

Annual results

31 March 2006

Robin Nicholson
Chief Financial Officer
SABC Ltd

Statement of compliance

- These annual financial statements were prepared in accordance with International Financial reporting Standards (IFRS)
- The exemptions available to first time adoption have been applied
- The financial statements were restated at 1 October 2003 the date of Incorporation of the SABC as a limited liability company

Reconciliation to SA GAAP statements as previously reported

Balance Sheet

R'000	IFRS		GAAP
	31 March 2006	31 March 2005	As reported 31 March 2005
Total non-current assets	1,321,516	1,239,769	513,304
Total current assets	1,986,003	1,389,086	1,518,533
Total assets	3,307,519	2,628,855	2,031,837
Total equity	1,956,205	1,572,854	1,041,887
Total non-current liabilities	476,204	398,519	240,932
Total current liabilities	875,110	657,482	749,018
Total equity and liabilities	3,307,519	2,628,855	2,031,837

Reconciliation to SA GAAP statements as previously reported

Income Statement – March 2005

R'000	GAAP		IFRS Restated
	As reported 31 March 2005	IFRS adjustments	
Revenue and Other income	3,314,055	105,464	3,419,519
Expenses	-3,011,859	-134,939	-3,146,798
Operating profit before interest and taxation	302,196	-29,475	272,721
Net financing income	16,656	1,878	17,443
Profit before income tax	317,761	-27,597	290,164
Income tax expense	-77,477	-18,676	-96,153
Profit for the year	240,284	-46,273	194,011

Reconciliation to SA GAAP statements as previously reported

Property, plant and equipment						
	Land and buildings R'000	Broadcasting equipment R'000	Other equipment * R'000	Vehicles R'000	Capital work-in-progress R'000	Total R'000
Group and Company						
At 31 March 2006						
Cost	810 979	688 228	190 700	43 998	130 157	1 864 062
Accumulated depreciation and impairment losses	(104 066)	(469 285)	(125 167)	(34 609)	-	(733 127)
Net carrying amount	<u>706 913</u>	<u>218 943</u>	<u>65 533</u>	<u>9 389</u>	<u>130 157</u>	<u>1 130 935</u>
At 31 March 2005						
Cost	796 870	641 223	175 771	46 024	98 867	1 758 755
Accumulated depreciation and impairment losses	(57 287)	(444 989)	(120 246)	(36 599)	-	(659 121)
Net carrying amount	<u>739 583</u>	<u>196 234</u>	<u>55 525</u>	<u>9 425</u>	<u>98 867</u>	<u>1 099 634</u>
At 1 April 2004						
Cost	787 199	618 153	152 387	46 340	68 070	1 672 149
Accumulated depreciation and impairment losses	(9 877)	(402 013)	(107 279)	(35 492)	-	(554 661)
Net carrying amount	<u>777 322</u>	<u>216 140</u>	<u>45 108</u>	<u>10 848</u>	<u>68 070</u>	<u>1 117 488</u>

Consolidated Income Statement

	<u>Group</u>	
	<u>2006</u>	<u>2005</u>
	<u>R'000</u>	<u>R'000</u>
Revenue	3 943 055	3 382 775
Other income	27 163	36 744
Amortisation and impairment of programme, film and sports rights	(989 914)	(965 917)
Broadcast costs	(353 289)	(353 038)
Signal distribution and linking costs	(315 083)	(299 536)
Employee compensation and benefit expenses	(989 791)	(815 775)
Depreciation and impairment of property, plant and equipment	(129 228)	(127 792)
Marketing costs	(178 577)	(139 144)
Direct licence collection costs	(108 666)	(74 651)
Other expenses	(388 847)	(371 758)
Other (losses)/profits - net	(1 392)	813
Operating profit before interest and taxation	515 431	272 721
Net financing income	30 371	17 443
Financial income	42 504	32 787
Financial expenses	(12 133)	(15 344)
Profit before income tax	545 802	290 164
Income tax expense	(162 924)	(96 153)
Profit for the year	382 878	194 011

Revenue

Revenue analysis (R'million)

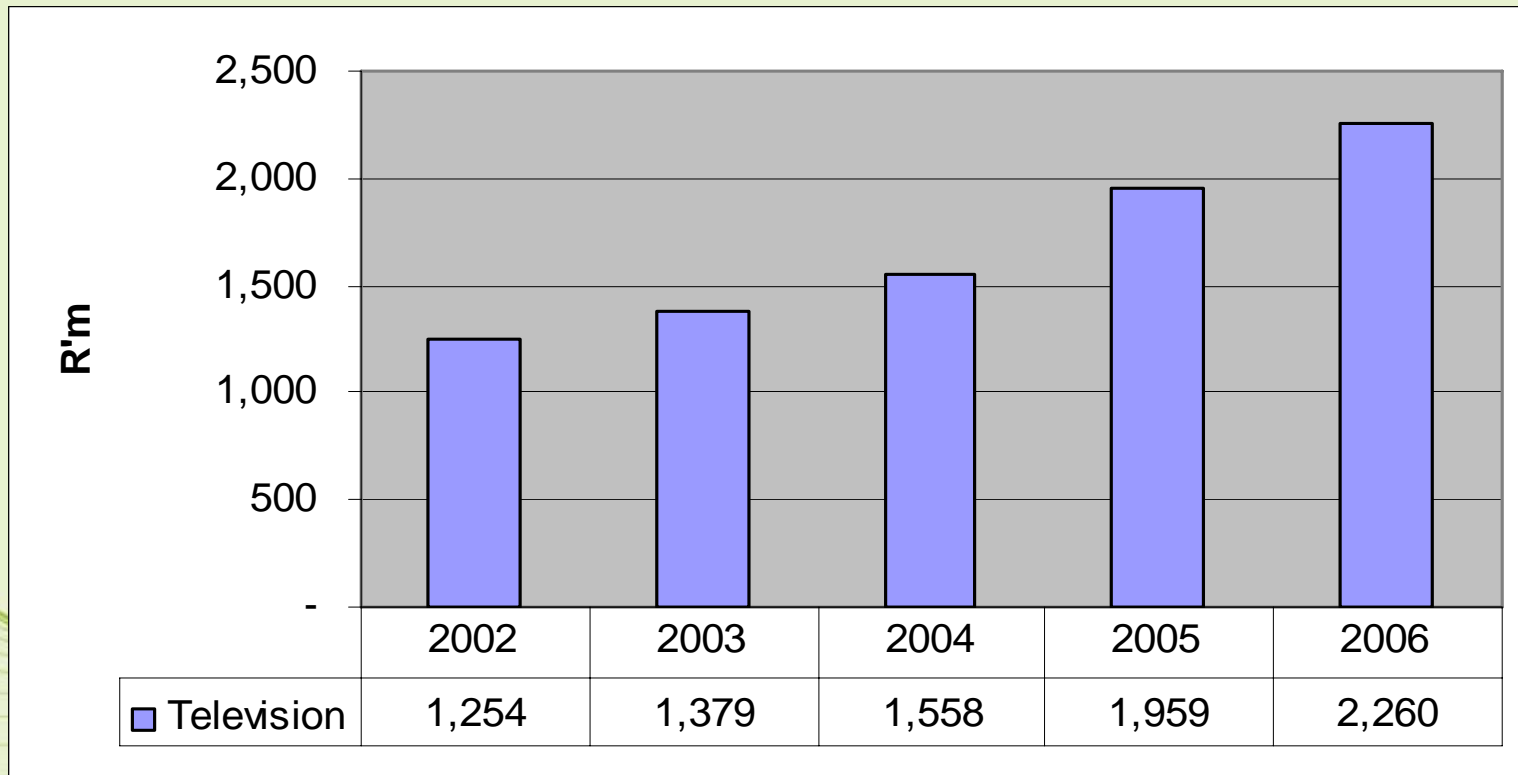
R'm	Post IFRS		Pre IFRS		
	2006	2005	2004	2003	2002
Commercial	2,968	2,580	2,093	1,848	1,660
TV Licence	739	568	395	361	352
Other income	186	186	148	179	162
Government	50	49	76	64	61
Total Revenue	3,943	3,383	2,712	2,452	2,235

Expressed as a % of total revenue

R'm	Post IFRS		Pre IFRS		
	2006	2005	2004	2003	2002
Commercial	75%	76%	77%	75%	74%
TV Licence	19%	17%	15%	15%	16%
Other income	5%	5%	5%	7%	7%
Government	1%	1%	3%	3%	3%
Total Revenue	100%	100%	100%	100%	100%

Revenue

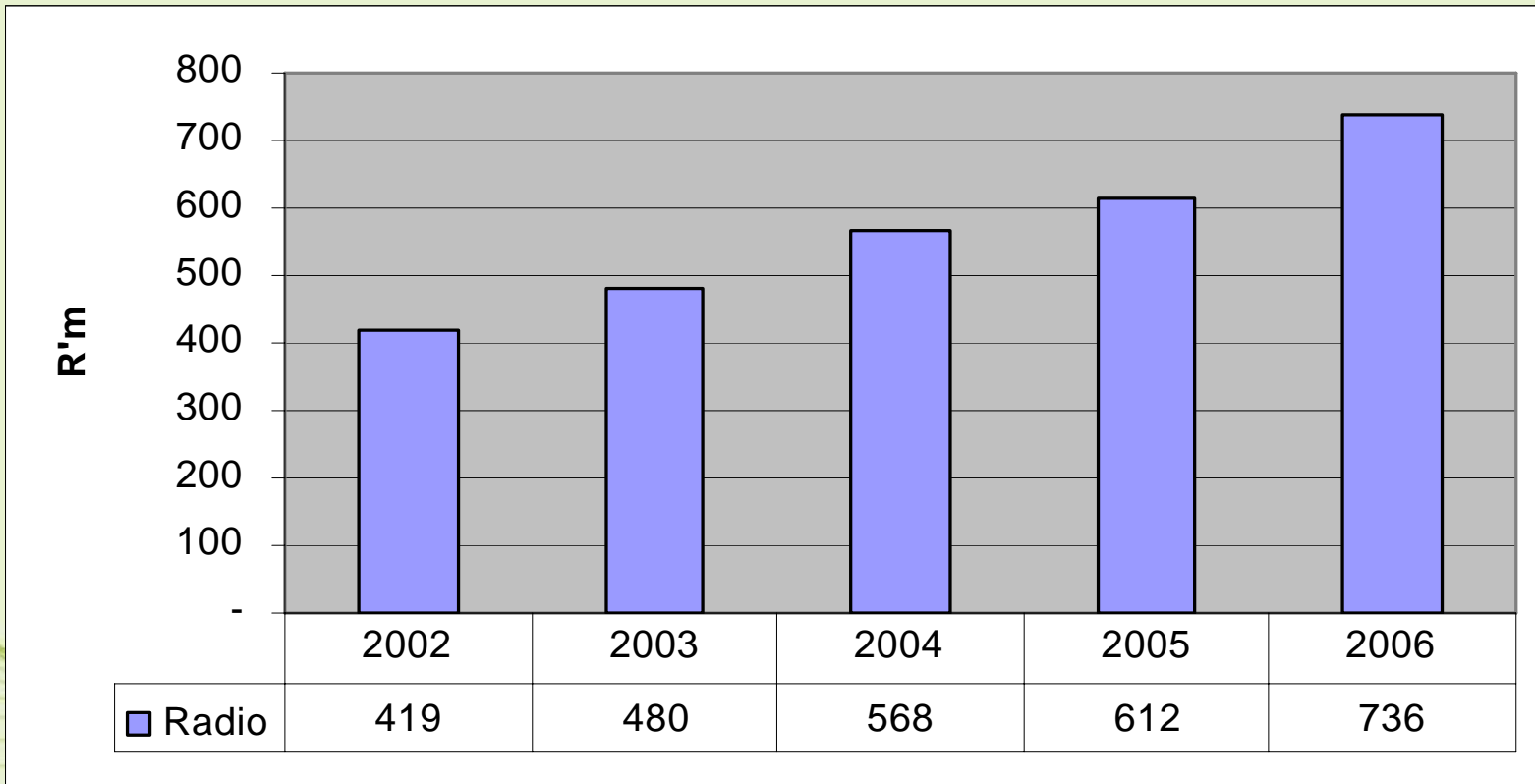
Television revenue



2002-2004 (Pre-IFRS), 2005/2006 (Post-IFRS)

Revenue

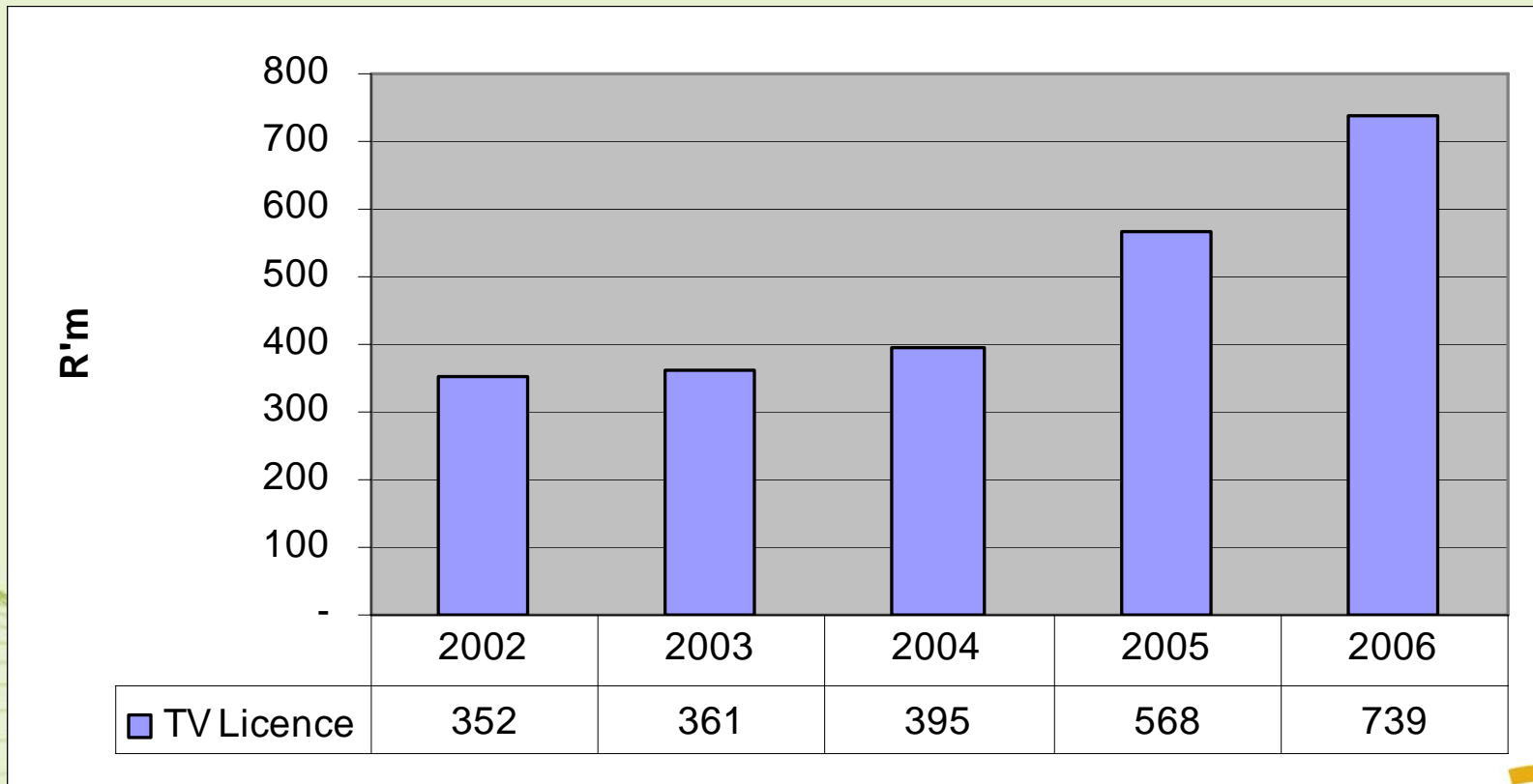
Radio revenue



2002-2004 (Pre-IFRS), 2005/2006 (Post-IFRS)

Revenue

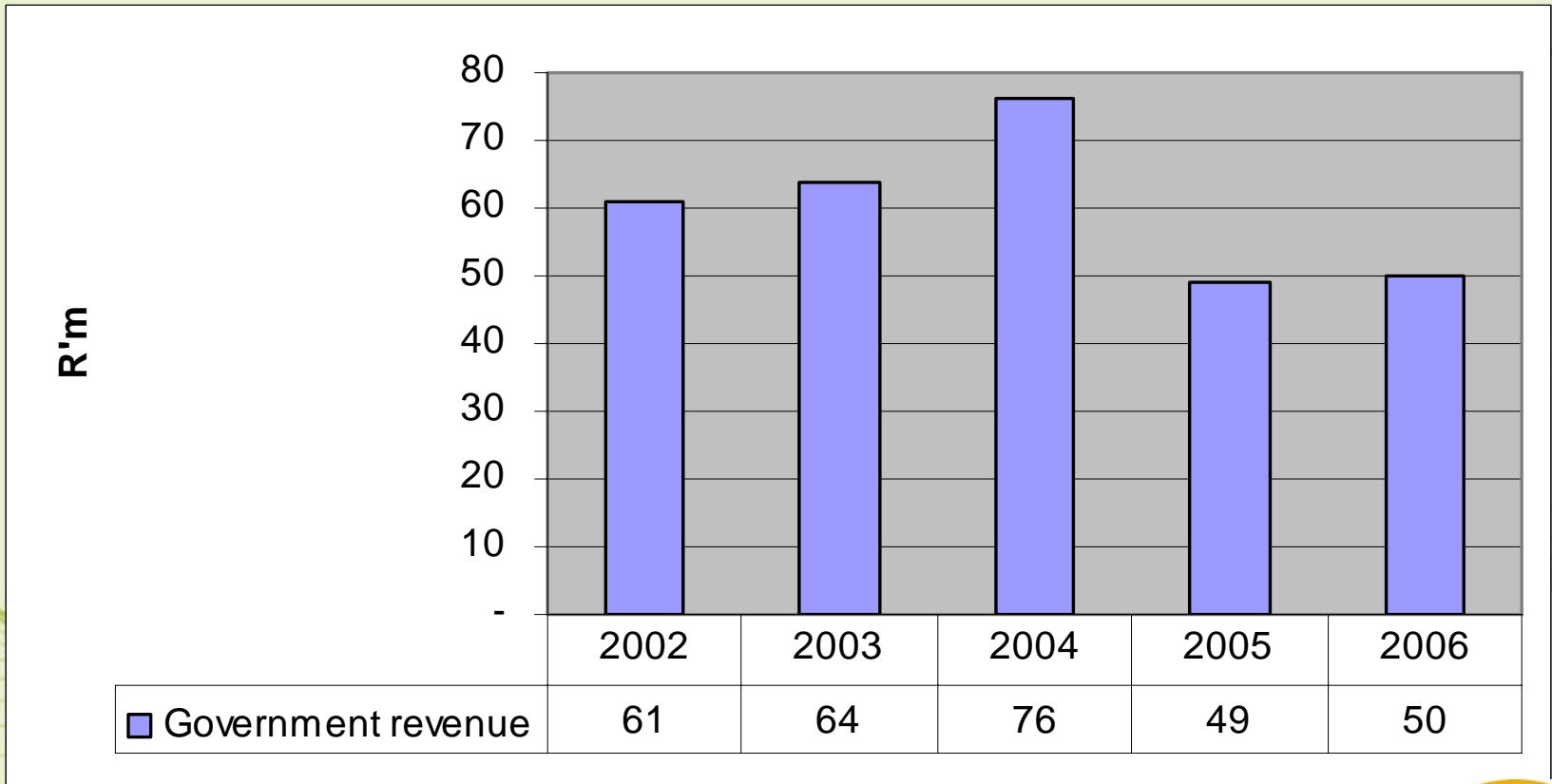
TV License revenue



2002-2004 (Pre-IFRS), 2005/2006 (Post-IFRS)

Revenue

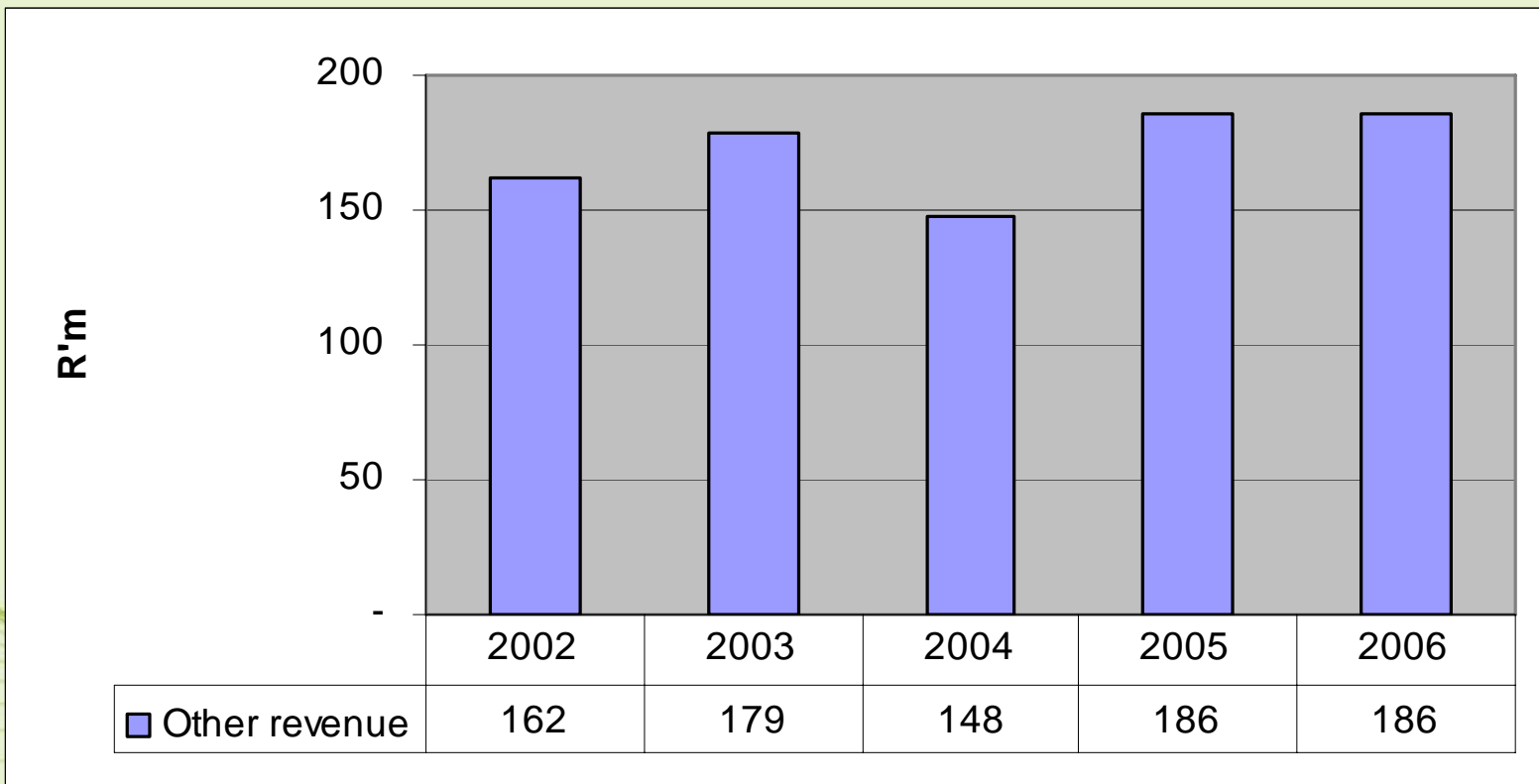
Government revenue



2002-2004 (Pre-IFRS), 2005/2006 (Post-IFRS)

Revenue

Non core (other) revenue



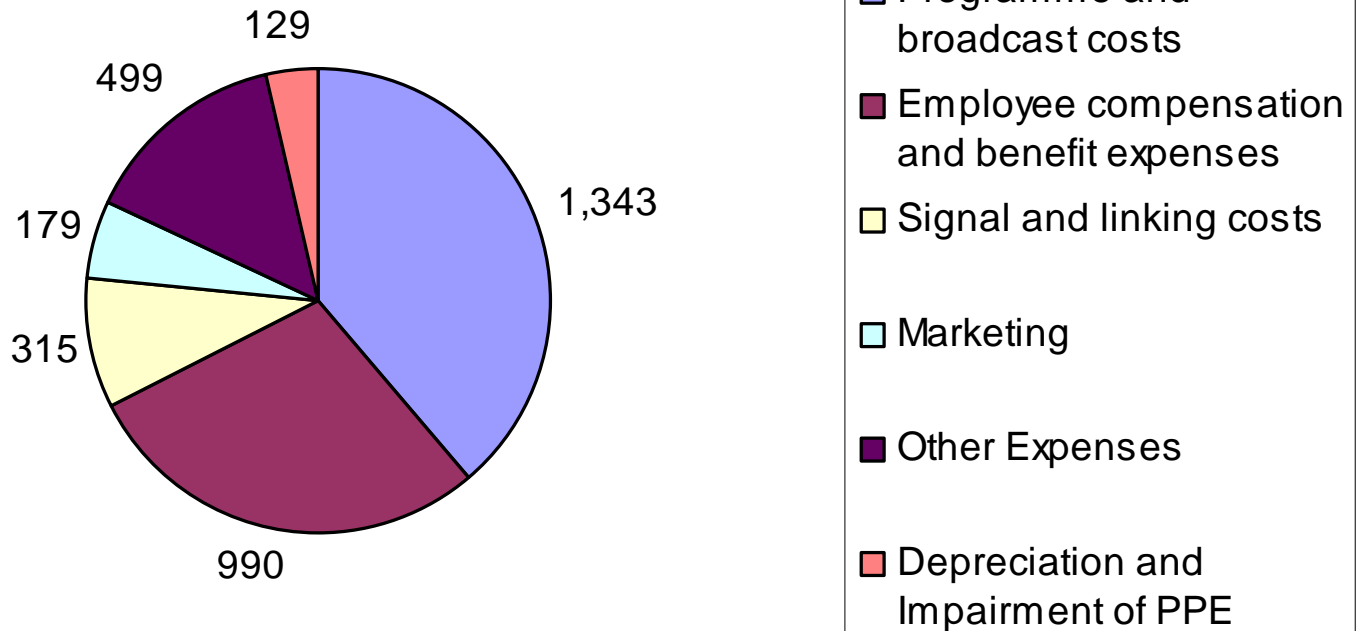
2002-2004 (Pre-IFRS), 2005/2006 (Post-IFRS)

Expenditure

R'm	Post IFRS		Pre IFRS		
	2006	2005	2004	2003	2002
Programme and broadcast costs	1,343	1,319	1149	1083	957
Employee compensation and benefit expenses	990	816	771	657	617
Signal and linking costs	315	300	286	264	228
Marketing	179	139	130	112	108
Other Expenses	499	446	357	329	298
Depreciation and Impairment of PPE	129	128	84	91	74
Total Expenditure	3,455	3,148	2,777	2,536	2,282

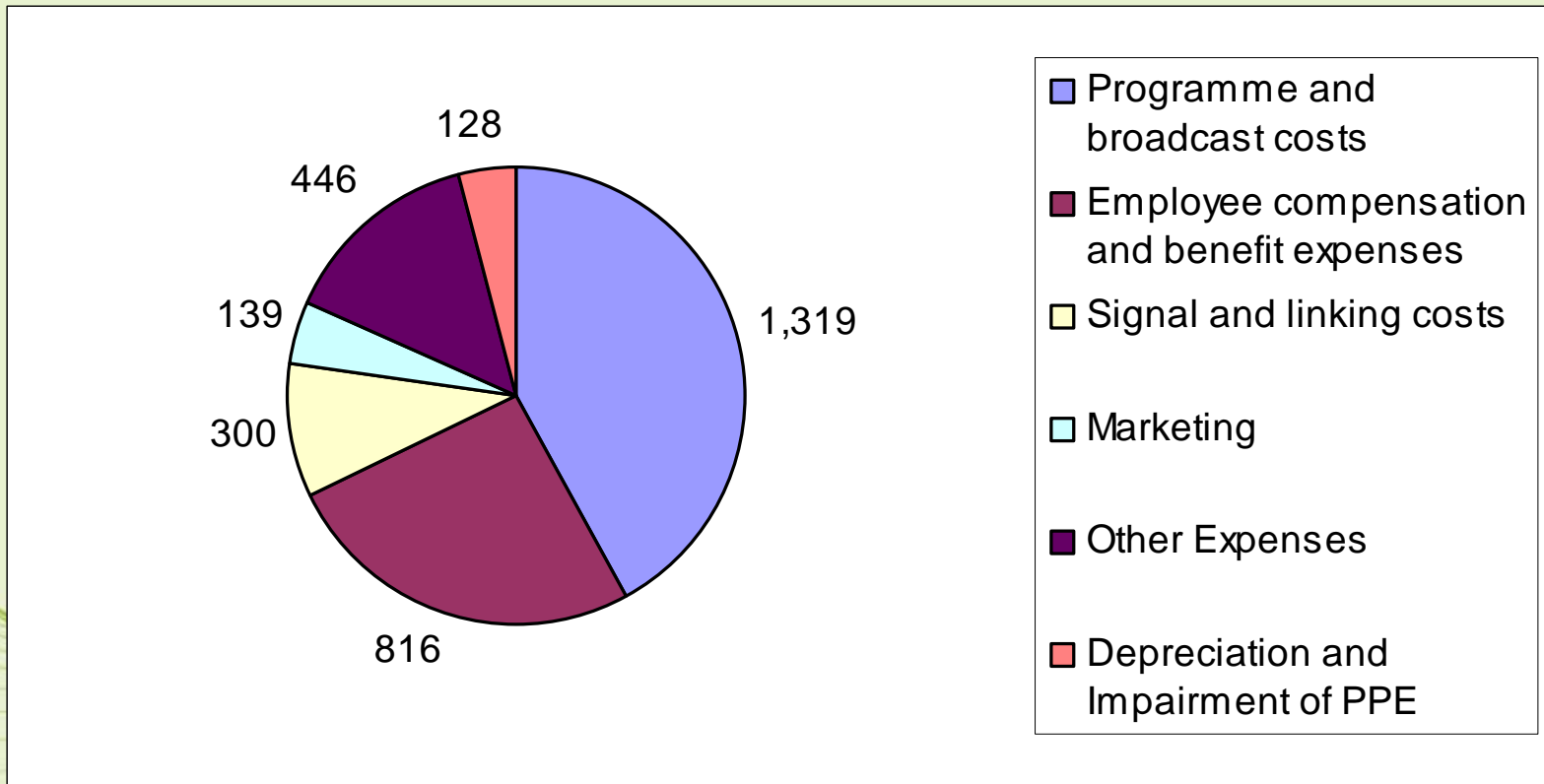
Expenditure - 2006

R'm



Expenditure - 2005

R'm



Expenditure

Consolidated content cost

R'm	2006	2005	2004	2003
<u>External costs</u>				
Local Content	536	452	415	402
Foreign Content	135	159	173	217
Total Content	671	611	588	619
Local Content (%)	80%	74%	71%	65%
Foreign Content (%)	20%	26%	29%	35%
<u>Internal costs</u>				
Total Content	800	672	622	587

Consolidated balance sheet - Assets

	Group	
	2006	2005
	R'000	R'000
ASSETS		
Property, plant and equipment	1 130 935	1 099 634
Investment properties	33 473	33 673
Computer software	58 819	23 638
Investments in subsidiaries	-	-
Loans and receivables	10 337	18 037
Available-for-sale financial assets	2 363	1 932
Derivative financial instruments	7 585	5 057
Prepayments	77 596	56 030
Other non-current assets	408	1 768
Total non-current assets	1 321 516	1 239 769
Programme, film and sports rights	301 939	267 470
Inventories	5 134	5 549
Trade and other receivables	695 675	595 129
Derivative financial instruments	448	6 405
Held-to-maturity investments	724 000	318 500
Loans and receivables	7 700	-
Prepayments	105 213	145 291
Restricted cash	866	816
Cash and cash equivalents	145 028	49 926
Total current assets	1 986 003	1 389 086
Total assets	3 307 519	2 628 855

Consolidated balance sheet – Equity and Liabilities

	<u>Group</u>	
	<u>2006</u>	<u>2005</u>
	<u>R'000</u>	<u>R'000</u>
EQUITY		
Share capital	1	1
Commemorative fund reserve	-	3 447
Insurance reserve	-	11 427
Fair value adjustment reserve	1 087	614
Retained earnings	1 955 117	1 557 365
Total equity	<u>1 956 205</u>	<u>1 572 854</u>
LIABILITIES		
Perpetual debt instrument	27 390	27 390
Interest-bearing loans and borrowings	40 737	56 143
Derivative financial instruments	-	24
Deferred government grant	100 000	-
Deferred tax	66 029	137 383
Employee benefits	241 269	177 146
Other non-current liabilities	779	433
Total non-current liabilities	<u>476 204</u>	<u>398 519</u>
Trade and other payables	579 950	458 647
Employee benefits	78 630	75 794
Derivative financial instruments	5 468	38
Taxation payable	119 877	29 486
Deferred income	57 568	41 544
Current portion of interest-bearing loans and borrowings	28 617	27 066
Provisions	5 000	24 907
Total current liabilities	<u>875 110</u>	<u>657 482</u>
Total liabilities	<u>1 351 314</u>	<u>1 056 001</u>
Total equity and liabilities	<u>3 307 519</u>	<u>2 628 855</u>

Capital expenditures

	R m
CAPITAL WORK IN PROGRESS	
BUDGET FOR APPROVED PROJECTS	639.0
EXPENDITURE IN PRIOR YEARS	114.4
EXPENDITURE IN 2005/6	188.7
PROJECTED EXPENDITURE IN 2006/7	313.7
PROJECTED EXPENDITURE IN 2007/8	15.3
PROJECTED FINAL COST FOR APPROVED PROJECTS	632.1
TOTAL COMMITMENTS MADE AGAINST APPROVED PROJECTS	415.5
COMMITMENTS MADE DURING 2005/6	267.9
LONG TERM CAPEX PLAN	
TOTAL EXPEDITURE FOR 2006/7 INCLUDING CAPITAL WORK IN PROGRESS	518.7
TOTAL EXPEDITURE FOR 2007/8 INCLUDING CAPITAL WORK IN PROGRESS	504.4
TOTAL EXPENDITURE THEREAFTER	588.7

Working capital management

- Average debtors for F2006 were 49,96 days compared to 48,91 days for F2005.
- There was a significant improvement in debtors days for Agency Sponsorship (13,02 days), Agency Classic (4,09 days) and Direct Sponsorships (2,13 days) while Direct Classic clients (2,63days) and government (21,61days) deteriorated.
- Provision for doubtful debts and credit notes is currently 5% of the total debtors book

Working capital management

Short term Sports rights

TELEVISION	
ICC Cricket	1,051,875
Rugby World Cup	-19,583,438
Soccer World Cup	6,190,476
Olympic Games	-3,434,063
Grand Prix 2006/2007	1,612,229
Grand Prix 2007/2008	185,625
Rugby (SuperSport)	10,406,750
RP Productions	247,500
	-3,323,045
PSL Rights 2003/2004	71,105,901
Boxing S.A.	1,018,758
Branco Boxing	150,000
SAFA 2003/2011	16,175,000
Athletics	3,167,116
CSA 2005/2010	23,554,300
	44,065,174
RADIO	
AFCON	-
FAPL 2006/2007	161,123
Rugby (SuperSport)	439,603
	600,726
Balance as per Balance Sheet	112,448,756

Working capital management

Cash and Cash Equivalents

Cash and Cash Equivalents increased due to investment in negotiable certificates of deposits (NCD's), R105m.

Held to maturity investments

The increase of R406m in Short-term deposits correlates with the increase in revenue, decrease in debtors days and lower than expected capital expenditure. These consist of funds placed under short-term investments within the banking sector, the average interest rate for the year was 7.06% (2005:7.27%).

Pension Fund

- Fund surplus is now R850m
- Employer will receive circa R290m
- Pension fund holiday (unauthorised use) is R52m
- Pension fund holiday (authorised use) is 68m
- Likely to be resolved in 2007

Post retirement liabilities

R'000	2006	2005
Post employment medical benefits	202,249	162,691
Employee Incentives	21,981	-
Leave Pay	17,039	14,455
Total Employee Benefits	241,269	177,146

- Claims from group of former SABC employees to reinstate the 60% contribution to the post employment medical aid scheme.
- Risk is approximately R144m if claims are successful.

Outlook 2007 existing operations

- Revenue growth will show consistent growth
- TV licences will slow or decline due to debt collection strategy
- Government funding of technology will continue
- Expenditure will increase to fund WCS and increased mandate

Outlook 2007 mandate expansion

- New licence conditions (ICASA), will have the following financial impact:
 - Increased investment in content on 3 TV channels (R82m – Yr1)
 - Revenue impact of schedule and platform switches (R6m)
 - Increased news and current affairs programming (R19,1m)
- Direct to home via satellite
- New media requirements will accelerate

Outlook 2007 mandate expansion

- Skills upgrade (F2006 - R8,9m, F2005 – R6,9m)
- First investment in High definition television
 - Outside Broadcast vehicle (R47,4m)

Public Broadcasting Services

Revenue for the year was R2 665 million. In the previous year PBS reported revenue of R2 224 million, a growth of 20% from the previous year. This was as a result of strong growth in audience share and an increase in advertising revenue. Revenue was derived principally from PBS TV (78%) and 22% from PBS Radio. Advertising revenue increased by R198 million from the previous year and programme sponsorship revenue increased by R57 million from the previous year.

Profit for the year was R360 million, compared with R195 million for the previous year, a growth of 85%.

PBS increased its cost of programming, in line with the mandate of ICASA and the public broadcaster.

Public Broadcasting Services

	2006	2005
	R'000	R'000
Revenue	2 665 266	2 224 936
Amortisation and impairment of programme, film and sports rights	(1 054 899)	(914 855)
Broadcast costs	(313 107)	(314 308)
Signal distribution and linking costs	(233 015)	(221 722)
Employee compensation and benefit expenses	(89 545)	(98 365)
Depreciation of property, plant and equipment	(437)	(711)
Marketing costs	(62 559)	(56 263)
Direct collection costs	(108 666)	(74 651)
Other expenses	(290 787)	(244 857)
Other losses	(16)	(134)
Operating profit before interest and taxation	512 236	299 069
Net financing expense	(1 521)	(6 174)
Profit before income tax	510 714	292 895
Notional taxation	(151 171)	(98 120)
Profit for the year	359 543	194 775

Public Broadcasting Services

Reconciliation of revenue

Advertising	1 575 371	1 376 903
Business enterprises and facilities revenue	4 633	3 603
Sponsorships	279 324	222 164
Licence fees	738 720	568 194
Trade exchanges (non-monetary exchanges)	28 857	22 592
Other revenue	38 360	31 480
	<u>2 665 266</u>	<u>2 224 936</u>

Reconciliation of licence fee revenue

Total licence revenue	738 720	568 077
Collection costs	108 684	74 470
Allocated to support overheads	<u>(308 837)</u>	<u>(218 711)</u>
Transferred to Public Broadcasting Services	<u>538 568</u>	<u>423 836</u>



Public Broadcasting Services

	2006 <u>R'000</u>	2005 <u>R'000</u>
ASSETS		
Property, plant and equipment	1 411	1 407
Loans and receivables	268 083	-
Total non-current assets	<u>269 494</u>	<u>1 407</u>
Programme, film and sports rights	156 277	158 763
Inventories		25
Trade and other receivables	41 357	27 169
Prepayments	6 048	10 892
Interbusiness unit receivable	519 913	287 506
Total current assets	<u>723 595</u>	<u>484 355</u>
Total assets	<u>993 089</u>	<u>485 762</u>
EQUITY		
Insurance reserve	-	56
Retained earnings	628 152	268 553
Total equity	<u>628 152</u>	<u>268 609</u>
LIABILITIES		
Interest-bearing loans and borrowings	12	45
Employee benefits	3 745	1 450
Loans and other payables		19 697
Total non-current liabilities	<u>3 757</u>	<u>21 192</u>
Trade and other payables	103 389	89 552
Employee benefits	8 462	8 209
Notional taxation provision	249 291	98 120
Current portion of interest-bearing loans and borrowings	37	80
Total current liabilities	<u>361 180</u>	<u>195 961</u>
Total liabilities	<u>364 936</u>	<u>217 153</u>
Total equity and liabilities	<u>993 089</u>	<u>485 762</u>



Reconciliation to SA GAAP statements as previously reported

	Year ended 31 March 2005		
	SA GAAP	Adjustments	IFRS
	R'000	R'000	R'000
Revenue	2 058 599	166 337	2 224 936
Expenses	(1 761 842)	(164 025)	(1 925 867)
			-
Operating profit before interest and taxation	296 757	2 312	299 069
Net financing income	(32)	(6 142)	(6 174)
Profit before income tax	296 725	(3 830)	292 895
Notional taxation	(71 214)	(26 906)	(98 120)
Profit for the year	225 511	(30 736)	194 775

Reconciliation to SA GAAP statements as previously reported

Balance Sheet

	31 March 2006	31 March 2005	31 March 2005
	IFRS R'000	IFRS R'000	GAAP as reported 31 March 2005 R'000
Total non-current assets	269 494	1 407	1 407
Total current assets	723 595	484 355	475 709
Total assets	485 762	485 762	477 116
Total equity	268 609	268 609	288 876
Total non-current liabilities	21 192	21 192	25 676
Total current liabilities	195 961	195 961	162 564
Total equity and liabilities	485 762	485 762	477 116

Public Commercial Services

Revenue for the year was R930 million. In the previous year PCS reported revenue of R780 million, a growth of 19% from the previous year. This was a result of strong growth in audience share and an increase in advertising revenue. Revenue was derived principally from PCS TV (76%) and 24% from PCS Radio. Advertising revenue increased by R137 million from the previous year and programme sponsorship revenue increased by R11 million from the previous year.

Profit for the year was R204 million, compared with R93 million for the previous year, a growth of 119%.

PCS increased its cost of programming, in line with the mandate of ICASA and the public broadcaster.

Public Commercial Services

	2006	2005
	R'000	R'000
Revenue	930 352	780 834
Amortisation and impairment of programme, film and sports rights	(345 308)	(359 031)
Broadcast costs	(96 546)	(99 115)
Signal distribution and linking costs	(65 331)	(63 100)
Employee compensation and benefit expenses	(20 375)	(19 424)
Depreciation of property, plant and equipment	(139)	(149)
Marketing costs	(48 747)	(37 933)
Other expenses	(66 453)	(55 596)
Other losses	(23)	(37)
Operating profit before interest and taxation	287 430	146 449
Net financing income/(expense)	2 839	(5 462)
Financial income	2 858	-
Financial expenses	(19)	(5 462)
Profit before income tax	290 270	140 987
Notional taxation	(85 920)	(47 231)
Profit for the year	204 350	93 756

Public Commercial Services

	2006	2005
	<u>R'000</u>	<u>R'000</u>
ASSETS		
Property, plant and equipment	618	605
Loans and receivables	152 849	2 614
Total non-current assets	<u>153 467</u>	<u>3 219</u>
Programme, film and sports rights	61 820	58 588
Trade and other receivables	22 945	5 662
Prepayments	3 941	6 112
Interbusiness unit receivable	295 957	150 251
Total current assets	<u>384 663</u>	<u>220 613</u>
Total assets	<u><u>538 130</u></u>	<u><u>223 832</u></u>
EQUITY		
Insurance reserve	-	46
Retained earnings	342 435	138 040
Total equity	<u>342 435</u>	<u>138 086</u>
LIABILITIES		
Interest-bearing loans and borrowings	-	11
Employee benefits	900	111
Total non-current liabilities	<u>900</u>	<u>122</u>
Trade and other payables	59 932	36 897
Employee benefits	1 698	1 460
Notional taxation provision	133 150	47 231
Current portion of interest-bearing loans and borrowings	15	36
Total current liabilities	<u>194 795</u>	<u>85 624</u>
Total liabilities	<u>195 695</u>	<u>85 746</u>
Total equity and liabilities	<u><u>538 130</u></u>	<u><u>223 832</u></u>

Reconciliation to SA GAAP statements as previously reported

	<u>Year ended 31 March 2005</u>		
	SA GAAP	Adjustments	IFRS
	R'000	R'000	R'000
Revenue	774 026	6 808	780 834
Expenses	630 626	3 761	634 387
Operating profit before interest and taxation	143 400	3 048	146 448
Net financing income	(4)	(5 458)	(5 462)
Profit before income tax	143 396	(2 410)	140 986
Income tax expense	(34 415)	(12 816)	(47 231)
Profit for the year	108 981	(15 226)	93 755

Public Commercial Services

Balance Sheet

	31 March 2006	31 March 2005	31 March 2005
	IFRS R'000	IFRS R'000	SA GAAP R'000
Total non-current assets	153 467	3 219	3 219
Total current assets	384 663	220 613	218 951
Total assets	538 130	223 833	222 170
Total equity	342 435	138 086	149 617
Total non-current liabilities	900	122	2 879
Total current liabilities	194 795	85 624	69 674
Total equity and liabilities	223 832	223 832	222 170