

04



Commercial Affairs

COMMERCIAL AFFAIRS

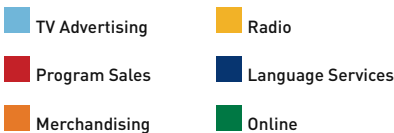
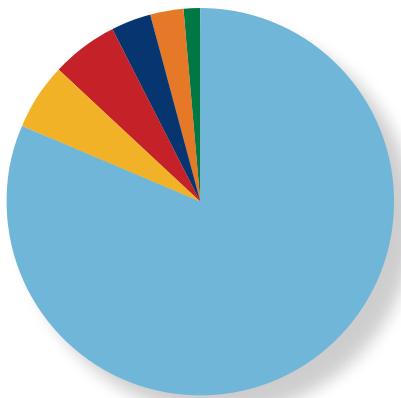
This was a year of record commercial performance by SBS, and also one of significant change for SBS Commercial Affairs.

Gross revenue from the Division's six arms – TV advertising, Merchandising, Radio, Language Services, Program Sales and Online – was \$52.03m. Just over \$11.39m of this amount was Television revenue generated by FIFA World Cup 2006 sponsorships.

The Commercial Affairs division, created in late 2005, incorporates the previous SBS Sales division and takes on full responsibility for SBS Radio and SBS Online sales. The new structure better reflects the responsibility this team has for not only raising revenue, but also for negotiating the range of strategic and stakeholder issues central to SBS's commercial activities.

For the coming financial year, Commercial Affairs will continue its focus on improving business systems, building the integrated value of SBS's television, radio and online services and creating a more competitive merchandising and content sales business.

Gross Revenue



TELEVISION ADVERTISING SALES

The Ashes series at the beginning of the financial year and the World Cup competition at the end contributed significantly to SBS's record revenue in 2005-06.

Gross Television advertising revenue was \$33,126,295. As mentioned above, World Cup sponsorships, separately accounted, generated a further \$11.39m. Platinum sponsors were: Nike, LG Electronics, National Australia Bank, Powerade, Qantas and Hyundai. Gold sponsors were: MasterCard and Telstra.

Two key initiatives, unveiled in the last quarter of the financial year, are expected to create continued revenue growth. First, the SBS Board decision in June 2006 to allow in-program advertising breaks is forecast to generate at least \$10m additional advertising revenue in the first full year. Secondly, the installation in 2006-07 of a new sales traffic software system will streamline business activities, improve customer service and deliver critical management information tools.


RADIO SALES

Radio Sales achieved record gross revenue of \$2.3m, a 30% increase on the previous year, with revenue growth from both the government and the corporate sectors.

Revenue was derived from traditional air-time sales and radio production as well as new revenue streams, including joint promotions with key clients and the sponsorship of outside broadcasts.

Radio Sales and SBS Language Services combined to successfully bid for the Australian Taxation Office Business Activity Statement tender involving the production and distribution of radio and press advertising in six languages every quarter. Other major projects included the production of advertising material for the Department of Workplace Relations, the Family Assistance Office and the Energy and Water Ombudsman of NSW.



 SBS Merchandising's football catalogue included 12 DVDs, 10 books and one CD

In Melbourne, the Radio Sales production unit won a number of tenders to produce advertising material. These included the Transport Accident Commission, Problem Gambling, the Department of Fair Trading, Australia Post, CrimeSmart, the Environment Protection Authority and Melbourne Water.

The increase in government spending came about through SBS's relationship with key stakeholders who manage Victoria's government advertising as well as the implementation of signal splitting to provide Melbourne-only advertising.

ONLINE ADVERTISING SALES

From January 2006, Commercial Affairs, assumed responsibility for Online Media Sales which, like Television Sales, is represented in the market by The Stenmark Organisation.

Gross revenue for 2005-06 was \$510,417 and this was driven largely by the performance of theworldgame.com.au in the lead up to and during the FIFA World Cup.

The online advertising market grew by 62% in 2005* and is set to surpass radio as the third most popular advertising medium, after press and television. With this in mind, Commercial Affairs implemented a number of key initiatives to attract additional online revenue. These included:

- ⊕ The appointment of Double Click to handle advertisements and the supply of user information;
- ⊕ The commissioning of a leading online media agency, e-mitch, to conduct a review of the SBS website and to recommend best practice inventory management; and
- ⊕ The integration of online advertising support into major advertising pitches.

* LEASA 2005

SBS MERCHANDISING AND CONTENT SALES

In December 2005, SBS amalgamated the two departments, Program Sales and Merchandise, to form Merchandising and Content Sales. (Note: For the purpose of this Annual Report the accounts are reported separately.) The new department comprises three complementary businesses:

- ⊕ Merchandising – Licensing of the SBS logo, chiefly to distributors of books, CDs and DVDs and management of SBS’s retail partnerships with Dymocks and JB Hi-Fi;
- ⊕ SBS Video – Acquisition and exploitation of DVD sell-through rights for SBS acquired and/or commissioned television programs; and
- ⊕ Content Sales – Acquisition and exploitation of rights to sell SBS-acquired and/or commissioned programs to local and international television networks, online content and mobile phone platforms.

Merchandising

Gross revenue from SBS Merchandising was \$1,121,060 – an increase of 6.66% over 2004-05. Revenues in 2005-06 were driven largely by surging consumer demand for DVDs, boosting Dymocks’ SBS (owned and branded) DVD sales by more than 240% over the previous year.

As at 30 June 2006, the SBS catalogue included 69 books, 111 CDs and 150 DVDs, all of which were SBS program-related and SBS logo-licensed. The complete SBS Merchandise catalogue can be found at www.sbs.com.au/sbsshop

Retail partners

Dymocks has been the highly successful SBS retail partner since September 1999, offering a store-within-a-store concept throughout its 70-plus chain of franchise stores. In June 2006, SBS formed a second, complementary retail partnership with JB Hi-Fi, a specialist DVD and CD retailer, with 36 stores across Australia and plans for more than 50 outlets by the end of 2007.

SBS Merchandising Partners

Participating book, CD and video partners with whom SBS Merchandise had a logo licensing relationship in 2005-06:

ABC Books

Allen & Unwin

Aztec International

Bookwise

DV1

EMI Music

Festival-Mushroom Records

Force Entertainment

Hardie Grant Books

Hopscotch

Lonely Planet

Madman Entertainment/AV Channel

News Custom Publishing

Nomad/Beyond

Roadshow Films

Random House

Shock Records

Universal Music

Visual Entertainment Group

Warner Music

20th Century Fox Video

Online Shopping

In June 2006, SBS Merchandising expanded SBS Online shopping with the introduction of the World Game Shop at www.theworldgame.com.au/shop. Its product range included training equipment, sports apparel and training videos. In partnership with Sony-BMG, SBS Merchandising also launched World Game iMixes, a collection of 10 football songs from 14 countries which could be downloaded from iTunes via the SBS website at www.theworldgame.com.au/smusic

Books

2006 SBS World Cup Guide
 2006 World Cup Fact File
 Atlas of Languages
 Away Game, The
 Beneath Southern Seas
 By The Balls
 Clarkson on Cars
 Classical Destinations: An Armchair Guide to Classical Music
 Colony, The
 Corporation, The
 Cricket: Celebrating the Modern Game Around the World
 Dinosaur Dealers
 Dr Tatiana's Sex Advice to All Creation
 Eurovision 50th Anniversary
 Going Bush
 Hairy Bikers Cookbook
 Helen of Troy
 Hitler's Women
 I Know You Got Soul
 Iron Chef
 Lost
 Mao: The Unknown Story
 Motorworld
 Mr & Mrs Soccer
 One Fantastic Goal
 Our Socceroos
 Power of Gold, The
 SBS Eating Guide to Sydney
 SBS World Guide, 13th Edition
 Sea Kingdoms, The
 Simply Ming
 Sophie's World
 Tour de France: A Hundred Years of the World's Greatest Cycle Race
 Treasures of the World Cup
 Tyrannicide Brief, The
 Ultimate Encyclopaedia of Soccer
 Weapons of Mass Deception
 What Not to Drive
 Who Wrote the New Testament?
 World according to Clarkson, The
 You Must Remember This: 101 Movie Themes and Songs

CDs

Amadeus Code, The
 Amor Amor: Arielle Dombasle
 Before Time Could Change Us: Katie Noonan and Paul Grabowski
 Catching Tales: Jamie Cullum
 Celtic Harmonies
 Classical Destinations: An Armchair Guide to Classical Music
 Contemplation: The Serene Harmonies of the Harp
 Dreaming Wide Awake: Lizz Wright
 Dreaming: The Sounds of Calm and Tranquility
 Eloquence
 Energia : Jose Carreras
 Eurovision Song Contest: Athens 2006
 Eurovision Song Contest: Kiev 2005
 Global Village
 Lang Lang Live at Carnegie Hall
 Legacy of the Vienna Philharmonic, The
 Mendelssohn/Tchaikovsky: Piano Concertos, Lang Lang
 Mesk Elil: Souad Massi
 No Direction Home
 Music is the Weapon: The Best of Fela Kuti
 New Year's Concert 2005
 New Year's Concert 2006
 Number One Classical Album 2005, The
 Phenomenal Martha Argerich, The
 Queer as Folk: Season 4
 Queer as Folk: The Final Season
 Ray Charles: Genius and Friends
 Renaissance: Music for Inner Peace
 Rodrigo Y Gabriela: Live in Manchester and Dublin
 Sacred Songs: Renee Fleming
 SBS Whatever Project
 Sentimiento: Juan Diego Florez
 Simple Gifts: Bryn Terfel
 Simply Beautiful: The Very Best of Al Green
 Simply the Best Festive Album
 So Frenchy So Chic 2005
 So Frenchy So Chic 2006
 Song for the Socceroos: Green and Gold, Freedom of Thought
 Sounds of the Planet: Womadelaide 2006
 Tenology: The Best So Far, Ten Tenors
 Ultimate Smooth Jazz
 Verve Songbooks: Cole Porter
 Verve Songbooks: Cool Yule

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Verve Songbooks: Gershwin
 Verve Songbooks: Harold Arlen
 Verve Songbooks: Irving Berlin
 Verve Songbooks: Jerome Kern
 Verve Songbooks: John Mercer
 Verve Songbooks: Rodgers and Hart

DVDs

Abortion, Corruption & Cops
 Against All Odds
 A-League 2006: Grand Final *
 A-League 2006: Season In Review *
 A-League 2006: The Champions *
 Born Into Brothels
 Champions of the World
 Classical Destinations: An Armchair Guide to Classical Music
 Colony, The *
 Corporation, The
 Diana Krall Live at the Montreal Jazz Festival
 Easter in Art *
 Empire of the Mongols *
 Empires: Japan *
 Energia: Jose Carreras
 Europe in the Middle Ages *
 Eurovision Song Contest: Athens 2006
 Eurovision Song Contest: Kiev 2005
 FA Cup 2006: Best Goals
 FA Cup 2006: Final
 FA Cup 2006: Season Review
 Feast: India *
 FIFA Fever
 French Film Collection
 Genghis Khan *
 Ghost in a Shell, Vols. 1 & 2
 Ginga! The Soul of Brazilian Football
 Going Bush
 Golden Age of the Piano, The
 Great Battles of the Great War *
 Happy Tree Friends, Series 1 - 3
 Height of Passion
 Hell on Wheels
 Imperium: Fall Of Great Empires *
 Inspector Montalbano, Vols. 1 & 2
 Inspector Rex, Series 1 - 4
 Japan in Ruins *
 Johnny Warren's Football Mission *
 Judgement Day: Images of Heaven & Hell *

Kiki's Delivery Service
 Lang Lang Live at Carnegie Hall
 Laputa: Castle in the Sky
 Les Murray's World Football Challenge
 Lonely Planet: Six Degrees, Vols. 1 - 16
 Mapmakers, The *
 McLibel
 Michelangelo Superstar *
 Mysterious Geographic Explorations of Jasper Morello, The
 Mythbusters, Box Set 1
 Mythbusters, Vols. 1 - 12
 Mythbusters: Sharks Special
 Napoleon
 Nausicaa of the Valley of the Wind
 New Year's Concert 2005
 New Year's Concert 2006
 No Direction Home
 Normans, The *
 Origins *
 Peter Sculthorpe's Sydney Singing *
 Power of Gold, The *
 Punk Attitude
 RAN (Remote Area Nurse)
 Rise of the Roos: The Road to Germany *
 Samurai Champloo, Vols.1 & 2
 Sea Kingdoms, The *
 Search for Glory
 Shameless, Series 1
 Sleeping Giants
 Spirited Away
 Staircase, The
 Stories from the Golf *
 Submariners
 Summerstorm
 Superflu
 Top Gear: Revved Up
 Tour de France 2005, Le: Highlights *
 Weapons of Mass Deception
 Who Wrote the New Testament? *

* Denotes an SBS Video release



 World Cup sponsors generated more than \$11m in revenue

SBS VIDEO AND SBS CONTENT SALES

In 2005-06 the combined gross revenue of SBS Video and SBS Content Sales (previously known as Program Sales) was \$2,216,582 – an increase of 32.5% over the previous financial year.

SBS Video

The home video market continued to boom, particularly in the first half of 2006, helping to boost growth year-on-year.

In partnership with ABC Roadshow, SBS Video launched 19 products onto the market. At the same time, video sales in the non-theatrical market – schools, tertiary institutions, libraries and other Government and non-Government institutions – grew substantially. Revenue increased 8.5% over 2004-05.

Sales to the non-theatrical market are serviced in Australia and New Zealand through SBS exclusive sales agent, Marcom Projects – www.marcom.com.au

The unit's strategic focus for the year was on improving the acquisition of titles. In coordination with SBSi and the independent production sector, SBS Video acquired the rights for forthcoming programs such as *The Da Vinci Cup*, *Great Australian Albums*, *Lonely Planet Six Degrees* and *Pizza*.



Home Video Titles

A-League 2006: Grand Final
A-League 2006: Season in Review
A-League 2006: The Champions
Easter in Art
Elegant Universe
Empire of the Mongols
Feast: India
Genghis Khan
Imperium: Fall of Great Empires
Japan in Ruins
Johnny Warren's Football Mission
Judgement Day: Images of Heaven and Hell
Michelangelo Superstar
Origins
Rise of the Roos: The Road to Germany 2006
Tour de France 2005: Highlights

Non-Theatrical Video Titles

America's Forgotten Allies
Ancient Discoveries, Series 2
ART21: Art in the 21st Century
Bush School
Cocaine
Dirty War
Easter in Art
Empire of the Mongols
Europe in the Middle Ages
Everyone Loves a Wedding
Food Lovers' Guide to Australia, Series 5
Fork in the Mediterranean
Heritage Theatre programs including:
- The Rivals
- She Stoops To Conquer
- The Mysteries
- Denial
Imperium: Fall of Great Empires
JabeBabe
Japan in Ruins
Judgement Day: Images of Heaven and Hell
Vietnam Minefield


Content Sales

Revenue increased by 96.6% over the previous year with SBS Content Sales enjoying a higher profile among content buyers and the independent production community. Internationally, the department concentrated its efforts at major content markets, particularly Mipcom and MipTV, and domestically it maintained a close working relationship with SBSi and independent Australian producers.

During the year, SBS acquired the rights to a number of programs with strong international appeal, including **Feast India** and **Feast Bazaar** which have been bought by Discovery Channels throughout Europe and Asia as well as other channels in Canada, The Netherlands, Singapore, Spain and New Zealand.

New strategies are in place to distribute SBS-owned content online and across other digital platforms, and Content Sales is also examining expanded sales opportunities of SBS-owned footage and subtitles.



 Australia played Croatia, Japan (above) Brazil and Italy in the World Cup

Content Sales

ABC Asia Pacific Service
Aboriginal People's Television Network Canada
Discovery Networks worldwide
Eastern Broadcasting Taiwan
Food Channel Australia
History Channel Australia
Israel Educational Television
Lifestyle Channel Australia
Living Channel New Zealand
NHK Japan
Qantas Inflight Entertainment
RTE Ireland
RTSI Switzerland
SVT Sweden
The Community Channel UK
TV12 Singapore
TV3 New Zealand
Viajar Spain
VRT Belgium
YES Israel
YLE Finland

Program Sales

After Maeve
Betelnut Bisnis
Bush School
Case 442
Eighth Summit, The
Everyone Loves a Wedding
Feast: India
Feast: Bazaar
Food Lovers' Guide to Australia, Series 5
Fork in Asia, A
Fork in the Mediterranean, A
Hearing James
Hidden History of Homosexual Australia, The
Iraq My Country
Jack Sue: A Matter of Honour
John Safran vs God
John Safran's Music Jamboree
Kokoda Trail, The: More Than Just A War Memorial
Korean Anzacs
Passport to Parenthood
Plains Empty
Pahran: Swimming in the Backyard

Preservation

Remembering Country
RAN (Remote Area Nurse)
Roy Hollsdotter Live
Seeking Asylum
Shake Rattle and Roll: A Journey With Parkinson's
Unholy Orders
Wine Lovers' Guide to Australia, Series 1
Wine Lovers' Guide to Australia, Series 2
Yellow Fella

Programs produced or commissioned by SBSi

After Maeve
A Fork in the Mediterranean
Bush School
Case 442
Closet Tales of Australian Fashion
Dirty War
Feast: India
Feast: Bazaar
Food Lovers' Guide to Australia (series 5)
Help!
Iraq, My Country
In Search of Bony
Nurse Maggie
'Sa Black Thing
Shake Rattle and Roll: A Journey With Parkinson's
Sydney at War: The Untold Story
The Buchenwald Ball
Vietnam Minefield
Welcome 2 My Deaf World
Yellow Fella

SBS LANGUAGE SERVICES

The department achieved gross revenue of \$1.36m for 2005-06 and net revenue of \$0.26m. This result was due to an increased focus on sales, marketing and improvements in operational efficiencies.

During the year, a detailed marketing and business plan was developed and is currently being implemented. The focus remains on four specialized areas: translation, typesetting, voice-over and subtitling.

In translation and typesetting, SBS Language Services worked with Australian and international clients particularly in key industries such as health and pharmaceuticals, tourism, education, telecommunications, software, broadcasting, filmmaking and various government departments.

There was increased demand for voice-over, subtitling and video-reversioning for corporate clients. SBS Language Services also subtitled films and programs for the Cannes Film Festival, ABC Television, NHK Japan and the DVD market in Australia.

SBS AND PAY TELEVISION

Multilingual Subscriber Television Limited (MSTL), a wholly-owned subsidiary company of SBS, maintained its 40% shareholding in PAN TV Ltd. The other shareholders are Australian Radio Network Pty Ltd, Australian Capital Equity Pty Ltd and Australia Oriental Pearl International Holdings Pty Ltd.

PAN TV produces a multilingual movie channel (the World Movies Channel) which is sold to Australian pay TV operators Foxtel, Austar and Optus.

MSTL's current corporate plan identifies three key objectives. These relate to meeting the changing needs of Australian audiences, good resource management, and the need to continue to explore business activities relevant to the MSTL charter. MSTL continues to perform according to its objectives.

