29*	**14 876**	-	**14 876**	-
Current service cost		**4 532**	7 414	**4 532**	7 414
Interest cost		**14 353**	22 687	**14 353**	22 687
Actuarial loss/(gain)		**22 016**	(30 354)	**22 016**	(30 354)
Curtailment		**-**	(47 186)	**-**	(47 186)
Contributions		**(16 219)**	(12 999)	**(16 219)**	(12 999)
Closing defined benefit obligation		**202 249**	162 691	**202 249**	162 691
The amounts recognised in the income statement are determined as follows:					
Current service cost		**4 532**	7 414	**4 532**	7 414
Interest cost		**14 353**	22 687	**14 353**	22 687
Actuarial loss/(gain)		**22 016**	(30 354)	**22 016**	(30 354)
Curtailment		**-**	(47 186)	**-**	(47 186)
Total included in employee compensation and benefit expenses		**40 901**	(47 439)	**40 901**	(47 439)

Notes to the Annual Financial Statements
for the year ended 31 March 2006 (cont)

26 Employee benefits> (continued)

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	Group		Company	
	2006	**2005**	**2006**	**2005**
Discount rate at 31 March	**7.6%**	8.7%	**7.6%**	8.7%
Medical inflation rate per annum				
2006	**-**	6.2%	**-**	6.2%
2007	**5.1%**	6.2%	**5.1%**	6.2%
2008	**5.1%**	6.2%	**5.1%**	6.2%
2009	**5.1%**	6.2%	**5.1%**	6.2%
2010 and thereafter	**5.1%**	6.2%	**5.1%**	6.2%
Take-up rate by retired employees	**80%**	80%	**80%**	80%

Employee incentives and leave pay

Certain of the group's employee incentive programmes and employee leave arrangements provide for benefits not payable wholly within twelve months after the balance sheet date. These arrangements are therefore classified as "other non-current employee benefits" and the liabilities in respect thereof are measured on the same basis as the group's obligations in respect of its post-employment benefit plans, with certain simplified assumptions. The liability in respect of employee incentives also require certain assumptions regarding the group's future performance.

27 Trade and other payables>

	Group		Company	
	2006 R'000	**2005 R'000**	**2006 R'000**	**2005 R'000**
Trade payables - local	**148 983**	143 432	**143 692**	141 246
Trade payables - foreign	**29 719**	35 804	**29 719**	35 804
Other payables	**286 904**	209 680	**284 701**	216 294
Accrued expenses	**114 344**	69 731	**114 236**	69 731
	579 950	458 647	**572 348**	463 075

28 Deferred income>

TV Licence fees received in advance	**20 487**	34 356	**20 487**	34 356
Grants and sponsorships received in advance	**37 081**	7 188	**37 081**	7 188
	57 568	41 544	**57 568**	41 544

29 Provisions>

Group and company	***Note***	**Post-employment medical aid R'000**
Balance at 1 April 2005		**24 907**
Transferred to employee benefits	*26*	**(14 876)**
Provisions reversed during the year		**(5 031)**
Balance at 31 March 2006		**5 000**
Classified as current		**5 000**

Post-employment medical aid

In the year to 31 March 2005 a short-term provision of R24,9 million was raised for post-employment medical aid costs related to a group of former employees who had claimed reinstatement of their medical aid subsidies. During the year to March 2006 R14,9 million of this provision was transferred to non-current employee benefits (see note 26) and R4,8 million was settled in cash in May 2006 following a court order to do so.

30 Revenue>

	Note	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Advertising		**2 547 323**	2 197 976	**2 547 323**	2 197 976
Business enterprise and facilities revenue		**41 361**	39 336	**41 361**	39 336
Sponsorships		**379 027**	342 316	**379 027**	342 316
Licence fees		**738 720**	568 194	**738 720**	568 194
Trade exchanges (non-monetary exchanges)		**86 240**	90 183	**86 240**	90 183
Government grants		**50 455**	48 681	**50 455**	48 681
Other revenue		**99 929**	96 089	**94 910**	91 550
		3 943 055	3 382 775	**3 938 036**	3 378 236

31 Employee compensation and benefit expenses>

	Note	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Total cost of employment		**834 575**	748 517	**832 561**	747 107
Pension benefits	*26*	**61 254**	57 001	**61 254**	57 001
Post-employment medical benefits	*26*	**40 901**	(47 439)	**40 901**	(47 439)
Employee incentives	*26*	**27 407**	22 771	**27 407**	22 771
Leave pay	*26*	**25 654**	34 925	**25 654**	34 925
		989 791	815 775	**987 777**	814 365

Included in these amounts are directors' emoluments and group executive compensation, disclosed in more detail in note 42.

32 Other expenses>

Other expenses include the following charges/(benefits):

	Note	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Auditor's remuneration		**3 579**	4 502	**3 579**	4 502
Audit fees - current year		**3 579**	4 000	**3 579**	4 000
Audit fees - under provision for previous year		**-**	501	**-**	501
Expenses		**-**	1	**-**	1
Consulting fees		**43 560**	65 775	**43 560**	65 775
Administrative		**109**	161	**109**	161
Managerial		**28 430**	33 807	**28 430**	33 807
Projects		**1 914**	1 670	**1 914**	1 670
Technical		**13 107**	30 137	**13 107**	30 137
Operating lease charges		**14 042**	14 237	**14 042**	14 237
Buildings		**4 536**	3 882	**4 536**	3 882
Equipment		**7 565**	9 282	**7 565**	9 282
Motor vehicles		**1 941**	1 073	**1 941**	1 073
Impairment of investment properties	*5*	**200**	-	**200**	-
Amortisation of computer software	*6*	**3 615**	3 445	**3 615**	3 445
Consumables - (Reversal of provision)/provision for obsolescence	*13*	**(928)**	8	**(928)**	8
Impairment/(Reversal of impairment) of trade receivables	*14*	**1 921**	(361)	**1 912**	(361)

33 Other (losses)/profits - net>

	Note	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
(Loss)/profit on sale of property, plant and equipment		**(1 464)**	813	**(1 464)**	813
Realised profit on sale of available-for-sale financial asset		**72**	-	**72**	-
		(1 392)	813	**(1 392)**	813

Notes to the Annual Financial Statements
for the year ended 31 March 2006 (cont)

34 Net financing income>

	Note	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Interest income		**42 417**	22 039	**42 293**	21 965
Banking institutions		**40 524**	20 032	**40 400**	19 958
Sentech Limited	*8, 42*	**1 893**	2 007	**1 893**	2 007
Dividend income		**87**	-	**87**	-
Net foreign exchange gain on monetary items		**-**	10 748	**-**	10 155
Financial income		**42 504**	32 787	**42 380**	32 120
Interest expense		**(7 963)**	(7 721)	**(8 310)**	(8 032)
Independent third parties		**(389)**	(556)	**(736)**	(867)
Shareholder - permanent capital	*22, 42*	**(1 780)**	(1 780)	**(1 780)**	(1 780)
Finance leases		**(5 794)**	(5 385)	**(5 794)**	(5 385)
Net foreign exchange loss on monetary items		**(2 667)**	-	**(2 010)**	-
Net loss on derivative financial instruments		**(1 503)**	(7 623)	**(1 503)**	(7 623)
Financial expense		**(12 133)**	(15 344)	**(11 823)**	(15 655)
Net financing income		**30 371**	17 443	**30 557**	16 465

35 Income tax expense>

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Current tax expense	**231 150**	71 399	**230 667**	71 399
Current tax expense - prior year under provision	**3 207**	-	**2 020**	-
Deferred tax (benefit)/charge	**(71 433)**	24 754	**(71 433)**	24 754
Origination and reversal of temporary differences	**(71 433)**	29 073	**(71 433)**	29 073
Reduction in tax rate	**-**	(4 319)	**-**	(4 319)
	162 924	96 153	**161 254**	96 153

Reconciliation of effective tax rate:

	2006 %	2006 R'000	2005 %	2005 R'000
Group				
Profit before income tax		**545 802**		290 164
Income tax using the company tax rate	**29.0**	**158 283**	29.0	84 148
Non-taxable income	**-**	**(25)**	-	-
Non-deductable expenses	**0.3**	**1 459**	5.6	16 324
Change in tax rate	**-**	**-**	(1.5)	(4 319)
Prior year under provision	**0.6**	**3 207**	-	-
Effective tax rate	**29.9**	**162 924**	33.1	96 153
Company				
Profit before income tax		**544 042**		286 815
Income tax using the company tax rate	**29.0**	**157 772**	29.0	83 176
Non-taxable income	**-**	**(25)**	-	-
Non-deductable expenses	**0.3**	**1 487**	6.0	17 296
Change in tax rate	**-**	**-**	(1.5)	(4 319)
Prior year under provision	**0.3**	**2 020**	-	-
Effective tax rate	**29.6**	**161 254**	33.5	96 153

36 Cash generated from operations>

Reconciliation of profit for the year to cash generated from operations:

	Note	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Profit for the year		382 878	194 011	382 788	190 662
Adjustments for:					
Amortisation and impairment of programme, film and sports rights	12	989 914	965 917	989 914	965 917
Amortisation and impairment of computer software	6	3 615	3 445	3 615	3 445
Depreciation and impairment of property, plant and equipment	4	129 228	127 792	129 228	127 792
Impairment of investment properties	5	200	-	200	-
Loss/(profit) on disposal of property, plant and equipment	33	1 464	(813)	1 464	(813)
Realised profit on disposal of available-for-sale financial asset	33	(72)	-	(72)	-
Sanlam demutualisation shares received	9	-	(1 214)	-	(1 214)
Provision for consumables obsolescence	32	(928)	8	(928)	8
Impairment of trade receivables	32	1 921	(361)	1 912	(361)
Straight-lining of operating leases		1 706	1 185	1 706	1 185
Interest received	34	(42 417)	(22 039)	(42 293)	(21 965)
Dividends received	34	(87)	-	(87)	-
Interest paid	34	7 963	7 721	8 310	8 032
Income tax expense	35	162 924	96 153	161 254	96 153
Operating profit before payments for acquisition of programme, film and sports rights, changes in working capital, employee benefits and provisions		1 638 309	1 371 805	1 637 011	1 368 841
Payments for acquisition of programme, film and sports rights	12	(1 024 383)	(962 186)	(1 024 383)	(962 186)
Operating profit before changes in working capital, employee benefits and provisions		613 926	409 619	612 628	406 655
Decrease/(increase) in derivative financial instruments	10	8 835	(10 899)	8 835	(10 899)
Decrease/(increase) in inventories	13	1 343	(212)	1 343	(212)
Increase in trade and other receivables	14	(102 467)	(133 267)	(89 130)	(137 464)
Decrease/(increase) in prepayments	11	18 512	(155 916)	18 512	(155 916)
Increase in trade and other payables	27	121 303	84 136	109 273	89 574
Increase in deferred income	28	16 024	10 173	16 024	10 173
Increase/(decrease) in employee benefits	26	66 959	(34 216)	66 959	(34 216)
(Decrease)/increase in provisions	29	(19 907)	24 907	(19 907)	24 907
Cash generated from operations		724 528	194 325	724 537	192 602

37 Taxation paid>

	Note	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Balance at 1 April		29 486	-	29 486	-
Current taxation	35	234 357	71 399	232 687	71 399
Balance at 31 March		(119 877)	(29 486)	(118 207)	(29 486)
Taxation paid		143 966	41 913	143 966	41 913

38 Financial instruments>

Exposure to credit, interest rate and currency risks arises in the normal course of the group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit (over a certain amount). The group does not require collateral in respect of financial assets.

Investments are acquired only in liquid securities and only with counterparties that have a credit rating equal to or better than the group. Transactions involving derivative financial instruments are with counterparties with sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates of finance leases to which the group is a lessee are fixed at inception of the lease or variable over the term of the lease, and therefore expose the group to fair value interest rate risk. See notes 15 and 23.

Foreign currency risk

The group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the US dollar, Euro and the UK pound. Foreign exchange risk arises primarily from international programming rights that are procured in foreign currency and the procurement, implementation and maintenance of its broadcasting infrastructure.

Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. group Treasury uses forward contracts to manage the group's foreign exchange risk arising from future commercial transactions, recognised assets and liabilities and is responsible for managing the net position in each foreign currency.

The group's risk management policy is to hedge between 0% and 50% of firm commitments for the acquisition of international programming rights in each major currency for the subsequent 12 months. The group has not applied hedge accounting for these forward currency contracts. The group only covers known commitments and does not speculate in foreign currencies.

Outstanding forward currency contracts

Group and company	Less than one year 2006 R'000	Less than one year 2005 R'000	Total notional amount 2006 R'000	Total notional amount 2005 R'000
Forward currency contracts used to hedge trade payables				
USD (United States Dollar)	**111 433**	92 955	**111 433**	92 955
Contracted rate R6.4599 (2005: R6.1970)				
CHF (Swiss Franc)	**-**	4 986	**-**	4 986
Contracted rate R nil (2005: R0.1870)				
	111 433	97 941	**111 433**	97 941

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable parties in an arm's length transaction, other than a forced or liquidation sale. The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(i) Loans and receivables, held-to-maturity investments, perpetual debt instrument and interest-bearing loans and borrowings

The fair value of these financial instruments is determined by reference to market-related interest rates for financial instruments with similar maturities, and without deducting any transaction costs.

(ii) Trade and other receivables, cash and cash equivalents and trade and other payables

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

(iii) Derivative financial instruments

The fair value of derivative financial instruments is based upon market valuations, being the present value of quoted forward rates.

38 Financial instruments> (continued)

	2006 Carrying amount R'000	2006 Fair value R'000	2005 Carrying amount R'000	2005 Fair value R'000
Group				
Financial assets				
Loans and receivables	18 037	**18 037**	18 037	**18 037**
Available-for-sale financial assets	2 363	**2 363**	1 932	**1 932**
Derivative financial instruments	8 033	**8 033**	11 462	**11 462**
Trade and other receivables	695 675	**695 675**	595 129	**595 129**
Held-to-maturity investments	724 000	**724 000**	318 500	**318 500**
Cash and cash equivalents	145 028	**145 028**	49 926	**49 926**
Total financial assets	1 593 136	**1 593 136**	994 986	**994 986**
Financial liabilities				
Perpetual debt instrument	27 390	**22 972**	27 390	**21 580**
Interest-bearing loans and borrowings	69 354	**69 354**	83 209	**83 209**
Derivative financial instruments	5 468	**5 468**	62	**62**
Trade and other payables	579 950	**579 950**	458 647	**458 647**
Total financial liabilities	682 162	**677 744**	569 308	**563 498**
Net financial assets	910 974	**915 392**	425 678	**431 488**
Company				
Financial assets				
Loans and receivables	18 037	**18 037**	18 037	**18 037**
Available-for-sale financial assets	2 363	**2 363**	1 932	**1 932**
Derivative financial instruments	8 033	**8 033**	11 462	**11 462**
Trade and other receivables	683 261	**683 261**	596 043	**596 043**
Held-to-maturity investments	724 000	**724 000**	318 500	**318 500**
Cash and cash equivalents	138 159	**138 159**	44 044	**44 044**
Total financial assets	1 573 853	**1 573 853**	990 018	**990 018**
Financial liabilities				
Perpetual debt instrument	27 390	**22 972**	27 390	**21 580**
Interest-bearing loans and borrowings	76 187	**76 187**	90 567	**90 567**
Derivative financial instruments	5 468	**5 468**	62	**62**
Trade and other payables	572 348	**572 348**	463 075	**463 075**
Total financial liabilities	681 393	**676 975**	581 094	**575 284**
Net financial assets	892 460	**896 878**	408 924	**414 734**

Notes to the Annual Financial Statements
for the year ended 31 March 2006 (cont)

38 Financial instruments> (continued)

Borrowing facilities

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

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
General short-term banking facilities				
First National Bank	**50 000**	25 000	**50 000**	25 000
Standard Corporate and Merchant Bank	**50 000**	10 000	**50 000**	10 000
Nedbank	**-**	71 000	**-**	71 000
Absa Corporate and Merchant Bank	**100 000**	100 000	**100 000**	100 000
Investec	**3 000**	3 000	**3 000**	3 000
Unutilised	**203 000**	209 000	**203 000**	209 000
Asset finance				
Provided	**240 000**	195 000	**240 000**	195 000
Utilised	**(50 813)**	(62 761)	**(50 813)**	(62 761)
Unutilised	**189 187**	132 239	**189 187**	132 239
Guarantees				
Provided	**56 000**	50 000	**56 000**	50 000
Utilised	**(9 952)**	(32 028)	**(9 952)**	(32 028)
Unutilised	**46 048**	17 972	**46 048**	17 972

The group has exposure to guarantees. In addition to the normal guarantees, the group has a guarantee for the housing scheme and is on occasion called upon to provide guarantees when procuring goods and services.

39 Operating leases>

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Less than one year	**7 265**	3 436	**7 265**	3 436
Between one and five years	**20 940**	9 994	**20 940**	9 994
More than five years	**3 205**	5 078	**3 205**	5 078
	31 410	18 508	**31 410**	18 508

The group has various lease agreements for equipment and premises. Some of these lease agreements contain renewal and/or purchase options. None of the lease agreements include contingent rentals.

During the year ended 31 March 2006, R14 million was recognised as an expense in the income statement in respect of operating leases (2005: R14,2 million)

Leases as lessor

The group leases out certain of its investment properties under operating leases (see note 5). The future minimum lease payments under non-cancellable leases are as follows:

Less than one year	**5 929**	4 650	**5 929**	4 650
Between one and five years	**2 136**	6 775	**2 136**	6 775
	8 065	11 425	**8 065**	11 425

During the year ended 31 March 2006, R11 million was recognised as rental income in the income statement (2005: R9,6 million) and R0,3 million in respect of repairs and maintenance was recognised as an expense in the income statement relating to investment property (2005: R0,3 million).

40 Commitments>

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
Capital commitments				
Contracted for	**415 548**	34 409	**415 548**	34 409
Approved but not contracted for	**218 364**	211 050	**218 364**	211 050
	633 912	245 459	**633 912**	245 459
Programme, film and sports rights	**886 571**	621 345	**886 571**	621 345
Total purchase commitments	**1 520 483**	866 804	**1 520 483**	866 804

The capital expenditure will be funded through funding approved by Government for the group's recapitalisation of technology. See note 24.

Commitments for programme, film and sports rights will be funded internally. The currency exposures on foreign programme, film and sports rights at 31 March 2006 are as follows:

	Local	Foreign		Total
	R'000	'000	R'000	R'000
Group and company				
Year ending 31 March 2007	279 712	24 497	149 719	**429 431**
Local	279 712	-	-	**279 712**
Foreign - USD	-	23 197	143 529	**143 529**
Foreign - CHF	-	1 300	6 190	**6 190**
Year ending 31 March 2008	94 957	16 642	102 970	**197 927**
Local	94 957	-	-	**94 957**
Foreign - USD	-	16 642	102 970	**102 970**
Year ending 31 March 2009	54 042	13 392	84 717	**138 759**
Local	54 042	-	-	**54 042**
Foreign - USD	-	13 392	84 717	**84 717**
Year ending 31 March 2010	56 906	8 432	52 176	**109 082**
Local	56 906	-	-	**56 906**
Foreign - USD	-	8 432	52 176	**52 176**
Year ending 31 March 2011	-	1 838	11 372	**11 372**
Local	-	-	-	**-**
Foreign - USD	-	1 838	11 372	**11 372**
Total commitments	485 617	64 801	400 954	**886 571**

41 Contingencies>

Group and company

Contingent liabilities comprise claims lodged by third parties against the group which, in some cases, may be reduced by a counter claim for insurance.

Trustco (Proprietary) Limited has instituted a claim of approximately R140 million against the group for an allege breach of contract relating to a Wireless agreement for a game show on SABC2. Arbitration continued on 24 July 2006. The actual exposure of the group is expected to be significantly lower than the amount claimed.

Phumelela Aviation Services has instituted a claim of approximately R8 million in respect of an alleged breach of contract by the group for the provision of Aviation Services to the SABC Morning Shows. A trial date has been set for 2007.

The Public Investment Corporation has also instituted a claim of approxiately R376 million against the group for the cancellation of a lease agreement. A special plea has been entered. The actual exposure of the group is expected to be significantly lower than the amount claimed.

Notes to the Annual Financial Statements
for the year ended 31 March 2006 (cont)

41 Contingencies> (continued)

Claims for advertising charges amounting to approximately R2 million have been made by Biz Africa trading as Africa Finance. The case is not expected to be heard in court before April 2007.

The group has been sued for R7 million, being a personal injury claim by Letta Mbuli/ C Semenya for the broadcast of a licenced programme. The matter is going to trial in August 2006.

A group of former employees have made claims against the group to reinstate the group's 60% contribution to the post-employment medical aid scheme. The claims, if successful, may increase the group's post-employment medical aid liability by approximately R144 million. A plea has been filed and the group is waiting for confirmation that the matter has been set down for trial. See note 26.

A potential claim of approximately R52 million by Sentech Limited in respect of transmission networks affected by the closure of the Bophuthatswana Broadcasting Corporation is being disputed. The group is of the opinion that the Department of Communication will resolve these claims with Sentech Limited.

42 Related parties>

The group is 100% controlled by its shareholder, the Government, represented by the Department of Communications.

The company is a schedule 2 public entity in terms of the Public Finance Management Act. The related party disclosure is in terms of the requirements of IAS 24 - *Related Parties Disclosures* and the specific guidance given by the South African Institute of Chartered Accountants.

The related parties of the group consists mainly of government departments, state-owned enterprises, other public entities in the national sphere of government and key management personnel of the company or its shareholder and close family members of these related parties. The related parties of the company also include its subsidiaries (see note 7). The list of public entities in the national sphere of government was provided by National Treasury on their website www.treasury.gov.za.

The comparative information has been based on the list of public entities and their subsidiaries effective 31 March 2006.

The following transactions were carried out with related parties:

(i) Transactions with subsidiaries - company

	2006		2005	
	Amount of transactions R'000	Amounts owed (to)/by subsidiary R'000	Amount of transactions R'000	Amounts owed (to)/by subsidiary R'000
Air Time TV Outside Broadcast (Proprietary) Limited (*trading as Airwave Travel*)	**(388)**	**(10 094)**	(315)	(3 608)
Auckland Programme Trade B.V. *(incorporated in the Netherlands)*	**353**	**(8 175)**	311	(8 181)
	(35)	**(18 269)**	(4)	(11 789)

Related party relationships exist between the company and its wholly-owned subsidiaries, Airwave Travel and Auckland Programme Trade B.V. The company has entered into a number of transactions with Airwave travel for bookings and accommodation for business trips. Transactions entered into are in the normal course of business and on an arm's length basis. Amounts due and owing are settled accordingly. Auckland Programme Trade B.V. is managed by Ing Trust, Netherlands and transactions within this subsidiary are limited to administration costs and exchange differences arising from the translation of items into Rands (its functional currency under IAS 21 - *The Effects of Changes in Foreign Exchange Rates*). Goods and services are bought/sold to subsidiaries on an arm's length basis at market related prices.

42 Related parties> (continued)

(ii) Included in revenue and trade receivables - group and company	2006 Amount of transactions R'000	2006 Outstanding balance R'000	2005 Amount of transactions R'000	2005 Outstanding balance R'000
Airports Company South Africa Limited	-	(6)	-	(6)
Eskom Holdings Limited	1 237	361	593	361
Sentech Limited	682	-	466	-
South African Airways (Proprietatry) Limited	-	-	-	2 581
South African Post Office Limited	(70)	(56)	744	212
Telkom South Africa Limited	78	-	15	-
Transnet Limited	245	149	120	(6)
Uthingo Management (Proprietary) Limited	3 508	-	3 508	-
Department of Agriculture	2 416	977	1 123	457
Department of Art and Culture	2	-	225	(4)
Department of Communications	251	-	-	-
Department of Correctional Services	171	149	-	-
Department of Economic Affairs	2 219	549	1 936	1 684
Department of Education	842	1 413	621	421
Department of Environmental Affairs and Tourism	93	40	21	16
Department of Foreign Affairs	-	(224)	-	(224)
Department of Health	3 830	1 056	6 069	3 707
Department of Home Affairs	282	630	295	(183)
Department of Housing	2 922	79	488	425
Department of Justice and Constitutional Development	176	(4)	365	(88)
Department of Labour	15	148	1 781	6
Department of Land Affairs	-	-	-	233
Department of Provincial and Local Government	613	213	174	114
Department of Public Works	1 255	219	224	9
Department of Safety and Security	1 494	627	437	63
Department of Social Development	1 635	798	1 340	669
Department of Sports and Recreation	1 426	349	222	602
Department of Trade and Industry	541	503	2 078	199
Department of Transport	3 054	1 504	1 435	584
Department of Water Affairs and Forestry	385	314	131	(20)
Government Communications	17 497	611	17 920	107
Independent Electoral Committee	5 917	5 625	553	-
National Empowerment Fund	-	29	-	158
National Electricity Regulator	259	-	174	24
National Productivity Institute	59	(7)	73	(2)
National Treasury	834	(1 394)	429	382
National Youth Commission	-	100	-	-
Parliament (The Presidency)	-	4 260	-	1 098
Performing Arts Council	92	-	-	-
South African Sports Commission	-	-	20	-
South African Police Service	-	(30)	-	(147)
	53 960	18 982	43 580	13 432

Goods and services are sold to related parties on an arms length basis at market related prices.

Notes to the Annual Financial Statements
for the year ended 31 March 2006 (cont)

42 Related parties> (continued)

	Note	2006 Amount of transactions R'000	2006 Outstanding balance R'000	2005 Amount of transactions R'000	2005 Outstanding balance R'000
(iii) Grants and sponsorships - group and company					
Government grants recognised in revenue	*30*	**50 455**	**-**	48 681	-
Deferred government grant	*24*	**-**	**100 000**	-	-
		50 455	**100 000**	48 681	-
(iv) Purchases of goods and services					
Telkom South Africa Limited		**23 022**	**1 554**	21 623	870
South African Post Office Limited		**532**	**374**	972	862
Sentech Limited		**315 082**	**-**	299 537	-
South African Revenue Service		**731 409**	**144 282**	467 665	45 548
Income Tax		**234 357**	**119 877**	71 399	29 486
Value-Added-Taxes		**261 228**	**4 705**	198 694	16 181
Employee taxes (Pay-As-You-Earn ("PAYE"))		**235 824**	**19 700**	197 572	(119)
Sector Education and Training Authority ("SETA")		**3 848**	**-**	3 128	-
Unemployment Insurance Fund		**3 730**	**-**	3 201	-
Eskom Holdings Limited		**22 534**	**-**	23 465	-
		1 100 157	**146 210**	819 591	47 280

Goods and services are purchased from related parties on an arms length basis at market related prices.

	Note	2006 Amount of transactions R'000	2006 Outstanding balance R'000	2005 Amount of transactions R'000	2005 Outstanding balance R'000
(v) Interest payments					
Shareholder - permanent capital	*22, 34*	**1 780**	**27 390**	1 780	27 390
(vi) Employee benefit payments - group and company					
SABC Pension fund	*26*	**(61 254)**	**-**	(57 001)	-
SABC Medical aid scheme	*26*	**(43 545)**	**-**	(39 422)	-
		(104 799)	**-**	(96 423)	-
(vii) Loans and receivables - group and company					
Sentech Limited	*8*	**1 893**	**18 000**	2 007	18 000

(viii) Administered projects

The group has been delegated with the responsibility by the Department of Communications to administer Channel Africa and Community Radio Project, which are sub-divisions of the Department of Communications. The net amount of administered projects of R3,1 million (2005: R3,2 million) is included in trade and other payables.

	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
For the year ended 31 March 2006						
Channel Africa	**3 152**	**29 616**	**(29 132)**	**(556)**	**-**	**3 080**
Community Radio Project	**16**	**17 500**	**(11 859)**	**(7 314)**	**1 691**	**34**
	3 168	**47 116**	**(40 991)**	**(7 870)**	**1 691**	**3 114**
For the year ended 31 March 2005						
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
	2 737	53 292	(29 074)	(25 114)	1 327	3 168

(ix) Administered Funds	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Bank balances of Community Radio Project	**57 580**	44 583	**57 580**	44 583

42 Related parties> (continued)

(x) Service contracts for executive directors	D.C. Mpofu	S.Q.M. Mokoetle	R.A. Nicholson
Service contract			
- start date	1 August 2005	1 January 2001	1 July 2001
- end date	31 July 2010	31 December 2006	30 June 2006
Service period	5 years	6 years	5 years
Remaining	4 years and 4 months	*9 months	**3 months

* S.Q.M Mokoetle's contract was renewed for a further period of one year to 31 December 2006

** R.A.Nicholson's contract renewal is not yet finalised

(xi) Directors' and key management personnel

	Service as	Service period	Basic salary R'000	Allowances R'000	Employer's contribution to pension fund R'000	Bonuses and commissions R'000	Total R'000
Directors' emoluments							
Executive							
Year ended 31 March 2006							
Adv. D.C. Mpofu	Group Chief Executive Officer	8	1 136	176	175	-	1 487
Mr. P. B. Matlare (Former)	Group Chief Executive Officer	-	-	-	-	908	908
Mr. S.Q.M. Mokoetle	Chief Operating Officer	12	1 241	277	206	964	2 688
Mr. R.A. Nicholson	Chief Financial Officer	12	1 210	286	205	964	2 665
			3 587	739	586	2 836	7 748
Year ended 31 March 2005							
Mr. P.B. Matlare	Group Chief Executive Officer	12	1 475	280	239	869	2 863
Mr. S.Q.M. Mokoetle	Chief Operating Officer	12	1 173	261	194	573	2 201
Mr. R.A. Nicholson	Chief Financial Officer	12	1 140	261	193	575	2 169
			3 788	802	626	2 017	7 233
Non-executive							
Year ended 31 March 2006							
S.E. Funde	Board Chairperson	12	-	237	-	-	237
C.D.M. Qunta	Board Member	12	-	185	-	-	185
A.N. Gillwald	Board Member	12	-	131	-	-	131
N. Gosa	Board Member	8	-	90	-	-	90
F.E. Lagadien	Board Member	12	-	127	-	-	127
A.P. Maralack	Board Member	12	-	132	-	-	132
E.T. Mazwai	Board Member	12	-	119	-	-	119
A.M. Mbeki	Board Member	12	-	168	-	-	168
K.D. Mkonza	Board Member	12	-	139	-	-	139
M.C. Msomi	Board Member	12	-	152	-	-	152
D.I. Swartz	Board Member	12	-	127	-	-	127
A.H. Trikamjee	Board Member	12	-	152	-	-	152
			-	1 759	-	-	1 759

Notes to the Annual Financial Statements
for the year ended 31 March 2006 (cont)

42 Related parties> (continued)

	Service as	Service period	Basic salary R'000	Allowances R'000	Employer's contribution to pension fund R'000	Bonuses and commissions R'000	Total R'000
(xi) Directors' and key management personnel (continued)							
Non-executive (continued)							
Year ended 31 March 2005							
S.E. Funde	Board Chairperson	12	-	417	-	-	417
C.D.M. Qunta	Board Member	12	-	252	-	-	252
A.N. Gillwald	Board Member	12	-	132	-	-	132
N. Gosa	Board Member	12	-	198	-	-	198
F.E. Lagadien	Board Member	12	-	98	-	-	98
A.P. Maralack	Board Member	12	-	155	-	-	155
E.T. Mazwai	Board Member	12	-	147	-	-	147
A.M. Mbeki	Board Member	12	-	172	-	-	172
K.D. Mkonza	Board Member	12	-	186	-	-	186
M.C. Msomi	Board Member	12	-	163	-	-	163
D.I. Swartz	Board Member	12	-	92	-	-	92
A.H. Trikamjee	Board Member	12	-	128	-	-	128
			-	2 140	-	-	2 140
Group executive compensation							
Year ended 31 March 2006							
L.P. Chakela	Group Executive	**6**	**393**	**100**	**71**	**-**	**564**
P. Luthuli	Group Executive	**6**	**450**	**136**	**68**	**-**	**654**
P. Ntombela-Nzimande	Group Executive	**6**	**270**	**107**	**41**	**-**	**418**
P.M. Naves	Group Executive	**7**	**315**	**121**	**64**	**-**	**500**
S.J. Zikalala	Group Executive	**12**	**782**	**232**	**143**	**193**	**1 350**
M.M. Mbebe	Group Executive	**12**	**907**	**221**	**160**	**261**	**1 549**
M.W. Jakins	Group Executive	**12**	**1 060**	**255**	**184**	**2 359**	**3 858**
T.C.C. Mampane	Group Executive	**12**	**636**	**181**	**121**	**212**	**1 150**
S. Rapeti	Group Executive	**12**	**786**	**203**	**135**	**310**	**1 434**
I.L. Rensburg	Group Executive	**12**	**1 038**	**300**	**178**	**360**	**1 876**
			6 637	**1 856**	**1 165**	**3 695**	**13 353**
Year ended 31 March 2005							
S.J. Zikalala	Group Executive	12	680	195	124	-	999
M.M. Mbebe	Group Executive	12	673	238	127	139	1 177
M.W. Jakins	Group Executive	12	923	208	162	2 131	3 424
T.C.C. Mampane	Group Executive	12	609	76	115	130	930
S. Rapeti	Group Executive	12	750	211	129	161	1 251
I.L. Rensburg	Group Executive	12	709	240	132	151	1 232
			4 344	1 168	789	2 712	9 013

(xii) Transactions with family members

During the year ended 31 March 2006, a close family member (through a 50% owned company) of one of the Group Executives entered into a business transaction with the group amounting to R26 million in respect of a television production.

43 Licence agreements>

The group was granted the following Public Television Broadcasting Licences by the Public Service Division of the Independent Communications Authority of South Africa ("ICASA") for the period 23 March 2004 to 22 March 2012: SABC 1, SABC 2 and SABC 3.

The group was granted the following Public Sound Broadcasting Licenses by the Public Service Division of ICASA for the period 23 March 2004 to 22 March 2010: SA FM, RSG, UMHLOBO WENENE FM, UKHOZI FM, LESEDI FM, MOTSWEDING FM, THOBELA FM, LIGWALAGWALA FM, IKWEKWEZI FM, MUNGHANA LONENE FM, PHALAPHALA FM, LOTUS FM, RADIO 2000, 5 FM, METRO FM, GOOD HOPE FM, X-K FM, CKI FM.

The license area for all of the licenses above is the Republic of South Africa. The licenses were granted at no consideration and the group is required to comply with the applicable regulations as amended from time to time. No subsequent expenditure has been incurred on these licences.

44 Material losses and fruitless and wasteful expenditures>

(i) Material losses through criminal conduct

Case number	Action taken	Losses identified R'000	Losses recovered year to date R'000	Losses written off R'000	Recovery outstanding R'000
Year ended 31 March 2006					
FIN 05/518	No Action	**2**	**(2)**	**-**	**-**
NEWS 04/419	Disciplinary Action	**342**	**(342)**	**-**	**-**
NEWS 05/507	Rectify Control Environment	**19**	**-**	**-**	**19**
PBSTV 05/443	Disciplinary Action	**24**	**-**	**-**	**24**
PBSREG 05/493	None	**29**	**(12)**	**-**	**17**
PBSTV 05/528	Disciplinary Action	**2**	**-**	**-**	**2**
PBSTV 05/539	Legal Action	**249**	**(107)**	**-**	**142**
IO2004288	Legal Action	**504**	**(336)**	**-**	**168**
PCSR 04/427	Legal Action	**5**	**-**	**-**	**5**
PCSTV 05/508	Disciplinary Action	**2**	**-**	**-**	**2**
REG 04/ 388	Continous Recovery	**538**	**(15)**	**-**	**523**
REG 04/377	Disciplinary Action	**1**	**-**	**-**	**1**
LOG 04/381	Legal Action	**38**	**-**	**-**	**38**
		1 755	**(814)**	**-**	**941**
Year ended 31 March 2005					
IB 200303	Dismissal	78	-	-	78
GRP 04/385	Disciplinary Action	1	(1)	-	-
IG 2003276	No Action	2	(2)	-	-
IF 2003293	Legal Action	3 410	-	-	3 410
IB2003318	None	19	(19)	-	-
IO2004312	Disciplinary Action	4	(4)	-	-
PCSR 04/375	No Action taken	3	-	-	3
IO 2004326	Criminal Action withdrawn	4	(4)	-	-
IR2003245	No Action	5	(5)	-	-
IF 2003256	Legal Action	230	-	-	230
IO2004264	Disciplinary Action	60	-	-	60
IF 2004314	No Action	2	(2)	-	-
II200215	Legal Action	2 729	(1 160)	-	1 569
IO 2004304	Dismissal	1	-	-	1
IF 2004343	No Action	2	(2)	-	-
TECH 04/355	No Action	2	-	(2)	-
IF 2003281	Legal Action	20	-	-	20
		6 572	(1 199)	(2)	5 371

(ii) Any irregular, fruitless or wasteful expenditure

No irregular, fruitless or wasteful expenditure has been identified by the group.

45 Subsequent events>

Subsequent to the balance sheet date, the Rand value depreciated against the US dollar from R6.19 to R6.91 at 2 August 2006, which had a significant impact on the group's exposure to foreign currency risk in respect of commitments to purchase programme, film and sports rights (see note 40).

46 Explanation of transition to IFRS>

46.1 Basis of transition to IFRS

As stated in note 1(a), these are the group's first financial statements prepared in accordance with IFRS. The group has applied IFRS 1 in preparing these consolidated financial statements and the accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2006, the comparative information presented in these financial statements for the year ended 31 March 2005 and in the preparation of an opening IFRS balance sheet at 1 April 2004 (the date of the group's transition to IFRS).

In preparing its opening IFRS balance sheet, the group has adjusted amounts reported previously in financial statements prepared in accordance with South African Statements of Generally Accepted Accounting Practice ("SA GAAP"). An explanation of how the transition from SA GAAP to IFRS has affected the group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

In preparing these consolidated financial statements in accordance with IFRS 1, the group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

Exemptions from full retrospective application – elected by the group

The group has elected to apply the following optional exemptions from full retrospective application:

(i) Business combinations exemption

The group was formed on 1 October 2003 when the assets and liabilities were transferred at net book value from the RSA Government to the new company, SABC Limited. This transfer is considered to be a common control transaction under IFRS - since the SABC was controlled by the RSA Government before and after the transaction - and therefore represented a transaction for which there is no current guidance under IFRS. IFRS however, allow the group to use the requirements and guidance in Standards and Interpretations dealing with similar and related issues, which means that, even though common control transactions is scoped out of IFRS 3 - *Business Combinations*, the SABC may elect to account for this common control transaction in a manner similar to other business combinations. At the same time, IFRS 1 permits a first-time adopter not to apply IFRS 3 retrospectively to past business combinations that occurred before the date of transition to IFRS (1 April 2004), but to assume that the carrying amount of assets and liabilities under SA GAAP to also represents their deemed cost under IFRS at 1 October 2003.

The group has therefore applied the business combinations exemption in IFRS 1 and assumed that the carrying value of assets and liabilities under SA GAAP on 1 October 2003 (subject to certain exemptions) to be their deemed cost under IFRS at that date.

(ii) Fair value as deemed cost exemption

The group has elected to measure certain items of property, plant and equipment (land and buildings) at fair value as at 1 April 2004. The application of this exemption is detailed in notes (a) and (c) below.

(iii) Employee benefits exemption

The group has elected to apply the exemption to recognise all cumulative actuarial gains and losses at the date of transition to IFRS. However, this did not have any impact on the financial statements because of the net pension asset not being recognised under SA GAAP or IFRS. Refer to note 26.

Exceptions from full retrospective application - followed by the group

The group has applied the following mandatory exceptions from retrospective application:

(i) Derecognition of financial assets and liabilities exception

Financial assets and liabilities derecognised before 1 April 2004 are not re-recognised under IFRS.

(ii) Hedge accounting exception

This exception requires the SABC to claim hedge accounting only if the hedge relationship meets all the hedge accounting criteria under IAS 39. The SABC has not claimed hedge accounting under IFRS; instead all derivative financial instruments have been recorded at fair value with the gain or loss reflected in the income statement. Refer note 10.

(iii) Estimates exception

Estimates under IFRS at 1 April 2004 should be consistent with estimates made for the same date under SA GAAP, unless there is evidence that those estimates were in error.

(iv) Assets held for sale and discontinued operations exception

The group applied IFRS 5 prospectively from 1 April 2005. The group did not have any assets that met the held-for-sale criteria during the period presented. No adjustment was therefore required.

46 Explanation of transition to IFRS> (continued)

46.2 Reconciliation of equity - Group

		1 April 2004			31 March 2005		
	Note	SA GAAP R'000	Adjustments R'000	IFRS R'000	SA GAAP R'000	Adjustments R'000	IFRS R'000
ASSETS							
Property, plant and equipment	*a, b, c, e*	467 674	649 814	**1 117 488**	493 335	606 299	**1 099 634**
Investment properties	*c*	-	33 673	**33 673**	-	33 673	**33 673**
Computer software	*e*	-	9 430	**9 430**	-	23 638	**23 638**
Long-term loan receivable		18 000	(18 000)	**-**	18 000	(18 000)	**-**
Long-term investment	*f*	-	-	**-**	1 932	(1 932)	**-**
Loans and receivables	*f*	-	18 231	**18 231**	-	18 037	**18 037**
Available-for-sale financial assets	*f*	-	-	**-**	-	1 932	**1 932**
Other non-current receivable	*f*	231	(231)	**-**	37	(37)	**-**
Derivative financial instruments	*k*	-	8 137	**8 137**	-	5 057	**5 057**
Prepayments	*d*	-	21 311	**21 311**	-	56 030	**56 030**
Other non-current assets	*g*	-	2 666	**2 666**	-	1 768	**1 768**
Total non-current assets		485 905	725 031	**1 210 936**	513 304	726 465	**1 239 769**
Programme, film and sports rights	*d*	393 290	(122 089)	**271 201**	351 226	(83 756)	**267 470**
Inventories		5 345	-	**5 345**	5 549	-	**5 549**
Trade and other receivables	*g, k*	461 037	464	**461 501**	596 092	(963)	**595 129**
Derivative financial instruments	*k*	-	-	**-**	-	6 405	**6 405**
Loans and receivables	*f*	-	-	**-**	-	-	**-**
Held-to-maturity investments	*f*	-	217 533	**217 533**	-	318 500	**318 500**
Prepayments	*d*	42 405	(18 311)	**24 094**	196 424	(51 133)	**145 291**
Short-term investments	*f*	196 957	(196 957)	**-**	338 457	(338 457)	**-**
Other financial assets	*f*	21 311	(21 311)	**-**	816	(816)	**-**
Restricted cash	*f*	-	735	**735**	-	816	**816**
Cash and cash equivalents	*f*	80 298	-	**80 298**	29 969	19 957	**49 926**
Total current assets		1 200 643	(139 936)	**1 060 707**	1 518 533	(129 447)	**1 389 086**
Total assets		1 686 548	585 095	**2 271 643**	2 031 837	597 018	**2 628 855**
EQUITY							
Share capital		1	-	**1**	1	-	**1**
Commemorative fund reserve		-	-	**-**	3 447	-	**3 447**
Insurance reserve		9 318	-	**9 318**	11 427	-	**11 427**
Fair value adjustment reserve	*h*	-	-	**-**	718	(104)	**614**
Retained earnings	*i*	791 566	577 344	**1 368 910**	1 026 294	531 071	**1 557 365**
Total equity		800 885	577 344	**1 378 229**	1 041 887	530 967	**1 572 854**

Balance sheet continues on page 46.

Notes to the Annual Financial Statements
for the year ended 31 March 2006 (cont)

46 Explanation of transition to IFRS> (continued)

	Note	1 April 2004 SA GAAP R'000	Adjustments R'000	IFRS R'000	31 March 2005 SA GAAP R'000	Adjustments R'000	IFRS R'000
LIABILITIES							
Perpetual debt instrument		27 390	-	**27 390**	27 390	-	**27 390**
Interest-bearing loans and borrowings	*b*	29 831	7 370	**37 201**	44 773	11 370	**56 143**
Derivative financial instruments	*k*	-	-	**-**	-	24	**24**
Deferred tax	*j*	-	112 525	**112 525**	6 078	131 305	**137 383**
Employee benefits	*l*	223 129	15 574	**238 703**	162 691	14 455	**177 146**
Other non-current liabilities	*g*	-	146	**146**	-	433	**433**
Total non-current liabilities		280 350	135 615	**415 965**	240 932	157 587	**398 519**
Trade and other payables	*g, k, l*	500 633	(126 122)	**374 511**	534 415	(75 768)	**458 647**
Employee benefits	*l*	-	48 453	**48 453**	-	75 794	**75 794**
Derivative financial instruments	*j*	-	7 636	**7 636**	-	38	**38**
Taxation payable		-	-	**-**	29 486	-	**29 486**
Deferred income		31 371	-	**31 371**	41 544	-	**41 544**
Current portion of interest-bearing loans and borrowings	*b*	11 680	3 798	**15 478**	17 089	9 977	**27 066**
Provisions	*l*	61 629	(61 629)	**-**	126 484	(101 577)	**24 907**
Total current liabilities		605 313	(127 864)	**477 449**	749 018	(91 536)	**657 482**
Total liabilities		885 663	7 751	**893 414**	989 950	66 051	**1 056 001**
Total equity and liabilities		1 686 548	585 095	**2 271 643**	2 031 837	597 018	**2 628 855**

46.3 Reconciliation of profit - Group

	Note	Year ended 31 March 2005 SA GAAP R'000	Adjustments R'000	IFRS R'000
Revenue	*m*	3 314 055	68 720	**3 382 775**
Other income	*g, m*	-	36 744	**36 744**
Cost of sales	*n*	(1 291 554)	1 291 554	**-**
Amortisation and impairment of programme, film and sports rights	*n, d*	-	(965 917)	**(965 917)**
Broadcast costs	*m, n*	-	(353 038)	**(353 038)**
General and administrative expenses	*n*	(377 667)	377 667	**-**
Signal distribution and linking costs		(299 536)	-	**(299 536)**
Employee compensation and benefit expenses		(820 157)	4 382	**(815 775)**
Depreciation and impairment of property, plant and equipment	*a, b, c, d, e*	(83 801)	(43 991)	**(127 792)**
Marketing costs		(139 144)	-	**(139 144)**
Direct licence collection costs	*m*	-	(74 651)	**(74 651)**
Other expenses	*b, e, g, m, n*	-	(371 758)	**(371 758)**
Other profits - net	*n*	-	813	**813**
Operating profit before interest and taxation		302 196	(29 475)	**272 721**
Net financing income		15 565	1 878	**17 443**
Interest income		22 039	(22 039)	**-**
Interest expense	*b*	(6 474)	6 474	**-**
Financial income		-	32 787	**32 787**
Financial expenses		-	(15 344)	**(15 344)**
Profit before income tax		317 761	(27 597)	**290 164**
Income tax expense	*j*	(77 477)	(18 676)	**(96 153)**
Profit for the year		240 284	(46 273)	**194 011**

46 Explanation of transition to IFRS> (continues)

46.4 Notes to the reconciliation of equity and profit - Group

The impact on deferred tax of the adjustments described below is set out in note (j).

(a) Under IFRS, the group has elected to apply the fair value deemed cost exemption in IFRS 1 to land and buildings. The effect of this election was to increase *Property, plant and equipment* by R661,3 million at 1 April 2004.

In addition, IAS 16 - *Property, Plant and Equipment* contained changes when compared to the equivalent standard under SA GAAP - providing additional guidance and clarification on selected matters. The following adjustments have been accounted for retrospectively from 1 October 2003 (date of incorporation) in order to comply with this Standard:

- For each financial year-end, reviewing and adjusting, where necessary, the useful lives and residual values of each asset;
- Inclusion of costs directly attributable to bringing the asset to the location and condition necessary for its intended use; and
- Recalculation of depreciation after taking the adjustments outlined above into account.

The effect of these adjustments was to decrease *Property, plant and equipment* by R38,5 million at 31 March 2005; and to increase related *Depreciation expense* by R38,5 million for the year ended 31 March 2005.

(b) Under SA GAAP, a lease agreement for certain computer equipment was incorrectly classified as an operating lease based on legal ownership criteria. Under IFRS, the lease is classified as a finance lease and the related asset and liability recognised by the group.

The effect of this adjustment was to increase *Property, plant and equipment* by R10,5 million at 1 April 2004 and R20,4 million at 31 March 2005; and to increase related *Depreciation expense* by R8,2 million for the year ended 31 March 2005. The effect was also to increase *Interest-bearing loans and borrowings* by R7,4 million at 1 April 2004 and R11,4 million at 31 March 2005, increase *Current portion of interest-bearing loans and borrowings* by R3,8 million at 1 April 2004 and R10 million at 31 March 2005 and to increase related *Interest expense* by R1,3 million for the year ended 31 March 2005. Finally, *Other expenses* were decreased with the operating lease charges by R9,2 million for the year ended 31 March 2005.

(c) The group did not classify and disclose certain of its properties as *Investment properties* under SA GAAP. IFRS require the group to seperately classify, account and disclose investment properties in the annual financial statements. Investment properties are those properties held by the group to earn rentals or for capital appreciation or both, rather than for use in the supply of services or for administrative purposes, or sale in the ordinary course of business. Refer to note 5. The effect of this adjustment was to decrease *Property, plant and equipment* and increase *Investment properties* by R12,2 million at 1 April 2004.

Under IFRS, the group has elected to apply the fair value deemed cost exemption in IFRS 1 to land and buildings also considered to be investment properties. The effect of this election was to increase *Investment properties* by R21,4 million at 1 April 2004. In addition, because the group has elected to account for its investment properties under the alternative cost model allowed by IAS 40 - *Investment Properties*, the group was required to measure its investment properties in accordance with the requirements of IAS 16 set out in (a) above. In particular, this required the group to also review and adjust, where necessary, the useful lives and residual values of investment properties at each financial year-end.

(d) The group considered its programming, film and sports rights as items of “inventory” under SA GAAP. Under IFRS, these rights are considered intangible assets under IAS 38 - *Intangible Assets*. Apart from classification differences, the group recorded the following adjustments from 1 October 2003 (date of incorporation) in order to comply with IAS 38:

- Under SA GAAP, the group generally recognized sports rights in respect of sport events expected to occur within twelve months of the balance sheet date. Under IFRS, the asset should only be recognised when it is considered to be controlled by the SABC. Because sports rights are generally prepaid by the group, the effect of this adjustment was to increase *Prepayments (current and non-current)* by R3 million at 1 April 2004 and R4,9 million at 31 March 2005, decrease sports rights by R129,5 million at 1 April 2004 and R91,1 million at 31 March 2005, and decrease *Trade and other payables* by R121 million at 1 April 2004 and R87,7 million at 31 March 2005;

- Under SA GAAP, the group generally expensed the cost of programme, film and sports rights on the first showing. Under IFRS, the capitalised costs are amortized based on the estimated number of future showings. In addition, under IFRS, if the first showing is more valuable to the group than reruns, an accelerated method of amortization should be used. The straight-line amortisation method is used if each showing is expected to generate similar audiences. The effect of this adjustment was to increase *Programme, film and sports rights* by R7,5 million at 1 April 2004 and R7,4 million at 31 March 2005, and to decrease *Amortisation of programme, film and sports rights* by R0,1 million for the year ended 31 March 2005.

(e) The group previously classified computer software as part of *Property, plant and equipment* under SA GAAP. Under IFRS, computer software would generally be recognised as an intangible asset unless it can be considered to be an integral part of *Property, plant and equipment*. As a result, the group reclassified its *Computer software* as a separate intangible asset under IFRS. The effect of this adjustment was to decrease *Property, plant and equipment* and increase *Computer software* by R5,6 million at 1 April 2004 and R10,8 million at 31 March 2005.

In addition, similar to IAS 16, IAS 38 - *Intangible Assets*, also contained changes when compared to the equivalent standard under SA GAAP - providing additional guidance and clarification on selected matters and the group recorded the following adjustments retrospectively from 1 October 2003 (date of incorporation) in order to comply with this Standard:

- For each financial year-end, reviewing and adjusting, where necessary, the useful lives and residual values of each asset;
- Inclusion of costs directly attributable to bringing the asset to the location and condition necessary for its intended use; and
- Recalculation of depreciation after taking the adjustments outlined above into account.

The effect of these adjustments was to decrease *Computer software* by R0,2 million at 1 April 2004 and R1,8 million at 31 March 2005 and; to increase related *Amortisation expense* (included in *Other expenses*) by R1,6 million for the year ended 31 March 2005.

46 Explanation of transition to IFRS (continued)

46.4 Notes to the reconciliation of equity and profit - Group (continued)

(f) Under SA GAAP, the group classified certain investments as *Long-term investments* and *Short-term investments*. Under IFRS, these assets were classified as *Loans and receivables*, *Held-to-maturity investments*, *Available-for-sale financial assets*, *Restricted cash*, and *Cash and cash equivalents*. The change in classification did not result in any measurement differences.

(g) Under SA GAAP, the group recorded lease payments under operating leases with fixed escalation clauses based on actual payments. This practice was based on an interpretation, which considered the contractual payments to be the most representative of the time pattern of the group's benefit obtained, and was generally accepted in the South African community. Under IFRS, lease payments under operating leases with fixed escalation clauses are recorded on a straight-line basis over the period of the lease.

The effect of this adjustment was to increase *Other non-current assets* by R2,7 million at 1 April 2004 and R1,8 million at 31 March 2005, increase *Trade and other receivables* by R0,5 million at 1 April 2004 and R0,9 million at 31 March 2005, increase *Other non-current liabilities* by R0,1 million at 1 April 2004 and R0,4 million at 31 March 2005, and to increase *Trade and other payables* by R0,04 million at 31 March 2005. *Other income* decreased by R0,5 million and *Other expenses* increased by R0,3 million for the year ended 31 March 2005.

(h) Under SA GAAP, the group incorrectly recorded deferred tax relating to the revaluation reserve in the income statement. Under IFRS, deferred tax relating to the revaluation of available-for-sale financial assets are charged directly to equity. The effect of this adjustment was to decrease Revaluation reserve by R0,1 million at 31 March 2005, and to decrease *Deferred income tax charge* by the same amount in the income statement for the year ended 31 March 2005.

(i) The adjustments to effect the transition to IFRS increased/(decreased) retained earnings as follows (net of deferred tax):

	Note	2004 R'000	2005 R'000
Property, plant and equipment	*a*	473 587	452 510
Capitalised finance lease	*b*	(502)	(660)
Investment property	*c*	18 207	19 025
Programme, film and sports rights	*d*	1 352	6 264
Computer software	*e*	(153)	(1 295)
Operating leases	*g*	2 088	1 562
Revaluation reserve	*i*	-	104
Deferred tax assets not previously recognised	*j*	80 522	47 180
Derivative financial instruments	*k*	5 696	6 771
Actuarial valuation of leave pay	*l*	(3 452)	(391)
		577 345	531 070

(j) The adjustments to effect the transition to IFRS increased/(decreased) the deferred tax liability/(asset) as follows based on a tax rate of 30 per cent (CGT: 15 per cent) at 1 April 2004 and 29 per cent (CGT: 14.5 per cent) at 31 March 2005:

	Note	2004 R'000	2005 R'000
Property, plant and equipment	*a*	187 677	170 256
Capitalised finance lease	*b*	(215)	(269)
Investment property	*c*	3 213	3 225
Programme, film and sports rights	*d*	579	2 559
Computer software	*e*	(65)	(529)
Operating leases	*g*	896	638
Derivative financial instruments	*k*	2 441	2 765
Actuarial valuation of leave pay	*l*	(1 480)	(160)
Previously unrecognised deferred tax assets	*see below*	(13 583)	-
Previously unrecognised timing differences	*see below*	(66 939)	(47 180)
		112 524	131 305

46 Explanation of transition to IFRS> (continued)

46.4 Notes to the reconciliation of equity and profit - Group (continued)

Under SA GAAP, the group did not recognise a *Deferred tax asset* of R13,6 million at 1 April 2004 because of the uncertainty of sufficient future taxable temporary differences. The deferred tax adjustments relating to the IFRS adjustments described above however, resulted in additional taxable temporary differences, which could be used as a basis for recognising the *Deferred tax asset* not previously recognised under SA GAAP.

Under SA GAAP, the group did not recognise a *Deferred tax asset* relating to deductible temporary differences arising from the post-employment medical aid liability. Under IFRS, the deferred tax asset is recognised to the extent that sufficient taxable temporary differences are available in future against which the deductible temporary differences can be utilised.

The net effect of these adjustments on the *income statement* was to decrease the previously reported deferred tax charge by R18,7 million for the year ended 31 March 2005. The effect on the *statement of changes in equity* was to decrease the revaluation reserve by R0,1 million.

(k) The group incorrectly did not account for derivatives embedded in programme, film and sports rights agreements under SA GAAP. IFRS requires such embedded derivatives to be bifurcated and separated from the host contract if they are not closely related to the host contract. Refer to note 10.

The effect of this adjustment was to increase *Non-current derivative financial instruments (asset)* by R8,1 million at 1 April 2004 and R5,1 million at 31 March 2005; increase *Current derivative financial instruments (asset)* by R4,5 million and to increase *Net financing income* by R1,4 million for the year ended 31 March 2005.

The group also reclassified the derivative asset/(liability) recorded under SA GAAP in respect of its forward currency contracts. The effect of this adjustment was to decrease *Trade and other payables* and increase *Current derivative financial instruments (liability)* by R7,6 million at 1 April 2004; and to decrease *Trade and other receivables* and increase *Current derivative financial instruments (assets)* by R1,8 million at 31 March 2005.

(l) The group previously classified certain leave pay, bonus and other items as provisions under SA GAAP. Such items are classified as accruals under IFRS. The effect of this adjustment was to decrease *Provisions* by R61,6 million at 1 April 2004 and R101,6 million at 31 March 2005, increase *Employee benefits (current and non-current)* by R59,1 million at 1 April 2004 and R89,7 million at 31 March 2005, and to increase *Trade and other payables* by R2,5 million at 1 April 2004 and R11,8 million at 31 March 2005.

A portion of the leave liability reclassified to *Employee benefits* (current and non-current) was required to be actuarially valued under IFRS. Under SA GAAP, the liability was based on total cost to company, without taking future retirements, salary increases and the effect of discounting into account. The effect of this adjustment was to increase *Employee benefits (current and non-current)* by R4,9 million at 1 April 2004 and R0,6 million at 31 March 2005, and to increase *Employee compensation and benefit expense* by R4,4 million for the year ended 31 March 2005.

(m) Under SA GAAP, the group incorrectly reported revenue net of direct licence collection costs, movement in impairment of trade and other receivables and certain broadcast costs. Under IFRS, revenue is reported as the gross amounts recovered from the customer, with any collection costs, impairment of trade and other receivables and broadcast costs separately disclosed as expenses. In addition, under SA GAAP, the group also included in revenue certain items not associated with the ordinary activities of the group. Under IFRS, these items are disclosed as other income.

The effect of this adjustment was to increase *Revenue* by R68,7 million, increase *Broadcast costs* by R31,6 million, increase *Direct collection costs* by R74,7 million, increase *Other expenses* by R0,3 million and increase *Other Income* by R37,2 million for the year ended 31 March 2005.

(n) IFRS requires the group to present an analysis of expenses using a classification based on either the nature of expenses or their function within the entity. Accordingly, the group has elected to present its expenses based on their nature in its income statements under IFRS, since it believes this method to provide the most relevant information to users of its financial statements. Previously, under SA GAAP, the group presented its expenses in a mixture of nature and function within the group.

The effect of this adjustment resulted in the decrease to *Cost of sales* by R1,3 billion and *General and administrative expenses* by R377,7 million, and the increase to *Broadcast costs* by R321,4 million, *Amortisation of programme, film and sports rights* by R970,2 million, *Other expenses* by R377,5 million and other profits by R0,8 million for the year ended 31 March 2005.

46.5 Explanation of material adjustments to the cash flow statement for 2005 - Group>

Call deposits and other short-term investments that are readily convertible to a known amount of cash and subject to insignificant risks of changes in value due to the short maturities thereof (three months or less from the date of acquisition) are classified as *Cash and cash equivalents* under IFRS. Previously, these assets were included as *Short-term investments* under SA GAAP.

The group also previously included property, plant and equipment acquired by way of finance lease as Additions to *Property, plant and equipment* (investing activity) and as *Increases in long-term liabilities* (financing activity) in the cash flow statements under SA GAAP. Under IFRS, only the lease payments associated with finance lease liabilities are disclosed as *Repayment of interest-bearing loans and borrowings.* The original acquisition of items of property, plant and equipment by way of finance lease is disclosed as non-cash transactions only.

46.6 Explanation of transition to IFRS - Company>

The effects of the transition to IFRS described above for the group were consistent with the effects of the transition to IFRS for the company.

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