



Integrated
REPORT
2019



Contents

| | |
|--|-----------|
| ABOUT THIS REPORT | 1 |
| Financial information | 1 |
| Reporting frameworks and regulations | 1 |
| Assurance | 1 |
| Approval of the report | 2 |
| 2019 AT A GLANCE | 3 |
| Distributions for the year to 30 June 2019 | 3 |
| Our performance in numbers | 4 |
| Why become a member | 4 |
| ORGANISATIONAL REVIEW | 5 |
| CHAIRPERSON'S REPORT | 6 |
| INTERIM CHIEF EXECUTIVE OFFICER'S REPORT | 10 |
| STRATEGIC OVERVIEW | 15 |
| LEGISLATIVE FRAMEWORK | 18 |
| Value added statement | 19 |
| OUR SOCIAL IMPACT | 20 |
| The SAMRO Foundation | 21 |
| Tribute to our members who have passed on | 26 |
| Transformation report | 27 |
| HOW WE ARE GOVERNED | 28 |
| SAMRO leadership | 28 |
| SAMRO's governance structure | 31 |
| Compliance with applicable laws and regulations | 32 |
| Group operation and management structure | 34 |
| Risk management | 34 |
| AUDIT AND RISK COMMITTEE REPORT | 36 |
| REMUNERATION REPORT | 39 |
| Remuneration strategy and policy | 39 |
| Overview of remuneration | 39 |
| DIRECTORS' RESPONSIBILITY STATEMENT | 40 |
| DIRECTORS' REPORT | 41 |
| CERTIFICATE BY COMPANY SECRETARY | 42 |
| INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS | 43 |
| SUMMARY CONSOLIDATED FINANCIAL STATEMENTS | 44 |
| CORPORATE INFORMATION | 60 |
| GLOSSARY | 61 |

Definitions

Mechanical rights

(also known as reproduction rights) apply when a musical work is legally affixed and/or reproduced to any medium for public use. Examples include making commercial copies of recordings on cassette, CD, DVD, tape, video, computer hard drives, cell phones (ringtones and track downloads), MP3 players, or any other medium.

Needletime rights

were introduced when the Performers' Protection Act and the Copyright Act were amended in 2002. These rights entitle performers and record companies to remuneration for the public performance and/or use of their recorded performances.

Reprographic rights

are administered by the Dramatic Artistic and Literary Rights Organisation (Pty) Ltd (DALRO). We primarily administer reprographic reproduction rights (from published editions), public performance rights (including stage rights for musicals and plays) and reproduction rights (granted for both publishing and copying) in works of visual art.

Performing rights

are the right to have the composition performed in public.

About this report

The 2019 integrated report (report) presents the holistic performance of the Southern African Music Rights Organisation (SAMRO, the organisation or the company) and its subsidiaries¹ (the group) for the period 1 July 2018 to 30 June 2019. Any material events after this date and before publication are included in this report.

This report is our primary report to our stakeholders. It outlines our strategy, business model, sustainability initiatives, governance, remuneration and risk management. We have included commentary from the Chairperson and the interim Chief Executive Officer (CEO).

SAMRO is a non-profit company (NPC) with a high public interest score, as defined by the Companies Act, 71 of 2008, as amended (Companies Act).



SAMRO is affiliated with other international collective management organisations (CMOs) collecting licensing income on behalf of composers, authors and publishers (SAMRO members) in their territories. SAMRO plays a similar role in South Africa on behalf of other CMOs and makes regular distributions to them in return.

In the second half of the financial year and in line with the new board structure, the board combined its committees and reduced the number of committees from four to three. Throughout this report, the committees will be referred to by their new names. These are:

- The social, ethics and governance committee (previously the social and ethics committee)
- The nominations, human resources (HR) and remuneration committee (previously the nominations and governance committee and remuneration committee)
- The audit and risk committee (unchanged)

¹ The SAMRO Foundation, DALRO, SAMRO House Holdings (Pty) Ltd and SAMRO House (Pty) Ltd. Dormant/inactive subsidiaries: SAMRO IP Technologies and Gratia Arts.

² Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

Financial information

The full set of audited consolidated and separate annual financial statements for the year ended 30 June 2019 will be accessible to members from our registered office from Friday, 21 February 2020 upon written request to the Company Secretary. The annual financial statements will be made available to such members free of charge. The reporting structure, content and data of our summarised financial statements are comparable to previous reports. These financial statements were prepared in compliance with International Financial Reporting Standards (IFRS). PricewaterhouseCoopers Incorporated (PwC) audited SAMRO's summary consolidated and separate financial statements. Its independent report to SAMRO members is available on page 43.

Reporting frameworks and regulations

The preparation of this report was guided by the following reporting frameworks and regulations:

- International Integrated Reporting Council's <IR> Framework (<IR> Framework)
- IFRS
- Companies Act
- King Report on Corporate Governance™ for South Africa, 2016 (King IV)²

Assurance

SAMRO operates in an established control environment, which is regularly documented and reviewed. Risk management and internal control procedures exist to provide reasonable but not absolute assurance that SAMRO's risks are being controlled and its assets safeguarded.

PwC will provide external assurance on the financial information supplied in this report.

About this report continued

Approval of the report

The board of directors (the board) is responsible for the integrity and completeness of this report. The board applied its collective mind to preparing and presenting the report and accordingly approved the report for publication. The board believes the report was prepared under the <IR> Framework.

Signed on behalf of the board:



Nicholas Maweni
Chairperson

14 February 2020



Ditebogo Modiba
Interim CEO



2019 at a glance

Distributions for the year to 30 June 2019

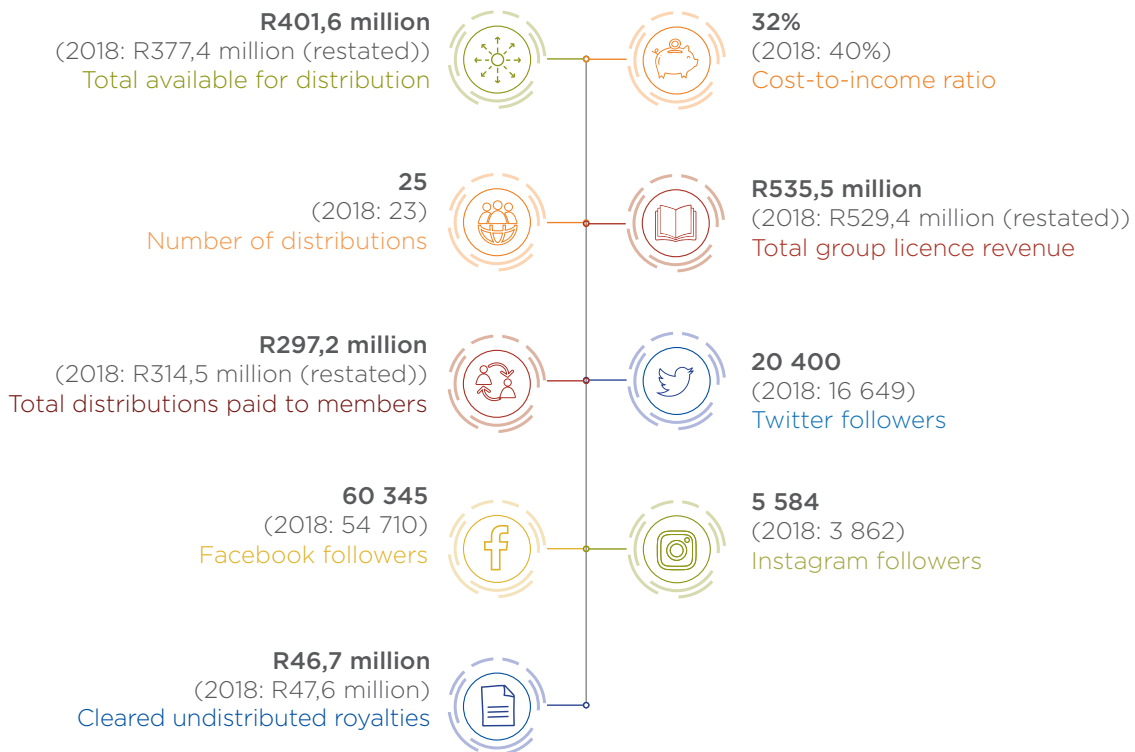
| Category | Distribution | Date of credit |
|--|--------------|----------------|
| Post (Seq 1) | FY2019 | 2018/7/30 |
| Foreign (Seq 1) | FY2019 | 2018/9/3 |
| Live (Seq 2) | FY2018 | 2018/9/8 |
| Post (Seq 2) | FY2019 | 2018/9/17 |
| Supplementary NS ¹ (Seq 1) | FY2019 | 2018/9/26 |
| Film (Seq 1) | FY2019 | 2018/10/10 |
| Foreign (Seq 2) | FY2019 | 2018/11/2 |
| Performance adjustment (Seq 1) | FY2019 | 2018/11/7 |
| Post (Seq 3) | FY2019 | 2018/11/29 |
| Foreign (Seq 3) | FY2019 | 2018/12/7 |
| Grant of rights payment | FY2019 | 2018/12/12 |
| Live (Seq 3) | FY2018 | 2018/12/13 |
| Foreign (Seq 4) | FY2019 | 2019/1/25 |
| Post (Seq 4) | FY2019 | 2019/1/29 |
| Radio and general (Seq 1) | FY2019 | 2019/2/19 |
| Television (Seq 1) | FY2019 | 2019/3/23 |
| Live (Seq 1) | FY2019 | 2019/4/29 |
| Live (Seq 2) | FY2019 | 2019/4/30 |
| Post (Seq 5) | FY2019 | 2019/5/13 |
| Supplementary NS ¹ (Seq 2) | FY2019 | 2019/5/15 |
| Performance adjustment (Seq 2) | FY2019 | 2019/5/27 |
| IP without vendor | FY2019 | 2019/5/29 |
| Mobile and internet transmission (Seq 1) | FY2019 | 2019/6/10 |
| Television (Seq 2) | FY2019 | 2019/6/22 |
| Radio and general (Seq 2) | FY2019 | 2018/6/27 |

¹ *Non-Société (NS): The work or a share of that work used belongs to a composer who is affiliated with any society at the time of distribution.*

2019 at a glance continued

Our performance in numbers

Statistical information



Why become a member

SAMRO provides a valuable service to over three million music creators worldwide through its relationships with international collecting societies.

- 🎵 **Distribution of royalties** (highlight distribution cycles)
- 🎵 SAMRO **Funeral Benefit** Scheme
- 🎵 SAMRO **Retirement Annuity Fund** (SRAF)
- 🎵 Join forces in lobbying for **Copyright Amendment Bill** (the bill or CAB) that best suits music creators
- 🎵 SAMRO collects royalties worldwide and across South Africa, ensuring your **music rights** are **represented and measured** at the correct value countrywide
- 🎵 Member **application** and **registration** is free

Organisational review

Our strategic themes

SAMRO is a member-centric organisation thriving on a high-efficiency and high-performance culture. This enables us to successfully execute our strategic themes:

- Optimisation of the business model
- Diversification
- Innovation

Employees

| | |
|------------------------|------------|
| Employees ¹ | 230 |
| African | 67% |
| Coloured | 15% |
| Indian | 8% |
| White | 9% |
| Foreign | 1% |

Our vision
To be the global **music rights** and **value-added** services organisation of choice for Africa.

Our values

- Accountability
- Achievement
- Integrity
- Service excellence
- Teamwork

Established
1961

SAMRO was established in 1961 as a company limited by guarantee. Members comprise southern African composers, authors and music publishers. SAMRO members elected to move from a company limited by guarantee to an NPC when the new Companies Act was promulgated. Since inception, SAMRO has delivered services to its members on a not-for-profit basis.

Membership

As at 30 June 2019

SAMRO represents **17 366** composer and publisher members in South Africa and over **four million composers** and **authors** worldwide.

992 new members were elected during the year.

Our purpose

- To **create** value for the creators and users of music
- To **protect** the intellectual property rights of writers, composers and music publishers by licensing music users
- To **ensure** members whose works are commercially broadcast and played are paid their royalties from licence fees collected by SAMRO
- To actively **promote** the value of copyright

Rights administered by SAMRO²

Performing rights

A performing rights licence allows musical works to be broadcast, performed in public and transmitted by a diffusion service. The licence fees collected for this use are paid as royalties to music composers, authors, publishers and affiliated societies.

¹ 202 permanent and 28 contract employees.

² SAMRO no longer administers mechanical rights and needletime rights. Mechanical rights are administered by the Composers, Authors and Publishers' Association (CAPASSO). Following the Performers Organisation of South Africa's merger with the South African Music Performance Rights Association (SAMPRO), needletime rights are now administered by SAMPRO.

Chairperson's report



I am pleased to present SAMRO's 2019 integrated report for the year ended June 2019 to our stakeholders.

SAMRO was established to be a world-class CMO protecting the rights of composers and authors worldwide. In 2019, the focus was on reinstating good governance, being member-centric and ensuring the continued financial viability of the organisation.

I joined SAMRO towards year-end as independent Chairperson. As such, it was imperative to speedily reinstate good governance. I worked with board members on aligning the organisation to its original purpose of creating value for our members and other stakeholders, and stabilising the organisation.

We believe we are Africa's oldest and most illustrious music rights organisation. Therefore, we are committed to being a world-class copyright administration business upholding the highest standards of business ethics and management. It is our quest to make a valuable and lasting contribution to the lives of members, South Africa's cultural heritage, and the music industry in general. We will continue promoting and protecting the intellectual property rights of our members.

In the previous year, the board approved a strategy comprising the following three pillars:

1. Optimisation of the business model
2. Diversification
3. Innovation

The board decided to implement the approved strategy in phases. In the year under review, the focus area was on the first pillar (optimisation). This report articulates how the organisation performed in implementing the work aligned to this pillar.

Challenges in our operating environment

During the year under review, SAMRO faced many challenges from important stakeholders. These stakeholders included the board, SAMRO members, employees and government. The board, comprising 10 members, was appointed at the annual general meeting (AGM) held on 11 December 2018. Since then, the organisation has maintained some stability and is moving towards regaining trust from different stakeholders.

Restructuring the board taught us a valuable lesson on how to maintain stability: Stephen Covey's Habit #1 from *The Seven Habits of Highly Effective People*, says: "be proactive – change starts from within, and make decisions to effect positive change rather than to react at all times to external forces."

The impending CAB, which has not been signed by the honourable president of South Africa, has brought some restlessness to the industry. The bill could negatively affect the creative sector and, if anything, possibly benefit big technology companies who want to exploit creative content. The Copyright Coalition (of which SAMRO is a member) against the bill might address the concerns of industry role-players. As SAMRO, we ask the president to send this bill back to parliament for a proper sector-specific impact assessment and meaningful consultation with the affected stakeholders.



“

We are committed to being a world-class copyright administration business upholding the highest standards of business ethics and management.

Nicholas Maweni
Chairperson

Chairperson's report continued

According to SAMRO, the five provisions in the bill that we view as having a negative impact on creators are as follows:

- 1. Fair use:** The new fair use provision in the bill is much broader and open ended than the current "fair dealing" provision in the Copyright Amendment Act. This American-style fair use provision puts creators in a position where their works can be used without remuneration. The onus is on the creators to prove there was an infringement of copyright. In a country where the majority of people live below the poverty line and cannot easily access the court system, these provisions are onerous. The net result will be creators will not have any incentive to produce new works. This will ultimately have a negative impact on the cultural outputs of the country.
- 2. Ownership by the state:** The provisions relating to the ownership of works by the state and international and local organisations should be limited to a closed category of works. These provisions are too broad and would ultimately lead to the unnecessary deprivation of property from creators.
- 3. Lack of private levy provision:** The bill should introduce a private levy to ensure copyright holders are duly compensated for acts of copying done by individual persons and for private use.
- 4. Reversion provision relating to assignments:** Assignments between rights holders and CMOs should not have a limited time. This creates unnecessary administration for the CMOs as they would have to process countless renewal applications where applicable. Members should continue being able to terminate as and when they want. We should avoid overburdening CMOs unnecessarily.
- 5. Orphan works:** The problem the music industry faces is the enforcement of copyright for owners of musical works who cannot be identified. The current definition of the bill goes further than is required as it includes instances where the copyright holder was identified but cannot be located.

The public broadcaster continues impacting SAMRO's revenue collection targets. During the last quarter of the financial year, licence fees of R133 million were still outstanding. The board and the management team started engaging with the broadcaster to work on a payment arrangement plan for the new financial year.

There is also an issue around the contract with MultiChoice. SAMRO started engaging with MultiChoice on finding a workable solution between the two parties. This was mandated by SAMRO members.

A culture of good governance at SAMRO

SAMRO is committed to ensuring there is good governance within the organisation. This is achieved through its policies and structures (pages 31 to 33). A unitary board with appropriate skills, experience and diversity is a fundamental element to drive the organisation forward. Integrity and competence at the top are intrinsically linked to a well-performing organisation; the culture of ethics flows down to every employee.

The board finalised the independent board Chairperson's appointment, and started the process of recruiting an independent director. The independent director will fulfil the roles of board Vice-Chairperson and audit and risk committee Chairperson. The organisation is committed to ensuring the board consists of at least three independent directors by 2020. It is equally crucial that the new CEO should be a strong turnaround strategist. However, finding a person of this calibre is proving difficult. The CEO should be a visionary and a persuasive leader, because the organisation is riddled with issues. Once the right CEO is found, they will be backed by an ethical, enthusiastic and diligent board. SAMRO will then be ready to rock and roll again.



Nicholas Maweni
Chairperson



- Schaffert & Sons -

Interim Chief Executive Officer's report



Every business goes through phases of a lifecycle, largely startup, growth, maturity and renewal or decline. Understanding the phase you are in can make a difference in strategic planning and the operations of your business.

Previously, SAMRO overlooked its responsibility to proactively identify which phase the business was in. SAMRO did not have the foresight to plan accordingly to respond to any changes. SAMRO's business has been in decline since 2015. Real revenue grew at below inflation and the cost-to-income ratio skyrocketed year on year. At the onset of this decline and these changes, SAMRO neglected to innovate and invest in necessary and relevant systems and people to begin a renewal phase to ensure the organisation's sustainability.

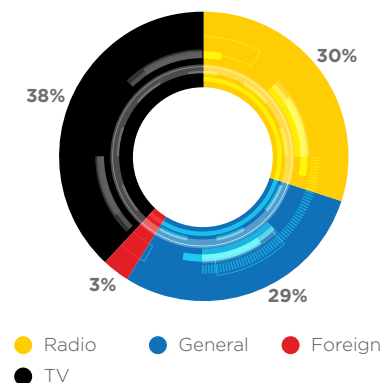
Over and above the financial challenges, SAMRO has whittled away by questionable decisions that resulted in, among others, a failed investment in Dubai, and acquisition and customisation of an expensive, unresponsive and unscalable information technology (IT) system. Also, numerous operational inefficiencies negatively affected our ability to provide an optimal customer experience to our members and resulted in a strained relationship with our members.

SAMRO is on a drive to reinforce its role as a transparent and accountable entity serving the best interests of its members. This initiative is demonstrated through creating and approving a member-centric procurement policy centred on advancing SAMRO's interests and simultaneously empowering our members. Since governance is a systematic process, we are reviewing our memorandum of incorporation (MOI) to further enhance policies. This will enable SAMRO to be better geared for members and aid in creating corporate governance dexterity and enshrining principles to drive the organisation forward.

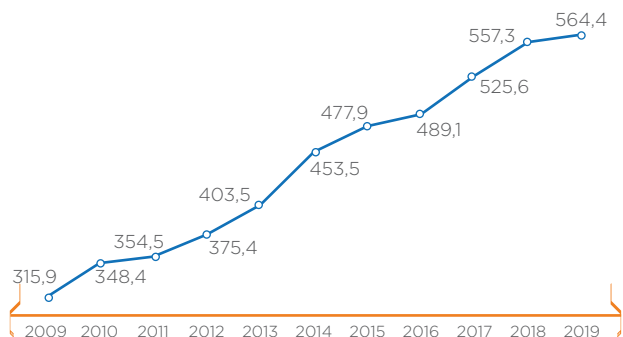
In 2019, our membership base increased by 992 members to 17 366 as we continued diligently administering rights, collecting licence fees and distributing royalties.

SAMRO's total group income increased by 1,3% to R564,3 million (2018 restated: R557,2 million). Even though we have shown a slight increase in income, our licensing revenue from performing rights is under pressure and has declined. SAMRO's licensing revenue constitutes 95% of total income.

LICENCE AND ROYALTY INCOME



TOTAL INCOME (Rm)





“
SAMRO is on a drive to reinforce its role as a transparent and accountable entity serving the best interests of its members.

Ditebogo Modiba
Interim CEO

Interim Chief Executive Officer's report continued

General licensing income remained virtually unchanged with a 0,1% increase due to market pressure, slow business growth and general poor economic data from the retail, entertainment and business sectors. Overall business growth is hindered by the closure of many businesses around the country. Big businesses are also on cost-saving drives where numerous branches are being closed down and people made redundant due to performance inefficiencies within their sectors. This reduces revenue streams from which SAMRO obtains some of its licensing income. SAMRO is affected by the negative media sentiment from 2017, 2018 and well into the 2019 financial year. Our inefficient collection processes and outdated sales strategy are focal points as we address our strategic objectives of business operations in the coming periods.

Broadcast revenue also took strain in the financial year under review. It increased by 0,4% from the prior financial year. The public broadcaster is under severe pressure, with declining advertising revenues contributing to the poor performance within this sector. Negotiations with one of our main private broadcasters reached a deadlock. However, we are confident our continued negotiations will bear fruit in coming months.

With the election of a new board, the SAMRO board and management continue driving the strategy undertaken and the main focus being to optimise the company's current business processes. This will enable us to ensure that SAMRO's current business model is efficient and effective, which will assist us to ensure that we can pivot where needed without significantly lagging behind our peers. The objectives will enable SAMRO to become a member-centric organisation, striving to achieve increased wealth creation for our members through distributions, efficiency and revenue.

Our management team is led by agile, highly skilled, highly professional and motivated individuals. These individuals are well versed in their fields of expertise and have a solid understanding of the industry in which

we operate and our members' interests. The enhanced competencies of our management team are an integral driver of our business now and in future.

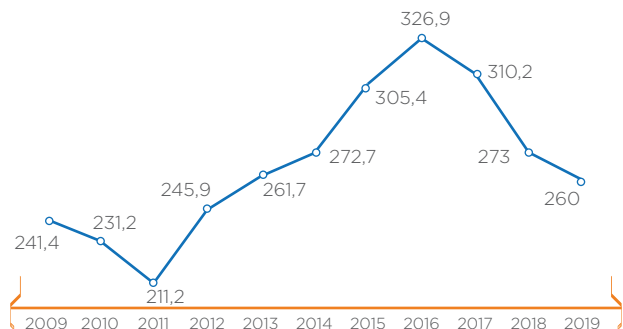
We proactively continue addressing our members' unique needs and striving to deliver on their expectations. We also continue managing and delivering on the expectations provided by our board. We elected a new Chairperson and Vice-Chairperson of the board, who will also serve as the audit and risk committee Chairperson. This shows our commitment to placing strong, independent and able-bodied individuals in strategic roles and ensures better management oversight of SAMRO's operations.

Our continued involvement in the Copyright Alliance enables us to lobby and engage with the correct stakeholders involved. From government to the private and higher public education institutions, we actively continue lobbying to ensure the combined provisions of the bill do not infringe on the rights of any of our creatives, or threaten the existence of any of our operations.

SAMRO's business model

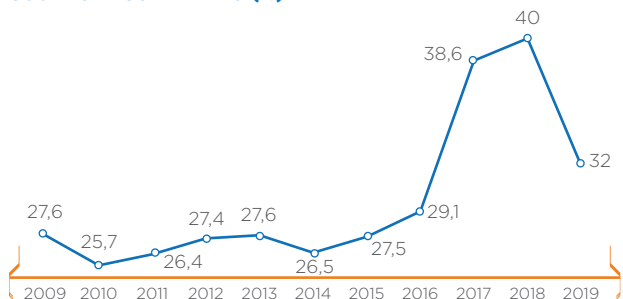
SAMRO collected R472,6 million (2018: R471,9 million) in licence and royalty income and distributed R297,2 million (2018: R314,5 million) in royalties. The decline in our overall distributions to our members was mainly driven by the public broadcaster experiencing significant cash flow constraints. This meant portions of distributions could not be added to the pool as we did not receive the funds for these distributions. Even with the decline in our bad debt provision to R15,1 million (2018: R31,6 million), our distribution pool is strained and resulted in declining distributions to members. Renewals generated R126,9 million (2018: R125,4 million) and new business generated R7,9 million (2018 restated: R11,5 million). This decline shows the impact a shrinking economy has on business. This is one of our key focus areas.

DISTRIBUTIONS (Rm)



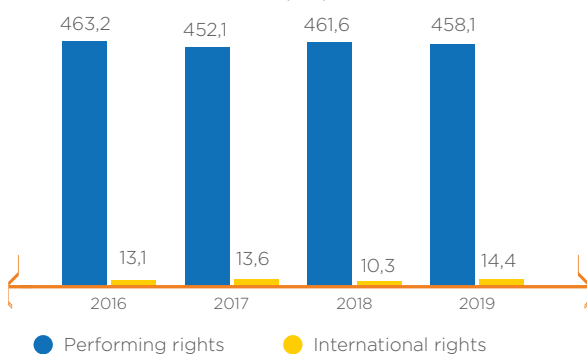
We maintained our efficiency drive and instituted various other cost-cutting initiatives throughout the 2018 and 2019 financial years. This gave us moderate success and comparatively allowed us to reduce our cost-to-income ratio to 32% (2018: 40%).

COST-TO-INCOME RATIO (%)



Progress around a single music licence between SAMRO, the Recording Industry of South Africa, CAPASSO and SAMPRA is ongoing. We aim to reach an agreement on how to structure any future licensing arrangements between the different entity memberships. This will enable licensees to receive one licence agreement and invoice without having to deal with different CMOs on the same works and members. Our strategic aims, coupled with the shakeup and tightening of our internal controls, will allow us to further enhance our reputation positively, and maintain our success story of being the largest CMO on the continent.

LICENCE INCOME SOURCES (Rm)



Interim Chief Executive Officer's report continued

Diversification

Foreign income increased by 40% to R14,4 million for the year (2018: R10,3 million). This is due to the fluctuating rate of exchange, coupled with the timing of revenue receipts from foreign societies. We continued our drive to promote our South African repertoire to overseas markets; collect more royalties from our sister societies; and add to our distribution pool.

SAMRO's investment income increased by 33% to R19,3 million (2018: R14,5 million). The increase is due to gains were earned on disposal of investments, which were liquidated to fund working capital under strain because of significantly lower collections from the public broadcaster during the year under review. Our strategy on investment was a balanced approach, erring on the cautious side due to the subdued macro and micro-economic conditions our country faces. The group deposited excess cash into short-term unlisted investments such as call, money market and fixed deposit accounts to earn higher returns.

Innovation

The fourth industrial revolution is upon us and comes with challenges and opportunities alike. We strive to uncover better, more efficient and up-to-date technologies. These will equip our employees and members with real-time information so that SAMRO can truly be a world leader in providing data from within our industry to our membership and sister societies. Our continuous drive to update and upgrade ZEUS, our enterprise resource planning system, is at the forefront of our innovation drive. These improvements will help us deliver the best and most efficient distributions on the continent.

We continue collaborating with external partners to propel the piloting of monitoring systems. These systems will monitor various broadcasting platforms, both terrestrial and digital, so that we can get more accurate consumption information. We can then collect and distribute more efficiently and close the gap on unreported airplay.

Outlook

Our new Chairperson briefly touched on the challenges we faced in our operating environment. The myriad of changes from the top down made what seemed an impossible task, a vivid and realistic one. There are clear strategies in place to deliver the best possible results for SAMRO members and stakeholders alike. Synergies formed with various external stakeholders continue driving us in the right direction.

Our strategies will allow SAMRO to become more dynamic and resolute, and allow us to pivot whenever there are any external occurrences affecting our business model. The slow growth within our operating environment is a cause for concern. However, with proper growth strategies in place and optimisation practices, we can adapt and SAMRO will have a sustainable future.

Growing our existing licensee base is a continuous challenge given the macro and micro-economic climate we are operating in. The initial stages of our turnaround strategy will be challenging. However, this strategy will be for the eventual benefit of SAMRO's membership and its workforce.

Appreciation

Our membership and stakeholders are at the forefront of everything we do. We are grateful for their continued support and understanding in these challenging times.

I am grateful to all SAMRO employees who come to work every day, putting their heads down and soldiering on, despite the negativity and strife we encountered during our transitional period.

The board was instrumental in allowing SAMRO's vision and strategy to be thoroughly and, in some instances, robustly discussed. The board gave me a platform to impart and begin driving that vision and strategy forward.



Ditebogo Modiba
Interim CEO

Strategic overview

SAMRO established three pillars on which its business strategy rests to support the group's vision:

1. Optimisation of the business model

The first pillar focuses on optimising SAMRO's business and entails identifying areas where efficiencies can be improved to have a positive impact on SAMRO's distributions to its members. Optimising operations and processes in areas such as documentation, invoicing, licensing and credit control enables SAMRO to increase value for members and grow licensing revenue. Negotiating favourable tariffs is crucial to ensure we derive sufficient licensing revenue from our licensees to provide a more member and licensee-centric service.

2. Diversification

The second pillar is business diversification. It focuses on identifying and pursuing opportunities to provide SAMRO's existing stakeholders (members and licensees) an improved and wider service offering beyond the current resources at SAMRO's disposal. This entails working with strategic partners to increase licensing and collection in other African territories, and providing value-added services for members and technologically driven customer solutions.

3. Innovation

The third pillar is about future focus and innovation enabling SAMRO to effectively compete in the market and industry of the future. SAMRO intends to be a dynamic and future-orientated organisation that understands members' wants and needs. We will consistently monitor trends like digitalisation and ensure we respond effectively. Our approach to innovation enables us to be a business gaining the affinity of members by offering great value in a changing landscape.

Strategic overview continued

In the year under review, SAMRO management and the board prioritised the “optimisation of the business model” theme. We focused on the following five strategic objectives:

| Pillar | Activities |
|--|--|
| Increasing revenue | <p>SAMRO embarked on various initiatives to maximise revenue. These included but were not limited to:</p> <ul style="list-style-type: none"> • Increase licensing of music users who do not have a SAMRO licence to significantly grow licensing revenue • Review existing licensees to ensure tariffs are favourable and relevant, and agreements are up to date • Improve collections of invoiced amounts to ensure sufficient revenue is collected from our licensees and bad debts are reduced • Improve the licensing, invoicing and credit control functions and activities to reduce bad debts and grow cash available for distribution |
| Improving systems and processes | <p>There are numerous inherited issues negatively affecting system functionality and resulting in inefficiencies in business processes. This led to undesirable member experience and less efficient distributions to members. SAMRO chose to focus on technologically driven solutions to improve the quality and value of distributions. This will ultimately improve customer experience. These solutions included but were not limited to:</p> <ul style="list-style-type: none"> • Outsourcing a world-class monitoring service to improve matching and linking processes to improve the quality and value of distributions • Outsourcing the distribution of digital licensing to increase the number of distributions and the value thereof • SAMRO embarked on an initiative to assess various technology options to modernise its operations and increase their efficiency |
| Managing costs | <p>SAMRO has been operating in a challenging economic environment in the past year, like most organisations in South Africa. This means it is business unusual. To be efficient and economically viable and find ways to adapt to the economic climate, SAMRO introduced the following:</p> <ul style="list-style-type: none"> • Assessing every function in SAMRO to maximise its operational efficiency and identify cost-saving measures • Improving internal controls to ensure prudent financial management • Inculcating financial disciplines across the business and supporting revenue growth initiatives to reduce the cost-to-income ratio to an acceptable and sustainable level • Improving financial and operational management of SAMRO House to ensure it is a profit-making business |

Pillar

Activities

Improving reputation

The negative public perception of SAMRO due to recent events affected its relationship with major stakeholders, ie members, employees, licensees and lawmakers.

To improve its reputation, SAMRO proactively set out to significantly increase engagement and communication with SAMRO members. Frequent communication and engagement occurred on the following channels:

- Direct communication with members on the portal, website, email and SMS
- Social media engagement
- The newly introduced member townhall sessions
- Industry workshops, events and conferences

Also, the work performed through the SAMRO Foundation (the Foundation) to the benefit of existing and future SAMRO members had a wide-reaching positive impact and helped improve the organisation's reputation.

Music industry cohesion/synergy

With the impending CAB, SAMRO became a member of the Copyright Coalition to actively promote and protect our members' rights. This is to ensure CAB in its current form is not legislated as it allows big technology companies to unethically benefit from free use of creative content at the expense of our members.

Also, SAMRO is committed to working with other CMOs in South Africa that administer neighbouring rights to ensure harmonious operations and maximum value for creatives and the industry as a whole.



Legislative framework

SAMRO derives its mandate from its MOI which provides that the objects of SAMRO are to:

- Strive to protect and enforce copyright and other intellectual property rights relating to music; prevent unlawful works of music performances and other unlawful uses of intellectual property relating to works of music; and reduce related abuses and unfair practices and methods
- Further and encourage the creation and promotion of music, literature and art, and the development of intellectual property, and encourage the national arts and training of authors, composers and proprietors
- Advance musical and related cultural interests
- Promote and support the social welfare (and reduce indigence) of authors and their families, dependants and heirs and their dependants
- Provide support for other social and cultural objectives in the principal territory as determined by the board
- Generally represent the views of those authors, publishers and proprietors of works of music and related intellectual property, and facilitate the interrelationship between, and advancement and protection of, the interests of authors, publishers and proprietors of works of music and related intellectual property, as a social and cultural group
- Encourage and promote efficiency in the administration of intellectual property relating to music and the use thereof
- Promote reforms in the laws regulating intellectual property associated with music
- Cooperate and enter into reciprocal arrangements with affiliates and related societies and bodies as the company deems fit. This is done through, among other things, acting as a collecting society and administering the administered intellectual property rights as contemplated in the MOI to support a viable and sustainable music culture, society and industry

for the public benefit and/or to further the related cultural and social activities and communal or group interest.

To achieve the above, SAMRO has an obligation to conform to the following regulatory legislative framework:

- Constitution of the Republic of South Africa, 200 of 1993
- Copyright Act, 98 of 1978
- Companies Act and its regulations
- Promotion of Access to Information Act, 2 of 2000
- Promotion of Equality and Prevention of Unfair Discrimination Act, 4 of 2000
- Basic Conditions of Employment Act, 75 of 1997
- Labour Relations Act, 66 of 1995
- Employment Equity Act, 55 of 1998 (EE Act)
- Occupational Health and Safety Act, 85 of 1993
- Income Tax Act, 58 of 1962, as amended, and all subsequent Taxation Laws Amendment Acts
- Revenue Laws Amendment Act, 1996
- Skills Development Act, 97 of 1998
- Preferential Procurement Policy Framework Act, 5 of 2000
- Unemployment Insurance Act, 63 of 2001
- Division of Revenue Act, 5 of 2012
- Broad-Based Black Economic Empowerment Act, 53 of 2003 (BBBEE Act)

Value added statement

for the year ended 30 June 2019

SAMRO created and distributed R566 million of wealth in 2019 (2018: R507 million). Music royalty distributions for member benefit increased by 5% to R316,6 million (2018: R300,4 million). Distributions were in the form of royalties, retirement annuity and funeral benefits, endowments for the national arts, and other social and cultural allocations.

Payments to employees in the form of salaries, wages and benefits decreased by 5% from R109 million to R104 million. This represented 18% of total value distributed. Providers of capital received R2,4 million this year. Taxation paid to government totalled R5,9 million.

No withdrawals were made from reserves this year (2018: R25,5 million).

| | GROUP | |
|--|----------------|----------------|
| | 2019 R000 | 2018 R000 |
| Music licence and royalties | 472 592 | 471 983 |
| Reprographic licence and royalties | 57 725 | 53 327 |
| Administration and other fees | 12 254 | 14 681 |
| Cost of generating revenue | (57 611) | (109 895) |
| VALUE ADDED | 484 960 | 430 096 |
| Income from investments | 21 797 | 17 267 |
| Distribution adjustment | 59 214 | 60 194 |
| WEALTH CREATED | 565 972 | 507 558 |
| VALUE DISTRIBUTION | | |
| Members | | |
| Music royalty distributions | 316 616 | 300 469 |
| Reprographic royalty distributions | 57 725 | 53 327 |
| Grant of rights payments | 27 317 | 23 645 |
| SRAF and members' funeral benefit | 9 052 | 8 622 |
| SAMRO Foundation allocation | 20 564 | 20 297 |
| Other social and cultural allocations | 315 | 314 |
| Employees | | |
| Salaries, wages and benefits | 104 261 | 109 796 |
| Providers of capital | | |
| Finance costs | 2 409 | 2 647 |
| Government | | |
| Taxation charge | 5 893 | 5 221 |
| Reinvested in the group | | |
| Depreciation and amortisation of capital items | 30 204 | 32 135 |
| Transferred to reserves | 3 271 | (25 499) |
| Retained earnings | (11 657) | (23 417) |
| Total | 565 971 | 507 559 |

Our social impact

SAMRO plays a pivotal role in Africa as a driver of the creative economy through its corporate social investment (CSI) from the Foundation (www.samrofoundation.org.za).

SAMRO has been promoting the sustainability of artistic communities and music for almost 60 years. Our corporate citizenship philosophy is based on the Freedom Charter and is closely related to our commitment to stakeholder development. These values have been the foundation of our corporate culture since 1962.

SAMRO's sustainability perspective is driven through its CSI activities and the social, ethics and governance committee. SAMRO allocates 8,25% of operational profit before distribution and tax is allocated to the Foundation, the SRAF and the SAMRO funeral benefit scheme. This is according to the provisions in the standard reciprocal agreement approved by the International Confederation of Societies of Authors and Composers.

The group's CSI initiatives are channelled through the Foundation, which provides investment support for music education and developing and promoting South African composers, authors and artists. The Foundation annually allocates funds to projects. The board receives feedback on activities and progress at all board meetings and funds are allocated transparently. Below are some of the group's CSI statistics:

2019 CSI in numbers

| | | |
|--|--|---|
| Over R190 million invested in the arts since 1962 | Historically, over 2 400 bursaries have been awarded to university music departments in South Africa. In 2019, students pursuing full-time studies were awarded 101 bursaries . ¹ | The Foundation annually supports non-government music schools in South Africa. In 2019, R1 515 000 was allocated to 45 non-governmental organisation (NGO) music schools. |
| Concerts SA (CSA) has impacted over 9 000 artists since it commenced in 2012 | CSA has promoted live music to over half a million audience members. CSA is funded by the Royal Norwegian Embassy and administered by the Foundation. | CSA supported over 4 500 concerts across South Africa's provinces and 11 Southern Africa Development Community (SADC) countries. This includes over 800 venues, reaching an audience of close to 500 000 people in small venues. |
| The SAMRO Music Archive has supported the commissioning of over 450 new South African works | The SAMRO Music Archive preserves southern African music scores, with 64 500 in the physical archive and a growing selection of digital works. The growth in digital works is because of the imminent release of the SAMRO Scores ² online portal, and the indigenous African music (IAM) transcription project supported by the US Ambassador's Fund for Cultural Preservation. | The SAMRO Overseas Scholarships Competition has yielded 76 winners since inception, many runners up and numerous named subsidiary awards, thanks to bequests and donations . The 2018 competition also introduced the new awards for the works best representing IAM. |

¹ 96 standard music bursaries of R13 000 each, four Roodepoort International Eisteddfod of South Africa (RIESA) bursaries of R20 000 each, and a R30 000 SAMRO/Mzilikazi Khumalo bursary for postgraduate studies in IAM.

² The SAMRO Scores online portal is complete and up and running; however, it is still to be launched formally at www.samroscores.org.za.

The SAMRO Foundation

The Foundation's current mission is to promote South Africa's national arts through sponsorships; encourage excellence in the arts; facilitate economic participation in the creative economy; influence cultural and arts policy by means of research and advocacy; and promote living cultural heritage. This mission is under review and a new strategy is being developed to serve SAMRO members, as directed by the SAMRO board.

The Foundation was established in 2012 and is a semi-autonomous NPC. The Foundation is fully registered as a public benefit organisation approved for section 18(a). This means contributions are tax deductible by donors. The Foundation has a team of dedicated and passionate individuals who work relentlessly to successfully execute numerous projects.

For nearly six decades, the **SAMRO Foundation Education Portfolio** has supported music students, non-government music schools and specific education projects around the country. The bursaries and grants help sustain the music sector as a whole. **The SAMRO Overseas Scholarships Competition** continues promoting the excellence, integrity and international reputation of our sector to the world.

CSA has played an instrumental role in improving music in Africa through increased partnership, diversity, range and scope. This joint SAMRO/Royal Norwegian Embassy project has

impressively impacted over 9 000 artists in the past five years. These artists are mostly from popular music and jazz genres (www.concertssa.co.za).

The SAMRO Music Archive stores a large collection of South African music scores, photographs, research collections and biographies, and continues growing with new works and commissions from SAMRO members. We look forward to the imminent launch of **SAMRO Scores** (www.samroscores.org.za). This is an online score portal for contemporary South African composer members to sell their music scores online. **The IAM transcription project** has transcribed over 40 indigenous African works. The aim is for this growing body of music to be online by July 2020.

The **Stakeholder Hub** hosts small, non-profit arts organisations like the African Cultural Heritage Trust, Academic and Non-Fiction Authors Association of South Africa (ANFASA), and Puku Children's Literature Foundation (Puku). It has promoted vital causes such as the **Turquoise Harmony Institute's** (THI) Concert for Refugees through in-kind support. The Stakeholder Hub hosts talks and workshops at SAMRO Place, and looks towards international partnerships with core initiatives benefiting SAMRO members and the South African arts industry as a whole.

The Foundation's focal areas

the Foundation affirmed its commitment to the arts in South Africa by focusing on five strategic areas, implemented through the projects outlined in the table below:

| Strategic focus areas | Objectives | Performance feedback |
|--|--|---|
| Encouraging excellence in the arts | <ul style="list-style-type: none"> • Return on investment • Brand awareness in the arts • Goodwill | <ul style="list-style-type: none"> • Growth in careers of artists who are beneficiaries of the Foundation's initiatives • Appreciation messages via email or social media expressing gratitude, and impact of funding |
| Facilitating economic participation in the creative economy | <ul style="list-style-type: none"> • Improved cooperation in the sector • Economic growth among partners • Formalisation of the sector • Increase in number of platforms | <ul style="list-style-type: none"> • CSA benefited over 9 000 artists, at 4 500 concerts at 800 venues, to nearly half a million people in the audience, in South Africa's provinces and 11 SADC countries |

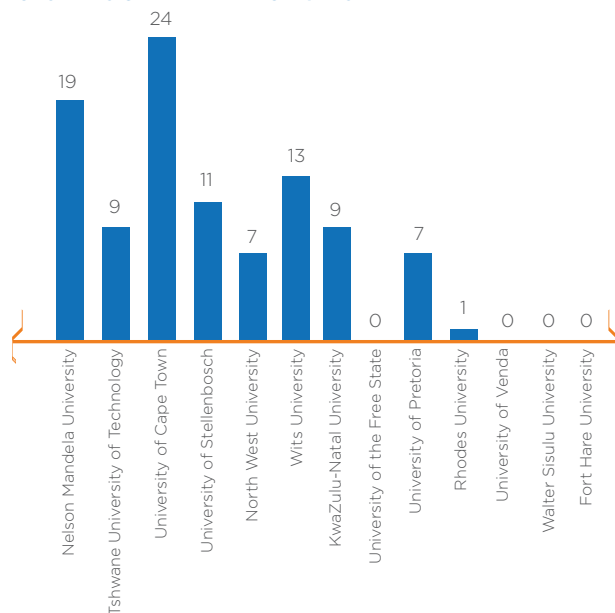
Our social impact continued

| Strategic focus areas | Objectives | Performance feedback |
|---|---|---|
| Promoting living cultural heritage | <ul style="list-style-type: none"> Increased awareness of southern African culture/music Increased awareness of works in archive Increased commissioning of new works International access | <ul style="list-style-type: none"> Commissioned 12 musicians to transcribe 40 IAM works Worked with composers to prepare and produce their scores for online consumption Provided a simple and accountable platform for international consumers to purchase scores |
| Influencing cultural and arts policy through research and advocacy | <ul style="list-style-type: none"> Improved awareness of the music sector (internal and external) Building on research to provide a broader knowledge base Representing musicians at related policy events | <ul style="list-style-type: none"> Partnered with human rights organisations like the THI, Amnesty International and the South African Human Rights Commission, using music to promote social causes Attended, presented and contributed at meetings related to CAB, the Performers Protection Bill and the Indigenous Knowledge Bill, among others |
| Building capacity and institutional strength of arts organisations | <ul style="list-style-type: none"> Improved professionalism in the sector Improved income for recipients Improved compliance in the sector | <ul style="list-style-type: none"> Supported numerous organisations in the music sector through micro-grants Helped numerous organisations through strategic crisis management and governance support |

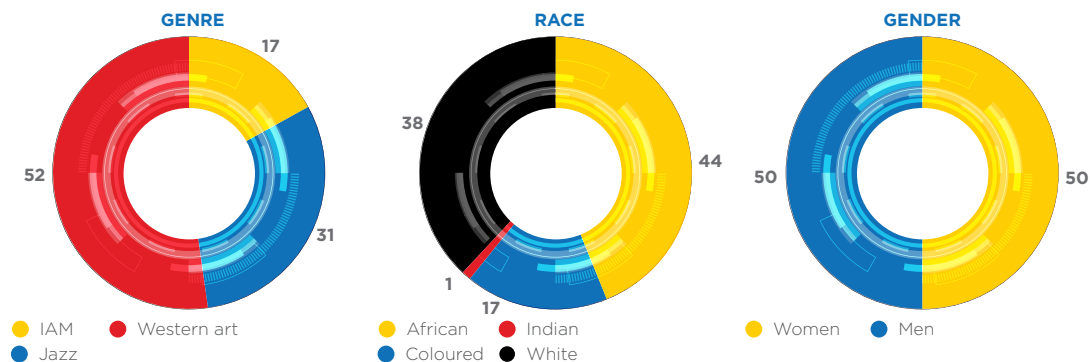
The SAMRO music education portfolio

The Foundation administers bursaries and micro-grants to deserving NGO music schools and projects. In April 2019, the Foundation distributed 96 standard music bursaries of R13 000 each, four RIESA bursaries of R20 000 each and the SAMRO/Mzilikazi Khumalo IAM bursary of R30 000 to students around the country.

BURSARIES GRANTED PER UNIVERSITY



In total 100 bursaries were approved last year with the following statistical breakdown:



The Foundation also supported 46 NGO music schools and 29 strategic education projects across South Africa. These included the Sibikwa Arts Centre, Rainbow Academy, Access Music Project, Buskaid, the Keiskamma Trust, the Institute for Music and Indigenous Arts Development, the Field Band Foundation, the International Steelpan and Marimba Festival, Geleza Kleva workshops, the South African National Youth Orchestra, and many others. The micro-grants offered help these valuable institutions sustain themselves, and act as endorsement for further funding should they require it. A map of the Foundation’s investment into the music landscape can be found here: <https://www.concertssa.co.za/venues-map/>.

The SAMRO music archive

The SAMRO Music Archive houses 64 500 scores written by South African composers and members. These scores include photographs, books, CDs and other recordings. The archive is accessible to the public and researchers for academic, media and other purposes.

For more than 50 years the SAMRO Music Archive has supported SAMRO members by assisting with commissioning new works. Many of the commission requests have performed South African composers’ works internationally to critical acclaim. Most notably, Phillip Miller’s composition for Dada Masilo’s ballet Giselle is still travelling around the US and Europe.

Two new strategic projects progressing well are SAMRO Scores and the IAM transcription project.

The SAMRO Scores site is up and running and provides a platform for composers to sell their scores in South Africa and abroad. The IAM transcription project is supported by the US Ambassador’s Fund for Cultural Preservation and has already preserved over 40 works by transcribing and preparing them for musicians and students to consider and perform.

CSA

The Foundation receives financial, administrative and technical support from the Norwegian Ministry of Foreign Affairs, SAMRO and Concerts Norway. The CSA was formed in 2013 because of these relationships. CSA partners with musicians, promoters, venue owners and audiences to build music circuits and promote the mobility of southern African artists. It focuses on live music performances at venues and schools in disadvantaged areas, and skills development through workshops for the music sector at large. Another focus area for CSA is research, focusing on audience development, live music environment and reviewing mapping.

CSA is actively looking for funders locally and internationally. The Norwegian Embassy extended its support by another year and we continue submitting funding proposals to the United Nations Educational, Scientific and Cultural Organisation’s International Fund for Cultural Diversity, the National Lotteries Commission, the Department of Arts and Culture, and the National Arts Council.

Our social impact continued

Industry support – Stakeholder Hub

The Foundation's Stakeholder Hub is an initiative consolidating the organisation's commitment to institutional development in the arts. The Stakeholder Hub develops other arts organisations through administrative backing and infrastructure. Internal stakeholders receive subsidised space for their administrative centres and external stakeholders partner with the Foundation for in-kind support and shared projects.

Internal stakeholders

| Project | Details and scope of support |
|---|---|
| ANFASA | The Foundation partnered with ANFASA to sponsor grants for authors with a specific interest in music research as part of the ANFASA Grant Scheme for Authors. SAMRO subsidised ANFASA's rent for three years, but ANFASA now pays full rental costs. |
| African Cultural Heritage Trust | The African Cultural Heritage Trust is affiliated with the long living indigenous cultural festival, Zindala Zombili. Led by Qhuzulini Sithole, the institution aims to bring about social cohesion through promoting indigenous cultures, lobbying and advocacy. The African Cultural Heritage Trust is in its second year and has a subsidised rent of 50%. |
| Arterial Network of South Africa (ANSA) | <p>Since its establishment in March 2007, Arterial Network grew to become one of the largest intercultural networks in Africa. Arterial Network is represented across the continent through national chapters, local partner organisations and members, making it a leading Africa-driven and cultural organisation.</p> <p>ANSA is the South African chapter of Arterial Network. ANSA connects with arts, cultural and heritage associate as an African representative in South Africa. It provides direction and multidisciplinary thought leadership for the sector to be empowered and operate with confidence. The Stakeholder Hub subsidised 75% of ANSA's rent as this is its first year of tenancy.</p> |
| Institute of African Royalty (IAR) | IAR is run by people's poet, Zolani Mkiva, and prides itself as an advocacy organisation. It champions the promotion, protection and preservation of African culture, heritage and traditions. IAR works closely with the Congress of Traditional Leaders of South Africa as the custodians of our culture. The Stakeholder Hub subsidised 75% of IAR's rent as this is its first year of tenancy. |
| Puku | <p>Puku is a reading promotion and book curation organisation aiming to ensure all children have access to quality, culturally relevant literature in all South African languages. One of Puku's primary vehicles for promoting this is the creation of an engaging and innovative digital encyclopaedia, Pukupedia. It houses and reviews literature and bodies of work. Pukupedia will be South Africa's first comprehensive database of children's literature and will promote buying and reading books affirming the African child.</p> <p>Puku is specifically focused on children's literature, education and literacy in southern Africa. It aims to build up a transparent, regularly updated and accurate database of reviews of recreational and educational books and resources for African parents, teachers and librarians in South Africa's official languages. Puku also organises story festivals around the country to spread the love of reading as part of its goal to consistently engage communities. The Stakeholder Hub subsidised 75% of its rent as this is its first year of tenancy.</p> |
| South African Up and Coming Music Awards (SAUMA) | SAUMA comprises an annual award for up and coming musicians supported by the independent streaming SAUMA HD RADIO. It aims to recognise excellence in the music industry for South Africa's upcoming musicians. |

External stakeholders

Project

Details and scope of support

| | |
|--|--|
| Music in Africa (MiA) | MiA is a partnership between the Foundation, the Goethe Institute and the Siemens Foundation. |
| Business and Arts South Africa (BASA) | BASA offers links and support between arts organisations and businesses through workshops and networking meetings throughout the year. André le Roux is a member of the board of BASA. |
| THI | THI is an Interfaith Foundation of South Africa. Since its establishment, THI has been pursuing the goal of strengthening dialogue and tolerance among people who come from different backgrounds. It strongly believes the future of humanity should be built on a culture of coexistence, dialogue and tolerance. Differences should be seen as a strength and can serve as multiple opportunities for building an inclusive world. In May 2019, the Foundation gave in-kind support to its Concert for Refugees featuring leading South African artists, Yvonne Chaka Chaka, Sibongile Khumalo, Pops Mohamed, Gcina Mhlope and Buskaid. |



Our social impact continued

In tribute to our members who have passed on

Motsie Ramakatsa

Donald Ramsay Mackay

Thembinkosi Ernest Msimango

Dimakatso Thomas Mokgolobetsi

Sbusiso Goodwill Lindokuhle Mnduna

Nomagigi Johannes Nkosi

Dominic Vusimuzi Ngwenya

Sibongile Gece

Willem Daniel de Klerk

Tshepo Edmond Mohale

Ian Mashati

Oliver Dairai Mtukudzi

Hendrika Maria Nel

Elizabeth Catherina van Niekerk

Ndingo Brinne Shilote

Edward Walter Payne

Daniel Ndibiseni Tshandu

Zamani Kheswa

Dorothy Mnyando Masuku

Terence John Kevin Dempsey

Lawrence Monwabisi Kuboni

Philisiwe Nomusa Nkosi

Reynold Field

Mzikwukhethi Nicolas Ntuli

Bhekani Napoleon Mnculwane

Daniel Dingaana Vilakazi

Robert Mgcineni Ndlozi

Nkomfa Deon Mkabile

Dlubheka Robert Ndimba

Hendrik Christiaan Viljoen

Jennifer Nonhlanhla Dlomo

Brian Finch

Jacob Pieter Botha

Petrus Kenneth Nkabinde

Hendrik Theo Jacques De Coning

Nichume Refeloe Siwundla

Jonathan Paul Clegg

Rest peacefully, forever yours in music

Transformation report

SAMRO embraces inclusive growth and diversity in South Africa in line with the BBBEE and EE Acts, 55 of 1998.

Transformation is part of SAMRO's culture. Our social, ethics and governance committee oversees transformation within the company by monitoring our compliance with the BBBEE and EE Acts. SAMRO's HR team has implemented policies aligned with our values. In 2019, SAMRO's transformation focus areas were:

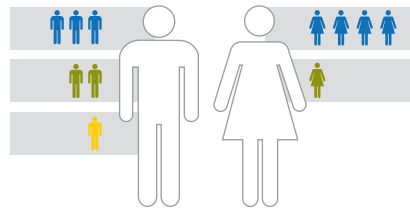
- Improved BBBEE product knowledge and insight relating to the new specialised scorecard and the elements SAMRO will be measured against
- Continued use of the economically active population targets in our recruitment process to ensure the applicable gaps are closed at all levels
- Integrating the smartscore system to ensure continuous planning and monitoring of our transformation agenda
- Initiated the process of collecting valid black economic empowerment (BEE) certificates from all suppliers to improve the preferential procurement element

Management control

Board of directors (13)

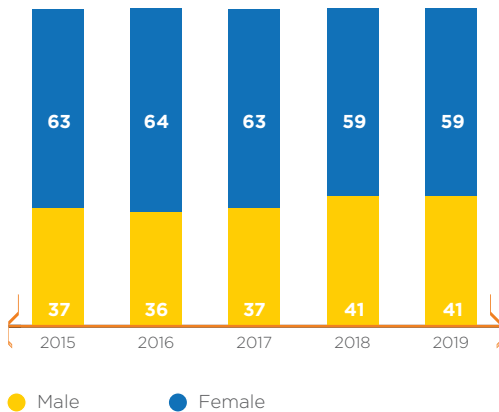


General management committee (11)

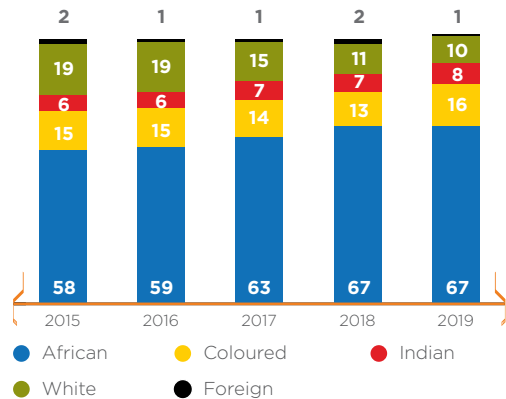


● African ● Coloured ● White ● Indian

PERMANENT EMPLOYEES BY GENDER (%)



PERMANENT EMPLOYEES BY RACE (%)



We continue prioritising equity appointments, primarily African females, to contribute to meeting BBBEE targets. SAMRO is dedicated to having a diverse board with the expertise and skills required to drive performance and transformation throughout the company.

How we are governed

SAMRO leadership

The SAMRO board regards corporate governance as fundamentally important to achieving SAMRO's mission and its financial objectives and fulfilling its corporate responsibilities. The board is committed to applying the core governance principles set out in King IV, which prescribe accountability, integrity, fairness and transparency in all dealings with stakeholders.

During the year under review, the SAMRO board composition changed. The changes were effected at the AGM held on 11 December 2018. The board also appointed an independent Chairperson on 17 June 2019. The board composition as at 30 June 2019 was as follows:

Board composition



| | | |
|----------|---------------------------|-------------------------------|
| 1 | Nicholas Maweni | Independent board Chairperson |
| 2 | Relebogile Mabotja | Publisher board member |
| 3 | David Alexander | Publisher board member |
| 4 | Ryan Hill | Publisher board member |
| 5 | Natalie Sanderson | Publisher board member |

A unitary board with appropriate skills, experience and diversity is a fundamental element to drive the organisation forward.



| | | |
|-----------|-----------------------|------------------------|
| 6 | Rowlin Naicker | Publisher board member |
| 7 | Gaby le Roux | Composer board member |
| 8 | Sipho Sithole | Composer board member |
| 9 | Sello Thwala | Composer board member |
| 10 | Linah Ngcobo | Composer board member |
| 11 | Wendy Oldfield | Composer board member |

How we are governed continued

Board member meeting attendances as at June 2019

| Meeting | Members | Number of meetings | Meeting attended |
|---|-------------------------------|--------------------|------------------|
| Social and ethics committee (old committee structure) | JJ Niemand [#] | 2 | 2 |
| | SCP Mabuse [#] | 2 | 2 |
| | S Khumalo [#] | 2 | 0 |
| | J Zaidel-Rudolph [#] | 2 | 2 |
| | N Migogo [*] | 2 | 2 |
| Social, ethics and governance committee (new committee structure) | S Sithole | 1 | 1 |
| | R Mabotja | 1 | 1 |
| | L Ngcobo | 1 | 1 |
| | W Oldfield | 1 | 1 |
| | S Thwala | 1 | 0 |
| Nominations and governance committee (old committee structure) | L Bala [#] | 3 | 3 |
| | J Zaidel-Rudolph [#] | 3 | 3 |
| | JJ Niemand [#] | 3 | 3 |
| | N Migogo [*] | 3 | 3 |
| | D Modiba | 3 | 1 |
| Nominations, HR and remuneration committee (new committee structure) | R Hill | 1 | 1 |
| | R Mabotja | 1 | 1 |
| | G le Roux | 1 | 1 |
| | S Sithole | 1 | 1 |
| SAMRO board | JJ Mnisi [#] | 7 | 3 |
| | G le Roux [#] | 7 | 5 |
| | JJ Niemand [#] | 7 | 2 |
| | J Edmond [#] | 7 | 2 |
| | L Bala [#] | 7 | 3 |
| | R Mabotja | 7 | 7 |
| | S Khumalo [#] | 7 | 3 |
| | SCP Mabuse [#] | 7 | 3 |
| | J Zaidel-Rudolph [#] | 7 | 3 |
| | R Naicker | 7 | 4 |
| | N Migogo [*] | 7 | 7 |
| | D Modiba | 7 | 7 |
| Audi and risk committee | R Naicker | 1 | 1 |
| | D Alexander | 1 | 1 |
| | N Sanderson | 1 | 1 |
| | D Modiba | 1 | 1 |

[#] Board members who resigned at the AGM on 11 December 2018.

^{*} CEO resigned May 2019.

In an effort to continue improving efficiencies and managing costs, the new board appointed in December 2018 reduced the number of committees from four to three, being:

- The social, ethics and governance committee
- The nominations, HR and remuneration committee
- The audit and risk committee

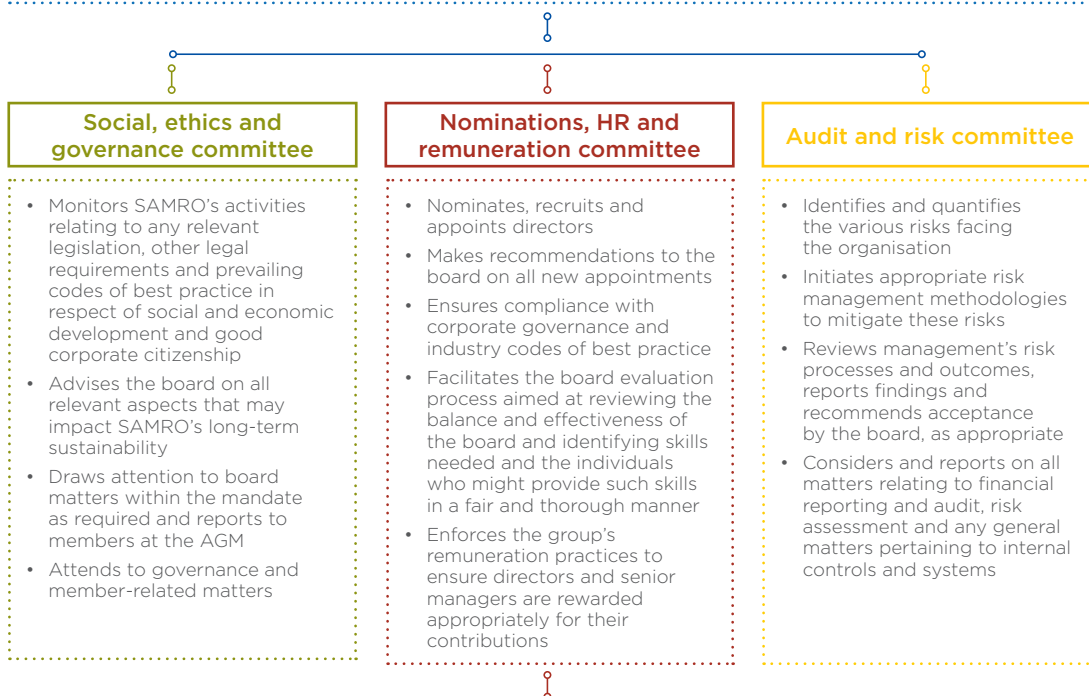
SAMRO's governance structure

Board of directors

The board is responsible for the company's performance and delegates the implementation of the strategy to the CEO and the general management committee.

Other specific responsibilities of the board include:

- Evaluating the performance of the CEO and board committees
- Setting a clearly defined communications policy to ensure transparent communication between the board and key stakeholders
- Ensuring the accuracy of SAMRO's financial statements
- Monitoring operational performance and management
- Upholding high standards of ethics in line with the code of ethics
- Ensuring compliance with the policies and procedures applicable to the business
- Encouraging proactive engagement with key stakeholders
- Ensuring risk management and internal controls, policies and processes
- Increasing the value to members while maximising socio-economic benefits



Social, ethics and governance committee

- Monitors SAMRO's activities relating to any relevant legislation, other legal requirements and prevailing codes of best practice in respect of social and economic development and good corporate citizenship
- Advises the board on all relevant aspects that may impact SAMRO's long-term sustainability
- Draws attention to board matters within the mandate as required and reports to members at the AGM
- Attends to governance and member-related matters

Nominations, HR and remuneration committee

- Nominates, recruits and appoints directors
- Makes recommendations to the board on all new appointments
- Ensures compliance with corporate governance and industry codes of best practice
- Facilitates the board evaluation process aimed at reviewing the balance and effectiveness of the board and identifying skills needed and the individuals who might provide such skills in a fair and thorough manner
- Enforces the group's remuneration practices to ensure directors and senior managers are rewarded appropriately for their contributions

Audit and risk committee

- Identifies and quantifies the various risks facing the organisation
- Initiates appropriate risk management methodologies to mitigate these risks
- Reviews management's risk processes and outcomes, reports findings and recommends acceptance by the board, as appropriate
- Considers and reports on all matters relating to financial reporting and audit, risk assessment and any general matters pertaining to internal controls and systems

General management committee

The general management committee assists the CEO in the company's day-to-day running. The committee meets monthly and the meetings are chaired by SAMRO's CEO. The committee acts on the following:

- Group performance: consolidated management accounts
- Strategy and structure implementation
- Legal issues
- Business segment updates
- Operational matters
- Governance and risk

How we are governed continued

Compliance with applicable laws and regulations

In the year under review, the board continued discharging its fiduciary duties, acting in good faith, with due diligence and care, and in the best interests of SAMRO and all its stakeholders. It does this within the context of the Companies Act, the SAMRO MOI, and the following principles set out in King IV:

- The governing body should lead ethically and effectively
 - The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture
 - The governing body should ensure the organisation is and is seen to be a responsible corporate citizen
 - The governing body should appreciate the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process
 - The governing body should ensure reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects
 - The governing body should serve as the focal point and custodian of corporate governance in the organisation
 - The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively
 - The governing body should ensure its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties
 - The governing body should ensure the evaluation of its own performance and its committees, its chair and its individual members, support continued improvement in its performance and effectiveness
- The governing body should ensure the appointment of and delegation to management contributes to role clarity and the effective exercise of authority and responsibilities
 - The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives
 - The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives
 - The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen
 - The governing body should ensure the organisation remunerates fairly, responsibly and transparently so as to promote achieving strategic objectives and positive outcomes in the short, medium and long term
 - The governing body should ensure assurance services and functions enable an effective control environment, and these support the integrity of information for internal decision making and of the organisation's external reports
 - In executing its governance role and responsibilities, the governing body should adopt a stakeholder inclusive approach balancing the needs, interests and expectations of material stakeholders in the best interests of the organisation over time

Through these practices, the directors can contribute to the future sustainability of the company; enhance long-term member value creation; and ensure other key stakeholders, such as members, employees and suppliers, benefit from ongoing success.

The philosophy of board leadership is premised on the principle that the role of the board and management team's responsibility are two separate and distinct tasks. Consistent with this approach, the roles of the Chairperson and CEO are separate, with specific responsibilities divided between them to ensure a balance of power and

authority. Balances ensures no one individual has unfettered powers of decision making, and cannot dominate the board's decisions. Only decisions of the board acting as a unitary body are binding on the CEO.

The board retains full and effective control over all the companies and entities in the group and assumes overall responsibility for SAMRO's compliance with the applicable legislation and governance provisions.

Company Secretary

SAMRO's group company secretary plays a pivotal role in the functioning of the Board. She ensures all directors have full and timely access to information they need to perform their duties and obligations properly, and enables the board to function effectively. She is responsible for

the duties set out in section 88 of the Companies Act and for ensuring compliance with applicable laws and regulations. She also provides guidance and assistance in line with King IV. All directors have unlimited access to the group Company Secretary.

The group Company Secretary, Celiwe Nkosi, is not an executive director of SAMRO, nor is she related or connected to any of the directors. The appointment and removal of the group Company Secretary is a matter for the board as a whole. In addition to her role as group Company Secretary, Celiwe Nkosi also serves as the executive responsible for governance, risk and compliance and reports to the CEO.

The performance of the group Company Secretary is monitored by the CEO and is formally assessed by the board annually.



How we are governed continued

Group operation and management structure



Executive directors

1 Nothando Migogo

CEO
Appointed to SAMRO
1 July 2017
Appointed to the board
Appointed CEO 1 July 2017
Resigned on 30 May 2019

2 Ditebogo Modiba

CFO
Appointed to SAMRO
1 July 2018
Appointed to the board
Appointed CFO 1 July 2018
Appointed interim CEO 1 June 2019

Risk management

SAMRO recognises that effective risk management is fundamental to achieving its objectives. SAMRO regards risk management as a strategic management tool enabling the company to respond to its environment in an agile and effective way and lay a strong foundation for business success.

Risk reporting and oversight

Risk reporting is a fundamental component of risk management.

SAMRO adheres to stringent corporate governance principles. The board is required, through the audit and risk committee, to adequately identify, assess, reasonably manage and report on the business's risks. The committee reviews and evaluates these risks and ensures appropriate internal controls exist for risk mitigation.

The audit and risk committee provides oversight on risk management processes to ensure a standardised and consistent approach to risk management. These areas include:

- IT governance
- Licensing
- Business continuity

- Stakeholder management
- Human capital
- Information governance
- Operations
- Governance

Risk management process

SAMRO's risk management process is designed to mitigate the company's strategic and operational risks. SAMRO has a watchlist to monitor emerging risks which may become material in future.

Key risks 2019

1. Digital service providers providing music royalty distribution services
2. Failure to license music users
3. Poor financial operational controls
4. Poor service delivery
5. Public broadcaster non-payment
6. Volatile membership
7. AEMRO investment
8. BEE compliance
9. Procurement fraud/mismanagement
10. SAMRO being replaced by another industry player or government agency



Management team

| | | |
|-----------|-------------------------|--|
| 1 | Tanya Castignani | General Manager: Information Management and Services (promoted 1 January 2019) |
| 2 | Clinton Hornett | General Manager: Distributions (promoted 1 January 2019) |
| 3 | Grace Khambane | General Manager: HR |
| 4 | Manqoba Kubheka | General Manager: Licensing/Sales (appointed 1 June 2019) |
| 5 | André le Roux | Managing Director: SAMRO Foundation General Manager: Corporate Affairs |
| 6 | Chola Makgamathe | General Manager: Legal (promoted 1 January 2019) |
| 7 | Celiwe Nkosi | Company Secretary (appointed 10 June 2019) |
| 8 | Karabo Senna | General Manager: Rightsholder Services |
| 9 | Lazarus Serobe | Managing Director: DALRO |
| 10 | Thomas Windsch | Senior data analyst |

How we are governed continued

Risk management framework and policy

SAMRO's risk management framework and policy are designed to holistically address the company's risks by:

- Identifying the risk on a scale of one to 10
- Rating the risk in terms of probability, impact and urgency, with scoring for each criterion
- Determining how the risk is mitigated, avoided, transferred or accepted
- Allocating risk owners
- Escalating risks rated nine and above to the board
- Discussing risks rated four to eight at the general management committee meetings attended by all executives
- The general manager manages risks rated below four (operational risks)

Internal control

An effective internal control framework is a critical component enabling us to evaluate and improve the effectiveness of all areas of our business.

SAMRO's internal controls are reviewed as part of the company's risk management process. The review of internal controls includes a review of all policies and procedures.

Audit and risk committee report

The SAMRO NPC group audit and risk committee (the committee) is a formal statutory committee in terms of the Companies Act and subcommittee of the board. The committee functions within documented terms of reference and complies with relevant legislation, regulation and governance codes. This report of the committee is presented to members in compliance with the requirements of the Companies Act and King IV.

Role of the committee

The committee has an independent role with accountability to both the board and to members. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King IV as well as additional responsibilities assigned by the board.

The responsibilities of the committee are as follows:

Integrated reporting and assurance

- Oversees integrated reporting, has regard to all factors and risks that may impact the integrity of the integrated report, and recommends the integrated report to the board for approval
- Reviewed the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information
- Reviewed the company's internal and external assurance model and recommend to the board engagement of an external assurance provider on material sustainability issues when deemed necessary
- Monitors the relationship between the company and external assurance providers
- Annually reviews the expertise, resources and experience of the company's finance function and discloses the results of the review in the integrated report

Internal audit

- Approves the structure and appointment of the internal audit function – internal function or outsourced – as proposed by management
- Annually reviews the performance and objectivity of the internal auditor and subjects the internal audit function to independent quality review as and when deemed necessary by the committee
- Reviews the functioning of the internal audit programme and appointment, if any, ensures coordination between the internal and external auditors, and ensures that any internal audit function is adequately resourced and has appropriate standing within the company
- Receives and reviews the internal audit report at each meeting of the committee as well as the annual assessment of internal financial controls
- Considers the major findings of internal investigation and management's response

Risk management

- Oversees the development and annual review of policy and plan for risk management to recommend for approval to the board

- Monitors implementation of the policy and plan for risk management taking place by means of risk management systems and processes
- Makes recommendations to the board concerning the levels of tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by the board
- Oversees that the risk management plan is widely disseminated throughout the company and integrated in the day to day activities of the company
- Ensures that risk management assessments are performed on a continuous basis
- Ensures that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks
- Ensures that management considers and implements appropriate risk responses
- Ensures that continuous risk monitoring by management takes place
- Expresses the committee's formal opinion to the board on the effectiveness of the system and process of risk management
- Reviews reporting concerning risk management that is to be included in the integrated report

Internal control

Systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against misstatement or loss.

While the board is responsible for the internal control systems and for reviewing their effectiveness, responsibility for their actual implementation and maintenance rests with the management team. The systems of internal control are based on established organisational structures, together with written policies and procedures, and provide for suitably qualified employees, segregation of duties, clearly defined lines of authority and accountability. They also include cost and budgeting controls, and comprehensive management reporting.

Internal financial controls

The committee has considered the results of the formal documented review of the company's system of internal financial controls and risk management, including the design, implementation and effectiveness of the internal financial controls in place. The committee has also assessed information and explanations given by management and discussions with the external auditor on the results of the audit. Through this process, no material matter has come to the attention of the committee or the board that has caused the directors to believe that the company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

External audit

The committee appraised the independence, expertise and objectivity of PwC as the external auditor, as well as approving the terms of engagement and the fees paid to PwC.

The external auditor has unrestricted access to the group's records and management. The auditor furnishes a written report to the committee on significant findings arising from the annual audit and is able to raise matters of concern directly with the chairman of the committee.

The audit partner in charge of the audit is rotated off the audit after five years. In terms of this policy, the current audit partner rotated in this year and is in the first year of tenure. The group has received confirmation from the external auditor that the partners and employees responsible for the audit comply with all legal and professional requirements with regard to rotation and independence. The committee is satisfied that the external auditor is independent of the company.

Activities of the committee

The committee met four times during the financial year and attendance at the meetings is detailed in creating value through good governance. Members of the committee and the external auditor may request a non-scheduled meeting if they consider this necessary. The chairman of the committee will determine if such a meeting should be convened.

How we are governed continued

Minutes of the meetings of the committee, except those recording private meetings with the external auditors, are circulated to all directors and supplemented by an update from the committee chairman at each board meeting. Matters requiring action or improvement are identified and appropriate recommendations made to the board.

The chairman of the committee attends all statutory member meetings to answer any questions on the committee's activities.

The committee performed the following activities relating to the audit function during the year under review, with certain of these duties being required in terms of the Companies Act:

- Recommended to the board and members the appointment of the external auditors, approved their terms of engagement and remuneration, and monitored their independence, objectivity and effectiveness
- Determined the nature and extent of any non-audit services which the external auditor may provide to the group and preapproved any proposed contracts with the external auditors
- Reviewed the group's internal financial control and financial risk management systems
- Reviewed and recommended to the board for approval the integrated report and annual financial statements
- Evaluated the effectiveness of the committee

Evaluation of Chief Financial Officer and finance function

The committee is satisfied that the expertise and experience of the CFO is appropriate to meet the responsibilities of the position. This is based on the qualifications, levels of experience, continuing professional education and the board's assessment of the financial knowledge of the CFO.

The committee is also satisfied as to the appropriateness, expertise and adequacy of resources of the finance function and the experience of senior members of management responsible for the finance function.

Approval of the audit and risk committee report

The committee confirms that it has functioned in accordance with its terms of reference for the 2019 financial year.



Sisa Litha Mayekiso

Chairperson: Audit and risk committee
14 February 2020

Remuneration report

The nominations, HR and remuneration committee (the committee) oversees remuneration and its main responsibilities are to:

- Perform an annual self-assessment of the effectiveness of the committee, reporting findings to the board
- Determine and approve general policy on strategic compensation issues
- Annually review the committee's charter and, if appropriate, recommend required amendments for approval by the board
- Annually appraise the performance of the CEO
- Annually review and approve the remuneration packages of the most senior executives, including performance bonuses and increases, ensuring appropriateness and alignment with the remuneration policy
- Annually review the remuneration of non-executive directors
- Review incidents of unethical behaviour by senior managers and the CEO
- Prepare an annual remuneration report for inclusion in the company's integrated report

Remuneration strategy and policy

We rely on our remuneration strategy to attract, retain and motivate competent leaders. SAMRO's remuneration strategy is structured to motivate employees to ensure sustainable value creation for members by executing the group's strategy. SAMRO has an integrated approach to remuneration linked to the group's strategy.

SAMRO's remuneration policy and practices ensure alignment of the remuneration and incentives of executives and employees, and the group's long-term business strategy. The remuneration policy and practices aim to reward superior performance.

Primary objectives include the need to:

- Promote superior performance
- Direct employees' energy towards key business goals
- Achieve the most effective returns for employee spend
- Address diverse needs across differing cultures
- Have an overall credible remuneration policy

Overview of remuneration

Non-executive board members

The fees of the directors are determined by a special resolution at an AGM in line with the MOI of SAMRO.

SAMRO directors' remuneration is reviewed annually against competitors and companies of similar size through an independent benchmarking process. Directors' remuneration is not directly related to the organisation's performance.

Executives and employees

SAMRO's remuneration policy rewards high performance and aims to attract talented employees to enhance the group's value.

SAMRO offers a cost to company remuneration package. Employees qualify for benefits, such as car, housing and cell phone allowances over and above basic pay, pension, medical aid and other insured benefits. SAMRO's additional individual performance incentives are payable to all employees including executives.

At senior level, remuneration is linked to the group's performance rather than standardised performance-related packages.

Directors' responsibility statement

The directors are required in terms of the Companies Act, 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and group and places considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and group and all employees are required to maintain the highest ethical standards in ensuring the company and group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company and group is on identifying, assessing, managing and monitoring all known forms of risk across the company and group. While operating risk cannot be fully eliminated, the company and group endeavour to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company and group's cash flow forecast for the year to 30 June 2019 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company and group's annual financial statements. The annual financial statements have been examined by the company and group's external auditors and their report is presented on page 43.

The annual financial statements and additional schedules set out on pages 44 to 59, were prepared by Leanne Thomas CA(SA) under the supervision of Ditebogo Modiba CA(SA). These annual financial statements were approved by the board on 27 November 2018 and were signed on its behalf by:



Ditebogo Modiba
Chief Financial Officer



Nicholas Maweni
Chairperson

14 February 2020

Directors' report

Incorporation

The company is incorporated in the Republic of South Africa under the South African Companies Act as a non-profit company.

Nature of business

Southern African Music Rights Organisation NPC (SAMRO) carries on the business of administering the copyright in the works created by its members and other rights holders it represents.

Operating and financial review

The financial results of the company are set out on pages 44 to 59.

Directors and secretary

The directors of the company are listed below and the Company Secretary is Celiwe Nkosi (appointed on 1 June 2019).

The registered address and postal address of the secretary is the same as those of the company as detailed on page 60.

Name

| | |
|--------------------|-------------------------------|
| N Migogo | (Resigned 31 May 2019) |
| D Alexander | (Appointed 11 December 2018) |
| D Modiba | (Appointed 01 July 2018) |
| E Twala | (Appointed 11 December 2018) |
| G Le Roux | (Appointed 11 December 2018) |
| J Edmond | (Resigned 11 December 2018) |
| J Zaidel-Rudolph | (Resigned 11 December 2018) |
| JJ Mnisi | (Resigned 11 December 2018) |
| JJ Niemand | (Resigned 11 December 2018) |
| L Bala | (Resigned 11 December 2018) |
| L Ngcobo | (Appointed 11 December 2018) |
| N Maweni | (Appointed 17 June 2019) |
| N Sanderson-Kasner | (Appointed 11 December 2018) |
| R Hill | (Appointed 11 December 2018) |
| R Mabotja | |
| R Naicker | |
| S Khumalo | (Resigned 11 December 2018) |
| S Sithole | (Appointed 11 December 2018) |
| SCP Mabuse | (Resigned 11 December 2018) |
| W Oldfield | (Appointed 11 December 2018) |
| S Mayekiso | (Appointed 18 September 2019) |

Directors' report continued

Directors' interest in contracts

No material contracts involving directors' interests were entered into in the year under review.

Distribution

Distributions for the company for the year, after taking into account income tax, social and cultural deductions and amounts transferred from reserves, were determined at R357,5 million (2018: R336,8 million), an increase of R20,7 million or 6,1%.

Dividends

SAMRO has no share capital and thus does not declare dividends.

Going concern

The directors have reviewed the company and group's cash flow forecast for the year to 30 June 2020 and, in light of this review and available credit facilities, including other liquid assets, they are satisfied that the company and group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The group suffered a net loss for the year of R8,4 million (2018: R48,9 million).

The directors have reviewed the company and group's cash flow forecast for the year to 30 June 2020 and, in light of this review and available credit facilities, including other liquid assets, they are satisfied that the company and group has or had access to adequate resources to continue in operational existence for the foreseeable future.

Auditors

PricewaterhouseCoopers Inc. has not been appointed at the last AGM held, and as such, will not continue in office as auditors in accordance with the South African Companies Act, 2008.

Certificate by Company Secretary

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, 71 of 2008, as amended, that for the year ended 30 June 2019, the company has lodged with the Registrar of Companies all such returns as are required of a company in terms of the Companies Act and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.



Celiwe Nkosi

Company Secretary (appointed 1 June 2019)
14 February 2020
Johannesburg

Independent auditor's report on the summary consolidated financial statements

To the Members of Southern African Music Rights Organisation NPC

Opinion

The summary consolidated financial statements of Southern African Music Rights Organisation NPC, set out on pages 44 to 59, which comprise the summary consolidated statement of financial position as at 30 June 2019, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Southern African Music Rights Organisation NPC for the year ended 30 June 2019.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with (International Accounting Standards) IAS 34 and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 14 February 2020.

Director's responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the IAS 34 and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.



PricewaterhouseCoopers Inc.

Director: SN Madikane

Registered Auditor

Johannesburg

14 February 2020

Statement of comprehensive income

for the year ended 30 June 2019

| | NOTES | COMPANY | | GROUP | |
|--|-------|--------------|--------------|--------------|---------------------------|
| | | 2019 R000 | 2018 R000 | 2019 R000 | Restated* 2018 R000 |
| REVENUE FROM CONTRACTS WITH CUSTOMERS | | | | | |
| | 3 | 472 592 | 471 983 | 535 593 | 529 494 |
| Other income | 4 | 9 096 | 10 217 | 6 978 | 10 497 |
| Investment income | 5 | 10 846 | 10 985 | 13 322 | 13 673 |
| Other gains | 6 | 8 476 | 3 594 | 8 476 | 3 594 |
| Total revenue | | 501 009 | 496 779 | 564 369 | 557 258 |
| Bad debts | | (15 180) | (31 648) | (15 276) | (32 224) |
| Administration expenses | | (152 531) | (157 252) | (171 052) | (180 899) |
| Other expenses | | (2 791) | (29 029) | (5 750) | (38 704) |
| Social and cultural expenses | 8 | (23 820) | (22 690) | (29 931) | (29 232) |
| Distribution and grant of rights expenses | 9 | (357 552) | (336 862) | (401 658) | (377 441) |
| Operating loss | | (50 864) | (80 701) | (59 298) | (101 242) |
| Royalty distributions written back | 10 | 59 214 | 60 194 | 59 214 | 60 194 |
| Finance charges | 11 | - | - | (2 409) | (2 647) |
| Loss/(profit) before taxation | | 8 350 | (20 507) | (2 493) | (43 695) |
| Taxation | | (5 078) | (4 992) | (5 893) | (5 221) |
| Net loss | | 3 271 | (25 499) | (8 386) | (48 916) |
| Other comprehensive income | | | | | |
| Foreign currency translation reserve | | - | - | - | (153) |
| Revaluation of assets | | (14 772) | 13 293 | (11 986) | (34 550) |
| Taxation | | 3 309 | (2 978) | 2 700 | 10 418 |
| Other comprehensive (loss)/income for the year | | (11 463) | 10 315 | (9 286) | (24 285) |
| Total comprehensive (loss)/income for the year | | (8 191) | (15 184) | (17 672) | (73 202) |
| Attributable to: | | | | | |
| SAMRO members | | (8 191) | (15 184) | (17 672) | (72 065) |
| Non-controlling interests | | - | - | - | (1 137) |

* Please refer to note 24 for details on the restatement.

Statement of financial position

as at 30 June 2019

| | NOTES | COMPANY | | GROUP | |
|--|-------|----------------|----------------|-----------------|---------------------------|
| | | 2019 R000 | 2018 R000 | 2019 R000 | Restated* 2018 R000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property and equipment | 20 | 11 698 | 13 221 | 108 404 | 113 403 |
| Intangible assets | | 69 465 | 94 386 | 71 927 | 96 788 |
| Investment in subsidiaries | | 175 | 175 | - | - |
| Deferred tax | | 11 432 | 6 929 | 13 624 | 8 570 |
| Financial asset at fair value through OCI | 14.1 | 180 793 | | 180 793 | |
| Available-for-sale financial assets | 14.2 | - | 243 929 | - | 243 929 |
| Total non-current assets | | 273 563 | 358 640 | 374 748 | 462 690 |
| Current assets | | | | | |
| Trade and other receivables | | 182 965 | 102 144 | 193 559 | 106 816 |
| Inventory | | 420 | 471 | 640 | 699 |
| Related-party receivable | | 200 263 | 161 676 | - | - |
| Taxation receivable | | 6 860 | - | 7 075 | - |
| Cash and cash equivalents | 15 | 60 831 | 78 883 | 114 799 | 130 652 |
| Total current assets | | 451 338 | 343 174 | 316 074 | 238 167 |
| Total assets | | 724 902 | 701 814 | 690 822 | 700 857 |
| EQUITY AND LIABILITIES | | | | | |
| Capital and reserves | | | | | |
| Accumulated losses | | (5 220) | (8 491) | (94 303) | (85 917) |
| Revaluation reserve | 20 | 1 270 | 1 270 | (0) | (2 177) |
| Fair value through OCI reserve | | 59 694 | 71 157 | 59 694 | 71 157 |
| Members equity | | 55 744 | 63 936 | (34 609) | (16 937) |
| Non-controlling interest | | - | - | (0) | - |
| Total equity | | 55 744 | 63 936 | (34 609) | (16 937) |
| Non-current liabilities | | | | | |
| Post-employment medical benefit Borrowings | 16 | 23 716 | 22 069 | 23 716 | 22 069 |
| | | - | - | - | 28 418 |
| Total non current liabilities | | 23 716 | 22 069 | 23 716 | 50 487 |
| Current liabilities | | | | | |
| Distributions payable | 17 | 436 007 | 385 317 | 483 878 | 426 393 |
| Distributions in progress | 18 | 164 750 | 177 009 | 164 750 | 177 009 |
| Current portion of post retirement medical benefit | | 1 043 | 999 | 1 043 | 999 |
| Related-party payable | | 1 028 | 63 | - | - |
| Social and cultural obligations | 19 | 23 035 | 17 751 | 24 129 | 17 421 |
| Trade and other payables | | 19 578 | 34 075 | 27 915 | 45 307 |
| Current tax liability | | - | 594 | - | 178 |
| Total current liabilities | | 645 441 | 615 808 | 701 715 | 667 307 |
| Total funds and liabilities | | 724 902 | 701 814 | 690 822 | 700 857 |

* Please refer to note 24 for details on the restatement.

Statement of cash flows

for the year ended 30 June 2019

| | COMPANY | | GROUP | |
|---|-----------------|-----------------|-----------------|---------------------------|
| | 2019 R000 | 2018 R000 | 2019 R000 | Restated* 2018 R000 |
| CASH FLOWS GENERATED FROM OPERATING ACTIVITIES | | | | |
| Cash generated from licensing operations | 239 897 | 323 122 | 280 728 | 366 364 |
| Interest paid | - | - | (2 409) | (2 647) |
| Dividends received | 3 997 | 4 868 | 3 997 | 4 868 |
| Interest received | 6 849 | 6 117 | 9 325 | 8 805 |
| Cash flow from operations | 250 743 | 334 107 | 291 640 | 377 390 |
| Taxation paid | (13 728) | (2 698) | (14 588) | (3 516) |
| Royalty, grant of rights and social distributions to members and affiliated societies | (259 907) | (272 971) | (297 218) | (314 501) |
| Applied to social and cultural expenses | (18 536) | (22 957) | (23 223) | (29 517) |
| Net cash flows generated/(utilised) from operating activities | (41 428) | 35 481 | (43 388) | 29 856 |
| CASH FLOWS GENERATED FROM INVESTING ACTIVITIES | | | | |
| Additions to property, equipment and intangible assets | (729) | (9 693) | (1 435) | (10 577) |
| Increase in loans to related parties | (37 621) | (24 319) | (0) | (4 264) |
| Proceeds on disposal of property and equipment | 536 | 26 | 547 | 56 |
| Proceeds on disposal of investments | 56 842 | 573 | 56 842 | 573 |
| Disposal of subsidiaries | - | - | - | (6 285) |
| Interest received from subsidiaries | 4 349 | 4 349 | - | - |
| Net cash flows generated/(utilised) from investing activities | 23 377 | (29 064) | 55 954 | (20 496) |
| Net (decrease)/increase in cash and cash equivalents | (18 052) | 6 417 | (15 852) | 9 360 |
| Cash and cash equivalents at the beginning of the year | 78 883 | 72 466 | 130 652 | 121 292 |
| Cash and cash equivalents at the end of the year | 60 831 | 78 883 | 114 800 | 130 652 |

* Please refer to note 24 for details on the restatement.

Statement of changes in funds and reserves

for the year ended 30 June 2019

| | COMPANY | | | |
|---|----------------------------|-----------------------------|----------------------------|---------------|
| | Accumulated losses R000 | Revaluation reserve R000 | Fair value reserve R000 | Total R000 |
| Balance at 30 June 2017 | 17 008 | 1 270 | 60 842 | 79 120 |
| Restated | | | | |
| Total comprehensive income/(loss) for the year | (25 499) | - | 10 315 | (15 184) |
| Loss for the year | (25 499) | - | - | (25 499) |
| Fair value gains on available-for-sale investments | - | - | 13 293 | 13 293 |
| Deferred tax | - | - | (2 978) | (2 978) |
| Balance at 30 June 2018 | (8 491) | 1 270 | 71 157 | 63 936 |
| Total comprehensive income for the year | 3 271 | - | (11 463) | (8 191) |
| Profit for the year | 3 271 | - | - | 3 271 |
| Fair value gains on investment through OCI (FY2019) | - | - | (14 772) | (14 772) |
| Deferred tax | - | - | 3 309 | 3 309 |
| Balance at 30 June 2019 | (5 220) | 1 270 | 59 694 | 55 744 |

Statement of changes in funds and reserves continued

for the year ended 30 June 2019

| | GROUP | | | | | | |
|--|--------------------|-----------------------|----------------------------|--------------------------------------|-----------------|--------------------------|---------------------------|
| | Accumulated losses | Re-valuation reserve* | Fair value through reserve | Foreign currency translation reserve | Total* | Non-controlling interest | Total funds and reserves* |
| Balance at 30 June 2017 | (38 108) | 32 270 | 60 842 | (3 358) | 51 646 | (6 906) | 44 740 |
| Restated | | | | | | | |
| Total comprehensive income for the year | (47 809) | (34 447) | 10 315 | 3 358 | (68 582) | 6 906 | (61 676) |
| Loss for the year | (47 809) | - | - | (123) | (47 932) | (1 137) | (49 069) |
| Fair value gains on available-for-sale investments | - | - | 13 293 | - | 13 293 | - | 13 293 |
| Revaluation of land and buildings | - | (47 843) | - | - | (47 843) | - | (47 843) |
| Disposal of subsidiary | - | - | - | 3 481 | 3 481 | 8 043 | 11 524 |
| Deferred tax | - | 13 396 | (2 978) | - | 10 418 | - | 10 418 |
| Balance at 30 June 2018 | (85 917) | (2 177) | 71 157 | - | (16 936) | - | (16 935) |
| Total comprehensive income for the year | (8 386) | 2 177 | (11 463) | - | (17 672) | - | (17 672) |
| Loss for the year | (8 386) | - | - | - | (8 386) | - | (8 386) |
| Fair value gains on investment through OCI | - | - | (14 772) | - | (14 772) | - | (14 772) |
| Revaluation of land and buildings | - | 2 786 | - | - | 2 786 | - | 2 786 |
| Deferred tax | - | (609) | 3 309 | - | 2 700 | - | 2 700 |
| Balance at 30 June 2019 | (94 303) | - | 59 694 | - | (34 609) | - | (34 609) |

Notes to the annual financial statements

at 30 June 2019

1 GENERAL INFORMATION

Southern African Music Rights Organisation NPC (SAMRO) carries on the business of administering the copyright in the works created by its members and other rights holders it represents.

2 BASIS OF PREPARATION

These summarised consolidated financial statements for the year ended 30 June 2019 have been extracted from the full set of audited consolidated annual financial statements for the year ended 30 June 2019, which have been prepared in accordance with the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective or issued and early adopted, and in the manner required by the Companies Act of South Africa. The summarised consolidated financial statements have been prepared using the principles of IAS 34 Interim Financial Reporting and should be read in conjunction with the full set of audited consolidated annual financial statements. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

The following standards had an impact on the group:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers.

The group had to change its accounting policies and has followed the modified retrospective approach in relation to the adoption of IFRS 9 and a full retrospective approach in relation to the adoption of IFRS 15. This is disclosed in note 23.

| | COMPANY | | GROUP | |
|--|----------------|----------------|----------------|---------------------------|
| | 2019 R000 | 2018 R000 | 2019 R000 | Restated* 2018 R000 |
| 3 REVENUE FROM CONTRACTS WITH CUSTOMERS | | | | |
| Music rights | 472 592 | 471 983 | 535 594 | 529 494 |
| Royalties from affiliated societies | 458 132 | 461 641 | 458 132 | 461 641 |
| Licence and royalty income | 14 460 | 10 342 | 14 460 | 10 342 |
| DALRO Licensing fees | 472 592 | 471 983 | 472 592 | 471 983 |
| DALRO sale of books and musicals | - | - | 57 725 | 53 327 |
| Rental income | - | - | 209 | 228 |
| | - | - | 5 067 | 3 956 |
| TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS | 472 592 | 471 983 | 535 594 | 529 494 |
| 4 OTHER INCOME | 9 096 | 10 217 | 6 978 | 10 498 |
| Other income | 43 | 152 | 5 | 153 |
| Interest on loans and cash balances | 1 611 | 2 751 | 1 667 | 2 808 |
| Interest from subsidiary companies | 4 349 | 4 349 | - | - |
| Administration, computer and management fees from subsidiary companies | 3 093 | 2 965 | - | - |
| SAMRO Foundation project funding | - | - | 5 306 | 7 537 |
| Total other income | 9 096 | 10 217 | 6 978 | 10 498 |
| 5 INVESTMENT INCOME | 10 846 | 10 985 | 13 322 | 13 673 |
| Dividends | 3 997 | 4 868 | 3 997 | 4 868 |
| Interest from debentures and loan stock | 6 091 | 4 029 | 6 091 | 4 029 |
| Interest from short-term investments | 758 | 2 088 | 3 234 | 4 776 |
| Total income investments | 10 846 | 10 985 | 13 322 | 13 673 |
| 6 OTHER GAINS | 8 476 | 3 594 | 8 476 | 3 594 |
| Gain on disposal of investments | 8 476 | 3 594 | 8 476 | 3 594 |
| Total other gains | 8 476 | 3 594 | 8 476 | 3 594 |

* Please refer to note 24 for details on the restatement.

Notes to the annual financial statements

continued

at 30 June 2019

| | COMPANY | | GROUP | |
|---|---------------|---------------|----------------|---------------------------|
| | 2019 R000 | 2018 R000 | 2019 R000 | Restated* 2018 R000 |
| 7 OPERATING LOSS | | | | |
| Operating loss includes the following items: | | | | |
| Accommodation costs | 3 279 | 3 191 | 3 909 | 3 803 |
| Depreciation | 2 232 | 2 358 | 5 152 | 5 342 |
| Amortisation | 24 942 | 26 691 | 25 052 | 26 794 |
| Operating costs | 7 039 | 9 018 | 7 874 | 10 495 |
| Professional fees | 2 385 | 2 259 | 3 152 | 4 073 |
| IT costs | 3 976 | 3 669 | 4 096 | 3 909 |
| Employee benefits | 95 823 | 93 677 | 105 951 | 107 155 |
| Marketing costs | 2 952 | 2 848 | 3 085 | 3 273 |
| Disposal of subsidiary | - | - | - | 18 029 |
| Other costs | 6 162 | 5 093 | 8 340 | 7 052 |
| Auditors remuneration | | | | |
| Fees - current year | 2 823 | 1 912 | 3 470 | 2 366 |
| Fees - underprovision previous years | 128 | 189 | 128 | 177 |
| | 2 951 | 2 101 | 3 598 | 2 543 |
| Bad debt provision | 15 180 | 31 648 | 15 276 | 32 224 |
| Investment management fees | 1 101 | 1 151 | 1 101 | 1 151 |
| (Profit)/loss on disposal of property and equipment | (536) | 158 | (542) | 158 |
| Impairment loss* | - | 27 978 | - | 19 624 |
| * The impairment loss relates to: | | | | |
| The investment in Arab Emirates Music Rights Organisation (AEMRO) | - | 9 366 | - | - |
| Intangible and other assets | - | 5 381 | - | 6 393 |
| Loan to Performers Organisation of South Africa (POSA) Trust | - | 13 231 | - | 13 231 |
| | - | 27 978 | - | 19 624 |
| As at 30 June 2017, a decision was made to withdraw from the venture in the UAE (AEMRO) and to dispose of the investment. Final settlement payments were effected on 1 February 2018. | | | | |
| 7.1 EMPLOYEE BENEFITS | 95 823 | 93 677 | 105 950 | 107 155 |
| Personnel costs include: | | | | |
| Salaries and bonuses | 74 766 | 75 705 | 81 921 | 86 069 |
| Social security levies | 1 210 | 991 | 1 291 | 1 073 |
| Pension costs on defined contribution plan | 10 035 | 9 699 | 10 841 | 10 530 |
| Training | 2 055 | 585 | 2 057 | 600 |
| Recruitment | 1 061 | 1 278 | 1 102 | 1 278 |
| Other employment costs | 5 006 | 8 059 | 7 049 | 10 246 |
| | 94 133 | 96 318 | 104 260 | 109 796 |
| Post-employment benefits | 1 690 | (2 641) | 1 690 | (2 641) |
| | 95 823 | 93 677 | 105 950 | 107 155 |

* Please refer to note 24 for details on the restatement.

| | COMPANY | | GROUP | |
|---|----------------|----------------|----------------|---------------------------|
| | 2019 R000 | 2018 R000 | 2019 R000 | Restated* 2018 R000 |
| 8 SOCIAL AND CULTURAL EXPENSES | 23 820 | 22 690 | 29 931 | 29 233 |
| Social | 9 052 | 8 622 | 9 052 | 8 622 |
| Cultural | 14 768 | 14 068 | 20 879 | 20 611 |
| | 23 820 | 22 690 | 29 931 | 29 233 |
| 9 DISTRIBUTION AND GRANT OF RIGHTS PAYABLE | 357 552 | 336 862 | 401 658 | 336 862 |
| Licence and royalty | 330 235 | 313 216 | 374 341 | 353 796 |
| Grant of rights | 27 317 | 23 645 | 27 317 | 23 645 |
| Total distributions | 357 552 | 336 862 | 401 658 | 377 441 |
| 10 ROYALTY DISTRIBUTIONS WRITTEN BACK | 59 214 | 60 194 | 59 214 | 60 194 |
| Undistributable income written back | 59 214 | 60 194 | 59 214 | 60 194 |
| 11 FINANCE CHARGES | - | - | 2 409 | 2 647 |
| Interest on borrowings | - | - | 2 409 | 2 647 |
| Total finance costs | - | - | 2 409 | 2 647 |
| 12 KEY MANAGEMENT EMOLUMENTS | 15 375 | 18 308 | 20 222 | 32 699 |
| From the company and its controlled subsidiaries for: | | | | |
| Directors | | | | |
| Current emoluments | | | | |
| - Non-executive directors - fees | 1 207 | 1 937 | 1 453 | 2 189 |
| - Non-executive directors - other | 31 | 9 | 32 | 9 |
| - Salaries | 3 932 | 4 577 | 7 330 | 17 108 |
| - Pension and medical aid contributions | 585 | 857 | 1 098 | 1 508 |
| - Bonuses and other fringe benefits | 221 | 302 | 911 | 668 |
| Total directors' current emoluments | 5 977 | 7 682 | 10 824 | 21 482 |
| Post-retirement benefits | | | | |
| - Estimated post retirement benefits | - | - | - | - |
| Total directors' emoluments | 5 977 | 7 682 | 10 824 | 21 482 |
| Paid by: | | | | |
| - Company | 5 977 | 7 682 | 5 977 | 7 682 |
| - Subsidiaries | - | - | 4 847 | 13 800 |
| Total paid | 5 977 | 7 682 | 10 824 | 21 482 |
| Other key management | | | | |
| Current emoluments | | | | |
| - Salaries and bonuses | 8 282 | 8 339 | 8 282 | 8 829 |
| - Pension and medical aid contributions | 1 036 | 1 598 | 1 036 | 1 665 |
| - Other fringe benefits | 143 | 738 | 143 | 773 |
| Total other key management current emoluments | 9 461 | 10 675 | 9 461 | 11 267 |
| Post-retirement benefits | | | | |
| - Estimated post-retirement benefits | 32 | (49) | 32 | (49) |
| Total other key management emoluments | 9 493 | 10 626 | 9 493 | 11 218 |
| Total key management emoluments | 15 470 | 18 308 | 20 317 | 32 699 |

* Please refer to note 24 for details on the restatement.

Notes to the annual financial statements

continued

at 30 June 2019

| | COMPANY | | GROUP | |
|--|----------------|----------------|----------------|---------------------------|
| | 2019 R000 | 2018 R000 | 2019 R000 | Restated* 2018 R000 |
| 13 CAPITAL EXPENDITURE INCURRED | | | | |
| Property and equipment | 729 | 9 693 | 1 435 | 10 578 |
| Software development | 709 | 2 801 | 1 244 | 3 511 |
| | 21 | 6 892 | 191 | 7 067 |
| | 729 | 9 693 | 1 435 | 10 578 |
| 14 AVAILABLE-FOR-SALE INVESTMENTS | 180 793 | 243 929 | 180 793 | 243 929 |
| At cost | 104 174 | 152 539 | 104 174 | 152 539 |
| Market revaluation | 76 619 | 91 390 | 76 619 | 91 390 |
| | 180 793 | 243 929 | 180 793 | 243 929 |
| 15 CASH AND CASH EQUIVALENTS | 60 831 | 78 883 | 114 799 | 130 652 |
| Cash on hand and balances at banks | 37 042 | 43 256 | 91 010 | 95 025 |
| Short-term investments | 23 789 | 35 627 | 23 789 | 35 627 |
| | 60 831 | 78 883 | 114 799 | 130 652 |
| 16 BORROWINGS | | | | |
| Nedbank mortgage bond | - | - | (0) | 28 417 |
| | - | - | (0) | 28 417 |
| The loan from Nedbank was secured by a cession and pledge of the share portfolio. The term of the loan was 60 months. The outstanding capital amount was repayable as one bullet payment after year 5 on 3 July 2023. The interest rate was prime less 0,75%. The loan was settled on 31 May 2019. | | | | |
| 17 DISTRIBUTIONS PAYABLE | 436 007 | 385 317 | 483 877 | 426 393 |
| Royalty distributions | 330 235 | 313 216 | 330 235 | 313 216 |
| Grant of rights | 27 317 | 23 645 | 27 317 | 23 645 |
| Current amount per income statement | 357 552 | 336 861 | 357 552 | 336 861 |
| Social benefits | 8 642 | 8 212 | 8 642 | 8 212 |
| For distribution current year DALRO | - | - | 47 871 | 41 077 |
| For distribution current year POSA Trust | - | - | - | - |
| Prior periods amounts | 125 421 | 119 125 | 125 421 | 119 125 |
| | 491 615 | 464 198 | 539 485 | 505 275 |
| Distributions and advances | (55 608) | (78 881) | (55 608) | (78 882) |
| Total for distribution | 436 007 | 385 317 | 483 877 | 426 393 |
| 18 DISTRIBUTIONS IN PROGRESS | 164 750 | 177 009 | 164 750 | 177 009 |
| Shares in musical works | 20 592 | 19 007 | 20 592 | 19 007 |
| Musical works | 144 158 | 158 002 | 144 158 | 158 002 |
| | 164 750 | 177 009 | 164 750 | 177 009 |

* Please refer to note 24 for details on the restatement.

| | COMPANY | | GROUP | |
|--|---------------|--------------|---------------|---------------------------|
| | 2019 R000 | 2018 R000 | 2019 R000 | Restated* 2018 R000 |
| 19 SOCIAL AND CULTURAL OBLIGATIONS | 23 035 | 17 751 | 24 129 | 17 421 |
| Balance at the beginning of the year | 17 751 | 18 018 | 17 421 | 17 704 |
| Utilisation during the year | (18 536) | (22 957) | (23 223) | (29 515) |
| Current funding for the year | 23 820 | 22 690 | 29 931 | 29 232 |
| Balance at the end of the year | 23 036 | 17 751 | 24 129 | 17 421 |
| 19.1 SOCIAL OBLIGATIONS | | | | |
| Other social funds not included in distributions | | | | |
| Balance at the beginning of the year | 7 849 | 8 259 | 7 849 | 8 259 |
| Utilisation during the year | (8 709) | (9 032) | (8 709) | (9 032) |
| Current funding for the year | 9 052 | 8 622 | 9 052 | 8 622 |
| Balance at the end of the year | 8 192 | 7 849 | 8 192 | 7 849 |
| Copyrights training fund | | | | |
| Balance at the beginning of the year | - | - | 434 | 237 |
| Utilisation during the year | - | - | - | (103) |
| Current funding for the year | - | - | 300 | 300 |
| Balance at the end of the year | - | - | 734 | 434 |
| Total social funds | 8 192 | 7 849 | 8 926 | 8 283 |
| 19.2 CULTURAL OBLIGATIONS | | | | |
| SAMRO Foundation and related provisions | | | | |
| Balance at the beginning of the year | 7 917 | 7 774 | 4 660 | 5 351 |
| Utilisation during the year | (9 828) | (13 925) | (8 871) | (14 759) |
| Current funding for the year | 14 769 | 14 068 | 14 769 | 14 068 |
| Balance at the end of the year | 12 858 | 7 917 | 10 558 | 4 660 |
| Bequests and donations | | | | |
| Balance at the beginning of the year | 1 985 | 1 985 | 2 084 | 2 084 |
| Utilisation during the year | - | - | - | - |
| Current funding for the year | - | - | - | - |
| Balance at the end of the year | 1 985 | 1 985 | 2 084 | 2 084 |
| Bilateral agreement funds | | | | |
| Balance at the beginning of the year | - | - | 2 097 | 1 490 |
| Utilisation during the year | - | - | (868) | (1 001) |
| Current funding for the year | - | - | 1 020 | 1 608 |
| Balance at the end of the year | - | - | 2 249 | 2 097 |
| Bursary funds | | | | |
| Balance at the beginning of the year | - | - | 297 | 283 |
| Utilisation during the year | - | - | - | - |
| Current funding for the year | - | - | 15 | 14 |
| Balance at the end of the year | - | - | 312 | 297 |
| Total cultural funds | 14 843 | 9 902 | 15 203 | 9 138 |
| Total social and cultural funds | 23 035 | 17 751 | 24 129 | 17 421 |

* Please refer to note 24 for details on the restatement.

Notes to the annual financial statements

continued

at 30 June 2019

20 SUBSEQUENT EVENTS

During the previous financial year, management became aware of the fact that the SABC is experiencing financial difficulties. This resulted in the SABC not being able to pay SAMRO licence fees that have been invoiced. The non-payment by the SABC resulted in a significant increase in trade and other receivables as at 30 June 2019 compared to 30 June 2018. As at 30 June 2019, the SABC has an outstanding licence fee balance of R133 million.

On 4 October 2019 the minister of communications, Stella Ndabeni-Abrahams, announced that the SABC will receive a bailout of R3.2 billion.

The SABC subsequently agreed to a payment plan to settle outstanding debt payable to SAMRO. On 18 October 2019, SAMRO received the first tranche amounting to R40.1 million.

The impact of the long-outstanding debt payable by the SABC has been considered in the going concern assessment of SAMRO and the group. Management has reviewed the cash flow forecasts and is satisfied that SAMRO will be able to continue as a going concern in the foreseeable future.

Continuous efforts are still in progress to engage with the SABC management in order to ensure all outstanding debt will be settled by March 2020.

21 STANDARDS, INTERPRETATIONS AND AMENDMENTS THAT ARE NOT YET EFFECTIVE AT JUNE 2019

The group has considered the following new standards and interpretations and amendments to existing standards, which are not yet effective as at June 2019 but are effective for the financial years commencing as reflected in the table below:

| Number | Title | Effective for year commencing | Expected effect on annual financial statements |
|--|--|-------------------------------|--|
| Amendments to IAS 1 and IAS 8 | Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors on the definition of material | 1 January 2020 | Effects will be considered going forward |
| Amendments to IAS 19 | Employee Benefits | 1 January 2019 | Effects will be considered going forward |
| Amendment to IFRS 3 | Business Combinations | 1 January 2020 | Effects will be considered going forward |
| IFRS 16 | Leases | 1 January 2019 | Effects will be considered going forward |
| IFRS 17 | Insurance Contracts | 1 January 2021 | Effects will be considered going forward |
| Amendments to IAS 28 | Investments in Associates and Joint Ventures | 1 January 2019 | Effects will be considered going forward |
| Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 | Annual Improvements Cycle 2015 - 2017 | 1 January 2019 | Effects will be considered going forward |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 1 January 2019 | Effects will be considered going forward |

22 STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE

The following new standards, interpretations and amendments to existing standards, that are effective as at June 2019, had no significant effect on the group's operations:

| Number | Title | Effective for year commencing |
|---------------------------------|---|-------------------------------|
| Amendments to IFRS 2 | Share-based Payments | 1 January 2018 |
| IAS 40 | Investment Property | 1 January 2018 |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| Amendments to IFRS 1 and IAS 28 | Annual Improvements 2014 – 2016 | 1 January 2018 |

The group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15.

This is disclosed in note 22.

23 STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE THAT HAD SIGNIFICANT EFFECT ON THE GROUP

The following new standards, interpretations and amendments to existing standards, that are effective as at June 2019, had significant effect on the group's operations:

| Number | Title | Effective for year commencing |
|-----------------------------------|---------------------------------------|-------------------------------|
| IFRS 9 and amendments to IFRS 9 | Financial Instruments | 1 January 2018 |
| IFRS 15 and amendments to IFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |

The group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15.

This is disclosed in note 22.

24 CHANGES IN ACCOUNTING POLICIES/NEW STANDARDS ADOPTED

Adoption of IFRS 15

The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 July 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the group has adopted the new rules retrospectively and has restated comparatives for the 2018 financial year.

The adoption of the standard did not result in adjustments to amounts recognised in the balance sheet.

Changes to accounting policies for the group as a result of the adoption of IFRS 15 are as follows:

The group licences use of dramatic arts, literature and artwork on behalf of rights holders. The group previously considered itself to be an agent in this arrangement, therefore the group recognised the revenue on the net basis. Under IFRS 15, the group has assessed itself to be a principal and has the primary responsibility of providing the licence permit to the licensee to reproduce copyright protected work for the purpose of education or other purposes. DALRO has price latitude in that they determine the price, which determines the revenue, which the publisher will make. As such, DALRO is now deemed the principal of this transaction.

Notes to the annual financial statements

continued

at 30 June 2019

24 CHANGES IN ACCOUNTING POLICIES/NEW STANDARDS ADOPTED CONTINUED

The group recognises gross licence fees as collected as revenue and gross payments to rights holders as expenses.

The effect on the prior year group results is as follows:

| | GROUP | | |
|---|--|--|-----------------------------------|
| | Previously reported 30 June 2018 R'000 | IFRS 15 implementation impact R'000 | Restated 30 June 2018 R'000 |
| The effect on the financial statements | | | |
| Revenue | 488 914 | 40 580 | 529 494 |
| Distribution expense | (336 862) | (40 580) | (377 441) |

Adoption of IFRS 9

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. No prior year financial information was restated.

Applying the incurred loss model, the group assessed whether there was any objective evidence of impairment at the end of each reporting period.

During the 2018 period, revenue was correctly not recognised as valid contracts did not exist. However, the debtor had not been removed from the financial statements.

The effect on the prior year group results are as follows:

| | GROUP | | |
|---|--|--|-----------------------------------|
| | Previously reported 30 June 2018 R'000 | IFRS 15 implementation impact R'000 | Restated 30 June 2018 R'000 |
| The effect on the financial statements | | | |
| Gross trade debtors | 152 346 | (5 279) | 147 067 |
| Loss allowance | (72 646) | 5 279 | (67 367) |

| | COMPANY | | |
|---|--|--|-----------------------------------|
| | Previously reported 30 June 2018 R'000 | IFRS 15 implementation impact R'000 | Restated 30 June 2018 R'000 |
| The effect on the financial statements | | | |
| Gross trade debtors | 146 264 | (5 279) | 140 985 |
| Loss allowance | (71 020) | 5 279 | (65 741) |

24 CHANGES IN ACCOUNTING POLICIES/NEW STANDARDS ADOPTED CONTINUED

Reclassification

The reclassification in the prior year from trade and other payable to distribution payable is due to the fact that SAMRO member creditors balances were incorrectly shown as trade payables instead of distribution payables.

The effect on prior year group companies is as follows:

| | GROUP | | |
|---|--|-------------------------------------|-----------------------------------|
| | Previously reported 30 June 2018 R'000 | Reclassification impact R'000 | Restated 30 June 2018 R'000 |
| The effect on the financial statements | | | |
| Distribution payables | 411 851 | 14 542 | 426 393 |
| Trade and other payables | 59 848 | (14 542) | 45 307 |

| | COMPANY | | |
|---|--|-------------------------------------|-----------------------------------|
| | Previously reported 30 June 2018 R'000 | Reclassification impact R'000 | Restated 30 June 2018 R'000 |
| The effect on the financial statements | | | |
| Distribution payables | 370 775 | 14 542 | 385 371 |
| Trade and other payables | 48 614 | (14 542) | 34 075 |

The consolidated statements of comprehensive income

| | COMPANY | | GROUP | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | IFRS 9 adjustments R'000 | IFRS 9 adjustments R'000 | IFRS 9 adjustments R'000 | IFRS 9 adjustments R'000 |
| Revenue | - | - | - | 40 580 |
| Other income | - | - | - | - |
| Investment income | - | - | - | - |
| Other gains | - | - | - | - |
| Total income | - | - | - | 40 580 |
| Bad debts | - | - | - | - |
| Administration expenses | - | - | - | - |
| Other expenses | - | - | - | - |
| Social and cultural expenses | - | - | - | - |
| Distribution and grant of rights expenses | - | - | - | (40 580) |
| Operating loss | - | - | - | - |
| Royalty distributions written back | - | - | - | - |
| Finance charges | - | - | - | - |
| Profit/(loss) before taxation | - | - | - | - |
| Taxation | - | - | - | - |
| Net profit/(loss) | - | - | - | - |

Notes to the annual financial statements

continued

at 30 June 2019

24 CHANGES IN ACCOUNTING POLICIES/NEW STANDARDS ADOPTED CONTINUED

The consolidated statements of financial position

| | COMPANY | | | | |
|---|---|-------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| | 30 June 2018 as originally presented R'000 | IFRS 9 adjustment R'000 | IFRS 15 adjustment R'000 | Reclassify adjustment R'000 | 30 June 2018 Restated R'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property and equipment | 13 221 | - | - | - | 13 221 |
| Intangible assets | 94 386 | - | - | - | 94 386 |
| Investments in subsidiaries | 175 | - | - | - | 175 |
| Deferred tax | 6 928 | - | - | - | 6 928 |
| Financial assets at fair value through OCI | - | - | - | - | - |
| Available-for-sale financial assets | 243 928 | - | - | - | 243 928 |
| Total non-current assets | 358 638 | - | - | - | 358 638 |
| Current assets | | | | | |
| Trade receivables | 75 244 | - | - | - | 75 244 |
| Gross trade debtors | 146 264 | (5 279) | - | - | 140 985 |
| Loss allowance | (71 020) | 5 279 | - | - | (65 741) |
| Other receivables | 26 900 | - | - | - | 26 900 |
| Inventory | 471 | - | - | - | 471 |
| Related-party receivables | 161 676 | - | - | - | 161 676 |
| Taxation receivable | - | - | - | - | - |
| Cash and cash equivalents | 78 883 | - | - | - | 78 883 |
| Total current assets | 343 174 | - | - | - | 343 174 |
| Total assets | 701 812 | - | - | - | 701 812 |
| EQUITY AND LIABILITIES | | | | | |
| Capital and reserves | | | | | |
| Accumulated losses | (8 491) | - | - | - | (8 491) |
| Revaluation reserve | 1 270 | - | - | - | 1 270 |
| Fair value through OCI | 71 156 | - | - | - | 71 156 |
| Members' equity | 63 935 | - | - | - | 63 935 |
| Non-controlling interest | - | - | - | - | - |
| Total equity | 63 935 | - | - | - | 63 935 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Post-employment medical benefits | 22 069 | - | - | - | 22 069 |
| Borrowing | - | - | - | - | - |
| Total non-current liabilities | 22 069 | - | - | - | 22 069 |
| Current liabilities | | | | | |
| Distribution payable | 370 775 | - | - | 14 542 | 385 317 |
| Distributions in progress | 177 009 | - | - | - | 177 009 |
| Current portion of post-employment medical benefit | 999 | - | - | - | 999 |
| Related-party payable | 63 | - | - | - | 63 |
| Social and cultural obligations | 17 751 | - | - | - | 17 751 |
| Trade and other payables | 48 614 | - | - | (14 542) | 34 075 |
| Current tax liability | 594 | - | - | - | 594 |
| Total current liabilities | 615 808 | - | - | - | 615 808 |
| Total equity and liabilities | 701 814 | - | - | - | 701 814 |

24 CHANGES IN ACCOUNTING POLICIES/NEW STANDARDS ADOPTED CONTINUED

The consolidated statements of financial position continued

| | GROUP | | | | |
|---|---|-------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| | 30 June 2018 as originally presented R'000 | IFRS 9 adjustment R'000 | IFRS 15 adjustment R'000 | Reclassify adjustment R'000 | 30 June 2018 Restated R'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property and equipment | 113 403 | - | - | - | 113 403 |
| Intangible assets | 96 787 | - | - | - | 96 787 |
| Investments in subsidiaries | - | - | - | - | - |
| Deferred tax | 8 570 | - | - | - | 8 570 |
| Financial assets at fair value through OCI | - | - | - | - | - |
| Available-for-sale financial assets | 243 928 | - | - | - | 243 928 |
| Total non-current assets | 462 688 | - | - | - | 462 688 |
| Current assets | | | | | |
| Trade receivables | 79 700 | - | - | - | 79 700 |
| Gross trade debtors | 152 346 | (5 279) | - | - | 147 067 |
| Loss allowance | (72 646) | 5 279 | - | - | (67 367) |
| Other receivables | 27 116 | - | - | - | 27 116 |
| Inventory | 699 | - | - | - | 699 |
| Related-party receivables | - | - | - | - | - |
| Taxation receivable | - | - | - | - | - |
| Cash and cash equivalents | 130 652 | - | - | - | 130 652 |
| Total current assets | 238 167 | - | - | - | 238 167 |
| Total assets | 700 855 | - | - | - | 700 855 |
| EQUITY AND LIABILITIES | | | | | |
| Capital and reserves | | | | | |
| Accumulated losses | (85 917) | - | - | - | (85 917) |
| Revaluation reserve | (2 177) | - | - | - | (2 177) |
| Fair value through OCI | 71 156 | - | - | - | 71 156 |
| Members' equity | (16 938) | - | - | - | (16 938) |
| Non-controlling interest | - | - | - | - | - |
| Total equity | (16 938) | - | - | - | (16 938) |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Post-employment medical benefits | 22 069 | - | - | - | 22 069 |
| Borrowing | 28 417 | - | - | - | 28 417 |
| Total non-current liabilities | 50 486 | - | - | - | 50 486 |
| Current liabilities | | | | | |
| Distribution payable | 411 851 | - | - | 14 542 | 426 393 |
| Distributions in progress | 177 009 | - | - | - | 177 009 |
| Current portion of post-employment medical benefit | 999 | - | - | - | 999 |
| Related-party payable | - | - | - | - | - |
| Social and cultural obligations | 17 421 | - | - | - | 17 421 |
| Trade and other payables | 59 848 | - | - | (14 542) | 45 307 |
| Current tax liability | 178 | - | - | - | 178 |
| Total current liabilities | 667 307 | - | - | - | 667 307 |
| Total equity and liabilities | 700 855 | - | - | - | 700 855 |

Corporate information

| | |
|--|--|
| Country of incorporation and domicile | South Africa |
| Registration number | 1961/002506/08 |
| Registered office | 5th Floor SAMRO Place 20 De Korte Street Braamfontein 2001 Johannesburg |
| Postal address | PO Box 31609 Braamfontein 2017 |
| Telephone | +27 712 8000 |
| Facsimile | +27 86 674 4391 |
| International | +27 11 712 8039 |
| Hotline (during working hours) | +27 86 117 2676 |
| Email | customerservices@samro.org.za |
| SMS | 45141 @R1 per SMS |
| Website | www.samro.org.za |
| Facebook | SAMROSouthAfrica |
| Twitter | @SAMROMusic |
| Instagram | Samromusic |
| Interim CEO and CFO | Ditebogo Modiba |
| Bankers | Standard Bank Absa Bank |
| Auditors | PricewaterhouseCoopers Incorporated |
| Legal advisors | Spoor & Fisher Webber Wentzel Terina Singh |
| Investment advisors | Investec Nedbank Wealth Old Mutual Multi Managers |

Glossary

| | |
|----------------|---|
| AGM | Annual general meeting |
| ANFASA | Academic and Non-Fiction Authors Association of South Africa |
| ANSA | Arterial Network South Africa |
| BASA | Business and Arts South Africa |
| BBBEE | Broad-based black economic empowerment |
| BEE | Black economic empowerment |
| CAB | Copyright Amendment Bill |
| CAPASSO | Composers, Authors and Publishers' Association |
| CMO | Collective management organisation |
| CSA | Concerts SA |
| CSI | Corporate social investment |
| DALRO | Dramatic, Artistic and Literary Rights Organisation (Pty) Ltd |
| IAM | Indigenous African music |
| IAR | Institute of African Royalty |
| IT | Information technology |
| MiA | Music in Africa |
| MOI | Memorandum of incorporation |
| NGO | Non-governmental organisation |
| NPC | Non-profit company |
| Puku | Puku Children's Literature Foundation |
| RIESA | Roodepoort International Eisteddfod of South Africa |
| SADC | Southern Africa Development Community |
| SAMPRA | South African Music Performance Rights Association |
| SAMRO | Southern African Music Rights Organisation |
| SAUMA | South African Up and Coming Music Awards |
| SRAF | SAMRO Retirement Annuity Fund |
| THI | Turquoise Harmony Institute |
| VAT | Value added tax |

