

# vision

The **SABC** inspires change through enriching, credible, relevant and compelling content that is accessible by all.

# mission

To educate, inform and entertain all audiences accessing **SABC** services.

# values

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

This is the 80<sup>th</sup> Annual Report of the South African Broadcasting Corporation (SOC) Limited, referred to as 'SABC', 'the Corporation' or 'the Company' (Registration Number: 2003/023915/30).

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

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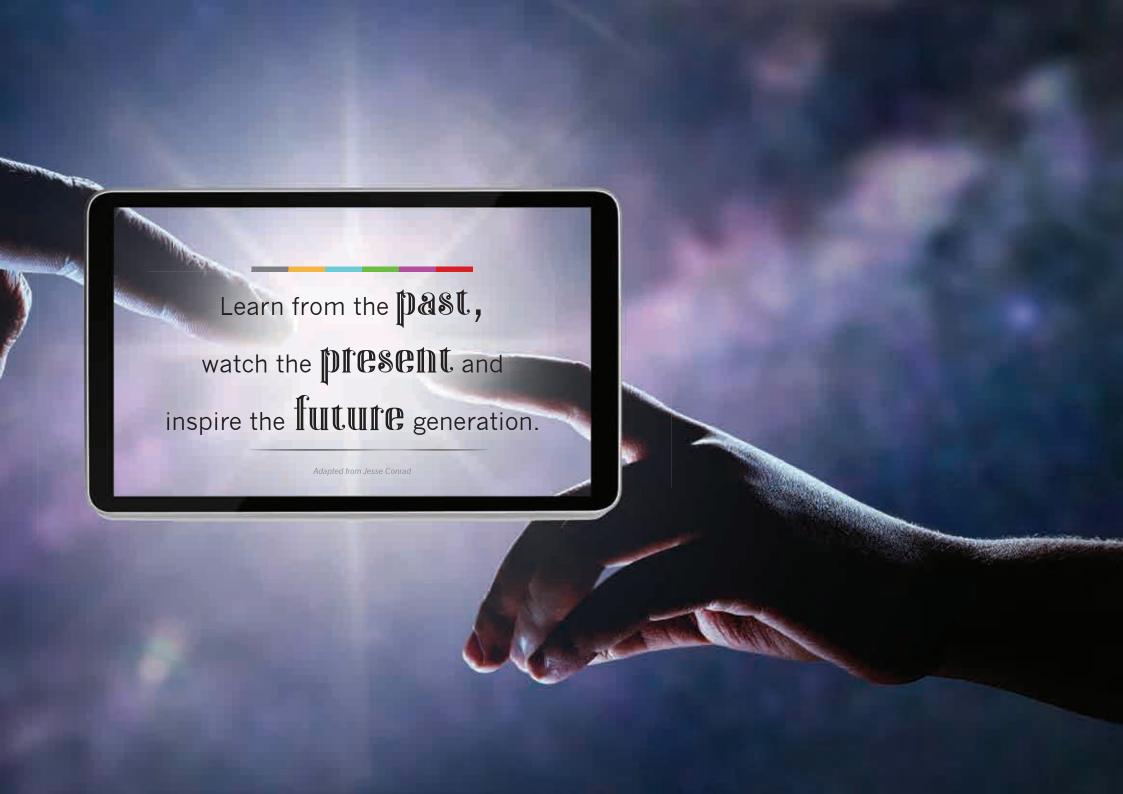
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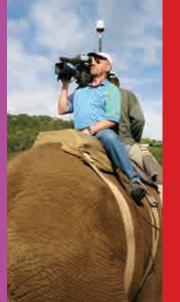




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At work inside the outside broadcast vehicles.

# List of abbreviations

	15+	Over 15 years of age	CCC	Complaints Compliance Committee
ACA	Association for Communications and	CI	Corporate Identity	
		Advertisements	CoJ	City of Johannesburg
	AFCON	Africa Cup of Nations	CSA	Cricket South Africa
	AFS	Annual Financial Statements	CSI	Corporate Social Investment
	AGM	Annual General Meeting	DA	Democratic Alliance
	AGSA	Auditor General of South Africa	DAB	Digital Audio Broadcasting
	ALS	African Language Radio Stations	DAF	Delegation of Authority Framework
	AMPS	All Media Products Survey	DoA	Delegation of Authority
	ASASA	Advertising Standards of South Africa	DoC	Department of Communications
	AR	Audience Rating	DSAT	Digital Satellite
	ATKV	Afrikaanse Taal en Kultuur Vereniging	DStv	Digital Satellite Television
	AU	African Union	DTH	Direct-to-Home (satellite distribution)
	BA	Broadcasting Act	DTT	Digital Terrestrial Television
	BAC	Bid Adjudication Committee	EAP	Employee Assistance Programme
	B-BBEE	Broad Based Black Economic Empowerment	ECA	Electronics Communications Act
	BCCSA	Broadcasting Complaints Commission of South		
		Africa	ED	Economic Development
	BRC	Broadcast Research Council	EE	Employment Equity
	BRICS	Brazil, Russia, India, China and South Africa	EMS	Emergency Management Services
	BYOD	Bring Your Own Device	EPG	Electronic Programme Guide
	CAATS	Computer Aided Audit Tools	EVP	Employee Value Proposition
	CAF	Confederation of African Football	EXCO	Executive Committee
	CAGR	Conpound Average Growth Rate	FAMSA	Family and Marriage Society of South Africa
	Capex	Capital Expenditure	FCC	Final Control Centre

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FM	Frequency Modulation	LAN	Local Area Network	PBS	Public Broadcasting Services
FPB	Film and Publication Board	LPT	Low Power Transmitters	PCC	Portfolio Committee on Communications
GCEO	Group Chief Executive Officer	LTO	Linear Tape Open	PCS	Public Commercial Services
GE	Group Executive	MCR	Main Control Room	PEB	Public Election Broadcast
GIA	Group Internal Audit	MDM	Mobile Device Management	PFMA	Public Finance Management Act No. 1 of 1999
GIBS	Gordon Institute of Business Science	MEC	Member of Executive Council	PGM	Provincial General Manager
HD	High Definition	MEX	Music Exchange Conference	PSA	Public Service Announcement
HDTV	High Definition Television	MHz	Megahertz	PSL	Premier Soccer League
HR	Human Resources	MICT SE	ETA Media, Information and Communication	PWD	People with Disabilities
ICASA	Independent Communications Authority of South	LPT LTO MCR MDM MEC MEX MHz MICT SET Outh MMA MOI MTEF MTI MTPA NCA NCC NDP NEMISA NFVF NQF OB ODA OTT	Technologies Sector Education and Training Authority	QoS	Quality of Service
100	Africa	MMA	METRO FM Music Awards	QSE	Qualifying Small Enterprises
ICC	International Cricket Council	Mol	Memorandum of Incorporation	RAMS	Radio Audience Measurement Survey
ICT	Information Communications and Technology	MoU	Memorandum of Understanding	RBF	Radio Broadcast Facilities
IDZ	Industrial Development Zone	MTEF	Medium Term Expenditure Framework	ROI	Return on Investment
IEC	Independent Electoral Commission	MTI	Media, Technology and Infrastructure	RSG	Radio Sonder Grense
IFRS	International Financial Reporting Standards	MTPA	Mpumalanga Tourism and Parks Authority	SAARF	South African Audience Research Foundation
IKB	Information Knowledge Building	NCA	National Credit Act	SABC	South African Broadcasting Corporation SOC
IOD	Injury on Duty	NCC	National Consumer Commission		Limited
IP	Internet Protocol	NDD	National Development Plan	SADC	Southern African Development Community
IMPRA	Independent Music Performance Rights		•	SAFA	South African Football Association
	Association		National Electronic Media Institute of South Africa	SAFTA	South African Film and Television Awards
ISO	International Organization for Standardization	NFVF	National Film and Video Foundation	SALGA	South African Local Government Association
ISP	Internet Service Provider	NQF	National Qualifications Framework	SAN	Storage Area Network
IT	Information Technology	ОВ	Outside Broadcast	SANBS	South African National Blood Services
ITIL	Information Technology Infrastructure Library	ODA	Optical Disk Archiving	SAP	System Application and Products in Data
ITSM	Information Technology Service Management	OTT	Over-The-Top		Processing
KPI	Key Performance Indicator	PAA	Public Audit Act No. 25 of 2004	SATMA	South African Traditional Music Awards

**UWC** 

VHF

VOD

WAN

WIL

**WSP** 

**WASPA** 

SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SEM	Socio-Economic Measure
SOC	State Owned Company
SOE	State Owned Enterprise
SONA	State of the Nation Address
SOPA	State of the Province Address
SRSA	Sports and Recreation South Africa
STB	Set Top Box
TAMS	Television Audience Measurement Survey
TGRP	Total Guaranteed Remuneration Package
TOR	Terms of Reference
TV	Television
TVBMS	Television Broadcast Management System

University of Western Cape

Wireless Application Service Providers

Very High Frequency

Video on Demand

Wide Area Network

Work Integrated Learning

Workplace Skills Plan

Association







METRO FM presenter Marian.

The communications landscape is ever evolving due to competition and convergence between broadcasting, telecommunications, digital media and the anticipation of Digital Terrestrial Television (DTT).

## **SABC Radio Stations**

Radio remains a critical source of information to all South Africans, particularly those who have little access to information technology and other platforms.

SABC's radio stations have remained relevant and are a core platform to deliver its public service mandate.

# Showcasing our platforms

#### 18 Radio stations and 5 TV channels

Channel Africa is a radio station managed by the SABC on behalf of the Department of Communication (DoC). The station broadcasts on shortwave spectrum to the Southern, Eastern and Western Africa audiences. The broadcasts are done in English, French, Chinyanja, Portuguese, Silozi and Swahili.

**Ikwekwezi FM** provides information, entertainment and news and caters for the needs and tastes of the IsiNdebele speaking community. Its listeners acknowledge it as their primary source of news and information.

Average weekly audience: 1 401 000 adults (15+)

**Lesedi FM** caters for the Sesotho speaking communities. It is a participatory radio station that touches on issues that have a direct bearing on the needs and development of its listeners.

Average weekly audience: 3 513 000 adults (15+)

**Ligwalagwala FM** reflects an urban and aspirational lifestyle. It is an upbeat radio station that speaks to young, motivated, upwardly mobile siSwati speakers.

Average weekly audience: 990 000 adults (15+)

Lotus FM's target market is the South African Indian community, catering for young and old, across three religious denominations (Hinduism, Islam and Christianity) and in six languages. Lotus FM offers an engaging mix of information, education and entertainment programmes, which reflects the value system of our dynamic audience, and promotes a proudly South African radio brand.

Average weekly audience: 258 000 adults (15+)

Motsweding FM's core philosophy is informed by the personal empowerment and development of its listeners. An aspirational station that is worldly and cosmopolitan, it broadcasts from Mmabatho in Setswana and its listeners depend on the station as their source of education and entertainment. Motsweding FM has spill over listenership in Botswana.

Average weekly audience: 2 601 000 adults (15+)

**Munghana Lonene FM** broadcasts in Xitsonga and supports the aspirations of its listeners whilst ensuring contemporary norms and values. The station emphasises listener participation and actively seeks expert opinion, commentary and advice on various topical issues.

Average weekly audience: 1 098 000 adults (15+)

**Phalaphala FM**'s programming inspires its listeners and gives them a platform to share knowledge and expertise across a range of subjects and issues. It broadcasts from Polokwane, and talks to young aspirant and upwardly mobile black people living in the Northern Province.

Average weekly audience: 785 000 adults (15+)

Radio 2000 is a cosmopolitan national radio station that broadcasts in English. It reflects and unites South Africa's diverse cultures, contributing towards strengthening democracy and nation-building through its programming mix of adult contemporary music, lifestyle programming, sport and events of national importance. Radio 2000 provides quality content and engages audiences in healthy discussions and debates on a wide range of subjects, thus empowering and uplifting citizens of South Africa.

Average weekly audience: 371 000 adults (15+)

**RSG** is a contemporary radio station that represents the modern all-inclusive Afrikaans audience. RSG provides for progressive, forward thinking, loyal and strong family orientated audiences that are proudly Afrikaans speaking South Africans.

Average weekly audience: 1 260 000 adults (15+)

**SAfm** aims to deliver credible and up-to-the-minute news coverage alongside relevant, informed analysis of current affairs. In accordance with its PBS mandate, SAfm also explores broader themes and subjects relevant to its target market and delivers the information in a manner that









































benefits all South Africans. The station targets discerning, mature and sophisticated listeners nationally. The focus is primarily on decision makers seeking insightful and enabling information to keep themselves informed.

Average weekly audience: 145 000 adults (15+)

Thobela FM dedicates its programming to promoting the growth of its listeners, the modernisation of culture and enhancing individual economic development. It broadcasts in Northern Sotho.

Average weekly audience: 2 842 000 adults (15+)

Tru FM views youth and youthfulness as an opportunity and young people as a resource. It broadcasts in IsiXhosa and English and creates a platform for young people to express themselves, empowering its listeners, the youth, to improve their quality of life as well as focusing on their selfdevelopment.

Average weekly audience: 151 000 adults (15+)

Ukhozi FM is the nation's largest radio station. It focuses on edutainment and infotainment and prioritises upliftment. growth and development. Broadcasting in IsiZulu, Ukhozi FM is a leading African Language Station (ALS) and has maintained audiences in excess of 6 million over the last decade.

Average weekly audience: 7 600 000 million adults (15+)

Umhlobo Wenene FM broadcasts in isiXhosa serving its listeners with honour and integrity, providing global entertainment, education and information that inspires a culture of personal growth and development.

Average weekly audience: 5 501 000 adults (15+)

X-K FM targets the San people of Platfontein in the Northern Cape. This community, consists of the !Xu who make up 64% of listeners, and the Khwe, who fall into LSM 1-6. Just under a third of listeners are aged 16-24, 34% are 25-34, 15% are 35-49 and 30% are over 50, 59% of households in the area earn under R500 per month, 32% earn between R500 and R899, and 5% earn between R900 and R1 399.

No audience measurement available due to the small size of the community the station serves.

**5FM** is the entertainment powerhouse for South African youth, offering the most popular contemporary music and entertainment.

Average weekly audience: 757 000 adults (15+)

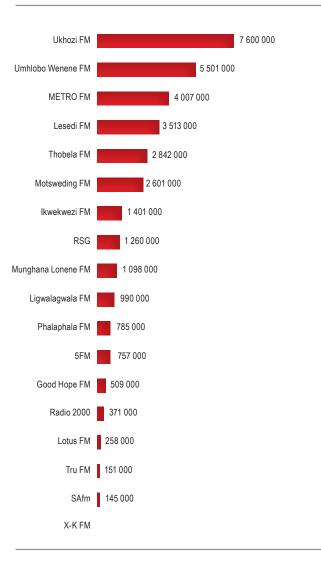
Good Hope FM encapsulates the fun, energy and funkiness of urban Cape Town. It entertains and actively engages Capetonians through music, relevant lifestyle news and events. It is well positioned to meet the lifestyles needs of its audience through showcasing events and public concerns.

Average weekly audience: 509 000 adults (15+)

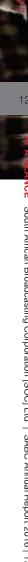
**METRO FM** has a strong influence over youthful urban adults that embrace a pragmatic and successful lifestyle. It is the largest commercial radio station in South Africa with listeners in excess of 4 million. Though primarily a music station. METRO FM also delivers credible and unbiased news reporting that keeps its listeners involved and informed.

Average weekly audience: 4 007 000 adults (15+)

#### **GRAPH:** Summary of Weekly Listenership per Station



Audiences: average weekly audiences as reflected in the Broadcast Research Council (BRC) Radio Audience Measurement Survey (RAMS) covering the period October 2016 - March 2017





Behind the scenes during the production of SABC1's 'Raw Silk'.











# SABC Television Channels

SABC TV consists of three free-to-air channels and two other channels carried on DStv. The channels deliver top quality local and international content in all South African languages throughout the nation. With the freeto-air channels commanding a 53.8% all adult, prime time audience share for the financial year under review, the SABC remains the first choice TV network among all South Africans.

SABC1 is a full spectrum free-to-air channel that represents the youth, whether defined by age or attitude. and their aspirations reflecting a society that is in motion and progressive. The channel broadcasts in both indigenous South African languages and English. Its coverage is via analogue and DTT network covering 91.2% of the population.

It is also available via satellite on the Digital Satellite Television (DStv) and Vivid Direct-to-Home (DTH) digital satellite platforms.

#### 28.8 million viewers in a typical month

SABC2 is a full spectrum free-to-air channel which places family, community and culture at the centre of its programming and activities. The channel broadcasts in indigenous South African languages and English. The coverage is via analogue and DTT network covering 92.5% of the population. It is available via satellite on the DStv and Vivid DTH digital satellite platforms.

#### 26.9 million viewers in a typical month

**SABC3** is a full spectrum free-to-air channel, offering multicultural viewers content that uplifts, challenges, entertains and present a unique world view. Aimed at

aspirant and progressive South Africans. The channel broadcasts primarily in English, and aims to carry 10% of its programmes in indigenous South African languages. Coverage via analogue and DTT network covering 82.1% of the population. It is available via satellite on the DStv and Vivid DTH digital satellite platforms.

#### 21 million viewers in a typical month

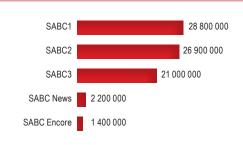
SABC News is broadcast on DSty channel 404 and offers breaking news and continuous news updates. It is a seamless fusion of live journalism and current affairs programming throughout the day. The channel broadcasts in English and reaches 51 African countries as it aspires to be a Pan-African channel. The channel has the second highest number of audiences on the DStv news block; and continues to display impressive growth.

2.2 million South African viewers in a typical month. (The SABC is currently not able to measure other African audience numbers).

SABC ENCORE is a retro channel showcasing and celebrating SABC programming from the 1980's and 1990's. The channel, an integral part of SABC's move towards a multi-channel environment, is currently being carried on DStv channel 156.

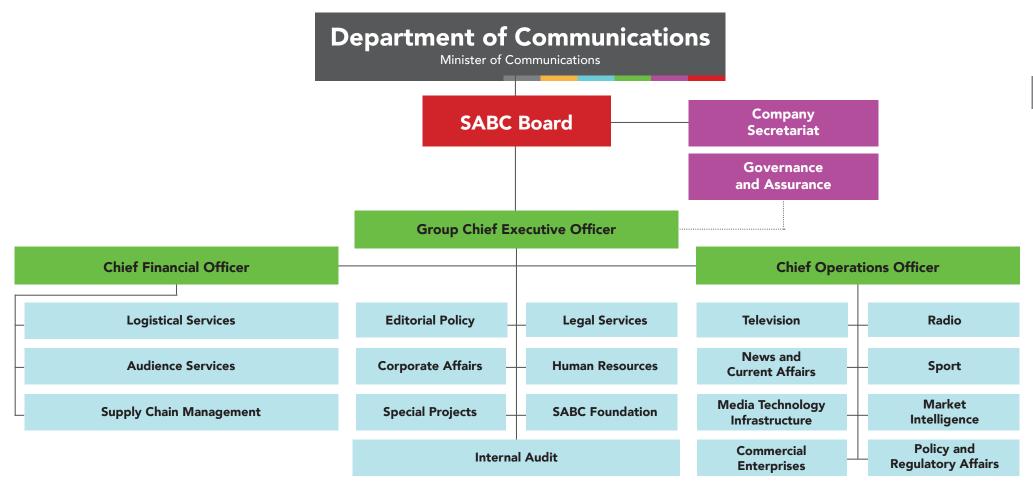
#### 1.4 million viewers in a typical month

### **GRAPH: Summary of Weekly Audience per Channel**



Audiences: average weekly audiences as reflected in the Broadcast Research Council (BRC) Television Audience Measurement Survey (TAMS) covering the period April 2016 -March 2017

# Organisational **SUFUCLUFG**





# Chairperson's OVCIVICW

The financial year 2016/17, was another watershed year for the SABC. It had all the hallmarks of an institution under enormous financial, political and leadership strain. It was a year that saw Parliament instituting an inquiry into the ability of the Board to hold office, leading to resignations of some members and the ultimate collapse of that Board.

"It is necessary to emphasise that there are no quick fixes to a crisis..." The year also saw the constant featuring of the SABC in news coverage through intermittent court actions and utterances by management that were of such a negative order that they led to the suspension of the Chief Operating Officer (COO). We also saw mismanagement of the Corporation's finances at terrifying magnitudes, resulting in its inability to settle debts as they fall due.

At the same time, those tasked with the leadership of the Corporation were reluctant to admit to the glaring crisis, preferring to draw up a corporate plan that did not address the operational, reputational and financial realities of the SABC.

## **Operating Environment**

The economy of the country has been under extreme pressure for the past 18 to 24 months, due to poor economic growth and rising unemployment. This situation has been exacerbated by the recent downgrade of the country's credit rating. As a result, we have seen a reduction in the advertising spend by the market.

In the market we have also seen a migration of audiences away from television and print media to online and digital platforms. The advertising agencies have had to migrate some of the advertising budgets to these platforms. The SABC is deriving little revenue from these platforms, therefore this is an area with a potential for growth and is receiving urgent attention.

The reduction in the collection of television licence fees was due to the introduction of inefficient collection methods and the negative public image of the Corporation.

#### **Performance**

For the year under review, the SABC's performance has been dismal both financially and operationally. We have seen a reduction in audiences form some SABC platforms as a result of bad programme scheduling and interference with the news editorial policies. Platforms which were significantly affected by these decisions are the commercial radio stations, SABC3 and SABC News.

The audited Annual Financial Statements (AFS) reflect a dismal performance as follows:

- A loss before income tax of R1.1 billion (2015/16: R593 million) has been incurred. This is almost double the loss that was incurred in the previous financial year and three times less than the planned budget performance. This loss is mainly due to the decrease in revenue by 6% from the prior year. Total expenses have also increased by 0.4%. However, given the reduction in revenue, this marginal increase in expenses has a significant impact on the loss incurred. The expenses were expected to decrease as a result of the reduction in revenue, instead they increased. This unexpected increase in expenses is mostly due to mismanagement of funds as evident from the irregular, fruitless and wasteful expenditure that has been disclosed both in AFS and the qualification in the external Auditor's report.
- The Director's Statement of Responsibility also highlights that the SABC is not able to settle its debts as they fall due as a result of depleted cash reserves. The cash balance at the end of the 2016/17 financial year is R82 million (2015/16:

# SABC interim board

R881 million), which is just 9% of the balance that was available in the prior year. This has resulted in a concern of whether the Corporation will be able to operate into the near future without receiving funding assistance. As a result, the Interim Board and management requested for a Government Guarantee from the Shareholder so as to fund the backlog of debts which is in excess of R570 million.

#### Governance

There was a complete lack of commitment to proper governance in the year under review by both the executives and the previous Board. As a result, Parliament stepped in and instituted an enquiry into the fitness of that Board to execute its functions. The Parliamentary Adhoc Committee enquiry was also pre-empted by the Public Protector's report that found that the Corporation had inadequate governance practices.

In this period, the then Chief Executive Officer (GCEO) resigned, the COO's appointment was set aside by the courts, and the Chief Financial Officer (CFO) resigned after year end.

The breakdown in governance structures is also evident from the level of irregular, fruitless and wasteful expenditure, the depleted cash reserves that have resulted in a going concern and the amount of cases that are being pursued in courts against the former executives of the Corporation.

#### **Outlook**

Following the adoption of the recommendations of the Adhoc Committee, the Interim Board was appointed. The mandate of this Board is to correct the governance issues and weed out all the problematic areas in attempt to stabilise the Corporation in the short term. As a result, the budget for the 2017/18 financial year has been set out in such a way that it reflects a breakeven position.

A number of initiatives and controls have been put in place by the Interim Board in order to achieve its mandate. These range from investigations into financial mismanagement, restoring good corporate governance principles, prioritising content and scheduling, stabilising management through recruitment of executives, improving revenues and managing expenditure through austerity measures.

The effectiveness of these initiatives has been evident in the results of the first quarter of the 2017/18 financial year, where the Corporation's performance is tracking on budget.

However, it is necessary to emphasise that there are no quick fixes to a crisis of this magnitude and that all stakeholders must continue to give their support to assist the SABC in ensuring that the Corporation meets its mandate by remaining a vibrant and viable Public Broadcaster which provides information, education and entertainment for all South Africans and remains commercially sustainable.

## **Appreciation**

On behalf of the Interim Board, I thank our stakeholders, business partners and audiences for the continued support in challenging times. Your support is deeply appreciated, and we will continue to focus on meeting your needs.

We also thank our Shareholder Representative, Minister Ayanda Dlodlo and her team, for her guidance and stewardship. We thank Parliament's Portfolio Committee on Communication, for their rigorous oversight.

Lastly, to each and every one of the SABC staff, we owe a debt of gratitude for your dedication and hardwork under challenging and stressful conditions in the recent past. We can never be able to understand what you had to contend with on a daily basis. We thank you.

Ms K T Kweyama
Chairperson of the SABC Interim Board



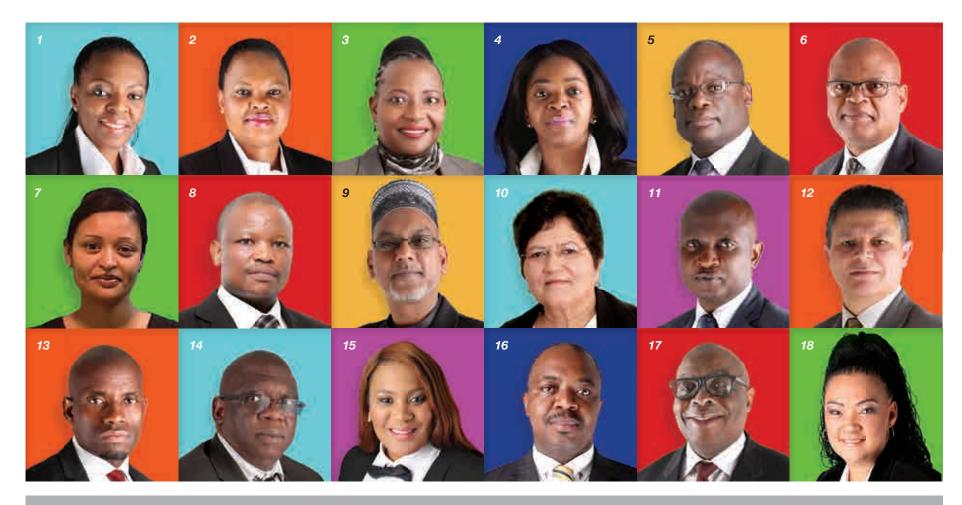
1) Ms K Kweyama Chairperson

- 3) Ms F Potgieter-Gqubule
- 5) Mr K Naidoo
- 7) Ms T Dlamini CFO (acting)

2) Mr M Tsedu Deputy Chairperson

- 4) Mr J Matisonn
- 6) Ms N Philiso GCEO (acting)
- 8) Ms B Tugwana COO (acting)

# The SABC leadership



- 1) Ms N Philiso GCEO (acting)
- 2) Ms T Dlamini CFO (acting)
- 3) Ms B Tugwana COO (acting)
- 4) Ms L Bayi Company Secretary
- 5) Mr S J Mathebula Chief Audit Executive (acting)
- 6) Mr H Jiyane GE: Corporate Affairs (acting)
- 7) Ms R Williams GE: Television (acting)
- 8) Mr S Vilakazi Head: Legal Services
- 9) Mr Z Yunus GE: Human Resources (acting)
- 10) Ms T Geldenhuys GE: Risk and Governance
- 11) Mr L Ramakgolo GE: Radio (acting)
- 12) Mr K Makatees GE: News (acting)
- 13) Mr T Mulaudzi GE: Commercial Enterprises
- 14) Mr T Ralitabo GE: Media Technology Infrastructure
- 15) Ms S M Motsweni GE: Sport
- 16) Mr S Molaudzi Head: Supply Chain Management
- 17) Mr K Kganyago Head: Group Communications
- 18) Ms I Cupido CEO: SABC Foundation

# Provincial Offices and leadership

The SABC has a presence in all nine Provinces. The offices are led by Provincial General Managers (PGM's). The offices are fully functional and include Radio Stations, Logistics, Finance, Sales and Technology Departments with decentralised resources.

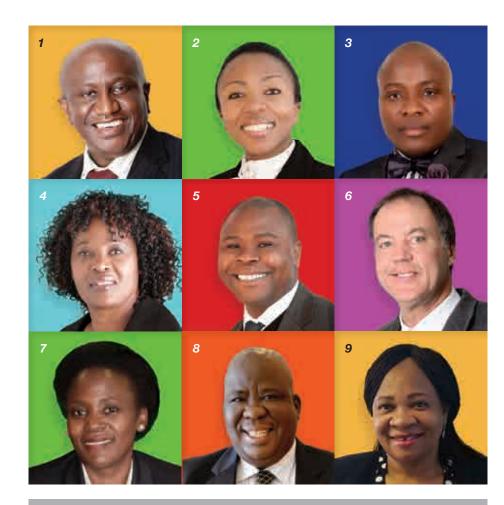
These Provincial Offices function as mini SABCs. The offices are vital regional links that ensure provincial relevance and feel in news, programming and reflect the life and culture of people in different geographical areas. This is evident in the SABC News, channel 404 on DStv which covers events of national importance in the Provinces. In the period under review the Northern Cape office was established as a Provincial Office.

The main focus in the Provinces, for this financial year, was on monthly themes and days of national importance, as follows:

- January: Matric/Grade 12 Results;
- February: HIV/AIDS and sexual behaviour in relation to Valentine's Day;
- March: Human Rights Day;
- June: Youth month;
- September: Heritage month;
- December: World Aids Day and International day of No Violence against Women and Children;
- State of the Nation Address (SONA);
- National Budget Speech;
- State of the Provinces Address (SOPA), etc.

The Provinces were actively involved in a range of developmental and social projects across the country through the Provincial Corporate Social Investment (CSI) activities in partnership with the SABC Foundation, Non-Governmental Organisations (NGO's) and other institutions.

In addition, the Infrastructure Improvement Project was implemented across the Provinces. This project was aimed at improving the infrastructure of the SABC to keep up with the changes in technology and new ways of doing things. This included the building of four new state-of-the-art studios for radio in Mthatha, Port Elizabeth, Mpumalanga and Durban; the relocation of Phalaphala FM from Polokwane to Thohoyandou; installation of solar panels on the Port Elizabeth building; and the refurbishment of the Mthatha building and facilities. The relocation of Phalaphala FM is in line with the SABC's initiative of taking services closer to the communities it serves.



- 1) Mr V Tsoenyane PGM: Free State
- 2) Ms N Wotshela PGM: Eastern Cape
- 3) Mr J Shikwambana PGM: Western Cape
- 4) Ms Z Mkhize PGM: KwaZulu Natal
- 5) Mr Q Lenyai PGM: Mpumalanga
- 6) Mr A Kloppers PGM: Gauteng
- 7) Ms T Makuya PGM: Limpopo
- 8) Mr D Mangale PGM: North West
- 9) Ms M Motaung PGM: Northern Cape



# Group Chief Executive Officer's OVerview

During the year under review, the SABC faced a myriad of internal challenges that shook the institution. These related to leadership instability, audience and revenue decline, the decision to ban the broadcast of violent content during news and current affairs programmes, as well as the 90/10 and 80/20 local content directive for SABC Radio and TV respectively.

Leadership instability hindered the SABC from implementing key policy and business decisions that could have curbed ramifications experienced later in the financial year. This situation was exacerbated by an increasingly competitive media advertising market.

Whereas the SABC did well in meeting a number of mandate obligations, it did not apply adequate financial prudence in the prevailing economic climate. While mother-tongue programming, news, and coverage of events of national importance impacted audiences' lives, the SABC closed the financial year in a cashstrapped position and no longer able to honour its financial commitments as they fall due. This gave rise to a need for the SABC to request a Government Guarantee from the Shareholder in order to secure funding from financial institutions to address the current liquidity problem and to cover future long term capital investments, where necessary. With a tarnished public image, damaged credibility, and plummeting staff morale, for reasons highlighted in the Chairperson's Overview on page 14, the Corporation was not able to meet its full potential in the 2016/17 financial year.

Other factors contributing to the financial crisis included the underperformance of commercial revenue streams resulting from television and radio advertising cutbacks, increased competition in the arena of electronic media, and the reduced collection of television licence fees. This was compounded by increased costs for mandate delivery, in particular for planned and unplanned events of national importance. The SABC is still the predominant communications medium in South Africa. The mix of its reach and the range of its local programming make it the broadcaster with which audiences spend the most time. In providing local content and services to all South Africans, the SABC also sustains the local production industry. Its five television channels – 28.8 million (SABC1), 26.9 million (SABC2), 21 million (SABC3), 2.2 million (SABC News) and 1.4 million (SABC Encore) viewers in a typical month.

The SABC provides radio services to all South Africans in their preferred languages and the combined average number of listeners is 28.1 million listeners per week. The SABC media offering remains unique and unmatched in South Africa.

Regardless of the challenges during the year under review, the SABC was able to meet its mandate quotas in terms of local content, music and languages, as well as for news and sport. A distinct highlight was the unrivalled SABC coverage of the 2016 Local Government Elections, for which it received numerous accolades. Despite the ever-increasing costs of sports rights, the SABC was able to broadcast local and international sporting events and provide coverage of a range of sporting codes. The major sporting event of the year was the 2016 Rio Olympics and Paralympic Games, and again the SABC was commended for its excellent broadcast. Revitalised television schedules were launched towards the end of the calendar year,

broadcasting more local content offerings with the aim to attract more viewers and increase audience share. The SABC will continue to collaborate with stakeholders in the sector, to seek a more sustainable funding base for PBS. The transformation of the Corporation over the next few years will be in the context of a changing regulatory and commercial environment for all media. This will require adaptability on the part of both the SABC and its funding model.

I wish to acknowledge the Minister of Communications Ms Ayanda Dlodlo and her team, the Portfolio Committee on Communications, SCOPA, the SABC Board, Executive Management and staff for their unwavering commitment and support during the year. My gratitude is also extended to SABC stakeholders, the production industry, and business partners, for their continued support. Lastly, thank you to the millions of South Africans who steadfastly believe in the SABC as a first-class Public Broadcaster.

Ms Nomsa Philiso

Group Chief Executive Officer (Acting)

# Strategic

# overview

The SABC is more than just a Public Broadcaster, it is a daily companion to millions of South Africans, allowing audiences to watch, listen and engage, in their mother tongue, with news, public service programming, events of national importance and other moments impacting their lives.

The SABC has the ability to provide content in all official languages, in multiple genres ranging from children's and educational programmes, drama, documentaries, news and current affairs, to the top-revenue-grossing soap operas. This positions the Corporation as one of the most trusted and distinctive broadcaster in South Africa.

In delivering on its public service mandate the SABC not only contributes to the development of our democracy but promotes nation building and social cohesion through its compelling and accessible local content programmes and news coverage. In the ever changing and increasingly competitive media environment, the role of the SABC remains paramount.

Against the backdrop of tough economic conditions and a year characterised by many challenges, the SABC was able to deliver on a number of its set strategies and objectives. One of the main achievements was that the SABC was able to deliver on its mandate from a local content, music and language perspective as well as on the news and sporting fronts.

However, at the end of the 2016/17 financial year, the SABC was facing a financial crisis which saw it being unable to meet its contractual commitments. Monthly revenue was lower than embedded expenditure and some service providers of vital content could not be paid timeously. This has the potential to collapse the entire scheduling programme of the SABC.

There were a number of reasons for this, ranging from external factors such as macro media economics, declining advertising revenue, to internal contributors such as inadequate programming decisions that resulted in the exodus of audiences and advertisers in crucial platforms.

The lack of confidence in the offerings of the SABC by both audiences and advertisers will need to be restored for the SABC finances to be stable. A balanced approach is required to realise sustainable austerity measures, while ensuring reliable scheduling that offers compelling content.

The SABC's state of finances led to some banks cancelling loan facilities, and thus the SABC will not easily be able to raise loans from banks without a Government Guarantee from the Shareholder.

# Legislative mandate

Constitutional Mandate for the Public Broadcaster

> Public **Broadcaster Mandate**

Schedule 2 status as a Major public entity

**Public Finance Management Act** 

# **Founding** legislation

- Public Broadcasting Services
- Public Commercial Services

## SABC Charter

- Objectives of SABC
- Commitments to SA Citizens



SABC's campaign that invites the public to comment on the Editorial Policies.

# SOUNTING...

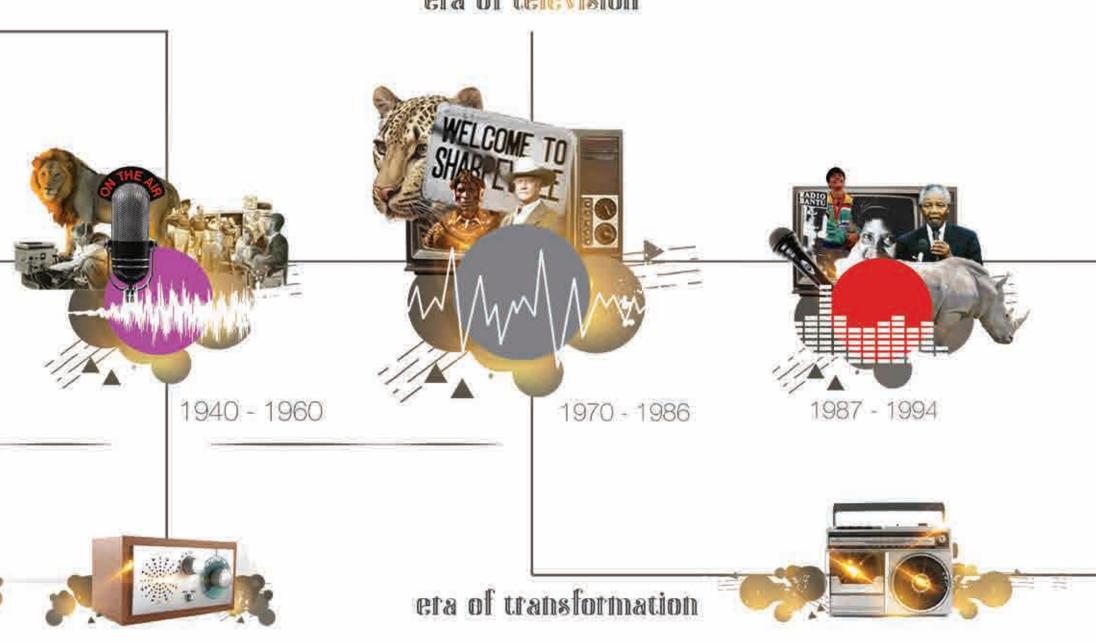
# era of establishment and radio



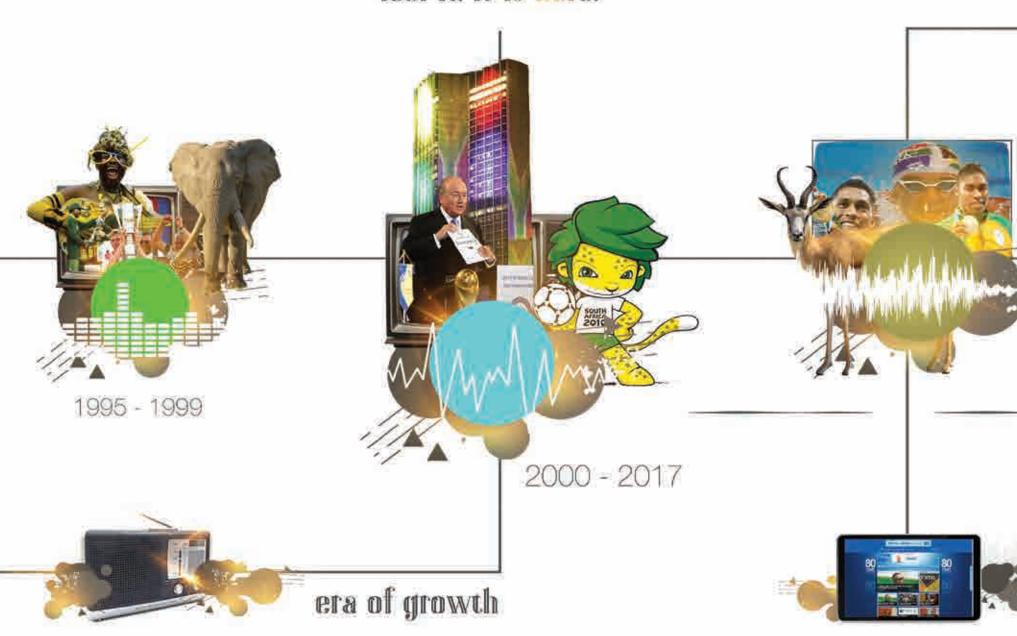
1935 - 1939







# feel it. it is here.



# digital era







# Situational analysis

#### **Service Delivery**

The SABC operates television, radio and online media services that are fundamental to informing, entertaining and educating citizens. At a time when the availability of foreign content is exploding and with unprecedented changes in broadcasting technology, consumer expectations, and industry structure, public broadcasting continues to play a critical role in South Africa and around the world.

Due to lack of market intelligence on pros and cons for the implementation of the 90/10 and 80/20 local content directive which impacted on schedule stability, the SABC's financial position took a dip as audiences declined. The decision to ban violent content had a direct impact on editorial and independent journalistic objectivity which resulted in the tensions between News and Current Affairs

staff and management. The resistance by some employees who were directly impacted by the decisions particularly the banning of violent content, precipitated the tensions between them and management. Eventually, ICASA revoked the SABC 2016 Editorial Policy and ordered the SABC to revert to the Policy of 2004.

Despite all of this, the SABC's television network continued to dominate the broadcasting landscape with the Public Broadcaster's five television channels attracting, on average, 28.8 million (SABC1), 26.9 million (SABC2), 21 million (SABC3), 2.2 million (SABC News) and 1.4 million (SABC Encore) viewers in a typical month. Seventeen of the nation's Top 20 television programmes are carried on the SABC.

A significant number of South Africans still depend solely on radio as a source of information. The SABC provides radio

services to all South Africans in their preferred language through its 18 Radio Stations. The combined average number of 28.1 million listeners per week makes the SABC's offering a unique one that no other broadcaster can equal.

The SABC also has an active digital media presence across the World Wide Web, social media, online video, podcasts and streaming media. SABC platforms and shows have some of the most popular and engaged audiences in the South African social media landscape.

During the year under review, SABC1 remained the most popular television channel in the country, averaging 33.9% primetime audience share and 27% across the performance period. SABC2 ended the financial year with a 14.6% share of prime time audiences, while SABC3 had a 5.2% share. While the latter two channels performance was disappointing, changes to the SABC2 schedule and the re-positioning of SABC3 were implemented in the last quarter of the financial year.

The SABC Television network's overall share for primetime was 53.8% for the full year and 46.4% for performance period.

SABC Radio concluded the financial year with a total share of adult (age 15+) national radio listening of 71% (Source: BRC RAM October 2016 – March 2017). The SABC's PBS contributes 65% towards the overall share total while the three PCS accounts for 6%.

One of the Corporation's biggest achievements during the period under review was its unrivalled coverage of the 2016 Local Government Elections for which it received numerous accolades for its extensive coverage.

SABC Sport broadcast the following events: the 2016 AFCON Tournament; SA Sports Awards; 2016 Olympic and Paralympic Summer Games; the FIFA Club World Cup; Euro 2016; and a International Boxing Tournament featuring a local South African Boxer, the first international event to be showcased since the return of Boxing in 2015; as well as the Cricket Inbound Tour.



Presenters and performers interacting with audiences at the Ukhozi FM Gospel Festival.

The 2016 Olympics was a key event for this financial year, and SABC Sport enhanced its coverage by utilising some of South Africa's very own medallists as analysts.

On the athletics front, all major athletics meetings were covered as per the agreement with Athletics South Africa (ASA). Four marathons were covered during this period, including the Comrades Marathon, which is considered as amongst the best in terms of production and broadcast.

### **Operating Environment**

The global media sector is experiencing major changes due to the evolution of digital technology and the convergence of media, technology and telecommunications as well as changing media consumption patterns. In the South African context, the delayed implementation of DTT has been a limiting factor.

The SABC also operates in a developing South African economy which has been impacted by a global slowdown resulting in the regression of the economic growth. It is also susceptible to foreign exchange fluctuations which have a significant impact on its core business, such as content, sports rights and technology acquisitions. In addition, the bulk of SABC's revenue is derived from multi-national advertisers who reduced their investment spend industry-wide particularly over the past 24 months.

During the 2016/17 financial year the SABC found itself in financial difficulties that resulted in it not being able to pay its debts timeously. This situation affected all suppliers including suppliers of content. If this situation is not remedied it could affect the production of content.

Furthermore, Parliament established an Adhoc Committee to conduct an inquiry into the fitness of the SABC Board to hold office. The findings and recommendations of the Adhoc Committee were released during the fourth quarter. The SABC Board ceased to exist during the third quarter of the 2016/17 financial year, placing more pressure on the SABC's governance requirements and business operations.



Behind the scenes of SABC2's local comedy 'Skwizas'.

## **Organisational Environment**

During the year under review, the SABC made appointments on executive and senior management levels to strengthen the SABC's capacity in financial management areas as well as in the core business of the organisation.

More women were appointed in executive and senior management positions to remain true to the commitment of employment equity. SABC also focussed specifically on the recruitment of people with disabilities.

# **Key Policy Developments and Legislative Changes**

Independent Communications Authority of South Africa (ICASA) published the ICASA Regulations on South African Television Content, 2016, Government Gazette No. 39844, and ICASA Regulations on South Africa Music,

2016, Government Gazette No. 39844. On 23 March 2016, ICASA published the Revised Television and Radio Local Content Regulations. The SABC participated in the public consultation process leading to the development of the Local Content Regulations. These regulations have prescribed new local content quotas. For radio services, the effective date for new quotas is 23 September 2017 while for television services the effective date for new quotas is 23 March 2018.

The SABC made submissions to the National Liquor Bill and the Films and Publications Bill which were published during the year under review. )adcasting Corporation [SOC] Ltd | SABC Annual Report 2016 | 17



Behind the scenes of SABC3's local comedy 'It's okay we are family'.

## **Financial Sustainability**

## GOAL: To be a financially sustainable organisation

One of the SABC's main goals is to ensure that it remains financially sustainable, by growing its revenue base through various traditional and innovative sources whilst prudently managing its expenses. Since profits earned from the SABC's commercial ventures are reinvested in achieving its public service mandate, growing profit is not the SABC's key objective. Rather, it is focused on ensuring that the Corporation maintains liquidity and is continually able to fund its mandate.

During the 2016/17 financial year, the SABC experienced liquidity constraints owing to revenue streams deteriorating at a rate of 6% higher than the costs reduction. In addition, amortisation and depreciation grew by 6% (R169 million) mainly due to amortisation of Programme, Film and Sports Rights in comparison to previous financial year.

# Strategic Outcome oriented goals

Cash and cash equivalents as at the end of 2016/17 financial year were R82 million compared to the previous year's R881 million. This significant decrease in cash reserves has resulted in the SABC not being able to pay its debts as they fall due.

Total revenue decreased by 6% (R454 million) when compared to the 2015/16 financial year. Revenue underperformance for the year under review was mainly attributable to three streams namely: advertising revenue declined by 5% (R267 million), licence fees by 7% (R714 million) and sponsorship revenue by 18% (R85 million).

Operating expenditure (excluding amortisation and depreciation) decreased by 3% (R197 million) in comparison to prior year. The SABC showed an improvement during 2016/17 on cost management in comparison to 2015/16.

Total expenses have increased by 0.4%. However, given the reduction in revenue, this marginal increase in expenses has a significant impact on the loss incurred. The expenses were expected to decrease as a result of the reduction in revenue, but they increased instead.

Cost to income ratio increased to 114% in 2016/17 which resulted in a net loss of R1.1 billion before tax.

## **Content and Platforms**

GOAL: To acquire and schedule compelling and quality programming, spanning a range of genres, in all official South African languages, and exceeding mandate objectives across traditional and digital media platforms.

The SABC continues to deliver distinctive and quality local content that finds its way to all South Africans, thus placing the citizens, its audiences, at the centre of everything it does, which gives it its undeniable competitive advantage.

The popularity of SABC content means that opportunities have emerged for the Corporation to distribute its

programming on new on-demand digital platforms and the Corporation is developing the necessary technology platforms for this to happen. The SABC has seen great success with its YouTube channel, with several shows proving very popular via online streaming, and the SABC News channel remaining one of the most popular channels in South Africa. Online channels will help to expand the reach of SABC programming. Internet growth, combined with the increase in smartphone penetration mean that the modernising of the SABC's websites, and continued development in the distribution of content to mobile devices and tablets are key priorities for the 2017/18 financial year.

SABC Television successfully delivered on its objectives through a number of initiatives and on going programmes. Public value was placed at the centre SABC's Television activities, with strategic objectives dealing specifically with delivery of content from companies owned by People with Disabilities (PWD), programmes that meet the needs of the Deaf community and content from the non-metropolitan Provinces. The SABC's commitment to supporting new and emerging talent saw space created on television platforms for programming allowing them to shine with the broadcast of SABC – National Film and Video Foundation women's films.

The SABC was also able to deliver on its local content quotas with SABC1, SABC2 and SABC3 achieving 80%, 67% and 53% respectively. Across its radio stations, SABC also delivered local content above ICASA regulations. There were however some difficulties, when the local content directive distorted the licensing formats of some radio stations, leading to audience and revenue losses.

The SABC Radio Stations embraced the effective synergy that digital media and radio offers to both the consumer and trade markets. All stations make extensive use of their respective websites to publish programming and marketing content and to keep listeners engaged beyond the point of traditional broadcasting. Social media integration has also proven to be hugely popular with audiences and Radio

continues to deliver strong compound average growth rates for both Twitter and Facebook traffic on the various stationspecific social media pages. The portfolio concluded the fiscal by delivering 2 985 022 Facebook followers across all the stations with a full fiscal Compound Average Growth Rate (CAGR) of 2.8%. The networks of stations also delivered 2 598 526 Twitter followers with a fiscal CAGR of 2.5%.

Another area where radio continues to excel is in the podcasting space. Radio-on-demand content has proven hugely popular with audiences across all 18 stations and the portfolio delivered 2 528 389 episodes during 2015/16 financial year with a very healthy CAGR of 16.5%.

SABC News successfully delivered on the most anticipated political event of the year - the 2016 Local Government Elections. As South Africa's Public Broadcaster, the SABC's role is most critical during an election period. The SABC has a responsibility to South African citizens to cover elections in a manner that is balanced, accurate, impartial and fair. The expanded presence of SABC News across all platforms and its network of bureaus and cross media journalists enabled the SABC to provide unrivalled coverage of elections and breaking news throughout the country.

Although progress was made on a number of technology and infrastructure projects, delivery was hampered by the SABC's financial position as well as protracted processes. The roll-out of a number of critical projects will continue during the 2017/18 financial year.

## **Human Resources (HR)**

GOAL: To develop a dynamic and motivated fit-forpurpose workforce that embraces learning and is sufficiently adaptable to migrate into the digital age.

It is the talent, passion and commitment of SABC employees that continue to drive its ability to achieve its goals. People thus remain a priority of the Corporation and HR forges the path to ensure that the SABC is a progressive and diverse workplace, enabling a high performance culture of dedicated, innovative and highly skilled professionals.

In the year under review, lack of good governance and interference by management and the Board in the operations of the Corporation, resulted in a demoralised workforce and numerous labour related matters being handled by the HR department. At the same time, the governance instability at the Corporation has resulted in deep chasms amongst staff, reflected in litigation, suspensions, disciplinary cases and distrust.

#### Governance

GOAL: To ensure compliant governance practices complemented by effective risk management and internal controls.

Refer to the Chairperson's Overview on page 14 as well as the Audit and Risk Committee Report on page 75.



SABC brands participating in team building events.

# Delivery on the predetermined objectives

Strategies to Address Areas of Under performance

Strategic Objective	Key Activities	Performance Indicator(s)	2016/17 Target	Actual achievement	Comment on variance	Mitigating Action
FINANCIAL SUSTAINABIL	ITY					
GOAL: To be a financially susta	ainable organisation					
ENSURE THE SABC IS PROFITABLE	Manage revenue and expenditure in accordance with the approved budget.	Net Profit before Tax.	R3.4m	R1,074 166 loss	Not achieved.  All revenue streams underperformed against budget and also showed year-on-year decline. Constrained economic conditions, advertiser client cut backs across the industry and households with low disposal income were some of the factors that contributed to the loss.	Claw-back strategies will be implemented to increase advertising and television licence revenue Innovative trading models for radio, television and digital media sales
ENSURE THE SABC IS ABLE TO MEET ITS FINANCIAL OBLIGATIONS	Manage working capital (i.e. debtors days and creditors days) and manage investments to ensure adequate cash availability at all times.	Maintain a minimum cash and cash equivalents balance of R600m.	R900m	R77,7m	Not achieved.  Owing to lower cash collections the SABC had to use its reserves to fund infrastructure / Capex projects, acquire Sports Rights and broadcast events of national interest.	are being devised and implemented to ensure optimisation of the SABC's commercial inventory. Austerity measures are also being implemented to keep costs at low levels.
CONTENT AND PLATFOR	MS					
GOAL: To acquire and schedul platforms.	e compelling and quality programming, span	ning a range of genres, in all offi	cial South African la	anguages, and excee	eding mandate objectives across traditional a	nnd digital media
MEET LOCAL CONTENT REQUIREMENTS OF SABC LICENCES	Contributing to nation-building by creating the space for South Africans to reflect the South African experience on SABC Television platform.	Meet ICASA local content (PBS 55%, PCS 35%) quotas as per terrestrial television channel licence conditions.	SABC1 70% SABC2 60% SABC3 40%	SABC1 80% SABC2 67% SABC3 53%	Achieved.	N/A
INCREASE NUMBER OF PROPERTIES THAT WILL ALLOW	Increase number of properties that will allow PWD access to Public Broadcasting.	Number of properties broadcast with sign language <sup>1</sup> .	3	3	Achieved.	N/A
PEOPLE WITH DISABILITIES (PWD) ACCESS TO PUBLIC BROADCASTING.	Number of companies controlled or owned by PWDs from which content was procured.	Number of companies controlled or owned by PWDs from which content was procured.	2	2	Achieved.	N/A
DIVERSIFY CONTENT BY SUPPORTING AND INCLUDING PRODUCTION OF PROVINCIAL CONTENT.	Increase the number of properties and inserts of provincial content.	Number of provincial properties and inserts broadcast <sup>2</sup> .	360 inserts 2 properties	333 Inserts 1 Property	Not achieved. Under-delivery was as a result of delays in finalising production contracts and challenges regarding funding.	Additional funding need to be secured in order to ensure that productions from the Provinces can be commissioned.

<sup>&</sup>lt;sup>1</sup> A total of three programmes must incorporate sign language during the year. In any given quarter two of those productions must be on-air.

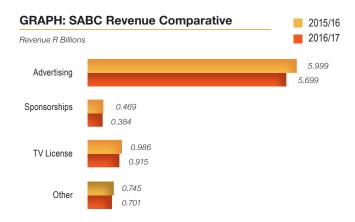
<sup>&</sup>lt;sup>2</sup> A total of two properties must be sourced from production houses based in non-metropolitan Provinces for the year. In any given quarter one of those productions must be on-air

Strategic Objective	Key Activities	Performance Indicator(s)	2016/17 Target	Actual achievement	Comment on variance	Mitigating Action
CONTENT AND PLATE	ORMS (continued)					
platforms.	edule compelling and quality pro	gramming, spanning a range of	genres, in all official South Africa	an languages, and exceeding mandate object	tives across traditional a	nd digital media
LAUNCH SABC CHANNELS ON DTT	Television Division to deliver additional channels to the current three licenced terrestrial channels.	Additional channels to be carried on the DTT transmitter network.	2 new channels (SABC News and SABC Encore).	SABC News is available on DTT platform. SABC infrastructure is ready to carry all five channels on DTT.	Not achieved. SABC Encore still needs to be included on SABC DTT services.	The SABC intends to include SABC Encore on the DTT platform and has requested ICASA to extend its licence for this channel.
DISTRIBUTE SABC CONTENT OVER THE INTERNET	Produce, encode and stream TV programmes and radio stations digitally.	Number of programmes and radio stations distributed over web-based platforms.	25 programmes; 18 radio stations	25 programmes. Variety of TV series catch-up episodes, radio programmes, News stories and Education programmes uploaded and distributed via YouTube and as Podcasts 18 radio stations streamed live 24/7.	Achieved	N/A
	Integrate social media into programming.	Growth of total social media followers.	15%	30% total growth (TV = 17%) (Radio = 35%) (News = 47%) (Education = 21%)	Achieved	N/A
PROVIDE BALANCED, ACCURATE AND RELEVANT COVERAGE OF LOCAL GOVERNMENT ELECTIONS.	Production and coverage of Local and General Elections on all platforms.	Compliance with the approved elections broadcast plan and regulatory and legislative requirements.	Broadcast Local Government Elections (including pre and post-election programming) as per the elections broadcast plan and regulatory and legislative requirements. (1 April to 31 August 2016).	The 2016 Local Government Elections were successfully covered as per elections broadcasting plan and legislative requirements.	Achieved.	N/A
DEVELOP AND IMPLEMENT DIGITAL LIBRARY WORKLOWS AND INFRASTRUCTURE FOR SABC CONTENT	identify and evaluate vendors, procure suppliers, design, build and operationalise technology projects.		Review business requirements, issue RFI and RFP.	Business requirements were reviewed and business case was approved by the FIPT in March 2017 subject to budget availability.	Not achieved. RFI and RFP not issued owing to financial constraints.	The matter will be reprioritised in 2017/18 depending on available budgets.
REPLACE RADIO STATIONS' PRODUCTION PLAY-OUT SYSTEM	Service provider contract finalisation, Approval of project rollout plan.	Signed contract with service provider and approved project plan.	Implement operational and system requirement milestones, User interface between Landmark and production system.	Proof of concept was signed with service provider to deliver radio stations production play-out system. Installed at RSG Studio and Radio Park Server Room.	Remainder of project plan	The project has various stages and roll-out will continue in FY2017/18.
UPGRADE/REPLACE TV FINAL CONTROL CENTRE (FCC) PLAY-OUT AUTOMATION	Determine business requirements, identify and evaluate vendors, procure suppliers, design, build and operationalise FCC.	of contract. Approved project plan.	RFP awarded, contract sign off with service provider, approved project plan.	and evaluation of RFI completed. FCC upgrade business case was presented to BAC but not approved.	Not achieved. Business case to be resubmitted in FY2017/18.	The business case will be resubmitted to the various governance structures for approval and implementation.
UPGRADE PRODUCTION STUDIOS TO DIGITAL	Develop, approve and implement TV production studio digitization plan.	Developed and approved plan. Cost gathering via RFI Approved Capex budget.	Develop upgrade plan and seek Capex approval.	Capex was approved. Roadmap of development of studios was completed. Digital studio upgrades are in various phases of completion in both TV and Radio. TV studios 1,2 and 11 in progress. Radio Studios Umthata Studio Upgrade, Tshwane Studio Upgrade etc.	Achieved.	N/A

Strategic Objective	Key Activities	Performance Indicator(s)	2016/17 Target	Actual achievement	Comment on variance	Mitigating Action
<b>HUMAN RESOURC</b>	ES					
GOAL: Develop a dyna	amic and motivated fit-for-purpose wo	orkforce that embraces le	earning and is sufficiently adaptable	to migrate into the digital age.		
ATTRACTING AND RETAINING TALENT	Determining adequate supply and demand projections for the critical workforce segments and ensure that the Corporation has the optimal number of capable people performing the right roles, at the right time and in the right place.	Workforce Plan approved and implemented.	Workforce Plan approved and implemented.	The Workforce plan was not implemented 100% but was, however, used to contain headcount through vacancy management.	Not achieved. The Workforce Plan was not submitted to EXCO due to a change in strategic leadership and therefore a change in focus. The Workforce Plan was therefore not implemented.	The SABC will develop a career progression framework and policy to enhance employee development and improve employee retention.
EMBEDDING A HIGH PERFORMANCE CULTURE	Institutionalise Performance Management Policy with revised tools including thresholds and stretch targets.	Approved Performance Management implementation plan and performance contracts in place for all staff. Quarterly reviews conducted.	Entrenchment of Performance Management by 31 March 2016. 100% signed off performance contracts for all employees by 30 April 2016. 4 performance conversations per employee by 7 July, 7 October, 7 January and 7 April	Performance management was not implemented, however, training on the new Performance Management system was provided during the year.  Draft performance contracts were prepared for Executive Directors and are awaiting sign-off after which performance contracting will be cascaded down to other management levels.	Not achieved. Performance management was placed on hold in order to finalise job descriptions / profiles for all positions.	Performance management will be implemented throughout the organisation during FY2017/18.
OPTIMISE LEARNING AND DEVELOPMENT	Develop a Workplace Skills Plan (WSP) and Operational Training Plan that is aligned to the Skills Audit report and digital migration requirements.	Scarce and critical training needs identified and addressed through WSP.	80% of Scarce and Critical skills needs (WSP) achieved	26% achievement	Not achieved. Due to operational challenges with regard to the purchase of training resources the WSP training target could not be achieved.	Ensure that the WSP is aligned to the training of scare and critical skills. Monitor and manage training very closely in order to ensure achievement of targets.
GOVERNANCE						
	ant governance practices complemen	ted by effective risk man	nagement and internal control enviro	nment.		
DEVELOP AND MAINTAIN AN	Assess, revise and document internal controls.	Self-assessment to ensure that key internal	Finalise installation of the SAP GRC module	Completed and installed.	Achieved.	N/A
EFFICIENT, EFFECTIVE AND TRANSPARENT SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROLS		controls documented in SAP are being performed.	Identification of key controls and related gaps, as per project Qinisa, for:  Procurement. Financial processes: Accounts Payable. Accounts Receivable. Fixed Assets. Financial Statement Close Process Revenue. Content Inventory Management. Self-assessment to ensure that key internal controls documented in SAP are being performed for: HR. Procurement.	controls and gaps for the following were completed: Supply Chain Management Fixed Assets Accounts Receivable Financial Statement Close.  Training on the process control system	Not achieved. Project Qinisa was put on hold during the 4th Quarter. Remaining project deliverables will be re-evaluated during the 2017/18 fiscal.  Achieved.	The SABC is placing renewed focus on improving internal controls as well as ensuring that internal and external audit findings are addressed through quarterly targets that have been set.

# Summary of financial information

The state of the economy coupled with instability in the leadership at the Corporation reflects in the continued decline in revenue and increased expenses. As a result, the net loss after tax for the year under review was R977 million (2016: R412 million).



Revenue and other income for the period under review was R7.6 billion (2016: R8.1 billion) which is a 6% decrease year-on-year. Revenue is mainly derived from the primary revenue stream of advertising which decreased by 5% to R5.6 billion (2016: R5.9 billion), sponsorships revenue also decreased by 18% to R384 million (2016: R469 million), and TV license revenue also decreased by 7% to R915 million (2016: R986 million) compared to prior year.

Operational expenses remained almost the same in comparison to the prior financial period to R8.6 billion (2016: R8.6 billion) having decreased by less than a percent. Employee compensation and benefits remained the largest expense, though it has decreased by 3% owing to vacant positions not yet filled and decrease in the current service cost of the pension fund.

At the end of March 2017, the SABC had a positive cash balance of R82 million which is a net outflow of R800 million in comparison to prior year's closing balance. The fact that operational cash was utilised to fund capital expenditure projects, the cost of delivering on broadcaster's public service mandate and the rising cost of Sports Rights contributes to the pressure being placed on the organisation's cash reserves.

For the year under review the SABC's current ratio is 1.33:1 which has decreased as compared to prior year ratio of 1.68:1. This indicates that the Corporation has R1.28 in current assets for every R1.00 in liabilities. The guick ratio is also 1.32:1.



4 Change ambassador, Astel Collins interviewed by Radio 2000.



SABC TV Licences campaign ambassadors.

# Capital investment, maintenance and asset Management plan

During the year under review, capital expenditure incurred amounted to R355 million against a full year budget of R432.2 million.

Of this amount, R269 million relates to the upgrading or replacement of technology infrastructure, R64 million relates to fleet acquisition and R22 million relates to buildings and equipment maintenance.

# Revenue Collection

The SABC's mandate to deliver extensive public value is funded primarily by commercial revenue. The purpose of Commercial Enterprises is to maximise commercial airtime revenue by delivering business opportunities to clients in an increasingly competitive media advertising market. The revenue is generated through the sale of classic advertising, and programme and sport sponsorships across SABC Television, Radio, and online platforms. Commercial Enterprises did not meet the 2016/17 financial year revenue target or achieve year-on-year revenue growth.

#### **Business Environment**

From the beginning of the 2016/17 financial year, the sluggish advertising revenue performance indicated that tough economic trading conditions lay ahead for the South African media industry, notwithstanding other significant challenges specific to the SABC. Having recorded quarterly shortfalls consecutively, the annual commitment negotiations conducted by SABC Commercial Enterprises with advertising clients during the final quarter of 2016/17 reflected significant cutbacks in the advertisers spend on SABC Television and Radio platforms.

The cutbacks were in spite of the Commercial Enterprises team having held regular high-level face-to-face engagements with all major SABC advertisers and media agencies. These engagements were intended to build client confidence and assure them that there is great value offered by the magnitude and mix of SABC audience reach and business continuity plans were in place. Against the backdrop of advertiser perceptions of the state of affairs at the SABC, the decline in television audience share and scepticism about the impact of content quotas by some Radio Stations on the audience, these engagements yielded minimal impact.

The media advertising trading climate during the 2016/17 financial year underscored the need for the SABC to offer more attractive and compelling television content as well as more stable and predictable schedules in order to regain revenue share. Whereas SABC1 consistently achieved better than target audience share, both SABC2 and SABC3 missed their individual channel targets by significant margins. Audience share performance for the first two months of the last quarter of the period under review was dramatically affected by key SABC1 prime time programmes moving to SABC2 and SABC3 for the duration of the AFCON tournament. Due to its inherent dependence on audience performance, revenue performance was also affected during this period.

The announcements by the SABC to increase local content quotas on its platforms and the negative publicity about its editorial approach prior to the Local Government Elections were not well received by the media advertising industry. While clients were generally amenable to the concept of an increase of local content, the suddenness and extent of the announcements

created uncertainty about the possible impact on audiences and the effectiveness of future advertising campaigns on SABC platforms.

The first quarter radio sales revenue performance was jeopardised by the challenging implementation of the radio sales bookings system from 1 April 2016. After an initial wave of unforeseen interface glitches with legacy radio play-out systems which resulted in numerous advertising campaigns not being broadcast or having truncated audio, the bulk of technology and integration issues were subsequently resolved. The benefits of having implemented Landmark for radio sales were that previously identified 'revenue leakages' began to be addressed and broadcast accuracy improved – reaching a high of 95% in January 2017. Accuracy is measured by an independent third party contracted to the SABC.

The SABC Legal Services has a mandate to appoint an alternative external Legal Counsel to provide guidance on dealing with Competition Commission findings against the SABC. After meeting with the previous counsel in November 2016, the SABC collated extensive evidence to disprove the finding that it had engaged in 'price fixing' or 'fixing trading conditions' in collusion with other media owners in its granting of Agency Commission/Early Settlement Discounts. SABC Legal subsequently sent a letter to the Commission rejecting its 'settlement offer' and is thus anticipating a letter of referral to the Competition Tribunal where it will defend itself against the findings by the Commission.

Strategic initiatives implemented during the period under review included:

- Improvements to the operating model to enhance revenue generation;
- Ensure more robust and effective governance;
- Entrench process and systems improvements; and
- Increase operational efficiencies.

Taking into account the financial position of the SABC, Commercial Enterprises will focus on improving the accuracy of revenue forecasts and reducing the collection costs of revenue due to it.

In preparation for the new financial year, extensive consultation was held with the media advertising industry about the proposed change to non-commission bearing (zero-based) SABC rate cards from 1 April 2017. A vital prerequisite was extensive communication with the industry and reviewing inventory pricing and discounts prior to inclusion in the 2017/18 Commercial Enterprises Pricing Strategy.

#### **Industry Development**

To gauge the performance of its platforms in relation to audience growth or decline, the SABC relies on objective data provided by an independent body which oversees the research on the delivery of radio and television audience measurement for broadcasters.

A significant milestone for the Broadcast Research Council (BRC) was the first release of Establishment Survey (ES) data. ES research fieldwork began in July 2016 using a multi-purpose, multi-media survey providing context for all media and all media currencies in South Africa. It replaces the All Media Products Survey (AMPS) done previously by the South African Audience Research Foundation (SAARF). A mechanism is not yet in place whereby SABC Television channels and Radio Stations can be demographically profiled in terms of the new data.

In tandem, a new Socio-Economic Measure (SEM) is being developed by the BRC to replace the Living Standards Measure (LSM) over the next two years. The SEM is designed to measure multi-media behaviour across various devices and is regarded as being a more accurate reflection of South African society in terms of how people live.

The TAMS was the first element of audience research that the BRC improved significantly during the 2016/17 financial year. A TAMS update industry session was held in October 2016 to inform the media advertising fraternity about the positive audit of research data and plans to increase the TAMS research panel from three thousand to four thousand over the next three years.

#### **TV** Licences

The collection of television licence fees is governed by Section 27 of the Broadcasting Act, No. 4 of 1999, as amended. The Act stipulates that television licence revenue may be used only to fund the SABC's public service mandate. Television licence fees are collected from all persons, households, institutions and businesses within South Africa's borders that use and/or have television sets in their possession. Licence fee collection takes place directly or jointly with other service providers, internally and externally to the SABC. Income from TV licence fees currently contributes  $\pm 10\%$  to the SABC's annual operating revenue.

For the period under review, cash revenue of R847.4 million was collected. This figure is R449.4 million (34.7%) below budget representing a decrease of R178.5m (17.4%) compared to the previous financial year. During this period, operating revenue was R915.1 million which is R231.9 million (20.2%) below budget, translating into a decrease of R71.3 million (7.2%) for year on year comparison.

The revenue was negatively affected during the reporting period due to the decline in revenue collections from renewals and debt collection revenue streams as compared to the previous financial year.



Behind the scenes with a Phalaphala FM radio presenter.

#### **SABC RADIO**

#### **Compliance with Licence Conditions**

SABC Radio consists of 15 PBS Radio Stations and three PCS Radio Stations. The SABC is acutely aware that innovation and appealing content plays a crucial role in ensuring that SABC Radio platforms remain the stations of choice for South Africans. To this end, SABC Radio Stations continue to fulfil and in some instances surpass the needs of listeners such as news; programming; information; edutainment and music.

SABC Radio concluded the year under review with 28,911 million listeners, which translates to a total share of adult (age 15+) national radio listening of 71% [Source: Broadcast Research Council (BRC) Radio Audience Measurement Survey (RAM) October 2016 – March 2017]. The SABC's PBS radio stations contribute 65% towards the overall share total, while the three PCS radio stations account for 6%.

# Delivery on the Mandate: compliance with licence conditions

#### **Public Service Mandate**

To many South Africans who have limited access to information technology and other media platforms, radio remains a critical source of information, education and entertainment. To that end, the SABC's Radio Stations continue to serve this large section of the South African population and the PBS Radio Stations remain a core platform to deliver the Corporations' public service mandate.

This mandate is contained in the prescribed legislation and licence conditions that cover a myriad of issues pertinent to the South African public such as health, education, national development programme, social cohesion, sports and recreation, arts and culture and many more.

#### **South African Music (PCS and PBS)**

SABC's long experience bears testimony that music

is a key driver for radio listenership and it can also be a tune out factor. To this effect, SABC Radio continues to meet listeners' needs by playing music that resonates with different listeners from all walks of life. For the year under review, the development of home grown artists and their music were promoted by different SABC Radio stations through extensive airplay, interviews, inclusion in performance line-up at events and through music awards ceremonies like the annual METRO FM, Tshivenda Music Awards and Munghana Lonene FM Music Awards.

During the financial year under review, the SABC's portfolio of stations exceeded by far the ICASA's minimum requirements for South African music during the fiscal. The current Regulations require that the public broadcasting service radio stations broadcast a weekly average of 40% South African music. The commercial stations have to broadcast 25% South African music with Lotus FM quota being placed at the minimum of 20%.

#### TABLE: On PBS and PCS performance on local music and ICASA quotas

C4-4!	Year	ICASA	Decedes the services	Week Cume	Audiences
Stations	Ave. %	Quota	Broadcast Language	Apr 16 - Dec 16	Oct 16 - Mar 17
PBS Radio					
SAfm	87	40	English	159 000	145 000
Tru FM	88	40	Equally in isiXhosa and English	134 000	151 000
Lotus FM	77	40	Mainly English with daily broadcasts in Urdu, Tamil, Gujirathi and Hindi	278 000	258 000
RSG	87	40	Afrikaans	1 486 000	1 260 000
Munghana Lonene FM	89	40	Vernacular	1 099 000	1 098 000
Lesedi FM	95	40	Vernacular	3 387 000	3 613 000
Radio 2000	84	40	Primarily English	413 000	371 000
X-K FM	86	40	Equally in !Xintali and Khwedam	Sample to	oo small to measure
Umhlobo Wenene FM	90	40	Vernacular	5 263 000	5 501 000
Ligwalagwala FM	89	40	Vernacular	896 000	990 000
Motsweding FM	92	40	Vernacular	2 525 000	2 601 000
Phalaphala FM	92	40	Vernacular	697 000	785 000
Thobela FM	94	40	Vernacular	2 865 000	2 842 000
Ukhozi FM	86	40	Vernacular	7 389 000	7 600 000
Ikwekwezi FM	94	40	Vernacular	1 388 000	1 401 000
PCS Radio					
5FM	81	25	English	822 000	757 000
GoodHope FM	86	25	English	546 000	509 000
METRO FM	82	25	English	3 791 000	4 007 000

#### **ICASA Genre Licence Conditions:**

During the financial year under review, SABC PBS Radio Stations delivered well above the minimum requirements as stated in the Independent Communications Authority of South Africa (ICASA) License Conditions. On the News front, PBS Radio delivery against ICASA License Conditions with the majority of the radio stations exceeding weekly targets of News and Current Affairs; drama, children's programming, education as well as Information Knowledge Building (IKB).

#### **Delivery on Public Value by SABC Radio**

SABC Radio Stations adhered to corporate goals of broadcasting programmes that are in line with advocating social cohesion, nation building, promotion of democracy and empowerment through innovative programming that is informative, educative and entertaining. To cover and observe themes radio utilised a variety of public service programming genres fusing drama, talk-back show

as well as highly entertaining but informative commercial programming and content.

format, pre-recorded inserts, interviews and magazine

Radio continued to deliver content through monthly themes and acknowledgement of key commemorations during the 2016/17 financial as outlined below:

**April 2016:** 10 April 2016 was the 20<sup>th</sup> anniversary of Chris Hani's assassination and recognising 15 April as the day The Truth and Reconciliation Commission began its formal hearings.

May 2016: Also known as Africa Month is commemorated every year in most states which are members of the African Union (AU). Radio promoted the Africa Parliament and the Africa Continent Anthem. Workers Day was also celebrated in May.

**June 2016:** June is youth month, paying tribute to learners who lost their lives in the 16 June 1976 Soweto uprising. The period under review also marked 40 years since the Soweto

TABLE: On Performance against ICASA genre quotas

0.0	Ne	ws (Daily)		Curren	t Affairs (Da	aily)	IKB	Education	Children	Drama
Station	Mon-Fri	Sat	Sun	Mon-Fri	Sat	Sun	Weekly	Weekly	Weekly	Weekly
ICASA Quota	60	60	60	60	60	60	180	300	60	150
Ikwekwezi FM	126	69	69	133	60	60	1 340	355	127	265
Munghana Lonene FM	79	79	79	113	60	60	1 277	365	87	224
Thobela FM	184	110	80	85	60	60	1 750	420	420	160
Phalaphala FM	94	80	75	120	60	60	2 361	317	60	187
Ukhozi FM	79	64	63	167	58	57	2 330	308	144	229
Lesedi FM	89	65	65	195	65	63	822	309	100	225
Umhlobo Wenene FM	83	80	75	162	60	60	1 528	386	221	160
Ligwalagwala FM	98	62	60	108	60	60	866	330	334	153
Motsweding FM	105	61	61	112	61	61	1 601	588	99	184
ICASA Quota	60	60	60		60		180	240	60	150
SAfm	99	90	99		349		1 410	416	109	220
ICASA Quota	60	60	60	60	60	60	180	300	420	150
RSG	109	60	60	190	63	61	1 494	333	212	287
ICASA Quota	60	60	60	60	60	60	180	-	-	150
Lotus FM	74	74	74	97	61	60	615	-	-	173
ICASA Quota	30	30	30	30	30	30	180	300	15	-
X-K FM	58	50	50	130	55	55	2 194	568	650	-
ICASA Quota	60	60	60	30	30	30	60	120	30	-
Tru FM	380	240	240	197	120	200	8 350	2 666	487	-

uprising and stations were involved in commemorating the 40th anniversary.

**July 2016:** This month is Nelson Mandela Month. Mandela legacy was featured both on air as well as off air, encouraging South African citizens to dedicate 67 minutes to the Madiba legacy. Off air activations included painting of schools, feeding of the homeless and the destitute by presenters and station staff as well as partnerships where shoes, winter clothing and blankets were distributed to the needy.

Radio stations continued with the promotion of democracy through the programmes of voter education primarily to first time voters.

August 2016: The month of August is Women's Month. Emphasis of station's content was on the celebration of women; women as community builders, women empowerment, women health, women abuse, successful women, women with disability, mentoring young women, including dialogues with women.

September 2016: Heritage Month was celebrated by all the SABC Radio Stations. Content and programming included a variety of topics related to heritage. Stations promoted nation building through; on air programming, digital platforms such as websites of the different radio stations as well as through events that the radio brands hosted that were initiated by the stations or in partnership with other stakeholders

**October 2016:** Programming included miscellaneous themes namely; cancer, women's health and awareness about transport. Programming continued to reinforce the concept of empowerment, nation-building, poverty alleviation, education and social cohesion.

**November 2016:** also dealt with miscellaneous but the major one was the 16 Days of Activism against Women and Children, a sordid picture that continues to mar our society. This month was also dominated by matric revisions preparing our grade 12 learners for the exams.

**December 2016:** saw the continuation of the 16 Days of Activism against Women and Children. Key themes included:



The cast of SABC2's local soapie '7deLaan'.

- 1st December was observed as the International HIV and AIDS day with appropriate programming in the form of interviews and promos that inform the citizens about the HIV/AIDS pandemic and also messages of de-stigmatising people living with HIV/AIDS;
- The 16<sup>th</sup> of December was celebrated dually both as the Day of Reconciliation as well as the commemoration of the ANC MKMVA 55<sup>th</sup> anniversary. The live speech by the President was carried across all the Provincial Radio Stations:
- Radio Stations also broadcast the State President's Christmas message;
- The Chief Albert Luthuli memorial lecture was also carried by SABC Radio Stations; and

January 2017: was declared the Back-to-School campaign month in 2009. Radio stations launched various on-air and marketing campaigns to provide assistance to less fortunate learners and schools. The annual School Shoe collection and distribution campaigns were prioritised during this period.

The platforms broadcast live the January 8<sup>th</sup> address by the State President.

**February 2017:** World Radio Day is a day to commemorate radio as a medium and is celebrated annually on the 13<sup>th</sup> of February. Stations supported the initiative by discussing various topics relating to radio such as the role of radio today and spoke to radio veterans to share their most memorable radio moments.

March 2017: Stations commemorated Human Rights Day which was on the 21<sup>st</sup> of March, through various on air initiatives.

Other key themes integrated into SABC Radio programming during the period under view:

- The SONA, the Budget Speech and the SOPAs;
- The National Development Plan;
- The triple challenge; and
- Economic transformation and promotion of youth development and empowerment.

#### **Looking Forward**

The SABC will implement new ICASA Regulations with effect from the 23 of September 2017 as stated in Government Notice No. 344 published under Government Gazette No. 39844 on 23 March 2016 relating to ICASA Regulations on South African Music.

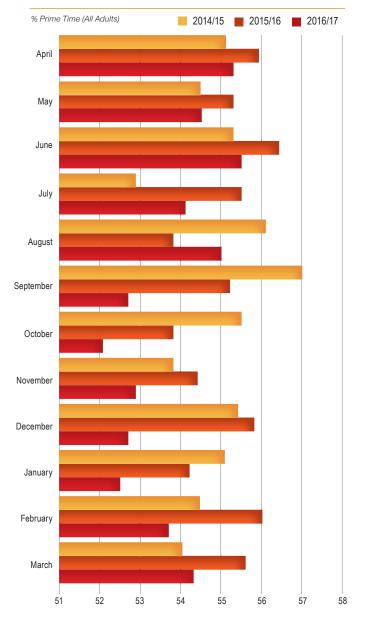
The regulations state that PBS stations are expected to ensure that a minimum of 60% of the musical works broadcast in the performance period consist of South African music. The quota will be increasing to 70% in the following year. PCS stations are expected to play 35% of local music.

The increased local music quotas for radio services are as given in the table below:

TABLE: New local music quotas for radio services

Broadcaster	Current quota	New quota	First year	Second year
SABC Public Radio	40	70	60	70
SABC Commercial Radio	25	35	(Applicate months of the of the final re	

#### **GRAPH: SABC Television Total Audience Share**



#### SABC TELEVISION

SABC Television operates in a rapidly changing business environment being moulded by disruptive digital technologies and changing media consumption patterns. This is happening within the context of a developing South African economy that has felt the impact of a global slowdown, and is susceptible to foreign exchange fluctuations that have a significant impact on its core business. SABC Television has to move with agility to compete with commercial competitors while remaining true to its mandate of delivering a public value proposition of educating, informing and entertaining all South Africans within the context of public sector operating quidelines.

From the beginning of the period under review, South African television audiences were still adjusting to previous scheduling and programming changes on SABC channels. Both SABC2 and SABC3 were at record low points in terms of Prime Time Audience Shares (All Adults). The relative stability of the combined Audience Share was attributable to the strong performance of SABC1. The two satellite channels, SABC News and SABC Encore remained stable on the DStv bouquet, but with very limited audience reach.

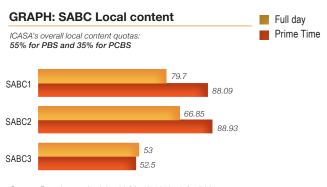
### The graph to the left illustrates the comparative SABC's total audience share since 2014.

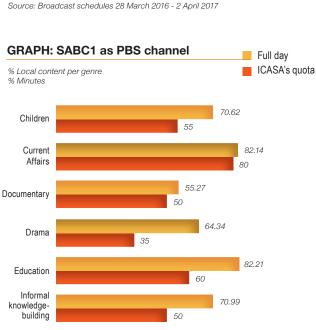
Also during this period, the strategic shift and announcements by the SABC to increase local content on television and the negative publicity about the editorial approach prior to the Local Government Elections were not well received and audience performance remained under strain.

During the last quarter of the year under review, audience share performance was dramatically affected by key SABC1 prime time programmes moving to SABC2 and SABC3, for the duration of the AFCON tournament. SABC1 immediately recovered and its refreshed schedule illustrated increased viewership. The new schedules launched for SABC2 and SABC3 in the last quarter of the year under review.

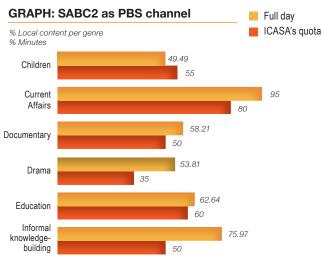


The celebrity contestant teams for SABC3's 'Tropical Island of Treasure'.

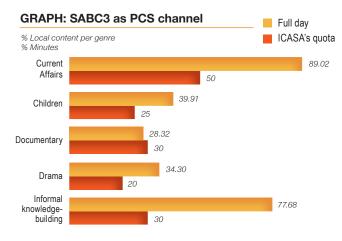




Source: Broadcast schedules 28 March 2016 - 2 April 2017



Source: Broadcast schedules 28 March 2016 - 2 April 2017



Source: Broadcast schedules 28 March 2016 - 2 April 2017

#### **Compliance with licence conditions**

#### **Local Content and Genre**

ICASA is responsible for prescribing local content quotas on all the SABC channels. The primary differentiation of these quotas is between the PBS channels which consist of SABC1 and SABC2 as well as the PCS in the form of SABC3; the former have to meet a 55% target and the latter a 35% target.

The measurement of local content carried on SABC platforms is as per ICASA defined methodologies, which excludes sport from local content calculations and only the first play-out of a local programme is fully accounted for. First repeats are counted as half the value and thereafter no recognition is given to local content repeats. This is a different methodology than the one that was applied to assess the 80:20 split between local and international content implemented during the financial year.

The Regulatory Authority also stipulates quotas against different broadcast genres. The graphs on the right illustrate SABC's compliance per genre.

During the period under review, all three channels exceeded their local content targets in terms of the universal channel targets and regulations, even when measured using the ICASA prescribed methodology.

SABC1, in terms of full-day coverage, exceeded its target by over 24%, delivering 79.07%. More than 88% of prime time, the most watched timeslot on television, was given over to local coverage on SABC1.

SABC2, which shares SABC1's 55% target, delivered 66.85% for full-day coverage and 88.93% prime time.

SABC3, as the PCS channel has a reduced quota of 35%, and it delivered 53% for full-day and 52.5% for prime time.

Despite significantly exceeding set targets for the overall local content and for almost all regulated genres, children delivery on SABC2 and documentaries on SABC3, fell marginally short of the required percentage. In both instances delivery was primarily as a result of schedule disruptions to accommodate events of national importance and sports coverage.

#### Language

SABC Television delivery on the language mandate is measured as follows:

- A minimum number of hours of programming in languages other than English, excluding marginalised languages, in prime time;
- A minimum number of hours of programming in marginalised languages in prime time;
- A minimum number of hours of programming in languages other than English, including marginalised languages, in prime time; and
- A minimum number of hours of programming in languages other than English, including marginalised languages, in performance period.

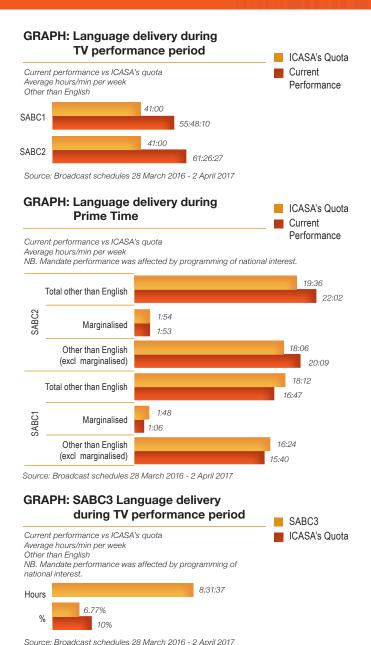
Despite challenges in terms of the aforementioned schedule disruption, with the exception of SABC3's delivery on languages other than English, the SABC Television network either met or exceeded ICASA licence requirements.

#### **Delivery on Public Value**

In addition to delivering public value through meeting licence conditions as outlined above, SABC Television fulfilled its public service role through a number of initiatives and on-going programmes.

During the year under review, public value was placed at the centre of SABC Television's activities, with strategic objectives focussing specifically on delivery of content from companies owned by People with Disabilities (PWD), programmes that meet the needs of the deaf community and content from the non-metropolitan and rural Provinces including the broadcast of inserts from those Provinces, the annual target was missed. The PWD delivery and programmes targeting the deaf and hearing impaired communities the channels met their targets. The SABC's commitment to supporting new and emerging talent saw space created on television platforms for programming allowing them to shine with the November broadcast of SABC National Film and Video Foundation women's films.

During the 2016/17 financial year, nation-building and social cohesion were put at the core of television's activities, with significant time on the schedules being allocated



to coverage of national days of importance. In addition, plotlines, on the SABC dramas, soapies and others, were developed to incorporate these days and provided accessible and educational information about them.

Some of the activities for the year under review included:

**April:** there were themes aired in the channels to support freedom, democracy and liberation, as the month culminates with the 27 April celebration of Freedom Day. The month also saw the launch of SABC election coverage ahead of the Local Government Elections.

**May:** the network participated in commemoration of Workers' Day at the beginning of the month, including a live broadcast of the official celebrations. May was also Africa Month, which culminated with Africa Day on the 25<sup>th</sup>; SABC programmes ran with this theme exploring a range issues including identity, history, cuisine and lifestyles.

**June:** is youth month and television programming reflected this, particularly on youth orientated properties; recognising and celebrating the role of South African youth in the liberation struggle, while also commemorating the pain and sacrifices that young people made for freedom from the yoke of racist oppression.

**July**: is the month when South Africans commemorate and honour the first democratic President of South Africa, the legendary Nelson Mandela. All channels participated in Madiba Month activities, both on and off air.

**August:** public value broadcasting in August included the Local Government Elections, Rio 2016 Olympics and National Women's month. While local elections were covered by all channels, SABC2 was the primary home for special broadcasts. The channel also carried the Rio Olympics and provided the nation with a comprehensive review of South Africa's most successful Olympics ever. All channels included content that celebrated Women's Month, with the religious, entertainment and repurposing genres providing a special focus.

**September:** marks the heritage month and the network focused on delivering celebratory content to South African audiences under the theme 'We are Africa'. Other highlights for the month included the broadcast of the Paralympics from Rio.



The cast of SABC1's local drama 'Uzalo'.

**December:** content was carried on television platforms celebrating the 16 December as Day of Reconciliation, with SABC2 providing the content focus. December also saw content across television platforms highlighting 16 Days of Activism against Women and Children abuse and the International Day focusing on AIDS and HIV.

**February:** SABC2 successfully carried SONA by the President of the Republic as well as the budget speech by the country's Finance Minister. These were important occasions to broadcast for the channel of the nation as both speeches set the national agenda for the rest of the year.

**March:** SABC broadcast a number of events of national interest in March, including the President's March 21st Human Rights Day address, and the funerals of Ahmed Kathrada and Joe Mafela.

#### **Programming highlights**

During this financial year, SABC1 remained the most popular television channel in the country, averaging 33.9% prime time audience share and 27% across the performance period. SABC2 ended the financial year with a 14.6% share of prime time audiences, while SABC3 enjoyed 5.2% share. While the latter two channels performance was disappointing, changes to the SABC2 schedule and the repositioning of SABC3 were implemented in Quarter 4 of the financial year.

The SABC network's overall share for primetime was 53.8% for the full year and 46.4% for the performance period.

TABLE: South Africa's most popular TV programmes

	Programme Title	Channel	Genre	AR	Share %	AR Viewers
1	Uzalo	SABC1	Drama	22.3	62.8	7 572 173
2	Generations The Legacy	SABC1	Soap Opera	21.8	61.7	7 403 353
3	Uzalo	SABC2	Drama	20.8	59.1	7 117 827
4	Skeem Saam	SABC1	Drama	17.6	57.1	5 931 343
5	Sarafina	E.TV	Movie	16.7	56.2	5 815 726
6	Vodacom Yebo Millionares	SABC1	Compe- tition	16.1	51.4	5 423 408
7	Mr Bones	E.TV	Movies	15.2	51.5	5 130 595
8	Mobeto	SABC1	Drama	15	44.1	5 129 339
9	The Virgin Vegan	SABC1	Drama	15	44	5 116 108
10	Mfolozi Street	SABC1	Drama	15	46.1	5 045 876
11	Nelson Mandela Challenge SA vs Egypt	SABC1	Sport	14.9	41	5 091 225
12	Muvhango	SABC2	Drama	14.8	48.1	5 028 812
13	The Groom's price	SABC1	Drama	13.7	41.5	4 676 372
14	Nkamogeleng	SABC1	Drama	13.6	41.7	4 616 382
15	International Friendly: SA vs Ghana	SABC1	Sport	13.3	38	4 549 883
16	Dream World	SABC1	Drama	13.3	40.8	4 478 843
17	3 Ninja's kick back	E.TV	Movies	13	43.1	4 376 67
18	Skeem Saam	SABC2	Drama	13	48.6	4 428 188
19	The Sisters	SABC1	Movies	12.8	37.5	4 417 82
20	Mama Jack	E.TV	Movies	12.8	44.5	4 305 468

16 of South Africa's most watched television programmes were carried on SABC channels. Uzalo, a SABC1 flagship property, was 2016/17's top show and third most popular show when broadcast in January to February 2017 on SABC2. Generations: The Legacy and Skeem Saam rounded up the Top-10.



SABC News broadcasting live during the Local Government Elections.

#### **Key achievements**

In addition to being the most popular television network in South Africa, SABC Television received multiple awards and delivered public value through a number of innovative medium specific interventions.

The implementation of SEVA, an online self-help e-learning system aimed at converting SABC Education TV programmes into online learning programmes for the public.

School visits in the Eastern Cape, Limpopo, Northern Cape and Free State, facilitated face-to-face interactions in support of the triangular (learner, parent, teacher) relationship for the programme 'Each One Teach One'. It offers sound professional therapy and psychological understanding of problem areas in the learners' schooling.

The Living Land Emerging Farmers Workshop which aim to empower small scale and emerging farmers with information to assist them to grow their businesses in support of the Living Land show on SABC2. This includes issues of finance, marketing, and crop farming.

The programme Skeem Saam invited youth from rural communities within Kwa-Zulu Natal, Eastern Cape and Free State to join a two day engagement that included bootcamps to promote teamwork. The themes for the bootcamps included education, entrepreneurship, drug and alcohol abuse and how these four things intertwine.

The 2016 SABC Voter Education Campaign reached more than 8.2 million South Africans through television, digital media and radio, well in excess of its target of 5 million. The broadcaster together with its partner IEC mobilized the public to participate in the elections encouraging a vibrant democracy.

#### **Looking Forward**

The priority for SABC Television in the medium term is to build on its position as South Africa's most popular provider of video content, central to this are the current free-to-air channels, SABC1, SABC2 and SABC3. Around this hub of programming excellence the SABC will develop offerings that will live in the multichannel digital space, such DTT, and also in a variety of spaces in the on-line world. This commitment reflects the critical role that SABC Television has to play in ensuring DTT take up and the seriousness with which it will approach this.

#### SABC NEWS AND CURRENT AFFAIRS

SABC News has the biggest network of journalists in the country. It has offices in all the Provinces, including the Parliament of the Republic of South Africa. It also runs three international bureaus in Zimbabwe, Kenya and the United States of America. In addition, the Corporation subscribes to various international agencies to enhance its global coverage. SABC News and Current Affairs content are available on various platforms: radio, television and digital channels and is broadcast in all official languages. The SABC is the biggest broadcaster in the country and remains the main source of news and information for the majority of South Africans.

The decision to ban violent content from being broadcast during news and current affairs programmes led to disputes, tensions and divisions within the SABC newsroom. A disciplinary process was instituted against eight journalists who were dismissed and later reinstated following a court order. This brought the SABC under public scrutiny with a high probability of its reputation and credibility being tarnished. Greater effort had to be applied to bring stability and restore confidence, trust and integrity in the SABC newsroom.

#### **Compliance to the Mandate**

During the period under review, the News Division faced a number of challenges related to the execution of its mandate. Changes to the Corporation's editorial policies, which were subsequently rejected by ICASA, had the effect of diverting newsroom operations from its normal procedures by instituting restrictions on coverage. This led to several ruptures in the newsroom. It should be noted that contestation in the newsroom is considered standard operational procedure. It is spelt out in our editorial policy which requires of us to reflect South Africa's diversity of opinion and life experiences.

The period prior to the formal implementation of the disputed editorial policy, had also been characterised by tensions arising from forced implementation of the said policy without discussion or approval and the erosion of line functions at various levels of the newsroom, including in the provincial offices. Details of such distortions and the enforcement of illegal instructions were ventilated at the parliamentary inquiry into the SABC.

The impact was that it diverted SABC News and Current Affairs from the dictates of the SABC Charter, the South African Broadcasting Act, and the prescripts of the Broadcasting Complaints Commission of South Africa's (BCCSA) Code of Conduct and the SABC's own Editorial Code.

It compromised our ability to, among others:

- Reflect South African attitudes, opinions, ideas, values and artistic creativity;
- Offer a plurality of views and a variety of news, information and analyses from a South African point of view; and
- Advance the national and public interest.

#### Coverage highlights

Notwithstanding the above deficiencies, the News Division pursued a range of stories in keeping with its public mandate. It selected stories from all of its provincial offices and parliament as well as its international bureaus.

Major highlights for the period under review included:

Coverage of the Local Government Elections. The 2016 elections coverage was fully funded by the SABC. It was the first time no allocation was received from National Treasury. Despite the restrictions already mentioned, coverage included roadshows to various rural areas and smaller towns. The Outside Broadcasts (OB) on both radio and television allowed for a more intimate focus on issues and people in these locations. The election campaigning of

all parties received coverage by our news staff throughout the country. The News Division anchored its election and results coverage from the IEC Results Centre in Pretoria with regular windows on the broadcast schedule dedicated to Provincial Results Centres. This enabled us to not only be first with local results but to provide up to date reaction from political parties and ordinary citizens. A panel of analysts assisted the SABC in the provision of fair and balanced coverage of the event. The ban on the coverage of violent protests compromised our product and adversely affected our credibility and trust among audiences.

- The announcement of the Matric results is broadcast live each year. It is preceded by regular coverage of education throughout the year. The SABC drew on its extensive network to cover stories of textbook backlogs in Limpopo, sanitation backlogs at Eastern Cape schools as well as success stories from rural and urban schools.
- Food security and natural disasters. The impact of drought, fires and floods on communities. Stories looked at the devastation caused, the relief efforts as well as how people were coping in the face of stringent restrictions.
- Coverage of incidents of racism increased over the period under review. They include incidents at schools and cases that are before courts like the man stuck in a coffin in Mpumalanga and the killing of a young boy in Coligny for allegedly stealing sunflowers.
- President Jacob Zuma's fitness to hold office.
- SONA and the Budget Speech were broadcast live and so too were the budget votes of the various government departments,
- We continued to reflect daily briefings and debates in parliament on a range of issues of public interest.
- Service delivery protests throughout the country
- Economics focus was on the contraction of the economy, the impact of ratings agencies downgrades and the rise in the unemployment rate. Attention was also given to our dwindling mining industry and the growth in tourism.
- Crime and people's search for justice featured frequently.
   Issues of violence against women and children enjoyed

prominence with case studies drawn from all corners of our country.

- The standout health issues covered include the level of service and the state of infrastructure at public hospitals.
   Prominence was given to the death of over 100 mental health patients in the Life Esidimeni saga.
- Revenue generating projects included host broadcasting partnerships with the International Aids Society for the International Aids Conference and the CITES COP17 Conference.
- Special broadcasts reached unprecedented levels pushing up operational costs. Some of the live broadcasts included greater coverage of sittings of the Constitutional Court including hearings on the Nkandla debacle and the validity of contracts related to the social grants payments. Court cases on the Public Protector report on State Capture and the sentencing of convicted murderer Oscar Pistorius were also carried live. Other annual live broadcasts included Armed Forces Day and other commemorative days, e.g. Human Rights Day, Memorial services and/or funerals of high profile South Africans such as Thandi Klaasen, Lundi Tyamara, Ahmed Kathrada, Joe Mafela, Joost van der Westhuizen and Mandoza were carried live partly on their newsworthiness but also to educate South Africans who had little or no exposure to the life stories of the deceased.
- African coverage included elections in Ghana, Uganda, Zambia and Gabon and in the Gambia the focus was on the reversal of democratic gains. The Great Lakes experienced strife with violent protests in the Democratic Republic of Congo and Burundi. The devastating effect of tropical cyclone Dineo in Mozambique and Zimbabwe also got airplay. Other major stories beyond the continent include coverage of the death and funeral of Cuban leader, Fidel Castro, the United Kingdom referendum on exiting the European Union and the election of Donald Trump as the US president.

#### **News and Current Affairs Performance**

Despite the ructions during the period under review, SABC News produced 52 television news bulletins and nine television current affairs shows on SABC1, SABC2 and

SABC3 every week. SABC News broadcasts over 16 000 minutes of news and in excess of 6 000 minutes of current affairs programming per month. On radio, daily news bulletins are produced for the 18 radio stations in our stable and current affairs shows are run on all PBS stations in the morning and evening on weekdays. Our digital platforms also increased the volume of its output as well as its take up in the market place.

#### **Programming Highlights**

SABC News continued to dominate the free-to-air television ratings. Seven of the top ten news properties are within the SABC portfolio. The IsiZulu and IsiXhosa bulletins continued to dominate, albeit marginally when compared to 2015/16 fiscal year. The minority language bulletins presented notable improvements with the IsiSwati and IsiNdebele bulletins increasing from 4.2 Audience Ratings (AR's) to 4.7 AR's, while the Tshivenda and Xitsonga bulletins increased from 1.9 AR's to 2.1 AR's.

The decline in audience figures for some current affairs programmes during 2016 continued resulting in the dropping of the Interface show from the television schedule. Other decisions made in support of the SABC TV repositioning strategy were the rescheduling of programmes like Cutting Edge and the replacement of Sunday Live with more youthappealing shows.

Current Affairs programming was reduced on radio, in support of various station's repositioning strategies.

SABC News continued to grow, maintaining its position as the second most viewed news channel on the DStv bouquet. The popularity of some of its programmes has led to them being moved to the terrestrial channels. The channel has grown audiences based largely on its association with the Public Broadcaster and the expected delivery of public value. The channel has to radically rethink its positioning however, and the evidence is overwhelmingly in favour of a digital-first strategy that will see the channel pursue story first, platform second, brand third.

The SABC has grown its digital footprint through, among others, its online offerings and new media channels like Twitter. In fact, the strategy is veering in the direction to deliver for mobile first as this is not only the future, but is a

key element defining growth on the African continent. Our own Establishment Survey (Dec 2016) notes that over half of the 1.5 million South African adults who watch TV on a cell phone do not have access to DStv.

The changing patterns of news consumption and continuous advancements in technology provide both challenges and opportunities for the SABC. The News Division is looking at ways of adapting its operating model to take account of these developments.

#### **Looking Forward**

The SABC's constrained finances will be felt in the next performance period, Major cost cutting initiatives will affect efforts to improve operational efficiencies and grow audience share. In consultation with all the television channels, radio stations and other stakeholders, SABC News and Current Affairs will review its operating model and current offerings to align them with ICASA prescribed minutes per channel per genre of programming. The Division will also review its current approach to covering events of national importance with a view on reducing costs whilst at the same time maintaining legislative compliance.



SABC Sport presenters.

Major stories on the horizon include the ANC's elective conference in December 2017, the continuing negative outlook for the South African economy and the scourge of violence against women and children. The News Division will be under increased scrutiny owing to the editorial and managerial deficiencies highlighted during the period under review.

A major drive to review its editorial policies is underway. The outcome will require a renewed effort to restore confidence in the editorial and managerial oversight at the News Division.

SABC News and Current Affairs will also seek to secure a sustainable growth path for SABC News through securing a carriage arrangement as the current one expires in 2017/18 financial year.

A digital first approach to breaking news and creating convergence across platforms will dominate debate on implementing a new operating model for the Division.

#### **SABC SPORT**

Government Notice No. R 275 of 7 April 2010 published under Government Gazette No. 33079 on the Electronic Communications Act 2005 (Sport Broadcasting Services Regulations of 2010), requires that the SABC submit annual reports which are indicative of the extent to which national sporting events are covered. Thus, this documentation seeks to give an account of the sport broadcasts of the year under review in line with the Sport Regulations and the Broadcasting Act of 1999, as amended.

#### **Compliance with Licence Conditions**

The Sport Regulations list the following sporting codes as national sporting events, of which the SABC endeavoured to acquire the rights for broadcast of the following events:

- Summer Olympic Games;
- Paralympic Games;
- All Africa Games:
- · Commonwealth Games;
- FIFA World Cup;
- Africa Cup of Nations;

- IRB Rugby World Cup;
- ICC Cricket World Cup;
- ICC T20 Cricket World Cup Championship;
- Comrades Marathon;
- Two Oceans Marathon;
- Super 15 Rugby;
- COSAFA Cup;
- CAF Champions League;
- CAF Confederations Cup;
- Telkom Charity Cup;
- MTN 8 Cup;
- Telkom Knockout;
- Nedbank Cup;
- · Currie Cup; and
- MTN 40 (cricket).

#### **Delivery on Mandate**

SABC Sport delivered on its mandate to broadcast sports of national interest. The cost of sports increases annually impacting on the ability of SABC Sport to fully deliver on its mandate as rights costs affect the liquidity of the broadcaster.

#### **Sport Programmes**

#### **Sports of National Interest**

During the period under review, SABC Sport produced and broadcast a number of key annual and special events, one of them being the broadcast of the 2016 Euro tournament, the tournament was acquired from Supersport and it formed part of the Off Season Plan. The Euro matches broadcast was well received as it contributed to the overall performance of SABC1.

In addition, the CAF Champions league coverage continued as Mamelodi Sundowns progressed to the final. The Carling Black label Cup was another success that is broadcast on SABC1 annually.

Other events that were featured during the period under review include the South African U20 men's qualifier, the

SAB U21, the Cricket Awards, the Vodacom Durban July and the G-Sport awards which pay tribute to and honours South African Women who play a pivotal role in Sport.

Also in August, SABC3 covered the broadcast of the Proteas inbound tour of New Zealand, Ireland and Australia.

Another important sport event for this fiscal was the 2016 Rio Olympics and Paralympics Games. The Olympic broadcast commenced on the 24th of July with 1 licensed and 2 internally produced documentaries broadcast on SABC2 on Sundays at 21:00. The 2016 Games featured some of our own South Africans excelling in their achievements, with Wayde Van Niekerk, Caster Semenya and other local athletes bringing home Gold.

The live broadcast commenced from the 3<sup>rd</sup> to the 21<sup>st</sup> August 2016; SABC1 covered the basketball and soccer, with SABC2 being the main carrier of the event. The broadcast comprised of the semifinals and finals live from 22:00 to 05:00 and a daily highlights package every morning. The broadcast was covered live overnight due to the time difference between South Africa and Brazil. SABC3 covered the highlights of volleyball, tennis, golf and other sports aligned to the channels positioning, from 24:00 to 05:00. The heats unfortunately could not be covered live as channel scheduling could not accommodate a live broadcast .

The Paralympics broadcast from Rio were scheduled from the 7<sup>th</sup> to the 18<sup>th</sup> of September 2016 at 22:00 to 02:00 daily. However, due to the contractual obligations between SABC Sport and Supersport, two hours of packaged highlights were broadcast and the channel reverted to its normal overnight slot.

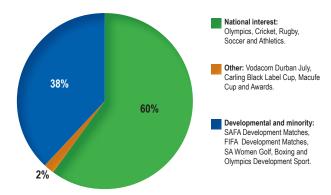
The #Boxingisback programme continued until October 2016, with the October tournament taking place in Bloemfontein during the Macufe Festival.

A significant milestone for the boxing programme was the acquisition of the New Zealand boxing rights which was the first international event to be showcased on SABC Television since the return of boxing in June 2015. This tournament featured the most prestigious title in world sport, the Heavyweight Championship. The main undercard held

particular interest for South Africans as South Africa's Ali 'Rush Hour' Funeka took on Jeff 'The Hornet' Horn from Australia in a WBO Intercontinental Welterweight Title.

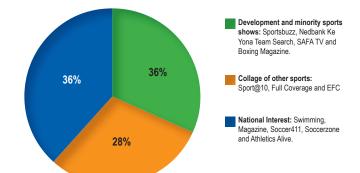
In addition, the SABC broadcast the FIFA Club World Cup 2016 tournament in which Mamelodi Sundowns managed to progress to the final round of the competition.

#### **Sports of National Interest**



Soccer continues to dominate with 60% of sport broadcasts contributing to the overall delivery of sport content on SABC TV. The international soccer was featured during this financial year due to the Euro tournament.

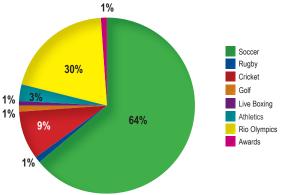
#### **Sport Magazines**



#### **Minority and Development Sport**

In respect of Minority and Development Sport, the SABC successfully broadcast the final event of the SA Women's Golf tournament, the Indigenous games and Sportsview, a weekly magazine show which covers all Development and Minority Sport, as well as SAFA Development matches. To celebrate Women's Month (August) the G-Sport Awards were broadcast on SABC2. The magazine shows comply with the requirements of the Broadcast Act with respect to covering Women, Youth and Disability in Sport. The major events that were broadcast relating to women and youth were the 'Nedbank KeYona' team reality show and match, the SAFA women matches and the boxing magazine show.

#### **Sport Genres**



### **Programming Highlights and Important Broadcasts**

During the period under review, some of the sports covered included the Premier Soccer League, SAFA national team matches, CAF tournaments and the successful broadcast of the Carling Black Label Cup on SABC1.

We successfully covered other events such as the Vodacom Durban July, PSL Awards and SA Sports Awards and the major marathons i.e. Comrades, Two Oceans, Soweto and the Cape Town City Marathons, as well as highlights of inaugural smaller marathons which contribute significantly to South Africa's athletics history.

During the 2016/17 financial year, SABC Sport delivered a number of sporting events deemed to be of both national and public interest through radio and television broadcasts which included the following:

- The 2016 AFCON Tournament;
- The SA Sports awards;
- The 2016 Olympic and Paralympic Summer Games;
- The FIFA Club World Cup;
- The International Boxing Tournament; and
- The Cricket Inbound Tour.

On the athletics front, all major athletics meetings were covered as per the agreement with Athletics South Africa. Four marathons were covered during this period, including the most decorated Comrades marathon which is considered one of the best in terms of production and broadcast.

#### **Key Achievements**

During the period under review, SABC Sport managed to attain rights to broadcast the following:

- The 2016 Rio Olympics;
- The 2017 AFCON as well as the 2016/17 PSL Fixtures; and
- All Bafana Bafana games

#### **Looking Forward**

- To develop and maintain, an innovative, sustainable, rights and content portfolio, that is compelling and compliant with ICASA mandate requirements;
- To produce content that is world class at an affordable level with both innovative and commercial elements that enhance audience delivery;
- To improve our cost efficiencies and revenues;
- To develop, maintain and prioritize our relationships with sporting federations and to be a catalyst in the execution of the national agenda on sport and sport development; and
- To invest in Human Capital; recruitment, development and retention of key talent/ skills and performance management.

#### **SUPPLY CHAIN MANAGEMENT (SCM)**

The Supply Chain Management Division is responsible for creating, driving and managing the supply chain management function by ensuring that goods and services are procured in a manner that is fair, equitable, transparent, competitive and cost-effective as per Section 217 of the Constitution of the Republic of South Africa, with a specific focus on preferential procurement as defined in the Preferential Procurement Policy Framework Act.

#### **Previous Financial Year Audit findings**

There was one qualification on the Annual Financial Statements (AFS) of the prior year and it was as a result of R5.1 billion in accumulated irregular, fruitless and wasteful expenditure.

Despite engaging the services of a consulting firm to assist in addressing this finding, our efforts were not successful. As a result this qualification is still on the period under reviews audit report.

However an amount equal to R2.1 billion relating to the prior years has since been approved by the Audit Committee and the Board for condonement.

#### **Current Year Audit Findings**

The year under review saw a complete breakdown of controls in this area. This was mainly caused by management override, inadequate record keeping and procurement outside the SCM processes.

As a result of the above, a significant amount of irregular, fruitless and wasteful expenditure was identified and reported on the AFS.

In addition to the balance reported in the AFS the external Auditors have identified additional amounts that are not disclosed in the AFS.

It was also found that the SCM lacks an up to date operational policy that takes into account the business needs and standard operating procedures (SOP).

## sabc's technology

### Digital Terrestrial Transmission (DTT) and Direct-to-Home (DTH) Platforms

During the period under review, South Africa under the leadership of the Department of Communication has been updating the Digital Migration Plan. The updates relate to issues such as the proposed change in transmission standards and the delays caused by disputes around Set Top Box (STB) control. The DTT commercial launch was held on 1 February 2017. The commercial implementation must now be executed which involves the continuing roll out of the Government subsidised STB's, making available DTT STB's and iDTV's in the retail market and the launch of incentive channels by all incumbent free-to-air broadcasters on the DTT platform.

Sentech revised and finalised their operating model and plan which included the requirement to ensure that DTT and DTH receptions devices are capable of receiving and decoding the broadcasters' DTT transmissions.

The free-to-Air Rules of Operation for DTT network in South Africa are in place, although the stakeholders (free-to-air and subscription broadcasters as well as Sentech) still have to sign the memorandum of agreement.

The SABC has completed the following in preparation for the commercial implementation of DTT:

- The Electronic Programme Guide (EPG) production system was installed and integrated with TVBMS;
- The closed captioning play-out system was installed.
   It was however discovered that current FCC play-out automation system cannot effectively integrate with the closed captioning system. This integration will be implemented with the planned replacement of the current FCC play out automation system;
- Both the main and redundant encoding and multiplexing systems have been implemented;

South African Broadcasting Corporation [SOC] Ltd

- Interactive content, consisting of news and weather broadcasts, have been developed and transmitted on the DTT network.
- SABC News was launched on the SABC DTT bouquet;
- DTT Redundant (Full backup) Head end system;
- The installation and commissioning of the secondary backup DTT/H head end was completed and tested to be functional. It was given over to business after it was commissioned and signed off.
- A plan to get approval to build a DTT Laboratory was completed. The facility will aid the innovation department to investigate changes and experiment with new proposed setups and developments for possible future implementations; and
- SABC Staff and DTT Information Campaign Equipment (GT1401): These are new STBs which were received and were tested in the Lab. The STBs are implemented in each Province but require a final firmware update. Although the DTT viewing sites in all the SABC Provinces is beneficial for information and presence, the success of the DTT rollout is in the hands of how well the campaign is marketed to our staff and audience. The marketing around the technical infrastructure implementation of DTT migration roll out has not been communicated adequately to staff.

#### **Innovation**

For the period under review, the Division provisioned radio play-out metadata for SABC websites, digital media MiTracks app and audio radio play-out for audio streaming.

While SABC News has been equipped with bonded cellular units for live broadcasts, each Province has been provided with at least one unit. This allows SABC News to reach many people around the country to tell their stories live on television.

The SABC demonstrated an innovative technological advancement by using Metro Ethernet to create a broadcast network connecting the main broadcast studio at the IEC



DTT Roadshow, introducing DTT to the communities.

Results Operations Centre in Pretoria with all nine Provincial IEC Centres and Auckland Park. SABC successfully transmitted video, audio, communications and data over Internet Protocol (IP) using Metro Ethernet. The upgrade of the SABC Local Area Network (LAN) has been completed, replacing many out-dated and unsupported equipment to bring the SABC network up to date and able to service the demands for high speed media transfer of digitization and DTT projects, as well as IP Telephony and IPTV.

The replacement of the SABC Wide Area Network (WAN) with Metro Ethernet is in an advanced stage of completion. On completion at the end of September 2017, this will ensure a robust and resilient platform for media and data transfer between the various SABC Provincial offices.

Radio Broadcast Resources participated in the extended Digital Audio Broadcasting (DAB+) technical trial where they articulated the interest of the SABC.

Media Libraries introduced access to online digital media, Newspapers Magazines and Legal Journals via the internet and SABC intranet.

The Division completed the Proof of Concept tests for the new radio play-out system in October 2016.

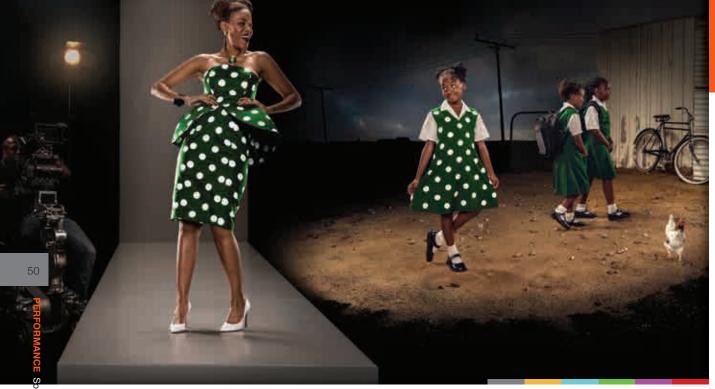
The following Capex projects were completed with the assistance of Broadcast Engineering Services:

Thohoyandou Studio upgrades;

- Radio Station The nine OB Vehicles were trapped in the dispute since 2015 and the project was reinstated and delivered the vehicles. Two more vehicles were built and delivered during the period under review for Kwa Zulu-Natal's Ukhozi FM and Lotus FM and Lesedi FM in Free State:
- Tshwane Studio upgrades and refurbishment;
- Channel Africa Studio refurbishment:
- Polokwane Studio upgrades;
- IP Codecs replacement; and
- M1 Studio organ refurbishment.

#### **Looking Forward**

The 2017/18 financial year prioritises FM transmitter network expansion and optimisation programmes in order to address the aging transmitter infrastructure and to extend signal reach to the under serviced areas. The SABC continue the programme of FM transmitter expansion and apply for 41 transmitter licenses that were earmarked for 2017/18 but were rejected by ICASA due to spectrum congestion in the targeted areas pose a threat. This threat is the signal interference to other licensed service providers. Sentech has commenced with a process of identifying additional frequencies to expand the FM transmitter expansion project further in 2017/18 without causing interference.



SABC1's 'TV and life are One' campaign.

#### For the year under review, work on refining the SABC brand to position the Corporation internally and externally in order to restore the brand and reputation, continued.

Some of the campaigns included the following:

- Motivated by the mantra #MadepossibleByYou and its manifesto, the SABC embarked on a drive to create awareness around the benefits of paying the TV licence. The campaign saw some of South Africa's well known broadcasting talent including the likes of Leanne Manas, Ismail Abrahams, and Thomas Mlambo hit the road to share their stories of how the payment of TV licence has made it possible for them to make meaningful contributions to the lives of others;
- Missed your favourite SABC TV and Radio Shows? No problem now you can catch-up whenever, wherever.
   #KaeKapaKae. The SABC made available new and existing content on both its Radio and Television platforms online. A wide variety of SABC TV content is

uploaded onto its YouTube channels for SABC1, SABC2, SABC3 and SABC Education. Episodes of SABC's Muvhango, SkeemSaam, Generations: The Legacy, 7de Laan, Uzalo and Isidingo, are accessed by followers at their convenience no matter where they live. SABC Radio digital media offering extends to podcasting, social media, audio and video live streaming and records hundreds of thousands in podcasts downloads, locally and via the expat listening communities. Popular podcasts include: #AskAMan on METRO FM, News Bulletins and the Forum on SAfm, iBrakfesi Eyondlayo Ekuseni on Umhlobo Wenene FM, Pranks on the 5FM Roger Goode weekday afternoon drive show, sermons and inspirational content from Ukhozi FM;

 'TV and life are One', is a TV advertising campaign launch on SABC1 which reflects the youthful inspiration that drives the channel to tell real stories which resonate with the youth living in Mzansi. The SABC News website provides breaking news and the best of SABC Radio and TV News and current affairs broadcasts. The SABC News online presence extends beyond its website, keeping

# Marketing Initiatives: building the brand

users informed through social media, @sabcnewsonline on FaceBook and Twitter, or follow #sabcnews for breaking news;

- SABC3 relaunch focused on more local content, that is rooted in South Africa with global outlook celebrating the country's progress and aspirations, boasting a brand new look and feel;
- Established radio brands were relaunched during the period under review including Phalaphala FM, Lesedi FM, Ikwekwezi FM and Mungana Lonene FM. Logos across the board have been changed to reflect and move closer to local culture while also factoring in the latest design innovations, while programming has been aligned to the revised brands. The accessibility of SABC's premium content online broadens the horizon on where and when audiences can consume such content;
- 'The stage is yours', an SABC3 new positioning campaign, was launched during the period under review ahead of its revised schedule;
- SABC Television aggressively marketed the new SABC1 and SABC2 shows in the last quarter of the year; and
- #BeNewWithOne, an SABC1 campaign, was extended with a
  nationwide activation promoting the channel's new schedule.
  SABC1 had to ensure that it ended the financial year on a very
  high note through exciting activations that continued to drive
  and promote channel's successful post AFCON campaign.

All these campaigns represented a critical element of the repositioning of the three channels to build audience and enhance the relationship between audiences and SABC Television.

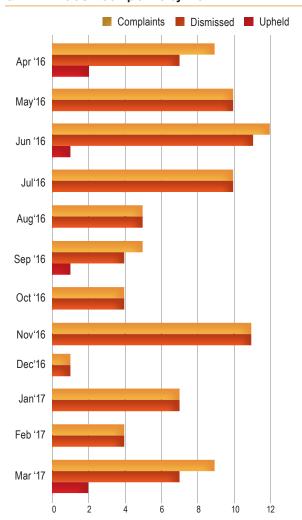
Over and above improving the SABC's brand reputation via platform campaigns, creating brand experiences for valued stakeholders is another objective that the SABC sought to meet during the year under review. Activations at the Vodacom Durban July 2016, the biggest horse-racing event in South Africa, were executed to afford the Corporation with such an opportunity.

### Recorded

## complaints

Complaints against SABC services are referred by a number of statutory and self-regulatory bodies.

#### **GRAPH: BCCSA Complaints by Month**



These include the Broadcasting Complaints Commission of South Africa (BCCSA); the Advertising Standards Authority of South Africa (ASASA); the Wireless Application Service Providers Association; and the National Consumer Commission and the Chapter Nine institutions.

As always, the largest number of complaints during this fiscal was received via the BCCSA, which adjudicates contentrelated complaints. In 2016, South Africa held the Local Government Elections where certain aspects of coverage attracted complaints which were presided over by ICASA.

The SABC received five complaints related to the broadcast of Public Election Broadcast (PEB) and political advertisements outside the permitted broadcast period. The most prominent complaint related to the display of violent images in the coverage of violent protests that prevailed in the period before the elections.

#### **Broadcasting Complaints Commission of South** Africa (BCCSA)

During the period under review, 87 complaints against SABC were finalised by the BCCSA. Of these complaints, 81 were dismissed, and six were upheld. Of those upheld, fines were issued for three matters.

#### **Upheld Cases with Fines**

#### **April 2016**

The soapie 7de Laan on SABC2 continued to broadcast violent scenes after being reprimanded. The SABC was fined R15 000 by BCCSA.

#### June 2016

A promotion for a movie titled Night Fright was broadcast during family viewing time while it contained mature content not appropriate for viewing at that time. The SABC was fined R5 000.

#### March 2017

A viewer's cell phone number was erroneously broadcast on Isidingo purporting it to be of a character in the soapie. However the cell phone number belonged to a private



Celebrating SABC2's local soap '7de Laan's' 4000 episode.

person in reality. The cell phone owner started receiving calls and messages from strangers. The complainant also received a warning from her employer for disturbing peace with his constantly ringing phone at work. The SABC was fined R10 000.

#### **Independent Communications Authority of South** Africa (ICASA)

The Complaints and Compliance Committee (CCC) heard arguments with respect to allegations of violation relating to the 2016 Municipal Elections Regulations as lodged by the Broadcasting Compliance Unit of ICASA.

#### The sanctions were as follows:

Radio Sonder Grense – A fine of R50 000 was imposed to the SABC, of which R35 000 is suspended for three years and an apology to be broadcast once per day for two consecutive days was also required.

METRO FM, Ligwalagwala FM, and Ukhozi FM - A fine of R5 000 and an apology to be broadcast once a day for five consecutive days was imposed.

Good Hope FM - ICASA accepted the response that the error was as a result of a systems error beyond the officials' power. As a result, the radio station was found not to be negligent.

#### Advertising Standards of South Africa (ASASA)

There was one complaint from the ASASA relating to the TV Licences advertisement. The complaint was dismissed.

## Corporate affairs

#### STAKEHOLDER ENGAGEMENT

The SABC Stakeholder Engagement Strategy was developed in order to ensure that the Corporation remains relevant and focused in meeting the needs and expectations of its audiences throughout the country.

During the year under review, the Corporation's strategic focus was on both internal and external key stakeholders including the citizenry to ensure inclusivity. These are categorised into various stakeholder groupings below:

#### **Public**

- During the year under review, the SABC continued to be a key partner in DoC's DTT Ministerial Imbizos which were held throughout the country. In order to explore opportunities of mutual interest, Memoranda of Understanding (MoU's) and agreements with various strategic partners were concluded;
- As part of a national back to school campaign, 'Raise a Hand', a group of students from two schools, Desmond Mpilo Tutu High School in Paarl and Thembalethu High School in George visited the SABC. The campaign was intended to lift the morale of students especially from poor performing schools:
- The annual launch of 16 Days of Activism Against violence on Women and Children was given a different twist by the Eastern Cape Province when it formed a partnership with a local artist who is also visually impaired, and a Poetic Soul. The artist wrote a stage play specifically for the campaign and performed it on the day for SABC staff and invited stakeholders such as Family and Marriage Society of South Africa (FAMSA). Besides creating awareness to fight against violence, the play also highlighted various issues such as the socialization of the African girl-child, access to education for girls, as well as the social evils of the phenomenon of 'blessers':
- In October 2016, SABC Senior Management met with the Vatsonga/Machangana traditional leaders at Giyani

responding to their call to address them on matters including equitable coverage of Xitsonga content on all SABC platforms; and

 The SABC also reached out to young emerging entrepreneurs in the Northern Cape who wanted to venture into film production. The event was supported by various organisations such as - Foreigners Economic Employment Marketing, Anal Kay Development Communication, Brand Kimberley Pty, Diamond Creative Vision Hub and Menage House.

#### **People with Disabilities**

- During the year under review, Xolisa Yekani, an SABC Eastern Cape staff member who is visually impaired, has been a champion of people with disabilities, leading and advising on all the awareness programmes that the Province participates in such as Blind Buddy day.
- In December 2016, in honour of International Day for Persons with Disabilities, Lesedi FM listeners donated 66 batches of adult disposable nappies to Lesedi Relief Centre residents a hospice in Mangaung.

#### **Community Organisations**

- During the year under review, various communities such as the Khoisan Community were engaged in an effort to understand and establish their needs. The feedback from such stakeholder engagements is very critical in shaping SABC programming in order to remain relevant to the needs of our audiences.
- The SABC also supported the Limpopo Artist Movement in hosting an Artist Workshop held at Library gardens on the 3<sup>rd</sup> of June 2016. SABC Limpopo combo supported the event through promos as a build up to the event, interviews across the SABC Limpopo combo prior to the event and having SABC representatives on the day of the event (compilers and media librarians).

#### **Sporting Bodies**

National sporting bodies which include Boxing South Africa, Premier Soccer League and FIFA are engaged on an ongoing basis.

#### **Government Relations**

The SABC partnered with Government on a number of initiatives to support days of national importance. Relevant messages were also incorporated in SABC programming during the year under review. The following are a few examples of such engagements:

- The SABC partnered with the Department of Agriculture in hosting Casual Day clothes donation campaign for People Living with Disabilities at Rethusheng Special School in Mamehlabe village;
- To address the issue of TV license non-payment the SABC approached the South African Local Government Association (SALGA) Provincial Chairperson, Cllr Sofia Mosikatsi took the initiative to deal with individual Municipalities in the Western Cape to encourage them to manage their debts better and improve their audits in return; and
- The SABC held discussions with Western Cape Premier and Executive Mayor of Cape Town, where she invited the SABC to meet her Mayoral Committee members. Engagements with both Premier and Executive Mayor had positive discussions around building closer business ties with the SABC.

#### **Local Content Bodies**

In support of South African music industry and promoting local content the Public Broadcaster has entered into discussions with various producers, music and content providers as follows:

- A new learnership for Film/TV Production was launched in East London in September 2016. This was in partnership with National Electronic Media Institute of South Africa (NEMISA) and the East London Industrial Development Zone (IDZ). The learnership is targeted at unemployed youth from a previously disadvantaged background and it is in preparation for the DTT roll-out. Twenty unemployed young people from all over the Eastern Cape Province benefited from this learnership.
- The Independent Music Performance Rights Association (IMPRA) workshop for artists took place on the 9<sup>th</sup> and 10<sup>th</sup> of November 2016 at the SABC offices in Limpopo and

SABC Annual Report 2016 |

Indoor Sports Centre, Thohoyandou respectively. This road show, supported by SABC was conducted nationally, and aimed at creating awareness and educating on IMPRA, which is a collecting society that is going to be paying out royalties for Needle-time. About 300 people benefited from this workshop.

 SABC Mpumalanga is part of a task team that is working on the development of an Mpumalanga Film office. The task team is convened by Department of Culture Sports and Recreation (DCSR) and it comprises of other stakeholders such as National Film and Video Foundation (NFVF), Mpumalanga Tourism and Parks Authority (MTPA) and many others.

#### International Relations

The International Affairs Unit in its quest to robustly entrench the SABC brand both in the African continent and across the globe has strategically engaged a plethora of stakeholders and interlocutors in the media fraternity, academia, diplomats and other stakeholders. The fundamental principles of these engagements were premised on exploiting potential partnerships, collaborations and co-operations that are designed to yield mutual benefits while simultaneously augmenting the brand and image of the SABC.

The following stakeholders were hosted by the SABC with a view of fostering exchange programmes and mutually beneficial partnerships:

#### **Africa**

- Malawi Broadcasting Corporation;
- Zimbabwe Broadcasting Corporation;
- Lesotho National Broadcasting Services;
- Ethiopian Broadcasting Authority;
- Angola National Television;
- Zambia National Broadcasting Corporation;
- · Namibia Broadcasting Corporation;
- Federal Radio Corporation of Nigeria;
- Tanzania Broadcasting Corporation; and
- Television Mozambique



Launch of #DISABILITY 360° campaign.

#### Asia

- Shanghai Media Group;
- China National Radio: and
- Department of Commerce of Hunan Province

#### Europe

Deutsche Welle

#### **USA Tertiary Institutions**

- University of Pennsylvania;
- Temple University; and
- University of South Carolina.

#### Foreign Heads of Missions Domiciled in South Africa

- Embassy of the Federal Republic of Germany;
- Embassy of People's Republic of Chinap;
- The British High Commission;
- The Jamaican High Commission:
- The Embassy of Tunisia;
- The Embassy of Brazil;
- The Embassy of Ivory Coast;
- The High Commission of Zambia; and
- Embassy of the Russian Federation.

The SABC also interfaces periodically with delegations of foreign broadcasters as well as members of Foreign Missions in South Africa.

In March 2016, SABC Archives in Free State hosted Ms Sayaka Kono an international student from Tsuda College in Japan. Her academic interest lies specifically with 'The Basotho in the Free State in the 1970s', as such, her research has led her to explore QwaQwa and the homeland's politics of the time. The SABC inherited content from what was formally known as Radio Sesotho which aired adverts from QwaQwa and now our staff's meticulous record keeping has made these resources available to Ms Kono to assist in her research.

#### **Customer Relations**

In order to improve customer relations, during the 2016/17 financial year, the SABC introduced a new Customer Relationship Management System to handle queries from the public and resolve them timeously. This includes queries relating to DTT, TV License and SABC platforms programming. This is in line with delivering high quality service to the clients and audiences.

#### **Looking Forward**

Corporate Affairs will intensify its stakeholder relations efforts, with a specific focus on the mandated Policy Review roadshows. Issues of local content and local music will continue to feature high on the agenda.

## Achievements and awards

## This section highlights achievements, awards and recognition received by SABC platforms, programmes and individuals.

Despite a challenging year that saw a decrease in audiences due to a tarnished brand, SABC programming continues to resonate with both its audiences and peers. Numerous audience and peer awards were received during the period under review both locally and internationally as shown below:

#### **SABC Radio**

A total of 31 radio awards and accolades were won by SABC Radio during the year. These include the following:

- METRO FM won the Coolest Radio Station category at the Generation Next Awards for the 4<sup>th</sup> year running. 5FM took second place in the same category.
- RSG won six awards at the annual ATKV Media Awards for the following:
- Best presenter or interviewer of an entertainment or journal programme: Martelize Brink for her feature on Edwin Cameron in Oggend op RSG;
- Best insert in an entertainment or journal programme: Johan van Lill his insert on 80 years of Ballet in RSG Kuns;
- Best insert in a news or actuality programme: Izak du Plessis for his insert on farm attacks on Monitor;
- Best entertainmentor journal program: Martelize Brink for the programme Oggend op RSG;
- Best documentary or program series: Johan Rademan for Robbeneiland: simbool van demokrasie; and
- Best radio drama or theatre: Margot Luyt for As die donker die son insluk.
- SAfm Current Affairs Executive Producer, Krivani Pillay was profiled as one of the 200 Notable Young South Africans by the Mail and Guardian.



One of Thobela FM's awards received at the Liberty Radio Awards.

- Umhlobo Wenene FM won a Bronze Loeries Award for their TV Advert under the non-English category.
- Ikwekwezi FM won 18 awards at the Mpumalanga Sunshine Media Awards.
- RSG's Jody Hendricks won two awards at the SAB Sport Journalist Awards for Best Sport Presenter and for Best Sport Producer.
- Reginald Witbooi won an award in the Radio Category at the South African Development Community (SADC) Media Awards SA 2016. His story, 'First female San leader, Ouma 'Geelmeid' Katriena Esau' secured the award.

#### **SABC** Television

SABC Television once more reclaimed its rightful spot and enjoyed a strong showing at a number of awards during the period under review.

2016 SAFTA wins for SABC TV are as follows:

#### SABC1

- Best Children's Programme: Takalani Sesame Ochre Media:
- Best Achievement in Make-up and Hair Styling TV Soap: Generations – Bongi Mlotshwa; and
- Best Actor in a Supporting Role TV Drama When we were Black Season 2 – Deon.



#### SABC2

- Best Achievement In Make-up and Hair Styling TV Comedy: Ga Re Dumele Season 4 – Maureen Wells;
- Best Achievement In Editing TV Drama: Swartwater Ben Oelsen:
- Best Factual/ Educational Programme: Each One Teach One - Blue Wizard Productions;
- Best Actress In A Supporting Role TV Comedy: Gauteng Maboneng - Linda Sebezo;
- Best Actor In A Lead Role TV Comedy: Gauteng Maboneng - Mandla Gaduka; and
- Best Achievement In Directing TV Comedy: Ga Re Dumele Season 4 – Krijay Govender, Joshua Rous, Segomotso Keorapetse.

#### SABC3

- Best Achievement In Scriptwriting TV Comedy: Those Who Can't – Louw Venter, Thomas Hall, Gilli Apter, Zandile Tisani, Zoe Arthur;
- Best Achievement In Art Direction/ Production Design TV Comedy: Those Who Can't - Amanda Scholtz;
- Best Achievement In Cinematography TV Comedy: Those Who Can't – Brendan Barnes;
- Best Magazine Programme: Girl Eat World Lucky Bean;



SAFTA 2017's best talk show - 'Real Talk with Anele'.

SAFTA 2017's best post-production - 'Banto Hour'.

- Best International Format Show: Strictly Come Dancing Season 8 – Rapid Blue;
- Best Actress In A Lead Role TV Comedy: Those Who Can't - Robyn Scott;
- Best Actress In A Lead Role TV Soap: Isidingo Leeanda Reddy;
- Best Achievement In Directing Documentary Short: Indians Can't Fly – Enver Samuel; and
- Best Documentary Short: Indians Can't Fly EMS Productions.

### The SABC also received two SAFTA Public Votes Awards as follows:

- Most Popular TV Soap: Skeem Saam PEL Communications; and
- Best TV Presenter: Expresso Morning Show Katlego Maboe.

#### 12th Sunday Times Generation Next Brand Awards 2016

SABC1's Uzalo scooped two awards for Coolest TV Programme and Coolest TV Soapie.

#### **SABC News**

The pursuit of journalistic excellence was rewarded with the following awards received by various members of the newsroom:

- Eight members of the RSG Current Affairs team were named finalists in four categories of the 2016 ATKV Mediaveertjies Awards; six of them won in their respective categories.
- Out of seven journalists who participated in the grand finale
  of the annual Vodacom Journalist of the Year Awards, five
  were from the Eastern Cape Province who had entered
  their own stories in various categories.
- Mr Ulrich Hendricks won an ATKV Mediaveertjie Award for Best General News Piece titled 'Antieke Taal' (Ancient language), which dealt with the Khoisan languages on the verge of extinction and the efforts to revive them.
- Candice Nolan won a Vodacom Journalist of the Year award in the Bloemfontein Region.
- Nkuleko Nymbezi won the radio news category for his coverage of the King Dalindyebo Saga in the Eastern Cape.
- Thabiso Sithole was voted Sport Journalist of the Year at the SA Sports Awards in Bloemfontein.
- RSG Radio Current Affairs Producer Izak du Plessis won the Best Radio Feature category.
- Eight members of the newsroom Thandeka Gqubule, Foeta Krige, Suna Venter, Krivani Pillay, Busi Ntuli, Jacques Steenkamp, Lukhanyo Calata and Vuyo Mvoko – received the Nat Nakasa Award from the South African National Editors' Forum in Johannesburg.

#### **SABC Sport**

The SABC Sports Youth Magazine show Sportsbuzz.

#### **Other Awards**

#### PromaxBDA 2016

The SABC scooped 15 awards at the PromaxBDA 2016.
 These were seven gold, four silvers and 4 bronze awards.

#### **Industry Development**

- Lesiba Maphoso received Best script writer by Writers Guild of South Africa (WGSA). Film Arts Music Entertainment Awards
- Mr James Shikwambana, SABC Provincial General Manager in the Western Cape received the Chairman's Award at the Film Arts Music Entertainment Awards in 2016 as recognition for the work he did in the media industry over the past two decades.

#### PanSALB Award for Promoting Multi-Lingualism

• Skeem Saam won the award in the Media Category.

#### **South African Academy of Arts and Science**

Swartwater was awarded the Award for Direction.

#### **Human Resources Management**

 The SABC was recognised by the National Skills Authority (NSA), together with the Department of Higher Education for its contribution in developing the youth of our country by providing work placement opportunities created through various workplace-based skills development initiatives.

Below the SABC's achievements for SABC Human Resources:

- Silver: Best University Placement Programme Work Integrated Learning (WIL); and
- Gold: Best Public Sector Internship and Learnership
- SABC Human Resources was also accredited to present the Sound Technology NQF 5 learning programme by the Media Information and Communications Technology Sector Education and Training Authority (MICT SETA).



## Portfolio

## committees

During the year under review, the SABC Board appeared three times before the Portfolio Committee on Communications on 12 April 2016, 23 August 2016 and 5 October 2016.

In addition to the above engagements, the National Assembly appointed the Adhoc Committee to conduct an inquiry into the fitness of the previous Board of the SABC to hold office. Meetings of the Adhoc Committee were held between the 15 November 2016 and 15 February 2017 resulting in a report that was adopted by the National Assembly on 7 March 2017.

In carrying out its oversight role, the Portfolio Committee on Communications (PCC) visited the SABC in Auckland Park, Johannesburg on 30 March 2017 with the SABC Interim Board in attendance.

Standing Committee on Public Accounts (SCOPA).

During the year under review, the SABC appeared before the SCOPA on 1 March 2017.

In carrying out its oversight role, the Committee visited the SABC in Auckland Park, Johannesburg on 28 March 2017 with the SABC Interim Board in attendance.

# **Executive authority**

#### **Shareholding**

The Government of the Republic of South Africa is the sole Shareholder of the SABC. The Shareholder representative is the Minister of Communications.

#### **Shareholder Compact**

In terms of the Treasury Regulations issued in accordance with the PFMA, the SABC must, in consultation with its Executive Authority (the Minister of Communications), annually conclude a Shareholder Compact documenting the mandated key performance measures and indicators to be attained by the SABC as agreed between the Board of Directors (Board) and the Executive Authority.

The Compact is not intended to interfere in any way with normal company law principles. The relationship between the Shareholder and the Board is preserved, as the Board is responsible for ensuring that proper internal controls are in place and that the SABC is effectively managed.

The SABC Board attended three meetings with the Ministry of Communications during the 2016/17 financial year on 15 April 2016, 5 July 2016 and 11 July 2016.





SABC's Interim Board interacting with the Adhoc Committee.

## The Accounting Authority: Sabc board

#### **Composition of the Board**

The SABC has a unitary board structure and in terms of the Broadcasting Act No. 4 of 1999 (as amended) must comprise 12 Non-Executive Directors and three Executive Directors.

However, during the period under review, the SABC only had six Non-Executive Directors.

The Broadcasting Act provides that the SABC must be governed and controlled, in accordance with this Act, by a Board of Directors. The Non-Executive Directors are appointed by the President on the advice of the National Assembly and the Executive Directors are appointed by the Minister in consultation with the Board.

The Board is the Accounting Authority of the SABC in terms of the PFMA and constitutes the fundamental base of corporate governance in the SABC. Accordingly, the SABC must be headed and controlled by an effective and efficient Board, comprising Executive and Non-Executive Directors, of whom the majority must be Non-Executive Directors to ensure independence and objectivity in decision-making. The Board of the SABC has absolute responsibility for the performance of the entity and is accountable for such performance.

The Board Charter sets out the roles, duties and responsibilities of the Board as well as salient corporate governance principles. The role of the Board includes the following activities:

- Providing strategic direction and leadership;
- Determining the goals and objectives of the company;
- Approving key policies including investment and risk management;
- Reviewing the company's goals and strategies for achieving its objectives;

- Approving and monitoring compliance with corporate plans, financial plans and budgets;
- Reviewing and approving the company's financial objectives, plans and expenditure;
- Considering and approving the annual financial statements and notices to the Shareholder;
- Ensuring good corporate governance and ethics;
- Ensuring that the Shareholder's performance objectives are achieved and that this can be measured in terms of the performance of the SABC:
- Ensuring that the SABC complies with and is operating in accordance with all applicable laws, regulations, government policies and codes of business practice, regulations and instructions prescribed in terms of legislation;
- Monitoring and reviewing performance and effectiveness of controls;
- Ensuring effective, prompt and open communication with the Shareholder and relevant stakeholders with substance prevailing over form;
- Liaising with and reporting to the Shareholder;
- Guiding key initiatives;
- Retaining full and effective control over the SABC and monitoring management in implementing Board decisions, plans and strategies; and
- Approving transactions beyond the authority of management.

The state of governance of the SABC in the financial year under review deteriorated so much so that Parliament instituted an inquiry into the ability of the Board to hold office. The financial year has therefore been characterised by a number of changes and challenges with regards to the board, in particular:

- The removal of three Board Members by vote of the Board in April 2016:
- The Parliamentary Adhoc Committee enquiry, resulting in resignation of two Board Members in October 2017;
- After the resignation of the two members in October the Board did not a sufficient members for a quorum;
- The last remaining Board Member resigned the 19<sup>th</sup> of December, at which point the Board did not exist; and
- Parliament appointment of the Interim Board with five non-excutive members on 27 March 2017.



Ms Nomsa Philiso Acting Group CEO addressing women at the Women's day activations with Radio 2000 presenter K G Moeketsi.

#### TABLE: Status of the SABC Board 2016/17

Name	Date Appointed	Date Ceased To Be Board Member	Note
Prof Mbulaheni Obert Maguvhe (Chairperson)	25 September 2013	19 December 2016	
Ms Leah Thabisile Khumalo	14 May 2014	20 October 2016	
Mr Vusumuzi Mavuso	25 September 2013	13 October 2016	
Ms Nomvuyo Memory Mhlakaza	25 September 2014	14 November 2016	
Mr Krish Naidoo	25 September 2014	13 October 2016	Reappointed to the Interim Board 27 March 2017
Dr Ndivhoniswani Aaron Tshidzumba	25 September 2014	14 November 2016	
Ms Khanyisile Thandiwe Kweyama	27 March 2017	To date	
Mr Mathatha Tsedu	27 March 2017	To date	
Ms Fébé Charlene Potgieter-Gqubule	27 March 2017	To date	
Mr John Matisonn	27 March 2017	To date	

### OUTGOING BOARD

#### **Prof Mbulaheni Obert Maguvhe**

#### Chairperson

(Resignation effective 19 December 2016).

PhD in Education (University of Pretoria); MEd (Boston College, Massachusetts, USA); Diploma in Special Education (UNISA); BEd (University of the Witwatersrand); BA Education (University of the North); Certificate in Assessor Training.

Obert Maguvhe is a Professor at the University of South Africa in the Department of Inclusive Education. He is the Co-founder of the South African National Association of the Blind and acted as its Executive Director. He held the positions of Programme Manager and Programme Coordinator for Education and Training at the Council. He was the Director: Special Needs at Kha Ri Gude Mass Literacy Campaign by the Department of Education, a teacher at Tshilidzini Special School and a coordinator of the Workbooks Adaptation Task Team for the Department of Basic Education and Training.

He adapted the Department of Basic Education's Annual National Assessments for the Blind and was influential in designing Grade 2 Venda Braille. He initiated and participated in the development of unit standards leading to a Diploma in Braille (SAQA Level 5). His specialisation is in curriculum and instructional design and development in the Department of Curriculum Studies at the University of Pretoria's Faculty of Education. He has successfully served as the Chairman of the African Languages Committee under the auspices of Braille SA and a Board Member of the South African Library for the Blind.

#### Ms Leah Thabisile Khumalo

(Resignation effective 20 October 2016).

BJuris, LLB (University of Durban Westville); Project Management Diploma (University of Durban Westville, Graduate School of Business Leadership); Professional Legal Training (School of Legal Practice, University of Natal). Ms Leah Khumalo is the founder and director of Mngoma Mlaba and Khumalo Inc. She has extensive and advanced knowledge and experience in drafting and interpreting legislation. She specialises in drafting and designing legal documents such as tenders, contracts, agreements and the execution of Judicial Acts (Litigation).

Ms Khumalo has been involved, inter alia, in projects with various organisations, including Public Health and Welfare Sectorial Bargaining Council (PHWSBC), the KwaZulu-Natal (KZN) Department of Health, the Department of Transport, to name a few.

Ms Khumalo is a former member of the Board, served as a member of the Audit Committee and a Chairperson of the Procurement Committee of Sentech.

#### Mr Vusumuzi Mavuso

(Resignation effective 13 October 2016).

Postgraduate Diploma in Public and Development Management (University of the Witwatersrand) (NQF8).

Mr Mavuso was a member of the Gauteng Provincial Legislature until 1998. He has held many positions in the public service from Municipal Manager to Regional Director at municipal levels. Mr Mavuso has also held key positions as Deputy Director General and Head of Department for the Department of Development and Planning in Local Government as well as the Public Service Commissioner for Gauteng. He is a change management specialist and strategist with vast experience in local government as a consultant.

He was appointed to the interim Board in 2013 and assisted in the implementation of the turn-around Strategy.

#### Ms Nomvuyo Memory Mhlakaza

(Resignation effective 14 November 2016).

National Diploma in Human Resources Management (Technikon Northern Gauteng); BTech in Human Resources Management (Tshwane University of Technology); Leadership Development Course; Advanced Leadership Development Course.

Ms Mhlakaza is a former Senior Manager in the office of the Chairperson of the National Youth Development Agency. She has experience in human resource management including industrial relations, workplace skills development plans, staff training and the design and development of training materials.

#### Mr Krish Naidoo

(Resignation effective 13 October 2016 and Re-appointed to the Interim Board 27 March 2017)

BProc (Law) (University of Durban Westville); MLitt (Strategic Studies) (University of Aberdeen, UK); Attendance Certificate in Banking Law and Financial Markets (Nelson Mandela School of Law and the University of the Witwatersrand).

Mr Krish Naidoo practices as an Attorney and has extensive experience in the fields of human rights, administrative law, mining and commercial law and conveyancing. Mr Naidoo provides legal advice to the ANC's National Disciplinary Committee. He worked for Armscor as the Senior Manager of Corporate Communications and gained experience in liaising with the Diplomatic Corps and the Parliamentary Defence Committee. He participated in programmes relating to defence and has written articles for the media and defence journals.

Mr Naidoo was a Non-Executive Director of Peregrine Treasury solutions and the Managing Director of Public Sector Consultants where he developed risk and financial management strategies for municipalities. As the General Manager and Acting CEO of Boxing South Africa, he settled the Boxing Act and Regulations in consultation with the Chief State Law Advisor. He was a Founding Member of the National Association of Democratic Lawyers Steering Committee and a Founding Member of the National Sports Congress. He was part of the team that wrote the White Paper for the Department of Sport and Recreation.

#### **Dr Ndivhoniswani Aaron Tshidzumba**

(Resignation effective 14 November 2016)

BA (Hons), MA, PhD in Communication (North West University); Postgraduate Diploma in TV Production National Electronic Media Institute of South Africa (NEMISA); Certificate in Public Relations (Allenby Campus); BA UED (University of Venda).

Dr Tshidzumba was the CEO of NEMISA and a lecturer in Broadcasting at the Journalism Department of the Tshwane University of Technology. He is a facilitator at the Business School of the North West University in the field of Graphic Design, Public Relations Management and Visual Programming. He also managed the Multi-Media Centre and was in charge of Research, Sound and Video Productions at the Intelligence Academy.

Dr Tshidzumba was a lecturer in the Department of Communication at North West University where he taught Broadcasting for Radio and TV, Computer Literacy and Media Ethics, to mention a few. Dr Tshidzumba taught Media Studies, Graphic Design and Computer Literacy as an Educator at the Hurlingham and Chelsea College in London.

#### **INTERIM BOARD**

#### Ms Khanyisile Thandiwe Kweyama

#### Chairperson

Post Graduate Diploma in Management (University of the Witwatersrand); Barloworld Executive Development Programme (GIBS)

Ms Kweyama's wealth of experience and leadership is depicted in her current roles as the Chairperson of the Board for Brand South Africa; a Director at Telkom Ltd; and the Chairperson of the SABC Interim Board; Chairperson of Telkom's Social and Ethics Committee. This is after she held Directorships in Boards of various companies which include BMW SA (Pty) Ltd; Barloworld Logistics Africa Ltd; Sovereign Foods Limited; Anglo American Platinum Ltd, Kumba Iron Ore, to mention but a few. Ms Kweyama was also appointed in various positions at various national statutory bodies such as the Employment Equity Commission and the National Planning Commission. In March 2016, she was appointed to Gauteng Eminent Persons Group

She has held senior positions at many companies in South Africa and abroad. . She has received many accolades and awards including the most Influential Woman in the Mining, Resources and Extractive Sector; one of the 100 most inspiring women in mining in the world.

#### Mr Mathatha Tsedu

#### **Deputy Chairperson**

Honours degree in Journalism and Media Studies (Wits); attended Journalism courses in South Africa, Kenya, UK, Belgium, Zimbabwe and the United States of America.

Mr Tsedu is an Adjunct Professor in the Journalism Department at Wits. He has conducted journalism training programmes both in South Africa and on the continent. He also started the Media24 Journalism Academy which provided work based experience and theory for journalism graduates. He started as a freelancer in rural Limpopo and rose up to edit several leading national newspapers; City Press and Sunday Times Editor, as well as deputising for the Head of News at the SABC.

His distinguished career includes being an Executive Director of SANEF; General Manager: Media24 News; Director Press Freedom Commission. Mr Tsedu has received a number of awards and accolades in recognition of his sterling work including an Honorary Doctorate by the University of the Western Cape for his work in the media; the Nieman Fellowship; the Nat Nakasa Award for Courageous Journalism; the Shanduka Lifetime Achiever Award; the Print and Digital Media Fellow for 2012/13.

#### Ms Fébé Charlene Potgieter-Gqubule

Master of Management (Public Policy and Development Management (University of Witwatersrand)

Ms Potgieter-Gqubule is a member of the board of the Mapungubwe Institute for Strategic Reflections and the African City Alliance Think Tank Board. She previously served on the Board of the Lejweleputswa Development Agency; Deputy Chairperson of the Board of the State Information Technology Agency (SITA); the advisory board of the University of Witwatersrand's Education Policy Unit and the Board of the Education and Training Unit and is a member of Council of the Mangosutho University of Technology. Between 2012 and 2017, she was Advisor Strategic Planning and Deputy Chief of Staff at the African Union CommissionPrior to joining the African Union, she served as South African Ambassador and Head of Mission to Warsaw in Poland from 2005 to 2009.

Potgieter-Gqubule is a director and publisher for Khaloza Books, which publishes fiction and non-fiction books for children, teens and young adults. She worked as NEC Coordinator at the ANC Headquarters, on the Editorial Board of the journal Umrabulo and served as a member of the National Executive Committee of the African National Congress between 2007 and 2012.

#### Mr John Matisonn

BA degree (Wits); William F Benton Fellow in Broadcast Journalism, University of Chicago; Fellow Stellenbosch Institute for Advanced Studies; Broadcast training courses in Canada, Hong Kong and South Africa.

Mr Matisonn is a senior newspaper, radio, television and online political journalist and foreign correspondent. He is a founder of the Public Broadcast Initiative, which prepared for the transformation of the SABC from a state broadcaster to a Public Broadcaster in 1994. He was a Councillor on the first council of the Independent Broadcasting Authority, and chaired its policy committee.

He became the United Nations' Chairperson of the Electoral Media Commission in Afghanistan. Mr Matisonn returned from a second tour to Afghanistan to write the well-received book on South African media and politics, God, Spies and Lies: Finding South Africa's future through its past. His work has been published in the New York Times, Financial Times, Washington Post and The Observer among many others, as well as in most South African newspapers and a wide range of radio and TV channels.

He is the Executive Director of a book publishing company, Ideas for Africa (Pty) Ltd and was the presenter and producer of a TV programme called BETWEEN THE LINES for Cape Town Television (CTV) before his appointment to the SABC Interim Board. His awards include the National Association of Black Journalists' Award (US) in 1992 for a four part radio documentary series comparing race relations in the US and South Africa.

#### Mr Krish Naidoo

Refer to the details in respect of Mr Naidoo's profile as included under the outgoing Board.

#### **Delegation of Authority (DoA)**

The Board has the authority to lead and control, the business of the SABC, including the authority to delegate its powers. Its aim is to ensure that the SABC remains a sustainable and viable business.

Its responsibilities are supported by a well-developed governance structure of Board Committees and a clear and comprehensive Delegation of Authority Framework (DAF). The Board delegates the management of the day-to-day operations of the Corporation to the Group Chief Executive Officer (GCEO). The GCEO is assisted by the Group Executive Committee (EXCO). The DAF, which annually undergoes an extensive review assists in the control of the decision-making process and does not dilute the duties and responsibilities of the Directors.

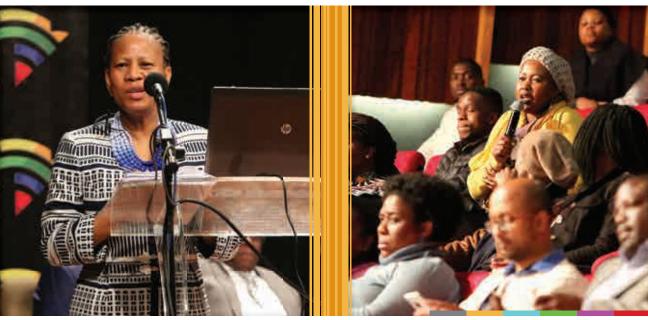
#### **Director Induction and Orientation**

All new Directors are taken through an induction programme that is designed to enhance their understanding of the SABC's legislative framework, its governance processes and the nature and operations of its business.

Continuous training is also provided on request to meet the needs of Directors. Directors are made aware of new laws and regulations on an ongoing basis.

#### **Board Evaluation**

The performance of the Board and individual Directors is evaluated annually and the performance of Board Committees was evaluated against its Terms of Reference (TOR) during the period under review. The Governance and Nomination Committee is responsible for the evaluation of Executive Management.



The SABC Interim board interacts with SABC staff.

## FOR THE YEAR ENDED 31 MARCH, 2017

The Board of Directors is pleased to present the 80<sup>th</sup> Annual Report of the South African Broadcasting Corporation SOC Limited for the financial year ended 31 March, 2017.

The annual financial statements comprise the consolidated annual financial statements of the Corporation as well as its subsidiaries, and of the Company for the year ended 31 March 2017.

These annual financial statements are presented in accordance with the Companies Act No. 71 of 2008 (as amended), the Broadcasting Act No. 4 of 1999 (as amended), the Public Finance Management Act No. 1 of 1999 (PFMA) (as amended), and in accordance with International Financial Reporting Standards (IFRS).

Ms K T Kweyama

Chairperson of the SABC Interim Board

#### ATTENDANCE OF BOARD MEETINGS

Board meetings are scheduled annually in advance. Special meetings are convened as necessary to address specific issues. Directors or external committee members who, on an exceptional basis, cannot physically attend meetings may communicate electronically. The record of attendance for the seven Board meetings during the reporting period is reflected in the table below:

#### **Board**

Members	Attendance
3 Scheduled Board meetings, 3 Special Meet convened	ings and 1 AGM were
M O Maguvhe(Chairperson)	7
J R Aguma <sup>2</sup>	7
L T Khumalo	7
JB Matthews <sup>1</sup>	2
V G M Mavuso	7
N M Mhlakaza	6
G H Motsoeneng	6
K Naidoo	7
M A Raphela <sup>3</sup>	4
N A Tshidzumba	5

- 1. Resigned effective 27 June 2016
- 2. Appointed as Acting GCEO effective 28 June 2016
- 3. Appointed as Acting CFO effective 28 June 2016

#### **Board Committees**

A number of Board Committees exist in order to assist the Board in discharging its responsibilities. This assistance is rendered in the form of recommendations and reports submitted to Board meetings whereby transparency and full disclosure of Committee activities are ensured. Each Committee operates within the ambit of its defined TOR that set out the composition, role, and responsibilities, delegated authority and meeting requirements of the Committee.

#### **Audit Committee**

The Committee comprises three independent Non-Executive Directors, who are appointed by the Shareholder in terms of the requirements of Section 94 of the Companies Act. The Committee is chaired by an independent Non-Executive Director. Members collectively have sufficient qualifications and experience to fulfil their duties and have sufficient understanding of financial reporting; internal financial controls; external audit process; internal audit process; corporate law and information technology governance. In addition, in terms of Article 13.4.1 of the Memorandum of Incorporation (MoI) and Clause 72 (2) (a) of the Companies Act the Shareholder has appointed an Advisor to the Audit Committee.

The roles and responsibilities of the Committee include:

- Serving as the Audit Committee for the SABC Group;
- Recommending the appointment of the External Auditors and overseeing the external audit process;
- Monitoring the internal control system to protect the SABC's interests and assets;
- Reviewing the accuracy, reliability and credibility of financial reporting and recommends the annual financial statements and the Annual Report, as presented by management, together with the External Auditors' report, for approval by the Board;
- Reviewing any accounting and auditing concerns raised by Internal and External Audits, the annual financial statements and the various reports to Shareholder;
- Ensuring that an effective Internal Audit function is in place and that the roles and functions of External Audit and Internal Audit are clear and co-ordinated to provide an objective overview of the operational effectiveness of the Corporation's systems of internal control, risk management, governance and reporting;
- Reviewing the activities of the Internal Audit Department, the effectiveness thereof and the adequacy of available Internal Audit resources:
- Evaluating of the independence, objectivity and effectiveness of the External Auditors;
- Ensuring that the Corporation has implemented an effective policy and plan for risk management that will

protect the Corporation's ability to achieve its strategic objectives;

- Ensuring that a combined assurance model is applied; and
- Obtaining assurance for Information Technology (IT) as it relates to the management of IT assets, governance and controls, risks and disaster recovery.

Refer to page 75 for the report of the Audit Committee detailing how it carried out its functions.

Three Committee meetings were held during the financial year. These were attended by the External Auditors, the Acting GCEO, the CFO, the COO, the Chief Audit Executive and other relevant corporate officials. The Acting Chief Audit Executive and the External Auditors have unrestricted access to the Chairperson of the Committee and to the Chairperson of the SABC Board. The attendance of Members at Committee meetings was as follows:

Members	Attendance			
1 Special Meeting and 2 Special Meetings were convened				
N M Mhlakaza (Chairperson)	3			
J R Aguma <sup>1; 4</sup>	3			
J Malele <sup>2</sup>	2			
J B Matthews <sup>1; 3</sup>	1			
G H Motsoeneng <sup>1</sup>	3			
K Naidoo	2			
M A Raphela 1; 5	1			
N A Tshidzumba	3			

- 1. Attends by invitation
- 2. Appointed as Advisor effective 1 August 2015
- 3. Resigned effective 27 June 2016
- 4. as Acting GCEO effective 28 June 2016
- 5. Appointed as Acting CFO effective 28 June 2016

Finance, Investment, Procurement and Technology Committee (formerly the Acquisitions and Disposals Committee)

The Finance, Investment, Procurement and Technology Committee comprise four independent Non-Executive Directors and the GCEO and is chaired by an independent Non-Executive Director.

The roles and responsibilities of the Committee include:

- Reviewing the long-term and short-term funding plan, for submission to the Board;
- Monitoring the current funding plan of the Corporation to enable it to fulfil both its commercial and public mandates in line with the corporate goals;
- Reviewing and recommending the annual capital and operating budget to the Board for approval;
- Recommending the limits applicable to counter-parties to the Board, and monitoring and reviewing all borrowings made by the Corporation, and the guarantees and sureties issued on behalf of the Corporation;
- Reviewing funding and solvency implications of transactions and making recommendations to the Board;
- Reviewing the capital investment process, monitoring total SABC capital expenditure;
- Reviewing and approving any capital project, or the procurement of any capital or the commencement of any capital project item included in the approved budget of the SABC, above R100 million up to R200 million;
- Reviewing and recommending to the Board the commencement of any capital project or the procurement of any capital item the cost of which exceeds R200 million;
- Reviewing the performance of all investments and acquisitions made;
- Reviewing and recommending to the Board the opening of new offices or new regional offices within the borders of the Republic of South Africa;
- Reviewing and recommending to the Board for approval the opening of new offices or new regional offices outside the borders of the Republic of South Africa;
- Reviewing and making recommendations to the Board regarding the SABC's investment strategy;

- Evaluating and making recommendations to the Board regarding business cases for new ventures or projects;
- Approving the criteria and guidelines for investments and approving investments within its delegated authority;
- Reviewing the budgetary processes adopted by management for effectiveness, integrity and adherence to the objectives of the Board and the PFMA;
- Ensuring that the reporting and budget submission deadlines set by the SABC are complied with;
- Reviewing the Corporation's procurement policies for alignment with the BBBEE Charter and procurement policy guidelines set by Government from time to time;
- Reviewing the Bid Adjudication Committee processes for effectiveness and integrity and ensure group-wide adherence thereto having regard to the principles of the SABC's procurement policies;
- Reviewing the appropriateness of the Bid Adjudication Committee's processes to the needs of the individual entities within the Group having due regard to the operational dynamics of each entity and to implement such measures as are deemed necessary to ensure the functional effectiveness of these processes;
- Reviewing the effectiveness of the Bid Adjudication Committee and implement such measures as are deemed necessary to ensure that this structure is functionally effective;
- Considering and approving the write-off resulting from the impairment of assets, up to an amount of R20 million, and recommending for approval by the Board of any amount over R20 million;
- Reviewing disposals made by EXCO in accordance with the authority granted to it by the Board;
- Reviewing and recommending to the Board for approval the writing off of assets above R15 million (at book value) to remove them from the asset register;

- Reviewing and recommending to the Board for approval the writing off of stock (at book value) above R15m to remove them from the asset register;
- Reviewing and recommending to the Board for approval the sale of moveable assets at book value from R10 million to R16 million and for Board to recommend approval by the Shareholder for assets above R16 million;
- Subject to the provisions of the PMFA, reviewing and approving any sale or disposal of assets, the cost of which shall not exceed R50 million per item;
- Reviewing and recommending to the Board for approval the write-off resulting from the impairment of assets, up to an amount of R20 million;
- Reviewing and recommending to the Board for approval the entering into any agreement for the lease/hire/rental of property, where the cumulative value and the term are above R25m per annum/5 years;
- Reporting to the Board on the extent to which the Media Technology Infrastructure Division has achieved its objectives during the relevant period;
- Ensuring that the Corporation employs technology, which enables it to fulfil both its commercial and public mandates in line with the corporate goals;
- Ensuring that the technology employed by the Corporation is appropriate and able to support the strategic objectives of the Board, including in a converged or multi-channel environment:
- Recommending to the Board the approval of policies, which fall within its mandate and identify, evaluate and report to the Board on any risks associated with the technology of the Corporation;
- Overseeing the development of the disaster recovery plan put in place by the Corporation and advising the Board on the adequacy and suitability thereof;
- Advising the Board generally on purchasing decisions involving the acquisition of technology or systems;

- Determining whether the proposed transaction is in line with the strategic objectives approved by the Board for the Media Technology Infrastructure Division and the SABC generally;
- Determining whether the proposed transaction is in line with the public broadcasting mandate set out in Section 10 of the Broadcasting Act and the corporate goals;
- Determining whether the proposed transaction has been budgeted for and whether the business aspects of the decision are fundamentally sound;
- Determining what the financial implications of the transaction will be and how much money will the Corporation make/stand to lose by supporting/rejecting the proposal; and
- Determining whether the proposal before the Committee contains all relevant information in sufficient detail and is the Committee satisfied that it has sufficient, appropriate information to enable it to thoroughly probe the decision and make a recommendation to the Board.

Two Committee meetings were held during the financial year. The GCEO, prior to the appointment of the incumbent as a member of the Committee, the COO, the CFO and other relevant corporate officials attended the meetings by invitation. The attendance of members at the Committee meetings was as follows:

Members	Attendance	
2 Scheduled Meetings were convened		
M O Maguvhe(Chairperson)	2	
J R Aguma <sup>1; 3; 5</sup>	2	
J B Matthews <sup>2</sup>	1	
G H Motsoeneng <sup>1</sup>	2	
K Naidoo	2	
M A Raphela <sup>1; 4</sup>	1	
N A Tshidzumba	1	

- 1. Attends by invitation
- 2. Resigned effective 27 June 2016
- 3. Appointed as Acting GCEO effective 28 June 2016
- 4. Appointed as Acting CFO effective 28 June 2016
- 5. Appointed as Member 28 June 2016

#### **Governance and Nominations Committee**

The Governance and Nominations Committee comprises three independent Non-Executive Directors and is chaired by an independent Non-Executive Director.

The roles and responsibilities of the Committee include:

- Regular reviewing of the size, structure and compositions of the Committees of the Board, with due regard to the legal requirements, skills and expertise required for effective performance of each Committee;
- Ensuring that appropriate succession planning is in place for both Executive and Non-Executive Directors of the Board:
- Evaluating succession-planning arrangements for Executive Directors to ensure that these are orderly and calculated to maintain an appropriate balance of diversity, skills, knowledge and experience;
- Annually reviewing the key data indicators of listed successors for direct reports of the GCEO to determine their status on the succession plan and readiness to assume a role as the need arises. Such data should include the performance evaluation outcomes and outputs of management conversations;
- Supervising the administration of the Corporation's policies relating to actual or potential conflicts of interest affecting Members of the Board;
- Preparing a description of the role and capabilities required for particular appointments to the Board and identifying and nominating candidates for the approval of the Board for recommendation to the Minister and the President;
- Make recommendations to the Board for the continuation (or not) in service of any Director as an Executive or Non-Executive Director;
- Review and, where appropriate, make recommendations to the Board about proposed appointments to the Boards and Committees of Subsidiary Businesses including the exercise of Shareholder rights to remove a Director, the

- nomination of SABC representatives to sit on the Boards of subsidiaries:
- Approving conditions of employment and all benefits applicable to the GCEO, CFO, COO and the terms and conditions of the severance of employment of such individuals;
- Assisting the GCEO in the selection of the CFO and COO when vacancies occur provided that the appointment of such persons would remain the decision of the Minister;
- In consultation with the Board, and subject to the approval of the Minister, determining the remuneration for the Executive Directors, on appointment, having regard to the remuneration policy;
- Recommending in respect of the fees and/or remuneration of the Non-Executive Directors to the Board from time to time, which Directors' fees and/or remuneration shall be subject to the approval of the Minister;
- Recommending to the Board for its approval, appropriate Key Performance Indicators (KPIs) for the Executive Directors at the beginning of each Financial Year;
- Determining and agreeing with the Board about the policy for the remuneration of the Executive Directors. No Director or Executive shall be involved in any decisions as to their own remuneration;
- When appropriate, requesting and considering reports and presentations by the Audit Committee, the Risk Committee; or the Social and Ethics Committee;
- Developing, evaluating and reviewing the corporate governance structures, policies, practices and procedures of the Corporation and implementing such structures, policies, practices and procedures as the Committee deems to be in keeping with the tenets of good corporate governance;
- Reviewing and evaluating regularly the balance of skills, knowledge and experience and performance and effectiveness of the Board and its Committees.

recommending to the Board with regard to any adjustments that it considers appropriate, and approving the section in the Annual Report dealing with the performance of the Board:

- Establishing and ensuring implementation of an induction programme for new appointees to the Board;
- Approving a performance and evaluation measurement framework to monitor the effectiveness of the Board, Board Committees, individual Directors, the GCEO, CFO and COO:
- Reviewing and, where appropriate, recommending to the Board about actual or potential conflicts of interest affecting any Member of the Board, carry out an annual review of declarations of conflicts of interest by the Board, and approving a report to the Shareholder on how the Corporation's Policy on Conflicts of Interest has been applied during the year;
- Preventing any Human Capital practices that will result in unauthorised, irregular, fruitless and wasteful expenditure and losses from criminal conduct and expenditure not complying with legislation;
- Ensuring compliance with the relevant and applicable labour related legislation;
- Responsible for the oversight and monitoring of the Human Capital management strategies and implementation within SABC and ensuring that these are beneficial to the Corporation and employees, the continued existence of the Corporation, and ensuring a return on investment for the Shareholder:
- Ensuring that there is rigorous probing of strategic plans and investment proposals, by asking 'what if' and 'why not' questions, and by challenging the assumptions underlying strategy;
- Ensuring that a proper strategic planning process is implemented;
- In conjunction with the Board set the parameters within which management develops strategy, which may include

- ensuring that short-term and longer-term strategies are balanced and that it provides a platform for sustainability;
- Ensuring that the strategies are aligned with the purpose of the business, the prevailing culture and ethics and the interests of the SABC's stakeholders; and
- Instituting regular and formal board strategy reviews or strategy audits and examining progress towards the predetermined objectives and evaluate current performance in the light of these predetermined objectives.

Five Committee meetings were held during the financial year. The attendance of members at the Governance and Nominations Committee meetings was as follows:

Members	Attendance			
3 Scheduled Meetings and 2 Special Meetings were convened				
M O Maguvhe (Chairperson)	5			
J R Aguma <sup>1; 2</sup>	4			
L T Khumalo	4			
N M Mhlakaza <sup>1</sup>	1			
G H Motsoeneng <sup>1</sup>	2			
M A Raphela <sup>1; 3</sup>	3			
N A Tshidzumba	5			
B L Tugwana <sup>1; 4</sup>	1			

- 1. Attends by invitation
- 2. Appointed as Acting GCEO effective 28 June 2016
- 3. Appointed as Acting CFO effective 28 June 2016
- 4. Appointed as Acting COO effective 27 September 2016

#### **Human Resources and Remuneration Committee**

The Human Resources and Remuneration Committee comprises three independent Non-Executive Directors and is chaired by an independent Non-Executive Director.

The roles and responsibilities of the Committee include:

 Ensuring that the structure, size, composition, skill sets and performance of the Corporation is regularly reviewed and maintained at appropriate levels;

- Evaluating succession planning arrangements for Group Executives, and ensuring that these are orderly and calculated to maintain an appropriate balance of diversity, skills, knowledge and experience;
- Approving conditions of employment and all benefits applicable to the Group Executives of the Corporation as well as the terms and conditions of the severance of employment of such individuals;
- Approving the general material terms and conditions of employment to be applied for all employees of the Corporation;
- Reviewing the specific application of the Remuneration Policy with regard to Group Executives and recommending to the Board for approval;
- The remuneration of the General Managers and Heads of Business Units will be determined by the GCEO, within the ranges laid down by the Committee and recommended to the Committee for approval;
- Assisting the Board in its oversight of the Remuneration Policy and its specific application to the Group Executives, its general application to all SABC employees, the review of the remuneration philosophy of the Corporation, the adoption of annual and longer-term incentive plans, the determination and approval of levels of reward to the Group Executives;
- Approving the general retirement policies of the Corporation and any changes in such policies or to the rules of the retirement funds; and
- Considering and recommending the Human Capital Policies and reviewing the prevailing Industrial Relations Policies and the Corporation's strategies in respect thereof in order to ensure that the appropriate policies are applied.

During the period under review, two Committee meetings and an HR workshop were held. The attendance of members at Human Resources and Remuneration Committee meetings was as follows:

Members	Attendance			
2 Scheduled Meetings and an HR Workshop were convened				
N M Mhlakaza (Chairperson)	3			
J R Aguma <sup>1; 3</sup>	3			
M O Maguvhe	3			
J B Matthews <sup>1; 2</sup>	1			
V G M Mavuso	3			
G H Motsoeneng <sup>1</sup>	2			
K Naidoo¹	1			
M A Raphela <sup>1; 4</sup>	2			

- 1. Attends by invitation
- 2. Resigned effective 27 June 2016
- 3. Appointed as Acting GCEO effective 28 June 2016
- 4. Appointed as Acting CFO effective 28 June 2016

#### **Public Broadcasting Services (PBS) Committee**

The PBS Committee comprises three independent Non-Executive Directors and the GCEO. The Committee is chaired by an independent Non-Executive Director. The CFO, the COO and other relevant corporate officials attend the meetings.

The role of the Committee is to ensure that the SABC delivers on its obligations as provided for in the Public Broadcasting Service Charter of the Corporation. Public Services must:

- Be made available to South Africans in all the official languages;
- Reflect both the unity and diverse cultural and multilingual nature of South Africa and all of its cultures and regions to audiences;
- Strive to be of high quality in all of the languages served;
- Provide significant news and public affairs programming, which meets the highest standards of journalism, as well as fair and unbiased coverage, impartiality, balance and independence from government, commercial and other interests;

- Include significant amounts of educational programming, both curriculum-based and informal educative topics from a wide range of social, political and economic issues, including, but not limited to, human rights, health, science, early childhood development, agriculture, culture, technology, religion, justice and commerce and contributing to a shared South African consciousness and identity;
- Enrich the cultural heritage of South Africa by providing support for traditional and contemporary artistic expression;
- Strive to provide a broad range of services targeting, particularly, children, women, the youth and the disabled;
- Include programmes made by the Corporation as well as those commissioned from the independent production sector;
- Include national sports programming as well as developmental and minority sports;
- Review the Sports Broadcasting Rights;
- Report to the Board on the extent to which the News Division has achieved its objectives during the relevant period;
- Develop proposed policies for consideration by the Board on news and current affairs programming, which ensure that SABC's News and Current Affairs content is fair, balanced, accessible, accurate, compelling, professional, authoritative and in line with the Constitution of South Africa, the Broadcasting Act and other relevant legislation;
- Assist the Board to preserve the Corporation's editorial independence and integrity and to ensure that the Corporation does not allow commercial, political or personal considerations to influence its editorial decisions; and
- Review the editorial policies of the Corporation from time to time to ensure that they remain appropriate to the operational needs of the Corporation and the fulfilment of

the statutory and regulatory obligations and mandate of the Corporation.

Two Committee meetings were held during the year under review. The attendance of Members of the Committee at these meetings is reflected below:

Members	Attendance
2 Scheduled Meetings were convened	
N A Tshidzumba (Chairperson)	2
J R Aguma <sup>1; 3</sup>	2
L T Khumalo	2
J B Matthews <sup>1; 2</sup>	0
V G M Mavuso	2
G H Motsoeneng <sup>1</sup>	2
M A Raphela <sup>1; 4</sup>	1

- 1. Attends by invitation
- 2. Resigned effective 27 June 2016
- 3. Appointed as Acting GCEO effective 28 June 2016
- 4. Appointed as Acting CFO effective 28 June 2016

#### **Public Commercial Services (PCS) Committee**

The PCS Committee comprises three independent Non-Executive Directors and the GCEO. The Committee is chaired by an independent Non-Executive Director. The CFO, the COO and other relevant corporate officials attend the meetings

The role of the Committee is to ensure that the SABC delivers on its obligations as provided for in the Public Commercial Service Charter of the Corporation. Commercial Services must:

- Be subject to the same policy and regulatory structures as outlined in the Act for commercial broadcasting services;
- Comply with the values of public broadcasting service in the provision of programmes and service;
- Commission a significant amount of their programming from the independent sector;

- Subsidise the public services to the extent recommended by the Board and approved by the Minister;
- Be operated in an efficient manner to maximise the revenues provided to the Shareholder.
- Report to the Board on the extent to which the News division has achieved its objectives during the relevant period;
- Develop proposed policies for consideration by the Board on news and current affairs programming, which ensure that SABC's News and Current Affairs content is fair, balanced, accessible, accurate, compelling, professional, authoritative and in line with the Constitution of South Africa, the Broadcasting Act and other relevant legislation;
- Assist the Board to preserve the Corporation's editorial independence and integrity and to ensure that the Corporation does not allow commercial, political or personal considerations to influence its editorial decisions; and
- Review the editorial policies of the Corporation from time to time to ensure that they remain appropriate to the operational needs of the Corporation and the fulfilment of the statutory and regulatory obligations and mandate of the Corporation

Two Committee meetings were held during the year under review. The attendance of Members of the Committee at these meetings is reflected below:

Members	Attendance			
2 Scheduled Meetings were convened				
N A Tshidzumba (Chairperson)	2			
J R Agum <sup>a1; 3</sup>	2			
L T Khumalo	2			
J B Matthews <sup>1; 2</sup>	0			
V G M Mavuso	2			
G H Motsoeneng <sup>1</sup>	2			
M A Raphela <sup>1; 4</sup>	1			

- 1. Attends by invitation
- 2. Resigned effective 27 June 2016
- 3. Appointed as Acting GCEO effective 28 June 2016
- 4. Appointed as Acting CFO effective 28 June 2016

#### **Risk Committee**

The Risk Committee comprises three independent Non-Executive Directors and the GCEO and was chaired by an Independent Non-Executive Director.

The role and responsibilities of the Committee are:

- Monitoring the SABC's compliance with statutory and legislative obligations and fiduciary responsibilities;
- Confirming that the SABC has appropriate controls in place to identify, and implement legislative and regulatory changes, which will affect its operations;
- Monitoring that management and administration of the products and services are conducted in accordance with relevant legislation, regulation, governing rules and within the terms of any delegation;
- Reviewing significant breaches, or potential breaches, of regulation and the steps taken to ensure that the underlying root causes of any regulatory control failures are being addressed:
- Assisting in identifying, evaluating, mitigating, and monitoring the business risks that the Group faces during the course of its operations, its exposure to significant risk, and the adequacy of the identification of risk;
- Reviewing the SABC's risk appetite and future risk strategy, particularly for economic (i.e. risk-based) capital, liquidity and reputation, but also for operational risk, and to make recommendations on risk appetite to the Board; to review the principal risk policies for consistency with the Corporation's risk appetite and to approve any material changes to these policies;
- Reviewing the risk profile against its risk appetite and strategy and review the drivers of the changes, if any, in the risk profile and their implications for liquidity and going concern status;
- With input from the Audit Committee, as appropriate, reviewing the adequacy of the Corporation's processes and the effectiveness of controls over the determination of the compliance with the requirements of the Government Guarantee;

- Reviewing the design, completeness, and effectiveness of the risk management framework relative to the enterprisewide risk management policy, and plans for management of the significant risks activities;
- Reviewing the adequacy and quality of the risk management function and the effectiveness of risk reporting (including timeliness and risk events);
- Developing and refining the SABC's enterprise-wide appetite for risk, in conjunction with the full Board; and
- Evaluating the risk of exposure to fraud, reviewing policies and procedures in place to minimise or detect fraud, and recommending to the Board to enhance such policies and procedures.

During the period under review, only one Committee meeting was held. The attendance of Members of the Committee at this meeting is reflected below:

Members	Attendance
1 Scheduled Meeting was convened	
L T Khumalo (Chairperson)	1
J R Aguma <sup>1</sup>	1
J B Matthews <sup>2</sup>	1
V G M Mavuso	1
G H Motsoeneng <sup>1</sup>	1
K Naidoo	1

- 1. Attends by invitation
- 2. Appointed as Acting GCEO with effect from 18 November 2015
- 3. Resigned effective 27 June 2016

#### **Social and Ethics Committee**

The Social and Ethics Committee comprises four independent Non-Executive Directors and the GCEO and was chaired by an Independent Non-Executive Director.

The role and function of the Committee is to monitor/ oversee the Corporation's activities, having regard to any relevant legislation, other legal requirements, or prevailing codes of best practice, with regard to matters relating to the following functions:

- Advancing the Social and Economic Development goals
  of the Corporation, including the Corporation's standing
  in terms of the goals and purposes of the ten principles
  set out in the United Nations Global Compact Principles
  are an integral part of the business strategy, day-today operations, and organisational culture; the United
  Nations Global Compact Principles are incorporated in
  the decision-making processes of the Board;
- Advancing the United Nations Global Compact Principles and the case for responsible business practices through advocacy and outreach to peers, partners, clients, consumers, and the public at large;
- Reviewing and recommending to the Board with respect to the Corporation's Social Economic Development;
- Monitoring Social Economic Development Initiatives;
- Assisting the Board in discharging its responsibility to ensure that Broad Based Black Economic Empowerment (BBBEE) is pursued and implemented throughout the SABC:
- Reviewing the Corporation's standing in terms of the goals and purposes of the promotion of equality and the prevention of unfair discrimination;
- Reviewing the SABC's standing in terms of its support of the four strategic objectives in respect of the International Labour Organization Protocol on decent work and working conditions:
- Monitoring the SABC's employment relationships, and its contribution toward the educational development of its employees;
- Reviewing recommendations on ethical matters made by management or other external sources and to make recommendations to the Board whether, and if so, to what extent, these should be applied to the SABC;
- Overseeing and reviews the anti-corruption and bribery practices i conjunction with the Risk Committee;
- Reviewing the policies and processes for managing non-financial risks affecting the business, including relationships with stakeholders (principally colleagues,

- partners, customers, local communities, nongovernmental organisations, regulators and suppliers), and the impact of the SABC's activities on its general business reputation;
- Promoting environmental policies that relate to the activities where the SABC has its most significant environmental impacts in respect of energy management and climate change, water quality, resource productivity (including leakage and waste); and
- Reviewing and recommending to the Board with respect to the SABC's Health and Safety Policies and review the procedure for reporting and investigating accidents, incidents and accidents at work in conjunction with the Risk Committee.

During the period under review, only one committee meeting was held. The attendance of Members of the Committee at this meeting is reflected below:

Members	Attendance
1 Scheduled Meeting was convened	
N M Mhlakaza (Chairperson)	1
J R Aguma <sup>1</sup>	1
M O Maguvhe	1
J B Matthews <sup>2</sup>	0
V G M Mavuso	1
G H Motsoeneng <sup>1</sup>	0
K Naidoo	1

<sup>1.</sup> Attends by invitation

#### **Directors' Remuneration**

Non-Executive Directors receive fees for their contribution to the Board and the Committees on which they serve. The Shareholder determines the rate in consultation with National Treasury. Non-Executive Directors are also reimbursed for out-of-pocket expenses incurred on the Corporation's behalf.

Further information on Directors' remuneration appears on pages 136 to 137.

#### **Company Secretarial Function**

Directors have unrestricted access to the advice and services of the Company Secretary as well as the Secretariat Department. The Directors are entitled to obtain independent professional advice at the SABC's expense should they deem this necessary.

The Company Secretary together with other assurance functions monitors the SABC's compliance with the requirements of the PFMA, Companies Act and other relevant legislation.

#### **Reporting to Stakeholders**

In order to present a balanced and understandable assessment of its position, the SABC is continuously striving to ensure that reporting and disclosure to stakeholders are relevant, clear and effective. It places great emphasis on addressing both positive and negative aspects in order to demonstrate the long-term sustainability of the Corporation. The King III Report is used in compiling the Annual Report.

#### **Stakeholder Relations**

In addition to the interests of the Government as Shareholder, the SABC recognises the legitimate interest of specific government departments, employees, consumers, suppliers, the media, policy and regulatory bodies, trade unions, non-governmental groups and local communities in its affairs. Communication and interaction with stakeholders are on-going during the year and are addressed through various channels depending on the different needs of the various stakeholders.



Students interacting with Radio 2000 at the Career Choices expo.

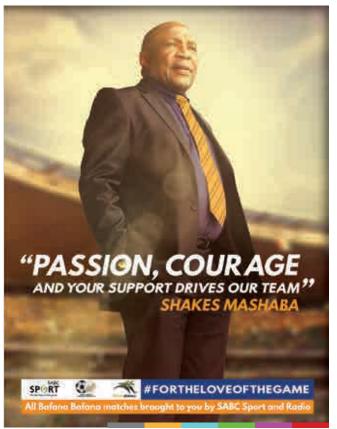
<sup>2.</sup> Resigned effective 27 June 2016

## management

Refer to the Audit and Risk Committee Report on page 75.

### Internal cont.tol

This is covered in the Chairperson's Overview on page 14, and Audit and Risk Committee Report on page 75.



SABC Sport's '#FORTHELOVEOFTHEGAME' campaign featuring Mr Shakes Mashamba.

### Internal audit

#### The mandate of the SABC Group Internal Audit is determined in terms of Section 51(1) (ii) of the PFMA.

It requires that the SABC Board of Directors (Accounting Authority) must ensure that the SABC has and maintains 'a system of internal audit under the control and direction of an Audit Committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77' of the Act. Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve on organizational operations, in order to ensure that the it accomplishes its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Internal Audit Charter which is approved by the SABC Audit Committee establishes the purpose, scope of work, responsibility, accountability, independence and authority conferred by Board on SABC Internal Audit unit in terms of the PFMA as well as the International Standards for Professional Practice of Internal Auditing (Standards).

In line with the approved SABC Internal Audit Charter, the PFMA, the Internal Auditing Standards and Corporate Governance King IV, the following are incorporated in the activities of Group Internal Audit:

- Provide assurance on the adequacy and effectiveness of risk management processes, system of internal controls and governance processes;
- Investigations of possible misconduct/irregularities; and
- Consulting services on corporate governance matters and elements impacting on the control environment.

#### **Internal Audit Performance**

The Group Internal Audit played a pivotal role in the governance pillar by executing audit projects against the Risk Based Annual Audit Plan as approved by the Audit Committee and reporting the findings to management accordingly. The Division also executed continuous

business monitoring projects to provide management with an alternative view on business risks and controls thereby assisting in proactively monitoring key risk areas within the organisation to ensure the achievement of the business objectives. Data analysis through Computer Aided Audit Tools (CAATS) was conducted on critical transactions within Human Resource, Procurement and Payroll.

The following table presents the summary of performance for the year:

DETAILS	2014/15	2015/16	2016/17
Internal Audit Report Issued	46 (94%)	41 (91%)	41(91%)
Planned Audits Deferred	3(6%)	4(9%)	4(9%)
	Deferred		

Group Internal Audit adopted the pro-active assurance approach to assist with the Fixed Asset verification project which was conducted by Group Finance in all the SABC Provincial offices.

#### Internal Audit Overall Assessment of the Internal **Control Environment**

Group Internal Audit executed audit projects based on the audit coverage from the approved 2016/17 Risk Based Annual Audit Plan. See the status of performance against the approved plan contained in the Internal Audit Performance above. Group Internal Audit also acknowledges the Management efforts to address internal control environment through a project dubbed 'Project Qinisa' first phase which has since completed the documentation of Internal Control Framework in SCM and HR processes.

In our opinion, we found that the internal controls over the majority of the focus areas were inadequate, ineffective and required significant improvements. Internal Audit completed 41 audit reports same as last year in terms of its approved Annual Audit Plan.

The results and the audit opinions are reflected in the table below:

YEAR	2014/15	2015/16	2016/17
No of report issued	46	41	41
Rating 3 and 4 Audit Opinions (Negative Opinions)	75%	90%	81%
No. of Significant Findings	205	204	140
Rating 1 and 2 Audit Opinions (Positive Opinions)	25%	10%	19%

# Compliance with Laws and regulations

As a public entity, adherence to sound governance principles is of utmost importance. To this effect, regular measurement against the PFMA, King IV Code of Conduct, Companies Act and Broadcasting Act is carried out to ensure that deficiencies are identified and corrective measures are implemented.

All laws that apply to the SABC were complied with, except as highlighted in the external auditors report on page 89.

## Forensic investigations

The SABC Board is responsible for ensuring that an integrated crime prevention plan is implemented in order to minimise the risk and opportunity for crime and irregularities, in particular, fraud.

In order to support the strategic intent and business objectives of the SABC, the Board or its Committees, at its discretion, may, request a Forensic Audit where there is prima facie evidence that this is justified.



Anti-apartheids activist, Ms Sophia Williams-de Bruyn visits the SABC.

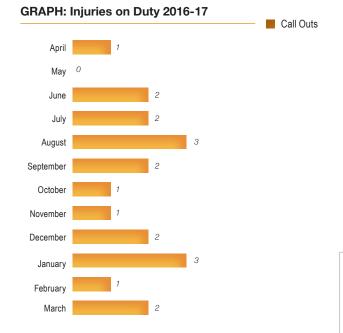
## Health, Safety and

## environmental issues

## The SABC as the employer of choice has facilities that accommodate all citizens, including those with disabilities.

The vision of Occupational Health and Safety (OHS) of the workforce is of zero tolerance for on-the-job fatalities, injuries and diseases. To demonstrate the SABC commitment to the safety of employees the OHS Department hosted a Safety EXPO in September 2016 in Auckland Park where stakeholders in the safety industry were invited to exhibit the latest trends in ensuring a safe work environment.

During the 2016/17 financial year, the SABC received a letter of good standing from the Compensation Commissioner from the Department of Labour for effectively managing Injuries on Duty (IOD) as required by the Compensation for Occupational Injuries and Diseases Act No. 130 of 1993. During the period under review, no fatal or disabling IOD's had occurred in the SABC. However, 20 IOD's were reported in 2016/17 and subsequently communicated to the Compensation Commissioner at the Department of Labour.





The SABC Health and Safety team during the Heath and Safety expo held at SABC head-office.

During the period under review, the SABC completed OHS legal compliance audits in all its provincial offices across the country. Non-compliances were identified and a plan to address them is being implemented.

Successful water tests were done on a monthly basis during the 2016/17 financial year to ensure that tap water at the SABC is clear of legionella, algae and cholera. Waste is disposed off according to classification and smoking in SABC is restricted to designated areas.

The Disaster Management Plan was documented as required by legislation. In addition, the SABC together with City of Johannesburg (CoJ) Emergency Management Services (EMS) successfully conducted annual evacuation drills at the SABC Broadcast Facilities, in line with the Disaster Management Plan.

# Certificate by the COMPANY SECRETARY

In my opinion, as Company Secretary, I hereby confirm that, in terms of the Companies Act No. 71 of 2008, for the year ended 31 March 2017, the South African Broadcasting Corporation SOC Limited, 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.

Johannesburg

July 2017

## Social

## responsibility

Through various initiatives, SABC Platforms participated in community upliftment projects during the year under review.

The SABC Foundation partnered with Africa Teen Geeks and Unisa for the Festival of Code. Ms Robinne Burrell, who is the Executive Chair of Digital platforms at the Academy of Television in the US, hosted the event.

In commemoration of the Soweto Uprising of 1976, SAfm partnered with The Market theatre for The June 16 Monologue, a commemorative piece that tells 16 stories of ordinary South Africans about their whereabouts during the student uprisings. The show was accompanied by live, specially selected music, composed in the 70's and written about the uprisings. The event was well attended.

The SABC Foundation and SAfm partnered with The South African National Youth Orchestra Foundation (SANYO) for the 2016 concert to raise funds for bursaries for the underprivileged young orchestra musicians. All proceeds from the concert were donated to the bursary fund.

SABC Foundation and METRO FM partnered with Nedbank to host a Mandela Day Cook Off at a home of Safety in Attridgeville.

SABC Foundation together with Corporate Affairs identified Badanisile Childrens Home, in Daveyton East of Johannesburg, as Mandela Day's 67 minutes project. Badanisile Children's Home is a Non-Government Organisation established in early 2000 by a group of concerned women, who saw the need to provide substitute care to abused women and children. Together the SABC Foundation team and SABC staff volunteers, cleaned and refurbished



SABC Foundation assists the needy.

the home and gave the children other basics equipment. This initiative was supported by SABC Sport, TV Network, Corporate Affairs, SABC Foundation and Radio with the tag line being '#BeMoreMadiba'.

In addition during Mandela Month the SABC Foundation partnered with Fluor to build a science lab for a Diepkloof school.

'5FM Puts power behind Cape Town Beach Clean Up'. The station joined forces with organisations like 'Clean C, the Sea Shepherd' to help them profile the importance of protecting the environment. The youthful radio brand launched a probono environmental campaign to support the ongoing efforts of Sea Shepherd, Clean C and the Two Oceans Aquarium. They mobilized communities to help clean up Cape Town.

SAfm along with SABC Foundation embarked on a journey to KwaZulu Natal in the company of SABC2 talent, Macdonald Ndou (Muvhango) and Rantebeng Makapan – (Muvhango).

The teams met up in Dicks Hall, in Osizweni for career orientation for the youth, where they were joined by the Gift of the givers to hand-over meals, food parcels and detergents to the community of Osizweni. Over 2000 community members attended the event.

#### **SABC Eastern Cape**

SAfm partnered with Umhlobo Wenene FM and Tru FM in Eastern Cape for Mandela Day activations at Kuyasa Special School. The school caters for the disabled children from disadvantaged homes. The school has 148 children starting from age 6 to 20.

The three stations partnered with Nedbank to provide the school with educational toys, sewing materials and gardening tools.

The Eastern Cape Provincial office organized a peaceful march by school children around Chris Hani District Municipality to commemorate Youth Month. The objective of the march was to raise various issues that are of concern in the schooling system such as access to books, internet, safe classrooms and skilled teachers. The march culminated in a debating session at the Queenstown Sports Centre and the winning school walked away with refurbishments of their school worth R80 000 in partnership with Standard Bank.

During Mandela month the provincial office partnered with Gift of the Givers, Nedbank, Standard Bank and Makana Municipality to donate food parcels, gardening tools, books and other important equipment to Kuyisa Special School for

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SABC Employees giving up their time to lend a helping hand.

mentally challenged children in Grahamstown. Umhlobo Wenene FM and SAfm carried live broadcasts from the event.

To mark 60 years of the Women's March to the Union Buildings for the emancipation of women, the Province held an event titled 'Boss Moves' to address various industry development issues. Speakers came from all areas in the media such as radio, television, film and news. The Deputy Minister of Communications, Ms Stella Ndabeni-Abrahams, Acting CEO of ICASA Nomvuyiso Batyi, chairpersons of MDDA board Ms Phelisa Nkomo, as well as other media practitioners were on the panel of speakers. These high profile speakers shared their own stories to inspire young women who have started or are still hoping to start careers in the media.

Umhlobo Wenene FM hosted their Mandela Day Activation at Baphumelele Children's Home in Khayelitsha, Cape Town. With the help of their listeners the station managed to purchase much needed resources. The children at Baphumelele Children's Home got an opportunity to interact with the presenters over lunch.

#### **SABC Limpopo**

On 17 June 2016, SABC Limpopo donation a mobile library to the community of Manini in Vhembe. The project was initiated by the Chairperson of the SABC Board and the CEO of SABC Foundation.

Thobela FM, hosted the 108<sup>th</sup> birthday celebration for its listeners, Koko Mosebudi Moshapo.

Thobela FM Partnered with Hwibidu Group to for the school shoes campaign at Ga-Mamaboolo School Shoes handover at Malesa Primary School.

Munghana Lonene FM in partnership with the Phalaborwa Rotary Club donated a fully furnished house to the Chauke Family of 6 who previously stayed in a one roomed shack.

#### **SABC Mpumalanga**

The SABC donated 10 computers that were handed over on 26 July 2016 to the community of Buyisonto for Soshangana High School in Bushbuckridge.

The Provincial office hosted the South African National Blood Services (SANBS) for an internal blood drive. The build-up was also done on-air to carry the educational element for the listeners.

#### **SABC Western Cape**

The SABC supported the University of the Western Cape (UWC) campaign called 'Access to Success' to raise funds for the tuition fees for underprivileged students. The promos were flighted on Umhlobo Wenene FM, Radio 2000, SAfm and Good Hope FM. The SABC aligned itself with the project which seeks to respond to a national need for a

collective effort to ensure deserving academic excellence is not denied to students that are most deserving.

Good Hope FM was a media partner of the annual Music Exchange Conference (MEX) 2016. The conference is geared at artists, musicians and producers, who are looking to make their mark in the South African music industry. The speakers included the likes of Brandon Bakshi (BMI London), RJ Benjamin and Sipho Hotstix Mabuse.

During the 16 Days of Activism campaign period, Good Hope FM in collaboration with Protea Hotel Fire and Ice hosted women from four shelters who offer a safe haven for women and children escaping abuse. The women from Saartjie Baartman Centre, Carehaven, Sisters Incorporated and St Anne's were uplifted and inspired by the guest speakers, who shared their stories of abuse and how it impacted their lives. The women were also treated to special performances by up and coming artists Ethan Young and Amy Jones, with a special acapella performance by Karen Kortje.

#### **SABC Northern Cape**

The SABC Northern Cape hosted 8 grade 10 -11 learners from Vuyolwethu Secondary School on 31 May 2016 as part of 'Take a girl child to Work Day' initiative in partnership with the Office of Public Protector.

## Audit and Risk Committee

## **ICPOIL** for the year ended 31 March 2017

The Audit and Risk Committee hereby presents its report for the financial year ended 31 March 2017, in accordance with Treasury Regulations issued in terms of the PFMA and the Companies Act.

#### **Committee Members**

During the year under review, the Shareholder confirmed the appointment of the Members of the Audit Committee at the AGM held on 11 August 2016. Subsequently all the members of the SABC Board had resigned by 19 December 2016. The Board had already not had enough members for a quorum by 13 October 2016. This resulted in the Corporation operating without an Audit Committee for the rest of the financial year under review. Parliament appointed an Interim Board on 27 March 2017 which subsequently appointed an Audit Committee consisting of three Non-Executive members.

TABLE: Membership during the period under review

Name	Attendance
Outgoing Committee	
Ms Nomvuyo Memory Mhlakaza	3
Mr Krish Naidoo	2
Dr Ndivhoniswani Aaron Tshidzumba	3
Interim Committee	
Mr Krish Naidoo	6
Ms Fébé Charlene Potgieter-Gqubule	5
Mr John Matisonn	6

The Committee is satisfied that the members have the required knowledge and experience as set out in Section 94(5) of the Companies Act and Regulation 42 of the Companies regulation, 2011. The Committee also makes use of two independent advisors to advise on specialist matters.

In addition, the following persons are also permanent invitees to all meetings:

GCEO; COO; CFO; Chief Audit Executive; Head of Legal, Head of Human Resources: Head of Supply Chain Management; and external Auditors.

Given the size and complexity of the SABC, the Board has combined the Audit and Risk Committees to ensure appropriate focus on identifying and managing the risks facing the corporation.

#### **Committee Responsibility**

The Committee has complied with its responsibilities arising from Section 51 (a) (ii) of the PFMA, the requirements of Treasury Regulation 27.1 and Section 94 of the Companies Act No. 71 of 2008. The Committee has adopted an appropriate formal Terms of Reference and has discharged its responsibilities as contained therein.

#### **Effectiveness of Internal Controls**

The Committee acknowledges management's efforts to strengthen internal controls. However, when seen in the context of the reports issued by External Auditors, it is clear that management's efforts have been inadequate and at times resulted in a complete lack of commitments to clean governance. As a result, there has been a complete breakdown of internal controls that was so pervasive that it has resulted in an adverse audit opinion. The adverse audit opinion is mainly attributable to the increased irregular, fruitless and wasteful expenditure, loss of potential revenue, inadequate classification and measurement of assets and depletion of cash reserves to a point where the corporation cannot pay its liabilities as they fall due. Giving rise to a concern of whether the Corporation will be able to continue operating as a going concern in the next twelve months period without receiving funding to improve the liquidity position.

The Internal Audit reports identified most of the internal controls that are not effective. However, management did not implement the recommendations for strengthening these controls, despite committing to implementation dates.

The Committee is concerned about the internal control weakness reported in prior years that have not been fully and satisfactorily addressed, despite engaging an external service provider to address them.

Management has given assurance that effective corrective action will be implemented in respect of all internal control weaknesses identified during the external audit of the period under review. This undertaking was accompanied with presentations of action plans with deadlines to the Committee. The Committee is yet to approve these plans and monitor them closely.

The Committee emphasise that punitive measures against the responsible officials are required in instances of non-compliance of which to date the Board has started implementing.

No performance management systems have been put in place to accommodate audit and risk issues against which executive performance can be gauged. This is in a process of being developed for the 2017/18 financial year.



SABC Management interacting with the press.

#### **Risk Management**

The implementation of appropriate risk identification and management activities to ensure the prevention and management of risk relating to IT, HR, fraud and other operational risks was not effective. This has resulted in the breakdown of internal controls and transgression of laws, as reported by the external Auditors.

This is due to the ineffectiveness of risk identification processes, management override of internal controls and lack of implementation of recommendations of the internal audit function.

During the financial year there were numerous indicators of significant risks, including risks of fraud, which were ignored by management.

#### **Evaluation of Financial Statements**

In respect of the AFS, the Committee:

- Confirmed the going concern requirement as the basis of preparing the AFS as disclosed in note 44.
- Examined and reviewed the annual financial statements, as well as all financial information disclosed
- Reviewed the external Auditor's report.
- Reviewed the representation letter

Having achieved its objectives, the Committee recommended the annual financial statements for approval by the Board. The Board has since approved the annual financial statements.

#### **External Auditors Report**

The Committee accepts and concurs with the conclusion of the external Auditors on the AFS and is of the view that the AFS be accepted and read together with the report of the external Auditors.

The Committee confirms that it has been actively involved in the audit process and is appraised of the issues giving rise to the audit opinion.

Mr K Naidoo

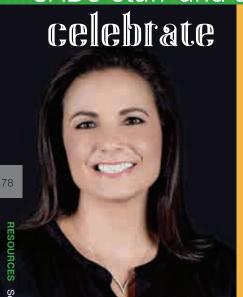
Chairperson of the Audit Committee



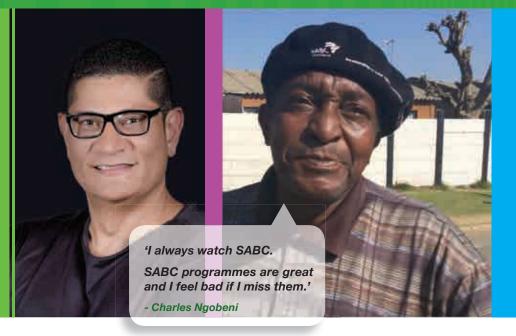


EMBRACING DIVERSITY

## SABC staff and audiences







#### **80 Years Never Looked This Good**

State of the art technology, top of the range on-air talent and boasting thousands of dedicated workforce across all Provinces, it is no wonder the SABC has remained a powerhouse and a force to be reckoned with.

The 1st of August marked a significant day that saw the inception of South Africa's first and only Public Broadcaster in 1936 with only one building in Commissioner Street, Central Johannesburg. 80 years later, the Corporation has fully functional offices in all the Provinces of South Africa and boasts five television channels and 19 radio stations that broadcast in more than the 11 official languages, making it effortless to reach millions of listeners and viewers daily.

Eight decades later, the SABC is not only committed to its mandate of informing, educating and entertaining the nation but it has delivered on this mandate without fail and has made it its core mission to keep the masses abreast with events of national importance like news; world sports tournaments; elections; just to name but a few.

One of the SABC's milestones ready to be ticked off the box is DTT migration. The Corporation has been gearing itself up, going from one Province to the next to engage communities on Digital Migration. It safe to say majority of South Africans, especially those in remote areas of the country are now knowledgeable about the advent of DTT, including registering for the

Set Top Boxes. The SABC is ready for the switch on and to take the broadcasting arena to a whole new level.

Here are some of the testimonials from the employees and audiences:

#### **Leanne Manas**

SABC2 presenter: Morning Live

We wake up in the morning and we broadcast for you.

#### Nonhlanhla Bakasa

SABC1 presenter: Geleza Nathi

TV found me, with the SABC, I was able to find myself.

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#### Mbalenhle Madikwa

TV Producer

I've learnt so much and continue to learn everyday not only as an employee but also as viewer of SABC TV and Radio listener. Nothing beats waking up to do what you love.

Being part of SABC has been such an amazing journey.

#### **Pontsho Vonya**

Team Assistant Content Hub

Well, first and foremost, I would say the company's overall reputation drew me in. The SABC has always been business innovate and shown community friendly standards. I have a few friends who have always raved about the atmosphere and professionalism at the SABC.

It has been a pleasure being in a place that continually demands excellence while still allowing a healthy and positive work environment.

### **Vaylen Kirtley**

SABC Sport presenter

Life is about community and sharing, being a part of one, helping to build one and helping to grow one.

#### **Thabile Ngwato**

SABC News anchor

By paying your TV Licence, you've allowed me to live my dream.

#### **Azola Sonti**

HRSSC Intern

One of the things that I love about the SABC is its positive essence, transparency and open form of communication with staff and managers.





All the employees I interact with feel that they are valued and this is evident across all levels. Working for the SABC has been meaningful because as employees we are assured daily that our contribution is valued in the organisation.

Thanks SABC!

#### **Thomas Mlambo**

SABC Sport presenter

The viewer deserves the absolute best product that I can give them.

### **Ismail Abrahams**

METRO FM DJ

Because you make it possible.

#### **Stoan Seate**

SABC2 presenter: Afro Café

People themselves are the ones that keep feeding the SABC.

#### **Chantell Marcus**

SABC TX Scheduler

Through our selfless service and enthusiasm we continue to inform, educate and entertain the nation. The SABC continues to be the biggest broadcaster and the only Public Broadcaster that reaches over 29 million of the South African population.

And I love the fact that we are involving the nation out there to give their input regarding our editorial policies. We always continue to strive for better.

This in indeed my second home, I love working for the SABC.

### **Amaza Ntshanga**

Umhlobo Wenene FM DJ

The interaction I have with people is the best part about my job.

### **Cliffy Pillay**

Senior Transport Supervisor



The SABC has had a huge impact in my life. It has given me an opportunity to work with a diverse group of colleagues. It has taught me to respect the different cultures and value systems of all South Africans.

I am proud to say that I am an employee of the biggest Broadcaster on the African continent.

As an audience I am proud to see breaking news or sporting events as it happens and content that is shown on our broadcast platform.

What I like most about Our SABC is that it gives me more knowledge of what's happening around the world and when the public realise that I am an employee of the SABC they give me a different approach. They tend to give more respect.

I am a proud employee of Our SABC.



## **Human Resources**

## ovetview

For the period under review, the SABC was faced with a radically changing digital, economic, demographic, and social broadcasting landscape which created new challenges for HR.

In this era of change, HR is compelled to swiftly adapt accordingly on how it organises, recruits, develops, manages and engages the evolving workforce.

Today's workforce is more digital, more universal, diverse, technology driven and social media-skilled. At the same time, business expectations, needs, and demands are changing faster than ever before. While some view this as a challenge, the Human Resources team see it as an opportunity to renew HR, talent, and organisational practices. This era also offers an opportunity to create platforms, processes, and tools that will sustain their value over time. In the period under review the most important area of focus in the Corporation

has been to rebuild the basics of human resources. This included, reviewing and developing legislatively compliant employment policies and procedures to support business requirements, development of job profiles, relooking recruitment and remuneration practices and ensuring salary equity.

The Corporation's HR strategy has been focused on addressing human resource needs as identified in the Corporate Plan. The strategy has been all about creating and delivering value aligned with the Corporation's objectives.

HR responded to the challenges of retaining critical skills and anchoring the human resource basics. This led to some of the following successes:

- Reviewing and socialising Human Resource policies;
- Continued reduction in leave liability thus impacting positively on the SABC balance sheet;
- The review and implementation of a realigned recruitment policy and process to ensure best practice within the Corporation:

- The development of a Career Progression framework and policy to ensure career growth amongst employees;
- Launch of an upgraded Wellness Centre in Auckland Park;
- Implementation of new SAP functionality with regards to leave; and
- Implementation of Total Guaranteed Remuneration Packages (TGRP) at middle management level.

## Performance against the Corporate Plan: HR Priorities for the Year under Review

#### Implementation of Workforce Plan

Workforce planning is a continuous process utilised to align the needs and priorities of the Corporation with those of its employees and to ensure that it can meet its legislative, regulatory and Corporation's objectives. For this fiscal, a comprehensive workforce plan was developed in order to manage headcount within the organisation. Vacancy management was also implemented.

#### **Performance Management**

The SABC persisted in its endeavours to establish a payfor-performance culture. The tools and methodology for evaluating performance was reviewed to ensure its objectivity and alignment to corporate strategy and performance contracts were drafted for the Executive Directors in line with the Corporate Plan for 2016/17. Performance contracting was, however, placed on hold due to operational constraints. Preparation started towards the end of 2016 for the focused roll-out of performance contracting in the new financial year.

#### Workplace Skills Plan (WSP)

The Corporation invested significantly in the development of its employees and delivered capacity building learning programmes to support employee development related to key aspects of their work. These learning programmes were aligned to the WSP of the Corporation and other programmes were implemented in response to specific needs that arose over the course of the reporting period.



The diverse Human Resources team that inspires equity.

Human Resources is responsible for rolling out wellness related events, training and workshops for the SABC, these targeted interventions address challenges and issues that employees are faced with on a daily basis.

Countrywide challenges in the economy has impacted heavily on employees at a psychological, financially and physical level. In an effort to mitigate this impact the wellness programme was strengthened through the delivery of holistic services to employees including financial management and Employee Assistance Programmes (EAP).

#### **Policy Development**

Policy review and development is an ongoing initiative within Human Resources. The main focus in the review of all HR policies is to ensure that the policies are relevant in a changing work environment, that the policies are aligned to latest legislation and best practice in the media environment. All HR policies are subjected to a stringent review and consultation process before presentation to the relevant authorities for approval and implementation.

#### **SABC Employees**

SABC employees are the people who give life to the SABC mandate, which determines how the Organization conducts itself in fulfilling its public service mandate.



The Launch of SABC Wellness centre opening.

#### **HUMAN RESOURCE OVERSIGHT STATISTICS**

#### **Personnel Cost by Division**

Division	Total Expenditure (R'000)	Permanent Employee Compensation and Benefits Expenditure (R'000)	Permanent Employee Compensation and Benefits Expenditure as a % of Total Expenditure	Number of Employees	Average Employee Compensation and Benefits Expenditure per Employee
Commercial Enterprises	259 535	192 094	74,0%	240	800,39
Group Services	1 269 448	595 251	46,9%	771	772,05*
MTI	991 063	578 379	58,4%	849	681,25
News	818 927	613 377	74,9%	883	694,65
Provincial Operations	236 224	107 629	45,6%	173	622,13
Radio	1 195 235	256 196	21,4%	372	688,70
SABC Sport	897 773	65 302	7,3%	67	974,66
Television	3 012 240	192 586	6,4%	258	746,46
Grand Total	8 680 442	2 600 814	30,0%	3 613	719,85

<sup>\*</sup> Items like Leave and PRMA are reflected under Group Services for total company

Employees also contribute in their own right by partaking in internal initiatives such as an internal blood drive. The build-up was also broadcast carrying the educational element for the listeners.

Programmes and campaigns are in place to inform, educate and empower the employees on matters affecting the Corporation. Internal publication, Corporate Communications, is positioned to become the source of information.

#### **Challenges**

The year under review has seen a major focus on addressing HR challenges. The first of which was the review of existing job profiles and development of new ones where there were none. The absence of job profiles would hamper the roll-out of Performance management and was also utilised during Employment Equity initiatives to ensure a fair and transparent process.

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#### **Personnel Cost Level**

#### **Performance Rewards**

### **Ex-gratia Payment**

Level	Permanent Employee Compensation and Benefits Expenditure (R'000)	Permanent Employee Compensation and Benefits Expenditure as % of Total	No. of Employees	Average Employee Compensation and Benefits per Employee
Top Management	36 627	1,4%	11	3 329,72
Senior Management	118 756	4,6%	59	2 012,82
Middle Management	521 787	20,1%	465	1 122,12
Junior Management	544 948	21,0%	622	876,12
Supervisory Levels	1 172 761	45,1%	1 957	599,26
Rest of Staff	205 935	7,9%	499	412,70
Grand Total	2 600 814	100,0%	3 613	719,85

Level	Performance Rewards	Employee Compensation and Benefits Expenditure (R'000)	% of Performance Rewards vs Total Employee Compensation and benefits expenses
Top Management	-	36 627	0.0%
Senior Management	-	118 756	0.0%
Middle Management	-	521 787	0.0%
Junior Management	-	544 948	0.0%
Supervisory Levels	-	1 172 761	0.0%
Rest of Staff	-	205 935	0.0%
Grand Total	-	2 600 814	0,0%

Level	Ex-Gratia Payment	Employee Compensation and Benefits Expenditure (R'000)	% of Ex-Gratia vs Total Employee Compensation and benefits expenses
Top Management	11 570	36 627	32%
Senior Management	-	118 756	0,0%
Middle Management	24	521 787	0,0%
Junior Management	6 345	544 948	1,2%
Supervisory Levels	20 209	1 172 761	1,7
Rest of Staff	4 920	205 935	2,4
Grand Total	43 078	2 600 814	1,7

#### **Training Costs by Division**

Division	Permanent Employee Compensation and Benefits Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as % of Permanent Employee Compensation and Benefits Expenses	No. of Employees Trained	Average Training Cost per Employee (R'000)
Commercial Enterprises	192 094	2 096	1,1%	117	18
Group Services	595 251	6 254	1,1%	349	18
News	578 379	7 938	1,4%	443	18
Provincial Operations	613 377	2 670	0,4%	149	18
Radio	107 629	2 437	2,3%	136	18
SABC Sport	256 196	143	0,1%	8	18
MTI	65 302	8 440	12,9%	471	18
Television	192 586	2 007	1,0%	112	18
Grand Total	2 600 814	31 985	1,2%	1 785	18

### **Employment and Vacancies by Division**

Division	2015/16 No. of Employees	2015/16 Vacancies	20016/07 No. of Employees	2016/17 Vacancies	% of Vacancies
Commercial Enterprises	292	30	240	8	3,2%
Group Services	584	39	771	31	3,9%
MTI	976	81	849	36	4,1%
News	1 048	69	883	14	1,6%
Provincial Operations	176	15	173	6	3,4%
Radio	370	37	372	9	2,4%
SABC Sport	77	6	67	2	2,9%
Television	312	28	258	9	3,4%
Grand Total	3 835	305	3 613	115	3,1%

### **Employment and Vacancies by Level**

Division	2015/16 No. of Employees	2015/16 Vacancies	20016/07 No. of Employees	2016/17 Vacancies	% of Vacancies
Top Management	15	1	11	4	26,7%
Senior Management	64	11	59	16	21,3%
Middle Management	488	41	465	47	9,2%
Junior Management	639	49	622	11	1,7%
Supervisory Levels	2 067	157	1 957	30	1,5%
Rest of Staff	562	46	499	7	1,4%
Grand Total	3 835	305	3 613	115	3,1%

#### **Employment Changes**

Reason	No. of Employees	% of Total number of staff leaving
Death	10	3,0%
Resignation	106	31,7%
Dismissal	115	34,4%
Retirement	71	21,3%
III Health	4	1,2%
Expiry of Contract	18	5,4%
Other	10	3,0%
Grand Total	334	100%

#### **Labour Relations: Misconduct and Disciplinary Action**

Level	Number
Verbal Warning	0
Written Warning	0
Final Written Warning	0
Dismissal	115
Grand Total	115



SABC's Choir performing during SABC staff rediffusions.

#### **Employment Equity Targets and Status**

	African		Coloured		Indian		White		Disabled S	Staff
Level	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
MALE										
Top Management	-	1	_	-	-	-	_	-	-	-
Senior Management	6	6	-	1	-	-	-	1	-	-
Professional Qualified	210	212	21	24	23	28	54	44	3	5
Skilled	1 107	1 191	109	120	55	57	208	226	26	33
Semi-Skilled	40	56	4	5	-	-	-	-	2	2
Unskilled	-	-	-	-	-	-	-	-	-	-
Grand Total	1 363	1466	134	150	78	85	262	271	31	40
			FEMAL	.E						
Top Management	-	-	_	-	-	-	-	-	-	-
Senior Management	4	5	1	2	-	1	-	-	-	-
Professional Qualified	135	149	19	24	16	17	47	55	3	5
Skilled	1 088	1 112	160	171	74	83	212	249	42	61
Semi-Skilled	17	31	2	5	-	2	1	1	1	1
Unskilled	-	-	-	-	-	-	-	-	-	-
Grand Total	1 244	1 297	182	202	90	103	260	305	46	69

#### **LOOKING FORWARD**

For the next financial year, HR will be building on their initiatives to ensure an effective service to all employees and internal clients. The priority as always is to be a one stop HR service to the Corporation as it is at the coal face of business. Human Resources will seek to be a strategic partner to the various business divisions by offering effective advice and services timeously.

Skills development in the digital arena as well as the establishment of career paths for all positions will be two of the main focus areas for Human Resources. The Corporation's need to place specific focus on skills transfer within core business areas as the war for talent within the media sector will be intensified.

Human Resources is committed to providing learning and development opportunities to its employees, as well as the nation at large with the aim of contributing to the National Development Plan (NDP). During the 2017/18 Financial year, the organisation will focus primarily on the development of employees, whilst still maintaining our commitment to supporting the National Skills Development Strategy by empowering unemployed persons, particularly those from disadvantaged backgrounds through our internship, learnership and work integrated learning programmes.





# Statement of Responsibility and approval by the Board of Directors



SABC Headoffice in Auckland Park.

The Directors of the South African Broadcasting Corporation SOC Limited (SABC) are responsible for the preparation of the annual financial statements of the Corporation, to maintain a sound system of internal control and to safeguard the shareholder's investment and the SABC's assets. In presenting the accompanying financial statements, International Financial Reporting Standards (IFRS) and applicable accounting policies have been used, while prudent judgements and estimates have been made. In order for the Directors to discharge their responsibilities, management is in the process of developing and will continue to maintain a system of internal controls, which is aimed at reducing the risk of error or loss, in a cost effective manner. Such systems can provide reasonable, but not absolute, assurance against material misstatement or loss. The Directors meet periodically, primarily through the Audit Committee, with the external and internal auditors and executive management to evaluate matters concerning accounting policies, internal controls, auditing and financial reporting.

The SABC's internal auditors independently evaluate the internal controls and coordinate their audit coverage with the external auditors. The Auditor-General is responsible for reporting on the financial statements. Both external and internal auditors have unrestricted access to all records, property, personnel and systems as well as to the Audit Committee.

Based on the information and explanations given by management and the internal auditors, and on comment by the external auditors on the results of their audit conducted for expressing their opinion, the Directors are of the opinion that the internal accounting controls are inadequate. The financial records were relied on for preparing the financial statements and maintaining accountability for assets and liabilities. The annual financial statements were found to be materially misstated due to a number of materially misstatements, as disclosed in the external auditors report.

As the Directors have reviewed the Corporation's financial budgets for the year to 31 March 2018, and in the light of the current financial position and the plans that are currently in place to turn around the Corporation and to be able to secure funding, they consider it appropriate that the annual financial statements be prepared on the going-concern basis. The Auditor-General has audited the annual financial statements of the Corporation and his report appears on page 89. Against this background, the Directors of the Corporation accept responsibility for the annual financial statements, which were approved by the Board of Directors on 28 July 2017 and are signed on its behalf by:

Ms K T Kweyama Chairperson

Ms N'P Philiso (Acting) Group CEO

# Report of the Auditor-General to Parliament on the South African Broadcasting Corporation SOC Ltd (SABC)

## Report on the audit of the consolidated and separate financial statements

#### **ADVERSE OPINION**

- 1. I have audited the consolidated and separate financial statements of the SABC and its subsidiaries set out on pages 94 to 139, which comprise the consolidated and separate statement of financial position as at 31 March 2017, and the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows and for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
- 2. In my opinion, because of the significance of the matters described in the basis for adverse opinion section of my report, the consolidated and separate financial statements do not present fairly, in all material respects, the consolidated and separate financial position of the SABC as at 31 March 2017, and the group's financial performance and its consolidated and separate cash flows for the year then ended in accordance with the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

#### **BASIS FOR ADVERSE OPINION**

#### Going Concern basis of accounting

3. In the past 3 years there has been a decline in revenue and an increase in expenditure which lead to the entity being in a net loss position in the past two years. The decline in revenue and cash collections has put the cash reserves of the entity under pressure.

As at 31 March 2017, the entity was commercially insolvent because it was not able to pay its debt as and when they were due even though its assets exceeds its liability. Subsequent to the year end, the entity applied for a government guarantee to the National Treasury in order to enable it to borrow funds to be used to settle outstanding obligations; this process was not yet finalised at the time of my report. I was unable to obtain sufficient appropriate audit evidence for the entity's viability in the foreseeable future; consequently I was unable to assess the reasonability of the going concern assumptions used by entity, which forms the basis for the current preparation of the financial statements.

#### Property, plant and equipment

 The SABC did not include all items of property, plant and equipment in the entity's accounting records as required by the International Financial Reporting Standards (IFRS), IAS 16, Property, plant and equipment. The entity did not implement adequate internal control systems to ensure that all items of property, plant and equipment owned by the entity are recorded in the fixed asset register. This resulted in property, plant and equipment being understated. I was unable to confirm the amount of property, plant and equipment to be disclosed by alternative means. Consequently I was unable to determine whether any further adjustments to property, plant and equipment stated at R 1 609 767 000 were necessary.

- 5.1 was unable to obtain sufficient appropriate audit evidence for the adjustment to depreciation relating to changes in estimates as described in note 5. This change was as a result of the annual review of residual value and useful lives in accordance with IAS 16, but the change in estimates could not be substantiated by reliable supporting audit evidence. I was unable to confirm the change in estimates by alternative means.
- 6. In addition assets amounting to R63 951 199 are incorrectly classified as capital –work-in-progress while they are available for use in terms of IAS 16. Furthermore property, plant and equipment assets with a gross carrying amount of R23 480 230 are included in the financial statement at a zero net carrying amount whilst still being in use. It was also noted that, depreciation of assets that were acquired during the financial year was based on incorrect useful lives which resulted in depreciation and related accumulated depreciation being understated. I was unable to determine the resultant misstatement of depreciation and accumulated depreciation, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustment was necessary to the depreciation and the related accumulated depreciation figure stated at R163 006 000 and R1 738 970 000 respectively in the financial statements.
- 7. I was unable to obtain sufficient and appropriate evidence to confirm transfers between asset classes amounting to R280 426 857 (from capital work in progress R211 517 000 and other Assets R68 909 857) as there were inadequate record keeping and project management controls to ensure that complete, relevant and accurate information is accessible and available to support transfers recorded. I could not confirm transfers by alternative means. Consequently I was unable to determine whether any adjustment to property plant and equipment disclosed in note 5 as R1 609 767 000, and the related depreciation and accumulated depreciation were necessary.
- 8. The entity did not assess property, plant and equipment for impairment at the reporting date in accordance with International Financial Reporting Standards, IAS 36, Impairment of Assets. There was no system in place on which I could rely for the purpose of the audit, and there were no satisfactory audit procedures I could perform to obtain reasonable assurance that no

assets should be impaired. Because of the nature of the assets, I was unable to confirm or verify by alternative means the value of property, plant and equipment. As a result I was unable to determine the correct net carrying amount of property, plant and equipment and depreciation and impairment stated at R 1609 767 000, R163 006 000 and R6 814 000 respectively in note 5 to the separate an consolidated financial statements, as it was impracticable to do so.

#### Irregular expenditure

- 9. The SABC did not include particulars of all irregular expenditure in the notes to the annual financial statements as required by Section 55(2) (b) (i) of the Public Financial Management Act (PFMA), 1999 (Act No. 1 of 1999). The entity did not implement adequate internal control systems to identify and record all instances of irregular expenditure in both the current and prior years. This resulted in the irregular expenditure disclosure being understated. The full extent of the misstatement identified could not be quantified and I was unable to confirm the amount of irregular expenditure to be disclosed by alternative means. Consequently, I was unable to determine whether any further adjustments to the irregular expenditure disclosure stated at R4 405 804 000 were necessary.
- 10. I was unable to obtain sufficient and appropriate evidence to confirm irregular expenditure amounting to R192 998 000 as there were no adequate record keeping controls to ensure that complete, relevant and accurate information is accessible and available to support the irregular expenditure disclosed. I could not confirm the irregular expenditure by alternative means. Consequently I was unable to determine whether any further adjustments to irregular expenditure of R4 405 804 000 (2016: R5 148 526 000) as disclosed in note 43 to the consolidated and separate financial statements were necessary.

#### Trade and other payables

11. The entity did not record all goods and services received but not yet paid for, which resulted in trade and other payables of R685 106 000 disclosed in note 23 to the financial statements being understated. I was unable to obtain sufficient appropriate audit evidence that all trade and other payables had been recorded, as the entity did not have adequate systems and I could not confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments to trade and other payables stated at R685 106 000 in financial statements were necessary.

#### Deferred government grants

12. A reconciliation of the amounts received in respect of the conditional grants received over the past financial years to the value of the assets

that were acquired by the entity over the same period per the conditions of the grants, was performed and there were unexplained differences noted amounting to R549 635 000 . I was unable to reconcile the amount disclosed in the financial statements at year end, to the total cost of assets acquired using the conditional grant. Furthermore, I was unable to obtain sufficient appropriate audit evidence whether the amounts disclosed were correct at year end and whether the restricted funds were utilized as required by the conditions as agreed with the grantor. I was unable to confirm the deferred government grants disclosed by alternative means. Consequently, I was unable to determine whether any adjustment to the amounts disclosed in note 20 at R328 567 000 (2016: R400 326 000) in the financial statements was necessary.

## Accumulation of immaterial uncorrected misstatements – Total expenditure

- 13. Total expenditure was materially misstated by R53 618 000 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:
  - a. Amortisation of programme, film and sports rights stated at R1 934 585 000 was understated by R15 499 000;
  - b. Broadcast costs stated at R518 442 000 was overstated by R1 191 000;
  - c. Signal distribution and linking costs stated at R 669 831 000 was understated by R4 220 000;
  - d. Employee and director compensation and benefit expenses costs stated at R3 169 372 000 was understated by R20 064 000;
  - e. Professional and consulting fees and Other expenses stated at R99 304 000 was overstated by R7 216 000; and
  - f. Other expenses stated at R92 463 000 was understated by R22 242 000
- 14. In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm expenditure amounting to R50 916 000 by alternative means:
  - a. Signal distribution and linking costs of R517 000 as included in the disclosed amount of R669 831 000; and
  - Amortisation and impairment of computer software of R50 399 000 as included in the disclosed amount of R52 229 000.
- Consequently, I was unable to determine whether any further adjustments to the total expenditure were necessary.
- 16. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of my report.
- 17. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional

accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

18. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

#### **EMPHASIS OF MATTER**

 I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### Significant uncertainties

20. As disclosed in note 40 to the consolidated and separate financial statements, the SABC was a defendant in a number of lawsuits. The ultimate outcomes of these matters cannot be determined currently, and no provision for any liability that may result was made in the consolidated and separate financial statements.

#### Significant judgement

21. As disclosed in note 26 to the consolidated and separate financial statements, the entity has not recognised license fees to the amount of R1 016 541 000 (2016: R2 557 662 000). In management's judgement it is not probable that the economic benefits associated with these transactions will flow to the entity in order to meet the recognition criteria.

#### RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY

- 22. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act) and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
- 23. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the South African Broadcasting Corporation group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the Public Entity's group or to cease operations, or has no realistic alternative but to do so.

## AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

- 24. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.
- 25. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.
- 26. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to the auditor's report.

## Report on the audit of the annual performance report

#### INTRODUCTION AND SCOPE

- 27. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic goals presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
- 28. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
- 29.1 evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic goals presented in the annual performance report of the public entity for the year ended 31 March 2017:

Strategic Goals	Pages in the annual performance report
Strategic Goal 1 – To be a financially sustainable organisation.	32
Strategic Goal 2 – To acquire and schedule compelling and quality programming, spanning a range of genres, in all official South African languages, and exceeding mandate objectives across traditional and digital media platforms.	
Strategic Goal 4 – Ensure compliant governance practices complimented by effective risk management and internal control environment.	34

- 30. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
- 31. The material findings in respect of the usefulness and reliability of the selected strategic goals are as follows:

## STRATEGIC GOAL 1 – to be a financially sustainable organisation

#### Maintain a minimum cash and cash equivalents balance of R600m

- 32. The indicator maintain a minimum cash and cash equivalents balance of R600m will not lead to the realisation of the strategic objective, to ensure the SABC is able to meet its financial obligation to which it relates, as required by the Framework for managing programme performance information (FMPPI). The indicator focused on maintaining a minimum cash balance, while the strategic objective aimed stated the key activities of the objectives being the management of debtor days, creditors' days, and investments to ensure cash availability. Therefore there was no clear and logical link between the indicator and the strategic objective to which it relates.
- 33. In addition, the reported achievement for the planned target of R900 million was misstated as the evidence provided indicated that cash balance should have been R69 526 000 and not R77 700 000 as reported as the cash balance of R8 234 000 was for the government grant restricted cash which is not available for use for the entity's operations.

#### Net profit before tax

34. The reported achievement for target for the planned target of R3.4 million was misstated. The reported target of R1 074 166 000 loss was misstated

as there were multiple areas that lead to the findings on the annual financial statements as at 31 March 2017. The misstated areas have an impact on the reported net loss before tax.

#### OTHER MATTER

35. I draw attention to the matter below.

#### Achievement of planned targets

36. Refer to the annual performance report on page 32 for information on the achievement of planned targets for the year and explanations provided for the underachievement of all targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 33, 34 and 35 of this report

STRATEGIC GOAL 2 - To acquire and schedule compelling and quality programming, spanning a range of genres, in all official South African languages, and exceeding mandate objectives across traditional and digital media platforms

#### Various Indicators

- 37. The indicators listed below will not lead to the realisation of their respective strategic objectives as required by the framework for managing programme performance information (FMPPI) as the planned targets for the year are either the same as or less that prior year's reported achievements:
  - · Number of properties broadcast with sign language
  - Increase number of properties that will allow people with disabilities (PWD) access to public broadcasting
  - Number of provincial properties & inserts broadcast

#### OTHER MATTER

38. I draw attention to the matter below.

#### Achievement of planned targets

39. Refer to the annual performance report on page 32 to 33 for information on the achievement of planned targets for the year and explanations provided for the underachievement of all targets. This information should be considered in the context of the findings on the usefulness and reliability of the reported performance information in paragraph 38 of this report.

#### Adjustment of material misstatements

40. I identified a material misstatement in the annual performance report submitted for auditing. This material misstatement was on the reported performance information of the strategic goal 2 - To acquire and schedule compelling and quality programming, spanning a range of genres, in all official South African languages, and exceeding mandate objectives across traditional and digital media platforms. As management subsequently corrected the misstatement, I reported a finding on the usefulness and reliability of the reported performance information. The misstatement that was not corrected is included in the material misstatement paragraph.

#### Multiple Changes in strategic Objectives over the medium term

41. The multiple changes of the strategic objectives and related indicators over the past years may lead to the entity's inability to track performance over a medium term.

STRATEGIC GOAL 4 - Ensure compliant governance practices complimented by effective risk management and internal control environment.

## Self-assessment to ensure that key internal controls documented in SAP are being performed

42. The indicator self-assessment to ensure that key internal controls documented in SAP are being performed will not lead to the realisation of the strategic objective develop and maintain an efficient, effective and transparent system of risk management and internal controls to which it relates, as required by the Framework for managing programme performance information (FMPPI) as it does not address the issues of identifying, managing or reporting of risks with the entity. Therefore there was no clear and logical link between the indicator and the strategic objective to which it relates.

#### OTHER MATTERS

43. I draw attention to the matters below

#### Achievement of planned targets

44. Refer to the annual performance report on page 34 for information on the achievement of planned targets for the year and explanations provided for the underachievement of all targets. This information should be considered in the context of the findings on the usefulness and reliability of the reported performance information in paragraph 43 of this report.

#### Multiple Changes in strategic Objectives over the medium term

45. The multiple changes of the strategic objectives and related indicators over the past years may lead to the entity's inability to track performance over a medium term.

### Report on audit of compliance with legislation

#### INTRODUCTION AND SCOPE

46. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of

- the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
- 47. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

#### Procurement and contract management

- 48.1 was unable to obtain sufficient appropriate audit evidence that all contracts were awarded and quotations accepted as per legislation, due to lack of proper and adequate document management by the entity.
- 49. Certain goods, works or service were also not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA as a number of deviations and extensions entered into by management were not justifiable and reasonable as they were indicative of poor planning.
- 50. I was unable to obtain sufficient appropriate audit evidence that goods, works and services were procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1) (a)(iii) of the PFMA as contracts and quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by the Preferential Procurement Regulations.
- 51. The preferential point system was not applied at all in certain procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act. The entity's delegation of authority excluded VAT in contradiction of this legislation, resulting in the amounts being incorrectly below the threshold required for scoring and not assessed at all.
- 52. In addition, the incorrect exclusion of the VAT resulted in contracts being were awarded to and quotations accepted from bidders based on preferential points that were not calculated in accordance with the correct requirements of the Preferential Procurement Policy Framework Act. This was mainly on items with amounts excluding VAT of just below the R1million threshold which were incorrectly scored on the 80/20 principle instead of the 90/10 principle, which would have been required to have been applied if the amount was considered inclusive of VAT.
- 53. Construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the Construction Industry Development Board (CIDB Act) and CIDB regulations 17 and 25(7A).

#### **Consequence Management**

54. Disciplinary steps were not taken against officials who had incurred and permitted irregular expenditure amounting to R405 804 000, as required by section 51(1) (e)(iii) of the PFMA. 55. Disciplinary steps were not taken against officials who had incurred and permitted fruitless and wasteful expenditure amounting to R145 994 000, as required by section 51(1) (e)(iii) of the PFMA.

#### **Expenditure management**

- 56. Effective steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the irregular expenditure was caused by procurement of content from foreign suppliers without obtaining their valid tax clearance certificate, appointing suppliers through a deviation processes, extending and paying several expired contracts with existing suppliers without following normal procurement processes in line with the PFMA and SCM policy.
- 57 Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R145 994 000, as disclosed in note 43 to the annual financial statements, in contravention of section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by the removal of senior officials resulting in the entity paying settlement fees and legal costs.

#### Annual financial statements, performance and annual report

- 58. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and not supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA and section 29(1)(a) of the Companies Act
- 59. Material misstatements of revenue, non-current liabilities of employee benefit obligation and deferred tax disclosure identified by the auditors in the submitted financial statements were corrected and/or the supporting records were provided subsequently, but the uncorrected material misstatements and/ or supporting records that could not be provided resulted in the financial statements receiving an adverse audit opinion.

#### Other information

- 60. The South African Broadcasting Corporation and its subsidiaries accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the consolidated and separate financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.
- 61. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

62. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

#### Internal control deficiencies

63. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report, and the findings on compliance with legislation included in this report.

#### Leadership

- 64. The previous board and executive management of the entity did not implement an effective leadership culture based on honesty, ethical business practices and good governance, protecting and enhancing the best interests of the entity in that they carried on trading, under conditions that indicated the Broadcaster's inability to pay its debt as and when they are due, during the ordinary course of business for a period of 12 months.
- 65. Despite the further deterioration in the already weak control environment, especially in respect of supply chain management, there were no consequences for transgressions against applicable policies, laws and regulations.
- 66. Furthermore, management did not ensure that actions plans are developed, implemented and monitored to address internal control deficiencies.
- 67. The entity did not have documented and approved internal policies and procedures to address planning, implementation, monitoring and reporting processes and events pertaining to performance management and reporting. Other policies and procedures were outdated and are in the process of being updated.
- 68. The internal policies and procedures of the entity did not adequately address the processes pertaining to the monitoring of performance information at an overall performance management level.

#### Financial and performance management

69. Management did not have a proper record management system to maintain information that supported financial and performance reporting, resulting in the related modified outcomes. This included information that related to the collection, collation, verification, storing and reporting

- of actual financial and performance information. Supporting evidence could also not be provided to confirm the compliance status of the procurement of certain expenditure incurred as a result of this lack of proper records management.
- 70. Management did not have proper daily and monthly processing and reconciliation process implemented. This lack of controls also resulted in management not being able to fully detect, account and disclose all of its liabilities in order to pay these as and when they fall due in the ordinary course of business.
  - In addition, the lack of controls relating to assets lead to assets which were ready and available for use, not being adequately depreciated as required by the accounting standards. This would have increased the net loss position on the consolidated and separate statement of profit or loss and other comprehensive income.
- 71. Reviewing and monitoring compliance with applicable laws and regulations were not effective, especially those related to SCM, mainly due to the lack of formally established policies and procedures to detect and prevent non-compliance.
- In addition to this, in instances where the controls did not prevent non-compliance with SCM legislation, detection controls were also deficient as not all irregular expenditure was disclosed.

#### Governance

- 72. There was a lack of appropriate risk management activities to ensure that threats to the organisation earnings and viability emanating from the entity's strategic decisions are identified, assessed and controlled. These would have assisted the entity to prevent the current liquidity challenges faced by the entity. Furthermore the failure to implement critical initiatives to strengthen the internal control environment also exacerbated the lack of appropriate risk management.
- 73. The entity's audit committee has not been functional for more than six months in the financial year under review which resulted in lack of oversight functions not being performed as required by the Companies Act and the PFMA.

#### Other reports

74. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

#### Investigations

- 75. The forensic unit was in the process of conducting several investigations related to various instances and allegations of financial misconduct and possible fraud. The investigations were on-going at the date of this report and might or might not result in disciplinary and/or criminal proceeding against the parties concerned.
- 76. There is also an investigation underway by the National Treasury into the contravention of SCM processes. This investigation was still ongoing at the date of this report.





Pretoria 8 August 2017

#### Annexure - Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected strategic goals and on the public entity's compliance with respect to the selected subject matters.

#### FINANCIAL STATEMENTS

- In addition to my responsibility for the audit of the consolidated and separate financial statements as described in the auditor's report. I also:
- Identify and assess the risks of material misstatement of the consolidated and separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 public entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
- Conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit

- evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the South African Broadcasting Corporation and its subsidiaries' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements.
   I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.
- · Communication with those charged with governance
- 3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- 4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

Total equity and liabilities

## Statement of

## Financial Position as at 31 March 2017

	_					
		GROUP		COMPANY		
	Note	31-Mar-17 R'000	31-Mar-16 R'000	31-Mar-17 R'000	31-Mar-16 R'000	
ASSETS						
Property, plant and equipment Investment property	5 6	1 609 767 8 938	1 495 570 9 032	1 609 767 8 938	1 495 570 9 032	
Computer software Defined benefit asset	7 8	163 815 1 333 672	189 927 805 420	163 815 1 333 672	189 927 805 420	
Investment in subsidiaries Available-for-sale financial assets	9 10	9 652	9 812	1 761 9 652	1 761 9 812	
Prepayments Deferred Tax	11 21	4 661 -	209 428 376	4 661 -	209 428 376	
Operating leases		115	624	115	624	
Total non-current assets	_ —	3 130 620	2 938 970	3 132 381	2 940 731	
Programme, film and sports rights Property held for sale	7 12	768 500 -	757 112 8 541	768 500 -	757 112 8 541	
Consumables Trade and other receivables	13 14	5 301 822 030	4 682 1 100 408	5 301 840 047	4 682 1 114 090	
Prepayments	11	38 469	134 767	38 469	134 767	
Cash and cash equivalents Total current assets	15	81 742 1 716 042	881 107 <b>2 886 617</b>	77 760 1 730 077	874 652 <b>2 893 844</b>	
Total assets		4 846 662	5 825 587	4 862 458	5 834 575	
EQUITY		4 040 002	0 020 001	4 002 400	0 004 010	
Share capital	16	1	1	1	1	
Fair value adjustment reserve Retained earnings	17	8 133 2 139 402	8 257 2 679 180	8 133 2 155 344	8 257 2 690 729	
Total equity		2 147 536	2 687 438	2 163 478	2 698 987	
LIABILITIES						
Government debt instrument	18	20 798	27 390	20 798	27 390	
Interest bearing loans and borrowings Deferred government grant	19 20	43 288 243 368	2 636 306 119	43 288 243 368	2 636 306 119	
Employee benefits obligation	22	1 055 316	1 086 921	1 055 316	1 086 921	
Total non-current liabilities		1 362 770	1 423 066	1 362 770	1 423 066	
Trade and other payables	23	685 106	800 885	684 959	799 838	
Employee benefits Deferred income	22 24	188 388 56 250	157 470 49 106	188 388 56 250	157 470 49 106	
Current portion of government debt instrument	18	6 592	-	6 592	-	
Current portion of loans and borrowings	19	13 231	736	13 231	736	
Tax payable Current portion of deferred government grant	35 20	19 836 85 199	355 112 94 207	19 837 85 199	353 598 94 207	
Provisions	20 25	281 754	257 567	281 754	257 567	
Total current liabilities		1 336 356	1 715 083	1 336 210	1 712 522	
Total liabilities		2 699 126	3 138 149	2 698 980	3 135 588	

4 846 662

5 825 587

4 862 458

5 834 575

COMPANY

## Statement of

## Profit or Loss for the year ended 31 March 2017

	Note	31-Mar-17 R'000	31-Mar-16 R'000	31-Mar-17 R'000	31-Mar-16 R'000
Revenue	26	7 525 203	7 978 841	7 525 203	7 978 841
Other income	27	34 944	113 384	34 944	113 384
Amortisation of programme, film and sports rights	7	(1 934 585)	(1 741 889)	(1 934 585)	(1 741 889)
Net impairment raised of programme, film and sports rights	7	(2 649)	(18 871)	(2 649)	(18 871)
Amortisation and impairment of computer software	7	(52 229)	(44 457)	(52 229)	(44 457)
Net impairment raised of trade and other receivables		(98 450)	(60 842)	(98 450)	(60 834)
Broadcast costs Signal distribution and linking costs		(518 442) (669 831)	(609 450) (632 418)	(518 442) (669 831)	(609 450) (632 418)
Employee and director compensation and benefit expenses	28	(3 169 372)	(3 264 774)	(3 169 372)	(3 264 774)
Depreciation and impairment of property, plant and equipment	5	(169 820)	(201 480)	(169 820)	(201 480)
Marketing costs	O	(135 603)	(188 283)	(135 603)	(188 283)
Direct revenue collection costs		(1 056 306)	(1 089 377)	(1 056 306)	(1 089 377)
Professional and consulting fees	29	(99 304)	(102 341)	(99 054)	(101 584)
Other expenses - personnel costs other than employee compensation - operational Other losses	31	(92 463) (637 254) (4 136)	(87 585) (643 340) (214)	(92 463) (631 373) (4 136)	(87 586) (620 237) (214)
Operating loss before finance costs and tax		(1 080 297)	(593 096)	(1 074 166)	(569 229)
Net financing income	32	27 062	27 350	26 992	27 288
Finance income Finance expenses	32 32	40 209 (13 147)	75 533 (48 183)	40 139 (13 147)	75 471 (48 183)
Titlance expenses	52	(13 147)	(40 100)	(13 147)	(40 103)
Loss before income tax		(1 053 235)	(565 746)	(1 047 174)	(541 941)
Income tax	33	76 378	154 141	74 711	155 470
Loss for the year	=	(976 857)	(411 605)	(972 463)	(386 471)

**GROUP** 

## Statement of

Total comprehensive (loss)/income for the year

## Comprehensive Income for the year ended 31 March 2017

	Note	31-Mar-17 R'000	31-Mar-16 R'000	31-Mar-17 R'000	31-Mar-16 R'000
Loss for the year		(976 857)	(411 605)	(972 463)	(386 471)
		606 894	1 130 074	606 894	1 130 074
Items that will never be reclassified to profit and loss Pension fund					
Actuarial gain Expected return on plan assets	8 8	982 126 (483 730)	1 288 419 (288 436)	982 126 (483 730)	1 288 419 (288 436)
Post -employment medical benefits					
Actuarial gain	22	105 646	130 125	105 646	130 125
Long service awards					
Actuarial gain	22	3 012	1 381	3 012	1 381
Items that may be reclassified to profit and loss Loss in changes in fair value of available-for-sale financial assets	10	(160)	(1 415)	(160)	(1 415)
Income tax relating to loss on available-for-sale financial assets Income tax relating to gain on pension fund actuarial valuation Income tax relating to gain on post employment medical benefits Income tax relating to gain on long service awards	33 33 33 33	36 (139 551) (29 581) (843)	264 (279 995) (36 435) (387)	36 (139 551) (29 581) (843)	264 (279 995) (36 435) (387)
Other comprehensive income for the year, net of tax		436 954	813 521	436 954	813 521

**GROUP** 

(539903)

401 916

**COMPANY** 

427 050

## Statement of

## Changes in Equity for the year ended 31 March 2017

Balance at 1 April 2015

Total comprehensive (loss)/income for the year

Balance at 31 March 2016

Total comprehensive (loss)/income for the year

Balance at 31 March 2017

Balance at 1 April 2015

Total comprehensive (loss)/income for the year

Balance at 31 March 2016

Total comprehensive (loss)/income for the year

Balance at 31 March 2017

	Fair value		
Share capital R'000	adjustment reserve R'000	Retained earnings R'000	Total R'000
	GRO	UP	
1	9 408 (1 151)	2 276 113 403 068	2 285 522 401 917
1	8 257 (124)	2 679 181 (539 779)	2 687 439 (539 903)
1	8 133	2 139 402	2 147 536
	COMP	PANY	
1	9 408 (1 151)	2 262 528 428 201	2 271 937 427 050
1	8 257 (124)	2 690 729 (535 385)	2 698 987 (535 509)
1	8 133	2 155 344	2 163 478

## Statement of

## Cash Flows for the year ended 31 March 2017

Nc	ote	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Cash flows from operating activities Cash receipts from customers Cash paid to suppliers and employees		7 845 669 (8 598 196)	7 922 424 (7 965 119)	7 841 334 (8 591 318)	7 913 597 (7 958 054)
Interest received Dividends received Interest paid	34 32 32 32 32 35	(752 527) 37 325 390 (7 878)	(42 695) 69 193 408 (4 695) (458)	(749 984) 37 255 390 (7 878)	(44 457) 69 131 408 (4 695) (683)
Net cash (outflows)/inflows from operating activities		(722 690)	21 753	(720 217)	19 704
Cash flows from investing activities Proceeds from disposal of property, plant and equipment Acquisition of property, plant and equipment Acquisition of computer software	36 5 7	1 907 (300 670) (12 801)	18 (321 212) (2 682)	1 907 (300 670) (12 801)	18 (321 212) (2 682)
Net cash outflows from investing activities		(311 564)	(323 876)	(311 564)	(323 876)
Cash flows from financing activities					
	19 20	53 147 181 742 -	3 142 163 123	53 147 181 742 -	3 142 163 123 (1 690)
Net cash inflows from financing activities		234 889	166 265	234 889	164 575
Net decrease in cash and cash equivalents Cash and cash equivalents at beginning of the year		(799 365) 881 107	(135 858) 1 016 965	(796 892) 874 652	(139 597) 1 014 249
Cash and cash equivalents at end of the year	15	81 742	881 107	77 760	874 652

**GROUP** 

**COMPANY** 

## Notes to the

## Annual Financial Statements for the year ended 31 March 2017

#### 1 Corporate Information

The South African Broadcasting Corporation SOC Limited is a state-owned company, and holding company of the Group. It is incorporated and domiciled in South Africa. The consolidated financial statements of the Company as at, and for the year ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is South Africa's national public broadcaster providing a free-to-air service. Information on related parties of the Group is provided in note 9.

#### 2 Summary of significant accounting policies

#### 2.1 Basis of preparation

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board, and in the manner required by the Companies Act of South Africa, 2008, the Public Finance Management Act, No. 1 of 1999, as amended, and the Broadcasting Act, No. 4 of 1999, as amended.

The consolidated and separate 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 certain financial instruments and defined benefit asset and liability which are measured at fair value

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies, reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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 3.

The financial statements have been prepared on a going concern basis that assumes the Group would be able to continue operating as a going concern for the foreseeable future. The accounting policies set out below have been applied consistently for all periods presented in the consolidated annual financial statements, except where an amendment was required as a result of a change in IFRS.

#### 2.2 Basis of consolidation

#### Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2017. Subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial results of subsidiaries are included in the consolidated annual financial statements of the Group from the date that it obtains control. They are deconsolidated from the date that the Group loses control of the investee. The Group owns 100% issued share capital of all its subsidiaries.

#### 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.

#### 2.3 Foreign currency translation

#### 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 and Group's functional and presentation currency.

#### 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.

#### 2.4 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- · Held primarily for the purpose of trading

Expected to be realised within twelve months after the reporting period Or

 Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### 2.5 Property, plant and equipment

#### Owned assets

Items of property, plant and equipment are initially measured at cost. Subsequently, they 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, 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.

#### 2 Summary of significant accounting policies (continued)

#### 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 recognised at an amount equal to the lower of its fair value and the present value of minimum lease payments at inception of the lease on 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 (2.24).

#### Capital work in progress

Capital work in progress includes cost of materials and direct labour and any other directly attributable costs incurred in bringing an item of property, plant and equipment to its present location and condition.

#### 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.

#### Depreciation

Depreciation is calculated on 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, from the date that they are available for use. 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 up to 60 years · Broadcast equipment 3 - 40 years Furniture and fittings 3 - 20 years Computer equipment 3 - 5 years Musical equipment up to 30 years Office equipment 5 - 15 years Security equipment 5 - 10 years Motor vehicles 5 - 20 years

The useful lives, depreciation methods and current residual values, if significant, are reassessed annually and adjusted if appropriate.

The depreciation charge which constitutes part of the cost of programme, film and sports rights is included in the carrying amount

of the respective programme, film and sports rights assets.

#### Derecognition

Assets are derecognised when disposed of or scrapped, or when no future economic benefit is expected from the assets. The gain or loss on the disposal or scrapping of property, plant and equipment is recognised in profit or loss, (refer to note 36). 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.

#### 2.6 Investment properties

#### Cost method

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially carried at cost or deemed cost including transaction costs. Subsequent to initial recognition, investments properties are measured at cost or deemed cost less accumulated depreciation and impairment.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gains and losses arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are included in the profit and loss in the period in which the property is derecognised.

#### Depreciation

Depreciation is charged to profit or loss on a straight line basis over the estimated useful lives of each of the investment properties. The estimated useful lives for the current and comparative periods are as follows:

• Investment properties 50 years

The useful lives, depreciation methods and residual values, if significant, are reassessed annually.

#### Fair value

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

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Rental income from investment property is accounted for as described in accounting policy 2.23 on other revenue.

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.

#### 2.7 Intangible assets

#### 2.7.1 Originated programme, film and sports rights

Originated programme, film and sports rights, including work commissioned from independent producers, are intangible assets with finite useful lives and are stated at cost less accumulated amortisation and accumulated impairment losses. Cost comprises direct costs, including cost of materials, artist fees and production overheads. The amount initially recognised for originated asset is recognised from the date when the intangible asset first meets the recognition criteria listed below.

Subsequent to initial recognition, originated assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An originated asset arising from the development phase of an internal project is recognised if, and only if, all the following have been demonstrated:

a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.

- b) the intention to complete the intangible asset and use or sell it,
- c) the ability to use or sell the intangible asset,
- d) how the intangible asset will generate probable future economic benefits
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intancible asset.
- f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### 2.7.2 Acquired programme, film and sports rights

Acquired programme, film and sports rights are intangible assets with finite useful lives and are stated at cost less accumulated amortisation (refer to note 7) 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 license 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 license 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 license 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.

#### Commitments

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 (refer to note 39).

#### Classification

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

#### Derecognition 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 expiry of the license period or allowed number of showings. Other intangible assets

#### Other intangible assets

Other intangible assets, including computer software not considered an integral part of property, plant and equipment, are initially measured at cost and subsequently measured at cost less accumulated amortisation (refer to note 7) and impairment losses. Expenditure on internally generated brands is recognised in profit or loss as an expense as incurred.

#### 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.

#### Derecognition

Other intangible assets are retired when no future economic benefits are expected from the assets. The gain or loss on retirement of other intangible assets is recognised in profit or loss, (refer to note 36). Gains and losses on the retirement of items of other intangible assets are determined by comparing the proceeds on retirement with the carrying amount of the other intangible assets retired.

#### Amortisation

Amortisation of programme, film and sports rights is charged to profit and loss on an accelerated basis where the first transmission is expected to be more valuable than subsequent transmissions and on a straight-line basis based on the estimated number of future showings if each showing is expected to generate similar audiences.

Amortisation of other intangible assets is charged to profit and 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 reassessed annually, and adjusted if appropriate.

#### 2.8 Property held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of their carrying amount and fair value less costs to sell.

#### 2.9 Investments in subsidiaries

Subsidiaries are all entities (including special-purpose entities) over which the group has the power to govern the financial and operating policies to obtain benefits from the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost less impairment losses in the separate financial statements of the company.

#### 2.10 Impairment of non-financial assets

The carrying amount of the Group's assets, other than inventories 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.

#### Calculation of impairment

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 groups 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.

#### Reversals of impairment

In respect of non-financial 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.

#### 2.11 Financial assets

Non-derivative financial assets comprise of investment in securities, financial instruments with group companies, trade and other receivables and cash and cash equivalents.

Loans and receivables are initially recognised when they are originated. All other financial assets are initially recognised on trade date.

#### 2.11.1 Classification

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

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using effective interest rate method, less any impairment. 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.

#### 2 Summary of significant accounting policies (continued)

#### 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.

#### 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.

#### Financial assets at fair value through profit and loss

Financial assets are classified as fair value through profit and loss when the asset is held for trading or it is designated through profit and loss. A financial asset is classified as held for trading if: a) it has been acquired principally for the purpose of selling it in the near term; or b)on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or c) it is a derivative that is not designated and effective as a hedging instruments. A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if: a) such designation eliminates or significantly reduces a measurement of recognition inconsistency that would otherwise arise; or b) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy and information about the grouping is provided internally on that basis, c) it forms part of a contract containing one or more embedded derivatives and IAS39 permits the entire combined contract to be designated as at fair value through profit and loss.

Financial assets at fair value through profit and loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

#### 2.11.2 Derecognition

Financial assets are derecognised when the contractual rights to the cash flow from the financial asset expire or when the Group has transferred substantially all the risks and rewards of ownership of those financial assets.

#### 2.12 Impairment of financial assets

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 occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that 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 or 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 judgment 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 subsequent 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 amortisation, 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 availablefor-sale debt security increases and the increase can be related objectively to an event occurring 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.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Group has a legal right to offset the amount and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's investments are recognised at amortised cost which is calculated as 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

#### Calculation of impairment

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 fair value, 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 financial assets 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.

#### 2.13 Financial liabilities

Non-derivative financial liabilities comprise of loans and borrowings, financial instruments with group companies, financial trading liabilities, finance lease liabilities and trade and other payables.

Loans and debt securities are initially recognised when they are originated. All other financial liabilities are initially recognised on trade date

Financial liabilities are classified as either financial liabilities at 'fair value through profit or loss' or 'other financial liabilities'.

#### Financial liabilities at 'fair value through profit or loss'

A financial liability is classified as at 'fair value through profit and loss' when the financial liability is either held for trading or designated through this category.

A financial liability is classified as held for trading if: a) it has been principally acquired for the purpose of repurchasing it in the near term, b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short term profit-taking, or c) it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as 'fair value through profit or loss' upon initial recognition if a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, or c) it forms part of a contract containing one or more embedded derivatives, and IAS39 permits the entire combined contract to be designated as 'fair value through profit or loss'.

Financial liabilities at 'fair value through profit or loss' are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

#### Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments, through the life of the liability or a shorter period, to the net carrying amount on initial recognition.

#### Derecognition

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

#### 2.14 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, capital equipment and certain operational expenses. 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 and 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.

#### 2.15 Government debt instrument

Government debt instrument relates to a non-repayable loan from the shareholder. On 1 February 1972, the Company's shareholder converted a long-term loan into permanent capital. The permanent capital was 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.

In November 2016 the National Treasury provided the SABC with an approval to redeem R12,477m of permanent capital by March 2020. Refer to Note 18.

#### 2.16 Loans and borrowings

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost using the effective interest rate method.

#### 2.17 Inventories

Merchandise and 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. Any write-down and impairment of obsolete inventory to net realisable value are recognised as an expense in the period in which the write-down occurs. Any reversal are recognised in profit and loss in the period in which the reversal occurs.

#### 2.18 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.

#### 2.19 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.

#### 2.20 Employee benefit obligations

#### Defined benefit pension plans

The net obligation in respect of defined benefit pension plans is the present value of the defined benefit obligation (calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods) at the end of the reporting period less the fair value on plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using an appropriate discount rate. The discount rates used are the following:- yield on Government Stock, the zero-coupon yield curve provided by the South African Bond Exchange (member of the Johannesburg Stock of Exchange) that have maturity dates approximating the terms of the Company's obligations. The defined benefit obligation is calculated annually by independent actuaries. Refer to Note 8 on the defined benefit pension plan.

Past service costs are recognised immediately in profit and loss.

#### 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 practice of post-retirement medical aid contributions was discontinued for all new employees after 1 July 2002. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in other comprehensive income.

#### Short-term benefits

Short-term employee benefit obligations relating to leave pay 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.

#### Long-term benefits

The Group's net obligation in respect of long-term employee benefits relating to old leave pay and bonuses other than pension plans is 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.

#### 2 Summary of significant accounting policies (continued)

#### Long service awards

The Group provides long service awards to its employees on 5 year continuous service intervals; it starts from 5 years of service to 45 years of service. The awards consists of a cash portion as well as a gift portion, where continuous service reaches 30 years then an additional 5 days of long service leave is also granted. To determine the present value of the obligation the Projected Unit Credit Method is used. The liability is valued annually by independent qualified actuaries.

#### **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 pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### 2.21 Trade and other payables

Trade and other payables are initially recognised at fair value less any directly attributable transaction costs. Trade and other payables are subsequently measured at amortised cost, using the effective interest rate method.

#### 2.22 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts shown within the loans and receivables category of financial instruments. 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.

#### Restricted cash

Cash which is subject to restrictions on its use is stated separately at carrying value in the statement of financial position. Government grants received for capital expenditure are restricted to capital projects relating to the migration of analogue infrastructure to digital. Given that the cash has specific conditions of use it has been separately disclosed in Note 15.

#### 2.23 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 and trade discounts

#### 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 provided, 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

TV licence fees revenue arises when licence fees are due in accordance with legislation at each renewal date. Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the group.

Where it is assessed that the revenue will not be probable based on predefined criteria, such TV licence fees are not recognised. Probability is assessed on a monthly basis for all active TV licence user accounts registered on the SABC's database.

#### v Government grants

Government grants are recognised in the statement of financial position initially as deferred income (deferred government grant) 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 Programme rights exploitation and channel carriage fees

Revenue from commercial licences for specific rights associated with TV programmes and licences is recognised when delivery has occurred, collection of the receivable is probable, and the revenue associated with delivered and undelivered elements can be reliably measured. Income from services is recognised on an accrual basis upon completion of services as per the terms of contracts with the customers. Period based services are accrued and recognized prorata over the contractual period.

#### vii Other revenue

Other revenue associated with the sale of goods such as programme rights exploitation revenue and mobile revenue 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/income 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.

#### vii Other income

Other income 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.

#### 2.24 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. The difference between the amounts recognised as an expense and the contractual payments (due to straight-lining of lease payments), is recognised as an operating lease asset or liability.

#### 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.

#### 2.25 Net financing income

Financing income includes interest receivable on funds invested, dividend income and foreign exchange gains and losses.

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

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

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

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### Notes to the annual financial statements for the year ended 31 March 2017 (continued)

#### 2.26 Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or other 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 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 or 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 is recognised.

#### 2.27 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.

#### 2.28 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

#### 2.29 Irregular, Fruitless and Wasteful Expenditure

#### i) Irregular Expenditure

Irregular expenditure: means expenditure, incurred in contravention of or that is not in accordance with the requirement of any applicable legislation. Such expenditure is recorded in the notes to the annual financial statements. It is recorded at the value of the irregular expenditure incurred unless it is impracticable to determine the value thereof. Where such impracticality exists, the reasons therefore are provided in the notes. Irregular expenditure is removed from the notes when it is either (a) condoned by the National Treasury or the relevant authority; (b) it is transferred to receivables for recovery; or (c) it is not condoned and is irrecoverable; (d) written-off if it is irrecoverable from an official liable in law. A receivable related to irregular expenditure is measured at the amount that is expected to be recovered and is derecognised when the receivable is settled or subsequently written off as irrecoverable.

Fruitless and Wasteful Expenditure

#### ii) Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. When confirmed, fruitless and wasteful expenditure is recorded in the notes to the financial statements. This includes particulars of fruitless and wasteful expenditure that occurred during the financial year and any disciplinary steps taken as a consequence of such fruitless and wasteful expenditure.

#### 2.30 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence

or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

#### 2.31 Expenses

Expenses are decreases in economic benefits during the financial year in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

#### 3 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.

#### 3.1 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 significant 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.

## i Useful lives and residual values of property, plant and equipment Useful lives

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.

The expected useful lives of assets is determined by considering the components identified in the asset hierarchy and by considering the inputs from knowledgeable representatives within the departments within the SABC per component identified based on their past experiences and knowledge.

#### 3 Accounting estimates and judgements (continued)

In determining the expected useful lives of the assets, the current asset register was analysed to determine the average age of the assets per component where applicable.

The remaining useful life of assets is informed by two parameters, Age based remaining useful life and condition based remaining useful life. The final remaining useful life is determined with reference to an algorithm, which takes into account both parameters.

#### ii Residual Values

The residual value has in most cases been taken as zero, as the SABC has adopted the approach of utilising their assets beyond their economical useful live, considering the environment in which the SABC functions where technological advancements can render certain assets obsolete and also on the assertion that none of the assets have material residual values at the end of the expected useful life.

#### iii Amortisation and impairment of computer software

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

## iv 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(G) and note 7. The recoverable amount of the rights is considered zero once the licence period is expired.

#### v 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 2014, 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 the 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 of return of assets. future salary increases, mortality rates of in-service members and pensioner mortality rates and future pension increases, withdrawal of members 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 country (i.e. PA (90) mortality table). Future salary increases and pension increases are based on expected future inflation rates. Further details about the assumptions used are aiven in note 8.

#### vi 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 the rate of healthcare cost inflation, discount rate, percentage members continuing after retirement and average retirement age of members. The key actuarial assumptions made are disclosed in note 22.

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 change in the rate of health care cost inflation would have the following effects.

One percentage point increase

Effect on the post-employment R1,121 million R867 million

#### vii Legal matters

medical aid liability:

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 25 and 40.

#### viii Determining the fair value of financial instruments

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 (Level 2) The inputs of these models are taken from observable markets where possible, but where this is not possible, a degree of judgment 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. The different valuation levels are identified as follows by IFRS

13: Level 1 - Quoted prices (unadjusted) in active ,markets for identical

Level 1 - Quoted prices (unadjusted) in active ,markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

## ix 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 uncollectable. Accumulated write-downs of receivables and provisions for credit notes amounted to R148 million (2016: R228 million) as of 31 March 2017.

#### x Probability of licence fee revenue

The Group believes the probability assessment used as a basis for estimating the licence fee revenue to be recognised is a significant judgement. It requires management to make professional judgements and assumptions about the probability of receiving licence fees from TV licence holders on renewal date. The probability of receiving licence fee revenue from licence holders is based on assessed ability to pay the TV licence fees and the assessed willingness of the licence holder to pay the statutory annual TV licence fee (refer to note 26). Where such a probability assessment cannot be reliably made, as in the case with the first anniversary renewal for new TV licence holders, the revenue is only recognised when the uncertainty is removed on receipt.

#### 4 Changes in accounting policy and disclosures

#### 4.1 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

#### i IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply

#### ii Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests.

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

#### iii Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern

of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

#### iv Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are applied retrospectively and do not have any impact on the Group as it does not have any bearer plants.

## v Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

#### vi Annual Improvements 2012 - 2014 Cycle

These improvements include:

## IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

#### vii IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

#### viii IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

#### ix IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments do not have any impact on the Group.

#### x Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

#### 4 Changes in accounting policy and disclosures (continued)

#### xi Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

#### 4.2 New and revised IFRSs in issue but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

	Effective	date of Standard			
a)	IFRS 9 - Financial Instruments	1-Jan-18			
b)	IFRS 15 - Revenue from contracts with customers	1-Jan-17			
c)	Amendments to IFRS 10 and IAS 28: Sale or	indefinite			
	Contribution of Assets between an Investor				
	and its Associate or Joint Venture				
d)	IAS 7 Disclosure Initiative - Amendments to	1-Jan-17			
	IAS 7				
e)	IAS 12 Recognition of Deferred Tax Assets for	1-Jan-17			
	Unrealised Losses – Amendments to IAS 12				
f)	IFRS 16 - Leases	1-Jan-19			

#### i IFRS 9 Financial Instruments

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured

at fair value through profit and loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness test. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The group is yet to assess IFRS 9's full impact.

#### ii IFRS 15 - Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

#### iii Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain

or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

#### iv IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

## v IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

#### vi IFRS 16: Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for

finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.'

#### vii Annual Improvements to IFRS 2014 - 2016 cycle

These annual improvements amend standards from the 2014 – 2016 reporting cycle. It includes changes to:

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018.
- IAS 28 Investments in Associates and Joint Ventures Clarification that measuring investees at fair value through profit or loss is an investment-by investment choice. The amendments clarify that: An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is

made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

 IFRS 12 Disclosure of Interests in Other Entities - The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments are effective from 1 January 2017 and must be applied retrospectively.

5 Property, plant a	nd equipment	GROUP AND COMPANY					
, , , , , , , , , , , , , , , , , , ,		Land and buildings R'000	Broadcasting equipment R'000	Other assets* R'000	Vehicles R'000	Capital-work-in- progress** R'000	Total R'000
At 31 March 2017							
Cost		1 026 423	1 230 944	813 933	181 973	95 465	3 348 737
Accumulated depreciation	and impairment losses	(429 041)	(693 803)	(528 165)	(87 961)		(1 738 970)
Carrying amount		597 383	537 141	285 767	94 011	95 465	1 609 767
At 31 March 2016							
Cost		955 148	1 024 695	778 828	107 837	246 695	3 113 203
Accumulated depreciation	and impairment losses	(415 627)	(651 518)	(477 799)	(72 689)	-	(1 617 633)
Carrying amount		539 521	373 177	301 029	35 148	246 695	1 495 570
For the year ended 31 Ma	rch 2017						
Carrying amount at 1 April		539 521	373 177	301 029	35 148	246 695	1 495 570
	ld for sale to property, plant and equipment	8 161	•	-	-	-	8 161
cost		8 541	-	-	-	-	8 541
Accumulated depreciation		(380)	-	-	-	-	(380)
Opening balance re-preser	nted	547 682	373 177	301 029	35 148	246 695	1 503 731
Additions		23 339	104 363	45 481	73 826	53 662	300 670
Disposals		(13)	(4 621)	(1 116)	(436)	-	(6 186)
Cost		(82)	(43 813)	(13 560)	(1 915)	-	(59 370)
Accumulated depreciation		69	39 191	12 445	1 479		53 184
	er software and other categories	41 865	148 027	5 929	2 211	(211 517)	(13 486)
Depreciation charge for the		(13 418)	(71 031)	(62 084)	(16 472)	-	(163 006)
Impairment loss for the yea		(198)	(4 741)	(1 869)	(5)		(6 814)
	ng clean-up project and brought onto the asset register	(1 874)	(8 032)	(1 603)	(260)	6 625	(5 143)
Carrying amount at 31 Ma		597 383	537 141	285 767	94 011	95 465	1 609 767
For the year ended 31 Ma							
Carrying amount at 1 April	2015	561 174	400 921	310 819	38 956	57 182	1 369 052
Additions		6	60 749	46 823	8 728	204 906	321 212
Disposals		(64)	(96)	(72)	(040)	-	(232)
Cost	and invadenced leaves	(161) 97	(881)	(278) 206	(216) 216	-	(1 536) 1 304
Accumulated depreciation	er software and other categories	(390)	785 4 327	11 333	54	(15 393)	(69)
Cost	er software and other categories	110	2 805	12 330	59	(15 393)	(89)
Accumulated depreciation	and impairment losses	(500)	1 522	(997)	(5)	(10 000)	20
	al phase of clean-up project and brought onto the asset register	15	4 714	2 348	10		7 087
Cost	an prisace of orealt up project and brought onto the decot register	40	11 692	10 944	27		22 703
Accumulated depreciation	and impairment losses	(25)	(6 978)	(8 596)	(17)	-	(15 616)
Depreciation charge for the		(21 220)	(97 438)	(70 222)	(12 600)	-	(201 480)
Carrying amount at 31 Ma	•	539 521	373 177	301 029	35 148	246 695	1 495 570
January and an area in		000 021	310 111	551020	50 110	_10 000	. 100 010

<sup>\*</sup> Other assets comprises computers, office furniture and fittings, musical and security equipment.

#### 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.

#### Change in Accounting Estimate

'IAS 16 on Property, Plant and Equipment requires the review of the residual value and the useful life of an asset at least at each financial year end. The Group revised the estimated residual values of its assets with effect from 01 April 2016. This resulted in changes in the expected usage of certain items of property, plant and equipment.

Assets Class	Depreciation before change in estimate R'000	Depreciation after change in estimate R'000	Effect of change in estimate 2017 R'000
Land and Buildings	17 389	7 424	9 966
Broadcasting equipment	94 580	54 841	39 740
Other equipment	19 543	8 006	11 537
Vehicles	11 783	4 937	6 846
Total	143 296	75 208	68 088

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

5 Property, plant and equipment (continued)	GROUP AND COM	
One to the defendent of the test of the te	2017	201
Carrying amount of property, plant and equipment ceded as security  Motor Vehicles	R'000_	R'00
Motor vehicles financed through ABSA instalment sale	63 925	3 49
motor vortido inicirios di organización cale	63 925	3 49
Included in capital work-in-progress are the following major projects:		
Auckland Park access control and CCTV upgrade	23 429	29 36
TVOB Provincial News studio upgrades	22	25 04
Network infrastructure upgrade	25	20 81
Upgrade of server in FCC Auckland Park roof waterproofing	4	18 48 15 54
Standby head-end system	·	10 12
Production and broadcast communications system		9 3
Henley multipurpose set and studio	14	8 25
Radio outside broadcast vehicle replacement	4 788	6 48
KwaZulu-Natal production studios upgrade	722	6 43
Channel Africa studio replacement	•	6 12
Audio final mix studio upgrade	-	6 0
Bhisho reception and ablution facilities upgrade  Mpumalanga studio facilities upgrade	89	5 67 5 68
Polokwane security system upgrade	4 386	5 59
Collaboration solution implementation	-	4 5
Henley studio 1 and 2 digital upgrade		4 50
Asset management system	196	4 3
Ukhozi FM and Lotus FM outside broadcast vehicle replacement	3 874	3 72
SAP GRC module implementation	127	3 00
Polokwane drama studio upgrade	•	2 75
Mthatha studio upgrade Port Elizabeth Umhlobo Wenene studio upgrade	•	2 57 2 45
Western Cape music studio replacement	110	2 34
Western Cape ProTools upgrade	•	2 28
Bonded cellular contribution equipment		2 25
Lesedi FM studio replacement	2 793	2 23
Tshwane studio facilities upgrade	•	1 90
Polokwane standby generator replacement	•	1 90
Durban generator replacement	2.446	1 88 1 65
Motsweding FM studio upgrade Mthatha building and security upgrade	2 416	1 63
Implementation of LSO system		1 48
TVOB barrel and wide angle lens replacement		1 25
Television Division technical equipment replacement		1 20
Henley fire detection system replacement	18 839	1 08
Tshwane outside broadcasting equipment	•	79
TVOB EVS Nano and X-fly storage	•	79
Polokwane ProTools upgrade	210	76
Mafikeng access control system Transport fleet management software upgrade	210	74 62
Radio digital production system replacement	4 535	45
Self deploying satellite terminals replacement	4 832	70
Head Office lifts and escalators replacement	3 517	
Henley media integration	8 247	
Other	12 291	12 55
Total	95 465	246 69
Additional Disclosures		7.0
Gross carrying amount of any fully depreciated PPE that is still in use	7 788	7 69

5 Investment properties	GROUP AND COMPANY
• •	Total
	R'000
At 31 March 2017	
Cost Assumulated depresiation	18 827
Accumulated depreciation  Carrying amount	(9 889) 8 938
carrying amount	0 330
At 31 March 2016	
Cost	18 827
Accumulated depreciation	(9 795)
Carrying amount	9 032
For the year ended 31 March 2017	0.000
Carrying amount at 1 April 2016 Accumulated depreciation	9 032
Depreciation charge for the year	(94)
Impairment charge for the year	(04)
Carrying amount at 31 March 2017	8 938
For the year ended 31 March 2016	
Carrying amount at 1 April 2015	9 126
Depreciation charge for the year	(94)
Impairment charge for the year	· -
Carrying amount at 31 March 2016	9 032

#### Fair value of investment properties

The fair values of investment properties are 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. These fair values are 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 a professional valuator, Broll Valuation and Advisory Services (Pty) Ltd, in May 2017.

Details of the Group's investment properties and information about the hierarchy as at 31 March 2017 are as follows:

	Level 1	Level 2	Level 3	2017
value of investment properties	67 300	-	-	67 300

Fair value at 31 March

There were no transfers between level 1 and 2 during the year.

(The fair value is based on observable quoted prices in an active market)

#### Information on investment properties

Investment properties comprise a commercial property leased to a third party, vacant buildings and vacant land. 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.

Rental income earned on investment property and direct operating expenses such as maintenance and repairs relating investment properties are disclosed under operating leases Note 38.

Additional Disclosures	2017	2016
	R'000	R'000
Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period.	970	341

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		•		

#### (i) Computer software

At 31 March 2017

Cost

Accumulated amortisation and impairment losses

Carrying amount

#### At 31 March 2016

Cost

Accumulated amortisation

Carrying amount

#### For the year ended 31 March 2017

Carrying amount at 1 April 2016

Additions

Transfers in

Cost

Accumulated amortisation

Retirements

Cost

Accumulated amortisation

Amortisation charge for the year Impairment charge for the year

Adjustments identified during clean-up project and brought onto the asset register

Carrying amount at 31 March 2017

#### For the year ended 31 March 2016

Carrying amount at 1 April 2015

Additions

Transfers from PPE

Cost

Accumulated amortisation

Retirements

Cost

Accumulated amortisation

Amortisation charge for the year

Carrying amount at 31 March 2016

#### Amortisation reconciliation to profit and loss

Amortisation charge for the year as stated in the Note (above)

	Total R'000
(	459 004 (295 190) 163 815
	435 015 (245 088) 189 927
	189 927 12 801 13 486 13 530
	(45) (50) (2 342) 2 292 (52 195)
	(52 195) (34) (121) 163 815
	231 633 2 682 69
	89 (20)
	(3 411) 3 411 (44 457)
	189 927

**GROUP AND COMPANY** 

GROUP AND COMPANY	
2017	2016
R'000	R'000
(52 229)	(44 457)

7 Intangible assets (continued)		GR	OUP AND COMPANY		
(ii) Programme, film and sports rights			Originated		
	Acquired programme	Acquired Sports	programme and		
	and film rights R'000	Rights R'000	film rights R'000	Work-in-progress R'000	Total R'000
At 31 March 2017		11 000	17 000	11 000	11 000
Cost	593 944	996 989	1 982 540	471 829	4 045 301
Accumulated amortisation and impairment losses	(446 419)	(887 791)	(1 933 962)	-	(3 268 173)
Provision for programme, film and sports rights			(0.000)		(0.000)
impairment losses*	<del>-</del>	•	(8 628)	-	(8 628)
Carrying amount	147 524	109 197	39 949	471 829	768 500
At 31 March 2016	400.000	100 100	202.225	0.50.000	0.004.000
Cost Accumulated amortisation and impairment losses	408 033 (107 294)	400 433 (316 750)	922 605 (879 353)	353 838	2 084 909 (1 303 397)
Provision for programme, film and sports rights	(107 294)	(310 730)	(079 333)	-	(1 303 397)
impairment losses*	-	(15 499)	(8 901)	-	(24 400)
Carrying amount	300 739	68 184	34 351	353 838	757 112
For the year ended 31 March 2017					
Carrying amount at 1 April 2016	300 739	68 184	34 351	353 838	757 112
Additions	185 911	596 556	-	1 177 926	1 960 392
Transfers			1 059 935	(1 059 935)	
Amortisation charge for the year Impairment charge for the year	(336 508) (2 618)	(555 238) (304)	(1 054 609) 273	•	(1 946 355) (2 649)
	, ,	, ,		474 000	, ,
Carrying amount at 31 March 2017	147 524	109 197	39 949	471 829	768 500
For the year ended 31 March 2016					
Carrying amount at 1 April 2015 Additions	292 256 297 188	45 655 595 313	34 189	319 852 958 314	691 952 1 850 815
Transfers	297 100	393 313	924 328	(924 328)	1 000 010
Amortisation charge for the year	(288 311)	(563 208)	(915 265)	(02 1 020)	(1 766 784)
Accelerated amortisation charge based on change in estimate	, ,	, ,	, ,		-
Impairment charge for the year	(1 927)	(9 576)	(0.004)	-	(11 503)
Reversal/(raising) of provision for write- off * Derecognition	1 533	-	(8 901)	-	(7 368)
Cost	(273 192)	(357 106)	(862 895)	-	(1 493 193)
Accumulated amortisation and impairment	273 192	357 106	862 895	-	1 493 193
Carrying amount at 31 March 2016	300 739	68 184	34 351	353 838	757 112
Programme film and sports rights				GROUP AND CO	MPANY

#### Programme, film and sports rights

#### Amortisation reconciliation to profit and loss

Amortisation for the year as stated in the note
Amounts posted to amortisation for previously de-recognised fully broadcast programmes
Amortisation on News not reflected above
Amounts recognised in profit and loss

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

GROUP AND	COMPANY
2017 R'000	2016 R'000
(1 946 355)	(1 766 784)
` 11 73 <b>8</b>	` 24 89Ś
31	-
(1 934 585)	(1 741 889)

**GROUP AND COMPANY** 

## Notes to the annual financial statements for the year ended 31 March 2017 (continued)

#### 8 Defined benefit asset

The Group's Pension Fund is a funded defined benefit pension fund, that is registered and governed in terms of the Pension Funds Act, No. 24 of 1956 and Pension Funds Second Amendment Act, No. 39 of 2001. It provides pension fund benefits for all its members in the form of a guaranteed level of pension payable for life. The financial position of the fund is examined and reported upon by the Fund's valuator at intervals not exceeding three years. The last statutory valuation of the Fund was performed at 31 December 2014, 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 level of benefits provided depends on members' length of service and their final salary in the final years leading up to retirement. Pension increases are defined in the rules of the fund where increases will be the lesser of 100% of Headline inflation to the preceding 31 March; or the percentage increase that can be afforded out of investment earnings. The Trustees may grant increases in excess of the above mentioned provided that the funding level in the Pensions Account does not reduce to below 114%. The governance of the Fund is a joint responsibility of the Board of Trustees and the Group, the Board of Trustees must be composed of representatives of the Group and Fund members in accordance with regulations and the rules of the Fund.

The defined benefit pension plan is valued annually at year end using the Projected Unit Credit Method for the financial statements. These valuations are performed by actuaries and the results are as follows:

	2017 R'000	2016 R'000
Opening balance Actuarial gain recognised in other comprehensive income Amounts recognised in profit or loss Employer contributions	805 420 498 396 (228 511) 258 367	75 435 999 983 (522 740) 252 742
Closing balance	1 333 672	805 420
The amounts recognised in the statement of financial position are determined as follows:		
Present value of funded obligations Fair value of plan assets	(10 952 377) 12 286 049	(11 345 970) 12 151 390
Funded status of the plan	1 333 672	805 420
Asset recognised in the statement of financial position	1 333 672	805 420
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation Current service cost Interest cost Actuarial (gain)/loss Benefits paid Employee contributions	11 345 970 367 412 1 099 913 (982 126) (972 744) 93 952	11 568 216 493 915 1 042 782 (1 288 419) (562 430) 91 906
Closing defined benefit obligation	10 952 377	11 345 970
Changes in the fair value of plan assets are as follows:  Fair value of plan assets at the beginning of the year  Employee contributions  Employer contributions  Benefit payments  Expected return on plan assets  Interest income	12 151 390 93 952 258 367 (972 744) (483 730) 1 238 814	11 643 651 91 906 252 742 (562 430) (288 436) 1 013 957
Fair value of plan assets at the end of the year	12 286 049	12 151 390
The amounts recognised in profit or loss are determined as follows:  Current service cost  Expenses Interest income / (cost)  Items recognised in a statement of other comprehensive income are determined as follows:  Actuarial gain/ (loss)  Expected return on plan assets	(228 511) (342 276) (25 136) 138 901 498 396 982 126 (483 730)	(522 740) (469 860) (24 055) (28 825) 999 983 1 288 419 (288 436)
Net periodic pension charge	269 885	477 243

		•			
Defined benefit asset (continued)				GROUP AND COM	MPANY
The principal actuarial assumptions at the reporting date (expressed as weighted averages) are as follows:				2017 %	2016 %
Discount rate at 31 March Inflation Future salary increases Future pension increases				10,04 6,89 8,39 6,89	10,3 7,5 9,0 7,5
		2017		2016	
Plan assets comprise:	_	R'000	%	R'000	%
Domestic equity Bonds		7 285 627 1 990 340	59,3 16,2	7 169 320 1 701 195	59,0 14,0
Cash		307 151	2,5	656 175	5,4
Foreign assets		2 702 931	22,0	2 624 700	21,6
		12 286 049	100,0	12 151 390	100,0
		GRO	UP AND COMPANY		
	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
Defined benefit obligation Plan assets	(10 952 377) 12 286 049	(11 345 970) 12 151 390	(11 568 216) 11 643 651	(9 881 401) 10 037 058	(8 428 328) 8 497 530
Surplus	1 333 672	805 420	75 435	155 657	69 202
The plan typically exposes the group to actuarial risks such as:					
Mark at all and a factor of the first and a factor of the	0 6 1 10 6 111	2 1 00 10 0			

Market discount rate risk	The risk that discount rates determined from the market is lower in the future and therefore a higher pension benefit obligation impacts the balance.
Inflation risk	The risk that future CPI inflation is higher than assumed and that it is sporadic and uncontrolled. Such increased uncertainties make the qualification of the inflation risk premium more difficult, leading to a greater uncertainty around the long-term value of the obligation
Longevity risk	The risk that the pensioners live longer than expected exposing the company to pay the obligation for longer than anticipated increasing the actual long-term cost of the obligation.
Risk on non-enforcement of eligibility criteria and rules	The risk that the eligibility criteria and benefit rules set out by the company are not strictly adhered to, leading to a greater and wider contractual obligation, and cost than intended.
Risk of future changes in legislation and regulation	The risk that changes in legislation, regulations and generally accepted accounting practice (specifically IAS 19R) and the methodology prescribed to value the benefit may lead to an increase in the value of the liability.
Industrial and labour relation risks from dissatisfied non-eligible employees	The risk that ineligible employees perceive themselves to be excluded unfairly from the post-retirement defined benefits.
Mismatch risk	The risk that the growth and proceeds from plan assets do not match the nature and terms of the obligation payments required, and therefore that the company will be required to fund shortfall, increasing overall costs.
Currency risk	The risk that offshore assets being exposed to negative currency movements, and therefore increases the overall actuarial risk of the company not being able to meet the liability.

#### Sensitivity Analysis

Reasonable possible changes in one of the significant actuarial assumptions at the end of the reporting period, keeping all other assumptions constant, would have the following effect on the defined benefit obligation as displayed below:

Inflation (pension and salary increase rates)	<b>1% decrease</b> (9 946 212)	( ,	<b>1% increase</b> (12 342 802)
Discount rate	<b>1% decrease</b> (12 388 325)	, , ,	
Post-retirement mortality improvements	no improvement (10 845 736)	` '	•

'The liability valuation results have been adjusted for 69 members who withdrew from the Fund in 2017 up to 31 March 2017. The impact of accounting for these members has been to reduce both the assets and liabilities by R122.063 million, hence the funded status remains unchanged.

2017 Original/using

R'000

(11 074 440)

12 408 112

1 333 672

2017 Updated

(10 952 377)

12 286 049

1 333 672

R'000

Sensitivity of the Net Position to actual membership exits between 1 January 2017 and 31 March 2017 (R'000)

31 Dec 2016 Data Defined Benefit Obligation Plan Assets **Net Position** 

Although the plan does not take into full account the distribution of the cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown. The SABC has assumed that all the active members will have eligible spouses at retirement. This assumption was set in line with the last statutory valuation of the fund.

Investments in subsidiaries					COMPANY	
		Issue	ed share capital		2 017	2 016
	Shares at cost	Nature of business	(number)	% Held	R'000	R'000
SABC Airwave Travel (Proprietary) Limited	Travel agenc	у	2	100	- *	- *
Astrasat (Proprietary) Limited	Dormant		1	100	-	- *
Rugby Broadcasting (Proprietary) Limited	Dormant		1	100	-	- *
Skenia Telematics (Proprietary) Limited	Dormant		1	100	-	- *
SABC Foundation (Non-profit organisation)	Corporation Social Investment 100		100	1 761	1 761	
Shares at cost					1 761	1 761

<sup>\*</sup>Shares at cost of R1.

Carrying amount at 31 March

<sup>#</sup> Auckland Programme Trade B.V. has been liquidated. The outstanding amounts are currently held in a trust and will be repaid to the SABC once due process has been followed. This amount has been included in other receivables. The other dormant companies Astrasat (Pty) Limited, Rugby Broadcasting (Pty) Limited and Skenia Telematic (Pty) Limited were liquidated and deregistered during the year.

10 Available-for-sale financial assets	GROUP AND C	OMPANY
(a) Fair value hierarchy	2017 R'000	2016 R'000
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 1		
<b>Sanlam shares</b> Listed - 143 257 (2014 : 143 257) Sanlam Limited		
Balance on 1 April	9 812	11 227
Fair value adjustment recognised in the statement of other comprehensive income	(160)	(1 415)
	9 652	9 812
11 Prepayments		
Programme, film and sports rights	3 239	110 443
Software licences Other - commercial utilities	27 984 11 907	10 337 14 196
Other - Commercial dumines	43 130	134 976
Loop Current nation		
Less: Current portion	(38 469)	(134 767)
Non-current portion	4 661	209
12 Property held for sale		
For the year ended 31 March		
Carrying amount at 1 April	8 541	8 541
Transfer to Property Plant and Equipment	(8 541)	-

The Minister of Communication approved the disposal of the house situated in New Malden, London in the United Kingdom, on 26 November 2013. The sale of the property was expected to be concluded during the year ended 31 March 2015. A purchase agreement was concluded prior to 31 March 2015, but the sale of the title which was due take place during the year ended 31 March 2016 was delayed and the timing of the transaction is now uncertain.

The reclassification of the property from held for sale to land and buildings resulted in opening accumulated depreciation and carrying amounts increasing by R0,380million and R8,161million respectively. Current year depreciation on the property was R0,189million (refer to note 5).

## 13 Consumables

Merchandise and consumables Provision for obsolescence

#### 14 Trade and other receivables

Trade receivables - gross  Less: allowance for doubtful debts	880 027 (64 117)	1 138 339 (46 772)	880 027 (64 117)	1 138 339 (46 772)
Trade receivables - net	815 910	1 091 567	815 910	1 091 567
Other receivables	6 120	8 841	24 137	22 523
	822 030	1 100 408	840 047	1 114 090

## 15 Cash and cash equivalents

Bank balances Held-to-maturity investments (i) Government Grant restricted cash (ii) SABC Community Radio bank balances (iii) Short term deposits

GR	OUP	COM	MPANY
2017 R'000	2016 R'000	2017 R'000	2016 R'000
35 701	22 892	31 719	16 437
-	653 136		653 136
8 234	167 353	8 234	167 353
207	10 726	207	10 726
37 600	27 000	37 600	27 000
81 742	881 107	77 760	874 652

2016

R'000

**GROUP** 

2017

R'000

- (i) During the financial year under review, held-to-maturity investments were made with approved financial institutions. The periods of investing range from 33 to 210 days. The average interest rate was 6.8% (2016: 6.74%).
- (ii) The Government Grant is related to the technology plan for the migration of the SABC from analogue to digital technology (refer to note 20).
- (iii) The SABC Community Radio bank account relates to funds received from the Department of Communications for Community Radio stations.

## 16 Share capital

Share capital - Authorised and issued 1 000 ordinary shares of R 1 each

17	Fair va	lue ad	iustment	reserve
			,	

Opening balance at 1 April Loss on revaluation of available-for-sale financial asset

Closing balance at 31 March

The fair value adjustment reserve relates to fair value adjustments of available-for-sale financial assets until the assets are derecognised.

#### 8 257 9 408 (124)(1 151)8 133 8 257

#### 18 Government debt instrument

Non-current portion

Perpetual debt

Redeemable long-term portion

Current portion

20 798	27 390
14 913	27 390
5 885	-
6 592	-
27 390	27 390

**GROUP AND COMPANY** 2017

R'000

**GROUP AND COMPANY** 2017

**COMPANY** 

R'000

5 570

(269)

5 301

2017

R'000

2016

R'000

4 843

(161)

4 682

2016

R'000

2016

R'000

On 1 February 1972, the Company's shareholder converted a long-term loan into non redeemable capital. The permanent capital was previously not repayable. The National Treasury on 7 November 2016 provided the SABC with an approval to redeem a portion of the perpetual debt amounting to R12.477 million over three years, from the financial period ending 2017/18 to 2019/20. R6.592 million is due for redemption in the next financial period.

In terms of the Exchequer Act, No. 66 of 1975, as amended, interest is payable, at a rate of 6.5% per annum on the capital amount. The instrument represents a financial liability (in the form of perpetual debt) under IAS 32 - Financial Instruments: Presentation, because of the underlying obligation to deliver cash in the form of future interest payments to the Company's shareholder.

19 Loans and borrowings	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Secured*				
ABSA instalment sale facility for vehicles payable over five years bearing interest at 9.00% per annum. The contract was entered into on 20 October 2015.				
The instalment sale is repayable in monthly payments of R1,1 million with a final balloon payment due in July 2021.				
Total	56 519	3 372	56 519	3 372
Current portion transferred to current liabilities	(13 231)	(736)	(13 231)	(736)
Non-current portion	43 288	2 636	43 288	2 636
* secured assets are reflected on note 5				

GROUP AND COMPANY					
	2017			2016	
Minimum lease			Minimum lease		
payments R'000	Interest R'000	Principal R'000	payments R'000	Interest R'000	Principal R'000
13 231 43 288	4 543 6 562	17 774 49 850	736 2 636	273 435	1 009 3 071
56 519	11 105	67 624	3 372	708	4 08

## 20 Deferred government grant

Later than one year but not later than five years

Balance on 1 April Transfer to trade payables

Instalment sale liabilities: Less than one year

Total

#### Amounts received during the year:

Amount received during the year for community radio stations Amounts received during the year for Education projects Amounts received during the year for Channel Africa projects

Amount recognised in profit or loss (including amortisation and depreciation of assets acquired with the grant) (see note 26).

#### Balance on 31 March

Less: Current portion

Non-current portion

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 the Company's migration from analogue to digital technical infrastructure. Additional amounts were contributed by the Departments during 2010/2011 (R150 million including VAT), 2013/14 (R76 million including VAT) and 2014/15 (R62 million including VAT). The total amount of grant funding for digital technical infrastructure received to date is R988 million since 2005.

GROUP AND COMPANY				
2017 R'000	2016 R'000			
400 326	461 331 (12 006)			
181 742	163 123			
10 324	11 698			
119 147	101 785			
52 271	49 640			
(253 501)	(212 122)			
328 567	400 326			
(85 199)	(94 207)			
243 368	306 119			

Opening tax loss current year created

Prior period adjustments

Available for utilisation in future years

## Notes to the annual financial statements for the year ended 31 March 2017 (continued)

Notes to the annual financial statements for the year ended 31 March 2017 (continued)		
21 Deferred tax	GROUP AND	COMPANY
	2017 R'000	2016 R'000
Deferred tax is attributable to the following:  Deferred tax liabilities		
Property, plant and equipment Defined benefit asset Available-for-sale financial assets Doubtful debt allowance - non TV licences Doubtful debt allowance -TV licences Prepayments Operating lease receivable Section 24C	(47 755) (373 428) (1 902) (2 920) (1 426 851) (3 725) (284) (16 836)	(79 123) (225 518) (1 938) (3 068) (1 659 105) (3 834) (395) (64 238)
Total liabilities	(1 873 701)	(2 037 219)
Deferred tax assets		
Programme, film and sports rights Variable remuneration Straight-lining of operating leases PRMA Deferred income Other payables and provisions	(438) 58 058 317 276 968 32 586 141 553	246 043 54 454 192 284 505 77 988 132 899
Amounts accrued not received-TV licences  Donations deductible in future  Set off of tax asset- Deferred tax relating to other timing differences	1 433 222 6 564 265 890	1 669 514 - -
Total assets	2 214 719	2 465 595
Totdal deferred tax Tax loss not recognised Deferred tax asset relating to other timing differences not recognised Closing balance of deferred tax	341 018 (267 543) (73 475)	428 376 - - 428 376
All movements in the temporary differences described above, have been recognised in profit or loss and other comprehensive income, as follows:		
Deferred tax liability on 1 April Prior year end adjustment Rate change	428 376 21 728	540 360 - 939
Deferred tax recognised in profit and loss Current year loss Deferred tax not recognised Deferred tax recognised in the statement of other comprehensive income	(206 689) 265 890 (265 890) (169 939)	203 630 - - (316 553)
Set off of tax asset- Deferred tax relating to other timing differences  Deferred tax on 31 March	(73 476)	428 376

905 826

43 777

949 603

The deferred tax asset in relation to TV Licence gross income (section 1 of the Income Tax Act No. 58 of 1962) and the deferred tax liability in relation to the application of section 11(j) of the Income Tax Act No.58 of 1962) is based on the best estimate as at 31 March 2016 and is subject to South African Revenue Service approval.

Act No.58 of 1962) is based on the best estimate as at 31 March 2016 and is subject to South African Revenue Service approval.

The Group has not recognised a deferred tax asset as management considers that it is no longer probable that the Group will generate taxable income to utilise the deferred tax asset. In the event that the Group returns to profitability, it will have a deferred tax asset of R341million available for future utilisation.

2016

R'000

9 247

61 586

1 016 088

1 086 921

1 016 088

1 074 812

20 711

90 696

 $(40\ 006)$ 

(130 125)

1 016 088

(852140)

111 407

## Notes to the annual financial statements for the year ended 31 March 2017 (continued)

## 22 Employee benefits obligation

Non-current statement of financial position oblic	ligations	for:
---	-----------	------

Post-employment medical benefits\*

Leave pay

Long service award

#### Current statement of financial position obligations for:

Employee incentive

Leave pay

Long service award

#### Total statement of financial position obligations for employee benefits

Income Statement (See also note 28):

Post-employment medical benefits

Leave pay

Long service award

35 648	(7 991)
144 378	159 173
8 361	6 288
188 388	157 470
1 243 704	1 244 391
121 175	111 407
36 649	39 030
11 039	10 736
168 863	161 173

GROUP AND COMPANY 2017

R'000

989 173

7 747

58 397

1 055 316

989 173

1 016 088

20 283

103 629

(45181)

(105646)

989 173

123 912

(927451)

#### Post-employment medical benefits

The Group 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 2016 valuation scenario. The plan is only open to employees who joined SABC before 1 June 2002. There are different levels of post-employment subsidy namely; staff who retired between 1979 and 31 March 1990 with past service greater than 5 years, receive a 100% medical aid subsidy from SABC; staff who retired between 1979 and 31 March 1990 with past service of less than 5 years receives a 75% medical aid subsidy from SABC; staff who retired from 1 April 1990 and thereafter receives a 60% subsidy. Not all in receipt of a post-employment subsidies. The method of accounting, significant assumptions and the frequency of the valuation are similar to those used for the defined benefit pension scheme as set out with the addition of the Healthcare cost inflation of 8.77%.

#### The amount recognised in the statement of financial position is determined as follows:

Present value of unfunded obligations

Post-employment medical benefits

#### Changes in the present value of the defined benefit obligation are as follows:

#### Opening defined benefit obligation

Current service cost

Interest cost

Subsidy payments

Actuarial gain

#### Closing defined benefit obligation

#### The amount recognised in profit or loss is determined as follows:

Current service cost

Interest cost

#### The amount recognised in other comprehensive income is determined as follows:

Actuarial gain

Total, included in employee compensation and benefit expenses, including items recognised in other comprehensive incom

The principal actuarial assumptions at the reporting date (expressed as weighted averages) are as follows:

Discount rate at 31 March

Medical inflation rate per annum

Take-up rate by retired employees

20 711	20 283			
90 696	103 629			
(130 125)	(105 646)			
(18 718)	18 266			
10,45%	10,35%			
9,15%	8,77%			
30,00%	30,00%			
		AND COMPANY	GROUF	
2013	2014	2015	2016	2017
R'000	R'000	R'000	R'000	R'000

(1074812)

(1016088)

 $(989\ 173)$ 

Post employment medical benefits obligation

<sup>\*</sup> This balance includes an amount of R2.9m, which arose as a result of an ex employee instituting a claim against the SABC for post employment medical benefits.

## 22 Employee benefits (continued) Post-employment medical benefits (continued)

#### Sensitivity Analysis

Healthcare cost inflation	<b>1% decrease</b> (867 479)	<b>Base (8.77%)</b> (989 173)	<b>1% increase</b> (1 120 843)
Discount rate	1% decrease (1 127 920)	Base (10.35%)	1% increase (869 926)
Post-retirement mortality improvements	no age rating (948 927)	<b>Base (1 year age rating)</b> (989 173)	2 year age rating (1 018 498)

The above sensitivity analysis are based on a change in one of the significant actuarial assumptions at the end of the reporting date, keeping all other assumptions constant. When calculating the sensitivity of the employee benefits obligation to the significant actuarial assumptions the projected unit credit method has been applied.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Long service awards

The Group provides long service awards to its employees on 5 year continuous service intervals; it starts from 5 years of service. These awards are unfunded and are provided for based on actuarial valuations performed annually. These awards consists of a cash portion as well as a gift portion, where continuous service reach 30 years and more; 5 days of long service leave is also granted and for each subsequent 5 year interval. To determine the present value of the obligation the Projected Unit Credit Method is used.

The amount recognised in the statement of financial position is determined as follows:				GROUP AND COMPANY	
				2017 R'000	2016 R'000
Present value of unfunded obligations					
Long service awards				66 758	67 874
Changes in the present value of the defined benefit obligation are as follows:				07.074	70.000
Opening defined benefit obligation Current service cost				67 874 4 907	70 983 5 377
Interest cost				6 132	5 359
Benefit payments				(9 143)	(12 464)
Actuarial (gain)/ loss				(3 012)	(1 381)
Closing defined benefit obligation				66 758	67 874
The amount recognised in profit or loss is determined as follows:				11 039	10 736
Current service cost				4 907	5 377
Interest cost				6 132	5 359
The amount recognised in other comprehensive income is determined as follows:					
Actuarial gain				(3 012)	(1 381)
Total, included in employee compensation and benefit expenses, including items recognised in other comprehensive	e income			8 027	9 355
The principal actuarial assumptions in respect of long service awards at the reporting date (expressed as weighted a	averages) are as follows:				
	3,			%	%
Discount rate at 31 March				9,79%	9,80%
Rate of salary increase				8,13%	8,50%
			GROUP AND COM		
		2017	2016	2015	2014
		R'000	R'000	R'000	R'000
Long service award obligation		(66 758)	(67 874)	(70 983)	(54 101)
Sensitivity Analysis					
Salary Inflation	1% decrease	Ва	se (CPI + 2%)		1% increase
<b>,</b>	(63 599)		(66 758)		(70 391)
	1% decrease	Ва	se (CPI + 2%)		1% increase
Discount rate	(72.040)		(66 758)		(61 727)

The above sensitivity analysis are based on a change in one of the significant actuarial assumptions at the end of the reporting date, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption at the valuation date.

(72040)

(66758)

(61727)

799 838

2016

R'000

31 576

17 530

49 106

171 006

86 561

257 567

## Notes to the annual financial statements for the year ended 31 March 2017 (continued) 22 Employee benefits (continued)

Employee long-term leave pay

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

The principal actuarial assumptions in respect of long-term leave pay at the reporting date (expressed as weighted averages) are as follows:

2016 2017 % Discount rate at 31 March 8.2% 8,9% Rate of salary increase 7.1% 8.2%

23 Trade and other payables		GROUP		COMPANY	
		2017	2016	2017	2016
		R'000	R'000	R'000	R'000
Trade payables					
- local		203 824	6 335	203 809	6 335
- foreign		890	1 866	890	1 866
Other payables*		152 338	95 829	152 337	95 829
Accruals		210 315	472 735	210 184	471 688
Programme, film and sports rights related trade and other payables		117 738	224 120	117 738	224 120

685 106

800 885

\*included in other payables is VAT amounts owing to SARS, current portion of the perpetual debt and payroll related payables

#### 24 Deferred income

TV License fees received in advance Income and sponsorships received in advance

#### 25 Provisions

Legal claims'

Balance at 1 April

Provisions raised during the year

#### Balance at 31 March

\*Legal claims against the SABC were instituted by various individuals/institutions and a provision has been raised in that regard. Certain of these matters are before the courts and others the Group is 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. Refer to note 3.1 for basis of estimates and assumptions in determining any provision raised. There was no utilisation of provisions raised on legal claims during the year

#### 26 Revenue

Total advertising revenue

Advertising

Trade exchanges (non-monetary exchanges)

Business enterprise and facilities revenue

Sponsorships

License fees\*

Total licence fees billed during the year

Less fees that do not meet the recognition criteria

Government grants

Mobile revenue

Programme rights exploitation revenue

Channel carriage fees revenue

Other revenue

5 699 365	5 999 448
5 620 953	5 887 809
78 412	111 639
23 246	37 147
383 814	469 259
915 090	986 361
1 931 631	3 564 023
(1 016 541)	(2 577 662)
253 501	212 122
366	7 090
97 862	129 537
148 100	135 417
3 858	2 460
7 525 203	7 978 841

**GROUP AND COMPANY** 

684 959

R'000

40 854

15 396

56 250

257 567

24 187

281 754

**GROUP AND COMPANY** 2017

<sup>\*</sup>At each annual renewal date, a licence holder is billed their prescribed annual licence fee in terms of legislation. Due to the high levels of fee payment evasion by licence holders, the SABC assesses the probability of receiving the licence fees on an individual account basis. Where the timing and amount of receipt cannot be reliably measured and receipt is not considered probable, the revenue is not recognised.

#### 27 Other income

Rental income Travel commission Insurance pay-outs Event sponsorships

Other sundry income

## 28 Employee and directors compensation and benefit expense

Cost of Employment Long-service Awards

Defined benefit pension fund recognised in profit or loss

Post-employment medical benefits

Leave pay

Total amounts recognised in profit or loss

Items recognised in other comprehensive income:

Actuarial (gain)/ loss- Post-retirement medical aid liability

Actuarial (gain)/ loss - Pension fund defined benefit

Actuarial(gain)/ loss - Long service awards

Expected return on plan assets

Included in these amounts are directors' emoluments which are disclosed in more detail in note 41.

## 29 Professional and consulting fees

Audit fees

Consulting fees

Managerial

Technical

## **30 Other expenses**

Other expenses include the following charges:

Operating lease charges

Buildings Equipment

Vehicles

Legal claim provision raised / (reversed)

Consumables - (reversal) / write down to net realisable value

#### 31 Other losses

Loss on sale of property, plant and equipment (refer to note 36)

GROUP ANI	D COMPANY
2017	2016
R'000	R'000
8 909	9 583
3 851	5 228
1 907	74 070
6 510	21 520
13 767	2 982
34 944	113 384
2 771 998	2 580 861
11 039	10 736
228 511	522 740
121 175	111 407
36 649	39 030
3 169 372	3 264 774
(607 054)	(1 131 489)
(105 646)	(130 125)
(982 126)	(1 288 419)
(3 012)	(1 381)
483 730	288 436
2 562 318	2 133 285

GRO	OUP	COMI	PANY
2017 R'000	2016 R'000	2017 R'000	2016 R'000
16 153	21 150	16 152	21 150
83 151	81 191	82 902	80 434
35 974 47 177	43 183 38 008	35 724 47 178	42 426 38 008
99 304	102 341	99 054	101 584
21 578 15 267 6 311	16 156 13 699 2 453	21 578 15 267 6 311	16 156 13 699 2 453
-	4	-	4
24 187 108	86 561 7	24 187 108	86 561 7
(4 136)	(214)	(4 136)	(214)

Methods   120	32 Net financing costs	GROUP		COMPANY		
Divisional reservents   1980   498   498   238   498   498   238   498   498   238   498   590					2016 R'000	
Fernage machange gain   900   130   900   130   900   130					69 131 408	
Finance income   40 200	Net foreign exchange gain on monetary items	2 364	4 982	2 364	4 982	
Interest prief   1787	Foreign exchange gain	130	950	130	950	
Independent third parties Sheeholder's pertainent cipals Sheeholder's pertainent cipals Finance leases Finance expenses (5.88) (4.34.88) (5.288) (4.3.88) (4.3.88)	Finance income	40 209	75 533	40 139	75 471	
Sharieholder - perminent capital   (1780)   (1	Interest paid	(7 878)	(4 695)	(7 878)	(4 695)	
Finance expenses   (13147) (148   180) (13147) (248   180)   (27 862) (27 350) (26 902) (27 86 )   (27 862) (27 803)   (28 803)   (27 802)	Shareholder - permanent capital	(1`780)	(1 780)	(1`780)	(2 763) (1 780) (152)	
Income tax recognised in profit or loss				\- \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \	(43 488) (48 183)	
Accounted tax excegnised in profit or loss	Net financing costs	27 062	27 350	26 992	27 288	
Current tax expenses	33 Income tax expense					
Current tax expense - prior year adjustment		_	43 949	_	42 620	
Current year temporary tax difference	'	(335 318)		(333 761)		
Deferred tax - other temporary differences not recognised   73 475   (339)   - (339)   - (339)   - (339)   - (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)   (200 630)   (21727)			-		0 110	
Common   C			-			
Deferred tax expenses relating to temporary differences   121 727   120 8500   121 727   120 8500   121 727   120 8500   125 8530		73 475	(020)	73 475	(020)	
Deferred tax changes due to restated balances   (258 633)   (258 633)   (258 633)   (258 633)   (258 633)   (258 633)   (258 678)   (158 471)   (155 470)   (155		(21 727)		(21 727)		
Reconciliation of effective tax expense:   Profif(loss) before income tax   (1 053 235)   (565 746)   (1 047 174)   (541 941)     Income tax using the company tax rate   (294 906)   (158 409)   (233 26)   (23 326)   (23 326)     Non-taxable income   (23 076)   (23 326)   (23 326)   (23 326)   (23 326)     Non-deactivible expenses   (3 076)   (151 743)     Utilisation of fax loss   (3 076)   (151 743)   (37 833)   (36 101 (23 326)     Utilisation of tax loss   (4 07 905)   (4 07 905)     Prior year adjustments for effects of tax offsets/(unused tax losses) not recognised   (2 1727)   (21 727)     Prior year - deferred tax   (2 1727)   (2 1727)   (2 1727)     Prior year - deferred tax   (2 1727)   (2 1727)   (2 1727)     Prior year adjustment tax expense*   (2 1727)   (2 1727)   (2 1727)     Prior year adjustment tax loss not recognised   (2 1727)   (2 1727)   (2 1727)     Prior year adjustment tax expenses*   (2 1745)   (3 15 33)   (3 35 276)   (15 839)   (3 35 276)   (15 839)   (3 35 276)   (15 839)   (3 35 276)   (15 839)   (3 35 276)   (15 839)   (3 35 276)   (15 839)   (3 35 276)   (15 839)   (3 35 276)   (15 839)   (3 35 276)   (15 839)   (3 35 276)   (15 839)   (3 35 276)   (15 839)   (3 35 276)   (15 839)   (3 35 276)   (15 839)   (3 35 276)   (3 35 2			<u> </u>	(253 633)		
Profit/[loss) before income tax   (1053 235)   (565 746)   (1047 174)   (541 941)     Income tax using the company tax rate   (294 906)   (158 409)   (293 209)   (233 076)   (233 076)   (233 076)   (23 3076)		(76 378)	(154 141)	(74 711)	(155 470)	
Non-taxable income  (23 076) (23 326) (23 076) (151 743) Non-deductible expenses  36 131 37 893 36 101 (23 326) Utilisation of tax loss Prior year adjustments for effects of tax offsets/(unused tax losses) not recognised Prior year adjustments for effects of tax offsets/(unused tax losses) not recognised Prior year adjustments for effects of tax offsets/(unused tax losses) Prior year - deferred tax Prior year - deferred tax Prior year adjustment tax expense**  (335 276) (15 839) (335 276) (15 839)  Deferred tax - other temporary differences not recognised Teffective tax expense*  (76 378) (15 4141) (74 7711) (155 470)  **Section 24 (F) which allowed SABC to claim a deduction in respect of programmes over a period of use was deleted. Section 12 (O) which exempts income in respect of programmes was introduced, however it excludes broadcasters. SABC could only claim an allowance in terms of section 11(e) which refers to the value by which the asset is diminished or a four year write off period created a liability as at 31 March 2016. Subsequent to the finalisation and issue of the financial statements for 31 March 2016, SARS issued a directive allowing a shorter write off period of one year for usage of programmes.  **Recognised in other comprehensive income**  **Pension fund**  Pension fund  (139 551) (279 995) (139 551) (279 995)  Prost-employment medical benefits  (29 581) (36 435)  Available-for-sale financial assets  100 24 581 (36 435)  Available-for-sale financial assets  101 25 470 (27 995) (27 995)  102 483 (387)		(1 053 235)	(565 746)	(1 047 174)	(541 941)	
Non-deductible expenses Utilisation of tax loss Prior year adjustments for effects of tax offsets/(unused tax losses) not recognised Prior year adjustments for effects of tax offsets/(unused tax losses) not recognised Prior year adjustment for effects of tax offsets/(unused tax losses) not recognised Prior year adjustment for effects of tax offsets/(unused tax losses) not recognised Prior year deferred tax expense* Prior year adjustment tax expense* Prior year deferred tax - tax loss not recognised Prior year adjustment tax expense* Prior year adjustment tax expense* Prior year deferred tax - tax loss not recognised Prior year adjustment tax expense* Prior year deferred tax - tax loss not recognised Prior year adjustment tax expense* Prior year deferred tax - tax loss not recognised Prior year adjustment tax expense* Prior year deferred tax - tax loss not recognised Prior year adjustment tax expense* Prior year deferred tax - tax loss not recognised Prior year adjustment tax expense* Prior year adjust					-	
Utilisation of tax loss Prior year adjustments for effects of tax offsets/(unused tax losses) not recognised Prior year adjustment for effects of tax offsets/(unused tax losses) not recognised Prior year - deferred tax Reduction in tax rate Prior year - deferred tax Respect to see the season of the season of tax rate of the season of tax rate Prior year adjustment tax expense** Respect to season of tax rate of the season of tax rate of tax recognised Prior year adjustment tax expense** Respect to season of tax rate of tax recognised Respect to the season of tax rate of tax recognised Respect to the season of tax rate of tax rate of tax recognised Respect to the value by which the asset is diminished or a four year write off period. The four year write off period created a liability as at 31 March 2016. Subsequent to the finalisation and issue of the financial statements for 31 March 2016, SARS issued a directive allowing a shorter write off period of one year for usage of programmes.  **Income tax recognised in other comprehensive income:  **Pension fund Recognised in other comprehensive income:  **Pe						
Prior year adjustments for effects of tax offsets/(unused tax losses) not recognised   - 6 479   - (939)   - (939)   (939)		36 131	37 893	36 101		
Reduction in tax rate Prior year - deferred tax Assessed loss prior year adjustment tax expense**  221 458 Prior year adjustment tax expense**  (335 276)  Deferred tax asset - tax loss not recognised Deferred tax - other temporary differences not recognised Prior year adjustment tax expense*  267 543 Deferred tax - other temporary differences not recognised Prior year adjustment tax expense  267 543 Deferred tax - other temporary differences not recognised Prior year adjustment tax expense  267 543 Deferred tax - other temporary differences not recognised Prior year adjustment tax expense  267 543 Deferred tax - other temporary differences not recognised Prior year adjustment tax expense  267 543 Deferred tax - other temporary differences not recognised Prior year adjustment tax expense  267 543 Deferred tax - other temporary differences not recognised Prior year adjustment tax expenses  267 543 Deferred tax - other temporary differences not recognised Prior year adjustment tax expenses  267 543 Deferred tax - other temporary differences not recognised Prior year adjustment tax expenses  267 543 Deferred tax - other temporary differences not recognised Prior year adjustment tax expenses  267 543 Deferred tax - other temporary differences not recognised Prior year adjustment tax expenses  267 543 Deferred tax expenses  278 50 Deferred tax expenses  279 543 Deferred tax expenses  270 547 171 Deferred tax expenses  270 547 171 Deferred tax expenses  270 543 Deferred tax expenses  270 543 Deferred tax expenses  270 6 789 Deferred tax expenses  270 74 711 Deferred tax expenses  270 74 711 Deferred tax expe		•	6 479			
Assessed loss prior year Prior year adjustment tax expense** Prior year adjustment tax expense**  Set loss prior year adjustment tax expense**  Deferred tax asset - tax loss not recognised Deferred tax - other temporary differences not recognised Deferred tax - other temporary differences not recognised To 3 475 Deferred tax expense  **Section 24 (F) which allowed SABC to claim a deduction in respect of programmes over a period of use was deleted. Section 12 (O) which exempts income in respect of programmes was introduced, however it excludes broadcasters. SABC could only claim an allowance in terms of section 11(e) which refers to the value by which the asset is diminished or a four year write off period. The four year write off period created a liability as at 31 March 2016. Subsequent to the finalisation and issue of the financial statements for 31 March 2016, SARS issued a directive allowing a shorter write off period of one year for usage of programmes.  Income tax recognised in other comprehensive income:  Pension fund Pens		-		-	(939)	
Prior year adjustment tax expense** (335 276) (15 839) (335 276) (15 839)   Deferred tax asset - tax loss not recognised						
Deferred tax asset - tax loss not recognised Deferred tax - other temporary differences not recognised To 3 475 Effective tax expense  **Section 24 (F) which allowed SABC to claim a deduction in respect of programmes over a period of use was deleted. Section 12 (O) which exempts income in respect of programmes was introduced, however it excludes broadcasters. SABC could only claim an allowance in terms of section 11(e) which refers to the value by which the asset is diminished or a four year write off period. The four year write off period created a liability as at 31 March 2016. Subsequent to the finalisation and issue of the financial statements for 31 March 2016, SARS issued a directive allowing a shorter write off period of one year for usage of programmes.  Income tax recognised in other comprehensive income:  Pension fund Pension fund Pension fund Post-employment medical benefits (29 581) (36 435) (29 581) (36 435) Available-for-sale financial assets (29 581) (36 435) (29 581) (36 435) Available-for-sale financial assets (843) (387) (843) (387)			(15 920)		(15.920)	
Deferred tax - other temporary differences not recognised  T3 475  Effective tax expense  (76 378)  **Section 24 (F) which allowed SABC to claim a deduction in respect of programmes over a period of use was deleted. Section 12 (O) which exempts income in respect of programmes was introduced, however it excludes broadcasters. SABC could only claim an allowance in terms of section 11(e) which refers to the value by which the asset is diminished or a four year write off period. The four year write off period created a liability as at 31 March 2016. Subsequent to the finalisation and issue of the financial statements for 31 March 2016, SARS issued a directive allowing a shorter write off period of one year for usage of programmes.  Income tax recognised in other comprehensive income:  Pension fund Post-employment medical benefits (29 581) (34 435) (29 581) (36 435) Available-for-sale financial assets Long service award (843) (387) (843) (387)		` ,	(15 039)	` ,	(15 639)	
Effective tax expense  (76 378) (154 141) (74 711) (155 470)  **Section 24 (F) which allowed SABC to claim a deduction in respect of programmes over a period of use was deleted. Section 12 (O) which exempts income in respect of programmes was introduced, however it excludes broadcasters. SABC could only claim an allowance in terms of section 11(e) which refers to the value by which the asset is diminished or a four year write off period. The four year write off period created a liability as at 31 March 2016. Subsequent to the finalisation and issue of the financial statements for 31 March 2016, SARS issued a directive allowing a shorter write off period of one year for usage of programmes.  Income tax recognised in other comprehensive income:  Pension fund  (139 551) (279 995) (139 551) (279 995)  Post-employment medical benefits  Available-for-sale financial assets  (29 581) (36 435)  Available-for-sale financial assets  (843) (387) (843) (387)			-		-	
**Section 24 (F) which allowed SABC to claim a deduction in respect of programmes over a period of use was deleted. Section 12 (O) which exempts income in respect of programmes was introduced, however it excludes broadcasters. SABC could only claim an allowance in terms of section 11(e) which refers to the value by which the asset is diminished or a four year write off period. The four year write off period created a liability as at 31 March 2016. Subsequent to the finalisation and issue of the financial statements for 31 March 2016, SARS issued a directive allowing a shorter write off period of one year for usage of programmes.  Income tax recognised in other comprehensive income:  Pension fund  (139 551) (279 995) (139 551) (279 995)  Post-employment medical benefits  Available-for-sale financial assets  108 264 36 264  109 295 205 205 205 205 205 205 205 205 205 20	_		(15/1 1/11)		(155 /170)	
income in respect of programmes was introduced, however it excludes broadcasters. SABC could only claim an allowance in terms of section 11(e) which refers to the value by which the asset is diminished or a four year write off period. The four year write off period created a liability as at 31 March 2016. Subsequent to the finalisation and issue of the financial statements for 31 March 2016, SARS issued a directive allowing a shorter write off period of one year for usage of programmes.  Income tax recognised in other comprehensive income:  Pension fund  (139 551) (279 995) (139 551) (279 995)  Post-employment medical benefits  Available-for-sale financial assets  164 36 264  Long service award  (843) (387) (843) (387)		(10 310)	(134 141)	(14 111)	(133470)	
Pension fund     (139 551)     (279 995)     (139 551)     (279 995)       Post-employment medical benefits     (29 581)     (36 435)     (29 581)     (36 435)       Available-for-sale financial assets     36     264     36     264       Long service award     (843)     (387)     (843)     (387)	income in respect of programmes was introduced, however it excludes broadcasters. SABC could only claim an allowance in terms of section 11(e) which refers to the value by which the asset is diminished or a four year write off period. The four year write off period created a liability as at 31 March 2016. Subsequent to the finalisation and issue of the financial statements for 31 March 2016, SARS issued a directive allowing a shorter write off period of one					
Post-employment medical benefits       (29 581)       (36 435)       (29 581)       (36 435)         Available-for-sale financial assets       36       264       36       264         Long service award       (843)       (387)       (843)       (387)						
Available-for-sale financial assets  36 264 36 264  Long service award  (843) (387) (843) (387)						
Long service award (843) (387) (843) (387)						
					(316 553)	

33 Income tax expense (continued)		GROUP		COMPANY	
	Note	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Reconciliation of effective tax expense:					
Comprehensive income/(loss) before income tax		606 894	1 130 074	606 894	1 130 074
Income tax using the company tax rate		(169 930)	(316 421)	(169 930)	(316 421)
Rate differences on available for sale assets***		(9)	(132)	(9)	(132)
Effective tax expense		(169 939)	(316 553)	(169 939)	(316 553)

'The current tax liability in relation to TV Licence gross income (section 1 of the Income Tax Act No. 58 of 1962) is based on the best estimate as at 31 March 2017 and is subject to South African Revenue Service approval.

The deferred tax asset in relation to programmes (section 11(e) of the Income Tax Act No. 58 of 1962) and the deferred tax liability in relation to the application of section 11(e) of the Act is based on the best estimate as at 31 March 2017 and is subject to SARS approval.

**34 Cash generated from operations**Reconciliation of profit/(loss) for the year to cash generated from/(utilised by) operations:

Reconclination of profit (1055) for the year to cash generated from (diffised by) operations.					
Loss for the year		(976 857)	(411 605)	(972 463)	(386 471)
Adjustments for:	_				
Amortisation and impairment of programme, film and sports rights	7	1 934 585	1 766 784	1 934 585	1 766 784
Impairment/Reversal of impairment of programme, film and sports rights	7	2 649	18 871	2 649	18 871
Amortisation of computer software	7	52 229	44 457	52 229	44 457
Amount recognised in profit or loss in line with amortisation and depreciation of assets acquired with government grant.	20	(253 501)	(212 122)	(253 501)	(212 122)
Depreciation and impairment of property, plant and equipment	5	169 820	201 480	169 820	201 480
Depreciation of Investment Property	6	94	94	94	94
(Reversal)/provision for consumables obsolescence	30	108	7	108	7
Impairment (reversed)/raised on trade receivables		98 450	60 842	98 450	60 834
Increase/(decrease) of provision on trade receivables	14	17 345	(48 102)	17 345	(48 102)
Loss on disposal of property, plant and equipment	31	4 136	` 214	4 136	` 21 <b>4</b>
Property, plant and equipment adjustments	5	_	(7 087)		(7 087)
Interest received	32	(37 325)	(69 193)	(37 255)	(69 131)
Dividends received	32	` (390)	(408)	` (390)	` (408)
Interest paid	32	7 878	À 695	7 878	4 695
Foreign exchange loss					
Income tax expense	33	(76 378)	(154 141)	(74 711)	(155 470)
Loan from liquidated subsidiary written off	00	(10010)	(104 141)	(14711)	(22 384)
Operating cash inflow before payment for acquisition of programme, film and sports rights		942 843	1 194 786	948 974	1 196 261
	_				
Net acquisitions of programme, film and sports rights	/	(1 960 392)	(1 850 815)	(1 960 392)	(1 850 815)
Operating cash outflow before changes in working capital, employee benefits		(1 017 549)	(656 029)	(1 011 418)	(654 554)
Provisions raised	25	24 187	86 561	24 187	86 561
Decrease in prepayments	11	91 846	90 547	91 846	90 539
Increase in inventories	13	(619)	(560)	(619)	(560)
Decrease/(Increase) in trade and other receivables	14	261 033	(25 226)	256 698	(34 045)
Increase in defined benefit asset		(2 612)	269 997	(2 765)	269 997
(Decrease)/Increase in employee benefits obligation		(687)	55 212	(687)	55 212
(Decrease)/Increase in trade and other payables	23	(115 779)	181 246	(114 879)	186 836
Increase/(Decrease) in deferred income	24	7 144	(43 931)	7 144	(43 931)
Decrease/(Increase) in non-current operating leases		509	(512)	509	(512)
Cash generated from operations		(752 527)	(42 695)	(749 984)	(44 457)
35 Income taxes paid					
Balance at 1 April		355 112	305 142	353 598	305 182
Current taxation			50 428	-	49 099
Taxation - prior year tax adjustment		(335 276)	-	(333 761)	-0 000
Balance at 31 March		(19 836)	(355 112)	(19 837)	(353 598)
				· , ,	,
Taxation paid		<del></del>	458	<u> </u>	683

<sup>\*\*\*</sup>The Capital Gains Tax (CGT) inclusion rate changed from 66.6% to 80% effective from the 2017 year of assessment.

#### Proceeds from disposal of property, plant and equipment

Net book value of disposals and asset verification adjustment Loss on sale of property, plant and equipment

Proceeds

GROUP		COMPANY	
2017	2016	2017	2016
R'000	R'000	R'000	R'000
6 043	232	6 043	232
(4 136)	(214)	(4 136)	(214)
1 907	18	1 907	18

#### Financial instruments

#### 37.1 Overview

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

'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 is tasked with overseeing how management monitors compliance with the Group's policies and procedures and the reviews of the adequacy of the internal audit function's 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 Group Audit Committee.

#### 37.2 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 a large customer base to reduce credit concentration. The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before credit is extended. Credit worthiness reviews are also performed on existing debtors with long-overdue accounts. In addition, current debtors are monitored to ensure they do not exceed their credit limits

#### Allowance for impairment

Trade receivables are impaired when there is objective evidence that the debt is irrecoverable. Trade receivables for which the Group hold security, insurance or any other types of collateral are not considered to be impaired.

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

#### Cash and cash equivalents

The group is exposed to a certain amount of concentrations of credit risk relating to its cash deposits and current investments. These investments are only placed with local major banking groups and stable institutions that have high credit ratings. The treasury policy is designed to limit exposure to any one institution and to invest excess cash in low-risk investment accounts. Transactions involving derivative financial instruments are with counterparties with sound credit ratings.

#### Guarantees

The Group's policy is to provide financial guarantees on behalf of its wholly owned subsidiaries. The Company has issued a guarantee of R0.016 million on behalf of Airwave Travel (Pty) Ltd for the IATA travel agency license. Other guarantees issued by the Company were amounts of R27.265 million for Technology related projects and R0.293 million relating to the employee housing scheme.

The Group considers its maximum exposure to credit risk to be as follows:

Available-for-sale financial assets (note 10) Trade and other receivables Cash and cash equivalents

GRO	UP	COM	PANY
2017	2016	2017	2016
R'000	R'000	R'000	R'000
9 652	9 812	9 652	9 812
822 030	1 100 408	840 047	1 114 090
81 742	881 107	77 760	874 652
913 424	1 991 327	927 459	1 998 554

Trade receivables:	GROUP AND COMPANY							
		2017 R'000			2016 R'000			
	Fully Performing	Past due but not impaired	Impaired	Fully Performing	Past due but not impaired	Impaired		
Agencies	666 230	4 234	26 788	811 767	2 078	24 240		
Government	69 826	16 525	18 470	36 485	11 505	2 979		
Direct clients	34 776	24	18 859	60 531	169 201	19 553		
	770 832	20 783	64 117	908 783	182 784	46 772		

#### 37 Financial instruments (continued)

#### 37.2 Credit risk (continued)

Age analysis of past due but not impaired is the following: Past due 0 to 30 days Past due 31 to 90 days 91 to 120 days 121 days to 1 year Over 1 year

Age analysis of the impaired trade receivables is the following: Past due 0 to 30 days Past due 31 to 90 days 91 to 120 days 121 days and older Over 1 year

Movements on the impairment of trade receivables are as follows: Opening balance - 1 April Amounts written off as not recoverable (impaired) Allowance (reversed) / raised during the year

The Group holds collateral as security.
The nature and fair value of this collateral is as follows:
Coface
MCC Security

GROUP AND COM	PANY
2017	2016
R'000	R'000
13 845	62 890
3 820	36 340
1 474	14 812
-	68 700
1 644	42
20 783	182 784
639	2 376
2 627	335
3 624	-
13 421	144
43 806	43 917
64 117	46 772
46 772	94 874
905	(8 061)
16 440	(40 041)
64 117	46 772
2 170 880	2 260 435
1 473 450	77 531
3 644 330	2 337 966

#### 37.3 Liquidity risk

Liquidity risk is the risk that the Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient cash, marketable securities and credit facilities to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Where internal funding is constrained, external sources of funding are explored.

'The Group manages its cash flow requirements by forecasting for both the short term (three months) and the long term (one to 3 years) cash requirements of the Company. The Group has borrowing facilities amounting to R345 million (2016: R413 million) which include short-term banking facilities as well as asset-based finance facilities.

The following analysis details the contractual maturity of the group's non-derivative financial liabilities. The analysis is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to settle the liability. The analysis includes both interest and principal cash flows.

		Contractual cash flow	Up to 6 months	6 months to 1 year	1 year to 3 years	I hereafter
	R'000	R'000	R'000	R'000	R'000	R'000
			GRO	OUP		
			20	17		
Non-derivative financial liabilities						
Trade payables - Local	203 824	83 824	83 824	-	-	-
Trade payables - Foreign	890	890	890	-	-	-
Other payables*	152 338	152 338	152 338			-
Accruals	210 315	210 315	210 315			-
Programme, film and sports rights related trade and other payables	117 738	117 738	117 738			-
Loans and borrowings	56 519	67 624	9 042	8 732	45 879	3 971
Government debt instrument	(27 390)	(27 390)	890	890	3 560	22 050
	714 234	605 339	575 037	9 622	49 439	26 021

<sup>\*</sup> excludes statutory accruals and payables

Thereafter

1 year to 3 years

IIS Dollar

187

## Notes to the annual financial statements for the year ended 31 March 2017 (continued)

## Financial instruments (continued)

O I	i ilialiolal ilioti alliolito	( COITHIII
27.2	Liquidity risk (continued)	•

Liquidity flow (Continued)	R'000	R'000	R'000	R'000	R'000	R'000
			GRO	)UP		
			20			
Non-derivative financial liabilities						
Trade payables - Local	6 335	6 335	6 335	-	-	-
Trade payables - Foreign	1 866	1 866	1 866	-	-	-
Other payables*	100 229	100 229	100 229	-	-	-
Accruals	472 735	472 735	472 735	-	-	-
Programme, film and sports rights related trade and other payables	224 120	224 120	224 120	-	-	-
Loans and borrowings	3 372	4 080	513	496	1 819	1 252
Government debt instrument	27 390	27 390	890	890	3 560	22 050
	836 047	836 755	806 688	1 386	5 379	23 302

Carrying amount Contractual cash flow

Un to 6 months

6 months to 1 year

#### 37.4 Market risk

Market risk is the probable 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 the group's market risk management framework is to protect and enhance the performance of the statement of financial position and profit or loss by managing and controlling market risk exposures and to optimise the funding of capital projects.

Foreign currency risk arises primarily from international programming rights that are acquired 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 35% to 75% of firm commitments for a rolling 12 month period. The Group only covers known commitments and does not speculate in foreign currency. The minimum percentage cover for less than one year is 35%.

			'000	'000
The Group's exposure to foreign currency risk based on notional amounts was as follows:			GROUP AND COMPA	NY
			2017	
Trade payables			(66)	(890)
Gross financial position exposure			(66)	(890)
Net financial position exposure			(66)	(890)
			2016	
Trade payables			(126)	(1 866)
Gross financial position exposure			(126)	(1 866)
Net financial position exposure			(126)	(1 866)
The following significant exchange rates applied during the year:		GROUP AND CO	MPANY	
	Average Rate	0040	Reporting date sp	
USD 1	2017 14,03	<b>2016</b> 13,77	2017 13,42	<b>2016</b> 14,77
EUR 1	15,38	15,22	14,30	16,81
Sensitivity analysis				

A 10% strengthening of the Rand against the following currency at 31 March would have increased profit/decreased 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 2016. Due to the nature of the transactions, there is no effect on equity. **GROUP** COMPANY

Profit or (loss) 2017 2016 2017 2016 R'000 R'000 R'000 R'000 187 89

A 10% weakening of the Rand against the above currency 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.

<sup>\*</sup> excludes statutory accruals and payables

## 37 Financial instruments (continued)

#### 37.4 Market risk (continued)

#### 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

Government debt instrument

Variable rate instruments	
Instalment sale liabilities	
Cash and cash equivalents	

(21 330)	(21 330)	(21 330)	(27 330)
(27 390)	(27 390)	(27 390)	(27 390)
43 288	3 372	43 288	3 372
81 742	881 107	77 760	874 652
125 030	884 479	121 048	878 024

2016

R'000

(27 300)

9 508

COMPANY

2017

R'000

(27 390)

4 995

2016

R'000

(27 300)

9 463

**GROUP** 

2017

R'000

(27 390)

5 048

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rates financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased profit or decreased 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 2016. Due to the nature of the transactions, there is no effect on equity.

#### Profit/loss 100 bp increase

Variable rate instruments

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.

#### Fair value of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different valuation levels are identified as follows by IFRS 13:

- Level 1 Quoted prices (unadjusted) in active ,markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within level 1 that observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions. The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- (i) Loans and receivables, perpetual debt instrument and 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. (Level 2)
- 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 relative short term maturity of these financial instruments. (Level 2)

## 37 Financial instruments (continued)

		2017				2016		
	Carrying amount	114	Fair value	Car	rying amount		Fair value	110
	R'000	Level 1 R000	Level 2 R'000	Level 3 R' 000	R'000	Level 1 R000	Level 2 R'000	Level 3 R' 000
				GROUP				
Financial assets								
Available-for-sale								
Available-for-sale financial assets	9 652	9 652	-	-	9 812	9 812	-	-
Loans and receivables								
Trade and other receivables	822 030	-	822 030	-	1 100 408		1 100 408	-
Cash and cash equivalents	81 742	81 742	•	•	881 107	881 107	-	
Total financial assets	913 424	91 394	822 030	-	1 991 327	890 919	1 100 408	
Financial liabilities								
Financial liabilities measured at amortised costs								
Government debt instrument	(27 390)	-	(19 782)		(27 390)	-	(19 782)	-
Loans and borrowings Trade and other payables*	(43 288) (685 105)	-	(43 288) (685 105)		(3 372) (805 285)	-	(3 372) (805 285)	-
Total financial liabilities	(755 783)		(748 175)	<u> </u>	(836 047)		(828 439)	
Net financial liabilities	157 641	91 394	73 855	-	1 155 280	890 919	271 969	
Net illialiciai liabilities	137 041	31 334	13 033	COMPANY	1 133 200	030 313	271 303	
Financial assets				COMPANT				
Available-for-sale								
Available-for-sale financial assets	9 652	9 652	-	-	9 812	9 812	-	-
Loans and receivables								
Trade and other receivables	840 047	-	840 047	-	1 114 090	-	1 114 090	-
Cash and cash equivalents	77 760	77 760	-	-	874 652	874 652	-	-
Total financial assets	927 459	87 412	840 047	•	1 998 554	884 464	1 114 090	-
Financial liabilities								
Financial liabilities measured at amortised costs								
Government debt instrument	(27 390)	-	(19 782)	-	(27 390)	-	(19 782)	-
Loans and borrowings	(43 288)	-	(43 288)	-	(3 372)	-	(3 372)	-
Trade and other payables*	(764 974)	-	(764 974)	-	(795 437)	-	(795 437)	
Total financial liabilities	(835 652)	07.440	(828 044)	•	(826 199)	-	(818 591)	<u>-</u>
Net financial liabilities	91 807	87 412	12 003	•	1 172 355	884 464	295 499	

The fair values of trade and other receivables and trade and other payables are determined with reference to their carrying amounts 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. The Group is not subject to any externally imposed capital requirements. The Group manages its capital to ensure that the entity is able to continue as a going concern by maintaining a minimum liquidity reserve. The minimum liquidity reserve is the specified minimum acceptable surplus of uncommitted facilities or cash holdings over projected net debt levels for the next 12 months. This level is currently set at R650 million.

#### 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 Group has guarantees against the employee housing scheme to the value of R0.293 million, and guarantees for Airwave Travel's IATA travel agency licence and other guarantees with banks totalling R27.3 million.'

<sup>\*</sup> excludes statutory accruals and payables

37 Financial instruments (continued)	GROUP AND (	COMPANY
	2017	2016
General short-term banking facilities (available for future operating activities) FNB/ Rand Merchant Bank Nedbank Absa Corporate and Merchant Bank Total credit facilities	R'000 - 35 000 95 000	<b>R'000</b> 20 010 152 000 65 000
Total	130 000	237 010
Unutilised	93 540	233 638
Asset finance (available to settle capital commitments) Provided Utilised	195 983 (56 520)	175 983 (3 371)
Unutilised	139 463	172 612
Guarantees Provided Utilised Unutilised	146 000 (27 726) 118 274	72 000 (168) 71 832
38 Operating leases		
Leases as lessee Non-cancellable operating lease rentals are payable as follows:		
Less than one year Between one and five years	13 637 43 920	5 037 7 853
Bottoon one did nive years	57 557	12 890
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 2017, R15.3 million was recognised as an expense in the statement of financial performance in respect of operating leases (2016: R16.2 million).  Leases as lessor	0,00	12000
The Group leases out certain of its property under operating leases. The future minimum lease receipts under non-cancellable leases are as follows:		
Less than one year Between one and five years	1 633 3 325	7 472 13 909
Bottoon one did nive years	4 958	21 381
During the year ended 31 March 2017, R8.9 million was recognised as rental income in the statement of profit and loss (2016: R9.5 million) and R3.9 million in respect of repairs and maintenance was recognised as an expense in the statement of financial performance (2016: R2.2 million).	1000	21001
39 Commitments		
Capital commitments Contracted for Programme, film and sports rights Foreign exchange contracts	146 996 1 702 786	156 481 1 775 962
Total purchase commitments	1 849 782	1 932 443
The capital commitment is to be financed as follows:		
Internally generated funds External sources of funding	146 996 1 702 786	156 481 -

1 849 782

156 481

2017

224

148 000

Possible Losses for the Group

## Notes to the annual financial statements for the year ended 31 March 2017 (continued)

#### 39 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 2017 is as follows:

Year	endina	31	March	2018

Local currency Foreign - US Dollar

#### Year ending 31 March 2019

Local

Foreign - US Dollar

#### Year ending 31 March 2020

Local

Foreign - US Dollar

#### Year ending 31 March 2021

Local

Foreign - US Dollar

Total commitments

Local Commitments		Foreign commitments	Total
R'000	Forex '000	R'000	R'000
1 020 034	22 125	325 387	1 345 420
1 020 034	-	17 901	1 037 934
-	22 125	307 486	307 486
253 044	1 425	19 665	272 709
253 044	-	-	253 044
-	1 425	19 665	19 665
84 320			84 320
84 320	-	-	84 320
-	-	-	-
336	-	-	336
336	-	-	336
-	-	-	-
1 357 734	23 550	345 052	1 702 786

## 40 Contingencies

Unless the outflow of economic resources is considered remote, contingent liabilities are disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. In some cases it may be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The disclosed contingent liabilities all arise from claims lodged by third parties against the Group and Company where judgement by a competent court of law is pending, and management has obtained legal advise that the SABC has a high probability of success in defending these legal claims. The claims active as at 31 March 2017 and giving rise to contingent liabilities are detailed as follows:

R'000

The Government Employee Pension Fund ('GEPF') represented by the Public Investment Corporation ('PIC') instituted a claim of approximately R550 million including interest against the SABC for the cancellation of a purported lease agreement for certain assets previously leased by Bophuthatswana Broadcasting Corporation. Accruing for the maximum interest that can be charged, the possible loss is R760m. Legal proceedings are on-going and the matter was set down for hearing from 15 to 26 July 2013 but had to be removed from the roll as some of the parties did not receive the notice of set down timeously.

The Group has been advised by its legal counsel that it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in the financial statements.

- (ii) A third party has issued summons against the SABC for alleged non-payment of repeat fees. The SABC is defending the matter. The internal client has advised that the Plaintiff was paid. The SABC cannot serve any paper on the Plaintiff as he is currently in prison. The SABC approached the court with an application to dismiss the matter but the court did not concede to our dismissal application.
  - There is little chance of plaintiff succeeding and the matter is in abevance until such time that the plaintiff revives it.
- (iii) The Claimant was chosen as the preferred supplier of corporate clothing to the SABC. After receiving an upfront payment of R61 042.44 the supplier failed to deliver in terms of the contract. SABC refused to pay the balance and claimant then sued the SABC. The matter was set down for the 05 October 2010 to have Plaintiff's claim dismissed for failure to deliver the Discovery Affidavit. The plaintiff requested that we remove the matter from the roll and they will tender costs.

  The matter was then postponed sine die and no provision is necessary.
- (iv) A plaintiff's claim against the SABC is based on a commissioning agreement entered into on 25 March 2010 for the production of a television programme called Music Lounge Series 3. The plaintiff avers that an invoice for the amount of R224 063.58 was sent to the SABC on the 1st of June 2012 which the SABC allegedly acknowledged and agreed to pay, by no later than 30 July 2012. The SABC was contracted to a specified production company who then ceded its claim to the third party. The SABC in processing the claim ignored the fact that the claim was ceded and paid the specified party instead of the plaintiff. In an attempt to resolve the matter the SABC's attorneys in terms of High Court Rules 23 and 30(1) have requested the Cession agreement relied on. The SABC have received a return of non-service and the SABC's attorneys have advised that they will be setting the matter down for the plaintiff's claim to be dismissed.
- (v) The plaintiff is suing the SABC for damages in relation to the plaintiff's unsuccessful tender bid to be appointed as a preferred supplier for the building of HD OB Vans. Pleadings were exchanged eventually leading to trial in August 2012, having been preceded by various interlocutory applications. The trial was heard but postponed at the behest of the plaintiff. Critical to postponement was the alleged need by plaintiff to refer the matter to oral evidence in relation to the tapes of board meetings and other relevant meetings pertaining to the tender. The SABC has discovered all minutes at its disposal and it would appear that the main contention by the plaintiff relates to the audio recordings of these meetings. The SABC has now filed its reply to the plaintiff's Rule 35(3) Notice. The plaintiff has instituted a damages claim against the SABC and the matter is still at pleading stage. We have however instructed our attorney of record to file a notice requesting security for costs. THe SABC has good prospects of successfully defending the suit.
- (vi) 'SABC received a letter from the Competition Commission stating that the commission had investigated and concluded its investigation of alleged collusive behaviour by media owners. The investigation related to execution of settlement discount (previously known as Agency Commission). The Commission found that the conduct by media owners amounted to price fixing or fixing of trading conditions in contravention of section 4(1)(b)(i) of the Competition Act. The Commission offered settlement terms to the SABC which included a cash penalty of 1% of actual revenue generated in the year ending 2016 and a donation in form of inventory. Alternatively, the SABC could make a cash settlement of 4% of actual revenue generated in the year ending 2016 and admission of liability.
- (vii) Plaintiff is suing for commission payment on the basis that he secured a sponsorship for the Metro FM awards. We believe our prospects of succeeding in the matter are good after one of the directors of claimant advised that they did not instruct any attorney to act against the SABC. We instructed our attorney to pursue the dismissal of the matter. We await further correspondence from our attorney.

1 300

## Contingencies (continued)

(111)	instruct any attorney to act against the SABC. We instructed our attorney to pursue the dismissal of the matter. We await further correspondence from our attorney.	1 300
(viii)	The plaintiffs freelance contract was terminated due to poor performance. Plaintiff is suing the SABC for R76 250. We have good prospects of success. The matter is still proceeding and we await a court date	76
(xiv)	SABC received summons from the Plaintiff who avers that his contract of employment was terminated unfairly. The Plaintiff was appointed as an Independent contractor in March 2009. The Plaintiff contravened the contract by disclosing confidential information. The matter was partly heard on 23, 24 and 26 October 2012 in the Free State High Court. The SABC has instructed it's attorney to make an application for a trial date as the plaintiff has not set the matter down again.	447
(xv)	SABC received a warrant of execution against movable property. The SABC appointed attorneys to defend the warrant and to apply for rescission of judgment. In 2011, the plaintiff issued and served the summons against the SABC for commission as result of the plaintiff securing RAF sponsorship. The SABC proposed out of court settlement meaning therefore, summons was suspended. During negotiations the plaintiff acknowledged that he was indebted to the SABC for an amount of R3.7 Million. The SABC suggested that the plaintiff should withdraw a case and pay the SABC R50 000 as full and final settlement. Plaintiffs attorneys drafted a settlement document as per negotiations. However, the settlement document did not specify how the plaintiff would pay the SABC the agreed R50 000. The SABC then replied posing same question of payment. The matter then became dormant till August 2014 when the SABC was served with warrant of execution. In November 2016 default judgment was rescinded.	1 461
(xvi)	The SABC received summons from attorneys acting on behalf of the plaintiff. It is alleged that the SABC through its television series (Leihlo la Sechaba), broadcasted wrongful, defamatory and dishonest statements about the plaintiff. The plaintiff purports that the SABC misled the viewers in saying that he obtained tenders irregularly and he was involved in tender rigging. The plaintiff claims to have his reputation damaged and has suffered damages.	1 000
(xvii)	The plaintiff is suing the SABC for alleged breach of contract. Our research revealed that his claims are unfounded because we have paid him all monies due to him and there are contracts to support that. Parties are still exchanging pleadings and the matter is proceeding.	38 000
(xviii)	The SABC received summons from attorneys acting on behalf of the plaintiff. The plaintiff is claiming a payment for an amount for alleged unpaid remuneration. The matter has been dormant since 2014	1 446
(xix)	On the 12th June 2014, the SABC was served with summons by Lights for Africa. Lights For Africa is a company which provided Public Viewing Area (hereinafter referred to as PVA's) facilities during the FIFA World Cup, in 2010.	3 949
	A third party is suing the SABC for royalties in connection with the theme song for SABC1 'Simunye We are One'. The SABC raised an exception to plaintiff's claim on the basis that he did not have Locus Standi to sue. However the exception has been dismissed with costs.	

Plaintiff is suing for commission payment on the basis that he secured a sponsorship for the Metro FM awards. We believe our prospects of succeeding in the matter are good after one of the directors of claimant advised that they did not

#### Related parties

Total contingent liabilities

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

The plaintiff sent a letter of his intention to withdraw the action. The SABC refused the offer because the plaintiff did not tender costs.

The Group is a Schedule 2 public entity in terms of the Public Finance Management Act. no 1 of 1999 as amended.

The related parties of the Group consist mainly of government departments. State-Owned Companies (SOC), 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.

(i)	Transactions with subsidiaries	COMPANY			
		2017		2016	
		Amount of transac-	Amounts owed (to)/	Amount of transac-	Amounts owed (to)/
		tions	by subsidiary	tions	by subsidiary
		R'000	R'000	R'000	R'000
	Receivables from/ (payables to) SABC Airwave Travel (Proprietary) Limited trading as Airwave Travel	2 337	715	3 605	7 551
	Loan to Airwave Travel (Proprietary) Limited	-	5 214	-	-
	Receivables from SABC Foundation NPC	6 127	13 666	5 425	7 539
		8 464	19 595	9 030	15 090

Related party relationships exists between the Company and its wholly-owned subsidiaries, Airwave Travel and SABC Foundation NPC. 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.

Significant transactions with government related entities

Included in Revenue are the following:

Aggregate of all transactions that are collectively significant

Government Communication and Information Services

Aggregate Sales to other government related entities not listed above

Goods and services are sold	to related parties on ar	n arm's length basis at	market related price
	•	•	·

GROUP AND COMPANY 2017 R'000	2016 R'000
6 468	54 504
126 211	237 942
132 679	292 446

Possible Losses for the Group

2017 R'000

1 300

485

956 655

3 Year and 2 Weeks

1 year 9 Months 5 Years and 4 Months

Resigned in July 2016 2 Years and 3 Months 2 Years and 9 Months

No	tes to the annual financial statements for the year ended 31 March 2017	(continued)			
41	Related parties (continued)			GROUP AND	COMPANY
(ii)	Significant transactions with government related entities (continued)			2017	2016
	Purchases of goods and services Aggregate of all transactions that are collectively significant			R'000	R'000
	City of Johannesburg			92 788	91 965
	Sentech (SOC) Limited Aggregate Purchases from other government related entities			731 853 103 435	691 549 97 724
	Aggregato Fatoriades from other government rotates oritates			928 076	881 238
			GROUP AND		
(iii)	Grants and sponsorships	20	• • • • • • • • • • • • • • • • • • • •	,	16
		Amount of transactions R'000	Outstanding balance	Amount of transactions R'000	Outstanding balance R'000
	Government grants recognised in revenue	253 501	-	212 122	
	Deferred government grant	-	328 567		400 326
		253 501	328 567	212 122	400 326
	Goods and services are purchased from related parties on an arms length basis at market related prices.				
(iv)	Interest payments				
	Shareholder - permanent capital	1 780	27 390	1 780	27 390
(v)	Employee benefit payments				
	SABC Pension fund SABC Medical aid scheme	269 885 (15 529)	1 333 672	477 243 18 718	805 420
		254 356	1 333 672	495 961	805 420
(vi)	Administered projects  The Group has been delegated with the responsibility by the Department of Communications to administer Channel Africa and the Community Radio Proje projects for Channel Africa of R11 million (2016: R26 million) is included in trade and other payables and or trade and other receivables.	ct, which are sub-division	s of the Department of Co	mmunications. The net a	mount of administered

Service period

Remaining

				GROUP AND	COMPANY		
		Opening balance	Funds received	Applied to expenditure	Applied to net assets	Interest accrued	Closing balance
		R'000	R'000	R'000	R'000	R'000	R'000
	For the year ended 31 March 2017 Channel Africa Community Radio Project	(9 116) -	52 271 10 324	(61 853) (20 873)	- (1)	- 391	(18 698) (10 159)
		(9 116)	62 595	(82 726)	(1)	391	(28 857)
	For the year ended 31 March 2016 Channel Africa Community Radio Project	(20 663) (18 916) (39 579)	49 640 20 987 70 627	(55 377) (11 360) (66 737)	(2)	175 175 2 017 R'000	(26 400) (9 116) (35 516) 2 016 R'000
(vii)	Administered funds				_		
	Bank balances of Community Radio Project				-	207	10 726
(viii)	Service contracts for permanent executive directors Service contract				F L Matlala	G H Motsoeneng	J R Aguma
	- start date - end date				01 July 2015 30 June 2018	28 November 2011 30 June 2019	18 March 2014 04 January 2020

## 41 Related parties (continued)

(ix) Directors' and key management personnel compensation

	Remuneration paid to the person in any capacity						
Year ended 31 March 2017	Service a	Service period	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
Members of the Accounting Authority							
Non-executive directors							
Vusumuzi Goodman Moses Mavuso	Board Member	7	_	_	316	-	316
Mbulaheni Obert Maguvhe	Board Chairperson	9	_	_	943	_	943
Krish Naidoo	Board Member	7	_	-	305	-	305
Ndivhoniswani Aaron Tshidzumba	Board Member	8	_	-	520	-	520
Nomvuyo Memory Mhlakaza	Board Member	8	-	-	330	-	330
Leah Thabisile Khumalo	Board Vice Chairperson	7	-	-	427	-	427
Mathata Tsedu**	Board Vice Chairperson	1	-	-	-	-	-
Khanyisile Kwenyama**	Board Chairperson	1	-	-	-	-	-
John Matisonn**	Board Member	1	-	-	-	-	-
Febe Potgieter-Gqubule**	Board Member	1	-	-	-	-	-
Executive directors							
Aguma JR	Group Chief Financial Officer	12	2 329	-	1 436	406	4 171
· ·	(Acting Group Chief Executive Officer 9 months)						
Matlala FL*	Group Chief Executive Officer	4	6 548	-	557	186	7 291
Raphela MA	Acting Group Chief Financial Officer	9	1 252	-	827	279	2 358
Tungwana BL	Group Executive	12	1 567	-	1 001	274	2 841
	(Acting Chief Operating Officer 6 months, Group Executive for 6 months)						
Matthews JB	Acting Group Chief Executive Officer	3	363	-	636	68	1 067
Motsoeneng GH	Group Executive	12	2 733	11 509	693	518	15 453
	(Chief Operating Officer 6 months, Group Executive for 6 months)						
Senior Management							
Duwarkah V*	Group Executive	6	3 892	-	947	154	4 992
Philiso NP	Group Executive	12	1 728	-	755	333	2 815
Buthelezi PD	Acting Group Executive	5	407	-	283	88	778
Ntloko BL*	Group Executive	6	3 803	-	538	170	4 511
Maseko N	Acting Group Executive	2	156	-	174	32	362
Motsweni SM	Group Executive	12	1 577	-	547	317	2 441
Mathebula SJ	Acting Group Executive	12	1 188	-	578	273	2 039
Lephaka M	Group Executive	6	845	-	523	147	1 516
Tseisi IF*	Group Executive	6	4 000	-	760	161	4 920
Masinga SM*	Group Executive	1	4 640	-	41	_18	4 699
Ralitabo TE	Group Executive	8	1 040	-	406	215	1 662
Tebele MS	Group Executive	8	1 040	-	476	212	1 728
Mulaudzi T	Group Executive	8	1 040	-	397	222	1 659
Nepfumbada M*	Group Executive	3	3 310	-	185	58	3 554
Geldenhuys TV	Group Executive	12	1 716	-	606	347	2 669
Bayi LV	Company Secretary	12	748	-	358	156	1 261
Mabaso J*	Group Executive	3	1 728	-	268	82	2 078
Total remuneration			47 649	11 509	15 834	4 716	79 708

<sup>~ -</sup> including contributions on employer variable pension contribution
\* - included in basic salary and expenses and other allowances is compensation paid in respect of loss of office.
\*\* - the interim board members were appointed on 27 March 2017.

## 41 Related parties (continued)

(x) Directors' and key management personnel compensation

	Remuneration paid to the person in any capacity							
Year ended 31 March 2016		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
Members of the Accounting Authority								
Non-executive directors								
Prof M O Maguvhe Ms L T Khumalo Mr M R Lubisi Mr V G M Mavuso Ms R Kalidass Ms N M Mhlakaza Mr K Naidoo Dr N A Tshidzumba	Board Chairperson Deputy Board Chairperson Board Member		12 12 1 12 1 12 12 12	- - - - - -	:	637 700 8 248 4 260 276 329	:	637 700 8 248 4 260 276 329
Executive directors								
Mr F L Matlala Mr G H Motsoeneng Mr J R Aguma	Group Chief Executive Officer Chief Operating Officer Chief Financial Officer		9 12 12	2 243 2 554 2 176	125 213 181	842 945 885	391 485 380	3 601 4 197 3 622
Senior Management								
Ms B L Tugwana	Acting Chief Operating Officer for 2 Months (Group Executive 10 months)		12	1 404	117	571	245	2 337
Mr J Matthews	Acting Group Chief Executive Officer for 5 Months (Group Executive 7 months)		12	1 404	117	901	24	2 446
Ms T Geldenhuys	Company Secretary		12	1 446	121	511	295	2 373
Mr S M Masinga	Group Executive		12	1 607	134	750	310	2 801
Ms V Duwarkah	Group Executive		12	1 556	130	700	306	2 692
Mr K Kganyago	Group Executive		12	1 143	95	361	257	1 856
Ms L Z Francois*	Group Executive		11	2 008	127	813	394	3 342
Ms M Nepfumbada	Group Executive		12	1 022	96	386	234	1 738
Mr L Ntloko	Group Executive		12	1 556 1 269	130 106	663 352	329 274	2 678 2 001
Mr M J Shushu	Group Executive		12	1 454	121	558	311	2 444
Mr I Tseisi	Group Executive		12	1 454				
Mr J Mabaso Ms S M Motsweni	Group Executive		12	1 474	130	519	325 296	2 536
Ms N P Philiso	Group Executive Group Executive		12 12	1 474	123 877	580 567	296 311	2 473 3 370
Mr M P Moilwa	Acting Group Executive		12	989	82	597 597	207	1 875 .
Ms R P Mayiji	Acting Group Executive Acting Group Executive		3	166	02 14	60	42	282
Ms P D Buthelezi	Acting Group Executive Acting Group Executive		J 1	76	14	25	17	118 .
Ms N Maseko			4	366	73	206	74	719
Mr C Olivier	Acting Group Executive Acting Group Executive		6	692	13	206 254	74 144	1 090
Mr S J Mathebula	Acting Group Executive		4	349	87	154	82	672
Mr Z A Rawoot			2	130	11	142	33	316
Mr T E Ralitabo			4	304	76	183	70	633
Mr K Padayachee	Acting Group Executive		6	408	34	179	70 71	692
•	Acting Group Executive		0	30 973	3 3 3 2 0	15 166	5 907	55 366
Total remuneration				30 973	3 320	1001 CI	5 907	22 300

<sup>~ -</sup> including contributions on employer variable pension contribution
\* - included in basic salary and expenses and other allowances is compensation paid in respect of loss of office.

#### **42 Licence agreements**

The Group was granted the following Public Television Broadcasting Licences by the Independent Communications Authority of South Africa ('ICASA') for the period 18 December 2008 to 18 December 2023: SABC1 and SABC2.

The Group was granted the following Commercial Television Broadcasting Licences by ICASA for the period 18 December 2008 to 18 December 2023: SABC3.

The Group was granted the following Public Sound Broadcasting Licences by ICASA for the period 18 December 2008 to 18 December 2018: 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 ICASA for the period 18 December 2008 to 18 December 2018: 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.

#### 43 Expenditure and losses through criminal conduct, irregular, fruitless and wasteful expenditures

In trying to resolve the audit qualification, the SABC performed a detailed investigative process on 100% of payments or expenditure incurred since the 2012/2013 financial period. This extensive exercise was aimed at identifying/ detecting an accurate and complete list of irregular expenditure for the current and prior financial years. The incidents/ instances of contraventions which resulted into the irregular expenditure have been categorized and disclosed below.

#### (i) All losses through 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.

		GROUP AND	COMPANY
The following amounts have been determined as being irregular expenditure, in terms of section 55(2)(b)(i) of the Public Finance Management Act, No. 1 of 1999, as amended:		2017	2016
	Notes	R'000	R'000
Opening balance		5 148 526	4 385 138
Add: Irregular expenditure - identified in the current year relating to the prior years		-	322 282
Expenditure previously incorrectly disclosed as irregular		(1 429 645)	-
Balance as restated		3 718 881	4 707 420
Add: Irregular Expenditure - current year		686 923	441 222
Less: Irregular Expenditure recovered		-	(117)
Irregular Expenditure awaiting condonation subject to further investigation		4 405 804	5 148 526
Analysis of expenditure awaiting condonation per age classification			
Current year		686 923	441 106
Prior years		3 718 881	4 707 420
		4 405 804	5 148 526
Details of irregular expenditure			
Incident**			
Payments without contracts		-	40 932
Broadcast without Contract		-	14 934
Procurement policy/process not followed		514 949	16 226
Minimum number of quotations not obtained	a	71 391	5 268
Bids advertised for less than minimum number of days	†	52 957 33 783	-
Incorrect evaluation criteria applied to bids Irregular awards due to lack of planning	C	356 818	10 958
Delegation of Authority Framework contravened	d	79 968	718
Awards made to suppliers without obtaining valid Tax Clearance Certificates	e	92 006	142 316
	C	92 000	
Inadequate monitoring of contracts / Split Orders		•	225 980
Other		<u> </u>	117

#### Key

- The Corporation awarded quotations without obtaining the minimum number of quotations as required by the SCM policy
- The bid evaluation and/or adjudication processes did not follow the pre-approved evaluation criteria as set out in the policy and the PPPFA.
- The Corporation appointed suppliers through a closed bid/deviation process, extended and/or paid several expired contracts with existing suppliers without following normal procurement processes in line with the SCM policy and Treasury Regulations Quotations were not awarded at appropriate management level as per DAF requirements due to weaknesses in the implementation of the SCM policy.
- The Corporation awarded contracts to suppliers without obtaining original tax clearance certificates or confirming the tax matters of the suppliers prior to awarding such bids.
- f The Corporation awarded bids without advertising for the minimum number of days as required by the SCM policy.

686 923

441 106

<sup>\*\*</sup>The SABC will now commence with implementing requirements of Sections 51(1)( e)(iii) of the PFMA which require that appropriate disciplinary steps, where necessary be taken on employees who are personally responsible for incurring or permitting irregular expenditure.

## 43 Expenditure and losses through criminal conduct, irregular, fruitless and wasteful expenditures (continued)

#### (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

Section 1 of the 1 dolic 1 mance management Act, No. 1 of 1999, as amended, defines fiditiess	and wasterul experioratione as experioration which was made in valid and would have been avoided had i	easonable 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		GROUP AND COMP	GROUP AND COMPANY	
Communications for the year under review:		2017	2016	
•		R'000	R'000	
Opening balance		92 461	58 299	
Less: Reversal of incorrectly disclosed prior year amount		(21 139)	_	
Restated opening balance		71 322	58 299	
Add: Fruitless and wasteful expenditure - current year		70 006	34 678	
Add: Fruitless and wasteful expenditure - relating to prior years identified in the current		4 666	-	
Fruitless and wasteful expenditure not condoned		145 994	92 977	
Less: Amounts recoverable		-	(516)	
Fruitless and wasteful expenditure awaiting condonation		145 994	92 461	
Details of fruitless and wasteful expenditure				
Incident	Disciplinary steps taken/(criminal proceedings)			
Impairment of foreign and sports content	Reconciliation of broadcast schedule	2 706	11 504	
Travel cancellation fees and penalties	Reported to recover value	472	270	
Interest, penalties and fines on late payments	Timeous payments	111	1 697	
No shows charges on training	Reported to recover value	-	246	
Recruitment process not followed	None	<u>-</u>	19 766	
Settlements		65 257	-	
Legal fees		6 126		
		74 673	34 678	

#### 44 Going concern basis of accounting

The financial statements has been prepared on the going concern basis which assumes the company and group will have sufficient cash to settle its debts as and when they become payable for a period of at least 12 months from the date the financial report was authorised for issue.

The group has recognised a net loss after tax of R976 million for the year ended 31 March 2017 and as at that date the entity had R82 million cash in its reserves. The group had been experiencing liquidity constrains in the last quarter of the financial period mainly as a result of adverse operational conditions and strategy changes in TV scheduling and radio content provision that did not provide the anticipated revenue pay off. If monthly revenues continue to decline, the SABC will find it challenging to raise adequate cash resources to meet its operating obligations as they fall due. As disclosed in note 37, the group requires R650 million monthly to sustain operations and provide a margin of safety against contingencies. The company had successfully started to renegotiate payment terms with suppliers as liabilities become due as of 31 March 2017.

As of the reporting date, the consolidated entity has net assets of R2,147 million (2016:R2,687 million). During the financial year the consolidated entity had cash outflows from operating activities of R752 million (2016: outflows of R43 million) and cash outflows from investing activities of R312 million (2016: outflows of R324 million).

Total liabilities as at 31 March 2017 amount to R2,669 million, of which R1,055 million is long term employee benefits adequately covered by the defined benefit pension plan's assets and will not result in cash outflow. An additional R385 million relates to cash received in advance which will not materialise into cash out flows. This leaves an adjusted net total liability position of R1,259 million against current assets of R1,716 million and total assets of R4,846 million.

To address future funding requirements and liquidity risk, management has commenced with the following initiatives;

- 1. Management has the intention of renegotiating and cancelling some sports rights;
- 2. The group has commenced implementation of cost containment measures with adequately designed expenditure prioritisation processes already in place;
- 3. Review of television and radio content strategies to increase listenership and viewership and provide a platform to lure back advertisers;
- 4. We have requested a government guarantee to support the funding request for which the discussions are at an advanced stage at the date of approval of these financial statements. The turnaround interventions have started showing positive financial results. As a result of these actions the financial statements have been prepared on a going concern basis; and
- 5. Management is exploring means of securing funding by leveraging on the company's assets.

Management has reasonable expectation of successful outcomes of the initiatives being pursued and that the Group will be able to continue its operations as a going concern into the foreseeable future. Management acknowledge that in the event of none of the initiatives succeeding, material uncertainty remains over the ability of the Group to continue operations as a going concern. However, as described above, management has a reasonable expectation that the Group will have access to adequate resources to continue in operation for the foreseeable future. If the Group is unable to continue as a going concern, it would have an impact on the Group's ability to realise some assets at their recognised values and extinguish liabilities at amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the company and the group not continue as a going concern.

#### **45 Subsequent Events**

No material events have occurred between the date of these financial statements and the date of approval, the knowledge of which would affect the ability of the users of the financial statements to make proper evaluations and decisions.



# remembrance SABC operations with deep gratitude.

In honour of all our fallen heroes who have contributed immensely to the

Mr Michael Mayimele - 5 April 2016

**EXECUTIVE PRODUCER: Radio** 

Ms Ferosa Cassim - 12 May 2016 SENIOR SECRETARY: Legal Services

Mr Johan Kriek - 12 July 2016

BULLETIN EDITOR: RADIO NEWS News

Mr Alan Dell - 24 October 2016

SENIOR SOUND OPERATOR: Media Technology Infrastructure

Mrs Phindiwe Cele - 19 November 2016

FINAL LOG CONTROLLER/TX SCHEDULER: Television

Ms Thulile Ncube - 9 December 2016

SENIOR SECRETARY: Media Technology Infrastructure

Mr Leslie Mohutsioa - 6 January 2017 **BULLETIN WRITER/PRESENTER: News** 

Ms Patricia Phillips - 22 January 2017

RECEPTIONIST: Commercial Enterprises

Mr Lindani Bekwa - 7 March 2017 NEWS PRESENTER/TRANSLATOR: News

Mr Dion Andre - 23 March 2017

SENIOR SOUND MIXER Media Technology Infrastructure

# notes


## publication detail

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