INTEGRATED REPORT

2014

SAMRO
Southern African Music Rights Organisation


WE STRIVE TO
CREATE
VALUE
FOR THE CREATORS
AND USERS OF MUSIC

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

ABOUT OUR REPORT

This report covers the activities of the Southern African Music Rights Organisation (SAMRO) for the financial year from 1 July 2013 to 30 June 2014. The organisation recognises that it has a high public interest score as defined by the Companies Act 71 of 2008, as amended (Companies Act), and therefore has to adhere to integrated reporting standards as set out by the Act and the King Code of Governance Principles for South Africa 2009 (King III).

The information presented in this integrated report is intended to provide SAMRO's stakeholders with information they need to make an informed decision about the organisation's ability to create sustainable long-term value. It includes commentary by the chairperson of the board, the chief executive officer (CEO) and chief financial officer (CFO) as well as sections pertaining to sustainability initiatives, governance, remuneration and risk.

SAMRO's annual financial statements have been audited by PricewaterhouseCoopers Inc. and their independent auditor's report to the members of SAMRO is shown on page 73 of this report. Only selected elements of non-financial information included in the report have been subject to external assurance. The structure, content elements and data included in the report are comparable to previous reports and address those issues that are material to SAMRO's business model.

SAMRO does not have any physical operations outside South Africa, but is affiliated with a number of international collective management organisations that collect licensing income on behalf of SAMRO 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 and the 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 the material issues and is a fair representation of the integrated performance of the group. The board has therefore approved the 2014 integrated report for publication.

Rev Abe Sibiya
Chairman
31 October 2014

Sipho Dlamini
Chief executive officer
31 October 2014

HIGHLIGHTS

Overall group revenue before adjustments increased 8,7% to

▲ **R463,6m**

Distributions for the year totalled R328 million, an increase of

▲ **7,0%**

Licence income increased 6,1% to

▲ **R393,6m**

Cost-to-income ratio improved to

▲ **24,22%**

compared to 24,81% in prior period

- R19,4 million – largest single undoc distribution in SAMRO's history
- New single society CAPASSO incorporated on 1 July 2014 to administer mechanical rights
- SAMRO Funeral Benefit Scheme and SAMRO Retirement Annuity Fund benefits retained following the change in SAMRO's company form
- First grant of rights payment made following conversion to an NPC

Overall membership of 15 416 up

▲ **6,5%**

CHALLENGES

- Finalising a resolution to the needletime rights impasse
- Ensuring SAMRO remains relevant in the ever-changing music industry
- Encouraging the youth to see business opportunities in the music industry

DISTRIBUTIONS FOR THE YEAR TO 30 JUNE 2014

D51	Television sequence 2	[13 July 2013]
D51	Supplementary (undoc works) sequence 3	[23 July 2013]
FY 2014	Performance adjustment sequence 1	[31 July 2013]
FY 2014	Foreign suspense sequence 1	[28 August 2013]
FY 2014	Post sequence 1	[17 September 2013]
D51	Satellite	[24 October 2013]
FY 2014	Film	[29 October 2013]
FY 2014	Post sequence 2	[6 November 2013]
FY 2014	Post sequence 3	[4 December 2013]
FY 2014	Grant of rights payment	[14 December 2013]
FY 2014	Supplementary (non-society shares) sequence 1	[17 December 2013]
FY 2014	Post sequence 4	[24 December 2013]
FY 2014	Foreign suspense sequence 2	[31 January 2014]
FY 2014	Radio and general sequence 1	[26 February 2014]
FY 2014	Post sequence 5	[6 March 2014]
FY 2014	Television sequence 1	[11 April 2014]
FY 2015	Radio and general sequence 1	[21 April 2014]
FY 2014	Post sequence 6	[12 May 2014]
FY 2014	Television sequence 2	[20 May 2014]
FY 2014	Post sequence 7	[4 June 2014]
FY 2014	Supplementary (non-society shares) sequence 2	[12 June 2014]
FY 2014	Performance adjustment sequence 2	[27 June 2014]

SAMRO was established in 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, SAMRO members voted for the conversion of the company to a non-profit company under the Companies Act. The company is still waiting for confirmation of registration from the Companies and Intellectual Property Commission (CIPC).

OUR VISION

SAMRO is a high-performing global copyright asset management organisation, focused on protecting and growing the value of copyright. It develops its stakeholders and invests in innovative, highly skilled and committed staff who excel in service.

OUR VALUES

Our five values are: Accountability, Service Excellence, Integrity, Achievement and Teamwork.

OUR PURPOSE

Our purpose is to create value for the creators and users of music.

SAMRO'S OBJECTIVE

PROTECT AND ENFORCE COPYRIGHT AND OTHER INTELLECTUAL PROPERTY RIGHTS RELATING TO MUSIC AND TO

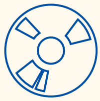
PREVENT UNLAWFUL USES OF INTELLECTUAL PROPERTY RELATING TO MUSIC WORKS

SAMRO is the primary representative of music performing rights in Southern Africa. Internationally, SAMRO is a member of the International Confederation of Societies of Authors and Composers (CISAC) and the Bureau International Des Sociéties Gérant Les Droits D'Enregistrement et de Reproduction Mécanique (BIEM). DALRO is a member of the International Federation of Reprographic Reproduction Organisations (IFRRO). In South Africa, SAMRO is affiliated with a number of organisations which fulfil different roles within the industry, including the Composers' Association of South Africa (CASA), the National Organisation for Reproduction Rights in Music in Southern Africa Limited (NORM), Composers Authors and Publishers Association (CAPASSO), Southern African Music Promoters Association (SAMPA) and Southern African Music Performance Rights Association (SAMPRA).

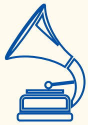
SAMRO plays a vital role in the administration of works and the distribution of royalties, and provides copyright protection for composers' and authors' works, through the collection of licence fees from **television broadcasters, radio stations, in-store radio stations, pubs, clubs, retailers, restaurants**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

TYPES OF RIGHTS ADMINISTERED BY SAMRO

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



Mechanical rights[1]
A mechanical rights licence permits the fixation and/or reproduction of musical works on any data storage medium. Composers and authors, music publishers and affiliated societies receive royalties from licence fees collected from such fixation and/or reproduction of musical works.



Needletime rights[2]
("Pay-for play" or "public playing" rights)

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

Note [1] *From 1 July 2014 mechanical rights will be administered by CAPASSO.*

[2] *An agreement has been reached after the balance sheet date on the administration and distribution of Needletime Rights royalties, in terms of which SAMPRA and POSA will merge to form a single Needletime Rights organisation that represents both record companies and performers.*

SAMRO's board comprises **seven composers and authors, four publishers, two executives** and **one independent director** by invitation.

BOARD MEMBERS

15%
EXECUTIVES (2)

54%
COMPOSERS (7)

31%
PUBLISHERS (4)

SAMRO REPRESENTS

13 427

South African composers and publisher members (2013: 12 560)

more than

3 million

composers and authors across the globe

199

employees –
57,3% Africans
15,1% Coloured
5,5% Indian
22,1% White

GROUP OPERATIONAL AND MANAGEMENT STRUCTURE

Sipho Dlamini
Chief executive officer

- Gregory Zoghby
Chief financial officer
- Joyce Schulten
Group company secretary
- Bronwen Harty
Chief operations officer
- Vacant
Managing director: DALRO
- Andre le Roux
Managing director: SAMRO Foundation
- Pfanani Lishivhva
Executive general manager: rights holder services and POSA

SAMRO

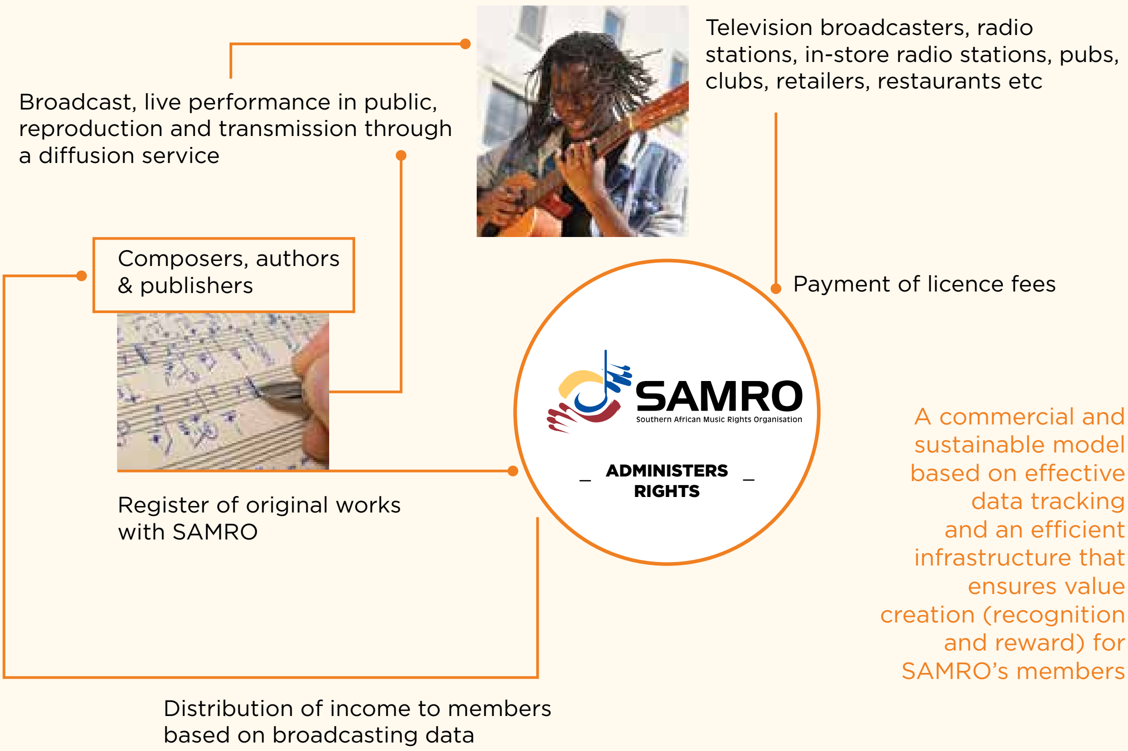
SAMRO is a membership-based company. The core function of SAMRO and DALRO is the administration of various types of intellectual property works in copyright, governed by the Amended Copyright Act of 1978. SAMRO also owns a property holding company, in which SAMRO Place is housed.

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 and reproduction.

Composers, authors and music publishers assign their rights to SAMRO for purposes of licensing.

In return SAMRO distributes their royalties to them after collecting the licence fees from users of copyright works (such as broadcasters) and deducting administration costs.

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



A commercial and sustainable model based on effective data tracking and an efficient infrastructure that ensures value creation (recognition and reward) for SAMRO's members

DALRO

The Dramatic, Artistic and Literary Rights Organisation 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 recent focus of the organisation has been on developing other revenue streams in copyright licensing and related fields. The organisation developed tariff and licensing instruments for the licensing of reprographic rights to private and public sector businesses, particularly media monitoring services. Licensing schemes were also developed for the licensing of visual works of art as well as the licensing of 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 Performers Organisation of South Africa Trust is a dedicated trust set up to administer the rights of performers when the sound recordings in which they participated are performed (needletime rights). An agreement has recently been concluded after the year-end with SAMPRA to merge SAMPRA and POSA to form one needletime rights society. 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.

THE SAMRO FOUNDATION

The SAMRO Foundation is a non-profit company housing the corporate social investment portfolio of the SAMRO group of companies. The Foundation's activities aim to promote the national arts and to encourage excellence in the arts.

NON-ROYALTY COMMERCIAL ENTERPRISES

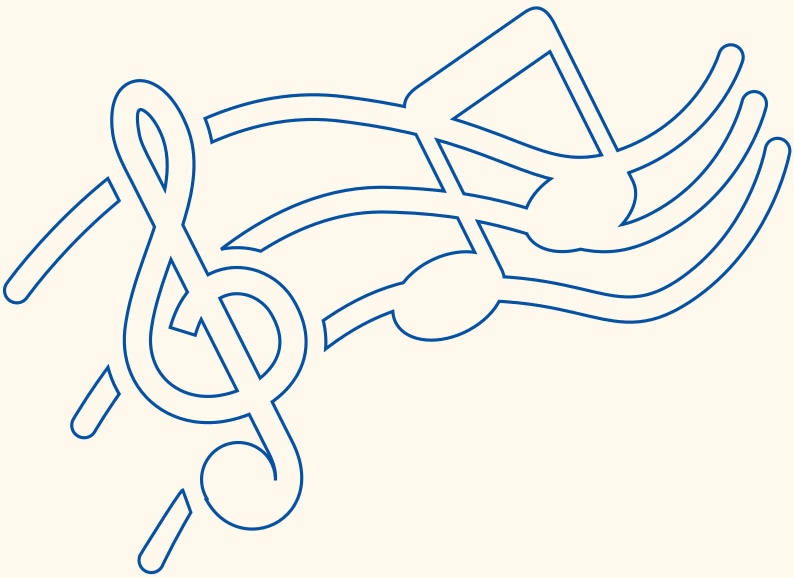
This division houses the group's activities that focus on generating non-royalty revenue to diversify the sustainable revenue stream for its members, including rental from SAMRO Place.

Primary strategic outcome	To become a copyright asset management and services organisation	To achieve this we have to: • ensure that our assets generate income • grow the value of our assets
Secondary strategic outcomes	To facilitate a single music rights licence	To achieve this we have to: • support the newly established CAPASSO that took over the administration of mechanical rights from NORM and SAMRO, effective 1 July 2014. This will progress to joint licensing and ultimately a single licence being issued by one organisation
	To pursue limited diversification	To achieve this we need to: • grow our revenue from non-royalty sources to provide a safety net to members in the event that significant industry changes result in a major drop in licence income

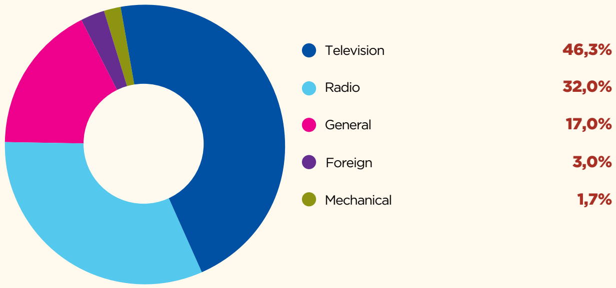
SHORT-TERM STRATEGIC IMPERATIVES

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

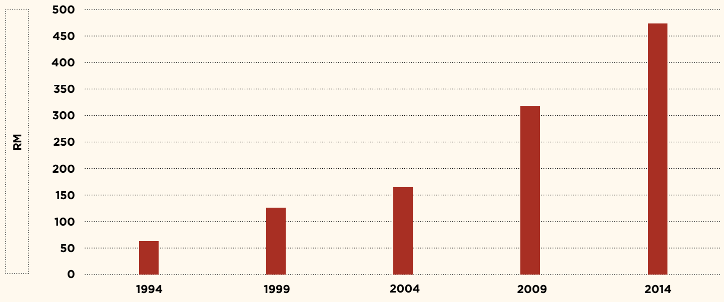
- Pricing – appropriate and value-creating tariffs
- Simple and efficient processes
- Accurate and timely invoicing
- Customer retention
- Market penetration
- Market development
- Effective credit control



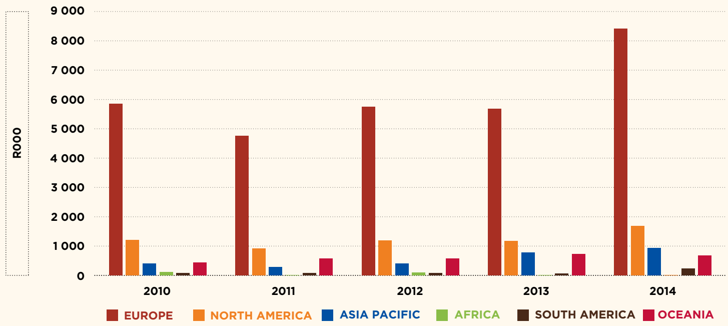
SOURCES OF LICENCE AND ROYALTY INCOME 2014 (%)



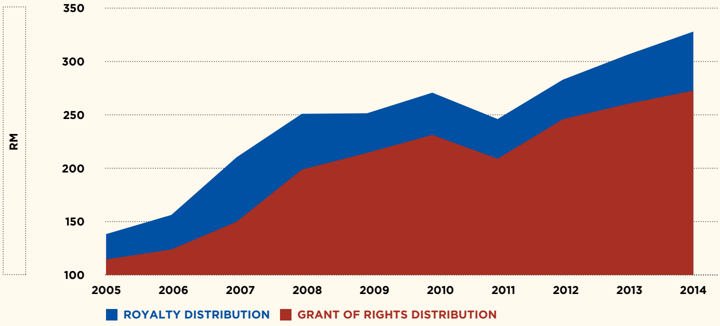
TWENTY-YEAR VIEW



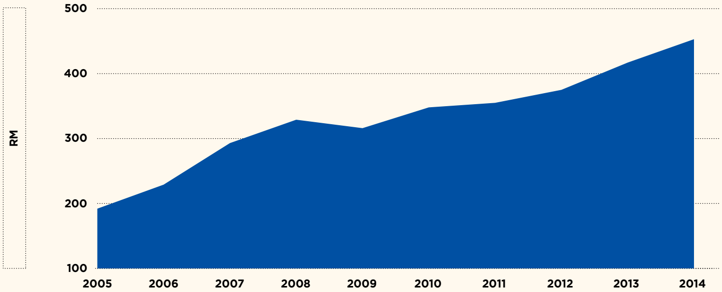
FOREIGN INCOME REGIONAL BREAKDOWN



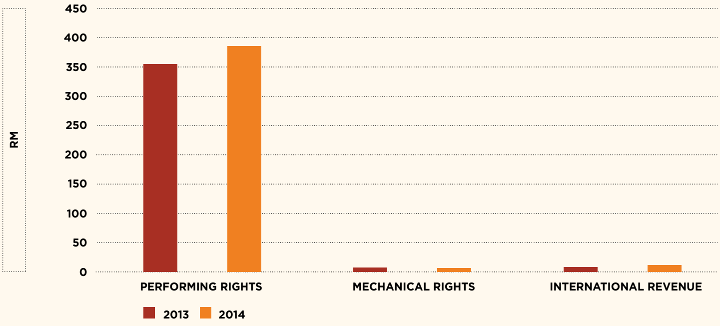
DISTRIBUTIONS



TOTAL INCOME



LICENCE INCOME SOURCE



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

Material issue	Risk	High-level feedback	Further information
Membership	Ability to increase distributions in line with membership growth	Membership increased by 6.5% and distributions by 7.0%	Chairperson, CEO and sustainability reports
Reputation	Negative perceptions about SAMRO affecting membership and revenue	Positive engagement with members in 2014 SAMRO voted the Best Yard in Gauteng province by the Provincial Congress of the Communications Workers Union	Chairperson and CEO reports
Legislative changes	Business model relies on existing legislation	No changes in legislation during 2014	Chairperson and CEO reports
Costs	Fixed cost base requires revenue growth	SAMRO contained administration costs to 0,9% increase over the prior year	CEO and CFO reports
Piracy and revenue	Digital service providers and new distribution channels	Ongoing lobbying and awareness creation	CEO report
Licensing	Licensing of community broadcasters not sustainable in current form Lack of adequate copyright legislation for new media	Continuous business development initiatives aimed at new licensees	CEO report
Data integrity	Correct and timely distributions rely on accurate data from users	IT system implemented in prior period resulted in improved data quality	CEO report
IT systems	Internet penetration among members increasing, although slowly	This remains challenging	CEO report
Compliance	Compliance capacity and structure	Monthly review of operational risk register	CEO, governance and risk reports
Customers	Non-payment by licensees	Key account management implemented	CEO report
Employees	Increased union activity	Proactive engagement with union Majwaneng sessions with employees	CEO and sustainability reports

ABBREVIATIONS AND DEFINITIONS

AGM	Annual general meeting
AIRCO	Association of independent record companies
BIEM	Bureau International Des Sociéties Gérant Les Droits D'Enregistrement et de Reproduction Mécanique (Mechanical rights equivalent of CISAC)
BBBEE	Broad-based black economic empowerment
CAPASSO	Composers, Authors and Publishers' Association
CASA	Composers' Association of South Africa
CIPC	Companies and Intellectual Property Commission
CISAC	International Confederation of Societies of Authors and Composers
CMO	Collective management organisation
CRD	Common royalty distribution
CWU	Communication Workers Union
DALRO	Dramatic, Artistic and Literary Rights Organisation
dti	Department of Trade and Industry
GORP	Grant of Rights Payment
IFRRO	International Federation of Reprographic Reproduction Organisations
IPLAA	Intellectual Property Laws Amendment Act, 28 of 2013
MMFSA	Music Managers Forum of South Africa
MOI	Memorandum of incorporation
MR	Mechanical rights
NORM	National Organisation for Reproduction Rights in Music in Southern Africa Limited
NPC	Non-profit company
POSA	Performers Organisation of South Africa
PR	Performing rights
SAMRO	Southern African Music Rights Organisation
SAMPA	South African Music Promoters Association
SAMPRA	South African Music Performance Rights Association
SF	SAMRO Foundation
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 Act which came into effect in 2008. These rights refer to the remuneration of music performers and producers 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 of this are making commercial copies of recordings on cassette, CD, DVD, tape, video, computer hard drives, cell phones (ringtones and track downloads), MP3 players, or any other medium.

Rev NA Sibiya

*Appointed 1 November 2010.
Publisher member.*

*Appointed chairperson
13 September 2012.*

S Khumalo

*Appointed 1 November 2010.
Composer member.*

*Appointed deputy chairperson
28 November 2013.*

SS Dlamini

*Appointed 1 February 2012.
Executive member.*

Appointed CEO 1 July 2013.

GJ Zoghby

*Appointed 1 March 2008.
Executive member.*

Appointed CFO 2012.

L Bala

*Appointed 27 March 2014.
Composer member.*

J Edmond

*Appointed 28 March 1987.
Composer member.*

AE Emdon

Appointed 28 March 1987.
Publisher member.

Retired as chairperson
13 September 2012.

SCP Mabuse

Appointed 25 March 1995.
Composer member.

J Mnisi

Appointed 16 September 2010.
Independent board member by invitation.

P Mnomiya

Appointed 15 September 2011.
Composer member.

J Niemand

Appointed 30 November 2012.
Composer member.

CFE Woods

Appointed 11 December 2008.
Publisher member.

J Savage

Appointed 1 July 2013.
Publisher member.

J Zaidel-Rudolph

Appointed 1 January 2008.
Composer member.

EXECUTIVE COMMITTEE

SS Dlamini

Chief executive officer

GJ Zoghby

Chief financial officer

B Harty

Chief operations officer

A le Roux

Managing director: SAMRO Foundation

J Schulten

Group company secretary

P Lishivha

Executive general manager: Rightsholder Services and POSA

S Mhlanga

Executive general manager: Sales

DEAR MEMBERS AND SHAREHOLDERS

When we reflect on the past year at SAMRO, we always do so within the context of a 50-year history. Initially formed by Gideon Roos, SAMRO's purpose of serving South Africa's music composers, publishers and authors irrespective of colour still rings true today. We remain passionate about music, the spirit of composition and about supporting the people that make a living from music creation.

SAMRO's biggest contribution to society in the past year has been the continued enablement of members and building wider awareness and education about the industry. As leaders in our field we see it as our role to make information available about the world of music, and the opportunities that exist – particularly in the digital sphere. We have seen radio and TV as channels for the distribution of music remaining strong, but we have to recognise that many of the old models do not work anymore. In other parts of the world record companies have closed down and in some cases musicians survive purely on performances. The silver bullet today is to compose songs that can live anywhere and on any platform in the world. This is a message that

SERVING OUR MEMBERS AT SAMRO IS A PRIVILEGE AND AS SUCH SAMRO MUST PERFORM TO ENSURE THAT THIS HISTORIC ORGANISATION LIVES ON THROUGH FUTURE GENERATIONS.

we are actively spreading, particularly among our young composers.

The challenge is to make sure that SAMRO remains relevant in a changing world, and that we are able to evolve with the trends – all to create value for our members.

Over the years, SAMRO has expanded globally, with affiliations in Europe, America and Australasia. In the current financial period we have made great inroads on the African continent with affiliations in countries such as Nigeria, Zimbabwe, Malawi and Uganda. We are excited about these new relationships as they reflect the rich tapestry of music on the continent, showcasing the deep and varied influences that we as South Africans have experienced in our interaction with other countries and cultures.

Because music is a global commodity, we have to ensure that we are able to track our members' rights in other parts of the world, and offer the same service to other collecting societies in terms of usage in South Africa. This is at the core of our vision statement: to remain focused on protecting and growing the value of copyright.

MACRO FACTORS AND IMPACTS

Severe underlying economic issues in Europe and the US continue to hamper a strong global recovery. These negative traits impact South African consumers and companies. Despite economic challenges, SAMRO achieved revenue growth of 8,7% which translates into R328 million being available for distribution in 2015.

Economic pressures, increasing legislation and a multitude of channels contribute to a complex industry for our members to navigate. The burden of administration and paperwork is cumbersome. We have been increasing our support to ensure that our members are informed about opportunities and responsibilities. When you walk into our foyer nowadays, you can expect assistance and help on almost any aspect of being in the music composing business. We want our members to be able to earn good money, especially in developing commercial areas, such as TV music, international jingles, corporate videos and theatre music.

EVOLVING GOVERNANCE

SAMRO's board members are committed to good corporate governance and embrace the principles of King III. We have a dynamic mix of experience on our board that enables robust discussions at board meetings. The board conducted an externally facilitated evaluation process during the year and the outcome of this process affirmed that the board is operating effectively.

The change in the leadership of SAMRO was in my view seamless: outgoing CEO, Nick Motsatse crossed the bridge at the side of new CEO Sipho Dlamini into a new phase. Following his orientation period, SAMRO is now in the hands of a vibrant, young CEO who is doing extremely well within a strong network of board and employee relationships.

We have also welcomed two new members to our board: Mr Loyisa Bala joined us on 27 March 2014 as a composer member and Mr Jay Savage joined the board on 1 July 2013 as a publisher member. We look forward to their contributions and energy. I would like to congratulate Mrs Sibongile Khumalo who was elected as vice chairperson on 28 November 2013 and I look forward to working more closely with her.

During the year, SAMRO formed a social and ethics committee and approved its mandate at the first meeting held in June 2014. The focus of this committee will be on SAMRO's social and economic development including adherence to relevant codes of conduct, transformation, corporate social investment, consumer and labour relations and our responsibilities in respect of environment, health and safety.

We continue to focus on SAMRO's strategic direction, as detailed on page 10 of this report. In the latter part of 2014, the board and the executive committee will be conducting a strategy session, firstly to reflect on the past, and secondly to look towards the future to ensure that our strategic direction remains closely aligned to our purpose and objectives, and to revise this where necessary.

TRANSFORMATION

As a board, we remain cognisant of the constant need for transformation at a board, company and industry level. From a board perspective we continue to make good progress in representing the demographics of South Africa and will continue with this focus, in particular on female representation. With regard to the company, SAMRO has made great strides in transforming its executive committee and middle management. Historically the music industry was dominated by big business and it is encouraging to see the transformation to smaller businesses starting record labels. This has resulted in a new layer of industry that is transforming at a rapid pace.

Key to transformation is education. I encourage the youth who are talented artists to get an education as it is important to approach a music career from a business as well as an artistic perspective.

STAKEHOLDER RELATIONS

Engagement with SAMRO members was a key theme for the board this year. The CEO has been an important facilitator in this regard, re-establishing and growing relationships through transparency, an open-door policy and consultation. We held various roadshows nationally to encourage dialogue and discussed the new memorandum of incorporation (MOI) to ensure our members understood the new legal structure. We have again recognised the importance of listening to our members as we are essentially here to serve them.

At 30 June 2014, our total membership was 15 416, 6,5% up on the prior year.

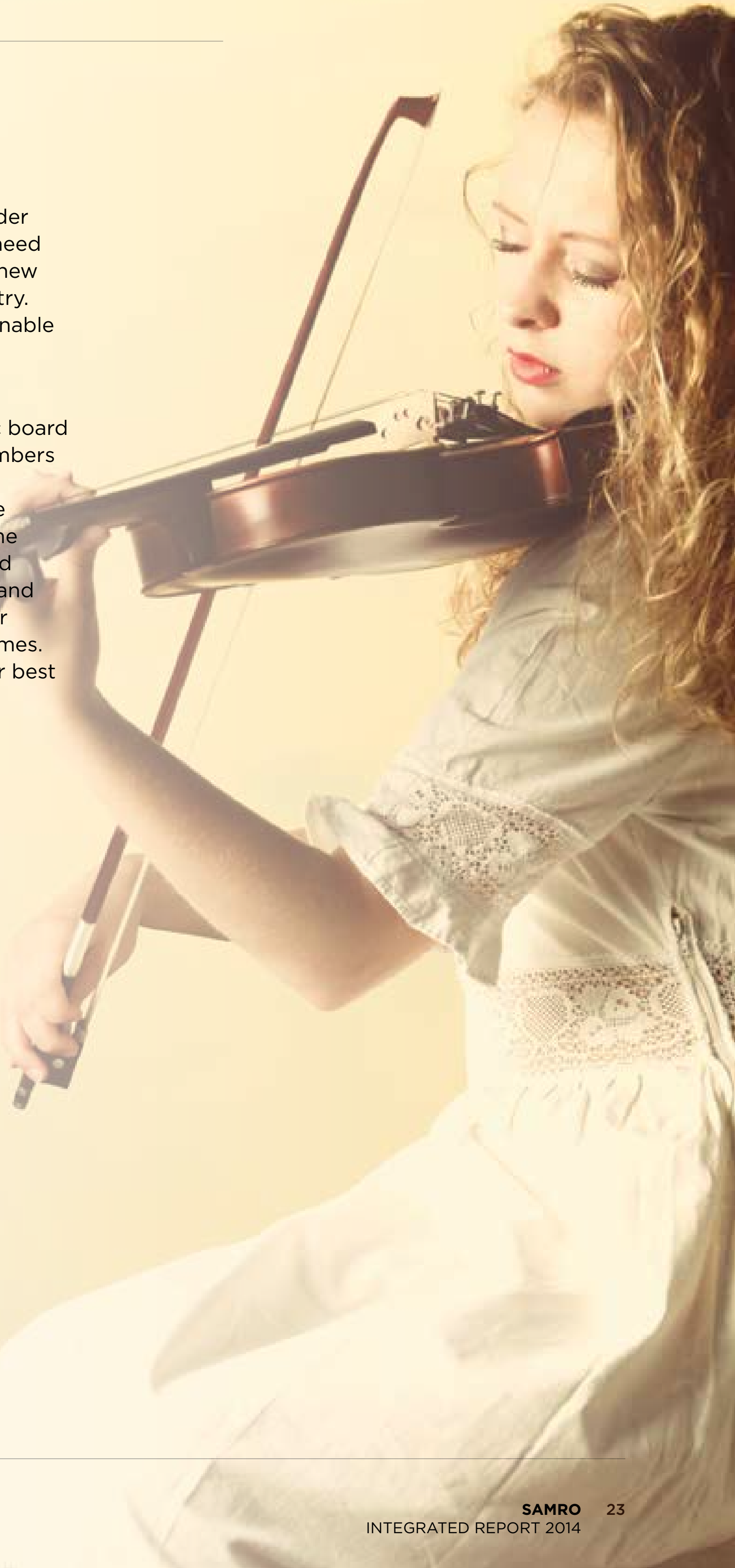
LOOKING AHEAD

A composer or author's lifespan in music is seldom more than 50 years – we see few older people performing on stage. We therefore need to ensure that we nurture and encourage a new generation of composers to enter the industry. This is the only way for SAMRO to be sustainable in the long term.

ACKNOWLEDGEMENTS

I am honoured to be part of such a dynamic board and I extend my thanks to fellow board members as we steer SAMRO into the future. I extend my appreciation to the executive committee and employees who have been through some rough seas over the past couple of years and have remained committed to our company and its goals. Thank you also to our members for standing by us through these challenging times. We look forward to continuing to serve your best interests.

Rev NA Sibiya
Chairperson
31 October 2014



I am pleased to present my first report as chief executive officer (CEO) of SAMRO at the end of an eventful year. A year ago we were preparing to get our members' approval to convert to a non-profit company (NPC) while still maintaining members' benefits, and trying to resolve the mechanical and needletime rights issues. All of these decisions had significant implications, and we had to get it right.

I am proud to say that we have achieved what we set out to do in the best interest of all our stakeholders. SAMRO's memorandum of incorporation (MOI) was approved by an overwhelming majority vote of 99,3% at our annual general meeting (AGM) in November 2013, and SAMRO is operating as an NPC. We retained all member benefits and resolved the mechanical rights issue with the incorporation of a new single entity called CAPASSO, which will collect and administer all mechanical rights from 1 July 2014. The needletime rights issue, although not finalised at the end of the financial year, was brought much closer to resolution soon thereafter, with an agreement signed by SAMRO and SAMPRA to merge the two organisations.

In December, we successfully distributed the first grant of rights payment to our members without any delays or disruptions.

THE WORLD OF COLLECTIVE MANAGEMENT ORGANISATIONS

Globally, the economic operating environment remains tough, with slow growth still being experienced and likely to continue going forward. Locally, the economic outlook remains relatively bleak and the impact of the interest rate hikes during the year continues to place pressure on consumers' disposable income as they struggle to service their debts. This bleak outlook impacted SAMRO as we continued to experience high levels of bad debt, the management of which remains a focus, as does our commitment to containing operating costs.

MY ROLE AS CHIEF EXECUTIVE OFFICER (CEO) IS NOT JUST ABOUT CREATING AN EFFICIENT, EFFECTIVE AND STABLE BUSINESS FOR SAMRO NOW – BUT LOOKING FORWARD 10 TO 20 YEARS AND UNDERSTANDING THAT WHAT WE DO NOW IMPACTS THE STRENGTH AND VIABILITY OF THE BUSINESS GOING FORWARD. I EMBRACE MY RESPONSIBILITY TO UNDERSTAND THE FUTURE, LOOK FOR OPPORTUNITIES, BE MINDFUL OF THE THREATS AND ACTIVATE NOW.

SAMRO remains an active organisation in reaching out and networking locally and internationally to support music creators in realising their rights to financial rewards. One of these societies is the International Confederation of Societies of Authors and Composers (CISAC), where we have positions on the board and the executive governance committees. This enables us to remain engaged and aware of current affairs and industry developments.

We also remain keenly interested in how legislative changes affect the sustainability of CMOs in other markets, as these provide valuable insights into how our South African environment might develop.

Whereas in South Africa we have one entity per right, Europe has a more competitive model: a range of societies who are able to administer different rights. American societies have seen a number of legislative challenges, which have initiated an active interest in Africa as a new market, along with European counterparts – highlighting emerging risks and opportunities for SAMRO as an indigenous African music rights organisation.

TRACKING OUR PERFORMANCE IN NUMBERS

Our efforts to become a high performance organisation yielded solid results during 2014:

- The operations team achieved a documentation rate of **94%** for the film distribution – **the highest in the past 52 years**
- The **quality of data captured** has increased to **90%** in the last financial year compared to a low of 30% in 2013
- Our operations team processed over **4 million unique lines of usage data** in preparing for distributions
- Our publisher services team currently manages **459 accounts**
- The newly implemented query resolution team ensured that of the **4 184 queries** that were opened during the year, **82% were closed** at the end of the period
- During the year, we had an average of 50 walk-ins per working day at SAMRO Place of which **80% were new membership applicants** and 20% elected members
- We activated **605 new web portal users** bringing the total number of members that manage their SAMRO membership accounts online to 1 768
- **R30 million** was cleared from undoc
- The rights holder services team, assisting through active tracing, ensured that more than **R7 million** was eventually **paid to members** who had not updated their banking details
- Our **interactive website** received **81 600 visitors** during 2014 – spending an average of five minutes per session on the site
- The music user section on the website was the most popular
- We received **1 479 e-mails** via the website during 2014
- SAMRO has **20 971 Facebook friends** with a **weekly average reach of 50 000** people as well as **5 777 Twitter followers**
- Our marketing team produces two electronic newsletters internally: the ***Beat Bulletin*** which is distributed to **8 582 members** monthly and ***Licensed to Play*** which is distributed to over **6 000 licensees** bi-monthly
- We also print and distribute ***SAMRO Notes* magazine** to over **10 000 members** bi-annually

A YEAR OF STAKEHOLDER HIGHLIGHTS

Key highlights during the year, over and above the ones mentioned in my introduction, included membership growth of 6,5%. It is truly encouraging to see so much activity and interest in the creation and performance of music. This is leading to more competition while we see a proliferation of platforms and channels at the same time. The challenge for SAMRO is to grow our distribution pool at the same rate as our membership grows. (Read more about our plans in this regard under strategic opportunities below.)

Following our successful legal restructuring, the only outstanding issue is our commitment to process any amendments to the MOI that members may have. Between March and August 2014, we held nationwide consultations with our members to ensure that all interested parties were given the opportunity to provide feedback on the MOI. We have consolidated all issues raised and these proposed amendments will be tabled at the 2014 annual general meeting and require a 75% vote from members.

During the year, we also started a dedicated key account management programme which includes formal interaction between our bigger licensees and me as CEO. Through this intervention we plan to maintain relationships and ensure that SAMRO adds value to those businesses.

A further highlight this year was the fact that SAMRO has been voted the Best Yard in the province of Gauteng by the Provincial Congress of the Communications Workers Union (CWU) for outstanding performance in dealing with labour-related matters. Out of over 42 companies within the ICT industry, SAMRO was awarded the top spot. Given that in 2012 SAMRO experienced a debilitating employee strike over a three-month period, this award is testament to our concerted efforts to engage more proactively with our stakeholders.

We were pleased to be able to play our part in celebrating South African musicians by hosting the second Wawela Music Awards, which celebrate composers and publishers and recognise excellence in compositions through 18 unique categories. These awards enable us to appreciate the great talent of those who often stay behind the scenes. This year we received over 200 entries – up from 117 in 2013. We entertained 221 guests and received over R2 million worth of exposure and brand awareness through television broadcasting. SAMRO's marketing team was responsible for producing this year's highly praised world-class event.

STRATEGIC OPPORTUNITIES

SAMRO's five-year strategy was implemented for the period 2011 to 2015. In the ever-changing music industry, it is imperative that we constantly revisit our strategy to ensure that we capitalise on any emerging opportunities and are prepared for challenges. The board will have a strategy session in November 2014 where, together with the executive management team, we plan to reflect on the current strategy and tweak it where necessary to remain relevant going forward.

One of our strategic opportunities is an improved focus on increasing our revenue from the continent. Music activity, which translates into potential revenue streams, is substantial on a continent that has been embracing a range of technologies and channels. We know that SAMRO's content is being used across the continent but returns are not always being realised and performers are suffering financially as a result.

Equally important is how we report back to our fellow societies across the continent for the usage of their content in South Africa. SAMRO's relationships on the continent are positive and expanding. We interact with fellow societies regularly which allows us to understand each other's markets and what opportunities exist, so that we can tap into unrealised revenue. A silo approach will not realise revenue – we continually strive towards a joint approach to identify our repertoire performed globally, monitor the usage and realise the revenue. Dialogue on the continent has been proactive and in October 2014, SAMRO will welcome a delegation from three countries on the continent to further explore opportunities.

We are aware that a lot of data has not been processed and turned into intelligence and activity has not been tracked. To address this we have various research projects in the pipeline that will demonstrate music's value add. These projects include:

- understanding the ratio of music played on radio versus talk in order to justify tariff increases
- conducting research into the impact of music in retail environments, to independently demonstrate to our licence holders the value add music has on shoppers' spending behaviour, and how music can be tailored to suit certain shoppers
- monitoring the use of music through accurate cue sheets in order to process members' payments on a timeous basis

Piracy continues to represent a serious threat to members' royalties, especially in new distribution channels where copyright legislation is not established or effectively enforced. SAMRO is a member of the South African Federation Against Copyright Theft and continues to bring additional focus to music and the challenge of addressing digital piracy.

GROUP PERFORMANCE

Despite the tough operating conditions and a strong inward focus during the year, group income grew by 8,7% to R463,6 million. Bad debt write-offs were higher than anticipated as many businesses have closed down due to the tough economic environment. We did, however, manage to clean out the legacy of bad debt during 2014. Realising cost efficiencies remains a critical part of delivering value to our members and we are confident that the IT system implemented in the prior period will improve efficiencies in the foreseeable future.

During the reporting period, the mechanical rights administration was transferred to a new collections and administration society called CAPASSO which became fully operational from 1 July 2014. For this year's financial reporting, the mechanical rights income has been recognised in our books.

The financial performance of SAMRO's business units is detailed in the chief financial officer's report on page 30.

LEGISLATIVE IMPASSE

Unfortunately there has been little progress in developing legislation to assist SAMRO with realising its untapped revenue in areas such as streaming and cellular device downloads.

The Intellectual Property Laws Amendment Act, 28 of 2013 (IPLAA) was assented to by the President in December 2013, marking the penultimate step in the implementation of IPLAA.

The effective date of IPLAA still has to be announced. There was widespread opposition to IPLAA which amends the South African Performers' Protection Act, the Copyright Act, Trade Marks Act and the Designs Act. SAMRO supports the recognition and protection of indigenous knowledge, but we remain concerned that the unintended consequences and unnecessary complication of this legislation may compromise some of the rights of our members.

The National Association of Broadcasters (NAB) appealed the judgment of the Copyright Tribunal in the matter between the NAB and SAMPRA. The judge confirmed the principle of basing the broadcast tariff on a percentage of gross revenue, regardless of audience figures. Applying this principle would result in significantly higher royalties accruing to our members. While it is debatable whether the ultimate 7% on full music content broadcast is adequate or not, the principle as well as the amount have created an opportunity to open negotiations with broadcasters for higher tariffs.

The NAB appealed the high court decision in late 2013 at the Supreme Court of Appeal (SCA). The SCA ruled in the NAB's favour in early 2014. Thereafter, SAMPRA approached the Constitutional Court and their application was dismissed.

TRANSFORMATION – AN ONGOING CONVERSATION

As Reverend Sibiya has indicated in his chairman's report, transformation remains a focus area for SAMRO. For me, transformation begins at the heart of an organisation and with its values. During the year, we aligned our values to our vision in order to bring the vision to life. This alignment process involved all employees and was externally facilitated. SAMRO now has a new set of values (see page 4) with clearly defined behaviours that are being embedded throughout the organisation.

It was a personal highlight for me as CEO to be involved in the Majwaneng sessions and they continue to be crucial in defining a new culture within the organisation. These sessions involve meetings with small, diverse groups of employees throughout the year, enabling us to move beyond hierarchy and diversity barriers as we collectively discuss issues and ideas relating to SAMRO's people, its future and transformation.

MOVING INTO A NEW PHASE

During the past year, we achieved a firmly grounded level of stability for SAMRO. Our period of internal focus is over; we can now channel our energy as an organisation towards maximising what we distribute to our members. The machine is running well – we now have to chart our future roadmap.

This includes issues such as the impact of digital TV on advertising and royalties. We need to better understand how content will be created, how to track this and how advertising agencies will respond. In this dynamic world, we always have to manage expectations and ensure that we keep our members informed of industry developments.

We shall continue improving day-to-day business delivery and improved service to members in a timely and transparent manner. Above all, our focus will continue to be on finding innovative ways to ensure the organisation's long-term sustainability and add value for our members and other stakeholders.

We made some changes to the executive team during the past year and will now embed this team, its roles and responsibilities, to ensure effective implementation of our strategy and strong leadership of SAMRO.

The restructuring put a stronger emphasis on sales, which includes the international sales function. We expect to see returns on our investment in this area in the short term.

ACKNOWLEDGEMENTS

A significant amount of time and commitment went into resolving SAMRO's unique challenges over the past 18 months. I would like to express my sincere appreciation to my executive management team and employees for their continued commitment, passion and teamwork. I extend my thanks to the board for its support and guidance in ensuring that the best interests of our members remain central to our goals.

I am proud to be working with such a dynamic team and look forward to our future achievements.

SS Dlamini
Chief executive officer
31 October 2014

HIGHLIGHTS

- Number of distributions – 22
- Total licence and royalty revenue – R393,6 million up 6,1%
- Total group income before deductions – R463,6 million up 8,7%
- Available for distribution – R328 million
- Income from new licences – R12 million
- Cost to income ratio – 24,22%

PERFORMANCE OVERVIEW

Despite continued challenging external and internal operating conditions during the year, SAMRO grew its licence and royalty revenue by 6,1% to R393,6 million (2013: R371 million). Total revenue generated by performing rights licences increased 5,6% to R374,9 million (2013: R355,2 million), representing 95,3% of total licence and royalty revenue (2013: 95,7%).

Mechanical rights income fell 8,8% from R7,4 million in 2013 to R6,7 million in 2014 due to SAMRO not actively licensing these rights following the formation of CAPASSO and the commencement of the handover of operations to the new organisation. CAPASSO was formally registered with CIPC in May 2014 and became fully operational in July 2014.

Foreign licensing royalties received from international affiliated societies increased 41,4% to R11,9 million (2013: R8,4 million) and made up 3% of total licence income.

Performing rights licensing income from TV grew 18,8%, radio grew 20,5% and general licensing fell 32,3%. TV contributed 45,8% of total licence and royalty income, radio 32% and general 17%.

Revenue from community broadcasters represents a negligible 0,9% of total licensing revenue and is costly to administer; nevertheless, SAMRO continues to collect licence fees from them as they represent an important grassroots, staging area for emerging local talent.

SAMRO experienced very low new business revenue growth as most of the new business opportunities took the form of smaller licensees. The sales team continued to focus on government business such as the Departments of Correctional Services and Defence and licensing the ANC, but this process continues to move at a very slow pace.

There was no change in the investment strategy which is implemented by the portfolio managers. Performance this year was very good, largely due to the strong market performance in 2014, and the surpluses arising from the portfolio when drawing funds for the primary distributions. Investment income increased 34,1% to R50,7 million (2013: R37,8 million).

It was a very tough year in terms of collections, resulting in larger than expected write-offs being required at year-end, which negatively impacted licensing revenue. SAMRO actively manages its debtors and has processes in place to monitor and proactively cancel accounts that cease playing music. The tightening of processes in managing debtors led to a further write-off in the current year of R20,6 million (2013: R9,4 million).

Total administration expenses increased marginally by 0,9%. SAMRO's main cost element is personnel costs representing 64,1% (2013: 65,6%). Professional fees represent a further 4,6% (2013: 3,5%), including legal fees for the ongoing consultations with members and the requested amendments to the MOI, approved at the AGM in November 2013. Employee costs were well controlled during the year, down marginally by 0,4% on the prior year, largely due to delays in appointments and not automatically replacing employees who resigned from the organisation. SAMRO adheres to a strict appointment policy of only allowing approved budgeted appointments. There was also a focus on controlling legal costs – as this business is contract based, it is easy for legal costs to quickly accumulate if not strictly controlled. Control over travel costs is another area that warrants special attention, being a cost that quickly escalates. All these areas were well controlled during the period under review.

Social and cultural expenses increased 14,7% to R22,2 million (2013: R19,4 million). These expenses include the funding of the SAMRO Foundation, the funeral benefit scheme for members as well as the SAMRO Retirement Annuity Fund for the members.

DALRO

DALRO's licence income and royalty fees grew by 4,2% to R47,5 million (2013: R45,6 million). Copyright and administration fees were R11,8 million, up 7,5% on the prior year (R10,9 million), while total income increased 8,5% to R13,3 million (R12,2 million). DALRO's expenses were marginally down on the prior year resulting in a smaller loss than the prior year.

POSA

POSA received no income for the year due to continued legal delays which have meant that SAMPRA, the society accredited to collect licence fees on behalf of performers, has not distributed any royalties. Although negotiations with SAMPRA to resolve this issue were ongoing and close to a resolution at the year-end, resolution was reached after the year-end. Costs relate mainly to legal fees incurred in an attempt to reach an amicable solution to the needletime rights negotiation. Medium-term prospects indicate that POSA should receive a distribution once the negotiations are finalised.

SAMRO HOUSE

Rental income from SAMRO Place is an important part of the organisation's drive to increase non-royalty revenue. Rental income grew slowly in the year, with an increase of 2,8% in 2014 (2013: 6%). The rental income was negatively impacted by the slow replacement of tenants with expiring leases and the eviction of one large tenant, while interest earned was also down due to lower cash balances. Expiring and new tenants' leases will be at rates higher than current rentals. A solution to improve the parking is being sought in order to positively impact on the rental that can be charged.

Aside from the interest on the loan funding the purchase of the building and depreciation for the new customer service area built 18 months ago, costs have decreased.

DISTRIBUTION OF ROYALTIES

Twenty-two distributions totalling R306,5 million (2013: R282,9 million) were processed during the 2014 financial period (see details on page 3 of this report). A total of 31 871 (2013: 33 772) payments were made to members according to usage by licensees in terms of the rights administered by SAMRO. The number of payments is similar to previous years and confirms that the beneficiaries of distributions remain reasonably broad-based.

The total available for distribution over the next financial period is R328 million, which is an increase of 7% when compared to the prior period (2013: R306,5 million). SAMRO aims to ensure that the amount available for distribution increases annually at a rate above inflation, but the group also has to manage its reserves to ensure that payments to members remain sustainable over the long term.

RESERVES

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

- revaluation reserve which relates to unrealised surpluses on investments that have increased in value and have not been sold
- general portion of the retained earnings reserve which is where small amounts are reserved in those years when there has been good growth in revenue. This reserve also includes the funds set aside for future development

INFORMATION TECHNOLOGY

The IT system implemented in the prior year has not led to any material savings in operational costs to date but these are expected to materialise over the next couple of years as processes become more efficient.

The system provides our members with access to their works data through the web-portal. This allows members to more actively manage their works registered with SAMRO and earlier identification of incorrect data. The portal provides functionality, which allows members to register new works with SAMRO, download or view statement and distribution information, notify live performances and upload set lists, as well as the ability to maintain and update their personal information. This is a significant step forward for member interaction and transparency.

During the year the focus has been on bedding down the new system and ensuring that all the post implementation issues are addressed. This has been largely successful with a number of improvements to the functionality being added. The infrastructure is stable and the functionality of the system fully implemented. The focus is now on improving processes to ensure that increasing data volumes are dealt with, whilst improving the quality of the data capture, in order to improve the quality of distributions. This will ensure fewer queries from members as to unpaid or incorrectly paid royalties.

Full reporting of television programming remains a challenge for all organisations involved with collective administration of rights in the broadcast environment. SAMRO is currently engaging with Soundmouse, a UK based monitoring and reporting organisation, on the implementation of their solution in South Africa. Currently, we are running a pilot project to test their system on three radio stations; thus far the results are promising. Soundmouse are in talks with the SABC as a first site for operations in South Africa. However, we continue to engage with other product owners who have developed monitoring solutions and are not limiting ourselves to a single possible service provider. In the year under review we engaged extensively with Media Guide to supplement poor reporting from broadcast users in the community radio sphere.

STRATEGIC IMPERATIVES

SAMRO's strategy and material issues require a focus on two main financial areas:

- cost management
- revenue diversification

COST MANAGEMENT

SAMRO benchmarks its cost ratio to international collecting management societies of a similar size. Costs are currently at 24,22% (2013: 24,81%) of revenue net of bad debts. Costs were well controlled during the financial period and administration costs were limited to a marginal increase of 0,9% on the prior year. Future efficiency improvements from the IT system and other cost-efficiency initiatives should enable the organisation to drive this ratio down towards our target of below 20%.

REVENUE DIVERSIFICATION

When the revenue diversification strategy was put in place in 2011, the intention was to develop the North property (parking lot) which would have the potential to increase rental income. However, members have expressed dissatisfaction with SAMRO engaging in non-core activities and have been insistent that the company focuses on the administration of performing rights as opposed to developing the property. In order to heed the members' request, the group will be exploring the possibility of engaging with a partner, who would provide the expertise and finance, whilst the group provides the property.

NON-ROYALTY REVENUE

Non-royalty revenue comprises investment income and rental income from SAMRO Place. Investment income is linked to global economic developments and their impact on local markets. The significant returns earned from the sale of investments to fund distributions in the current year are not expected to be repeated, however the investment strategy ensures that SAMRO will continue to earn interest and dividend income from the investments thus ensuring a revenue flow to members.

FUTURE PROSPECTS

Although relatively low, the contribution of new business as a proportion of total licence income demonstrates that the market for licensees is not saturated. In order to achieve better synergy in the organisation, there has been an internal departmental restructure in the Sales, Finance and Operations area. The full licensee value chain is now under the ambit of the Executive GM: Sales. The Licensing Administration function was transferred from Operations and the Credit Control function was transferred from Finance. In addition the role of business development manager: international was created in the Sales area to ensure there is a focus on growing the revenue received from international use of South African repertoire. It is anticipated that this will lead to more efficient and effective processes in the Sales area and hence an improvement in the licence revenue received from both local and international music usage.

SAMRO continues to reassess its tariff levels to ensure fair reward for members and transparency in the determination of tariffs, especially as the industry uses SAMRO tariffs as a benchmark. Many of the tariffs have been in place since SAMRO began operations; as such they are not ideal for licensing in the 21st century. There is a concerted effort to engage with users to ensure that whilst the tariff maximises the revenue earned for our members, at the same time it is simple for users to understand and administer. Our focus remains on improving our service and increasing our efficiency to deepen our partnership with members to help them to exercise their rights effectively, and to provide value to music users, through assisting them in understanding the value that music adds to their business.

GJ Zoghby
Chief financial officer
31 October 2014

The SAMRO board includes a majority of composers, authors and publishers to ensure the interests of the organisation's members are central to decisions around long-term strategy. 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 Code of Governance Principles and the King Report on Corporate Governance in South Africa, 2009 (King III).

GOVERNANCE HIGHLIGHTS FOR 2014

SAMRO became a non-profit company (NPC) on 1 May 2013, under the Companies Act, 71 of 2008, as amended. Since then, the board and management's focus has shifted to ensuring that all members were apprised of the new memorandum of incorporation (MOI) that was aligned to SAMRO's new corporate status. Numerous workshops and engagements with members took place during the year where robust debates and discussions were held. This culminated in the MOI being put forward for approval at the annual general meeting (AGM) on 29 November 2013. The MOI was approved by 99,3% of members and has been lodged with the Companies and Intellectual Property Commission (CIPC). Amendments to the MOI will be tabled at the 2014 annual general meeting and will require a 75% vote from members.

Following the approval of the MOI by the members and on confirmation from our legal advisors, SAMRO was able to resolve all matters relating to the payment of members' benefits. The grant of rights payment was made at the end of 2013 and the Funeral Benefit Scheme was reinstated.

At the date of the financial year-end, the challenge that the board and management were exploring was how to reach final agreement on needletime rights. Subsequent to the year-end, SAMRO and SAMPRA signed an agreement for the establishment of a single collecting society for needletime rights, through the merger of POSA and SAMPRA. The organisation will comprise two chambers, one each for composers and record companies, both of which shall have equal representation on the board.

The board continued to assess which guidelines of King III are applicable given the nature of our organisation. During the year, SAMRO established a social and ethics committee. SAMRO aligned the committee's mandate with the requirements of the Companies Act and Regulations. Further detail on the committee's membership and role is shown on page 41 of this report.

In addition, the remuneration and risk board subcommittees have been aligned to King III's recommendations and internal governance structures are in place to ensure that the organisation complies with its internal policies and procedures.

While members' interests are central to the organisation's strategy and operations, we also take into account our direct and indirect impact on the broader internal and external stakeholders of the group. In implementing our strategy, we consider the long-term financial, social and environmental impact of the organisation and the likely short-term influences in these areas.

This report discusses SAMRO's governance structures in the context of the legislative framework in which we operate.

THE BOARD OF DIRECTORS

The SAMRO board guides and steers the company, setting the strategic direction and taking responsibility for monitoring progress with the implementation of the strategy. Its pronouncements and actions establish the ethical tone of the organisation. The roles and responsibilities of the board are set out in the board charter, which is available from the company secretary and was updated to reflect the organisation's new classification.

The board has put in place policies and procedures to ensure SAMRO complies with the laws and regulations that apply to the organisation, as well as the principles of good business practice.

Engagement with key stakeholders, including members, is an important responsibility of the board and takes place at board, management and key personnel levels.

The board delegates the authority to run the organisation to the chief executive officer (CEO) and has established board committees to govern and discharge certain responsibilities. The board nevertheless remains ultimately accountable to its members for the performance of the organisation and accepts responsibility for this role.

The SAMRO Foundation has its own independent board, but feedback about the Foundation's activities and progress is given at every SAMRO board meeting.

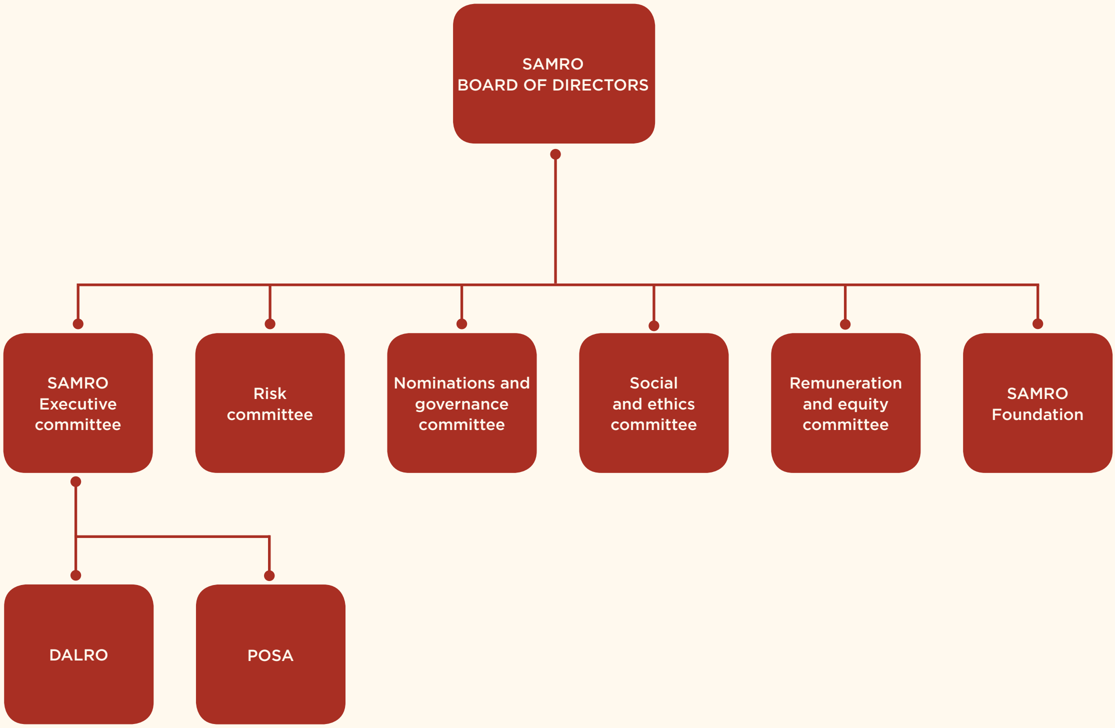
Specific responsibilities of the board include:

- monitoring operational performance and management
- 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 recording and accuracy of SAMRO's financial statements

Governance structures, documents and processes are regularly reviewed by the board and committees to ensure these remain relevant to the group.

The board meets at least four times a year. Seven meetings were held during the year and attendance is shown in the table below. During the period under review, a board decision was taken to hold a board strategy session in November 2014. This session will be used by the board and executive management to reflect on SAMRO's current strategy and to amend where necessary.

GOVERNANCE STRUCTURE



Directors	Date first appointed	Date last appointed	12 Sept 2013	4 Nov 2013	13 Nov 2013	28 Nov 2013	27 Mar 2014	26 Jun 2014
Non-executive directors								
NA Sibiya (chairperson)	1 November 2010	29 November 2013	✓	✓	✓	✓	✓	✓
S Khumalo* (vice chairperson)	1 November 2010	30 November 2012	✓	✓	✓	✓	✓	✓
L Bala	27 March 2014	27 March 2014	–	–	–	–	✓	✓
J Edmond	28 March 1987	29 November 2013	✓	A	A	✓	✓	✓
AE Emdon	28 March 1987	11 December 2008	✓	A	A	A	✓	✓
SCP Mabuse	25 March 1995	29 November 2013	✓	✓	A	✓	✓	A
P Mnomiya	15 September 2011	15 September 2011	✓	A	A	✓	✓	✓
J Niemand	30 November 2012	30 November 2012	✓	✓	✓	✓	✓	✓
J Savage	1 July 2013	29 November 2013	✓	✓	✓	✓	✓	✓
CFE Woods	11 December 2008	11 December 2008	✓	✓	✓	✓	✓	✓
J Zaidel-Rudolph	1 January 2008	29 November 2013	✓	✓	A	✓	✓	✓
Executive directors								
SS Dlamini	1 July 2013	1 July 2013	✓	✓	✓	✓	✓	✓
GJ Zoghby	1 March 2008	1 March 2008	✓	✓	✓	✓	✓	✓

A Apology received

** Appointed vice chairperson in November 2013*

Mr J Mnisi attends board meetings as an independent non-executive director by invitation

BOARD COMPOSITION

SAMRO has a unitary board structure comprising 14 members: 12 non-executive directors, the chief executive officer (CEO) and the chief financial officer (CFO). Diversity is an important consideration in appointing directors and this diversity is reflected in the gender, race, member type and musical genre represented. Three directors are women and seven of the directors are historically disadvantaged South Africans.

The minimum number of board members is four and the maximum 14.

SAMRO's new 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. A broad base of members participates in this process, ensuring that there is 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.

One-third of the directors who exceeded the maximum four-year service period were required to resign by rotation but were eligible for re-election. At the AGM on 29 November 2013, Rev N Sibiya, Prof J Zaidel-Rudolph, Mr S Mabuse and Mr J Edmond retired by rotation. All retiring directors stood for election and all were duly re-elected at the same meeting. Mr J Savage was elected to the board at the AGM to fill the vacancy of publisher member.

DIRECTORS' REMUNERATION

The remuneration report on page 44 details the organisation's approach to remuneration of executive and non-executive directors.

BOARD EVALUATION

Following the finalisation of the legal restructuring process, the annual board evaluation process was reinstated. The Institute of Directors South Africa (IoDSA) were engaged to facilitate this process and the outcome affirmed that, overall, the board is operating effectively. There are, however, certain areas that needed further focus and will be a priority for the board going forward. These specific areas include:

- succession planning at board and management level
- interim updates between meetings
- ongoing training for board members

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 are also able to make use of this training if they wish. Training on directors' fiduciary duties was conducted in July 2013, with ongoing awareness throughout the year.

SUCCESSION PLANNING

SAMRO is developing a succession planning framework to ensure that suitable individuals are available when key positions in the organisation are vacated. The company has commenced with a High Performance Initiative and over the next few months critical skills needed at management and leadership levels will be identified. This project has been undertaken to enable the company to:

- provide a coaching framework that can be implemented by SAMRO to develop and improve critical skills amongst current leaders and managers
- establish a succession management process to ensure that these skills are developed amongst possible future leaders and managers
- create a framework for career development for all employees

ACCESS TO INFORMATION AND INDEPENDENT ADVICE

Company secretarial resources are available to directors through the company secretary to provide guidance on the performance of directors' duties. Directors have access to external independent professional advice at the organisation's expense and are provided with ongoing training in their duties 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 an equality of votes in a board meeting. The chairperson is a non-executive director of the company.

THE CEO

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.

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

- relationship with the South African music industry
- 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 of 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 is confident that the company secretary, Ms J Schulten, has the experience and standing to be able to maintain an arm's-length relationship with the other members of the board in her role as company secretary. The board has assessed the competence and expertise of Ms J Schulten in her capacity as company secretary, and is satisfied in this regard.

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 40 to 42.

Nominations and governance committee

The nominations and governance committee is chaired by the board chairperson. It is responsible for:

- making recommendations to the board on all new appointments
- nomination, recruitment and appointment of 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	11/09/13	26/03/14	25/06/14	Category
CFE Woods (chairperson)	✓	✓	✓	Non-executive
AE Emdon	✓	✓	✓	Non-executive
J Zaidel-Rudolph	✓	✓	✓	Non-executive
P Mnomiya[1]	–	✓	✓	Non-executive
SS Dlamini	✓	✓	A	Executive (CEO)

A Apology received

[1] Appointed 12 September 2013

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, who attends board meetings by invitation.

Members	12/09/13	28/11/13	27/03/14	26/06/14	Category
J Mnisi (chairperson)	✓	A	✓	A	Non-executive
J Edmond	✓	✓	✓	✓	Non-executive
SCP Mabuse	✓	✓	✓	A	Non-executive
P Mnomiya[1]	–	A	✓	✓	Non-executive
J Niemand	✓	✓	✓	✓	Non-executive

A Apology received

[1] Appointed 12 September 2013

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 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.

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 auditors, 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 47.

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	11/09/13	26/03/14	Category
NA Sibiya (chairperson)	✓	✓	Non-executive
J Edmond	✓	✓	Non-executive
AE Emdon	✓	✓	Non-executive
J Mnisi	✓	✓	Independent, by invitation
SS Dlamini	✓	✓	Executive (CEO)

The composition and activities of the committee are discussed in more detail in the remuneration report that follows on page 44.

Social and ethics committee

SAMRO's social and ethics committee is a statutory committee per section 72 of the Companies Act. Its purpose is to monitor SAMRO's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice, in respect of social and economic development and good corporate citizenship.

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

During the period under review, one meeting was held in June 2014. The committee's mandate and meeting timetable were approved at the June 2014 board meeting.

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

Members	25/06/14	Category
J Niemand (chairperson)	✓	Non-executive
S Khumalo	✓	Non-executive
SCP Mabuse	✓	Non-executive
J Savage	✓	Non-executive
CFE Woods	✓	Non-executive
J Zaidel-Rudolph	✓	Non-executive
SS Dlamini	✓	Executive (CEO)

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 18 to 19). 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

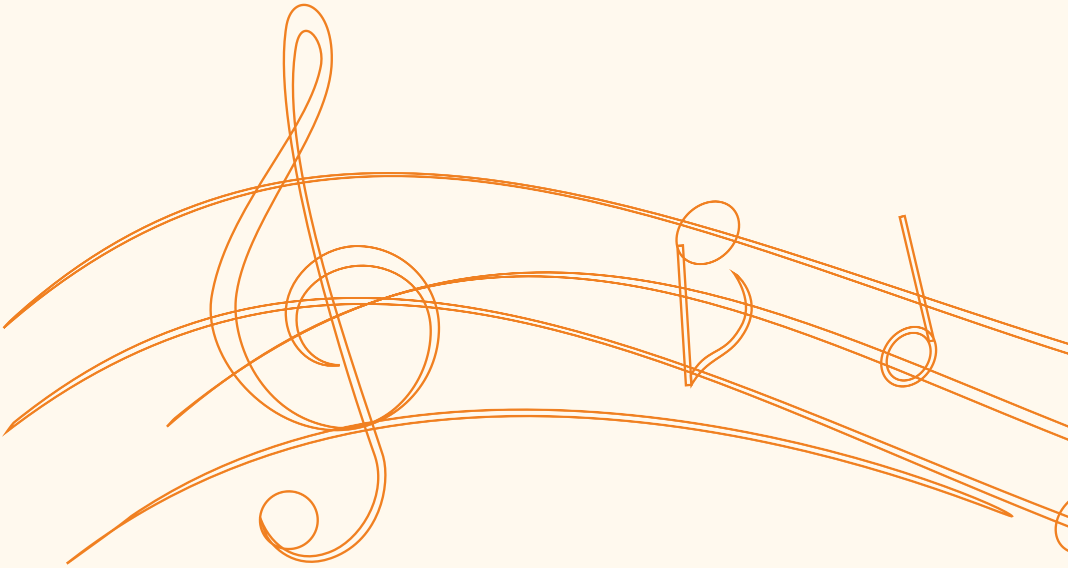
The board is also responsible for IT governance and SAMRO's risk committee assists the board with the execution of their duties in this regard. An IT progress report is presented by the COO at each risk committee meeting for discussion with the members.

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 behaviours and attributes of the organisation. During the year, SAMRO revised its values which



now include: Accountability, Service Excellence, Integrity, Achievement and Teamwork.

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 to the value of R500 or more.

CONFLICTS OF INTEREST

At orientation training and subsequent directors' training sessions, directors are informed of their fiduciary duty to act in the best interests of the organisation at all times. Documentation in respect of fiduciary duties is 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.

During the year, a Conflict of Interest Policy was approved by the board.

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.

Penalties were paid to SARS in terms of voluntary disclosure programmes, for the VAT returns for the period 2006 to 2010, and for the 2010 income tax return. Interest was forgiven in both instances and despite having to pay the penalty, the company was not out of pocket in both instances, as the company earned investment income for the intervening periods that exceeded the penalty.

The remuneration committee comprises three non-executive directors, as well as the chief executive officer (CEO) and an independent non-executive director designate, both of whom attend 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 non-executive directors of the board and its subcommittees
- 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 of directors

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 has 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 and an attendance fee paid on the date of the board meeting, subject to attendance at the 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 company's performance. Independent advice is acquired to review directors' remuneration as part of the annual salary benchmark initiative.

During the 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 was taken to increase the fees.

Non-executive directors	Directors' fees R000
NA Sibiya (chairperson)	46
S Khumalo (vice chairperson)	31
L Bala	10
J Edmond	52
AE Emdon	21
SCP Mabuse	22
P Mnomiya	46
JJ Niemand	32
J Savage	28
CFE Woods	68
J Zaidel-Rudolph	28
Independent non-executive director	
JJ Mnisi	47
Total	**431**

Executive 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. Towards the end of the financial year, the employee pension fund was converted from a defined benefit to a defined contribution fund.

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 is in alignment with the objectives of SAMRO's five-year strategy (2011 to 2015). The performance bonus scheme is linked to the performance of the company and the individual – all aimed at driving superior performance in the company.

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 competencies.

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 linked to the group's previous values and include:

- communication
- results orientation
- ownership
- continuous self-improvement

The alignment to the new values will be implemented in the next financial year.

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 45.

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 proposed memorandum of incorporation.

No executive director has a notice period of more than one year.

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

During the year, the nominations and governance committee agreed that there should be 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	2014 R000	2013 R000
Salaries and bonuses	**5 182**	5 129
Pension and medical aid	**719**	746
Other benefits	**524**	608
Total	**6 424**	6 483

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 with this assessment.

The SAMRO risk committee takes pleasure in presenting its report for the 2014 financial year. The SAMRO risk committee is a committee of the board and its composition and activities are detailed on page 40 of the governance report.

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, 71 of 2008. The chief executive officer (CEO), the chief financial officer (CFO), the chief operating officer (COO), the external audit partners and other employees attend meetings by invitation. In addition, other members of executive management are invited to 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 in the risk of the company
- 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 ensures delivery of the group's strategic objectives and delivers sustainable value growth for all stakeholders.

INTERNAL CONTROL

A sound internal control framework is essential for managing and monitoring compliance with our internal policies and procedures and external regulatory requirements. 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 and the relevance of policies and procedures.

The organisation previously had no internal audit function and a process was implemented shortly after the previous year-end to enhance the close management monitoring of adherence to company policies and procedures. The manager tasked with auditing the processes continues to make recommendations regarding non-adherence as well as 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, formal and planned 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 depends on the seriousness of the risk identified.

The general management committee formulates, oversees and manages the risk management system and monitors the group's risk profile. 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. A risk register is maintained and monitored regularly. Actions are identified to control these risks 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 the following:

- identification of the risk
- rating of the risk in terms of probability, impact and urgency, with scoring for each criterion
- how the risk is being mitigated, avoided, transferred or accepted
- allocation of who owns the risk and who manages the risk
- risks rated nine and above are taken to the board
- risks rated four to eight are discussed at the general management committee meetings attended by all executives
- risks rated below four are operational risks and managed by the general manager in the area of the risk

MATERIAL ISSUES AND HOW WE MANAGE THESE

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 the monitoring of the system of internal control.

The main risks tabled at the risk committee meetings during the year were:

Risk	Potential impact	SAMRO's response
SAMRO's role in needletime rights	Risk to viability of POSA operations and the SAMRO brand	Subsequent to the year-end, a contract was signed by SAMRO and SAMPRA to merge POSA and SAMPRA into one needletime society with equal board representation by performer members and record companies
Upgrade of systems	SAMRO unable to deliver on strategic goals	Due to delays in the implementation of the upgrade at BUMA STEMRA, there has been a delay in the upgrade of SAMRO's core IT system, ZEUS. The SAMRO upgrade, initially planned for early 2014 will now be delayed until late 2015, but SAMRO is confident that this will not affect operations The risk committee is kept informed by the COO
Copyright exceptions threatening DALRO's business model	Nullify DALRO's ability to license for reprographic reproduction in tertiary institutions	The future of licensing of higher education institutions depends on the final legislation proclaimed. The DALRO CEO to put a strategy together that deals with what would happen if the decision is made that higher institutions do not have to pay
Accuracy of cue sheets	Inefficiencies resulting in more queries and possible loss of members	SAMRO is investigating various methods of cue sheet reporting from sources other than the broadcasters, especially the Soundmouse offering. Cue sheets from Soundmouse are constructed from the actual broadcast using sophisticated fingerprint technology and minimising the possibility of human error. These solutions will have to be implemented together with the broadcasters. In the interim, ongoing cooperation and dialogue with stakeholders is the best means of ensuring that complete and accurate cue sheets are received
Lack of revenue from new media licensing	Inability to generate revenue	Licensing of the "new media" space remains an issue. While ongoing efforts to lobby government to make the necessary changes to the Copyright Act that would support performing rights licensing in the download market are yet to bear fruit, efforts at establishing a regional base are progressing with a number of agreements signed with other African societies. This will enable SAMRO to enter into regional licence agreements with large digital service providers
Poor data quality	Incorrect output data and increased level of queries	The implementation of a quality control team and a focus over the past 18 months on improved quality has begun to bear fruit. A number of issues with legacy data are being addressed and corrected as they are identified. Where processes have resulted in poor data quality, these are being addressed

Risk	Potential impact	SAMRO's response
Rights holder queries	High levels of queries or long-unresolved queries will result in member dissatisfaction. The level of rework required puts pressure on the operations area where resources are already stretched, resulting in an impact on current workloads	The implementation of a focused query resolution team 18 months ago has again resulted in an improvement in this area. Queries are tracked and monitored to ensure timeous resolution. The research and documentation is done by a dedicated team, thus reducing the impact on the current operational workload. Most queries have arisen from low documentation levels in certain distributions and the processes in the documentation and music usage area have been redesigned in order to address this
Online access to content (DALRO)	Significant reduction of reprographic licence revenue	Rights Portal provides a platform for the transactional licensing of articles in newspapers and magazines. This requires effective marketing and the available tools need to be constantly monitored. DALRO will allocate resources to ensure that this happens

SAMRO was founded over 50 years ago to promote the sustainability of the music and artistic communities. While faced with a range of challenges in a dynamic and uncertain operating environment, SAMRO continues to execute its strategy in a way that will assist the organisation to evolve to the next stage of its existence. This will enable SAMRO to generate sustainable long-term value for all its stakeholders.

By helping creators and publishers to realise the ongoing value of their creative works, SAMRO facilitates their financial sustainability and assists them to continue creating music. The funds we reinvest in the music industry through the SAMRO Foundation, our corporate social responsibility vehicle, help the industry develop at its roots. The Foundation's focus on nurturing budding talent from primary school to tertiary studies embodies the philosophy of "From Roots to Fruits" and ensures the vibrancy of the next generation of creative talent – whom we eventually encourage to become SAMRO members.

Traditionally, the focus of the SAMRO Foundation was on music education support, but the focus and strategy has been shifted to the development of live music and the growth of cultural institutions. Although SAMRO was established to primarily meet a financial need, we recognise the importance of considering a broader range of issues, including our impact on employees and other communities within and around the organisation, as well as the environment.

As administrators and distributors of funds on behalf of our members, it is imperative that our actions build trust with our members. We aspire to the highest standards of corporate governance to demonstrate our commitment to operating in an ethical and responsible way. We subscribe to the principles of the King Report on Governance for South Africa, 2009 and the King Code of Governance Principles (King III). Our governance structures and approach are discussed in our governance report on pages 34 to 43.

Music is ultimately about people, and our engagements with our stakeholders inform our strategy and actions. We are primarily accountable to our members and our operations focus on how best to meet their needs. The commitment and effort of our employees has a direct impact on the satisfaction of our members and the trust they place in us. Our employees are therefore crucial stakeholders in the sustainability of our organisation. The SAMRO Foundation's investments have an important positive impact on the broader musical community of South Africa.

As a services organisation, we operate in an office environment and believe that our impact on the environment is relatively small and contained. We nevertheless recognise our responsibility to understand and manage our environmental footprint as carefully as possible.

CSI IN NUMBERS

R100-million
invested in the arts since 1962

70
almost
overseas scholarships awarded

400
new music works commissioned

2 000
almost
music bursaries awarded

36
music schools funded

100 000
music scores archived

12
university programmes supported

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 each individual employee. Certain stakeholders have a greater influence on the company; however, SAMRO is committed to a policy of timeous, effective and transparent communication with all its stakeholders. SAMRO's key stakeholders and its engagements with them are listed in the table on page 54. Details of our high-level stakeholder engagement initiatives for 2014 are also discussed in the chairman's and CEO's reports (pages 20 and 24).

SAMRO'S extensive engagement with its members around the change of corporate form over the past two years resulted in the approval of the memorandum of incorporation at the annual general meeting (AGM).

Our relationship with government as the regulator of copyright legislation is critical – SAMRO owes its existence to copyright legislation. We engage with government departments on many levels to give an industry perspective to evolving legislation.

Other engagements with stakeholders during the period under review include:

Customer perception survey

SAMRO conducts an annual survey to better understand the concerns and needs of its major stakeholders. Members' overall rating of SAMRO has stayed the same compared to last year. Rights holders mostly became aware of SAMRO through friends or colleagues in the recording industry, with 96 per cent of those sampled knowing about SAMRO's royalty administration service (unchanged from 2013). Eighty-five per cent were aware of the administration of performing rights as a SAMRO service.

The awareness of the website and the Twitter page increased in 2014.

Calculation and the payment of royalties remained the main information requirement from members.

The main recommendation from licensees is that SAMRO should communicate better about its function and services.

The CEO held Majwaneng sessions with employees, in groups of 10, to discuss issues and ideas about SAMRO. This also created an opportunity for employees to connect at various levels within the organisation, thereby breaking down some of the "corporate barriers".

Stakeholder group	Stakeholders	Engagements	Stakeholder concerns
Members	More than 15 000 music composers, authors or songwriters, performers, publishers and nonfiction authors and heirs	Distribution of funds, query resolution, workshops, roadshows, events (such as the Wawela awards), website, bimonthly newsletters, AGM, annual integrated report	Cost effective and timely distributions, rapid query resolution, clear and regular communication
Licence holders (users)	Broadcasters and music users in venues used by the public or a section of the public	Interactions with key accounts, telesales, website, annual integrated report, newsletters	Transparent pricing, consolidated music rights licences
Employees	Employees, management, labour unions	Performance reviews, bargaining agreements, annual integrated report, website, Twitter, Facebook, newsletters, meetings, Majwaneng sessions	Fair remuneration and career development opportunities
Government	Government departments including the dti, Portfolio Committee on Trade and Industry, Department of Arts and Culture	Providing industry input into the formulation of evolving legislation that may affect our members	Development of the music industry, transformation, fair treatment of rights holders and enabling legislation
Industry peers and affiliates	Including: • International Confederation of Societies of Authors and Composers (CISAC) • International Association of Mechanical Rights societies (BIEM) • Business and Arts South Africa (BASA) • South African Federation Against Copyright Theft (SAFACT) • MOSHITO Music Conference and Exhibition • Composers Association of SA (CASA)	Conferences, meetings, board positions, founding and/or incubation	Sharing of best practice and trends, building of a music rights database, efficient remittance of reciprocal royalty collections
Media	Newspapers, television, radio, magazines	Press releases, annual integrated report, events, Twitter, Facebook, response to queries	Access to key personnel, transparency
General public	General public	Workshops, annual integrated report, events, website, Twitter, Facebook	Information about copyright administration

Member interaction programme

During 2014, SAMRO initiated a member interaction programme where it met with music creators to understand how SAMRO can improve its service to them and how to improve marketing efforts and reach. The objective of the project is to gain insights from our key stakeholder on what works when it comes to service and processes, and to assist in improving relevant issues identified by the various music creators.

Web portal

Technology remains a key enabler for engagement with stakeholders. Members continue to enjoy the benefits of the web portal, where they can view and update personal account information, notify works online and view current and past account statements. During the period under review, 779 new users registered (2013: 696) and 6 579 successful logins were registered (2013: 2 032). Distribution data was accessed 3 904 times (2013: 907 times).

SAMRO website

The SAMRO website is a central hub of information as it houses a number of useful resources, including relevant information about SAMRO – who we are, what we do and how to reach us. The website also provides music creators with access to a number of forms which are relevant to their business interactions with SAMRO. Furthermore, it provides links to our Facebook and Twitter pages. Since the launch in October 2012, the website has received 2 587 emails.

Contact centres

In addition to the contact centres in Thohoyando and Durban, SAMRO launched a further contact centre in Polokwane in the year under review.

Call centres

The call centre continues to operate during normal working hours and makes an average of 300 outbound calls per day (2013: 140). An average of 215 inbound calls per day have been received (2013: 70 calls).

Book launch

SAMRO's book commemorating the people, personalities, music and events that shaped its first 50 years will be launched at the end of 2014.

Animated educational video

An animated educational video tutorial was developed in 2014 that explains what SAMRO does. This was shared on our various online platforms and our music creators even shared the tutorial on their own web pages.

The SAMRO documentary, *Notes 2 Notes*

This documentary is available on the SAMRO YouTube channel. The documentary is a candid look at the formation and growth of SAMRO in the context of the South African musical and political climate over the past five decades. It also provides a snapshot of how the organisation came into being and explores the highs, the lows and everything in between. To view the documentary, visit www.youtube.com and search: *SAMRO documentary – Notes 2 Notes*.

Social networks

SAMRO's social media profile included some 20 000 Facebook friends and 6 000 Twitter followers (2013: 4 412 followers). There was an average of three direct posts (2013: five posts) on the SAMRO timeline (queries or questions), with the SAMRO Facebook inbox receiving on average a further five posts per day (2013: five posts).

CASE STUDY: THE MUSIC INDUSTRY APPLAUDS SOUTH AFRICAN TALENT AT THE SECOND WAWELA MUSIC AWARDS

The second annual Wawela Music Awards took to the stage recently to applaud South Africa's finest musical contributors. The star-studded ceremony was hosted by SAMRO in a glittering event held in Johannesburg on Friday, 27 June 2014.

These awards recognise South African music creators' accomplishments internationally. The Wawela (a Zulu word meaning "Go Beyond") Awards – the first of its kind in Africa – offer free entry and are only open to SAMRO members. The awards provide a more inclusive showcase of all players in the music industry's value chain. The second instalment of the prestigious Wawelas went beyond the performers, to award songwriters and music publishers who add magic to the music at every stage of creation.

The second event attracted some big local names both performing on the night and nominated in the various categories. Particularly among the special awards categories, were South Africa's ground-breaking musicians who shared the applause with legends from the past and present.

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

CORPORATE SOCIAL INVESTMENT

Our philosophy of being a good corporate citizen is closely aligned to the ideals of the Freedom Charter and to our commitment to developing our stakeholders. This philosophy has been embedded by successive boards, dating back to the vision of the founders of the organisation. SAMRO has a proud history of investing in the value of music since 1962, a year after it was founded.

The SAMRO Foundation was launched in 2012 to manage the group's corporate social investment programmes. 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

The SAMRO Foundation also engages in international partnership projects that focus on the development of live music, which benefits artists by generating direct income. The focus and strategic direction of the SAMRO Foundation has shifted from primarily music education support to effectively growing cultural institutions and the development of live music.

SAMRO has developed a future corporate social investment strategy aligned to its commercial imperatives and the rapidly changing cultural landscape. The activities of the Foundation meet some key business needs while contributing to a broader South African transformation agenda. The strategy focuses on generating skills critical for the music industry, the copyright and creative industries and, more broadly, the creative economy.

SAMRO allocates 8,25% of its annual profits to the Foundation, the SAMRO Retirement Annuity Fund and the SAMRO Funeral Benefit Scheme. The funds allocated to the Foundation are managed and allocated to focus projects on an annual basis. The Foundation has its own governance structure in place to ensure that funds are allocated in a transparent manner, with the necessary mandated approval process in place. SAMRO's board is kept apprised of the Foundation's progress at all board meetings.

	Facts and figures	Inception
Overseas scholarship winners	66	1962
Bursaries awarded	1 756	1981
Music schools supported	36	1986
University programmes supported	12	1996
Funds invested	R100 million (+)	1995
Works commissioned	420	1962
Original music scores	100 000 archived	1962

Given the nature of its business, SAMRO plays a key role in the South African music industry. We continue to support and implement various initiatives that aim to achieve a lasting and sustainable impact on the country's cultural, social and economic life.

HISTORY OF SAMRO'S CORPORATE SOCIAL INVESTMENT IN FIGURES

Music education

SAMRO Foundation's **three flagship music education projects** are:

1. **The SAMRO Overseas Scholarships Competition** which offers up-and-coming musicians exposure through the competition as well as a chance to win one of two scholarships for overseas study in music – one in the field of western art music ("classical" music) and the other in jazz/popular music.
2. **The Cape Town and Gauteng Big Band Jazz Festivals** for high schools. The Cape Town festival is now in its 16th year and the Gauteng festival in its third year.
3. **The SAMRO/Hubert van der Spuy National Music Competition** for primary school students. The Foundation also supports music development through offering:
    - music bursaries
    - support for non-government music schools
    - bridging courses to assist disadvantaged students in tertiary music studies
    - support for the production of academic concerts at universities to showcase budding artists, expose the South African musical compositions of SAMRO member composers and authors and develop audiences

Music conservation, preservation and promotion
The SAMRO Music Archive is primarily a sheet music archive with 100 000 scores (of which about 88 000 are indexed) 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 South African composers and authors, to write for orchestra and develop a diverse South African orchestral repertoire.

Music/cultural industry support
SAMRO supports MOSHITO, Africa's biggest music industry conference, exhibition and trade platform, as well as the Klein Karoo Nasionale Kunstefees, the second biggest performing arts festival in the country.

SAMRO's Stakeholder Hub offers administrative infrastructure and support to help to facilitate the growth of other organisations in the industry. The Hub currently houses the following:

- Composers Association of South Africa (CASA)
- Academic and Non-Fiction Authors of South Africa (ANFASA)
- Arts and Culture Trust (ACT)
- Music Managers Forum of South Africa (MMFSA)

International partnership projects

- **Concerts SA**: A partnership between SAMRO, the Norwegian Embassy and Rikskonsertene (Concerts Norway). This is a three-year project that will 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 focus for implementation is Gauteng, KwaZulu-Natal and the Western Cape
- **International Music Mobility Fund**: A one-year partnership was envisaged between the SAMRO Foundation and the British Council. The focus was on cross-border exchange of South African music professionals between South Africa, the United Kingdom (UK) and the South African Development Community (SADC) region, but with a particular emphasis on SADC regional exchange. To date, four live music tour performances and research-based collaborations have been supported
- **Vis-a-Vis Johannesburg**: A partnership project between the SAMRO Foundation, the Spanish Embassy and La CASA Afrika in Spain. The project included a battle of the bands competition with 89 entrants and 12 finalists performing to 12 Spanish promoters over three days, selected via online applications. The two winners toured prestigious Spanish festivals in July/August 2013
- **Music in Africa Project**: A partnership with the Goethe Institute and Siemens Foundation. This project assists with content, strategic direction and governance. SAMRO is represented on the interim board of a portal on contemporary music in Africa

SAMRO is committed to transformation and sees it as a strategic imperative. As a South African company, we are required to comply with the Broad-Based Black Economic Empowerment (BBBEE) Act and the Employment Equity (EE) Act.

Transformation continues to be a key focus area for the board. The newly-formed social and ethics board subcommittee will monitor SAMRO's progress against the BBBEE and EE Acts to ensure that SAMRO makes progress towards creating an organisation that is demographically representative of South Africa, and continues to contribute to the greater South African socio-economic development.

SAMRO monitors BBBEE progress through a range of accountabilities. Human resources management drives the employment equity balance in the organisation and appointments are continuously evaluated to ensure that these ratios are maintained and improved. From a supplier perspective, management is aware of and manages the contracting of suppliers to include the assessment of empowerment partners in supply arrangements and gives preference to empowerment partners with the ability to deliver.

SAMRO supports black economic empowerment partners through its preferential procurement and enterprise development programmes. We are proud of our continued high levels of support for developing small enterprises. In addition to these empowerment initiatives, SAMRO supports the music composing and publishing industry through its role as administrator of performing and mechanical rights. From 1 July 2014, the formation of CAPASSO means that mechanical rights will be administered by that organisation in line with SAMRO's stated withdrawal of its involvement in the administration of these rights.

By protecting and administering their music rights, SAMRO enables local composers, authors and music publishers the opportunity to focus on growing their businesses and creating employment opportunities.

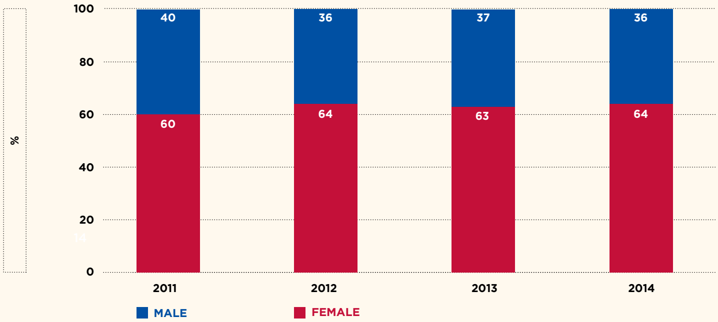
SAMRO engaged Empowerdex to provide assurance of its BBBEE scorecard, the results of which are not yet available. In its previous rating, SAMRO qualified as a level 6 contributor.

A focus in 2014 was on improving SAMRO's supplier rating. In doing so, the organisation established a supplier database which will be used to monitor suppliers. In addition, SAMRO has requested BBBEE certificates from all its suppliers to monitor the supplier category in its scorecard.

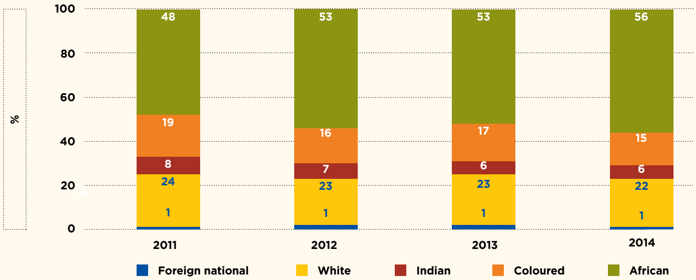
In order to bolster SAMRO's enterprise development category, it lends money to its members to fix or improve music studios. We were advised by the last BEE assessor that we would need to get these members to provide affidavits that they do not earn more than R5 million. This has been implemented as part of the loan application form so that this can be verified going forward.

SAMRO made steady progress with its employment equity targets as shown in the graphs on page 60. Going forward, SAMRO's intention is to further improve on these targets through more focused monitoring of recruiting practices at all staff levels.

PERMANENT EMPLOYEES BY GENDER



PERMANENT EMPLOYEES BY RACE



SAMRO's ability to meet its members' needs and execute its strategy is largely dependent on the skills and hard work of its employees. In line with our stated vision, we invest in highly skilled and committed staff who excel in service. We continue to implement our new performance-management programme to drive the culture of performance. Delivering efficient service to our stakeholders ensures that we meet their needs and build trust, and will also help us to meet our cost-management goals.

We invest in our employees through training initiatives that support their continued development. SAMRO seeks to ensure that the working environment is safe and has programmes in place to help employees to manage their health and well-being.

SAMRO plays an important role in economic growth in South Africa, contributing directly to job creation through its group operations (all human capital numbers reflect the entire group). SAMRO employed 199 permanent (2013: 206) and 21 temporary employees (2013: 15) at year-end.

Employee turnover improved significantly to 15,5% for the 2014 period (2013: 17,9%).

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

With the changes in the labour laws regarding labour brokers, SAMRO was cognisant of the fact that any temporary employees, recruited through a labour broker, would be deemed permanent after working for more than three months. SAMRO instituted a policy to ensure compliance.

We are committed to transformation and our five-year diversity and employment equity plan aims to ensure that our workforce is representative of the country's demographic profile. We achieved our diversity and employment equity targets in 2014. Historically disadvantaged South Africans comprised 77% of our workforce in the current year (2013: 76%).

Employment equity in terms of the BBBEE requirements is also mentioned in the transformation section of this report on page 59.

ATTRACTION AND RETENTION

SAMRO aims to attract and retain highly skilled and committed employees through offering competitive salaries and additional benefits, such as medical aid and retirement benefits for full-time employees, and death and disability benefits. Salaries increased by an average of 8,5% (2013: 8%) across the company this year.

Our performance management programme is designed to align employees with the long-term strategic goals of the company and reward excellent performance. SAMRO's performance management process includes steps to upskill

employees where necessary before implementing dismissal procedures. The process has been bedded down and will receive continuous monitoring going forward.

During the period under review, SAMRO undertook an investigation of its cost-to-company salary structuring for all employees, to determine whether SAMRO could restructure packages to the benefit of its employees. The results revealed that the current salary structure was the most beneficial and no salary restructuring took place.

Intellectual property rights management is a complex subject and 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 developed around the job, rather than the individual in that job. A gap analysis is then performed with employees a level below that position, thus creating a growth plan to close the existing gap. Succession plans and talent pipelines are reviewed at various levels of the risk framework.

SKILLS DEVELOPMENT

Investing in skills development is a priority, given the strategic importance of intellectual property to our sustainability in a competitive market. SAMRO has a number of skills development initiatives in place across the organisation that support management and employees in their continued professional and personal development.

Our training programme is guided by the annual skills development plan which we submit to the relevant SETA. In the current financial year, SAMRO invested R695 000 in skills development (2013: R3 million). About 30% of employees received various training interventions. The significant variance from the prior period was due to a material amount allocated to training when the ZEUS system was launched in 2013.

Management and leadership programmes are supplied to candidates from the supervisory to executive management levels. During the year, various managers attended programmes relevant to their areas of expertise.

FREEDOM OF ASSOCIATION

SAMRO recognises the rights of its employees to freedom of association and collective bargaining. The group has a recognition agreement with the Communication Workers' Union (CWU) which represented 51% (2013: 50,3%) of qualifying employees at year-end.

SAMRO made good progress with union relations following the disruption caused by the strike in 2012 over the restructuring of the organisation's 13th cheque – which was removed in 2011 – to include a performance recognition component. Monthly engagements were initiated between the two parties to proactively discuss any issues raised by the union, before raising them with employees. In addition, several controls were put in place with regard to the upgrading of certain positions and the union was actively engaged in decisions around these upgrades. These improvements have led to mutually respectful and honest relationships with our employees and their representatives.

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. Two meetings have been held.

Regular occupational health and safety risk-control audits are conducted to ensure adherence to procedures and compliance with relevant legislation. Areas for improvement highlighted in the audits are implemented as required. Appropriate medical emergency and disaster recovery plans are in place.

The group monitors injuries on duty and aims for the lowest possible harm rate in terms of serious injuries or deaths on duty. Significant matters are reported to and monitored by the SAMRO risk committee. There were zero injuries on duty in the current year (two in 2013). There have been no deaths on duty in the group.

SAMRO takes a preventative approach to employee health. The group has several employee wellness programmes in place, ranging from programmes to assist employees with adopting a healthy lifestyle, to HIV/Aids tests. Professional and independent psychosocial support is provided for employees. SAMRO offers a range of wellness and work/life services to all employees on site.

SAMRO employees are members of a recognised medical aid scheme. Membership is mandatory for all full-time employees, as well as their eligible dependants, unless they belong to their spouse or partner's medical scheme. SAMRO contributes 60% of the monthly medical aid contributions.

The group has a comprehensive programme in place to address the social and economic implications of the HIV/Aids pandemic. The programme includes information and awareness campaigns, free voluntary testing, free counselling and medical treatment programmes.

SAMRO created and distributed R486,7 million of wealth in 2014, 8,8% more than in 2013 (R447.5 million). Distributions for the benefit of members in the form of royalties, retirement annuity and funeral benefits, endowments for the national arts and other social and cultural allocations totalled R397,7 million in 2014, an increase of 6,9% on 2013 (R372,1 million). Over the last three years, SAMRO has distributed over R1,3 billion for the benefit of members.

Payments to employees in the form of salaries, wages and benefits declined marginally by 1,7% in 2014 to R82,5 million (2013: R83,9 million) and represented 17% of total value distributed. Providers of capital received R2,0 million and R5,2 million was provided for distribution to government in the form of taxation.

A net total of R11,7 million was drawn from reserves and retained earnings to fund operations during the year.

VALUE ADDED STATEMENT

for the year ended 30 June 2014

	GROUP	
	2014 R000	2013 R000
Music licence and royalties	**393 552**	370 962
Reprographic licence and royalties	**47 504**	45 602
Administration and other fees	**17 364**	16 069
Cost of generating revenue	**(61 652)**	(52 049)
Value added	**396 768**	380 584
Income from investments	**52 691**	39 523
Distribution adjustment	**37 279**	27 368
Wealth created	**486 738**	447 475
Value distribution		
Members		
Music royalty distributions	**272 704**	260 421
Reprographic royalty distributions	**47 504**	45 602
Non-royalty distributions	**55 296**	46 086
SRAF and members funeral benefit	**10 437**	9 096
SAMRO Foundation allocation	**11 768**	10 257
Other social and cultural allocations	**10**	609
Employees		
Salaries, wages and benefits	**82 526**	83 921
Providers of capital		
Finance costs	**2 033**	1 996
Government		
Taxation charge	**5 201**	416
Reinvested in the group		
Depreciation and amortisation of capital items	**10 941**	8 015
Transferred to reserves	**–**	(3 755)
Retained earnings	**(11 682)**	(15 189)
Total	**486 738**	447 475

1. Rev NA Sibiya

Appointed 1 November 2010. Publisher member.
Appointed chairperson 13 September 2012

Abe is the CEO of Urban Rhythm Factory and Mtommbo Audio Solutions, head of One Gospel and Dumisa TV channels, head of Southstone Records and executive chairman of Vuma 103FM. He is also a singer/songwriter in his own right, having performed live internationally from 1988 to 2006. Abe is a business leader across several diverse businesses and a driven entrepreneur. He has worked in South Africa and across the African continent setting up deals, broadcast platforms and creating diverse relationships within the media business world. He is a thought leader in the music business and an awarded composer. Abe is also a leading executive in broadcasting, media leadership and managing complex processes regarding business development strategies and managing change.

2. S Khumalo

Appointed 1 November 2010. Composer member.
Appointed deputy chairperson 28 November 2013

Sibongile is a former head of the Federated Union of Black Arts' (FUBA) music department and the Funda Arts Centre's coordinator. She has worked with various artistic institutes, including the Madimba Institute of African Music. She was a board member and chairperson of the festival (artistic) committee of the Grahamstown National Arts Festival and served on the board of Opera Africa. As the winner of the Standard Bank Young Artist Award for Music in 1993, the FNB Vita Award in 1999 and several SAMA awards, she has recorded numerous albums and performed worldwide. She is involved with the Khongisa Academy for the Performing Arts.

3. SS Dlamini

Appointed 1 February 2012. Executive member.
Appointed CEO 1 July 2013

Sipho Dlamini's career in music is a long and storied one, spanning 18 years. His previous roles include vice president and managing director at Creative Kingdom Records, chief operations officer of Center Stage Management, and Partner at IAAM Entertainment. His experience encompasses live event/concert and festival production, record label industry management, artist management, and special event planning and management, including TV production, marketing and strategy.

Most notably, Sipho was called on by the Local Organising Committee and FIFA™ to produce and manage the ceremonies for the Confederations Cup in 2009 and, later, the FIFA™ 2010 World Cup. These roles positioned Sipho in the front row, where he led the conceptualisation of the creative concepts of the opening and closing ceremonies, overseeing creative and technical execution and production management.

He began working at SAMRO at the beginning of 2012 in the role of general manager: marketing and business development and was appointed as CEO of the organisation in July 2013 after a brief stint as deputy CEO.

4. GJ Zoghby

Appointed 1 March 2008. Executive member.
Appointed CFO 2012

Gregory completed his articles with Aitken and Carter before joining Standard Bank in its international division. He moved on to become financial manager of African Life Assurance and was later deployed in the group to manage operations. He was appointed chief operating officer of SAMRO in 2008 and chief financial officer in 2012.

5. L Bala

Appointed 27 March 2014. Composer member.

Loyiso started his music career as a member of the prestigious Drakensberg Boys Choir. Since then he has excelled as a solo artist to become the king of R&B in South Africa. Loyiso has received five SAMA and three Metro FM Awards as well as SAFTA recognition for best musical score. He has shared the stage with Stevie Wonder, Aretha Franklin, John Legend, Brian McKnight, Elton John, Will Smith and Akon. He also performed alongside Alicia Keys and The Black Eyed Peas in the 2010 FIFA™ World Cup Opening Ceremony.

His achievements go beyond the stage as an ambassador for Nelson Mandela's 46664, Cotlands, the Smile Foundation and the South African Field Band Foundation. He also serves as Goodwill Ambassador for UNAIDS, the Joint United Nations Programme on HIV/AIDS.

6. J Edmond

Appointed 28 March 1987. Publisher member.

John is a music publisher with 45 years' experience and a composer/singer for more than 51 years – many of those as a professional musician in countries such as the Netherlands, the UK, USA and Australasia. He represented South Africa at the World Song Festival in Japan in 1970. John was managing director of Gallo Music from 1968 to 1985.

John is also the CEO of Roan Antelope Music, chairman of the Leeupoort Farmers Union, a member of Wildlife Ranching SA and the founder and chairman of Leeupoort Raptor Conservancy. John served on the SRAF board of trustees from 1985 to 1987. He was elected to the board in 1987 and also served on the SENA board for many years. John registered his first song of more than 500 with SAMRO on 9 March 1966. He is a licensed pilot and hosts bush flying courses at his own aerodrome at Kunkuru Lodge.

7. AE Emdon

Appointed 28 March 1987. Publisher member.
Retired as chairperson 13 September 2012

Annette studied voice training. She was a member of the Witwatersrand choir under Prof John Blacking and a soloist at Wits University Opera Productions. She was also a timpanist for the Johannesburg Symphony Orchestra. As a SAMRO board member, she represented the organisation at the general assembly of the International Confederation of Societies of Authors and Composers (CISAC) and also acted as chairperson of the SAMRO Endowment for the National Arts (now SAMRO Foundation). Annette is one of the managing partners of Accent Music, the local representative of Boosey and Hawkes. Annette stepped down as chairperson of the SAMRO board after 15 years in September 2012.

8. SCP Mabuse

Appointed 25 March 1995. Composer member.

Sipho is a professional composer and musician who has toured and performed in many countries, including the USA, Spain, Germany, Russia, the UK and Belarus. Sipho was a trustee of SENA and former chairman of the SAMRO Retirement Annuity Fund. He also held a post on the FUBA Music School board. He was the owner-manager of Kippies Jazz Club, was a member of the Music Industry Task Team (MITT) and a member of the National Arts Council of the Department of Arts and Culture. He also served on the board of the Soweto Old Age Home.

9. J Mnisi

Appointed 16 September 2010. Independent board member by invitation.

Jerry has well over 21 years' experience in the financial services and asset management industry and has held various senior roles, including that of marketing and strategy director. Jerry has headed up Stanlib's Institutional Distribution since November 2010.

10. P Mnomiya

Appointed 15 September 2011. Composer member.

Phelelani is a multi-genre composer who is mostly known for his choral compositions. He also composes opera works, popular gospel music as well as western art classical music. He is a lecturer at the University of KwaZulu-Natal and is currently working on his PhD. He has conducted the KZN Philharmonic Orchestra and has a well-rounded understanding and appreciation of music.

11. J Niemand

Appointed 30 November 2012. Composer member.

Acclaimed songwriter and international performing artist, Joe Niemand has released eight albums to date. This award-winning tunesmith's career includes theatre, film music, commercial songwriting, music producing, publishing and managing his label Nomansland. In 2012, Joe produced one of the biggest shows in SA history called *Night of Light*, celebrating 10 years in the music industry. A film about the show titled *Agter die Ligte* was released in theatres nationwide and the concert was broadcast by the SABC as a Christmas special in December 2013.

12. CFE Woods

Appointed 11 December 2008. Publisher member.

Fred has more than 35 years' experience in the music, advertising and television industries, having been involved as a professional musician, composer, music producer, music publisher and sound engineer. Fred is vice chairman of the SRAF board of trustees and CEO of Red Igloo Music. He is a prolific composer and producer of theme and incidental music and is the creator of two internationally renowned production music libraries: Cute Music and Strange Fruit Music. Fred has won several local and international music awards.

13. J Savage

Appointed 1 July 2013. Publisher member.

Trained in the law, Jay has a career in music spanning decades. He has been managing director of Sony/ATV Music Publishing for more than ten years and was recently appointed the managing director of EMI Music.

Working in London as the African Music expert at the MCPS, he helped establish the first ever Samples Clearance division of the society. Later, he was instrumental in launching Primedia Songs, a division of Primedia Holdings. He has consulted on several big South African films, including *White Wedding, Jozi, Paradise Stop, Fanie Fourie's Lobola, Material, Spud 1* and *Spud 2*.

14. J Zaidel-Rudolph

Appointed 1 January 2008. Composer member.

Jeanne is currently Honorary Research Professor in the Music Department at Wits University, where she is past Head of Music and Professor of Composition. She has lectured in the Department since 1975 and occupied the headship several times. She has won numerous prizes for her original work and was awarded the Order of Ikhamanga by President Mbeki in 2004 for "her outstanding contribution as a composer, pianist and teacher in the development of music in South Africa and internationally". She has had numerous performances of her music at festivals overseas and delivered academic papers at conferences. She has recently been "composer-in-residence" at New York's City University, the University of Ohio, USA and the Jerusalem Academy of Music and Dance.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation, integrity and fair presentation of the group and separate financial statements of SAMRO. The financial statements presented on pages 74 to 111 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa, and include amounts based on judgements and estimates made by management.

The directors consider that in preparing the financial statements, they have used the most appropriate accounting policies, consistently applied and supported by reasonable prudent judgements and estimates, and that all IFRS that they consider to be applicable have been followed. 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. The accounting records should disclose, with reasonable accuracy, the financial position and results of the group and company to enable the directors to ensure that 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. 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. These financial statements support the viability of the group and the company.

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. 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 presented on page 73.

The financial statements were approved by the board of directors on 31 October 2014 and are signed on its behalf by:

Rev NA Sibiya
Chairperson

SS Dlamini
Chief executive officer

CERTIFICATE BY COMPANY SECRETARY

In my capacity as company secretary, I hereby certify, in terms of the Companies Act No 71 of 2008 as amended, that for the year ended 30 June 2014, the company has lodged with the Registrar of Companies all such returns as are required of a company in terms of this Act and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

JM Schulten
Company secretary
Johannesburg
31 October 2014

DIRECTORS' REPORT

To the members

Your directors have pleasure in submitting their fifty-third annual report and SAMRO's audited financial statements for the year ended 30 June 2014.

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 and this continued until 30 June 2014. From 1 July 2014, a newly formed mechanical rights organisation, CAPASSO, has taken 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, the Performers Organisation of South Africa (POSA). An agreement was recently signed to merge POSA with SAMPRA, so that needletime rights may be administered by one organisation. Although the initiation of these moves commenced some time ago, both are in line with the subsequent recommendation made by the copyright review commission, which stipulated that each right should be managed by a separate collecting society.

FINANCIAL REVIEW

Financial highlights

Group income		
Total group income	R463,6 million (2013: R426,6 million)	+8,7%
Licence and royalty income	R410,0 million (2013: R386,5 million)	+6,1%
Literary rights income	R11,7 million (2013: R10,9 million)	+7,5%
Investment income	R52,7 million (2013: R39,5 million)	+33,3%
Music rights income	R393,6 million (2013: R371,0 million)	+6,1%
Broadcast income	R314,9 million (2013: R263,9 million)	+19,3%
General licence income	R66,8 million (2013: R98,7 million)	-32,3%
Foreign income	R11,9 million (2013: R8,4 million)	+41,6%
Literary rights collected		
Reprographic reproduction income	R43,4 million (2013: R42,5 million)	+2,1%
Other licence income	R4,1 million (2013: R3,1 million)	+32,3%

GROUP REVIEW

Income

Total group income for the year increased from R426,6 million to R463,6 million, an increase of R37 million or 8,7%. Group licence and royalty income for the year amounted to R410 million as compared to R386,5 million, an improvement of R23,5 million or 6,1%.

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 R180,2 million (2013: R151,7 million) and from radio R125,9 million (2013: R104,5 million). General licence income, which represents diffusion and public performance of musical works (including cinema), amounted to R66,8 million (2013: R98,7 million).

Administration expenses

Group administration expenses amounted to R131 million as compared to R132 million in 2013, reflecting a marginal reduction.

Distribution

Amount available for distribution for the year under review, before taxation, social and cultural deductions and transfers to reserves, amounted to R343,7 million. 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 R328 million compared to R306,5 million in 2013, an increase of R21,5 million or 7%.

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 R22,6 million to R393,6 million from R371 million in 2013. Domestic licence income for the year increased by R19,1 million to R381,6 million from R362,5 million in 2013, an improvement of 5,3%. Income from broadcasting this year increased some 19,3% to R314,9 million from R263,9 million in 2013. General licence income (excluding cinema) decreased by R32,4 million to R58,9 million from R91,3 million in 2013.

Income received from foreign affiliates for the year increased by R3,5 million to R11,9 million from R8,4 million in 2013. Total non-royalty income increased by R13,8 million to R59,9 million from R46,1 million in 2013. Income received from investments increased by R12,9 million to R50,7 million from R37,8 million in 2013. This year's cost ratio is 24,22% (2013: 24,81%) of SAMRO's total income net of bad debts.

DALRO – literary rights

Following last year's significant growth in reprographic blanket licensing in the tertiary education sector, this revenue line grew slowly in the current year due to no new substantial blanket licences. This year, the wholly owned subsidiary increased its licence royalty stream, albeit slightly. DALRO's total licence and royalty fees invoiced increased by R1,9 million to R47,5 million from R45,6 million in 2013, an increase of 4,2%. The reprographic reproduction fees invoiced by DALRO also grew slowly during the year. Blanket licensing as opposed to transactional licensing, represented 74,9% of DALRO's reprographic reproduction fees invoiced, as compared with 74,8% in 2013. The total other licence fees invoiced by DALRO for the year under review increased by 32,9% to R4,1 million in comparison to R3,1 million in 2013. Administration charges to cover expenses represented 24,7% of licence and royalty fees invoiced compared with 24% in 2013.

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 slowly at 3,2% to R7,8 million, due largely to several tenants not renewing their leases and the eviction of one large tenant. The replacement of tenants took far longer than anticipated. Costs were driven in the year under review by huge increases in the property rates as the Johannesburg municipality more than doubled the rates. SAMRO is appealing the municipal valuation of the properties. The other significant costs are depreciation of the building and interest on the loan for the building. Excluding depreciation on the building and interest on the loan for the building, operating costs have been well controlled in the year, reducing by 11%.

Gratia Artis

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

POSA

The Performers Organisation of South Africa continued to sign up members, although there was no active recruitment during the year. SAMPRA, the society accredited to collect licence fees, has still not distributed any royalties to rights holders and POSA has therefore not been able to distribute any royalties to its members. After the financial year-end, POSA and SAMPRA signed an agreement for the formation of a single society for needletime.

It is anticipated that this positive development will result in the distribution of royalties in the not too distant future.

Amount distributable

SAMRO

Amount available for distribution to SAMRO members and affiliated societies for this year is R328 million compared with R306,5 million in 2013, an increase of 7%. During the year, SAMRO processed distribution 52 from the distribution revenue determined at the 2013 financial year-end and distributions in progress, resulting in royalty credits distributed to its own members, as well as members of affiliated societies, of R272,7 million.

DALRO

DALRO's distributions to rights holders in literary and dramatic works reached R47,1 million as compared to R42 million in 2013, an improvement of R5,1 million or 12,2%. As 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 but are disclosed in the distribution notes to the annual financial statements.

Taxation

Taxation expense for the year amounted to R5,2 million (2013: R0,4 million).

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 non-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	
		2014	2013	**2014**	2013
Name of company	**Nature of business**	**R**	R	**%**	%
Subsidiaries					
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

DIRECTORS' REMUNERATION
For details of non-executive and executive directors' remuneration, refer to the remuneration report on page 44.

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. Dramatic, Artistic and Literary Rights Organisation (Pty) Ltd (DALRO) 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 34 of this integrated report.

DIRECTORS
During the year under review the casual vacancy created by the resignation of Mr TS Kekana as a composer member of the board of directors was filled by Mr L Bala. Mr J Savage joined the board as a publisher member.

Composers/lyricists
L Bala, J Edmond, S Khumalo, SCP Mabuse, J Niemand, P Mnomiya and J Zaidel-Rudolph

Publishers
AE Emdon, J Savage, NA Sibiya, CFE Woods

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 TO THE MEMBERS OF SOUTHERN AFRICAN MUSIC RIGHTS ORGANISATION NPC

We have audited the consolidated and separate financial statements of Southern African Music Rights Organisation NPC, set out on pages 74 to 111, which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Southern African Music Rights Organisation NPC as at 30 June 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2014, we have read the directors' report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: KJ Dikana
Registered auditor
Johannesburg

31 October 2014

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2014

		COMPANY		GROUP	
	Note	2014 R000	2013 R000	2014 R000	2013 R000
REVENUE	2	**393 552**	370 962	**410 048**	386 525
Other income	3	**9 154**	8 273	**869**	506
Investment income	4	**14 056**	15 096	**16 040**	16 806
Other gains	5	**36 650**	22 717	**36 650**	22 717
Total revenue		**453 412**	417 048	**463 607**	426 554
Bad debts		**(20 600)**	(9 413)	**(20 860)**	(9 680)
Administration expenses		**(111 142)**	(110 130)	**(130 715)**	(131 954)
Other expenses		**(3 543)**	(2 351)	**(3 544)**	(2 351)
Social and cultural expenses	7	**(22 205)**	(19 354)	**(22 215)**	(19 963)
Distribution and grant of rights expenses	8	**(328 000)**	(306 507)	**(328 000)**	(306 507)
Operating loss	6	**(32 078)**	(30 707)	**(41 727)**	(43 901)
Royalty distributions written back	9	**37 279**	27 368	**37 279**	27 368
Finance charges	10	**–**	–	**(2 033)**	(1 996)
Profit/(loss) before taxation		**5 201**	(3 339)	**(6 481)**	(18 529)
Taxation	11	**(5 201)**	(416)	**(5 201)**	(416)
Net profit/(loss)		**–**	(3 755)	**(11 682)**	(18 945)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Net gain on available-for-sale financial assets		**19 505**	31 311	**19 505**	31 311
Other comprehensive income for the year		**19 505**	31 311	**19 505**	31 311
Total comprehensive income for the year		**19 505**	27 556	**7 823**	12 366
Attributable to:					
Members		**19 505**	27 556	**7 823**	12 366
Non-controlling interests		**–**	–	**–**	–

STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	Note	COMPANY 2014 R000	COMPANY 2013 R000	GROUP 2014 R000	GROUP 2013 R000
ASSETS					
Non-current assets					
Property and equipment	13	**16 691**	18 411	**127 853**	133 347
Intangible assets	14	**102 855**	73 347	**103 545**	73 738
Investment in subsidiaries	15.1	**175**	175	**–**	–
Deferred tax	16	**17 069**	20 537	**18 435**	21 726
Available-for-sale investments	17	**301 802**	288 090	**301 802**	288 090
Total non-current assets		**438 592**	400 560	**551 635**	516 901
Current assets					
Trade and other receivables	18	**71 469**	116 493	**74 034**	115 534
Inventory	19	**493**	423	**678**	606
Related party receivable	15.2	**164 572**	155 751	**3 000**	–
Taxation		**7 017**	5 060	**5 632**	3 687
Cash and cash equivalents	31	**109 153**	56 516	**153 387**	104 327
Total current assets		**352 704**	334 243	**236 731**	224 154
Total assets		**791 296**	734 803	**788 366**	741 055
EQUITY AND LIABILITIES					
Capital and reserves					
Retained earnings		**46 626**	46 626	**(26 207)**	(14 525)
Fixed asset revaluation reserve	20.1	**2 042**	2 042	**2 042**	2 042
Unrealised gains reserve	20.2	**108 929**	89 424	**108 929**	89 424
Total funds and reserves		**157 597**	138 092	**84 764**	76 941
Non-current liabilities					
Post-employment medical benefit	21	**28 147**	26 161	**28 147**	26 161
Borrowings	22	**–**	–	**27 475**	27 475
Total non-current liabilities		**28 147**	26 161	**55 622**	53 636
Current liabilities					
Distributions payable	23	**394 562**	366 276	**431 003**	400 120
Distributions in progress	24	**137 121**	131 521	**137 121**	131 521
Current portion of post-retirement medical benefit	21	**846**	852	**846**	852
Related party payable	15.3	**703**	4 045	**627**	3 968
Social and cultural obligations	25	**19 299**	20 599	**22 572**	24 802
Trade and other payables	26	**53 020**	47 257	**55 811**	49 215
Total current liabilities		**605 551**	570 550	**647 980**	610 478
Total equity and liabilities		**791 296**	734 803	**788 366**	741 055

STATEMENT OF CHANGES IN FUNDS AND RESERVES

for the year ended 30 June 2014

COMPANY	Retained earnings R000	Fixed assets revaluation reserve R000	Unrealised gains reserve R000	Total R000
Balance at 30 June 2012	50 381	–	58 113	108 494
Total comprehensive income/(loss) for the year	(3 755)	2 042	31 311	29 598
Loss for the year	(3 755)	–	–	(3 755)
Revaluation of paintings	–	2 042	–	2 042
Revaluation of investments	–	–	31 311	31 311
Balance at 30 June 2013	**46 626**	**2 042**	**89 424**	**138 092**
Total comprehensive income for the year	**–**	**–**	**19 505**	**19 505**
Revaluation of investments	**–**	**–**	**19 505**	**19 505**
Balance at 30 June 2014	**46 626**	**2 042**	**108 929**	**157 597**

GROUP	Retained earnings R000	Fixed assets revaluation reserve R000	Unrealised gains reserve R000	Total R000	Non-controlling Interest R000	Total funds and reserves R000
Balance at 30 June 2012	5 175	–	58 113	63 288	716	64 004
Total comprehensive income/(loss) for the year	(19 700)	2 042	31 311	13 653	(716)	12 937
Loss for the year	(18 945)	–	–	(18 945)	–	(18 945)
Revaluation of paintings	–	2 042	–	2 042	–	2 042
Deregistration of associate company	(755)	–	–	(755)	(716)	(1 471)
Revaluation of investments	–	–	31 311	31 311	–	31 311
Balance at 30 June 2013	**(14 525)**	**2 042**	**89 424**	**76 941**	**–**	**76 941**
Total comprehensive income/(loss) for the year	**(11 682)**	**–**	**19 505**	**7 823**	**–**	**7 823**
Loss for the year	**(11 682)**	**–**	**–**	**(11 682)**	**–**	**(11 682)**
Revaluation of investments	**–**	**–**	**19 505**	**19 505**	**–**	**19 505**
Balance at 30 June 2014	**(26 207)**	**2 042**	**108 929**	**84 764**	**–**	**84 764**

STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

	Note	COMPANY 2014 R000	COMPANY 2013 R000	GROUP 2014 R000	GROUP 2013 R000
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES					
Cash generated from licensing operations	27	**321 559**	195 408	**315 149**	193 571
Finance costs	10	**–**	–	**(2 033)**	(1 996)
Dividends received	4	**4 579**	5 064	**4 579**	5 064
Interest received	4	**9 477**	10 032	**11 461**	11 742
Cash flow from operations		**335 615**	210 504	**329 156**	208 381
Taxation paid	28	**(3 408)**	(4 781)	**(828)**	(2 526)
Royalty, non-royalty and social distributions to members and affiliated societies	29	**(276 217)**	(185 080)	**(275 803)**	(181 457)
Applied to social and cultural expenses	25	**(23 505)**	(23 068)	**(24 445)**	(24 815)
Net cash flows generated/(utilised) from operating activities		**32 485**	(2 425)	**28 080**	(417)
CASH FLOWS GENERATED FROM INVESTING ACTIVITIES					
Additions to property, equipment and intangible assets	13,14	**(35 713)**	(54 128)	**(36 440)**	(65 874)
(Increase)/decrease in loans to/from related parties	30.1	**(12 164)**	(17 369)	**(6 341)**	3 968
Proceeds on disposal of property and equipment		**357**	393	**438**	392
Proceeds on disposal of investments	30.2	**63 323**	26 166	**63 323**	26 166
Interest from subsidiaries	30.1	**4 349**	4 349	**–**	–
Net cash flows generated/(utilised) from investing activities		**20 152**	(40 589)	**20 980**	(35 348)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES					
Financing activities					
Increase in borrowings		**–**	–	**–**	175
Net cash flows generated/(utilised) from financing activities		**–**	–	**–**	175
Net increase/(decrease) in cash and cash equivalents		**52 637**	(43 014)	**49 060**	(35 590)
Cash and cash equivalents at the beginning of the year		**56 516**	99 530	**104 327**	139 917
Cash and cash equivalents at the end of the year	31	**109 153**	56 516	**153 387**	104 327

GENERAL INFORMATION

SAMRO NPC (the company) and its subsidiaries (together, the group) is an organisation domiciled in South Africa dedicated to the collective management of copyright in musical works of authors and publishers. The group annual financial statements are presented in South African rand, which is the functional and presentation currency of the parent company and the presentation currency of the group.

1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.2 BASIS OF PREPARATION

The consolidated financial statements of SAMRO have been prepared in accordance with International Financial Reporting Standards. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets at fair value through profit or loss. Paintings are also measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1.4.

1.3 CONSOLIDATION

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss, or as a change to other comprehensive income.

Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

1.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying the group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – group as lessor

The group has entered into commercial property leases on its investment property portfolio. The group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

1.4.1 Recognition of licence revenue

Licence revenue arises out of annual invoiced blanket licence assessments, except for major broadcasters, which are assessed on a monthly basis. Management assess the outstanding invoiced licence revenue and a provision for doubtful debts is raised based on the likelihood of collection of the full amount due in order to reflect the fair value of outstanding debt.

1.4.2 Determination of social and cultural allocations, transfers to/from reserves and amounts for distribution

In the determination of the amounts for distribution, management, together with the board, use their judgement to determine the amounts to be set aside for future development and social and cultural provisions. The amounts for distribution are consequently determined.

1.4.3 Carrying value of property and equipment

In determining the carrying value of property and equipment, management exercise their judgement in the estimation of useful lives and residual carrying values of individual and groups of assets.

The fair value of paintings are determined by recognised professional valuers.

1.4.4 Carrying value trade and other receivables

The group assesses its trade receivables and held to maturity investments and/or loans and receivables for impairment at 30 June each year. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

1.4.5 Distributions in progress

Management exercises their judgement in determining the number of prior distribution periods provided for, and the valuation of distributions in progress.

1.4.6 Impairment testing

The recoverable amounts of cash-generating units and individual assets are reviewed at each reporting date and have been determined based on the higher of "value-in-use" calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions which are subject to risk and uncertainties. It is reasonably possible that an assumption may change which may impact on estimations and may then require a material adjustment to the carrying value of assets.

1.4.7 Post-employment benefits

The post-employment benefits disclosed in the annual financial statements require actuarial valuation on an annual basis.

This includes a number of assumptions and estimates by the actuaries which are disclosed in the notes. [Refer Note 21]

1.4.8 Deferred tax asset

A deferred tax asset has been raised and the management of the group believe that future taxable profits will be available against which the deferred tax asset can be offset.

1.5 INCOME AND REVENUE RECOGNITION

Income

Income for the company and group includes all increases in economic benefits during the accounting period that result in increases in members' funds available for distribution. Income comprises both revenue and gains.

Revenue

Revenue for the company and group is determined as income that arises in the course of ordinary activities in the organisation.

Revenue for the company and group comprises revenue earned from licensing activities, dividends, interest revenue, rental revenue, investment activities, administration fees and the hire and sale of dramatic literature. Revenue excludes profit or losses from the sale of property, plant and equipment, and from investments. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and those benefits can be measured reliably.

Income from licensing and royalty operations
Licence fees are based on licence assessments for the use of music within the company and group's repertoire. Licence fees are accounted for on an accrual basis. Foreign royalty income received from affiliated societies attributable to music represents the royalties within SAMRO's repertoire in those territories and is recognised on a receipt basis, as the substance of the agreement indicates that it is more appropriate to recognise revenue on a receipt basis, as SAMRO neither determines nor invoices this income.

Licence fees for literary, dramatic and artistic works are accounted for on an agency basis and do not form part of income.

Investment income
Except for interest on government bonds and stocks, interest is recognised on a time proportion basis according to the effective interest rate method which takes into account the effective yield on the asset over the period it is expected to be held. Interest is raised at year end for the proportionate share of interest earned but not yet received up to the accounting reporting date. Dividends are recognised when the shareholder's right to receive dividends is established.

Rental income
Rent is recognised over the accounting period and is accrued in the financial statements based on the underlying rental agreements.

Administration fees
Administration fees are recognised on the basis of pre-determined rates in terms of existing service agreements and are accrued monthly and confirmed annually.

1.6 ROYALTY DISTRIBUTIONS AND GRANT OF RIGHTS PAYMENTS

This amount represents money available for distribution which is calculated by deducting all costs including administrative, social and cultural, as well as other expenses from total revenue net of bad debts.

Royalty distributions are standard processes, whereby net licence income from the licensing of public performance, broadcast and diffusion rights in musical works, owned by those whose rights are administered by SAMRO, is allocated in the form of royalties to those rights holders whose musical works were logged as performed, broadcast or played by licensed users of music. The grant of rights payment is a process whereby members are compensated for the assignment of their rights in musical works to SAMRO in accordance with the organisation's established rules, practices and procedures.

Amounts pertaining to distributions in progress, which remain undistributed after a period of three years as well as allocations for public domain shares and distribution corrections, are written back to current income for re-distribution in the statement of comprehensive income.

1.7 TRANSFERS TO SOCIAL AND CULTURAL FUNDS

Allocations to social and cultural funds are made expressly for the purpose of the social wellbeing of writer members and promotion of the national arts, and are determined and approved by SAMRO's board of directors. The allocation comprises bequests and donations received and a deduction from net SAMRO licence revenue. The deduction is made in terms of the provisions contained in the standard CISAC (International Confederation of Societies of Authors and Composers) approved reciprocal agreement as adopted by SAMRO. Net SAMRO licence revenue is determined by deducting licensing administration expenses from gross licence revenue for the SAMRO territory. The deduction is applied to the SAMRO Retirement Annuity Fund (SRAF), the SAMRO Funeral Benefit Scheme (SFBS) and the SAMRO Foundation.

1.8 PROPERTY AND EQUIPMENT

An item of property and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost.

Subsequent to initial recognition, plant and equipment is recorded at cost, excluding the costs of day to day servicing less accumulated depreciation and any accumulated impairment in value. Costs include costs incurred initially to acquire or construct an item of property and equipment and costs incurred subsequently to add to, replace part of, or refurbish the asset. [Refer Note 13.]

Paintings are initially measured at cost and subsequently revalued by recognised professional valuers to net realisable open-market value. Any revaluation surplus is recorded in the fixed asset revaluation reserve.

Freehold land and buildings are held as owner occupied.

SAMRO Place is considered as an owner occupied property and is stated at cost, less accumulated depreciation and any impairment in value. The building and improvement costs are depreciated on a straight-line basis over the expected economic life of the property.

Equipment, consisting of furniture and fittings, computer information equipment and motor vehicles, is shown at cost, less accumulated depreciation and any accumulated impairment losses. Each part of an item of property and equipment, with a cost that is significant in relation to the total cost of the item shall be depreciated separately. [Refer Note 13.]

Depreciation is provided on each item of property and equipment, other than freehold land, to write down the cost, less residual value, on a straight-line basis over their useful lives as follows:

- Fixed property – office block 2,0% p.a.
- Furniture, fittings and equipment 4,0% to 20% p.a.
- Computer information equipment 5,0% to 33,33% p.a.
- Motor vehicles 20% to 25% p.a.

The residual value and the useful life of each asset group are reviewed at least at each financial year-end.

The depreciation charge for each period is recognised in profit or loss. The depreciation methods are re-assessed at least at each financial year-end.

The gain or loss arising from de-recognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from de-recognition of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.9 INTANGIBLE ASSETS

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of the relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives, which does not exceed 50 years.

1.10 FINANCIAL INSTRUMENTS

Classification

The group classifies financial assets and financial liabilities into the following categories:

- financial assets at fair value through profit or loss – designated
- loans and receivables
- financial liabilities at fair value through profit or loss – designated
- financial liabilities measured at amortised cost
- available-for-sale financial assets

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for financial assets designated as at fair value through profit or loss. This category shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments. The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses. Gains or losses arising on remeasurement of financial assets and liabilities at fair value through profit or loss are recognised in profit or loss. Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire.

Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of quoted investments are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option-pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss. Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised. Reversals of impairment losses are recognised in profit or loss. Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against profit and loss.

Loans to/from group companies

These include loans to and from subsidiaries. Loans to group companies are classified as loans and receivables. Loans from group companies are classified as financial liabilities measured at amortised cost.

Loans to key management and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, breach of contract and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss. Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Other payables are classified as other financial liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.11 IMPAIRMENT OF NON-FINANCIAL ASSETS

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount; the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries, or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss, unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

1.12 RELATED PARTIES

Individuals, as well as their close family members or entities, are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions or if the parties are jointly controlled. Key management personnel are defined as related parties as are all directors of SAMRO and the main trading subsidiary of the group.

1.13 INVENTORY

Inventory comprises publications of literary, dramatic, and musical dramatic works for sale or for hire; and stationery.

Inventory is valued at the lower of cost, calculated using the weighted average method, and net realisable value. When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 TAXATION

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax income assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

1.15 FUNDS AND RESERVES

Retained earnings

General reserve

Transfers to or from the reserves are at the discretion of the board. The retained income of the Dramatic, Artistic and Literary Rights Organisation Proprietary Limited (DALRO) and the company's attributable share of the subsidiary company's retained income since acquisition are treated as part of the general reserve.

Development fund

Transfers to the fund are at the discretion of the board with the object of setting aside amounts deemed necessary for future copyright administration and technological and business development within the group. The utilisation of this fund comprises identified expenditure incurred which is considered to be related to development and is recorded as a transfer from the fund.

Unrealised gains reserve

Gains and losses arising from changes in fair value are recognised as a separate component of equity until the investment is sold or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit or loss for the period.

1.16 ROYALTY DISTRIBUTIONS IN PROGRESS

Distributions in progress comprise amounts pertaining to royalty allocations made in the previous three distribution periods, to works or rights-holder shares that cannot be distributed in accordance with established distribution rules, standards, practices and procedures. These allocations are retained to allow on-going research in respect of identification of the works and rights-holder shares and obtaining the necessary documentation and complying with the required documentation update procedures. Until such time as the necessary identification, contractual information and other documentation is obtained and processed, such royalties cannot be correctly distributed. The amounts are retained until such time as they are duly distributed as royalties or written back to income.

1.17 EMPLOYEE BENEFITS

Retirement benefit plan

During the 2013 financial year, the company had a retirement benefit plan for all permanent employees that provides, amongst other benefits, a pension of 1/50th of final emolument per year or part thereof of pensionable service. The SAMRO Staff Pension Fund was administered by Alexander Forbes. The fund provided benefits on a defined benefit basis and was governed by a Board of Trustees in accordance with the Rules of the Fund and the Pension Funds Act of 1956 as amended.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

As at 30 June 2014, employees within the group are members of the Alexander Forbes Access Retirement Fund. Membership of the fund is compulsory for all employees of the group. The fund provides benefits on a defined contribution basis. The fund is subject to the Pension Funds Act of 1956, as amended. The effective date of the transfer of business from the SAMRO Staff Pension Fund to the Alexander Forbes Access Retirement Fund was 18 June 2014.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan (such as a pension plan) under which the group pays a fixed percentage of employees' remuneration as contributions into a separate entity (a fund), and will have no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans in respect of services rendered during a period are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Medical

The company provides defined benefit health care for the benefit of the employees. The present value of the post-employment medical benefits for retired employees is actuarially determined annually using the projected unit credit method and any deficit is recognised immediately in profit or loss. This benefit is unfunded.

Short-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions are recognised during the period in which the employee renders the related service.

1.18 PROVISIONS

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.19 LEASES

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangements at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as lessee

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Group as lessor

Leases where the group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

1.20 FOREIGN CURRENCIES

Foreign currency transactions are recorded at the exchange rate ruling on the transaction date. Assets and liabilities designated in foreign currencies are translated at rates of exchange ruling at the reporting date. Foreign currency gains and losses are charged to profit or loss.

1.21 STANDARDS, INTERPRETATIONS AND AMENDMENTS THAT ARE NOT YET EFFECTIVE AT JUNE 2014

The group has considered the following new standards and interpretations and amendments to existing standards, which are not yet effective as at June 2014 but are effective for the financial years commencing as reflected in the table:

Number	Title	Effective for year commencing	Expected effect on Annual Financial statements
IFRS 9	Financial instruments	1 January 2018	Currently being assessed
Amendments to IFRS 9	Financial instruments	1 January 2018	Currently being assessed
Amendments to IAS 32	Financial instruments: Presentation	1 January 2014	Currently being assessed
Amendments to IAS 39	Financial Instruments: Novation of derivatives	1 January 2014	No material effect
Amendments to IAS 36	Impairment of assets	1 January 2014	Currently being assessed
Amendments to IFRS 10, IFRS 12 and IAS 27	Consolidated financial statements	1 January 2014	Currently being assessed
IFRS 14	Regulatory deferral accounts	1 January 2016	No material effect
Amendments to IAS 19	Employee benefits: Defined benefit plan	1 July 2014	Currently being assessed
IFRS 15	Revenue from contracts with customers	1 January 2017	Currently being assessed

1.22 STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE AS AT 30 JUNE 2014

The following new standards, interpretations and amendments to existing standards, that are effective as at June 2014 had no significant effect on the group's operations and have not been applied:

Number	Title	Effective for year commencing
Amendments to IFRS 1	First time adoption on government loans	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IAS 27	Separate financial statements	1 January 2013
IAS 28	Associates and joint ventures	1 January 2013

		COMPANY		GROUP	
		2014 R000	2013 R000	2014 R000	2013 R000
2.	**REVENUE**	**393 552**	370 962	**410 048**	386 525
	Music rights				
	Performing rights	**374 905**	355 162	**374 905**	355 162
	Mechanical rights	**6 729**	7 375	**6 729**	7 375
	Total SAMRO territory	**381 634**	362 537	**381 634**	362 537
	Royalties from affiliated societies	**11 918**	8 425	**11 918**	8 425
	Licence and royalty income	**393 552**	370 962	**393 552**	370 962
	Reprographic administration fees	**–**	–	**11 753**	10 931
	Rental income	**–**	–	**4 743**	4 632
	Total revenue	**393 552**	370 962	**410 048**	386 525
3.	**OTHER INCOME**	**9 154**	8 273	**869**	506
	Administration fees	**250**	7	**270**	19
	Interest on loans and cash balances	**591**	481	**599**	487
	Interest from subsidiary companies	**4 349**	4 349	**–**	–
	Administration, computer and management fees from subsidiary companies	**3 964**	3 436	**–**	–
	Total other income	**9 154**	8 273	**869**	506
4.	**INVESTMENT INCOME**	**14 056**	15 096	**16 040**	16 806
	Available-for-sale investments				
	Dividends	**4 579**	5 064	**4 579**	5 064
	Interest from debentures and loan stock	**4 482**	4 537	**4 482**	4 537
	Interest from bonds and notes	**2 742**	4 261	**2 742**	4 261
	Interest from short-term investments	**2 253**	1 234	**4 237**	2 944
	Total income from available-for-sale investments	**14 056**	15 096	**16 040**	16 806
5.	**OTHER GAINS**	**36 650**	22 717	**36 650**	22 717
	Gain on disposal of investments	**36 650**	22 717	**36 650**	22 717

		COMPANY		GROUP	
		2014 R000	2013 R000	2014 R000	2013 R000
6.	**OPERATING LOSS**				
	Operating loss includes the following items:				
	Accommodation costs	**2 743**	2 490	**2 600**	1 690
	Depreciation	**2 233**	2 031	**5 478**	5 167
	Amortisation	**5 282**	2 698	**5 462**	2 848
	Operating costs	**10 757**	12 193	**11 925**	14 219
	Professional fees	**5 072**	3 883	**8 347**	5 935
	IT costs	**2 803**	4 889	**2 992**	5 026
	Employee benefits	**75 520**	74 831	**84 506**	84 952
	Marketing costs	**4 324**	3 854	**4 746**	5 158
	Other costs	**2 419**	2 386	**4 013**	5 295
	Auditors' remuneration				
	Fees – current year	**1 373**	1 223	**1 739**	1 713
	Fees – underprovision previous years	**185**	312	**198**	513
		1 558	1 535	**1 937**	2 226
	Bad debt provision	**20 600**	9 413	**20 860**	9 680
	Investment management fees	**1 564**	1 321	**1 564**	1 321
	Loss on disposal of property and equipment	**47**	44	**180**	44
6.1	**Employee benefits**				
	Personnel costs include:				
	Salaries and bonuses	**58 389**	59 282	**64 599**	66 373
	Social security levies	**882**	794	**960**	880
	Pension costs on defined contribution plan	**7 449**	7 044	**8 048**	7 757
	Training	**480**	435	**504**	465
	Recruitment	**346**	314	**346**	373
	Other employment costs	**5 994**	5 931	**8 069**	8 073
		73 540	73 800	**82 526**	83 921
	Post-employment benefits	**1 980**	1 031	**1 980**	1 031
		75 520	74 831	**84 506**	84 952
7.	**SOCIAL AND CULTURAL EXPENSES**	**22 205**	19 354	**22 215**	19 963
	Social	**10 437**	9 097	**10 437**	9 347
	Cultural	**11 768**	10 257	**11 778**	10 616
		22 205	19 354	**22 215**	19 963
8.	**DISTRIBUTION AND GRANT OF RIGHTS EXPENSE**	**328 000**	306 507	**328 000**	306 507
	Licence and royalty	**272 704**	260 421	**272 704**	260 421
	Grant of rights payment	**55 296**	46 086	**55 296**	46 086
	Total distributions	**328 000**	306 507	**328 000**	306 507
9.	**ROYALTY DISTRIBUTIONS WRITTEN BACK**	**37 279**	27 368	**37 279**	27 368
	Undistributable income written back	**37 279**	27 368	**37 279**	27 368
10.	**FINANCE CHARGES**	**–**	–	**2 033**	1 996
	Interest on borrowings	**–**	–	**2 033**	1 996

	COMPANY		GROUP	
	2014 R000	2013 R000	2014 R000	2013 R000
11. TAXATION	**5 201**	416	**5 201**	416
Current charge – SA normal tax	**1 733**	713	**1 733**	713
Deferred tax – current charge	**3 468**	(2 132)	**3 468**	(2 132)
– prior year underprovision	**–**	1 835	**–**	1 835
Total taxation	**5 201**	416	**5 201**	416
Reconciliation of the tax rate:				
Profit/(loss) before taxation	**5 201**	(3 339)	**(6 481)**	(18 529)
Tax at 28%	**1 456**	(935)	**(1 815)**	(5 188)
Adjust for:				
Income not subject to tax	**(1 282)**	(1 418)	**(1 282)**	1 418
Expenses not deductible for tax	**5 027**	48	**5 555**	48
Prior year underprovision	**–**	2 720	**–**	2 720
Doubtful debt allowance	**–**	1	**–**	1
Unrecognised tax loss	**–**	–	**2 743**	1 417
Current charge SA normal tax	**5 201**	416	**5 201**	416
12. KEY MANAGEMENT EMOLUMENTS	**16 014**	16 309	**19 626**	20 175
From the company and its controlled subsidiaries for:				
Directors				
Current emoluments				
– Non-executive directors – fees	**431**	516	**646**	643
– Non-executive directors – other	**197**	–	**197**	–
– Salaries	**5 182**	5 129	**6 878**	7 335
– Pension and medical aid contributions	**719**	745	**997**	982
– Bonuses and other fringe benefits	**524**	608	**720**	866
Total directors' current emoluments	**7 053**	6 998	**9 438**	9 826
Post-retirement benefits				
– Estimated post-retirement benefits	**–**	16	**32**	31
Total directors' emoluments	**7 053**	7 014	**9 470**	9 857
Paid by:				
– Company	**7 053**	7 014	**9 470**	9 857
– Subsidiaries	**–**	–	**–**	–
Total paid	**7 053**	7 014	**9 470**	9 857
Other key management				
Current emoluments				
– Salaries and bonuses	**6 808**	7 053	**7 742**	7 835
– Pension and medical aid contributions	**1 235**	1 333	**1 391**	1 469
– Other fringe benefits	**854**	878	**959**	983
Total other key management current emoluments	**8 897**	9 264	**10 092**	10 287
Post-retirement benefits				
– Estimated post-retirement benefits	**64**	31	**64**	31
Total other key management emoluments	**8 961**	9 295	**10 156**	10 318
Total key management emoluments	**16 014**	16 309	**19 626**	20 175

	COMPANY		GROUP	
	2014 R000	2013 R000	**2014 R000**	2013 R000
13. PROPERTY AND EQUIPMENT	**16 691**	18 411	**127 853**	133 347
Land and buildings				
Owner occupied property – SAMRO Place				
Beginning of the year				
Cost			**122 842**	112 487
Accumulated depreciation			**(9 831)**	(7 089)
Carrying amount at the beginning of the year			**113 011**	105 398
Building improvements			**137**	10 355
Disposals – net			**(587)**	–
Depreciation charge for the year			**(2 786)**	(2 742)
Net carrying amount at the end of the year			**109 775**	113 011
Summary				
Assets at cost			**122 394**	122 842
Accumulated depreciation			**(12 619)**	(9 831)
Net carrying amount at the end of the year			**109 775**	113 011
Office furniture and equipment				
Beginning of the year				
Cost	**10 214**	10 130	**12 592**	12 405
Assets at revalued amounts	**2 327**	–	**2 327**	–
Accumulated depreciation	**(2 593)**	(2 019)	**(3 637)**	(2 825)
Carrying amount at the beginning of the year	**9 948**	8 111	**11 282**	9 580
Additions	**268**	370	**362**	472
Revaluation of paintings	**–**	2 042	**–**	2 042
Depreciation charge for the year	**(600)**	(575)	**(849)**	(812)
Net carrying amount at the end of the year	**9 616**	9 948	**10 795**	11 282
Summary				
Assets at cost	**10 482**	10 214	**12 952**	12 592
Assets at revalued amounts	**2 327**	2 327	**2 327**	2 327
Accumulated depreciation	**(3 193)**	(2 593)	**(4 484)**	(3 637)
Net carrying amount at the end of the year	**9 616**	9 948	**10 795**	11 282
Computer information systems				
Beginning of the year				
Cost	**6 037**	5 609	**6 785**	5 609
Accumulated depreciation	**(2 448)**	(1 694)	**(2 605)**	(1 694)
Carrying amount at the beginning of the year	**3 589**	3 915	**4 180**	3 915
Additions	**655**	428	**672**	1 176
Disposals – net	**–**	–	**(189)**	–
Depreciation charge for the year	**(837)**	(754)	**(1 047)**	(911)
Net carrying amount at the end of the year	**3 407**	3 589	**3 616**	4 180
Summary				
Assets at cost	**6 692**	6 037	**7 135**	6 785
Accumulated depreciation	**(3 285)**	(2 448)	**(3 519)**	(2 605)
Net carrying amount at the end of the year	**3 407**	3 589	**3 616**	4 180

	COMPANY		GROUP	
	2014 R000	2013 R000	2014 R000	2013 R000
13. PROPERTY AND EQUIPMENT CONTINUED				
Motor vehicles				
Beginning of the year				
Cost	**6 213**	4 905	**6 213**	4 905
Accumulated depreciation	**(1 339)**	(933)	**(1 339)**	(933)
Carrying amount at the beginning of the year	**4 874**	3 972	**4 874**	3 972
Additions	**–**	2 043	**–**	2 043
Disposals – net	**(410)**	(439)	**(410)**	(439)
Depreciation charge for the year	**(797)**	(702)	**(797)**	(702)
Net carrying amount at the end of the year	**3 667**	4 874	**3 667**	4 874
Summary				
Assets at cost	**5 770**	6 213	**5 770**	6 213
Accumulated depreciation	**(2 103)**	(1 339)	**(2 103)**	(1 339)
Net carrying amount at the end of the year	**3 667**	4 874	**3 667**	4 874
Total property and equipment				
Beginning of the year				
Cost	**22 465**	20 643	**148 432**	135 406
Assets at revalued amounts	**2 327**	–	**2 327**	–
Accumulated depreciation	**(6 381)**	(4 645)	**(17 412)**	(12 541)
Carrying amount at the beginning of the year	**18 411**	15 998	**133 347**	122 865
Additions	**923**	2 841	**1 171**	14 046
Revaluation of paintings	**–**	2 042	**–**	2 042
Disposals – net	**(410)**	(439)	**(1 186)**	(439)
Depreciation charge for the year	**(2 233)**	(2 031)	**(5 479)**	(5 167)
Net carrying amount at the end of the year	**16 691**	18 411	**127 853**	133 347
Summary				
Assets at cost	**22 945**	22 465	**148 250**	148 432
Assets at revalued amounts	**2 327**	2 327	**2 327**	2 327
Accumulated depreciation	**(8 581)**	(6 381)	**(22 724)**	(17 412)
Net carrying amount at the end of the year	**16 691**	18 411	**127 853**	133 347

Revaluation of paintings

The revaluation of the paintings was done by an independent valuer. The valuation is based on fair market values and is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Paintings have been categorised as level 3 assets. This means that the fair value is based on inputs that are not based on observable market data (that is, unobservable inputs).

Inputs used in arriving at the fair value of the paintings are current market prices attainable during the sale or auction of the paintings.

If the cost model had been applied, the carrying values would have been as follows:

Paintings	**258**	269	**258**	269

13. PROPERTY AND EQUIPMENT CONTINUED

13.1 Land and building

SAMRO Place

A nine storey office block on ERFs 4518, 2896, 2897, 2898, 2899, 2900, 2901 and 2902 Johannesburg Township, Registration Division I.R. Transvaal. The building was purchased effective 1 February 2008 for a consideration of R56 000 000. Transfer costs of R160 000 were incurred in the transaction. The building has been refurbished at a cost of R63 075 000.

The group's land and buildings were last revalued on 30 June 2014 by independent valuers. Valuations were done on the basis of recent market transactions on arm's length terms.

	COMPANY		GROUP	
	2014 R000	2013 R000	**2014 R000**	2013 R000
14. INTANGIBLE ASSETS	**102 855**	73 347	**103 545**	73 738
Beginning of the year				
Cost	**79 521**	28 234	**80 062**	28 234
Accumulated amortisation	**(6 174)**	(3 476)	**(6 324)**	(3 476)
Carrying amount at the beginning of the year	**73 347**	24 758	**73 738**	24 758
Additions	**34 790**	51 287	**35 269**	51 828
Amortisation charge for the year	**(5 282)**	(2 698)	**(5 462)**	(2 848)
Net carrying amount at the end of the year	**102 855**	73 347	**103 545**	73 738
Summary				
Assets at cost	**114 311**	79 521	**115 331**	80 062
Accumulated amortisation	**(11 456)**	(6 174)	**(11 786)**	(6 324)
Net carrying amount at the end of the year	**102 855**	73 347	**103 545**	73 738

Change in accounting estimate

During the year management decided to extend the useful life of the custom built SQL Database from 15 years to 50 years. The normal life of copyright in a work is the life of the composer plus 50 years, thus a work's shortest possible lifespan if written the day before a composer passed away, is 50 years. On this basis the database costs should be amortised at a rate of 2% per year. The effect of the change in the useful life of the database is that it reduced the amortisation expense from R5 657 097 to R4 393 910. The remaining useful life is 48,5 years.

	COMPANY		GROUP	
	2014 R000	2013 R000	**2014 R000**	2013 R000
15. INVESTMENT IN SUBSIDIARIES	**163 869**	151 706		
15.1 Shares at cost				
Dramatic, Artistic and Literary Rights Organisation Proprietary Limited	**^**	^		
Gratia Artis Proprietary Limited	**^**	^		
SAMRO House Holdings Proprietary Limited	**174**	174		
Samro IP Technologies Proprietary Limited	**1**	1		
Total cost of shares	**175**	175		

^ denotes a holding of less than R1 000

Refer to the directors' report on subsidiary companies for effective holding.

	COMPANY		GROUP	
	2014 R000	2013 R000	2014 R000	2013 R000
15. INVESTMENT IN SUBSIDIARIES CONTINUED				
15.2 Related party receivable				
Dramatic, Artistic and Literary Rights Organisation Proprietary Limited	**1 596**	3 682		
Gratia Artis Proprietary Limited	**406**	405		
SAMRO House Holdings Proprietary Limited	**143 880**	137 858		
CAPASSO NPC	**3 000**	–	**3 000**	–
Performers Organisation of South Africa Trust	**15 690**	13 806	**–**	–
Total indebtedness	**164 572**	155 751	**3 000**	–
15.3 Related party payable				
SAMRO Foundation NPC	**(627)**	(3 968)	**(627)**	(3 968)
SAMRO IP Technologies Proprietary Limited	**(76)**	(77)	**–**	–
Total indebtedness	**(703)**	(4 045)	**(627)**	(3 968)
Total investment in subsidiaries	**163 869**	151 706	**2 373**	(3 968)

Loans are repayable in the ordinary course of business and there are no fixed repayment terms. Interest on the loan to SAMRO House Holdings (Pty) Ltd has been charged at a rate of 5,5% per annum.
All other loans are interest free.

	COMPANY 2014 R000	COMPANY 2013 R000	GROUP 2014 R000	GROUP 2013 R000
15.3 Related party payable				
SAMRO Foundation NPC	**(627)**	(3 968)	**(627)**	(3 968)
SAMRO IP Technologies Proprietary Limited	**(76)**	(77)	**–**	–
Total indebtedness	**(703)**	(4 045)	**(627)**	(3 968)
Total investment in subsidiaries	**163 869**	151 706	**2 373**	(3 968)

Loans are repayable in the ordinary course of business and there are no fixed repayment terms. Interest on the loan to SAMRO House Holdings (Pty) Ltd has been charged at a rate of 5,5% per annum.
All other loans are interest free.

	COMPANY 2014 R000	COMPANY 2013 R000	GROUP 2014 R000	GROUP 2013 R000
16. DEFERRED TAX	**17 069**	20 537	**18 435**	21 726
Balance at the beginning of the year	**20 537**	20 240	**21 726**	21 429
Movement for the year	**(3 468)**	297	**(3 291)**	297
Deferred tax on provisions	**(4 022)**	45	**(4 022)**	45
Deferred tax on post-retirement medical benefit	**554**	252	**554**	252
Deferred tax on operating loss	**–**	–	**177**	–
Total deferred tax	**17 069**	20 537	**18 435**	21 726

	COMPANY		GROUP	
	2014 R000	2013 R000	2014 R000	2013 R000
17. AVAILABLE-FOR-SALE INVESTMENTS	**301 802**	288 090	**301 802**	288 090
Cost				
Listed investments at cost	**165 387**	171 179	**165 387**	171 179
Unlisted investments	**27 486**	27 486	**27 486**	27 486
Total investments at cost	**192 873**	198 665	**192 873**	198 665
Fair value				
Listed investments				
Shares at fair value	**129 548**	138 466	**129 548**	138 466
Bonds and unitised investments	**144 768**	122 138	**144 768**	122 138
Total listed investments at fair value	**274 316**	260 604	**274 316**	260 604
Unlisted investments				
Participation bonds, notes and other	**27 486**	27 486	**27 486**	27 486
Total investments at fair value	**301 802**	288 090	**301 802**	288 090
Total cost at the beginning of the year	**198 665**	201 770	**198 665**	201 770
Interest income capitalised	**7 224**	8 798	**7 224**	8 798
Dividend income capitalised	**4 579**	4 338	**4 579**	4 338
Fees and disinvestments	**(17 595)**	(16 241)	**(17 595)**	(16 241)
Unrealised gains	**108 929**	89 425	**108 929**	89 425
Total investments at the end of the year	**301 802**	288 090	**301 802**	288 090

A register of listed and unlisted investments is available for inspection by members. Investments held with Nedbank Private Wealth valued at R30 000 000 at 30 June 2014 have been used as security for the loan with Nedbank Limited, as disclosed in note 22, for the purchase of SAMRO Place.

The group's exposure to credit risk from available-for-sale investments arises from default of the counterparties. The maximum exposure to the group equals the carrying amount of these instruments.

		COMPANY		GROUP	
		2014 R000	2013 R000	2014 R000	2013 R000
18.	**TRADE AND OTHER RECEIVABLES**	**71 469**	116 493	**74 034**	115 534
	Gross trade debtors	**90 996**	150 966	**94 988**	155 916
	Provision for impairment	**(23 631)**	(44 092)	**(24 739)**	(44 597)
	Net trade debtors	**67 365**	106 874	**70 249**	111 319
	Other receivables	**4 104**	9 619	**3 785**	4 215
	Total trade and other receivables	**71 469**	116 493	**74 034**	115 534

	Individually impaired R000	Collectively impaired R000	Total R000
COMPANY			
At 30 June 2012	37 750	10 524	48 274
Charge for the year	–	–	–
Utilised	–	(4 182)	(4 182)
At 30 June 2013	37 750	6 342	44 092
Charge for the year	**–**	**20 600**	**20 600**
Utilised	**(37 750)**	**–**	**(37 750)**
Additional write-off	**(3 311)**	**–**	**(3 311)**
At 30 June 2014	**(3 311)**	**26 942**	**23 631**
GROUP			
At 30 June 2012	38 710	10 013	48 723
Charge for the year	57	–	57
Utilised	–	(4 183)	(4 183)
At 30 June 2013	38 767	5 830	44 597
Charge for the year	**–**	**21 472**	**21 472**
Utilised	**(38 767)**	**–**	**(41 329)**
Additional write-off	**(2 563)**	**–**	**(2 563)**
At 30 June 2014	**(2 563)**	**27 302**	**24 739**

As at 30 June, the ageing analysis of trade receivables is as follows:

	Total R000	Neither past due nor impaired: Current R000	Neither past due nor impaired: 30 days R000	Past due but not impaired: 60 days R000	Past due: 90 days R000	Past due: 120 days R000
COMPANY						
2013	106 874	35 659	57 465	2 925	387	10 438
2014	**67 365**	**38 905**	**7 576**	**7 135**	**725**	**13 024**
GROUP						
2013	111 319	38 516	57 950	3 361	732	10 760
2014	**70 249**	**40 910**	**7 770**	**7 210**	**961**	**13 398**

Trade and other receivables do not attract interest and are payable within 30 days from the date of invoice. No receivable balances have been used as security for borrowings.

The group trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is limited. The maximum credit risk exposure on receivables is the carrying amount.

		COMPANY		GROUP	
		2014 R000	2013 R000	2014 R000	2013 R000
19.	**INVENTORY**	**493**	423	**678**	606
	Inventory comprises:				
	Stationery and paper	**493**	423	**493**	423
	Books for sale	**–**	–	**55**	54
	Musical sheets for sale	**–**	–	**130**	129
	Total inventory	**493**	423	**678**	606
20.	**RESERVES**				
20.1	**Fixed asset revaluation reserve**				
	Fixed asset revaluation reserve at the beginning of the year	**2 042**	–	**2 042**	–
	Revaluation of paintings	**–**	2 042	**–**	2 042
	Fixed asset revaluation reserve at the end of the year	**2 042**	2 042	**2 042**	2 042
20.2	**Unrealised gains reserve**				
	Fair value adjustment				
	Total investment at fair value	**301 802**	288 090	**301 802**	288 090
	Total investment at cost	**(192 873)**	(198 665)	**(192 873)**	(198 665)
	Total unrealised gain at the end of the year	**108 929**	89 425	**108 929**	89 425
	Total unrealised gain at the beginning of the year	**89 424**	58 113	**89 424**	58 113
	Fair value adjustment	**19 505**	31 311	**19 505**	31 311
	Total unrealised gain at the end of the year	**108 929**	89 424	**108 929**	89 424
21.	**POST-EMPLOYMENT MEDICAL BENEFITS**	**28 993**	27 013	**28 993**	27 013
	Net liability reconciliation:				
	Opening balance of the liability	**27 013**	25 982	**27 013**	25 982
	Income statement charge	**1 980**	1 031	**1 980**	1 031
	Closing balance of the liability	**28 993**	27 013	**28 993**	27 013
	Current portion of the liability	**846**	852	**846**	852
	Long-term portion of the liability	**28 147**	26 161	**28 147**	26 161
		28 993	27 013	**28 993**	27 013

Employees of SAMRO participate in Discovery Health Medical Scheme, administered by Discovery Health Proprietary Limited.

Members who joined the company before 1 January 2003 are eligible for a subsidy of medical scheme contributions in retirement. Eligible members are entitled to a 60% subsidy of medical scheme contributions, including savings.

	COMPANY		GROUP	
	2014 R000	2013 R000	2014 R000	2013 R000
21. POST-EMPLOYMENT MEDICAL BENEFITS CONTINUED				
Present value of obligations:				
Opening balance	**27 013**	25 982	**27 013**	25 982
Current service cost	**824**	901	**824**	901
Interest cost	**2 495**	2 112	**2 495**	2 112
Benefits paid/expected to be paid	**(889)**	(749)	**(889)**	(749)
Actuarial (gain)/loss on obligation	**(450)**	(1 233)	**(450)**	(1 233)
Closing balance of funded defined benefit obligations	**28 993**	27 013	**28 993**	27 013
Income statement charge:				
Current service cost	**824**	901	**824**	901
Interest cost	**2 495**	2 112	**2 495**	2 112
Benefits paid/expected to be paid	**(889)**	(749)	**(889)**	(749)
Actuarial (gain)/loss on obligation	**(450)**	(1 233)	**(450)**	(1 233)
	1 980	1 031	**1 980**	1 031

A valuation was carried out by a firm of consulting actuaries at 30 June 2014. There were 32 in-service members (2013: 38) and 30 continuation members (2013: 28).

The duration of the liability as at 30 June 2014 is 19,2 years.

	COMPANY 2014	COMPANY 2013	GROUP 2014	GROUP 2013
Actuarial assumptions:				
Discount rate	**9,60%**	9,40%	**9,60%**	9,40%
Medical inflation rate	**9,30%**	8,90%	**9,30%**	8,90%
Long-term inflation rate	**7,30%**	6,90%	**7,30%**	6,90%
Expected retirement age:	**60**	60	**60**	60

The assumed rates of mortality are as follows:

During employment: SA85-90 (Light) Ultimate table

Post employment: PA(90) Ultimate table rated down 2 years plus 1% improvement per annum (from a base year of 2006)

21. POST-EMPLOYMENT MEDICAL BENEFITS CONTINUED

Sensitivity analyses:

Post-employment medical liability	**Health care cost inflation**		
	Central assumption 9,30%	-1%	+1%
Accrued liability 30 June 2014 (R000)	28 993	24 624	34 548
% change	–	-15,1%	+19,2%
	Central assumption 9,30%	-1%	+1%
Current service cost + interest cost 2014/2015 (R000)	3 643	3 036	4 423
% change	–	-16,7%	21,4%
	Health care cost inflation		
	Central assumption 9,30%	+5% for 5 years	+10% for 5 years
Accrued liability 30 June 2014 (R000)	28 993	35 723	43 702
% change	–	+23,2%	+50,7%
	Discount rate		
	Central assumption 9,60%	-1%	+1%
Accrued liability 30 June 2014 (R000)	28 993	34 573	24 680
% change	–	+19,2%	-14,9%
	Expected retirement age		
	Central assumption 60 years	1 year younger	1 year older
Accrued liability 30 June 2014 (R000)	28 993	30 231	27 845
% change	–	+4,3%	-4,0%

A projection of results of the valuation as at 30 June 2014 to 30 June 2015 is set out below:

Year ending 30 June 2015	Accrued liability R000
Accrued liability as at 30 June 2014	28 993
Interest cost	2 739
Service cost	904
Expected employer benefit payments	(883)
Projected accrued liability as at 30 June 2015	31 753

	COMPANY		GROUP	
	2014 R000	2013 R000	2014 R000	2013 R000
22. BORROWINGS	**–**	–	**27 475**	27 475
Opening balance	**–**	–	**27 475**	27 304
Investment fee	**–**	–	**–**	171
Capital repayment made	**–**	–	**–**	–
Interest payments	**–**	–	**–**	–
Borrowings closing balance	**–**	–	**27 475**	27 475
Interest payments	**–**	–	**(2 033)**	(1 996)

The loan from Nedbank is secured by a cession and pledge of the share portfolio. The term of the loan is 60 months. The outstanding capital amount will be repaid as one bullet payment after year 5. The interest rate is prime less 1,25%.

The current portion of the loan, as disclosed in the 2013 annual financial statements, has been aggregated into the non-current portion of the loan as it is more indicative of the nature of the loan. The amount reflected as current in the prior year is not deemed to be significant.

	COMPANY 2014 R000	COMPANY 2013 R000	GROUP 2014 R000	GROUP 2013 R000
23. DISTRIBUTIONS PAYABLE	**394 562**	366 276	**431 003**	400 120
Royalty distributions	**272 704**	260 421	**272 704**	260 421
Grant of rights	**55 296**	46 086	**55 296**	46 086
Current amount per income statement	**328 000**	306 507	**328 000**	306 507
Social benefits	**10 416**	9 076	**10 416**	9 076
For distribution current year – DALRO	**–**	–	**36 441**	33 844
Prior periods amounts	**70 302**	66 621	**70 302**	66 621
	408 718	382 204	**445 159**	416 048
Distributions and advances	**(14 156)**	(15 928)	**(14 156)**	(15 928)
Total for distribution	**394 562**	366 276	**431 003**	400 120
24. DISTRIBUTIONS IN PROGRESS	**137 121**	131 521	**137 121**	131 521
24.1 Shares in musical works				
Balance at the beginning of the year	**8 311**	8 818	**8 311**	8 818
Distributed during the year	**–**	(1 417)	**–**	(1 417)
	8 311	7 401	**8 311**	7 401
Arising out of distributions during the year	**596**	776	**596**	776
	8 907	8 177	**8 907**	8 177
Distribution adjustment prior years	**(4 053)**	134	**(4 053)**	134
Balance at the end of the year	**4 854**	8 311	**4 854**	8 311

		COMPANY		GROUP	
		2014 R000	2013 R000	2014 R000	2013 R000
24.	**DISTRIBUTIONS IN PROGRESS** CONTINUED				
24.2	**Musical works**				
	Balance at the beginning of the year	123 210	91 028	123 210	91 028
	Distributed during the year	(51 909)	(11 806)	(51 909)	(11 806)
		71 301	79 222	71 301	79 222
	Arising out of distributions during the year	94 193	71 489	94 193	71 489
		165 494	150 711	165 494	150 711
	Distribution adjustment prior years	(33 227)	(27 501)	(33 227)	(27 501)
	Balance at the end of the year	132 267	123 210	132 267	123 210
	Total distributions in progress	137 121	131 521	137 121	131 521
25.	**SOCIAL AND CULTURAL OBLIGATIONS**	19 299	20 599	22 572	24 802
	Balance at the beginning of the year	20 599	24 313	24 802	29 654
	Utilisation during the year	(23 505)	(23 068)	(24 445)	(24 815)
	Current funding for the year	22 205	19 354	22 215	19 963
	Balance at the end of the year	19 299	20 599	22 572	24 802
25.1	**Social obligations**				
	Other social funds not included in distributions				
	Balance at the beginning of the year	8 064	6 532	8 064	6 532
	Utilisation during the year	(7 380)	(7 564)	(7 380)	(7 564)
	Current funding for the year	10 436	9 096	10 436	9 096
	Balance at the end of the year	11 120	8 064	11 120	8 064
	Copyrights training fund				
	Balance at the beginning of the year	–	–	1 531	1 349
	Utilisation during the year	–	–	(284)	(68)
	Current funding for the year	–	–	–	250
	Balance at the end of the year	–	–	1 247	1 531
	Total social funds	11 120	8 064	12 367	9 595

	COMPANY		GROUP	
	2014 R000	2013 R000	2014 R000	2013 R000
25. SOCIAL AND CULTURAL OBLIGATIONS CONTINUED				
25.2 Cultural obligations				
SAMRO Foundation and related provisions				
Balance at the beginning of the year	**10 515**	15 698	**10 543**	16 637
Utilisation during the year	**(16 090)**	(15 440)	**(16 088)**	(16 005)
Current funding for the year	**11 769**	10 257	**11 769**	9 911
Balance at the end of the year	**6 194**	10 515	**6 224**	10 543
Bequests and donations				
Balance at the beginning of the year	**2 019**	2 083	**2 118**	2 182
Utilisation during the year	**(34)**	(64)	**(34)**	(64)
Balance at the end of the year	**1 985**	2 019	**2 084**	2 118
Bilateral agreement funds				
Balance at the beginning of the year	**–**	–	**1 714**	2 142
Utilisation during the year	**–**	–	**(821)**	(621)
Current funding for the year	**–**	–	**223**	193
Balance at the end of the year	**–**	–	**1 116**	1 714
Bursary funds				
Balance at the beginning of the year	**–**	–	**832**	812
Utilisation during the year	**–**	–	**(60)**	(338)
Current funding for the year	**–**	–	**9**	358
Balance at the end of the year	**–**	–	**781**	832
Total cultural funds	**8 179**	12 534	**10 205**	15 207
Total social and cultural funds	**19 299**	20 599	**22 572**	24 802

		COMPANY		GROUP	
		2014 R000	2013 R000	2014 R000	2013 R000
26.	**TRADE AND OTHER PAYABLES**	**53 020**	47 257	**55 811**	49 215
	Members and affiliated societies	**15 447**	6 533	**15 447**	6 533
	Accounts payable	**22 411**	26 676	**25 201**	28 634
	Leave pay and bonus accrual	**15 097**	14 116	**15 097**	14 116
	Non-residents royalty tax	**65**	(68)	**66**	(68)
		53 020	47 257	**55 811**	49 215
	Trade and other payables do not attract interest and are payable 30 days from the date of statement.				
	Leave pay accrual is computed in terms of employees' current salary and accrued days leave at the financial year-end. This method accounts for any utilisations during the year.				
27.	**CASH GENERATED FROM LICENSING OPERATIONS**	**321 559**	195 408	**315 149**	193 571
	Profit/(loss) before taxation	**5 201**	(3 339)	**(6 481)**	(18 529)
	Adjustments for:				
	Royalty distributions written back	**(37 279)**	(27 368)	**(37 279)**	(27 368)
	Finance charges	**–**	–	**2 033**	1 996
	Depreciation	**2 233**	2 031	**5 478**	5 167
	Amortisation of intangible assets	**5 282**	2 698	**5 462**	2 848
	Loss on disposal of property and equipment	**47**	44	**180**	44
	Surplus on disposal of investments	**(36 650)**	(22 717)	**(36 650)**	(22 717)
	Interest from subsidiaries	**(4 349)**	(4 349)	**–**	–
	Income from investments	**(11 805)**	(13 863)	**(11 804)**	(13 863)
	Interest from term and call deposits	**(2 253)**	(1 234)	**(4 237)**	(2 944)
	Post-employment medical benefits	**1 980**	1 031	**1 980**	1 031
	Distribution expense	**328 000**	306 507	**328 000**	306 507
	Social and cultural expenses	**22 205**	19 354	**22 215**	19 963
		272 612	258 795	**268 897**	252 135
	(Increase)/decrease in distributions and advances	**(1 772)**	3 690	**(1 772)**	3 690
	Decrease/(increase) in accounts receivable	**45 025**	(56 086)	**41 500**	(49 105)
	(Increase)/decrease in inventory	**(70)**	125	**(72)**	69
	Increase/(decrease) in amounts owed to members and affiliated societies	**8 914**	(27 910)	**8 914**	(27 911)
	Increase/(decrease) in accounts payable	**(3 150)**	16 794	**(2 318)**	14 693
		48 947	(63 387)	**46 252**	(58 564)
	Total cash generated from licensing operations	**321 559**	195 408	**315 149**	193 571
28.	**TAXATION PAID**	**3 408**	4 781	**828**	2 526
	Opening balance	**5 060**	434	**3 687**	(448)
	Current taxation	**(5 201)**	(416)	**(5 201)**	(416)
	Closing balance	**7 017**	5 060	**5 632**	3 687
	Net adjustment	**6 876**	5 078	**4 118**	2 823
	Net tax adjustment deferred tax	**(3 468)**	(297)	**(3 290)**	(297)
	Total taxation paid	**3 408**	4 781	**828**	2 526

	COMPANY		GROUP	
	2014 R000	2013 R000	2014 R000	2013 R000
29. ROYALTY DISTRIBUTIONS AND GRANT OF RIGHTS PAYMENTS TO MEMBERS AND AFFILIATED SOCIETIES	**(276 217)**	(185 080)	**(275 803)**	(181 457)
Available for distribution at the beginning of the year	**(352 120)**	(283 376)	**(352 120)**	(283 376)
Prior period amounts	**70 303**	66 621	**70 303**	66 621
Available for distribution	**(281 817)**	(216 755)	**(281 817)**	(216 755)
Distributions in progress at the beginning of the year				
– Shares in musical works	**(8 311)**	(8 818)	**(8 311)**	(8 818)
– Musical works	**(123 210)**	(91 028)	**(123 210)**	(91 028)
	(413 338)	(316 601)	**(413 338)**	(316 601)
Distributions in progress at the end of the year				
– Shares in musical works	**4 852**	8 311	**4 852**	8 311
– Musical works	**132 269**	123 210	**132 269**	123 210
	(276 217)	(185 080)	**(276 217)**	(185 080)
DALRO licence and royalty fees received	**–**	–	**47 504**	45 602
DALRO distributions paid	**–**	–	**(47 090)**	(41 979)
	(276 217)	(185 080)	**(275 803)**	(181 457)
30. NON-LICENSING ACTIVITIES				
30.1 Decrease/(increase) in related party balances	**(12 164)**	(17 369)	**(6 341)**	3 968
Opening balance subsidiary loans	**(151 705)**	(134 336)	**3 968**	–
Closing balance subsidiary loans	**(163 869)**	(151 705)	**(2 373)**	3 968
Increase in subsidiary loans	**(12 164)**	(17 369)	**(6 341)**	3 968
Add intercompany interest and fees	**8 313**	7 785	**–**	–
Indebtedness of subsidiaries	**(3 851)**	(9 584)	**(6 341)**	3 968
Interest	**(4 349)**	(4 349)	**–**	–
Administration, computer and management fees	**(3 964)**	(3 436)	**–**	–
Net (outflow to)/cash Inflow from subsidiaries	**(12 164)**	(17 369)	**(6 341)**	3 968
30.2 Movements in investments	**63 323**	26 166	**63 323**	26 166
Proceeds on disposal of investments	**95 106**	56 669	**95 106**	56 669
Investments purchased	**(31 783)**	(30 503)	**(31 783)**	(30 503)
	63 323	26 166	**63 323**	26 166
31. CASH AND CASH EQUIVALENTS	**109 153**	56 516	**153 387**	104 327
Cash and cash equivalents consist of cash on hand, balances with banks and investment in money market instruments and are made up as follows:				
Cash on hand and balances with banks	**82 197**	42 706	**126 431**	90 517
Short-term investments	**26 956**	13 810	**26 956**	13 810
Total cash and cash equivalents	**109 153**	56 516	**153 387**	104 327

32. RELATED PARTY TRANSACTIONS

Individuals, as well as their close family members or entities, are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions or if the parties are jointly controlled. Key management personnel are defined as related parties as are all directors of SAMRO and the main trading subsidiaries of the Group.

		COMPANY		GROUP	
		2014 R000	2013 R000	2014 R000	2013 R000
	Subsidiaries				
32.1	**Services rendered**				
	DALRO (Pty) Ltd	**3 640**	3 130		
	SAMRO House Holdings (Pty) Ltd	**108**	102		
	SAMRO House (Pty) Ltd	**216**	204		
	Administration and management fees	**3 964**	3 436		
	Interest received from SAMRO House Holdings (Pty) Ltd	**4 349**	4 349		
		8 313	7 785		
32.2	**Purchase of services**				
	Rental expense				
	SAMRO House (Pty) Ltd	**2 717**	2 404		
	Administration and management fees	**2 717**	2 404		
32.3	**Balances owing by/(owed to)**				
	DALRO (Pty) Ltd	**1 596**	3 682		
	SAMRO House Holdings (Pty) Ltd	**143 880**	137 858		
	SAMRO IP Technologies (Pty) Ltd	**(76)**	(77)		
	Gratia Artis (Pty) Ltd	**406**	405		
		145 806	141 868		
	Refer to note 15 for further details.				
32.4	**Other related parties**				
	Balances (owed to)/owing by				
	CAPASSO NPC	**3 000**	–	**3 000**	–
	SAMRO Foundation NPC	**(627)**	(3 968)	**(627)**	(3 968)
	POSA Trust	**15 691**	13 806	**–**	–
		18 064	9 838	**2 373**	(3 968)
32.5	**Key management**				
	Key management personnel are those personnel who by virtue of their office are able to influence strategic decisions. Management consider key management to include non-executive directors, executive directors, executive general managers and general managers.				
a)	**Key management remuneration**				
	Refer to note 12 for details on emoluments of key management				
	There are two groups of SAMRO directors – writers and publishers. These directors and parties related to them are entitled to royalty and non-royalty distributions from SAMRO. These distributions are computed on the same basis as those for other rights holders and are not considered to be emoluments for services as directors.				
b)	**Year-end balances**				
	Loans to key management	**421**	299		

33. RETIREMENT BENEFITS

As at 30 June 2014, employees within the group are members of the Alexander Forbes Access Retirement Fund. Membership of the fund is compulsory for all employees of the group. The fund provides benefits on a defined contribution basis. The fund is subject to the Pension Funds Act of 1956, as amended.

Before 30 June 2013, employees within the group were members of the SAMRO Staff Pension Fund administered by Alexander Forbes. The fund provided benefits on a defined benefit basis. The effective date of the transfer of business from the SAMRO Staff Pension Fund to the Alexander Forbes Access Retirement Fund was 18 June 2014.

	DBO R000	Assets R000	Net asset/ (liability) R000
Balance as at 30 June 2013	**(103 272)**	**104 018**	**746**
Service cost	–	–	–
Net interest (expense)/income	**(8 778)**	**8 841**	**63**
Benefit payments	**17 220**	**(17 220)**	**–**
Settlement	**92 092**	**(92 092)**	**–**
Remeasurements (actuarial gains/losses)	**2 738**	**(3 547)**	**(809)**
Balance as at 30 June 2014	**–**	**–**	**–**

In line with the statutory requirements for an actuarial valuation every three years, a statutory valuation of the SAMRO Staff Pension Fund was carried out by an independent firm of consulting actuaries on 30 June 2013. An IAS 19 valuation is conducted annually by independent consulting actuaries as at 30 June each year. In terms of their report it was concluded that the fund was in a sound financial condition in terms of section 16 of the Pension Funds Act of 1956 as amended.

Summary of results

The Pension Funds Second Amendment Act of 2001 does not allow companies sponsoring retirement funds to recognise any of the assets in a retirement fund, unless as a result of a surplus apportionment exercise, or if the fund's rules allow it.

The balance sheet item that the company can recognise was calculated to be nil as at 30 June 2013. The "adjusted expense" for the year ended 30 June 2013 was therefore calculated to be R3 663 000.

	COMPANY AND GROUP 2013 R000
Active number of members	189
Total annual salaries	47 768
Number of pensioners (outsourced by the fund)	18
Present value of funded defined benefit obligation	(103 272)
Fair value of plan	104 018
Funded status of defined benefit plan	746
Unrecognised net (loss)/gain due paragraph 58 limit	3 251
	3 997

The "paragraph 58 limit" ensures the asset to be recognised on the company balance sheet is subject to a maximum of the sum of any unrecognised actuarial losses, past service cost and the present value of any economic benefit available to the company in the form of refunds or reductions in future contributions.

In respect of those retirement arrangements which disclosed a positive funded status, no asset has been recognised by the company. The disclosure of funded status does not necessarily indicate any assets available to the company.

	2013
Actuarial valuation assumptions (%)	
Discount rate	9,50
Inflation rate	6,50
Salary increase rate	7,50
Expected rate of return on assets	n.a.
Pension increase allowance	5,20

	COMPANY AND GROUP
	2013 R000
33. RETIREMENT BENEFITS CONTINUED	
Components of income statement pension expense	
Current service cost	6 879
Interest cost	7 701
Expected return on assets	(8 363)
Amortisation:	
a. Unrecognised net transition obligation/(asset)	–
b. Unrecognised past service cost	–
c. Unrecognised net (gain)/loss	–
d. Unrecognised loss due to limit	(1 766)
Paragraph 58A (gain)/loss	–
Curtailment cost	(788)
Expense	3 663
Estimated contributions, benefit payments, expense and risk premiums for the period 1 July 2012 to 30 June 2013	
Member contributions	3 388
Company contributions	7 660
Risk premiums	(514)
Benefit payments	(10 375)
Estimated return on assets for the period ending 30 June 2013	159
Reconciliation of (liability)/asset on the balance sheet	
(Liability)/asset as at 30 June 2012	–
Net (expenses)/income recognised in the income statement	(3 663)
Company contributions	7 660
(Liability)/asset as at 30 June 2013	–
Paragraph 59 limit	–
Unrecognised due to paragraph 59 limit	–
(Liability)/asset recognised on the balance sheet	–
Adjusted net expenses recognised in the income statement	3 997
Reconciliation of defined benefit obligation	
Defined benefit obligation as at 30 June 2012	85 991
Service cost	6 879
Member contributions	3 388
Interest cost	7 701
Actuarial gain	11 012
Benefits paid	(10 375)
Risk premiums	(514)
Curtailment	(810)
Defined benefit obligations as at 30 June 2013	103 272
Reconciliation of fair value of plan assets	
Assets at fair market value as at 30 June 2012	87 757
Expected return on assets	8 363
Contributions	11 048
Risk premiums	(514)
Benefits paid	(10 375)
Actuarial gain	7 739
Assets at fair market value as at 30 June 2013	104 018
Actual return on assets	16 102

	COMPANY AND GROUP
	2013

33. RETIREMENT BENEFITS CONTINUED

Estimated asset composition as at 30 June 2013 (%)	
Cash	73,81
Equity	0,00
Bonds	26,19
Property and other	0,00
International	0,00
Other	0,00
Total	100,00

Determination of estimated pension expense for the fiscal year ending 30 June 2014	
Components of income statement pension expense (R000)	
Current service cost	–
Interest cost	(71)
Expected return on assets	–
Amortisation:	
a. Unrecognised net transition obligation/(asset)	–
b. Unrecognised past service cost	–
c. Unrecognised net (gain)/loss	–
(Income)/expense	(71)
Components of net interest cost on defined benefit liability	
Interest cost	9 811
Expected return on assets	(9 882)
	(71)

Valuation assumptions

A summary of the assumptions used in the valuation, together with a short comment on each, is given below

	Asset as at 30 June 2013 and expense for the year ending 30 June 2014 %
Discount rate	9,50
Inflation	6,50
Salary increase rate	7,50
Expected rate of return on assets	n.a.
Pension increase allowance	5,20

Discount rate

The rate used to discount post-employment benefit obligations should be determined by reference to market yields on high quality corporate bonds at the balance sheet date. In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds should be used. In South Africa there is no deep market in corporate bonds and as such we have set our recommended assumption with reference to the yield on South African government bonds of medium duration. This converts into an effective yield of 9,50% as at 30 June 2013. In terms of the accounting standards, historical yields are less important and we consequently consider it appropriate to use the discount rate of 9,50% per annum.

Inflation rate

While not explicitly used in the valuation, we have assumed the underlying future rate of consumer price inflation (CPI) to be 6,50% per annum. This assumption has been based on the relationship between the current conventional bond yields and the current index-linked bond yields.

33. RETIREMENT BENEFITS CONTINUED

Salary increase rate
We have assumed that the general level of salary increases to be awarded in the long term will, on average, be equal to inflation plus 1% plus a merit increase based on the age-related table below.

Age	Merit increase %
20	13,5
25	9,0
30	5,5
35	3,9
40	2,9
45	1,9
47+	1,5

Pension increase rate
The trustees have adopted a pension increase policy targeting 80% of inflation. A pension Increase rate of 5,20% per annum has thus been used.

These assumptions differ from those used in the funding valuation and have been based on the requirements of the reporting standard. All other assumptions adopted in the funding valuation were left unchanged.

The assumed rates of mortality are as follows:
Pre-retirement: SA85-90 Ultimate table
Post-retirement: PA(90) Ultimate table rated down 1 year plus 0,75% improvement per annum from June 2004.

34. FINANCIAL RISK MANAGEMENT

The group's principal financial liabilities comprise trade payables and loans received. The main purpose of these financial liabilities is to raise finance for the group's operations. The group has various financial assets such as trade receivables, cash and short-term deposits and available-for-sale investments which arise directly from its operations.

The main risk arising from the group's financial instruments are cash flow interest rate risk, liquidity risk and other price risks in the form of the fair value movements of its investments and credit risk.

The board of directors reviews and agrees the policies for managing each of these risks which are summarised below.

Interest rate risk
The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term debt obligations with floating interest rates and short- and medium-term deposits with floating interest rates.

Interest rate risk table
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the group's profit before tax (through the impact on floating interest rate borrowings and investments). There is no impact on the group's equity.

	Increase/ decrease in basis points %	Effect on profit before tax R000
2014		
Mortgage bond	**+1%**	**(275)**
	-1%	**275**
Treasury funds	**+1%**	**1 534**
	-1%	**(1 534)**
2013		
Mortgage bond	+1%	(275)
	-1%	275
Treasury funds	+1%	1 043
	-1%	(1 043)

34. FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk

The group trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is limited. The company has carried out a clean up of the debtors' book over the last few years. The maximum exposure is the carrying amount as disclosed in note 18.

With respect to credit risk arising from the other financial assets of the group, which comprise cash, cash equivalents and available-for-sale financial investments, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The group monitors its risk to shortage of funds. The group's objective is to maintain a balance between continuity of funding and flexibility through the use of investment planning and treasury management.

	On demand R000	Less than 3 months R000	3 months to 1 year R000	1 to 5 years R000	Total R000
Company					
Year ended 30 June 2014					
Interest bearing loans and borrowings	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**–**	**36 501**	**–**	**–**	**36 501**
For distribution	**–**	**–**	**394 562**	**–**	**394 562**
Other liabilities	**–**	**–**	**157 123**	**–**	**157 123**
	–	**36 501**	**551 685**	**–**	**588 186**
Year ended 30 June 2013					
Interest bearing loans and borrowings	–	–	–	–	–
Trade and other payables	–	23 450	–	–	23 450
For distribution	–	–	366 277	–	366 277
Other liabilities	–	–	156 165	–	156 165
	–	23 450	522 442	–	545 892
Group					
Year ended 30 June 2014					
Interest bearing loans and borrowings	**–**	**–**	**–**	**27 475**	**27 475**
Trade and other payables	**–**	**38 803**	**–**	**–**	**38 803**
For distribution	**–**	**–**	**431 003**	**–**	**431 003**
Other liabilities	**–**	**–**	**160 321**	**–**	**160 321**
	–	**38 803**	**591 324**	**27 475**	**657 602**
Year ended 30 June 2013					
Interest bearing loans and borrowings	–	–	–	27 475	27 475
Trade and other payables	–	26 500	–	–	26 500
For distribution	–	–	400 120	–	400 120
Other liabilities	–	–	160 291	–	160 291
	–	26 500	560 411	27 475	614 386

34. FINANCIAL RISK MANAGEMENT CONTINUED

Price risk
The group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The group manages price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the group's senior management on a regular basis. All equity investment decisions are reviewed and approved by the group investment committee.

At the reporting date, the exposure to listed and unlisted equity securities at fair value was R302,0 million. A decrease of 10% in the JSE market index could have an impact of approximately R30,2 million on the equity attributable to the group, depending on whether or not the decline is significant or prolonged. An increase of 10% in the value of the listed securities would impact equity but would not have an effect on profit or loss.

	Change in year-end price %	Effect on equity R000
2014 listed investments	+10%	27 432
	-10%	(27 432)

Capital management
The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business.

The group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the distribution payments to members and transfers to and from the group's reserves. No changes were made to the objectives, policies or processes during the years ended 30 June 2013 and 30 June 2014.

35. FINANCIAL INSTRUMENTS

Fair value estimation
The table below presents the group's assets and liabilities that are measured at fair value. The classification into different levels is based on the extent that quoted prices are used in the calculation of fair values and the levels have been defined as follows:

Level 1:
Fair value based on quoted prices (unadjusted) on inactive markets for identical assets or liabilities.

Level 2:
Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or

Level 3:
Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the group's assets and liabilities that are measured at fair value:

Year ended 30 June 2014	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Available-for-sale investments	301 802	–	–	301 802
	301 802	–	–	301 802
Year ended 30 June 2013				
Financial assets				
Available-for-sale investments	288 090	–	–	288 090
	288 090	–	–	288 090

35. **FINANCIAL INSTRUMENTS** CONTINUED

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– quoted market prices or dealer quotes for similar instruments;

– the fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves; and

– other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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