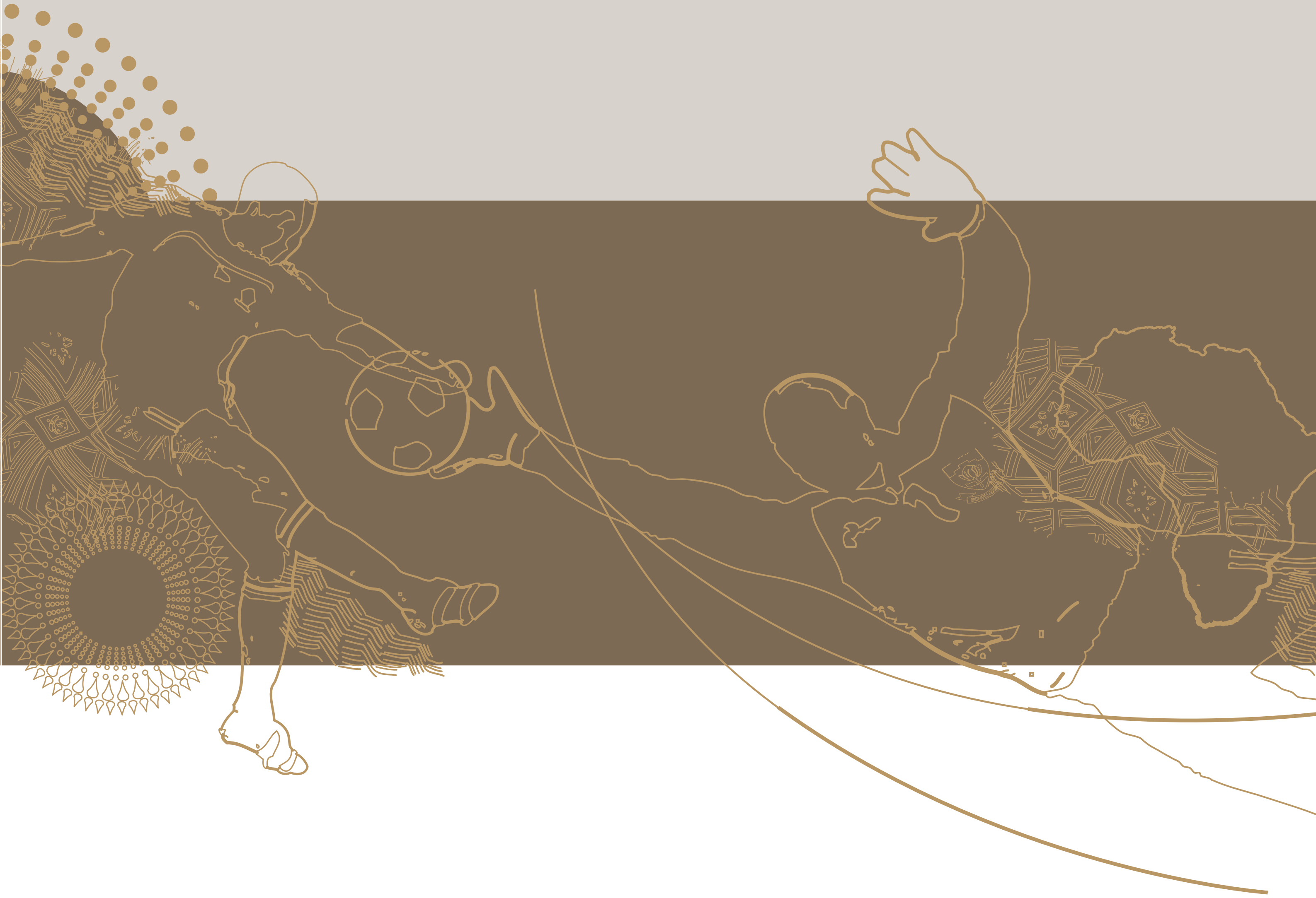
# 2010
# Annual Report



SABC

## Vision

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

## Mission

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

## Values

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

As we reflect on the success of the year which realised South Africa's dream of hosting the 2010 FIFA World Cup™ let us also focus on the many great hills we have yet to climb...

*"I have walked that long road to freedom. I have tried not to falter; I have made missteps along the way. But I have discovered the secret that after climbing a great hill, one only finds that there are many more hills to climb. I have taken a moment here to rest, to steal a view of the glorious vista that surrounds me, to look back on the distance I have come..."*

*Nelson Mandela*

2010 Annual Report

# Contents

## The Annual Report of the SABC




*This is the 73rd Annual Report of the South African Broadcasting Corporation Limited, referred to as 'SABC', 'the Corporation' or 'the Company' (Registration Number: 2003/023915/06). It is tabled in Parliament in terms of the Broadcasting Act, No 4 of 1999, as amended, and the Public Finance Management Act, No 1 of 1999, as amended. This report details the activities of the SABC for the twelve months ended 31 March 2010.*


# The Annual Report of the SABC

# Statement by the Chairperson of the SABC



The year under review has been an extraordinary year for the SABC. The Company has had three different boards of directors, taken on debt for the first time in more than 15 years, saw declining revenue and faced some very real challenges in meeting the expectations of all our stakeholders.

The Board of Directors led by Ms Mkonza served from 1 April 2009 to July 2009. This Board was dissolved on 3 July 2009. The Interim Board of Directors led by Ms Charnley served from 10 July 2009 to 9 January 2010. The current Board led by Dr Ngubane assumed office on 10 January 2010.

A Company such as ours with national and international business presence particularly in relation to the purchase of content and the delivery of News, was bound to feel the pressure of the world economic crisis. We experienced challenges in meeting our financial obligations and were unable to meet our obligations on time. Our financial situation is improving and we continue to monitor expenditure and revenue collection.

The SABC mandate remained unchanged and our commitment to entertain, inform and educate remains the same. As a Company we recognize that for many of our viewers, the SABC is the only source of affordable entertainment. The obligation to continue to provide quality entertainment, reliable information and education within an environment of limited resources is an obligation that the broadcaster will continue to deliver on, in spite of the pressure of limited resources.

The SABC itself is in the throes of its own technical and digital revolution, all at great cost. The SABC has been under increasing pressure to modernise

equipment, roll out services to traditionally under-serviced areas, improve the quality and access to our services through new media platforms, as well as remain relevant to an increasingly sophisticated audience. To this end we have taken delivery of the full complement of the four Outside Broadcast vans. We have continued with the rollout of low power transmitters.

While we celebrate our achievements, we also acknowledge that there were some things that we did not do well at all. The Corporate Governance challenges faced by the SABC that saw the dissolution of the Board led by Ms Mkhonza, separation with the then Group Chief Executive Officer, investigation by the Auditor General into procurement practices, policies and irregular financial activities as well as a number of decisions that compromised the integrity of the Board and the reputation of the Company; have set a mandate for the Board to continue to monitor closely Corporate Governance practices, review policy, delegations and continue to insist that the company abide by the provisions of enabling statutes and policies.

We continue to chart a new course for our Public Broadcaster. We remain committed to improving our service without causing disruption or interference with the service to our audiences.

The SABC will continue to improve our relationships with our stakeholders and maintain our "conversations and partnerships" and prepare our company for change.

We acknowledge that change has to come. Viewers and listeners demand the change and we are committed to providing an improved quality of service and programming.

Better programming requires improved communication with content providers, investment in programming requires that we engage with our content providers and take them along on the journey to an improved SABC. The SABC management and board are alive to this need for change. The formula that made us successful 10 years ago is in the process of review to bring the SABC into the 21st century.

Our employees have continued to provide their best efforts in keeping programming on air. While we remain awake to the commercial imperatives of a public broadcaster we must continue to remain alive to our role in improving the lives of our audiences.

This cannot be done in a single quantum leap from 20th to 21st century. It will be a journey that we want to take our audiences and stakeholders along with us. The journey will no doubt be costly and we remain mindful of this challenge.

The current Board has the obligation to bring a continuum between the previous two Boards and where the SABC needs to be.

The first part of our task is to improve our relationships with our employees, organised labour, stakeholders, audiences, local content providers and international distributors. We intend to keep the conversations and communication channels open in an environment of mutual respect.

The current board is a new one but comprises 15 experienced and knowledgeable people. I have every confidence that together we shall take the national broadcaster to new heights. I thank the board and the management for their efforts in difficult times.

I also thank all South Africans for their patience thus far.

*Dr B Ngubane*
*Chairman*

# Statement by the
# Group Chief Executive Officer

The year under review was characterised by the crisis in the organisation that saw management and Board at loggerheads with each other.

This necessitated that Parliament's Portfolio Committee on Communications dissolved the Board of Directors, appoint the Interim Board and request the Auditor- General of South Africa (AGSA) to conduct an investigation on allegations made by the former SABC Board members, unions and management. The allegations were mainly of a governance nature among others:

- supply chain management issues;
- matters of potential fruitless and wasteful expenditure and
- Human resource-related matters.

The Auditor General's findings relating to Supply Chain Management deficiencies were predominantly due to non-adherence to policies, directives and delegated authority by senior management of the SABC. These findings pointed to inadequate monitoring and oversight by the leadership of the SABC and the creation of the environment at the SABC where the "tone at the top" is not appropriate, which in turn seems to have created a culture where management is not focused on public accountability or acting in the best interest of the SABC.

The crisis led to the application, by the organisation, for a government guarantee amounting to R1.473 billion, which was subsequently granted. The approval was granted and conditions were set for the period of the guarantee. R1 billion of the guarantee was utilised to secure a long term loan from Nedbank.

## Performance review

Despite the governance and financial crisis in which the organisation found itself in, it managed to deliver on its mandate both on Radio and Television. This was delivered in the midst of a financial austerity plan to reduce operational costs and correcting the collapse of governance instruments.

The remarkable resilience of the SABC as a broadcaster, with content and platforms as its engine room ensured that South African audiences remained largely untouched by the organisational turmoil. Special events were covered in the usual way and numerous programming highlights and awards were achieved, but against the backdrop of declining audience and revenue trends.

As part of the SABC mandate to ensure universal access, the provision of both Radio and Television services to isolated communities in various provinces by means of low-power transmitters, has significantly enriched the lives of thousands of people who previously had no or very limited access to the public broadcaster.

A positive feature of 2009/2010 was the depth of planning that went into ensuring the SABC successfully fulfilled its role as the official broadcaster of the 2010 FIFA World Cup – a first for both South Africa and Africa as a continent. Project plans were finalised in the last quarter of the year under review.

The SABC also took the initiative of leading the broadcasting industry by successfully implementing a DTT (Digital Terrestrial Television) Pilot Project in South Africa. The DTT Pilot Project proved very successful and the results of the research suggested a promising future for DTT with over 80% of trialists indicating that they saw value in the DTT service. The project pioneered research and information on digital transmission in South Africa. The DTT regulatory processes were finally completed in February 2010 with SABC being allocated at least 90% of one multiplex during the dual illumination period. The commercial launch of DTT, which was originally anticipated to be prior to the World Cup, was delayed due to delays in the finalisation of regulations and the announcement by the Department of Communications in March 2010 that the DTT standard was under review. The DTT launch is now dependent on DTT standard finality.

In terms of our audiences, the year ending March 2010 saw the SABC face off a number of challenges, which in turn, laid the foundation for recovery by Radio, began the fiscal with a share of 66.4% and ended with 65.4% by March 2010. The PBS portfolio of stations saw their share of 58.1% at the beginning of the financial year reduced to 56.7% by March 2010, the SABC's commercial portfolio improved from 8.3% to 8.6% over the same period.

SABC television also managed to hold onto 64% national share of prime time viewing during FY09/10, only 3% down on the previous fiscal. This is in spite of the pay platform's services growing national share of prime time viewing by 2% to 11% by the end of the financial year 2009/2010. The two PBS television channels (SABC1 and SABC2) account for a majority share (53%) among all adults during prime time, with sibling SABC3 delivering the balance of 10%.

In the audience segment of LSM 7-10, where SABC3 executes a commercial mandate on behalf of the public broadcaster, the channel delivered a prime time share of 14% - just 1% down on the previous fiscal. In the same period, the pay platform's services had grown share of this audience segment by 3% to 22%. All of these challenges have resulted in the SABC concluding the financial year with a national performance period (05h00-23h00) share of 62% among all adults, down 2% on the previous financial year.

The successful coverage of the 2009 General Election which added impetus to national efforts to strengthen democracy, live broadcast of the inauguration of President JG Zuma - the fourth democratically elected President of South Africa; and laying the basis for the coverage of the 2010 World Cup. SABC led the pack in mobilising the awareness campaign for support of the 2010 World Cup. News bulletins, current affairs programmes and other genres in Radio and Television were used as strategic platforms for communicating the positive message about the World Cup as well as South Africa's ability to host the epic world event. Morning Live, in particular, successfully galvanised public support for Football Friday – every citizen became a member of the Football Friday Club. The successful broadcast of the events, of national importance, was made possible by the investment in technology and the readiness thereof of the organisation.

The SABC recently acquired 4 new HD (High Definition) Outside Broadcast units in order to replace an ageing analogue fleet and to meet the evolving production demands for sports programming. The 4 units were all delivered during the year and are all in operation, with some of them used on the Confederations Cup, the Draw and the World Cup itself. Unfortunately it has not been possible to deliver all technology projects in line with the Technology Roadmap due to the funding restrictions and moratoriums imposed on capital expenditure during the financial year. At the same time, governance issues impacted on the ability to get projects approved and motivated for.
However, during the year, work commenced on consolidating all IT islands across the SABC into a single unified IT environment. A single integrated mobile service at http://www.sabcmobile.co.za was developed (which launched in April 2010) and the first phase of the integration of all online sites has been initiated with implementation due in 2010/11.

The SABC established two internal stakeholder forums during the year, namely, the Middle Management Forum (MMF) and the Independent Professional's Forum (IPF). The forums were and are utilised as a platform to consult and share information with employees especially during the period of financial difficulties. All employees had an opportunity to air views and concerns to management through Rediffusion sessions, and this helped in boosting the staff morale during this period.

The participation of International Affairs Division facilitated the SABC to participate in Southern African Broadcasters Association (SABA) General Meeting, Highway Africa Media Conference, and the Public Broadcasters International Conference. This was to pursue and identify new international training opportunities and to keep abreast of emerging global broadcasting trends. Strategic discussions with influential and reputable broadcasters within Africa and across the globe were initiated to forge collaborative relations on content exchange, training and technology.

Participation in other international forums was limited due to the financial position; however agreements with Deutsche Welle (Germany), Gambia Radio and Television (Gambia), and Arirang International Television (South Korea) were negotiated and concluded, with the signing of the agreements being the only outstanding matter.

The SABC platforms out-performed the ICASA mandate requirements except in one area; that of minority languages, the organisation intends addressing the matter through the implementation of DTT. ICASA published a number of new and revised regulations including the Sport Broadcasting Rights and the DTT Regulations, submissions, both oral and written, were made to ICASA on all the regulations and regulation awareness was conducted within the organisation. There was a marginal increase in the number of complaints as well as awards against the SABC. The increase of non-compliance with the Broadcasting Code is a concern that management is currently mitigating by conducting workshops in respective areas. There was an increase in cases against the SABC mainly due to failure to timeously pay suppliers resulting from the financial position of the organisation. The organisation has seen a high number of disciplinary and criminal cases in years in the process of dealing with the Auditor General's findings and recommendations. The Special Investigation Unit has been engaged to fully and thoroughly investigate the outstanding matters for speedy resolution. Policies, procedures and internal controls which were identified by the Auditor General as weak continue to be reviewed and enhanced.

The challenges in Sales meeting the expectation for 2009/2010 was partly attributable to the downturn in the economy, which adversely affected personal disposable income and resulted in constrained advertising spend in a more competitive media trading environment. Internal SABC challenges also contributed to the underperformance, with the instability of leadership resulting in the erosion of SABC brand equity. Other contributing factors included a decline in government advertising spend, television channel schedule instability, and deferred television programmes. The extreme trading conditions contributed towards the overall underperformance in licence fee collections, inter alia, the state of the economy and its adverse effect on the disposable income of South African households, continuing negative reporting of the events at the SABC, the Corporation's inability to pay the Division's collection business partners on time, the countrywide strike by Post Office workers and, more recently, publication of the Public Service Broadcasting Bill.

The austerity plan that the SABC had begun implementing in November 2008 has begun to bear fruit with a significant reduction in the operating expenditures of the organisation. Some of these measures have inhibited the SABC's ability to do business and will require revision. Investments in prepaid content and sports rights place an un-fundable burden on the SABC's balance sheet.

The provisions made for foreign content suppliers following the alleged fraud in the International Acquisitions unit led to an audit qualification in the previous year. This matter has been resolved and the qualification removed.

The going concern assumption has been re-affirmed following the proven ability to reduce operating costs, support from the shareholder in the form of R200 million from the estimate of national expenditure and the provision of the first tranche on a government guarantee supported the balance sheet of the Corporation.

The SABC did not make the financial performance targets as set out in the government guarantee until March 2010. This was because of a failure to make the sales targets set out in the guarantee and some unforeseen expenditures and provisions necessary.

## Strategic Focus

The SABC's approach as contained in the Corporate Plan for 2011-2013 is to generate free cash flows, in order to self fund or raise funding in the market on the back of its balance sheet without government guarantees. The focus is categorised as follows:

**Financial Year 2010 – 2011 (Stabilise)**
The focus for FY10/11 is to stabilise the SABC as a going concern. This phase aims to ensure that the Corporation meets its public service mandate whilst complying with the government guarantee conditions.

**Financial Year 2011 – 2012 (Rebuild)**
The thrust will be on re-aligning the Corporation's operating model against imperatives of digital broadcasting. Key focus areas will be development and implementation of a new organisation structure and revised business models for News and Sports divisions in particular.

**Financial Year 2012 – 2013 (Sustain)**
The thrust of the Corporation in FY12/13 is sustainability. This phase aims to ensure that the SABC will have in place a sustainable public service broadcasting model for the future.

*Mr Q.S.M.M. Mokoetle*
*Group CEO*

# Report by the Chief Financial Officer



This is the 73rd annual report of the Corporation. To describe it as a difficult year, would be an under statement. The trading environment continued to be difficult because marketing expenditures were constrained, while inflation for much of the year continued to be around 7%.

The SABC's reputation as a reliable media partner came under pressure as the Corporation battled to achieve schedule stability. The cash constraints of the Corporation caused significant disruption to local programming.

The Sales team in Television responded with unauthorised discounts and airtime deals which further undermined the credibility of the SABC.

Financial management of the organisation continued to be beset with unauthorised expenditures and bad business practices.

The austerity plan that the SABC had begun implementing in November 2008 has begun to bear fruit with a significant reduction in the operating expenditures of the organisation. This will continue into 2011. Some of these measures have inhibited the SABC's ability to do business and will require revision. Marketing expenditures and industry projects require to be revived. A new way of dealing with commissioning and intellectual property management is required. Investments in prepaid content and sports rights place an un-fundable burden on the SABC's balance sheet.

The move to digital broadcasting is an irreversible reality and the investments required in technology, skills and the industry need to be made but are beyond the current financial capacity of the SABC.

In particular, certainty is needed about the timing of digital migration as new competitors enter into the market with diverse content offerings. Terrestrial broadcasters find themselves unable to compete in the new market while these competitors are left with a clear playing field on which to attract predominantly SABC audiences.

## Audit qualifications in the prior year

The provisions made for foreign content suppliers following the widespread fraud that occurred in the International Acquisitions unit led to an audit qualification last year.

This matter has been resolved and the qualification removed.

While a qualification is never something to be sought, management considered it prudent to provide for every possible event, though the likelihood of incurring the cash flow was remote. This continues to be the approach to provisions for obsolescence and potential claims against the SABC. Your attention is drawn to note 33 in the financial statements which details the financial impact of the qualification.

## Going concern

The going concern assumption has been re-affirmed following the proven ability to reduce operating costs, support from the shareholder in the form of R200 million from the estimate of national expenditure and the provision of the first tranche on a government guarantee supported the balance sheet of the Corporation.

This was further supported by evidence of stability in the revenue units, Board and management stability and a successful first quarter for 2011.

The projected cash flows at this time show the SABC is expected to sustain itself from secured facilities until at least September 2011. The long term funding secured with the assistance of the government guarantee was drawn down from Nedbank. At year end the SABC had cash reserves of R168 million.

## Improved financial control and management

In the year under review the austerity plan was implemented and carefully monitored by the financial managers of the SABC. In addition the funds management module of SAP was activated in line with the report and recommendation of the Auditor-General.

In February of this year the system was integrated with the organisational budget and planning system. The result is the ability of the organisation for the first time to control expenditure at the time a request to spend is made.

This was further enhanced by a change to only permit funded rights acquisition and request for proposals to be issued in respect of capital and programming expenditures. As a result, the SABC is essentially operating on a cash only budget until such time as a sustainable funding model is achieved. As a consequence there will be a lag in new programme acquisition and capital expenditures, as reserves to fund these projects are built up.

In the next year a forward-looking multi year budget will be introduced that will bring funding certainty to the organisation. This project is already underway and cash flow forecasting has already been extended to 18 months for content acquisition.

The SABC remains dependant on its ability to generate commercial revenues and the risk of a significant funding shock cannot be ruled out simply by planning. A proactive risk management process is required to provide sufficient advanced warning of a future financial crisis.

As a next step, the SABC will consolidate certain financial processes to improve the visibility of risk and reduce the time taken to pay all suppliers of the SABC. This will improve the governance and costs over time as the SABC improves it reputation as an organisation that pays it's suppliers on time.

## Financial governance, risk and controls

The SABC now has a fully integrated financial planning reporting and control system. SAP will be enhanced and integrated with the sales system and the television content planning and management system also known as TVBMS.

The financial outcomes and risks to assets and liabilities are reviewed monthly. This process has been further enhanced in the next year with a risk based cash flow forecast produced monthly. These will form the basis of the quarterly monitoring of performance by the shareholder in addition to existing requirements of the government guarantee.

All IT systems and controls are being centralised in the Broadcast Information Technology unit (BIT). The SAP CCC (Customer Competency Centre) brings world class process and risk management into that unit. It will be leveraged to bring all IT systems with financial outcomes into a proper and effective risk management framework. The system will be properly governed through steering committees and with oversight by the SABC Group Executive and Board.

Risk and control matrices now exist and are operational for all financial systems and processes at the SABC, except on sales where the division is receiving urgent attention. Assurance is provided through regular internal audit work. The next step will be for the SABC to move to a compliance and risk based audit approach. This should be achieved in the next two years.

This year the SABC was able to report on instances of irregular expenditures. There are now clear processes for detecting and reporting fruitless and wasteful expenditures. The SABC disciplinary processes are in the process of review and revision.

## Commentary on financial outcomes

Your attention is drawn to the detailed financial statements set out on pages 73 to 113 of the annual report.

## Revenue

The SABC reported revenue growth of 1% year on year. The mix of revenue changed significantly in the year under review.

| DETAILS | 2010 R'million | Move % | 2009 R'million |
|---|---|---|---|
| Commercial | 3 485 | (4) | 3 633 |
| Licence | 868 | - | 865 |
| Other Revenue | 132 | (7) | 142 |
| Government Grant | 306 | 189 | 106 |
| Per Group Annual Financial Statements | 4 791 | 1 | 4 746 |
| Additional funding in the estimates of national expenditure | 200 | | |

Expressed as a % of Total Revenue

| DETAILS | 2010 % | Move % | 2009 % |
|---|---|---|---|
| Commercial | 73 | (4) | 77 |
| Licence | 18 | - | 18 |
| Other Revenue | 3 | - | 3 |
| Government Grant | 6 | 4 | 2 |
| Total | 100 | - | 100 |

This was further exacerbated by the poor deal management and sales recording that resulted in declining cash flows as debtors refused to pay until disputes were resolved. As a consequence an additional credit note provision of R69 million was raised at year end.

A debtor's management team and financial manager have been appointed. This is an area of significant attention for the business unit management and the group financial managers in all units.

Revenue by type

| | 2010 R'million | Move % | 2009 R'million |
|---|---|---|---|
| Advertising Revenue | 2 945 | (4) | 3 072 |
| Sponsorship Revenue | 445 | (1) | 448 |
| Trade Exchange | 48 | (5) | 50 |
| TV Licence fees | 868 | - | 865 |
| Government Grants | 306 | 189 | 106 |
| Other Revenue | 80 | (27) | 110 |
| Content & Commercial Exploration | 43 | (31) | 62 |
| Revenue Websites | 4 | 305 | 1 |
| Other Income | 52 | 61 | 32 |
| Total Revenue and Other Income | 4 791 | 1 | 4 746 |

## Expenses

Expenditure, before depreciation, amortisation of computer software and impairment of receivables declined year on year by R428 million.

The austerity plan formulated in November 2008 and implemented in the budget of 2009/2010 and revised with the Interim Board focused on reduction of cash.

The reduction in long term content rights and the funding of local programme development remain key strategic priorities. Human capital cost and productivity require a specific long term focus. Skills development and the move to digital content creation and storage will radically impact workflows skills and efficiency.

The interim board oversaw the closure of News International Services and many of the foreign bureaus. The costs associated with the closures are included in the normal expenses. The closure costs were R2.2 million. It is expected that future cost savings of R51 million will be achieved.

A first step is to focus on organisational design and service departments. In the year under review the replacement of critical vacancies and reduction in management levels remained a key priority.

## Performance against the Government guarantee

The SABC did not make the performance targets set out in the government guarantee. This was because of a failure to make the sales targets set out in the Guarantee and some unforeseen expenditures and provisions required by the SABC.

Sales were also depressed by the significant provisions for credit notes required to provide for under performing debtors. This affected the performance in the last quarter and was not foreseen when the guarantee was set.

The unforeseen expenditures were a loss of an arbitration court case subsequent to year end, the settlement of the long standing dispute of post retirement medical aid (although significant provision for this was made in previous financial years) and full provision for the A1 Grand Prix prepayment. The SABC did not meet the targets set in respect of the reduction in the provision for leave pay.

Consequent to the under performance and because additional funding is not needed at this time the additional funding tranche has not been released by National Treasury. As set out in the directors' report both the need for, and timing of, any additional support will be determined at the end of the second quarter of this year. This is not expected to affect the SABC's ability to meet short term cash flows as they arise and fall due.

| | Actual F09/10 | Variance R'million | Government Guarantee R'million |
|---|---|---|---|
| Total Revenue and Other Income | 4 791 | (199) | 4 990 |
| Expenses | 4 948 | (38) | 4 910 |
| (Profit)/Loss before net financing income, Income Tax, Depreciation, Amortisation and Impairment | 157 | 237 | (80) |
| Depreciation & Amortisation | 257 | 24 | 233 |
| Net Financing (Income)/Loss | 77 | (53) | 130 |
| Income Tax Expenses | 1 | 1 | - |
| Loss for the year | 492 | 209 | 283 |
| Other Comprehensive Income | (6) | (6) | - |
| Total Comprehensive loss for the year | 486 | 203 | 283 |

## Non recurrent expenditures

The SABC continued to incur content impairment with R70 million in the current year. This was in respect of foreign content of R69 million.

The SABC has fully provided for the loss associated with the Trustco case.

## Post retirement medical aid

The SABC Board considered the likelihood of success in the ongoing litigation and concluded that the matter should be settled to provide legal certainty in the matter. This was achieved in agreement with the plaintiffs. The SABC will pay R45 million in arrear contributions.

## Pension fund surplus revaluation

The SABC has the rights to participate in the second pension fund surplus distribution. The actuarial valuation increased by R417 million based on the latest valuation. Your attention is drawn to note 8 for the full impact of the revaluation and the contribution holiday currently enjoyed by the SABC.

## Balance sheet

The full extent of the financial distress of the SABC was further exacerbated by a high level of prepayments for rights, declining collection of local advertising debtors and content stock particularly foreign content. While these all received attention in the year under review, progress was slow and often disrupted schedule stability. That in turn led to audience dissatisfaction and lost sales.

In addition certain sales transactions were not properly recorded in the books of the SABC. This led to slow collection of revenue as the disputes were being resolved. In the year under review, significant amounts have been set aside in the provision for credit notes to deal with these disputes.

Inventory rights for foreign content are currently being unwound but may take up to two years to fully utilise the stock already acquired.

Capital expenditures were well controlled and projects were deferred until funding can be secured. Certain key projects now require decisions on digital migration before they can be commenced.

The key digital Outside Broadcasting units have been acquired and are fully funded.

Liabilities were extended during the funding crisis but creditors were mostly paid by year end. Outstanding creditors are fully accrued. Certain creditor payments are now the subject of disputes that arise in the normal course of business. They are receiving Board attention as part of the strategy to return the SABC to financial and institutional credibility.

The SABC has provided for all major current disputes and possible known impairments including fully providing for the A1 Grand Prix prepayment.

The only significant claims outstanding are the long standing dispute with the PIC over certain assets owned by the former Bophuthatswana Broadcasting Corporation and which were returned to the PIC.

The Needle time dispute is currently in arbitration between NAB and various other parties.

## Long term debt

In order to deal with both the liquidity and solvency issues faced by the SABC, a five year term loan was entered into with Nedbank Limited at commercial rates and supported by a Government Guarantee. At year end R473 million of the guarantee was unutilised.

The Outside Broadcast units were financed at commercial rates in terms of long term leases with Rand Merchant Bank and Wesbank.

## Short term debt

All short term debt is unsecured and not covered by the Government Guarantee. These are made available to secure normal trade finance and to support the day to day operational needs of the SABC.

As a consequence of the restructuring of short term debt and the payment of short term creditors the solvency ratios of the SABC show a marked improvement.

| Current Ratio | FY05/06 Actual R'000 | FY06/07 Actual R'000 | FY07/08 Actual R'000 | FY08/09 Actual R'000 | FY09/10 Actual R'000 |
|---|---|---|---|---|---|
| Current Assets | 1 986 003 | 2 140 751 | 2 446 743 | 2 352 948 | 2 386 990 |
| Current Liabilities | 875 110 | 855 438 | 1 106 031 | 2 183 125 | 1 332 522 |
| Current Ratio | 2.27 | 2.50 | 2.21 | 1.08 | 1.79 |
| Quick Ratio (acid-test) | | | | | |
| Quick assets = (Current assets - Inventories - Prog/Film & Sport Rights - Prepayments) | | | | | |
| Quick Assets | 1 573 717 | 1 545 544 | 1 565 296 | 1 111 629 | 1 263 409 |
| Current Liabilities | 875 110 | 855 438 | 1 106 031 | 2 183 125 | 1 332 522 |
| Quick Working Capital | 698 607 | 690 106 | 459 265 | (1 071 496) | (69 113) |
| Quick Ratio | 1.80 | 1.81 | 1.42 | 0.51 | 0.95 |

## Cash flow statement

| | 2010 R'million | Movement R'million | 2009 R'million | Change % |
|---|---|---|---|---|
| Net cash outflows from operating activities | (215) | 569 | (784) | 73 |
| Net cash flows from investing activities | (620) | (613) | (7) | 8 757 |
| Net cash flows from financing activities | 1 353 | 1 127 | 226 | 499 |
| Cash and cash equivalents at end of the year | 115 | 508 | (393) | 129 |

The net cash outflow from operating activities declined significantly in the year under review. This remains the key operational measure for financial health. The intention is for this measure to return to a positive cash flow in the 2010/2011 financial year. The cost reductions were focused on the cash operating cost of the SABC and this is reflected in the R569 million reduction from the prior year.

Net cash inflows reflect the inflows from financing the Outside Broadcasting units and the proceeds of the Nedbank loan.

## Expenditure relating to 2010 FIFA World Cup™ clothing and tickets

| | 2009/2010 Quantity | R'000 |
|---|---|---|
| Tickets acquired | 2 190 | 3 332 |
| **Distribution of tickets** | | |
| Board Members | 226 | 494 |
| GCEO Office | 82 | 148 |
| Group Executive Committee | 104 | 154 |
| Customers and Clients | 850 | 1381 |
| Suppliers | 132 | 187 |
| Other Stakeholders | 44 | 79 |
| Competition winners | 378 | 512 |
| Employees | 374 | 377 |
| Total tickets distributed | 2 190 | 3 332 |
| **Purchase of other World Cup Apparel** | | |
| Clothing | 13 431 | 1 695 |
| Bags | 560 | 128 |
| Blankets | 725 | 69 |
| Mirror Covers | 150 | 5 |
| Vuvuzelas | 500 | 10 |
| Balls | 134 | 98 |
| Total World Cup apparel purchases | 15 500 | 2 005 |
| Total World Cup Expenditure | | 5 337 |

# Report on the
# Performance of the SABC



The Corporations performance deliverables were updated during the year under review with the approval of the Minister of Communications.

Due to the large number of deliverables, a table has been selected and is illustrated in the pages that follow.

This table was selected from the total deliverables based on the key deliverables in terms of Financial Health, Human Capital Strategies, Industry development, Mandate delivery, Programming, Promoting Democracy, Public Value and Universal Access amongst others.

# PERFORMANCE MEASUREMENT - CONSOLIDATED ABBREVIATED | 2009 - 2010

| Key Performance Indicator | Target | Achieved | Reason for Variance / Additional comments |
|---|---|---|---|
| **Funding and Financial Health** | | | |
| Public Broadcasting Services | | | |
| ***Goal: Drive revenue opportunities on the schedule*** | | | |
| Provide stable schedules. | No more than 3 schedule changes against rate card per month in prime time. | Performance achieved. | Improved planning and communication amongst platforms, content enterprise and Commercial Sales. |
| ***Goal: Maintain Schedule stability and commercial sales revenue assurance*** | | | |
| Schedule for local and international programming signed off until end March 2010. | 90% signed off by end July 2009. | SABC1 and 2 both achieved 90% schedule stability. | Commitment in line with enforced austerity measures compelled channel heads to work closer with Content Enterprise and Commercial Enterprise to improve efficiencies and manage stock levels more effectively. |
| ***Goal: Balance mandate delivery within commercial imperatives by being cost effective*** | | | |
| Proper budgeting. | Within target. | Total spend not achieved. | Cost includes foreign content, sports etc. |
| ***Goal: Manage cost down*** | | | |
| Adherence to budget. | R378 million. | Total costs were below budget. | Commitment to save on controllable line items such as program & broadcast costs, marketing, people, travel & transport costs. |
| ***Goal: Maintain Audience Share*** | | | |
| A sustainable audience market share across the network. | 58.1% audience market share. | Total PBS network delivered 55% of the total 58% radio network share. | PBS radio stations write and produce their own drama and documentaries in the language they broadcast. This has proven to be extremely successful with radio audience as it is relevant and reflective of station audience needs |
| Public Commercial Services | | | |
| ***Goal: Align content offering to PCS selling proposition*** | | | |
| PCS (SABC3) programmes in the Top Ten in the market. | · 4 S3 programmes in the Top Ten<br>- Audience.<br>- Revenue.<br>· 60% top performing CHR DJs in the Top Ten.<br>- Audience. | None of SABC3 programmes were in the top 10. | Lack of premium content on the channel due to austerity measures. |
| ***Goal: Capture and maintain target audiences*** | | | |
| · Capture additional 2% market Share for – TV.<br>· Maintain 24% audience penetration - Radio. | · Maintain 16% and 18% share in prime and performance period – TV respectively.<br>· 0.5% CAGR Rate - Radio. | · Prime Time 16.1%.<br>· Performance Period 15.5%.<br>· Total PCS Radio achieved a CAGR of - 1% for the fiscal while Total Radio reflected a negative CAGR of 0.8 for the period under review. | · Minimal balance of first-to-market and post pay content.<br>· Repeated content due to deferment.<br>· Negative PCS Radio growth mainly as a result of declines on Metro (-1.9%) and GHFM (-2%) whilst 5FM achieved a positive growth of 1.5% due to overall decline in CAGR in radio nationally. |
| ***Goal: Leverage long-running and good performing programmes*** | | | |
| · Schedule complementary programmes.<br>· Capture new audiences. | · Migrate a reasonable number of audiences from one programme to the next.<br>· Extend programmes to new platforms, i.e. new media. | · Stripped slots were created to flow audiences from one programme to another.<br>· This schedule enabled stability and an easy re-call factor for our audiences & advertisers.<br>· Placement of creative elements as well as promos supported the flow from one programme to the next to ensure our viewers are informed.<br>· Launched phase 1 of the website in May to ensure interactivity. Phase 2 to focused on integration to face book, chartrooms and video streaming.<br>· PCS Radio continues to be successful in extending content and competitions online. Web and social network traffic shows steady increases. New Media revenue achieved amounted to more than R1.5m for Metro FM and R1.3m for 5FM during this fiscal. | |
| · Sponsorship.<br>· Exploit outside of the traditional platform. | · Target sponsorship<br>· Programmes offered on new media platforms. | Not Achieved. | · Economic recession.<br>· Advertisers perception about SABC3 pricing of sponsorship as etv and Multichoice charge less than SABC3. |

| Key Performance Indicator | Target | Achieved | Reason for Variance / Additional comments |
|---|---|---|---|
| ***Funding and Financial Health continued*** | | | |
| *Public Commercial Services continued* | | | |
| ***Goal: Manage and monitor PCS platform pricing strategy*** | | | |
| Develop and agree with Sales the acceptable pricing strategy. | · Cost Per Point Benchmark for TV.<br>· Cost Per Thousand Benchmark for Radio. | The channel was not involved in rate setting. | Leadership void and inconsistencies at Commercial Enterprises. |
| ***Goal: Establish on-line presence*** | | | |
| Web-site strategy for PCS. | · Audience growth.<br>· Revenue growth. | · SABC3 launched the new website to ensure interactivity.<br>· All 3 PCS Radio stations have fully functional websites delivering new audience and revenue streams for the SABC. | |
| News | | | |
| ***Goal: Utilise resources efficiently*** | | | |
| Optimal utilisation of resources. | Operating within budget. | Well within R604 million budget. | None. |
| ***Goal: Exploit news and current affairs content*** | | | |
| · Revenue generation. | · New and profitable revenue streams. | · Revenue streams identified, implementation yet to happen. | This work is still in progress |
| Audience Services | | | |
| ***Goal: Television licence tariff increase*** | | | |
| · 11% tariff increase. | · Additional R6m per month. | · Achieved. Additional cash revenue collected from October 2009. | When the tariff increase was announced effective 1 August 2009, holders of TV licences due for renewal in August and September had already been invoiced in line with the previous tariff structure. Although new licences were sold at the new tariff of R250.00 per annum, the financial effect of the increase was therefore realised only from October 2009 onwards. |
| ***Goal: Optimise TV licence funding*** | | | |
| Achieve revenue target. | Achieve R987 million cash target for FY2009/10. | Not achieved.<br>· Cash collection below budget and year-on-year growth is 1.2%.<br>· Operating revenue is 1% lower than budget. This represents an increase of 0.4% year on year. | The Division's cash revenue target was adjusted after the Budget revision process. Performance is therefore reported against the revised targets. Factors impacting on overall performance included, inter alia, the state of the national economy and its adverse effect on the disposable income of South African households, continuing negative reporting on events at the SABC, the Corporation's inability to pay the Division's collection business partners on time, the countrywide strike by Post Office workers and more recently the publication of the Public Service Broadcasting Bill by the Department of Communications. |
| | · Maintain acceptable cost to-revenue ratio:<br>- Collection cost ratio: 21.34%.<br>- Opex ratio: 9.64% | Achieved.<br>· Collection cost ratio is 17.6% (20.9% budgeted),<br>· External Opex ratio is 8.4% (9.2% budgeted). | |
| Human Capital Services | | | |
| ***Goal: Administer leave austerity measures*** | | | |
| Reduction of leave liability. | Reduction in leave value and leave days. | 10% reduction achieved. | Salary increases dissipated the savings. |

## PERFORMANCE MEASUREMENT - CONSOLIDATED ABBREVIATED | 2009 - 2010

| Key Performance Indicator | Target | Achieved | Reason for Variance / Additional comments |
|---|---|---|---|
| **People** | | | |
| **Technology** | | | |
| ***Goal: Train and develop staff and future staff*** | | | |
| Completed internship and learnership programmes. | 80 people completed or participating on an internship and learnership programmes. | During the course of the year, 97 people completed an internship or learnership and in February 2010, 60 new interns were recruited, but by 31 March 2010, only 58 were still on the scheme. | Completed. |
| ***Goal: Review all vacancies and only recruit critical positions*** | | | |
| Only critical positions filled. | Overall reduction in headcount. | As of 31 March 2010, 917 headcount of permanent and fixed term contract posts, against 926 in March 2009. | Tight management of critical vacancies and only necessary recruitment. Business units had to pull together strong motivations or make better use of existing staff. |
| **Human Capital Services** | | | |
| ***Goal: Design and implement a new incentive scheme*** | | | |
| A new incentive scheme. | Scheme approved by Board. | Not achieved. | Unable to pay due to restricted cash. |
| ***Goal: Implement Employment Equity Strategy*** | | | |
| Compliance to SABC EE Targets and Statutory requirements. | Produce an Employment Equity Report. | Achieved. | |
| ***Goal: Ensure that SABC structure is aligned to strategy*** | | | |
| Operating Model translated into organisational structure. | Approved Organogram. | Not achieved. | Board and GCEO working on a new organisational structure. |
| **Content** | | | |
| **Public Broadcasting Services** | | | |
| ***Goal: Broadcast distinctive public service content that passes the public value test*** | | | |
| Programming that informs, educates and entertains. | · Public Value Measurement.<br>· Audience Appreciation Index. | · PBS radio and television met all education, entertainment and information content delivery as stipulated by ICASA.<br>· Public value measurement index / Audience Appreciation Index has not been achieved. | · Programming content driven as per approved strategic objectives.<br>· No research done due to budget constraints. |
| ***Goal: Establish New Media as a complementary Platform for Radio*** | | | |
| Various on-line and mobile offerings the respective radio stations:<br>· Audio Streaming<br>· Websites<br>· Web applications<br>- Podcasts<br>- Blogging<br>- Social Networking<br>· Mobile applications<br>- IVR<br>- Mobisites | New Media offerings approved and operational per solution. | · 100% migration to Vivid platforms except X-K fm.<br>· All PBS radio stations (14) except for X-K fm streamed on the World Wide Web.<br>· All PBS radio stations (14) except for X-K fm have active websites.<br>· All radio stations are on the DTT test. | The new media strategy roll out plan was successfully implemented with the assistance of BIT. |
| ***Goal: Deliver programmes that inform, educate and entertain*** | | | |
| Programming that informs, educates and entertain. | Achieve at least 7 out 10 in Public Value Survey Score. | Follow up survey still to be conducted. Last one performed in 2008, follow-up 2011. | Public Value study on hold due to austerity measures. |
| ***Goal: Deliver programmes in all official languages*** | | | |
| Programmes in all official languages, and others. | 11 official languages and others. | All achieved. | |

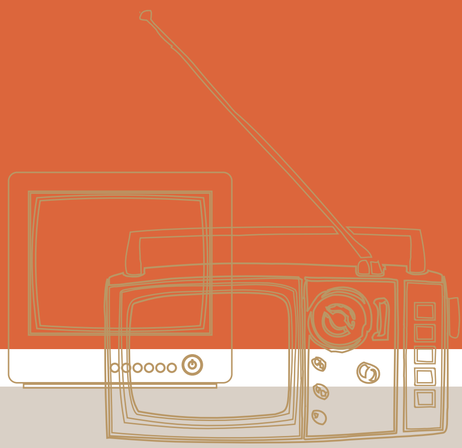
## PERFORMANCE MEASUREMENT - CONSOLIDATED ABBREVIATED | 2009 - 2010

| Key Performance Indicator | Target | Achieved | Reason for Variance / Additional comments |
|---|---|---|---|
| ***Content continued*** | | | |
| *Public Broadcasting Services continued* | | | |
| ***Goal: Ensure at least 80% coverage per PBS Radio Station*** | | | |
| Radio footprint covering 80% of the population. | · 80% Transmitter network and reach.<br>· 80% frequency availability. | All achieved except for Lotus fm. | Network has select transmitter network for Lotus fm across the country. |
| ***Goal: Offer programming that supports and contributes to nation building and democracy*** | | | |
| Nation building content, programmes and events. | As per approved business plan and strategy. | All PBS Radio talk formats geared towards nation building content; PBS TV talk shows (Motswako; Blue Couch), IKB (Khumbul'Ekhaya; Drama such as Zone 14; magazine shows such as Zwahashu etc) plus all events of national importance broadcast on SABC2. | Programming strategy implementation driven by Heads of radio – monthly reports, quarterly review sessions etc. |
| ***Goal: Offer programming that fosters tolerance and reflects the aspirations of SA citizens*** | | | |
| Social cohesion content, programmes and events. | As per approved business plan and strategy. | Mainly provided through Soaps<br>· Generations; 7de laan and Muvhango tackle topics such as homophobia; xenophobia and acceptance of those living with HIV/Aids. Current Affairs content provides updated info on all the above. | Programming strategy implementation driven by Heads of radio – monthly reports, quarterly review sessions etc. |
| Content Enterprises | | | |
| ***Goal: Invest in capacity building*** | | | |
| Increase the number of industry players across the value chain. | · Increase # of writers.<br>· Increase # of producers.<br>· Increase # of directors.<br>· Increase # of multicam producers. | · Not achieved.<br>· Not Achieved.<br>· Not Achieved.<br>· Achieved – Sony MVS800 training. | Due to austerity measures industry development measures that required additional financial investment from SABC were deferred. |
| ***Goal: Create and grow a sustainable industry*** | | | |
| Timeous and optimum re-commissioning of programmes. | Re-commissions in various areas. | Not achieved. | Due to austerity this strategy was abandoned and replaced by the deferment strategy which guaranteed content on air. |
| Long term planning of commissions. | 3 Year rolling budget approved for commissioning and acquisition. | Not achieved. | Organisational long term budgeting has not been provided for. |
| ***Goal: Develop and maintain positive strategic relations with the industry*** | | | |
| Establish industry structures and systems of engagement with SABC. | · Number of structures identified and set up.<br>· Number of working agreements. | Partially achieved (7 partnerships established). | Due to austerity measures some financial partnership commitments were unable to be met. |
| ***Goal:Develop a framework for the management of IP*** | | | |
| IP Framework developed. | Board approved IP Framework. | Not achieved. | Awaiting approval. |
| Media Rights regime implemented. | Integrated into SABC Contracts. | Not achieved. | Awaiting approval. |
| Rights Register in place. | Register verified. | Partially completed. | Due to a lack of resources, the process of completion is continuing in the FY10/11 fiscal. |
| ***Goal:Meet content demands for a multi-channel environment*** | | | |
| Content delivery Plan for multi-platforms. | · Approved by Board<br>· 40% of new content available at DTT Launch | Not achieved. | Business plan developed and submitted to interim Board in Dec 2009. Interim Board deferred it to new Board. |
| News | | | |
| ***Goal: Cover National and Local Government Elections*** | | | |
| Comprehensive, fair, balanced and relevant coverage of the national and provincial elections. | As per independent content analysis survey results. | · Media Monitoring Africa defined 97% of SABC coverage as fair and all coverage generally balanced.<br>· Coverage delivered as per broadcast plan. | None. |

## PERFORMANCE MEASUREMENT - CONSOLIDATED ABBREVIATED | 2009 - 2010

| Key Performance Indicator | Target | Achieved | Reason for Variance / Additional comments |
|---|---|---|---|
| ***People continued*** | | | |
| *News continued* | | | |
| ***Goal: Strengthen and expand new media content*** | | | |
| Deliver beyond traditional models, more mobile. | News available on new media platform(s)<br>· Mobile.<br>· Internet. | · Launched subscriber e-newsletter.<br>· Special mobile business updates.<br>· New podcasts.<br>· Presence on social networks. | None. |
| ***Goal: Develop partnerships with News organisations in the global arena*** | | | |
| More effective international news gathering and distribution. | Extent of SABC News Global Networks. | · Efficiencies achieved through bureau reduction.<br>· Global Partners identified, agreements to be operationalised. | Focus on bureau closure, will focus on partnerships in 2010/2011. |
| **Governance** | | | |
| Public Broadcasting Services | | | |
| ***Goal: Deliver on all mandate requirements as per licence conditions*** | | | |
| Compliance with Broadcast Act and SABC Charter. | Compliance with ACT and Charter. | All mandate content delivered fully except TV's marginalised languages. | Production industry's lack of capacity and competence in this area. |
| ***Goal: Adhere to ICASA licence conditions*** | | | |
| Compliance with ICASA mandate quotas. | Meet ICASA quotas. | All mandate content required delivered fully except for TV's marginalised languages. | Production industry's lack of capacity and competence in producing content in marginalised languages. |
| Meet Quotas:<br>· Music<br>· Genre<br>· Language | Deliver following: 100% for respective stations. | All Licence conditions have been met. | |
| Public Commercial Services | | | |
| ***Goal: Meet mandate requirements*** | | | |
| Compliance with ICASA mandate. | · 25% for Local Music Radio.<br>· 35% Local content for TV.<br>· 8% language other than English.<br>· Minimum hours requirement. | · METRO FM = 32.9%.<br>· 5 FM = 23%.<br>· GHFM = 34.9%.<br>- Prime Time 41%,<br>- Performance Period 41%,<br>- Language 9.09%,<br>- Met all requirements for Prime Time and Performance Period (Data to 28 March 2010). | · The intention is to grow more local music content on our radio station.<br>· It is largely due to more current affairs programs. |
| **Technology** | | | |
| ***Goal: Establish stable New Media infrastructure*** | | | |
| Reliable system & application network architectures. | Uptime availability of sabc.co.za websites is 99.9%. | Uptime availability during the year ranged from 98.5% to 99.8% for different quarters on the different servers. The target of 99.9% was not achieved. | The variance in performance is due to planned maintenance that was undertaken and an incident of a monitoring tool that caused problems with the publishing system. |
| Support structure for systems implemented. | Centres of Excellence for key IT applications (SAP, BRP and CRM). | The implementation framework for consolidating all IT islands across the SABC was approved in March 2010 and is in the process of being implemented. | The process is taking longer than expected. Completion of integration is due by end September 2010. |
| ***Goal: Delivery of projects against the Technology Roadmap*** | | | |
| Deliver within timeframe, budget, scope & client satisfaction. | As per the project execution plan for each approved project. | Project delivery in line with Technology Roadmap has been broadly in line with the roadmap, though critical projects are behind schedule, such as Digital Library and Digital Playout Centre. | Variance is explained by<br>1) lack of capital expenditure to fund all projects on roadmap according to timeframe,<br>2) moratoriums on capital expenditure imposed during 2009/10 to conserve cash has impacted on ability to roll-out projects, and<br>3) ability to get projects approved and motivated for has been hampered by governance issues in 2009/2010. |

# Report on the Mandate Performance



## Public Broadcasting Services

The SABC's Public Broadcasting Services (PBS) Division comprises 15 radio stations and 2 television channels, together delivering the biggest daily audience platform in South Africa.

This year saw major events unfolding in the country, not least the election and inauguration of President Zuma, the 2009 FIFA Confederations Cup and, of course, the build up to the 2010 FIFA World Cup. PBS platforms were at the centre of these events, at all times communicating and interpreting events to all South Africans.

### PBS Radio

According to South African Advertising Research Foundation (SAARF), six PBS radio stations were among the National Top Ten Favourite Radio Stations: Ukhozi FM, Umhlobo Wenene FM, Lesedi FM, Motsweding FM, Thobela and RSG (Radio Sonder Grense).

The portfolio delivered a total of 131 400 hours through FM, AM and web-streaming, in all eleven official languages as well as Urdu, Tamil, Gujarati and Hindi on Lotus FM. 75% of this airtime was dedicated to the delivery of content that met both ICASA and the SABC Corporate Goals dealing with key themes such as Patriotism, Nation Building, Racism, Heritage and Xenophobia.

PBS Radio has played a critical role in developing local music, with 62% of its music output being proudly South African (far beyond the 40% required by ICASA).

## PBS Television

The PBS television channels are full-spectrum television services offering a mix of enlightening, informative, educational and entertaining content. They aim to create a popular public service through an integrated content approach that:

- maintains a high level of local content


- integrates issues of national importance across all portfolios

## SABC1

SABC1, Mzansi Fo Sho, is the network's flagship channel and South Africa's biggest TV brand with over 23,6 million adult viewers, 74% of the adult population enjoy its youthful offering.

Inspirational, rooted and in touch – these are the three defining pillars for SABC1 which delivers news, current affairs, education, factual, children, entertainment, sport and religion, broadcast largely in Nguni languages as well as Ndebele and SiSwati.

As the home of soccer, SABC1 has had a busy year in delivering the 2009 FIFA Confederations Cup successfully to the nation and achieving a record-breaking 63% audience share in the process. The channel has also played a leading role in the build up to the 2010 FIFA World Cup.

## SABC2

SABC2 explores universal values – the caring, sharing, love, respect, and acceptance that form the core of family life - and makes them central to the channel's positioning. SABC2 is the channel of choice for events of national importance, including the Opening of Parliament; the State of the Nation Address; the Budget Speech; and daily updates from Parliament.

SABC2 promoted social cohesion through programmes such as Motswako, its flagship women's magazine, as well as soapies, Muvhango and 7de Laan, that tell daily stories. Our documentary strand showcased South African history and heritage through Shoreline, A Country Imagined and Who do You Think You Are? and SA's Got Talent allowed the nation to marvel at the rich diversity of our home-grown talent and to celebrate one another's uniqueness.

# Public Commercial Broadcasting Services

The Public Commercial Services (PCS) division is made up of three commercial radio stations (Metro FM, 5FM and Good Hope FM) and one television channel (SABC3).

As the commercial arm of the SABC, PCS's aim is to be a strong profit based division that generates substantial revenue streams for the Corporation while providing quality, entertaining, and engaging premium content, which resonates and connects with their target audiences.

For the 2009/2010 year, the division focused on audience-centric programming and scheduling strategies that sought to grow and protect the audience share on both television and radio. This will enhance revenue delivery whilst driving cost efficiency.

The PCS division's key performance indicators and activities were mainly focused on the following objectives:

- Growth and maintenance of audience shares for television and radio
- Compliance with ICASA licence conditions
- Supporting commercial sales division in recovering share of advertising revenue
- Delivering profitability

## Target audience

SABC3 is a commercial television channel aimed at LSM 7-10 with target market skew towards women around age 30. The channel provides entertainment in line with the public service mandate focusing on mainstream television entertainment and escapist programming that delivers commercial returns for the SABC. The programming on the channel provides a mixture of both local and international programmes ranging from drama, sitcoms, variety, documentary, movies, sport and news.

The PCS Radio portfolio targets a broad listenership of the 16-34-year old market. Our primary target market is the Now Generation, Cosmopolitan, Techno Savvy who aspire to make a difference in their communities and the country.

Metro FM is a national, urban contemporary music station and the format provides a mix of R&B, Hip-Hop, Afro Soul, Kwaito, House, Gospel and Contemporary Jazz. Its target market is 25-34 years old.

Good Hope FM is a contemporary Hit Rhythmic Radio and top 40 hit station providing a "Cutting Edge" music mix of Dance, Soft Rock, R&B, Pop, Hip Hop, 90s old school and Contemporary Jazz. Their target market is 19 – 25 year olds.

5 FM is a national Contemporary Hit Rhythmic top 40 radio station positioned as the entertainment powerhouse for the South African youth offering the most popular contemporary music and entertainment.

## Audience performance

### SABC3

The prime time target (17:00 – 22:00) for the channel was 18%. The channel achieved 16.1% for the year against LSM 7-10 target market.

### PCS Radio

The PCS All Adult share in March 08/09 was 8,3% and increased marginally to 8,6% in March 09/10 which is a growth of 0.3% year on year. The Compound Average Growth Rate did not meet target of 0.5% growth, experiencing a decline of 1.3%. This was because of a decline on Metro FM and Good Hope FM audiences.

The Past 7 Days for PCS platforms are as follows:

- Metro FM - 5.1m listeners
- 5 FM - 1.9m listeners
- Good Hope FM – 522 000 listeners

## Mandate delivery

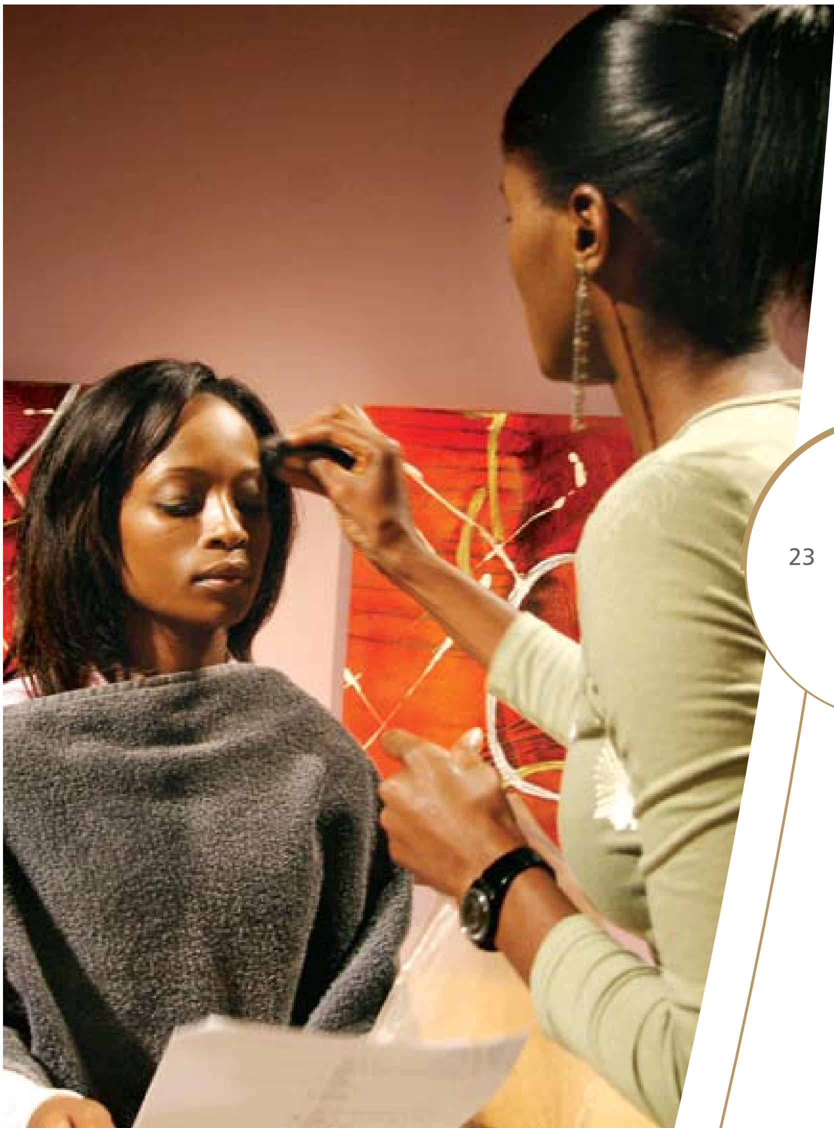
### SABC3

SABC3 performed well against mandate exceeding the target during 2009/2010. The channel delivered 41% of local content during prime time against target of 35% and a delivery of 47% against a performance period target of 35%. The target for other languages was 8% and the channel delivery was 9%.

The overall mandate performance for the channel achieved and exceeded expectation.

### PCS Radio

PCS Radio has exceeded its performance target against mandate delivery on local music content. The three PCS Radio stations averaged 40% against a target of 25%.



## Programming and scheduling

The channel was to deliver 90% schedule stability and not fall below 90%. Despite challenges with austerity, deferment of programmes and the SABC experiencing financial difficulties, the channel achieved and exceeded the 90% schedule stability target by 8%. Performance measures were exceeded.

## Highlights

- Good Hope FM achieved and exceeded the revenue target for the first time in 8 years.
- The approval of transmitter network expansion:
  - Metro FM reach in Nelspruit, Mpumalanga was activated
  - Good Hope FM reach extended to other parts of the Western Cape including Paarl, Sir Lowry's Pass
- The successful relaunch of Good Hope FM and 5FM presenter line-up with exciting talent.
- PCS platforms celebrated and dedicated August to women throughout the month as reflected in their programming and events
- The successful implementation of the 2010 FIFA World Cup countdown and activations during the 2010 FIFA World Cup Draw.

# Universal Access



The SABC has established that there are approximately 3,6 million people in South Africa who do not have access to any SABC television channel and about 5 million people who do not have access to any SABC FM radio station. Additional high power transmitters will not resolve this problem due to the topography of these under serviced rural areas. To address this, the SABC estimates that it will need to roll-out some 300 low power transmitter sites over the next two years. Each of these low power transmitter installations will provide SABC1, SABC2, SABC3 and the most appropriate radio station for each area. To date the SABC has identified 171 potential sites spread over the nine provinces. The areas in question are either geographically isolated or fall in "shadow areas" within existing SABC coverage.

During field visits to numerous rural areas of the country, the SABC has established that many communities still rely heavily on radio for news, education and entertainment. This explains the emphasis that has been placed on ensuring that radio is also catered for at each of these new low power transmitter sites.

During this period the SABC has delivered television and radio services to disadvantaged South African citizens by switching–on the following low power transmitter sites.

- Free State Province
  - Philippolis and Villiers – (SABC1, SABC2, SABC3 and Lesedi FM)
- Limpopo Province
  - Indermark (SABC1, SABC2, SABC3 and Thobela FM)
- Western Cape Province
  - Genadendal (SABC1, SABC2, SABC3 and RSG)

The following high power coverage expansion was also completed during this period:

- North West Province
- Mmabatho (Umhlobo Wenene FM and Lesedi FM)
- Mpumalanga
- Nelspruit (Metro FM)

The SABC also received approval from ICASA for the establishment of the following new high power transmitter sites, which Sentech are in the process of establishing:

- Eastern Cape Province
  - Lady Frere (Umhlobo Wenene FM)
  - Qokama (Umhlobo Wenene FM)
  - Cofimvaba (Umhlobo Wenene FM)
  - Holy Cross (SABC1, SABC2 and Umhlobo Wenene FM)
  - Ngqeleni (SABC1, SABC2 and Umhlobo Wenene FM)
- Limpopo Province
  - Burgersfort (SABC1, SABC2, SABC3)
- Free State Province
  - Harrismith (SABC1, SABC2, Lesedi FM and Ukhozi FM)

# Local Content Delivery

The division is responsible for the cost effective acquisition, commissioning, exploitation and production of content (excluding news and current affairs) across all SABC platforms, thereby supporting SABC platforms to meet their mandate and licence conditions.

## Content delivery and stakeholder management

The key focus for the fiscal year was maintaining schedule stability. The division exceeded its 90% target for timeous content delivery.

Stakeholder management meetings were another priority and numerous engagements were held with critical stakeholders such as the Television Industry Emergency Coalition (TVIEC) and various sport federations.

## Sport

SABC Sport successfully delivered the SABC's sporting mandate across its platforms. The 2010 FIFA World Cup fell outside the year under review but, as stated elsewhere in this report, was a major triumph for the SABC, which was the official broadcaster of the 2010 FIFA World Cup.

Before the 2010 FIFA World Cup, we successfully delivered a world-class broadcast of the 2009 FIFA Confederations Cup in June, thus confirming our readiness to broadcast the 2010 FIFA World Cup.

We also successfully produced and broadcast the 2010 FIFA World Cup Draw with a world feed to 200 countries worldwide.

Other Significant Sporting Events

- Bafana Bafana World Cup build up games.
- The 2010 Africa Cup of Nations Cup in Angola.



## Development of the Industry

In support of and development of the industry, we participated and conducted the following events:

- South African Traditional Music Awards.
- South African Film and Television Awards.
- SABC Gospel Awards.
- Nab' Ubomi - A high school based initiative that identifies young talent and introduces them to film production.
- Student Reel – a 26-part half-hour series that provides an open window for students and up-and-coming filmmakers to showcase their work on a national platform.
- The division participated and chaired the national conference of the Moral Regeneration Movement, an initiative spearheaded by the Deputy President's office.

## Initiatives

We also participated in many initiatives that enhanced public value such as education outreach, collaboration with Love Life in the promotion of sport as a driver of the HIV/Aids campaign and represented Africa in the European Parliament conference on Ethics and Values in Business Leadership.

# News and Current Affairs

SABC News and Current Affairs is the business area tasked by the SABC to deliver on the Corporation's mandate in this area. As such SABC News is a content provider for all news and current affairs programmes carried by the SABC's PBS and PCBS radio and television services. The Division—guided and bound by certain legislative requirements, the editorial code and policies of the SABC, and SABC corporate goals—offers wide ranging and in-depth coverage of events and trends, both in the country and throughout the world.

The key operational areas within the Division are news gathering and the production of news and current affairs programmes for SABC platforms, and includes both traditional and new media.

The operational areas incorporate:
- The implementation and management of the newsgathering process - from research, to story identification, to gathering, to the writing, editing and compilation of stories - through editorial offices and bureaus.
- The production of inserts and programmes by dedicated desks and production teams.

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

News' primary business units are Radio News and Television News, which are supported at a logistical and technical level by News Resources, with further support from the Human Resources, Finance and Strategy units.

In the context of a review of the SABC's focus on international expansion, SABC News International, the continent's 24 hour news channel, was discontinued during the financial year. Also, in the period under review, eight international bureaus were closed and operations rationalised in the remaining five.

The News Division was instrumental in the successful coverage of the 2009 General Election which added impetus to national efforts to strengthen democracy. It delivered live broadcast of the inauguration of President JG Zuma - the fourth democratically elected President of South Africa.

The Division also laid the basis for the coverage of the 2010 World Cup. News led the pack in mobilising the public awareness campaign for support of the 2010


World Cup. Both, news bulletins and current affairs programmes, were used as strategic platforms for communicating the positive message about the world cup, as well as, South Africa's ability to host the epic world event. Morning Live, in particular, successfully galvanised public support for football Friday – every citizen became a member of the Football Friday Club.

This financial year also saw the Division focusing on implementing a vigorous austerity plan, which saw a reduction in spending from R689m in the previous financial year to R547m for 2009-10. The revitalisation of the Division's operating model and restructuring remains a priority so as to ensure that these efficiencies are entrenched.

In the new media space a number of new initiatives were embarked upon and old ones enhanced. This was coupled with initiatives from radio and television programmes to ensure greater interaction with audiences, including in some instances the utilisation of social networks.

The development of partnerships with international news organisations to ensure that no gaps would be created following the closure of the bureaus is well on course as originally conceived. Up to the end of the financial year, the SABC had successfully formalized strategic ties with countries such as China, South Korea, and Brazil. The Division will continue on this trajectory in the new financial year with particular focus on African countries.

# Report on the Sources of Revenue



## Commercial Enterprises

The primary objective of Group Sales & Marketing is to maximise air time revenue for the SABC in an increasingly competitive media advertising market.

Revenue is generated through the sale of classic advertising, and programme and sport sponsorships across all SABC radio and television platforms. Although small at this stage, there are also alternative revenue streams from merchandising, websites, mobile and other digital media outlets. Collective commercial revenue is the primary enabler of the SABC, as a Public Service Broadcaster, to meet its obligation to deliver extensive public value.

A feature of 2009/2010 was the failure of Group Sales and Marketing to meet the performance expectation for the year. This was mainly attributable to the downturn in the national economy, which adversely affected personal disposable income and resulted in constrained advertising spend in a more fiercely competitive media trading environment.

Internal SABC challenges also contributed to the underperformance. The instability of leadership resulted in the erosion of SABC brand equity. Other contributing factors included a decline in government advertising spend, television channel schedule instability, and deferred television programmes.

In terms of revenue share, the impact on SABC television was significant. Competitor broadcasters benefited from the SABC loss.




SABC radio remained stable and even achieved small growth. Together, SABC television and radio closed the year 6% below budget and 5.5% short of the revenue target in terms of the Government Funding Guarantee.

## Performance analysis:

### Market share

SABC television was reflected by AdIndex (market share at gross rate card) as having lost 4.8 percentage points of market share to 42.2%.

SABC Radio was reflected by AdIndex as having gained two percentage points of market share to 47.3%. Similarly, MIT reflected SABC Radio as having gained 1 percentage point of market share to 42.7%.

### Debtor days

Performance was at a level of 79 days against a target of 65. Underperformance in this area was mainly the result of poor internal booking controls and/or standard operating procedures.

# Audience Services



## Core business

The primary role of the SABC's Audience Services Division is to collect and manage television licence fees which are still a vital source of income to the Corporation and help to fund public broadcasting services.

## Performance analysis

Despite a year of extremely challenging trading conditions, the Audience Services Division came close to achieving its targets.

Among the factors that impacted negatively on television licence revenue were the depressed national economy which reduced the disposable income of many South African households and continuing negative reporting on events at the SABC - which also undermined viewers' willingness to pay TV licence fees.

Another inhibiting factor was the Corporation's inability to pay its collection business partners on time.

- The countrywide strike by Post Office workers disrupted collections and, more recently, publication of the Public Service Broadcasting Bill with a proposal to abolish TV licence fees, might well have dissuaded some viewers from paying.

- Cash revenue of R983 million collected during 2009/2010 is R3.5 million or only 0,4% below budget.

- Despite unfavourable economic conditions, Audience Services succeeded in collecting R111 million in television licence fees during October 2009. That was the highest monthly amount since the introduction in 1997, of a licence year with renewal dates spread over 12 months.

- The Division's cost-of-sales and operating expenditure ratios for the year are better than budget.

- Towards the latter part of the year the negative factors listed above also affected the Division's customer service delivery. Call centre service levels ended slightly below the set target but correspondence turnaround times remained within target.

- Identified public funding opportunities, such as changes to the television licence legislation, government subsidies for low income and concessionary households, and removal of VAT from TV licence fees, could not be taken forward during the year. The publication of the Public Service Broadcasting Bill, caused uncertainty about the future of television licence fees.

- Despite severe financial constraints arising from the SABC's austerity programme, the Division managed to maintain an effective marketing and public relations presence on a variety of media platforms.  Citizen outreach initiatives included




TV Licences Mall Activations, further roll-outs of low-power transmitters in poorly serviced areas in Limpopo and the Free State and a joint venture with external partners to give a remote Mpumalanga rural community access to the SABC's broadcasting services.

- Compliance inspections at major retail groups and hospitality establishments yielded positive results. Debt collection cash revenue was slightly below target – again, as a result of the negative factors listed above.

- The SABC's Retailer Validation System was implemented at more than 340 outlets since December 2009. The system allows retailers to verify the validity of a television licence by either contacting the TV Licences call centre or accessing TV licence data in real-time via a web portal or an in-store integrated system.

- The Minister of Communications approved an 11% television licence tariff increase effective from 1 August 2009. The financial benefit of the increase was realised only from October 2009 onwards and contributed in part to the Division's cash revenue collections for the year.

- The Department of Communication's Public Service Broadcasting (PSB) Bill was published in the Government Gazette on 28 October 2009. The Bill contains a number of proposals, including abolishment of television licence fees in favour of the establishment of a Public Service Broadcasting Fund (PSBF) that would be funded, inter alia, by way of a tax levy, monies from government, fees from broadcasting service licencees, etc. Audience Services submitted a comprehensive document for inclusion in the SABC's corporate response to the PSB Bill.

# Technology



The Technology division of the SABC is the provider of broadcast and IT facilities, and technology services, supporting the SABC's business activities and operations.

The Technology division comprises five business units – Henley Television Facilities, Television Outside Broadcasts, Radio Broadcast Facilities, Broadcast IT and Engineering Services.

During the year under review, the division successfully provided the necessary infrastructure and resources for the broadcasts of the National Elections in April, the 2009 FIFA Confederations Cup in June and the draw for the 2010 FIFA World Cup in Cape Town in December. Some of the SABC's recently acquired HD Outside Broadcasting units and the SABC technical and operations crews were used by FIFA for the production of the Confederations Cup and the 2010 FIFA World Cup draw.

The division received accolades from FIFA on the quality of the SABC's facilities and resources used to cover these FIFA events.

Commenting on the Confederation Cup, Niclas Ericson, Director of FIFA TV, said: "At Rustenburg, Pretoria and Bloemfontein we are working with three HD trucks from SABC. We have enjoyed extremely good co-operation and a positive working spirit with SABC. We have used a lot of SABC resources for the images produced in those three venues."

All four of the new HD Outside Broadcast units were delivered during the financial year and are in operation. Three of the units are based in Johannesburg with one in Cape Town.

The technology plan for the 2010 FIFA World Cup was put in place in line with the requirements of the production plan. The plan addressed the needs for providing live coverage of all 64 matches of the World Cup on television and radio, and also of providing technology services to the 10 FIFA Fan Fests.

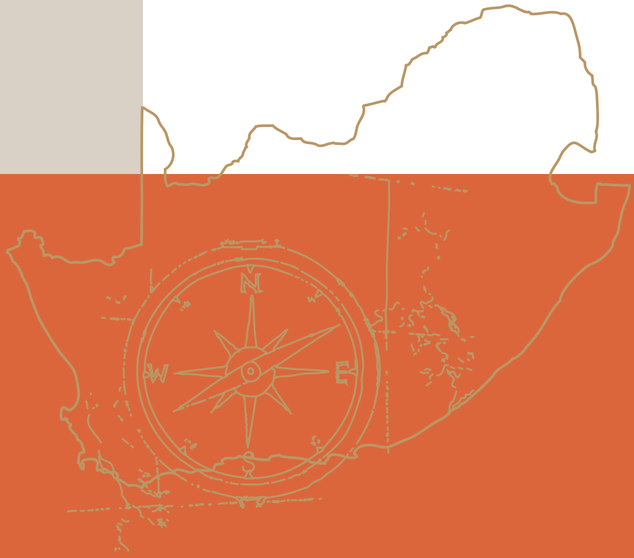
The technology plan was continually updated and revised throughout the year as the production plan evolved. Potential risks were identified and mitigated against to ensure that the installation and technical production could happen with minimum impact.

Due to funding restrictions and moratoriums imposed on capital expenditure, it has not been possible to deliver all projects in line with the Technology Strategy.

Towards the end of the year the plan for consolidating all IT islands across the SABC into a single unified IT environment was approved and implementation is expected to be completed by September 2010. The consolidation of the SABC's mobile sites into a single integrated mobile service at www.sabcmobile.co.za was completed. The first phase of the integration of all online sites was initiated. The IT disaster recovery plan was established and tested, however, there is a requirement for a remote site and facilities provider, for which tenders have been invited.

To encourage empowerment, motivation and confidence, the Technology HR team organised three conferences on Women in Technology. There was very good attendance on a programme of basic Occupational Health and Safety awareness training. More than 96% of the permanent staff attended training courses, 97 people completed an internship or learnership programme during the year and 58 new interns started in February.

Overall headcount targets and female representation were bettered due to tight management of critical vacancies.




# Regions



## Governance

An acting Head of Regions is in place; to ensure proper management, governance and stability a permanent Head of Regions needs to be appointed.

## Mandate delivery

### Northern Cape region

Austerity necessitated the postponement of rolling out a new Northern Cape Region (extending the scope of the Kimberley office). This project will be attended to when financial circumstances allow.

### Stakeholder management

The Regional General Managers, in their various Regions, all continued to represent the SABC at government, business and staff level. Regions' stakeholder management brings together members of different communities and interests, and assist them all to feel part of the bigger community.

North West Region had some key vacancies which posed challenges, and affected efficiency, but these are being addressed.

Key stakeholders in the Regions:

- Provincial governments
- Local government
- Independent Electoral Commission (IEC)
- Business Community
- Traditional leadership communities
- Disabled community
- Political parties
- Faith-based organizations
- Sporting organizations
- Labour movements
- PanSalb and other language bodies

### Property management

In order to ensure security of property tenure, a process has been commenced with to purchase the land on which the SABC Bisho property is situated.

The Rocklands property in Cape Town has received a minor "facelift".




Property managers across the country have also been engaging in a continuing process to improve security, in line with National Key Point requirements.

## Finance

Regions supported various Audience Services initiatives to collect TV Licence fees.

Ongoing efforts have been made to collect outstanding housing and flat rental debts, without destabilising the North West Region. This process is currently gaining momentum and the major outstanding debts should be resolved within the next two reporting periods.

Support for the SABC's austerity drive has resulted in the achievement of bottom line savings across all Regions.

## Technology

Regions continued to provide the PBS Radio Stations with a platform from which to operate, and this included attention to ongoing support for Technology's technical maintenance and upgrading of radio studios in all Regions.

# Digital Migration



The SABC began discussions on digital migration as early as 2002. In 2008, the DTT Project Office was established to drive SABC's preparations for digital migration. The pilot phase was started by SABC and began with DTT field trials in November 2008 in Johannesburg, Pretoria and Durban.

Initially, it was expected that the migrational trials would end in June 2009, but they were subsequently extended.

The DTT migration trial service included a full multiplex of up to 11 free-to-air services, including current and new SABC channels prepared specifically for the DTT trial in preparation for a DTT commercial launch. The DTT trial continued during the course of the 2009/10 financial year.

A range of technical tests and audience research were conducted. We tested set-top boxes (STBs), signals, coverage, STB interoperability, audience preferences for digital channels, audience appetite for the DTT service and audience viewing patterns on DTT.

The results of the research suggested a very promising future for DTT. More than 80% of trialists indicated that they saw value in the DTT service, specifically the better audio and video quality and the ability to receive more free-to-air services.

In addition to the tests, the SABC led the development of DTT rules of operation between broadcasters




and the development of a South African profile of MHEG (Multimedia and Hypermedia information coding Expert Group) middleware. The SABC also participated in the development of DTT STB Standards and the DTT regulatory processes. The DTT regulatory processes were finally completed in February 2010. The SABC was allocated at least 90% of one multiplex during the dual illumination period.

A DTT business plan was also developed and submitted to the Interim SABC Board for approval in November 2009. This was deferred to the incoming SABC Board for final approval. The business plan incorporated the inputs from the DTT trial research and included a plan for the new broadcast infrastructure required for the rollout of DTT services.

At the beginning of the year, the SABC expected a commercial launch of the DTT service prior to the 2010 FIFA World Cup. This was subsequently revised following delays in completion of regulations and the announcement by the Department of Communications in March 2010 that the DTT standard was under review.

As of the end of March 2010, the SABC projected a DTT launch in late 2011 depending on whether or not the DTT standard would be changed. There had been no indication of when the decision on the standards review would be made. Similarly, a date for the start of the performance period had not been published by the regulator.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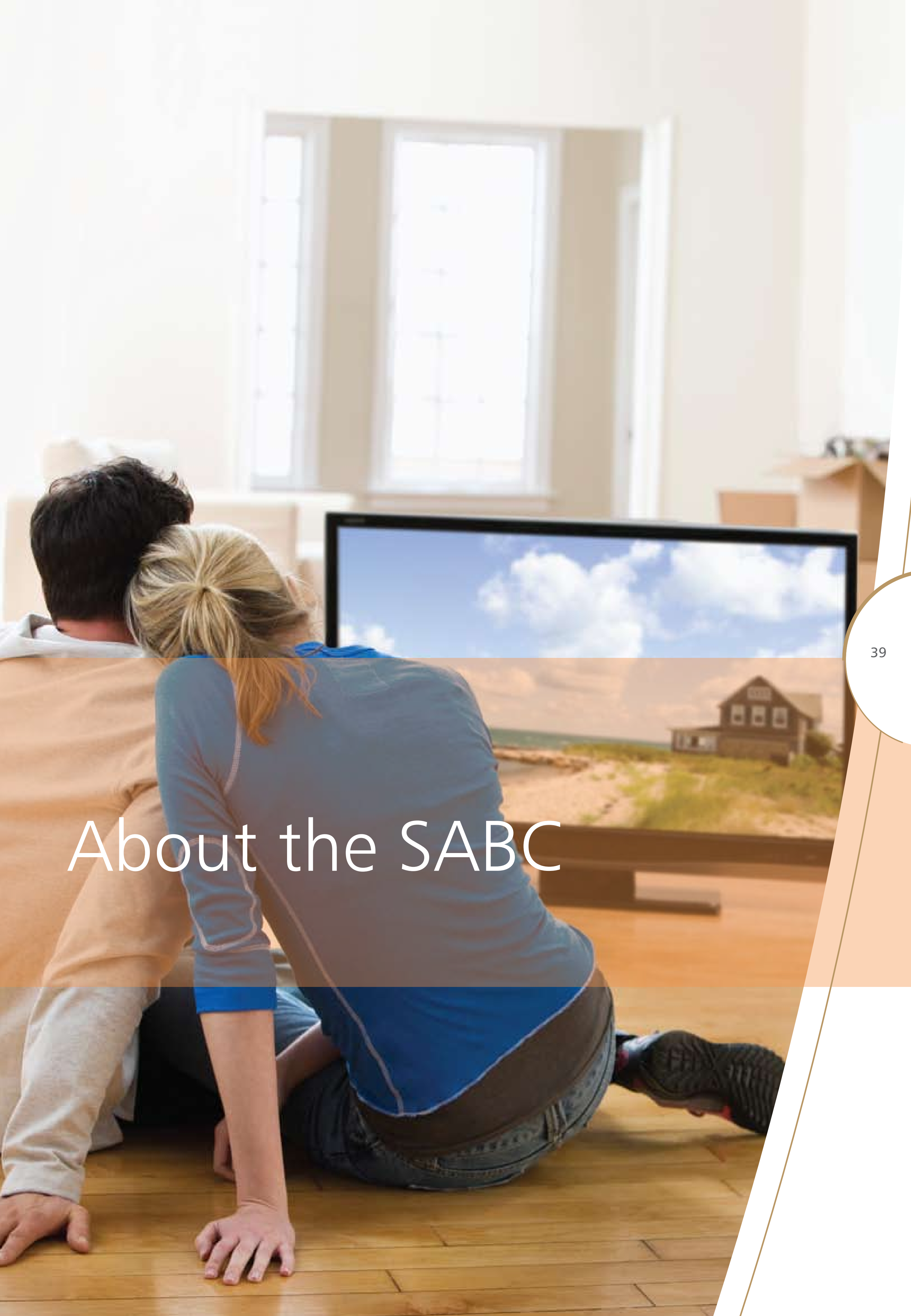


# About the SABC

# Our People



## Human Capital Services

The SABC depends on well motivated and technically skilled employees to deliver what we have promised in the broadcasting arena. Our actions in the last year were directed at realising the SABC's ideals of Broadcasting for Total Citizen Empowerment in all aspects of the business yet at the same time minimising operational costs such that we become competitive in this fast changing information environment.

From the outset HR supported the business through skills development, retention programmes, workforce diversity, multi-skilling, continuous development of people through bursaries, workplace skills plan, resource utilisation, full function wellness programmes, harmonious working conditions, etc for the ever changing challenges facing the SABC. The key focus towards the latter part of the year was on cost reduction due to the financial constraints that the SABC faced, and trying everything in our power to use the available resources at our disposal to provide a cost effective human resource service to our internal stakeholders.

### Organisational development

This unit plays a key role in restructuring and change management strategies that were needed during a financially difficult time for SABC. Some of the strategies that were deployed can be summarised as follows:

In June 2009, the SABC commenced a journey of conducting engagement sessions, for the first time, with Independent Contractors, also referred



to as Freelancers. This resulted in the development of a policy and an Independent Contractors Code of Conduct to guide behaviour and image when conducting SABC business. These require Board approval and will be implemented during the forthcoming year.

A new three year Corporate Employment Equity Plan with targets was approved by the Board. Targets for Disability and Women have been increased. These were consulted upon with all business units and with the Unions. The targets have been deployed to business.

## Training and development

Skills Development continued to be one of the key focus areas for the SABC in the 2009/10 fiscal year. A total of 3198 employees were trained in various areas with focus being on scarce and critical skills such as technical and operational training.

### Bursaries

A total of 141 employees were awarded bursaries by the SABC.

### Skills development initiatives

A number of initiatives to address scarce and critical skills shortages in the industry were undertaken. These included: TV Broadcast Management System (102 employees trained), Health and Safety training (145 employees trained), Technology Internships (93 Learners were recruited).

Other initiatives were Radio Operations Internship, TV Operations Learnerships, Part of the National Broadcasting Qualification Practical 1 and Practical 2, IT internship focusing on IT graduates, Advanced analysis of journalism and writing to pictures, Training facilities upgraded to meet International Computer Drivers Licence (ICDL), Capacity Building for Internal Trainers (2 internal Training Specialists were accredited and licenced for SAP, ICDL, TVBMS and IMF thus reducing reliance on external training providers).

A draft curriculum based on current training initiatives and training requirements was completed. This will serve as an input to the SABC Academy products and services offerings. As part of addressing national skills shortages in



the broadcasting space, a partnership was entered into with MAPPP-SETA to implement various skills programs that were identified by the SABC. These will be implemented in the 2010/11 fiscal year and will be funded by the National Skills Fund (NSF).

## Remuneration and benefits

The division had to balance the need to use remuneration and benefits as a means of becoming the Employer of Choice and the need for the sustainability of the SABC in the future.

These have significantly assisted the company in reducing its operational budget yet at the same time continuing its daily operations.

## Employee relations

A concerted effort was made to promote adherence and compliance to labour legislation and SABC policy and procedures. This was achieved through internal capacity building programmes and about 50% of the target population (junior & middle management) received training.
The process is ongoing and will overlap into the 2010/11 financial year, which will also target the trade union representatives (shop stewards). In order to advocate a harmonious labour relations environment internal management/union structures were resuscitated at Auckland Park and the regions. A process has commenced where the parties engaged to deal with the review and /or re-negotiation of the old and outdated recognition agreements with trade unions. 80% of the work has been done and the process will continue into the new year (2010/2011).

A concerted effort was made in the year to deal with management and resolution of disputes that were pending and in some instances long outstanding. The department succeeded in facilitating internal disciplinary cases in accordance with the law and internal procedures. This resulted in very few CCMA disputes for the period under review. The intervention and measures that were introduced late in the 2009/10 financial year will reap the benefits in the new financial year.

## Wellness

We are committed to the wellbeing of employees, while we ensure productivity levels are maintained.

### Weight loss programme

The weight loss programme was introduced in the third quarter (October 2009) and was reintroduced during February 2010. The program assists in reducing personal body fat, body mass index and weight loss; hence reducing the risk of chronic illnesses caused by overweight and obesity. 64 employees participated and it is now an ongoing initiative.

### Personal Health Assessment

A total of 3 764 minor ailments were treated under Primary Health Care Services and 4 947 health



assessments were made during the 2009/2010 fiscal. The aim is to identify chronic illnesses early and control them.

### HIV Program

This program has been very successful thus far. The data below indicates the HIV Program for the year 2009/2010. During consultation for Primary Health Care with clients, one-on-one education and HIV Counselling is undertaken and those ready for testing participate in Voluntary Counselling and Testing. Some 359 employees received HIV Counselling and 311 participated in voluntary HIV testing and counselling during the fiscal.

## SABC Employee Assistance Programs (EAP)

A total of 1 756 employees made use of the Employee Assistance Programme for the 2009/2010 fiscal, which ranged from HIV/AIDS and other life threatening illnesses, financial crisis, trauma, interpersonal relationships, mental health and disability, life management, and addictions.

Continuous change will remain a feature of the SABC environment. That implies that employees should strongly support change and be adaptable. Employees will need to develop new skills as technology, processes, jobs and work organisation continue to change across the SABC. The drive towards highly competent and high performing employees is a key requirement. The SABC mandate makes it imperative that we should be able to change focus from an internal to an external perspective, As a public broadcaster, we need to change paradigms from a parastatal to a business-oriented entity focused on customers.

The SABC is in the process of organisational renewal and will strive towards a focus on innovation and growth in an environment where alternative media threaten our core business. Human Resources will be at the forefront as a change agent. Dynamically addressing these people-related issues will require strong and lasting commitment from all employees with top class human resources strategies, policies, processes and systems.

# Our Relationships




Good stakeholder relations are the basis of any stable and solid organisation. Over the year in review, the division sought to strengthen its stakeholder relationship management tools and processes to ensure that all our key stakeholders are more engaged and informed about the organisation and its plans.

The Division promoted the SABC as an Employer of Choice, a preferred business and social partner, a trusted Public Service Broadcaster and a responsible Corporate Citizen by participating in various Career Fairs and Exhibitions and also hosted an Employee Expo during the year under review.

Over and above these, the Corporate Affairs Division sought to position the SABC as a Global Player in the Broadcasting and Media landscape, and to forge the right partnerships in accordance with SABC International Strategic ambitions.

## Public Affairs

During 2009/10 Financial Year, local stakeholder forums were identified and engaged. The Public Affairs Department developed a stakeholder engagement and reporting framework which was adopted by the organization as a whole to enable the SABC to track all stakeholder engagement activities.

The Department also acted as a repository of legislative and policy issues, coordinating inputs and submissions on policy and legislative changes, and submissions to Parliament's Portfolio Committee on Communication (PCC). A register of policy and legislative changes was created, and placed on the SABC's central repository for easy access by SABC employees. During the 2009/10 Financial Year, all required presentations including the Public Service Broadcasting Discussion Paper and subsequently the Public Service Broadcasting Draft Bill were made to the PCC within agreed timeframes.

During the same year, the organisation engaged with the top 30 clients, and held networking sessions with organised business as part of strengthening the relations with external stakeholders.

## Corporate Communications

The Department is responsible for ensuring that internal stakeholders are kept abreast of all developments within the organization. During the year under review the Department was instrumental in the establishment of two internal stakeholder forums, namely, the Middle Management Forum (MMF) and the Independent Professional's Forum (IPF). The forums were utilised as a platform to consult and share information with employees especially during the period of financial difficulties. Also, all employees had an opportunity to air views and concerns to management through Rediffusion sessions.

As part of the turnaround, the Department developed cost efficient communication tools to keep staff members informed of the organisation strategy and changes thereto. A new Intranet supplemented by a regular update letter from the Group Chief Executive Officer was rolled out.


The image and reputation of the SABC was tainted due to a number of reasons including the financial situation which lead to a standoff between the organisation and its major suppliers. To counter this, an integrated and public relations strategy was developed and implemented.

## International Affairs

The Department is responsible for managing international stakeholders and ensuring that the SABC is represented in international forums. The SABC participated in Southern African Broadcasters Association (SABA) General Meeting, Highway Africa Media Conference, and the Public Broadcasters International Conference. This was to pursue and identify new international training opportunities and to keep abreast of emerging global broadcasting trends.

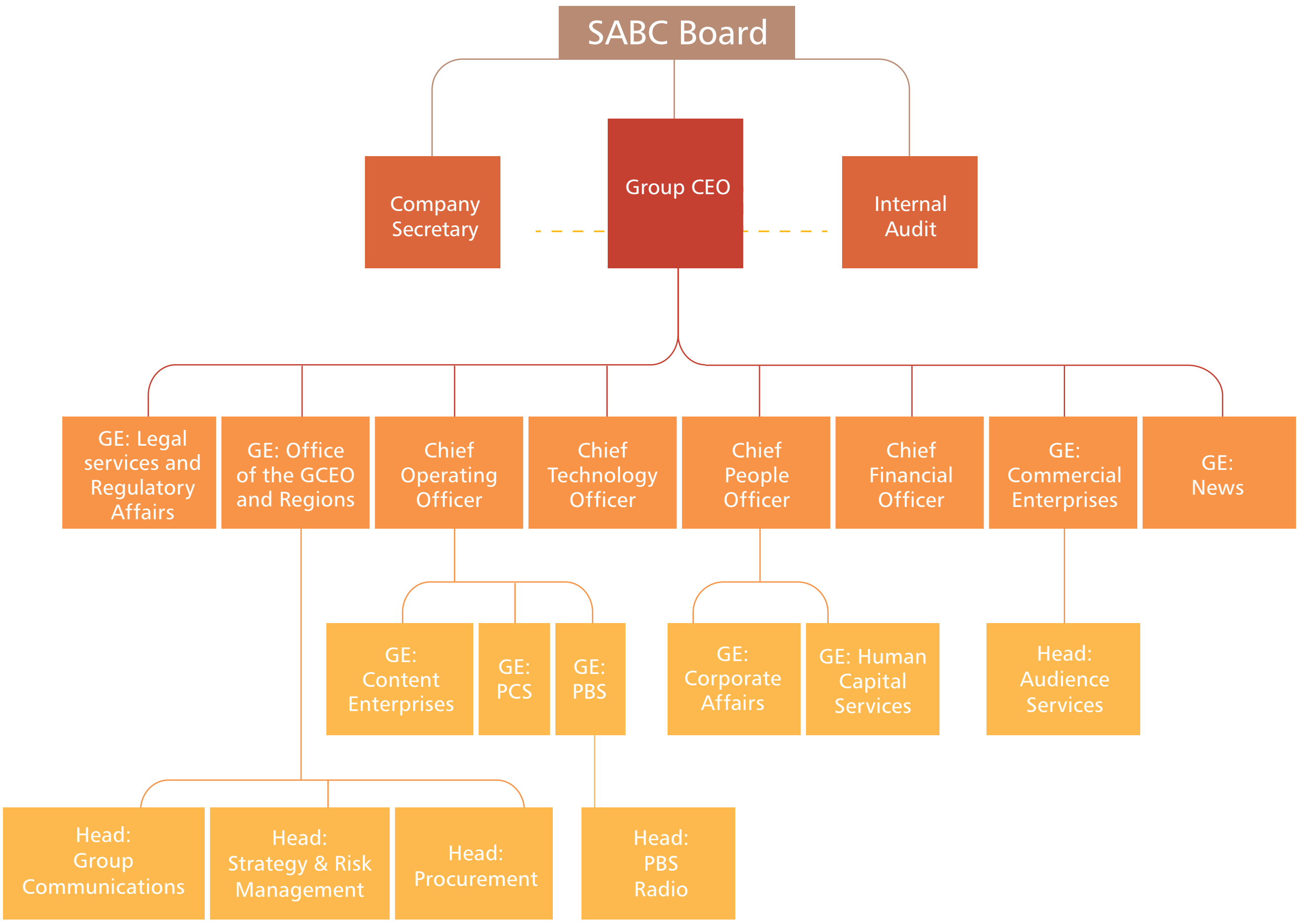
The current global broadcasting environment demands collaborative information sharing, resource sharing, and collective action and implementation by broadcasters around the globe. It is in this context that the International Affairs department initiated strategic discussions with influential and reputable broadcasters within Africa and across the globe to forge collaborative relations on content exchange, training and technology.

Participation in other international forums was limited due to financial considerations. Despite this agreements with Deutsche Welle (Germany), Gambia Radio and Television (Gambia), and Arirang International Television (South Korea) were negotiated and concluded.

## Conclusion

The year under review was a difficult one for the division due in part to the austerity measures in place. In spite of the circumstances, the division was able to deliver on key deliverables that it had set out to achieve, and where it could not completely deliver, was able to lay the foundation for the achievement of new goals in the coming year.

# Organisational Structure



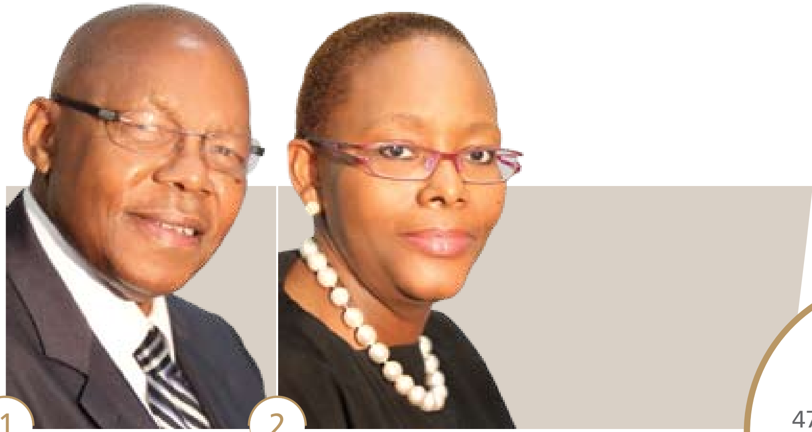
# Composition of the Board

## The SABC Board - leading us from 2010 to 2015

All governance in the SABC is ultimately under the auspices of the organisation's Board. The Board is constituted and operates in accordance with the Broadcasting Act as well as within the structures dictated by the Corporation's Memorandum and Articles of Association, the Board Charter and the Shareholder Compact.

The SABC has a unitary Board Structure comprising twelve independent non-executive Directors and three Executive Directors. The non-executive Directors are nominated by the public and appointed by the President of the Republic of South Africa on the recommendation by the Parliament's Portfolio Committee on Communications. The Executive Directors are appointed by the Board in consultation with the shareholder, for a period not exceeding five years at a time. The three Executive Directors are the Group Chief Executive Officer, the Chief Financial Officer and the Chief Operations Officer.

The Minister announced the new SABC Board late in December 2009 and they commenced their official functions in January 2010.



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### 1) Dr Ben Ngubane (Chairperson)

Having worked in various leadership positions, both locally and internationally, Dr Ben Ngubane is mostly recognised for his political roles where he served as Premier of KwaZulu-Natal, Minister of Health in KZN, national Minister for Arts, Culture, Science and Technology as well as a member of the Executive Council in the KZN Provincial Government.

An academic with outstanding qualifications in the fields of medicine and health, Dr Ngubane is a graduate from various institutions such as the University of London, Durban Medical School and the University of the Witwatersrand.

Previously the Ambassador to Japan, Dr Ngubane is well travelled. As a member of the SA Red Cross Society since 1977, he has represented the organisation in international congresses including in the US. Dr Ngubane has also taught Latin at St Francis College and is also a member of the Council of the University of Zululand. He has delivered the Lord Zuckerman Lecture to the Royal Society in London on the subject: Future Directions for South African Science and Technology.

A family man who is married with four children, Dr Ngubane is a Board member of the National Committee for the Rights of Children, Community Based Development Programme, Grassroots Early Childhood Education Project and the Community Peace Foundation.

He has served as Chairman of the Commonwealth Science Council, and a Chairman of the ComNet of IT for Development.

### 2) Felleng Sekha (Deputy Chairperson)

Ms Felleng Sekha began her career in 1993 at South African Mutual Assurance Society (Old Mutual) as a Legal Adviser of the Corporate Law Division.

She left Old Mutual at the beginning of 1994 to study Electronic Communications Law in Australia. Upon her return in 1995, she joined the African National Congress (ANC)'s Centre for the Development of Information and Telecommunications Policy (CDITP), where she was responsible for telecommunications policy research. She then joined Telkom as a Corporate Accounts Manager and was later appointed as a Regulatory Executive.

Ms Sekha is experienced in the media and telecommunications industries. She was appointed as the Chairperson of the Independent Broadcasting Authority (IBA) which was subsequently merged with SATRA to become ICASA. She was also Chairperson of the National Telecommunications Forum, where she was actively involved in the Telecommunications Policy development process leading to the enactment of the South African Telecommunications Act of 1996.

Upon the expiry of her term at the IBA, she joined MTN in 1999 as General Manager: International Business Development. She led the team that successfully set up MTN in Nigeria. She stayed on in MTN Nigeria as Executive Director Corporate Affairs. She was resident in Nigeria until December 2005. Whilst in Nigeria she was elected Chairperson of GSM Nigeria and subsequently, GSM West Africa and was instrumental in the drafting of the Nigerian Communications Act of 2003. She went on to complete an eight month project as part of the team setting up MTN Zambia in 2005 until 2006.

She currently consults on ICT Regulatory Affairs and Business Development. She has also set up and manages a non-governmental organisation called Platinum Ring, which creates entrepreneurial and career opportunities for young South Africans.

In 2003 she was one of the 25 South Africans chosen to take part in a scenario-planning exercise, South Africa 2020. The project was designed and facilitated by the African Leadership Institute, funded by United Nations Development Programme (UNDP). A key criterion for representation was that the nominee would have demonstrated potential to be a future leader in South Africa. She was also one of the 20 Africans to be awarded the Archbishop Desmond Tutu Leadership Fellowship at Oxford University in September 2006.

She holds Law Degrees from the Universities of Lesotho and Cape Town and a Post-Graduate Diploma in Media Communications and Information Technology Law from the University of Melbourne.

Her previous directorship roles include being MTN Nigeria, MTN Swaziland, MTN Uganda, Media Development and Diversity Agency (MDDA), Acucap Properties, Thesele Group and Business Connexion.

### 3) Cedric Sabelo Gina

Mr Cedric Sabelo Gina is the President of National Union of Metalworkers of South Africa (Numsa), which is the biggest metal workers union in Africa. He is currently employed by BHP Billiton Aluminium in the Reduction Department. A negotiator who represented Numsa and Congress of South African Trade Unions (Cosatu) in different forums such as the Presidential Trade Union Working Group, Millennium Labour Council and Nedlac. Mr Gina started leading Numsa at national level in 2004 as the second Deputy President.

He was part of South Africa's observer mission in the historic democratic elections held in Democratic Republic of Congo. He has spoken in many international labour conferences on behalf of the African continent.

He holds a Certificate Programme in Human Resource Management, Advanced Programme in Strategic HRM (UNISA) as well as Development Programme in Labour Relations, Management Development Programme and Executive Development Programme, all from UNISA School of Business Leadership.

### 4) Desmond Golding

Mr Desmond Golding is the only member who has served in the previous SABC Board, in which

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he chaired the Audit and Risk Committee. A well travelled financial executive, Mr Golding is known in both corporate and political spheres. He commands extensive skills in strategy, audit, corporate law, and finance owing to the banking experience.

He has served as Director: Credit Policy and Risk Governance at Standard Bank, as Credit Officer at Group level at Investec, a Senior Manager: Strategic Management at the South African Reserve Bank, as well as the Economic Adviser to the Minister of Public Works.

Mr Golding sits on various ANC Economic Transformation Committee (ETC) Task Teams, including the ones dealing with macro-economic policy, industrial policy and skills and employment. He has also served as Senior Researcher for the ANC's Parliamentary Research Unit in the National Assembly, as well as being Private Secretary to the then Minister of Labour, Mr Tito Mboweni.

A keen writer whose work has been published widely on financial markets and banking reforms. Mr Golding also studied in the UK through the prestigious Nelson Mandela Scholarship for Leadership, and remains passionate about developmental finance.

He holds two masters degrees, an LLM (Banking and Finance) from the University of London, MA (International Relations) from the University of

Witwatersrand, US Monetary Policy from the US Federal Reserve Bank of New York, Risk Management from Rothschild, London, and is currently registered for a PhD in Central Banking and Markets Reforms.

### 5) Pippa Green

Pippa Green heads the Journalism Program at the University of Pretoria.

She is a graduate of the School of Journalism at Columbia University in New York City.

She is the author of "Choice, not Fate: The Life and Times of Trevor Manuel," (Penguin, 2008), which was short-listed for the Alan Paton Award in 2009.

for Democracy and Electoral Assistance in Stockholm, where he was responsible for all electoral and conflict resolution programmes worldwide, to Chief Director of the Monitoring Directorate of the Independent Electoral Commission of South Africa in 1994 which was on a secondment. In April 1993, he was Director seconded to the Wits/Vaal region of the National Peace Accord.

Mr Harris continues to advise government and corporates at senior levels and is also an operations consultant to the United Nations (UN). He has represented the UN in Mexico, Haiti, Guyana and many other countries.

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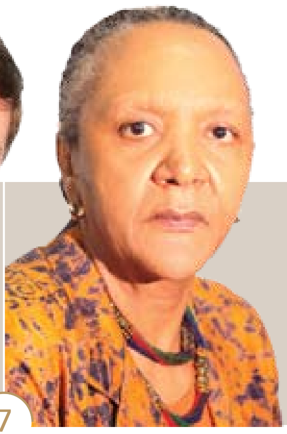

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She has been a journalist and writer for the past 25 years. Her past positions include Head of SABC Radio News, Deputy Editor of the Sunday Independent and Pretoria News, and Political Editor of SABC Radio News.

In 1998, she was awarded the Nieman Fellowship at Harvard University, and in 2006 was appointed the Ferris Visiting Professor of Journalism at Princeton University. She was also named one of MTN's Top Ten Women in the Media in 2004.

### 6) Peter Harris

A lawyer, mediator and an arbitrator, Mr Peter Harris is commonly known for his role as the anti-apartheid legal adviser for a number of liberation organisations. He is the Executive Chairman of the Resolve Group, a large management consultancy.

Mr Harris practiced law for many years and was Co-Founder and Managing Partner of Cheadle Thompson & Haysom where he was also legal advisor to the African National Congress (ANC) national office, the COSATU executive, numerous anti-apartheid organisations as well as being a technical advisor to the South African Constituent Assembly. He holds a BA and LLB degrees from Rhodes University and LLM from Warwick University in the UK.

His professional experience ranges from being the Director of Programmes of the International Institute

He is the editor of the publication "Democracy and Deep Rooted Conflict: Options for Negotiators", foreword by the former Secretary General of the United Nations Mr Kofi Anan (1998). Mr Harris is also the author of the book "In a Different Time, the inside Story of the Delmas Four" published by Umuzi, Random House (2008) which was the winner of the 2009 Sunday Times Alan Paton award for best non-fiction book of the year, a winner of the Jennys Crwys-Williams Book Club Book of the Year award and also won the South African Booksellers Choice Award for 2009.

### 7) Barbara Masekela

Ms Barbara Masekela was educated at Inanda Seminary, graduated at Ohio University with a BA Degree. She taught at Rutgers University, USA. Ms Masekela has served as a non-executive director for Standard Bank; SABC, Altron and MTN Foundation and the Nelson Mandela Children's Fund; and Executive Director for De Beers Consolidated Mines. She was appointed Ambassador to France in 1995 and served as an Ambassador to the USA.

### 8) Magatho Mello

Mr Magatho Mello is a guru in the telecoms industry. His expertise and experience came in handy at the SABC, the official broadcaster for the 2010 FIFA World Cup, as we completed test runs for this world-class technology demanding event.

He is the founder and managing partner of Maraswi Consulting Services. The company offers consulting services in the telecoms sector with a particular focus on areas that require a blend of business and technology strategy.

Prior to that, Mr Mello was the Managing Director of Powertech IST Telecom, a telecom systems integrator which is a division of Powertech IST Holdings. Before joining IST, he spent two years as a telecommunications consultant for arivia.kom where he helped establish a telecommunications systems integration business unit for implementing the Sub-Saharan strategy. He also worked as Senior Manager for the Telecommunications division as well as Acting CEO for arivia.kom Nigeria in Lagos.

Before aravia.kom, Mr Mello worked for other large companies in the industry such as Telkom and MTN. His roles included engineering and management in performance monitoring, operations support systems, value-added services, project implementation and general operations.

He holds a Master of Science and a Bachelor of Science (cum laude) degree in Electrical Engineering from Washington State University, USA where the focus of his Masters Research was on information theory in video communications on broadband networks.

## 9) Nkomotana Clifford Motsepe

Mr. Motsepe holds a B Proc and LLB degrees from the University of Limpopo and a variety of certificates. Among many certificates he holds is a certificate in Project Management, Risk Management and Public Private Partnerships from Duke University in the USA. He has passed HRM and Employment Relations, Operations Management, Marketing Management and Strategic Management of the MBL programme with UNISA School of business Leadership.

He qualified as an Attorney in 2000 and practiced as such until 2003. During his tenure as an Attorney, he specialized in commercial, civil and labour litigation. He polished his corporate skills at Polokwane International Airport where he served the company as its Legal Advisor and Company Secretary.

He has vast experience in the Public Sector. He served as the Municipal Manager of Waterberg District Municipality in Limpopo, contributing immensely in turning around the municipality. He also served as acting Deputy Director General in the office of the Premier in Limpopo responsible for Planning and Policy Coordination.

Mr. Motsepe is currently the Head of Department of Local Government and Housing in Limpopo Province and a member of the National Executive Committee of the African National Congress Youth League.

## 10) David Niddrie

Mr David Niddrie is an media and ICT sector strategy consultant who has worked mainly in the field of media and news production on a variety of South African media. He is currently the Director for the State Information Technology Agency (Sita) and Yarona FM, Botswana's leading private radio station.

As a journalist he has written for South African titles including Rand Daily Mail, Sunday Post , City Press, South, Cosatu News, UDF News, Vrye Weekblad, Umsebenzi, Agenda Press Services and Work in Progress, and for foreign newspapers and radio stations in Denmark, UK, Holland, Canada, USA, Singapore and Zimbabwe.

We was involved in the leadership of pre-1994 programmes to transform the SABC, including the Campaign for Open Media, Campaign for Independent


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Broadcasting and as the Executive directo for the Public Broadcasting Initiative, established to facilitate training for prospective SABC broadcast managers, and coordinate external assistance in covering the 1994 elections. Mr Niddrie also worked as head of strategic planning for SABC between 1994 and 1997, during which he oversaw preparation of Delivering Value, which provided the framework of the SABC in the democratic era.

Between 1996 and 2000, Mr Niddrie was an executive director of Mopani Media, a greenfield commercial media house which conceptualised and secured the licences for Yfm and etv in South Africa and Yarona FM in Botswana. He is a former Director for Yfm and Midi Television, the licence holder for etv.

## 11) Clare O'Neil

Ms Clare O'Neil was trained locally and abroad, and for the past 28 years, Clare O'Neil has been a household name in the sales and marketing industry. Ms O'Neil started her career at the Argus Group as a media analyst, working in print media and various advertising agencies.

In 1990, she joined M-Net as the Marketing Services Manager, a move which after seven years, saw her becoming a General Manager of Marketing at the group's advertising sales house, Oracle Airtime Sales.

Ms O'Neil left M-Net in 1997 to join Midi Consortium, a company that was bidding for the new free-to-air television broadcasting licence in 1998. The bid was successful and etv was born in October 1998 and Ms O'Neil was one of the people who set up the channel in her role as Commercial Sales Director.

She went on to become the Managing Director of the media agency, Initiative Media for nearly two years, before joining the SABC as General Manager: TV Sales in 2001 until 2005. During her term at the SABC, the SABC TV Sales Division won two awards for Top Sales and Marketing Team from both Unilever and South African Breweries.

of the Pan African Parliament (2004-2009) - one of five MPs representing the Republic of South Africa.

She served for 15 years on Parliament's Portfolio Committee on Communications and was elected Rapporteur of the Pan African Parliament's Committee on Transport, Industry, Energy, Science, Technology and Communications. In addition to this position the President and Vice-Presidents of the Pan African Parliament appointed her "Special Focal Point Rapporteur, ICT" with a primary mandate of reporting on ways of enabling the use of ICT in interconnecting African Parliaments and Africa's Regional Economic Communities.


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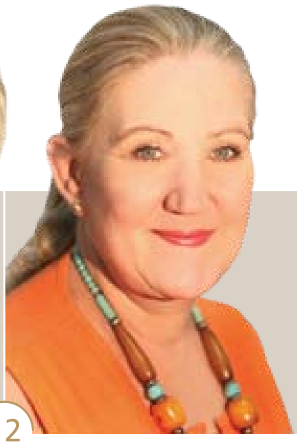
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After leaving the SABC, Ms O'Neil consulted in the media and broadcasting sector, including at the two satellite TV licencees, Telkom Media and ODM. She is also Managing Partner in an ''out of home'' specialist media company, MM&A.

In 2004, she was awarded the Top of Class at the Gordon institute of Business Science Global Executive Development Programme. In 2005, Ms O'Neil was nominated one of the top five women in Media at the MTN Women in Media Awards as well as the AMF Media Innovator of the year Award for her work on the media research project, ConsumerScope.

In her personal capacity, Ms O'Neil has mentored and trained many people in the media and advertising industry for the past 20 years.

### 12) Suzanne Christina Vos

Ms Suzanne Christina Vos served as one of the five non-executive members of the Interim Board of the SABC appointed in July 2009 for a period of six months with a mandate to attempt to stabilize the Corporation. She was thereafter appointed to the current board in January this year. She serves on the board's PBS, News and Technology sub-committees.

Ms Vos is a former journalist (1966-1984) and former Inkatha Freedom Party (IFP) Member of Parliament (1994-2009) as well as having been an elected Member

Ms Vos was a member of various permanent and ad hoc RSA Parliamentary Portfolio Committees (including the Improvement in the Quality of Life and Status of Women, Transport, Environment and Tourism and the selection of Commissioners to the Human Rights Commission and Gender Commission). She served as her party's National Spokesperson on ICT and other broad communications-related issues.

After having been awarded an American Field Service scholarship to study in the United States (1964-1965), her journalism career started as a cadet journalist with West Australian Newspapers in Australia in 1966 (where she was later awarded the H B Jackson prize as "Best Cadet Journalist" in 1968). In the same year she moved permanently to South Africa with her parents who were medical scientists involved at that time in transplant immunology and later research related to the HIV-AIDS pandemic.

In South Africa she joined the Daily News in Durban as a journalist in 1968 and thereafter progressed to various publications and in differing roles as a features writer and sub-editor on The Natal Mercury, Natal Bureau Chief of the Sunday Times in Durban (as well as Editor of the Sunday Times Natal "Extra"), Europe Editor of the Sunday Times based in London, Assistant to the Editor of the Sunday Times in Johannesburg and finally as Manager of South African Associated Newspapers.

In 1984 she started her own communications company and provided research and documentation for Prince Mangosuthu Buthelezi, Chief Minister of KwaZulu and President of the IFP.

In the period preceding the country's first democratic elections in 1994, Ms Vos, representing the IFP, also served as a member of the drafting team of the National Peace Accord and thereafter as a member of the executive committee of the National Peace Accord and as a member of the National Peace Secretariat (responsible for establishing "Peace Committees" throughout South Africa and initiating party-to-party negotiations with political leaders and activists and other relevant individuals and organisations).

Ms Vos continues to serve as a Trustee of the National Peace Accord Trust (providing psycho-social assistance to ex-combatants as well as survivors of violence).

At the CODESA negotiations she was a member of the Technical Team on Violence and was a CODESA delegate.

Ms Vos has one son and resides in Cape Town.

### 13) Solly Mokoetle

Mr Solly Mokoetle is a senior business executive with more than 25 years experience in the media industry radio and television. After more than 12 years of leadership at the top executive management level of the national public broadcaster, he has deep knowledge of broadcasting in SA.

Between 1996 and 2006 Mr Mokoetle completed a multi-year contract as Chief Operating Officer and Executive Director of SABC Board where he provided strategic and operational leadership to the key content and platform businesses of the national public broadcaster including News, Television channels, Radio services and Content Hub, with more than R2.5 billion under his management.

Mokoetle is a highly experienced Business Strategist with a deep understanding and profound knowledge of government policies and regulatory requirements in the public service in terms of the Electronic Communications Act and other related pieces of legislation.

He is a globally acknowledged media leader with extensive professional training and an extensive participant in activities of the most internationally renowned media organisations.

Mr Mokoetle currently serves as a Board Member of the South African Post Office (SAPO), Chairman of the African Broadcast Media Partnership (ABMP) against HIV/AIDS in Africa. He previously served as a board Member of SENTECH.

Having led the turnaround of the SABC from a R600 million deficit to a R400 million profitability during the period 1996 – 2006, Mr Mokoetle has a strong background in formulating and leading business turnaround strategies, restructuring, and innovative change management processes in the media industry.

He also boasts an extensive operational experience in spearheading journalistic and programming content production, rights acquisition and multi-million broadcasting management projects.

He has excellent communication and negotiation skills at a high corporate and government level and an understanding of corporate governance ethics and principles in terms of the King Report II and other articles.

Mr Mokoetle boasts a Masters in Journalism degree from Carleton University in Canada. He has also attended various advanced management and financial courses, TV and Radio programmes in South Africa, Holland, Canada and France.

### 14) Robin Nicholson

Mr Robin Nicholson started working at the South African Broadcasting Corporation in 2001. He is responsible for overseeing the finance function of the entire group, determine and advise on financial strategy for the group and to monitor performance of the group against these parameters. This included the defined benefit and medical plans.

He was required to deliver a financial strategy that would lead to a financially sustainable business model for the National Broadcaster based on a mix of licence revenues and advertising funding. This was completed and implemented in 2004. Robin was also responsible for the Technology division until June 2005 which include the internal production facilities of the SABC.

Having matriculated in 1977 Milner High School Klerksdorp, Robin's formal qualifications include Bachelor of Commerce, Bachelor of Laws, Bachelor of Accounting all obtained at the University of the Witwatersrand where he was also Awarded the RG McKerron prize for the best student in the Law of Delict. In 1987 he passed the final qualifying examination for the SA Institute of Chartered accountants in South Africa (SAICA). In 1993 to 1998 he further studied, starting with a short course Executive management programme at the University of Cape Town, Graduate School of Business and then went on to study the Glaxo Wellcome Executive Development Programme in Insead, France and Duke University in North Carolina USA.

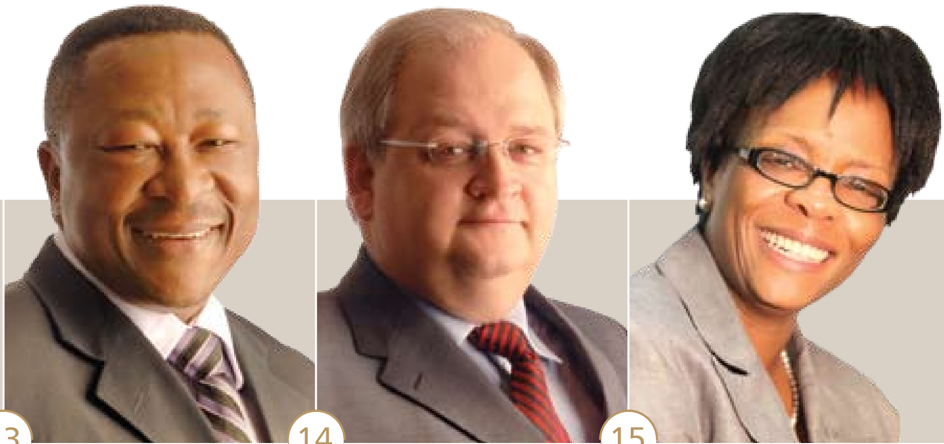
He was also appointed to the board of the associated company Medikredit that is a pharmaceutical electronic claims processing business and is also active in the field of managed healthcare.

In July 1999 he was approached by Primedia Limited to act as Chief Financial Officer. In the same year in October to July 2001, he was appointed as the Chief Financial Officer of Primedia Limited.

15) Charlotte Mampane

Mrs Charlotte Mampane was "Born and bred at the SABC." This because apart from short stints with the Bophuthatswana Government Public Service Commission in 1981 as well as with the IBA and Telkom in 1995 and 1996, Mrs Mampane has always been an SABC employee since her first appointment as Assistant Technical Training officer in 1982.

Mrs Mampane is a member of Technology for Women in Business, National Association of Broadcasters, a founder member of the Moral Regeneration Committee, the Chairperson of the NFVF (National Film and Video Foundation) as well as a Board Member of Astral Foods.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Until recently when she was the Acting Chief Operating Officer, Mrs Mampane has held several positions including being Group Executive: Office of the Group Chief Executive Officer and Regions, Head of Regions, Chief Executive: Radio, General Manager: Northern Region, Radio Announcer and manager: Language, Drama and Cultural Programmes.

Holding a Masters degree in Management from University of Witwatersrand, Mrs Mampane also has qualifications in Bachelor of Arts (Honours) from UNISA, Bachelor of Arts from University of North and several management certificates from Wits Business School.

In her portfolio as Acting COO, Mrs Mampane was responsible in exercising operational oversight and strategic leadership in respect of the operations cluster consisting of the Public Broadcasting Services, Public Commercial Services, Content Enterprises, Market Intelligence and Corporate Marketing.

As Group Executive in the Office of the Group CEO, Mrs Mampane was responsible for providing strategic leadership to the office of Group Chief Executive in areas of strategy, risk, communications, procurement and regions.

During her tenure as Chief executive Radio, she was able to grow audience by 12%, an unprecedented achievement at the SABC.

*Previous Members of the board during the Financial year*

- *K Mkonza Chairperson (resigned 3 July 2009)*
- *C Qunta Deputy Chairperson (resigned 1 April 2009)*
- *A Trikamjee (resigned 3 July 2009)*
- *P Vundla (resigned 13 March 2009)*
- *G Serobe (resigned 3 July 2009)*
- *P Tlakula (resigned 3 July 2009)*
- *N Bulbulia (resigned 3 July 2009)*
- *A Gilwald (resigned 3 July 2009)*
- *B Khumalo (resigned 3 July 2009)*
- *D Golding (resigned 3 July 2009)*
- *F Lagadien (resigned 3 July 2009)*
- *A Mbeki (resigned 3 July 2009)*
- *D Mpofu (resigned 31 January 2009)*
- *R Nicholson Chief Financial Officer*

*Interim Board appointed on 10 July 2009 and term of office expired on 9 January 2010*

- *I Charnley Chairperson*
- *PF Mtimkulu Deputy Chairperson*
- *EAL Loyd*
- *SC Vos*
- *KL Sedibe*
- *LG Mampone Acting Group Chief Executive Officer*
- *C Mampane Acting Chief Operations Officer*
- *R Nicholson Chief Financial Officer*

# Our Awards



## Ligwalawala FM

- MPR Diamond Arrow Award for general entertainment and music, news and current affairs.

## SAfm

- Naledi Theatre Award for best theatre sound design/sound effects – for the stage play “For Your Ears Only” awarded to SAfm drama department.

## Ukhozi FM

- Best traditional music programme – SATMA – “Utalagu” traditional music show (Saturdays)
- Best traditional music presenter – SATMA – Khathide Ngobe and Brian Mchunu.

## Umhlobo Wenene FM

- Best sport programme and presenter – Eastern Cape Awards.

## RSG

- Vodacom Journalist of the Year Award.
- 5 ATKVeertjie media awards for Radio.

## Lotus FM

- Satma Awards – best Indian album.
- Lifetime achievement award for community and cultural and religious work.
- Consulate General of India – religious award.
- Charity Work – Sarva Dharama Award.

## SABC1

- The Channel maintained its leadership position during the Confederations Cup and the SA/ Brazil match achieved the highest ratings for a sporting event with 5,9million viewers or 63.7% share of television viewership.
- FIFA WORLD CUP draw – SABC1 transmitted a successful draw on December 4. The show drew high ratings (41.9% share) and high talkability from stakeholders.
- YOTV was voted the third favourite children’s brand in Mzansi following Disney and Cartoon Network, making it the number one local children’s brand.
- An episode of “Lights, Camera Action”, a series for children by children, won three awards at the Prix Jeunesse in Italy; best short drama at the Durban Film Festival as well as in Nairobi.

- "Ugugu noAndile" won best youth film in Nairobi.
- Penguin Films has been nominated for the third year running at the Emmys in the best drama category for Sokhulu and partners.
- "Generations" continues to achieve unprecedented ratings for a TV show, often reaching the 60% range.
- "SHIFT" won second prize for Mental Health in the Health Awards in Cape Town.
- SAFTA Awards:
  - Best Youth & Children Programme "Big Up"
  - Best Presenter in a Variety Show "So You Think You Can Dance"
  - Best Mini-Drama Series "Death of a Queen"
  - Best Full-Length TV Drama "Sokhulu & Partners"
  - Best Director/s in a drama "A Place Called Home"
  - Best Actress in a TV Drama "Sokhulu & Partners"
  - Best Supporting Actress in a TV Drama "Place Called Home"
  - Best Writing Team in a TV Drama "Sokhulu & Partners"
  - Best Cinematographer/DOP in a TV Drama "Izingane Zobaba"
  - Best Editor in a TV Drama "A Place called Home"
  - Best Art Direction in a TV Drama "A Place called Home"
  - Best Music Composition in a TV Drama "A Place called Home"
  - Best Actor in TV Soap "Generations"
  - Best Actress in a TV Soap"Generations"
  - Best Overall Genre Award for Comedy "Family Bonds"
  - Best Actress in a TV Comedy "Family Bonds"

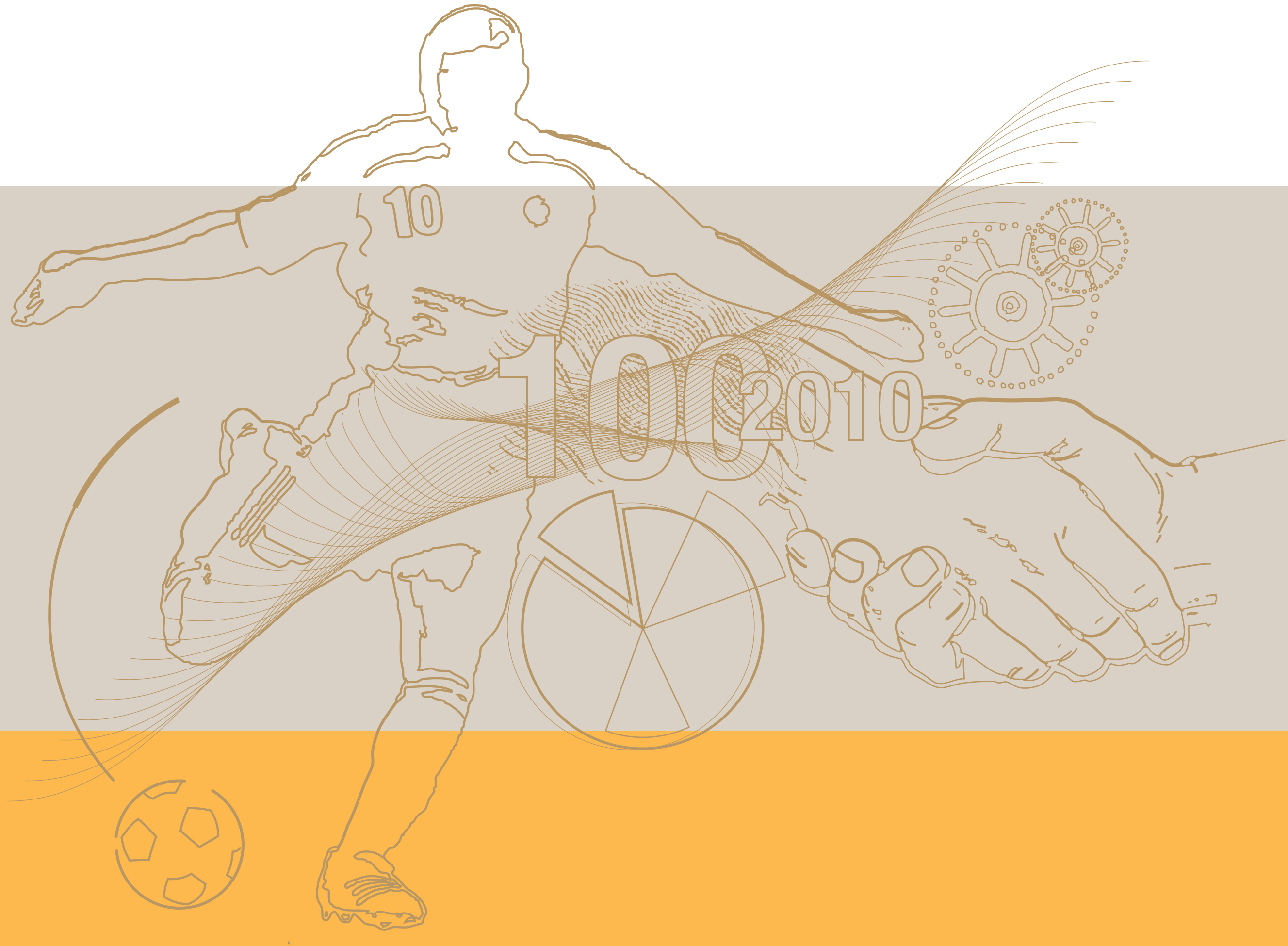
## SABC2

- Silver Award
  - Voted a Superbrand by the Superbrands Council 2009.
  - "Shoreline" is a finalist at the 2010 Wildscreen Panda Awards in the UK.
- SAFTA Awards:
  - Best Soapie Public Vote "7de Laan".
  - Best Variety Show "Strictly Come Dancing".
  - Best Game Show "Noot vir Noot".
  - Best Music Show "Jam Sandwich".
  - Best Concept and Script "Jam Sandwich". - Best Script/Research "50/50".
  - Best Magazine Programme "50/50".
  - Best Ensemble Cast TV Comedy "Stokvel".
  - Best Actor TV Comedy "Stokvel".
  - Best Director TV Comedy "Stokvel".
  - Best Factual Educational Entertainment "Shoreline".
  - Best Cinematography "Shoreline".

## Content

- Prestigious content and recognition awards:
  - 13 local awards.
  - 1 International award.
  - 6 nominations.
  - 1 honour.

- Award of appreciation for successfully hosting of the semi-final round of judging for the 2009 International Emmy Awards.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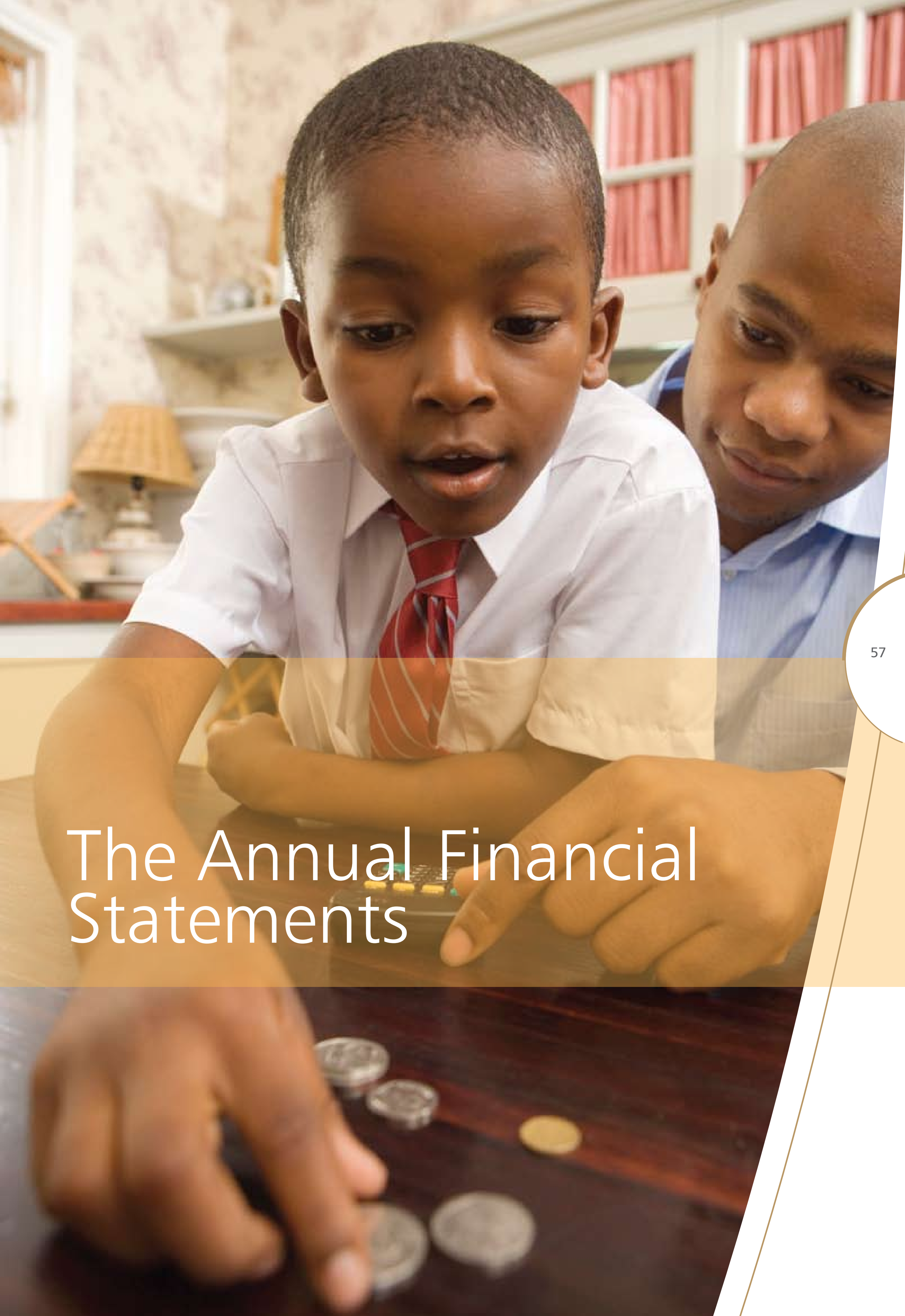

# The Annual Financial Statements

# The Annual Financial Statements
# Contents

# Report of the Audit Committee to the SABC Executive Authority



The Audit Committee was constituted by the Board and consists of five members, three of whom are independent non-executive Directors, and two extended advisors who are appointed for their financial expertise. The Committee was chaired by an independent, non-executive Chairperson. The Executive Directors as well as the acting head of Internal Audit are invitees to the Committee.

The Audit Committee is guided in the execution of its role by an Audit Committee Charter.

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

- Reviewed accounting and auditing concerns arising from the preparation and finalisation of the Annual Financial Statements for the period ended 31 March 2010.

- Reviewed the Annual Report and Annual Financial Statements for the year ended 31 March 2010, thereafter reported and made recommendations to the Accounting Authority to assist in ensuring that they present a balanced and understandable assessment of the financial position, performance and prospects of the SABC.

- Commented on its evaluation of the financial statements in the Annual Report.

- The Audit Committee communicated any concerns it deemed necessary to the Executive Authority and where appropriate, to the External Auditor.

The Audit Committee has evaluated the financial statements of the SABC Limited for the year ended 31 March 2010. 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, 5 No 1 of 1999, and the Broadcasting Act, No 4 of 1999 as amended, except as indicated in the Directors' Report.

The Audit 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 that the adoption of the "going concern" assumption in the preparation of the financial statements is appropriate.

On behalf of the SABC Audit Committee

*Mr D Golding*

*28 July 2010*

# Directors' Responsibility Statement

The Directors are responsible for the preparation and fair presentation of the Group Annual Financial Statements and Annual Financial Statements of the South African Broadcasting Corporation Limited, comprising the statements of financial position at 31 March 2010, the statements of income, other comprehensive income, changes in equity and the cash flows for the year ended 31 March 2010, and the notes to the financial statements which include a summary of significant accounting policies, other explanatory notes and the Directors' Report, in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act, No 61 of 1973, as amended, of South Africa, and the Public Finance Management Act of South Africa.

- The Directors' responsibilities include: implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that should be free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

- The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

- The Directors have made an assessment of the Group and the Company's ability to continue as going concern and there is no reason to believe that the business will not be a going concern in the year ahead.

The Auditors are responsible for reporting on whether the Group Annual Financial Statements and Annual Financial Statements are fairly presented in accordance with IFRS and the Companies Act of South Africa.

## Approval of Group Annual Financial Statements and Annual Financial Statements

The Group Annual Financial Statements and Annual Financial Statements of the South African Broadcasting Corporation Limited, as identified in the first paragraph, were approved by the Board of Directors on 28 July 2010 and signed on its behalf by:

| | |
|---|---|
| *Director* | *Director* |
| *Mr Q.S.M.M. Mokoetle* | *Mr R.A. Nicholson CA(SA)* |
| *28 July 2010* | *28 July 2010* |

# Certificate by the Company Secretary



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 2010, the Company has lodged with the Registrar of Companies all such returns as required of a public company in terms of the Companies Act, and all such returns are true, correct and up to date.

*Ms M.T. Melk (Company Secretary)*
*Johannesburg*

*28 July 2010*

# Independent Auditors' Report to the Shareholder for the year ended 31 March 2010



## Report on the Financial Statements

We have audited the Group Annual Financial Statements and the Annual Financial Statements of the South African Broadcasting Corporation Limited ("the SABC"), which comprise the statements of financial position at 31 March 2010, and the statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the Directors' Report, as set out on pages 68 to 113.

### Directors' responsibility for the Financial Statements

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

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of the SABC at 31 March 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Public Finance Management Act of South Africa and the Companies Act of South Africa.

## Emphasis of matter

Without qualifying our opinion, we draw attention

- to the going concern paragraph in the Directors' Report and the assumptions on which the Directors have assessed the ability of the company and its subsidiaries to continue as going concerns and meet their financial obligations both present and future in the normal course of business.

- to Note 43 to the Financial Statements which indicates that there are legal proceedings against the SABC, including instances where the Company is the defendant in a lawsuit alleging breaking a rental agreement and rescinding on a contract. The note further indicates that the ultimate outcome of these proceedings cannot presently be determined and, accordingly, only the expected measurable obligation has been provided in the Company and Group financial statements.

- to Note 46 to the Financial Statements which indicates irregular expenditure and material losses from fruitless and wasteful expenditure.

# Report on other Legal and Regulatory Requirements

In terms of the Public Audit Act of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009, we include below our findings on the Report on performance against predetermined objectives, compliance with laws and regulations, internal control and other reports and reportable irregularities.

## Report on performance against predetermined objectives

We are required by the Auditor-General to undertake a limited assurance engagement on the 'Performance against the predetermined objectives', as set out on pages 14 to 19 of the Annual Report in the section headed Report on the performance of the SABC, in which the achieved performance of the group for the year ended 31 March 2010 is compared with target; and report thereon to those charged with governance. In this Report we are required to report our findings from our engagement relating to non-compliance with regulatory and reporting requirements, usefulness and reliability of information. We report the following:

***Non-compliance with regulatory and reporting requirements***

The Public Finance Management Act of South Africa ("PFMA") and Treasury Regulations require the SABC to formulate strategic objectives and key performance indicators in its corporate plan in order to allocate resources to implement the strategic objectives, and to monitor and report the results. The SABC has a system that collects and reports performance information but is non-compliant in the following respects:

- There is no formal approved policy or procedure in place to monitor and report performance information.
- The quarterly reports during the course of the year presented did not enable ongoing monitoring and evaluation of performance objectives as not all measures and targets achieved were reported on a quarterly basis.

***Usefulness and reliability of information***

The SABC has not reported on all the predetermined objectives in the Annual Report, as required by section 55(2) (a) of the PFMA and Treasury Regulation 28.2.2.

Findings from our limited assurance engagement are that for selected objectives, more than 50% of the planned and reported targets were not:

- specific in clearly identifying the nature and the required level of performance
- measurable in identifying the required /format performance
- time bound in specifying the period or deadline for delivery.

## Compliance with laws and regulations

***Non-compliance by the SABC with certain sections of the Public Finance Management Act of South Africa ("PFMA"), and Treasury Regulations.***

Section 50(3)(a) requires members of the Board of the SABC to disclose any direct or indirect personal or private business interest that a member or any spouse, partner or close family member may have in any matter before the Accounting Authority. Several board members serving on the Board during 2009/10, did not disclose whether they have any interests in the standard "Disclosure of Interest" register which is kept by the office of the Company Secretary.

Section 57(b) states that officials within the SABC are responsible for the effective, efficient, economical and transparent use of financial and other resources within their particular area of responsibility. Management does not always follow policies and procedures. Management therefore did not always use financial resources in an effective and transparent manner during the 2009/10 financial year.

As required by Section 51(1) (a) (iii), a Group-wide procurement policy exists and a Content Commissioning and Acquisitions Policy has been developed and was approved by the Board. During the audit however, instances were identified where international content acquisitions could not be supported by an approved business plan or signed contracts. Instances of premature procurement (i.e. ordering taking place without the appropriate legal contracts with suppliers, or signature by the appropriate delegated authority of the SABC having been obtained), have been identified. Both these examples demonstrate that the supply chain management policies and procedures of the SABC were not always appropriately adhered to.

Section 51(1) (c) requires the Board of the SABC to manage and safeguard the assets of the SABC, and manage the revenue, expenditure and liabilities of the SABC. Full asset stock counts had not been completed for the year under review. Furthermore during the current year there were investigations by internal audit into assets that have been lost or stolen, as well as assets used for private use.

Section 51(1) (b) (ii) requires the Board to take appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the SABC. The SABC currently has policies and procedures in place which would assist with the prevention of these types of expenditures and losses, however, the current overall system to prevent these types of expenditures and losses was not always complied with during the 2009/10 financial year, and as such was not always effective.

Section 51(1) (b) (i) and Section 51(1) (c) require the Board to have effective processes in place to collect all revenue due to the SABC. The audit revealed that the recording of revenue in Group Sales and Marketing is sometimes incorrect, resulting in a number of adjustments having to be raised. This results in the collection of revenue not being done timeously. These processes and systems are currently not operating effectively.

In terms of Section 66(3), the Board of the SABC can borrow money, issue a guarantee, indemnity or security or enter into any other transaction that binds or may bind the entity to a future financial commitment. In terms of Section 66(6), the Board may not delegate the power to enter into these types of transactions to other levels of management, except with the prior written approval of the Minister of Finance. The SABC Treasury Policy allows for the delegation of these transaction powers from the Board to management individuals within the SABC Treasury. The SABC does not have the Minister of Finance's written approval for such a delegation.

Section 51(1)(h) requires the SABC to have an effective process in place to ensure its compliance with applicable laws and regulations. Although compliance with certain legislation is currently managed in various Divisions throughout the organisation, the SABC did not in the period under review, have a centralised compliance control or process in place to ensure the monitoring and reporting of the overall compliance of the SABC with applicable legislation.

Section 51(1)(a)(i), read with Treasury Regulation 27.2.1 requires the SABC to put in place a formal risk assessment procedure throughout the organisation. Although a Risk Committee was appointed during 2007/08 and key risks and appropriate risk management strategies were identified during 2008/09, there were no embedded risk management and monitoring procedures in place within the Divisions. The Risk Management

Strategy does not include an approved Fraud Prevention Plan. The Corporation also does not have a comprehensive Disaster Recovery Plan in place.

Treasury Regulation 27.1.8 requires the Audit Committee to review, amongst others, the effectiveness of the internal control systems, the effectiveness of internal audit, the risk areas of the entity's operations to be covered in the scope of internal and external audits, the adequacy, reliability and accuracy of financial information provided to management and other users of such information and the activities of the internal audit function, including its annual work programme. For the year under review the Audit Committee at the SABC did not specifically review or comment on these issues. The Internal Audit Plan of the SABC was not approved by the Audit Committee.

Treasury Regulation 27.2.2 requires the Internal Audit function in consultation with the Audit Committee to prepare a three year rolling audit plan. This plan should indicate the scope of each audit. Furthermore reports to the audit committee detailing its performance against the plan should be presented. The current internal audit plan does not include a review of performance against predetermined objectives. The plan presented to the Audit Committee did not show a clear link between the top 20 risks and the plan, the broad audit scope and budgeted hours per project.

Treasury Regulation 33.3 requires the Board to submit annually, to the Auditor–General, the National Treasury and the Executive Authority, specified details of any disciplinary or criminal charges of financial misconduct against any employee of the SABC. Although cases of financial misconduct were found, no submissions have been made to the Auditor–General, the National Treasury or the Executive Authority.

***Non-compliance by the SABC with certain sections of the Broadcasting Act of South Africa***

The Broadcasting Act requires the SABC to prepare Separate Financial Statements for Public Broadcast Services ("PBS") and Public Commercial Services ("PCS"). The Seperate Financial Statements for the years ended March 2009 and March 2010 have not been prepared.

## Internal control

We considered internal control relevant to our audit of the financial statements and the report on predetermined objectives and compliance with laws and regulations, but not for the purposes of expressing an opinion on the effectiveness of internal control.

- Report on the financial statements- Our audit opinion on the financial statements is unmodified. Accordingly we are not required to comment on internal controls relating to the financial statements.

- Report on predetermined objectives and compliance with laws and regulations - The matters identified are set out in this Report.

## Other reports

***Investigations completed during the financial year as advised to us***

The Auditor-General performed a special investigation on procurement, fruitless and wasteful expenditure and non-compliance with the company's policies. The Auditor-General's report was presented to Parliament on 22 September 2009.

An independent legal firm conducted a forensic investigation on international acquisitions and content. The findings of their report were considered and reported in the Auditor-General's report, referred to in the previous paragraph.

***Investigations in progress as advised to us***

Following the investigations performed by the Auditor-General, the Special Investigation Unit has commenced various investigations. We have been informed that these investigations are still at the initial stages and no reports have yet been issued.

## Reportable irregularities

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act of South Africa, we report that we have identified certain unlawful acts or omissions committed by persons responsible for the management of the SABC which constitute reportable irregularities in terms of the Auditing Profession Act, and have reported such matters to the Independent Regulatory Board for Auditors.

The reportable irregularities reported related to:

- Instances and alleged breaches of fiduciary duties by certain members of management allegedly exceeding their delegation of authority; and
- Instances and alleged breaches of fiduciary duties in failure to follow supply chain management policy.

The matters contained in this Report are not considered to affect our opinion contained in our Report on the Financial Statements.

## KPMG Inc

KPMG Inc

*Per A Bulbulia*
*Chartered Accountant (SA)*
*Registered Auditor*
*Director*
*28 July 2010*

KPMG Crescent
85 Empire Road
Parktown

## Ngubane and Company Inc

Ngubane & Co. Inc.

*Per P Naude*
*Chartered Accountant (SA)*
*Registered Auditor*
*Director*
*28 July 2010*

Midrand Business Park
Building 1, 563 Old Pretoria Road
Midrand

## Kwinana and Associates

Kwinana & Associates

*Per Y Kwinana*
*Chartered Accountant (SA)*
*Registered Auditor*
*Director*
*28 July 2010*

Stand 92
Cnr Dale and Pretorius Street
President Park
Midrand

# Directors' Report for the year ended 31 March 2010



The Board of Directors hereby presents the 73rd Annual Report of the South African Broadcasting Corporation Limited ("the SABC" or "the Company"), for the financial year to 31 March 2010. The Annual Financial Statements comprise the Consolidated Annual Financial Statements of the Company and its subsidiaries (together referred to as the Group). 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 and the Public Finance Management Act, No 1 of 1999, as amended (hereinafter respectively referred to as the Companies Act, the Broadcasting Act and the PFMA), and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

## Nature of the SABC's business

The SABC is South Africa's public service broadcaster. Its principal activities comprise radio and television broadcasts through 18 radio stations and three television channels for both Public and Commercial Services. In terms of the Broadcasting Charter, the SABC's mandate includes the requirement to make its services available throughout the Republic of South Africa and to produce, procure and broadcast in all official languages, South African and international programmes that entertain inform and educate its audiences. The SABC is regulated in terms of licences granted by the Independent Communications Authority of South Africa ("ICASA").

## Review of operations

The operating loss for the year for the SABC Group amounted to R414million (2009: R851million). The improvement is mainly due to lower operational and personnel expenses currently R440million (2009: R585million), a decrease in professional and consulting fees currently R138million (2009: R315million) and a decrease in marketing costs, currently R90million (2009: R263million). This is a result of the austerity measures implemented to reduce costs.

The following is an overview of the results reflected in the income statement:

Revenue and other income has increased slightly by 1% to R4.791billion (2009: R4.746billion). This increase matches the prior year increase as tough economic conditions persist.

Amortisation of Programme, Film & Sports Rights has decreased by 2% to R1.580billion (2009: R1.619billion) The impairment of Programme, Film & Sports Rights has increased by 75% to R70 million (2009: R40 million), the additional impairment is necessary as the SABC has discontinued the Digital Terrestrial Transmission (DTT) pilot where excess content was broadcast. The provision for A1 Grand prix prepayment was raised as no communication has been received indicating when the Grand Prix will resume. The impact was to increase other expenses by a further R36m.

Employee Compensation and Benefit Expenses have increased by 7% to R1.754 billion (2009: R1.637 billion).

Depreciation of Property, Plant & Equipment and Amortisation of Computer Software has increased by 31% to R253 million (2009: R194 million), this is a reflection of the continued technology rollout.

The net financing costs have increased by 25% to R78million (2009: R63 million) mainly due to financing the R1billion loan obtained with the government guarantee as well as the financing of the OB vans through finance leases.

The SABC is not expected to pay income taxes in the current year as a result of the operating loss in the current year and the assessed loss carried forward from the prior period.

## Share capital and shareholder

No changes to the authorised or issued share capital during the year under review. The Government of the Republic of South Africa is the sole shareholder of SABC Limited. The shareholder's representative is the Minister of Communications.

## Dividends

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

## Going concern and the Government guarantee

The operating loss at the financial year-end, together with liquidity constraints, resulted in the SABC's status as a going concern being at risk. A number of steps to address this have been taken in this financial year.

This includes the approval by the Minister of Communications of a television licence fee increase of 11% effective as of August 2009. In addition, in October 2009, Government approved an allocation of R200 million in terms of the Adjusted Estimates of National Expenditure. This was combined with further austerity measures, the closure of SABC News Bureaus and a reduction in the activities of SABC News International. The 2010/2011 budget has again been revised in order to contain costs and enhance revenue, with a view to working towards profitability by 2012. The Board has begun the process of creating a sustainable strategy for the SABC which will be presented for shareholder approval in the course of this medium term expenditure framework period. The SABC was granted a Government Guarantee in November 2009 subject to stringent performance measures. These measures included revenue enhancing measures, cost reduction initiatives, working capital improvements and a reduction in capital expenditures. Shareholder oversight and enhanced performance reporting were also included in the conditions.

The SABC went to the market to monetise R1bn of the guarantee in December 2009 and secured a five year loan from Nedbank Limited. Full details of the banking facilities of the Corporation are disclosed in the financial statements. The full facility was drawn down but all of the cash was not utilised. At year end cash holdings of the SABC were R168million. This included cash restricted to fund Government Grants for content and technology. (See note 17 and 18)

The SABC has submitted to the shareholder an 18 month cash flow projection for the period 1 April 2010 to 30 September 2011, based on the audited financial position and performance for the year ended 31 March 2010, the current budget to 31 March 2011, and a forecast of the 6 months 1 April 2011 to 30 September 2011.

In the cash flow projection an assumption is made that the SABC will meet the financial targets set for the current year. Costs were adjusted for the impact of the Soccer World Cup 2010 and inflated by 6%. Revenue was assumed not to increase from current levels for the period 1 April 2011 to 30 September 2011. No improvement in working capital was assumed and capital expenditures would be limited to current approved and funded projects.

The cash projections were tested against the unsecured facilities currently available at commercial terms from banking partners. On this basis the SABC is expected to have sufficient cash resources to meet ongoing operational needs until September 2011.

A risk based scenario has also been developed in the event that the SABC does not meet current financial targets. On this scenario the SABC is expected to have sufficient facilities to continue as a going concern until September 2011.

Certain contingent liabilities were not included in the scenario. In particular the amounts claimed by the PIC for BOP Recording studios have not been factored into the cash flow. (See note 43(i))

It may be possible that the SABC will not need to draw down the additional government guarantee. At this time the directors do not consider it prudent to request a release from the guarantee and the associated conditions. Additional capital may be required to address the renewed strategy of the SABC and investments in working capital to support local productions.

## Auditor-General investigation

On 1 July 2009 Parliament's Portfolio Committee on Communications appointed the Auditor–General to conduct an investigation into allegations made by labour unions and former SABC Board members about alleged breaches of sound financial practice. The allegations were categorised as supply chain management issues, matters of fruitless and wasteful expenditure, and human resource related matters. The Auditor–General presented his findings on these matters to Parliament on the 22 September 2009. The Auditor–General's report made numerous references relating to instances of alleged non-compliance with legislation and/or SABC policies and practices by employees of the SABC.

The Board has assumed responsibility for the implementation of recommendations made by the Auditor–General to strengthen the control environment at the SABC. The Auditor–General report identified three core areas to be addressed in order to strengthen the SABC's control environment:

- Quality of reporting including the Corporation's ability to retain records appropriately and to use these as a basis to provide relevant, accurate and comprehensive management information to those charged with leadership;
- Effective governance arrangements including the Audit Committee, Internal Audit function, Enterprise Risk Management (including fraud risk management), internal control frameworks and policy frameworks; and
- Adequate leadership oversight in order to establish a sound environment that would promote ethical leadership and behaviour as well as an environment that where Leadership would monitor performance and compliance.

The Board agrees with and is fully supportive of the Auditor–General's assessment and recommendations in respect of the underlying causes of the challenges that have faced the SABC in the past, and the need to address these going forward. To this end, the Board has engaged the services of the Special Investigating Unit to assist the Board in bringing many of the irregularities, improper and criminal conduct to a close and particularly to ensure that all monies due to the SABC are recovered.

## Subsidiaries

Details of the Company's investments in subsidiary companies are reflected in Note 9 of the Group Annual Financial Statements.

## Corporate governance and compliance with laws and regulations

The Board of Directors oversees compliance by the SABC with the governance requirements set out in the King II Report on Corporate Governance for South Africa, the Protocol on Corporate Governance for state-owned enterprises, the PFMA and the related Treasury Regulations, the Broadcasting Act, Companies Act and other relevant legislation. The PFMA, in particular, imposes a number of obligations on the Board in relation to the prevention, identification and reporting of fruitless, wasteful and irregular expenditure, and the collection of revenue owing to the Company. In order to assist the SABC to comply with these obligations, a materiality framework which determines levels of materiality for reporting purposes was approved by the Minister during the financial year.

During the 2009/2010 financial year in respect of which this Report is issued, the Company did not comply fully with all the requirements of the PFMA. The significant instances of non-compliance relate specifically to the following:

*Non-compliance by the SABC with certain sections of the Public Finance Management Act of South Africa ("PFMA"), and Treasury Regulations.*

- Section 50(3)(a) requires members of the Board of the SABC to disclose any direct or indirect personal or private business interest that a member or any spouse, partner or close family member may have in any matter before the Accounting Authority. Several board members serving on the Board during 2009/10, did not disclose whether they have interests in the standard "Disclosure of Interest" register which is kept by the office of the Company Secretary.

- Section 57(b) states that officials within the SABC are responsible for the effective, efficient, economical and transparent use of financial and other resources within their particular area of responsibility. Management does not always follow policies and procedures. Management therefore did not always use financial resources in an effective and transparent manner during the 2009/10 financial year.

- As required by Section 51(1) (a) (iii), a Group-wide procurement policy exists and a Content Commissioning and Acquisitions Policy has been developed and was approved by the Board. During the audit, the auditor's identified instances where international content acquisitions could not be supported by an approved business plan or signed contracts. Instances of premature procurement (i.e. ordering taking place without the appropriate legal contracts with suppliers, or signature by the appropriate delegated authority of the SABC having been obtained), have been identified. Both these examples demonstrate that the supply chain management policies and procedures of the SABC were not always appropriately adhered to.

- Section 51(1) (c) requires the Board of the SABC to manage and safeguard the assets of the SABC, and manage the revenue, expenditure and liabilities of the SABC. Full asset stock counts had not been completed for the year under review. Furthermore during the current year there were investigations by internal audit into assets that have been lost or stolen, as well as assets used for private use.

- Section 51(1) (b) (ii) requires the Board to take appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct and expenditure not complying with the operational policies of the SABC. The SABC currently has policies and procedures in place which would assist with the prevention of these types of expenditures and losses, however, the current overall system to prevent these types of expenditures and losses was not always complied with during the 2009/10 financial year, and as such was not always effective.

- Section 51(1) (b) (i) and Section 51(1) (c) require the Board to have effective processes in place to collect all revenue due to the SABC. The audit revealed that the recording of revenue in Group Sales and Marketing is sometimes incorrect, resulting in a number of adjustments having to be raised. This results in the collection of revenue not being done timeously. These processes and systems are currently not operating effectively.

- In terms of Section 66(3), the Board of the SABC can borrow money, issue a guarantee, indemnity or security or enter into any other transaction that binds or may bind the entity to a future financial commitment. In terms of Section 66(6), the Board may not delegate the power to enter into these types of transactions to other levels of management, except with the prior written approval of the Minister of Finance. The SABC Treasury Policy allows for the delegation of these transaction powers from the Board to management individuals within the SABC Treasury. The SABC does not have the Minister of Finance's written approval for such a delegation.

- Section 51(1)(h) requires the SABC to have an effective process in place to ensure its compliance with applicable laws and regulations. Although compliance with certain legislation is currently managed in various Divisions throughout the organisation, the SABC did not in the period under review, have a centralised compliance control or process in place to ensure the monitoring and reporting of the overall compliance of the SABC with applicable legislation.

- Section 51(1)(a)(i), read with Treasury Regulation 27.2.1 requires the SABC to put in place a formal risk assessment procedure throughout the organisation. Although a Risk Committee was appointed during 2007/08 and key risks and appropriate risk management strategies were identified during 2008/09, there were no embedded risk management and monitoring procedures in place within the Divisions. The Risk Management Strategy does not include an approved Fraud Prevention Plan. The Corporation also does not have a comprehensive Disaster Recovery Plan in place. The fraud prevention plan, the risk management strategy and the materiality framework have been approved by the shareholder subsequent to year end.

- Treasury Regulation 27.1.8 requires the Audit Committee to review, amongst others, the effectiveness of the internal control systems, the effectiveness of internal audit, the risk areas of the entity's operations to be covered in the scope of internal and external audits, the adequacy, reliability and accuracy of financial information provided to management and other users of such information and the activities of the internal audit function, including its annual work programme. For the year under review the Audit Committee at the SABC did not specifically review or comment on these issues. The Internal Audit Plan of the SABC was not approved by the Audit Committee.

- Treasury Regulation 27.2.2 requires the Internal Audit function in consultation with the Audit Committee to prepare a three year rolling audit plan. This plan should indicate the scope of each audit. Furthermore reports to the audit committee detailing its performance against the plan should be presented. The current internal audit plan does not include a review of performance against predetermined objectives. The plan presented to the Audit Committee did not show a clear link between the top 20 risks and the plan, the broad audit scope and budgeted hours per project.

- Treasury Regulation 33.3 requires the Board to submit annually, to the Auditor–General, the National Treasury and the Executive Authority, specified details of any disciplinary or criminal charges of financial misconduct against any employee of the SABC. Although cases of financial misconduct were found, no submissions have been made to the Auditor–General, the National Treasury or the Executive Authority by year end. There have subsequently been submitted to the shareholders and this is now included in the quarterly report to the shareholder.

*Non-compliance by the SABC with certain sections of the Broadcasting Act of South Africa*

The Broadcasting Act requires the SABC to prepare separate financial statements for Public Broadcast Services ("PBS") and Public Commercial Services ("PCS"). The separate financial statements for the years ended March 2009 and March 2010 have not been prepared.

The Interim Board commenced a process of resolving the reportable irregularities and strengthening the corporate governance structures within the SABC which the Board has continued with.

## Directors

*The following were the Directors of the company as per the Companies and Intellectual Property Registration Office(CIPRO):*

- K Mkonza Chairperson (resigned 3 July 2009)
- C Qunta Deputy Chairperson (resigned 1 April 2009)
- A Trikamjee (resigned 3 July 2009)
- P Vundla (resigned 13 March 2009)
- G Serobe (resigned 3 July 2009)
- P Tlakula (resigned 3 July 2009)
- N Bulbulia (resigned 3 July 2009)
- A Gilwald (resigned 3 July 2009)
- B Khumalo (resigned 3 July 2009)
- D Golding (resigned 3 July 2009)
- F Lagadien (resigned 3 July 2009)
- A Mbeki (resigned 3 July 2009)
- D Mpofu (resigned 31 January 2009)
- R Nicholson Chief Financial Officer

Interim Board appointed on 10 July 2009 and term of office expired on 9 January 2010

- I Charnley * Chairperson
- PF Mtimkulu Deputy Chairperson
- EAL Loyd *
- SC Vos
- KL Sedibe *
- LG Mampone Acting Group Chief Executive Officer
- C Mampane Acting Chief Operations Officer
- R Nicholson Chief Financial Officer

* Audit Committee members were appointed 30 July 2009 with the following four members co-opted as Audit Committee members for their financial expertise: P Papadimitropoulos (appointed 20 August 2009, resigned 23 October 2009), S Leggatt (appointed 27 August 2009), S van der Spuy (appointed 27 August 2009, resigned 23 October 2009) and A Magadla (appointed 27 August 2009). The term of office of Audit Committee members expired with the Interim Board term of office on 9 January 2010.

- B Ngubane Chairperson appointed 10 January 2010
- Felleng Sekha appointed 10 January 2010
- C Gina appointed 10 January 2010
- D Golding appointed 10 January 2010
- P Harris appointed 10 January 2010
- P Green appointed 10 January 2010
- B Masekela appointed 10 January 2010
- M Mello appointed 10 January 2010
- C Motsepe appointed 10 January 2010
- D Niddrie appointed 10 January 2010
- C O Neil appointed 10 January 2010
- S Vos appointed 10 January 2010
- S Mokoetle Group Chief Executive Officer was appointed 1 January 2010
- R Nicholson Chief Financial Officer
- C Mampane Acting Chief Operations Officer

## Remuneration of directors and members of Exco

Remuneration of non-executive Directors consisted of a fixed retainer plus a variable fee which is paid to Directors depending on their membership of Board sub-committees and attendance of scheduled Board meetings. A full disclosure of Directors' remuneration paid for the 2009/10 financial year is set out in Note 44 full disclosure is made of the Group Executive remuneration and is set out in note 44.

## Events subsequent to Financial Statement date

There were no material events that have not been provided for in the Annual Financial Statements

## Company Secretary

Ms Thelma Melk was the Company Secretary of the Company from 1 October 2008.

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

| Postal address: | Business address: |
|---|---|
| Private Bag X1 | Radio Park |
| Auckland Park | Henley Road |
| 2006 | Auckland Park 2006 |

Telephone number:
27 (011) 714-3910

# Statements of Financial Position as at 31 March 2010

| | Note | GROUP 2010 R'000 | GROUP 2009 R'000 | COMPANY 2010 R'000 | COMPANY 2009 R'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Property, plant and equipment | 5 | **1 522 329** | 1 418 553 | **1 522 319** | 1 418 492 |
| Investment properties | 6 | **33 233** | 34 944 | **33 233** | 34 944 |
| Computer software | 7 | **260 861** | 212 668 | **260 861** | 212 668 |
| Defined benefit asset | 8 | **285 819** | 320 598 | **285 819** | 320 598 |
| Investment in subsidiaries | 9 | **-** | - | **71** | 71 |
| Available-for-sale financial assets | 10 | **13 025** | 8 962 | **13 025** | 8 962 |
| Prepayments | 11 | **115 061** | 183 061 | **115 061** | 183 061 |
| Other non-current assets | | **295** | 30 | **11** | 30 |
| **Total non-current assets** | | **2 230 623** | 2 178 816 | **2 230 400** | 2 178 826 |
| Programme, film and sports rights | 12 | **899 534** | 1 102 319 | **899 534** | 1 102 319 |
| Inventories | 13 | **2 731** | 4 842 | **2 731** | 4 842 |
| Trade and other receivables | 14 | **905 757** | 978 019 | **914 757** | 985 574 |
| Taxation receivable | | **-** | 89 695 | **-** | 89 695 |
| Prepayments | 11 | **221 316** | 134 158 | **221 279** | 134 105 |
| Held-to-maturity investments | 16 | **190 000** | - | **190 000** | - |
| Restricted cash | 17 | **53 123** | 29 212 | **53 123** | 29 212 |
| Cash and cash equivalents | 18 | **114 529** | 14 703 | **95 696** | - |
| **Total current assets** | | **2 386 990** | 2 352 948 | **2 377 120** | 2 345 747 |
| **Total assets** | | **4 617 613** | 4 531 764 | **4 607 520** | 4 524 573 |
| **EQUITY** | | | | | |
| Share capital | 19 | **1** | 1 | **1** | 1 |
| Fair value adjustment reserve | 20 | **2 118** | 1 128 | **2 118** | 1 128 |
| Retained earnings | | **1 062 985** | 1 550 005 | **1 046 981** | 1 529 079 |
| **Total equity** | | **1 065 104** | 1 551 134 | **1 049 100** | 1 530 208 |
| **LIABILITIES** | | | | | |
| Perpetual instrument | 21 | **27 390** | 27 390 | **27 390** | 27 390 |
| Interest-bearing loans and borrowings | 22 | **1 302 893** | 20 921 | **1 315 499** | 20 921 |
| Derivative financial instruments | 15 | **-** | 5 261 | **-** | 5 261 |
| Deferred government grant | 23 | **379 385** | 318 085 | **379 385** | 318 085 |
| Employee benefits | 25 | **509 183** | 424 712 | **509 183** | 424 712 |
| Other non-current liabilities | | **1 136** | 1 136 | **1 136** | 1 136 |
| **Total non-current liabilities** | | **2 219 987** | 797 505 | **2 232 593** | 797 505 |
| Trade and other payables | 26 | **740 606** | 1 240 848 | **734 184** | 1 239 172 |
| Employee benefits | 25 | **142 264** | 142 638 | **142 134** | 142 507 |
| Derivative financial instruments | 15 | **-** | 10 652 | **-** | 10 652 |
| Deferred income | 27 | **219 806** | 158 538 | **219 806** | 158 538 |
| Current portion of interest-bearing loans and borrowings | 22 | **46 342** | 106 730 | **46 342** | 122 372 |
| Taxation payable | | **23 860** | 100 | **23 717** | - |
| Current portion of deferred government grant | 23 | **71 574** | 65 200 | **71 574** | 65 200 |
| Provisions | 28 | **88 070** | 50 296 | **88 070** | 50 296 |
| Bank overdraft | 18 | **-** | 408 123 | **-** | 408 123 |
| **Total current liabilities** | | **1 332 522** | 2 183 125 | **1 325 827** | 2 196 860 |
| **Total liabilities** | | **3 552 509** | 2 980 630 | **3 558 420** | 2 994 365 |
| **Total equity and liabilities** | | **4 617 613** | 4 531 764 | **4 607 520** | 4 524 573 |

*The notes on pages 78 to 113 are an integral part of these annual financial statements.*

| | Note | GROUP 2010 R'000 | GROUP 2009 R'000 | COMPANY 2010 R'000 | COMPANY 2009 R'000 |
|---|---|---|---|---|---|
| **Revenue** | 29 | **4 739 112** | 4 713 504 | **4 739 112** | 4 713 504 |
| Other income | 30 | **51 877** | 32 135 | **48 713** | 26 970 |
| Amortisation of programme, film and sports rights | 12 | **(1 579 962)** | (1 618 856) | **(1 579 962)** | (1 618 856) |
| Impairment of programme, film and sports rights | 12 | **(70 484)** | (40 232) | **(70 484)** | (40 232) |
| Amortisation of computer software | 7 | **(59 040)** | (36 454) | **(59 040)** | (36 454) |
| Impairment of trade and other receivables | | **(3 838)** | (26 857) | **(3 838)** | (25 612) |
| Broadcast costs | | **(250 054)** | (296 483) | **(250 054)** | (296 483) |
| Signal distribution and linking costs | | **(474 966)** | (444 314) | **(474 966)** | (444 314) |
| Employee compensation and benefit expenses, excluding actuarial (gains)/losses | 31 | **(1 753 718)** | (1 637 466) | **(1 753 484)** | (1 637 466) |
| Depreciation of property, plant and equipment | 5 | **(194 379)** | (157 358) | **(194 328)** | (157 197) |
| Marketing costs | | **(90 375)** | (263 098) | **(90 375)** | (263 097) |
| Direct licence collection costs | | **(152 524)** | (176 066) | **(152 524)** | (176 066) |
| Professional and consulting fees | 32 | **(138 218)** | (314 653) | **(134 459)** | (308 943) |
| Other expenses | | | | | |
| - personnel costs-other than employee compensation | | **(34 845)** | (112 147) | **(34 829)** | (111 501) |
| - operational | | **(404 756)** | (472 422) | **(403 804)** | (470 881) |
| Other gains/(losses) | 34 | **2 309** | ( 259) | **2 309** | (259) |
| **Operating loss before interest and tax** | | **(413 861)** | (851 026) | **(412 013)** | (846 887) |
| Net financing loss | 35 | **(77 933)** | (62 554) | **(74 919)** | (66 612) |
| Finance income | 35 | **90 486** | 13 910 | **93 628** | 11 553 |
| Finance expenses | 35 | **(168 419)** | (76 464) | **(168 547)** | (78 165) |
| **Loss before income tax** | | **(491 794)** | (913 580) | **(486 932)** | (913 499) |
| Income tax (expense)/income | 36 | **(679)** | 123 491 | **(619)** | 123 559 |
| **Loss for the year** | | **(492 473)** | (790 089) | **(487 551)** | (789 940) |

*The notes on pages 78 to 113 are an integral part of these annual financial statements.*

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | Note | R'000 | R'000 | R'000 | R'000 |
| **Loss for the year** | | **(492 473)** | (790 089) | **(487 551)** | (789 940) |
| Other comprehensive gain(loss) for the year, before tax | | **8 724** | (167 042) | **8 724** | (167 042) |
| *Pension fund* | | | | | |
| Actuarial gain/(loss) | *8* | **472 015** | (945 529) | **472 015** | (945 529) |
| Change in paragraph 58 limit of IAS 19 - employee benefits | *8* | **(452 070)** | 772 476 | **(452 070)** | 772 476 |
| *Post -employment medical benefits* | | | | | |
| Actuarial (loss) / gain | *25* | **(12 372)** | 6 334 | **(12 372)** | 6 334 |
| Gain/ (loss) in changes in fair value of available-for-sale financial assets | *10* | **1 151** | (323) | **1 151** | (323) |
| Income tax relating to other components of other comprehensive income | *36* | **(2 281)** | 46 727 | **(2 281)** | 46 727 |
| **Other comprehensive gain/(loss) for the year, net of taxation** | | **6 443** | (120 315) | **6 443** | (120 315) |
| **Total comprehensive loss for the year** | | **(486 030)** | (910 404) | **(481 108)** | (910 255) |

*The notes on pages 78 to 113 are an integral part of these annual financial statements.*

| | Share capital R'000 | Fair value adjustment reserve R'000 | Retained earnings R'000 | Total R'000 |
|---|---|---|---|---|
| | | **GROUP** | | |
| **Balance at 1 April 2008** | 1 | 1 406 | 2 460 131 | 2 461 538 |
| Total comprehensive loss for the year | - | (278) | (910 126) | (910 404) |
| **Balance at 31 March 2009** | 1 | 1 128 | 1 550 005 | 1 551 134 |
| Total comprehensive gain/(loss) for the year | **-** | **990** | **(487 020)** | **(486 030)** |
| **Balance at 31 March 2010** | **1** | **2 118** | **1 062 985** | **1 065 104** |
| | | **COMPANY** | | |
| **Balance at 1 April 2008** | 1 | 1 406 | 2 439 056 | 2 440 463 |
| Total comprehensive loss for the year | - | (278) | (909 977) | (910 255) |
| **Balance at 31 March 2009** | 1 | 1 128 | 1 529 079 | 1 530 208 |
| Total comprehensive gain/(loss) for the year | **-** | **990** | **(482 098)** | **(481 108)** |
| **Balance at 31 March 2010** | **1** | **2 118** | **1 046 981** | **1 049 100** |

*The notes on pages 78 to 113 are an integral part of these annual financial statements.*

| | Note | GROUP 2010 R'000 | GROUP 2009 R'000 | COMPANY 2010 R'000 | COMPANY 2009 R'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash receipts from customers | | **4 872 642** | 4 671 769 | **4 871 197** | 4 725 986 |
| Cash paid to suppliers and employees | | **(5 099 495)** | (5 393 417) | **(5 108 906)** | (5 431 066) |
| **Cash utilised in operations** | *37* | **(226 853)** | (721 648) | **(237 709)** | (705 080) |
| Interest received | *35* | **26 703** | 13 908 | **25 764** | 11 551 |
| Dividends received | *35* | **-** | 2 | **-** | 2 |
| Interest paid | *35* | **(125 003)** | (50 702) | **(124 973)** | (50 700) |
| Income taxes refunded/(paid) | *38* | **110 495** | (25 575) | **110 512** | (22 482) |
| **Net cash outflows from operating activities** | | **(214 658)** | (784 015) | **(226 406)** | (766 709) |
| **Cash flows from investing activities** | | | | | |
| Proceeds from disposal of property, plant and equipment | *39* | **6 042** | 538 | **6 042** | 538 |
| Acquisition of property, plant and equipment- to maintain business | *5* | **(383 343)** | (294 338) | **(383 343)** | (294 277) |
| Acquisition of computer software | *7* | **(25 778)** | (74 593) | **(25 778)** | (74 593) |
| Acquisition of equity instruments: programme, film and sports rights | *10* | **(2 912)** | (6 548) | **(2 912)** | (6 548) |
| (Acquisition)/proceeds of held-to-maturity investments | *16* | **(190 000)** | 373 000 | **(190 000)** | 373 000 |
| Increase in restricted cash | *17* | **(23 911)** | (4 590) | **(23 911)** | (4 590) |
| **Net cash flows from investing activities** | | **(619 902)** | (6 531) | **(619 902)** | (6 470) |
| **Cash flows from financing activities** | | | | | |
| Loan advance by subsidiary | *22* | **-** | - | **-** | 448 |
| Repayment of loan from subsidiary | *22* | **-** | - | **(3 036)** | - |
| (Repayment)/raising of interest bearing loan | *22* | **(89 000)** | 89 000 | **(89 000)** | 89 000 |
| Instalment sale paid during the year | *22* | **(15 261)** | (15 735) | **(15 261)** | (15 735) |
| Finance raised with instalment sales | *22* | **325 845** | 20 698 | **325 845** | 20 698 |
| Finance raised with assistance of government guarantee | *22* | **1 000 000** | - | **1 000 000** | - |
| Proceeds from government grant | *23* | **131 579** | 131 579 | **131 579** | 131 579 |
| **Net cash flows from financing activities** | | **1 353 163** | 225 542 | **1 350 127** | 225 990 |
| **Net increase/ (decrease) in cash and cash equivalents** | | **518 603** | (565 004) | **503 819** | (547 189) |
| Cash and cash equivalents at beginning of the year | | **(393 420)** | 165 561 | **(408 123)** | 139 066 |
| Effects of the exchange rate changes on the balance cash held in foreign currencies | | **(10 654)** | 6 023 | **-** | - |
| **Cash and cash equivalents at end of the year** | *18* | **114 529** | (393 420) | **95 696** | (408 123) |

*The notes on pages 78 to 113 are an integral part of these annual financial statements.*

## 1 SIGNIFICANT ACCOUNTING POLICIES

The South African Broadcasting Corporation Limited (the "Group") is South Africa's national public service broadcaster. The Consolidated Annual Financial Statements of the Group were authorised for issue by the board of directors on 28 July 2010.

### (A) Statement of Compliance

The Consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of South Africa, No. 61 of 1973, as amended, the Public Finance Management Act, No. 1 of 1999, as amended, and the Broadcasting Act, No. 4 of 1999, as amended.

### (B) Basis of Preparation

The Consolidated Annual Financial Statements are presented in South African Rands, rounded to the nearest thousand, and have been prepared on the historical cost basis, except for available-for-sale financial assets and derivative financial instruments, which are measured at fair value.

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

The estimates and underlying assumptions are reviewed on an 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 are discussed in note 2.

Except for the early adoption of certain standards (refer to accounting policy 3- Early Adoption of Amendments to Standards and New Interpretations), the accounting policies set out below have been applied consistently for all periods presented in the consolidated Annual Financial Statements.

### (C) Basis of Consolidation

*(i) Subsidiaries*

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

*(ii) Transactions eliminated on consolidation*

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

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

### (E) Property, Plant and Equipment

*(i) Owned assets*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labour, an appropriate proportion of overheads and any other costs directly attributable to bringing the asset to a working condition in the manner intended by management.

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

*(ii) Leased assets*

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. An asset acquired by way of a finance lease is 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 subsequent to initial recognition. The asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are accounted for as described in accounting policy (s).

*(iii) Subsequent costs*

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

*1 SIGNIFICANT ACCOUNTING POLICIES (continued)*

*(E) Property, Plant and Equipment (continued)*

*(iv) Depreciation*

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

| | |
|---|---|
| • Buildings | 7 - 65 years |
| • Broadcast equipment | 5 - 15 years |
| • Computer equipment | 3 - 11 years |
| • Musical equipment | up to 40 years |
| • Office equipment | 5 years |
| • Security equipment | 5 years |
| • Motor vehicles | 5 - 15 years |

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

*(v) Derecognition*

The gain or loss on the disposal or scrapping of property, plant and equipment is recognised in profit or loss, (refer to note 34). Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment.

## (F) Investment 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 and accumulated impairment losses. Certain items of investment properties that had been revalued to fair values 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 recognised in profit or loss on a straight-line basis over the estimated useful lives of each of the investment properties. The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| • Investment properties | 50 years |

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

*(iv) Fair values*

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

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

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

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

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

## (G) Intangible Assets

*(i) Originated programme, film and sports rights*

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

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

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

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

*1 SIGNIFICANT ACCOUNTING POLICIES (continued)*

*(G) Intangible Assets (continued)*

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

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

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

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

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

*(iv) Other intangible assets*

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

*(v) Subsequent expenditure*

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

*(vi) Amortisation*

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

Amortisation of other intangible assets is charged to profit or loss on a straight-line based on the estimated useful lives of such assets from the date that they are available for use. The estimated useful life of computer software for the current and comparative period is between 2 and 10 years.

Amortisation methods, useful lives and residual values, if not insignificant, are reassessed annually, and adjusted if appropriate.

## (H) Investments

The Group classifies its investments in the following categories: loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

*Financial Assets*

Classification

*(i) Loans and receivables*

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

*(ii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell a significant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

*(iii) Available-for-sale financial assets*

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

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

Loans and receivables are carried at amortised cost using the effective interest method less accumulated impairment losses. Held -to-maturity investments are also carried at amortised cost using the effective interest method less accumulated impairment losses. Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in other comprehensive income. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities.

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

*(iv) Other investments*

The investments are related to the investments in the programme, film and sports rights, effective for the current financial year. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(H) Investments (continued)

(v) *Non-Financial Assets: Investment in Subsidiaries*
Investment in subsidiaries are carried at cost less accumulated impairment losses in the separate financial statements of the Company.

**(I) Impairment of Assets**

(i) *Financial assets (including receivables)*
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss has occured after the initial recognition of the asset, and that the loss event that had a negative effect on the estimated future cash flows of asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rates. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a susequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisaton, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provision attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occuring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

*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 computed at initial recognition of these financial assets). Receivables with a short duration are not discounted where the effect is not material.

Impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment is the difference between the asset's carrying amount and its recoverable amount, being the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment is recognised in profit or loss.

*Reversals of impairment*
An impairment loss in respect of held-to-maturity investments, loans and receivables and trade receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

(ii) *Non-financial assets*
The carrying amount of the Group's assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or, its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. The impairment loss for programme, film and sports rights will be recognised when the tapes have not been flighted as per schedule at the end of the financial year.

*Calculation of recoverable amount*
The recoverable amount of non-financial assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash generating unit is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or goups of assets. Impairment losses in respect of cash generating units are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

*1 SIGNIFICANT ACCOUNTING POLICIES (continued)*

*(I) Impairment of Assets (continued)*

*(ii) Non-financial assets (continued)*

*Reversals of impairment*

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

## (J) Inventories

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

## (K) Trade Receivables

Trade receivables comprise receivables in respect of advertising, sponsorships and facilities and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses. The fair value of trade receivables is net of agency commissions, and where applicable net of trade discounts, which are granted when payment is made in accordance with agreed payment terms.

## (L) 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.

## (M) Interest-bearing Borrowings

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

## (N) Employee Benefits

*(i) Defined benefit pension plans*

The net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service cost and the fair value of any plan assets are deducted. The discount rates used were the following:- yield on Government Stock, the zero-coupon yield curve provided by the South African Bond Exchange that have maturity dates approximating the terms of the Company's obligations.

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

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in full out of profit or loss as other comprehensive income. These defined benefit pension plan's liabilities or assets are valued annually by independent qualified actuaries using the projected unit credit method.

In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of plan liabilities.

*(ii) Other post-employment benefit obligations*

The Group provides a subsidy for medical aid contributions payable by those employees who elect to remain on the medical aid scheme after retirement. The entitlement to these benefits is usually conditional on the employee remaining in service up to normal retirement age or the completion of a minimum service period in the event of early retirement. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for the defined benefit pension plan. This liability relating to post-employment medical benefits is valued annually by independent qualified actuaries.This practise of post-retirement medical aid contributions was discontinued for all new employees after 1 July 2004. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised out of profit or loss and recognised in the statement of other comprehensive income.

*(iii) Short-term benefits*

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## (O) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## (P) Trade and other Payables

*(i)* Trade and other payables are initially recognised at fair value plus any directly attributable transaction costs.
Trade and other payables are subsequently measured at amortised cost, using the effective interest method.

*1 SIGNIFICANT ACCOUNTING POLICIES (continued)*

## (Q) Financial Instruments

*(i) Derivative financial instruments*

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

*(ii) Embedded derivatives*

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to those of a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to the specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, or other variables. Embedded derivatives are disclosed separately from the derivatives held for risk management. The changes in fair value are included in profit or loss.

*(iii) Non-derivative financial instruments*

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequently it is measured at amortised cost using the effective interest method, less any impairment losses.

*(iv) 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 in the statement of financial position. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

*(v) Cash restricted for use*

Cash which is subject to restrictions on its use is stated separately at carrying value in the statement of financial position.

## (R) Revenue

*(i) Advertising revenue*

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

*(ii) Trade exchanges (non-monetary exchanges)*

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

*(iii) Sponsorship revenue*

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

*(iv) Licence fee revenue*

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

*(v) Government grants*

Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss as revenue on a systematic basis over the useful life of the asset.

*(vi) Other revenue*

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

## (S) Lease Payments

*(i) Operating lease payments*

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

*1 SIGNIFICANT ACCOUNTING POLICIES (continued)*

*(S) Lease Payments (continued)*

*(ii) Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is also allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The capital portion of future obligations under the leases is included as a liability in the statement of financial position.

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

### (T) Net Financing Income

Financing income includes interest receivable on funds invested, dividend income and foreign exchange gains and losses. Gains and losses on available-for-sale financial instruments that are recognised in statement of comprehensive income.

Interest payable on borrowings is calculated using the effective interest method. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is usually the ex-dividend date.

The interest expense component of finance lease payments is recognised in profit or loss using the effective interest method.

### (U) Income Tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in the statement of comprehensive income, in which case it is recognised there.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on the net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits reversing temporary differences will be available against which the asset can be utilised.

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

### (V) Related Parties

The Group operates in an environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all the three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties.

Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the Company. All individuals from the level of Executive Management up to the Board of Directors are regarded as key management per the definition of IFRS.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management individuals in their dealings with the Group.

Other related party transactions are also disclosed in terms of the requirements of IFRS. The objective of IFRS and the annual financial statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

### (W) Borrowing Costs

Financing costs directly associated with the acquisition or construction of assets that require more than three months to complete and place in service are capitalised at interest relating to loans specifically raised for that purpose, or at the weighted average borrowing rate where the general pool of Group borrowings was utilised. Other borrowing costs are expensed as incurred. Capitalisation commences when the entity incurs expenditure for the asset, it incurs the borrowing costs and it undertakes activities that are necessary to bring the asset to its intended use or sale.

## 2 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### (A) Critical Accounting Estimates and Assumptions

The preparation of the annual financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in material adjustments as accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

2 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(A) Critical Accounting Estimates and Assumptions (continued)

(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 useful life of an asset is determined on existing physical wear and tear, economic and technical ageing, legal or other limits on the use of the asset and obsolescence. If some of these factors were to deteriorate materially, impairing the ability of the asset to generate future cash flows, the Group may accelerate depreciation charges to reflect the remaining useful life of the asset or record an impairment loss.

(ii) *Amortisation and impairment of computer software*

The Group believes that the accounting estimates relating to the amortisation and impairment of computer software are significant accounting estimates because they require management to make assumptions about the useful life of an asset. The useful life of an asset is determined on existing economic and technical ageing, legal or other limitations on the use of the asset and obsolescence. If some of these factors were to deteriorate materially, impairing the ability of the asset to generate future cash flows, the Group may accelerate the amortisation charge to reflect the remaining useful life of the asset or record an impairment loss. See accounting policy 1(e), 1(g) and note 7.

(iii) *Amortisation and impairment of programme, film and sports rights*

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

(iv) *Pension assumptions*

The Group's pension fund is a funded defined benefit pension fund that provides pension fund benefits for all of the Group's permanent employees. The latest statutory valuation of the fund was performed at 31 December 2008, in which the valuator reported that the fund was in a sound financial position subject to the continuation of the current contribution rates, and its assets exceed its liabilities.

Annually the defined benefit pension plan is valued on 31 March using the Projected Unit Credit Method for the financial statements certified by the Actuaries. The cost of defined benefit pension plan as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates on return of assets, future salary increases, mortality rates of in-service members and pension mortality rates and future pension increases, withdrawal of member in the service and family statistics. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of quality corporate bonds in the respective country, (i.e. yield on South African Government Bonds). The mortality rate is based on public available mortality tables for the specific county (i.e. PA (90) mortality table). Future salary increase and pension increases are based on expected future inflation rates. Further details about the assumptions used are given in note 8.

(v) *Post-employment medical aid assumptions*

The Group provides a subsidy of medical aid contributions payable by those employees who elect to remain on the medical aid scheme after retirement. The Group provides for these post-employment medical aid benefits using the Projected Unit Credit method prescribed by IAS 19 - Employee Benefits. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over their expected working lifetime. The liability is calculated by considering some key actuarial assumptions such as (1) the rate of healthcare cost inflation, (2) discount rate, (3) percentage members continuing after retirement and (4) average retirement age of members. The key actuarial assumptions made are disclosed in note 25.

Any change in these assumptions could result in a material adjustment to the post-employment medical liability stated on the Group's statement of financial position 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 R68 million (2009: R62 million), whereas a one percentage point reduction in the rate of health care cost inflation would decrease the liability by R55 million (2009: R57 million) as at 31 March 2010. The employers liability will also be affected by the take-up rate assumption related to the past service, an increase from 80% to 90% in the take-up rate would increase the past service liability by approximately R25 million, whereas a percentage decrease in the take-up rate from 80% to 70% would result in a reduction of R25 million in the past service accrued liability at 31 March 2010. See note 25.

(vi) *Legal matters*

The Group is involved in legal disputes through its normal course of business. The outcome of these legal claims may have a material impact on the Group's financial position and results of operations. Management estimates the potential outcome of these legal claims based on the most objective evidence on hand from internal and external legal advisors until such time that ultimate legal resolution has been finalised. Due to the uncertain nature of these issues, any changes in these estimates based on additional information as it becomes available could result in material changes to the financial statements in subsequent periods. See note 43.

(vii) *Valuation of financial instruments*

The valuation of embedded derivative financial instruments is based on the market situation at reporting date. The value of the derivative instruments fluctuates on a daily basis and the actual amounts realised may differ materially from their value at reporting date.

Where the fair value of the financial assets and liabilities recorded in the statement of financial position cannot be derived from the active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs of these models are taken from observable markets where possible, but where this is not possible, a degree of judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about the facts could affect the reported fair value of the affected financial instrument.

*2 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)*

*(A) Critical Accounting Estimates and Assumptions (continued)*

*(viii) Impairment of trade and other receivables and credit notes*

Doubtful accounts are reported at the amount likely to be recoverable based on the historical experience of customer default. As soon as it is learned that a particular account is subject to a risk over and above the normal credit risk (e.g. lower creditworthiness of customer, dispute as to the existence of the amount of the claim, no enforceability of the claim for legal reasons etc.), the account is analysed and written down if circumstances indicate the receivable is uncollectible. Accumulated write-downs of receivables and provisions for credit notes amounted to R230 million as of 31 March 2010.

**(B) Critical judgements in applying the Company's accounting policies**

Channel Africa (Radio)

"The Group has been delegated with the responsibility by the Department of Communications to administer Channel Africa, which is a sub-division of the Department of Communications.

Channel Africa (Radio) has therefore been excluded from the annual financial statements because the Board of Directors do not believe that it is controlled by the Company, nor is it a Joint Venture or an Associate Company."

## 3 EARLY ADOPTION OF AMENDMENTS TO STANDARDS AND NEW INTERPRETATIONS

The following changes to the Company accounting policies have been made in early adopting the revised standards and interpretations for the year under review:

*(i) IAS 24 - Related Party*

The Group decided to early adopt the new standard on related parties for the year ended 31 March 2010.

## 4 NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of the financial statements of the Group for the year ended 31 March 2010, the following standards and interpretations were in issue but not yet effective.

*Standards*

*(i) IAS 27- Consolidated and Separate Financial Statements (Amended 2008)*
*(ii) IAS 32 - amendments - Financial Instruments - Presentation - Classification of Rights Issue*
*(iii) IAS 39 - amendment - Eligible Hedged Items*
*(iv) IFRS 1 - First time adoption of International Financial Reporting Standards*
*(v) IFRS 2 amendment - Share-based payments - Group cash settled share based payment transactions*
*(vi) IFRS 3 revised - Business Combinations*
*(vii) IFRS 5 amendment - Improvements to IFRS 2009 - Amendments to IFRS 5 Non-current assets held-for-sale and discontinued operations*
*(viii) IFRS 9 - Financial Instruments*

*Interpretations*

*(i) IFRIC 14- IAS 19- The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
*(ii) IFRIC 17 - Distribution of Non-cash Assets to Owners*
*(iii) IFRIC 19 - Extinguishing financial liabilities with equity instruments*

IFRS 9 and IFRIC 14, will be adopted on the effective dates. Management has not yet considered the effect of these on the Company. The remaining standards and interpretations are not applicable or will have no impact on future financial statements.

## 5 PROPERTY, PLANT AND EQUIPMENT

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | Land and buildings R'000 | Broadcasting equipment R'000 | *Other equipment R'000 | Vehicles R'000 | **Capital work-in-progress R'000 | Total R'000 |
| **At 31 March 2010** | | | | | | |
| Cost | **850 540** | **1 458 035** | **320 346** | **65 446** | **106 644** | **2 801 011** |
| Accumulated depreciation and impairment losses | **(288 049)** | **(717 149)** | **(240 700)** | **(32 784)** | **-** | **(1 278 682)** |
| Carrying amount | **562 491** | **740 886** | **79 646** | **32 662** | **106 644** | **1 522 329** |
| **At 31 March 2009** | | | | | | |
| Cost | 825 823 | 1 093 707 | 287 994 | 41 194 | 275 133 | 2 523 851 |
| Accumulated depreciation and impairment losses | (243 226) | (620 276) | (207 902) | (33 894) | - | (1 105 298) |
| Carrying amount | 582 597 | 473 431 | 80 092 | 7 300 | 275 133 | 1 418 553 |
| **For the year ended 31 March 2010** | | | | | | |
| Carrying amount at 1 April 2009 | **582 597** | **473 431** | **80 092** | **7 300** | **275 133** | **1 418 553** |
| Additions | **4 588** | **304 359** | **9 568** | **1 252** | **63 576** | **383 343** |
| Disposals | **(4)** | **(3 575)** | **(125)** | **(29)** | **-** | **(3 733)** |
| Cost | **(45)** | **(20 750)** | **(985)** | **(4 119)** | **-** | **(25 899)** |
| Accumulated depreciation | **41** | **17 175** | **860** | **4 090** | **-** | **22 166** |
| Transfers (to)/ from investment property, computer software and other categories | **20 123** | **79 638** | **23 731** | **27 118** | **(232 065)** | **(81 455)** |
| Cost | **20 174** | **80 719** | **23 769** | **27 119** | **(232 065)** | **(80 284)** |
| Accumulated depreciation | **(51)** | **(1 081)** | **(38)** | **(1)** | **-** | **(1 171)** |
| Depreciation charge for the year | **(44 813)** | **(112 967)** | **(33 620)** | **(2 979)** | **-** | **(194 379)** |
| **Carrying amount at 31 March 2010** | **562 491** | **740 886** | **79 646** | **32 662** | **106 644** | **1 522 329** |
| **Cost price of fully depreciated assets still in use** | **27 492** | **466 347** | **172 075** | **22 597** | **-** | **688 511** |
| **For the year ended 31 March 2009** | | | | | | |
| Carrying amount at 1 April 2008 | 634 008 | 324 895 | 86 337 | 7 507 | 208 496 | 1 261 243 |
| Additions | 1 609 | 93 337 | 29 538 | 1 762 | 168 092 | 294 338 |
| Scrapped assets | - | (740) | (57) | - | - | (797) |
| Cost | (23) | (13 574) | (167) | (2 383) | - | (16 147) |
| Accumulated depreciation | 23 | 12 834 | 110 | 2 383 | - | 15 350 |
| Transfers (to)/from investment property, computer software and other categories | (9 177) | 140 039 | (8 477) | 197 | (101 455) | 21 127 |
| Cost | (9 177) | 140 380 | (8 715) | 197 | (101 455) | 21 230 |
| Accumulated depreciation | - | (341) | 238 | - | - | (103) |
| Depreciation charge for the year | (43 843) | (84 100) | (27 249) | (2 166) | - | (157 358) |
| Carrying amount at 31 March 2009 | 582 597 | 473 431 | 80 092 | 7 300 | 275 133 | 1 418 553 |
| Cost price of fully depreciated assets still in use | 26 035 | 371 998 | 148 240 | 21 634 | - | 567 907 |

** Other equipment comprises computer, office, musical and security equipment.*
*** Capital work-in-progress consists of property, plant and equipment that has been received or constructed, but is not yet available for use.*

**Information on land and buildings**

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

*5 PROPERTY, PLANT AND EQUIPMENT (continued)*

| | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | **Land and buildings R'000** | **Broadcasting equipment R'000** | ***Other equipment R'000** | **Vehicles R'000** | ****Capital work-in-progress R'000** | **Total R'000** |
| **At 31 March 2010** | | | | | | |
| Cost | **850 540** | **1 458 035** | **320 040** | **65 446** | **106 644** | **2 800 705** |
| Accumulated depreciation and impairment losses | **(288 049)** | **(717 149)** | **(240 404)** | **(32 784)** | **-** | **(1 278 386)** |
| Carrying amount | **562 491** | **740 886** | **79 636** | **32 662** | **106 644** | **1 522 319** |
| **At 31 March 2009** | | | | | | |
| Cost | 825 823 | 1 093 707 | 287 688 | 41 194 | 275 133 | 2 523 545 |
| Accumulated depreciation and impairment losses | (243 226) | (620 276) | (207 657) | (33 894) | - | (1 105 053) |
| Carrying amount | 582 597 | 473 431 | 80 031 | 7 300 | 275 133 | 1 418 492 |
| **For the year ended 31 March 2010** | | | | | | |
| Carrying amount at 1 April 2009 | **582 597** | **473 431** | **80 031** | **7 300** | **275 133** | **1 418 492** |
| Additions | **4 588** | **304 359** | **9 568** | **1 252** | **63 576** | **383 343** |
| Disposals | **(4)** | **(3 575)** | **(125)** | **(29)** | **-** | **(3 733)** |
| Cost | **(45)** | **(20 750)** | **(985)** | **(4 119)** | **-** | **(25 899)** |
| Accumulated depreciation | **41** | **17 175** | **860** | **4 090** | **-** | **22 166** |
| Transfers (to)/from investment property, computer software and other categories | **20 123** | **79 638** | **23 731** | **27 118** | **(232 065)** | **(81 455)** |
| Cost | **20 174** | **80 719** | **23 769** | **27 119** | **(232 065)** | **(80 284)** |
| Accumulated depreciation | **(51)** | **(1 081)** | **(38)** | **(1)** | **-** | **(1 171)** |
| Depreciation charge for the year | **(44 813)** | **(112 967)** | **(33 569)** | **(2 979)** | **-** | **(194 328)** |
| **Carrying amount at 31 March 2010** | **562 491** | **740 886** | **79 636** | **32 662** | **106 644** | **1 522 319** |
| **Cost price of fully depreciated assets still in use** | **27 492** | **466 347** | **172 075** | **22 597** | **-** | **688 511** |
| **For the year ended 31 March 2009** | | | | | | |
| Carrying amount at 1 April 2008 | 634 008 | 324 867 | 86 204 | 7 507 | 208 496 | 1 261 082 |
| Additions | 1 609 | 93 337 | 29 477 | 1 762 | 168 092 | 294 277 |
| Scrapped assets | - | (740) | (57) | - | - | (797) |
| Cost | (23) | (13 574) | (167) | (2 383) | - | (16 147) |
| Accumulated depreciation | 23 | 12 834 | 110 | 2 383 | - | 15 350 |
| Transfers (to)/from investment property, computer software and other categories | (9 177) | 140 039 | (8 477) | 197 | (101 455) | 21 127 |
| Cost | (9 177) | 140 380 | (8 715) | 197 | (101 455) | 21 230 |
| Accumulated depreciation | - | (341) | 238 | - | - | (103) |
| Depreciation charge for the year | (43 843) | (84 072) | (27 116) | (2 166) | - | (157 197) |
| Carrying amount at 31 March 2009 | 582 597 | 473 431 | 80 031 | 7 300 | 275 133 | 1 418 492 |
| Cost price of fully depreciated assets still in use | 26 035 | 371 998 | 148 240 | 21 634 | - | 567 907 |

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

*** Capital work-in-progress consists of property, plant and equipment that has been received or constructed, but is not yet available for use.*

**Information on land and buildings**

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

*5 PROPERTY, PLANT AND EQUIPMENT (continued)*

| Net book value of property, plant and equipment ceded as security (see also note 22) | GROUP AND COMPANY 2010 R'000 | 2009 R'000 |
|---|---|---|
| Computer equipment pledged to secure the Hewlett Packard lease facility | **-** | 884 |
| Computer equipment pledged to secure the Nedbank instalment sale | **-** | 677 |
| News digital broadcasting production system pledged to secure the Nedbank instalment sale | **-** | 1 474 |
| Lifts pledged to secure the Nedbank instalment sale | **-** | 10 574 |
| Copy centre equipment to secure Nedbank lease facility | **1 333** | 1 723 |
| PABX to secure Nedbank instalment sale | **6** | 73 |
| Desktop computer equipment pledged to secure the Nedbank instalment sale | **10 023** | 20 524 |
| High Definition TV outside broadcast units to secure Firstrand Lease facility | **123 323** | - |
| High definition TV outside broadcast units 3 and 4 to secure FirstRand lease facility | **189 723** | - |
| | **324 408** | 35 929 |

| Included in capital work-in-progress are the following major projects | GROUP AND COMPANY 2010 R'000 |
|---|---|
| TV office block upgrade | **27 014** |
| New media platform infrastructure | **8 480** |
| Radiopark 28th and 29th floor refurbishment | **8 470** |
| News studio 9 digitisation | **6 568** |
| Data network upgrade | **6 547** |
| Digital library pre-implementation | **5 493** |
| Multichannel playout centre pre-implementation | **5 140** |
| Nelspruit broadcasting centre | **5 076** |
| Documentation archive | **3 359** |
| Richard's Bay news bureau | **2 990** |
| Henley news production and news computer systems | **2 329** |
| Radiopark M1 studio upgrade | **2 226** |
| **Total** | **83 692** |

## 6 INVESTMENT PROPERTIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| Deemed Cost | **34 567** | 35 773 | **34 567** | 35 773 |
| Accumulated depreciation | **(1 334)** | (829) | **(1 334)** | (829) |
| Carrying amount | **33 233** | 34 944 | **33 233** | 34 944 |
| Carrying amount at 1 April | **34 944** | 33 418 | **34 944** | 33 418 |
| Depreciation charge for the year | **(505)** | (504) | **(505)** | (504) |
| Impairment charge for the year | **(1 206)** | - | **(1 206)** | - |
| Transfers from property, plant and equipment | **-** | 2 030 | **-** | 2 030 |
| Carrying amount at 31 March | **33 233** | 34 944 | **33 233** | 34 944 |
| Fair value of investment properties | **98 526** | 105 998 | **98 526** | 105 998 |

**Fair value of investment properties**

The fair values 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.

The fair values were determined by JHI for the South African properties and the London property was determined by NB Real Estate, on 30 March 2010 and 29 March 2010 respectively.

**Information on investment properties**

Investment properties comprise a number of commercial and residential properties that are leased to third parties. These leases are for non-cancellable periods ranging from 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 Group.

## 7 COMPUTER SOFTWARE

| | GROUP AND COMPANY | | |
|---|---|---|---|
| | Computer software R'000 | *Capital work-in-progress R'000 | Total R'000 |
| **At 31 March 2010** | | | |
| Cost | **373 612** | **-** | **373 612** |
| Accumulated amortisation and impairment losses | **(112 751)** | **-** | **(112 751)** |
| Carrying amount | **260 861** | **-** | **260 861** |
| **At 31 March 2009** | | | |
| Cost | 299 854 | - | 299 854 |
| Accumulated amortisation and impairment losses | (87 186) | - | (87 186) |
| Carrying amount | 212 668 | - | 212 668 |
| **For the year ended 31 March 2010** | | | |
| Carrying amount at 1 April 2009 | **212 668** | **-** | **212 668** |
| Additions | **26 333** | **-** | **26 333** |
| Disposals | **(555)** | **-** | **(555)** |
| Cost | **(555)** | **(32 304)** | **(32 859)** |
| Accumulated amortisation | **-** | **32 304** | **32 304** |
| Transfers to/(from) property, plant and equipment and capital work in progress | **81 455** | **-** | **81 455** |
| Cost | **47 980** | **32 304** | **80 284** |
| Accumulated amortisation | **33 475** | **(32 304)** | **1 171** |
| Amortisation charge for the year | **(59 040)** | **-** | **(59 040)** |
| **Carrying amount at 31 March 2010** | **260 861** | **-** | **260 861** |
| **Cost price of fully amortised assets still in use** | **15 033** | **-** | **15 033** |
| **For the year ended 31 March 2009** | | | |
| Carrying amount at 1 April 2008 | 16 253 | 181 433 | 197 686 |
| Additions | 74 593 | - | 74 593 |
| Transfers to/(from) property, plant and equipment and capital work in progress | 158 276 | (181 433) | (23 157) |
| Cost | 190 818 | (213 737) | (22 919) |
| Accumulated amortisation | (32 542) | 32 304 | (238) |
| Amortisation charge for the year | (36 454) | - | (36 454) |
| Carrying amount at 31 March 2009 | 212 668 | - | 212 668 |
| Cost price of fully amortised assets still in use | 14 680 | - | 14 680 |

**Transfers between computer software and property, plant and equipment occur when these assets are capitalised. This occurs because the fixed asset register is not split on a component basis, but on an overall project basis.*

## 8 DEFINED BENEFIT ASSET

The Group's Fund is a funded defined benefit pension fund, that is registered and governed in terms of the Pension Funds Act, No. 24 of 1956 and Pension Funds Second Amendment Act, No. 39 of 2001. It provides pension fund benefits for all it's members. The financial position of the fund is examined and reported upon by the Fund's valuator at intervals not exceeding three years. The statutory valuation of the Fund was performed at 31 December 2008, in which the valuator reported that the Fund was in a sound financial position subject to the continuation of the current contribution rates, and that its assets exceeded its liabilities. The next statutory valuation will take place before 31 December 2011. The results of the valuation undertaken in 31 December 2003 and approved in 2007 have been 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.

Annually the defined benefit pension plan is valued on 31 March, using the Projected Unit Credit Method for the financial statements. These valuations are performed by Actuaries and the results are as follows:

| | GROUP AND COMPANY | |
|---|---|---|
| | 2010 R'000 | 2009 R'000 |
| Opening balance | **320 598** | 420 794 |
| Actuarial gain/(loss) recognised in statement of comprehensive income | **19 945** | (173 053) |
| Amounts recognised in the income statement | **(134 973)** | (37 139) |
| Employer Contributions | **80 249** | 109 996 |
| Closing balance | **285 819** | 320 598 |

*8 DEFINED BENEFIT ASSET (continued)*

| | GROUP AND COMPANY 2010 R'000 | 2009 R'000 |
|---|---|---|
| **The amounts recognised in the statement of financial position are determined as follows:** | | |
| Present value of funded obligations | **(5 718 895)** | (5 066 772) |
| Fair value of plan assets | **6 476 210** | 5 406 796 |
| Funded status of the plan | **757 315** | 340 024 |
| Unrecognised due to paragraph 58 limit of IAS 19 - Employee benefits | **(471 496)** | (19 426) |
| Asset recognised in the statement of financial position | **285 819** | 320 598 |
| **Changes in the present value of the defined benefit obligation are as follows:** | | |
| Opening defined benefit obligation | **5 066 772** | 5 344 393 |
| Current service cost | **192 599** | 174 894 |
| Interest cost | **453 739** | 476 442 |
| Actuarial loss/(gain) | **249 939** | (357 974) |
| Benefits paid | **(295 268)** | (616 314) |
| Employee contributions | **51 114** | 45 331 |
| Closing defined benefit obligation | **5 718 895** | 5 066 772 |
| **Changes in the fair value of plan assets are as follows:** | | |
| Fair value of plan assets at the beginning of the year | **5 406 796** | 6 557 089 |
| Employee contributions | **51 114** | 45 331 |
| Employer contributions | **80 249** | 109 996 |
| Benefit payments | **(295 268)** | (616 314) |
| Expected return on plan assets | **511 365** | 614 197 |
| Actuarial gain/(loss) | **721 954** | (1 303 503) |
| Fair value of plan assets at the end of the year | **6 476 210** | 5 406 796 |
| **The amounts recognised in profit or loss are determined as follows:** | **(134 973)** | (37 139) |
| Current service cost | **(192 599)** | (174 894) |
| Interest cost | **(453 739)** | (476 442) |
| Expected return on plan assets | **511 365** | 614 197 |
| **Items recognised in a statement of comprehensive income are deterimined as follows:** | **19 945** | (173 053) |
| Actuarial gain/(loss) | **472 015** | (945 529) |
| Change in paragraph 58 limitation | **(452 070)** | 772 476 |
| Net periodic pension charge | **(115 028)** | (210 192) |
| **The principal actuarial assumptions at the statement of financial position date (expressed as weighted averages) are as follows:** | % | % |
| Discount rate at 31 March | **9.0** | 9.0 |
| Expected return on plan assets at 31 March | **9.4** | 9.7 |
| Inflation | **5.8** | 5.8 |
| Future salary increases | **7.3** | 7.3 |
| Future pension increases | **4.8** | 4.8 |

| | GROUP AND COMPANY 2010 R'000 | % | 2009 R'000 | % |
|---|---|---|---|---|
| **Plan assets comprise:** | | | | |
| Domestic Equity | **3 740 735** | **57.76** | 2 834 576 | 52.43 |
| Bonds | **830 266** | **12.82** | 731 193 | 13.52 |
| Cash | **512 875** | **7.92** | 575 959 | 10.65 |
| Foreign Assets | **1 189 938** | **18.37** | 1 033 237 | 19.11 |
| Hedged Assets | **202 396** | **3.13** | 231 831 | 4.29 |
| | **6 476 210** | **100.00** | 5 406 796 | 100.00 |

The overall expected long-term rate of return on assets is 9.4%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns without adjustments.

*8 DEFINED BENEFIT ASSET (continued)*

| | GROUP AND COMPANY | | | | |
|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| Defined benefit obligation | **(5 718 895)** | (5 066 772) | (5 344 393) | (5 277 663) | (2 531 198) |
| Plan assets | **6 476 210** | 5 406 796 | 6 557 089 | 6 233 008 | 4 977 032 |
| Surplus | **757 315** | 340 024 | 1 212 696 | 955 345 | 2 445 834 |

During the financial year under review, management estimated that an amount of R112 million will be incurred towards the contribution into the defined benefit pension plan. The utilisation of this will be through a "pension fund holiday". The company contribution rate was 7% instead of the recommended 20.4%.

## 9 INVESTMENT IN SUBSIDIARIES

| COMPANY | Nature of business | Issued share capital (number) | % Held | Shares at cost 2010 R'000 | Shares at cost 2009 R'000 |
|---|---|---|---|---|---|
| SABC Airwave Travel (Proprietary) Limited | Travel agency | 2 | 100 | **- *** | - * |
| Astrasat (Proprietary) Limited | Dormant | 1 | 100 | **- *** | - * |
| Auckland Programme Trade B.V. *(incorporated in the Netherlands)* | Trading in TV programmes | 40 | 100 | **71** | 71 |
| Rugby Broadcasting (Proprietary) Limited | Dormant | 1 | 100 | **- *** | - * |
| Skenia Telematics (Proprietary) Limited | Dormant | 1 | 100 | **- *** | - * |
| Shares at cost | | | | **71** | 71 |
| Directors' valuation | | | | **16 004** | 21 737 |

**Shares at cost of R1.*

## 10 AVAILABLE-FOR-SALE FINANCIAL ASSET

| | | GROUP AND COMPANY 2010 R'000 | GROUP AND COMPANY 2009 R'000 |
|---|---|---|---|
| **Fair value Hierarchy** | | | |
| The available for sale assets listed below are analysed by hierarchy levels defined as follows: | | | |
| Level 1: Quoted prices in active markets for identical assets | | | |
| Level 3: Inputs for the asset that are not based on observable market data | | | |
| *Level 1* | | | |
| *Sanlam shares* | | | |
| Listed - 143 257 (2009: 143 257) Sanlam Limited* | | | |
| Balance on 1 April | | **2 414** | 2 737 |
| Revaluation surplus/(deficit) transferred to statement of other comprehensive income | | **1 151** | (323) |
| | | **3 565** | 2 414 |
| *Level 3* | | | |
| **Equity instruments:- Programme, film and sports rights**** | **Percentage holding in deals** | **9 460** | 6 548 |
| Behind the Rainbow | **15%** | **1 000** | 1 000 |
| In the time of Mandela*** | **15%** | **500** | 500 |
| People of the Eland*** | **15%** | **1 260** | 700 |
| Mr Bones 2 | **15%** | **4 000** | 3 600 |
| Bang Bang Club*** | **7.50%** | **2 700** | 748 |
| Balance 31 March | | **13 025** | 8 962 |

*The available-for-sale financial assets were revalued at year end. There were no disposals or impairment on available-for-sale financial assets during the year under review.

**The equity instruments were not revalued at year-end as the cost still approximates the fair value. There were no disposals or impairment on available-for-sale financial assets during the year under review.

***These equity instruments related to payments already made on equity rights for programmes and films that are not fully completed as at 31 March 2010. Additional payments will still be executed post year end amounting to R 0.4million and is included as programme commitments.

## 11 PREPAYMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| Programme, film and sports rights | **319 814** | 303 390 | **319 814** | 303 390 |
| Other | **16 563** | 13 829 | **16 526** | 13 776 |
| | **336 377** | 317 219 | **336 340** | 317 166 |
| Less: Current portion | **(221 316)** | (134 158) | **(221 279)** | (134 105) |
| Non-current portion | **115 061** | 183 061 | **115 061** | 183 061 |

## 12 PROGRAMME, FILM AND SPORTS RIGHTS

| | GROUP AND COMPANY | | | |
|---|---|---|---|---|
| GROUP AND COMPANY | Acquired programme, film and sports rights R'000 | Originated programme, film and sports rights R'000 | Work-in-progress R'000 | Total R'000 |
| **At 31 March 2010** | | | | |
| Cost | **1 786 671** | **3 306 878** | **422 427** | **5 515 976** |
| Accumulated amortisation and impairment losses | **(1 293 692)** | **(3 269 805)** | **-** | **(4 563 497)** |
| Provision for programme, film and sports rights impairment losses* | **(51 530)** | **(1 415)** | **-** | **(52 945)** |
| Carrying amount | **441 449** | **35 658** | **422 427** | **899 534** |
| **At 31 March 2009** | | | | |
| Cost | 1 566 430 | 2 599 683 | 378 845 | 4 544 958 |
| Accumulated amortisation and impairment losses | (981 424) | (2 444 924) | - | (3 426 348) |
| Provision for programme, film and sports rights impairment losses* | (16 291) | - | - | (16 291) |
| Carrying amount | 568 715 | 154 759 | 378 845 | 1 102 319 |
| **For the year ended 31 March 2010** | | | | |
| Carrying amount at 1 April 2009 | **568 715** | **154 759** | **378 845** | **1 102 319** |
| Additions | **696 884** | **-** | **750 777** | **1 447 661** |
| Transfers | **-** | **707 195** | **( 707 195)** | **-** |
| Amortisation charge for the year | **(755 241)** | **(824 721)** | **-** | **(1 579 962)** |
| Impairment charge for the year | **(33 670)** | **( 160)** | **-** | **(33 830)** |
| Provision for write- off | **(35 239)** | **(1 415)** | **-** | **(36 654)** |
| Derecognition | **-** | **-** | **-** | **-** |
| Cost | **(476 643)** | **-** | **-** | **(476 643)** |
| Accumulated amortisation | **476 643** | **-** | **-** | **476 643** |
| **Carrying amount at 31 March 2010** | **441 449** | **35 658** | **422 427** | **899 534** |
| Cost price of fully amortised assets | **-** | **1 593 509** | **-** | **1 593 509** |
| **For the year ended 31 March 2009** | | | | |
| Carrying amount at 1 April 2008 | 431 488 | 71 054 | 245 461 | 748 003 |
| Additions | 817 527 | - | 1 195 877 | 2 013 404 |
| Transfers | - | 1 062 493 | (1 062 493) | - |
| Amortisation charge for the year | (640 068) | (978 788) | - | (1 618 856) |
| Impairment charge for the year | (50 309) | - | - | (50 309) |
| Reversal of provision for programme, film and sports rights impairment | 10 077 | - | - | 10 077 |
| Derecognition | - | - | - | - |
| Cost | (235 748) | - | - | (235 748) |
| Accumulated amortisation | 235 748 | - | - | 235 748 |
| Carrying amount at 31 March 2009 | 568 715 | 154 759 | 378 845 | 1 102 319 |
| Cost price of fully amortised assets | - | 1 268 000 | - | 1 268 000 |

**Excess capacity film rights for which the licence period has not yet expired.*

## 13 INVENTORIES

| | GROUP AND COMPANY | |
|---|---|---|
| | 2010 R'000 | 2009 R'000 |
| *Consumables* | **3 279** | 4 879 |
| *Less: Write downs to net realisable value* | **(548)** | (37) |
| | **2 731** | 4 842 |

## 14 TRADE AND OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| Trade receivables - gross | **1 130 043** | 1 120 435 | **1 130 043** | 1 120 435 |
| Less: Impairment of trade receivables | **(230 365)** | (157 835) | **(230 288)** | (157 758) |
| Impairment of trade receivables | **(91 673)** | (87 835) | **(91 596)** | (87 758) |
| Impairment of trade receivables- credit notes | **(138 692)** | (70 000) | **(138 692)** | (70 000) |
| Trade receivables - net | **899 678** | 962 600 | **899 755** | 962 677 |
| Other receivables | **6 079** | 15 419 | **15 002** | 22 897 |
| | **905 757** | 978 019 | **914 757** | 985 574 |

## 15 DERIVATIVE FINANCIAL INSTRUMENTS

| | GROUP AND COMPANY | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| | Assets R'000 | Liabilities R'000 | Assets R'000 | Liabilities R'000 |
| Forward currency contracts | - | - | - | - |
| Derivatives embedded in programme, film and sports rights agreements | - | - | - | (10 680) |
| Derivatives embedded in property, plant and equipment for High Definition Outside Broadcast Vans | - | - | - | (5 233) |
| | - | - | - | (15 913) |
| *Less:* Current portion | - | - | - | 10 652 |
| Non-current portion | - | - | - | (5 261) |

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 the current asset and current liability if the maturity date is less than 12 months. The embedded derivative financial instrument for both the High Definition Outside Broadcast Vans (OB Vans) and Programme, film and sports rights agreements have been realised in the current period.

## 16 HELD - TO - MATURITY INVESTMENTS

| | GROUP AND COMPANY | |
|---|---|---|
| | 2010 R'000 | 2009 R'000 |
| Short Term Deposits | **190 000** | - |

During the financial year under review, short term investments were made with approved financial institutions. The periods of investing range from 20 to 60 days. The average interest rate is 6.5%.

## 17 RESTRICTED CASH

| | | |
|---|---|---|
| Government Grant | **51 908** | 28 074 |
| SABC Foundation Bursary Scheme | **1 215** | 1 138 |
| | **53 123** | 29 212 |

The Government Grant is related to the technology plan for the migration of the SABC from analogue to digital technology (refer to note 23). The SABC Foundation Bursary Scheme is used for bursaries only.

## 18 CASH AND CASH EQUIVALENTS AND BANK OVERDRAFT

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Cash and cash equivalents | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| Bank balances | **25 788** | - | **11 004** | - |
| Call deposits | **84 692** | - | **84 692** | - |
| Cash held on foreign bank accounts | **4 049** | 14 703 | **-** | - |
| | **114 529** | 14 703 | **95 696** | - |
| Bank overdraft | **-** | (408 123) | **-** | (408 123) |

During the financial year under review, the Company repaid its bank overdraft facilities which had been obtained with approved financial institutions in the prior year.

## 19 SHARE CAPITAL

| | GROUP AND COMPANY | |
|---|---|---|
| | 2010 R'000 | 2009 R'000 |
| Share capital - Authorised and issued 1 000 ordinary shares of R 1 each | **1** | 1 |

## 20 FAIR VALUE ADJUSTMENT RESERVE

| | | |
|---|---|---|
| Fair value adjustment reserves | **2 118** | 1 128 |

The fair value adjustment reserve relates to available for sale financial assets.

## 21 PERPETUAL INSTRUMENT

| | GROUP AND COMPANY | |
|---|---|---|
| | 2010 R'000 | 2009 R'000 |
| Permanent capital | **27 390** | 27 390 |

On 1 February 1972, the Company's shareholder converted a long-term loan into permanent capital. The permanent capital is not repayable, In terms of the Exchequer Act, No. 66 of 1975, as amended, interest will be payable, in perpetuity, at a rate of 6.5% per annum on the capital amount. The instrument represents a financial liability (in the form of perpetual debt) under IAS 32 - Financial Instruments: *Presentation*, because of the underlying obligation to deliver cash in the form of future payments to the Company's shareholder.

## 22 INTEREST-BEARING LOANS AND BORROWINGS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| **Unsecured** | | | | |
| 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. | **-** | - | **12 606** | 15 642 |
| Short-term loan from Standard Bank account repayable at a minimum of R5 million per month at an interest rate of prime plus 2% per annum. | **-** | 89 000 | **-** | 89 000 |
| Long term loan obtained from Nedbank repayable in five years with a moratorium on the capital repayment for the first two years. Interest is charged at the Johannesburg Interbank rate (JIBAR) currently 8.7% per annum at 31 March 2010. | **1 000 000** | - | **1 000 000** | - |
| ***Secured** | | | | |
| Wesbank finance lease facility for a high definition outside broadcast vehicle (OB Vans) payable over five years at a rate of 7.15% (2009: nil) per annum. The lease is repayable in monthly payments of R1,02 million with a final balloon payment of R28,1million due in September 2014. | **66 123** | - | **66 123** | - |
| Rand Merchant Bank finance lease facility for a high definition television outside broadcast vehicle payable over five years at a rate of 10.73% (2009: nil) per annum. The lease is repayable in monthly payments of R1,2 million with a final balloon payment of R27,2million due in August 2014. | **66 768** | - | **66 768** | - |
| Hewlett Packard lease for desktop equipment under finance lease payable over three years at a rate of 6% (2009: 6%) per annum. The lease is repayable in monthly payments of R0,04 million with the last payment due in June 2010. | **104** | 2 212 | **104** | 2 212 |
| Nedbank instalment sale facility for lift upgrade payable over five years at a rate of 7.25% (2009: 10.25%) per annum. The contract was repayable in monthly payments of R0,3 million with the last payment made in September 2009. | **-** | 1 800 | **-** | 1 800 |
| Nedbank instalment sale facility for news production server payable over five years at a rate of 7.25% (2009: 10.25%) per annum. The contract was repayable in monthly payments of R0,3 million with the last made in October 2009. | **-** | 1 921 | **-** | 1 921 |
| Nedbank instalment sale facility for Dalet hardware payable over five years at a rate of 7.25% (2009: 10.25%) per annum. The contract was repayable in monthly payments of R0,1 million with the last payment made in May 2009. | **-** | 244 | **-** | 244 |
| The GIS system for the collection of outstanding TV licence fees payable over three years at a rate of 11.67% (2009: 11.67%). The lease is repayable in monthly payments of R0,025 million with the last payment due in March 2010. | **347** | 1 262 | **347** | 1 262 |
| Nedbank instalment sale facilities for desktop computer equipment payable over four years at a rate of 7.25% (2009:10.25%) per annum. The contracts are repayable in monthly payments of R0,85 million reducing to the last payment due in August 2013. | **21 951** | 29 401 | **21 951** | 29 401 |
| Nedbank instalment sale facility for PABX equipment payable over five years at a rate of 7.25% (2009:10.25%) per annum. The contract is repayable in monthly payments of R0,003million with the last payment due in December 2013. | **120** | 147 | **120** | 147 |
| Nedbank lease for copier equipment under finance lease lease repayable over 29 months at a rate of 7.25% (2009:10.25%) per annum. The lease is repayable in monthly payments of R0.07million with a final balloon payment to be made in February 2011 of R0,195million. | **868** | 1 664 | **868** | 1 664 |
| Wesbank finance lease facility for a high definition television outside broadcast vehicle payable over five years at a projected 7.15% (2009: nil) per annum. The lease is expected to be signed in June 2010 and projected to be repayable in monthly payments of R1,25 million with a final balloon payment of R42,4million due in July 2015. | **96 477** | - | **96 477** | - |
| Rand Merchant Bank finance lease facility for a high definition television outside broadcast vehicle payable over five years at a projected rate of 10.73% (2009: nil) per annum. The lease is expected to be signed in June 2010 and projected to be repayable in monthly payments of R1,47 million with a final balloon payment of R42,4 million due in July 2015. | **96 477** | - | **96 477** | - |
| Total | **1 349 235** | 127 651 | **1 361 841** | 143 293 |
| Current portion transferred to current liabilities | **(46 342)** | (106 730) | **(46 342)** | (122 372) |
| Non-current portion | **1 302 893** | 20 921 | **1 315 499** | 20 921 |

** secured assets are reflected on note 5*

### 22 *INTEREST-BEARING LOANS AND BORROWINGS (continued)*

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Minimum lease payments R'000 | Interest R'000 | Principal R'000 | Minimum lease payments R'000 | Interest R'000 | Principal R'000 |
| | GROUP | | | | | |
| **Finance lease liabilities:** | | | | | | |
| Less than one year | **61 860** | **(24 460)** | **37 400** | 4 358 | (201) | 4 157 |
| Later than one year but not later than five years | **273 624** | **(74 290)** | **199 334** | 1 113 | (57) | 1 056 |
| More than five years | **93 035** | **(2 605)** | **90 430** | - | - | - |
| | **428 519** | **(101 355)** | **327 164** | 5 471 | (258) | 5 213 |
| **Instalment sale liabilities:** | | | | | | |
| Less than one year | **10 234** | **(1 292)** | **8 942** | 16 765 | (3 192) | 13 573 |
| Later than one year but not later than five years | **13 962** | **(833)** | **13 129** | 23 354 | (3 489) | 19 865 |
| | **24 196** | **(2 125)** | **22 071** | 40 119 | (6 681) | 33 438 |
| **Short-term loan** | **-** | **-** | **-** | 89 000 | - | 89 000 |
| **Total** | **452 715** | **(103 480)** | **349 235** | 134 590 | (6 939) | 127 651 |
| | COMPANY | | | | | |
| **Finance lease liabilities:** | | | | | | |
| Less than one year | **61 860** | **(24 460)** | **37 400** | 4 358 | (201) | 4 157 |
| Later than one year but not later than five years | **273 624** | **(74 290)** | **199 334** | 1 113 | (57) | 1 056 |
| More than five years | **93 035** | **(2 605)** | **90 430** | - | - | - |
| | **428 519** | **(101 355)** | **327 164** | 5 471 | (258) | 5 213 |
| **Instalment sale liabilities:** | | | | | | |
| Less than one year | **10 234** | **(1 292)** | **8 942** | 16 765 | (3 192) | 13 573 |
| Later than one year but not later than five years | **13 962** | **(833)** | **13 129** | 23 354 | (3 489) | 19 865 |
| | **24 196** | **(2 125)** | **22 071** | 40 119 | (6 681) | 33 438 |
| **Loan from subsidiary:** | **12 606** | **-** | **12 606** | 15 642 | - | 15 642 |
| **Short-term loan** | **-** | **-** | **-** | 89 000 | - | 89 000 |
| Total | **465 321** | **(103 480)** | **361 841** | 150 232 | (6 939) | 143 293 |

### 23 DEFERRED GOVERNMENT GRANT

| | GROUP AND COMPANY | |
|---|---|---|
| | 2010 R'000 | 2009 R'000 |
| Balance on 1 April | **383 285** | 294 774 |
| Amounts received during the year | **131 579** | 131 579 |
| Amount recognised in profit or loss in line with amortisation and depreciation of assets acquired with the grant (see note 29). | **(63 905)** | (43 068) |
| Balance on 31 March | **450 959** | 383 285 |
| *Less:* Current portion | **(71 574)** | (65 200) |
| Non-current portion | **379 385** | 318 085 |

In February 2005, the Department of Communications and National Treasury committed an amount of R700 million including VAT to the Company over a period of five years, in order to facilitate key improvements to infrastructure within the Company. The money is intended to fund the Company's detailed modernisation and information technology plan, which includes the migration from analogue to digital technology. To date, all committed amounts of R700 million have been received. Amounts received during the current financial year, per the notification received from National Treasury, is R150 million.

## 24 DEFERRED TAX

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Deferred tax is attributable to the following: | R'000 | R'000 | R'000 | R'000 |
| **Deferred Tax Liabilities** | | | | |
| Property, plant and equipment | **173 961** | 148 866 | **173 961** | 148 866 |
| Finance lease asset | **74 115** | 730 | **74 115** | 730 |
| Defined benefit asset | **80 029** | 89 767 | **80 029** | 89 767 |
| Programme, film and sports rights | **133 458** | 247 883 | **133 458** | 247 883 |
| Computer Software | **19 556** | - | **19 556** | - |
| Available-for-sale financial assets | **412** | 273 | **412** | 273 |
| Prepayments | **1 804** | 1 828 | **1 804** | 1 828 |
| Total liabilities | **483 335** | 489 347 | **483 335** | 489 347 |
| **Deferred Tax Assets** | | | | |
| Finance leases | **(91 606)** | (1 460) | **(91 606)** | (1 460) |
| Investment properties | **(434)** | (233) | **(434)** | (233) |
| Computer software | **-** | (8 237) | **-** | (8 237) |
| Straight-lining of operating leases | **(326)** | (321) | **(326)** | (321) |
| Employee benefits | **(176 008)** | (152 130) | **(176 008)** | (152 130) |
| Deferred income | **(58 225)** | (49 690) | **(58 225)** | (49 690) |
| Other payables and provisions | **(100 688)** | (69 497) | **(100 530)** | (69 497) |
| Derivative financial instruments | **-** | (4 455) | **-** | (4 455) |
| Estimated tax loss utilised | **(56 048)** | (203 324) | **(56 206)** | (203 324) |
| Total assets | **(483 335)** | (489 347) | **(483 335)** | (489 347) |
| **Total deferred tax** | **-** | - | **-** | - |

All movements in the temporary differences described above, have been recognised in income statement and statement of comprehensive income, as follows:

| | | | | |
|---|---|---|---|---|
| Deferred tax liability on 1 April | **-** | 177 722 | **-** | 177 790 |
| Deferred tax recognised in the income statement | **2 281** | (132 471) | **2 281** | (132 539) |
| Prior year adjustment | **-** | 1 476 | **-** | 1 476 |
| Deferred tax recognised in the statement of other comprehensive income | **(2 281)** | (46 727) | **(2 281)** | (46 727) |
| Deferred tax (asset)/liability on 31 March | **-** | - | **-** | - |
| Estimated tax loss | **266 285** | 335 920 | **266 389** | 335 315 |
| Utilised during the current financial year | **(56 048)** | (203 324) | **(56 206)** | (203 324) |
| Available for utilisation in future years | **210 237** | 132 396 | **210 183** | 131 991 |

## 25 EMPLOYEE BENEFITS

| | | | | |
|---|---|---|---|---|
| **Non-current statement of financial position obligations for:** | | | | |
| Post-employment medical benefits | **478 942** | 394 432 | **478 942** | 394 432 |
| Employee incentive | **19 000** | 19 000 | **19 000** | 19 000 |
| Leave pay | **11 241** | 11 280 | **11 241** | 11 280 |
| | **509 183** | 424 712 | **509 183** | 424 712 |
| **Current statement of financial position obligations for:** | | | | |
| Employee incentive | **22 716** | 23 898 | **22 716** | 23 898 |
| Leave pay | **119 548** | 118 740 | **119 418** | 118 609 |
| | **142 264** | 142 638 | **142 134** | 142 507 |
| **Total statement of financial position obligations for employee benefits** | **651 447** | 567 350 | **651 317** | 567 219 |
| **Income Statement** (See also note 31): | | | | |
| Post-employment medical benefits | **51 651** | 47 810 | **51 651** | 47 810 |
| Provision for arrear past service cost | **37 000** | - | **37 000** | - |
| Employee incentive | **22 307** | 32 779 | **22 307** | 32 779 |
| Leave pay | **12 571** | 43 576 | **12 571** | 43 576 |
| | **123 529** | 124 165 | **123 529** | 124 165 |

*Post-employment medical benefits*

The Company provides a varying subsidy towards medical aid contributions payable by employees who elect to remain on the medical aid scheme after retirement. This subsidy is unfunded and is provided for based on actuarial valuations performed annually. The valuation assumes a varying subsidy of 60%; 75% and 100% consistent with the 2009 valuation scenario.

## 25 EMPLOYEE BENEFITS (continued)

*Post-employment medical benefits (continued)*

| | GROUP AND COMPANY | |
|---|---|---|
| | 2010 R'000 | 2009 R'000 |
| **The amount recognised in the statement of financial position is determined as follows:** | | |
| Present value of unfunded obligations | | |
| *Post-employment medical benefits* | **478 942** | 394 432 |
| **Changes in the present value of the defined benefit obligation are as follows:** | | |
| Opening defined benefit obligation | **394 432** | 368 908 |
| Current service cost | **16 362** | 7 629 |
| Interest cost | **35 289** | 40 181 |
| Subsidy payments | **(16 513)** | (15 952) |
| *Post-employment medical benefit - past service cost (arrear payment) | **37 000** | - |
| Actuarial loss/(gain) | **12 372** | (6 334) |
| Closing defined benefit obligation | **478 942** | 394 432 |
| **The amount recognised in the income statement is determined as follows:** | **88 651** | 47 810 |
| Current service cost | **16 362** | 7 629 |
| Interest cost | **35 289** | 40 181 |
| *Post-employment medical benefit - past service cost (arrear payment) | **37 000** | - |
| **The amount recognised in statement of comprehensive income is determined as follows:** | | |
| Actuarial loss/(gain) | **12 372** | (6 334) |
| Total, included in employee compensation and benefit expenses, *including items recognised in other comprehensive income* | **101 023** | 41 476 |

**During the current financial year, the SABC settled a case with pensioners resulting from a decision to curtail their benefits, this has resulted in the re-instatement of the full subsidy to these members. The principal actuarial assumptions at the reporting date in terms of arrear payments:*

| | |
|---|---|
| *(i) Date of payments calculation:* | 31-Mar-10 |
| *(ii) Pension Group* | 983 normal pensioners |
| *(iii) Subsidy* | 20% reduction on 1 June each year commencing on 1 June 2004 but no reductions implemented after 1 June 2006 |

| *The principal actuarial assumptions at the reporting date (expressed as weighted averages) are as follows:* | % | % |
|---|---|---|
| Discount rate at 31 March | **9.0** | 8.0 |
| Medical inflation rate per annum | **6.9** | 8.0 |
| Take-up rate by retired employees | **80.0** | 80.0 |

*Employee incentive and long-term leave pay*

Certain of the Company's employee incentive programmes and employee leave arrangements provide for benefits not payable wholly within twelve months after the reporting date. These arrangements are therefore classified as "other non-current employee benefits" and the liabilities in respect thereof are measured on the same basis as the Company's obligations in respect of its post-employment benefit plans, with certain simplified assumptions. The liability in respect of employee incentives also requires certain assumptions regarding the Company's future.

| *The principal actuarial assumptions at the reporting date (expressed as weighted averages) are as follows:* | | |
|---|---|---|
| Discount rate at 31 March | **8.1%** | 8.1% |
| Rate of salary increase | **7.3%** | 7.1% |
| Employee turnover rate | **8.8%** | 8.5% |

## 26 TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| Trade payables | | | | |
| - local | **7 723** | 237 903 | **7 062** | 230 738 |
| - foreign | **85 978** | 343 210 | **85 978** | 343 390 |
| Other payables | **207 116** | 79 819 | **202 834** | 86 961 |
| Accrued expenses | **439 789** | 579 916 | **438 310** | 578 083 |
| | **740 606** | 1 240 848 | **734 184** | 1 239 172 |

## 27 DEFERRED INCOME

| | GROUP AND COMPANY | |
|---|---|---|
| | 2010 R'000 | 2009 R'000 |
| TV License fees received in advance | **44 600** | 36 774 |
| Income and sponsorships received in advance | **175 206** | 121 764 |
| | **219 806** | 158 538 |

## 28 PROVISIONS

| | GROUP AND COMPANY 2010 R'000 | 2009 R'000 |
|---|---|---|
| Legal claims* | | |
| Balance at 1 April | **50 296** | 29 738 |
| Provisions raised during the year | **37 774** | 20 558 |
| Balance at 31 March | **88 070** | 50 296 |

*During the financial year to March 2010, legal claims against SABC were instituted by various people and a provision has been raised in that regard, certain of these matters are before the courts and others we are attempting to settle out of court. Management estimates the potential outcome of these legal claims based on the most objective evidence on hand from internal and external legal advisors until such time that ultimate legal resolution has been finalised (also refer to note 43 on Contingencies).

## 29 REVENUE

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| Total Advertising revenue | | **2 992 507** | 3 122 276 | **2 992 507** | 3 122 276 |
| Advertising | | **2 944 613** | 3 071 896 | **2 944 613** | 3 071 896 |
| Trade exchanges (non-monetary exchanges) | | **47 894** | 50 380 | **47 894** | 50 380 |
| Business enterprise and facilities revenue | | **47 064** | 62 744 | **47 064** | 62 744 |
| Sponsorships | | **445 324** | 448 190 | **445 324** | 448 190 |
| License fees | | **868 173** | 864 638 | **868 173** | 864 638 |
| Government grants | | | | | |
| - for educational and local programmes | | **241 654** | 63 000 | **241 654** | 63 000 |
| - for technology assets | *23* | **63 905** | 43 068 | **63 905** | 43 068 |
| * Other revenue | | **80 485** | 109 588 | **80 485** | 109 588 |
| | | **4 739 112** | 4 713 504 | **4 739 112** | 4 713 504 |

*Included in other revenue is facilities revenue and channel carriage fees.

## 30 OTHER INCOME

| | | | | |
|---|---|---|---|---|
| Rental income | **6 352** | 5 445 | **6 352** | 5 445 |
| Management fees | **34 957** | 6 973 | **34 957** | 6 973 |
| Travel commission | **3 582** | 6 006 | **418** | 841 |
| Other sundry income | **6 986** | 13 711 | **6 986** | 13 711 |
| | **51 877** | 32 135 | **48 713** | 26 970 |

## 31 EMPLOYEE COMPENSATION AND BENEFIT EXPENSE

| | Note | | | | |
|---|---|---|---|---|---|
| Cost of employment | | **1 495 216** | 1 476 162 | **1 494 982** | 1 476 162 |
| Pension fund defined benefit recognised in the income statement | *8* | **134 973** | 37 139 | **134 973** | 37 139 |
| Post-employment medical benefits, including past service cost | | **88 651** | 47 810 | **88 651** | 47 810 |
| Post-employment medical benefit - past service cost (arrear payment) | *25* | **37 000** | - | **37 000** | - |
| Post-employment medical benefits | *25* | **51 651** | 47 810 | **51 651** | 47 810 |
| Employee incentive | *25* | **22 307** | 32 779 | **22 307** | 32 779 |
| Leave pay | | **12 571** | 43 576 | **12 571** | 43 576 |
| **The amounts recognised in the income statement** | | **1 753 718** | 1 637 466 | **1 753 484** | 1 637 466 |
| **Items recognised in statement of comprehensive income:** | | **(7 573)** | 166 719 | **(7 573)** | 166 719 |
| Actuarial gain- Post-retirement medical aid liability | | **12 372** | (6 334) | **12 372** | (6 334) |
| Actuarial (gain)/loss - Pension fund defined benefit | | **(472 015)** | 945 529 | **(472 015)** | 945 529 |
| Change in paragraph 58 limitation of IAS 19-Employee benefits | | **452 070** | (772 476) | **452 070** | (772 476) |
| | | **1 746 145** | 1 804 185 | **1 745 911** | 1 804 185 |

Included in these amounts are directors' emoluments which are disclosed in more detail in note 44.

## 32 PROFESSIONAL AND CONSULTING FEES

| | | | | |
|---|---|---|---|---|
| Auditor's remuneration | | | | |
| Audit fees - current year | **12 148** | 15 223 | **12 148** | 15 223 |
| Consulting fees | **126 070** | 299 430 | **122 311** | 293 720 |
| Managerial | **61 310** | 143 159 | **57 551** | 137 449 |
| Projects | **13 306** | 78 037 | **13 306** | 78 037 |
| Technical | **51 454** | 78 234 | **51 454** | 78 234 |
| | **138 218** | 314 653 | **134 459** | 308 943 |

## 33 OTHER EXPENSES

| | Note | GROUP 2010 R'000 | GROUP 2009 R'000 | COMPANY 2010 R'000 | COMPANY 2009 R'000 |
|---|---|---|---|---|---|
| Other expenses include the following charges: | | | | | |
| Operating lease charges | | **59 504** | 66 393 | **59 504** | 53 628 |
| Buildings | | **10 760** | 16 533 | **10 760** | 16 533 |
| Equipment | | **12 406** | 20 846 | **12 406** | 20 846 |
| Vehicles | | **12 415** | 23 542 | **12 415** | 10 778 |
| Software | | **23 923** | 5 472 | **23 923** | 5 471 |
| Stock value adjustment | | **-** | 30 020 | **-** | 30 020 |
| Impairment of prepayments | | **35 850** | - | **35 850** | - |
| Depreciation of investment properties | *6* | **505** | 504 | **505** | 504 |
| Impairment of investment properties | *6* | **1 206** | - | **1 206** | - |
| Consumables - Reversal of write down | *13* | **511** | (56) | **511** | (56) |
| Impairment expense of trade receivables | *14* | **3 838** | 21 583 | **3 838** | 21 583 |

## 34 OTHER GAINS/(LOSSES)

| | Note | GROUP 2010 R'000 | GROUP 2009 R'000 | COMPANY 2010 R'000 | COMPANY 2009 R'000 |
|---|---|---|---|---|---|
| Profit/(loss) on sale of property, plant and equipment | | **2 309** | (259) | **2 309** | (259) |

## 35 NET FINANCING LOSS

| | Note | GROUP 2010 R'000 | GROUP 2009 R'000 | COMPANY 2010 R'000 | COMPANY 2009 R'000 |
|---|---|---|---|---|---|
| Interest received | | | | | |
| Banking institutions | | **9 100** | 13 908 | **8 161** | 11 551 |
| South African Revenue Services | | **17 603** | - | **17 603** | - |
| Dividend received | | **-** | 2 | **-** | 2 |
| Net foreign exchange gain on monetary items | | **13 915** | - | **13 915** | - |
| Foreign exchange gain | | **49 868** | - | **53 949** | - |
| **Finance income** | | **90 486** | 13 910 | **93 628** | 11 553 |
| Interest paid | | **(125 003)** | (50 702) | **(124 973)** | (50 700) |
| Independent third parties | | **(113 064)** | (44 798) | **(113 034)** | (44 796) |
| Shareholder - permanent capital | | **(1 780)** | (1 780) | **(1 780)** | (1 780) |
| Finance leases | | **(10 159)** | (4 124) | **(10 159)** | (4 124) |
| Net loss on derivative financial instruments | | **(43 416)** | (19 748) | **(43 574)** | (20 514) |
| Foreign exchange loss | | **-** | (6 014) | **-** | (6 951) |
| **Finance expense** | | **(168 419)** | (76 464) | **(168 547)** | (78 165) |
| **Net financing loss** | | **(77 933)** | (62 554) | **(74 919)** | (66 612) |

## 36 INCOME TAX EXPENSE

| | Note | GROUP 2010 R'000 | GROUP 2009 R'000 | COMPANY 2010 R'000 | COMPANY 2009 R'000 |
|---|---|---|---|---|---|
| Current tax expense - prior year over/(under) provision | *38* | **2 960** | 7 504 | **2 900** | 7 504 |
| Deferred tax expense | | **(2 281)** | (130 995) | **(2 281)** | (131 063) |
| Taxable temporary differences | | **(2 281)** | (132 471) | **(2 281)** | (132 539) |
| Prior year adjustment | | **-** | 1 476 | **-** | 1 476 |
| | | **679** | (123 491) | **619** | (123 559) |
| *Income tax expenses* | | | | | |
| Previously stated | | **679** | (170 172) | **619** | (170 240) |
| Change in accounting policy | | **-** | 46 681 | **-** | 46 681 |
| Effective tax | | **679** | (123 491) | **619** | (123 559) |
| Profit/(loss) before income tax | | **(491 794)** | (913 580) | **(486 932)** | (913 499) |
| Income tax using the company tax rate | | **(137 702)** | (255 802) | **(136 341)** | (255 780) |
| Non-taxable income | | **(31 671)** | (39 478) | **(31 671)** | (29 524) |
| Non-deductible expenses | | **10 636** | 16 781 | **10 636** | 7 342 |
| Prior year adjustment | | **2 960** | 8 980 | **2 900** | 8 980 |
| Prior defered tax adjustment | | **(53 781)** | 1 476 | **(55 088)** | 1 476 |
| Effects of unused tax losses and tax offsets not recognised | | **210 237** | 132 596 | **210 183** | 131 991 |
| Effective tax | | **679** | (123 491) | **619** | (123 559) |
| Income tax recognised in the statement of other comprehensive income: | | | | | |
| Taxable temporary differences | | **(2 281)** | (46 727) | **(2 281)** | (46 727) |
| Deferred tax expense | | **(2 281)** | (46 727) | **(2 281)** | (46 727) |
| **Reconciliation of effective tax rate** | | | | | |
| Comprehensive gain/(loss) before income tax | | **8 724** | (167 042) | **8 724** | (167 042) |
| Income tax using the company tax rate | | **2 443** | (46 772) | **2 443** | (46 772) |
| Rate differences on available for sale assets | | **(162)** | 45 | **(162)** | 45 |
| Effective tax | | **2 281** | (46 727) | **2 281** | (46 727) |

## 37 CASH UTILISED BY OPERATIONS

| | Note | GROUP 2010 R'000 | GROUP 2009 R'000 | COMPANY 2010 R'000 | COMPANY 2009 R'000 |
|---|---|---|---|---|---|
| Reconciliation of loss for the year to cash utilised by operations: | | | | | |
| Loss for the year | | **(492 473)** | (790 089) | **(487 551)** | (789 940) |
| Adjustments for: | | | | | |
| Amortisation of programme, film and sports rights | 12 | **1 579 962** | 1 618 856 | **1 579 962** | 1 618 856 |
| Impairment of programme, film and sports rights | 12 | **70 484** | 40 232 | **70 484** | 40 232 |
| Amortisation of computer software | 7 | **59 040** | 36 454 | **59 040** | 36 454 |
| Impairment of prepayments | 33 | **35 850** | - | **35 850** | - |
| Amount recognised in income statement in line with amortisation and depreciation of assets acquired with the grant. | 23 | **(63 905)** | (43 068) | **(63 905)** | (43 068) |
| Depreciation of property, plant and equipment | 5 | **194 379** | 157 358 | **194 328** | 157 197 |
| Depreciation of investment properties | 6 | **505** | 504 | **505** | 504 |
| Provision for consumables obsolescence | 33 | **511** | (56) | **511** | (56) |
| Impairment of trade receivables | 14 | **72 530** | 91 583 | **72 530** | 91 583 |
| (Profit)/loss on disposal of property, plant and equipment | 34 | **(2 309)** | 259 | **(2 309)** | 259 |
| Impairment of investment property | 6 | **1 206** | - | **1 206** | - |
| Interest received | 35 | **(26 703)** | (13 908) | **(25 764)** | (11 551) |
| Dividends received | 35 | **-** | (2) | **-** | (2) |
| Interest paid | 35 | **125 003** | 50 702 | **124 973** | 50 700 |
| Foreign exchange loss/(gain) | | **10 654** | (6 023) | **-** | - |
| Provisions raised | 28 | **37 774** | 20 558 | **37 774** | 20 558 |
| Income tax expense/(income) | 36 | **679** | (123 491) | **619** | (123 559) |
| Operating profit before payment for acquisition of programme, film and sports rights | | **1 603 187** | 1 039 869 | **1 598 253** | 1 048 167 |
| Payments for acquisition of programme, film and sports rights | 12 | **(1 447 661)** | (2 013 404) | **(1 447 661)** | (2 013 404) |
| Operating profit/(loss) before changes in working capital, employee benefits | | **155 526** | (973 535) | **150 592** | (965 237) |
| Increase/(decrease) in derivative financial instruments | 15 | **(15 913)** | 32 374 | **(15 913)** | 32 374 |
| Increase in prepayments | 11 | **(55 008)** | (90 483) | **(55 024)** | (90 474) |
| (Increase)/decrease in inventories | 13 | **1 600** | (172) | **1 600** | (172) |
| Increase in trade and other receivables | 14 | **(268)** | (169 493) | **(1 713)** | (171 290) |
| Increase/(decrease) in employee benefits | 25 | **126 449** | (9 770) | **126 450** | (9 770) |
| (Decrease)/increase in trade and other payables | 26 | **(500 242)** | 376 386 | **(504 988)** | 386 444 |
| Increase in deferred income | 27 | **61 268** | 113 045 | **61 268** | 113 045 |
| (Increase)/decrease in other non-current assets | | **(265)** | - | **19** | - |
| Cash utilised by operations | | **(226 853)** | (721 648) | **(237 709)** | (705 080) |

## 38 INCOME TAXES (REFUNDED)/PAID

| | Note | GROUP 2010 R'000 | GROUP 2009 R'000 | COMPANY 2010 R'000 | COMPANY 2009 R'000 |
|---|---|---|---|---|---|
| Balance at 1 April | | **(89 595)** | (71 524) | **(89 695)** | (74 717) |
| Current taxation | 36 | **2 960** | 7 504 | **2 900** | 7 504 |
| Balance at 31 March | | **(23 860)** | 89 595 | **(23 717)** | 89 695 |
| Taxation (refunded)/paid | | **(110 495)** | 25 575 | **(110 512)** | 22 482 |

## 39 PROCEEDS FROM DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

| | Note | GROUP 2010 R'000 | GROUP 2009 R'000 | COMPANY 2010 R'000 | COMPANY 2009 R'000 |
|---|---|---|---|---|---|
| Disposals | 5 | **3 733** | 797 | **3 733** | 797 |
| Profit/(loss) on sale of property, plant and equipment | 34 | **2 309** | (259) | **2 309** | (259) |
| | | **6 042** | 538 | **6 042** | 538 |

## 40 FINANCIAL INSTRUMENTS

### Overview

The Group has exposure to credit risk, liquidity risk and market risk, that consists of interest rate and currency risk that arise out of the normal course of business.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Group Audit Committee oversees how management monitors compliance with the Group's policies and procedures and reviews the adequacy of the internal audit monitoring of these risks. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

*Trade and other receivables*

The Group has established a credit policy under which each new significant customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Credit risk is measured individually within each division and reviewed regularly.

*Allowance for impairment*

Trade receivables that are less than three months past due are not considered to be impaired.

Trade receivables that are past due but relate to Government clients or of which we hold security, insurance or any other types of collateral is held are also not considered to be impaired.

The majority of the Group's trade receivables are due for maturity within 45 days and largely comprise amounts receivable from advertising agencies.

*Cash and cash equivalents*

Investments are acquired only in liquid securities and only with counterparties that have credit ratings equal to or better than the Company. Transactions involving derivative financial instruments are with counterparties with sound credit ratings.

*Guarantees*

The Company's policy is to provide financial guarantees to wholly owned subsidiaries. As at 31 March 2010 and 31 March 2009 no guarantees were outstanding.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| The Group considers its maximum exposure to credit risk to be as follows: | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| Available-for-sale financial assets | **13 025** | 8 962 | **13 025** | 8 962 |
| Trade and other receivables | **905 757** | 978 019 | **914 757** | 985 574 |
| Held-to-maturity investments | **190 000** | - | **190 000** | - |
| Restricted cash | **53 123** | 29 212 | **53 123** | 29 212 |
| Cash and cash equivalents | **114 529** | 14 703 | **95 696** | - |
| | **1 276 434** | 1 030 896 | **1 266 601** | 1 023 748 |

| Trade receivables: | 2010 R'000 | | | 2009 R'000 | | |
|---|---|---|---|---|---|---|
| | Fully Performing | Past due but not impaired | Impaired | Fully Performing | Past due but not impaired | Impaired |
| | GROUP | | | | | |
| Government | **12 161** | **32 930** | **48 487** | 15 368 | 104 769 | 44 835 |
| Direct sponsorships | **-** | **-** | **-** | 23 367 | 47 716 | 31 204 |
| Agencies | **571 121** | **64 893** | **111 357** | 530 657 | 223 301 | 63 117 |
| Direct clients | **18 450** | **200 123** | **70 521** | 14 156 | 3 266 | 18 679 |
| | **601 732** | **297 946** | **230 365** | 583 548 | 379 052 | 157 835 |
| | COMPANY | | | | | |
| Government | **12 161** | **32 930** | **48 471** | 15 368 | 104 769 | 44 758 |
| Direct sponsorships | **-** | **-** | **-** | 23 367 | 47 716 | 31 204 |
| Agencies | **571 121** | **64 893** | **111 317** | 530 657 | 223 301 | 63 117 |
| Direct clients | **18 527** | **200 123** | **70 500** | 12 758 | 4 741 | 18 679 |
| | **601 809** | **297 946** | **230 288** | 582 150 | 380 527 | 157 758 |

*40 FINANCIAL INSTRUMENTS (continued)*

*Credit risk (continued)*

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010 R'000** | **2009 R'000** | **2010 R'000** | **2009 R'000** |
| Age analysis of past due but not impaired is the following: | | | | |
| Past due 0 to 30 days but not impaired | **118 994** | 76 592 | **118 994** | 76 592 |
| Past due 31 to 90 days but not impaired | **34 282** | 17 673 | **34 282** | 17 673 |
| 91 to 120 days | **16 933** | 35 922 | **16 933** | 35 922 |
| 121 days to 1 year | **127 737** | 248 865 | **127 737** | 250 340 |
| | **297 946** | 379 052 | **297 946** | 380 527 |
| Age analysis of the impaired trade receivables is the following: | | | | |
| Past due | **4 456** | 32 981 | **4 904** | 32,981 |
| Past due 0 to 30 days | **399** | 5 950 | **439** | 5 950 |
| Past due 31 to 90 days | **114** | 17 130 | **125** | 17 130 |
| 91 to 120 days | **127** | 4 749 | **8 072** | 4 749 |
| 121 days to 1 year | **225 269** | 97 025 | **216 748** | 96 948 |
| | **230 365** | 157 835 | **230 288** | 157 758 |
| Movements on the impairment of trade receivables are as follows: | | | | |
| Opening balance - 1 April | **157 835** | 66 252 | **157 758** | 66 175 |
| Written off as uncollectible (impaired) | **(48 013)** | ( 6 414) | **(48 013)** | ( 5 169) |
| Impairment raised | **120 543** | 97 997 | **120 543** | 96 752 |
| Closing balance - 31 March | **230 365** | 157 835 | **230 288** | 157 758 |
| The Group does hold collateral as security. The nature and fair value of the collateral are as follows: | | | | |
| Official Government Orders | **39 727** | 104 796 | **39 727** | 104 796 |
| Insurance Cover | **692 235** | 545 344 | **692 235** | 545 344 |
| MCC Security | **1 190** | 1 190 | **1 190** | 1 190 |
| | **733 152** | 651 330 | **733 152** | 651 330 |

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages its cash flow requirements with a three month forecast. The Group has borrowing facilities amounting to R829 million which include short-term banking facilities as well as asset-based finance facilities.

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | **Carrying amount R'000** | **Contractual cash flow R'000** | **Up to 6 months R'000** | **6 months to 1 year R'000** | **1 year to 3 years R'000** | **Thereafter R'000** |
| *Non-derivative financial liabilities* | **2010** | | | | | |
| Trade payables - Local | **7 723** | **7 723** | **7 723** | **-** | **-** | **-** |
| Trade payables - Foreign | **85 978** | **85 978** | **85 978** | **-** | **-** | **-** |
| Other payables | **207 116** | **207 116** | **207 116** | **-** | **-** | **-** |
| Accrued expenses | **439 789** | **439 789** | **439 789** | **-** | **-** | **-** |
| Loan obtained with government guarantee | **1 000 000** | **1 280 809** | **43 710** | **43 710** | **963 862** | **229 527** |
| Loans and borrowings | **349 235** | **452 715** | **36 260** | **34 748** | **186 160** | **195 547** |
| Perpetual debt instrument | **27 390** | **27 390** | **890** | **890** | **3 560** | **22 050** |
| | **2 117 231** | **2 501 520** | **821 466** | **79 348** | **1 153 582** | **447 124** |
| *Non-derivative financial liabilities* | 2009 | | | | | |
| Trade payables - Local | 237 903 | 237 903 | 237 903 | - | - | - |
| Trade payables - Foreign | 343 210 | 343 210 | 343 210 | - | - | - |
| Other payables | 58 963 | 58 963 | 58 963 | - | - | - |
| Accrued expenses | 579 916 | 579 916 | 579 916 | - | - | - |
| Bank Overdraft | 408 123 | 408 123 | 408 123 | - | - | - |
| Loans and Borrowings | 127 651 | 134 590 | 55 061 | 55 062 | 24 467 | - |
| Perpetual debt instrument | 27 390 | 27 390 | 890 | 890 | 3 560 | 22 050 |
| *Embedded derivative financial liabilities* | | | | | | |
| Embedded derivatives for programme, film and sports rights | 10 680 | 10 680 | 5 419 | - | 5 261 | - |
| Embedded derivatives for High Definition Outside Broadcast VANS | 5 233 | 5 233 | 4 806 | 427 | - | - |
| | 1 799 069 | 1 806 008 | 1 694 291 | 56 379 | 33 288 | 22 050 |

*40 FINANCIAL INSTRUMENTS (continued)*

*Liquidity risk (continued)*

| Maturity analysis, due in: | Carrying amount R'000 | Contractual cash flow R'000 | Up to 6 months R'000 | 6 months to 1 year R'000 | 1 year to 3 years R'000 | Thereafter R'000 |
|---|---|---|---|---|---|---|
| | COMPANY | | | | | |
| | 2010 | | | | | |
| *Non-derivative financial liabilities* | | | | | | |
| Trade payables - Local | **7 062** | **7 062** | **7 062** | **-** | **-** | **-** |
| Trade payables - Foreign | **85 978** | **85 978** | **85 978** | **-** | **-** | **-** |
| Other payables | **202 834** | **202 834** | **202 834** | **-** | **-** | **-** |
| Accrued expenses | **438 310** | **438 310** | **438 310** | **-** | **-** | **-** |
| Loan obtained with government guarantee | **1 000 000** | **1 280 809** | **43 710** | **43 710** | **963 862** | **229 527** |
| Loans and borrowings | **349 235** | **452 715** | **36 260** | **34 748** | **186 160** | **195 547** |
| Perpetual debt instrument | **27 390** | **27 390** | **890** | **890** | **3 560** | **22 050** |
| Loans from subsidiaries | **12 606** | **12 606** | **-** | **12 606** | **-** | **-** |
| | **2 123 415** | **2 507 704** | **815 044** | **91 954** | **1 153 582** | **447 124** |
| *Non-derivative financial liabilities* | 2009 | | | | | |
| Trade payables - Local | 230 738 | 230 738 | 230 738 | - | - | - |
| Trade payables - Foreign | 343 390 | 343 390 | 343 390 | - | - | - |
| Other payables | 66 105 | 66 105 | 66 105 | - | - | - |
| Accrued expenses | 578 083 | 578 083 | 578 083 | - | - | - |
| Bank overdraft | 408 123 | 408 123 | 408 123 | - | - | - |
| Loans and borrowings | 127 651 | 134 590 | 55 061 | 55 062 | 24 467 | - |
| Perpetual debt instrument | 27 390 | 27 390 | 890 | 890 | 3 560 | 22 050 |
| Loans from subsidiaries | 15 642 | 15 642 | - | 15 642 | - | - |
| *Embedded Derivative financial liabilities* | | | | | | |
| Embedded derivatives for programme, film and sports rights | 10 680 | 10 680 | 5 419 | - | 5 261 | - |
| Embedded derivatives for High Definition Outside Broadcast Vans | 5 233 | 5 233 | 4 806 | 427 | - | - |
| | 1 813 035 | 1 819 974 | 1 692 615 | 72 021 | 33 288 | 22 050 |

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Currency risk*

Foreign currency risk arises primarily from international programming rights that are procured in foreign currency and the procurement, implementation and maintenance of the broadcasting infrastructure. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group uses forward contracts to manage foreign currency risk arising from future commercial transactions and recognised assets and liabilities and is responsible for managing the net position in each foreign currency.

The Group's risk management policy is to economically hedge between 0% to 50% of firm commitments 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 currency. The percentage cover for less than one year is 42%.

| The Group's exposure to foreign currency risk was as follows based on notional amounts: | US Dollar '000 | Euro '000 | CHF '000 | Rand '000 |
|---|---|---|---|---|
| | GROUP | | | |
| | 2010 | | | |
| Foreign cash and cash equivalents | **67** | **10** | **330** | **4 049** |
| Trade payables | **(11 698)** | **-** | **-** | **(85 978)** |
| Gross financial position exposure | **(11 631)** | **10** | **330** | **(81 929)** |
| Net financial position exposure | **(11 631)** | **10** | **330** | **(81 929)** |
| | 2009 | | | |
| Foreign cash and cash equivalents | 1 513 | 1 146 | 702 | 14 703 |
| Trade payables | (35 310) | - | - | (343 210) |
| Gross financial position exposure | (33 797) | 1 146 | 702 | (328 507) |
| Net derivative financial instruments | (1 637) | (1 240) | (1 910) | (15 913) |
| Net financial position exposure | (35 434) | ( 94) | (1 208) | (344 420) |

*40 FINANCIAL INSTRUMENTS (continued)*

*Market risk (continued)*

| | COMPANY | | | |
|---|---|---|---|---|
| | US Dollar '000 | Euro '000 | CHF '000 | Rand '000 |
| | 2010 | | | |
| Foreign cash and cash equivalents | **-** | **1 269** | **-** | **12 606** |
| Trade payables | **(11 698)** | **-** | **-** | **(85 978)** |
| Gross financial position exposure | **(11 698)** | **1 269** | **-** | **(73 372)** |
| Net derivative financial instruments | **-** | **-** | **-** | **-** |
| Net financial position exposure | **(11 698)** | **1 269** | **-** | **(73 372)** |
| | 2009 | | | |
| Foreign cash and cash equivalents | 1 609 | 1 219 | - | 15 642 |
| Trade payables | (35 328) | - | - | (343 390) |
| Gross financial position exposure | (33 719) | 1 219 | - | (327 748) |
| Net derivative financial instruments | (1 637) | - | - | (15 913) |
| Net financial position exposure | (35 356) | 1 219 | - | (343 661) |

| The following significant exchange rates applied during the year: | GROUP AND COMPANY | | | |
|---|---|---|---|---|
| | Average rate | | Reporting date spot rate | |
| | 2010 | 2009 | 2010 | 2009 |
| USD 1 | **7.82** | 9.97 | **7.35** | 9.72 |
| Euro 1 | **11.04** | 12.99 | **9.93** | 12.83 |
| CHF 1 | **0.14** | 0.11 | **0.14** | 0.12 |

*Sensitivity analysis*

A 10% strengthening of the Rand against the following currencies at 31 March would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2009. Due to the nature of the transactions, there is no effect on equity.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| | Profit or (loss) | | | |
| USD | **8 193** | 31 779 | **7 337** | 31 795 |

A 10% weakening of the Rand against the above currencies at 31 March would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

*Interest rate risk*

The Group's income and operating cash flows are substantially dependent on changes in market interest rates. The interest rates of finance leases to which the Group is a lessee are fixed at inception of the lease or variable over the term of the lease, and therefore expose the Group to fair value interest rate risk.

At reporting date the interest rate profile of the Group's interest bearing financial instruments was:

| | Carrying amount | | | |
|---|---|---|---|---|
| **Fixed rate instruments** | | | | |
| Loans from subsidiaries | **-** | - | **(12 606)** | (15 642) |
| Perpetual debt instrument | **(27 390)** | (27 390) | **(27 390)** | (27 390) |
| | **( 27 390)** | (27 390) | **( 39 996)** | (43 032) |
| **Variable rate instruments** | | | | |
| Long term loan obtained with government guarantee | **(1 000 000)** | - | **(1 000 000)** | - |
| Held-to-maturity investment | **190 000** | - | **190 000** | - |
| Finance lease liabilities | **(327 164)** | (5 213) | **(327 164)** | (5 213) |
| Instalment sale liabilities | **(22 071)** | (33 438) | **(22 071)** | (33 438) |
| Cash and cash equivalents | **114 529** | 14 703 | **95 696** | - |
| Bank Overdraft | **-** | (408 123) | **-** | (408 123) |
| Short-term loan | **-** | (89 000) | **-** | (89 000) |
| | **(1 044 706)** | (521 071) | **(1 063 539)** | (535 774) |

*Cash flow sensitivity analysis for variable rate instruments*

An increase of 100 basis points in interest rates at the reporting date would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2009. Due to the nature of the transactions, there is no effect on equity.

| | Profit/loss 100 bp increase | | | |
|---|---|---|---|---|
| Variable rate instruments | **13 492** | 5 106 | **13 492** | 5 106 |

A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect on the above amounts, on the basis that all other variables remain constant.

*40 FINANCIAL INSTRUMENTS (continued)*

**Fair value of financial instruments**

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than a forced or liquidation sale. The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(i) Loans and receivables, held-to-maturity investments, perpetual debt instrument and interest-bearing loans and borrowings

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.

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Carrying amount R'000 | Fair value R'000 | Carrying amount R'000 | Fair value R'000 |
| | **GROUP** | | | |
| **Financial assets** | | | | |
| Available-for-sale financial assets | **13 025** | **13 025** | 8 962 | 8 962 |
| Trade and other receivables | **905 757** | **905 757** | 978 019 | 978 019 |
| Held-to-maturity investments | **190 000** | **190 000** | - | - |
| Restricted cash | **53 123** | **53 123** | 29 212 | 29 212 |
| Cash and cash equivalents | **114 529** | **114 529** | 14 703 | 14 703 |
| **Total financial assets** | **1 276 434** | **1 276 434** | 1 030 896 | 1 030 896 |
| **Financial liabilities** | | | | |
| Perpetual instrument | **(27 390)** | **(17 804)** | (27 390) | (13 695) |
| Interest-bearing loans and borrowings | **(1 349 235)** | **(1 347 513)** | (127 651) | (125 009) |
| Derivatives financial instruments | **-** | **-** | (15 912) | (15 912) |
| Trade and other payables | **(740 606)** | **(740 606)** | (1 219 992) | (1 219 992) |
| Bank overdraft | **-** | **-** | (408 123) | (408 123) |
| **Total financial liabilities** | **(2 117 231)** | **(2 105 923)** | (1 799 068) | (1 782 731) |
| **Net financial liabilities** | **(840 797)** | **(829 489)** | (768 172) | (751 835) |
| | **COMPANY** | | | |
| **Financial assets** | | | | |
| Available-for-sale financial assets | **13 025** | **13 025** | 8 962 | 8 962 |
| Trade and other receivables | **914 757** | **914 757** | 985 574 | 985 574 |
| Held-to-maturity investments | **190 000** | **190 000** | - | - |
| Restricted cash | **53 123** | **53 123** | 29 212 | 29 212 |
| Cash and cash equivalents | **95 696** | **95 696** | - | - |
| **Total financial assets** | **1266 601** | **1266 601** | 1 023 748 | 1 023 748 |
| **Financial liabilities** | | | | |
| Perpetual instrument | **(27 390)** | **(17 804)** | (27 390) | (13 695) |
| Interest-bearing loans and borrowings | **(1 361 841)** | **(1 360 119)** | (143 293) | (140 651) |
| Embedded derivatives for programme, film and sports rights | **-** | **-** | (10 680) | (10 680) |
| Embedded derivatives for High Definition Outside Broadcast VANS | **-** | **-** | (5 233) | (5 233) |
| Trade and other payables | **(734 184)** | **(734 184)** | (1 218 316) | (1 218 316) |
| Bank Overdraft | **-** | **-** | (408 123) | (408 123) |
| **Total financial liabilities** | **(2 123 415)** | **(2 112 107)** | (1 813 035) | (1 796 698) |
| **Net financial liabilities** | **(856 814)** | **(845 506)** | (789 287) | (772 950) |

The fair value of trade and other payables equals their carrying amount as the impact of discounting is not significant.

**Capital management**

The Group's share capital is 100% owned by the Government. The Group does not hold any other form of share capital. There are no changes expected in the Group's approach to capital management during the year.

*40 FINANCIAL INSTRUMENTS (continued)*

**Borrowing facilities**

The unutilised borrowing facilities include general short-term banking facilities, asset-based finance facilities as well as guarantee facilities. Included in normal guarantees, the Company has guarantees against a housing scheme to the value of R1 million.

| | GROUP AND COMPANY | |
|---|---|---|
| | **2010 R'000** | **2009 R'000** |
| General short-term banking facilities | | |
| First National Bank | **90 000** | 160 000 |
| Nedbank | **100 000** | 250 000 |
| Absa Corporate and Merchant Bank | **183 600** | 183 600 |
| Total credit facilities | **373 600** | 593 600 |
| Utilised | **-** | (408 123) |
| Unutilised | **373 600** | 185 477 |
| Asset finance | | |
| Provided | **455 000** | 540 000 |
| Utilised | **(156 281)** | (38 651) |
| Unutilised | **298 719** | 501 349 |
| Guarantees | | |
| Provided | **101 088** | 166 360 |
| Utilised | **(5 066)** | (30 851) |
| Unutilised | **96 022** | 135 509 |

## 41 OPERATING LEASES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| *Leases as lessee* Non-cancellable operating lease rentals are payable as follows: | **2010 R'000** | **2009 R'000** | **2010 R'000** | **2009 R'000** |
| Less than one year | **690** | 732 | **690** | 732 |
| Between one and five years | **907** | 1 948 | **907** | 1 948 |
| More than five years | **-** | - | **-** | 921 |
| | **1 597** | 2 680 | **1 597** | 3 601 |

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 2010, R60 million was recognised as an expense in the income statement in respect of operating leases (2009: R70 million).

*Leases as lessor*

The Group leases out certain of its investment properties under operating leases, (refer note 7). The future minimum lease receipts under non-cancellable leases are as follows:

| | GROUP 2010 | GROUP 2009 | COMPANY 2010 | COMPANY 2009 |
|---|---|---|---|---|
| Less than one year | **3 140** | 2 572 | **3 140** | 2 572 |
| Between one and five years | **6 440** | 6 603 | **6 440** | 6 603 |
| | **9 580** | 9 175 | **9 580** | 9 175 |

During the year ended 31 March 2010, R6 million was recognised as rental income in the income statement (2009: R5,5 million) and R3 million in respect of repairs and maintenance was recognised as an expense in the income statement relating to investment property (2009: R0,072 million).

## 42 COMMITMENTS

| | GROUP AND COMPANY | |
|---|---|---|
| | **2010 R'000** | **2009 R'000** |
| Capital commitments | | |
| Contracted for | **94 214** | 377 068 |
| Approved but not contracted for | **377 066** | 509 685 |
| | **471 280** | 886 753 |
| Programme, film and sports rights | **1 372 400** | 2 593 394 |
| Total purchase commitments | **1 843 680** | 3 480 147 |
| The capital commitment is to be financed as follows: | | |
| Internally generated funds | **409 105** | 415 174 |
| Existing credit facilities | **10 267** | 340 000 |
| Government funding | **51 908** | 131 579 |
| | **471 280** | 886 753 |

*42 COMMITMENTS (continued)*

Commitments for programme, film and sports rights will be funded internally. The local commitments and the currency exposure on foreign programme, film and sports rights at 31 March 2010 is as follows:

| | **Local Commit-ments** | **Foreign commit-ments** | | **Total** |
|---|---|---|---|---|
| | **R'000** | **R'000** | **R'000** | **R'000** |
| *Year ending 31 March 2011* | **663 305** | **25 640** | **190 570** | **853 875** |
| Local | 663 305 | - | - | 663 305 |
| Foreign - US Dollar | - | 24 800 | 182 228 | 182 228 |
| Foreign - Euro | - | 840 | 8 342 | 8 342 |
| *Year ending 31 March 2012* | **239 358** | **13 284** | **97 611** | **336 969** |
| Local | 239 358 | - | - | 239 358 |
| Foreign - US Dollar | - | 13 284 | 97 611 | 97 611 |
| Foreign - Euro | - | - | - | - |
| *Year ending 31 March 2013* | **15 503** | **9 370** | **71 020** | **86 523** |
| Local | 15 503 | - | - | 15 503 |
| Foreign - US Dollar | - | 8 530 | 62 678 | 62 678 |
| Foreign - Euro | - | 840 | 8 342 | 8 342 |
| *Year ending 31 March 2014* | **3 953** | **8 210** | **60 327** | **64 280** |
| Local | 3 953 | - | - | 3 953 |
| Foreign - US Dollar | - | 8 210 | 60 327 | 60 327 |
| Foreign - Euro | - | - | - | - |
| *Year ending 31 March 2015* | **-** | **3 890** | **3 753** | **30 753** |
| Local | - | - | - | - |
| Foreign - US Dollar | - | 3 050 | 22 411 | 22 411 |
| Foreign - Euro | - | 840 | 8 342 | 8 342 |
| **Total commitments** | **922 119** | **60 394** | **450 281** | **1 372 400** |

The Group has committed R10 million to the SABC Foundation for educating future generations.

## 43 CONTINGENCIES

**Contingent liabilities comprise claims lodged by third parties against the Group which, in some cases, may be reduced by a counter-claim for insurance. Some of these claims actual cash flow expectancy has been provided for in the legal provision. The claims details are as follows:**

(i) The Government Employee Pension Fund represented by the Public Investment Corporation instituted a claim of approximately R377 million plus interest against the SABC. The claim arose from purported cancellation of a lease agreement for certain assets previously leased by Bophuthatswana Broadcasting Corporation. The SABC has, in the course of proceedings, joined certain third parties as litigants. The parties, including the joined litigants, are in the process of exchanging pleadings with a view to set the matter down for trial in October 2010. The parties are also in settlement discussions.

(ii) Trustco (Proprietary) Limited instituted a claim against the SABC for an alleged breach of contract relating to a wireless agreement for a game show on SABC 2. The SABC was found to have repudiated the contract and ordered to pay R24million plus interest calculated from date of repudiation to date of payment, to Trustco for loss of profits. Both parties are appealing the award.

(iii) Digital Horizon is suing the SABC for allegedly awarding a tender to a party in breach of its own tender processes. The value of the tender is in excess of R400 million. The matter was postponed sine die (indefinitely) at the instance of Digital Horizons in November 2009.

(iv) The SABC is in discussions with the South African Revenue Service regarding the treatment of withholding tax on intellectual property rights. For the years of assessment 2001 and 2002 when the SABC had yet to be corporatised, there is potential exposure that is still to be clarified.

(v) The SABC is a member of the National Association of Broadcasters (NAB). NAB is in dispute with the South African Music Performers Rights Association (SAMPRA) regarding "needletime" royalties payable to SAMPRA in terms of the Copyright Act 98 of 1978 for content previously aired. The amount under dispute is R132million.

**Contingent assets comprise claims lodged by the SABC against third parties.**

(i) The SABC is suing its suppliers for a breach of contract. The SABC had licensed and paid for certain content from the supplier which the suppliers had delivered as agreed but the SABC was prevented from beneficial use of the content at the instance of a third party who was previously a contracting party to the supplier over the content supplied to the SABC

## 44 RELATED PARTIES

The Group is 100% controlled by its shareholder, the Government, represented by the Department of Communications.

The Group is a Schedule 2 public entity in terms of the Public Finance Management Act, no 1 of 1999 as amended. The related party disclosure is in terms of the requirements of IAS 24 - Related Parties Disclosures and the specific guidance given by the South African Institute of Chartered Accountants.

The related parties of the Group consist mainly of government departments, state-owned enterprises, other public entities in the national sphere of government and key management personnel of the Company or its shareholder and close family members of these related parties. The related parties of the Company also include its subsidiaries (see note 9). The list of public entities in the national sphere of government was provided by National Treasury on their website www.treasury.gov.za.

The Group with regards to government related entities is required to disclose the nature and amount of each individually significant transaction and for other transactions that are collectively but not individually significant, a quantitative or qualitative indication of their extent.

*44 RELATED PARTIES (continued)*

*(i) Transactions with subsidiaries*

| | COMPANY | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| | Amount of transactions R'000 | Amounts owed (to)/by subsidiary R'000 | Amount of transactions R'000 | Amounts owed (to)/by subsidiary R'000 |
| SABC Airwave (Proprietary) Limited trading as Airwave Travel | **18 970** | **6 543** | (4 513) | (12 427) |
| Auckland Programme Trade B.V. (incorporated in the Netherlands) | **3 036** | **(12 606)** | (448) | (15 642) |
| | **22 006** | **(6 063)** | (4 961) | (28 069) |

Related party relationships exists between the Company and its wholly-owned subsidiaries, Airwave Travel and Auckland Programme Trade B.V. The Company has entered into a number of transactions with Airwave Travel for bookings and accommodation for business trips. Transactions entered into are in the normal course of business and on an arm's length basis. Amounts due and owing are settled accordingly. Auckland Programme Trade B.V. is managed by Orange Field Trust, Netherlands and transactions within this subsidiary are limited to administration costs and exchange differences arising from the translation of items into Rand (its functional currency under IAS 21 - The Effects of Changes in Foreign Exchange Rates). Goods and services are bought/sold to subsidiaries on an arm's length basis at market related prices.

*(ii) Significant Transactions with government related entities*

| | GROUP AND COMPANY 2010 R'000 |
|---|---|
| **Included in Revenue are the following:** | |
| *Aggregate of all transactions that are collectively significant* | |
| Independent Electoral Commission | **(19 802)** |
| Aggregate Sales to other government related entities not listed above | **(99 348)** |
| | **(119 150)** |

Goods and services are sold to and purchased from related parties on an arm's length basis at market related prices.

| | GROUP 2010 R'000 | COMPANY 2010 R'000 |
|---|---|---|
| **Purchases of goods and services** | | |
| *Aggregate of all transactions that are collectively significant* | | |
| South African Post Office Limited | **23 751** | **23 751** |
| Telkom South Africa Limited | **44 186** | **44 186** |
| Sentech Limited | **497 418** | **497 418** |
| South African Revenue Service | **475 376** | **475 376** |
| - Income Tax | **(128 115)** | **(128 115)** |
| - Value-Added-Taxes | **243 776** | **243 776** |
| - Employee taxes (Pay-As-You-Earn ("PAYE")) | **359 715** | **359 715** |
| Aggregate Purchases from other government related entities | **2 990** | **2 990** |
| | **1 043 721** | **1 043 721** |

Goods and services are sold to and purchased from related parties on an arm's length basis at market related prices.

| | GROUP AND COMPANY 2009 R'000 |
|---|---|
| **Included in Revenue are the following:** | |
| *Aggregate of all transactions that are collectively significant* | |
| Department of Education | (20 398) |
| Department of Health | (17 355) |
| Department of Foreign Affairs | (13 579) |
| Department of Local Government & Housing | (13 789) |
| Independent Electoral Commission | (24 097) |
| Parliament of South Africa | (19 687) |
| Aggregate Sales to other government related entities not listed above | (140 253) |
| | (249 158) |

Goods and services are sold to and purchased from related parties on an arm's length basis at market related prices.

*44 RELATED PARTIES (continued)*

*(ii) Significant Transactions with government related entities (continued)*

| | GROUP | COMPANY |
|---|---|---|
| | 2009 | |
| **Purchases of goods and services** | R'000 | R'000 |
| *Aggregate of all transactions that are collectively significant* | | |
| South African Post Office Limited | 26 982 | 26 982 |
| Telkom South Africa Limited | 44 007 | 44 007 |
| Sentech Limited | 444 051 | 444 051 |
| Sector Education and Training Authority ("SETA") | 15 044 | 15 044 |
| South African Revenue Service | 526 318 | 526 318 |
| - Income Tax | (25 427) | (22 483) |
| - Value-Added-Taxes | 202 122 | 202 122 |
| - Employee taxes (Pay-As-You-Earn ("PAYE")) | 349 623 | 349 623 |
| Aggregate Purchases from other government related entities | 13 828 | 13 828 |
| | 1 070 230 | 1 073 174 |

Goods and services are sold to and purchased from related parties on an arm's length basis at market related prices.

| | | GROUP AND COMPANY | | | |
|---|---|---|---|---|---|
| | | 2010 | | 2009 | |
| *(iii) Grants and sponsorships* | Note | Amount of transactions R'000 | Outstanding balance R'000 | Amount of transactions R'000 | Outstanding balance R'000 |
| Government grants recognised in revenue | *29* | **305 559** | **-** | 106 068 | - |
| Deferred government grant | *23* | **-** | **450 959** | - | 383 285 |
| | | **305 559** | **450 959** | 106 068 | 383 285 |
| *(iv) Interest payments* | | | | | |
| Shareholder - permanent capital | | **1 780** | **27 390** | 1 780 | 27 390 |
| *(v) Employee benefit payments* | | | | | |
| SABC Pension fund | | **(115 028)** | **285 819** | (210 192) | 320 598 |
| SABC Medical aid scheme | | **(126 425)** | **-** | (116 378) | - |
| | | **(241 453)** | **285819** | (326 570) | 320 598 |

*(vi) Administered projects*

The Group has been delegated with the responsibility by the Department of Communications to administer Channel Africa and the Community Radio Project, which are sub-divisions of the Department of Communications. The net amount of administered projects of R2 million (2009: R6 million) is included in trade and other payables and or trade and other receivables.

| | GROUP AND COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | 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 2010** | | | | | | |
| Channel Africa | **158** | **36 192** | **(38 354)** | **-** | **-** | **(2 004)** |
| Community Radio Project | **(2 278)** | **6 726** | **(7 047)** | **(6 500)** | **547** | **(8 552)** |
| | **(2 120)** | **42 918** | **(45 401)** | **(6 500)** | **547** | **(10 556)** |
| **For the year ended 31 March 2009** | | | | | | |
| Channel Africa | 1 020 | 34 834 | (35 696) | - | - | 158 |
| Community Radio Project | 244 | 18 017 | (22 775) | (3) | 2 239 | (2 278) |
| | 1 264 | 52 851 | (58 471) | (3) | 2 239 | (2 120) |

| | 2010 | 2009 |
|---|---|---|
| *(vii) Administered funds* | R'000 | R'000 |
| Bank balances of Community Radio Project | **11 292** | 18 017 |

(viii) *Service contracts for executive directors*

| | | |
|---|---|---|
| Service contract | Mr Q.S.M.M. Mokoetle | Mr R.A. Nicholson |
| - start date | 1 January 2010 | 01 July 2001 |
| - end date | 31 December 2015 | 30 June 2011 |
| Service period | 5 years | 10 years |
| Remaining | 4 years and 9 months | 1 year and 3 months |

44 Related parties (continued)

(xi) Directors' and key management personnel compensation

| Year ended 31 March 2010 | Service as | Service period in months | Basic salary R'000 | Bonuses and com-missions R'000 | Expenses and other allow-ances R'000 | Employer's contribution to pension fund, medical aid and other^ R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| | | Remuneration paid to the person in any capacity | | | | | |
| *Members of the Accounting Authority* | | | | | | | |
| **Non-executive directors** | | | | | | | |
| Ms. K. Mkonza | Board Chairperson** | 3 | - | - | 68 | - | 68 |
| Ms. N. Bulbulia | Board Member | 3 | - | - | 22 | - | 22 |
| Prof A. Gillwald | Board Member | 3 | - | - | 41 | - | 41 |
| Mr. D.K. Golding | Board Member | 6 | - | - | 112 | - | 112 |
| Mr. B.B. Khumalo | Board Member | 3 | - | - | 50 | - | 50 |
| Ms. F. Lagadien | Board Member | 3 | - | - | 32 | - | 32 |
| Mr. A. Mbeki | Board Member | 3 | - | - | 36 | - | 36 |
| Ms. G.T. Serobe | Board Member | 3 | - | - | 41 | - | 41 |
| Mr. A.H. Trikamjee | Board Member | 3 | - | - | 46 | - | 46 |
| Adv E.F.P Tlakula | Board Member | 3 | - | - | 17 | - | 17 |
| Ms. I. Charnley | Board Chairperson*** | 6 | - | - | - | - | 0 |
| Dr. P. Mtimkulu | Board Member | 6 | - | - | 275 | - | 275 |
| Mr. L. Sedibe | Board Member | 6 | - | - | 160 | - | 160 |
| Ms. S. Vos | Board Member# | 9 | - | - | 250 | - | 250 |
| Ms. L. Lloyd | Board Member | 6 | - | - | 208 | - | 208 |
| Dr. B.B. Ngubane | Board Chairperson**** | 3 | - | - | 136 | - | 136 |
| Mr. D. Niddrie | Board Member | 3 | - | - | 82 | - | 82 |
| Mr. CS. Gina | Board Member | 3 | - | - | 87 | - | 87 |
| Ms. C. O'Neil | Board Member | 3 | - | - | 88 | - | 88 |
| Mr. P.P. Green | Board Member | 3 | - | - | 41 | - | 41 |
| Ms. B. Masekela | Board Member | 3 | - | - | 57 | - | 57 |
| Mr. P.J. Harris | Board Member ## | 3 | - | - | 243 | - | 243 |
| Ms. F. Sekha | Board Member | 3 | - | - | 70 | - | 70 |
| Ms. M. Mello | Board Member | 3 | - | - | 78 | - | 78 |
| Mr. N. Motsepe | Board Member | 3 | - | - | 64 | - | 64 |
| **Executive directors** | | | | | | | |
| Mr. Q.S.M.M. Mokoetle | Group Chief Executive Officer* | 3 | 577 | - | 66 | 56 | 699 |
| Mr. R.A. Nicholson | Chief Financial Officer | 12 | 1 554 | - | 798 | 183 | 2 535 |
| **Senior Management** | | | | | | | |
| T. Melk | Company Secretary | 12 | 1 030 | - | 375 | 101 | 1 506 |
| G. L. Mampone | Group Executive and Acting Group Chief Excecutive Officer ***** | 12 | 1 106 | - | 713 | 140 | 1 959 |
| R. Waghorn | Group Executive | 12 | 2 303 | - | 1 334 | 18 | 3 655 |
| P. Luthuli | Group Executive | 4 | 517 | - | 117 | 65 | 699 |
| T.C.C. Mampane | Acting Chief Operating Officer | 12 | 1 508 | - | 268 | 173 | 1 949 |
| N. M. Mofokeng | Group Executive | 12 | 967 | - | 205 | 115 | 1 287 |
| M.M. Mbebe | Group Executive | 11 | 1 331 | - | 257 | 156 | 1 744 |
| L.P. Mokhobo | Group Executive | 12 | 1 464 | - | 251 | 169 | 1 884 |
| P. Ntombela-Nzimande | Group Executive | 12 | 1 244 | - | 340 | 120 | 1 704 |
| K Kganyago | Group Executive | 12 | 672 | - | 229 | 67 | 968 |
| M. B. Sathekge | Group Executive | 12 | 822 | - | 232 | 113 | 1 167 |
| S.J. Mathebula | Acting Group Executive | 12 | 567 | - | 312 | 91 | 970 |
| P Naves | Group Executive | 8 | 662 | - | 186 | 648 | 1 496 |
| R Nkwe | Acting Group Executive | 9 | 700 | 76 | 165 | 101 | 1 042 |
| D Mwelase | Acting Group Executive | 3 | 144 | - | 46 | 16 | 206 |
| L Ntloko | Acting Group Executive | 7 | 535 | - | 162 | 22 | 719 |
| N Ndhlovu | Acting Group Executive | 8 | 451 | - | 150 | 64 | 665 |
| T Dlamini | Acting Group Executive | 3 | 122 | - | 48 | 10 | 180 |
| N Sibisi | Acting Group Executive | 5 | 363 | - | 134 | 46 | 543 |
| R Morobe | Acting Group Executive | 4 | 232 | - | 71 | 26 | 329 |
| S Sithole | Group Executive | 10 | 966 | - | 305 | 256 | 1 527 |
| T. Ntenteni | Group Executive | 12 | 1 127 | - | 258 | 125 | 1 510 |
| A. Heunis | Group Executive | 12 | 1 113 | - | 260 | 140 | 1 513 |
| I Tseisi | Acting Group Executive | 2 | 160 | - | 54 | 19 | 233 |
| P. Molefe | Acting Group Executive | 11 | 680 | - | 311 | 99 | 1 090 |
| S.J. Zikalala | Group Executive | 1 | 121 | - | 31 | 473 | 625 |
| **Total remuneration** | | | 23 038 | 76 | 9 982 | 3 612 | 36 708 |

*** - Board Chairperson until 09 July 2009*
**** - Board Chairperson from 10 July 2009 until 9 January 2010*
***** - Board Chairperson from 10 January 2010*
** - Group Chief Executive from 01 January 2010*
****** - Acting Group Chief Executive until 31 December 2009*
*^ - Excluding contributions obtained from pension fund holiday*
*# - Served on interim board of directors for six months and three months on the current board of directors*
*## - Include the services being the provision on legal services of R180K*

*44 Related parties (continued)*

*(xi) Directors' and key management personnel compensation*

| Year ended 31 March 2009 | Service as | Service period in months | Basic salary R'000 | Bonuses and commissions R'000 | Expenses and other allowances R'000 | Employer's contribution to pension fund, medical aid and other R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| | | Remuneration paid to the person in any capacity | | | | | |
| *Members of the Accounting Authority* | | | | | | | |
| **Non-executive directors** | | | | | | | |
| Ms. K. Mkonza | Board Chairperson | 12 | - | - | 592 | - | 592 |
| Ms. C. Qunta | Board Member | 12 | - | - | 441 | - | 441 |
| Ms. N. Bulbulia | Board Member | 12 | - | - | 191 | - | 191 |
| Prof A. Gillwald | Board Member | 12 | - | - | 264 | - | 264 |
| Mr. D.K. Golding | Board Member | 12 | - | - | 300 | - | 300 |
| Mr. B.B. Khumalo | Board Member | 12 | - | - | 310 | - | 310 |
| Ms. F. Lagadien | Board Member | 12 | - | - | 289 | - | 289 |
| Mr. A. Mbeki | Board Member | 12 | - | - | 345 | - | 345 |
| Ms. G.T. Serobe | Board Member | 12 | - | - | 275 | - | 275 |
| Mr. A.H. Trikamjee | Board Member | 12 | - | - | 298 | - | 298 |
| Adv E.F.P Tlakula | Board Member | 12 | - | - | 169 | - | 169 |
| Mr. B.P. Vundla | Board Member | 12 | - | - | 273 | - | 273 |
| **Executive directors** | | | | | | | |
| Advocate D.C. Mpofu | Group Chief Executive Officer | 10 | 8 416 | - | 267 | 253 | 8 936 |
| Mr. R.A. Nicholson | Chief Financial Officer | 12 | 1 554 | 596 | 640 | 259 | 3 049 |
| **Senior Management** | | | | | | | |
| T. Melk | Company Secretary | 6 | 515 | 77 | 82 | 226 | 900 |
| R. Naidoo | Company Secretary | 12 | 938 | 168 | 231 | - | 1 337 |
| N. Simelane | Acting Company Secretary | 6 | 196 | 44 | 39 | - | 279 |
| G. L. Mampone | Acting Group Chief Executive Officer | 12 | 1 106 | 192 | 553 | 678 | 2 529 |
| N. Bonthys | Acting Group Executive | 11 | 540 | 100 | 208 | 153 | 1 001 |
| R. Waghorn | Group Executive | 1 | 192 | - | 85 | - | 277 |
| P. Luthuli | Group Executive | 12 | 1 404 | 207 | 317 | 321 | 2 249 |
| T.C.C. Mampane | Acting Chief Operating Officer | 12 | 1 508 | 247 | 231 | 193 | 2 179 |
| N. M. Mofokeng | Group Executive | 6 | 523 | 97 | 100 | - | 720 |
| M.M. Mbebe | Group Executive | 12 | 1 452 | 242 | 231 | 379 | 2 304 |
| L.P. Mokhobo | Group Executive | 12 | 1 464 | 232 | 231 | 221 | 2 148 |
| P.M. Naves | Group Executive | 12 | 993 | 180 | 231 | 134 | 1 538 |
| P. Ntombela-Nzimande | Group Executive | 12 | 1 244 | 184 | 317 | 197 | 1 942 |
| S. Sithole | Group Executive | 12 | 892 | 163 | 191 | 61 | 1 307 |
| M.B. Sathekge | Group Executive | 12 | 783 | 149 | 166 | 88 | 1 186 |
| T. Ntenteni | Group Executive | 12 | 1 127 | 182 | 231 | 160 | 1 700 |
| S.J. Mathebula | Acting Group Executive | 8 | 378 | 80 | 156 | 59 | 673 |
| E. Oosthuizen | Group Executive | 4 | 252 | - | 99 | 116 | 467 |
| T.S. Mathibe | Acting Group Executive | 6 | 371 | 57 | 83 | - | 511 |
| A. Heunis | Group Executive | 12 | 1 111 | 195 | 231 | 226 | 1 763 |
| M.K. Kganyago | Group Executive | 12 | 640 | 98 | 166 | 107 | 1 011 |
| S.J. Zikalala | Group Executive | 12 | 1 453 | 242 | 231 | 300 | 2 226 |
| **Total remuneration** | | | 29 052 | 3 732 | 9 064 | 4 131 | 45 979 |

## 45 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 2019: SABC 1 and SABC 2.

The Group was granted the following Commercial 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 2019: SABC 3.

The Group was granted the following Public Sound Broadcasting Licences by the Public Service Division of ICASA for the period 23 March 2004 to 22 March 2014: 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, X-K FM and TRU FM.

The Group was granted the following Commercial Sound Broadcasting Licences by the Public Service Division of ICASA for the period 23 March 2004 to 22 March 2014: 5 FM, METRO FM and GOOD HOPE FM.

The licence area for all of the licences above is the Republic of South Africa. The Licences were granted at no consideration and the Group is required to comply with the applicable regulations as amended from time to time. No subsequent expenditure has been incurred on these licences.

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

*(i) All losses through criminal conduct and any irregular expenditure*

Section 1 of the Public Finance Management Act, No. 1 of 1999, as amended, defines irregular expenditure as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not incurred in accordance with a requirement of any applicable legislation.

The following amounts have been determined as being losses through criminal conduct and losses through irregular expenditure, in terms of section 55(2)(b)(i) of the Public Finance Management Act, No. 1 of 1999, as amended:

| Case number | Action taken | Losses identified R'000 | Losses recovered year to date R'000 | Losses written off R'000 | Recovery outstand-ing R'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2010** | | | | | |
| Case 1 | Disciplinary action | **89 800** | **-** | **(89 800)** | **-** |
| Case 2 | No action required | **2 000** | **-** | **(2 000)** | **-** |
| Case 3 | No action required | **2 000** | **-** | **(2 000)** | **-** |
| Case 4 | No action required | **2 500** | **-** | **(2 500)** | **-** |
| Case 5 | No action required | **1 665** | **-** | **(1 665)** | **-** |
| Case 6 | Disciplinary action | **2 028** | **-** | **(2 028)** | **-** |
| Case 7 | No action required | **1 774** | **-** | **(1 774)** | **-** |
| Case 8 | No action required | **3 027** | **-** | **(3 027)** | **-** |
| Case 9 | No action required | **2 795** | **-** | **(2 795)** | **-** |
| Case 10 | No action required | **40 953** | **-** | **(40 953)** | **-** |
| Case 11 | Corrective action | **8 293** | **-** | **(8 293)** | **-** |
| Case 12 | Corrective action | **1 720** | **-** | **(1 720)** | **-** |
| Case 13 | Corrective action | **1 636** | **-** | **(1 636)** | **-** |
| Case 14 | Corrective action | **6 864** | **-** | **(6 864)** | **-** |
| Aggregate of all other losses not material | Various | **20 200** | **-** | **(20 200)** | **-** |
| **Total** | | **187 255** | **-** | **(187 255)** | **-** |
| **Year ended 31 March 2009** | | | | | |
| Case 1 | Control reviews | 5 794 | - | (5 794) | - |
| Case 2 | Control reviews | 4 672 | - | (4 672) | - |
| Case 3 | Disciplinary action | 4 604 | - | (4 604) | - |
| Case 4 | Disciplinary action | 15 000 | - | (15 000) | - |
| Aggregate of all other losses not material | Various | 3 614 | (43) | (3 048) | 523 |
| **Total** | | 33 684 | (43) | (33 118) | 523 |

*(ii) Material losses through fruitless and wasteful expenditures*

Section 1 of the Public Finance Management Act, No. 1 of 1999, as amended, defines fruitless and wasteful expenditure as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

The following material losses, through fruitless and wasteful expenditure have been identified as being reportable in terms of the materiality framework approved by the Minister of Communications for the year under review:

| Case number | Action taken | Losses identified R'000 | Losses recovered year to date R'000 | Losses written off R'000 | Recovery outstand-ing R'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2010** | | | | | |
| Case 1 | No action required | **11 174** | **-** | **(11 174)** | **-** |
| Case 2 | Losses written off | **3 285** | **-** | **(3 285)** | **-** |
| Case 3 | Additional stock impairment | **33 670** | **-** | **(33 670)** | **-** |
| Case 4 | Investigation in progress | **12 000** | **-** | **-** | **12 000** |
| Aggregate of all other losses not material | Various | **10 347** | **-** | **-** | **10 347** |
| **Total** | | **70 476** | **-** | **(48 129)** | **22 347** |
| **Year ended 31 March 2009** | | | | | |
| Case 1 | Progressive disciplinary action and recovery and renegotiation | 17 144 | - | - | 17 144 |
| Case 2 | Additional stock impairment | 30 333 | - | (30 333) | - |
| Aggregate of all other losses not material | Various | 1 478 | (548) | (383) | 547 |
| Total | | 48 955 | (548) | (30 716) | 17 691 |

# Glossary of Terms used in the Report



| | | |
|---|---|---|
| **ABMP** | – | African Broadcasters' Media Partnership |
| **ASA** | – | Advertising Standards Authority |
| **AUB** | – | African Union of Broadcasters |
| **BBBEE** | – | Broad-Based Black Economic Empowerment |
| **BCCSA** | – | Broadcasting Complaints Commission of South Africa |
| **BIT** | – | Broadcast Information Technology |
| **CCC** | – | Customer Competency Centre |
| **CCMA** | – | Commission for Conciliation, Mediation and Arbitration |
| **DoC** | – | Department of Communications |
| **DTT** | – | Digital Terrestrial Television |
| **EAP** | – | Employee Assistance Programme |
| **EE** | – | Employment Equity |
| **ER** | – | Employee Relations |
| **ERM** | – | Enterprise Risk Management |
| **EVS** | – | Enumeration Verification System |
| **FIFA** | – | Federation of International Football Associations |
| **FM** | – | Frequency Modulation |
| **GE** | – | Group Executive |
| **HCS** | – | Human Capital Services |
| **HD** | – | High Definition |
| **HDTV** | – | High Definition Television |
| **IAS** | – | International Accounting Standards |
| **ICASA** | – | Independent Communications Authority of South Africa |
| **ICDL** | – | International Committee on Communication |
| **IEC** | – | Independent Electoral Commission |
| **IFRIC** | – | International Financial Reporting Interpretations Committee |
| **IFRS** | – | International Financial Reporting Standards |
| **IMF** | – | Information Management Framework |
| **IPF** | – | Independent Professional's Forum |
| **IT** | – | Information Technology |

| | | |
|---|---|---|
| **LOC** | – | Local Organising Committee |
| **LSM** | – | Living Standards Measure |
| **MAPPP-SETA** | – | Media, Advertising, Publishing, Printing, Packaging – Sector Education Training Authority |
| **MHEG** | – | Multimedia and Hypermedia information coding Expert Group |
| **MMF** | – | Middle Managers' Forum |
| **MTEF** | – | Medium Term Expenditure Framework |
| **NCA** | – | National Credit Act |
| **NSF** | – | National Skills Fund |
| **OB** | – | Outside Broadcast |
| **PAYE** | – | Pay As You Earn |
| **PBI** | – | Public Broadcasters International |
| **PBS** | – | Public Broadcast Service |
| **PCC** | – | Portfolio Committee on Communication |
| **PCS** | – | Public Commercial Service |
| **PFMA** | – | Public Finance Management Act |
| **PIC** | – | Public Investment Corporation |
| **PPE** | – | Property, Plant and Equipment |
| **PSBF** | | Public Service Broadcasting Fund |
| **RBF** | – | Radio Broadcast Facilities |
| **SAARF** | – | South African Advertising Research Foundation |
| **SABA** | – | Southern African Broadcasting Association |
| **SABC** | – | South African Broadcasting Corporation Limited |
| **SABE** | – | Southern African Bond Exchange |
| **SAFTA** | – | South African Film and Television Awards |
| **SAP** | – | System Application and Products in Data Processing |
| **SAP CCC** | – | SAP Customer Competency Centre |
| **SATMA** | – | South African Traditional Music Awards |
| **SETA** | – | Sector Education and Training Authority |
| **STB** | – | Set-top box |
| **TV** | – | Television |
| **TVBMS** | – | TV Broadcast Management System |
| **TVIEC** | – | Television Industry Emergency Coalition |



*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.*

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SABC

South African Broadcasting Corporation Limited

2010 Annual Report