In accordance with Section 8 of the Broadcasting Act 4 of 1999, the objectives of the Corporation are:

a) to make its services available throughout the Republic;

b) to provide sound and television broadcasting services, whether by analogue or digital means, and to provide sound and television programmes of information, education and entertainment funded by advertisements, subscription, sponsorship, licence fees or any other means of finance;

c) to acquire from time to time a licence or licences for such period and subject to such regulations, provisions and licence conditions as may be prescribed by the Authority;

d) to provide, in its public broadcasting services, radio and television programming that informs, educates and entertains;

e) to be responsive to audience needs, including the needs of the deaf and the blind and to account on how to meet those needs; (e) Substituted by s.8 of Act 64 of 2002;

f) to provide other services, whether or not broadcasting or programme supply services, such services being ancillary services;

g) to provide television and radio programmes and any other material to be transmitted or distributed by the common carrier for free-to-air reception by the public subject to Section 33 of this Act;

h) to provide other bodies by such means and methods as may be convenient, services, programmes and materials to be transmitted or distributed by such bodies and to receive from such other bodies services, programmes and materials to be transmitted by stations of the Corporation for reception as above;

i) to commission, compile, prepare, edit, make, print, publish, issue, circulate and distribute, with or without charge, such books, magazines, periodicals, journals, printed matter, records, cassettes, compact disks, video tapes, audio visual and interactive material, whether analogue or digital and whether on media now known or hereafter invented, as may be conducive to any of the objects of the Corporation;

j) to establish and maintain libraries and archives containing materials relevant to the objects of the Corporation and to make available to the public such libraries and archives with or without charge;

k) to organise, present, produce, provide or subsidise concerts, shows, variety performances, revues, musical
and other productions and performances and other entertainment whether live or recorded in connection with the broadcasting and programme supply services of the Corporation or for any purpose incidental thereto;

l) to collect news and information in any part of the world and in any manner that may be thought fit and to establish and subscribe to news agencies;

m) to carry out research and development work in relation to any technology relevant to the objects of the Corporation and to acquire, by operation of law, registration, purchase, assignment, licence or otherwise, copyright and designs, trademarks, trade names and any other intellectual, industrial and commercial property rights;

n) to nurture South African talent and train people in production skills and carry out research and development for the benefit of audiences;

o) to develop, produce, manufacture, purchase, acquire, use, display, sell, rent or dispose of sound recordings and films and materials and apparatus for use in connection with such sound recordings and films; and

p) to develop and extend the services of the Corporation beyond the borders of South Africa.

In executing its mandate, the SABC is also guided, among others, by the:

• Public Finance Management Act (PFMA), 1999 as amended;
• Companies Act of South Africa;
• King Code on Corporate Governance for South Africa; and
• South African National Treasury Regulations.
The Board of Directors is pleased to present the 75th Annual Report of the South African Broadcasting Corporation (SOC) Limited (SABC) for the financial year ended 31 March 2012.

The annual financial statements comprise the consolidated annual financial statements of the Corporation and its subsidiaries, (together referred to as the group), for the year ended 31 March 2012.

These annual financial statements are presented in accordance with the Companies Act of South Africa, the Broadcasting Act, No. 4 of 1999, the Public Finance Management Act, No.1 of 1999 and in accordance with the International Financial Reporting Standards.

It is important to register that the current Board of the SABC assumed their fiduciary duties at the Public Broadcaster on 10 January 2010. The Interim Board had just been granted, by National Treasury, a Government Guarantee for R1.473 billion in order for the Corporation to trade itself out of a deficit of more than R1 billion. This helped the Corporation continue as a going concern. In the words of the Minister of Finance, this Government Guarantee was in recognition of the SABC's role as a public broadcaster and its continued strategic importance to the South African Government and the people of South Africa. The Government was committed to supporting the SABC in resolving its financial crisis.

The Directors, together with management, remain critically aware of the need to eliminate those actions and omissions which led to the financial crisis of 2009 and continue, with great vigilance, to ensure that the lapses of the past do not occur in the future. The Board will continue to ensure that the following, among other things, are achieved:

- that corporate governance is restored and maintained at the SABC;
- to fulfil our public service mandate and to provide the South African public with entertaining, informative and high quality local content;
- that financial and internal controls and risk mitigation measures are entrenched and maintained;
- that the culture of fruitless and wasteful expenditure is totally eradicated within the Corporation;
- that the cost-to-income ratio is reversed: cost growth has far outpaced revenue growth; and
- that content procurement practices are aligned to the attraction of advertising spend.

The Board continues to address all the Government Guarantee Conditions through its Turnaround Strategy for the Corporation, which was agreed in June 2010.

The Current Year Under Review

2011/12 has been both a challenging as well as a rewarding year for all of us at the SABC. We have progressed well with the second phase of our approved Turnaround Strategy:

- the SABC, as a Corporation, has regained stability;
- prudence in spending, cost reduction and, most importantly, the implementation of strict financial and internal controls – all these have begun to yield healthy financial returns, with significant savings being realised; and
- crucially, the foundation has been laid for the Corporation to continue to move towards meeting the Government Guarantee Conditions and Targets.
During this fiscal, the Board of the SABC made two significant appointments – that of the Group Chief Executive and that of the Chief Financial Officer. It is the expectation of all Directors and staff that both these appointments will guide the Corporation to greater achievement and sustainability.

**Commercial Enterprises (Group Sales)**

Group Sales closed the 2011/12 fiscal on a high note in terms of revenue performance. Provisional figures showed an over-performance of more than R300 million for the year. This notable achievement resulted mainly from the better-than-expected performance of classic advertising on both radio and television.

The establishment of the Advertising Industry/SABC Forum in June 2010 went a long way towards repairing relationships and restoring the integrity of the SABC in the marketplace. The SABC Executive Management, the Advertising Industry Forum and Board Member, Clare O’Neil, meet on a regular basis in order to give assurance to advertiser investments. This has been one of the success stories premised on the Board’s strategy, which comprises seven pillars.

**Programming**

For the first time in more than two years the Public Broadcasting Service (PBS) and the Public Commercial Service (PCS) sub-committees convened a Programming Summit for both TV and Radio, where a medium-term cycle of content was planned for a three-year period. This allows the Board oversight on the quality of programming with a view to increasing audiences and thus advertising revenues, meeting the public service mandate, and encouraging more local content.

The SABC has, also for the first time in more than two years, issued a Request for Proposals book, valued at R133 million, to the local production industry. In this way, we hope to provide fresh and innovative local content on our screens and airwaves.

The Executive Management has also focused on aligning content across channels to ensure that our audiences are better served with a wider choice of programmes.

**The Seven Pillars**

**A. Pillar 1: Programming, Quality, Purchasing and Commissioning** - The pillar speaks to audience delivery and audience targets - the television audience target is 60%. The pillar also speaks to revenue achieved against increased audiences, as well as to new audiences through robust marketing campaigns.

In addition it lays emphasis on the securing of adequate funding for our migration to digital terrestrial television (DTT).

**B. Pillar 2: Platform Management** - This pillar speaks to the 24-hour news channel and to the technology infrastructure upgrade, which is the enabling requirement. It also speaks to universal access at the centre of which is the roll-out of 300 low-power transmitters.

It calls for urgent editorial policy review in preparation for the launch of six new digital television channels.

**C. Pillar 3: News** - This Pillar provides distinctive public service broadcasting through compelling, credible and independent national news that is regionally focused and international news from an African perspective.

**D. Pillar 4: Governance** - This pillar speaks to monthly management reports and updates on the status of the government guarantee. This demands effective leadership and monitoring of performance throughout the Corporation. Essentially, it is all about progress in the Turnaround Strategy.

**E. Pillar 5: People** - Essentially this is about the skills audit and ensuring a structure fit for the Corporation. It envisages rigorous performance planning and performance management, accompanied by quarterly performance evaluations.

It also speaks to succession planning and development of the SABC people and it requires strategic leadership.

**F. Pillar 6: Financial Health** - This speaks to enhanced revenues as well as to the risk to business when audiences begin to decline. It calls for effective risk mitigation strategies.

**G. Pillar 7: Stakeholder Management** - This pillar ensures that the SABC is positioned as a reputable Corporation, an employer of choice, and a trusted business and social partner, which enjoys respect and support from its internal and external stakeholders by giving positive views about the Corporation.

**Looking Forward to the Next Fiscal**

The SABC has a duty to bring the advantages of the digital age to all licence fee payers. This is clearly outlined by the Government of South Africa through our Shareholder, the Department of Communications.

The imminent launch of the DTT Channels in the coming year will signal our intent to deliver against this mandate. However, the huge capital and operational expenditure requirements related to this project, which is of national importance, will place strain on our operating cash flows. Hence we must embark on this project whilst remaining within budget and adhering to good corporate governance; and following the guidelines contained in the Delegation of Authority Framework regarding policy formulation and the relevant approval processes.

Considering the aforesaid, on a review of the financial statements, it is clear that the assets exceed the liabilities which is but one indicator of the financial health of the company. Along with being cash positive in the current fiscal, the company has also generated a profit for the first time in a number of years. The forecasts for our cash flows for the next fiscal are a net cash inflow. All these are reflective of our ability to meet our financial obligations from a going concern perspective.

I would like to take this opportunity to thank my fellow Board members; the Parliament Portfolio Committee on Communication, the Shareholder, the National Treasury and, most importantly, the women and men of the SABC who always make sure that the Corporation continues to function despite all the daily challenges they experience.

Dr. B S Ngubane
*Chairman of the SABC Board*
All governance in the SABC is ultimately under the auspices of the Corporation’s Board of Directors. The Board is constituted and operates in accordance with the Broadcasting Act, the structures dictated by the Corporation’s Memorandum of Incorporation, the Board Charter and the Shareholder Compact.

1. Dr Ben Ngubane - Chairperson

Having worked in various leadership positions, both locally and internationally, Dr Ben Ngubane is mostly recognised for his political roles where he served as Premier of KwaZulu-Natal, as MEC of Health in the KZN Provincial Government and as National Minister for Arts, Culture, Science and Technology. An academic with outstanding qualifications in the fields of medicine and health, Dr Ngubane is a graduate of institutions such as the University of London, Durban Medical School and the University of the Witwatersrand. Formerly South Africa’s Ambassador to Japan, Dr Ngubane is well-travelled. As a member of the SA Red Cross Society since 1977, he has represented the Organisation in international congresses in the USA and elsewhere. Dr Ngubane has taught Latin at St Francis College and is a member of the University of Zululand Council. He has delivered the Lord Zuckerman Lecture to the Royal Society in London on the subject: Future Directions for South African Science and Technology.

A family man who is married with four children, Dr Ngubane is a Board member of the National Committee for the Rights of Children, of the Community Based Development Programme, of the Grassroots Early Childhood Education Project and of the Community Peace Foundation. He has served as Chairman of the Commonwealth Science Council and as Chairman of the ComNet of IT for Development.

2. Mr Thami ka Plaatjie - Deputy Chairperson

Mr Thami ka Plaatjie has dedicated a large part of his life to political and social activism, academia and community service. He started his career serving as a Campus Registrar at the University of Vista in Sebokeng, where he read for his BA Degree, for Honours and for the University Education Diploma. Subsequently, he read for a Masters Degree at the University of Johannesburg. Mr Ka Plaatjie also lectured History for 5 years at Vista University’s Mamelodi, Daveyton and Sebokeng Campuses.

From 2000 to 2003, he served as the Pan African Congress’s (PAC’s) Secretary General, where he was responsible for, among others, the repatriation of archival material from exile and its safe storage at Fort Hare’s Centre for Historical Papers (NAHECS) where ANC and PAC material is stored.

Mr ka Plaatjie went on to serve as Director: Policy and Strategy, at the National Development Agency between 2003-2005. In 2006 he was commissioned by former State President Thabo Mbeki to be part of the National History Project under the aegis of the South Africa Education Democracy Trust (SADET) that was tasked with writing and re-writing the history of the liberation movements from 1960 – 1990. From 2008 to 2009, he served as the Director of the Pan African Movement (PAM). Mr ka Plaatjie served in the Dinokeng National Scenario Planning team funded by Old Mutual and convened by Dr Mamphele Ramphele, Bishop Njongonkulu Ndungane and Vincent Maphai.

He has an extensive list of published works which include articles in periodicals and contributions in at least 6 books. He has also presented numerous papers at local and international conferences on wide-ranging socio-political topics. Mr Ka Plaatjie owns a publishing company. He is currently a director of the Pan African Foundation: A Research and Community Development NGO, and is working...
on the biography of the PAC’s founder, Robert Sobukwe. He currently serves on the AGRI Seta Board.

3. Mr Sembie Danana - (appointed 3 June 2011)

Mr Sembie Danana started his career as a lecturer at the then University of Transkei. From there he went on to work in various industries, which included working for different companies in various management and executive management capacities. He was PR Manager for the Transkei Development Corporation and worked at the Transkei Airways Corporation. He went on to work in construction, mining and FMCG. He has held Board positions at the International Council for Aviation, Petronet, Tshwane University of Technology, Ezulwini Mining, and World’s View Consulting.

Mr Danana holds a Bachelor of Journalism and BA (Honours) degree from Rhodes University, and an MBA from the Roosevelt University in Chicago. He brings this broad industry experience to the SABC Board.

4. Mr Cedric Gina

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


Mr Gina has also written extensively for various labour bulletins. He was part of South Africa’s Observer Mission in the historic democratic elections in the Democratic Republic of Congo and has addressed many international labour conferences on behalf of the African continent.

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

5. Mr Desmond Golding

Mr Desmond Golding commands extensive skills in economics, finance, investments and strategy, owing to his senior positions in the banking sector and government, his senior academia in economics and financial law at Harvard University and University of London.

He has read for:
- Masters of Law (Banking and Finance), University of London, England;
- Masters of Global Relations, Wits University (distinctions in International Economic Systems; and Foreign Relations);
- Finance for Senior Executives, Harvard Business School, Boston, USA;
- US Monetary Policy, Federal Reserve Bank of New York, USA;
- Risk Management, NM Rothchild, London;
- Completing his PhD on Central banking and Financial Markets Reform.

Mr Golding has worked as a Director, Credit Policy and Governance at Standard Bank; Group Credit Officer at Investec Bank Limited; Senior Manager for Strategy at the SA Reserve Bank (Office of the Governor).

Mr Golding also served as Private Secretary to the then Minister of Labour Tito Mboweni; Senior Researcher/Deputy Head for the African National Congress Parliamentary Research Unit; Head of 2010 World Cup in Mpumalanga Province; and Special Advisor to Minister of Public Works, and Sports and Recreation respectively.

Mr Golding was awarded the prestigious Nelson Mandela Scholarship for leadership to study in the UK in 1999 and he is a Mandela Scholar.

He has a deep understanding of international financial markets, and has lectured part-time at Unisa (CARS) - Trade, Investment and Monetary Law. He sits in the Economic Transformation Committee (ETC) of the ANC and is a member of the Panel of Progressive Economists for Cosatu.

Mr Golding has vast knowledge of corporate governance, turnaround, and technical areas such as audit and public finance, as he, among others, chairs the Audit Committee at the SABC, and was also the Deputy Chair of the Board of Ithala Financial
Mr Golding has published extensively in such areas as economic transformation, banking reforms, rating agencies, central banking, new global economic realignment and currency wars, nationalisation etc.

Mr Golding is a fervent reader, loves his family and martial arts (karate).

6. Prof Philippa Green

Currently Head of the Journalism Programme, University of Pretoria, Prof Green is one of the most renowned award-winning journalists with a wide range of experience in both print and broadcast media.

She has been a writer and editor of many local and internationally reputable newspapers, magazines and journals as well as editing and managing the SABC Radio News Department. Some of the publications under her name include: Choice; Not Fate: The Life and Times of Trevor Manuel; articles in Changing the Fourth Estate; Essays on South African Journalism, Black, White and Grey South African Children in Detention (Ed), and Summary of the Wiehahn Commission into Labour Legislation (co-author). Her most recent work includes publications in The Role of the Media in a New Democracy in Lloyd, John and Winter: Janice: Media, Politics and the Public (Axel and Margaret Ax: son Johnson Foundation, Stockholm, 2011) and Trevor Manuel and the Liberation of Nelson Mandela in McPhee, John and Rigolot, Carol: The Princeton Reader (Princeton University Press, 2010).

A former member and Chairperson of SA Nieman Fellow Selection Committee, Prof Green was a member of numerous committees (including the SA National Editors’ Forum) and has excelled in many media awards. She was a visiting scholar at the Institute of African Studies in Columbia University, New York and Specialist Trainer in a newspaper in Nigeria, and a visiting Ferris Professor of Journalism at the Council of the Humanities, Princeton University.

Her participation in various spheres of society has seen her on many judging panels for awards in journalism.

Prof Green holds a BA (Hons) degree in Economic History and MSc in Journalism from the Graduate School of Journalism, Columbia University, New York City.

7. Mr Peter Harris (resigned 30 June 2011)

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

Mr Harris practised law for many years and was Co-Founder and Managing Partner of Cheadle Thompson & Haysom. His professional experience ranges from being the Director of Programmes of the International Institute for Democracy and Electoral Assistance in Stockholm, where he was responsible for all electoral and conflict resolution programmes worldwide, to being Chief Director of the Monitoring Directorate of the Independent Electoral Commission of South Africa in 1994 (secondment). In April 1993, he was Director of the Wits/Vaal region of the National Peace Accord (secondment).

Mr Harris continues to advise government and corporates at senior levels and is an operations consultant to the United Nations (UN). He has represented the UN in Mexico, Haiti, Guyana and other countries. He is the editor of the publication “Democracy and Deep Rooted Conflict: Options for Negotiators”, foreword by the former Secretary General of the United Nations Mr Kofi Anan (1998), Mr Harris is the author of the prize-winning book “In a Different Time: The Inside Story of the Delmas Four”.

Mr Harris holds BA and LLB degrees from Rhodes University and an LLM from Warwick University in the UK.

8. Adv Cawe Mahlathi

Adv Cawe Mahlathi is the Founder and Chairman of Sebilo Resources, a private limited company trading in mineral resources, semi- and precious stones. Prior to starting her company Adv Mahlathi was the CEO of Gauteng Tourism Authority (GTA).

She started her career at the Ministry of Justice in Zimbabwe; she then joined Borden Inc. in Columbus, Ohio, as an associate. Later on she joined IBM’s Marketing Division in New York, also in an associate capacity. She was admitted as an Advocate in the TPD and worked in the legal/regulatory divisions of the private sector companies she worked at, first with IBM (South Africa), then M-Net, as Executive Director: Corporate Affairs.

She was later appointed CEO of BOP Broadcasting Corporation, and thereafter worked with Gobodo Forensic Investigation. She regularly participates in forensic investigations in various municipalities and is occasionally appointed to chair disciplinary hearings and arbitrations.
Among others she has been advisor to former state President Nelson Mandela on the formation of the Censorship Board, and was also Advisor to the former Ministers of Communications Mr Jay Naidoo, and the late Dr Matsepe Cassaburri. She also served in former Communications Minister, General Siphiwe Nyanda’s Digital Dzonga Forum.

Adv Mahlathi is President of the Constitutional Committee of National African Federation of Chambers of Commerce (NAFCOC), and a Director of Colliers International Property Management Consultants (SA).

Adv Cawe Mahlati holds an LLB, MA (International Law and Diplomacy) from the Diplomatic Academy in Vienna, Austria.

9. Dr Patricia Makhesha (appointed 3 June 2011)

Dr Patricia Makhesha has professional experience in various transformation, change management, and communication fields spanning almost 20 years. Her work entailed the development and implementation of strategies in various capacities.

Dr Makhesha worked for the South African Air Force as a Public Relations Practitioner and for the SABC as a journalist. She belongs to the Prestigious Women’s Room and Young Women’s Academy. She won the Women in Water Award for 2005 in the category of Policy and Management and was the youngest member of the Rand Water Board and Trans Caledon Tunnel Authority (TCTA), CIDB and NFVF.

Dr Makhesha holds a doctorate degree and an MBA in Strategy from the MU Business School, a National Diploma in Public Relations Management from Technikon SA, and has completed various Executive Programmes from Harvard, Wits and UCT Business Schools.

She currently runs her own business, MMMS Consulting, and has prior experience in transformation and human capital and BBBEE policy development and monitoring, as well as having been Group Corporate Development Manager at Global Forest Products and Manager of Marketing and Communication at the ABSA Group.

10. Mr Clifford Motsepe (resigned April 2012)

Mr Motsepe is currently the MEC of the Department for Co-operative Governance, Human Settlements and Traditional Affairs

Mr Motsepe qualified as an attorney in 2000 and specialised in commercial, civil and labour litigation. He has vast experience in the public sector having served as the Municipal Manager of Waterberg District Municipality in Limpopo and as acting Deputy Director General in the office of the Premier in Limpopo, responsible for Planning and Policy Co-ordination. He is the former Head of Department of Local Government and Housing in Limpopo Province and served on the National Executive Committee of the African National Congress Youth League.

Mr Motsepe holds B Proc and LLB degrees from the University of Limpopo and a variety of management certificates from Duke University in the USA and the UNISA School of Business Leadership.

11. Mr Lumko Mtimde (appointed 3 June 2011)

Mr Lumko Mtimde is the current CEO of the Media Development and Diversity Agency (MDDA). He has served the Independent Broadcasting Authority (IBA) as a Councillor and served as a General Manager/Chief Director (Broadcasting Policy) at the Department of Communications. In 2002 he was appointed to serve ICASA as a Councillor.

Mr Mtimde has extensive experience in media and broadcast industry in South Africa, Africa and Internationally. He currently holds positions on the World Summit Awards (WSA) Board (based in Austria) and other boards in South Africa dealing with information and communication technology, education and with journalism. In addition, he is one of the High Level Panel of Advisors of the Global Alliance for ICT and Development (GAID), launched by former Secretary General of the United Nations, Mr Kofi Annan in March 2006, as nominated by the WSA Board. In 2011, he served as a Judge for the prestigious Most Influential Women in Business and Government Awards (MIW) held by CEO Communications and also serves on the Boards of MICTSETA and of ECITI.

Mr Mtimde’s qualifications include a BSc. degree in Physiology and Biochemistry, a Postgraduate Diploma in Telecommunications and Information Policy. He completed the Executive Development Programme through NetTel@ Africa (LTA, Lesotho), a 3 Day MBA in Leadership at Terrapin Training and Strategic Leadership Academy (Regal Exchange, UK).

12. Ms Clare O’Neil

Ms O’Neil has a long-standing career in the media, in marketing and in advertising that spans more than 30 years, during which time she received extensive training both locally and abroad. Her career took her to the Argus Group as a media analyst and to various advertising agencies.

She has been M-Net’s Marketing Services Manager and the General Manager of Marketing at the group’s advertising sales house, Oracle Airtime Sales.
At Midi Consortium she was one of the people who helped set up the eTV’s channel in her role as Commercial Sales Director. She went on to become the Managing Director of the media agency, Initiative Media, before joining the SABC as General Manager: TV Sales in 2001. During her term at the SABC, the SABC TV Sales Division won two awards for Top Sales and Marketing Team from both Unilever and South African Breweries.

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

Ms O’Neil has won media awards e.g. the AMF Media Innovator of the Year Award for her work on the media research project, ConsumerScope and she has mentored and trained many people in the media and advertising industries.

In 2011, Ms O’Neil became an NAB representative on the SAARF (South African Advertising Research Foundation) Board and, in May 2012, was appointed Chairperson of the SAARF Board.

13. Ms Suzanne Vos

Ms Vos served as a Member of Parliament (IFP) between 1994 – 2009, during which time she served as a Member of the Portfolio Committee on Communications, as well as on various other Parliamentary committees. In 2004 she was elected by Parliament to serve as one of five South African MPs in the Pan African Parliament (PAP) and was thereafter elected Rapporteur of the PAP Committee on Transport, Industry, Energy, Science, Technology and Communications. She was the PAP’s Focal Point Rapporteur for ICT.

She is a former journalist who worked for various South African newspapers and in 1982 she was appointed Manager of South African Associated Newspapers, a position she held for two years. Ms Vos immediately thereafter became a research consultant to the then Chief Minister of KwaZulu, Prince Mangosuthu Buthelezi. She represented the Inkatha Freedom Party as a Member of the Executive Committee of the National Peace Accord and as a Member of the National Peace Secretariat. She also served as a delegate at CODESA on the Technical Team on Violence. Ms Vos is a Trustee of the National Peace Accord Trust which provides psycho-social interventions for former combatants.
the National Certificate: Generic Management NQF Level 5 from Prodigy, the Thompson Foundation Certificate in Radio Journalism, the SABC Leadership Development Programme at the Gordon Institute of Business Science from the University of Pretoria, the Analysis of Contemporary Social Issues at the University of the Witwatersrand, the certificate of positive role models awarded by the Free State Youth Commission and the Special Recognition Certificate awarded by the QwaQwa Campus of the University of the North and QwaQwa Community in recognition of Mr Moteoneng’s achievements as a journalist and the service he rendered to the QwaQwa Community for being a role model and source of motivation to the members of the community.

His exceptional abilities in stakeholder management were identified by the Free State provincial government where he worked as a Media Liaison Officer to the MEC for Cooperative Governance and Traditional Affairs. In this role, he served as a critical link between the department and its stakeholders, playing a pivotal role as an advisor to the MEC.

16. Ms Gugu Duda - Chief Financial Officer (CFO)

Ms Duda is currently studying towards a Master of Business Administration at the University of the Witwatersrand. She has previously obtained a post Graduate Diploma in Management from Wits University, a Bachelor of Commerce (Accounting) from Wits University, an Honours Bachelor of Accounting Science (CTA) from UNISA, and an Executive Leadership Development Programme from the University of Stellenbosch Business School.

Ms Duda brought to her position a wealth of financial management expertise gained from work experience in the fields of mining (Anglo Gold Ashanti, Sasol and WIPHOLD) and banking (FirstRand Internet and Telephone Banking). She had particular interest in women’s and community affairs e.g. Global Women’s Economic Forum and she established the Mining Women’s Trust.

Ms Duda served on several boards, notably Astrapak, Adcorp Holdings, ABB South Africa and Ixia Coal. She has also worked on various trusts e.g. Nedbank Eyethu Community Trust, Old Mutual Black Management Incentive Trust, Old Mutual Black Brokers Trust and Mutual and Federal Community Trust.

17. Mr Robin Nicholson - CFO (Acting) (until March 2012)

Mr Nicholson started working at the SABC in 2001. He was responsible for overseeing the finance function of the entire Group, for determining and advising on financial strategy for the Group and for monitoring performance of the Group. This included the Defined Benefit and Medical Plans.

He was required to deliver a financial strategy that would lead to a financially sustainable business model for the Public Broadcaster, based on a mix of licence revenues and advertising funding. This was completed and implemented in 2004. Until June 2005, Mr Nicholson was responsible for the Technology Division, which included the internal production facilities of the SABC.

Mr Nicholson’s formal qualifications include Bachelor of Commerce, Bachelor of Laws, Bachelor of Accounting, all obtained at the University of the Witwatersrand. In 1987, he passed the final qualifying examination for the SA Institute of Chartered Accountants in South Africa (SAICA) and went on to obtain further management and business qualifications.

Mr Nicholson was appointed to the Board of the associated company Medikredit, a pharmaceutical electronic claims processing business, and is active in the field of managed healthcare.

18. Mr Lerato Nage - CFO (until 22 July 2011)

Mr Nage has worked as a trainee accountant, audit supervisor and business development advisory consultant at Gobodo Inc. at their Mafikeng office. He was involved in Local Government audits (Mamusa, Rustenburg, Bophirima Central District Municipality), in social development (Department of Development Local Government and Housing, North West), in Health (North West), in Leisure Tourism, in Education, Safety and Security and in construction.

From 2005 to 2007 Mr Nage worked at SABC as a Financial Accountant (Group Finance). He has worked at Telkom Group SA Limited and from there he moved to Westcon SA (Pty) Ltd as its initial reporting and compliance officer. In 2008 Mr Nage rejoined the SABC as GM Group Finance and was subsequently appointed as the Acting CFO until March 2012. With a positive outlook and analytical approach to his duties he made an invaluable contribution to the SABC Board.

Mr Nage holds a BCompt Accounting from the University of the North West and is currently working on BCompt (Hons) through UNISA. Over the years he has attended many courses in line with continued professional development.
Board Committees

**AUDIT COMMITTEE**

Ensures the adequacy and effectiveness of risk management, internal control systems and the scope of the internal and external audit functions.

Ensures that critical risks are identified and covered in the scope of internal and external auditors.

Ensures integrity of the financial information provided to the Board and that any accounting/auditing issues identified by internal/external audits are brought to the Board’s attention.

Ensures that the SABC complies with all relevant laws and regulations.

Reviews the Annual Financial Statements and recommends them for Board approval.

**FINANCE, INVESTMENT AND PROCUREMENT COMMITTEE**

Evaluates and recommends to the Board the approval of the Corporation’s annual budget.

Evaluates new and existing business opportunities.

Evaluates and advises the Board on all major capital projects.

Advises the Board on the Treasury policy of the SABC.

Advises on the financial aspects of proposed transactions.

Ensures that the Corporation takes steps to collect all revenue due, prevents irregular expenditure, fruitless and wasteful expenditure.

Ensures that the Corporation manages available working capital appropriately.

Recommends the development and approval of policies around financial issues of the Corporation.

Provides oversight of the activities of the Group Bid Adjudication Committee (BAC) and adjudicates tenders, bids and makes recommendations to the Board.

Monitors and ensures that the Corporation strikes a fair balance between advancing the transformation agenda and acquiring goods and services at a competitive price.

Advises the Board and the Corporation generally on Broad Based BEE compliance and sound procurement practices.

**NEWS COMMITTEE**

Ensures that the SABC’s news and current affairs programming promote the values of democracy, non-racism, nation building, and empowerment and are in line with the SABC’s corporate goals.

Assists the Board to determine the editorial direction of the SABC.

Assists the Board to preserve the Corporation’s editorial independence and integrity.

Reviews the editorial policies of the SABC from time to time.

**PUBLIC BROADCASTING SERVICES COMMITTEE**

Ensures that the public broadcasting services provided by the SABC comply with the provisions of Sections 10 and 27 of the Broadcasting Act.

Ensures adequate funding of programmes and platforms.

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Meetings Attended by SABC Board Members from 1 April 2011 to 31 March 2012

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<th>MEETINGS</th>
<th>Board</th>
<th>Special Board</th>
<th>News</th>
<th>PBS/PCS</th>
<th>Audit</th>
<th>Finance Investment &amp; Procurement</th>
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PUBLIC COMMERCIAL SERVICE COMMITTEE

Ensures that the commercial broadcasting services provided by the SABC comply with the provisions of Section 11 of the Broadcasting Act.
Ensures adequate funding of programmes and platforms.

GOVERNANCE, NOMINATIONS AND REMUNERATION COMMITTEE

Recommends policies on remuneration of company directors and senior executives for Board approval.
Determines the parameters of executives’ pay and alignment with performance agreements.
Determines and reviews remuneration and bonuses payable in terms of performance contracts.
Assists in the selection and appointment of senior executives.
Assists in the nomination and recommendation of appointments of Board members for approval by Board and the Minister.
Ensures the annual report includes appropriate disclosure in respect of remuneration issues.

RISK COMMITTEE

Oversees the development and implementation of the risk management framework and relevant policies including the fraud prevention plan.
Oversees the development of a risk management strategy.
Regularly evaluates the status of key risks in the Corporation.
Together with the Audit Committee, reviews the efficiency of the framework of risk management and internal controls.
Assists in the determination of the risk appetite of the Corporation and ensure that the appropriate risk mitigation strategy is in place.

TECHNOLOGY COMMITTEE

Ensures that the SABC employs appropriate technology to enable it to deliver on its mandate.
Ensures that technology in use in the SABC properly supports the Corporation’s strategic objectives.
Oversees the adequacy and suitability of the current disaster recovery plan.
Advises the Tender committee and the Corporation generally on purchasing decisions insofar as they relate to technology acquisitions.

TURNAROUND COMMITTEE

Provides strategic direction and oversight with respect to the implementation of the SABC Turnaround Strategy.
Ensures adherence to the requirements and conditions of the Government Guarantee, whilst driving improvements in the financial health and sustainability of the Corporation.
Provides guidance and strategic advice in repositioning, streamlining and modernizing the Corporation to be successful in the future digital media environment.

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<th>MEETINGS</th>
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<th>Board Induction 1</th>
<th>Board Workshop 1</th>
<th>Board with PCIe 6</th>
<th>AGM &amp; GM 2</th>
<th>Bilateral Meeting 1</th>
<th>Stakeholders Meetings 4</th>
<th>Regional Visits 11</th>
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Activities of the Group Internal Audit

The mandate of the Group Internal Audit is determined in terms of Section 51 of the Public Finance Management Act (PFMA) of 1999 which 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 organisational operations in order to ensure that the Corporation accomplishes its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

In addition to the assurance role as per the approved Internal Audit Charter and as prescribed by the PFMA and Corporate Governance King III, the following are incorporated in the activities of Group Internal Audit:

- investigations of possible misconduct/irregularities; and
- consulting services on corporate governance matters and elements impacting on the control environment.

Group Internal Audit executed its governance role for the Board and Group Executive Management by providing independent assurance on the adequacy and effectiveness of the system of risk management, internal control and governance processes. Group Internal Audit reported, on an ongoing basis from September 2011 onwards, its findings and recommendations to management and provided quarterly reports to the Audit Committee on significant findings. IT governance reviews were also included in the Audit Plan, including assurance around the effectiveness of critical IT controls. This assisted the Corporation to comply with King III requirements around the effective IT structures and governance. Over the years Group Internal Audit has assisted the Corporation to manage the fraud risk exposures by conducting forensic investigations and reporting them to management accordingly.

During the 2011/12 financial year, Group Internal Audit focused primarily on implementing its Turnaround Plan deliverables which were aimed at improving the effectiveness and efficiency of the internal audit function. The following process improvements were implemented:

- the Audit Committee finalised the recruitment process for the vacant position of the Head of Internal Audit (Chief Audit Executive), who was appointed from 1 August 2011;
- the revised Internal Audit Charter and the new Internal Audit Code of Ethics were documented and approved by the Audit Committee;
- in line with good corporate governance and best practice with regards to the effective management of
forensic investigations, Group Internal Audit developed a Forensic Protocol Notification Policy. This was endorsed by the Audit Committee and approved by the Board;

- the Department developed a Risk-Based Integrated Internal Audit Methodology and compiled the Audit Manual;
- the entire Internal Audit team was trained in the new audit methodology with the assistance of a professional auditing firm;
- the Department embarked on the supplementary risk assessments which culminated in the formulation of the Internal Audit Risk-Based Three-Year Rolling Plan, the Annual Operational Audit Plan and the Combined Assurance Plan. These were approved by the Audit Committee; and
- the Department established the new role of Quality Assurance and Improvement as required by the International Standards for the Professional Practice of Internal Auditing. This function started operating from 1 April 2012.

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

Group Internal Audit conducted systematic and objective appraisals to provide independent assurance on the adequacy and effectiveness of internal controls based on the audit coverage from the approved 2011/12 Annual Audit Plan.

The report of the results of the individual audit assessments with audit findings and recommendations were communicated to management, who undertook appropriate corrective actions to address the control deficiencies. Sufficient and appropriate audit procedures have been conducted to support the audit findings and the conclusions reached. The conclusions were based on a comparison of the audit information and situations, as they existed at the time, against the audit criteria. The conclusions are applicable only to the focus areas examined.

In our opinion, we found that the internal controls over the various focus areas were partially ineffective and required attention for improvement. Management has already taken concrete steps to address the control environment, and notable from management endeavors are the review and update of the SABC Policies and Standard Operating Procedures.

**RISK MANAGEMENT**

A formal and systematic approach to managing risk has been implemented in the SABC during the year under review. The tone at the top indicates a drive towards transparency, openness and commitment to continuous improvement, hence the Board’s approval of the Whistle-blowing Policy.

To operationalise risk management principles every executive decision requires a thorough risk analysis; further, the SABC has implemented a risk management tool in line with the newly implemented SABC risk management framework.

This tool has enabled the Division to standardise and unify the risk management language and a consistent application of the risk management processes across the Corporation.

The Risk & Governance Department has facilitated divisional and provincial risk assessments which supplement the previous year’s strategic risk registers.

**Compliance and Monitoring**

The SABC management has adopted a consolidated and integrated approach to Compliance and Monitoring which has led to the appointment of a Head of Compliance. Part of this role is to ensure that the SABC complies with laws and legislation. The compliance function is one of the critical pillars of the combined assurance framework.

To ensure that the matters previously reported by the Auditor General of South Africa (AGSA) and the Special Investigations Unit (SIU) are addressed; the Board appointed an Interim Task Team. During the year under review the Task Team has assisted management in resolving at least 70% of issues that were reported on. Some of these included improvements in policies and controls, and the execution of disciplinary action where relevant. The Corporation will continue with the monitoring of criminal cases currently in progress.

*The Risk Management team at the SABC.*
The 2011/12 financial year was significant for the South African Broadcasting Corporation (SABC) for a number of reasons. The year marked the 75th anniversary of the SABC in broadcasting. It was also a year that saw us consolidate most of our efforts from the last three years of turning the Corporation around.

Our 75th anniversary comes at a time when the Corporation is undergoing an organisational renewal as it gears itself for the next 75 years. This milestone gave us an opportunity to reflect on the past 75 years with a view to building on our strengths and achievements over the years and making improvements where appropriate.

**Broadcasting For Total Citizen Empowerment**

The year under review saw South Africans exercise their democratic right by participating in the 2011 Local Government Elections. As is the norm, the SABC pulled out all the stops in ensuring that no part of the country was left uncovered. Through its multiple platforms the SABC carried a variety of programming aimed at educating, informing and facilitating discussions around the Local Government Elections in a manner that ensured accessibility to all citizens.

The SABC was also the host broadcaster of one of the biggest international conferences ever organised on our soil, the 17th Session of the Conference of the Parties of the United Nations Framework Convention on Climate Change and the Seventh Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP 17). The conference was broadcast live from Durban and the SABC provided live feed to many other countries covering the conference.

The SABC forged partnerships with government on a number of initiatives including partnerships with the Government Communications and Information System (GCIS) to assist SABC programming and news staff to understand the South African Government policy on environment, as part of preparations for the COP 17 environment conference held in late 2011, and with the Department of International Relations.

Generally the Corporation was able to comply with most of its licence conditions as set out by the Independent Communications Authority of South Africa (ICASA). The broadcast of the Local Government Elections, the Rugby World Cup and the African Cup of Nations football tournament made this an extraordinary year for the SABC, which meant the SABC would not be able to meet some of its licence conditions as a result. In anticipation of this, the SABC had duly applied to ICASA for exemptions from complying with the licence conditions during the broadcast of the above listed events, which exemption was granted.

**Preparing for the Future**

In February 2012, the Minister of Communications issued an amended policy on digital migration for South Africa.
The year under review saw the broadcaster fine-tuning its preparation for its digital migration process which include the envisaged launch of the Digital Terrestrial Television (DTT) platform in the 3rd quarter of the coming financial year. Key to this will be the launch of the 24-hour News Channel that will see the SABC being able to offer a broader diversity of views and news programming as never before.

The SABC also undertook an extensive skills audit that will help us to evaluate our skills base against the requirements of a new digital era and ensure that it has the right set of skills to match the new digital environment it will be operating in.

Investing in Digital Infrastructure and Technology

In order to achieve the SABC mandated objectives and remain sustainable in the long-term, the Corporation has pursued the following:

- developing efficient ways of working with digital technology; and
- implementation of mechanisms to ensure long-term protection of critical audio-visual assets.

Since the multi-year Technology Plan was approved, National Treasury has injected funds totaling R850m into the SABC. Of this amount, R104.4m was paid over to SARS in the form of output VAT, leaving R745.6m for spending on broadcast infrastructure as part of the digital migration. As at 31 March 2012, 68 projects had been completed at a cost of R569.3m, and six projects had been approved of which four were in progress with expenditure amounting to R34.7m. The unspent balance of R141.6m is the subject of a rollover request that was submitted to the Department of Communication on 20 April 2012.

The large projects still to be implemented from the Technology Roadmap are the following:

- storage area network;
- digital playout centre;
- digital library; and
- Auckland Park television production studio upgrades.

Strengthening Our Relationships

The year under review saw the SABC enter into valuable partnerships that will stand the Corporation in good stead going forward. One of these was the signing of an historic three-year broadcasting rights agreement with the South African Football Association (SAFA), which conferred all broadcasting rights for Bafana Bafana home games to the SABC. For away games, the SABC also entered into a three-year broadcasting rights agreement with French company SportFive, which holds the rights.

Broadcasting sports rights are a highly valuable commodity and with these agreements in place the SABC will be able to maximise all possible revenue opportunities that can be derived from them.

Among some of our achievements, there was an understanding reached between organised labour and the Corporation for the establishment of a performance driven culture. This should lead to improved organisational performance and operational efficiencies.

The Corporation, in partnership with the Department of Communications and Sentech, continued its drive of erecting low-power transmitters across the country, which has seen previously excluded communities such as Van Zylsrus in the Northern Cape, Memel, Hobhouse and Paul Roux in the Free State having, for the first time, access to SABC services.

Class-leading Programming

The Corporation continued to commission and produce award-winning and globally recognised programmes across its platforms. Most SABC programmes continued to do well against their peers in the free-to-air television space. Its signature shows, such as ‘Generations’ and ‘Muvhango’, continued to top the audience ratings (ARs) as they have over the past several years, with both shows reaching 23.4 and 11.4 ARs, gaining access to 6.2 and 3.2 million households, respectively, during the year under review.

The declining trend in Audience Share continues to be a concern for the Corporation, particularly taking into consideration the imminent launch of DTT that will result in increased competition in Terrestrial Broadcasting space. To curb this trend the SABC issued an RFP Book to the value of R130m in November 2011 which will go a long way to improving the content offering on our television network. This investment is intended to improve Audience Performance and meet the targets set in the Government Guarantee.

Financial Overview

I am pleased to report that the Corporation has been able to meet the majority of its set turnaround targets. In 2010, the Corporation received a R1.4 billion Government Guarantee (GG) to assist it in turning the Corporation around. The Corporation was able to secure a R1 billion long-term loan from financiers Nedbank against this guarantee. By the end of the 2011/12 financial year, the Corporation had accelerated the repayment of the R1 billion and significantly reduced the interest payments.

On a consolidated level, the SABC’s net profit exceeded the GG target, achieving a strong bottom line of R343 million against the target of R228 million. This is a remarkable turnaround for the Corporation as it had posted a loss of 129 million in the 2010/2011 financial year. One of the positive contributors to improved net profit is the increase...
in Advertising Revenue against GG targets. The television channels have maintained stable schedules and attained the targets set in the GG during both prime time and performance period, which has assisted the Corporation to improve advertising revenues. This however has been offset by declining Sponsorship Revenue which remains an area of focus for the Corporation.

Over this past financial year great progress was made with reducing costs, which further improved the bottom line especially through managing reduced impairments as well as through more focused management of Sport costs. One of the challenges remains the escalating people management costs: although there was a 10% reduction in headcount, the employee costs increased as a result of the post-retirement medical and pension benefits obligations.

The Corporation will continue to focus on its goals as set out in its 2012-2015 Corporate Plan without compromising on any of its set objectives and licence conditions. Strict adherence to corporate governance rules will remain our guiding principle.

Internal Control Environment

The SABC had the misfortune of receiving yet another Audit qualification in the Annual Financial Statements for the financial year 2011/12 as a result of the poor control environment. As an Corporation we continue to put maximum effort into improving the control environment through key interventions as follows:

- policy reviews;
- business process re-engineering;
- embedding Risk and Compliance in business processes and decision making; and
- filling of key vacant positions.

Looking Ahead

The year ahead will see the final preparations and eventual launch of the SABC’s DTT platforms, which should usher in a whole new broadcasting environment for the SABC. Our commitment to the principle of Universal Access remains steadfast and the coming year will see a further roll-out of low-power transmitters and the FM transmitter expansion programme will remain on course as we roll-out our DTT project.

I would like to take this opportunity to thank all the staff members who have ensured that we continue to remain on-air, even under the most trying circumstances and, most importantly, that we continue to provide programming that draws audiences to our platforms, earning our Corporation well-deserved industry accolades and recognition. As it moves into the digital era the SABC will continue to rely on the same level of commitment and dedication that you’ve demonstrated over the years, to deliver a broadcast service that informs, educates and entertains. I would also like to thank the former acting CEOs, Mr Robin Nicholson, Mr Phil Molefe as well as the Acting CFO, Mr Lerato Nage for their sterling work ensuring that our ship remains afloat under very difficult circumstances during their acting periods.

A heartfelt thank you to my fellow Group Executive members, the Board and the Shareholder, for the support they have given me and the confidence they have shown in me to steer this ship out of the treacherous waters it has found itself in over the past few years, and to safely deliver it into a new digital age.

Ms. L P Mokhobo
Group Chief Executive Officer
Lulama Mokhobo  
Group Chief Executive Officer

Hlaudi Motsoeneng  
Acting Chief Operations Officer

Gugu Duda  
Chief Financial Officer

Thabiso Lesala  
Group Executive: Human Capital Services

Verona Duwarkah  
Acting Group Executive: Television

Jimi Mathews  
Acting Group Executive: News

Sipho Masinga  
Acting Chief Technology Officer

Sizwe Nzimande  
Acting Group Executive: Sport

Anton Heunis  
Group Executive: Commercial Enterprises

Theresa Geldenhuys  
Company Secretary

Lorraine Francois  
Chief Audit Executive

Thabang Mathibe  
Acting Group Executive: Legal and Regulatory Affairs

Sully Motsweni  
Acting Group Executive: Risk Management

Leslie Ntloko  
Acting Group Executive: Radio

Dudu Mwelase  
Acting Group Executive: Stakeholder Relations and Provinces

Leslie Ntloko  
Acting Group Executive: Radio

Sizwe Nzimande  
Acting Group Executive: Sport

Theresa Geldenhuys  
Company Secretary

Anton Heunis  
Group Executive: Commercial Enterprises

Sully Motsweni  
Acting Group Executive: Risk Management

Leslie Ntloko  
Acting Group Executive: Radio

Dudu Mwelase  
Acting Group Executive: Stakeholder Relations and Provinces

South African Broadcasting Corporation [SOC] Ltd
The SABC’s Provincial offices serve as the local SABC base for the broadcaster, allowing the SABC immediate access to relevant provincial news, information and understanding, while at the same time giving regional stakeholders immediate access to the services of the broader SABC.

Structured in a manner which mirrors the national Head Office in terms of its operations, Provinces bring relevance and local feel in news, programming, and general life and culture of people in different geographical areas across the country. Stakeholder needs are substantively addressed through SABC services in the Provinces, providing communities with an opportunity to touch and feel the SABC.

Among other key functions Provincial offices also play host to the majority of the SABC’s PBS Radio stations, providing technical and operational platforms for the stations, as well as providing for an extended news-gathering operation. Around 83% of news content is generated from the Provinces.

More than any other function, Provinces play a crucial role in the coverage of provincial news, ensuring in-depth news coverage and attention for even the most remote areas of the country. Of the 18 SABC Radio Stations, 12 (66%) are based outside of Gauteng.

The Provinces also serve as important revenue-generating points for the SABC. TV licence fees are collected through the offices and marketing exercises that Audience Services initiate are effectively supported. Provincial offices are used for liaising with major businesses and industries that support Radio and TV Advertising sales in all corners of South Africa.

Access to SABC services are enhanced through the provincial offices, and the Provinces are acknowledged as important communication hubs both centrally and in the remotest areas of South Africa.

The SABC’s drive towards total citizen empowerment is spread throughout the country by the Provinces. Nation-building activities are enhanced and supported by the provincial offices, that initiate many SABC CSI activities to make a real difference in the lives of those who are less fortunate.
Provincial General Managers

Ms. Nada Wotshele  
*WESTERN CAPE*

Mr. Zola Yeye  
*EASTERN CAPE*

Ms. Zamambo Mkize  
*KWAZULU NATAL*

Mr. Victor Ravhuanzwo  
*LIMPOPO*

Mr. Quinton Lenyai  
*MPUMALANGA*

Mr. Alwyn Kloppers  
*HATFIELD AND GAUTENG*

Mr. Vincent Tsoenyane  
*FREE STATE AND NORTHERN CAPE*

Mr. Tlotlo Seru  
*NORTH WEST*
The Year Under Review

“The SABC has achieved a remarkable profit turnaround, with strong emphasis on governance, revenue growth, cost reduction and profit maximisation. The country’s imperative to launch Digital Terrestrial Television (DTT) has enabled us to create an innovative business model to invest over R3 billion in DTT infrastructure and local content for job creation over the next three years”

FINANCIAL HIGHLIGHTS

Notable Successes

- 7% increase in revenue to R5,612 billion;
- 2% reduction in operating expenditure to R5,243 billion;
- R343 million net profit achieved against the Government Guarantee profit target of R228 million; and
- Cash and cash equivalents increased to R218 million (FY 2011: R109 million).

Revenue

Revenue for the year ended 31 March 2012 increased by 7.3% to R5,6 billion (2011: R5,2 billion), primarily due to a 15%, increase in classical advertising to R4 billion (2011: R3,5 billion). Classical advertising (Radio and Television) is still the dominant contributors of revenue despite the challenging market conditions in the advertising industry. Sponsorship revenue continued to decline by 25% to R361 million post 2010 World Cup hype (2011: R484 million). The significant challenges are due to escalating rights costs and competitive sponsorship market conditions. Licence fees increased by 2% to R893 million (2011: R872 million); the increase is attributed to the efficient collection processes implemented by the SABC. The SABC also managed to reach a R1 billion mark in cash collection on license fees; this is the “first” significant milestone in the history of the Corporation.

Three-year Revenue Trend

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>3,041,744,000</td>
<td>3,389,750,000</td>
<td>2,897,700,000</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>2,441,070,000</td>
<td>2,153,910,000</td>
<td>2,043,324,000</td>
</tr>
<tr>
<td>Licence Fees</td>
<td>893,659,000</td>
<td>872,659,000</td>
<td>860,175,000</td>
</tr>
<tr>
<td>Other Revenues and Income</td>
<td>199,564,000</td>
<td>432,740,000</td>
<td>452,975,000</td>
</tr>
</tbody>
</table>

On a consolidated level, the SABC’s Net Profit Exceeded the Government Guarantee Target.
Operating Expenditure

Operating expenditure for the year ended 31 March 2012 decreased by 2% to R5,2 billion (FY 2011: R5,3 billion). Employee costs increased by 8% largely due to increased costs of post retirement pension and medical aid benefits. Amortisation and impairment rights decreased by 18% to R1,3 billion (FY2011: R1,7 billion) due to SABC’s efficient utilisation of rights before expiry in order to reduce impairments. Broadcast costs increased by 37% to R462 million (FY2011:R383 million). This increase is a result of a revision in the formula to calculate Needletime amounts due, and aligning it with market practice. Professional and Consulting costs decreased by 16% to R139 million (FY2011:R167 million), as a result of the effective implementation of the SABC’s cost reduction plans. In addition marketing costs increased by 14% to R123 million (FY2011:R108 million) primarily due to a slight increase in marketing activities.

Three-year Expenses Trend

Operating Profit

Operating profit improved to R436 million from a previous loss of R35 million in FY 2011. The total improvement year-on-year is thus R471 million. The improvement this year is a result of our continued austerity plan and the successful implementation of the Turnaround Strategy, supported by the Executive Committee, Board of Directors and all employees.

Three-year Operating Profit / Loss Trend
Net Profit

Net profit significantly improved to R343 million from a previous loss of R129 million in 2011. The total improvement year-on-year is a result of the successful implementation of the cost reduction strategies, turnaround plan and the commitment of the entire SABC team to drive efficiencies towards business improvement.

Turnaround Strategy

While the general thrust of this strategy has been in pursuit of achieving the Government Guarantee conditions, it has also become increasingly important in enabling the Corporation to remain focused and to allocate resources in a manner which achieves the longer term goal of being fully sustainable at current levels of operation. The continued implementation of the areas previously identified for attention will continue and is expected to keep on driving the positive impact on the bottom line.

Compliance with Government Guarantee Profit targets

On a consolidated level, the SABC’s net profit exceeded the Government Guarantee target. We achieved a strong bottom line of R343 million versus the GG target of R228 million. The Corporation posted a loss in the previous financial year 2010/2011 of R129 million; it is evident from these results that the SABC has achieved a remarkable turnaround in the financial year ending 31 March 2012.

Content Audit Qualification Plan

The SABC is currently in the implementation phase of the project plan approved by the Board to address the qualification on programme, film, and sports rights. The plan has measurable deliverables with timelines to be monitored by the Audit Sub-Committee.

Cash Flow Statement

Cash and Cash Equivalents increased to R218 million as at 31 March 2012 (FY 2011: R109 million). Thus, the total improvement in Cash holdings increased by R109 million since the beginning of the 2011/12 fiscal. Cash inflows from operating activities are a healthy R643 million compared to R491 million in 2011. The Acquisition of Plant and Equipment has contributed to an outflow in available cash to the amount of R102 million and the other major contributor to this outflow was the acquisition of Call Deposits to the value of R278 million.

These movements resulted in net cash outflows from investing activities totalling R364 million. In addition, the repayment of the capital portion of the Nedbank loan to the value of R111 million and instalment sale of OB Vans to the value of R58 million has resulted in cash outflows from financing activities to the value of R169 million.

The overall healthy cash position on 31 March 2012 is an indication of our strong and effective improvement on cash-flow and balance-sheet management.

Digital Terrestrial Television (DTT) Investment

The launch of DTT is SABC’s key project. The SABC’s DTT trial has been operational since 2008 and the funding received from Treasury through the MTEF (Medium-Term Expenditure Framework) has been utilised to create a robust digital platform for the Corporation. We are currently in the process of finalising our 2012-2015 MTEF submission to our shareholder (Department of Communications) to invest in DTT content and infrastructure.

Going Concern

The Directors have reviewed the Group’s budget and cash flow forecast for the year ended 31 March 2013. On the basis of this review of the current financial position and existing financial borrowing facilities and Government Guarantee (GG), the Directors are satisfied that the South African Broadcasting Corporation (SABC) has access to adequate resources to continue operating for the foreseeable future and as a going concern, and accordingly the going concern basis continues to be adopted in the preparation of the financial statements.

Ms. G P Duda
Chief Financial Officer