

INTEGRATED REPORT **2015**





CONTENTS

Scope and boundary	1	Directors' responsibility statement	60	
Abbreviations and definitions	2	Certificate by company secretary	61	
2015 in essence	4	Directors' report	62	
Group profile	6	Independent auditor's report on the		
Business model	10	summarised consolidated financial	66	
Strategy summary	12	statements	00	
Material matters	16	Summarised statement of comprehensive income	68	
Board of directors	18	Summarised statement of financial		
Chairperson's report	22	position	69	
Chief executive officer's report	26	Summarised statement of cash flows	70	
Chief financial officer's report	32	Summarised statement of changes		
Zeus system Q&A	36	in funds and reserves	71	
Governance report	38	Notes to the annual financial statements	72	
Remuneration report	46	Corporate information	80	
Risk report	49			
Sustainability report	51			
Transformation report	56			
Human capital report	57			
Value added statement	59			

This report contains changes in design and layout aimed at providing information that is relevant, coherent, material and complete.



Scope and boundary

ABOUT THE REPORT

This integrated report covers the activities of the Southern African Music Rights Organisation (SAMRO) for the financial year from 1 July 2014 to 30 June 2015. SAMRO recognises that having a high public interest score, as defined by the Companies Act 71 of 2008, as amended (Companies Act), requires the group to adhere to integrated reporting standards as set out by the Act and the King Report on Governance for South Africa 2009 (King III).

THE INFORMATION PRESENTED IN THIS REPORT IS INTENDED TO PROVIDE SAMRO STAKEHOLDERS WITH BACKGROUND AND CONTEXT TO MAKE INFORMED DECISIONS ABOUT THE ORGANISATION'S ABILITY TO CREATE SUSTAINABLE LONG-TERM VALUE. THIS REPORT INCLUDES COMMENTARY BY THE CHAIRPERSON OF THE BOARD, THE CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO), SUSTAINABILITY INITIATIVES, GOVERNANCE, REMUNERATION AND RISK AREAS. THE STRUCTURE, CONTENT AND DATA ELEMENTS ARE COMPARABLE TO PREVIOUS REPORTS AND ADDRESS ISSUES THAT ARE MATERIAL TO SAMRO'S BUSINESS MODEL.

SAMRO's annual financial statements were audited by PricewaterhouseCoopers Inc., and their independent auditor's report to SAMRO members is on page 66. Summarised financial statements are included in this report.

SAMRO is affiliated to other international collective management organisations that collect licensing income on behalf of SAMRO members in their territories. SAMRO plays a similar role in South Africa on behalf of other collective management organisations, and makes regular distributions to these in return.

Frameworks and assurance

The following reporting principles and requirements were taken into account when compiling this report:

- International Integrated Reporting Council's <IR> Framework
- International Financial Reporting Standards (IFRS)
- King III
- Companies Act

Approval of the integrated report

The board acknowledges its responsibility to ensure the integrity of this report. The directors confirm that they have collectively assessed the content of the integrated report and believe it addresses all material matters, while providing a fair representation of the integrated performance of the group.

Accordingly, the board approved the 2015 integrated report for publication.

Rev Abe Sibiya Chairman

2 November 2015

Sipho Dlamini

Chief executive officer

2 November 2015

ABBREVIATIONS AND DEFINITIONS

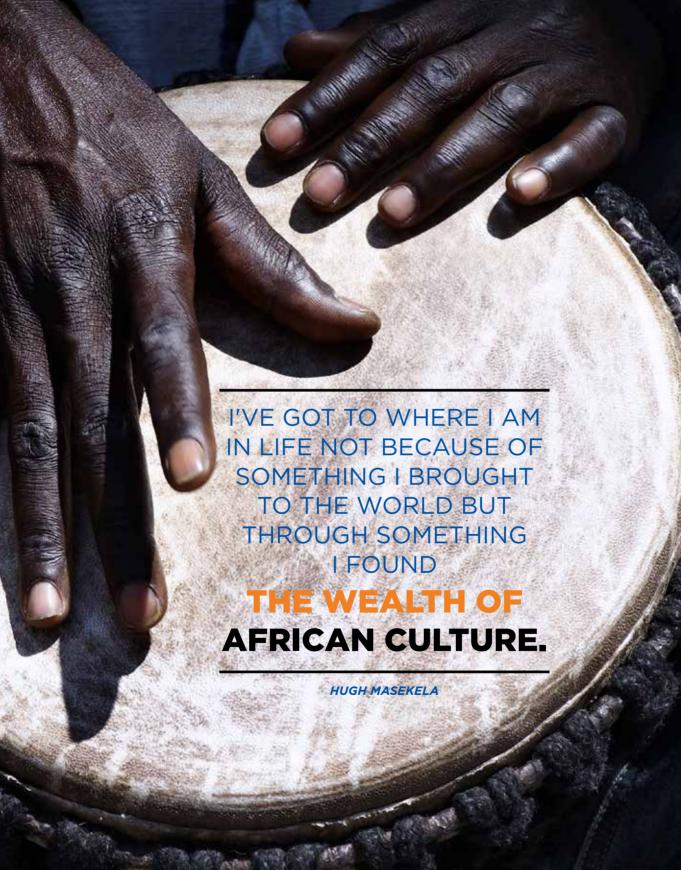
AGM	Annual general meeting
BBBEE	Broad-based black economic empowerment
ВІЕМ	Bureau International des Sociéties Gérant les droits d'Enregistrement et de Reproduction Mécanique (Mechanical rights equivalent of CISAC)
CAMS	Copyright Asset Management and Services
CAPASSO	Composers, Authors & Publishers' Association
CASA	Composers' Association of South Africa
CCIFSA	Cultural and Creative Industry Federation of South Africa
CIPC	Companies and Intellectual Property Commission
CISAC	International Confederation of Societies of Authors and Composers
СМО	Collective management organisation
CSI	Corporate social investment
cwu	Communication Workers Union
DALRO	Dramatic, Artistic and Literary Rights Organisation
dti	Department of Trade and Industry

IFRRO	International Federation of Reproduction Rights Organisations
моі	Memorandum of incorporation
MPA	Music Publishers Association
MR TV	Mechanical rights for television
NORM	National Organisation for Reproduction Rights in Music
NPC	Non-profit company
POSA	Performers' Organisation of South Africa
PR	Performing rights
SAMIC	South African Music Industry Council
SAMPA	South African Music Promoters Association
SAMPRA	South African Music Performance Rights Association
SAMRO	Southern African Music Rights Organisation
SCAPR	Societies' Council for the Collective Management of Performers' Rights
SRAF	SAMRO Retirement Annuity Fund
undoc	Musical works for which the rights holders are not known and that have not yet been documented

DEFINITIONS

Needletime rights are promulgated in legislation in the form of the Performers' Protection Amendment Act, 8 of 2002, which came into effect in 2008. These rights entitle performers and producers to remuneration for the public performance and/or use of their recorded performances.

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 are making commercial copies of recordings on cassette, CD, DVD, tape, video, computer hard drives, cellphones (ringtones and track downloads), MP3 players, or any other medium.



2015 IN ESSENCE **HIGHLIGHTS**



Number of distributions

22 to 29



Total licence and royalty revenue

10,5% to R434,9m



Income from new licences

16,1% to **R25m**



Total available for distribution

5,8% to **R347m**



Total group revenue (before deductions)

6,6% to R494,3m

CHALLENGES

- Engaging with government to develop an appropriate tariff for rights collection
- Ensuring SAMRO remains relevant in the ever-changing music industry
- Encouraging the development of South African and African composers, authors and publishers

DISTRIBUTIONS FOR THE YEAR TO 30 JUNE 2015

Post (Sequence 8)	FY2014	2014-07-11
Radio and general		
(Sequence 2)	FY2014	2014-07-24
MR TV (Sequence 1)	FY2014	2014-07-29
Post (Sequence 1)	FY2015	2014-08-15
MR TV (Sequence 2)	FY2014	2014-08-19
MR TV (Sequence 3)	FY2014	2014-08-21
Supplementary non-society		
shares (Sequence 1)	FY2015	2014-08-28
Post (Sequence 2)	FY2015	2014-09-05
Foreign (Sequence 1)	FY2015	2014-09-08
Post (Sequence 3)	FY2015	2014-09-22
Film	FY2015	2014-10-29
Post (Sequence 4)	FY2015	2014-11-11
Post (Sequence 5)	FY2015	2014-11-27
Satellite	FY2014	2014-12-12
Grant of rights payment	FY2015	2014-12-19
Performance adjustment (Sequence 1)	FY2015	2014-12-24

Foreign (Sequence 2)	FY2015	2014-12-31
Post (Sequence 6)	FY2015	2015-01-30
Radio and general (Sequence 2)	FY2015	2015-02-25
Royalty adjustment (Sequence 1)	FY2015	2015-03-10
MR TV (Sequence 1)	FY2015	2015-03-27
Post (Sequence 7A)	FY2015	2015-04-09
Live (Sequence 1)	FY2015	2015-04-29
Post (Sequence 7)	FY2015	2015-05-05
Performance adjustment (Sequence 2) Post (Sequence 8)	FY2015 FY2015	2015-05-14 2015-05-27
Supplementary non-society shares (Sequence 2)	FY2015	2015-06-09
Post (Sequence 9)	FY2015	2015-06-23
Royalty adjustment (Sequence 2)	FY2015	2015-06-24



GROUP PROFILE

1961 as a company limited by guarantee. Its members comprise southern African composers, authors and music publishers. Since inception, SAMRO has delivered services to its members on a not-for-profit basis. At the November 2013 annual general meeting (AGM), **SAMRO** members voted for the conversion of the organisation to a non-profit company under the Companies Act and received confirmation of the status change on 15 October 2014 through a formal registration with the Companies and Intellectual Property Commission (CIPC).



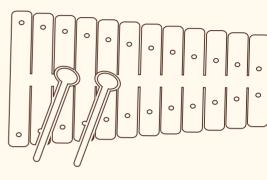






SAMRO'S OBJECTIVE

PROTECT AND ENFORCE
COPYRIGHT AND OTHER
INTELLECTUAL PROPERTY
RIGHTS RELATING TO
MUSIC AND TO PREVENT
UNLAWFUL USES OF
INTELLECTUAL PROPERTY
RELATING TO MUSIC WORKS



SAMRO is the primary representative of music performing rights in southern Africa and seeks to protect and enforce copyright and other intellectual property rights relating to music. This includes the unlawful uses of intellectual property relating to music works.

SAMRO seeks to focus on basic and value-added services for its members, while maintaining two-way communication. The group aims to be collaborative and member focused with a high-efficiency, high-performance culture that leads to successful strategy execution capabilities. Our strategic themes are operational excellence, member and user focus, and revenue growth.

Internationally, SAMRO is a member of the International Confederation of Societies of Authors and Composers (CISAC), the Bureau International des Sociéties Gérant les Droits d'Enregistrement et de Reproduction Mécanique (BIEM) and the Societies' Council for the Collective Management of Performers' Rights (SCAPR). The Dramatic, Artistic and Literary Rights Organisation (Pty) Ltd (DALRO) is a member of the International Federation of Reproduction Rights Organisations (IFRRO). In South Africa, SAMRO is affiliated to a number of organisations that fulfil different roles within the industry, including the Composers' Association of South Africa (CASA), Composers Authors & Publishers' Association (CAPASSO), the Music Publishers Association (MPA), Southern African Music Promoters Association (SAMPA) and Southern African Music Performance Rights Association (SAMPRA).

SAMRO plays a vital role in the administration of works and the distribution of royalties, and provides copyright protection for composers' and authors' works, through the collection of licence fees from **television broadcasters, radio stations, in-store radio stations, bars, clubs, retailers, restaurants** and all other businesses that broadcast music.

COMPANY

PROFILE CONTINUED

TYPES OF RIGHTS ADMINISTERED BY SAMRO



Performance rights administered by SAMRO

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.

Other rights administered by SAMRO-related entities



Mechanical rights

A mechanical rights licence permits the fixation and/or reproduction of musical works on any data storage medium. Music composers, authors, publishers and affiliated societies receive royalties from licence fees collected from such fixation and/or reproduction of musical works. Mechanical rights are administered by CAPASSO.



Needletime rights

("Pay-for-play" or "public playing" rights)

Needletime rights entitle performers to remuneration for the public performance/ use of their recorded performances.

Needletime rights are administered by SAMPRA and POSA.

Board members

SAMRO's board comprises 13 members as follows:







15%

54%

23%

8%

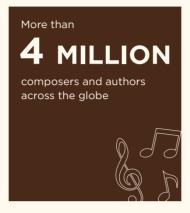
EXECUTIVE

COMPOSERS/ AUTHORS **PUBLISHERS**

INDEPENDENT

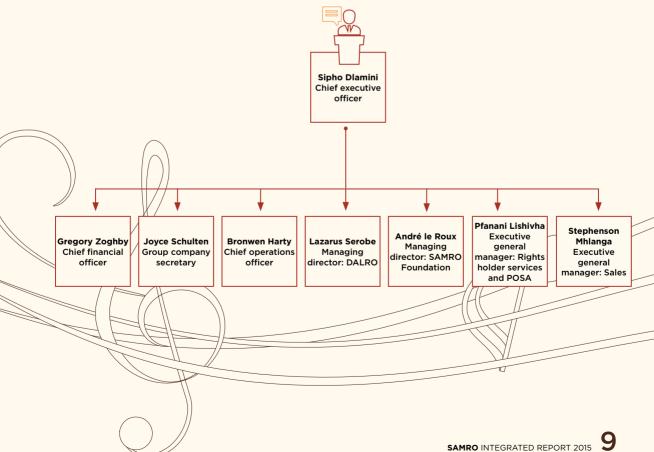
SAMRO represents







Group operational and management structure



BUSINESS

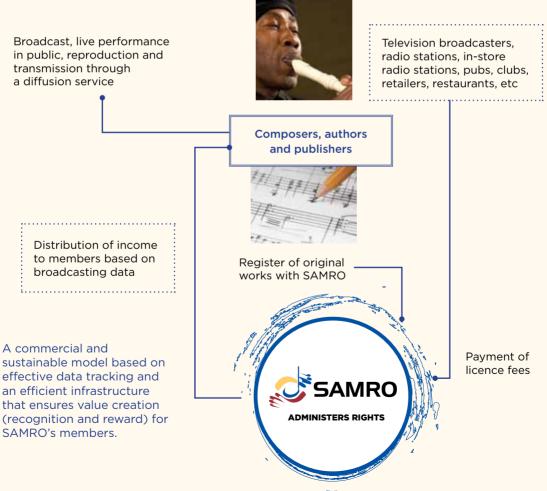
MODEL

SAMRO

SAMRO is a membership-based organisation and its core function is the administration of various types of intellectual property works in copyright, governed by the Copyright Act, 98 of 1978, as amended, SAMRO also owns a property holding company in which SAMRO Place is housed. The organisation's main revenue is derived from licensing the rights of music composers, authors and publishers. This includes the licensing of musical works (SAMRO repertoire) for broadcast, performance in public and transmission through a diffusion service.

Composers, authors and publishers assign their rights to SAMRO for purposes of licensing. In return. SAMRO distributes the royalties to them after collecting licence fees from the users of copyright works (such as broadcasters) and deducting administration costs for this service.

SAMRO provides composers, authors and publishers from foreign territories with the same service through a system of bilateral agreements for reciprocal representation with similar organisations throughout the world. SAMRO also receives distributions from these international organisations when our members' works are performed in their country.



DALRO

DALRO licenses the reproduction of literary, artistic and dramatico-musical works, and offers a range of related services.

DALRO's main source of revenue is the administration of reprographic rights, although the organisation is developing other revenue streams in copyright licensing and related fields. The organisation developed tariff and licensing instruments for the licensing of these rights to private and public sector businesses, particularly media monitoring services. Licensing schemes were also developed for visual works of art and the adaptation of books for film and television productions.

DALRO provides an online content licensing portal called RightsPortal that enables it to optimise online licensing, automating permissions and transactions.

POSA

The POSA Trust was set up to administer the rights of performers when the sound recordings in which they participated are performed (needletime rights). A consolidation agreement between SAMPRA and POSA was concluded after the previous year-end, allowing for the creation of a single needletime rights society that operates independently of SAMRO. This society will have

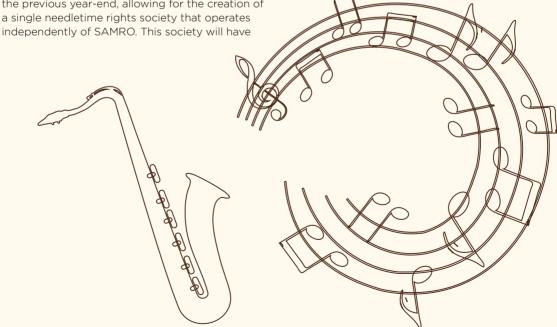
two chambers, one for record companies and the other for performers, both of which will have equal representation on the board. After signing the agreement, unpaid distributions for the periods 2009 to 2012 were released in January and February 2015, allowing for royalties payments for music used over that period.

THE SAMRO FOUNDATION

The SAMRO Foundation is a non-profit company (NPC) housing the corporate social investment (CSI) portfolio of the SAMRO group of companies. The Foundation's activities aim to promote South African arts and encourage a culture of excellence in the arts while supporting the local music industry through a diverse range of programmes.

NON-ROYALTY COMMERCIAL ENTERPRISES

This area of the business houses the group's activities that focus on generating non-royalty revenue to diversify the sustainable revenue stream for its members, including rental from SAMRO Place.



STRATEGY

SUMMARY

Strategic outcome level	Outcomes	Progress during 2015
Primary strategic outcome	To become a copyright asset management and services organisation	The 2015 year was the penultimate year of the Copyright Asset Management and Services (CAMS) strategy, which had to be significantly revised following the adoption of the NPC corporate form by SAMRO members. This meant that the original concepts were no longer deliverable as they mostly fell outside the ambit of SAMRO's mandate and permitted activities. However, 73% of the objectives for this outcome were delivered in 2015 and 23% were still in progress at year-end due to unforeseeable delays in the process.
Secondary strategic outcomes	To facilitate a single music rights licence	Considering limitations in the current copyright administration landscape, significant progress has been made. CAPASSO, the new mechanical rights society (following a merger between SAMRO's mechanical rights operations and NORM), started operating in July 2014. SAMRO and CAPASSO negotiated and issued joint licences for digital service providers operating in South Africa since then. The licensing processes for the two rights types are still too far apart to enable a single licence for other users, including broadcasters. In addition, the challenges encountered during licensing negotiations with broadcasters has led to both entities approaching the broadcasters individually at this stage. While SAMPRA made overtures around issuing a single music rights licence, the focus in the needletime space has been to create a joint society between POSA and SAMPRA to start distributing activities in this area before a joint licensing regime becomes viable. The constraints mentioned above with regard to CAPASSO further apply to joint licensing with SAMPRA.
	To pursue limited diversification	The mandate from SAMRO's members was to consolidate and improve SAMRO's performance in its core functions. International opportunities that do not deviate from SAMRO's core activities are being investigated. Failure to pass a special resolution to provide support for subsidiary operations resulted in further restrictions on the focus to ensure that SAMRO Place becomes a self-sustaining asset that can maximise its benefit to SAMRO. The operational constraints of being an NPC will restrict and direct further progress in this area.

ENVIRONMENT IN WHICH SAMRO OPERATES

The South African economic landscape, characterised by low growth, increasing input costs, low business confidence and rapid technology-driven advances, provides a challenging environment in which to enforce copyright legislation and protect intellectual property. The business sector is highly cost sensitive, resistant to change and features large corporations whose priority is to enforce beneficial contractual terms for themselves and their shareholders.

The legal landscape is moving towards tighter regulation of collective management organisations, which requires a strategy focusing on core rights administration operations. This is further exacerbated by the proposed changes in the new Copyright Amendment Bill, which can be seriously detrimental to DALRO's long-term sustainability.

SHORT-TERM STRATEGIC IMPERATIVES

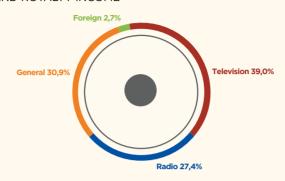
SAMRO developed a detailed business plan underlying the strategy mentioned above with clear milestones and measurables:

- Pricing appropriate and value-creating tariffs
- Simple and efficient processes
- · Accurate and timely invoicing
- · Customer retention
- Market penetration
- Market development
- · Effective credit control

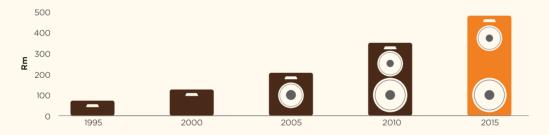




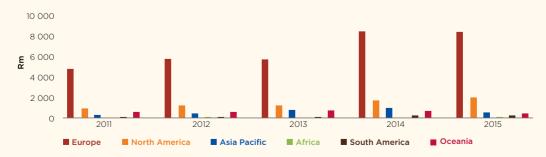
SOURCES OF LICENCE AND ROYALTY INCOME



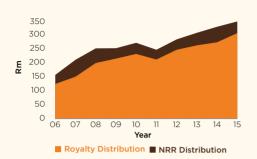
TWENTY-YEAR VIEW



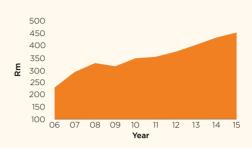
FOREIGN INCOME REGIONAL BREAKDOWN



DISTRIBUTIONS



TOTAL INCOME

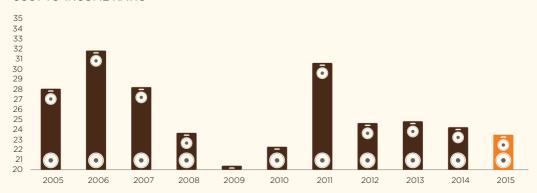


LICENCE INCOME SOURCES



Note Mechanical rights are now administered by CAPASSO

COST-TO-INCOME RATIO



MATERIAL MATTERS

The table below lists the matters that are considered most material to the group's long-term sustainability. These have been derived from a consideration of the operational risk register and an analysis of the broader trends in industry, both locally and internationally.

Material issue	Risk	High-level feedback	Further information
Membership	Lack of growth in distributions and membership	Distributions increased by 5,8% and membership by 8,8%.	Reports of chairperson, CEO and CFO
Reputation	Negative perceptions about SAMRO that may affect membership and revenue growth	Continued positive engagement with members during 2015.	Reports of chairperson and CEO
BBBEE changes	Business model relies on existing legislation	Changes to BBBEE legislation now position SAMRO as non-compliant despite an equitable board and a membership base comprising predominantly previously disadvantaged South Africans. Strategies to improve compliance are in place.	Reports of chairperson and CEO
Costs	Fixed-cost base requires revenue growth Credit control is also difficult leading to loss of revenue from bad debts that are required to be written off	SAMRO contained administration costs to a 5% increase over 2014. SAMRO will increase provision for bad debt if and when required.	CFO's report
Piracy and revenue	Digital service providers and new distribution channels	Ongoing lobbying, awareness creation and investigation of electronic tools for identification, and matching of works for members is underway.	Reports of CEO and CFO
Copyright	Lack of adequate copyright legislation for new media New intellectual property policy drafted by the dti lays the groundwork for legislation that provides for "broad exemptions for educational, research and library uses"	If approved, this new legislation would nullify DALRO's ability to license for reprographic reproduction in tertiary institutions, thus monitoring of draft and strategic planning is taking place. SAMRO estimates a two-year timeframe for any legislative action.	Reports of CEO and CFO

Material issue	Risk	High-level feedback	Further information
Tariffs	Appropriate tariff levels for works could take a long time to be negotiated with all potential licensees	Ongoing awareness creation and engagement with government entities, primarily through the dti.	CFO's report
Cue sheets	Inaccurate cue sheets received from the broadcasters could lead to inefficiencies, resulting in more queries and possible loss of key members	Ongoing lobbying with major broadcasters to ensure compliance.	CFO's report
Internet use by members/ electronic registration	Internet penetration among members increasing, albeit slowly Online direct access to content (DALRO) growing, which remains challenging	Publishers and other platforms providing easier access to content could lead to reduction of reprographic licence revenue.	CFO and sustainability report
Compliance	Compliance capacity and structure	Monthly reviews of operational risk register.	Governance and risk reports
Employees	Increased union activity that may contribute towards difficulty in negotiations or industrial action	Proactive engagement with union. Majwaneng sessions with employees continue providing direct engagement opportunities and insight into employee perceptions.	CEO and human capital report

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS



Rev NA Sibiya Appointed 1 November 2010. Publisher member. Appointed chairperson 13 September 2012.



S Khumalo Appointed 1 November 2010. Composer member.

Appointed vice chairperson 28 November 2013.



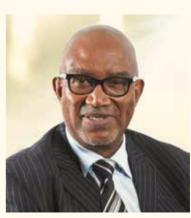
L Bala Appointed 27 March 2014. Composer member.



J Edmond Appointed 28 March 1987. Composer member.



G le Roux Appointed 28 November 2014. Composer member.



SCP Mabuse Appointed 25 March 1995. Composer member.



JJ Mnisi Independent director by invitation appointed 26 November 2009. Appointed 26 March 1995. Independent member.



J Zaidel-Rudolph
Appointed 1 January 2008.
Composer member.



JJ NiemandAppointed 30 November 2012.
Composer member.



T MorabaAppointed 28 November 2014.
Publisher member.



J SavageAppointed 1 July 2013.
Publisher member.

EXECUTIVE DIRECTORS AND EXECUTIVE COMMITTEE



SS Dlamini Chief executive officer Executive director



GJ Zoghby Chief financial officer Executive director



B Harty Chief operations officer



S Mhlanga Executive general manager: Sales



JM Schulten Group company secretary and HR executive



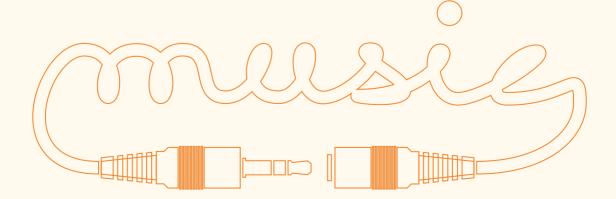
P Lishivha Executive general manager: Rightsholder Services and POSA



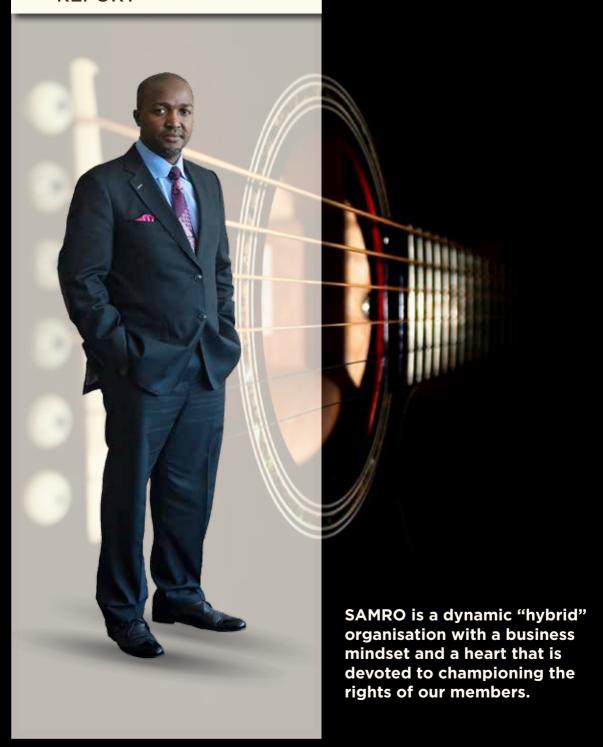
A le Roux Managing director: SAMRO Foundation



L Serobe Managing director: DALRO



CHAIRPERSON'S **REPORT**



Dear members and stakeholders

Since the advent of the internet and a pervasively digital lifestyle. SAMRO and the music industry have been in a constant state of change. Despite this, SAMRO's performance this year was excellent. Throughout our 50-year history, I believe that despite flux and changes - SAMRO still fulfils its mandate of being an effective protector of intellectual property, an outstanding administrator for our members and a passionate supporter of local and African composers, authors and publishers.

OUR EVOLVING WORLD AND PURPOSE

Technology is the driving force behind the changes we experience. SAMRO is futurefocused and I believe that as an organisation. we understand that it is not enough to just keep up with times, we need to be at the forefront of change, adapting to changes to ensure our members receive continued compensation for their creations and to ensure all our stakeholders. experience the value of our services.

After meeting with our board. I am reminded time and again of the men and women who are not afraid to sweat for this organisation, and I am confident that they are up to the task of dealing with this change. We want to remain relevant for a growing community of songwriters who treat their creative efforts as a business. While radio and TV remain strong channels for distributing music, we have to recognise technology-driven media changes.

SAMRO is evolving based on interdependence and interconnectedness with our members. It is because of this understanding that SAMRO develops improved collecting systems and is investigating technology that may provide the organisation with a strategic advantage, specifically for identifying works on TV and radio. This will result in increased accuracy and efficiency in attributing the correct composer or author to such works for royalty and recognition purposes. We will keep you posted on these developments and take this opportunity to remind you that SAMRO is committed to evolving with the times so that we remain relevant, offering the best service we can

Although we are an organisation in flux, our important characteristics remain the same. includina:

- Our devotion to stakeholder engagement and round table discussion through forums like our AGM
- Our focus on customer service and our attitude towards excellence
- Our commitment to music development, growing talent and affiliations with other organisations

SAMRO has affiliations with Europe, America and Australasia and with counterparts in African countries, including Nigeria, Zimbabwe, Malawi, Algeria, Senegal, Burkina Faso, Uganda and others.

SAMRO is an organisation that remains agile in changing conditions and realises the importance of making effective business decisions carefully, but swiftly, to capitalise on opportunities and mitigate risks. We are all about our members and are proud to be a conduit for the world to interact with Africa for all things music.

MACRO FACTORS AND IMPACTS

Factors beyond the organisation's control necessitated a review of how SAMRO operates with a focus on the cost of doing business. A low economic cycle, increasing legislation and a multitude of channels for music distribution create an industry that is increasingly complex to navigate. Using technology effectively and embedding a culture of excellence are our main directives in this regard. Possible changes to copyright law could lead to massive industry changes and SAMRO is ensuring that the situation is closely monitored, so that we can remain ahead of this and other possible legislative curveballs.

FVOLVING GOVERNANCE

SAMRO's board members are committed to the principles of good corporate governance and King III. To ensure that our board has the ideal combination of skill and experience, an evaluation took place in 2014 and the outcome of this process affirmed that the board is operating effectively.

The social and ethics committee, which was established in 2014, started delivering on its

CHAIRPERSON'S

REPORT CONTINUED

mandate, bringing pertinent matters to the board's attention and guiding strategic approaches to sustainability. The committee retains its focus on SAMRO's social and economic development, particularly the adherence to relevant codes of conduct, transformation, corporate social investment, consumer and labour relations and our responsibilities in respect of environment, health and safety.

As detailed on pages 12 and 28, SAMRO's strategic direction has evolved to meet the changes in our operating environment.

TRANSFORMATION AND SUCCESSION

We are managing transformation and succession very effectively as a board. Changes at various levels of the business are ongoing and reflect the rich racial and cultural tapestry of our nation.

Significant strides were made throughout the business and despite the challenge posed by the new BBBEE codes, the organisation is proud of the progress made and will endeavour to comply with these changes, primarily through hiring appropriate candidates and training current employees. Read more about our training progress on page 57.

STAKEHOLDER RELATIONS

We have committed to speaking less and listening more as an organisation. When composers, artists and authors walk into our reception area, the hue of our attitude and subsequent interaction is distinctly positive and helpful, and this attitude permeates through our entire organisation.

We continue engaging with our union representatives to ensure amicable and mutually beneficial relationships with unionised employees. Members voice their opinions and interact with the board at our spirited AGMs, often raising key concerns and deliverables that we take seriously and immediately attempt to resolve. We also understand that the needs of songwriters have changed – they are more astute to their rights and technology has empowered them. They need information in real time and part of our service is meeting these needs digitally through our website and technology development plans (such as the planned new research and development department).

SAMRO thinks global and acts local. We also understand that we are, because you are – our success and growth is intrinsically linked to our members and stakeholders. Ours is a business of service to our members and it is because of this close-knit relationship that SAMRO takes pride in communicating frequently, while leveraging all the avenues and tools at its disposal to assist in the development of the music industry and local talent.

ACKNOWLEDGEMENTS

As I reflect on another season as your chairperson, I cannot help but feel a great sense of pride in being associated with the men and women of SAMRO, who work tirelessly to ensure that the service we offer is consistent and of a world-class standard.

I extend my thanks to my committed, supportive and focused executive and board members who make unique contributions for the future and to the operations of our organisation. The SAMRO team as a whole is responsible for the success of this last year. To all of you, I extend a heartfelt thank you for standing by SAMRO during the hard times, working hard and for looking to the future with your leaders.

To our members, your loyalty and support are what keep our energy levels up, our targets clear and our achievements worthwhile. Thank you for partnering with us for another year and for your continued trust in us for the years to come. I pray for the growth of your business, our country and for SAMRO.

Nothing would give me greater pride than to leave a good ship sailing in good waters so that anyone who comes after us can build on our efforts and do even better. Here's to a great future, and here's to a great 2016.

Rev NA Sibiya

Chairperson
2 November 2015



CHIEF EXECUTIVE **OFFICER'S REPORT**



We are an agile organisation that responds to change with an eye on the future and a foot in

This is my second report to you as the chief executive officer (CEO) of SAMRO and I am privileged to address you at the end of another successful year.

TRACKING OUR PERFORMANCE IN NUMBERS

- Total distributions paid to our members are up 27.1% this year to R182,47 million
- Distributions to foreign societies experienced a slight increase of 1,6% to R85,17 million
- SAMRO's **total distributions** amounted to **R267.6 million.** up 17.7% from R227.4 million. in 2014
- Our number of **Twitter followers** has grown from 5 777 to **7 211**
- SAMRO has 29 411 Facebook friends (2014: 20 971)
- Electronic communication via the **Beat Bulletin newsletter** is up to **11 885** (2014: 8 582), and an additional **9 554** people registered for the **newsletter**
- We increased the distribution of our **SAMRO Notes magazine** by 3 000 units, taking biannual distribution to 13 000
- Our Music Creator section is the most popular section of the website and visits have increased substantially to 176 402 visits (2014: 81 600)
- The number of members who manage their account with SAMRO online has grown to 2 561 (2014: 1768 members), and we received an additional 925 portal user registrations in 2015
- We cleared **R34,9 million** from **undoc** in the year under review
- Walk-ins are up from 50 per day in 2014 to 60 per day this year at SAMRO Place, and a significant number of these are new membership applications (80%); the remaining 20% are elected members
- We are proud to note that **query resolution** has improved to **89%** (2014: 82%)
- The number of **accounts** managed by the **publisher services team** has grown from 459 to **2 733**
- SAMRO was rated 15th in the world as a collecting service in 2015, ahead of France, the Netherlands, Ireland and Italy

CHIFF EXECUTIVE

OFFICER'S REPORT CONTINUED

BUILT TO LAST

SAMRO prides itself on keeping up with the times and delivering value to our stakeholders while doing so. As a collecting society in a dynamic and changing environment, SAMRO needs to ensure it remains relevant at a time when technology and disruptions to old economic thinking challenge our business model. This includes the growing global perception that music should be free.

This trend is worrying and goes hand in hand with increased levels of piracy that affect our operations and more importantly, the livelihood of our members. In South Africa, physical sales are still the biggest portion of revenue, even with digital music consumption increasing by 110% since 2014. This is not the trend in the international market and SAMRO recognises the importance of being cautious and making decisions that protect the organisation, its members and its interests in the long term. Moreover, we need to continue being a vehicle for change and growth in the industry - now more than ever.

Through affiliations with organisations such as the Cultural and Creative Industry Federation of South Africa (CCIFSA) and the South African Music Industry Council (SAMIC), SAMRO is ensuring that it engages and interacts with the industry and supports local music development. We are not just an entity that collects well and distributes well; we are also an organisation that understands the importance of adding value to our wider industry.

Additionally, if the laws of the country are not conducive to all the elements of the music industry, it has a knock-on effect on the music industry and, as a result, SAMRO. By being involved with bodies such as CISAC and other associations, SAMRO is better positioned to support our members. We engage with government, industry and business to improve the distribution and recognition of South African music.

Our hope is that this support in addition to our service will spur African artists on to become more successful internationally, generating foreign income for themselves and the country in the process.

While we do not have a direct influence on music use, such as radio playlists, we recognise that we need to be part of a movement that makes the music industry a better economic space. SAMRO continuously interacts with the global music industry and is applying more resources to support artists in establishing themselves, becoming popular and then hopefully more well played. In doing so, they receive royalties and we continue offering a service that brings in revenue. an essential win-win dynamic.

To support these initiatives, SAMRO will create a research and development department in the next year to focus on innovation in technology, to better position the organisation to take advantage of electronic developments to improve its effectiveness.

HIGHLIGHTS FOR 2015

The formation of CCIFSA is a particular highlight for the year. Initiated by the Department of Arts and Culture, it will give momentum to the business development of the creative sector - comparative to the South African Sports Confederation and Olympic Committee (SASCOC) for sport. The establishment of CCIFSA reflects the evolution of the industry, which I hope will become an entity that is backed by an act of parliament to have genuine authority. On the whole, our local music industry struggles to organise, formalise and engage with other sectors and business and we believe that CCIFSA has the potential to radically change this landscape for the better.

The approval for SAMPRA and POSA to distribute royalties was a significant achievement this past year, unpacking revenue for performers. The money previously held has now been rightfully distributed.

This year the board decided it would focus on three main areas: communication with members, seeking new avenues of revenue, and improved efficiencies to reduce costs. In all areas, the board experienced progress. We hope that our continued efforts in these areas will make our customers happy and promote engagement.

SUPPORTING ACTS: THE IMPORTANCE OF HAVING A STRONG INDUSTRY PRESENCE

Globally, the economic operating environment remains difficult and the forecast for the local economy is bleak and unchanged. These challenging growth prospects have led SAMRO to a review of operations, specifically for cost containment and to an extent, future diversification. Despite a less than invigorating economic cycle. Africa is far from peak trading levels as seen on other continents. African music is on the rise and we want our music to be played all over the world, giving it the recognition it deserves. Our membership growth indicates one important fact in these difficult times: more people are composing and making music.

Concerts SA is an example of how SAMRO created a vehicle that has been instrumental in energising live performances and creating a network of venues for artists to perform. The SAMRO Foundation also initiated the music mobility fund in 2013 with the Norwegian Ministry of Foreign Affairs and Rikskonsertene to fund tours for artists who are unable to secure financial backing to tour.

STAKEHOLDER ENGAGEMENT

SAMRO engages with broadcasters (the SABC. e.tv and M-Net) to review and modernise the tariff rates applied to music and scores used in the television industry. When the SABC and SAMRO last engaged on the topic of tariffs, the broadcaster only had one channel. Modernising these tariffs is a focal area for SAMRO as they affect the creators of music and the business.

We engage government through constructive dialogue with the dti and the Department of Arts and Culture to embed an understanding of SAMRO's role in the industry and ensure payment for works used in various government departments. Government remains non-compliant but progress is being made.

I am especially pleased with the effectiveness of our employee engagement sessions, Majwaneng. These sessions involve meetings between small, diverse groups of employees throughout the year. In these forums, which I chair, employees voice

concerns and provide invaluable input and insight into the running of the organisation. Aside from tangible information, these sessions greatly aid us in witnessing and further embedding our highperformance culture. The discussions are held in a relaxed but professional manner, forcing hierarchy and diversity barriers to the wayside in favour of valid issues and ideas relating to SAMRO's people, its future and transformation.

Of particular importance are the proposed amendments to the Copyright Act as it may open doors for engaging and licensing of internet service providers and mobile network providers. The developments in this area are being monitored closely to ensure a swift and effective response from SAMRO

TRANSFORMATION

Regarding transformation and succession, SAMRO wants to be a reflection of the country and has made significant progress over the years. This is mirrored at all levels of our operations (118 black, 39 white, 30 coloured, 12 Indian and three foreign employees). The Employment Equity Act, 55 of 1998, as amended, provides us with a formal template to work with and we believe diversity makes us better.

Succession planning is a serious matter for the business and appropriate placements are the main driver for improving an already reflective and diverse group of employees. During the year, we launched a formal and structured process to map the skills and abilities available to the organisation. This highlighted the advantages of horizontal succession planning as an alternative to strictly linear careers.

FOCUS AREAS GOING FORWARD

In addition to tariff adjustments, SAMRO will pay attention to improving the quality of data obtained from cue sheets, reducing bad debt, managing costs and growing the business. SAMRO is constantly looking for opportunities to grow revenue for its members in spaces that do not radically depart from our core business.

CHIFF EXECUTIVE

OFFICER'S REPORT CONTINUED

Our focus remains on adding value for our members and becoming more aligned with technological opportunities. We know that to impact tomorrow, we need to make changes today. We also adopted a mantra of being a thinking organisation that responds to change quickly instead of being a box-ticking entity. This perspective and a strategy rooted in growth are what will stand us in good stead for many years to come.

ACKNOWLEDGEMENTS

At SAMRO, we are a team and attribute our success to being a network of motivated. performance-driven people who share the same vision. I would like to thank everyone who walks into our offices each day with the intent to add value. It is your passionate contributions for an often thankless job that I wish to acknowledge. Without you, we would not be a success.

I would also like to thank our chairperson. Abe Sibiya. He is a forward-thinking talisman for the organisation, inspiring change and taking the time to engage with the board and the business to steer us in the right direction.

Annette Emdon retired as chairperson last year and as board member this year, but she made her institutional knowledge and vast experience available to me and the team. Thank you for giving your time, knowledge and dedication so readily and loyally, Annette. You will always be part of the SAMRO family.

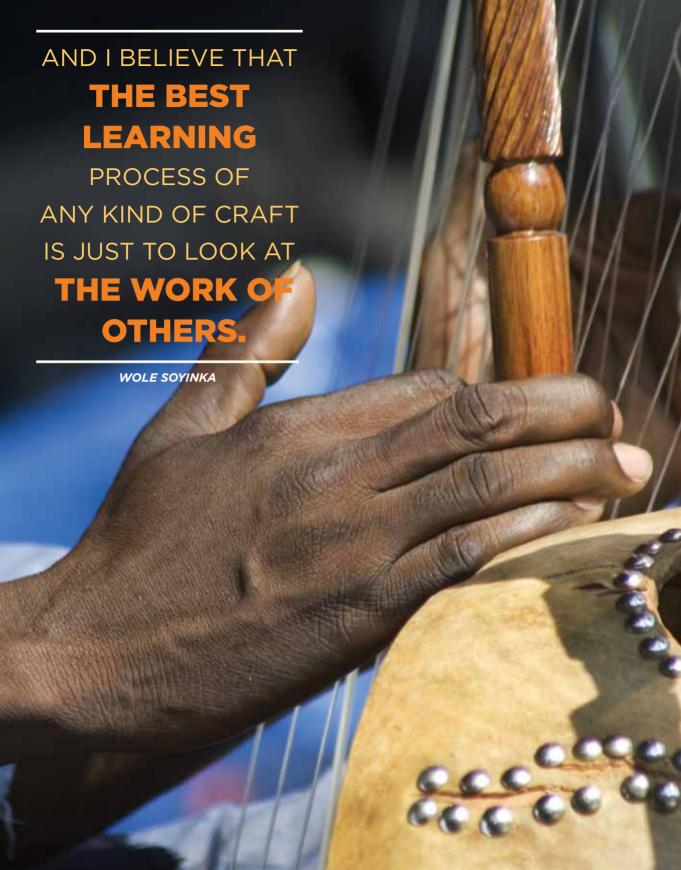
My executive team, Gregory Zoghby, Bronwen Harty, Joyce Schulten, Pfanani Lishivha, Stephenson Mhlanga, Lazarus Serobe and André le Roux, thank you for leading and performing consistently at a high level; your earnest efforts set the example for a high-performing organisation. Thanks also to our managers and general managers who drive our success by being focused and committed to our strategy.

To the chairperson of the CISAC board. Mr Eric Baptiste, CISAC director general, Mr Gadi Oron and the CISAC director general of Africa, Mr Balamine Ouattara, I thank you for your continued support and input in helping us fight for the rights of our members globally.

To all the publisher and composer members who continue composing and creating music, thank you for using your talents to make the world a more colourful place and for trusting us to administer vour rights.

SS Dlamini

Chief executive officer 2 November 2015



CHIEF FINANCIAL OFFICER'S REPORT



SAMRO weathered a challenging external environment to grow licence and royalty revenue by 10,5% to R434,9 million (2014: R393,6 million). Total revenue generated by performing rights licences increased 12,9% to R423,4 million (2014: R374.9 million). The ongoing profitability of the business can be attributed to good control over costs and growth in renewal business with a continued focus on cleaning out bad debt that resulted increasingly from pressure on businesses battling to survive in an unfriendly economic environment.

Excellent growth in the general licensing revenue stream (35,1% compared to 1% in 2014) resulted mainly from the conclusion of the Shoprite negotiation which allowed the 2014 and 2015 licences to be recognised in the current year. Also, a large licence agreement was concluded with Johannesburg Municipality - highlighting the opportunity to bring the Cape Town and Durban municipalities on board, increasing momentum in this category. The reversal of the SANDF licence in the prior year, which we were unable to conclude. further depressed the prior year's licence income.

Broadcast licensing income overall has struggled to grow at an inflationary rate this year, despite encouraging growth in the public broadcaster contribution after several years of poor performance. TV has only grown by 5,3% year-on-year, while radio showed a 3,7% increase. Sliced differently, public broadcasters grew by 9,3%, while private broadcasters were flat compared to the prior year (0,6% growth). Foreign income is down from last year's R11,9 million to R11,5 million. Last year's income was higher than expected due to several societies' distributions being inflated based on the inclusion of large arrears for several years. This is income derived from Europe, North America, Asia Pacific. the rest of Africa. South America and Oceania.

Mechanical rights are now administered by CAPASSO, which means that SAMRO received almost no revenue in this regard for 2015. Last year, the revenue from mechanical rights amounted to R6,7 million.

New business of R25.0 million (2014: R21.5 million) has grown by 16,1%, which includes new licences and the City of Johannesburg licence mentioned above. Promoters' licences increased by 19,9% and realised an income of R10.2 million (2014: R8.5 million).

Our portfolio of investments is managed by two large portfolio managers and there was no change in their approach for 2015. However, performance was not as lucrative as in previous years due to difficult market conditions and with less trading. this resulted in lower surpluses. Improved cash flow meant that no liquidation of reserve funds was required for distribution. Investment income, other than surpluses, grew by 17,2% to R16,5 million (2014: R14,1 million).

In terms of licensing, the performance has been very good this year, growing by 10,5%. However, the reduction in investment income through the reduced surpluses resulted in a smaller overall gross revenue increase of 6.6%.

SAMRO has a fixed-cost base, which was well contained despite increasing input costs. Debtors were managed tightly through the credit control team, which formed part of the sales department this year. Nevertheless, we were forced to write off uncollectable debt from licensees who are unable or unwilling to pay. Litigation is always an option, but it is often not economically viable to take costly legal action against smaller non-payers.

INFORMATION TECHNOLOGY

The largest capital investment has been in the form of the Microsoft-based system known as Zeus, a copyright administration system that has replaced the SAMRO 4 system. The system provides a range of benefits to bolster the organisation's services and has streamlined administration and matching processes. For more information on the system, please refer to page 36. The business will be able to cater for increases in channels, musical works. and so forth using the Zeus system.

CHIFF FINANCIAL

OFFICER'S REPORT CONTINUED

Increased benefits are available to members through the portal including notification of works. access to work records, and providing distribution information to members. Member use of the portal increased by 925 to 2 561 users.

For member registration, SAMRO introduced a ticketing system with digital signature pads to streamline the data collection process. Previously, SAMRO consultants would capture and print the documents before the applicant read, confirmed and signed. Digitising this process has reduced waiting periods by 50% and our members are very pleased with the development. The system drastically reduced the number of works listed under undoc due to poor handwriting. The second phase of the registration system is planned for 2017.

COST MANAGEMENT

SAMRO has been very good in applying cost control; this was restricted to a mere 3% per year over the last five years despite significant growth in new business, volume of data, and number of members. The cost to revenue ratio is at 23.5% (2014: 24.2%) despite rising input costs that often exceed inflation levels.

A major element of SAMRO's cost base is salaries. There are still many manual processes that require personnel, such as research into ownership of works, capturing manual use returns and so forth. Such costs represent 64,9% (2014: 64,1%) of total operating costs. To ensure our employees remain adequately skilled, SAMRO invested R1,9 million in skills development (2014: R1,4 million).

SAMRO does not incur any costs for needletime rights as it is now self-sufficient. However, the organisation will recover costs outlaid previously for needletime rights from future distributions.

DALRO

DALRO revenue increased by just 2,1%. Overall licence and royalty revenue increased by 4,3%. Blanket licensing income increased by 5,3%, while local transactional income increased by 3,3%. Foreign transactional licences increased by 1,5%.

Regarding product development, SAMRO remained focused on the development of its own administration system and did not have the resources to assist DALRO in its system development process following the withdrawal of the former mainframe system. DALRO invested in the development of Wise, a customised administration system, which is being developed by Peppertag.

Costs were well controlled at DALRO resulting in a 17,5% saving this year. This occurred as a result of reduced management fees and marketing expenses throughout most of the year. The group is planning to appoint two new managers and several sales employees to drive business licensing and improve administration processes in the new financial year. With the old SAMRO 4 mainframe system no longer in place, SAMRO recalculated the administration fee charged to DALRO, resulting in a significant saving.

DALRO turned a profit this year as a result of several cost-saving moves. Even with the expected appointment of new employees in the next financial year, it is anticipated that the organisation will remain profitable. This may require further review once the new Copyright Bill is promulgated, as the proposed Bill in its current form is recommending that copying for education purposes should be free. This would fundamentally destroy the DALRO business. The organisation is recommending another course of action; if accepted by the dti, it would save the bulk of the higher education licensing revenue. This may still require a restructure of the company.

POSA

POSA membership is currently at 8 712. Following the agreement reached by SAMRO and SAMPRA, distributions were paid for monies received for the 2009 to 2012 distribution periods. The average distribution percentage across these distributions was 89%. In addition, following an audit and reconciliation process in March 2015 of the amounts received by SAMRO, a further R957 000 was reclaimed and received from various publisher members and 80% of these monies has been distributed.

SAMRO PLACE

Rental income from SAMRO Place provides an additional income stream to support sustainable growth in the group. Higher rentals have been actively pursued this year along with a significant tightening of expenses. All new leases have been signed at a higher market-related rate and when existing leases expired, tenants were required to sign new leases at significantly higher than inflation rates. This resulted in the growth in rental income of 11.9%. The organisation actively seeks new sources of revenue from advertising initiatives and further redevelopment opportunities. On the cost side, we sourced new suppliers of large expense items, driving overall costs down by 8,3%.

RESERVES

SAMRO actively manages its reserves capacity to ensure that it is able to meet new business and other developmental needs in future. The two main elements of reserves were as follows:

- · The revaluation reserve relating to unrealised surpluses on investments that have increased in value and have not been sold
- The retained earnings reserve, which contains the funds set aside for future development

FUTURE PROSPECTS

Driving income growth (which ultimately brings growth in distributions to members) while managing costs and continuously improving service to our members will remain focus areas for 2016. SAMRO faced and overcame various challenges over the last few years. These achievements rely on the continued support and guidance of our board and executive management team. We continue refining SAMRO's finance processes and timelines to improve the service to members, whose best interests remain our key focus.

GJ Zoghby

Chief financial officer 2 November 2015

7FUS SYSTEM $\Delta & \Delta$

As part of SAMRO's strategy to future-proof its operations and increase efficiencies, the organisation recently upgraded its main processing system to the Zeus collection management system.

What is the Zeus system?

Rights administration is very niche in South Africa and in 1994 SAMRO developed its own mainframe-based system (SAMRO 4) to process member, rights and distribution data. Although effective, the system required tedious programming methods to retrieve data. As a result, SAMRO started using the Microsoft-based Dynamics CRM 8 (DAX) system in 2013 after exploring system options from Spain and the Netherlands. This system is currently in use and is named "Zeus".

What does the system do?

The system matches and links repertoire to usage while identifying the rights holders of the works played/used from input data. It also stores member details, calculates royalties and provides feedback data to allow SAMRO to assess the overall quality of its processing. It allows members to view more details, such as the mediums in which their works are being used electronically instead of this being reported by post.

How does the system work?

Administration information, such as cue sheets from TV or live performance notifications by members through the SAMRO web portal, are fed electronically into Zeus and processed by the system, removing the need for manual administration of huge data volumes to assign royalties or draw reports for data analysis. The system electronically assigns and logs each piece of data and performs calculations.

Why was the upgrade from SAMRO 4 necessary?

Aside from the increasingly difficult operation of the system, a change was required from a governance perspective; a system prone to less programming manipulation was required as the SAMRO 4 developers previously dealt with all the inputs, processing and outputs. This new system is fully automated and only requires raw input data. SAMRO 4 could not be integrated into SAMRO's web portal either, whereas Zeus allows this functionality.

Who operates Zeus and troubleshoots possible problems?

SAMRO upgraded the system in 2013 and operates the system in-house. A team of software engineers who are trained and qualified in managing and troubleshooting are also employed by SAMRO, allowing for instant attention and assistance for any issues that may arise.

Why is it called Zeus?

The name was developed through a team-building competition with SAMRO employees. The name Zeus is based on the SAMRO IT upgrade project called Apollo and signifies the overarching and powerful nature of the programme in the context of SAMRO's operations.

How does it add value for members?

It offers a web portal for online management of works and personal details, as well as notification features to inform SAMRO of new works. A major success in this regard is the ability to notify SAMRO of any live performances to obtain accurate royalties after the set list and venue have been updated. There is less error in information too, leading to better quality output and improved distribution percentages for SAMRO. Ultimately, the system will cost less to process more distributions which would lead to a reduced timeline for payments to rights holders in future.



GOVERNANCE

RFPORT

The SAMRO board ensures that the interests of the organisation's members are considered in the execution of any plans, strategies and governance initiatives. The board is made up of various composer, author and publisher members

Directors are committed to ethical behaviour in all the dealings of the board and subscribe to the principles of good corporate governance as defined in the King Report on Governance for South Africa 2009 (King III). SAMRO became an NPC on 1 May 2013, under the Companies Act.

GOVERNANCE HIGHLIGHTS FOR 2015

- Social and ethics committee members trained.
- Established a governance pack which includes the board charter
- Successful change of company from Limited by Guarantee to an NPC
- Member approval at the AGM of amendments to the memorandum of incorporation (MOI)
- · Amended MOI filed and approved by CIPC
- Strategic risks categorised and monitored on a monthly basis
- Clean-up of all records in the group company secretary's office resulting in a reduction in auditor's costs
- Introduced BoardPad software with the aim of running meetings more efficiently and reducing printing costs

THE BOARD OF DIRECTORS

The SAMRO board guides the group, setting the organisation's strategic direction and taking responsibility for monitoring progress with the implementation of strategy. The board establishes the ethical tone of the organisation and its roles and responsibilities are set out in the board charter, available from the company secretary upon request.

The board established policies and procedures to ensure that SAMRO complies with the laws and regulations that apply to the organisation, while ensuring that the principles of good business practice are applied in all dealings. Engagement

with key stakeholders, including members, is an important board responsibility and takes place at board, management and key employee levels.

The CEO is delegated authority by the board to run the organisation with their support. Board committees marshal and guide various areas of responsibility, discharging the actions established and being accountable for the results and performance of such areas. However, the board accepts ultimate accountability to its members for the performance of the organisation.

Specific responsibilities of the board include:

- monitoring operational performance and management
- ensuring risk management and internal controls, policies and processes
- · 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
- · increasing the value to members while maximising socio-political benefits
- ensuring the accuracy of SAMRO's financial statements

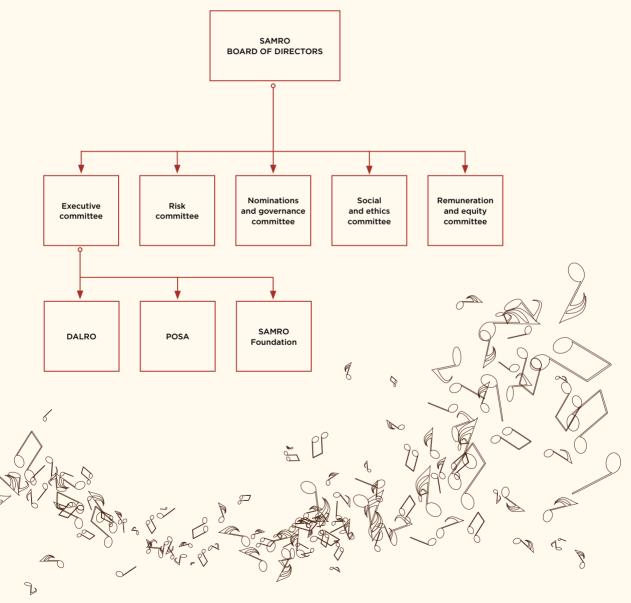
As a summary of the resolutions and AGM outcomes for the period, be advised that:

- PricewaterhouseCoopers Inc. was reappointed as the SAMRO auditors
- Gabi le Roux and Loviso Bala were elected as author directors of the company.
- Tsholo Moraba and Annette Emdon were elected as publisher directors of the company.
- In a special resolution, an amendment was made to clause 9 of SAMRO's MOI to remove ambiguity and become consistent with SAMRO rules and CISAC standards.

Clause 29 of SAMRO's MOI was also amended after a special resolution vote. In doing so, clauses 29.7
and 29.9 were deleted. Clause 29 pertains to the administration of members' rights in principle and
other territories.

Governance structures, documents and processes are regularly reviewed by the board and committees to ensure that these remain relevant to the group. Board meetings take place at least four times during any given year. During the year, four meetings were held and attendance is shown in the table below.

GOVERNANCE STRUCTURE



GOVERNANCE

REPORT CONTINUED

Directors	Date first appointed	Date last appointed	18/09/14	27/11/14	26/03/15	25/06/15
Non-executive directors						
NA Sibiya (chairperson)	1 November 2010	29 November 2013	1	1	1	1
S Khumalo ¹	1 November 2010	30 November 2012	1	1	А	1
L Bala	27 March 2014	28 November 2014	1	1	1	1
J Edmond	28 March 1987	29 November 2013	1	1	1	1
AE Emdon ²	28 March 1987	28 November 2014	1	1	-	-
SCP Mabuse	25 March 1995	29 November 2013	1	1	А	1
P Mnomiya³	15 September 2011	15 September 2011	1	1	-	-
JJ Niemand	30 November 2012	30 November 2012	1	1	1	1
J Savage	1 July 2013	29 November 2013	1	1	1	А
G le Roux ⁴	28 November 2014	28 November 2014	-	-	1	1
T Moraba ⁴	28 November 2014	28 November 2014	-	-	1	1
CFE Woods ³	11 December 2008	11 December 2008	1	1	-	-
J Zaidel-Rudolph	1 January 2008	29 November 2013	1	1	1	1
JJ Mnisi*	26 November 2009	26 March 2015	1	1	1	1
Executive directors						
SS Dlamini	1 July 2013	1 July 2013	1	1	1	1
GJ Zoghby	1 March 2008	1 March 2008	1	1	1	1

⁻ Attendance, A = Apology received, - = Not applicable
- Appointed vice chairperson on 27 March 2014
- Resigned on 30 January 2015

³ Retired by rotation 28 November 2014

Appointed 28 November 2014
 Acted as an independent director by invitation from 26 November 2009 and officially appointed as an independent director from 26 March 2015.

Board composition

SAMRO's unitary board structure comprises 13 members: 11 non-executive directors, the chief executive officer (CEO) and the chief financial officer (CFO). The importance placed on diversity in appointing directors is reflected in the gender, race, member type and musical genre represented. Six non-executive directors are historically disadvantaged South Africans, of which one is a woman.

SAMRO's MOI stipulates that at least half of the directors must be composers or authors and not less than one-third publishers. Board members are nominated by either composer, author or publisher members and elected at the AGM. The broad base of members that participates in this process helps to ensure adequate diversity in the members elected, offering relevant industry experience, qualifications and a variety of disciplinary and social backgrounds.

The board believes that its mix of directors in respect of diversity, background and experience remains appropriate to govern the company effectively. The board considers matters and acts as a body to ensure that deliberations are robust and balanced without individuals becoming dominant in decision-making.

The board received the resignation of Annette Emdon on 30 January 2015. Gabi le Roux and Tsholo Moraba were appointed at the AGM on 28 November 2014. At the same time, Fred Woods and Phelelani Mnomiya were voted off, while Jerry Mnisi was appointed as independent director on 26 March 2015 (he is no longer director designate).

Directors' remuneration

For a detailed remuneration report outlining the organisation's approach to remuneration of executive and non-executive directors, please refer to page 46.

Board evaluation

The annual board evaluation process was undertaken with the assistance of The Institute of Directors of South Africa (IoDSA) and the outcome confirmed the effective operations of the board for the period. With a view of continuous improvement, the following areas were identified and are being focused on by the board:

- Interim updates between meetings
- · Ongoing training for board members
- Succession planning at board and management levels

Board training

Comprehensive training is given to each new director at orientation. The training covers SAMRO's business model, operating and legal environment, as well as the director's rights, duties and responsibilities, and liabilities. Long-standing directors can also make use of this training if they wish. Training on directors' fiduciary duties was conducted in July 2014, with ongoing awareness throughout the year.

Succession planning

To ensure that SAMRO has a suitable and skilled group of individuals available when key positions in the organisation are vacated, we launched a performance initiative to develop critical skills required at various management and leadership levels.

Access to information and independent advice

The company secretary provides directors with company secretarial resources and guidance on the performance of directors' duties. Directors are further afforded access to external independent professional advice at the expense of the organisation and are provided with ongoing training when necessary.

The chairperson

The board elects the chairperson, who holds office for three years and is eligible for reappointment for as long as he or she remains qualified to act as a director. The chairperson presides over all meetings of the board and has the casting vote should there be equal votes at a board meeting. The chairperson is a non-executive director of the company.

The chief executive officer

The board delegates authority for the day-to-day running of the organisation to the CEO. This authority is subject to certain areas where the board must be consulted prior to effecting decisions, such as significant budget deviations, membership elections and promotions.

GOVERNANCE

REPORT CONTINUED

The performance of the CEO is evaluated against criteria that include:

- · international relationships
- relationship with the board
- management of SAMRO internally (employees)
- · management of SAMRO externally (stakeholders)
- · revenue and budgets
- growth in distributions

The company secretary

the responsibilities of the company secretary include:

- assisting the nominations and governance committee with the appointment of directors
- assisting with the induction and training of directors
- providing guidance to the board on the duties of directors and good governance
- ensuring board and committee charters are kept up to date
- preparing and circulating board papers and ensuring the preparation and circulation of minutes for board and committee meetings
- · assisting with the drafting of yearly work plans
- · eliciting responses, input and feedback for board and board committee meetings
- assisting with the evaluation of the board, board committees and individual directors
- ensuring compliance with all relevant legislation

The board evaluated and is satisfied with the skills and experience of company secretary, Ms JM Schulten, in performing her duties and responsibilities.

Board committees

The board delegates certain of its duties to various board committees while retaining overall responsibility for the organisation. These committees operate under formal terms of reference, which are approved by the board and reviewed as and when required. The current committees are detailed on pages 42 to 44.

Nominations and governance committee

The nominations and governance committee is chaired by a member of the main board. It is responsible for:

- making recommendations to the board on all new appointments
- nominating, recruiting and appointing directors - including the continuation of services of any director who has reached the age of 70
- · facilitating 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
- ensuring compliance with corporate governance and industry codes of best practice

The nominations and governance committee comprises four non-executive directors and the CEO.

Members	17/09/14	24/06/15	Category
CFE Woods (Former chairperson) ¹	1	_	Non-executive
SS Dlamini (Acting chairperson)	1	1	Executive (CEO)
L Bala ²	-	1	Non-executive
S Khumalo ²	-	1	Non-executive
T Moraba ²	-	1	Non-executive
J Zaidel-Rudolph	1	1	Non-executive
A Emdon ³	1	_	Non-executive
P Mnomiya ¹	1	-	Non-executive

^{✓ =} Attendance A = Apology received - = Not applicable

Retired by rotation 28 November 2014

Appointed 26 March 2015

Resigned on 30 January 2015

Risk committee

The risk committee comprises five non-executive directors. The CEO and CFO attend by invitation. The committee meets at least four times a year and is chaired by an independent non-executive director, Mr J Mnisi.

Members	18/09/14	27/11/14	26/03/15	25/06/15	Category
JJ Mnisi (chairperson)	1	1	1	1	Non-executive
J Edmond	1	1	1	1	Non-executive
P Mnomiya¹	1	1	-	-	Non-executive
JJ Niemand	1	1	Υ	1	Non-executive
SCP Mabuse	1	1	Α	1	Non-executive
G le Roux ²	-	-	_	_	Non-executive

^{✓ =} Attendance A = Apology received - = Not applicable

The risk committee is responsible for identifying and quantifying the various risks facing the organisation and initiating appropriate risk management methodologies to mitigate these risks. The risk committee reviews management's risk processes and outcomes, reports its findings and recommends acceptance by the board, as appropriate. In addition, the committee was mandated to consider and report on all matters relating to financial reporting and audit, risk assessment and any general matters pertaining to internal controls and systems.

The CEO reports to the risk committee on any perceived deficiencies in risk and financial management. The external auditor attends meetings of the risk committee by invitation and has the opportunity to engage with the committee without management being present, if necessary.

The risk committee satisfied itself as to the independence of the company's external auditor. PricewaterhouseCoopers Inc. SAMRO has a policy in place governing the provision of non-audit services by the external auditor.

Further information on the activities and deliberations of the risk committee can be found in the risk report on page 49.

Remuneration committee

The remuneration committee ensures (in consultation with executive management) that directors and senior managers are rewarded appropriately for their contributions in line with the organisation's remuneration policies.

Members	17/09/14	25/03/15	Category
NA Sibiya (chairperson)	1	1	Non-executive
J Edmond	1	1	Non-executive
AE Emdon ¹	1	-	Non-executive
JJ Mnisi	1	1	Non-executive
SS Dlamini	1	1	Executive (CEO)

Resigned 30 January 2015.

The composition and activities of the committee are discussed in more detail in the remuneration report that follows on page 46.

Social and ethics committee

SAMRO's social and ethics committee is a statutory committee in terms of section 72 of the Companies Act. Its purpose is to monitor 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.

A further responsibility of this committee is to advise the board on all relevant aspects that may have a significant impact on SAMRO's long-term sustainability. The committee will also draw attention to board matters within its mandate as occasion requires and report to its members at the AGM.

The committee adopted terms of reference at the first meeting in June 2014, conforming to section 72(4) of the Companies Act. These were the constitution, membership, frequency of and attendance at meetings, authority, duties, review and assessment and written resolutions.

The membership of this committee includes seven directors of which six are non-executives and one executive (CEO).

Retired by rotation 28 November 2014

² Newly appointed 26 March 2015

GOVERNANCE

REPORT CONTINUED

	17/09/14	24/11/14	25/03/15	
Members	17	7	2	Category
JJ Niemand (chairperson)	1	1	1	Non-executive
SS Dlamini	1	-	1	Executive (CEO)
A le Roux	1	1	А	Executive SAMRO Foundation
S Khumalo	Α	1	Α	Non-executive
SCP Mabuse	1	1	Α	Non-executive
CFE Woods ¹	1	1	-	Non-executive
J Savage	1	1	А	Non-executive
J Zaidel-Rudolph	1	1	1	Non-executive

¹ Retired by rotation 28 November 2014

Executive committee

The executive committee, a management committee, assists the CEO in the day-to-day running of the company and is chaired by the CEO of SAMRO. The executive committee meets monthly (see members on pages 20 to 21). This committee acts on the following:

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

IT governance

The board is also responsible for IT governance and SAMRO's risk committee assists the board with the execution of its duties in this regard. An IT progress report is presented by the chief operating officer at each risk committee meeting for discussion with the members.

Aspects of IT governance are also overseen by the information management and services (IM&S) division at SAMRO. This unit is responsible for the operational execution, maintenance and implementation of all relevant IT services and policies. The general manager for IM&S monitors the service and raises any issues or risks at the monthly general managers' meeting. The policies governing IM&S at SAMRO are:

- · acceptable use
- · acquisition of computer hardware
- e-mail
- · information security
- · internet security
- password
- IT backup
- · physical access to computer room
- software development
- software

Corporate ethics, donations and gifts

SAMRO is committed to building and sustaining an ethical culture and adopts a zero-tolerance approach to fraud and illegal acts. Our values are incorporated into the performance management system to entrench these aspirations into the behaviour and attributes of the organisation.

The organisation has a whistle-blowing service where employees can report incidents of fraud or illegal acts. No incidents were reported in the year under review. One incident of fraud was identified by management in the normal course of business and the individual was dismissed

The group does not have a formal donations policy, and the organisation's social investments and donations are handled by the SAMRO Foundation. No donations were made to political parties. SAMRO does not have a formal policy on corporate gifts and entertainment; however, employees are required to declare any gifts valued at R1 000 or more.

Conflict of interest

At orientation training, subsequent directors' training sessions and all board meetings, directors are informed of their fiduciary duty to act in the best interests of the organisation at all times. Documents in respect of fiduciary duties are also included in every board pack. Directors declare any interests to their fellow directors as a standing item at all board meetings to avoid any perception of a possible conflict of interest.

Compliance with laws, rules, codes and standards

The company secretary is responsible for monitoring compliance within the organisation and reports to the board any significant matters relating to non-compliance with mandatory laws and rules, as well as the potential consequences or risks associated with new legislation.



REMUNERATION

RFPORT

The remuneration committee comprises four non-executive directors of which one is independent. The CEO attends by invitation. The committee is chaired by the chairperson of the board. Executive directors and certain members of management also attend meetings by invitation, as appropriate.

The remuneration committee met twice during the financial year, conducted evaluations of the CEO, had input into the performance scheme and various other matters.

The main responsibilities of the remuneration committee are to:

- determine and approve general policy on strategic compensation issues
- prepare an annual remuneration report for inclusion in the company's integrated report
- annually review and approve the remuneration packages of the most senior executives, including performance bonuses and increases, ensuring they are appropriate and in line with the remuneration policy
- annually appraise the performance of the CEO
- · annually review the remuneration of nonexecutive directors
- · review incidents of unethical behaviour by senior managers and the CEO
- · annually review the committee's charter and, if appropriate, recommend required amendments for approval by the board
- · perform an annual self-assessment of the effectiveness of the committee, reporting these findings to the board

REMUNERATION STRATEGY AND POLICY

SAMRO's remuneration strategy aims to attract, motivate and retain competent leaders to support the execution of its strategy and ensure sustainable value creation for the composers. authors and users of music.

Our remuneration policy and practices align the remuneration and incentives of executives and employees with the group's long-term business strategy and 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 a credible remuneration policy overall

SAMRO adopted an integrated approach to reward strategy, encompassing a balanced design. in which reward components are aligned with SAMRO's five-year strategy.

OVERVIEW OF REMUNERATION Non-executive board members

Non-executive directors receive a quarterly retainer paid on the date of the board meeting. Subject to attendance at the meeting, an attendance fee is also paid on the date of the board meeting. They also receive an annual portion subject to the performance of certain member liaison duties. Where a non-executive director is active on a subcommittee of the board or boards of subsidiaries, they receive additional remuneration linked to these extra duties.

A premium is payable to the chairperson and vice chairperson of the board, as well as to the chairpersons of the committees.

Remuneration is reviewed annually, with reference to competitors and companies of similar size to SAMRO. This remuneration is not linked to the organisation's performance. Independent advice is acquired to review directors' remuneration as part of the annual salary benchmark initiative.

During the prior year, PricewaterhouseCoopers Inc. conducted an assessment of directors' fees to determine if fees were in line with similar organisations locally. The findings revealed that SAMRO's directors' fees were well below the benchmark. Following board discussions it was decided that going forward it would review the directors' fees on a more regular basis and engage with members before any decision is made to increase the fees.

Non-executive directors	Directors' fees R000	Other R000
NA Sibiya (chairperson)	125	240
S Khumalo (vice chairperson)	82	
L Bala	61	
J Edmond	90	28
AE Emdon	36	
G le Roux	20	30
SCP Mabuse	54	
P Mnomiya	48	16
T Moraba	23	
JJ Niemand	92	
J Savage	49	
CFE Woods	57	95
J Zaidel-Rudolph	83	
Independent non-executive directors		
JJ Mnisi	103	
Total	923	408

Executives and employees

SAMRO's remuneration policy aims to recognise excellent performance and attract competent, innovative entrepreneurs to grow the value of the group.

Remuneration packages are structured on a salary plus allowances plus benefits basis. Aside from basic pay, pension, medical aid and other insured benefits, certain employees may qualify for one or more additional benefits, including car, housing and cell phone allowances.

All employees, including executives, qualify for additional individual performance incentives. At senior level we avoid standardised packages in favour of tailoring compensation to meet the needs of the business.

SAMRO benchmarks salaries through an annual survey to ensure that the organisation's remuneration remains fair and relevant.
This survey compares data with over 800 South

African organisations employing around 1,5 million economically active employees with similar jobs.

PERFORMANCE MANAGEMENT

SAMRO's performance management system aligns with the objectives of SAMRO's strategy. The performance bonus scheme is linked to the performance of the organisation and the individual – all aimed at driving superior performance for the group.

Employee performance is reviewed twice a year and individuals are rated against agreed key performance areas for the period. These ratings are discussed, reviewed and any performance issues are addressed. A score is calculated based on specific goals, key performance indicators (KPIs) and personal competence.

The weighting of an employee's performance factors is as follows:

Individual goals score	95%
Organisational score	5%
Total score	100%

The competencies against which employees were rated in the current financial year are aligned to the group's values and include:

- · accountability
- achievement
- integrity
- · service excellence
- teamwork

The individual employee's total score determines the bonus they receive, calculated as a percentage of monthly salary.

Further information on performance management is shown on page 57.

SERVICE CONTRACTS

The CEO's contract is subject to standard terms and conditions of employment. Non-executive directors are subject to the regulations regarding appointment and rotation in terms of the company's MOI and none of the executive directors have a notice period of more than one year.

REMUNERATION

REPORT CONTINUED

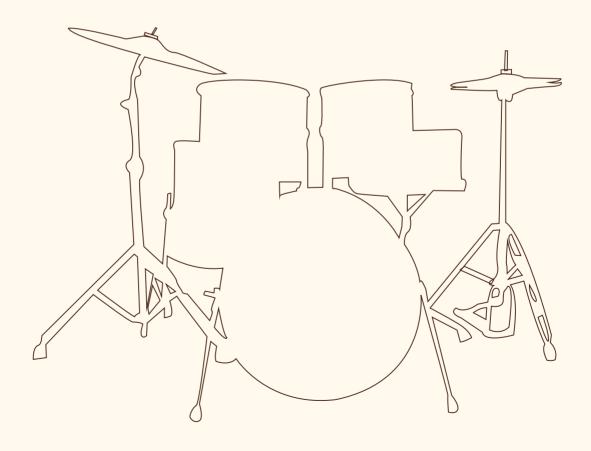
The CEO's service contract does not include predetermined compensation as a result of termination that would exceed one year's salary and benefits.

As per the decision made by the nominations and governance committee last year, there is a contractual arrangement between SAMRO and all board directors. New appointments are all based on contracts and existing members will be transferred to contracts in due course.

Executive directors' remuneration	2015 R000	2014 R000
Salaries and bonuses	5 728	5 181
Pension and medical aid	828	719
Other benefits	511	524
Total	7 067	6 424

DISCHARGE OF RESPONSIBILITIES

The remuneration committee determined that, during the financial year, it had discharged its responsibilities as outlined in its terms of reference. The board concurred and approved the accuracy of this assessment.



RISK

REPORT

The SAMRO risk committee takes pleasure in presenting its report for the 2015 financial year. The committee's composition and activities are detailed in the governance report on page 43.

The committee has been mandated by the board to consider and report on all matters relating to financial reporting and audit, risk assessment and any general matters pertaining to internal controls and systems.

All members of the risk committee act independently as described in section 94 of the Companies Act. The chief executive officer (CEO), chief financial officer (CFO), chief operations officer (COO), external audit partners and other employees attend the meeting by invitation.

Other members of executive management attend various meetings on an ad hoc invitational basis.

RESPONSIBILITIES OF THE RISK COMMITTEE

The committee's responsibilities include:

- reviewing and reporting to the board on the appropriateness of risk funding methodologies, including insurance
- ensuring that risk management is included in the audit programme
- ensuring that the organisation's approach to risk management remains relevant to changes
- ensuring that an external risk review is conducted as part of the normal annual audit
- reviewing the expertise, resources and experience of the company's finance function
- recommending the appointment of the external auditor and overseeing the external audit process
- reviewing and approving the company's integrated report, including the annual financial statements for presentation to and approval by the board
- reviewing the viability of the company and the group on a going-concern basis and making relevant recommendations
- receiving all the external auditor's reports directly from the external auditor

 approving the external auditor's terms of engagement and remuneration and tabling the resolution at the AGM with regard to appointment and remuneration of the external auditor.

RISK MANAGEMENT

Effectively managing the range of risks facing the organisation in all operational aspects of the business helps SAMRO to ensure delivery of the group's strategic objectives, while delivering sustainable growth in value for all of its stakeholders

INTERNAL CONTROL

To effectively manage and monitor compliance with our internal policies and procedures and external regulatory requirements, a sound internal control framework is essential. The organisation's risk management reviews include a review of internal controls, including a review of all policies and procedures, and verification of adherence to these. It also assesses the relevance of such policies and procedures.

The manager tasked with auditing the processes makes ongoing recommendations regarding non-adherence and potential improvements required.

RISK POLICY

SAMRO is committed to the highest standards of corporate governance and identifies and manages risk actively in terms of the applicable codes and regulations. The organisation's risk profile is derived from a structured approach to risk management. Identification, management and reporting of risks are embedded in business activities and processes.

Risk governance is managed at various levels within the group, including the executive committee, the general management committee (which includes the general managers of each business unit) and the risk committee of the board. The level at which the risk is dealt with will depend on the significance of the risk identified. Major risks are identified and reported at the appropriate level in the group. Each divisional head is responsible for identifying and developing risk management plans.

RISK

RFPORT CONTINUED

The general management committee formulates and oversees the risk management system and monitors the group's risk profile. In addition, a formal risk register is monitored and updated regularly, allowing for effective and appropriate action to be taken in response to the risk within agreed ranges of tolerance.

SAMRO is exposed to a wide range of risks, some of which may have material consequences. These include:

- · the regulatory environment
- · industry competition
- · international trends
- compliance
- · technology
- innovation
- · business interruption

RISK FRAMEWORK

SAMRO's risk management framework is designed to ensure that significant risks and related incidents are identified, documented, reported, monitored and managed in a consistent and structured manner across the group.

SAMRO's risk management process addresses:

- identifying the risk
- · rating the risk in terms of probability, impact and urgency, with scoring for each criterion
- · determining how the risk is being mitigated, avoided, transferred or accepted
- allocating who owns the risk and who manages the risk
- taking risks rated nine and above to the board
- discussing risks rated four to eight at the general management committee meetings attended by all executives
- managing risks rated below four (operational risks) in the area of the risk, usually by the general manager

MATERIAL ISSUES AND HOW WE MANAGE THEM

Some material risks are outside our control and may affect the overall performance of our business. Despite our formalised and structured approach to risk identification, some risks may be unknown at present. Other risks, currently regarded as immaterial, may become material. Audit, risk and quality control functions assist in monitoring the system of internal control.

SUSTAINABILITY

REPORT

SAMRO was founded over 50 years ago to promote the sustainability of music and artistic communities. We assist our stakeholders to generate sustainable long-term value by supporting their development and awarding excellence. We also understand that our employees are the lifeblood of our business and are integral to our operations.

As a service-oriented organisation that operates in an office environment, our impact on natural resources is relatively small and contained. We nevertheless recognise our responsibility to understand and manage our environmental footprint in all areas of operations.

THE SAMRO FOUNDATION

Initiatives to support sustainability at SAMRO are governed by the social and ethics committee, which was established in 2014. SAMRO funds the SAMRO Foundation as its primary vehicle for engaging, managing and monitoring projects that relate to our social investment contribution and music education.

The SAMRO Foundation is a non-profit organisation that continued the work of the SAMRO Endowment for the National Arts (SENA) which commenced in 1962. SENA was renamed the SAMRO Foundation in 2012. The Foundation contributes to the development and exposure of South African composers, authors and artists, primarily through investment projects. Examples include bursaries and music education through the archive, the stakeholder hub and our live performance initiative, Concerts SA. These operations deliver a multi-layered impact across the communities that we serve by taking a "roots to fruits" investment structure and development strategy.

Following its repositioning from a subcommittee of the board to a semi-autonomous group entity, the Foundation is now able to embark on national and international partnerships to leverage support for the arts, artists, live performances and musical talent.

SAMRO FOUNDATION FOCUS AREAS



The focus areas for 2016 were reconfirmed by the SAMRO Foundation board in its strategy session and remain unchanged from 2015.

The Foundation's evolution has run parallel to that of South Africa, growing and adapting to the rich tapestry of talent found across the country. Focus on adapting with technology is visible in areas such as our bursary registration process and social media interaction (read more about this in the stakeholder section).

STAKEHOLDER ENGAGEMENT

We recognise that stakeholder perceptions affect SAMRO's reputation. Creating and maintaining relationships is part of SAMRO's culture, and relationship building is considered critical from board level to individual employees. Certain stakeholders have a greater influence over the organisation; however, SAMRO is committed to a policy of timeous, effective and transparent communication with all stakeholders. Our highlevel stakeholder engagement initiatives for 2015 are highlighted in the reports of the chairperson and CEO (pages 22 and 26).

Our relationship with government as the regulator of copyright legislation remains critical - SAMRO owes its existence to copyright legislation. We engage with government departments on many levels to give an industry perspective to evolving legislation, including the new Copyright Amendment Bill.

SUSTAINABILITY

REPORT CONTINUED

Website, web portal and social media

SAMRO's website is a central hub of information as it houses a number of useful resources, including access to forms that are relevant to music creators' business interactions with SAMRO. Our website underwent a strategic revamp between September 2014 and October 2015 to improve usability and brand perception. Compared to 2014, the number of visitors to our site has more than doubled to 176 402 visits.

Members enjoy the benefits of the Zeus-linked web portal, where they can view and update personal account information, notify works online and view current and past account statements. During the year, 925 new users registered (2014: 605) for the portal service. Approximately 2 561 (2014: 1 768) SAMRO members manage their membership online.

SAMRO Foundation is active on Facebook (3 486 likes), Twitter and has a dedicated YouTube channel. Our Concerts SA project is active on Facebook (3 017 likes), Twitter, YouTube and SoundCloud.

Contact and call centres

SAMRO launched an additional contact centre to service its members in the Eastern Cape. The call centre operates during normal working hours and makes outbound calls daily to members to follow up on outstanding information, including bank account details.

WAWELA!

The aim of the Wawela Music Awards is to recognise and award SAMRO members who have lit up local and international stages, screens and airwaves with their talent. The awards have categories for composers, authors, lyricists and publishers. The word "wawela" is Zulu for "go beyond" and is a platform to celebrate and recognise the accomplishments of South African music creators.

SAMRO hosted this year's ceremony on 26 June 2015 in Johannesburg with attendance limited by invitation. Over 170 people attended and countless more read or heard about the event on social, print and electronic media. The public relations value obtained from these mediums amounted to just over R2 million; however. the exposure and recognition for artists and performers across our country is immeasurable.

Full details of the awards are available at http://www.wawelamusicawards.co.za/.

Case study

SAMRO's "Knitwits" and the Door of Hope Blanket Drive

Knitwits

As part of Nelson Mandela Day, the Union Buildings in Pretoria hosted the "67 blankets for Nelson Mandela Day" event in April 2015 to break a Guinness world record. SAMRO's Koulla Norman, secretary to CFO Gregory Zoghby, promoted SAMRO's participation in the months leading up to the day and inspired her colleagues to become involved. Her drive and excitement led to donations of knitting yarn from various companies and collaboration of a group of 40 men and women who tirelessly knitted 67 blankets for the event. The blankets took various themes including one that celebrated the SAMRO business. Many of the employees who participated were trained by Koulla and other knitting enthusiasts as they learnt to knit or crochet for the first time.

Blanket Drive: Door of Hope

After the Mandela Day event, the team made a further 45 baby blankets for the Door of Hope Children's Mission, an organisation that receives abandoned, abused and orphaned babies, offering them help while trying to find them a suitable home. The SAMRO team also knitted booties, vests, knitted teddy bears, toys and so forth. The drive expanded and employees from across SAMRO lent a hand by contributing small gifts such as dummies. The entire collection and blankets were presented to the Door of Hope on 21 August 2015.

CORPORATE SOCIAL INVESTMENT

Our philosophy of being a good corporate citizen is closely aligned with the ideals of the Freedom Charter and with our commitment to developing our stakeholders. This philosophy was embedded by successive boards and dates back to 1962. a year after the organisation was founded.

CSI projects focus mainly on:

- music education programmes
- · music heritage
- · conservation and promotion through the SAMRO music archive
- music/cultural industry support through the SAMRO stakeholder hub

CSI in numbers

- R120 million invested in the arts since 1962.
- 70 overseas scholarships for learner musicians awarded since 1962: the scholarships alternated each year for composers, singers. instrumentalists and keyboard players in both Western art music and jazz.
- Almost 2 000 bursaries at 12 institutions awarded
- 47 music schools supported
- The SAMRO Foundation archived approximately 100 000 original South African works - many of them handwritten
- 13 university programmes supported
- Over 100 live music venues surveyed by Concerts SA - a flagship project of the Foundation
- Since 2013, the Concerts SA project contributed to the income of over 1000 musicians
- Over 400 new music works commissioned

In terms of the provisions contained in the standard CISAC approved reciprocal agreement as adopted by SAMRO, the company allocates 8.25% of its operational profit before distribution and tax to the Foundation, the SAMRO Retirement Annuity Fund and the SAMRO Funeral Benefit Scheme. The funds allocated to the Foundation are allocated to projects on an annual basis. Despite the repositioning of the Foundation, SAMRO's board is kept apprised of progress at all board meetings and funds are allocated transparently.

SAMRO funded 41 NGO music schools this year.

Each received between R10 000 and R45 000 as part of the approved R1 145 000 designated by the board for distribution

During 2015, R970 000 in music bursaries was awarded to 12 higher education institutions to support 97 students pursuing university degrees in seven areas of music study. For the first time in 2015, the bursary application process was conducted exclusively online. In general, the online forms were fairly user-friendly and eliminated paper wastage and postage for applicants and administrators. Potential applications of technology will also be considered for online adjudication and other areas.

Music conservation, preservation and promotion

The SAMRO music archive is primarily a sheet music archive with over 100 000 scores written by South African composers and authors. It also contains photographs, books, recordings and special collections, such as the Huskisson Collection (comprehensive source material on South African black choral composers and authors). Researchers and the public are welcome to search this archive for academic, media and non-academic purposes.

The Foundation has an orchestral mentorship programme, in which emerging South African composers and authors are mentored by established ones, to write for orchestra and develop a diverse South African orchestral repertoire.

Music/cultural industry support

SAMRO's stakeholder hub offers administrative infrastructure and support to help facilitate the growth of other organisations in the industry.

SUSTAINABILITY

REPORT CONTINUED

The hub currently houses the following:

Project/organisation	Details and scope of support
MOSHITO Music Conference and Exhibition	Pioneered by SAMRO in 2003, it has since become an independent, stand-alone entity and the largest, most influential music industry trade fair and expo in Africa.
Academic and Non-fiction Authors Association of South Africa (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.
The Arts and Culture Trust (ACT)	ACT is one of South Africa's premier independent arts and culture funding and development agencies.
Composers' Association of South Africa (CASA)	CASA was formed in 2004 by a group of local composers and is an internal stakeholder. SAMRO has assisted CASA with security funding support from the National Arts Council to host free workshops for composers in Johannesburg and in other major centres.
Business and Arts South Africa (BASA)	With a suite of integrated programmes, BASA encourages mutually beneficial partnerships between business and the arts.
Kuns Onbeperk and the Klein Karoo National Arts Festival (KKNK)	SAMRO serves on the KKNK board, and helps foster broad representation and transformation at one of the largest performing arts festivals in the country. SAMRO also sponsors the festival's Kanna lifetime achievement award.
Cultural and Creative Industries Federation of South Africa (CCIFSA)	CCIFSA is a representative body set up with the assistance of the Department of Arts and Culture for the cultural and creative sectors in South Africa. It was formed as an NPO to promote and develop the social and economic interests of the cultural and creative industries by acting as a representative body for these sectors.
Music in Africa Project (MiA)	MiA is a partnership between the SAMRO Foundation, the Goethe-Institut and the Siemens Foundation. This project saw the SAMRO Foundation assisting with content provision, strategic direction and governance for a portal for contemporary music in South Africa. SAMRO expects to formalise the relationship through a memorandum of understanding by the end of 2015.
Music Foundation	SAMRO is represented on the board.
Centre for Music Stellenbosch	SAMRO is represented on the board.

Special projects

Where the Foundation's board saw fit, it approved the allocation of R754 040 in monetary support to 25 special projects to date. The Foundation intends to explore broader partnerships with three main recipient entities of these funds in future, namely the Youth Film Maker Project, Jazz Expedition and Exchange Programme and International Jazz Day South Africa

Concerts SA

CSA is a partnership between SAMRO, the Norwegian Embassy and Rikskonsertene (Concerts Norway). The partnership is a three-year project set to run until 2016 and aims to stimulate live music in South Africa by finding and implementing ways to create regular, sustainable, live music performance platforms.

The 2014 results of the partnership were presented at an annual meeting with the Norwegian Embassy in May 2015. The embassy expressed satisfaction at the performance of the programme despite challenges faced in 2014. For the period January to December 2014, a total of 335 concerts at

77 venues were supported. Of these, 53 were school concerts at one of the 85 participating schools. In addition 1 034 artists performed to a total of 3 749 audience members during the period. Certain music genres found popularity and will be developed into themed locations as a result. An interactive map showing the projects reach is available at

http://www.concertssa.co.za/venues-map/.

CSA's approach and work was featured in "The Mastering of a Music City" report launched at MIDEM 2015. The report is released by non-profit international music industry groups - International Federation of the Phonographic Industry (IFPI) and Music Canada. Its research sets out how cities worldwide can take simple steps to help develop their music economies. The work by CSA was highlighted as best practice for Africa.



TRANSFORMATION

REPORT

SAMRO is committed to transformation in all aspects of its operation. We seek to comply in full with the Broad-based Black Economic Empowerment (BBBEE) Act and the Employment Equity (EE) Act as a proudly South African company.

The leadership and monitoring responsibility for transformation is mandated to the social and ethics committee. The committee monitors SAMRO's progress against the BBBEE and EE Acts to ensure transformation towards an organisation that is demographically representative of our country and its people.

SAMRO ensures employment equity and empowerment practices through a range of policies, executed in cooperation with the human resources team. During the year, we realigned our values with our vision and strategy to mobilise this area with greater impetus. SAMRO values are clearly defined and promote the changes and ideas in place to expand the transformation agenda.

For this reason, increased focus was applied to equity appointments, primarily black females, to aid the organisation in meeting its targets. The board reflects the group's efforts to have a range of races, ages and genders with the expertise and skills required to drive performance and transformation throughout the company. There are seven black and six white members on the board of directors. Two board members are women, one of whom is black. At exco level, we have four black members, one coloured member and three white members.

SAMRO supports BBBEE partners through its preferential procurement and enterprise development programmes. Read more about these

initiatives under the stakeholder section of the sustainability report.

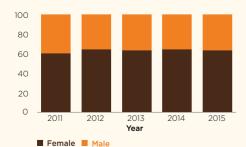
Despite SAMRO's efforts to improve its BBBEE score and its success in some areas, our score is lower than we would prefer due to the following reasons:

- Enterprise development i.e. investment in small businesses to assist them to grow, after signing an agreement with the business owner
- Skills development, mainly via a learnership programme. SAMRO does not have the resources to develop its own learnership, but we had partnered with an agency and taken on learners over the previous year, only to be advised that we will receive no credit for this activity. We have to develop our own learnership and pay learners directly to obtain a reasonable score here
- Employment equity this can also be improved by having more disadvantaged employees i.e. employees with a disability
- Management control despite having three black males and one coloured male on the executive team along with two white females and one white male, we have no black females on the executive team.

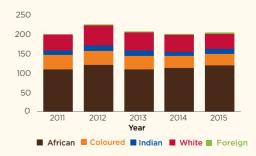
The board is still satisfied with SAMRO's performance against its five-year diversity and employment equity plan and targets. Going forward, SAMRO's intention is to focus on the following key areas:

- · Revenue growth
- · Cost control
- · Diversification
- Improved service to members
- · Growing employee skills
- More focused monitoring of recruiting practices at all employee levels

PERMANENT EMPLOYEES BY GENDER



PERMANENT EMPLOYEES BY RACE



HUMAN CAPITAL

REPORT

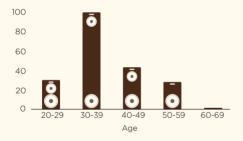
SAMRO's ability to meet its members' needs and execute its strategy is dependent on the skills, competencies, commitment and performance of its employees. SAMRO takes pride in improving the skills of its employees, respecting and providing a platform for freedom of association and caring for its employees through various health and wellness policies.

OUR EMPLOYEES BY NUMBERS

The group employed 202 (2014: 199) permanent employees and 15 (2014: 21) temporary employees at year-end. Of the permanent employees, 77% are from historically disadvantaged communities.

Broken down according to age group, the make-up of permanent employees is as follows:

OUR EMPLOYEES BY NUMBER



SAMRO complies with relevant labour legislation and submits the required statutory reports. Employees are engaged through representative forums with functions that include:

- · promoting the interests of all employees
- · enhancing efficiency in the workplace
- consulting with the employer to reach consensus
- · participating in joint decision-making
- · promoting skills development

ATTRACTION AND RETENTION

One of the ways in which SAMRO attracts and retains highly skilled and committed employees is by offering competitive salaries and additional benefits, such as medical aid and retirement

benefits for full-time employees, and death and disability benefits. This year, salaries increased by an average of 10.3% (2014: 8.5%) largely as a result of a decision taken by the remuneration committee two years ago. SAMRO has traditionally paid salaries at the lower end of the scale in the survey of companies and a decision was taken to move employees towards the median of the salary bands over the next few years. Also exacerbating this cost was that a review was required for about 20% of the staff to ensure that their job grade was appropriate for the work they do. This resulted in the regrading of a significant number of these people, and a corresponding increase in their salary band, raising costs. Employee turnover for the period was lower at 8,8% (2014: 15,5%), due to non-replacement of contractors whose contracts expired last year.

EMPLOYEE TRAINING

SAMRO is focused on excellent service and becoming a high-performance organisation. To this end we invest in highly skilled and committed employees who excel in service. Our training programme is guided by the annual skills development plan, which we submit to the relevant SETA. A significant financial injection was made to train and upskill 72% of our employees. Training costs including course costs, skills development levies and training personnel amounted to R1,9 million (2014: R1,4 million). Management and leadership programmes are offered to candidates from the supervisory to executive management levels. During the year, various managers attended programmes relevant to their areas of expertise.

Performance management programme

SAMRO instituted a performance management programme last year that aims to align employees with the long-term strategic goals of the company while recognising and rewarding excellent performance. Instead of implementing dismissal procedures when employees fail to perform, the programme makes provision for monitoring and training to empower and retain more employees. The online programme has a review capability used biannually. Goals are set up at the start of the performance period and reviewed after the period is complete. The performance bonus system in place is directly linked to this programme.

HUMAN CAPITAL

REPORT CONTINUED

Succession planning

Succession planning receives special attention due to the concentration of specialised knowledge within certain roles in the organisation. Each role is analysed and a profile is developed based on the position itself, instead of the individual occupying the position. Thereafter a gap analysis is performed with employees a level below that position to identify gaps in knowledge or expertise that would close the existing gap. Succession plans and talent pipelines are reviewed at various levels of the risk framework.

FREEDOM OF ASSOCIATION

A total of 107 out of 165 eligible employees are unionised as members of the Communication Workers Union (CWU), SAMRO experienced no disruptions as a result of industrial action during the year. The group actively engaged with the union regarding the upgrading of certain positions and supported the CWU in activating certain initiatives during the year. These positive interactions have led to mutually respectful and honest relationships with our employees and their representatives.

WELLNESS, HEALTH AND SAFETY

SAMRO has established health and safety committees in line with legislation. All committee members received training and clarity on the function that they fulfil. In 2015, two meetings were held.

Regular occupational health and safety riskcontrol audits are conducted to ensure adherence to procedures and legislative compliance. Areas

for improvement highlighted in audits are implemented as required. Appropriate medical emergency and disaster recovery plans are in place.

The group monitors injuries on duty and is proud to announce that no serious injuries or deaths on duty took place this year (2014: 0 deaths, O injuries).

The ICAS employee wellness service is available to all employees at SAMRO. An annual wellness day allows employees to go for voluntary wellness and HIV testing, SAMRO has taken a preventative approach to health, making medical aid compulsory. All employees are required to be members of a Discovery Group Medical Aid scheme unless membership on a spouse's medical aid can be proven. SAMRO contributes 60% of the monthly medical aid contributions.

Details of contributions to SAMRO's retirement annuity:

Year	SAMRO contributions Rm	Number of receiving members
2015	8,91	8 942
	•	
2014	8,30	8 778

VALUE ADDED

STATEMENT

for the year ended 30 June 2015

SAMRO created and distributed R520.1 million of wealth in 2015, 6.9% more than in 2014. Distributions for member benefit, in the form of royalties, retirement annuity and funeral benefits, endowments for the national arts and other social and cultural allocations increased by 6,3% to R422,8 million (2014: R397,7 million).

Payment to employees in the form of salaries, wages and benefits increased by 8,4% to R89,5 million (2014: R82,5 million). This represented 17,2% of total value distributed. Providers of capital received R2,2 million this year and taxation recovered from the government totalled R2,2 million.

A net total of R4 million was drawn from reserves to fund operations during the year.

	GRO	DUP
	2015 R000	2014 R000
Music licence and royalties	434 932	393 552
Reprographic licence and royalties Administration and other fees	49 535 21 567	47 504 17 364
Cost of generating revenue	(64 355)	(61 652)
Value added	441 679	396 768
Income from investments	37 773	52 691
Distribution adjustment	40 675	37 279
Wealth created	520 127	486 738
Value distribution		
Members		
Music royalty distributions	305 411	272 704
Reprographic royalty distributions	49 535	47 504
Grant of rights payments SRAF and members' funeral benefit	41 634 8 930	55 296 10 437
SAMRO Foundation allocation	8 930 17 298	11 768
Other social and cultural allocations	10	10
Employees		
Salaries, wages and benefits	89 460	82 526
Providers of capital		
Finance costs	2 183	2 033
Government		
Taxation recovery	(2 195)	5 201
Reinvested in the group		
Depreciation and amortisation of capital items Transferred from reserves	11 816	10 941
Transferred from retained earnings	(3 955)	(11 682)
Total	520 127	486 738
12.2		.00,00

DIRECTORS' RESPONSIBILITY

STATEMENT

The directors of SAMRO are responsible for the preparation, integrity and fair presentation of the group and separate financial statements for the company. The financial statements presented on pages 68 to 76 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act, and include amounts based on judgements and estimates made by management.

In the preparation of such statements, the directors trust that they have applied the most appropriate accounting policies consistently and are supported by reasonable prudent judgements and estimates, and have followed all IFRS that they consider applicable. The financial statements fairly present the results of operations for the year and the financial position of the group and company at year-end in accordance with IFRS.

The directors are responsible for ensuring that accounting records are kept and that they disclose, with reasonable accuracy, the financial position and results of the group and company to satisfy the directors that all of the financial statements comply with the relevant legislation.

The group operates in an established control environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute assurance that assets are safeguarded and the risks facing the business are being controlled. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The going concern basis was adopted in preparing the financial statements and the directors have no reason to believe that the group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. The financial statements have been audited by the independent auditors.

PricewaterhouseCoopers Inc., who were given unrestricted access to all financial records and related data, including minutes of all meetings of members, the board of directors and committees of the board. These financial statements support the viability of the group and the company. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The audit report of PricewaterhouseCoopers Inc. is available for review on page 66.

The financial statements were approved by the board of directors on 2 November 2015 and are signed on its behalf by:

Rev NA Sibiva

Chief executive officer Chairperson

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 2015, 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.

Mischerthan

JM Schulten

Company secretary Johannesburg

2 November 2015

DIRECTORS'

RFPORT

To the members

Your directors have pleasure in submitting their fifty-fourth annual report and SAMRO's audited financial statements for the year ended 30 June 2015.

PRINCIPAL ACTIVITIES OF THE GROUP

The SAMRO Group is the largest copyright collective administration group in southern Africa. It has traditionally administered performing rights in musical works on behalf of its members and affiliated societies. In 2006, SAMRO commenced the administration of mechanical rights on behalf of its composer. author and publisher members and its affiliated societies; continuing until 30 June 2014. From 1 July 2014, a newly formed mechanical rights organisation, CAPASSO, took over the administration of mechanical rights from SAMRO and NORM. SAMRO was accredited to administer needletime rights on behalf of performers in 2008 and as a result of that accreditation, set up a dedicated needletime administration operation in the form of a trust, called the POSA.

Earlier in the year, an agreement was signed to merge POSA and SAMPRA, so that needletime rights may be administered by one organisation in line with the recommendation made by the copyright review commission, which stipulated that each right should be managed by a separate collecting society. Distributions have been made to members for the monies received for the period 2009 to 2012. Going forward, work will commence on the physical merging of the two organisations.

FINANCIAL REVIEW

Financial highlights

Group income

Total group income	R494,3 million (2014: R463,6 million)	+6,6%
Licence and royalty income	R451,6 million (2014: R410,0 million)	+10,1%
Literary rights income	R11,7 million (2014: R11,7 million)	+0%
Investment income	R37,8 million (2014: R52,7 million)	-28,3%
Music rights income	R434,9 million (2014: R393,6 million)	+10,5%
Broadcast income	R289,2 million (2014: R283,3 million)	+2,1%
General licence income	R134,2 million (2014: R99,4 million)	+35%
Foreign income	R11,6 million (2014: R11,9 million)	-2,5%
Literary rights collected		
Reprographic reproduction income	R45,5 million (2014: R43,4 million)	+4,8%
Other licence income	R4,1 million (2014: R4,1 million)	+0%

GROUP REVIEW

Income

Total group income for the year increased from R463,6 million to R494,3 million, an increase of R30,7 million or 6,6%. Group licence and royalty income for the year amounted to R451,6 million compared to R410 million previously, an improvement of R41,6 million or 10,1%.

The largest contribution to overall group income was from music rights, especially the broadcasting of musical works. The contribution to gross income from television, both free-to-air and pay services amounted to R168,3 million (2014: R159,8 million) and R119 million (2014: R114,7 million) from radio. General licence income, which represents diffusion and public performance of musical works (including cinema) amounted to R134,2 million (2014: R99,4 million).

Administration expenses

Group administration expenses amounted to R132,8 million compared to R130,7 million in 2014, reflecting a 1,6% increase.

Distribution

An amount of R367,1 million was available for distribution for the year under review, this figure being before taxation, social and cultural deductions and transfers to reserves. Distributions for the group for the year, after taking into account income tax, social and cultural deductions and amounts transferred from reserves, was determined at R347 million compared to R328 million in 2014, an increase of R19 million or 5,8%. Excluding the effect of the fall in investment income which negatively impacts the Grant of Rights payments, royalty distributions have grown by a handsome 12%.

REVIEW OF OPERATIONS FOR SAMRO AND SUBSIDIARIES

Income

SAMRO - music rights

The total licence and royalty income of SAMRO for the past year increased by R41,3 million to R434,9 million (2014: R393,6 million). Domestic licence income for the year increased by R41,8 million to R423,4 million from R381,6 million in 2014, a 10,9% improvement. Income from broadcasting this year increased by 2,1% to R289,2 million (2014: R283,3 million). General licence income (excluding cinema) increased by R36,8 million to R128,3 million (2014: R91,5 million).

Income received from foreign affiliates for the year decreased marginally to R11,6 million (2014: R11,9 million). Total non-royalty income decreased by R16,9 million to R43 million (2014: R59,9 million). Income received from investments decreased by R15,1 million to R35,6 million (2014: R50,7 million). This year, administration expenses represent 23,5% (2014: 24,22%) of SAMRO's total income.

DALRO - literary rights

Following last year's slow growth in reprographic blanket licensing in the tertiary education sector, this revenue line grew again slowly as a result of no new substantial blanket licences. This year, the wholly owned subsidiary increased its licence royalty stream slightly. DALRO's total licence

income increased by R2 million (4,3%) to R49,5 million (2014: R47,5 million). The reprographic reproduction fees invoiced by DALRO grew marginally faster at 4,7% during the year.

As opposed to transactional licensing, blanket licences represented 75,2% of DALRO's reprographic reproduction licences invoiced compared with 74,9% in 2014. The total of other licence fees invoiced by DALRO for the year remained flat at R4,1 million. Administration charges to cover expenses represented 23,6% of licence and royalty fees invoiced compared with 24,7% in 2014.

SAMRO House Holdings

SAMRO House Holdings (Pty) Ltd is the property holding company with its asset being SAMRO House (Pty) Ltd. During the year under review, SAMRO House Holdings (Pty) Ltd owned one building, 20 de Korte Street, the current headquarters of SAMRO.

SAMRO House

SAMRO House (Pty) Ltd is the property company that owns the Braamfontein headquarters of SAMRO. Rental income in the year grew by 11,9% to R8.7 million, due largely to higher than average rental increases. For tenants renewing their leases, rental increases were set at above inflation rates. while for new tenants, rental income was set at the maximum for the grade of building. Operating costs have been well controlled in the year, reducing by 8,3%. If depreciation and interest on the loan for the building are excluded, operating costs are down 17,4% following a reduction in the previous year of 11%. One of the big reasons for the reduction was the significant increases in the property rates in the prior year as the Johannesburg municipality more than doubled its rates. A further reason for the reduction in costs was the better negotiation of prices with various service providers.

Gratia Artis

Gratia Artis (Pty) Ltd remains dormant and no commercial activity took place within this wholly owned subsidiary.

POSA

POSA continued to sign up new members, although there were no active recruitment drives during the year. Following the agreement between

DIRECTORS'

REPORT CONTINUED

POSA and SAMPRA to form a single needletime society, SAMPRA, the society accredited to collect licence fees, has released the monies to SAMRO for the period 2009 to 2012 and POSA has distributed the royalties to its members with a distribution rate of 89%. A reconciliation of the monies received from SAMPRA revealed that a further R957 000 was due to SAMRO and was subsequently recovered. This money too was released at a distribution rate of 80%.

Amount distributable

SAMRO

The amount available for distribution to SAMRO members and affiliated societies for this year is R347 million compared with R328 million in 2014. an increase of 5,8%. Closer analysis of this figure shows that royalty distributions have increased by a handsome 12%, while Grant of Rights payments have declined by 24,7% due to the reduction in the investment surpluses earned in the current year. This has arisen due to the turmoil in the investment market along with less trading required, as cash flow was strong this year. During the year, SAMRO processed the 2015 distributions determined at the 2014 financial year-end and distributions in progress, resulting in payments to its own members and affiliated societies, of R266,8 million.

DALRO

DALRO's distributions to rights holders in literary and dramatic works reached R43.3 million (2014: R47,1 million), a reduction of R3,8 million or 8,1%. Since DALRO operates as an agency, the value of reprographic and other licence income collected, as well as the amount distributed, are not reflected on the statement of comprehensive income. Distributions, however, are disclosed in the distribution notes to the annual financial statements.

Taxation

Taxation recovery for the year amounted to R1,3 million compared to an expense of R5,2 million in 2014

Dividends

SAMRO has no share capital and thus does not declare dividends

Review of group's financial position

There has been no significant change in the nature of the group's assets or liabilities during the year.

Share capital

SAMRO, being a not for profit company, has no share capital, and no shares can therefore be issued. No debentures have been issued, and no wholly owned subsidiary issued any shares or debentures during the accounting period.

Fixed assets

There were no extraordinary changes to fixed assets for the year under review.

Intangible assets

Investment in software and information management systems development is reflected as an intangible asset on the balance sheet.

Investments

Investments are classified as available-for-sale investments and have been valued at their market value in compliance with International Financial Reporting Standards (IFRS).

Subsidiary and associate companies

The following figures reflect the nature of business, issued share capital and the effective holding in subsidiary and associate companies:

		Issued share capital		Effective holding	
Name of subsidiary	Nature of business	2015 R	2014 R	2015 %	2014 %
SAMRO House Holdings (Pty) Ltd	Investment holding	1 000	1 000	100	100
SAMRO House (Pty) Ltd	Property holding	200	200	100	100
DALRO (Pty) Ltd	Rights administration	2	2	100	100
Gratia Artis (Pty) Ltd	Dormant	2	2	100	100
SAMRO IP Technologies (Pty) Ltd	Holding	1 000	1 000	100	100
POSA	Trust	-	-	100	100

Directors' remuneration

For details of non-executive and executive directors' remuneration, refer to the remuneration report on page 46.

Directors' interest in contracts

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

Management by third party

No part of the business or any subsidiary is managed by a third person or company in which a director has an interest. DALRO (Pty) Ltd and SAMRO House (Pty) Ltd pay service fees to SAMRO for administrative, accounting, secretarial and management services rendered by SAMRO.

Composition of SAMRO's board and other committees

Composition of the board, nominations and governance, social and ethics, risk and remuneration committees of SAMRO is reflected in the corporate governance section on page 38 of this report.

Directors

During the year under review the casual vacancy created by the resignation of Mr CFE Woods as a publisher member of the board of directors was filled by Mr T Moraba. The casual vacancy created by the resignation of Ms A Emdon as a publisher member had not been filled by the financial year-end, but was filled after the year-end by Mr A Mofokate.

Composers/Lyricists:

L Bala, J Edmond, S Khumalo, G le Roux, SCP Mabuse, JJ Niemand and J Zaidel-Rudolph

Publishers:

J Savage, NA Sibiya, T Moraba

Independent:

JJ Mnisi

Executive directors:

SS Dlamini, GJ Zoghby

Secretary

JM Schulten

Auditors

PricewaterhouseCoopers Inc. will continue in office as auditors in accordance with the South African Companies Act.

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

TO THE MEMBERS OF SOUTHERN AFRICAN MUSIC RIGHTS ORGANISATION NPC

The summarised consolidated financial statements, set out on pages 68 to 76, which comprise the summarised consolidated statement of financial position as at 30 June 2015, and the summarised 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 and Group for the year ended 30 June 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 2 November 2015. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph: "Other Reports Required by the Companies Act" (refer below).

The summarised 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 summarised consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Southern African Music Rights Organisation NPC and Group.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the principles of IAS 34 "Interim Financial Reporting" and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the summarised consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on summarised Financial Statements."

OPINION

In our opinion, the summarised consolidated financial statements derived from the audited consolidated financial statements of Southern African Music Rights Organisation NPC and Group for the year ended 30 June 2015 are consistent, in all material respects, with those consolidated financial statements, in accordance with the principles of IAS 34 "Interim Financial Reporting" and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

The "Other Reports Required by the Companies Act" paragraph in our audit report dated 2 November 2015 states that as part of our audit of the consolidated financial statements for the year ended 30 June 2015, we have read the Directors' Report and Certificate by Company Secretary, for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports.

The paragraph does not have an effect on the summarised consolidated financial statements or our opinion thereon.

PricewaterhouseCoopers Inc.

Pricewaterhouse Coopers Inc.

Director: KJ Dikana Registered Auditor Sunninghill

2 November 2015



SUMMARISED STATEMENT OF

COMPREHENSIVE INCOME

for the year ended 30 June 2015

		COMPANY		GROUP	
	Notes	2015 R000	2014 R000	2015 R000	2014 R000
Other income Investment income Other gains	3 4 5 6	434 932 7 376 16 470 19 145	393 552 9 154 14 056 36 650	451 622 4 878 18 628 19 145	410 048 869 16 040 36 650
Total revenue Bad debts Administration expenses Other expenses Social and cultural expenses Distribution and grant of rights expenses	8	477 923 (24 468) (116 704) (8 144) (23 501) (347 045)	453 412 (20 600) (111 142) (3 543) (22 205) (328 000)	494 273 (24 699) (132 788) (8 144) (26 239) (347 045)	463 607 (20 860) (130 715) (3 544) (22 215) (328 000)
Operating loss Royalty distributions written back Finance charges	10 11	(41 939) 40 675 -	(32 078) 37 279 -	(44 642) 40 675 (2 183)	(41 727) 37 279 (2 033)
(Loss)/profit before taxation Taxation		(1 264) 1 264	5 201 (5 201)	(6 150) 2 195	(6 481) (5 201)
Net loss		-	-	(3 955)	(11 682)
Other comprehensive income Revaluation of assets Taxation		129 (21 261)	19 505 -	129 (21 261)	19 505 -
Other comprehensive (loss)/income for the year		(21 132)	19 505	(21 132)	19 505
Total comprehensive (loss)/income for the year		(21 132)	19 505	(25 087)	7 823

SUMMARISED STATEMENT OF

FINANCIAL POSITION

as at 30 June 2015

		COMPANY		GROUP	
	Notes	2015 R000	2014 R000	2015 R000	2014 R000
ASSETS Non-current assets					
Property and equipment		14 900	16 691	124 294	127 853
Intangible assets		113 282	102 855	114 318	103 545
Investment in subsidiaries Deferred tax		175 123	175 17 069	- 1 063	- 18 435
Available-for-sale investments	14	301 077	301 802	301 077	301 802
Total non-current assets		429 557	438 592	540 752	551 635
Current assets					
Trade and other receivables		59 970	71 469	62 412	74 034
Inventory Related party receivable		501 162 925	493 164 572	708 3 000	678 3 000
Taxation		10 635	7 017	10 608	5 632
Cash and cash equivalents	15	110 688	109 153	158 276	153 387
Total current assets		344 719	352 704	235 004	236 731
Total assets		774 276	791 296	775 756	788 367
EQUITY AND LIABILITIES					
Capital and reserves					
Retained earnings		46 626	46 626	(30 162)	(26 207)
Fixed asset revaluation reserve		1 246	2 042	1 246	2 042
Unrealised gains reserve		88 593	108 929	88 593	108 929
Total funds and reserves		136 465	157 597	59 677	84 764
Non-current liabilities Post-retirement medical benefit		25 087	28 147	25 087	28 147
Borrowings	16	-	20 147	27 475	27 475
Total non-current liabilities		25 087	28 147	52 562	55 622
Current liabilities					
Distributions payable	17	405 506	394 562	448 169	431 003
Distributions in progress	18	159 199	137 121	159 199	137 121
Current portion of post-retirement medical benefit		892	846	892	846
Related party payable		7 839	703	7 771	627
Social and cultural obligations	19	18 471	19 299	21 036	22 572
Trade and other payables		20 817	53 020	26 450	55 811
Total current liabilities		612 724	605 551	663 517	647 981
Total funds and liabilities		774 276	791 296	775 756	788 367

SUMMARISED STATEMENT OF

CASH FLOWS

	СОМ	PANY	GRO	DUP
	2015 R000	2014 R000	2015 R000	2014 R000
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES				
Cash generated from licensing operations	287 329	321 559	296 087	315 149
Finance costs	-	- 4 570	(2 183)	(2 033)
Dividends received Interest received	6 070 10 400	4 579 9 477	6 070 12 558	4 579 11 461
Cash flow from operations	303 799	335 616	312 532	329 156
Taxation paid	(6 670)	(3 408)	(6 670)	(828)
Royalty, grant of rights and social				,
distributions to members and affiliated societies	(266 838)	(276 217)	(260 594)	(275 803)
Applied to social and cultural expenses	(24 329)	(23 505)	(27 775)	(24 445)
Net cash flows generated/(utilised) from operating activities	5 962	32 485	17 493	28 080
operating activities	3 902	32 463	17 493	28 080
CASH FLOWS GENERATED FROM INVESTING ACTIVITIES				
Additions to property, equipment and intangible assets	(17 939)	(35 713)	(20 214)	(36 440)
(Increase)/decrease in loans (to)/from related parties	8 782	(12 164)	7 144	(6 341)
Proceeds on disposal of property and equipment	260	357	345	438
Proceeds on disposal of investments	121	63 323	121	63 323
Interest received from subsidiaries	4 349	4 349	-	-
Net cash flows (utilised)/generated from investing activities	(4 427)	20 152	(12 604)	20 980
Net increase/(decrease) in cash and cash equivalents	1 535	52 637	4 889	49 060
Cash and cash equivalents at the beginning of the year	109 153	56 516	153 387	104 327
Cash and cash equivalents at the end of the year	110 688	109 153	158 276	153 387

SUMMARISED STATEMENT OF

CHANGES IN FUNDS AND RESERVES

COMPANY	Retained earnings R000	Fixed assets revaluation reserve R000	Unrealised gains reserve R000	Total funds and reserves R000
Balance at 30 June 2013 Total comprehensive income for the year	46 626 -	2 042	89 424 19 505	138 092 19 505
Revaluation of investments	-	=	19 505	19 505
Balance at 30 June 2014	46 626	2 042	108 929	157 597
Total comprehensive income for the year	_	(796)	(20 336)	(21 132)
Revaluation of paintings Revaluation of investments Deferred tax	- - -	(510) - (286)	- 639 (20 975)	(510) 639 (21 261)
Balance at 30 June 2015	46 626	1 246	88 593	136 465
GROUP	Retained earnings R000	Fixed assets revaluation reserve R000	Unrealised gains reserve R000	Total funds and reserves R000
Balance at 30 June 2013 Total comprehensive (loss)/income for the year	(14 525) (11 682)	2 042	89 424 19 505	76 941 7 823
Loss for the year	(11 682)	-	-	(11 682)
Revaluation of investments	-	=	19 505	19 505
Balance at 30 June 2014	(26 207)	2 042	108 929	84 764
Total comprehensive (loss)/income for the year	(3 955)	(796)	(20 336)	(25 087)
Loss for the year Revaluation of paintings Revaluation of investments Deferred tax	(3 955) - - -	- (510) - (286)	- - 639 (20 975)	(3 955) (510) 639 (21 261)
Balance at 30 June 2015	(30 162)	1 246	88 593	59 677

SUMMARISED NOTES TO THE ANNUAL

FINANCIAL STATEMENTS

for the year ended 30 June 2015

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.

BASIS OF PREPARATION

These summarised consolidated financial statements for the year ended 30 June 2015 have been extracted from the full set of audited consolidated annual financial statements for the year ended 30 June 2015, 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.

		COMPANY		GROUP	
		2015 R000	2014 R000	2015 R000	2014 R000
3.	REVENUE	434 932	393 552	451 622	410 048
	Music rights Performing rights Mechanical rights	423 365 6	374 905 6 729	423 365 6	374 905 6 729
	Total SAMRO territory	423 371	381 634	423 371	381 634
	Royalties from affiliated societies	11 561	11 918	11 561	11 918
	Licence and royalty income	434 932	393 552	434 932	393 552
	Reprographic administration fees Rental income	-		11 711 4 979	11 753 4 743
	TOTAL REVENUE	434 932	393 552	451 622	410 048
4.	OTHER INCOME	7 376	9 154	851	869
	Administration fees Interest on loans and cash balances Interest from subsidiary companies Administration, computer and management fees from subsidiary companies	74 690 4 349 2 263	250 591 4 349 3 964	146 705 - -	270 599 - -
	Total other income	7 376	9 154	851	869
5.	INVESTMENT INCOME	16 470	14 056	18 628	16 040
	Available-for-sale investments Dividends Interest from debentures and loan stock Interest from bonds and notes Interest from short-term investments	6 070 4 110 3 397 2 893	4 579 4 482 2 742 2 253	6 070 4 110 3 397 5 051	4 579 4 482 2 742 4 237
	Total income from available-for-sale investments	16 470	14 056	18 628	16 040

		COMPANY		GROUP	
		2015 R000	2014 R000	2015 R000	2014 R000
6.	OTHER GAINS				
	Gain on disposal of investments	19 145	36 650	19 145	36 650
	Total other gains	19 145	36 650	19 145	36 650
7.	OPERATING LOSS				
	Operating loss includes the following items: Accommodation costs Depreciation Amortisation Operating costs Professional fees IT costs Employee benefits Marketing costs Other costs Auditors' remuneration Fees - current year Fees - underprovision previous years	3 011 2 326 6 238 10 341 1 404 2 767 78 067 4 255 2 777 1 447 56	2 743 2 233 5 282 10 757 5 072 2 803 75 520 4 324 2 419	1 922 5 230 6 587 11 939 2 574 3 006 86 446 4 485 4 160 1 833 107	2 600 5 478 5 462 11 925 8 347 2 992 84 506 4 746 4 013 1 739 198
	Bad debt provision Investment management fees (Loss)/profit on disposal of property and equipment	24 815 1 357 (44)	20 600 1 564 47	25 046 1 357 (57)	20 860 1 564 180
7.1	EMPLOYEE BENEFITS	78 067	75 520	86 446	84 506
	Personnel costs include: Salaries and bonuses Social security levies Pension costs on defined contribution plan Training Recruitment Other employment costs	63 558 848 8 116 953 501 7 105	58 389 882 7 449 480 346 5 994	69 426 924 8 627 953 508 9 022	64 599 960 8 048 504 346 8 069
	Post-retirement benefits	(3 014) 78 067	73 540 1 980 75 520	(3 014)	82 526 1 980 84 506
8.	SOCIAL AND CULTURAL EXPENSES Social Cultural	23 501 8 930 14 571	22 205 10 437 11 768	26 239 8 930 17 309	22 215 10 437 11 778
		23 501	22 205	26 239	22 215

SUMMARISED NOTES TO THE ANNUAL

FINANCIAL STATEMENTS CONTINUED

		COMPANY		GROUP	
		2015 R000	2014 R000	2015 R000	2014 R000
9.	DISTRIBUTION AND GRANT OF RIGHTS PAYABLE	347 045	328 000	347 045	328 000
	Licence and royalty	305 411	272 704	305 411	272 704
	Grant of rights	41 634	55 296	41 634	55 296
	Total expenses	347 045	328 000	347 045	328 000
10.	ROYALTY DISTRIBUTIONS WRITTEN BACK				
	Undistributable income written back	40 675	37 279	40 675	37 279
		40 675	37 279	40 675	37 279
11.	FINANCE CHARGES				
	Interest on borrowings	-	=	2 183	2 033
	Total finance costs	-	-	2 183	2 033
12.	KEY MANAGEMENT EMOLUMENTS	18 201	16 029	23 383	20 920
	From the company and its controlled subsidiaries for:				•••••••••••••••••••••••••••••••••••••••
	Directors				
	Current emoluments				
	- Non-executive directors - fees	923	431	923	431
	- Non-executive directors - other	408	197	408	197
	- Salaries	5 728	5 182	5 729	5 182
	- Pension and medical aid contributions	828	719	827	719
	- Bonuses and other fringe benefits	511	528	519	528
	Total directors' current emoluments	8 398	7 057	8 406	7 057
	Post-retirement benefits				
	- Estimated post-retirement benefits	-	=	-	=
	Total directors' emoluments	8 398	7 057	8 406	7 056
	Paid by:		_		
	- Company	8 398	7 057	8 406	7 056
	- Subsidiaries		_	-	
	Total paid	8 398	7 057	8 406	7 056
	Other key management				
	Current emoluments				
	- Salaries and bonuses	7 663	6 808	11 917	10 692
	- Pension and medical aid contributions	1 373	1 235	1 994	1 902
	- Other fringe benefits	866	865	1 214	1 175
	Total other key management current emoluments	9 902	8 908	15 125	13 768
	Post-retirement benefits				
	- Estimated post-retirement benefits	(99)	64	(148)	96
	Total other key management emoluments	9 803	8 972	14 977	13 864
	Total key management emoluments	18 201	16 029	23 383	20 920

		СОМЕ	PANY	GRO	UP
		2015 R000	2014 R000	2015 R000	2014 R000
13.	CAPITAL EXPENDITURE INCURRED	17 939	35 713	20 214	36 440
	Property and equipment Software development	1 274 16 665	923 34 790	2 504 17 710	1 171 35 269
		17 939	35 713	20 214	36 440
14.	AVAILABLE-FOR-SALE INVESTMENTS	301 077	301 802	301 077	301 802
	At cost Market revaluation	191 508 109 569	192 873 108 929	191 508 109 569	192 873 108 929
		301 077	301 802	301 077	301 802
15.	CASH AND CASH EQUIVALENTS	110 688	109 153	158 276	153 387
	Cash on hand and balances at banks Short-term investments	75 240 35 448	82 197 26 956	122 828 35 448	126 431 26 956
		110 688	109 153	158 276	153 387
16.	BORROWINGS Nedbank mortgage bond	-		27 475	27 475
		-	-	27 475	27 475
17.	DISTRIBUTIONS AND GRANT OF RIGHTS PAYABLE	405 506	394 562	448 169	431 003
	Royalty distributions Grant of rights	305 411 41 634	272 704 55 296	305 411 41 634	272 703 55 297
		347 045	328 000	347 045	328 000
	For distribution current year - DALRO For distribution current year - POSA Trust Prior years	- 77 599	70 302	39 723 2 940 77 599	36 440 - 70 303
	Distribution advances	(19 138) 405 506	(3 740) 394 562	(19 138) 448 169	(3 740) 431 003
18.	DISTRIBUTIONS IN PROGRESS	159 199	137 121	159 199	137 121
	Shares in musical works Musical works	9 468 149 731	4 854 132 267	9 468 149 731	4 854 132 267
		159 199	137 121	159 199	137 121

SUMMARISED NOTES TO THE ANNUAL

FINANCIAL STATEMENTS CONTINUED

		СОМІ	PANY	GRC	DUP
		2015 R000	2014 R000	2015 R000	2014 R000
19.	SOCIAL AND CULTURAL OBLIGATIONS	18 471	19 299	21 036	22 572
[Balance at the beginning of the year	19 299	20 599	22 572	24 802
l	Utilisation during the year	(24 329)	(23 505)	(27 775)	(24 445)
(Current funding for the year	23 501	22 205	26 239	22 215
ı	Balance at the end of the year	18 471	19 299	21 036	22 572
19.1	SOCIAL OBLIGATIONS				,
	Other social funds not included in distributions				
1	Balance at the beginning of the year	11 120	8 064	11 120	8 064
ı	Utilisation during the year	(9 076)	(7 380)	(9 076)	(7 380)
(Current funding for the year	8 930	10 436	8 930	10 436
ı	Balance at the end of the year	10 974	11 120	10 974	11 120
(Copyrights training fund				
1	Balance at the beginning of the year	-	=	1 247	1 531
ı	Utilisation during the year	-	=	(55)	(284)
(Current funding for the year	-	=	-	=
1	Balance at the end of the year	-	=	1 192	1 247
-	Total social funds	10 974	11 120	12 166	12 367
19.2	CULTURAL OBLIGATIONS				
!	SAMRO Foundation and related provisions				
1	Balance at the beginning of the year	6 194	10 515	6 224	10 543
l	Utilisation during the year	(15 253)	(16 090)	(16 172)	(16 088)
(Current funding for the year	14 571	11 769	14 571	11 769
ı	Balance at the end of the year	5 512	6 194	4 623	6 224
ı	Bequests and donations				
1	Balance at the beginning of the year	1 985	2 019	2 084	2 118
ı	Utilisation during the year	-	(34)	-	(34)
(Current funding for the year	-	-	-	-
1	Balance at the end of the year	1 985	1 985	2 084	2 084
1	Bilateral agreement funds				
I	Balance at the beginning of the year	-	-	1 116	1 714
ı	Utilisation during the year	-	-	(1 070)	(821)
(Current funding for the year	-	-	1 673	223
1	Balance at the end of the year	-	-	1 719	1 116
I	Bursary funds			Î	
I	Balance at the beginning of the year	-	-	781	832
	Utilisation during the year	-	-	(348)	(60)
(Current funding for the year	-	-	11	9
1	Balance at the end of the year	-	-	444	781
•	Total cultural funds	7 497	8 179	8 870	10 205
	Total social and cultural funds	18 471	19 299	21 036	22 572



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CORPORATE

INFORMATION

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Spoor & Fisher

Edward Nathan Sonnenbergs

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