

SAMRO

INTEGRATED REPORT 2017

CONTENTS

Cover photo by Steve Gordon

ABOUT THIS REPORT	1
ORGANISATIONAL OVERVIEW	5
OUR VALUE CREATION PROCESS	7
STRATEGY AND PERFORMANCE	10
MATERIAL MATTERS	14
LEADERSHIP REPORTS	21
GOVERNANCE REPORT	34
REMUNERATION REPORT	46
RISK REPORT	49
SUSTAINABILITY REPORT	52
TRANSFORMATION REPORT	59
HUMAN CAPITAL REPORT	62
VALUE ADDED STATEMENT	65
DIRECTOR'S RESPONSIBILITY STATEMENT	66
DIRECTOR'S REPORT	67
INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS	71
SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL REPORTS	72
ABBREVIATIONS AND ACRONYMS	82
CORPORATE INFORMATION	84

DEFINITIONS

MECHANICAL RIGHTS

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

NEEDLETIME RIGHTS

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

REPROGRAPHIC RIGHTS

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



Photo by Lood Goosen



Photo by Lood Goosen



Photo by Manyatsa Monyamane

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

ABOUT THIS REPORT

The Southern African Music Rights Organisation (SAMRO) is pleased to present its integrated report (report) for the period 1 July 2016 to 30 June 2017. SAMRO is a non-profit company (NPC) with a high public interest score, as defined by the Companies Act, 71 of 2008, as amended (Companies Act). SAMRO applies the International Integrated Reporting Council's <IR> Framework and the King Report on Governance for South Africa 2009 (King III). The board of directors (the board) is cognisant of the King Report on Governance for South Africa 2016 (King IV) and is actively seeking alignment with the new principles.

SAMRO IS AFFILIATED TO OTHER INTERNATIONAL COLLECTIVE MANAGEMENT ORGANISATIONS THAT COLLECT LICENSING INCOME ON BEHALF OF SAMRO MEMBERS IN THEIR TERRITORIES. SAMRO PLAYS A SIMILAR ROLE IN SOUTH AFRICA ON BEHALF OF OTHER COLLECTIVE MANAGEMENT ORGANISATIONS, AND MAKES REGULAR DISTRIBUTIONS TO THEM IN RETURN.

This report covers the activities of SAMRO, the SAMRO Foundation, Dramatic Artistic and Literary Rights Organisation (Pty) Ltd (DALRO), Arab Emirates Music Rights Organisation (AEMRO), SAMRO House Holdings (Pty) Ltd and SAMRO House (Pty) Ltd. Where relevant or applicable, the activities of the following entities are reported on: the Southern African Music Performance Rights Association (SAMPRA), Performers Organisation of South Africa (POSA) and Composers, Authors and Publishers' Association (CAPASSO). The financial reporting framework was determined in accordance with International Financial Reporting Standards (IFRS).

The report is the primary report to SAMRO's stakeholders and aims to provide a holistic view of the organisation's strategy, business model, sustainability initiatives, governance, remuneration and risk areas. This report includes commentary by the chairperson of the board, the chief executive officer (CEO) and chief financial officer (CFO), and provides context to SAMRO's ability to create long-term value.

It includes a summarised version of our financial statements, with the reporting structure, content and data elements comparable to previous reports. PricewaterhouseCoopers Inc. (PwC) audited SAMRO's annual financial statements and their independent auditors' report to SAMRO members is on page 71.

FRAMEWORKS

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
- King III
- Companies Act

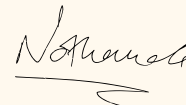
APPROVAL OF THE INTEGRATED REPORT

The board oversees and ensures the integrity and completeness of the report. The directors have collectively assessed the content of the integrated report and believe it addresses all the group's material matters, while providing a fair representation of the integrated performance of the group. Accordingly, the board approved the 2017 integrated report for publication. Signed on behalf of the board:



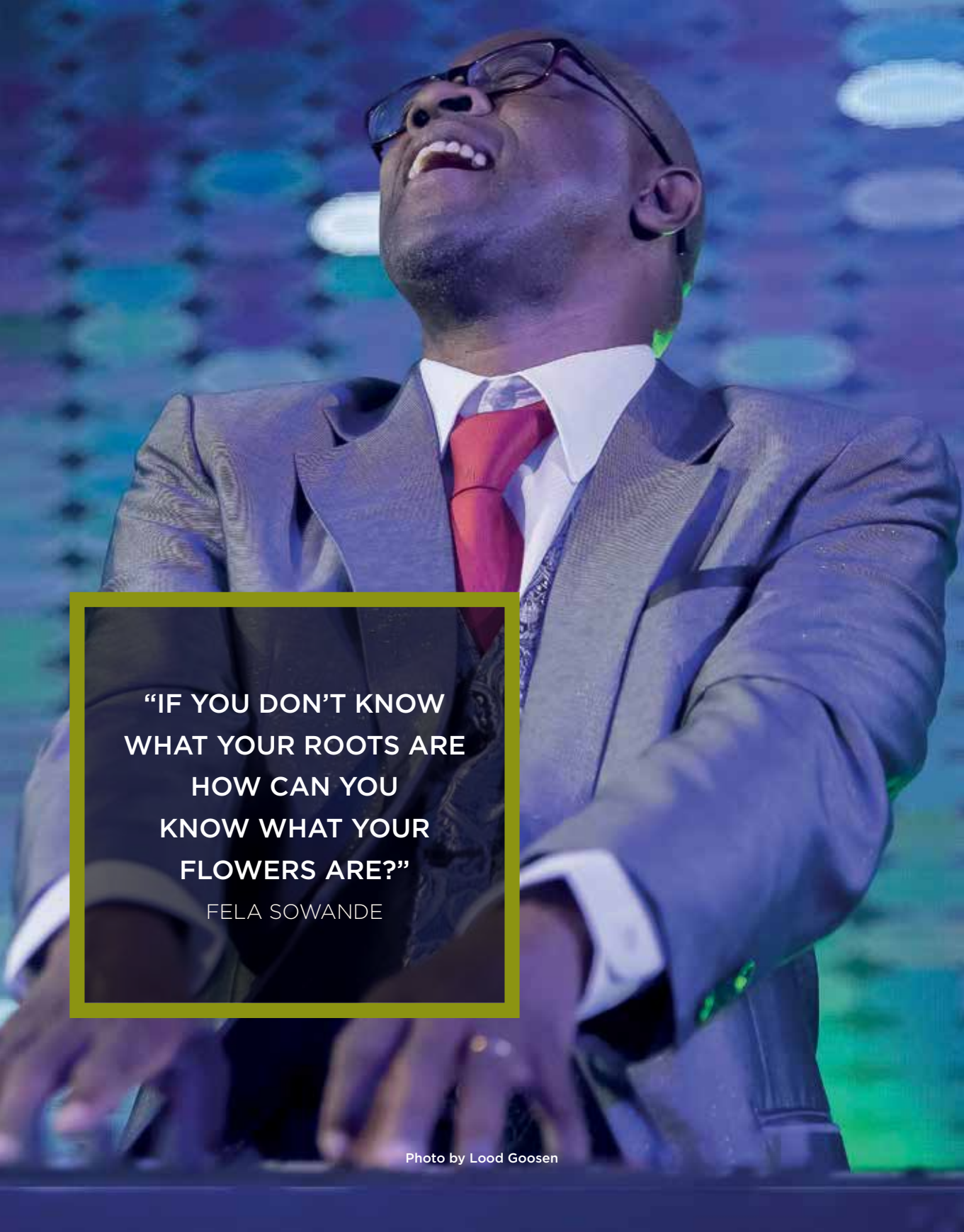
Sibongile Khumalo
Chairperson

2 November 2017



Nothando Migogo
Chief executive officer

2 November 2017

A photograph of a man in a grey suit, white shirt, and red tie, wearing glasses and smiling broadly with his head tilted back. He is playing a keyboard instrument. The background is a blurred stage with blue and green lights. A yellow-bordered box is overlaid on the lower left, containing a quote in white text.

**“IF YOU DON’T KNOW
WHAT YOUR ROOTS ARE
HOW CAN YOU
KNOW WHAT YOUR
FLOWERS ARE?”**

FELA SOWANDE

DISTRIBUTIONS AT A GLANCE

Distributions for the year to 30 June 2017

CATEGORY	DISTRIBUTION	DATE OF CREDIT
Post NS ¹	FY2016	2016-06-07
Royalty adjustment	FY2016	2016-06-23
Post undoc ²	FY2016	2016-06-29
Foreign	FY2017	2016-07-19
Post undoc	FY2017	2016-07-28
Royalty adjustment	FY2017	2016-08-19
Post undoc	FY2017	2016-08-22
Fees in error	FY2017	2016-08-30
Foreign	FY2017	2016-09-14
Post undoc	FY2017	2016-09-26
Post NS	FY2017	2016-09-30
Cinema film	FY2017	2016-10-20
Post undoc	FY2017	2016-11-02
Live	FY2017	2016-11-14
Royalty adjustment	FY2017	2016-11-16
Satellite	FY2016	2016-11-16
Post undoc	FY2017	2016-11-27
Grant of rights payments	FY2017	2016-12-01
Performance adjustment	FY2017	2016-12-12
Foreign	FY2017	2017-01-17
Post undoc	FY2017	2017-01-27
Radio and general	FY2017	2017-02-24
Television	FY2017	2017-03-29
Live	FY2017	2017-04-18
Post NS	FY2017	2017-04-20
Post undoc	FY2017	2017-04-29
Performance adjustment	FY2017	2017-05-18
Post undoc	FY2017	2017-06-08
Foreign post	FY2017	2017-06-20
Royalty adjustment	FY2017	2017-06-22
Post undoc	FY2017	2017-06-26



Total available for distribution

351,8m
(2016: R368,4m)



Cost-to-income ratio

38,6%
(2016: 29,1%)



Number of distributions

31
(2016: 31)



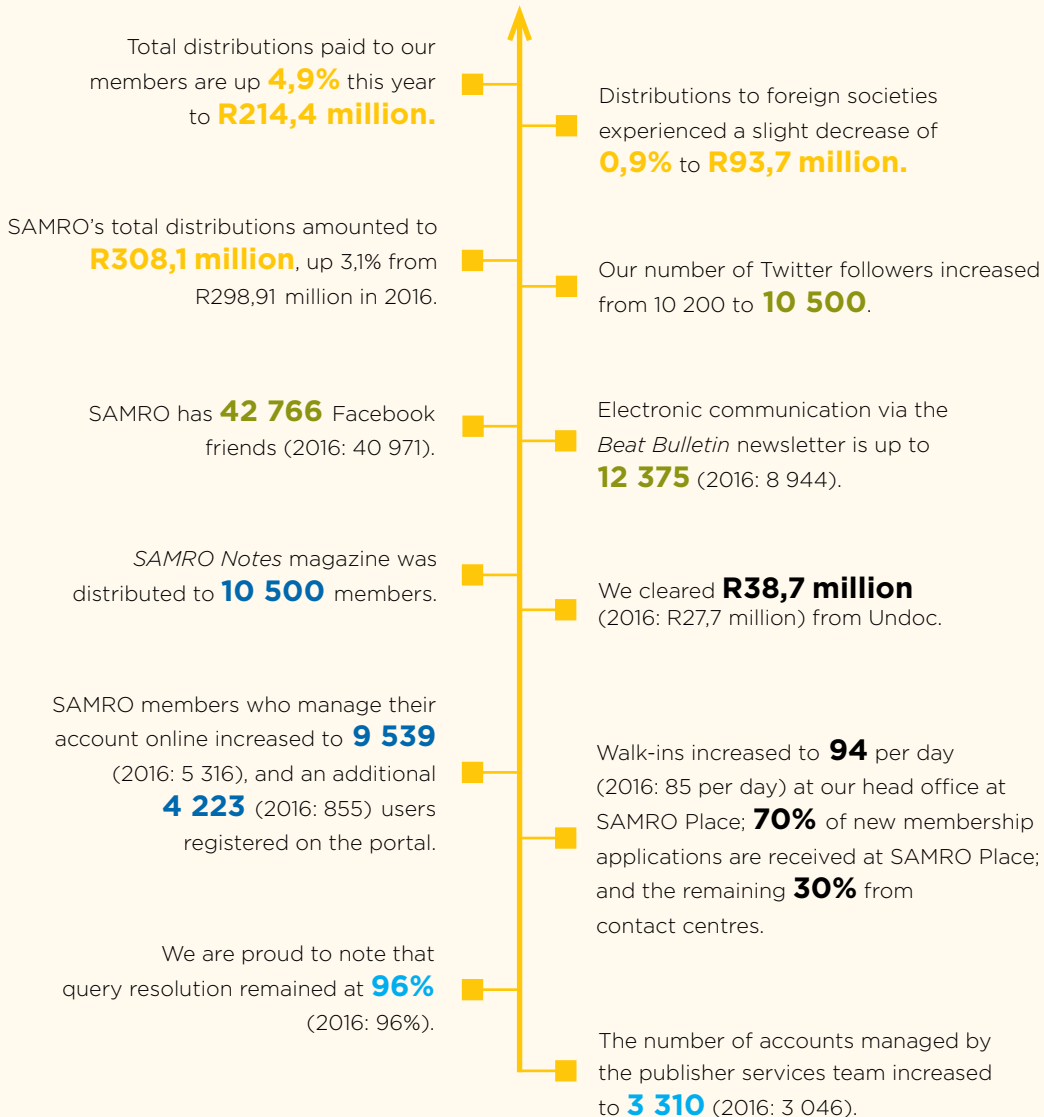
Total group licence revenue
(before deductions)

R483,7m
(2016: R468,3m)

¹ NS is an abbreviation for Non-Société. This means the work or a share of that work that has been used belongs to a composer who is not affiliated to any society at the time of distribution.

² Undoc relates to an undocumented work for which some or all of the rightsholders are not known.

OUR PERFORMANCE IN NUMBERS



ORGANISATIONAL OVERVIEW

Established 1961

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

14 961 South African composers and publisher members (2016: 14 161).

SAMRO represents more than **4 million** composers and authors across the globe.

208¹ employees:

- **63%** African
- **14%** Coloured
- **6%** Indian
- **15%** White
- **2%** Foreign

SAMRO's objective

Protect and enforce copyright and other intellectual property rights relating to music and prevent unlawful uses of intellectual property relating to music works.



Our vision

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



Our values

- Accountability
- Achievement
 - Integrity
- Service excellence
 - Teamwork



Our purpose

To create value for the creators and users of music.

Our strategic themes

As a member-based organisation, SAMRO thrives on a high-efficiency and high-performance culture that enables us to successfully execute our strategic themes:

- Revenue growth
- Focus on members and users
- Operational excellence

Rights administered by SAMRO²

Performing rights

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

Refer to page 54 for a summary of our memberships and affiliations.

¹ SAMRO has 196 permanent and 12 contract employees.

² SAMRO no longer administers mechanical rights and needletime rights. Mechanical rights are administered by CAPASSO and following POSA's merger with SAMPRA, needletime rights are now administered by SAMPRA.

A woman is captured in a moment of intense musical performance. She is seated, wearing a white short-sleeved top and a white wrap-around skirt. Her attire is adorned with numerous colorful beaded necklaces, bracelets, and a headband with white cowrie shells. She has her eyes closed and her mouth open as if singing or chanting. A professional microphone is positioned in front of her, and she is holding a wooden instrument, possibly a mbeke, with both hands. The background features a wall with several framed abstract paintings in warm tones.

**“WITHOUT MUSIC,
LIFE WOULD BE
A MISTAKE.”**

FRIEDRICH NIETZSCHE

OUR VALUE CREATION PROCESS

Strategic themes



Revenue growth



Focus on members and users



Operational excellence

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.



Composers



Authors



Publishers

register their original works with SAMRO

SAMRO

Administers performing rights

Collection of licence fees from TV broadcasters, radio stations, in-store radio stations, bars, clubs, retailers, restaurants and all other businesses that broadcast music.

Outputs and outcomes

- Distribution of royalties for the works of composers, authors and lyricists
- Copyright protection for composers' and authors' works, and lobbying activities to positively influence the music industry and copyright legislation
- Artist support and industry development through the SAMRO Foundation, support of SAMRO affiliates/collective management organisations (CMOs)

SAMRO

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

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

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

DALRO

DALRO, SAMRO's largest subsidiary, has been operating since 1967 and licenses the reproduction of literary, artistic and dramatico-musical works, and offers a range of related services. Members legally assign their rights to SAMRO, while DALRO acts on an agency basis for its members.

DALRO's main source of revenue is the administration of reprographic rights, although

the organisation is developing other revenue streams in copyright licensing and related fields. The organisation developed tariff and licensing instruments for the licensing of these rights to private and public sector businesses, particularly universities and, more recently, media monitoring services. Licensing schemes were also developed for visual works of art and the adaptation of books for film and TV productions.

THE SAMRO FOUNDATION

The SAMRO Foundation is an NPC housing the corporate social investment (CSI) portfolio of SAMRO. The SAMRO Foundation's activities aim to promote South African arts and encourage a culture of excellence in the arts while supporting the local music industry through a diverse range of programmes (pages 55 to 58).

NON-ROYALTY COMMERCIAL ENTERPRISES

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

SAMPRA/POSA

The POSA Trust and SAMPRA have merged to administer the needletime rights of performers. This society has two chambers, one for record companies and the other for performers, with equal representation on the new board.

A new memorandum of incorporation (MOI) was finalised in November 2016 to incorporate the merger between the two entities. In February 2017, POSA's amended trust deed was registered with the High Court.



**“I RESPECT
MUSIC,
I DO.
I LOVE IT.”**

YOUSOU N'DOUR

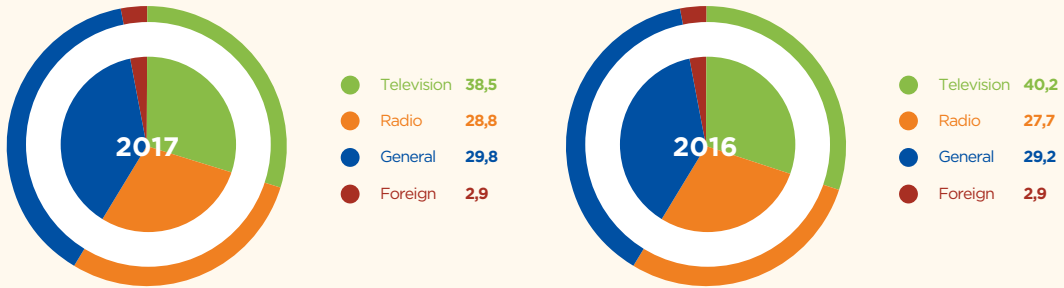
STRATEGY AND PERFORMANCE

SAMRO's vision is to be the global music rights and value-added services organisation of choice for Africa. In support of the group's vision, we have established three strategic themes:

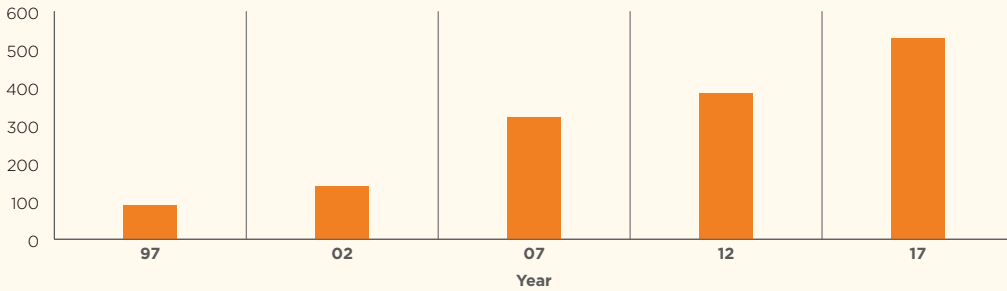
STRATEGIC THEME	SHORT-TERM STRATEGIC IMPERATIVE
Revenue growth	Pricing – appropriate and value-creating tariffs
	Accurate and timely invoicing
	Effective credit control
Focus on members and users	Member retention
Operational excellence	Simple and efficient processes
	Market development
	Market penetration

STRATEGIC OUTCOME LEVEL	OUTCOMES	PROGRESS DURING 2017
Strategic outcomes	To facilitate a single music rights licence	This is on track with the merging of POSA and SAMPRA. CAPASSO and SAMPRA will be moving into SAMRO Place to enhance collaboration, synergy and increase cost efficiency.
	To pursue limited diversification	<p>The AEMRO acquisition signified the group's efforts to diversify into new markets. However, due to the failure of AEMRO to secure The International Confederation of Societies of Authors and Composers (CISAC) membership, the board has taken the decision to withdraw from this territory.</p> <p>The north parking lot will be developed at no cost to SAMRO or its members. This will significantly increase the value of the property and generate increased monthly revenue for the group.</p>

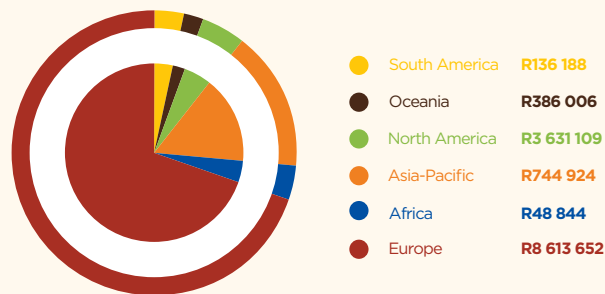
SOURCES OF LICENCE REVENUE (%)



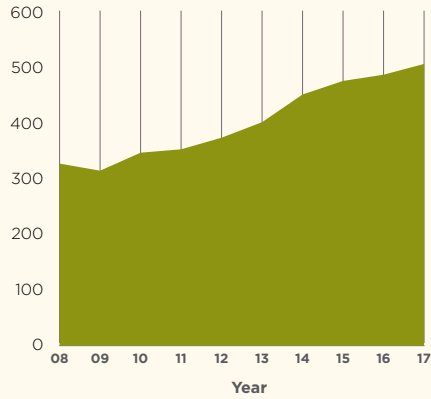
GROSS GROUP INCOME - 20-YEAR VIEW (Rm)



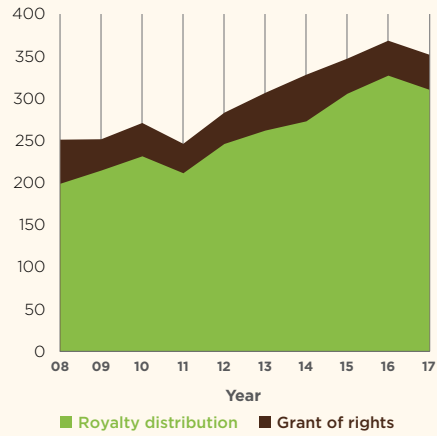
FOREIGN INCOME BY REGION 2017



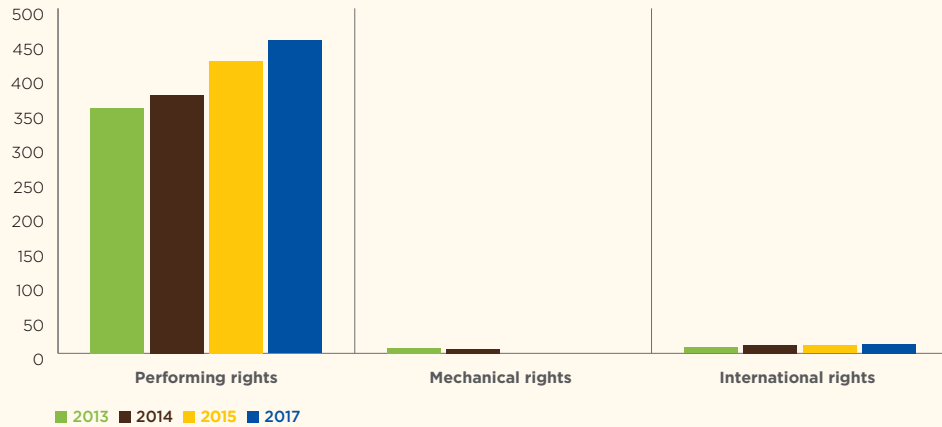
TOTAL INCOME (Rm)



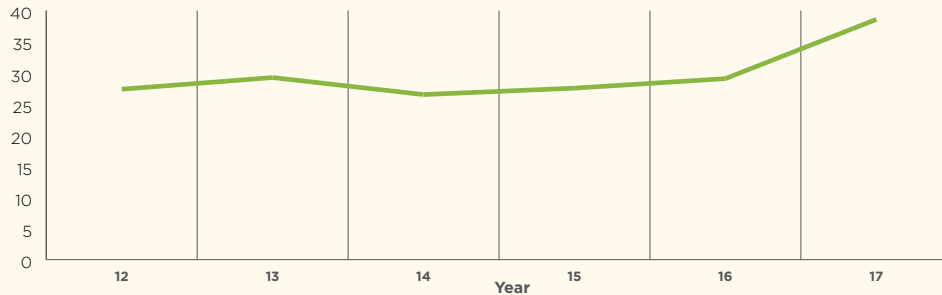
DISTRIBUTIONS (Rm)




LICENCE INCOME SOURCES (Rm)



COST-TO-INCOME RATIO RESTATED (%)





**“WE JUST HAVE TO
ORGANISE OURSELVES
AS ARTISTS,
AND THEN THINGS
WILL BE BETTER.”**

MIRIAM MAKEBA

MATERIAL MATTERS

SAMRO considers matters to be material if they have potential to substantially impact the organisation's ability to create sustainable long-term value. The organisation's material matters are informed by an analysis of the operational risk log, and broader trends in industry, both locally and internationally. The table below lists the matters that are considered most material to SAMRO.

MATERIAL MATTER	DESCRIPTION	HIGH-LEVEL FEEDBACK	FURTHER INFORMATION
Membership	Ability to increase distributions in line with membership growth	Membership growth has not resulted in increased revenue. SAMRO is working to inspire creators to diversify into other markets beyond commercial music, which will result in an improved number of collections per member.	Chairperson's, CEO's and sustainability reports
Reputation	Negative perceptions about SAMRO affecting membership and revenue	There is a strategic shift to start looking at SAMRO as a group. This would enable SAMRO to provide a holistic report on its performance and efforts to improve efficiencies. Cash flow challenges have affected SAMRO's ability to make distributions timeously. This has significantly impacted the organisation's reputation.	Chairperson's and CEO's reports
Legislative and regulatory changes	Business model relies on existing legislation	The South African legislative environment remains a concern for musicians, reprographic rights and the general music industry.	Chairperson's and CEO's reports
	The regulation of societies is being intensified	The new regulations being introduced have adverse effects on the SAMRO group. It is vital to adapt the organisation's strategic objective to accommodate the new regulations.	

MATERIAL MATTER	DESCRIPTION	HIGH-LEVEL FEEDBACK	FURTHER INFORMATION
Costs	Fixed-cost base requires revenue growth	SAMRO is aiming to achieve a cost-to-income ratio below 20% to align itself with the new regulatory requirement.	CEO's and CFO's reports, governance report (corporate ethics, donations and gifts)
	AEMRO investment	An amount of R37,4 million was invested in diversification efforts into the UAE as at 30 June 2017. SAMRO has taken a decision to withdraw from this venture and write-off this investment. Costs of withdrawal are still being negotiated.	
	Wawela awards	A third-party fraud incident of R1,7 million was committed. Although appropriate legal action has been taken, SAMRO has decided to postpone the 2017 Wawela Awards.	
Digitisation and piracy	Digital service providers and new distribution channels	<p>Digitisation has become a key focus area for the collective management organisation (CMO) industry.</p> <p>It is vital for SAMRO to broker key partnerships with the purpose of sharing systems and other strategic resources to increase efficiencies.</p>	Chairperson's and CEO's reports



**I DON'T THINK YOU CAN BE CONSIDERED
A LEGEND IF YOU HAVEN'T WORKED HARD
TO DEVELOP OTHER MUSICIANS.**

RAY PHIRI



MATERIAL MATTER	DESCRIPTION	HIGH-LEVEL FEEDBACK	FURTHER INFORMATION
Licensing	The public broadcaster's payment history	<p>SAMRO is engaging with the public broadcaster to establish a favourable payment arrangement.</p> <p>The organisation's cash flow is severely constrained by the public broadcaster's inability to make prompt payments. At the beginning of this financial year, the public broadcaster agreed to increase the radio tariff by 0,75%; however, a similar TV tariff increase has not been implemented.</p>	CEO's and CFO's reports
	The reluctance of commercial broadcasters to negotiate licences in good faith	Negotiations with private broadcasters MultiChoice and eTV are underway, but a resolution has not been reached due to resistance to increasing the tariff.	
	Licensing of community broadcasters not sustainable in current form	SAMRO is reviewing community radio stations to identify which ones are profitable.	
	Licensing of MultiChoice	SAMRO's members' music accounts for 50% of the content on MultiChoice channels, yet SAMRO is not receiving due payments in line with the percentage arranged under the terms of the current licensing agreement. Mutually beneficial resolutions are being investigated.	
	Lack of adequate copyright legislation for new media	<p>Reinforced copyright legislation is required to facilitate improved collections and enforce compliance.</p> <p>Digitisation has presented the creators with a different form of piracy which is currently not being regulated adequately.</p>	

MATERIAL MATTER	DESCRIPTION	HIGH-LEVEL FEEDBACK	FURTHER INFORMATION
Data integrity	Correct and timely distributions rely on accurate data from users	SAMRO strives to adhere to its distribution intervals; however, the quality and reliability of data SAMRO receives often hinder the process.	Chairperson's and CEO's reports
IT systems	Internet penetration among members increasing, albeit slowly	Despite various government projects aimed at improving the accessibility and the cost of internet services in South Africa, this has been a constraining factor for SAMRO and its members.	CEO's report
Broad-based black economic empowerment (BBBEE)	Improving our BBBEE rating	BEESA Business Services was appointed to assist SAMRO to improve its BBBEE scorecard.	Chairperson's report
Compliance	Compliance capacity and structure	Ensuring compliance with internal policies, procedures and regulatory requirements is mandatory. SAMRO's company secretary ensures compliance with all relevant legislation, and a monthly report is provided to the board. External audit provides an independent and objective view of risk management in the organisation.	Governance and risk reports
Licensees	Non-payment by licensees	SAMRO adheres to a negotiation protocol in setting up new licences. If the user is not willing to undertake a licence agreement, SAMRO resorts to litigation and to court action in respect of large licences.	Chairperson's and CEO's reports

MATERIAL MATTER	DESCRIPTION	HIGH-LEVEL FEEDBACK	FURTHER INFORMATION
Employees	Increased union activity	SAMRO values its relationship with the labour unions. The organisation actively engages with the unions to ensure a constructive relationship.	CEO's and human capital reports
	Training and succession planning	As SAMRO evolves, it remains imperative that appropriate training and succession planning activities take place. Both areas have received scrutiny by the human resources department and have been deemed adequate.	

OUR OPERATING ENVIRONMENT

The South African economy endured another lacklustre period. Despite the rand's value recovering considerably since last year, the country's outlook remains subdued due to the ratings downgrades and the delicate political situation. Digital disruption continues to create challenging conditions for the administration and protection of intellectual property rights as well as the enforcement of copyright legislation.

Affordable internet access, together with the abundance of digital devices, has created a thriving online marketplace for consumers. The way consumers interact with music has changed significantly with the advent of streaming services, which are enjoying increasing popularity. This has disrupted the physical music sales market in developed African economies such as South Africa.

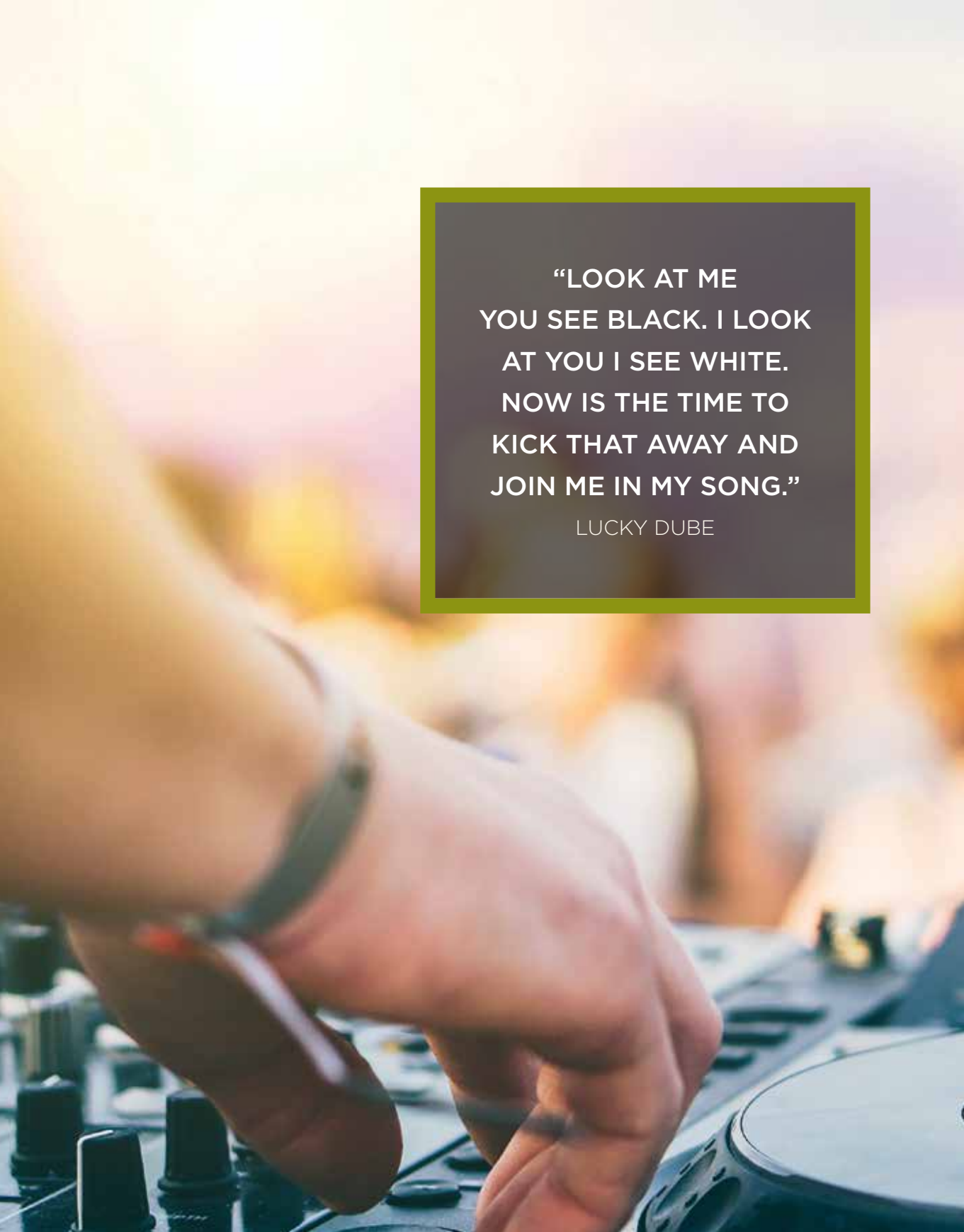
Technology has increased the effects of globalisation. Our local members now have ready access to international markets. Content can be marketed and distributed locally and globally for a very low cost and, in some cases, for free. This has increased the international popularity of our

members and African culture as a whole. From a competition perspective, international CMOs and industry players with superior technology also have greater access to our local markets.

The role of live music is gaining prominence. Live performances have emerged as a lucrative stream of income for our members. SAMRO's live music revenue increased by 66% in 2017 to R16,1 million (2016: R9,7 million). These numbers are small compared to TV, which represents the majority of our revenue and remains a steady medium for consumer spending. However, in order for live music to continue to thrive, the economic environment must be favourable and enable consumers to afford expenditure on experiences such as concerts and exhibitions.

Regardless of the vast disruption in the CMO industry, the popularity and consumption of music is still on a steady upward trajectory.

SAMRO is adapting to the growth of digital platforms and looking to expand our footprint across the African continent while continuing to develop and support South African composers, authors and publishers.

A close-up photograph of a DJ's hand, wearing a black wristband, resting on a turntable. The background is a blurred, warm-toned scene of a club or concert. A dark grey rectangular box with a green border is overlaid on the right side of the image, containing a quote in white, all-caps text.

“LOOK AT ME
YOU SEE BLACK. I LOOK
AT YOU I SEE WHITE.
NOW IS THE TIME TO
KICK THAT AWAY AND
JOIN ME IN MY SONG.”

LUCKY DUBE



CHA

WE

aim to create ECONOMIC
VALUE for our members'
creative works and to FOSTER
the SUSTAINABILITY
of the music industry on
the African continent.

AIRPERSON'S
REPORT
S KHUMALO

21

SAMRO
INTEGRATED REPORT 2017

CHAIRPERSON'S REPORT

Dear members and stakeholders,

As the outgoing chairperson of SAMRO, I am pleased to present the 2017 integrated report for your review.

NAVIGATING THROUGH A PERIOD OF CHANGE

The organisation's business model has been infrequently disrupted during its 55-year existence. More recently, digitisation and a challenging macroeconomic and regulatory landscape are the main drivers changing the CMO environment.

The impact of digitisation has been particularly significant; thus it is vital for us to be adaptable, robust and dynamic to stay relevant and to reinvent our organisation. Embracing technology will enable us to enhance the efficiency of our distribution and reporting capabilities which, in turn, will benefit our members. SAMRO is aiming to leverage technology to improve data collection, data integration, data monitoring and usage. The cost of acquiring technology is another challenge the organisation faces. Forming partnerships and sharing technology with other CMOs and industry players will be crucial to our success and that of our partners. Supporting CMOs and partners to gain improved efficiencies in their core functions will be a key enabler of this success.

We are proud to promote the role of the arts in society, protect the intellectual property of our members and assist the government in ensuring the South African legal framework remains relevant and supportive of our members and their livelihoods.

On 16 May 2017, a revised version of the Copyright Amendment Bill was introduced into the National Assembly. The Copyright Amendment Bill has the potential to change the face of the creative industry. The bill will increase SAMRO's and DALRO's regulatory compliance and reporting requirements, and provides for extended user rights.

In August 2017, we engaged with a parliamentary portfolio committee following an initial written submission. Government is expected to formulate the final bill and forward it to parliament for approval. The document may be sent to the

Department of Trade and Industry (dti) for further clarification. In this instance, the Supreme Court will become involved in the process. We continue to monitor the potential legislative and operational impacts closely to remain adequately prepared for any eventuality.

STAKEHOLDER ENGAGEMENT

At SAMRO we embrace the principle of *Ubuntu* - I am, because we are. Our success and growth correlate to that of our members and stakeholders (pages 53 and 54), directly and indirectly. We recognise our broader stakeholders as partners and value our collaborative and honest engagements with them. The management of our reputation and perception is supported by a board-mandated communications policy that ensures transparent communication between the organisation and key stakeholders.

SAMRO's membership base comprises southern African composers, authors and publishers. We engage with the government, local and international industry bodies, business and our employees to improve the visibility, legal exploitation and recognition of music, and to promote South African culture and music. Internally, we also engage with our union representatives to ensure amicable and mutually beneficial relationships.

By being involved with industry bodies such as CISAC, we are well positioned to support our members. We support the CISAC-approved reciprocal agreement that allows SAMRO to allocate a portion of our operational profit before distribution and tax to the SAMRO Foundation, the SAMRO Retirement Annuity Fund and the SAMRO Funeral Benefit Scheme.

SAMRO, alongside other industry bodies, must engage with the South African government to improve our copyright legislation and our overall environment to adapt to digitisation.

TRANSFORMATION

As a proudly South African organisation, we subscribe to and support government's BBBEE legislation and employment equity plan. SAMRO has a transformation committee in place to guide the group on a firm path regarding improving the group's BBBEE rating. Our goal is to attain a level 4 rating in the next three years.

We undertake a holistic approach to transformation, and we maintain that we are capable of contributing to society in ways beyond merely meeting the criteria on a scorecard. We have a number of role models in the organisation who instil a sense of empowerment, motivation and drive among our employees.

GOVERNANCE

SAMRO's board has a duty and responsibility to lead the organisation ethically and effectively. We provide strategic oversight and adhere to our role as the leadership structure of the organisation.

The pool of individuals with critical skills in the CMO industry is limited. This was demonstrated by the difficulty we encountered in our lengthy recruitment process for a new CEO. We welcomed Nothando Migogo as the new CEO of SAMRO on 1 July 2017.

The appointment of Nothando has provided a sense of optimism and excitement about our future prospects. Nothando is the former CEO of CAPASSO and managing director of DALRO. Her legal background and experience in the digital economy of music will be invaluable in our mission to reinvent SAMRO as a technology-enabled and distributions-focused organisation. The board has granted Nothando some latitude in assessing and refining our strategy, with corresponding budgets to achieve this.

Rev Abe Sibiyi, who was the acting CEO during the recruitment process, returned to the chairperson role before resigning on 21 August 2017. We thank Abe for five years of invaluable direction and support to the organisation in various roles. Jerry Mnisi was a non-executive director since 26 March 2015 and was appointed as SAMRO's new independent chairperson on 8 September 2017.

Three executive members, Bronwen Harty, Pfanani Lishivha and Joyce Schulten, resigned from their respective roles (refer to page 37). We wish them well in their future endeavours. Our members can be assured that their roles will be sufficiently covered until their respective successors are appointed.

OUTLOOK

I remain confident in the board's commitment and ability to drive the organisation forward. SAMRO is well positioned to collaborate with forward-looking partners and to attain improved reporting and data monitoring from the broadcasters.

We are continually working to increase licensing revenue from government, municipalities and the growing digital market. These new revenue streams will help provide us with a positive future trajectory. This will be instrumental in propelling the organisation forward in the challenging economic climate we face. SAMRO's reinvention will include an improved member focus. We will also seek to identify and capitalise on other revenue streams to transcend our heavy reliance on broadcaster revenue.

We are determined to develop and maintain sustainable strategic partnerships with music industry players, legal bodies and other institutions that strengthen our position. We are determined to empower the industry and our counterparts.

APPRECIATION

I am honoured to have been entrusted with the duties and responsibilities of being the chairperson of SAMRO over the past 18 months.

I extend my appreciation to SAMRO's management team and employees who have been committed, supportive and focused over the past year. I am thankful for the executive and board members who have provided value-driven, resourceful and effective oversight of the group as we continue to pursue our purpose. We were able to retain a bird's-eye view of our organisation during this period of change and this is commendable.

As I bid you farewell, I feel proud to have been involved in laying the foundation of the development to come. I remain ever confident that SAMRO will continue to grow positively with the interests of its members at heart.



Sibongile Khumalo
Chairperson
2 November 2017



INCO



Together,

WE

can EVOLVE our organisation
to deliver on the needs of our
CURRENT and FUTURE
members.

**COMING CHIEF
EXECUTIVE
OFFICER'S
REPORT
N MIGOGO**

INCOMING CHIEF EXECUTIVE OFFICER'S REPORT

Welcome to the 2017 SAMRO integrated report.

2017 IN SUMMARY

SAMRO's strategic focus areas remained constant, and we are exploring opportunities for change. The organisation is dedicated to pursuing revenue growth, focusing on members and operational excellence. The year was a stable one, reflected in the R16 million increase in revenue and 5,6% growth in members year-on-year.

Evolving intelligently

Digitisation and legislative amendments are changing our environment significantly. We are adapting by searching for new revenue streams and seeking methods to optimise efficiency. Developing and maintaining strategic partnerships will also be a key component of our business.

Changing industry dynamics

There has been an upsurge of younger composers in the space of TV, advertising, movies and gaming, providing evidence of a diversified market. We have also focused on creating alternative revenue streams from the public sector, live performances and the growing digital market. Through this we aim to reasonably mitigate our exposure to the public broadcaster, a key licensee, which has been experiencing financial instability and, as a result, an unstable payment pattern. At the financial year-end, we had slightly less than three months' licensing revenue outstanding, which adversely affected our cash flow. Accordingly, engagements with the public broadcaster on payment and efficient reporting are ongoing.

Growing revenue in the challenging political and economic conditions

Broadcast licensing remains our major contributor to revenue at 64,7%, with general and foreign licensing as other significant income streams. Due to our exposure to the public broadcaster and the risk of non-payment, we are strategically moving towards diversifying our revenue streams.

Despite the increase in the public radio tariff at the beginning of the financial year, the negative reaction by the public broadcaster's advertising clients to the 90% content rule decreased advertising spend, capping the growth in our radio licensing to a marginal 1%. Although the public broadcaster had publicly announced that the TV tariff would also increase, a resolution on this tariff is still pending and the outcome remains uncertain.

Locally and internationally, the uptake and popularity of live performances, digital music use and streaming has continued. Despite the decrease in CD sales, performing rights and royalties are still on a steady upward trajectory. Traditionally, the organisation has only licensed the broadcast industry for its primary terrestrial broadcast channels. It has become important to ensure that we fully license all forms of digitalised broadcasting.

Our efforts to extend our footprint internationally with the establishment of AEMRO in 2016 have not yielded the results initially anticipated. Following resistance from various CISAC board members to our foray into this market, the group has decided to withdraw further expansion efforts in this territory.

Agility and adaptability

Our leadership's agility over the years has been SAMRO's key component in successfully managing and adapting to change. Maintaining our agile culture will be imperative in ensuring that SAMRO's long-term prospects are fruitful.

Digitisation remains the core risk and opportunity in our industry. Our international counterparts' advanced technology gives them a competitive advantage globally. This allows them to enter our traditional market and compete for our members.

We are exploring a number of technological improvements, such as real-time monitoring of radio and TV broadcasts. Despite the high costs of introducing real-time monitoring, SAMRO would be able to collate data more effectively, which would in turn improve the organisation's distribution and reporting capabilities to match international standards.

Adopting real-time monitoring could also benefit SAMRO's strategic partners, such as SAMPRA and CAPASSO, in the collective management space. Collaboration in this and other areas could provide the group with an opportunity to share the costs of acquiring technology and skills.

Growing our partnerships

Our local and international partnerships have become vital in ensuring the CMO industry remains strong and future-proof. Partnerships with other CMOs and industry players can make technology more affordable and increase the efficiency of our services, while driving overall costs down. Through our relationships with international collecting societies, we will continue to provide a valuable service to over 4 million music creators worldwide.

Concerts SA (CSA), our live music development project managed by the SAMRO Foundation, has been pivotal in providing platforms for our members to earn and increase their exposure through live performances. We are pleased that the Norwegian Embassy has pledged its financial support for the next three years.

Legislation and regulations

As a fully accredited business with the legal authority to enforce the rights of our members, SAMRO has played a substantial role in providing government with legal input aimed at improving copyright law in South Africa.

SAMRO is also a founding member of the Copyright Alliance, a voluntary pro-copyright working group, which enables the organisation to keep abreast of developments surrounding the Copyright Amendment Bill. This further provides opportunities to engage with other industry stakeholders involved in the legislative consultation processes.

FUTURE FOCUS

I look forward to driving SAMRO in a new direction. Our stakeholders can be duly assured of the organisation's stability and positive standpoint presently, and in the foreseeable future.

SAMRO's role in, and contribution to, stimulating the local music industry will remain a priority. The organisation is committed to moving to a cost-to-income ratio below 20%. We also aim to continue retaining funds for the social and cultural fund to benefit the SAMRO Foundation, Wawela Awards, anti-piracy campaigns and our other initiatives and projects.

The organisation will continue to make a concerted effort to ensure that every digital licensing opportunity is explored. Our copyright administration system, Zeus, is currently being upgraded to improve its capabilities, and we are optimistic about the improvements it can offer. We spent R3,5 million (2016: R1,3 million) on the system, and it continues to be upgraded to provide more functionality as requested by our members.

We aim to expand the reach and impact of CSA while securing local support for the project. The group is also looking to solidify our relationships in France, Morocco and Lebanon and to advance the music industry incubator's (INCUBINC) mandate. We continued working dynamically with the University of South Africa and our partners in The Netherlands.

APPRECIATION

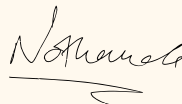
I would like to thank the board for its show of faith in appointing me as the CEO. The organisation has weathered a challenging period of late, and we have collectively managed to keep the organisation on track. I look forward to participating further in this teamwork-focused organisation as we move towards a brighter future.

My thanks go to the executive team of Gregory Zoghby, Joyce Schulten, Pfanani Lishivha, Stephenson Mhlanga, Lazarus Serobe and André le Roux, our managers and all SAMRO's employees for their continuous support and adherence to the organisation's high-performance culture. We are grateful for

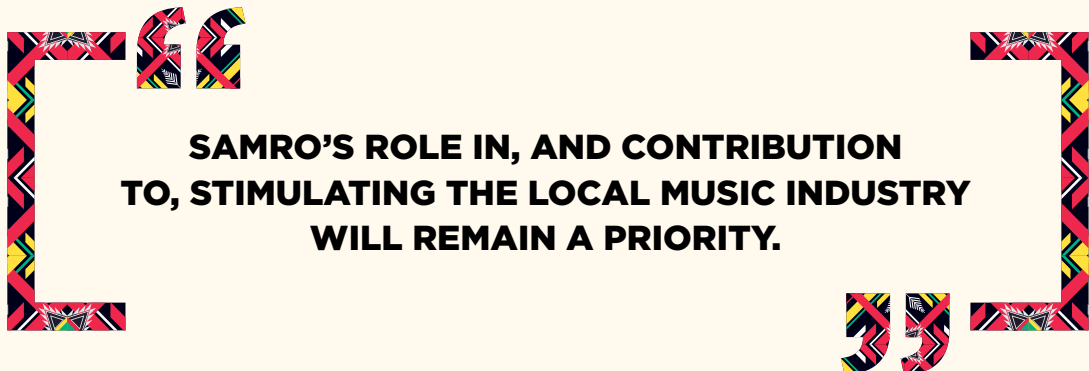
Rev Abe Sibiya, Bronwen Harty, Pfanani Lishivha and Joyce Schulten's faithful years of dedication and service. Their tireless efforts and dedication were renowned in the business and we wish them well in the future.

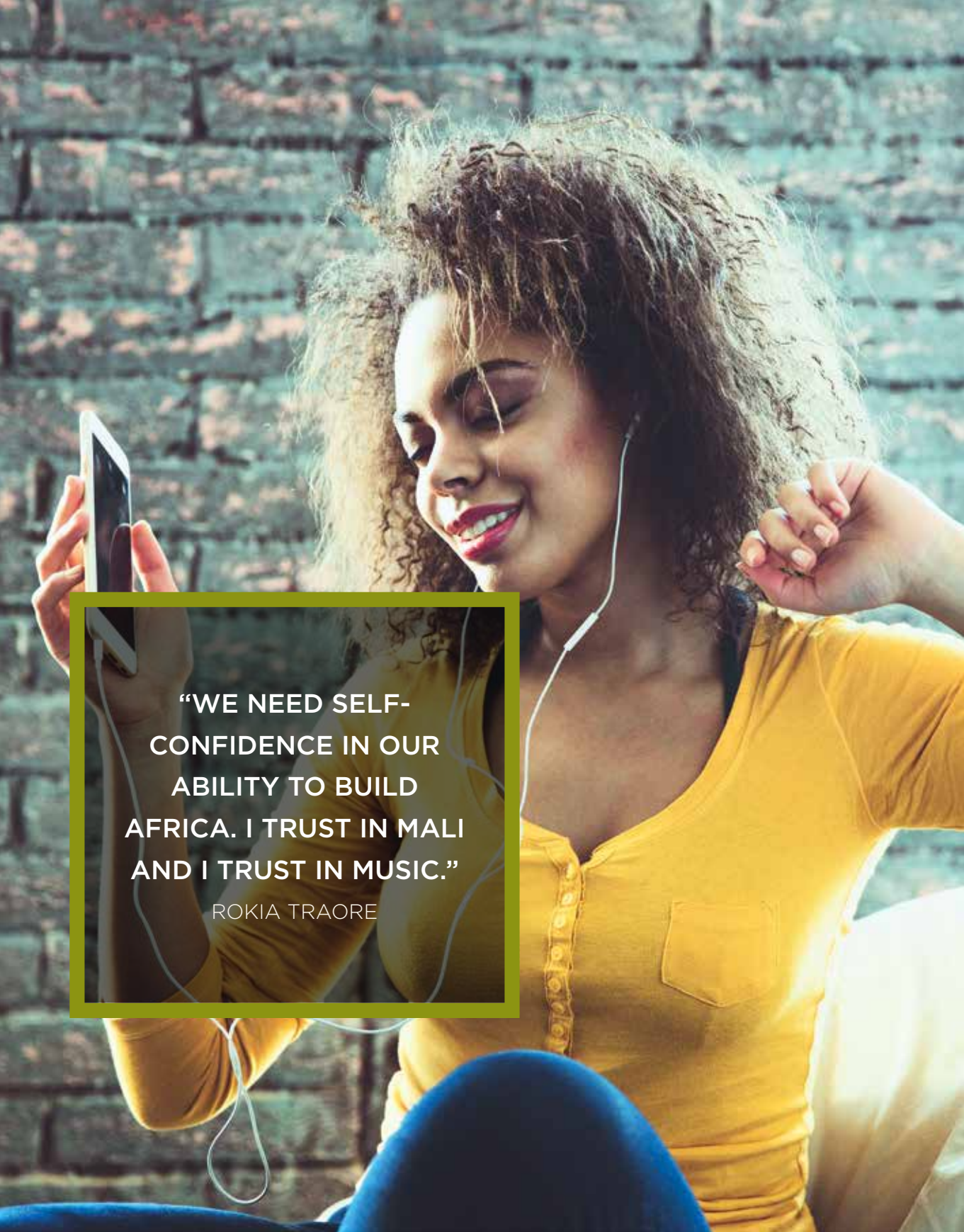
Our members are the reason we exist, and we are thankful for your support. Thank you for entrusting us with your musical rights and supporting us on our journey to empower you further.

SAMRO views its broader stakeholders as partners, and most solutions for the greater industry lie within these partnerships. We appreciate the constant, honest engagements and relationships we have enjoyed with different classes of stakeholders: TV, radio, live concerts and our growing membership base.



Notando Migogo
Incoming chief executive officer
2 November 2017





**“WE NEED SELF-
CONFIDENCE IN OUR
ABILITY TO BUILD
AFRICA. I TRUST IN MALI
AND I TRUST IN MUSIC.”**

ROKIA TRAORE



In
2017

SAMRO remained
RESILIENT and
navigated subdued
economic conditions
and a challenging
political environment.

**CHIEF
FINANCIAL
OFFICER'S
REPORT**
GJ ZOGHBY

31

SAMRO INTEGRATED REPORT 2017

CHIEF FINANCIAL OFFICER'S REPORT

REVENUE

SAMRO's total revenue increased by 3,1% to R525,6 million (2016: R509,7 million); please refer to strategy and performance on pages 10 to 11 for more information. Our revenue was significantly constrained by the poor performances of both public and private broadcasters.

Broadcasters constitute 64,7% (R313,1 million) of the group's licensing income. The public broadcaster experienced a difficult financial year as a result of varying factors, including the negative impact of the 90% local content policy. Advertising revenue was adversely affected in the process.

The 0,75% increase in the public radio tariff came into effect on 1 July 2016 and resulted in a 24,8% increase in public radio licensing revenue. Excluding revenue from the increased tariff, growth was a mere 1,4% (2016: -1,3%). Private radio income decreased by 5%, public TV income decreased by 4,6%, while private TV income grew by 5,2% (2016: 9,7%). Overall broadcasting revenue increased by R8,2 million, or 2,7%.

SAMRO is engaging and lobbying broadcasters to negotiate increased television tariffs, which have remained unchanged for many years.

Licensing and royalty income

Our total licence and royalty income increased by 3,6% to R465,6 million (2016: R449,3 million). The group generated R11 million from new business and R127,9 million from renewals. Total revenue generated by performing rights licences increased by 3,6% to R452,1 million (2016: R436,2 million). SAMRO has R351,8 million (2016: R368,4 million) available for distributions.

Despite continued resistance, several municipalities have started to take music licences. The government is a major user of music and its usage could become a major source of income for SAMRO, but this area of licensing has not yet borne fruit. SAMRO continues to interact with government to explore potential opportunities.

Foreign income

SAMRO collects funds on behalf of some foreign societies. Despite the volatility of the rand against the currencies of foreign societies, SAMRO's

foreign revenue increased by 3,8% to R13,6 million (2016: R13,1 million). AEMRO operations did not commence this year as CISAC did not grant the organisation's membership application and the board has taken the decision to withdraw from further investments in this territory.

Investment income

Despite a fluctuating local stock exchange and the recent national credit rating downgrade, SAMRO's investment income increased by 7,9% to R34,7 million (2016: R32,1 million). The increase was driven by profits in the trades which were made to fund distributions. Dividends and interest on listed investments increased by 3,3%.

DISTRIBUTIONS

SAMRO completed 31 distributions during the year. We increased the total distributions paid by 3,1% to R308,1 million (2016: R298,9 million). Distributions to foreign societies increased marginally by 0,9% to R93,7 million while distributions to members increased by 7% to R214,4 million (2016: R204,4 million).

COST-CONSCIOUSNESS

The group is committed to containing costs and enhancing efficiencies. Our cost-to-income ratio deteriorated from 29,1% to 38,6% (both years restated). SAMRO has restated the cost to income ratio in a proactive move to align this ratio with the regulations applicable to needletime, pending the finalisation of the Copyright Amendment Bill and subsequent regulations. This ratio was mainly impacted by a few significant items, including the cost of additional board meetings to appoint the new CEO and to manage the AEMRO investment, the cost of the operation in India, and the unfortunate requirement to impair the AEMRO investment. SAMRO's operating expenditure was R138,1 million (2016: R125,1 million) and the cost of personnel was our largest expenditure item. Other expenditure, including the write-off of AEMRO costs, amounted to R49,5 million. The difficult operating environment contributed to additional bad debts of R22,2 million (2016: 29,3 million).

SAMRO and SAMPRO are in discussions about the recovery of funding provided by SAMRO in setting up the needletime operation.

DALRO

DALRO's administration fee decreased by 10,2% to R12,3 million (2016: R13,7 million). The decrease in fee income contributed to a 5,5% decrease in total income growth.

Blanket licence income increased marginally by 0,8% to R38 million (2016: R37,8 million). Other licence income decreased to R3,9 million (2016: R8,1 million). This was a result of reduced licensing in the theatrical streams and challenges in licensing tertiary institutions in light of pending changes to the copyright legislation.

The proposed changes to copyright law for education could potentially reduce DALRO's revenue by two thirds, if the legislation is passed in the original format without amendment. Following written submissions and parliamentary hearings, the portfolio committee has established a task team. This team will consider policy on various topics raised in the Copyright Amendment Bill (the Bill), and with the support of parliament's legal and technical advisors, redraft it. These technical advisors include Prof Caroline Ncube and Dr Tobias Schonwetter of University of Cape Town's (UCT) IP Policy Unit. The team is also considering engaging/creating a panel of stakeholders from those who made submissions during the public hearings.

DALRO, other rightsholder groups and the opposition members of the portfolio committee, are concerned about the impartiality of the named technical advisors from the UCT IP Policy Unit. They have actively participated in contributing to the notion of "users' rights" to the Bill, including an expanded form of "fair use". SAMRO, CAPASSO, PASA and other rightsholders groups are member of the Copyright Alliance. The Copyright Alliance has supported DALRO's campaign for a more balanced and fact-based hearing of issues and treatment of the policy concepts in the Bill, to which there have been no response at the time this report being published.

SAMRO HOUSE

SAMRO House's revenue increased by 5,5%, despite several vacancies in the building, as this was countered by higher rentals for new tenants.

RESERVES

SAMRO actively manages its reserves to ensure it is able to meet development needs in the future. With the impairment of the investment in the United Arab Emirates, the board has agreed to use a portion of the reserves to lessen the impact on members in the current financial year.

FUTURE FOCUS AND OUTLOOK

We are positive that the restructuring of SAMRO and the realignment of its strategy will yield positive results.

In the coming year, CAPASSO and SAMPRO will move into SAMRO Place, the building which houses (and is owned by) SAMRO. This move will create an environment in which greater synergies and cost savings can be achieved within the group. We have contracted a property developer to establish a building in our parking lot at no cost to SAMRO. This will add significant value to the land and generate increased income for the property company, thereby increasing the grant of rights payments to our members. The development will commence by May 2018.

APPRECIATION

I extend my appreciation to my fellow board members, the general management team and my support teams, including legal, finance and administrative members.

Achieving the group's strategic goals would not be possible without the commitment of the whole team, and its unflinching support throughout the year has enabled the company to withstand an economically and politically challenging year. It is our aim to create value for our members, and we will continually strive to achieve this objective, with your continued support.



Gregory Zoghby
Chief financial officer
2 November 2017

GOVERNANCE REPORT

The SAMRO board is made up of 14 members as follows:

Executive	2	Publishers	4
Composers/Authors	7	Independent	1

BOARD MEMBERS: Non-executive directors



1

S KHUMALO

Appointed 1 November 2010

Composer member

Appointed chairperson 1 April 2016

Stepped back to vice-chairperson role from 1 July 2017



2

L BALA

Appointed 27 March 2014

Composer member



3

J EDMOND

Appointed 28 March 1987

Composer member



4

JJ MNISI

Appointed 26 March 2015

Independent member

Independent director by invitation - appointed 26 November 2009

Appointed chairperson 8 September 2017



5

G LE ROUX

Appointed 28 November 2014

Composer member



6

J ZAIDEL-RUDOLPH

Appointed 1 January 2008

Composer member

SAMRO'S BOARD COMPRISES COMPOSERS, AUTHORS AND PUBLISHERS. OUR BOARD OVERSEES THE ORGANISATION'S IMPLEMENTATION AND EXECUTION OF PLANS, STRATEGIES AND GOVERNANCE INITIATIVES. THE BOARD'S AIM IS TO PROTECT THE INTERESTS OF SAMRO'S MEMBERS.



7

SCP MABUSE

Appointed 25 March 1995

Composer member



8

JJ NIEMAND

Appointed 30 November 2012

Composer member



9

A MAFOKATE

Appointed 17 September 2015

Publisher member



10

R NAICKER

Appointed 1 September 2016

Publisher member



11

R MABOTJA

Appointed 1 September 2016

Publisher member



12

REV NA SIBIYA

Appointed 1 November 2010

Publisher member

*Appointed chairperson
13 September 2012*

*Appointed Acting CEO from
24 March 2016*

*Stepped back into chairperson role
from 1 July 2017*

Resigned 21 August 2017

Executive directors and executive committee



1

N MIGOGO
Appointed CEO 1 July 2017
Executive director



2

J SCHULTEN
Group company secretary and HR executive
Resigned 31 October 2017



3

GJ ZOGHBY
Chief financial officer
Executive director



4

P LISHIVHA
Executive general manager: rightsholder services and POSA
Resigned 30 September 2017



5

A LE ROUX
Managing director: SAMRO Foundation



6

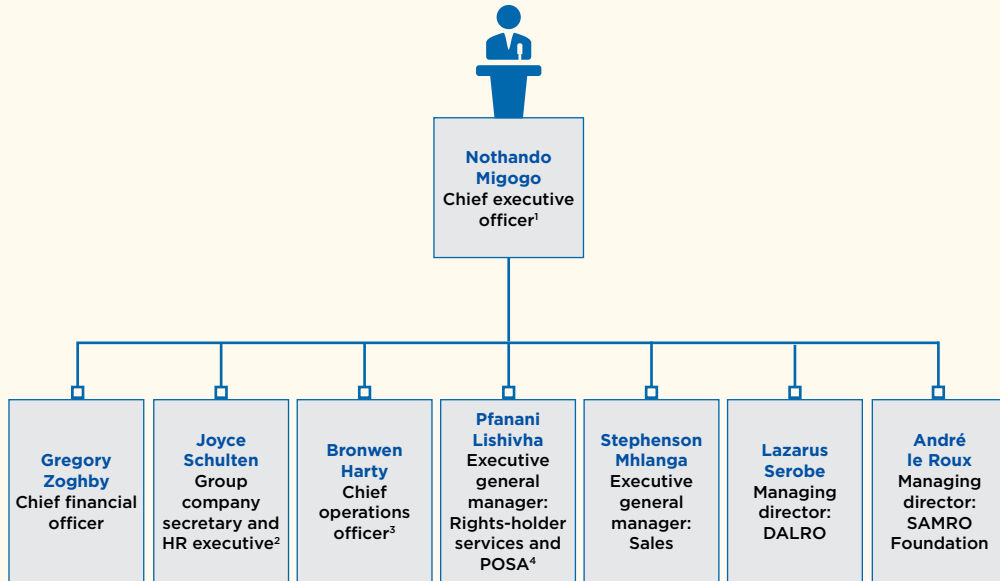
S MHLANGA
Executive general manager: sales



7

L SEROBE
Managing director: DALRO

GROUP OPERATIONAL AND MANAGEMENT STRUCTURE



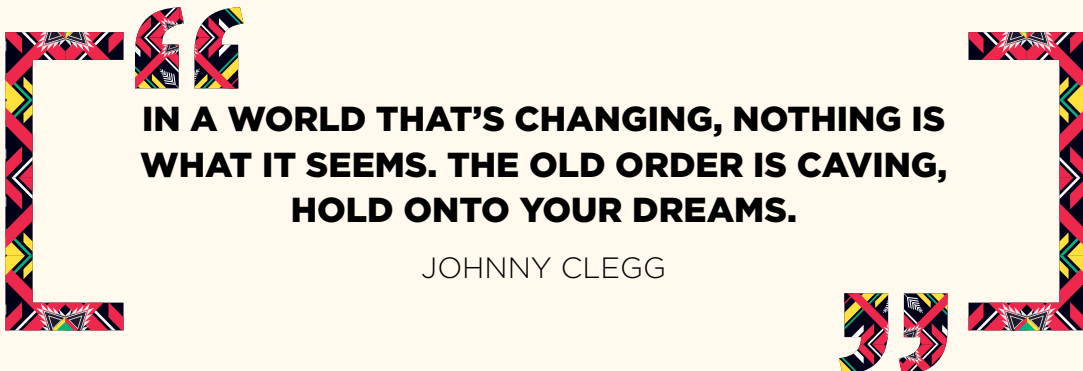
¹ Appointed 1 July 2017, replacing Rev Abe Sibiya, who was Acting CEO for the period and stepped back into the chairperson's role. Abe subsequently resigned from SAMRO on 21 August 2017

² Resigned on 31 October 2017

³ Resigned on 31 March 2017

⁴ Resigned on 30 September 2017

On 1 May 2013, SAMRO became an NPC under the Companies Act, and this amendment was approved by the members at the annual general meeting (AGM) on 28 November 2014. The board upholds ethical principles of good corporate governance as defined in the King Report on Governance for South Africa 2009 (King III). Following the release of King IV on 1 November 2016, the board is further aligning its practices with the prescribed principles where applicable to an NPC.





GOVERNANCE SUMMARY FOR 2017

- Appointed N Migogo as the new CEO on 1 July 2017
- POSA and SAMPRO merger was completed
- Non-executive directors' remuneration was approved
- Members approved the remuneration presented at the AGM
- PwC was reappointed as the independent auditors
- R Mabotja and R Naicker were elected as publisher members of the board
- S Mabuse and J Edmond were re-elected as composer directors
- The amendments to the SAMRO performing rights royalty distribution rules were approved
- Needletime rights were removed from the SAMRO MOI, and the POSA Trust Deed was updated
- SAMRO ceased administering mechanical rights, and the MOI was amended
- General amendment to the MOI to change the category termed "Candidate Member" to "Ordinary Member"
- The MOI was updated to make provision for SAMRO's compliance with the Protection of Personal Information Act, 4 of 2013 (PoPI Act)

THE BOARD OF DIRECTORS

The SAMRO board oversees the group's strategic direction and monitors progress of the strategy implementation process. The board defines the organisation's ethical tone; and its roles and responsibilities are prescribed by the board charter, which is available from the company secretary upon request.

The board adheres to policies and procedures that ensure compliance with the laws and regulations governing the organisation and its environment, applying the principles of good business practice in all undertakings. Effective stakeholder engagement with important stakeholders at board, management and key employee levels is an imperative for the board.

The board is accountable to members for the performance of the organisation. Through a delegation of authority from the board and its full support, the CEO runs the organisation. Relevant board committees are entrusted with certain mandates and are accountable for their respective outcomes.

Specific responsibilities of the board include:

- monitoring operational performance and management
- ensuring risk management and internal controls, policies and processes
- evaluating the performance of the CEO and board committees
- setting a clearly defined communications policy to ensure transparent communication between the board and key stakeholders
- increasing the value to members while maximising socio-political benefits
- ensuring the accuracy of SAMRO's financial statements

The board and its committees regularly review SAMRO's governance structures, documents and processes to ensure these remain relevant to the group. We conduct at least four board meetings during any given year. This year we accommodated four special meetings and attendance is shown in the table below.

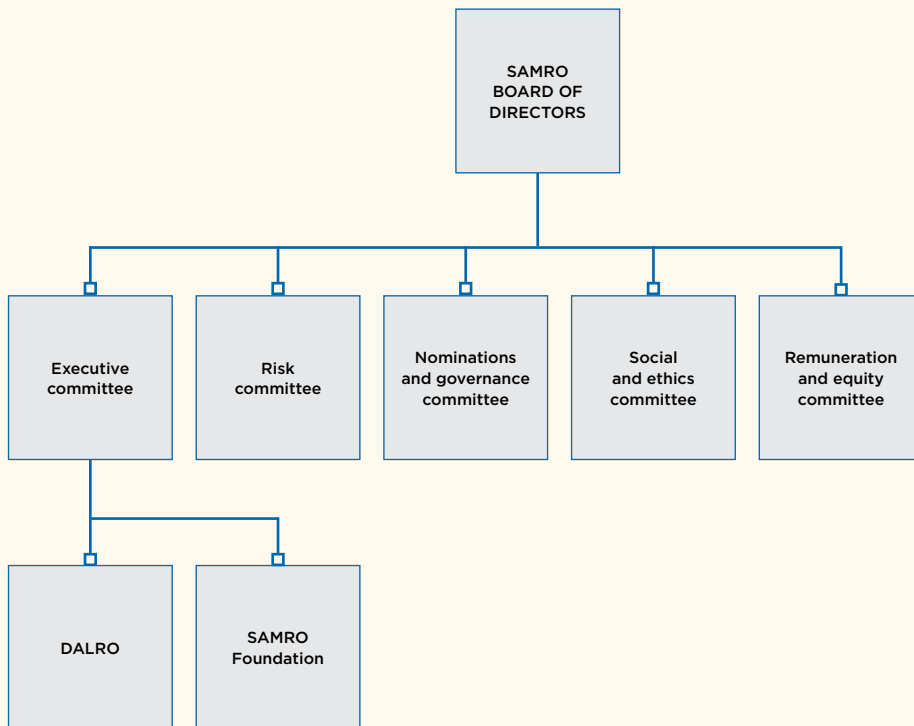
DIRECTORS	DATE FIRST APPOINTED IN CURRENT POSITION	DATE LAST APPOINTED	22/09/16	6/10/16 (SPECIAL)	24/11/16	12/01/17 (SPECIAL)	27/02/17 (SPECIAL)	30/03/17	19/06/17 (SPECIAL)	29/06/2017
Non-executive directors										
L Bala	27 March 2014	28 November 2014	✓	✗	✓	✓	✓	✓	✓	✓
J Edmond	28 March 1987	25 November 2016	✓	✗	✓	✓	✓	✓	✓	✓
J Zaidel-Rudolph	1 January 2008	29 November 2013	✓	✗	✓	✓	✓	✓	✗	✓
SCP Mabuse	25 March 1995	25 November 2016	✓	✓	✓	✓	✓	✓	✓	✓
A Mafokate	17 September 2015	27 November 2015	✓	✓	✓	✓	✓	✓	✗	✓
JJ Mnisi	26 November 2009	26 March 2015	✓	✓	✓	✓	✗	✓	✓	✓
JJ Niemand	30 November 2012	30 November 2012	✓	✓	✓	✓	✓	✓	✓	✓
S Khumalo	1 November 2010	27 November 2015	✓	✓	✓	✓	✓	✓	✓	✓
G le Roux	28 November 2014	28 November 2014	✓	✓	✓	✗	✓	✓	✓	✓
R Naicker	1 September 2016	25 November 2016	✓	✓	✓	✓	✓	✓	✓	✓
R Mabotja	1 September 2016	25 November 2016	✓	✓	✓	✓	✓	✓	✓	✓
Executive directors										
Rev NA Sibiya ¹	1 November 2010	29 November 2013	✓	✗	✓	✓	✗	✓	✓	✓
GJ Zoghby	1 March 2008	1 March 2008	✓	✓	✓	✓	✓	✓	✓	✓

¹ CEO until 30 June 2017, non-executive director until date of resignation on 21 August 2017.

Note: N Migogo joined the Board as CEO on 1 July 2017.

Attended ✓ Absent ✗

GOVERNANCE STRUCTURE



SAMRO’s CEO is a director on its subsidiary boards and keeps abreast of each subsidiary’s activities. Each subsidiary’s managing director reports to the CEO and provides quarterly written reports to the SAMRO board. The company secretary attends all subsidiary board meetings and, where appropriate, informs the CEO and/or board and its committees about any areas of concern.

Board composition

The group’s unitary board structure currently comprises 14 members: 12 non-executive directors, the CEO and the CFO. We consider diversity along the lines of gender, race, member type and musical genre when appointing directors. We have eight non-executive directors (including two women) who are historically disadvantaged South Africans.

SAMRO’s MOI stipulates that at least one third of the directors must be publishers, and at least half must be composers or authors. Board members are nominated by members and elected at the AGM. The broad base of member participation in this process ensures adequate diversity among the board members elected, offering relevant industry experience, qualifications and a variety of disciplinary and social backgrounds.

During 2017, Rev NA Sibiyi was the acting CEO, while S Khumalo was the chairperson of the board. N Migogo was appointed as the new CEO on 1 July 2017. Rev NA Sibiyi reverted to the role of chairperson before resigning on 21 August 2017. B Harty resigned on 31 March 2017, P Lishivha on 30 September 2017 and J Schulten on 31 October 2017.

The board is confident that its present composition possesses sufficient diversity, skills and experience to govern the group effectively. The board has identified the need to appoint two independent directors who possess skills in technology, strategy and business development, in the near future. The board collectively considers and acts upon matters to ensure deliberations are balanced and robust without allowing any individual to dominate the decision-making process.

Directors' remuneration

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

Board training

SAMRO conducts comprehensive training for new directors during orientation. The training includes SAMRO's business model, operating and legal environment, directors' rights, duties and responsibilities, and liabilities. Long-standing directors are also entitled to the training if they wish. Additional training for 2017 is listed below:

- Director Development Programme on corporate governance and board effectiveness through the Institute of Directors in Southern Africa
- Finance training for non-financial managers

Succession planning

SAMRO is committed to ensuring the sustainable value creation for its members. It is mandatory to ensure new recruits are appropriately skilled to maintain the organisation's high-performance culture. We continually develop the critical skills required at various management and leadership levels to ensure succession in essential roles.

Read more about succession planning in the human capital report on page 62.

The chairperson

The chairperson is a non-executive director of the company and is elected by the board for three years. The incumbent's eligibility for reappointment is dependent on their ability to act as a director. The chairperson presides over all meetings of the board and has the casting vote, should the number of votes on a matter be equally divided at a board meeting.

The chief executive officer

The CEO is responsible for the day-to-day running of the organisation. Areas such as significant budget deviations, membership elections and promotions are subject to the board's approval. The performance of the CEO is evaluated against criteria that include:

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

The company secretary

The company secretary guides directors on the performance of their duties, including legal aspects of decision-making, and provides company secretarial resources. The responsibilities of the company secretary include:

- assisting the nominations and governance committee with the appointment of directors
- assisting with the induction and training of directors
- providing guidance to the board on the duties of directors and good governance
- ensuring board and committee charters are kept up to date
- preparing and circulating board papers and ensuring the preparation and circulation of minutes for board and committee meetings
- 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

Board committees

The board delegates relevant duties to various committees while retaining overall responsibility for the organisation. These committees adhere to formal terms of reference, which are approved by the board and reviewed when necessary. The current committees are detailed below:

Nominations and governance committee

MEMBERS	ATTENDANCE	COMMITTEE RESPONSIBILITIES
L Bala (chairperson)	4/5	<ul style="list-style-type: none"> • Nominate, recruit and appoint directors • Make recommendations to the board on all new appointments • Ensure compliance with corporate governance and industry codes of best practice • Facilitate 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
A Mafokate	4/5	
JJ Niemand	5/5	
Prof J Zaidel-Rudolph	5/5	
Rev NA Sibiyi ¹	4/5	

¹ Resigned on 21 August 2017

Risk committee

MEMBERS	ATTENDANCE	COMMITTEE RESPONSIBILITIES
J Mnisi (chairperson)	5/5	<ul style="list-style-type: none"> • Identify and quantify the various risks facing the organisation • Initiate appropriate risk management methodologies to mitigate these risks • Review management's risk processes and outcomes, report findings and recommend acceptance by the board, as appropriate • Consider and report on all matters relating to financial reporting and audit, risk assessment and any general matters pertaining to internal controls and systems
J Edmond	5/5	
G le Roux	5/5	
S Mabuse	5/5	
JJ Niemand	5/5	
PwC representative ¹	5/5	

¹ PwC auditors represented by the audit partner and/or senior manager

The CEO escalates any perceived deficiencies in risk and financial management to the risk committee. By invitation, the external auditor attends risk committee meetings and has the opportunity to engage with the committee without management's presence, if necessary.

The risk committee is satisfied about the independence of the company's external auditors, PwC. There is a policy governing the provision of non-audit services by the external auditors.

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

Remuneration and equity committee

MEMBERS	ATTENDANCE	COMMITTEE RESPONSIBILITIES
S Khumalo (chairperson)	4/4	Enforce the group's remuneration practices to ensure directors and senior managers are rewarded appropriately for their contributions
J Edmond	4/4	
J Mnisi	4/4	
Rev NA Sibiyi ¹	3/4	
PwC representative ²	4/4	

¹ Resigned on 21 August 2017

² PwC auditors represented by the audit partner and/or senior manager

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

Social and ethics committee

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

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

MEMBERS	ATTENDANCE	COMMITTEE RESPONSIBILITIES
JJ Niemand (chairperson)	2/2	<ul style="list-style-type: none"> • Monitor SAMRO's activities relating to any relevant legislation, other legal requirements and prevailing codes of best practice in respect of social and economic development and good corporate citizenship • Advise the board on all relevant aspects that may have a significant impact on SAMRO's long-term sustainability • Draw attention to board matters within the mandate as required and report to members at the AGM
Rev NA Sibiyi ¹	2/2	
S Khumalo	2/2	
A le Roux	2/2	
SCP Mabuse	0/2	
J Zaidel-Rudolph	2/2	

¹ Resigned on 21 August 2017

Executive committee

The executive committee was combined with the general management committee in the past year and assists the CEO in the day-to-day running of the company. The committee meets monthly (see members on page 36), and the meetings are chaired by the CEO of SAMRO. The committee acts on the following:

- group performance – consolidated management accounts
- strategy and structure implementation
- legal issues
- business segment updates
- operational matters
- governance and risk

IT governance

The board oversees IT governance through the risk committee. The information management and services (IM&S) division of SAMRO applies the various elements of IT governance. IM&S is responsible for the maintenance, implementation and operational execution of all relevant IT services and policies. IM&S's general manager monitors IT service and escalates issues or risks to the monthly general managers' meeting. The policies governing IM&S at SAMRO are:

- acceptable use
- acquisition of computer hardware
- email
- information security
- internet security
- passwords
- IT backups
- physical access to computer room
- software development
- software

Corporate ethics, donations and gifts

SAMRO builds and sustains an ethical culture and adopts a zero-tolerance approach to fraud and illegal acts. Our performance management system incorporates these values to entrench these aspirations into employee behaviour.

SAMRO's whistle-blowing service allows employees to report incidents of fraud or illegal acts. Two fraudulent incidents were reported to the board this year. Both cases were committed by the same individual and involved an unauthorised change of bank details. The members affected were recompensed and charges have been laid with the South African Police Service. The individual's pension fund payout has been suspended pending the outcome of the criminal and civil cases, after which time a claim will be lodged against the individual's pension fund and the balance of the amount will be claimed from our insurers.

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

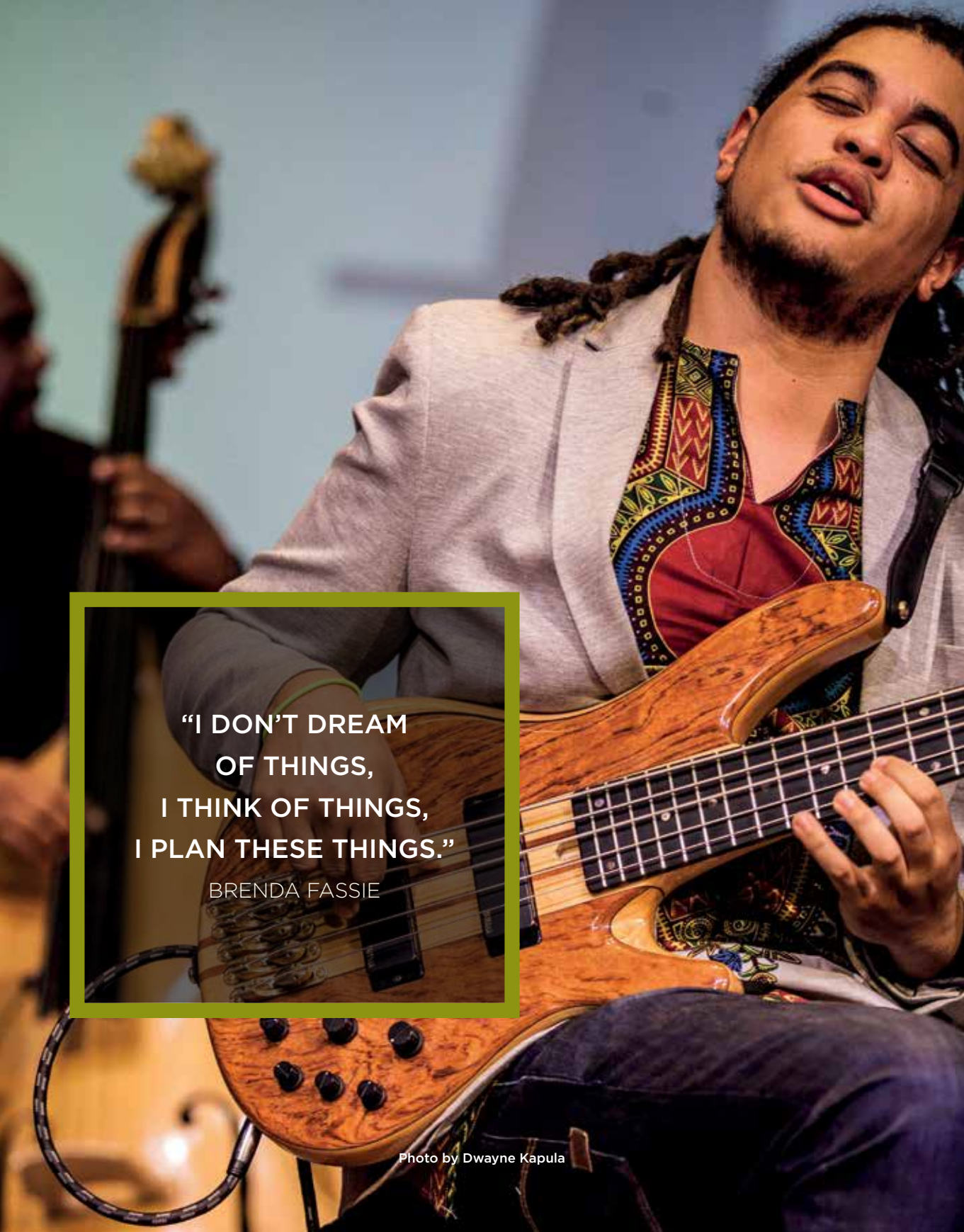
Conflict of interest

Directors are informed of their fiduciary duty to act in the best interests of the organisation at all times during orientation training, subsequent directors' training sessions and all board meetings.

Documents in respect of fiduciary duties are included in a reading room on Boardpad, electronic software for board documents, to which all directors have access. As a standing item at all board meetings, directors declare their interests to fellow directors to avoid any perception of conflict of interest. Executive committee meetings follow a similar process.

Compliance with laws, rules, codes and standards

Compliance within the organisation is the company secretary's responsibility. The company secretary reports any significant matters to the board relating to the potential consequences or risks associated with any new legislation and non-compliance with mandatory laws and rules.

A young man with dreadlocks is playing a bass guitar and singing. He is wearing a light grey blazer over a red shirt with a colorful, patterned collar. The background is slightly blurred, showing another person playing a bass guitar.

**“I DON’T DREAM
OF THINGS,
I THINK OF THINGS,
I PLAN THESE THINGS.”**

BRENDA FASSIE

REMUNERATION REPORT

THE REMUNERATION AND ETHICS COMMITTEE CONSISTS OF FOUR NON-EXECUTIVE DIRECTORS, ONE OF WHOM IS INDEPENDENT. THE CEO ATTENDS MEETINGS BY INVITATION. THE CHAIRPERSON OF THE BOARD LEADS THE COMMITTEE; AND EXECUTIVE DIRECTORS AND CERTAIN MEMBERS OF MANAGEMENT ALSO ATTEND MEETINGS BY INVITATION, AS APPROPRIATE.

The committee met four times during the year, with input into the performance scheme and various other matters.

The main responsibilities of the 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
- review incidents of unethical behaviour by senior managers and the CEO
- annually review the committee's charter and, if appropriate, recommend required amendments for approval by the board
- perform an annual self-assessment of the effectiveness of the committee, reporting these findings to the board

REMUNERATION STRATEGY AND POLICY

SAMRO's remuneration strategy aims to attract, retain and motivate competent leaders who will execute the group's strategy and ensure sustainable value creation for members.

SAMRO's remuneration policy and practices ensure alignment of the remuneration and incentives of executives and employees and the group's long-term business strategy, 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 strategy.

OVERVIEW OF REMUNERATION Non-executive board members

Non-executive directors are rewarded with a quarterly retainer paid on the date of the board meeting. They also receive an attendance fee subject to attendance at relevant meetings and an annual portion subject to the performance of member liaison duties. Non-executive directors who are part of board committees or subsidiary boards receive additional remuneration linked to these extra duties.

The chairperson and vice-chairperson of the board and the chairs of the committees receive a premium.

SAMRO relies on independent advice to review directors' remuneration as part of the annual salary benchmark initiative. Remuneration is reviewed annually against competitors and companies of similar size. This remuneration is not directly related to the organisation's performance.

Executives and employees

SAMRO's remuneration policy recognises excellent performance and seeks to attract competent, innovative talent to enhance the group's value.

SAMRO offers a "salary plus allowances plus benefits" remuneration package. Above basic pay, pension, medical aid and other insured benefits, qualifying employees are entitled to one or more additional benefits, such as car, housing and cell phone allowances. All employees,

including executives, qualify for additional individual performance incentives.

At senior level, remuneration is linked to the group's performance rather than standardised performance-related packages. A benchmark survey with 861 South African organisations employing around 535 000 economically active individuals with similar jobs is conducted annually. This ensures fair and relevant remuneration practices.

Performance management

SAMRO's strategy is implemented through the group's performance management system. With the aim of driving superior performance for the group, the performance bonus scheme is based on organisational and individual performance.

Employee performance is reviewed twice a year and assessed against agreed key performance areas for the period. The resultant ratings are discussed and reviewed, and any performance issues are addressed. A score is determined by specific goals, key performance indicators (KPIs) and personal competence.

The weighting of performance factors is as follows:

Individual goal's score	95%
Organisational score	5%
Total score	100%

Employees are rated and scored against competencies aligned to the group's values and include:

- accountability
- achievement
- integrity
- service excellence
- teamwork

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

Further information on performance management is shown in the human capital report on page 62.

Service contracts

The CEO's contract is governed by standard terms and conditions of employment.

Non-executive directors are subject to the appointment regulations and rotation in terms of the company's MOI. All the executive directors have a notice period not exceeding one year.

The CEO's service contract avoids predetermined compensation upon termination that would exceed one year's salary and benefits.


There is a contractual arrangement between SAMRO and all board directors that was defined by the nominations and governance committee. All new appointments are based on contracts.

EXECUTIVE DIRECTORS' REMUNERATION	2017 R000	2016 R000
Salaries and bonuses	5 577	5 502
Pension and medical aid	387	738
Other benefits	272	1 656
Total	6 236	7 896

Pension and medical aid, and other benefits decreased significantly year-on-year as a result of the previous CEO's resignation. In his role as acting CEO, Rev NA Sibiyi did not receive pension and medical aid benefits from SAMRO.

Discharge of responsibilities

During the financial year, the remuneration and equity committee established that it had discharged its responsibilities as outlined in its terms of reference. The board acknowledged and approved the accuracy of the committee's assessment.

A man in a blue shirt is playing a maracas on a stage. He is holding the maracas in his right hand and has his left hand on the keys of a keyboard instrument. The maracas are suspended in the air, and the keyboard instrument has a logo that says "ADAMS". The background is dark and out of focus, showing some stage equipment and a banner with the word "Santitas".

**“YOU CANNOT
TRANSFORM THE
SOCIETY OF PEOPLE IF
THE PEOPLE ARE NOT
PART OF THE CHANGE.”**

ANGELIQUE KIDJO

Photo by Dwayne Kapula

RISK REPORT

WE AIM TO ENSURE THE DELIVERY OF THE GROUP'S STRATEGIC OBJECTIVES, WHILE DELIVERING SUSTAINABLE GROWTH IN VALUE FOR ALL STAKEHOLDERS. IT IS IMPERATIVE THAT SAMRO MANAGES THE RANGE OF RISKS FACED BY THE ORGANISATION IN ALL OPERATIONAL AND STRATEGIC ASPECTS.

RESPONSIBILITIES OF THE RISK COMMITTEE

SAMRO's risk committee (page 42) is 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 committee's responsibilities include:

- reviewing and reporting to the board on the appropriateness of risk funding methodologies, including insurance
- ensuring risk management is included in the audit programme
- ensuring the organisation's approach to risk management remains relevant to changes
- ensuring 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 auditors' reports directly from the external auditor
- approving the external auditors' terms of engagement and remuneration, and tabling the resolution at the AGM with regard to appointment and remuneration of the external auditors

As described in section 94 of the Companies Act, all members of the risk committee act independently. The CEO, CFO, COO, external audit partners, and other employees attend the meeting by invitation. Other members of executive management attend various meetings by invitation on an ad hoc basis.

RISK POLICY AND MANAGEMENT

SAMRO's risk profile is adopted from a structured approach to risk management. We adhere to stringent corporate governance principles which require the board to identify, manage and report on the business's inherent risks adequately.

Risk management framework

SAMRO's risk management framework ensures a holistic and group-wide approach to significant risks and related incidents. SAMRO's risk management framework addresses:

- identifying the risk on a scale of 1 to 10
- rating the risk in terms of probability, impact and urgency, with scoring for each criterion
- determining how the risk is mitigated, avoided, transferred or accepted
- allocating who owns and who manages the risk – taking risks rated nine and above (out of 10, with 10 being the highest risk) to the board
- discussing risks rated four to eight at the general management committee meetings attended by all executives
- managing risks rated below four (operational risks) in the area of the risk, usually by the general manager

SAMRO's risk is managed at various levels within the group, depending on the significance and severity of the risk identified.

Risk committee	The risk committee of the board is involved in the group's risk management process as outlined in the responsibilities on the previous page.
Executive committee	The executive committee maintains and regularly monitors the group's formal risk log. The executive committee also ensures SAMRO responds effectively and appropriately within the agreed ranges of tolerance.
General management committee	The general management committee (which includes the general managers of each business unit) formulates and oversees the risk management system and monitors the group's risk profile.
Division heads	The division heads are responsible for the risk identification process and the development of risk management plans.

SAMRO is exposed to a wide range of risks, some of which may have material consequences (pages 14 to 18). These include:

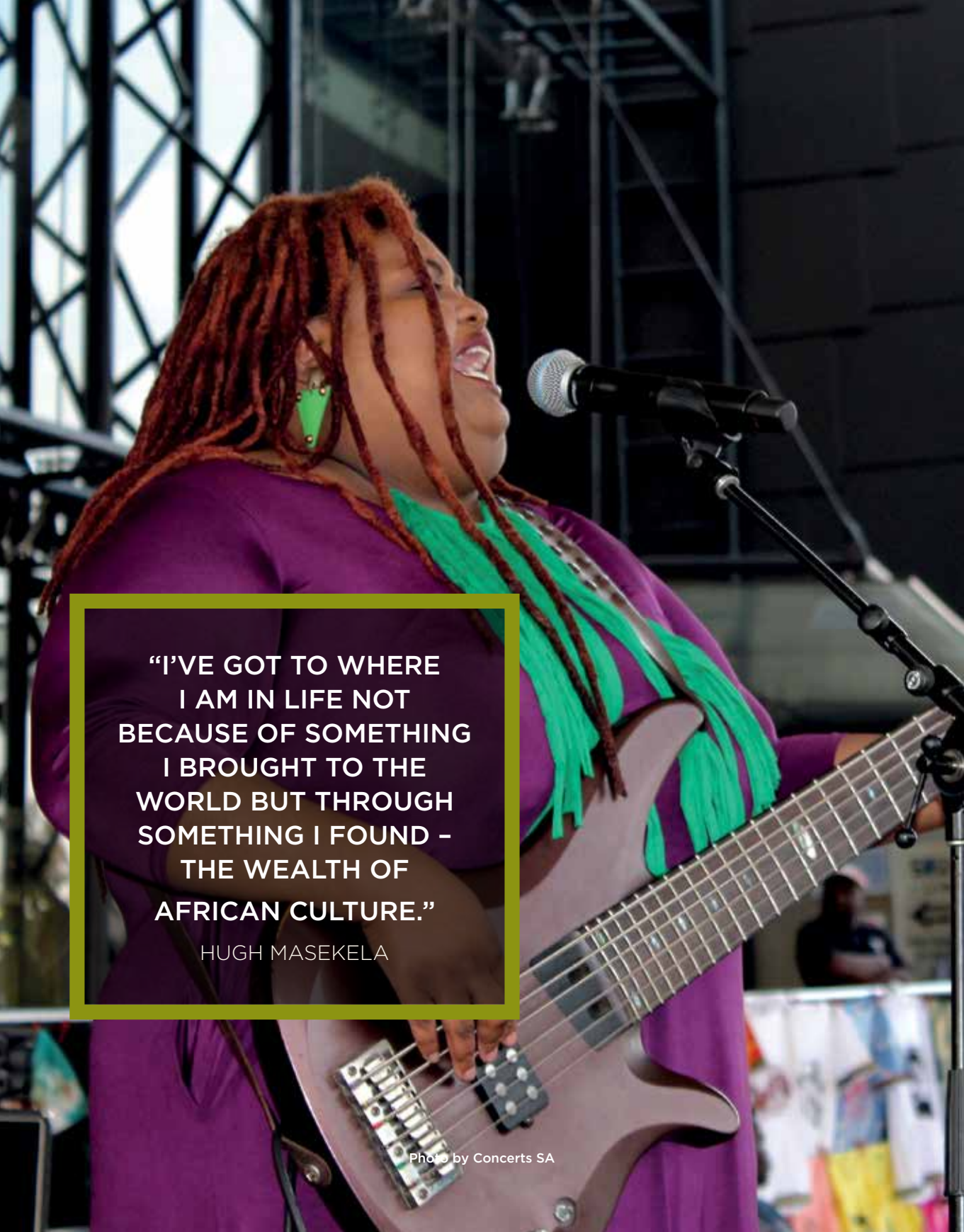
- Regulatory environment
- Payment constraints
- Industry competition
- International trends
- SAMRO's compliance with licence agreements and licensees
- Technology
- Innovation
- Business interruption
- Bad debt management

Internal control

Good business practices and an effective internal control framework are critical components in ensuring compliance with regulatory requirements and internal policies and procedures. SAMRO's risk management approach includes a review of these internal controls and confirmation of adherence to policies and procedures across the organisation. We regularly review and update the policies and procedures in place to ensure their relevance.

MANAGING MATERIAL RISKS

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. We remain acutely aware that other risks, currently regarded as immaterial, may become material in future. Our audit, risk and quality control functions assist in monitoring the system of internal control to help improve our response to, and management of, such risks. Where possible, these risks have been considered in our risk log and assimilated into our material matters. Refer to pages 14 to 18 for a summary of our material matters and high-level feedback on each.

A woman with vibrant red dreadlocks is captured in profile, singing passionately into a silver microphone. She is wearing a purple long-sleeved top and a bright green fringed scarf. She is playing a purple electric guitar. The background shows a stage with metal scaffolding and a blurred audience.

**“I’VE GOT TO WHERE
I AM IN LIFE NOT
BECAUSE OF SOMETHING
I BROUGHT TO THE
WORLD BUT THROUGH
SOMETHING I FOUND –
THE WEALTH OF
AFRICAN CULTURE.”**

HUGH MASEKELA

SUSTAINABILITY REPORT

SAMRO IS A SIGNIFICANT CULTURAL INSTITUTION ON THE CONTINENT, AND WE HAVE A RESPONSIBILITY TO OUR MEMBERS, NOT ONLY FINANCIALLY, BUT AS A DRIVER OF THE CREATIVE ECONOMY.

For 60 years, SAMRO has been promoting the sustainability of artistic communities and music. Our diverse membership and reach enable us to build the capacity of arts organisations, influence arts policy at government level, and preserve our musical heritage.

SAMRO aims to represent and support musicians and artists. Over and above protecting their livelihood, we create value for composers and performers by providing professional counsel and guidance. This type of comprehensive engagement relies on the collaboration and commitment of everyone at SAMRO. Our employees are key to our pursuit of excellence. Read more about our support for and development of our employees in the human capital report on page 62.

THE SAMRO FOUNDATION

THE SAMRO FOUNDATION'S ETHOS CAN BE SUMMED UP AS "ROOTS TO FRUITS", WITH A STRONG EMPHASIS ON PLOUGHING RESOURCES BACK INTO THE COMMUNITIES IN WHICH WE OPERATE, SO THOSE ROOTS WILL BEAR NEW FRUITS.

SAMRO's sustainability perspective is driven through its corporate social responsibility activities and the social and ethics committee. The group's CSI initiatives are channelled through the SAMRO Foundation, which provides investment support for music education and the development and promotion of South African composers, authors and artists.

The SAMRO board took on CSI responsibilities in 1962, but in 1996 founded the SAMRO Endowment for the National Arts (SENA), a subcommittee of the board that operated until 2011. The SAMRO Foundation, established in 2012, emerged from SENA and is a semi-autonomous non-profit organisation. The SAMRO Foundation is fully registered as a Public Benefit Organisation approved for section 18(a) of the Income Tax Act, which means that contributions are tax-deductible in the hands of donors. The SAMRO Foundation has a small team of dedicated and passionate individuals who work relentlessly to successfully execute numerous projects.

Since inception, the Foundation has invested more than R100 million in supporting and nourishing the South African cultural landscape through bursaries, scholarships, commissions, the preservation of music heritage and other industry enrichment projects. The stakeholder hub continues to benefit creative industry organisations and our live performance initiative, CSA. CSA has played an instrumental role in the betterment of music in southern Africa through increased partnership, diversity, range and scope. New partnerships in The Netherlands, the United States of America, Germany and France have changed the scope of our global relationships.

Locally, conflicts within the public broadcaster have decreased our industry's funding sentiment, and could result in reduced funding.

Our large archive of musical scores is now available online. This is an accessible platform to preserve, promote and support southern African musicians through the SAMRO Music Archive Online Portal. The "I AM" Indigenous African Music transcription projects, funded by the US Ambassador's Fund for Cultural Preservation, are also playing a role in the advancement of African music. These platforms give southern African composers the opportunity to publish and sell their works to global markets.

SAMRO Foundation's focal areas

The SAMRO Foundation affirmed its commitment to the arts in South Africa through a focus on five strategic areas, implemented through the projects outlined in the table below:

Focal areas – Measurable outcomes	Focal areas	Impact	Indicators
	Encouraging excellence in the arts	<ol style="list-style-type: none"> 1. Return on investment 2. Brand awareness 3. Goodwill 	<ol style="list-style-type: none"> 1. Market impact (free articles, advertising) 2. Audience responses (visitor's books, attendance records) 3. Branding at events 4. Reports from recipients
	Facilitating economic participation in the creative economy	<ol style="list-style-type: none"> 1. Improved cooperation in sector 2. Economic growth in sector 3. Formalisation of the sector 4. Increase in platforms 	<ol style="list-style-type: none"> 1. No. of artists benefited 2. No. of partner venues 3. Audience attendance 4. Concerts held
	Promoting living cultural heritage	<ol style="list-style-type: none"> 1. Increased awareness of southern African culture/music 2. Increased awareness of archived works 3. Increased commissioning of new works 4. International access 	<ol style="list-style-type: none"> 1. Archive sales 2. Size of digital library 3. Collections indexed and updated 4. Number of schools 5. Number of visitors
	Influencing cultural and arts policy – through research and advocacy	<ol style="list-style-type: none"> 1. Improved awareness of the music sector (Internal and external) 2. Building on old research to provide a broader knowledge base 3. Representing musicians at related policy events 	<ol style="list-style-type: none"> 1. New research published 2. Participation at policy discussions 3. Research index relevance 4. Positive shifts in policies
	Building capacity and institutional strength of arts organisations	<ol style="list-style-type: none"> 1. Improved professionalism in sector 2. Improved income generation to recipients 3. Improved compliance in the sector 	<ol style="list-style-type: none"> 1. Growth in stakeholder hub tenants 2. Money given to projects 3. Return on investments (reports)

Stakeholder engagement

SAMRO ACKNOWLEDGES THAT EACH GROUP HAS A ROLE TO PLAY IN THE CREATION OF VALUE FOR MEMBERS.

Our stakeholders have varying levels of power and interest in the group. We aim to build and maintain collaborative and effective relationships with all stakeholders. We are committed to communicating transparently, promptly and effectively with all stakeholders. Our high-level stakeholder engagement initiatives for 2017 are highlighted in the reports of the chairperson and CEO (pages 22 and 26).

Memberships

We associate with a number of organisations who protect and enforce copyright and other intellectual property rights.

MEMBERSHIPS	AFFILIATIONS
SAMRO	
<ul style="list-style-type: none"> • International Confederation of Societies of Authors and Composers (CISAC) • Bureau International des Sociétés Gérant les Droits d'Enregistrement et de Reproduction Mécanique (BIEM) 	<ul style="list-style-type: none"> • Composers Association of South Africa (CASA) • Composers Authors and Publishers Association of South Africa (CAPASSO) • Music Publishers Association (MPA) • South African Music Promoters Association (SAMPA) • South African Music Performance Rights Association (SAMPRA)
DALRO	
International Federation of Reproduction Rights Organisations (IFRRO)	

Online presence and social media

Our website contains information about the various types of rights and membership, licensing application forms, distribution schedules, important links and other vital member-related information.

The Zeus system is accessible from the website, and enables members to manage their SAMRO account entirely online. This includes viewing and updating personal information, notifying works and viewing current and past account statements securely. 9 539, or 63,7%, of our members (2016: 37,5%) are registered online, and it is estimated that approximately 70% of these members are active online. Through Facebook, Twitter and YouTube, the SAMRO Foundation shares performances of scholarship winners and other

beneficiaries. CSA is active on Facebook, Twitter, YouTube and SoundCloud, and its information is available on its website.

Wawela

The Wawela Awards allow talented composers, authors, lyricists and publishers alike to showcase and celebrate their accomplishments. The word "wawela" means "go beyond" in Zulu. This platform transcends local awards programmes and extends to international stages, screens and airwaves. Full details of the awards are available at <http://www.wawelamusicawards.co.za/>. Due to an incidence of fraud that affected the planning and execution as well as the abnormal level of costs in the current year, the 2017 Wawela Awards have been postponed for the 2017 year. Please refer to page 15.

CORPORATE SOCIAL INVESTMENT

CSI in numbers



in excess of
R150m
invested in the arts
since 1962



more than
80 overseas scholarships
for young musicians awarded
since 1962. The scholarships alternate
annually for different types of
musicians such as composers, singers,
instrumentalists and keyboard
players. This applies to both western
art music and jazz



over 2 100 bursaries awarded and
**12 university
programmes**
supported. This year we gave
103 students
standard bursaries and
3 special bursaries



we supported
40 music schools,
and the inaugural Mzilikazi
Khumalo Bursary for
Indigenous Music Study was
initiated this year



over
64 500
original South African works
have been archived, the
bulk of which are original
handwritten manuscripts



over
**600 live
music venues**
surveyed in projects by CSA



since 2013, the CSA
project has contributed
to the income of over
4 000 artists
reaching an
audience of over
250 000 people
people



more than
400
new South African music
works commissioned

SAMRO's corporate citizenship philosophy is premised on cultivating music talent from "roots to fruits" and investing in the creative economy. Since 1962, a year after SAMRO was founded, these values have been the foundation of our corporate culture.

CSI projects are managed by the SAMRO Foundation and are concentrated in the areas of:

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

SAMRO allocates 8,25% of its operational profit before distribution and tax to the SAMRO Foundation, the SAMRO Retirement Annuity Fund and the SAMRO Funeral Benefit Scheme, in accordance with the provisions contained in the standard CISAC-approved reciprocal agreement. The SAMRO Foundation allocates funds to projects on an annual basis. The board receives feedback on activities and progress at all board meetings and funds are allocated transparently.

Music conservation, preservation and promotion

The SAMRO Music Archive, which contains approximately 64 500 scores written by South African composers and members, is part of the SAMRO Foundation. Photographs, books, CDs and other recordings are among the 64 500 archived items. The public and researchers have access to the archive for academic, media and other purposes.

Music industry incubator (INCUBINC)

INCUBINC is the leading creative industry project accelerator in Africa. Its core function is to promote productivity, professionalism and profitable products in our industry, thereby enhancing the careers of artists.

The programme *Umhlambi Zenyathi* mentors and nurtures a defined range of new artistic enterprises, involving emerging and established

artists with defined products, projects or programmes. A selection team scouts for artistic potential and a legitimate need for administrative and business support.

Concerts SA (CSA)

The SAMRO Foundation receives financial, administrative and technical support from the Norwegian Ministry of Foreign Affairs (MFA), SAMRO and Concerts Norway. This relationship resulted in the formation of CSA in 2013 which partners with musicians, promoters, venue owners and audiences to build music circuits and promote the mobility of Southern African artists. CSA focuses on live music performances at venues and schools in disadvantaged areas. The project has increased partnership diversity and expanded our international portfolio of projects and partners. In 2017, the project received the Business Arts South Africa award for increasing access to the arts and influenced the new draft of South Africa's White Paper on Arts, Culture and Heritage.

There is a growing awareness of the need to promote South Africa's excellent artists. SAMRO is proud to note that our overseas scholarship laureates represented us at the Rabobank Amersfoort Jazz Festival in The Netherlands. This is an excellent example of the steps we are taking to address this need.

Despite the strained global funding climate, we are continually seeking alternative sources of support for the project, both within South Africa and internationally. We are grateful to the Norwegian Embassy for extending its support for the project by three years.

A total of 54 musicians were awarded grants to undertake tours across southern Africa by the CSA Music Mobility Fund. 18 tours were supported in the SADC region and 36 in South Africa. Since its inception in 2013, the fund has supported close to 1 000 artists in over 149 tours across the length and breadth of southern Africa, from Cape Town to Tanzania. The tours selected for support this year covered a wide range of musical expressions.

The project continues to contribute towards an income for hundreds of musicians and many support staff. Over the past four years, CSA has empowered nearly 4 000 artists at over 2 000 concerts in over 600 venues in the region with an audience of proximately 250 000 audience members. CSA is helping to inform the new draft of South Africa's White Paper on arts, culture and heritage.

For more information, visit the CSA website: <http://www.concertssa.co.za>

Industry support – Stakeholder Hub

The SAMRO Foundation Stakeholder Hub is an initiative which consolidates the organisation's commitment to institutional development in the arts. Through administrative backing and infrastructure, the Stakeholder Hub develops other arts organisations.

The Foundation grants assistance to affiliated organisations (Stakeholder Hub) until they become sustainable. These organisations and projects include:

INTERNAL	
PROJECT	DETAILS AND SCOPE OF SUPPORT
Arts and culture trust (ACT)	One of South Africa's premier independent arts and culture funding and development agencies. ACT had been subsidised for three years by SAMRO Foundation for rent. ACT now pays rent at 100% of the rate as per the Stakeholder Hub programme.
Academic and Non-Fiction Authors Association of South Africa (ANFASA)	The Foundation has partnered with ANFASA to sponsor grants for authors with a specific interest in music research as part of the ANFASA Grant Scheme for Authors. ANFASA's rent was subsidised for three years by SAMRO Foundation, but ANFASA now pays full rental costs.
Composers Association of South Africa (CASA)	The national music composers' workshops were supported by the National Arts Council and administered by SAMRO and the Foundation from 2013 to 2015. The funds granted to CASA were used to run four national workshops for composers and musicians. The workshops and reports to the NAC were completed and the final instalment was paid in February 2016.
Music Conference and Exhibition (MOSHITO)	Pioneered by SAMRO in 2003, MOSHITO has become an independent entity and the largest, most influential music industry trade fair and expo in Africa.
Creative and Cultural Industries Federation of South Africa (CCIFSA)	CCIFSA is a representative body set up with the assistance of the Department of Arts and Culture for the cultural and creative sectors in South Africa. It was formed as a non-profit organisation to promote and develop the social and economic interests of the cultural and creative industries by acting as a representative body for these sectors.
Musician Association of South Africa (MASA)	MASA joined the SAMRO Foundation Stakeholder Hub programme in May 2016, taking over from SACA.

EXTERNAL	
PROJECT	DETAILS AND SCOPE OF SUPPORT
Arterial Network South Africa (ANSA)	ANSA addresses matters of networking and advocacy in the arts.
Music in Africa (MiA)	MiA is a partnership between the SAMRO Foundation, the Goethe Institute and the Siemens Foundation. The Foundation joined MiA at the Frankfurt MusikMesse in March 2016 where we exhibited our archive alongside MiA.
BASA	BASA offers links and support between arts organisations and businesses in the form of workshops and networking meetings throughout the year. André le Roux is a member of the board of BASA.
The African Cultural Heritage Trust	The African Cultural Heritage Trust is a national community-based NGO that strives to protect and promote Amasiko/Ditso (Living Heritage). With the <i>Zindala Zombili African Music & Dance Festival</i> , it hosts a regular pan-African showcase of traditional cultures.
The Puku Children's Literature Foundation	The Puku Children's Literature Foundation is an independent, non-governmental organisation whose core objective is to bridge the literacy divide that confronts the vast majority of South African children. It develops dynamic and innovative programmes to improve the quality of children's books and recreational materials in all South African languages, through print and digital means.

Going forward

The SAMRO Foundation has numerous opportunities that rely on partnerships to enhance our reach and impact. Examples of these relationships and opportunities that need to be strategically pursued are:

- expanding the reach and impact of CSA while securing local support for the project
- solidifying our relationships in France, Morocco and Lebanon with the INCUBINC project of arts incubators
- working dynamically with UNISA and our partners in The Netherlands

- completing the SAMRO Music Archive online portal
- promoting indigenous African Music through the "I AM" project

We are excited by the first phase of the development of the SAMRO Archive Online Portal, which will eventually provide a solid and safe platform for African artists to present their musical scores to the world. Alongside the "I AM" Indigenous Music Transcription Project, this portal will give southern African composers a space to publish their own works so that music consumers around the world will be able to purchase and perform them.

TRANSFORMATION REPORT

SAMRO is dedicated to transformation in all aspects of our operations. As a proudly South African company, SAMRO seeks to comprehensively comply with the BBBEE and the Employment Equity Act, 55 of 1998 (EE Act).

Our policies are clearly aligned to our values and aim to promote the necessary culture and activities that will achieve our transformation agenda. Through our human resources team, we have implemented policies which ensure employment equity and empowerment practices.

Our social and ethics committee oversees transformation within the organisation.

The mandate of the committee is to monitor SAMRO's progress and attain the targets related to the BBBEE and EE Acts to ensure we become an organisation demographically representative of our country and its people.

Following the introduction of the new BBBEE codes – which, despite our best efforts, provided challenges for SAMRO in 2016 – the group has embarked on a number of initiatives to improve our level of compliance with the Act. Among others, the initiatives focused on:

- improving BBBEE product knowledge and insight in relation to the new specialised scorecard and the elements against which SAMRO will be measured

- obtaining professional services and advice regarding the transactional and transformational elements of BBBEE within our organisation
- enhancing the skills development element, in support of which a management development programme was implemented for junior and middle management. 93% of the class enrolment consisted of black employees
- using the economically active population targets in our recruitment process to ensure the applicable gaps are covered at all levels

The promotion of diversity at senior level – especially black females – provides employees with effective role models, which in turn leads to a greater sense of ownership of the organisation and increased levels of motivation.

We have continued to prioritise equity appointments, primarily black females, to contribute to meeting BBBEE targets. We were pleased with the appointment of a black woman as the CEO of SAMRO, Nothando Migogo – who is a young, astute and knowledgeable executive.

The group is dedicated to having a diverse board with the expertise and skills required to drive performance and transformation throughout the company. There has been an improvement in the management control element at group level with 14,46 (2016: 9,48) out of a score of 20.

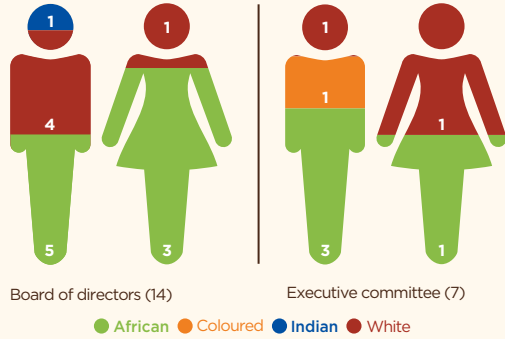


**MUSICIANS DON'T RETIRE; THEY
STOP WHEN THERE'S NO MORE
MUSIC IN THEM.**

LOUIS ARMSTRONG

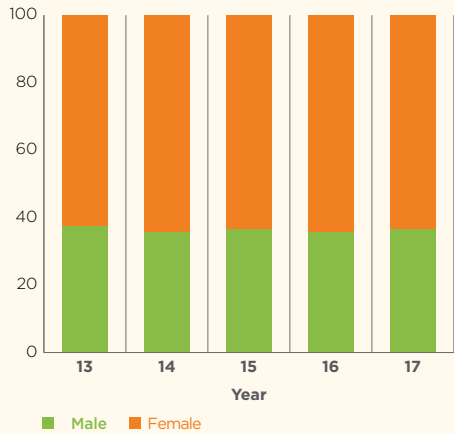


MANAGEMENT CONTROL

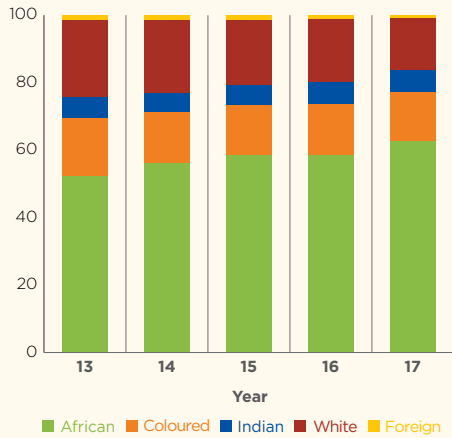


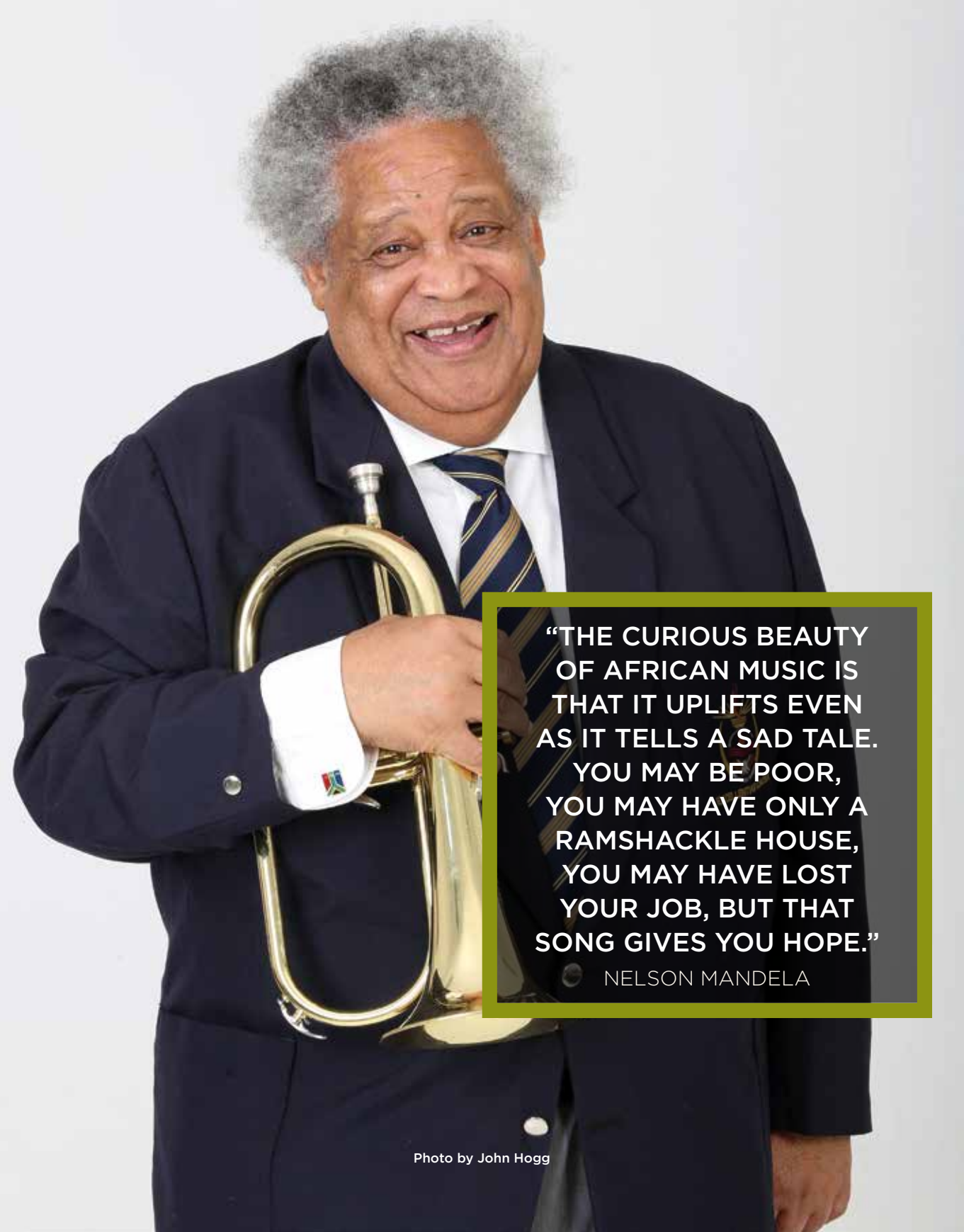
SAMRO has performed positively against its five-year diversity and employment equity plan and targets, and the board is pleased with the progress made. We are committed to developing the capacity of our own people at all levels and continually monitoring our recruitment practices to ensure fair race and gender representation within the organisation.

PERMANENT EMPLOYEES BY GENDER (%)



PERMANENT EMPLOYEES BY RACE (%)



A photograph of Nelson Mandela, an elderly man with grey, curly hair, smiling warmly. He is wearing a dark blue suit jacket, a white shirt, and a blue and gold striped tie. He is holding a golden trumpet in front of him with both hands. The background is a plain, light-colored wall. A green-bordered box is overlaid on the right side of the image, containing a quote in white text.

**“THE CURIOUS BEAUTY
OF AFRICAN MUSIC IS
THAT IT UPLIFTS EVEN
AS IT TELLS A SAD TALE.
YOU MAY BE POOR,
YOU MAY HAVE ONLY A
RAMSHACKLE HOUSE,
YOU MAY HAVE LOST
YOUR JOB, BUT THAT
SONG GIVES YOU HOPE.”**

NELSON MANDELA

HUMAN CAPITAL REPORT

SAMRO has earned a reputation as a high-functioning organisation with dedicated employees who deliver quality service to it's members. We are constantly working to retain and improve our status as an employer of choice. This includes developing our high-performance culture, caring for our work force, focusing on skills development and respecting freedom of association.

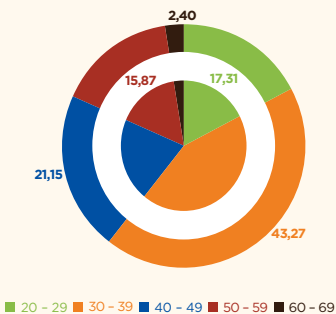
Number of employees

TEMPORARY VS PERMANENT



- Permanent employees (2016: 190)
- Temporary employees (2016: 13)

AGE GROUP (%)



13,3%¹ employee turnover (2016: 16%)



R1,35 million

(2016: R1,17 million) was spent on skills and organisational development.

59,6% of employees received training during the year.

We provide ongoing training and development opportunities, sensitive health and wellness policies, and fair remuneration to our diligent and dedicated employees.

62% of SAMRO employees are members of the Communication Workers Union (CWU).

Contributions to SAMRO's retirement annuity fund for members amounted to **R6,6 million**

¹ 29 people left the organisation. Excluding three dismissals, four fixed-term contracts that ended and one death, employee turnover was 7,6%.

ATTRACTING AND RETAINING EMPLOYEES

The specialist environment in which SAMRO operates requires expert skills that are difficult to attract and retain. We have established policies that help decrease our employee turnover rate, and we offer competitive market-related salaries positioned towards the median of the scale. SAMRO's attractive remuneration package includes medical aid, retirement planning, and death and disability benefits for permanent employees, in addition to a competitive salary (refer to pages 46 and 47).

EMPLOYEE TRAINING

SAMRO focuses on delivering quality service to members and invests in the skills and competencies required for our employees to excel in service delivery. Given the dynamic technological and legislative environment in which we operate, it is vital for us to keep abreast of developments.

Despite financial constraints, we conduct regular staff development initiatives, and our training programme is guided by the annual skills development plan, which we submit to the relevant Sector Education and Training Authority (SETA). We offer management and leadership programmes to candidates from supervisory to executive management levels.

SAMRO's partnership with *Only The Best*, a recruitment consultancy, enabled us to grant opportunities to learners from the Services SETA. This allowed the learners to gain practical experience for completion of their learnerships and develop new skills during their internships. SAMRO recruited nine of the 36 interns on a permanent basis. At a management level, 24 supervisors and middle managers were placed on a Management Development Programme (MDP) to improve their competencies through a 10-month programme.

PERFORMANCE MANAGEMENT PROGRAMME

SAMRO is committed to building a culture of excellence. We have a high-performance initiative which outlines personal development plans for all employees and a criterion against which performance is measured. Employees' performance objectives are linked to the group's strategic objectives and salary bonuses are directly determined by the performance review process.

There has been a significant increase in employees performing beyond the standard level compared to last year:

COMPARATIVE PERFORMANCE SUMMARY 2016 VERSUS 2017

PERFORMANCE LEVEL	2017	2016
Above standard	49%	20%
Meet standard	49%	68%
Below standard	2%	12%
Average score ¹	2,8	2,5

SUCCESSION PLANNING

It is vital that SAMRO ensures succession planning of specialised knowledge for certain critical positions. In 2017, SAMRO introduced a formal succession policy outlining the strategy, processes and procedures to be applied in effective succession planning.

We embarked on a one-year MDP aimed at identifying critical roles in SAMRO and establishing minimum requirements and skills for identified roles. The MDP further investigated possible successors, reviewing their current skills compared to the requirements of future roles. This in turn led to the creation of Personal Development Plans for future successions. Succession plans and talent pipelines are reviewed at various levels of the risk framework.

¹ The average score is measured on a scale of 0 to 4, with 0 being poor and 4 being excellent. A score of 2 means the individual has met the minimum standard required.

FREEDOM OF ASSOCIATION

Our relationship with the CWU remains healthy and non-antagonistic. SAMRO did not experience any disruption from industrial action during the year. We continue to hold monthly dialogue meetings with the CWU in accordance with our recognition agreement. In March 2017, we held substantive negotiations in respect of salary increases, which were concluded to the satisfaction of all parties.

WELLNESS, HEALTH AND SAFETY

In compliance with legislation, SAMRO has health and safety committees. We conduct induction and training to equip our committee members on their duties.

SAMRO conducts regular occupational health and safety (OHS) risk control audits. We are committed to ensuring compliance with internal

procedures and external legislation. We identify improvement areas and implement as required. Appropriate medical emergency and disaster recovery plans are in place. We closely monitor work-time injuries and are pleased to report that no serious injuries or fatalities occurred during 2017.

Our employee wellness programme provided by ICAS¹ is available to all SAMRO employees. ICAS runs an annual wellness day, giving employees voluntary access to HIV testing and other wellness services. ICAS also provides confidential counselling, debt management support and other facilities. In support of our preventative approach to health, SAMRO contributes 60% of each employee's monthly medical aid contributions. We offer a Discovery Group Medical Aid scheme; alternatively, our employees can retain membership of a spouse's medical aid if they provide evidence of membership.



Photo by Peter Guy

¹ Independent Counselling and Advisory Services (ICAS), is a division of AXA PPP, a leading international provider of behavioural risk management services to the business community.

VALUE ADDED STATEMENT

SAMRO created and distributed R550,4 million of wealth in 2017 (2016: R556,3 million). Distributions for member benefit, in the form of royalties, retirement annuity and funeral benefits, endowments for the national arts and other social and cultural allocations, decreased by 5,6% to R429,9 million (2016: R455,4 million).

Payment to employees in the form of salaries, wages and benefits increased by 9,2% to R115,1 million (2016: R105,4 million). This represented 20,9% of total value distributed. Providers of capital received R2,5 million this year and taxation charged totalled R4,5 million.

A net total of R18,7 million was transferred to reserves from operations during the year.

	GROUP	
	2017 R000	2016 R000
Music licence and royalties	465,615	449 320
Reprographic licence and royalties	51 866	57 941
Administration and other fees	22 322	25 679
Cost of generating revenue	(78 913)	(77 985)
Value added	460 890	454 955
Income from investments	37 705	34 689
Distribution adjustment	51 804	66 702
Wealth created	550 399	556 346
Value distribution		
Members		
Music royalty distributions	310 180	326 929
Reprographic royalty distributions	51 866	57 941
Grant of rights payments	41 617	41 445
SRAF and members funeral benefit	9 161	9 202
SAMRO Foundation allocation	16 810	19 589
Other social and cultural allocations	315	264
Employees		
Salaries, wages and benefits	115 145	105 396
Providers of capital		
Finance costs	2 542	2 360
Government		
Taxation charged	4 510	1 270
Reinvested in the group		
Depreciation and amortisation of capital items	9 155	12 238
Transferred from reserves	(29 618)	-
Retained earnings/(expense)	18 716	(20 288)
Total	550 399	556 346

DIRECTORS' RESPONSIBILITY STATEMENT

The directors of SAMRO are responsible for the preparation, integrity and fair presentation of the group and separate financial statements for the company. The financial statements presented on pages 72 to 81 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act, and include amounts based on judgements and estimates made by management.

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

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

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

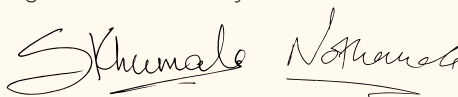
in the functioning of these controls, procedures and systems has occurred during the year under review.

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

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

The audit report compiled by PricewaterhouseCoopers Inc. is available for review on page 71.

The financial statements were approved by the board of directors on 2 November 2017 and are signed on its behalf by:



Sibongile Khumalo
Chairperson
2 November 2017

Nothando Migogo
Chief executive officer
2 November 2017

CERTIFICATE BY COMPANY SECRETARY

In my capacity as company secretary, I hereby certify, in terms of the Companies Act, 71 of 2008, as amended, that for the year ended 30 June 2017, the company has lodged with the Registrar of Companies all such returns as are required of a company in terms of the Companies Act and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.



JM Schulten
Company secretary
Johannesburg
2 November 2017

DIRECTORS' REPORT

To the members,

Your directors have pleasure in submitting their fifty-fifth annual report and SAMRO's audited financial statements for the year ended 30 June 2017.

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.

POSA and SAMPRO merged in the current year and needletime rights are now administered by one organisation in line with the recommendation made by the copyright review commission, which stipulated that each right should be managed by a separate collecting society.

FINANCIAL REVIEW

GROUP INCOME		% CHANGE
Total group income	R525,6 million (2016: R509,7 million)	3,1%
Licence and royalty income	R483,7 million (2016: R468,3 million)	3,3%
Literary rights income	R12,3 million (2016: R13,7 million)	-10,2%
Investment income	R37,7 million (2016: R34,7 million)	8,6%
Music rights income	R465,6 million (2016: R449,3 million)	3,6%
Broadcast income	R313,1 million (2016: R304,9 million)	2,7%
General licence income	R138,9 million (2016: R131,3 million)	5,8%
Foreign income	R13,6 million (2016: R13,1 million)	3,8%
Literary rights collected		
Reprographic reproduction income	R48,0 million (2016: R49,9 million)	-3,8%
Other licence income	R3,9 million (2016: R8,1 million)	-51,9%

GROUP REVIEW

Income

Total group income for the year increased from R509,7 million to R525,6 million, an increase of R15,9 million or 3,1%. Group licence and royalty income for the year amounted to R483,7 million compared to R468,3 million previously, an improvement of R15,4 million or 3,3%.

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 R175,4 million (2016: R175,1 million) and R134,0 million (2016: R124,2 million) from radio. General licence income, which represents diffusion and public performance of musical works (including cinema) amounted to R138,9 million (2016: R131,3 million).

Administration expenses

Group administration expenses amounted to R168,4 million (2016: R157,8 million) reflecting a 6,7% increase.

Distribution

An amount of R371,7 million was available for distribution for the year under review, this figure being before taxation, social and cultural deductions, and transfers to reserves. Distributions for the group for the year, after taking into account income tax, social and cultural deductions and amounts transferred from reserves, was determined at R351,8 million (2016: R368,4 million), a decrease of R16,6 million or 4,5%.

REVIEW OF OPERATIONS FOR SAMRO SUBSIDIARIES

Income

SAMRO – music rights

The total licence and royalty income of SAMRO for the past year increased by R16,3 million to R465,6 million (2016: R449,3 million). Domestic licence income for the year increased by R15,9 million to R452,1 million from R436,2 million in 2016, a 3,6% improvement. Income from broadcasting this year increased by 2,7% to R313,1 million (2016: R304,9 million). General licence income (excluding cinema) increased by 5,2% to R130,4 million (2016: R123,9 million).

Income received from foreign affiliates for the year increased to R13,6 million (2016: R13,1 million). Total non-royalty income increased by R3,2 million to R43,0 million (2016: R39,8 million). Income received from investments increased by R2,6 million to R34,7 million (2016: R32,1 million). This year, administration expenses represented 28,4% (2016: 27,2%) of SAMRO's total income. Including other costs, the cost ratio rises to 38,6% because of the UAE write-off and Indian operation (2016: 29,1%).

DALRO – literary rights

Following last year's good growth in reprographic blanket licensing in the tertiary education sector, this revenue line barely increased at 0,8%. Including the transactional licensing of universities, overall income from universities went down R1,5 million or 3,1%. This year, the wholly owned subsidiary reduced its overall licence royalty stream by a very disappointing 10,5% or R6,0 million to R51,9 million (2016: R57,9 million). This reduction is mainly due to the difficulties faced in licensing the tertiary education sector with the pending changes to copyright

legislation, as well as the significant reduction in licences achieved in the theatrical stream. Local transactional royalty income from theatrical rights decreased by a notable 55,1% to R3,1 million (2016: R6,9 million), following last year's abnormal growth in this line.

Blanket licences represented 79,3% of DALRO's reprographic reproduction licences invoiced, compared with 75,7% in 2016. The total other licence fees invoiced by DALRO for the year decreased significantly to R3,9 million (2016: R8,1 million). Administration charges to cover expenses represented 23,4% of licence and royalty income, down slightly year-on-year.

SAMRO House Holdings

SAMRO House Holdings (Pty) Ltd is the property holding company, with its asset being SAMRO House (Pty) Ltd, which owns one building, SAMRO Place, 20 De Korte Street, the current headquarters of SAMRO. The foreign exchange department of our bank advised that SAMRO NPC was not allowed to invest overseas. As a result of this, the structure of the holding in AEMRO was moved from SAMRO NPC to SAMRO House Holdings (Pty) Ltd, an investment holding company. During this process an administrative oversight occurred, resulting in non-compliance with section 45 of the Companies Act. The reportable irregularity is no longer taking place as the loan was in respect of a specific transaction and management are taking appropriate steps to protect the interests of the company and its members.

SAMRO House

SAMRO House (Pty) Ltd is the property company that owns the Braamfontein headquarters of SAMRO. Rental income in the year increased by 5,5% to R9,5 million (2016: R9 million). Growth is not yet at the desired level and was impeded by slower than expected replacement of tenants in a difficult economic environment. Operating costs have reduced in the year by 9,1%, assisted by the revaluation of the property. Excluding the effect of the revaluation, the cost increase was below inflation.

Gratia Artis

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

Amount distributable

SAMRO

The amount available for distribution to SAMRO members and affiliated societies for this year is R351,8 million, compared with R368,4 million in 2016, a decrease of 4,5%. It is disappointing that the overall distribution is not higher, but a closer analysis of this figure shows that royalty distributions have decreased by 5,1%, while grant of rights payments have remained flat due to poor performance in the investment market along with reduced trading as a result of the volatility in the market. During the year, SAMRO processed the 2017 distributions determined at the 2016 financial year-end and distributions in progress, resulting in royalty credits of R351,8 million, distributed to its own members and affiliated societies.

DALRO

DALRO's amount for distribution to rights holders in literary and dramatic works reached R42,2 million (2016: R69,4 million). DALRO moved onto a new administration system at the end of the previous financial year and the blanket

licence component was not yet ready. As a result, running of the blanket licence distribution was postponed to this financial year. Since DALRO operates as an agency, the value of reprographic and other licence income collected, as well as the amount distributed, is not reflected on the statement of comprehensive income. Distributions are disclosed in the distribution notes to the annual financial statements.

Taxation

Taxation charged for the group for the year amounted to R4,5 million (2016: R1,3 million tax payable).

Dividends

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

Subsidiary and associate companies

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

NAME OF SUBSIDIARY	NATURE OF BUSINESS	ISSUED SHARE CAPITAL		EFFECTIVE HOLDING	
		2017 RANDS	2016 RANDS	2017 %	2016 %
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
AEMRO	Rights administration	-	-	80	80

Internal control and combined assurance

The board, through the risk committee (RC), ensures that internal controls are effective and adequately reported on for auditing and regulatory purposes. SAMRO applies a combined assurance model in line with the King IV Report on Corporate Governance™ for South Africa 2016 to ensure coordinated assurance activities. This model gives the RC an overview of significant risks as well as the effectiveness of critical controls to mitigate these risks. The principles for the combined assurance model are embedded in the combined assurance framework.

Governance and compliance

During the 2017 financial year, SAMRO House Holdings Proprietary Limited advanced a loan to its subsidiary, AEMRO Intellectual Property Rights Management, without the required special shareholders resolution approving the granting of financial assistance, or performing the required solvency and

liquidity test. This resulted in non-compliance with the requirements of section 45(3)(a)(ii) and 45(3)(b) of the Companies Act 2008. Refer to note 21 for more detail.

Review of group's financial position

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

Share capital

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

Fixed assets

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

Intangible assets

Investment in software and information management systems development is reflected as an intangible asset on the statement of financial position.

Investments

Investments are classified as available-for-sale investments and have been valued at their market value in compliance with IFRS.

Directors' remuneration

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

Directors' interest in contracts

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

Management by third party

No part of the business or any South African subsidiary is managed by a third person or company in which a director has an interest. DALRO (Pty) Ltd, SAMRO House Holdings (Pty) Ltd and SAMRO House (Pty) Ltd pay

service fees to SAMRO for administrative, accounting, secretarial and management services rendered by SAMRO. AEMRO in the United Arab Emirates was managed by IPR Management, a 20% shareholder in the business, on behalf of SAMRO, until the decision was taken to write off this investment post the financial year-end.

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 from pages 34 to 44 of this report.

Directors

During the year under review, the casual vacancies created by the departure of Mr J Savage and Mr T Moraba in the previous financial year were filled by Mr R Naicker and Ms R Mabotja, both publisher members.

Composers/lyricists

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

Publishers

A Mafokate, R Mabotja, R Naicker and NA Sibiya

Independent

JJ Mnisi

Executive directors

NA Sibiya (acting CEO), GJ Zoghby

Secretary

JM Schulten

Auditors

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

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the Members of Southern African Music Rights Organisation NPC

OPINION

The summary consolidated and separate financial statements of Southern African Music Rights Organisation NPC set out on pages 72 to 81, which comprise the summary consolidated and separate statements of financial position as at 30 June 2017, the summary consolidated and separate statements of comprehensive income, the summary consolidated and separate statements of changes in equity and the summary consolidated and separate statements of cash flows for the year then ended, and related notes, are derived from the audited consolidated and separate financial statements of Southern African Music Rights Organisation NPC for the year ended 30 June 2017.

In our opinion, the accompanying summary consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate financial statements, in accordance with IAS 34 "Interim Financial Reporting" and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

THE AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 2 November 2017.

DIRECTOR'S RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: AM Motaung
Registered Auditor
Sunninghill

2 November 2017

SUMMARY CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

	Notes	COMPANY		GROUP	
		2017 R000	2016 R000	2017 R000	2016 R000
REVENUE	3	465 615	449 320	483 656	468 283
Other income	4	8 299	7 678	4 281	6 716
Investment income	5	13 055	15 144	16 077	17 693
Other gains	6	21 629	16 996	21 629	16 996
Total revenue		508 598	489 138	525 643	509 688
Bad debts		(22 246)	(29 315)	(22 683)	(29 315)
Administration expenses		(138 085)	(125 100)	(168 403)	(157 800)
Other expenses		(49 481)	(8 504)	(12 128)	(8 504)
Social and cultural expenses	8	(24 108)	(24 216)	(26 286)	(29 055)
Distribution and grant of rights expenses	9	(351 797)	(368 374)	(351 797)	(368 374)
Operating loss		(77 119)	(66 371)	(55 654)	(83 360)
Royalty distributions written back	10	51 804	66 702	51 804	66 702
Finance charges	11	-	-	(2 542)	(2 360)
(Loss)/profit before taxation		(25 315)	331	(6 392)	(19 018)
Taxation paid		(4 303)	(331)	(4 510)	(1 270)
Net loss		(29 618)	-	(10 902)	(20 288)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation reserve		-	-	(3 973)	(225)
Revaluation of assets		(25 293)	(6 073)	39 762	(6 073)
Taxation		5 665	(2 027)	(12 550)	(2 027)
Other comprehensive (loss)/income for the year		(19 628)	(8 100)	23 239	(8 325)
Total comprehensive (loss)/income for the year		(49 246)	(8 100)	12 337	(28 613)
Attributable to:					
SAMRO members		(49 246)	(8 100)	16 016	(25 386)
Non-controlling interests		-	-	(3 679)	(3 227)

SUMMARY CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

as at 30 June 2017

	Notes	COMPANY		GROUP	
		2017 R000	2016 R000	2017 R000	2016 R000
ASSETS					
Non-current assets					
Property and equipment		12 964	13 458	185 997	120 810
Intangible assets		119 565	114 737	121 895	116 804
Investment in subsidiaries		175	175	-	-
Deferred tax		7 821	273	-	273
Available-for-sale investments	14	227 965	286 918	227 965	286 918
Total non-current assets		368 490	415 561	535 857	524 805
Current assets					
Trade and other receivables		101 253	60 603	105 334	67 514
Inventory		484	496	678	622
Related-party receivable		172 596	182 097	19 830	3 000
Taxation		3 785	9 591	3 913	9 565
Cash and cash equivalents	15	72 466	92 018	121 292	169 470
Total current assets		350 584	344 805	251 047	250 171
Total assets		719 074	760 366	786 904	774 976
EQUITY AND LIABILITIES					
Capital and reserves					
Retained earnings		17 008	46 626	(38 105)	(47 271)
Fixed asset revaluation reserve		1 270	1 154	48 110	1 154
Unrealised gains reserve		60 841	80 585	60 841	80 585
Foreign currency translation reserve		-	-	(3 358)	(180)
Members' equity		79 119	128 365	67 488	34 288
Non-controlling interest		-	-	(6 906)	(3 227)
Total equity		79 119	128 365	60 582	31 061
Non-current liabilities					
Post-employment medical benefit		24 718	25 378	24 718	25 378
Borrowings	16	-	-	-	27 475
Deferred tax		-	-	10 395	-
Total non-current liabilities		24 718	25 378	35 113	52 853
Current liabilities					
Distributions payable	17	376 194	393 027	418 424	466 263
Distributions in progress	18	170 375	172 919	170 375	172 919
Current portion of post retirement medical benefit		991	922	991	922
Related party payable		8 991	4 210	7 150	3 622
Borrowings - short-term portion	16	-	-	27 475	-
Social and cultural obligations	19	18 018	17 515	17 704	19 253
Trade and other payables		40 668	18 030	49 090	28 083
Total current liabilities		615 237	606 623	691 209	691 062
Total funds and liabilities		719 074	760 366	786 904	774 976

SUMMARY CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

for the year ended 30 June 2017

	COMPANY		GROUP	
	2017 R000	2016 R000	2017 R000	2016 R000
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES				
Cash generated from licensing operations	287 014	295 746	276 519	288 424
Finance costs	-	-	(2 542)	(2 360)
Dividends received	6 165	6 511	6 165	6 511
Interest received	6 890	8 633	9 912	11 182
Cash flow from operations	300 069	310 890	290 054	303 757
Taxation paid	(379)	(1 463)	(739)	(1 464)
Royalty, grant of rights and social distributions to members and affiliated societies	(319 370)	(300 430)	(350 376)	(269 857)
Applied to social and cultural expenses	(23 605)	(25 172)	(27 835)	(30 838)
Net cash flows generated from/(utilised in) operating activities	(43 285)	(16 175)	(88 896)	1 598
CASH FLOWS GENERATED FROM INVESTING ACTIVITIES				
Additions to property, equipment and intangible assets	(12 782)	(9 902)	(14 902)	(11 890)
(Increase)/decrease in loans (to)/from related parties	(23 072)	(22 800)	6 223	(4 149)
Proceeds on disposal of property and equipment	-	269	-	271
Proceeds on disposal of investments	55 238	25 589	55 238	25 589
Disposal of subsidiaries	-	-	(1 869)	-
Interest received from subsidiaries	4 349	4 349	-	-
Net cash flows generated from/(utilised in) investing activities	23 733	(2 495)	44 690	9 821
Net (decrease)/increase in cash and cash equivalents	(19 552)	(18 670)	(44 206)	11 419
Effects of exchange rate changes on cash and cash equivalents	-	-	(3 972)	(225)
Cash and cash equivalents at the beginning of the year	92 018	110 688	169 470	158 276
Cash and cash equivalents at the end of the year	72 466	92 018	121 292	169 470

SUMMARY CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2017

COMPANY	Retained earnings R000	Fixed asset revaluation reserve R000	Unrealised gains reserve R000	Total R000
Balance at 30 June 2015	46 626	1 246	88 593	136 465
Total comprehensive loss for the year	-	(92)	(8 008)	(8 100)
Revaluation of paintings	-	(44)	-	(44)
Revaluation of investments	-	-	(6 029)	(6 029)
Deferred tax	-	(48)	(1 979)	(2 027)
Balance at 30 June 2016	46 626	1 154	80 585	128 365
Total comprehensive (loss)/income for the year	(29 618)	116	(19 744)	(49 246)
Loss for the year	(29 618)	-	-	(29 618)
Revaluation of paintings	-	150	-	150
Revaluation of investments	-	-	(25 443)	(25 443)
Deferred tax	-	(34)	5 699	5 665
Balance at 30 June 2017	17 008	1 270	60 841	79 119

GROUP	Retained earnings R000	Fixed asset revaluation reserve R000	Unrealised gains reserve R000	Foreign currency translation reserve R000	Total R000	Non- controlling Interest R000	Total funds and reserves R000
Balance at 30 June 2015	(30 162)	1 246	88 593	-	59 677	-	59 677
Total comprehensive loss for the year	(17 109)	(92)	(8 008)	(180)	(25 389)	(3 227)	(28 616)
Loss for the year	(17 109)	-	-	(180)	(17 289)	(3 227)	(20 516)
Revaluation of paintings	-	(44)	-	-	(44)	-	(44)
Revaluation of investments	-	-	(6 029)	-	(6 029)	-	(6 029)
Deferred tax	-	(48)	(1 979)	-	(2 027)	-	(2 027)
Balance at 30 June 2016	(47 271)	1 154	80 585	(180)	34 288	(3 227)	31 061
Total comprehensive income/(loss) for the year	9 166	46 956	(19 744)	(3 178)	33 200	(3 679)	29 521
(Loss)/income for the year	(8 018)	-	-	(3 178)	(11 196)	(3 679)	(14 875)
Revaluation of paintings	-	150	-	-	150	-	150
Revaluation of investments	-	-	(25 443)	-	(25 443)	-	(25 443)
Revaluation of land and buildings	-	65 055	-	-	65 055	-	65 055
Disposal of subsidiary	17 184	-	-	-	17 184	-	17 184
Deferred tax	-	(18 249)	5 699	-	(12 550)	-	(12 550)
Balance at 30 June 2017	(38 105)	48 110	60 841	(3 358)	67 488	(6 906)	60 582

NOTES TO THE ANNUAL SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

These summary consolidated financial statements for the year ended 30 June 2017 have been extracted from the full set of audited consolidated annual financial statements for the year ended 30 June 2017, which have been prepared in accordance with the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective or issued and early adopted, and in the manner required by the Companies Act of South Africa. The summary consolidated and separate financial statements have been prepared using IAS34 "Interim Financial Reporting" and should be read in conjunction with the full set of audited consolidated annual financial statements. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

3. REVENUE

Music rights

Performing rights

Total SAMRO territory

Royalties from affiliated societies

Licence and royalty income

Reprographic administration fees

Rental income

Total revenue

4. OTHER INCOME

Administration fees

Interest on loans and cash balances

Interest from subsidiary companies

Administration, computer and management fees from subsidiary companies

SAMRO Foundation project funding

Total other income

5. INVESTMENT INCOME

Available-for-sale investments

Dividends

Interest from debentures and loan stock

Interest from bonds and notes

Interest from short-term investments

Total income from available-for-sale investments

6. OTHER GAINS

Gain on disposal of investments

Total other gains

	COMPANY		GROUP	
	2017 R000	2016 R000	2017 R000	2016 R000
3. REVENUE	465 615	449 320	483 656	468 283
Music rights				
Performing rights	452 054	436 177	452 054	436 177
Total SAMRO territory	452 054	436 177	452 054	436 177
Royalties from affiliated societies	13 561	13 143	13 561	13 143
Licence and royalty income	465 615	449 320	465 615	449 320
Reprographic administration fees	-	-	12 321	13 681
Rental income	-	-	5 720	5 282
Total revenue	465 615	449 320	483 656	468 283
4. OTHER INCOME	8 299	7 678	4 281	6 716
Administration fees	5	19	5	58
Interest on loans and cash balances	1 148	912	1 210	958
Interest from subsidiary companies	4 349	4 349	-	-
Administration, computer and management fees from subsidiary companies	2 797	2 398	-	-
SAMRO Foundation project funding	-	-	3 066	5 700
Total other income	8 299	7 678	4 281	6 716
5. INVESTMENT INCOME	13 055	15 144	16 077	17 693
Available-for-sale investments				
Dividends	6 165	6 511	6 165	6 511
Interest from debentures and loan stock	4 234	3 555	4 234	3 555
Interest from bonds and notes	-	1 055	-	1 055
Interest from short-term investments	2 656	4 023	5 678	6 572
Total income from available-for-sale investments	13 055	15 144	16 077	17 693
6. OTHER GAINS	21 629	16 996	21 629	16 996
Gain on disposal of investments	21 629	16 996	21 629	16 996
Total other gains	21 629	16 996	21 629	16 996

7. OPERATING LOSS

Operating loss includes the following items:

	COMPANY		GROUP	
	2017 R000	2016 R000	2017 R000	2016 R000
Accommodation costs	2 946	2 963	3 238	3 608
Depreciation	2 405	2 764	3 076	5 710
Amortisation	5 993	6 475	6 079	6 528
Operating costs	10 562	11 848	13 047	13 928
Professional fees	728	1 310	2 570	2 269
IT costs	4 397	4 103	4 690	4 315
Employee benefits	92 350	87 598	114 554	105 717
Marketing costs	8 460	2 813	8 795	2 896
Other costs	3 568	2 426	5 183	9 466
Auditors' remuneration				
Fees – current year	1 701	1 559	2 075	1 974
Fees – underprovision previous years	156	119	156	119
	1 857	1 678	2 231	2 093
Bad debt provision	22 246	29 705	22 683	29 705
Investment management fees	1 365	1 372	1 365	1 372
(Profit)/loss on disposal of property and equipment	102	(128)	103	(130)
Impairment loss*	37 353	-	-	-

* The impairment loss relates to the investment in Arab Emirates Music Rights Organisation (AEMRO). The AEMRO acquisition signified the group's efforts to diversify into new markets. However, due to AEMRO's failure to obtain CISAC membership, the board has taken the decision to withdraw from this territory.

7.1 EMPLOYEE BENEFITS

Personnel costs include:

	COMPANY		GROUP	
	2017 R000	2016 R000	2017 R000	2016 R000
Salaries and bonuses	73 557	68 513	92 425	83 615
Social security levies	1 082	1 047	1 164	1 120
Pension costs on defined contribution plan	8 882	9 093	9 727	9 792
Training	560	712	670	713
Recruitment	1 188	311	1 255	513
Other employment costs	7 672	7 601	9 904	9 643
	92 941	87 277	115 145	105 396
Post-employment benefits	(591)	321	(591)	321
	92 350	87 598	114 554	105 717
8. SOCIAL AND CULTURAL EXPENSES	24 108	24 216	26 286	29 055
Social	9 161	9 202	9 161	9 202
Cultural	14 947	15 014	17 125	19 853
	24 108	24 216	26 286	29 055

NOTES TO THE ANNUAL SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS CONTINUED

	COMPANY		GROUP	
	2017 R000	2016 R000	2017 R000	2016 R000
9. DISTRIBUTION AND GRANT OF RIGHTS PAYABLE	351 797	368 374	351 797	368 374
Licence and royalty	310 180	326 929	310 180	326 929
Grant of rights	41 617	41 445	41 617	41 445
Total distributions	351 797	368 374	351 797	368 374
10. ROYALTY DISTRIBUTIONS WRITTEN BACK	51 804	66 702	51 804	66 702
Undistributable income written back	51 804	66 702	51 804	66 702
11. FINANCE CHARGES	-	-	2 542	2 360
Interest on borrowings	-	-	2 542	2 360
Total finance costs	-	-	2 542	2 360
12. KEY MANAGEMENT EMOLUMENTS	22 144	21 493	40 454	36 583
From the company and its controlled subsidiaries for:				
Directors				
Current emoluments				
- Non-executive directors - fees	3 109	1 746	3 419	1 994
- Non-executive directors - other	25	58	25	208
- Salaries	5 576	5 502	20 604	17 618
- Pension and medical aid contributions	387	738	989	1 312
- Bonuses and other fringe benefits	272	1 656	639	1 922
Total directors' current emoluments	9 369	9 700	25 676	23 054
Post-retirement benefits				
- Estimated post-retirement benefits	-	-	-	5
Total directors' emoluments	9 369	9 700	25 676	23 059
Paid by:				
- Company	9 369	9 700	9 370	9 700
- Subsidiaries	-	-	16 306	13 359
Total paid	9 369	9 700	25 676	23 059
Other key management				
Current emoluments				
- Salaries and bonuses	10 089	9 209	11 697	10 570
- Pension and medical aid contributions	1 792	1 653	2 048	1 882
- Other fringe benefits	914	921	1 054	1 061
Total other key management current emoluments	12 795	11 783	14 799	13 513
Post-retirement benefits				
- Estimated post-retirement benefits	(21)	10	(21)	11
Total other key management emoluments	12 774	11 793	14 778	13 524
Total key management emoluments	22 144	21 493	40 454	36 583

	COMPANY		GROUP	
	2017 R000	2016 R000	2017 R000	2016 R000
13. CAPITAL EXPENDITURE INCURRED	12 782	9 902	14 903	11 890
Property and equipment	1 961	1 959	3 260	2 863
Software development	10 821	7 943	11 643	9 027
	12 782	9 902	14 903	11 890
14. AVAILABLE-FOR-SALE INVESTMENTS	227 965	286 918	227 965	286 918
At cost	149 868	183 378	149 868	183 378
Market revaluation	78 097	103 540	78 097	103 540
	227 965	286 918	227 965	286 918
15. CASH AND CASH EQUIVALENTS	72 466	92 018	121 292	169 470
Cash on hand and balances at banks	45 508	47 232	94 334	124 684
Short-term investments	26 958	44 786	26 958	44 786
	72 466	92 018	121 292	169 470
16. BORROWINGS				
Nedbank mortgage bond	-	-	27 475	27 475
	-	-	27 475	27 475

* 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 is repayable as one bullet payment after year 5 on 1 February 2018. The interest rate is prime less 1,25 %.

	COMPANY		GROUP	
	2017 R000	2016 R000	2017 R000	2016 R000
17. DISTRIBUTIONS PAYABLE	376 194	393 027	418 424	466 263
Royalty distributions	310 180	326 929	310 180	326 929
Grant of rights	41 617	41 445	41 617	41 445
Current amount per income statement	351 797	368 374	351 797	368 374
Social benefits	8 751	8 792	8 751	8 792
For distribution current year DALRO	-	-	42 230	69 425
For distribution current year POSA Trust	-	-	-	3 811
Prior periods amounts	179 701	23 086	179 701	23 086
	540 249	400 252	582 479	473 488
Distributions and advances	(164 055)	(7 225)	(164 055)	(7 225)
Total for distribution	376 194	393 027	418 424	466 263
18. DISTRIBUTIONS IN PROGRESS	170 375	172 919	170 375	172 919
Shares in musical works	15 663	13 727	15 663	13 727
Musical works	154 712	159 192	154 712	159 192
	170 375	172 919	170 375	172 919

NOTES TO THE ANNUAL SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS CONTINUED

19. SOCIAL AND CULTURAL OBLIGATIONS

Balance at the beginning of the year
Utilisation during the year
Current funding for the year
Balance at the end of the year

19.1 SOCIAL OBLIGATIONS

Other social funds not included in distributions

Balance at the beginning of the year
Utilisation during the year
Current funding for the year

Balance at the end of the year

Copyrights training fund

Balance at the beginning of the year
Utilisation during the year
Current funding for the year

Balance at the end of the year

Total social funds

19.2 CULTURAL OBLIGATIONS

SAMRO Foundation and related provisions

Balance at the beginning of the year
Utilisation during the year
Current funding for the year

Balance at the end of the year

Bequests and donations

Balance at the beginning of the year
Utilisation during the year
Current funding for the year

Balance at the end of the year

Bilateral agreement funds

Balance at the beginning of the year
Utilisation during the year
Current funding for the year

Balance at the end of the year

Bursary funds

Balance at the beginning of the year
Utilisation during the year
Current funding for the year

Balance at the end of the year

Total cultural funds

Total social and cultural funds

COMPANY		GROUP	
2017 R000	2016 R000	2017 R000	2016 R000
18 018	17 515	17 704	19 253
17 515	18 471	19 253	21 036
(23 605)	(25 172)	(27 835)	(30 838)
24 108	24 216	26 286	29 055
18 018	17 515	17 704	19 253
9 188	10 974	9 188	10 974
(10 090)	(10 988)	(10 090)	(10 988)
9 161	9 202	9 161	9 202
8 259	9 188	8 259	9 188
-	-	912	1 192
-	-	(975)	(530)
-	-	300	250
-	-	237	912
8 259	9 188	8 496	10 100
6 342	5 512	4 710	4 623
(13 515)	(14 184)	(14 306)	(14 927)
14 947	15 014	14 947	15 014
7 774	6 342	5 351	4 710
1 985	1 985	2 084	2 084
-	-	-	-
-	-	-	-
1 985	1 985	2 084	2 084
-	-	2 091	1 719
-	-	(1 857)	(703)
-	-	1 256	1 075
-	-	1 490	2 091
-	-	268	444
-	-	-	(190)
-	-	15	14
-	-	283	268
9 759	8 327	9 208	9 153
18 018	17 515	17 704	19 253

20. SUBSEQUENT EVENTS

After year end, SAMRO NPC has taken a decision to withdraw from the venture in the UAE (AEMRO) and write off the related investment (Refer note 7). Costs of withdrawal are still being negotiated.

21. OTHER LEGAL AND REGULATORY REQUIREMENTS

The Board of Directors advanced a loan to its subsidiary AEMRO Intellectual Property Rights Management in terms of its strategic plan and as communicated to members at its previous annual general meeting. As it had not obtained the required special shareholders resolution in SAMRO House Holdings Proprietary Limited approving the granting of financial assistance as well as performing the required solvency and liquidity test, it did not comply with the requirements of section 45(3)(a)(ii) and 45(3)(b) of the Companies Act 2008. The full loan of R32 006 545 is no longer recoverable and has been written off in the current year which resulted in a loss to the entity. This has been reported to SAMRO members at an Extraordinary General Meeting called by the board.

Management has undertaken the following corrective measures:

Management engaged external counsel, Webber Wentzel, who stated that the non-compliance with section 45 was an administration oversight; not deliberate, nor designed to either conceal the transactions or achieve something that could not have been achieved in compliance with section 45. The matter will be tabled at the annual general meeting providing a full explanation to the members.

In accordance with PwC's responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, this has been identified as an unlawful act or omission committed by persons responsible for the management of SAMRO House Holdings Proprietary Limited which constitutes a Reportable Irregularity in terms of the Auditing Profession Act, and PwC have reported the matter to the Independent Regulatory Board for Auditors.

The Reportable Irregularity is no longer taking place as the loan was in respect of a specific transaction and management are taking appropriate steps to protect the interests of the company and its members.

ABBREVIATIONS AND ACRONYMS

AEMRO	Arab Emirates Music Rights Organisation
AGM	Annual general meeting
BBBEE	Broad-based black economic empowerment
BIEM	Bureau International des Sociétés Gérant les droits d'Enregistrement et de Reproduction Mécanique (Mechanical rights equivalent of CISAC)
CAPASSO	Composers, Authors and Publishers Association
CASA	Composers Association of South Africa
CCIFSA	Cultural and Creative Industry Federation of South Africa
CISAC	International Confederation of Societies of Authors and Composers
CMO	Collective management organisation
CSI	Corporate social investment
CWU	Communication Workers' Union
DALRO	Dramatic, Artistic and Literary Rights Organisation (Pty) Ltd
dti	Department of Trade and Industry
IFRRO	International Federation of Reproduction Rights Organisations
MOI	Memorandum of incorporation
MPA	Music Publishers Association
NORM	National Organisation for Reproduction Rights in Music in Southern Africa Limited
NPC	Non-profit company
POSA	Performers Organisation of South Africa
SADC	Southern African Development Community
PR	Performing rights
SAMIC	South African Music Industry Council
SAMPA	South African Music Promoters Association
SAMPRA	South African Music Performance Rights Association
SAMRO	Southern African Music Rights Organisation
SETA	Skills Education and Training Authority
SRAF	SAMRO Retirement Annuity Fund
undoc	Musical works for which the rights holders are not known and that have not yet been documented

CORPORATE INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
REGISTRATION NUMBER	1961/002506/08
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FACEBOOK	SAMROSouthAfrica
TWITTER	@SAMROMusic
CHIEF EXECUTIVE OFFICER	N Migogo
CHIEF FINANCIAL OFFICER	GJ Zoghby
BANKERS	Standard Bank Absa Bank
AUDITORS	PricewaterhouseCoopers Inc.
LEGAL ADVISORS	Spoor & Fisher Webber Wentzel Terina Singh
INVESTMENT ADVISORS	Investec Nedbank Wealth Old Mutual Multi Managers



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